

# **STATUS OF GSP PLUS:**

## **ITS IMPLICATIONS AND BENEFITS FOR PAKISTANI INDUSTRIES**



## **Benefits of GSP Plus Scheme for Pakistani Industries:**

- The EU is Pakistan's largest trading partner after the United States.
- GSP Plus would allow Pakistani exports to enter the 28 member countries of EU.
- Market of 500 million consumers is now open for Pakistani exports.
- Cotton and Textile products are the largest exporting sectors of Pakistan.
- Pakistan has edge over its Competitors (China, India, Vietnam, Thailand, Indonesia). They do not have duty free access as well as no preferential access.
- Textile exports have an 8.5% share in gross domestic product (GDP), providing about 40% jobs in the manufacturing sector (*SBP, Pakistan Economic Survey 2013*).
- Pakistani textile exports are expected to get double.
- Pakistan can earn an additional US\$580-700 million/year worth of goods by expansion of product lines through the GSP Plus duty-free status.
- An additional US\$ 280 million can be earned in knitted and woven apparel, 14.5% of current exports of products within the 6% threshold.
- Moreover an additional US\$97.1 million can be earned in leather products.
- For all other products, an additional US\$ 250 million can be earned.
- Massive employment opportunities would be created in many industries after the grant of GSP Plus status.
- It would also increase the revenue for the exchequer in form of taxes from enhanced trade opportunities.
- Huge opportunities would be generated to earn foreign investment by inviting entrepreneurs from China and other countries to in the industries with potential for rapid export expansion through GSP Plus.
- Because of the high cost of production, China's share in the global textile and clothing market is at stake. Pakistan's duty-free access to the EU can capture greater share of the textile and clothing market. This is a lifetime kind opportunity for Pakistan's textile exporters.
- Many non-textile products that constitute Pakistan's "traditional" export sectors, such as sports goods, surgical instruments and Basmati rice, or fast-increasing exports, such as copper and animal casings, already enter the EU duty-free under either GSP or MFN rates. Therefore, for these products, the GSP+ tariff preferences will have no positive market access impact (*Source: European Union*).

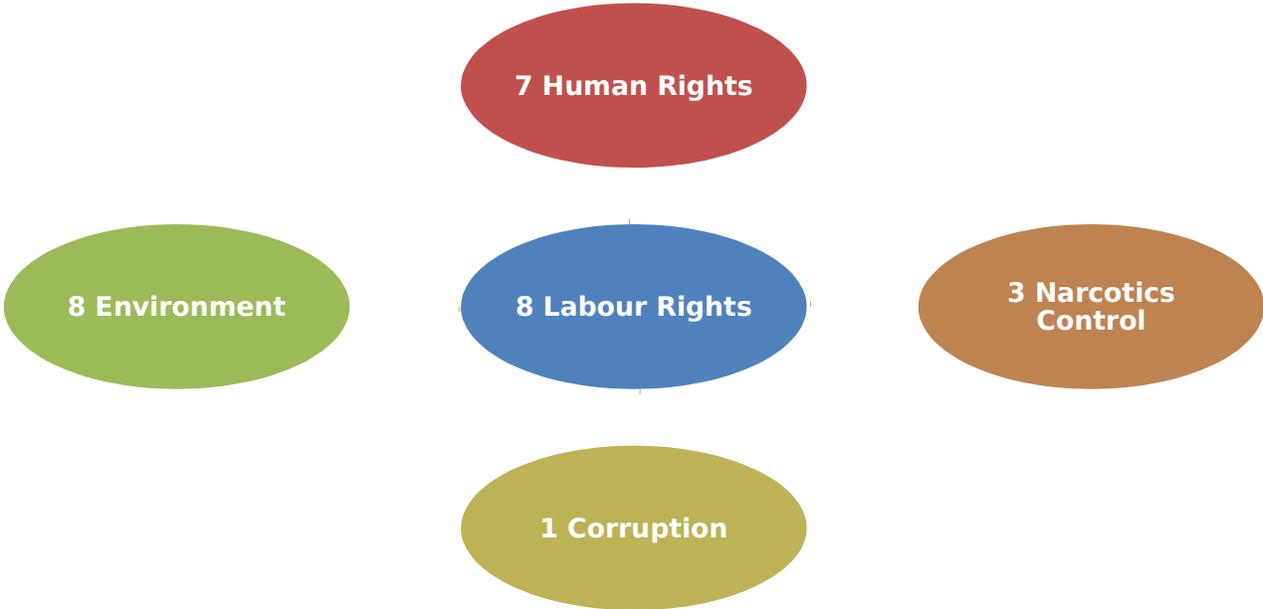
- The extension of the EU's GSP+ preferences to Pakistan will certainly boost its competitiveness, but ultimate success in accessing the EU market in greater quantities will also largely depend on Pakistan's ability to meet EU consumers' demand, both in terms of reliable export volumes and quality, to increase its production efficiency, to invest in technologies and skilled manpower, and to be able to deflect its competitors' defensive or offensive actions. GSP+ alone will not suffice. (*Source: European Union*).

### Products covered under GSP status:

Category	Products
Live Stock and Meat	Horses, Pigeons, Rabbits etc.
Dairy Products	Yogurt, Butter etc.
Vegetables	Potatoes, Onions, Cabbages etc.
Fruits	Banana, Pineapple etc.
Dry Fruits	Dates, Pistachios, Almonds etc.
Other Edibles	Eggs, Honey, Vinegar preserved etc.
Seeds	Vegetable, oil seeds etc.
Oils	Palm oil, Soya bean oil etc.
Chemicals	Hydrogen, Sulfur, Citric Acid etc.
Textile	Cotton, Silks, etc.
Metals	Nickel, Aluminum, Zinc etc.
Equipment	Microwave ovens, Video recorders etc.
Vehicles	Motorcycles, Bicycles etc.
Value Added Products	Cotton products, Flour etc.
Others	Cigarettes, soaps etc.

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**Bifurcation of 27 Conventions:**



## List of Conventions to qualify for 'GSP Plus'

1. International Covenant on Civil and Political Rights
2. International Covenant on Economic Social and Cultural Rights
3. International Convention on the Elimination of All Forms of Racial Discrimination
4. Convention on the Elimination of All Forms of Discrimination Against Women
5. Convention Against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment
6. Convention on the Rights of the Child
7. Convention on the Prevention and Punishment of the Crime of Genocide
8. Minimum Age for Admission to Employment (N° 138)
9. Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour (N° 182)
10. Abolition of Forced Labour Convention (N° 105)
11. Forced Compulsory Labour Convention (N° 29)
12. Equal Remuneration of Men and Women Workers for Work of Equal Value Convention (N° 100)
13. Discrimination in Respect of Employment and Occupation Convention (N° 111)
14. Freedom of Association and Protection of the Right to Organise Convention (N° 87)
15. Application of the Principles of the Right to Organise and to Bargain Collectively. Convention (N° 98)
16. International Convention on the Suppression and Punishment of the Crime of Apartheid
17. Montreal Protocol on Substances that deplete the Ozone Layer
18. Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal
19. Stockholm Convention on persistent Organic Pollutants
20. Convention on International Trade in Endangered Species
21. Convention on Biological Diversity
22. Cartagena Protocol on Biosafety
23. Kyoto Protocol to the UN Framework Convention on Climate Change
24. UN Single Convention on Narcotic Drugs (1961)
25. UN Convention on Psychotropic Substances (1971)
26. UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988)
27. Mexico UN Convention Against Corruption

For detailed conventions, visit [http://www.commerce.gov.pk/Downloads/UN\\_conventions.pdf](http://www.commerce.gov.pk/Downloads/UN_conventions.pdf)

### **Chronology of GSP scheme:**

- In 1968, UNCTAD recommended to create GSP and grant trade preferences to all developing countries.
- GATT (now WTO) approved it and EU implemented its first GSP scheme in 1971.
- Since then, EU kept updating and improving its GSP program.
- In 2007, Lisbon Treaty recommended new amendments and revised the GSP scheme altogether.

### **Objectives behind the revision of GSP:**

- To facilitate those countries which are most in need.
- To support those countries which do not have other channels of trade to access EU.
- Trade, financial and development needs of LDCs and other poor economies are different from developed countries, hence required preferential treatment.
- To implement the international conventions (environment, poverty, labour, etc)
- Need to make the system more transparent and predictable by the economic operators

### **What is GSP?**

- The EU's **Generalized System of Preferences (GSP)** is a mechanism in which developing and least developed countries are granted easy access to export their products to European Union.
- This is done through tariff concessions for their goods when entering the EU market.

### **Three separate regimes covered under GSP:**

1. The standard GSP arrangement (**GSP**) provides for duty reductions on about 66% tariff lines.
2. The specific incentive arrangement (**GSP+**) offers deep tariff cuts for vulnerable countries that **ratified** and **implemented** international conventions relating to human and labour rights, environment and good governance.
3. Everything but Arms (**EBA**) arrangement offers full **duty free, quota free access** for all products except arms and ammunition for 49 LDCs on 99% of all tariff lines.

### **Better focus on the countries most in need:**

- Previously, 177 countries were getting benefitted from GSP scheme.
- New GSP scheme focuses on 90 countries which need GSP trade preferences the most:
  - **49** - least developed countries under EBA
  - **41**- 'low income' and 'lower middle income' countries as classified by the World Bank.

### **Partners which are no longer eligible for GSP:**

- **87** countries have been declared as non-eligible for GSP:
- 33 Overseas countries and territories (already have access—do not need GSP)
- 34 Partners which have been granted preferences through other tracks (e.g. bilateral agreements, autonomous arrangements—do not need GSP)
- 20 'High income' or 'upper middle income' partners, as listed by the World Bank

### **GSP+ Beneficiaries:**

- 9 countries, including **Pakistan**, Ukraine and Philippines) were granted GSP+ status in December 2013.
- All eligible countries in the list of GSP+ must apply in written under the new rules to obtain GSP+ status.
- Countries which meet the criteria will be entered into GSP+ as they apply.

### **Criteria to qualify for GSP+:**

1. Ratify and effectively implement 27 specified international conventions.
2. Undertake to maintain the ratification of the conventions and accept regular monitoring and reviewing of the implementation.
3. The country is declared vulnerable.

### **A vulnerable country means a country:**

- which is not classified by the World Bank as a high-income country during three consecutive years;
- whose exports to the EU are heavily concentrated in a few products.

- with a low level of exports to the EU (it represents less than 2% in value of total GSP covered imports).
- less diversified as 75% of its exports focus on few sectors of EU.

### **Does Pakistan qualify for GSP+?**

#### Vulnerability:

- Pakistan's exports contribute at 1.6% of EU's global GSP imports,
- 94% of Pakistan's exports concentrate only 7 sectors of products.
- Pakistan is a Low Income country as specified by the world Bank.
- **Pakistan Qualified !**

#### **Requirements for GSP+:**

- Sign
- Ratify
- Implement

#### **Challenges for Pakistan:**

- Chronic energy shortages.
- High cost of production.
- Less competitiveness in international markets.
- Almost 50% of the textile units in textile city of Faisalabad have been shut down due to cuts in gas and electricity supply.
- Volatile prices of raw materials.
- Difficulty in achieving the required market standards,
- Higher costs of certification.
- To implement and maintain the 27 conventions set by EU.

#### **For further information and detail, visit the following links:**

- <http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/>
- [http://www.commerce.gov.pk/?page\\_id=3422](http://www.commerce.gov.pk/?page_id=3422)
- <http://www.tdap.gov.pk/gsp-sections.php>
- <http://www.prgmea.org/>
- [http://tdap.gov.pk/eu-atp-assets/EU\\_GSP\\_Plus\\_FAQ.pdf](http://tdap.gov.pk/eu-atp-assets/EU_GSP_Plus_FAQ.pdf)
- <http://trtapakistan.org/wp-content/uploads/2012/04/Policy-Recommendation-GSP.pdf>

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