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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 countries¹ 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 action².

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 978/2012³ 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 Proposal⁴ 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

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.

Proposal for a

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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 Council¹ 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 Council². 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
The President

For the Council
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
- ☒ 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 ³⁴	12 months period starting 01/01/2024 (if applicable)	Year 2024
/Article/ 120	<i>Impact on own resources</i>		-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