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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on applying a generalised scheme of tariff preferences and repealing Regulation (EU) No 978/2012 of the European Parliament and of the Council

{SEC(2021) 330 final} - {SWD(2021) 266 final} - {SWD(2021) 267 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The European Union (EU) has granted trade preferences to developing countries[1] through the Generalised Scheme of Preferences (GSP) since 1971. It is part of its common commercial policy, in accordance with the general provisions governing the EU's external action[2].

The GSP is one of the key EU trade instruments to assist developing countries to integrate in the world economy, reduce poverty, and support sustainable development through the promotion of core human and labour rights, environmental protection, and good governance. The GSP consists of three arrangements:

- Standard GSP: for low and lower-middle income countries, providing for a reduction or full removal of customs duties on two thirds of EU tariff lines.
- GSP+: the special incentive arrangement for sustainable development and good governance, which reduces tariffs to 0% for broadly the same tariff lines as Standard GSP. It is granted to vulnerable low and lower-middle income countries that implement 27 international conventions related to human rights, labour rights, protection of the environment and good governance.
- EBA (Everything But Arms): the special arrangement for least developed countries (LDCs), providing them with duty-free, quota-free access to the EU market for all products except arms and ammunition.

The current scheme shall apply until on 31 December 2023. Unless a new Regulation is adopted, the Standard GSP and the GSP+ arrangements will cease to apply on 1 January 2024. Imports from developing countries under Standard GSP and GSP+ would thus be charged with higher duties. However, imports from LDCs would still be covered by the EBA arrangement, which does not have an expiry date. The proposal for a new GSP Regulation aims to renew the scheme for a further period of ten years. The GSP is a mature part of the EU's trade policy toolbox. Its review is about fine-tuning the way the GSP works and improving its efficiency and effectiveness. Hence, the chosen set of policy options, also defined and further explored in the External Study and Impact Assessment, have a high level of granularity. They aim at specific and limited improvements, to ensure the continued relevance of the GSP overall, and to achieve its development and sustainability objectives.

The EU's overarching objectives with the revised GSP Regulation are to maintain the essential features of the present Regulation, namely poverty eradication and support for sustainable development and good governance, while also not jeopardising EU interests. At

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[1] The expression "developing countries" is used following WTO terminology, see for instance the chapeau of the Marrakesh Agreement Establishing the WTO ("Recognizing further that there is need for positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth in international trade commensurate with the needs of their economic development") and the GATT Enabling Clause ("Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries").

[2] Treaty on European Union - TITLE V: GENERAL PROVISIONS ON THE UNION'S EXTERNAL ACTION AND SPECIFIC PROVISIONS ON THE COMMON FOREIGN AND SECURITY POLICY Chapter 1: General provisions on the Union's external action - Article 21 http://data.europa.eu/eli/treaty/teu_2008/art_21/oj

the same time, the aim is to improve the GSP's overall efficiency and effectiveness to respond to future challenges:

(a) Facilitate access to the GSP+ arrangement to the growing number of LDCs graduating from the EBA status;

(b) Adjust product graduation thresholds to better focus preferences on less competitive products and countries;

(c) Reflect the evolving priorities such as those underpinning the European Green Deal by extending negative conditionality also to environmental and good governance conventions;

(d) Update the list of international conventions in a targeted and manageable way, while not jeopardizing the monitoring process;

(e) Make the preferences withdrawal process more responsive in urgent cases;

(f) Enhance the monitoring and implementation of GSP+ commitments, for instance through increased transparency and participation of relevant stakeholders, including through the recently created Single Entry Point (SEP) mechanism for non-compliance related complaints.

This is an initiative within the Regulatory Fitness Programme (REFIT).

- **Consistency with existing policy provisions in the policy area**

The general objectives of the GSP are consistent with the analysis and perspective of the Commission Communication *Trade Policy Review: An Open, Sustainable and Assertive Trade Policy*[3] of 18 February 2021. The Trade Policy Review (TPR) confirms the objective of the GSP review to increase trading opportunities for developing countries to reduce poverty and to create jobs, based on international values and principles. It further notes the EU's interest in supporting vulnerable developing countries to integrate into the world economy and to support multilateralism, and ensure adherence to universal values, adding a focus on climate and environmental challenges, while also remaining ready to act assertively in defending its interests.

The initiative is consistent with the establishment of the Chief Trade Enforcement Officer (CTEO) and the Single Entry Point (SEP); the on-going development of supply chain due-diligence legislation, the newly established EU Global Human Rights Sanctions Regime, as well as on-going programming of development cooperation.

- **Consistency with other Union policies**

The continuation of GSP is part of the EU's political commitment to support sustainable development globally, as reflected in the implementation of the United Nations (UN) Agenda 2030 for Sustainable Development and Sustainable Development Goals (SDGs) – to which all World Trade Organisation (WTO) Members have committed. The GSP's objectives are also in line with EU's Policy Coherence for Development (PCD), which constitutes a key pillar of EU efforts to enhance the positive impact and increase effectiveness of development cooperation[4]. Furthermore, it is consistent with Treaty provisions on promotion of sustainable

[3] COM(2021) 66 final, 18 February 2021 https://ec.europa.eu/transparency/regdoc/rep/1/2021/EN/COM-2021-66-F1-EN-MAIN-PART-1.PDF

[4] Article 208 of the Treaty on the Functioning of the EU concerning PCD reads: "*The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries*".

development and human rights through external action, trade provisions regulating imports, EU Green Deal initiatives, and the EU Action Plan on Human Rights and Democracy.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

The legal basis for a new GSP Regulation lies in Article 207 of the Treaty on the Functioning of the European Union (TFEU), which sets out the EU's common commercial policy.

• Subsidiarity (for non-exclusive competence)

The common commercial policy is listed in Article 3 of the TFEU among the areas of exclusive competence of the Union.

Pursuant to Article 5(3) of the Treaty on European Union (TEU), the subsidiarity principle does not apply in areas of exclusive EU competence.

• Proportionality

The principle of proportionality is satisfied since the proposal includes limited effectiveness and efficiency adjustments only. The proposal is accompanied by an Impact Assessment Report, which discusses proportionality in Chapters 3 (Why should the EU act?), 6 (What are the impacts of the policy options?) and 7 (How do the options compare?). The practical implications of the initiative are discussed in Annex 3 of the Impact Assessment Report accompanying the legislative proposal (Who is affected and how?). The policy choices in the proposal are described in Chapter 8 of the accompanying Impact Assessment Report (Chapter 8 – Preferred Options) and can be summarised as follows:

– To maintain the current architecture consisting of three arrangements.

– To amend the vulnerability (economic eligibility) criteria for GSP+ to allow LDC countries that graduate from LDC status to join GSP+.

– To review the product graduation thresholds.

– To extend negative conditionality to environmental and good governance conventions and review the list of international conventions.

– To expand and improve the withdrawal procedure (carry out a socio-economic impact assessment, provide for a rapid response mechanism that can be activated in cases of exceptionally grave violations, expand the scope of the instrument to cover also the principles of the environment and good governance conventions and additional areas such as relating to migration).

– To improve transparency and inclusion of civil society and streamline the monitoring cycle (reporting every 3 years).

• Choice of the instrument

The GSP Regulation is the only appropriate action that the Union can take to establish unilateral, non-reciprocal, preferential access to the Union market for developing countries.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

• Ex-post evaluations/fitness checks of existing legislation

A Mid-term Evaluation (MTE) of the current GSP Regulation was completed in 2018[5]. The MTE concluded that, overall, the GSP was delivering on its objectives[6] and there was no need to amend the Regulation before its expiry on 31 December 2023. However, the MTE made several recommendations to improve the effectiveness and efficiency of the scheme. These recommendations underpinned the identification of the problems defined in detail in Section 2 of the Impact Assessment Report accompanying this proposal.

The MTE Project Team presented the following recommendations: (1) Improve transparency and awareness of EU's GSP and GSP+ monitoring; (2) Safeguard provisions to be more effectively used; (3) Temporary withdrawal of tariff preferences to be more effectively used; (4) Update the list of conventions on core human and labour rights as well as on environment and good governance principles; (5) Evaluate the continued relevance of the Standard GSP arrangement as distinct and separate from the GSP+ and consider expanding conditionality related to conventions; (6) Take stock of the WTO's services waiver for LDCs; and (7) Consider the issue of coherence between GSP and the Free Trade Agreements (FTAs)/Preferential Trade Agreements (PTAs) regimes**.** Several of these aspects were addressed during the implementation of the GSP Regulation, in particular through the GSP Hub Project on transparency and awareness. The safeguard and withdrawal mechanisms were also applied since the MTE; lessons learned from their application are presented in the Impact Assessment accompanying this proposal.

• Stakeholder consultations

An open public consultation on the GSP and the proposed reform options was open from 11 March 2020 to 15 July 2020. A detailed summary of the stakeholder consultation is provided in Annex 2 of the accompanying Impact Assessment Report.

512 responses were submitted to the public consultation. Among the respondents, 54% are EU stakeholders, 41% from GSP countries, and the remaining 5% from other countries (including the UK). In terms of the type of respondent, "companies/business organisations" account for the largest share of responses (28%), followed by business associations (24%) and EU citizens (17%), public sector (12%), civil society (NGOs, environmental and consumer organisations, and academia; 8%), and others (including trade unions; 7%).

A large majority i.e., about 70% of respondents considers that international trade can make an important contribution to poverty eradication in developing countries and another 10% think that it can make a minor contribution; 17% think that it cannot contribute to poverty alleviation. Views in GSP countries are clearly more positive regarding the poverty alleviating role of trade: here, 92% of respondents state that trade can make an important contribution, compared to 52% of EU respondents; conversely, 19% of EU respondents do not believe that

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5 Commission Staff Working Document *Midterm Evaluation of the Generalised Scheme of Preferences* (SWD(2018) 430 final), http://trade.ec.europa.eu/doclib/docs/2017/september/tradoc_156085.pdf

6 For instance, since 2011, EBA-beneficiary Bangladesh has almost doubled its exports to the EU from EUR 9 billion to approximately EUR 18 billion in 2018. Exports from GSP countries, in particular the LDCs expanded significantly over the last few years. The scheme's safeguards were used. Through promotion of socio-economic development while respecting the core values the GSP contributed positively to promoting and protecting human and labour rights. The MTE noted, however, that impact of GSP on environment protection was less clear.

trade can help eradicate poverty, compared to 2% in GSP countries. Asked about how trade contributed to poverty alleviation, most respondents pointed to the generation of employment and, in the long term, skills development through exporting.

On average, the GSP is viewed to have positive impacts across all areas of sustainable development.

86% of respondents consider it important for the EU to continue monitoring the level of implementation of the 27 international conventions by GSP+ beneficiary countries, compared to 8% who consider it unimportant. Respondents consider that a wide range of information sources provide useful information for the Commission's monitoring of the implementation of international conventions. The most relevant source, with some distance, are reports by the conventions' monitoring bodies, i.e., the UN, International Labour Organization (ILO) and other international organisations, followed by information provided by business and social partners in the beneficiary countries, and by Non-Governmental Organizations (NGOs).
The input received was considered in the accompanying Impact Assessment Report in particular in the construction of the problem definitions (Chapter 2), the general and specific objectives of the initiative (Chapter 4), and the available policy options (Chapter 5).

- **Collection and use of expertise**

An External Study (hereafter the Study) informing the draft Impact Assessment Report was undertaken by BKP Economic Advisors GmbH. The final report of the Study was published in May 2021 and is available on the DG Trade website[7]. The Study followed onto the conclusions of the MTE and focused on several policy options that could improve achieving the overall objectives of the GSP instrument. It took into account existing literature and the results of the open public consultation described above. An executive summary of the recommendations of the Study is available on the DG Trade website[8].

The results of the supporting Study were presented to the GSP Expert Group on the following dates: 20 October 2020, 7 December 2020, and 23 February 2021; and to INTA at an in-camera technical presentation on 12 April 2021.

The key elements of this proposal were further discussed with the GSP Experts on 19 April 2021 and 14 June 2021.

- **Impact assessment**

The summary sheet of the accompanying Impact Assessment Report is available as part of the proposal package. The Regulatory Scrutiny Board issued a positive opinion on the Impact Assessment Report on 9 April 2021.

The Impact Assessment examined policy alternatives in five thematic clusters: (1) GSP arrangements and beneficiary countries, (2) product coverage and product graduation mechanism, (3) conditionality of gaining/maintaining tariff preferences, (4) transparency in GSP implementation and (5) safeguards. For each cluster, several policy options were assessed against the baseline of keeping the GSP scheme as it is.

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7 https://op.europa.eu/en/publication-detail/-/publication/706f539c-f0db-11eb-a71c-01aa75ed71a1/language-en/format-PDF/source-221478841 and https://op.europa.eu/en/publication-detail/-/publication/be174994-f337-11eb-aeb9-01aa75ed71a1/language-en

8 https://op.europa.eu/en/publication-detail/-/publication/f7031da3-f0dc-11eb-a71c-01aa75ed71a1/language-en

(1) GSP arrangements and beneficiary countries (country graduation)

This cluster looks at the continuous reduction of the number of the GSP beneficiaries. Countries may lose access to GSP if they conclude a Free Trade Agreement with the EU or if they move up to the Upper-Middle-Income country category. The Impact Assessment looks at options to amend the three-tier structure of the GSP and the country coverage of the scheme. The analysis shows that there is no compelling reason to change the existing structure or country coverage of the GSP, as the scheme is already focused on countries most in need and the three-tier structure addresses the different developmental needs of beneficiaries.

The option which contributes most to the general objective of contributing to poverty eradication and the specific objective of expanding exports from developing countries is to amend the economic vulnerability criteria for GSP+. This option attempts to mitigate the significant negative consequences of losing EBA preferences following graduation from LDC status.

Continued access to GSP (in particular to GSP+) matters to the relatively high number of LDCs beneficiaries expected to lose EBA status in the coming years. The supporting Study finds that of the 12 countries likely to graduate from EBA over the lifespan of the next Regulation, six are likely to face significant economic impact and notably this is the case for Bangladesh.

The supporting Study and Impact Assessment Report, therefore, suggest the following options to ensure that all EBA countries expected to graduate from LDC status could transition to GSP+ arrangement: (1) To maintain the current architecture consisting of three arrangements; and (2) To amend the vulnerability (eligibility) criteria to facilitate access by a larger number of countries that graduate from LDC status to the GSP+ arrangement.

(2) Product coverage and product graduation mechanism

The supporting Study and Impact Assessment Report analysed whether the product graduation mechanism targets well enough the most competitive products[9] and the most competitive countries (option to extend the product graduation mechanism from Standard GSP to GSP+ or EBA beneficiaries). Furthermore, they assessed whether the product coverage reflects the export potential of GSP beneficiaries.

The socio-economic analysis found that the current definition of the graduation mechanism could be maintained and continue to apply only for Standard GSP. No significant economic and social impacts are observed if product graduation is extended to GSP+ or EBA beneficiaries or if product coverage is extended to new sectors and products.

We, therefore, propose to maintain product graduation only for Standard GSP but review the thresholds for product graduation. We propose to maintain the current graduation method by section and decrease the product graduation thresholds by 10 percentage points.

(3) Conditionality of gaining/maintaining tariff preferences

GSP conditionality remains one of the key EU instruments to promote respect for human rights and international humanitarian law, and labour rights, environmental protection, and good governance in GSP beneficiary countries: a country should not benefit from preferential trade arrangements if it is acting in a way that is contrary to international standards and

9 Calculated as percentage share of a given product group imported from a beneficiary country to the EU in the total EU imports of that product group from all GSP beneficiaries.

principles and thereby also to its own developmental needs. The Impact Assessment looks at options on extending positive and negative conditionality, amending the list of GSP relevant conventions, and introducing changes to the preferences withdrawal process.

Building upon the MTE and the supporting Study, the main conclusion is to extend negative conditionality (i.e. the withdrawal provisions under Article 19(1), point (a) of the current GSP Regulation (EU) No 978/2012) also to environmental and good governance conventions (currently it only concerns the core human and labour rights UN/ILO conventions). Another aim is to further reinforce GSP's contribution to sustainable development by updating the list of international conventions, and by improving the withdrawal procedure.

The experience of the GSP monitoring and withdrawal mechanisms as currently applied to human and labour rights conventions suggests that an extension of negative conditionality to environmental and good governance conventions would create similar opportunities to engage on such issues in support of the UN Sustainable Development Goals (SDGs) and the contribution of the EU's green agenda to GSP beneficiary countries.

Regarding the GSP withdrawal procedure, the experience so far has shown such procedure can be slow in reaching a final decision; all past withdrawals took up to two years to conclude, including the preparatory stages before launching a withdrawal investigation. Exceptionally grave violations require, however, that the Commission have the tools to respond promptly. We, therefore, propose a rapid response mechanism in view of the specific circumstances in the beneficiary country.

The experience with the temporary and partial withdrawal[10] of EBA preferences from Cambodia in 2020 has shown that it is necessary to carefully assess the socio-economic impact of withdrawal of preferences on the sectors of production affected to avoid hurting the most vulnerable part of the population.

(4) Transparency in the monitoring and implementation of GSP commitments

In July 2020, the Commission appointed the Chief Trade Enforcement Officer (CTEO) with the role of better enforcing trade policy. In this connection, in November 2020, the Commission launched a new complaints mechanism, the Single Entry Point (SEP) as part of its increased efforts to strengthen the enforcement and implementation of trade commitments. Through the SEP, the Commission receives complaints on various matters related to trade policy, including breaches of the GSP commitments. It is necessary, therefore, to integrate this new system of complaints within the framework of the GSP Regulation, in particular with respect to the withdrawal procedure.

Stakeholders consulted during the 2018 MTE and the 2021 IA supporting Study preparation raised the need to improve the transparency and communication across the various stages of GSP monitoring and implementation work. This could help make the monitoring system more robust and contribute towards a more effective dialogue with beneficiary countries, as well as strengthen stakeholder involvement in the GSP.

The Impact Assessment reviews options on improving the monitoring process and civil society's involvement and on adjusting the GSP+ monitoring cycle. We, therefore, propose to publish guidance on the monitoring process as developed through administrative practice, on the actors involved and the opportunities for civil society's involvement. In the legislative proposal, we further clarify the wide inclusion of information sources for GSP+ monitoring and suggest to change the GSP monitoring cycle's duration from two to three years.

[10] The possibility of partial withdrawal of preferences was introduced as a result of 2012 GSP reform.

(5) Application of safeguards

The supporting Study and Impact Assessment Report consider two types of expansion regarding automatic safeguards - in terms of the product coverage and the GSP beneficiaries covered. The conclusion is that neither would lead to a more frequent application of this mechanism. Hence, there does not appear a need for major changes to the safeguard mechanism. It is, therefore, proposed to proceed only with a number of technical adjustments and improvements aiming at aligning better the automatic safeguards with product graduation, namely: (1) Base the calculation of import surges at GSP Section level on import values rather than import volumes due to the heterogeneity of products within Sections; this will better reflect instances of increased imports which could harm EU industry; (2) Align the thresholds for automatic safeguards and product graduation so as to complement each other.

Overall impact of the preferred set of options

The overall economic and non-economic impact (social, environmental, human rights) of the proposed policy options is limited as the current GSP three-tier structure is proposed to be maintained. This choice has been made to precisely limit the expected decline in real GDP, in welfare, in total exports to the EU, and in governmental revenues compared to the current baseline that could be felt by Standard GSP or GSP+ countries, should the current structure be modified. In case of discontinuation of the Standard GSP and/or GSP+, a significant reduction in exports would be expected in specific sectors such as textiles and apparel, leather and footwear, agri-food products, chemical, rubber and plastics. The economic analysis in the supporting Study has been made using Computable General Equilibrium (CGE) model-based simulations. It has showed (in all other scenarios than maintaining the current architecture of GSP), the negative impact on GDP and trade for both the EU and the GSP beneficiaries, (some of them may be more affected)[11] and supports this fundamental choice in favour of continuity of the scheme and its current structure.

The choice to build a bridge towards GSP+ for LDCs which exit EBA (by amending GSP+ economic eligibility criteria) strengthens the continuity choice and reduces the negative impact which could have been felt on LDCs.

More active use of conditionality linked to potential (partial or sectoral) withdrawals is expected to positively impact the effectiveness of the GSP scheme: it would further advance the GSP sustainable development objective. It would also be coherent with other EU policies, in particular development cooperation, promotion of human rights and social issues, and the EU contribution to Agenda 2030.

Overall impact on political relations

Continuing GSP with the targeted changes proposed will be a key encouraging signal from the EU to developing partners, maintaining an important platform to engage with beneficiary countries to bring about change that is consistent with the EU's values agenda and policy coherence for development.

The political impact of the preferred options is a key consideration. For this area, the analysis is qualitative and based on formal and informal consultations. We expect the choice of

[11] The CGE analysis shows that EU GDP would fall by up to 0.01% whereas the GSP countries losses would be larger in relative terms i.e. between 0.04% and 0.07%. This relatively moderate average does not change the fact that some individual countries would be more adversely affected in particular Pakistan and Bangladesh, losing up to 0.3% and 0.36% of GDP, respectively.

continuity of the current GSP architecture to be welcomed by beneficiary countries and by developed WTO partners. This is in line with the long-standing principle of the General Agreement on Tariffs and Trade (GATT) Enabling Clause, which grants a permanent exemption from the Most Favoured Nation (MFN) principle (non-discrimination) for developed countries to unilaterally grant elimination or reductions of the tariffs paid on imports from developing countries which share the same trade, financing and development needs. The continuation of GSP is in line with EU's Policy Coherence for Development (embedded in Article 208 of the Treaty on the Functioning of the EU) which constitutes a key pillar of EU efforts to enhance the positive impact and increase effectiveness of development cooperation. Moreover, it is part of the EU's political commitment to support sustainable development globally, as reflected in the implementation of the UN Agenda 2030 for Sustainable Development and Sustainable Development Goals to which all WTO Members have committed.

- **Regulatory fitness and simplification**

The full tables with benefits and costs can be found in Annex 3 of the Impact Assessment Report accompanying the proposal. The potential benefits of the proposed set of objectives are difficult to quantify, as they often involve technical improvements to the existing structure and provisions of the GSP framework – in order to maximise its efficiency and effectiveness and increase the potential for sustainable economic development of the beneficiary countries. The proposal maintains the *status quo* whenever there is no compelling reason for change, in order to ensure the predictability and stability of the system. For the changes proposed, the initiative has the following practical implications, benefits, and associated costs, relative to the baseline, per cluster:

(g) Arrangements and country coverage: All graduating EBA countries would be a priori eligible for GSP+, in case their authorities wish to apply for the arrangement. This is a mitigation measure: no gains are expected, but it aims to avoid losses and serious negative economic impact for graduating LDCs which would lose EBA preferences. It further supports the development goal of GSP, by ensuring continued access to the scheme for the countries most in need. This would also entail some simplification of the system and a reduction of administrative burden for calculating and monitoring the relevant criteria.

(h) Product coverage and product graduation: Amending the product graduation thresholds aims at increasing the effectiveness of the product graduation mechanism in targeting specific competitive products. This is expected to contribute to better focusing the scheme on the products and countries most in need.

(i) Conditionality: Extending negative conditionality contributes to the fight against climate change by encouraging GSP beneficiary countries to improve the implementation of climate and environment conventions and to improvements in good governance in all beneficiary countries. The role played by GSP can be significant as environmental degradation tends to hit developing countries hardest due to extensive manufacturing of products dependent on natural resources (such as textiles), as well as the often observed lack of environmental protection laws and programs in those countries. Updating the list of international conventions increases leverage and attention on key human rights (e.g. the rights of people with disabilities, rights of children) and standards (e.g. on labour inspection) and supports action combating climate change through the inclusion of the Paris Agreement (and the removal of the out-of-date Kyoto Protocol).

The introduction of an impact assessment before a withdrawal of preferences will make it possible to balance GSP's general objectives of contributing to poverty reduction and supporting sustainable development. In particular, it ensures that a possible withdrawal is adapted to the circumstances in the targeted beneficiary country, its economic development needs, and the socio-economic impact of any withdrawal measures.

Introducing a faster withdrawal procedure provides for a specific instrument to address specific circumstances characterised by exceptionally grave violations and a need to react urgently. This also increases the effectiveness of the withdrawal by increasing pressure on beneficiaries to respond to identified concerns.

(j) Transparency: Extending the GSP+ monitoring cycle improves effectiveness and efficiency by approximating the length of the GSP+ monitoring cycle to the monitoring cycle of the international conventions by the respective treaty monitoring bodies and allowing beneficiary countries more time to address issues on implementation of the conventions.

(k) Safeguards: The technical changes proposed ensure consistency between measures aimed at protecting EU industry and provide for simplification of automatic safeguards procedure and reduction in administrative burden.

The evolution of the GSP Regulation is not expected to be significantly influenced by digital technologies. In the implementation of the proposal, the EU can use existing business processes and solutions that securely handle information in an electronic manner (i.e., exchanging information with beneficiary countries authorities, international convention monitoring bodies, and civil society; open public consultations; REX (Registered Exporter System) declarations on imports from third countries, etc.).

- **Fundamental rights**

Supporting respect for fundamental rights in GSP beneficiary countries is part of the general objectives of the GSP Regulation, namely, (1) to assist developing countries in their efforts to reduce poverty, (2) to promote good governance and sustainable development. Therefore, relevant aspects and impact on fundamental rights have been considered throughout the accompanying Impact Assessment. Particular consideration has been given to international human rights and labour rights instruments, which are also part of the list of conventions in Annex VI of this proposal. Relevant Commission services (SJ, DG JUST, HOME, EMPL, INTPA) and EEAS have been consulted on this proposal which is foreseen to have an overall positive impact on fundamental rights.

4. BUDGETARY IMPLICATIONS

The proposed Regulation does not incur costs charged to the EU budget. Its application does, however, entail loss of customs revenue. Based on the last available data (2019)[12], these preferences represent under the proposed GSP Regulation a loss of revenue for the EU of EUR 2,977.6 million. The new Regulation would largely perpetuate existing preferences, but would tighten the conditions for the graduation of individual product sections. Consequently, the trajectory of revenue losses under the new Regulation would be somewhat lower than

[12] Data for 2020 is available, but was not chosen as a basis for the calculations as it is considered an unusual and non-representative year.

under the current Regulation.[13] Additionally, the possibility of countries losing coverage of the scheme due to reaching upper-middle-income statues or signing an FTA with the EU would contribute to lowering the revenue losses.

A detailed financial statement is available in the proposal below.

Overall impact on the administrative costs

The proposal emphasises continuity, resulting in an overall assessment of a moderate impact, in terms of administrative burden, for the EU and beneficiary countries. Within the preferred options, the issues that are most likely to have such an impact are the proposals on conditionality and the resulting increased monitoring efforts which will be necessary. In particular, under the conditionality cluster (detailed in section 6.3.1 of the Impact Assessment Report) the following policy options can generate additional administrative costs: adding new conventions as a conditionality to continue to receive or enjoy GSP; extending negative conditionality to environmental and good governance conventions; reducing the duration of the withdrawal procedure in exceptional circumstances; preparing the socio-economic impact assessment as additional step after launching the GSP withdrawal procedure or adding elements linked to the obligation to readmit the beneficiary country's own nationals would add administrative costs (mostly staff involvement). Administrative burden (assessed in Table 6 of the Impact Assessment Report) is prevented by opting against the choice to extend positive conditionality i.e., ratification of conventions and robust monitoring obligations to the Standard GSP and EBA beneficiaries.

The policy options in relation to monitoring, (detailed in section 6.4 of the Impact Assessment Report) also have a direct bearing on the administrative costs. In particular, they can add to the administrative tasks on the EU side. However, this is difficult to quantify as it represents a codification of practices that are already in place. Furthermore, the change would address demands of from stakeholders such as trade unions and NGOs to play a more active role in the monitoring process.

Another cost would be the EU's technical assistance and support to GSP countries to enhance their institutional capacity to ratify and implement international conventions. These elements of costs are, however, very difficult to estimate due to the lack of relevant information at this stage.

The lengthening of the monitoring cycle from two to three years is expected to reduce the administrative burden both for the EU and for beneficiary countries.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

As this proposal introduces minimal changes, aimed at improving effectiveness and efficiency, the implementation of the GSP Regulation will be able to continue without major adjustments based on current practices upon its entry into force.

The Commission will report to the European Parliament and the Council on the implementation of the Regulation every three years, starting 1 January 2027. The Commission will regularly report on the implementation of the Regulation to the Commission's GSP

[13] For details cf. financial statement

Expert Group and the Council Working Party. A mid-term evaluation of the Regulation is suggested for 1 January 2030 i.e., after five years of actual application of the scheme.

- **Explanatory documents (for directives)**

Not applicable.

- **Detailed explanation of the specific provisions of the proposal**

A detailed correspondence table is provided in Annex VIII of this proposal.

A chapter by chapter commentary on the specific provisions is provided below:

Chapter I General Provisions:

Article 2 definitions of complaint (13) and regional (14) and extended (15) cumulation added.

Article 3.2 added possibility for updating the list of eligible countries based on changes in their trade and development needs. No other substantive changes proposed.

Chapter II Standard arrangement (Standard GSP):

Article 4.3 removed as it was a transitional clause for the 2012 Regulation. No other substantive changes proposed.

Chapter III Special incentive arrangement: (GSP+)

Article 9.1 point (d) added a requirement for GSP+ candidate countries to submit a plan of action for the effective implementation of the GSP relevant conventions as part of the GSP+ application.

Article 9.2 removed as it links to the export competitiveness vulnerability criterion for GSP+, which is proposed to be removed, based on the supporting Study and Impact Assessment.

Article 10.8 added to provide transitional arrangements for current GSP+ beneficiaries, which would have to reapply to fulfil new requirements for GSP+ (ratify six additional conventions that are proposed to be added to the list of GSP+ relevant conventions).

Article 14 amended the reporting period to three years to streamline and better synchronise with monitoring bodies reports.

Article 15.9 introduced a provision so that the Commission considers the socio-economic effect of the temporary withdrawal of tariff preferences in the beneficiary country when proposing the withdrawal.

Article 16 introduces the possibility to extend the scope of withdrawal measures where additional reasons or violations occur.

Chapter IV Special arrangement (EBA):

Article 18.2 and .3 removed as they are no longer necessary.

Chapter V Temporary withdrawal:

Article 19.1 point (c) introduced a withdrawal procedure related to readmission of own nationals.

Article 19.10 introduced a provision so that the Commission considers the socio-economic effect of the temporary withdrawal of tariff preferences in the beneficiary country when proposing the withdrawal.

Article 19.14 added to increase flexibility for reviewing the scope of withdrawal, postpone or suspend its application in case of exceptional circumstances such as a global health or sanitary emergency.

Article 19.16 and 19.17 added to provide for an urgent withdrawal procedure in cases of grave violations of the GSP relevant conventions where a rapid response is needed in view of the specific circumstances in the beneficiary country.

Article 20 introduces the possibility to extend the scope of withdrawal measures where additional reasons or violations occur.

Chapter VI Safeguard and surveillance:

Article 29.1 removed the provision for determining safeguard thresholds based on import volumes and replaced it with calculation based on import value.

Chapter VII Common provisions:

Article 33 points 33.3 and 33.4 introduces a specific process to make sure that cumulation responds to the requesting country's development, financing and trade needs.

Article 40 extends from two to three years the period for the submission of the report to the Parliament and the Council.

Chapter VIII Final provisions:

List of Annexes:

Annex I: Provides the list of eligible countries and the arrangement they benefit from in a single Annex, replacing Annex I and the positive parts of Annex II, III, and IV of the former GSP Regulation. Removes from the list of eligible countries those not to be considered developing countries in the context of the GSP (Russia, China, Hong Kong, Macao) to ensure that GSP benefits are limited to developing countries having similar trade, financing and development needs.

Annex II: Provides a single list of countries from which GSP preferences have been withdrawn, replacing the corresponding specific lists in former Annex II, III, and IV.

Annex III: Provides a list of products covered by the GSP and GSP+ arrangements.

Annex IV: (Former Annex VI) Adjusts the product graduation and safeguard thresholds downwards by 10% to better target competitive products.

Annex V: (Former Annex V) Removes the export competitiveness vulnerability criterion as above.

Annex VI: (Former Annex VIII) Adds six additional international conventions as per the supporting study and Impact Assessment.

Annex VII: Provides a list of products covered by the GSP+ arrangement only.

Annex VIII: (Former Annex X) Provides a correlation table.

2021/0297 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on applying a generalised scheme of tariff preferences and repealing Regulation (EU) No 978/2012 of the European Parliament and of the Council

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 207(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) Since 1971, the Community has granted trade preferences to developing countries under its Generalised Scheme of Preferences ('GSP').

(2) The Union's common commercial policy shall be guided by the principles and pursue the objectives set out in the general provisions on the Union's external action, laid down in Article 21 of the Treaty on European Union (TEU).

(3) The Union's common commercial policy is to be consistent with and to consolidate the objectives of the Union policy in the field of development cooperation, laid down in Article 208 of the Treaty on the Functioning of the European Union (TFEU), in particular the eradication of poverty and the promotion of sustainable economic, social, and environmental development and good governance in the developing countries. It is to comply with World Trade Organisation ('WTO') requirements, in particular with the Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries (the 'Enabling Clause'), adopted under the General Agreement on Tariffs and Trade ('GATT') in 1979, under which WTO Members may accord differential and more favourable treatment to developing countries.

(4) Regulation (EU) No 978/2012 of the European Parliament and of the Council[14], provides for the application of the scheme of generalised tariff preferences ('the scheme') until 31 December 2023 except for the special arrangement for the least-developed countries to which such expiry date does not apply. Thereafter, the GSP should continue to apply for a period of 10 years from the date of application of the preferences provided for in this Regulation, except for the special arrangement for the least-developed countries, which should continue to be applied without any expiry date.

[14] Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalised tariff preferences and repealing Council Regulation (EC) No 732/2008 (OJ L 303, 31.10.2012, p. 1).

(5) The general objectives of the GSP are to support eradication of poverty in all its forms, in line with Agenda 2030 and Sustainable Development Goal 17.12 and to promote the sustainable development agenda, while averting harm to EU industry's interests. The 2018 GSP Mid-term Evaluation and the 2021 supporting Study for the Impact Assessment underpinning this Regulation concluded that the GSP framework under Regulation (EU) No 978/2012 has delivered on these main objectives, which were at the core of the 2012 overhaul of Council Regulation (EC) No 732/2008[15].

(6) Those objectives remain relevant in the current global context and they are consistent with the analysis and perspective of the recent Commission Communication Trade Policy Review "An Open, Sustainable and Assertive Trade Policy"[16] ('TPR'). According to the TPR, the Union has a "strategic interest to support the enhanced integration into the world economy of vulnerable developing countries" and it "must fully use the strength provided by its openness and the attractiveness of its Single Market" to support multilateralism and to ensure adherence to universal values. For GSP specifically, the TPR notes its important role in "promoting respect for core human and labour rights" and sets the objective for the GSP "to further increase trading opportunities for developing countries to reduce poverty and create jobs based on international values and principles". Moreover, the scheme should assist beneficiaries in recovering from the COVID-19 impact and in re-building their economies in a sustainable manner, including with respect to international human rights, labour, environmental and good governance standards. Coherence should be ensured between the GSP and its objectives and the assistance provided to beneficiary countries, in line with Union's Policy Coherence for Development (PCD), which constitutes a key pillar of Union's efforts to enhance the positive impact and increase effectiveness of development cooperation[17].

(7) By providing preferential access to the Union market, the scheme should assist developing countries in their efforts to reduce poverty and achieve and promote good governance and sustainable development by helping them to generate additional revenue through international trade, which can then be re-invested for the benefit of their own development and, in addition, to diversify their economies. The scheme's tariff preferences should focus on those developing countries that have greater development, trade and financial needs.

(8) The scheme should consist of a basic arrangement ('standard GSP arrangement'), and two special arrangements, namely the 'special incentive arrangement for sustainable development and good governance – GSP+' and the 'special arrangement for the least-developed countries - EBA'. It, therefore, continues the structure of the previous ten years, which is considered a success, as it focuses on the countries most in need and addresses the varying developmental needs of beneficiaries.

(9) The standard GSP arrangement should be granted to all those developing countries which share a common development need and are in a similar stage of economic development. There is no definition of 'developing country' at the level of the WTO,

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15 Council Regulation (EC) No 732/2008 of 22 July 2008 applying a scheme of generalised tariff preferences from 1 January 2009 and amending Regulations (EC) No 552/97, (EC) No 1933/2006 and Commission Regulations (EC) No 1100/2006 and (EC) No 964/2007 (OJ L 211, 6.8.2008, p. 1).

16 COM(2021) 66 final, 18 February 2021

17 Article 208 of the Treaty on the Functioning of the EU concerning PCD reads: "*The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries*".

and it is left to preference granting countries to determine the list of GSP-eligible developing countries. Countries which have successfully completed their transition from centralised to market economies, and are today powerful economies with a strong position in international trade, such as China, Hong Kong, Macao and Russia, should not be considered as developing countries in the context of the GSP, and should, therefore, be removed from the list of eligible countries. Countries which are classified by the World Bank as high-income or upper-middle income countries have per capita income levels allowing them to attain higher levels of diversification without the scheme's tariff preferences. They are at a different stage of economic development and do not, therefore, share the same development, trade and financial needs as lower income or more vulnerable developing countries. In order to prevent unjustified discrimination, they need to be treated differently; therefore, they do not benefit from the standard GSP arrangement. Furthermore, the use of tariff preferences provided under the scheme by high-income or upper-middle income countries would increase the competitive pressure on exports from poorer, more vulnerable countries and, therefore, could impose unjustifiable burdens on those more vulnerable developing countries. The standard GSP arrangement should take account of the fact that the development, trade and financial needs are subject to change and ensure that the arrangement remains open if the situation of a country changes.

(10) For the sake of consistency, the tariff preferences granted under the standard GSP arrangement should not be extended to developing countries benefiting from a preferential market access arrangement with the Union, which provides at least the same level of tariff preferences as the scheme for substantially all trade. To provide, however, a beneficiary country and economic operators with time for an orderly adaptation, the standard GSP arrangement should continue to be granted for two years as from the date of application of a preferential market access arrangement.

(11) The special incentive arrangement for sustainable development and good governance (GSP+) is based on the integral concept of sustainable development, as recognised by international conventions and instruments such as the 1986 UN Declaration on the Right to Development, the 1992 Rio Declaration on Environment and Development, the 1998 International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, the 2000 UN Millennium Declaration, the 2002 Johannesburg Declaration on Sustainable Development, the ILO Centenary Declaration for the Future of Work of 2019, the Outcome Document of the UN Summit on Sustainable Development of 2015 "Transforming Our World: the 2030 Agenda for Sustainable Development", the UN Guiding Principles on Business and Human Rights, and the Paris Agreement on Climate Change under the UN Framework Convention on Climate Change. Consequently, the additional tariff preferences provided for under the special incentive arrangement for sustainable development and good governance should be granted to those developing countries which, due to a lack of diversification, are economically vulnerable, have ratified core international conventions on human and labour rights, climate and environmental protection and good governance, and commit to ensuring the effective implementation thereof. The special incentive arrangement for sustainable development and good governance should help those countries to assume the additional responsibilities resulting from the ratification and effective implementation of these conventions. The list of conventions relevant for GSP should be updated to better reflect the evolution of core international instruments and standards and take a proactive approach to sustainable development in

keeping with the Sustainable Development Goals and Agenda 2030[18]. In this regard, the following conventions are added: the Paris Agreement on Climate Change (2015) – replacing the Kyoto Protocol; the Convention on the Rights of Persons with Disabilities (CRPD); the Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflict (OP-CRC-AC); ILO Convention No 81 on Labour Inspection; ILO Convention No 144 on Tripartite Consultation; and the UN Convention against Transnational Organized Crime.

(12) Countries graduating from the Least-Developed Countries (LDC) category established by the UN should be incentivised to continue on the path of sustainable development. For this purpose, the economic vulnerability criteria to qualify for the special incentive arrangement for sustainable development and good governance should be eased compared to Regulation (EU) No 978/2012, to facilitate access by a larger number of countries graduating from the least developed country category.

(13) Preferences should be designed to promote further economic growth and, thereby, to respond positively to the need for sustainable development. Under the special incentive arrangement for sustainable development and good governance, the ad valorem tariffs should, therefore, be suspended for the beneficiary countries concerned. The specific duties should also be suspended, unless combined with an ad valorem duty.

(14) Countries that fulfil the eligibility criteria for the special incentive arrangement for sustainable development and good governance should be able to benefit from the additional tariff preferences if, upon their application, the Commission determines that the relevant conditions are met.

(15) Countries that have been granted the special incentive arrangement for sustainable development and good governance in accordance with Regulation (EU) No 978/2012 should submit a new application within two years after the date of application of this Regulation. In order, however, to ensure continuity and legal certainty for economic operators, the tariff preferences under the special incentive arrangement for sustainable development and good governance provided for in Regulation (EU) No 978/2012 are to be maintained during the period in which their application is assessed. Requests for technical and financial assistance from applicant countries related to the ratification and implementation of the conventions can be looked upon favourably.

(16) The Commission and where appropriate the European External Action Service should monitor the status of ratification of the international conventions on human and labour rights, environmental protection and good governance and their effective implementation, by examining the relevant information, in particular where available the conclusions and recommendations of the relevant monitoring bodies established under those conventions. Every three years, the Commission should present to the European Parliament and the Council a report on the status of ratification of the respective conventions, the compliance of the beneficiary countries with any reporting obligations under those conventions, and the status of the implementation of the conventions in practice.

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[18] United Nations (2015). Resolution adopted by the General Assembly on 25 September 2015, Transforming our World: the Agenda 2030 for Sustainable Development (A/RES/70/1), available at: https://sustainabledevelopment.un.org/post2015/transformingourworld

(17) For the purposes of monitoring of implementation and, where applicable, withdrawal of tariff preferences, reports from relevant monitoring bodies are essential. However, such reports may be supplemented by other information available to the Commission, including information obtained under bilateral or multilateral technical assistance programmes, and through other sources of information, provided they are accurate and reliable. This could include information from the European Parliament and the Council, governments, international organisations, civil society, social partners, or complaints received through the SEP provided they satisfy the relevant requirements. Shortcomings identified during the monitoring process may inform the Commission's future programming of development assistance in a more targeted manner.

(18) In July 2020, the Commission appointed the Chief Trade Enforcement Officer with the role of enforcing trade rules. In this connection, in November 2020, the Commission launched a new complaints mechanism, the Single Entry Point ('SEP'), as part of its increased efforts to strengthen the enforcement and implementation of trade commitments. Through the SEP, the Commission receives complaints on various matters related to trade policy, including breaches of the GSP commitments. Such new system of complaints should be integrated within the framework of this Regulation.

(19) The special arrangement for the least-developed countries (EBA) should continue to grant duty free access to the Union market for products originating in the least developed countries, as recognised and classified by the United Nations (UN), except for trade in arms. For a country no longer classified by the UN as a least-developed country, a transitional period should be established, to alleviate any adverse effects caused by the removal of the tariff preferences granted under that arrangement. Tariff preferences provided under the special arrangement for the least-developed countries should continue to be granted for those least developed countries, which benefit from another preferential market access arrangement with the Union.

(20) As regards the standard GSP arrangement, the differentiation between tariff preferences for non-sensitive products and tariff preferences for sensitive products should be maintained, to take account of the situation of the sectors manufacturing the same products in the Union.

(21) Common Customs Tariff duties on non-sensitive products should continue to be suspended, while duties on sensitive products should enjoy a tariff reduction, in order to ensure a satisfactory utilisation rate while at the same time taking account of the situation of the corresponding Union industries.

(22) Such a tariff reduction should be sufficiently attractive, in order to motivate traders to make use of the opportunities offered by the scheme. Therefore, the ad valorem duties should generally be reduced by a flat rate of 3,5 percentage points from the 'most favoured nation' duty rate, while such duties for textiles and textile goods should be reduced by 20 %. Specific duties should be reduced by 30 %. Where a minimum duty is specified, that minimum duty should not apply.

(23) Duties should be suspended totally, where the preferential treatment for an individual import declaration results in an ad valorem duty of 1 % or less or in a specific duty of EUR 2 or less, since the cost of collecting such duties might be higher than the revenue gained.

(24) Product graduation should be based on criteria related to sections and chapters of the Common Customs Tariff. Product graduation should apply in respect of a section or sub-section in order to reduce cases where heterogeneous products are graduated. The

graduation of a section or a sub-section (made up of chapters) for a beneficiary country should be applied when the section meets the criteria for graduation over three consecutive years, in order to increase predictability and fairness of graduation by eliminating the effect of large and exceptional variations in the import statistics. Product graduation should not apply to the beneficiary countries of the special incentive arrangement for sustainable development and good governance (GSP+) and the beneficiary countries of the special arrangement for the least-developed countries (EBA) as they share a very similar economic profile rendering them vulnerable because of a low, non-diversified export base.- The tariff preferences provided for in this Regulation apply to products originating in the beneficiary countries in accordance with the rules of origin laid down in the Union Customs Code and the legal acts adopted in accordance with the powers conferred by that Code, in particular Commission Delegated Regulation (EU) 2015/2446[19]. and Commission Implementing Regulation (EU) 2015/2447[20]. Regional cumulation between countries of different regional groups and extended cumulation should be granted provided that the applicant beneficiary country brings sufficient evidence that cumulation responds to its development, financing and trade needs, thus leading, amongst others, to economic growth, elimination of poverty, diversification of exports and industrialisation, and provided that it does not impact negatively on the situation of other countries, especially EBA beneficiary countries. When assessing whether granting cumulation responds to the requesting country's development, financing and trade needs, the Commission should take into account the beneficiary country's dependency on the supplying country and future perspectives with regard to the products in question.

(25) The reasons for temporary withdrawal of the arrangements under the scheme should include serious and systematic violations of the principles laid down in international conventions concerning core human rights (including certain principles of international humanitarian law enshrined in those conventions), labour rights, climate and environmental protection, and good governance,so as to promote the objectives of those conventions. Tariff preferences under the special incentive arrangement for sustainable development and good governance should be temporarily withdrawn if the beneficiary country does not respect its binding undertaking to maintain the ratification and effective implementation of those conventions or to comply with the reporting requirements imposed by the respective conventions, or if the beneficiary country does not cooperate with the Union's monitoring procedures as set out in this Regulation. The temporary withdrawal should continue until the reasons justifying it no longer apply. In situations characterised by an exceptional gravity of the violations, the Commission should have the power to respond rapidly by adopting measures within a shorter timeline. Under the Union's zero tolerance approach for child labour the reasons for temporary withdrawal should include exports of goods made by internationally prohibited child labour, as well as forced labour including slavery and prison labour, as identified in the relevant Conventions in Annex VI.

(26) Orderly international migration can bring important benefits to the countries of origin and destination of migrants and contribute to their sustainable development needs.

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19 Commission Delegated Regulation (EU) 2015/2446 of 28 July 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards detailed rules concerning certain provisions of the Union Customs Code (OJ L 343, 29.12.2015, p. 1).

20 Commission Implementing Regulation (EU) 2015/2447 of 24 November 2015 laying down detailed rules for implementing certain provisions of Regulation (EU) No 952/2013 of the European Parliament and of the Council laying down the Union Customs Code (OJ L 343, 29.12.2015, p. 558–893).

Increasing coherence between trade, development and migration policies is key to ensure that the benefits of migration accrue mutually to both the origin and destination countries. In this respect, it is essential for both origin and destination countries to address common challenges, such as, stepping up cooperation on readmission of own nationals and their sustainable reintegration in the country of origin, in particular in order to avoid a constant drain in active population in the countries of origin, with the ensuing long-term consequences on development, and to ensure that migrants are treated with dignity.

(27) Return, readmission and reintegration are a common challenge for the Union and its partners. In particular, every State has the obligation to readmit its own nationals under international customary law, and multilateral international conventions such as the Convention on International Civil Aviation signed in Chicago on 7 December 1944. Improving sustainable reintegration and capacity building would significantly strengthen the local development in the partner countries.

(28) Under Regulation (EU) No 978/2012 and its predecessors, tariff preferences have been withdrawn in respect of imports of products originating in Belarus (full withdrawal) and Cambodia (partial withdrawal) due to serious and systematic violations of the principles of certain human and labour rights conventions. The reasons justifying the withdrawal of preferences are still valid, therefore, the temporary withdrawal for Belarus and Cambodia should be maintained under this Regulation.

(29) In order to achieve a balance between the need for better targeting, greater coherence and transparency on the one hand, and better promoting sustainable development and good governance through a unilateral trade preference scheme on the other hand, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of amendments to the Annexes to this Regulation and temporary withdrawals of tariff preferences due to serious and systematic violations of the principles set out in the relevant conventions with respect to human and labour rights, climate and environmental protection, and good governance and other relevant grounds set out in this Regulation, as well as procedural rules regarding the submission of applications for the tariff preferences granted under the special incentive arrangement for sustainable development and good governance, the conduct of a temporary withdrawal and safeguard investigations in order to establish uniform and detailed technical arrangements. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making[21]. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts. In order to provide a stable framework for economic operators, the power to adopt an act in accordance with Article 290 TFEU should be delegated to the Commission in respect of repealing a decision on temporary withdrawal under the urgent procedure before that decision to temporarily withdraw tariff preferences becomes applicable, where the reasons justifying temporary withdrawal no longer apply. The Commission should also be empowered to adopt delegated acts to postpone the date of application of an

[21] OJ L 123, 12.5.2016, p. 1.

act imposing the temporary withdrawal, or to modify its scope, for reasons related to a global sanitary emergency or other exceptional circumstances.

(30) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council[22].

(31) The advisory procedure should be used for the adoption of implementing acts on suspension from the tariff preferences of certain GSP sections in respect of beneficiary countries and on the initiation of a temporary withdrawal procedure, taking into account the nature and impact of those acts.

(32) The examination procedure should be used for the adoption of implementing acts on safeguard investigations and on suspension of the tariff preference arrangements where imports may cause serious disturbance to Union markets.

(33) In order to ensure the integrity and orderly functioning of the scheme, the Commission should adopt immediately applicable implementing acts where, in duly justified cases relating to temporary withdrawals due to non-compliance with customs-related procedures and obligations, imperative grounds of urgency so require.

(34) In order to provide a stable framework for economic operators, upon conclusion of the maximum period of six months, the Commission should adopt immediately applicable implementing acts where, in duly justified cases relating to termination or extension of the temporary withdrawals due to non-compliance with customs-related procedures and obligations, imperative grounds of urgency so require.

(35) The Commission should also adopt immediately applicable implementing acts where, in duly justified cases relating to safeguard investigations, imperative grounds of urgency relating to the deterioration of the economic and/or financial situation of Union producers which would be difficult to repair so require.

(36) The Commission should report regularly to the European Parliament and to the Council on the effects of the scheme under this Regulation through the relevant institutional committees. By 1 January 2030, the Commission should report to the European Parliament and to the Council on the mid-term application of this Regulation and assess the need to review the scheme. The report is necessary to analyse the impact of the scheme on the development, trade and financial needs of beneficiaries as well as on bilateral trade and on the Union's tariff income, with particular attention to the sustainable development goals.

(37) Regulation (EU) No 978/2012 should therefore be repealed,

HAVE ADOPTED THIS REGULATION:

CHAPTER I

General provisions

[22] Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for the control by the Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

Article 1

1. The scheme of generalised tariff preferences by which the Union provides preferential access to its market (the 'scheme' or 'GSP') shall apply in accordance with this Regulation.

2. The scheme provides for the following tariff preference arrangements:

   (a) a standard arrangement ('Standard GSP');

   (b) a special incentive arrangement for sustainable development and good governance ('GSP+');

   (c) a special arrangement for the least-developed countries (Everything But Arms ('EBA')).

Article 2

For the purposes of this Regulation, the following definitions apply:

(1) 'countries' means countries and territories possessing a customs administration;

(2) 'eligible countries' means developing countries listed in Annex I;

(3) 'Standard GSP beneficiary countries' means beneficiary countries of the standard arrangement as listed in Annex I;

(4) 'GSP+ beneficiary countries' means beneficiary countries of the special incentive arrangement for sustainable development and good governance as listed in Annex I;

(5) 'EBA beneficiary countries' means beneficiary countries of the special arrangement for least developed countries as listed in Annex I;

(6) 'Common Customs Tariff duties' means the duties specified in Part Two of Annex I to Council Regulation (EEC) No 2658/87[23], except those duties established as part of tariff quotas;

(7) 'section' means any of the sections of the Common Customs Tariff as laid down by Regulation (EEC) No 2658/87;

(8) 'chapter' means any of the chapters of the Common Customs Tariff as laid down by Regulation (EEC) No 2658/87;

(9) 'GSP section' means a section listed in Annex III and established on the basis of sections and chapters of the Common Customs Tariff;

(10) 'preferential market access arrangement' means preferential access to the Union market through a trade agreement, either provisionally applied or in force, or through autonomous preferences granted by the Union;

(11) 'effective implementation' means the integral implementation of the undertakings and obligations undertaken under the international conventions listed in Annex VI, thus ensuring fulfilment of the principles, objectives and rights guaranteed in these conventions in the beneficiary country's entire territory;

(12) 'complaint' means a complaint submitted to the Commission through the Single Entry Point.

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[23] Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff (OJ L 256, 7.9.1987, p. 1).

(13) ‘regional cumulation between beneficiary countries of different regional groups’ means the cumulation of origin referred to in Article 55(5) of Delegated Regulation (EU) 2015/2446;

(14) ‘extended cumulation’ means the cumulation of origin referred to in Article 56(1) Delegated Regulation (EU) 2015/2446.

Article 3

1. A list of eligible countries is established in Annex I, columns A and B.

2. The Commission is empowered to adopt delegated acts in accordance with Article 36 to amend columns A and B of the table in Annex I to take account of changes in the international status or classification of countries, their economic development, or their trade, financing and development needs.

3. The Commission shall notify an eligible country concerned of any relevant changes in its status under the scheme.

CHAPTER II

Standard arrangement

Article 4

1. An eligible country shall benefit from the tariff preferences provided under the standard arrangement referred to in Article 1(2), point (a) unless:

   (a) it has been classified by the World Bank as a high-income or an upper-middle income country during three consecutive years immediately preceding the update of the list of beneficiary countries; or

   (b) it benefits from a preferential market access arrangement with the Union which provides the same tariff preferences as the scheme, or better, for substantially all trade.

2. Points (a) and (b) of paragraph 1 shall not apply to least-developed countries, as identified by the United Nations.

Article 5

1. Standard GSP beneficiary countries meeting the criteria laid down in Article 4 are listed in Annex I, column C.

2. By 1 January of each year following the entry into force of this Regulation the Commission shall review Annex I. To provide a standard GSP beneficiary country and economic operators with time for orderly adaptation to the change of the country's status under the scheme:

   (a) the decision to remove a beneficiary country from the list of standard GSP beneficiary countries, in accordance with paragraph 3 of this Article and on the basis of Article 4(1), point (a), shall apply as of 1 January of the year following one year after the date of entry into force of that decision;

   (b) the decision to remove a beneficiary country from the list of standard GSP beneficiary countries, in accordance with paragraph 3 of this Article and on the

basis of Article 4(1), point (b), shall apply as of 1 January of the year following two years after the date of application of a preferential market access arrangement.

3. For the purposes of paragraphs 1 and 2 of this Article the Commission shall be empowered to adopt delegated acts, in accordance with Article 36, to amend Annex I, column C, on the basis of the criteria laid down in Article 4.

4. The Commission shall notify the standard GSP beneficiary country concerned of any changes of its status under the scheme.

Article 6

1. The products included under the standard arrangement referred to in Article 1(2), point (a), are listed in Annex III.

2. The Commission is empowered to adopt delegated acts in accordance with Article 36, to amend Annex III in order to incorporate changes made necessary by amendments to the Combined Nomenclature.

Article 7

1. Common Customs Tariff duties on products listed in Annex III as non-sensitive products shall be suspended entirely, except for agricultural components.

2. Common Customs Tariff ad valorem duties on products listed in Annex III as sensitive products shall be reduced by 3,5 percentage points. For products under GSP sections S-11a and S-11b of Annex III, that reduction shall be 20 %.

3. Where preferential duty rates calculated, in accordance with Article 7(3) of Regulation (EU) No 978/2012, on the Common Customs Tariff ad valorem duties applicable on the date of entry into force of this Regulation provide for a tariff reduction of more than 3,5 percentage points for the products referred to in paragraph 2 of this Article, those preferential duty rates shall apply.

4. Common Customs Tariff specific duties, other than minimum or maximum duties, on products listed in Annex III as sensitive products shall be reduced by 30 %.

5. Where Common Customs Tariff duties on products listed in Annex III as sensitive products include ad valorem duties and specific duties, the specific duties shall not be reduced.

6. Where duties reduced in accordance with paragraphs 2 and 4 specify a maximum duty, that maximum duty shall not be reduced. Where such duties specify a minimum duty, that minimum duty shall not apply.

Article 8

1. The tariff preferences referred to in Article 7 shall be suspended, in respect of products of a GSP section originating in a standard GSP beneficiary country, when the average value of Union imports of such products over three consecutive years from that standard GSP beneficiary country exceeds the thresholds listed in Annex IV. The thresholds shall be calculated as a percentage of the total value of Union imports of the same products from all GSP beneficiary countries.

2. Prior to the application of the tariff preferences provided for in this Regulation, the Commission shall adopt an implementing act establishing, in accordance with the advisory procedure referred to in Article 39(2), a list of GSP sections for which the tariff preferences referred to in Article 7 are suspended in respect of a standard GSP beneficiary country. That implementing act shall apply as from 1 January 2024.

3. The Commission shall, every three years, review the list referred to in paragraph 2 of this Article and adopt an implementing act, in accordance with the advisory procedure referred to in Article 39(2), in order to suspend or to re-establish the tariff preferences referred to in Article 7. That implementing act shall apply as of 1 January of the year following its entry in force.

4. The list referred to in paragraphs 2 and 3 of this Article shall be established on the basis of the data available on 1 September of the year in which the review is conducted and of the two years preceding the review year. It shall take into account imports from GSP beneficiary countries listed in Annex I as applicable at that time. However, the value of imports from GSP beneficiary countries, which upon the date of application of the suspension no longer benefit from the tariff preferences under Article 4(1), point (b), shall not be taken into account.

5. The Commission shall notify the country concerned of the implementing act adopted in accordance with paragraphs 2 and 3.

6. Where Annex I is amended in accordance with the criteria laid down in Article 4, the Commission is empowered to adopt delegated acts in accordance with Article 36 to amend Annex IV in order to adjust the modalities listed in that Annex so as to maintain proportionally the same weight of the GSP sections in respect of which the tariff preferences have been suspended pursuant to paragraph 1 of this Article.

CHAPTER III

Special incentive arrangement for sustainable development and good governance

Article 9

A GSP beneficiary country may benefit from the tariff preferences provided under the special incentive arrangement for sustainable development and good governance referred to in Article 1(2), point (b), if the following conditions are met:

(a) it is considered to be vulnerable due to a lack of diversification as defined in Annex V;

(b) it has ratified all the conventions listed in Annex VI (the 'relevant conventions') and the Commission has not identified, based on available information, in particular the most recent available conclusions of the monitoring bodies under those conventions, a serious failure to effectively implement any of those conventions;

(c) it has not formulated a reservation in relation to any of the relevant conventions, which is prohibited by any of those conventions or which is for the purposes of this Article considered to be incompatible with the object and purpose of that convention.

For the purposes of this Article, reservations shall be considered to be incompatible with the object and purpose of a convention in one of the following cases:

(i) a process explicitly set out for that purpose under the convention has so determined;

(ii) in the absence of such a process, the Union where it is a party to the convention, and/or a qualified majority of Member States parties to the convention, in accordance with their respective competences as established in the Treaties, objected to the reservation on the grounds that it is incompatible with the object and purpose of the convention and opposed the entry into force of the convention as between them and the reserving state in accordance with the provisions of the Vienna Convention on the Law of Treaties, signed in Vienna on 23 May 1969;

(d) it gives a binding undertaking to maintain ratification of the relevant conventions and to ensure the effective implementation thereof, accompanied by a plan of action for the effective implementation of the relevant conventions;

(e) it accepts without reservation the reporting requirements imposed by any of the relevant conventions and gives a binding undertaking to accept regular monitoring and review of its implementation record in accordance with the provisions of the relevant conventions;

(f) it gives a binding undertaking to participate in and cooperate with the Union's reporting and monitoring procedure provided for in Article 13.

Article 10

1. The special incentive arrangement for sustainable development and good governance shall be granted if the following conditions are met:

   (a) a GSP beneficiary country has made a request to that effect;

   (b) the Commission considers, based on examination of the request, that the requesting country fulfils the conditions laid down in Article 9.

2. The requesting country shall submit its request to the Commission in writing. The request shall provide comprehensive information concerning the ratification of the relevant conventions and shall include the binding undertakings referred to in Article 9, pointes (d), (e), and (f).

3. After receiving a request, the Commission shall notify the European Parliament and the Council thereof.

4. After examining the request, the Commission is empowered to adopt delegated acts, in accordance with Article 36, to amend Annex I in order to grant a requesting country the special incentive arrangement for sustainable development and good governance by including that country in the list of GSP+ beneficiary countries**.**

5. Where a GSP+ beneficiary country no longer fulfils the conditions referred to in Article 9, points (a) or (c) or withdraws any of its binding undertakings referred to in Article 9, points (d), (e), and (f), the Commission is empowered to adopt a delegated act in accordance with Article 36**,** to amend Annex I in order to remove that country from the GSP+ arrangement.

6. The Commission shall notify the requesting country of a decision taken in accordance with paragraphs 4 and 5 of this Article after the delegated act amending Annex I is published in the Official Journal of the European Union**.** Where the requesting country is granted the special incentive arrangement for sustainable development and good governance, it shall be informed of the date on which the respective delegated act will start to apply.

7. The Commission is empowered to adopt delegated acts in accordance with Article 36, to supplement this Regulation by establishing rules related to the procedure for granting the special incentive arrangement for sustainable development and good governance in particular with respect to deadlines and the submission and processing of requests.

8. Countries that on 31 January 2023 are GSP+ beneficiary countries under Regulation (EU) No 978/2012 can apply to be granted the GSP+ arrangement under this Regulation until 31 December 2025. The GSP+ arrangement under Regulation (EU) No 978/2012 for those requesting countries will be maintained until that deadline expires and during the period of assessment of their application by the Commission and, where applicable, during the period in which the European Parliament and the Council will review the delegated act amending Annex I that has been adopted, in accordance with the procedure under Article 36(5).

Article 11

1. The products included in the special incentive arrangement for sustainable development and good governance are listed in Annex III and VII.

2. Without prejudice to Article 6(2), the Commission is empowered to adopt delegated acts, in accordance with Article 36, to amend Annex VII to take into account amendments to the Combined Nomenclature affecting the products listed in that Annex.

Article 12

1. The Common Customs Tariff ad valorem duties on all products listed in Annex III and Annex VII, which originate in a GSP+ beneficiary country, shall be suspended.

2. Common Customs Tariff specific duties on products referred to in paragraph 1 shall be suspended entirely, except for products for which the Common Customs Tariff duties include ad valorem duties. For products with Combined Nomenclature code 1704 10 90, the specific duty shall be limited to 16 % of the customs value.

Article 13

1. As of the date of the granting of the tariff preferences provided under the special incentive arrangement for sustainable development and good governance, the Commission shall, with regard to each of the GSP+ beneficiary countries, keep under review and monitor the status of ratification of the relevant conventions and their effective implementation, as well as the cooperation of the GSP+ beneficiary country with the relevant monitoring bodies. In doing so, the Commission shall examine all relevant information, in particular the conclusions and recommendations of the relevant monitoring bodies.

2. A GSP+ beneficiary country shall cooperate with the Commission and provide all information necessary to assess its respect of the binding undertakings referred to in Article 9, points (d), (e), and (f) and its situation as regards Article 9, points (b) and (c).

Article 14

1. By 1 January 2027, and every three years thereafter, the Commission shall present to the European Parliament and to the Council a report on the status of ratification of the relevant conventions, the compliance of the GSP+ beneficiary countries with any reporting obligations under those conventions and the status of the effective implementation thereof.

2. That report shall include:

   (a) the conclusions or recommendations of relevant monitoring bodies in respect of each GSP+ beneficiary country; and

   (b) the Commission's and where appropriate the European External Action Service's conclusions on whether each GSP+ beneficiary country respects its binding undertakings to comply with reporting obligations, to cooperate with relevant monitoring bodies in accordance with the relevant conventions and to ensure the effective implementation thereof;

   The report may include any information from any source the Commission considers appropriate.

3. In drawing their conclusions concerning effective implementation of the relevant conventions**,** the Commission and where appropriate the European External Action Service shall assess the conclusions and recommendations of the relevant monitoring bodie**s**, as well as, without prejudice to other sources, information submitted by the European Parliament or the Council as well as third parties, including governments and international organisations, civil society, and social partners**.**

Article 15

1. The special incentive arrangement for sustainable development and good governance shall be withdrawn temporarily, in respect of all or of certain products originating in a GSP+ beneficiary country, where that country does not respect its binding undertakings as referred to in Article 9, points (d), (e) and (f), or the GSP+ beneficiary country has formulated a reservation which is prohibited by any of the relevant conventions or which is incompatible with the object and purpose of that convention as established in Article 9, point (c).

2. The burden of proof for compliance with its obligations resulting from binding undertakings as referred to in Article 9, points (d), (e) and (f), and its situation as referred to in Article 9, point (c), shall be on the GSP+ beneficiary country.

3. Where, either on the basis of the conclusions of the report referred to in Article 14 or on the basis of the evidence available, including evidence submitted through a complaint, the Commission has a reasonable doubt that a particular GSP+ beneficiary country does not respect its binding undertakings as referred to in Article 9, points (d), (e) and (f), or has formulated a reservation which is prohibited by any of the relevant conventions or which is incompatible with the object and purpose of that convention as established in Article 9, point (c), it shall, in accordance with the advisory procedure referred to in Article 39(2), adopt an implementing act to initiate the procedure for the temporary withdrawal of the tariff preferences provided under the special incentive arrangement for sustainable development and good governance. The Commission shall inform the European Parliament and the Council thereof.

4. The Commission shall publish a notice in the *Official Journal of the European Union* and notify the GSP+ beneficiary country concerned thereof. The notice shall:

   (a) state the grounds for the reasonable doubt referred to in paragraph 3 which may call into question the right of the GSP+ beneficiary country to continue to enjoy the tariff preferences provided under the special incentive arrangement for sustainable development and good governance;

   (b) specify the period, which may not exceed three months from the date of publication of the notice, within which the GSP+ beneficiary country shall submit its observations.

5. The Commission shall provide the GSP+ beneficiary country concerned with every opportunity to cooperate during the period referred to in paragraph 4, point (b).

6. The Commission shall seek all information it considers necessary including, inter alia, the conclusions and recommendations of the relevant monitoring bodies. In drawing its conclusions, the Commission shall assess all relevant information.

7. Within three months after expiry of the period specified in the notice, the Commission shall decide:

   (a) to terminate the temporary withdrawal procedure;

   (b) to temporarily withdraw the tariff preferences provided under the special incentive arrangement for sustainable development and good governance.

8. Where the Commission considers that the findings do not justify temporary withdrawal, it shall adopt an implementing act to terminate the temporary withdrawal procedure in accordance with the advisory procedure referred to in Article 39(2). That implementing act shall be based inter alia on evidence received.

9. Where the Commission considers that the findings justify temporary withdrawal for the reasons referred to in paragraph 1 of this Article, it is empowered to adopt delegated acts, in accordance with Article 36, to amend Annex I and Annex II in order to temporarily withdraw the tariff preferences provided under the special incentive arrangement for sustainable development and good governance referred to in Article 1(2), point (b). In adopting the delegated act the Commission may, when appropriate, consider the socio-economic effect of the temporary withdrawal of tariff preferences in the beneficiary country.

10. Where the Commission decides on temporary withdrawal, such delegated act shall become applicable six months after its adoption.

11. Where the reasons justifying temporary withdrawal no longer apply before the delegated act referred to in paragraph 9 of this Article becomes applicable, the Commission is empowered to repeal the adopted act to temporarily withdraw tariff preferences in accordance with the urgency procedure referred to in Article 37.

12. The Commission is empowered to adopt delegated acts, in accordance with Article 36, to supplement this Regulation by establishing rules related to the procedure for temporary withdrawal of the special incentive arrangement for sustainable development and good governance in particular with respect to deadlines, rights of parties, confidentiality and conditions for review.

Article 16

Where the Commission finds that the reasons justifying a temporary withdrawal of the tariff preferences, as referred to in Article 15(1), no longer apply, it is empowered to adopt delegated acts, in accordance with Article 36 to amend Annex I and Annex II, in order to reinstate the tariff preferences provided under the special incentive arrangement for sustainable development and good governance.

Where some of the reasons referred to in Article 15(1) for which a temporary withdrawal has been decided continue to apply while others do not or where additional reasons to those having justified a temporary withdrawal become applicable, the measures adopted in accordance with Article 15(9) shall be adjusted accordingly.

CHAPTER IV

Special arrangement for the least-developed countries

Article 17

1. An eligible country shall benefit from the tariff preferences provided under the special arrangement for the least-developed countries referred to in Article 1(2), point (c), if that country is identified by the United Nations as a least-developed country.

2. The Commission shall continuously review the list of EBA beneficiary countries contained in Annex I, column C, on the basis of the most recent available data.

   Where an EBA beneficiary country no longer fulfils the conditions referred to in paragraph 1 of this Article, the Commission is empowered to adopt delegated acts, in accordance with Article 36, to amend Annex I in order to remove the country from the EBA arrangement following a transitional period of three years as from the date on which the EBA beneficiary country no longer fulfils the conditions referred to in paragraph 1 of this Article**.**

3. Pending the identification by the United Nations of a newly independent country as a least-developed country, the Commission shall adopt delegated acts, in accordance with Article 36, to amend Annex I as an interim measure so as to include such a country in the list of EBA beneficiary countries.

   If such a newly independent country is not identified by the United Nations as a least-developed country during the first available review of the category of least-developed countries, the Commission shall be empowered to adopt delegated acts forthwith, in accordance with Article 36, to amend Annex I in order to remove such a country from that Annex, without granting the transitional period referred to in paragraph 2 of this Article.

4. The Commission shall notify the EBA beneficiary country concerned of any changes in its status under the scheme.

Article 18

The Common Customs Tariff duties on all products that are listed in Chapters 1 to 97 of the Combined Nomenclature, except those in Chapter 93, originating in an EBA beneficiary country, shall be suspended entirely.

CHAPTER V

Temporary withdrawal provisions common to all arrangements

Article 19

1. The preferential arrangements referred to in Article 1(2) may be withdrawn temporarily, in respect of all or of certain products originating in a beneficiary country, for any of the following reasons:

   (a) serious and systematic violation of principles laid down in the conventions listed in Annex VI;

   (b) export of goods made by internationally prohibited child labour and forced labour, including slavery and prison labour;

   (c) serious shortcomings in customs controls on the export or transit of drugs (illicit substances or precursors), or related to the obligation to readmit the beneficiary country's own nationals or serious failure to comply with international conventions on antiterrorism or anti-money laundering;

   (d) serious and systematic unfair trading practices including those affecting the supply of raw materials, which have an adverse effect on the Union industry and which have not been addressed by the beneficiary country. For those unfair trading practices, which are prohibited or actionable under the WTO Agreements, the application of this Article shall be based on a previous determination to that effect by the competent WTO body;

   (e) serious and systematic infringement of the objectives adopted by Regional Fishery Organisations or any international arrangements to which the Union is a party concerning the conservation and management of fishery resources

2. Paragraph 1, point (d), does not apply with respect to products of a beneficiary country that are subject to anti-dumping or countervailing measures under Regulation (EU) No 2016/1036 of the European Parliament and of the Council n[24] or Regulation (EU) No 2016/1037 of the European Parliament and of the Council[25].

3. Where the Commission, acting upon a complaint or on its own initiative, considers that there are sufficient grounds justifying temporary withdrawal of the tariff preferences provided under any preferential arrangement referred to in Article 1(2) on the basis of the reasons referred to in paragraph 1 of this Article it shall adopt an implementing act to initiate the procedure for temporary withdrawal in accordance with the advisory procedure referred to in Article 39(2). The Commission shall inform the European Parliament and the Council of the adoption of that implementing act.

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[24] Regulation (EU) No 2016/1036 of the European Parliament and of the Council of 8 June 2016 on protection against dumped imports from countries not members of the European Union (OJ L 176, 30.6.2016, p. 21).

[25] Regulation (EU) No 2016/1037 of the European Parliament and of the Council of 8 June 2016 on protection against subsidised imports from countries not members of the European Union (OJ L 176, 30.6.2016, p. 55).

4. The Commission shall publish a notice in the *Official Journal of the European Union* announcing the initiation of a temporary withdrawal procedure, and shall notify the beneficiary country concerned thereof. The notice shall:

   (a) provide sufficient grounds in relation to the implementing act to initiate a temporary withdrawal procedure, referred to in paragraph 3;

   (b) state that the Commission will monitor and evaluate the situation in the beneficiary country concerned during the monitoring and evaluation period referred to in Paragraph 5.

5. The Commission shall provide the beneficiary country concerned with every opportunity to cooperate during the monitoring and evaluation period of six months from the date of publication of the notice.

6. The Commission shall seek all information it considers necessary, inter alia, the available assessments, comments, decisions, recommendations and conclusions of the relevant monitoring bodies, and relevant information from other sources, including evidence submitted through a complaint or provided by third parties , as appropriate. In drawing its conclusions, the Commission shall assess all relevant information.

7. Within three months from the expiry of the period referred to in paragraph 5, the Commission shall submit a report on its findings and conclusions to the beneficiary country concerned. The beneficiary country has the right to submit its comments on the report. The period for comments shall not exceed one month.

8. Within six months from the expiry of the period referred to in paragraph 4, point (b), the Commission shall decide:

   (a) to terminate the temporary withdrawal procedure;

   (b) to temporarily withdraw the tariff preferences provided under the preferential arrangements referred to in Article 1(2).

9. Where the Commission considers that the findings do not justify temporary withdrawal, it shall adopt an implementing act, in accordance with the advisory procedure referred to in Article 39(2), on the termination of the temporary withdrawal procedure.

10. Where the Commission considers that the findings justify temporary withdrawal for the reasons referred to in paragraph 1 of this Article, it is empowered to adopt delegated acts, in accordance with Article 36, to amend Annex I and Annex II, in order to temporarily withdraw the tariff preferences provided under the preferential arrangements referred to in Article 1(2). In adopting the delegated act the Commission may, where appropriate, consider the socio-economic effect of the temporary withdrawal of tariff preferences in the beneficiary country.

11. For either of the cases referred to in paragraphs 9 and 10, the adopted act shall be based inter alia on evidence collected and received.

12. Where the Commission decides on temporary withdrawal, such delegated act shall become applicable six months after its adoption.

13. Where the reasons justifying temporary withdrawal no longer apply before the delegated act referred to in paragraph 10 of this Article becomes applicable, the Commission shall be empowered to repeal the adopted act to temporarily withdraw

the tariff preferences in accordance with the urgency procedure referred to in Article 37.

14. Where the Commission considers that in exceptional circumstances, such as a global health or sanitary emergency, natural disaster or other unforeseen events, it is appropriate to review the scope of the temporary withdrawal, postpone or suspend the application of the temporary withdrawal, the Commission is empowered to amend the delegated act in accordance with the urgency procedure referred to in Article 37.

15. The Commission is empowered to adopt delegated acts, in accordance with Article 36, to supplement this Regulation by establishing rules related to the procedure for temporary withdrawal of all arrangements in particular with respect to deadlines, rights of parties, confidentiality, and review of any measures adopted.

16. Where the Commission considers that there is sufficient evidence to justify temporary withdrawal for the reason set out in paragraph 1, point (a) and the exceptional gravity of the violations calls for a rapid response in view of the specific circumstances in the beneficiary country, it shall initiate the procedure for temporary withdrawal in accordance with paragraphs (3) to (15). However, the period referred to in paragraph 4, point (b) is reduced to 2 months and the deadline referred to in paragraph 8 is reduced to 5 months.

17. Where the Commission decides on temporary withdrawal pursuant to paragraph 16 of this Article, such delegated act is adopted in accordance with Article 37 and shall apply one month from its publication in the *Official Journal of the European Union*.

Article 20

Where the Commission finds that the reasons justifying a temporary withdrawal of the tariff preferences, as referred to in Article 19(1), no longer apply, it is empowered to adopt delegated acts, in accordance with Article 36 to amend Annex I and Annex II, in order to reinstate the tariff preferences provided under the preferential arrangements referred to in Article 1(2).

Where some of the reasons referred to in Article 19(1) for which a temporary withdrawal has been decided continue to apply while others do not or where additional reasons to those having justified a temporary withdrawal become applicable, the measures adopted in accordance with Article 19(10) shall be adjusted accordingly.

Article 21

1. The preferential arrangements provided for in this Regulation may be withdrawn temporarily, in respect of all or of certain products originating in a beneficiary country, in cases of fraud, irregularities or systematic failure to comply with or to ensure compliance with the rules concerning the origin of the products and with the procedures related thereto, or failure to provide administrative cooperation as required for the implementation and policing of the preferential arrangements referred to in Article 1(2).

2. The administrative cooperation referred to in paragraph 1 requires, inter alia, that a beneficiary country:

   (a) communicate to the Commission and update the information necessary for the implementation of the rules of origin and the policing thereof;

(b) assist the Union by carrying out, at the request of the customs authorities of the Member States, subsequent verification of the origin of the goods, and communicate its results in time to the Commission;

(c) assist the Union by allowing the Commission, in coordination and close cooperation with the competent authorities of the Member States, to conduct the Union administrative and investigative cooperation missions in that country, in order to verify the authenticity of documents or the accuracy of information relevant for granting the preferential arrangements referred to in Article 1(2);

(d) carry out or arrange for appropriate inquiries to identify and prevent contravention of the rules of origin;

(e) comply with or ensure compliance with the rules of origin in respect of regional cumulation, if the country benefits therefrom;

(f) assist the Union in the verification of conduct where there is a presumption of origin-related fraud, whereby the existence of fraud may be presumed where imports of products under the preferential arrangements provided for in this Regulation massively exceed the usual levels of the beneficiary country's exports.

3. Where the Commission considers that there is sufficient evidence to justify temporary withdrawal for the reasons set out in paragraphs 1 and 2 of this Article, it shall adopt immediately applicable implementing acts in accordance with the urgency procedure referred to in Article 39(4) to temporarily withdraw the tariff preferences provided under the preferential arrangements referred to in Article 1(2), in respect of all or certain products originating in a beneficiary country.

4. Before adopting such acts, the Commission shall first publish a notice in the *Official Journal of the European Union*, stating that there are grounds for reasonable doubt about compliance with paragraphs 1 and 2, which may call into question the right of the beneficiary country to continue to enjoy the benefits granted by this Regulation.

5. The Commission shall inform the beneficiary country concerned of any act adopted in accordance with paragraph 3, before it becomes applicable.

6. The period of temporary withdrawal shall not exceed six months. At the latest on the conclusion of that period, the Commission shall adopt an immediately applicable implementing act in accordance with the procedure referred to in Article 39(4) either to terminate the temporary withdrawal or to extend the period of temporary withdrawal.

7. Member States shall communicate to the Commission all relevant information that may justify temporary withdrawal of the tariff preferences, its extension or termination.

CHAPTER VI

Safeguard and surveillance provisions

Section I

General safeguards

Article 22

1. Where a product originating in a beneficiary country of any of the preferential arrangements referred to in Article 1(2) is imported in volumes or at prices which cause, or threaten to cause, serious difficulties to Union producers of like or directly competing products, normal Common Customs Tariff duties on that product may be wholly or partially reintroduced.

2. For the purposes of this Chapter, 'like product' means a product which is identical, that is, alike in all respects, to the product under consideration, or, in the absence of such a product, another product which, although not alike in all respects, has characteristics closely resembling those of the product under consideration.

3. For the purposes of this Chapter, 'interested parties' means those parties involved in the production, distribution or sale of the imported products referred to in paragraph 1 and of like or directly competing products.

4. The Commission is empowered to adopt delegated acts in accordance with Article 36, to supplement this Regulation by establishing rules related to the procedure for adopting general safeguard measures in particular with respect to deadlines, rights of parties, confidentiality, disclosure, verification, visits and review of measures.

Article 23

Serious difficulties referred to in Article 22(1) shall be considered to exist where Union producers suffer deterioration in their economic or financial situation. In examining whether such deterioration exists, the Commission shall take account, inter alia, of the following factors concerning Union producers, where information is available:

(a) market share;

(b) production;

(c) stocks;

(d) production capacity;

(e) bankruptcies;

(f) profitability;

(g) capacity utilisation;

(h) employment;

(i) imports;

(j) prices.

Article 24

1. If it considers that there is sufficient *prima facie* evidence that the conditions of Article 22(1) are met, the Commission shall investigate whether the normal Common Customs Tariff duties should be wholly, or partially, reintroduced.

2. An investigation shall be initiated upon request by a Member State, by any legal person or any association not having legal personality, acting on behalf of Union producers, or on the Commission's own initiative if it is apparent to the Commission that there is sufficient prima facie evidence, as determined on the basis of factors

referred to in Article 23, to justify such initiation. The request to initiate an investigation shall contain evidence that the conditions for imposing the safeguard measure set out in Article 22(1) are met. The request shall be submitted to the Commission. The Commission shall, as far as possible, examine the accuracy and adequacy of the evidence provided in the request, to determine whether there is sufficient prima facie evidence to justify the initiation of an investigation.

3. Where it is apparent that there is sufficient prima facie evidence to justify the initiation of an investigation the Commission shall publish a notice in the *Official Journal of the European Union*. Should an investigation be initiated, the notice shall provide all necessary details about the procedure and deadlines, including the possibility of recourse to the Hearing Officer of the Directorate General for Trade of the European Commission. Initiation shall take place within one month of the request received pursuant to paragraph 2.

4. An investigation, *including* the procedural steps referred to in Articles 25, 26 and 27, shall be concluded within 12 months from its initiation.

Article 25

On duly justified grounds of urgency relating to deterioration of the economic or financial situation of Union producers**,** and where delay might cause damage which would be difficult to repair, the Commission shall adopt immediately applicable implementing acts in accordance with the procedure referred to in Article 39(4) to reintroduce normal Common Customs Tariff duties for a period of up to 12 months.

Article 26

Where the facts as finally established show that the conditions set out in Article 22(1) are met, the Commission shall adopt an implementing act to reintroduce the Common Customs Tariff duties in accordance with the examination procedure referred to in Article 39(3). That implementing act shall enter into force within one month from the date of its publication in the *Official Journal of the European Union.*

Article 27

Where the facts as finally established show that the conditions set out in Article 22(1) are not met, the Commission shall adopt an implementing act terminating the investigation in accordance with the examination procedure referred to in Article 39(3). That implementing act shall be published in the *Official Journal of the European Union*. If no implementing act is published within the period referred to in Article 24(4), the investigation shall be deemed terminated and any implementing acts adopted pursuant to Article 25 shall automatically expire. Any Common Customs Tariff duties collected as a result of those implementing acts shall be refunded.

Article 28

Common Customs Tariff duties shall be wholly or partially reintroduced for as long as necessary to counteract the deterioration in the economic or financial situation of Union producers, or for as long as the threat of such deterioration persists. The period of reintroduction shall not exceed three years, unless it is extended in duly justified circumstances.

Section II

Safeguards in the Textile, Agriculture and Fisheries Sectors

Article 29

1. Without prejudice to Section I of this Chapter, on 1 January of each year, the Commission, on its own initiative and in accordance with the advisory procedure referred to in Article 39(2), shall adopt an implementing act in order to remove the tariff preferences referred to in Articles 7 and 12 with respect to the products from GSP sections S-11a and S-11b or to products falling under Combined Nomenclature codes 2207 10 00, 2207 20 00, 2909 19 10, 3814 00 90, 3820 00 00, 38249956, 38249957, 38249992, 38248400, 38248500, 38248600, 38248700, 38248800, 38249993, and 38249996 where imports of such products, originate in a beneficiary country and their total value:

   (a) for products falling under Combined Nomenclature codes 2207 10 00, 2207 20 00, 2909 19 10, 3814 00 90, 3820 00 00, and 38249956, 38249957, 38249992, 38248400, 38248500, 38248600, 38248700, 38248800, 38249993, and 38249996 exceeds the share referred to in point 1 of Annex IV of the value of Union imports of the same products from all countries and territories listed in Annex I, columns A and B, during a calendar year

   (b) for products under GSP sections S-11a and S-11b exceeds the share referred to in point 3 of Annex IV of the value of Union imports of products in GSP sections S-11a and S-11b from all countries and territories listed in Annex I, columns A and B, during a calendar year.

2. Paragraph 1 shall not apply to EBA beneficiary countries, nor shall it apply to countries with a share for the relevant products referred to in paragraph 1 not exceeding 6 % of total Union imports of the same products.

3. The removal of the tariff preferences shall become applicable two months after the date of publication of the Commission's act to that effect in the *Official Journal of the European Union*.

Article 30

Without prejudice to Section I of this Chapter, where imports of products listed in Annex I to the TFEU cause, or threaten to cause, serious disturbance to Union markets, in particular to one or more of the outermost regions, or those markets' regulatory mechanisms, the Commission, on its own initiative or at the request of a Member State, after consulting the committee for the relevant agriculture or fisheries common market organisation, shall adopt an implementing act in order to suspend the preferential arrangements in respect of the products concerned in accordance with the examination procedure referred to in Article 39(3).

Article 31

The Commission shall inform the beneficiary country concerned as soon as possible of any decision taken in accordance with Articles 29 or 30 before it becomes applicable.

Section III

Surveillance in the Agricultural and Fisheries Sectors

Article 32

1. Without prejudice to Section I of this Chapter, products from Chapters 1 to 24 of the Common Customs Tariff as laid down by Regulation (EEC) No 2658/87, originating in beneficiary countries, may be subject to a special surveillance mechanism, in order to avoid disturbances to Union markets. The Commission, on its own initiative or at the request of a Member State, after consulting the committee for the relevant agriculture or fisheries common market organisation, shall adopt an implementing act, in accordance with the examination procedure referred to in Article 39(3), on whether to apply that special surveillance mechanism, and shall determine the products to which that surveillance mechanism is to be applied.

2. Where Section I of this Chapter is applied to products in Chapters 1 to 24 of the Common Customs Tariff as laid down by Regulation (EEC) No 2658/87, originating in beneficiary countries, the period referred to in Article 24(4) of this Regulation shall be reduced to two months in the following cases:

   (a) when the beneficiary country concerned does not ensure compliance with the rules of origin or does not provide the administrative cooperation referred to in Article 21;

   (b) when Imports of products from Chapters 1 to 24 of the Common Customs Tariff as laid down by Regulation (EEC) No 2658/87, under the preferential arrangements granted under this Regulation massively exceed the usual levels of exports from the beneficiary country concerned.

CHAPTER VII

Common provisions

Article 33

1. To benefit from the tariff preferences, the products for which the tariff preferences are claimed shall originate in a beneficiary country.

2. For the purposes of the tariff preference arrangements referred to in Article 1(2) of this Regulation, the rules on preferential origin shall be those laid down in accordance with Article 64(1) and (3) of Regulation (EU) No 952/2013 of the European Parliament and of the Council[26].

3. Without prejudice to the rules referred to in paragraph 2 and upon request from a beneficiary country, the Commission shall grant regional cumulation between beneficiary countries of different regional groups or extended cumulation where and as long as the following conditions are met:

   (a) the request from the beneficiary country provides sufficient evidence that such cumulation is necessary in view of specific trade, development and financing needs of that country;

   (b) the cumulation does not create undue trade difficulties for other eligible countries, in particular beneficiaries under the EBA arrangement, in view of possible diversion of trade flows;

[26] Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code (OJ L 269, 10.10.2013, p. 1).

(c) The beneficiary country provides evidence that it cannot comply with the rules of origin applicable to the goods in question, without such cumulation being granted.

4. When assessing if the request is justified in view of specific trade, development and financing needs of the beneficiary country, in particular on the basis of information provided by that country, the Commission shall take into account the level of dependency of the beneficiary country on integrated production with the third countries concerned by the request, the impact of such dependency for the beneficiary country, the relevance of sectors with such integrated production for the economy of the beneficiary country and future development perspectives with regard to the products in question.

5. Before the Commission reaches its decision on a request, it shall give the beneficiary country the opportunity to present its views.

Article 34

1. Where the rate of an ad valorem duty for an individual import declaration is reduced in accordance with this Regulation to 1 % or less, that duty shall be suspended entirely.

2. Where the rate of a specific duty for an individual import declaration is reduced in accordance with this Regulation to EUR 2 or less per individual euro amount, that duty shall be suspended entirely.

3. Subject to paragraphs 1 and 2, the final rate of the preferential duty calculated in accordance with this Regulation shall be rounded down to the first decimal place.

Article 35

1. The statistical source to be used for the purpose of this Regulation shall be the external trade statistics of the Commission (Eurostat).

2. Member States shall send the Commission (Eurostat) their statistical data on products placed under the customs procedure for release for free circulation under the tariff preferences pursuant to Regulation (EU) 2019/2152 of the European Parliament and of the Council[27]. In order to facilitate information and increase transparency, the Commission shall also ensure that the relevant statistical data for the GSP sections are regularly available in a public database.

3. In accordance with Articles 55 and 56 of Implementing Regulation (EU) 2015/2447, Member States shall forward to the Commission, at its request, details of the quantities and values of products released for free circulation under the tariff preferences, during the previous months. Those data shall include the products referred to in paragraph 4 of this Article.

4. The Commission shall, in close cooperation with Member States, monitor the imports of products falling under Combined Nomenclature codes 0603, 0803 90 10, 1006, 1604 14, 1604 19 31, 1604 19 39, 1604 20 70, 1701, 1704, 1806 10 30, 1806 10 90, 2002 90, 2103 20, 2106 90 59, 2106 90 98, 6403, 2207 10 00, 2207 20 00,

[27] Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics, repealing 10 legal acts in the field of business statistics (OJ L 327, 17.12.2019, p. 1).

2909 19 10, 3814 00 90, 3820 00 00, 3824 99 56, 38249957, 38249992, 38248400, 38248500, 38248600, 38248700, 38248800, 38249993, and 38249996, in order to determine whether the conditions referred to in Articles 22, 29 and 30 are fulfilled.

Article 36

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2. The power to adopt delegated acts referred to in Articles 3, 5, 6, 8, 10, 11, 15, 16, 17, 19, 20 and 22 shall be conferred to the Commission for an indeterminate period of time from 1 January 2024.

3. The delegation of powers referred to in Articles 3, 5, 6, 8, 10, 11, 15, 16, 17, 19, 20 or 22 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.

5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

6. A delegated act adopted pursuant to Articles 3, 5, 6, 8, 10, 11, 15, 16, 17, 19, 20 or 22 shall enter into force only if no objection has been expressed by either the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 37

1. Delegated acts adopted under this Article shall enter into force without delay and shall apply as long as no objection is expressed in accordance with paragraph 2. The notification of such a delegated act to the European Parliament and to the Council shall state the reasons for the use of the urgency procedure.

2. Either the European Parliament or the Council may object to a delegated act in accordance with the procedure referred to in Article 36(5). In such a case, the Commission shall repeal the act immediately following the notification of the decision to object by the European Parliament or by the Council.

Article 38

1. Information received pursuant to this Regulation shall be used only for the purpose for which it was requested.

2. Neither information of a confidential nature nor any information provided on a confidential basis received pursuant to this Regulation shall be disclosed without specific permission from the supplier of such information.

3. Each request for confidentiality shall state the reasons why the information is confidential. However, if the supplier of the information wishes neither to make it public nor to authorise its disclosure in general terms or in the form of a summary and if it appears that the request for confidentiality is unjustified, the information concerned may be disregarded.

4. Information shall in any case be considered to be confidential if its disclosure is likely to have a significantly adverse effect upon the supplier or the source of such information or on bilateral international relations of the Union.

5. Paragraphs 1 to 4 shall not preclude reference by the Union authorities to general information and in particular to reasons on which decisions taken pursuant to this Regulation are based. Those authorities shall, however, take into account the legitimate interests of natural and legal persons concerned so that their business secrets shall not be divulged.

Article 39

1. The Commission shall be assisted by the Generalised Preferences Committee established by Regulation (EC) No 732/2008. That Committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

2. Where reference is made to this paragraph, Article 4 of Regulation (EU) No 182/2011 shall apply.

3. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

4. Where reference is made to this paragraph, Article 8 of Regulation (EU) No 182/2011, in conjunction with Article 5 thereof, shall apply.

Article 40

By 1 January 2027 and every three years thereafter, the Commission shall submit to the European Parliament and to the Council a report on the effects of the scheme covering the most recent three-year period and all of the preferential arrangements referred to in Article 1(2).

By 1 January 2030, the Commission shall submit, to the European Parliament and to the Council, a report on the application of this Regulation. Such a report may, where appropriate, be accompanied by a legislative proposal.

Article 41

Regulation (EU) No 978/2012 is repealed with effect from 1 January 2024**.**

References to the repealed Regulation shall be construed as references to this Regulation in accordance with the correlation table in Annex VIII.

CHAPTER VIII

Final provisions

Article 42

1. Any investigation or temporary withdrawal procedure initiated and not terminated under Regulation (EU) No 978/2012 shall be re-initiated automatically under this Regulation, except in respect of a beneficiary country of the special incentive arrangement for sustainable development and good governance under that Regulation if the investigation or procedure concerns only the benefits granted under the special incentive arrangement for sustainable development and good governance. However, such investigation or procedure shall be re-initiated automatically if the same beneficiary country applies for the special incentive arrangement under this Regulation before 1 January 2025.

2. The information received in the course of an investigation initiated and not terminated under Regulation (EU) No 978/2012 shall be taken into account in any re-initiated investigation.

Article 43

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2024.

This Regulation shall apply until 31 December 2033. However, the expiry date shall neither apply to the special arrangement for the least-developed countries as established in Chapter IV, nor, to the extent that they are applied in conjunction with that Chapter, to any other provisions of this Regulation.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament	*For the Council*
The President	*The President*

LEGISLATIVE FINANCIAL STATEMENT

LEGISLATIVE FINANCIAL STATEMENT 'REVENUE'- FOR PROPOSALS HAVING BUDGETARY IMPACT ON THE REVENUE SIDE OF THE BUDGET

1. NAME OF THE PROPOSAL:

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL applying a scheme of generalised tariff preferences and repealing council regulation (EU) No 978/2012

2. BUDGET LINES:

Revenue line (Chapter/Article/Item): Article 120

Amount budgeted for the year concerned: n/a

(only in case of assigned revenues):

The revenues will be assigned to the following expenditure line (Chapter/Article/Item): n/a

3. FINANCIAL IMPACT

☐ Proposal has no financial implications

X Proposal has no financial impact on expenditure but has a financial impact on revenue

☐ Proposal has a financial impact on assigned revenue

The effect is as follows:

(EUR million to one decimal place)

Revenue line	Impact on revenue[28][29]	12 months period starting 01/01/2024 *(if applicable)*	Year 2024
/Article/ 120	*Impact on own resources*		-2,977.6
Chapter/Article/Item …			

Situation following action					
Revenue line	[N+1]	[N+2]	[N+3]	[N+4]	[N+5]
Chapter/Article/Item …					
Chapter/Article/Item …					

[28] The amounts per year need to be an estimation based on the formula or method defined under section 5. For the starting year, the yearly amount is normally paid without a reduction or prorata.

[29] In the case of traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.

(Only in case of assigned revenues, under the condition that the budget line is already known): n/a

Expenditure line[30]	Year N	Year N+1
Chapter/Article/Item …		
Chapter/Article/Item …		

Situation following action					
Expenditure line	[N+1]	[N+2]	[N+3]	[N+4]	[N+5]
Chapter/Article/Item …					
Chapter/Article/Item …					

1. ANTI-FRAUD MEASURES

N/A

OTHER REMARKS

The scheme of generalised preferences (GSP) gives, under conditions, customs preferences to certain products entering the EU.

Based on the last available data (2019)[31], these preferences represent under the proposed GSP regulation a loss of revenue for the EU of 2.978 Mio EURO (annex 1).

The new regulation would largely perpetuare existing preferences, but would tighten the conditions for the graduation of individual product sections. Consequently, the trajectory of revenue losses under the new regulation would be somewhat lower than under the current regulations.[32] Additionally, the possibility of countries losing coverage of the scheme due to reaching upper-middle-income statues or signing an FTA with the EU would contribute to lowering the revenue losses.

The total loss of revenue would be 3,970 Mio EURO (gross amount). Deducting 25% that are retained in the Member States to compensate for collection costs the loss of revenue for the EU budget would be 2,978 Mio EURO distributed among the different regimes in the following way:

Mio EURO	Pref. Imports	Loss of revenue	25% reduction "Member States collection costs"

30 To be used only if necessary.

31 Data for 2020 is available, but was not chosen as a basis for the calculations as it is considered an unusual and non-representative year.

32 For details cf. Annex 2

EBA	25,171	2,764	2,073
GSP +	8,406	776	582
GSP	13,005	430	323
Total	46,583	3,970	2,978

Annex 1: Effect on EU revenue by GSP beneficiary

EBA Countries	Total Imports x EURO 1,000	Eligible Imports x EURO 1,000	Preferential Imports x EURO 1,000	MFN average	EBA rate average	EU loss of revenue x EURO 1,000
Afghanistan	49,655	19,501	14,802	2.9%	-	434
Angola	3,520,990	37,270	31,004	7.7%	-	2,378
Bangladesh	15,927,629	15,874,498	15,366,176	11.7%	-	1,805,019
Benin	19,183	2,854	2,059	7.0%	-	145
Bhutan	10,022	9,817	9,435	5.7%	-	542
Burkina Faso	242,090	20,944	20,000	6.1%	-	1,225
Burundi	31,505	262	142	5.3%	-	7
Cambodia	4,574,251	4,428,234	4,173,909	11.9%	-	497,288
Central African Republic	12,149	66	-	-	-	-
Chad	135,515	1,950	-	-	-	-
Comoros	23,416	9,408	8,691	6.6%	-	573
Congo (Democratic Rep)	822,182	8,453	1,794	11.1%	-	200
Djibouti	3,184	874	81	11.5%	-	9
Equatorial Guinea	886,116	16,843	7,407	0.7%	-	52
Eritrea	1,962	1,737	1,681	11.9%	-	200
Ethiopia	520,210	255,691	246,854	8.8%	-	21,684
Gambia	13,247	10,897	10,145	8.0%	-	808
Guinea	732,435	4,534	1,738	5.9%	-	103
Guinea Bissau	64,299	515	411	8.4%	-	35
Haiti	33,890	10,672	8,747	11.0%	-	962
Kiribati	66	65	12	11.0%	-	1

Laos	285,962	240,844	212,040	10.0%	-	21,274
Lesotho	299,445	4,710	597	9.1%	-	54
Liberia	327,056	3,113	2,001	4.5%	-	90
Madagascar	906,173	698,620	8,151	6.9%	-	566
Malawi	259,579	246,715	238,199	0.1%	-	199
Mali	30,942	5,873	3,700	5.1%	-	189
Mauritania	675,106	336,957	332,825	8.8%	-	29,243
Mozambique	1,619,461	1,144,760	1,099,775	3.0%	-	33,386
Myanmar	2,731,998	2,593,015	2,470,859	11.0%	-	273,017
Nepal	67,719	59,535	55,329	7.9%	-	4,377
Niger	6,185	3,927	2,583	1.0%	-	26
Rwanda	52,002	10,968	10,046	5.9%	-	593
Sao Tome and Principe	7,659	877	740	3.4%	-	25
Senegal	471,995	337,004	330,186	10.0%	-	32,859
Sierra Leone	265,673	2,927	1,455	3.3%	-	48
Solomon Islands	61,559	61,419	61,272	22.2%	-	13,612
Somalia	23,119	301	-	-	-	
South Sudan	1,862	1,447	-	-	-	
Sudan	272,348	7,975	6,998	1.6%	-	113
Tanzania	419,033	232,563	225,134	4.0%	-	9,052
Timor-Leste	4,187	1,256	0	12.3%	-	0
Togo	211,711	17,563	16,359	6.4%	-	1,045
Tuvalu	224	88	-	-	-	
Uganda	416,610	131,769	129,242	7.6%	-	9,798
Vanuatu	742	77	22	4.0%	-	1
Yemen	95,481	9,726	8,723	13.2%	-	1,148
Zambia	352,622	54,298	49,852	2.8%	-	1,371

EBA total	**37,490,449**	**26,923,416**	**25,171,176**	**11.0%**		**2,763,751**

GSP+ Countries	Total Imports x EURO 1,000	Eligible Imports x EURO 1,000	Preferential Imports x EURO 1,000	MFN average	GSP+ rate average	EU loss of revenue x EURO 1,000
Armenia	334,119	200,580	196,657	4.6%	-	9,028
Bolivia	547,509	83,017	78,203	1.7%	-	1,319
Cape Verde	84,537	68,040	61,240	20.1%	-	12,288
Kyrgyz Republic	104,734	7,444	4,541	5.5%	-	249
Mongolia	74,705	17,351	14,060	11.0%	-	1,542
Pakistan	5,917,043	5,268,942	5,116,967	10.1%	-	514,803
Philippines	7,075,078	2,437,012	1,766,682	7.6%	-	133,553
Sri Lanka	2,266,802	1,922,801	1,167,843	8.9%	-	103,391
GSP+ total	**16,404,528**	**10,005,187**	**8,406,193**	**9.2%**		**776,174**

Standard GSP Countries	Total Imports x EURO 1,000	Eligible Imports x EURO 1,000	Preferential Imports x EURO 1,000	MFN average	GSP rate average	EU loss of revenue x EURO 1,000
Congo	737,147	2,623	236	7.4%	4.1%	8
Cook Islands	6,385	1,083		-	-	
India	38,052,127	8,626,452	7,929,033	9.6%	6.5%	247,014
Indonesia	13,531,056	6,140,299	4,835,094	8.2%	4.6%	174,707
Kenya	971,904	334,198	1,640	4.9%	1.9%	50
Micronesia	39	24	4	11.5%	7.0%	0
Nauru	202	10		-	-	
Nigeria	17,072,490	161,796	129,049	7.3%	2.8%	5,726
Niue	269	35		-	-	
Samoa	879	457		-	-	
Syria	44,378	23,635	4,143	8.3%	4.4%	162
Tadjikistan	42,091	14,082	12,517	11.5%	9.1%	299
Tonga	237	177	127	9.7%	3.2%	8
Uzbekistan	172,288	106,678	93,595	6.7%	4.3%	2,220
Standard GSP total	**70,631,494**	**15,411,550**	**13,005,438**	**9.1%**	**5.8%**	**430,195**

Annex 2: Effects of lowered thresholds for product graduation[33]

GSP Countries	Graduated sections	Total Imports x EURO 1,000	Eligible Imports x EURO 1,000	Preferential Imports x EURO 1,000	MFN average	GSP rate average	EU loss of revenue x EURO 1,000
Congo	S-05	71,854	3,850	3,849	0.7%	0.7%	27
India	S-03	273,555	262,840	254,663	5.3%	3.5%	8,923
India	S-07a	985,329	960,287	848,855	6.5%	5.2%	44,061
India	S-07b	760,733	725,509	692,450	3.7%	3.6%	25,000
India	S-08a	136,918	112,623	108,055	4.8%	3.4%	3,719
India	S-08b	1,082,753	1,082,730	1,015,073	3.9%	3.3%	33,782
India	S-13	641,617	433,108	380,132	4.6%	3.0%	11,527
India	S-16	5,105,031	3,480,980	2,633,846	2.9%	2.9%	75,580
India	S-17a	19,403	19,219	11,907	1.8%	1.8%	213
Indonesia	S-05	431,569	343	323	1.2%	1.2%	4
Indonesia	S-06b	1,270,998	1,095,728	1,003,957	4.9%	4.9%	49,309
Indonesia	S-09a	367,846	89,453	87,438	6.0%	3.3%	2,883
Indonesia	S-09b	37,718	37,616	35,473	3.7%	3.7%	1,301
Nigeria	S-05	16,185,680	167				
Sum		**27,371,004**	**8,304,453**	**7,076,020**	**4.1%**	**3.6%**	**256,328**

[33] In addition to those mentioned in Commission Implementing Regulation (EU) 2019/249