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COVER NOTE

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
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To:	Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union
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Subject:	COMMISSION DELEGATED REGULATION (EU) No .../.. of 9.2.2015 amending Regulation (EU) No 978/2012 of the European Parliament and the Council as regards the vulnerability threshold defined in point 1(b) of Annex VII to that Regulation

Delegations will find attached document C(2015) 596 final.

Encl.: C(2015) 596 final



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COMMISSION DELEGATED REGULATION (EU) No .../..

of 9.2.2015

amending Regulation (EU) No 978/2012 of the European Parliament and the Council as regards the vulnerability threshold defined in point 1(b) of Annex VII to that Regulation

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

The European Union has granted trade preferences to developing countries through the Generalised Scheme of Tariff Preferences (GSP scheme) since 1971. It is part of its common commercial policy in accordance with the general provisions governing the EU's external action. The special incentive arrangement for sustainable development and good governance (GSP+) provides additional tariff preferences to developing countries which are vulnerable when exporting to the EU. The GSP+ scheme supports these countries to assume the special burdens and responsibilities resulting from the ratification of 27 core international conventions on human and labour rights, environmental protection and good governance as well as from their effective implementation

Pursuant to Article 9(1)(a) of the Regulation (EU) No 978/2012 of the European Parliament and of the Council¹ (GSP Regulation), a country is considered vulnerable in case of a lack of diversification and insufficient integration within the international trading system. That vulnerability must be assessed using the methodology and threshold described in Annex VII point 1(b) to the GSP Regulation.

Annex VII point 1(b) lays down that for a country to be considered vulnerable, the total of its imports of products listed in Annex IX into the Union shall represent less than 2% in value of the total imports into the Union of products listed in Annex IX and originating in GSP beneficiary countries listed in Annex II to the GSP Regulation as an average during the last three consecutive years.

Article 9(2) of the GSP Regulation lays down that when the list of GSP beneficiaries is amended, the vulnerability threshold can be reviewed by the Commission through a delegated act "*so as to maintain proportionally the same weight of the vulnerability threshold as calculated in Annex VII*". Such a need arises because the list of GSP beneficiaries in Annex II was substantially amended by Commission Regulation 1421/2013, which removed China, Thailand, Maldives and Ecuador from 1 January 2015.

As a result of all the changes in Annex II between the entry into force of the GSP Regulation and 1 January 2015, the average yearly total imports into the EU from GSP beneficiary countries calculated on the basis of the last three consecutive years (2011-2013) would fall from EUR 246 701 626 800 to EUR 75 372 810 270 i.e. to 30,55%, based on Eurostat data extracted on 1 September 2014.

To compensate for that drop, it is proposed to raise the vulnerability threshold defined in Annex VII point 1(b) in the same proportion to the decrease of average GSP imports into the EU for the last three consecutive years. Therefore, the threshold must be multiplied by $(1/0,3055=) 3,27$. That will result in a vulnerability threshold of $(2%*3,27=) 6,5 \%$ applicable as of 1 January 2015.

¹ OJ L 303, 31.10.2012, p. 1.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

In line with paragraph 4 of the Common Understanding on delegated acts between the European Parliament, the Council and the European Commission, appropriate and transparent consultations, including at expert level, have been carried out on this delegated act. The Commission Expert Group on the Generalised Scheme of Preferences was consulted in meetings held on 14 November and 17 December 2014.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

Article 9(2) of the GSP Regulation empowers the Commission to adopt delegated acts to amend Annex VII in order to review the vulnerability threshold listed in point 1(b) of Annex VII. The proposed delegated act will amend that threshold. The new threshold shall apply as from 1 January 2015, when China, Thailand, Maldives and Ecuador are removed from the list of GSP beneficiaries.

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amending Regulation (EU) No 978/2012 of the European Parliament and the Council as regards the vulnerability threshold defined in point 1(b) of Annex VII to that Regulation

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to 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 732/2008², and in particular Article 9(2) thereof,

Whereas:

- (1) Pursuant to point (a) of Article 9(1) of Regulation (EU) No 978/2012, a country benefiting from the Generalised Scheme of Preferences (GSP) may benefit from the tariff preferences provided under the special incentive arrangement for sustainable development and good governance if it is considered vulnerable due to lack of diversification and insufficient integration within the international trading system, as defined in Annex VII.
- (2) In accordance with point 1(b) of Annex VII, in addition to the condition of point 1(a) of that Annex, for a country to be considered vulnerable, it is to be a country of which the imports of products listed in Annex IX into the Union represent less than the threshold of 2 % in value of the total imports into the Union of products listed in that Annex originating in GSP beneficiary countries, as an average during the last three consecutive years.
- (3) Where the list of GSP beneficiary countries is amended, Regulation (EU) No 978/2012 empowers the Commission to adopt delegated acts to amend Annex VII in order to review the vulnerability threshold defined in point 1(b) of Annex VII (hereinafter vulnerability threshold) so as to maintain proportionally the same weight of the vulnerability threshold as calculated in accordance with Annex VII.
- (4) With effect from 1 January 2015, Commission Delegated Regulation (EU) No 1421/2013³ removed China, Ecuador, the Maldives and Thailand from the list of GSP beneficiary countries listed in Annex II to Regulation (EU) No 978/2012. Due to the substantial share of GSP imports represented by the above-mentioned countries, their removal from the list of beneficiaries necessitates the amendment of the vulnerability threshold.

² OJ L 303, 31.10.2012, p. 1.

³ Commission Delegated Regulation (EU) No 1421/2013 of 30 October 2013 amending Annexes I, II and IV to Regulation (EU) No 978/2012 of the European Parliament and of the Council applying a scheme of generalised tariff preferences (OJ L 355, 31.12.2013, p. 1).

- (5) As a result of all the amendments to the list of countries in Annex II to Regulation (EU) No 978/2012 between the entry into force of that Regulation and 1 January 2015, the total imports into the Union from all GSP beneficiary countries taken as an average during the last three consecutive years (2011-2013) would decrease to 30,55%. Therefore, an increase of the vulnerability threshold from 2% to 6,5% as from 1 January 2015 would maintain proportionally the same weight of the vulnerability threshold as laid down in Annex VII.
- (6) In line with paragraph 4 of the Common Understanding on delegated acts between the European Parliament, the Council and the European Commission, appropriate and transparent consultations, including at expert level, have been carried out on this Regulation,

HAS ADOPTED THIS REGULATION:

Article 1

In point 1(b) of Annex VII to Regulation (EU) No 978/2012, the threshold "2 %" is replaced by "6,5 %."

Article 2

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

It shall apply from 1 January 2015.

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

Done at Brussels, 9.2.2015

For the Commission
The President
Jean-Claude JUNCKER