EUROPEAN COMMISSION

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COM(2023) 426 final

2023/0252 (COD)

Proposal for a

# REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

## amending 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

# 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 EU's key instruments to assist developing countries to integrate in the world economy through trade, 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 is based on Regulation (EU) No 978/2012[3] and applies until 31 December 2023. Unless a new Regulation replacing the existing Regulation is adopted prior to that date, the Standard GSP and the GSP+ arrangements will cease to apply from 1 January 2024. Imports from developing countries under Standard GSP and GSP+ would thus be charged with Most Favoured Nation (MFN) duties. However, imports from LDCs would still be covered by the EBA arrangement, which does not have an expiry date.

On 22 September 2021, the European Commission adopted a Proposal[4] for a Regulation of the European Parliament and Council on applying a generalised scheme of tariff preferences. The new Regulation would repeal Regulation (EU) No 978/2012 of the European Parliament and of the Council and enter into force from 1 January 2024. The ordinary legislative procedure is ongoing but has not been concluded and there is a risk that it will not be

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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.

3 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).

4 COM(2021) 579: 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.

concluded in time. It is necessary to ensure continuity in the operation of the scheme beyond 31 December 2023. The consequences of any discontinuity for GSP would be that all imports under GSP would revert to standard most favoured nation treatment, except for those from least developed countries which would be covered by the Everything But Arms (EBA) regime, with significant economic shocks for companies in the EU and in beneficiary countries.

This proposal is tabled with a view to ensure continuity and sufficient time for the legislative procedure necessary to prolong the application of the existing rules and avoid the negative consequences outlined above. The Commission is of the view that the new GSP Regulation should apply as soon as possible, at which point this temporary prolongation of the existing scheme should end. It is therefore proposed to maintain the current Regulation beyond 31 December 2023, with no changes, until the moment a successor Regulation is agreed among legislators and enters into force, after an appropriate transition period.

Given the prevailing uncertainties about the time it will take to complete the legislative process on the new GSP Regulation, it is proposed to extend the validity of the current GSP Regulation until 31 December 2027. This will create a window for the successor Regulation to be prepared, agreed, and adopted with sufficient notice for economic operators and beneficiary countries to prepare for any changes made, without running the risk of an open-ended extension which would in effect perpetuate the status quo and delay opportune reforms in the scheme.

This proposal amends only the date of application of Regulation (EU) No 978/2012.

The proposal on the extension of the current GSP Regulation does not incur costs charged to the EU budget. Its application would also not entail any loss of customs revenue compared to the current situation.

2023/0252 (COD)

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**amending 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**

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(2) 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.

(2) Regulation (EU) No 978/2012 of the European Parliament and of the Council[1]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.

(3) On 22 September 2021 the European Commission adopted a 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[2]. The proposed Regulation is set to enter into force on 1 January 2024. The ordinary legislative procedure is ongoing and there is a risk that it will not be concluded by 31 December 2023. It is therefore necessary to propose an extension of Regulation (EU) No 978/2012 to ensure continuity in the operation of the scheme beyond 31 December 2023 until the moment a successor Regulation is adopted and applies.

(4) The period of extension of the current Regulation should provide the time needed for the legislative process for the adoption of the new Regulation. Accordingly, the period of application of Regulation (EU) No 978/2012 should be extended until 31 December 2027. In case the Regulation based on Commission Proposal COM(2021)579 becomes applicable before that date, the extension of the period of application of Regulation (EU) No 978/2012 should be correspondingly shortened, while providing an adequate transition period. To ensure the continued application of Regulation (EU) No

[1] 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).

[2] COM(2021) 579 final.

978/2012, if the publication of this Regulation takes place after 31 December 2023, it should apply retroactively from 1 January 2024,

HAVE ADOPTED THIS REGULATION:

*Article 1*

In Article 43(3) to Regulation (EU) No 978/2012 the year “2023” is replaced by the year “2027”.

*Article 2*

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Union.* If the publication takes place after 31 December 2023, this Regulation shall apply retroactively from 1 January 2024.

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

amending 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

### 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[3][4] | 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 … | | | | | |

[3] 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.

[4] 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[5] | 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)[6], these preferences represent under the proposed GSP regulation a loss of revenue for the EU of 2.977.6 Mio EURO (annex 1).

The new regulation would perpetuate existing preferences. 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" |
|---|---|---|---|
| EBA | 25,171 | 2,764 | 2,073 |
| GSP + | 8,406 | 776 | 582 |

5 To be used only if necessary.

6 Data for 2020 and 2021 is available, but was not chosen as a basis for the calculations as it is considered an unusual and non-representative year.

| | | | |
|---|---|---|---|
| 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** |

| General 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 |
| **General GSP total** | **70,631,494** | **15,411,550** | **13,005,438** | **9.1%** | **5.8%** | **430,195** |