

EU GSP Plus Scheme – FAQs Pakistan

1. What is the GSP Plus and how does it differ from 'normal' GSP?

The primary objective of the Generalized System of Preference, commonly called GSP is to contribute to the reduction of poverty and the promotion of sustainable development and good governance. Tariff preferences in the EU market enable Developing Countries to participate more fully in international trade and generate additional export revenue to support implementation of their own sustainable development and poverty reduction policy strategies. The European Union's GSP covers three separate regimes;

- (i) The standard GSP, which provides preferences to 90 (previously 177) Developing Countries and Territories on over 6300 tariff lines;
- (ii) the special incentive arrangement for Sustainable Development and Good Governance, known as GSP+, which offers additional duty free exports to support vulnerable developing countries (previously 16 now 25 countries – Including Pakistan) in their ratification and implementation of relevant international conventions in these fields, and;
- (iii) The Everything But Arms (EBA) arrangement, which provides Duty-Free, Quota-Free access for the 50 Least-Developed Countries (LDCs).

2. How will Pakistan benefit from attaining GSP Plus status?

Pakistan has traditionally been benefiting from the standard GSP regime of the EU and our exports to the EU have been subjected to 20% less duty than the normal MFN duties charged by the European Union. This preferential tariff has helped Pakistani products not only to enter the EU market but also to sustain their share in it. Nevertheless, this also meant that Pakistani products, especially; Textiles and Garments, were facing stiff competition not only from efficient suppliers like; China, India, Indonesia, Thailand and Vietnam but were also at a disadvantage vis a vis exports from LDCs like Bangladesh, which were already accorded duty free access to the EU through the Everything But Arms regime of the EU GSP.

Pakistan's qualification as a GSP Plus beneficiary country would put us in a tremendously advantageous position, as;

- a) China, Colombia India, Indonesia, Thailand and Vietnam are not eligible for GSP Plus.
- b) China has also graduated out of the Textile and Garments sections of the standard GSP while India has graduated out of the Textile section of the standard GSP, meaning whereby that imports from China and India will not be benefiting from preferential duties either.

- c) Pakistan will only be the second textile and garment exporting country in the South and South East Asian region which will have duty free access into the EU. Bangladesh being the other such country.

Taking the overall economic perspective of Pakistan in view, this opportunity not only promises manifold increase in our exports but would also act as an instigator for; investment, both domestic and FDI, employment generation, inculcation of best practices resulting in enhanced institutional capacity and sustained economic growth.

3. Are there any products of Pakistan's interest which would not benefit from GSP Plus?

Some of the products of Pakistan's interest were already duty free either under MFN or standard GSP i.e. surgical instruments, basmati rice, guar gum, spices, onyx, fans etc, while 75 tariff lines also benefited from the Special Autonomous Trade Preference Scheme for Pakistan. But now under the GSP Plus regime all of the products of Pakistan's export interest would be entitled to duty free treatment which includes all Textiles, Textiles made ups, bed linen, garments, leather products, footwear, plastics, ethanol, agriculture products and processed food etc.

4. Which are the sectors which would benefit most? Any estimates?

Pakistan's inclusion in the EU GSP Plus scheme offers immense benefits in terms of increase in exports. It is no surprise that the main beneficiary of the GSP Plus scheme would be the Textiles and Garments sector; our trade analysts have estimated an overall growth of almost 15% in the combined Textile and Garment sector by the year 2014-15, adding approximately US \$ 1.5 billion to the total exports of Pakistan. Similarly; the other sectors of our interest .i.e. leather and leather articles, footwear, plastics, ethanol, fresh and processed fruits etc also have the potential to take advantage of the duty free access and record healthy growth levels.

5. Can the GSP Plus status be withdrawn by EU? If so, How?

Firstly it needs to be clearly understood that the GSP Plus scheme is a 'Special Incentive Arrangement for Sustainable Development and Good Governance'. As the name suggests, the scheme has been conceived by the European Union as an incentive to inculcate good governance and sustainable development practices in the developing countries, in order to help them in achieving best practices and moving up the ladder of development. Therefore; the additional tariff preferences provided under the special incentive arrangement for sustainable development and good governance would be granted to those developing countries which; due to a lack of diversification and insufficient integration within the international trading system, are vulnerable .i.e.

- Exports of that country should not exceed 2% of EU's global GSP imports.
- Seven largest sectors of products contribute more than 75% of its exports to EU.
- It is not a high or upper middle income country, and;
- Has signed, ratified and implemented 27 core International Conventions pertaining to; Human Rights, Labor Rights, Environment, Narcotics Control and Corruption.

While the vulnerability criteria pertaining to lack of diversification, low income, low share in EU GSP imports and signing/ratification of the core Conventions are a prequalification for a GSP Plus beneficiary country (which Pakistan fulfills), the implementation of these conventions is the core issue which would ensure Pakistan's continuity in the GSP plus regime.

In this regard the EU has devised a monitoring mechanism and it is expected of the beneficiary countries to fully cooperate in providing information, whereby the EU would gauge the satisfactory implementation of these Conventions, failing which, the country could face withdrawal of GSP Plus status.

6. What can Pakistan do to ensure that it continues to benefit from GSP Plus status?

Given the fact that Pakistan's inclusion in the list of beneficiary countries of the EU GSP Plus Scheme promises immense economic benefits, it is incumbent on all the stakeholder, public and private sectors alike, to play their part in ensuring that we continue to benefit from such an opportunity.

Since these conventions are primarily related to good governance and pertain to; labor laws and rights, gender rights and equality, protection of the environment, human rights, climate change etc and these being core issues for ensuring sustainable social and economic development of any country, they should auger very high in national priority. In our case, we find ourselves in a fortunate situation whereby we are being acknowledged through the GSP plus Scheme for our own very essential reform process for good governance. We should cease this opportunity with both hands and the private sector should also take ownership of these issues by playing their role in not only inculcating international best practices amongst their members but also play the role of a catalyst in the social and economic development of our country.
