

Study in support of an Impact assessment to prepare the review of GSP Regulation No 978/2012

(TRADE/2019/D1/Do6, Contract No. Sl2.815944)

Presentation of draft inception report

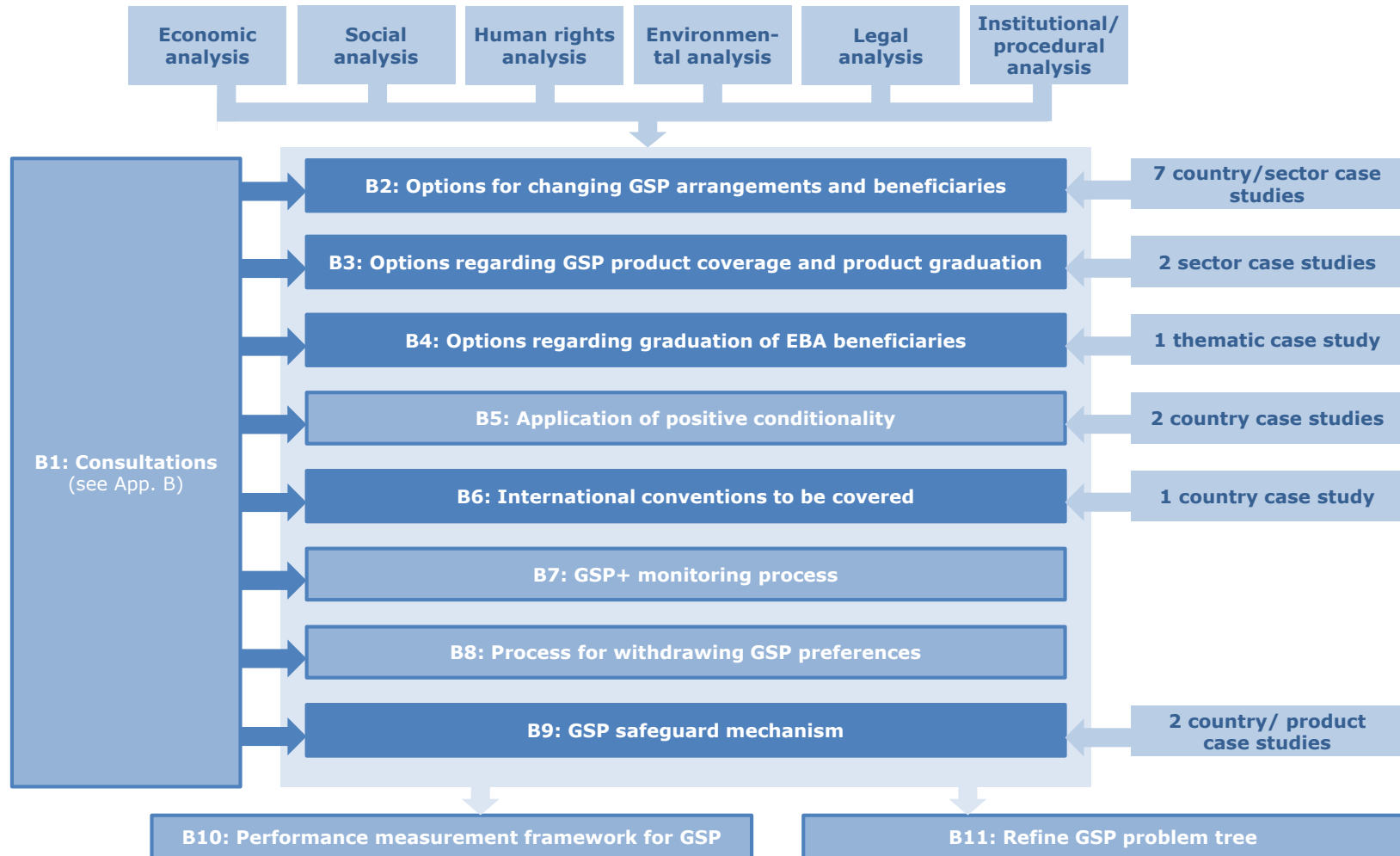
Civil society dialogue meeting
Webex, 06 May 2020

Overview of presentation

1. Methodologies & tasks – report chapter 2.1
2. Case studies – report chapter 2.2, appendix D
3. Consultations – report chapter 3/4, appendix B
4. Study work plan – report chapter 5

Methodologies

Overview of approach (1)



Legend: Priority tasks Other tasks Types of analysis & case studies

Overview of approach (2)

- **Specific research questions** to be addressed – “separate” analyses under B2-B9
 - ⇒ Task-specific methodologies
 - ⇒ Varying importance of economic, social, human rights, environmental, and legal/institutional/procedural analysis
- **General method:** comparison of different policy options – defined in the ToR – with one another and a “no change” scenario
- **Main sources of information & data:**
 - Commission CGE modelling simulation results (see **appendix C**)
 - Literature review
 - Consultations

Economic analysis overview

- **B2 & B4:** based on CGE simulation results, further quantitative analysis (partial equilibrium, PE), case studies
 - CGE: MIRAGE, based on GTAP data (see **app. C**). Effects of policy options until 2029 (tariff changes only):
 - Impact on overall economies (GDP, welfare, tariff revenue, wages, output, exports and imports)
 - Sectoral impact (value added, output, exports, imports, labour inputs)
 - PE: selected countries
- **B3:** descriptive statistics + PE analysis
- **B5 & B6:** administrative cost assessment for EU and GSP beneficiary countries (case studies, extrapolated)
- **B7:** cost-benefit analysis, similar to B5/6
- **B9:** descriptive statistical analysis (retrospective) and case studies (prospective) – see below

Legal analysis overview (1)

Overall approach

- Analysis of GSP issues in light of WTO law, including 1971 GSP Decision, 1979 Enabling Clause, 2013 WTO Ministerial Decisions, and WTO Panel and Appellate Body Reports on *EC – Tariff Preferences* (2004). Reference also to context provided in 1960s-1970 UNCTAD and OECD instruments, and subsequent practice

Key concepts

- Preferences are voluntary and can be withdrawn, but so long as preferences are granted they must comply with WTO conditions:
 - Preferences must be **positive response** to individual development, financial and trade ‘needs’ of developing countries and must be **non-discriminatory** between developing countries with similar ‘needs’
 - Both **positive** and **negative conditionality** are permitted, but within certain constraints
- Special treatment for least developed countries is both permitted and also strongly encouraged by 2013 Bali Ministerial Decisions

Legal analysis overview (2)

Linking the methodology to the specific tasks

- **B2** WTO conditions on determining GSP beneficiary eligibility (focus on UNCTAD and OECD context and subsequent practice)
- **B3** WTO conditions on determining GSP product coverage and graduation (focus on UNCTAD and OECD context and subsequent practice)
- **B4** WTO conditions on LDC graduation (Enabling Clause)
- **B5, B6 and B8** WTO conditions on positive and negative conditionality, in light of existing and alternative international conventions (Enabling Clause)
- **B7** WTO conditions on monitoring, especially transparency and non-discrimination (Enabling Clause)
- **B9** WTO conditions on safeguards (focus on UNCTAD and OECD context and subsequent practice)

Social and gender analysis overview (1)

- **Across tasks:**
 - Boxes with **impact analysis for women** as workers and entrepreneurs (very limited data on women as traders).
 - Focus on countries chosen for detailed social analysis, e.g. Kenya (Task B.5) and country case studies, e.g. Bangladesh.
- **B2-B4, B9:** starting with CGE modelling and other economic analysis results, complemented with consultations, analyse for countries and sectors affected by policy options:
 - changes in **employment levels** for skilled and unskilled workers under each scenario and changes in **wage** and **welfare levels**
 - as part of sector case study (textiles and garments) in B2, the analysis will also cover **working conditions**, e.g. health and safety at work
 - B4: focus on **options for EBA beneficiaries** graduating from LDC status
 - B9 (safeguards): social effects on GSP and EU sectors

Social and gender analysis overview (2)

- **B5:** analyse effects of additional conditionality (ratification & implementation of ILO conventions in Annex VIII) on a number of beneficiary countries:
 - **ratification status** and analysis of impacts for countries not meeting conditions (based on CGE modelling and trade flows, incl. use of GSP preferences, focus on countries likely to be most affected)
 - **reasons for non-ratification** of conventions and efforts needed to meet the new criterion (based on ILO reporting and interviews)
 - **implementation record:** focus on countries likely to struggle with a new condition (e.g. cases of concern considered by ILO monitoring bodies)
- **B6:** identify and assess effects of possible candidates of conventions for inclusion into Annex VIII, based on criteria (general relevance, relevance for GSP objectives, stakeholder views).
- **B10:** social indicators, e.g. data related to ratification and implementation of international conventions, or changes in employment and poverty levels

Institutional analysis overview

- **B7:** analysis of potential GSP+ monitoring mechanism changes:
 - **increased transparency:** to include possibility to publish „lists of issues,“ reports on monitoring missions/engagement with stakeholders, description of monitoring process, possibility for civil society to contribute or submit a complaint
 - **inclusive stakeholder engagement:** to include **civil society advisory groups**
 - **extended monitoring cycle:** reporting under international mechanisms (e.g. three years in ILO), time for substantial progress, out-of-cycle reporting
- **B8:** review of temporary withdrawal mechanism, including:
 - proposals for **increased transparency**, based on lessons learned from GSP+/FTAs/TSD
 - additional steps in the process, analysis of **enhanced engagement** with beneficiary countries based on Uzbekistan, Georgia, Bangladesh, Guatemala, Cambodia, Myanmar and the latest cases under TSD chapters
 - **effectiveness of engagement & sustainability of effects**, based on past cases
 - proposals for partial withdrawal of preferences, drawing on Cambodia case, and use of **sustainability schemes** or **OECD due diligence mechanisms**

Human rights analysis overview (1)

- **General approach:** Based on EC HR impact assessment guidelines
 - Based on CGE modelling and literature review, analysis of changes for human rights situation resulting from policy options:
 - Analysis of human rights most likely impacted by GSP changes (screening & scoping);
 - Detailed analysis of impact on human rights most likely affected;
 - Policy recommendations & flanking measures (per scenario).
- **Some specifics:**
 - **B4:** Define potential for graduation to standard GSP or GSP+ - based on HR convention ratification and implementation status;
 - **B6:** Same approach as social analysis
 - **B10:** Human rights 'success' measures (e.g. ratification/ implementation data of HR conventions)

Human rights analysis overview (2)

- **B5:** Analysis of effects which additional conditionality (ratification and implementation of relevant HR conventions in Annex VIII) would have on a number of beneficiary countries:
 - Literature overview on (lack of) **effectiveness of negative conditionality** and root causes;
 - Overview of **status of ratification and information on implementation status** of HR conventions and analysis of impacts for countries not meeting the condition (based on CGE modelling and trade flows, incl. use of GSP preferences, focusing on most affected countries);
 - Concise overview of **reasons for non-ratification and/or non-implementation** of HR fundamental conventions and efforts needed to meet the new criterion (if available);
 - Analysis of the degree of **effort** that would have to be put into ratification and/or implementation with a focus on countries likely to struggle with this.

Environmental analysis – overview (1)

Across tasks

- Taking into account 8 environmental dimensions: environmental quality, climate change, air pollution, energy & transport, waste, water availability & access, biodiversity, land use
- Tables with ratification and implementation at country level in annexes
- Use conclusions from case studies to illustrate potentials for change and impact of changes

Overall approach

- Step 1. Literature review for all 8 environmental issues related to GSP/GSP+/EBA.
 - Note that there is a high need for additional data/information as CGE data available for only 1 environmental dimension (climate change) and rough proxy only (just CO₂ ; linear relation to GDP)
- Step 2. Analysis of ratification status of environmental conventions – a) the 8 conventions included in Annex VIII, b) the most likely updates, c) the full list of 54 environmental conventions.
 - Note current high share of ratification >> expect relatively low impact in B5 - extending Article 19(1)(a) to environmental conventions

Environmental analysis – overview (2)

Overall approach (continued)

- Step 3. Screening and scoping exercises to identify significant env. issues that are most affected by GSP arrangements and possible reform (incl. civil society consult.)
 - Taking account of significant local circumstances & opportunities; more attention to imported products with higher env. risk or higher risk EU market disturbance
- Step 4. Further assessment on implementation challenges and how GSP may support implementation
 - Note potential significant challenges in implementing conventions, especially in monitoring & reporting
 - Assessment whether flanking EU policies and initiatives play a role in alleviating any negative impact or reinforcing positive impact of certain GSP options
- Step 5. Qualitative & quantitative assessment for each task B.2-B.6 & B.9
 - B2-B3: focus analysis policy options on main env. impacts of changes in trade and displacement effects. Use case studies to identify how change in trade can help stimulate achieving env. objectives (e.g. stimulating greener production)
 - B4: env. effects of LDC graduation: requires some countries to step up ratification
 - B6: identify largest gaps in ratification; address relevance (of requiring effort from GSP perspective) and proportionality (of efforts vs potential impact)

Case studies

1. Overview & selection

- About **15 case studies** planned: countries; sectors/products; topics; country/product pairs
- **Purpose:** Illustration of more general findings; analysis of specific aspects related to issues studied under tasks
- **Case study selection:**
 - Coverage of various dimensions of analysis
 - Coverage of different regions / GSP regimes
 - Representativeness
 - See **appendix D**
- **Case study methodology:** depending on topic; focus on qualitative analysis; specific consultations

2. Proposed case studies

- Task B2: Changes in GSP scope for (1) Bangladesh, (2) Pakistan, (3) India, (4) Ethiopia, (5) Myanmar, (6) Lao PDR, and (7) garments
- Task B3: (8) Expanding product coverage to goods that can help achieve environmental and climate protection goals, and (9) expanding product graduation to rice
- Task B4: (10) impact of changes in EU rules of origin for textiles and garments for graduating EBA countries
- Task B5 - Positive conditionality: impact of (11) ratification requirement for Bhutan, and of (12) ratification & implementation requirement for Uzbekistan
- Task B6 - Amending list of international conventions: (13) Bangladesh, with special attention to textiles, and hazardous waste
- Task B9: (14) Comparing general and automatic safeguards for rice: Cambodia and Myanmar, and (15) impact on EU industry of expanding the product scope of automatic safeguards - product yet to be identified in the interim report

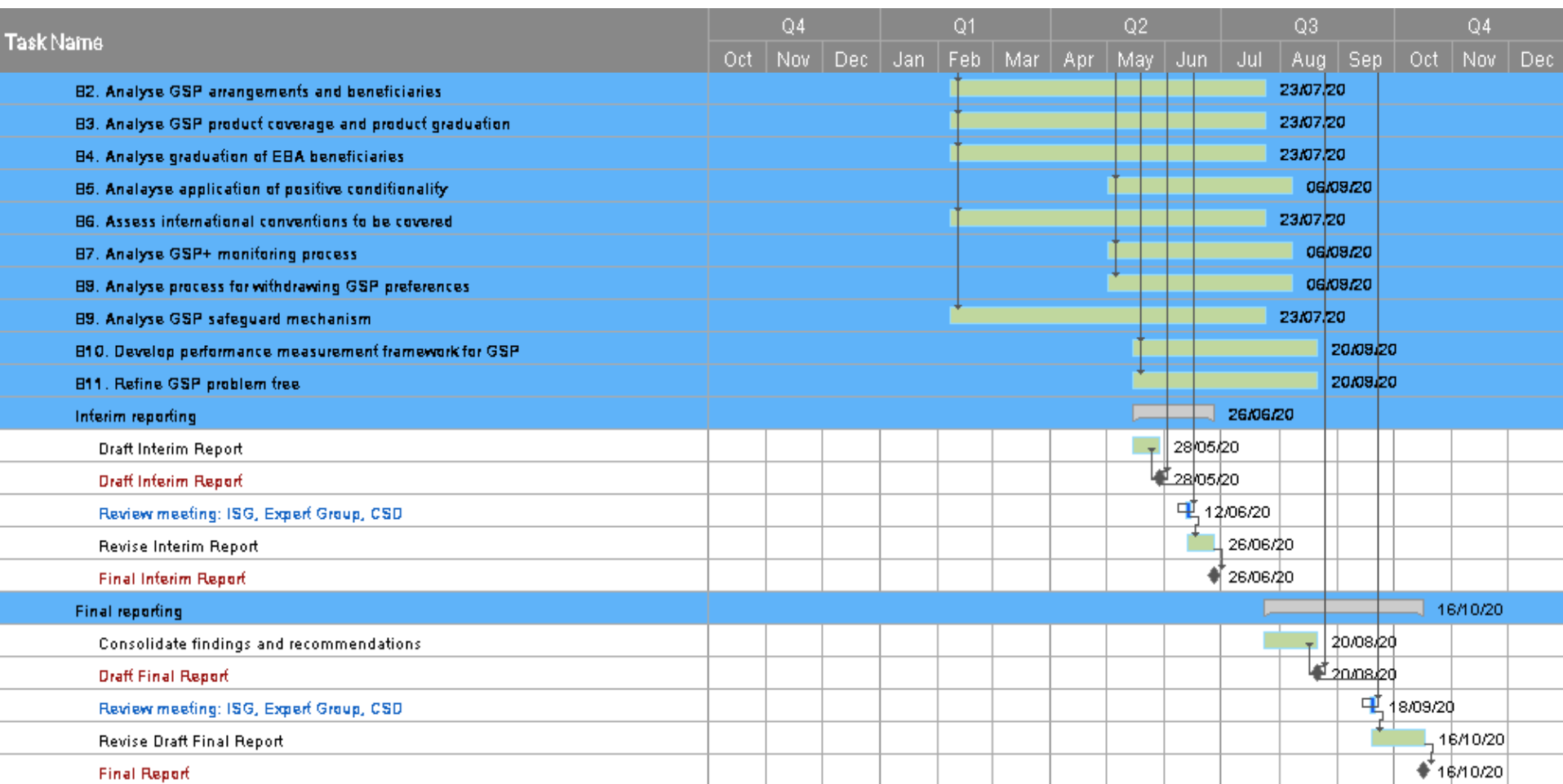
Consultation strategy

Consultation activities (see appendix B)

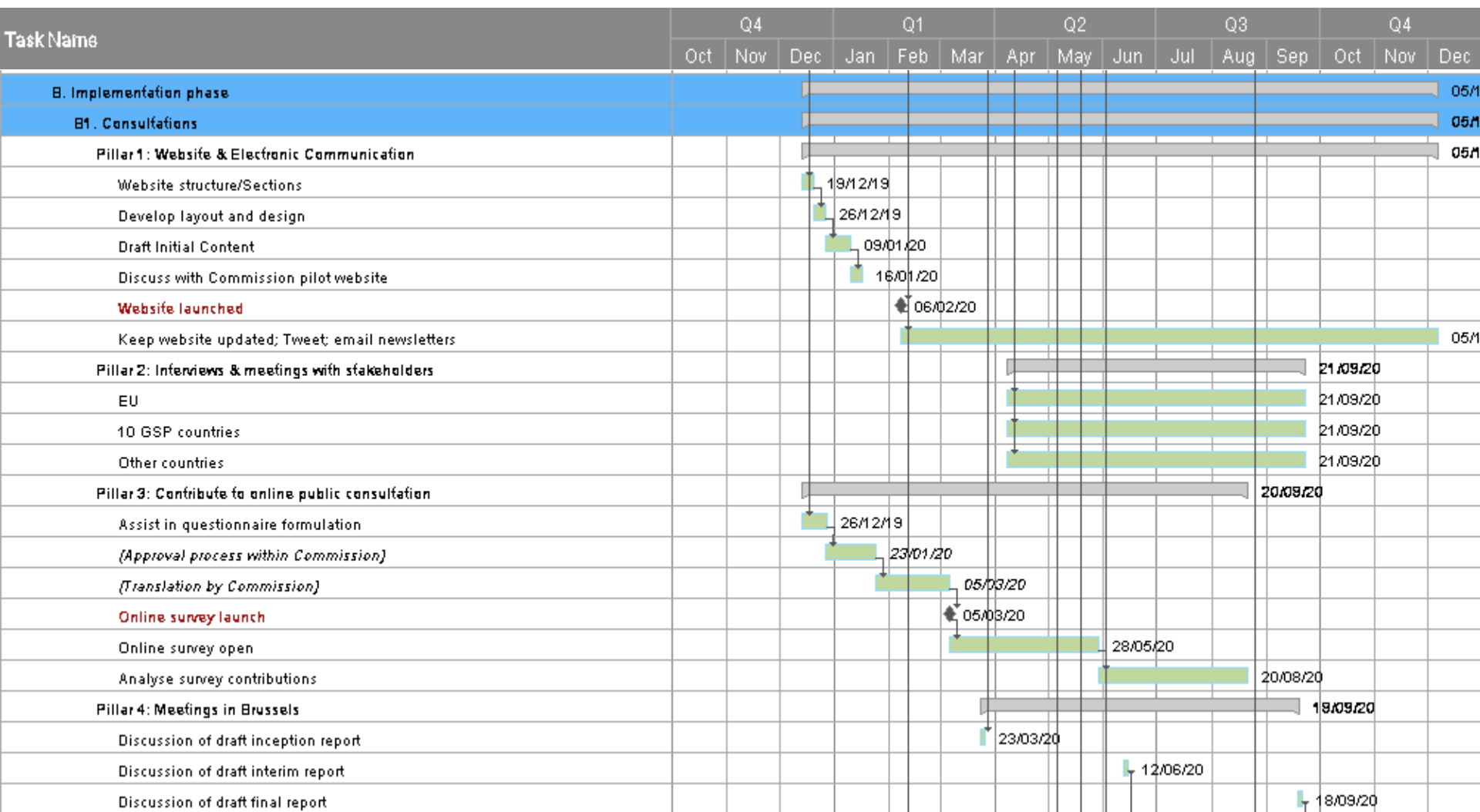
- **Initial stakeholder identification (≈750 entities)**
- **Pillar 1: Website & electronic communication**
 - Website launched: www.gsp-study.eu
 - Mailing list established (newsletters)
 - Twitter: @BKPEconAdvisors
- **Pillar 2: Interviews and roundtables/workshops**
 - Consultation of 200 stakeholders (30 EU MS, 10 x 15 in GSP, 10 3rd countries, 10 experts), plus EP, EESC
 - Most interviews planned May and June 2020: personal, VC, written
- **Pillar 3: Contribute to online public consultation**
 - Collaborate in finalising questionnaires, promotion among stakeholders, analysis of contributions
 - Open 11 March 2020 => 03 June 2020
- **Pillar 4: Meetings in Brussels – ISG; MS Expert Group; CSD**
 - Draft inception report: today
 - Upcoming meetings (2 x 3): interim report, draft final report

Study work plan

1. Technical tasks and reporting



2. Consultations





<http://www.gsp-study.eu>



contact@gsp-study.eu



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