

PAKISTAN'S GSP+ STATUS AND THE ROAD AHEAD

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Pakistan's GSP+ status is undergoing a review as the current regime is set to expire in 2023.¹ If successful, Pakistan will avail the benefits of GSP+ under a new framework from 2024-2034.

In March 2020, the EU had extended Pakistan's GSP+ status till 2022. The commission noted that Pakistan had made considerable progress when it came to labour laws and tackling climate change, two important conditions for the continental bloc to grant or extend a GSP+ status. Pakistan's GSP+ status was put under review after strong demand of the European Parliament (EP) which passed two resolutions on the issue of non-compliance.

However, the European Commission (EC) found no grounds to exclude Pakistan from the GSP arrangement and its GSP+ status was extended till December 2023.²

The GSP + Scheme: An Overview

The Generalised Scheme of Preferences (GSP) is a special incentive arrangement for Sustainable Development and Good Governance that supports vulnerable developing countries. Next to fulfilling the eligibility requirements of the Standard GSP, GSP+ (plus) countries are required to fulfil 27

¹ Pakistan, European Commission (EC) - Country Trade Profile, accessed on June 05, 2022. https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/pakistan_en

² Muhammad Taimur Fahad Khan, "European Commission Renews Pakistan GSP+ Status," ISSI, October 6, 2021, <https://issi.org.pk/issue-brief-on-european-commission-renews-pakistan-gsp-status/>

international conventions³ on human rights, labour rights, environmental protection and good governance.

On September 21, 2021, in its review of the GSP+, the European Commission (EC) introduced six new conventions, pertaining to children's rights, environmental safety, labour rights, organised crime, and persons with disabilities.⁴

Pakistan became a beneficiary of this scheme on January 01, 2014 and was granted the GSP Plus (GSP+) status by the European Union (EU).⁵ It is one of the 6 Asian countries that are beneficiaries of GSP+. On September 21, 2021, it was announced by EU to continue Pakistan's GSP+ status with introduction of six new conventions pertaining to greater accessibility for people with physical disability, eradication of child labour and environmental safety.⁶

At present, Pakistan is the largest beneficiary of the GSP+ scheme. The primary aim of the GSP+ is to accelerate economic growth in developing countries by supporting their export sector. The GSP+ status given by the EU does not extend automatically, instead the countries must be eligible and fulfil all the requirements to obtain it. If fully utilised, the GSP+ status can earn some extra foreign reserves for Pakistan which is already facing a severe current account deficit, public debt, and balance of payment issues.⁷

Pakistan-EU Bilateral Trade under GSP+ Scheme

Pakistan's trade relations with the EU, especially the generous tariff preferences enjoyed by the Pakistani products in EU markets are an integral part of the country's overall economic profile. Any hindrance in these relations or any additional preferences will seriously hamper Pakistan's economic progress. The country will lose an annual export value of around US\$ 3 billion if the government fails to ensure a GSP+ extension beyond 2023.

³ "Conventions", GSP hub, accessed on June 10, 2022. <https://gsphub.eu/conventions>

⁴ "Pakistan," GSP Hub, accessed on June 10, 2022. <https://gsphub.eu/country-info/Pakistan>

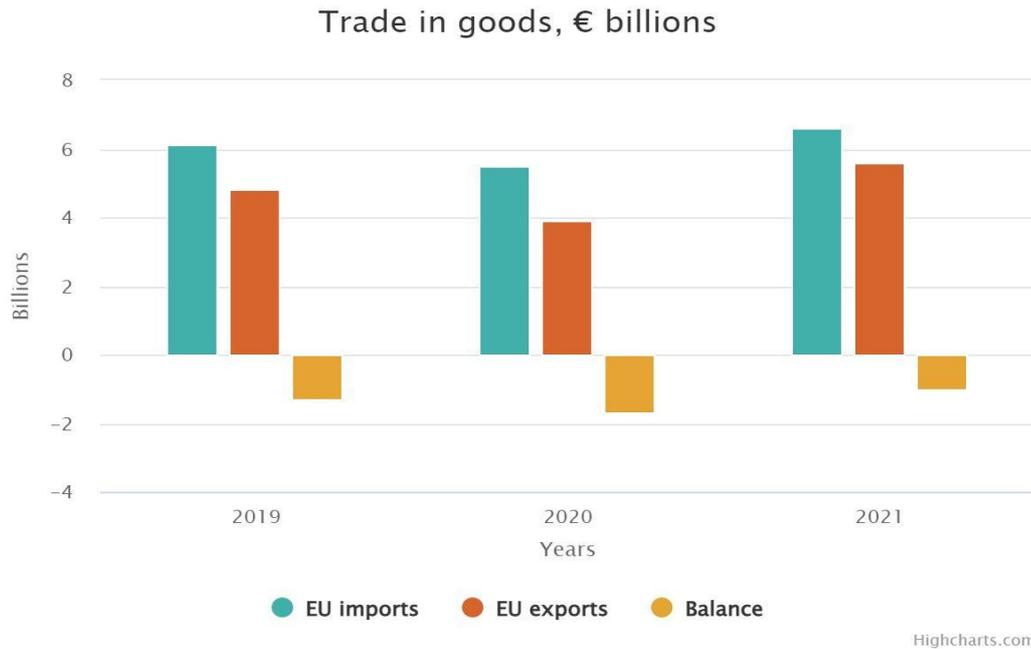
⁵ Pakistan, European Commission (EC) - Country Trade Profile, accessed on June 05, 2022. https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/pakistan_en

⁶ Khalid Hameed Farooqi, "Pakistan's GSP Plus status to continue: six new conventions introduced", Geo News, published on September 22, 2021.

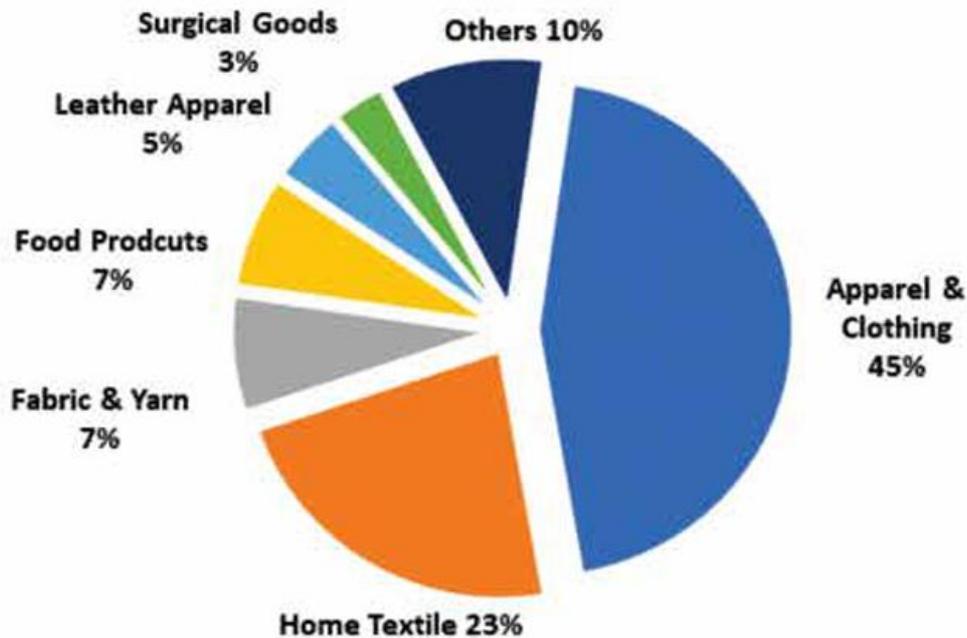
<https://www.geo.tv/latest/371925-pakistans-gsp-plus-status-to-continue-six-new-conventions-introduced>

⁷ Shahroo Malik, "EU-Pakistan Trade Relations: The Role of GSP Plus Status and Pakistan's Enhanced Access to EU Markets," Strategic Studies, published on April 27, 2020.

<https://issi.org.pk/eu-pakistan-trade-relations-the-role-of-gsp-plus-status-and-pakistans-enhanced-access-to-eu-markets/>



The GSP facility granted for ten years (2014-23), allowed Pakistan duty-free access to over 66% of its exports to the EU. Bilateral trade between Pakistan and the EU went up by 78% to €12.2 billion in 2021 from €6.9 billion in 2013. Pakistan's exports of footwear, plastics, and leather have increased significantly under the scheme.⁸ Below is Pakistan's export composition to the EU in 2021⁹



Source: Ministry of Commerce, Pakistan

⁸ Mubarak Zeb Khan, "Pakistan's trade with EU jumps 80pc since 2013," Dawn, March 18, 2022, <https://www.dawn.com/news/1680570>

⁹ "GSP+ Insights Pakistan", Treaty Implementation Cell, Pakistan, published on March 17, 2022. <https://www.commerce.gov.pk/wp-content/uploads/2022/03/GSP-Booklet-17-03-22.pdf>

What needs to be done

Although Pakistan has achieved substantial progress on the legislative and policy side by introducing legislative laws on women, children, and labour rights. However, Pakistan's inability to fully implement these has led its GSP+ status being reviewed, thus following recommendations need to be looked by the government to ensure the schemes continuity beyond 2023:

1. Pakistan severely needs to diversify its export portfolio since relying solely on textiles can hamper its export sector, resulting in an increased balance of trade deficit.
2. Pakistani exporters need to undertake extensive market research to explore new markets and identify niches in the EU market where Pakistani goods can easily penetrate. This will help in diversifying Pakistan's portfolio of export goods instead of heavily relying on a few items.
3. It is important to work on soft diplomacy to promote a positive image of Pakistan abroad. There is a significant need to lobby at the highest levels within the EU member countries to promote interaction with trading and media blocs, and to counter any negative anti-Pakistan rhetoric.
4. The government specifically needs to encourage gender mainstreaming especially in the textile and apparel industry which provides a base to its export sector to encourage female participation in the labour market.
5. Pakistan needs to take the recommendations of the treaty monitoring bodies on the situation of human rights in Pakistan seriously and should prepare an action-oriented strategy in consultation with civil society and human rights organisations to effectively implement them.
6. GSP+ has strengthened Pakistan's commitment to further improve the work standards as well as labour rights, by taking several legislative and policy actions to ensure that the objective is achieved, but implementation of these policies needs to take priority now.

Conclusion

It is important to stress the significance of the continuation of Pakistan's GSP+ status for various political, economic and diplomatic reasons. Given the country's current tough economic situation, availing the benefits of economic and development regimes (like the GSP+) is in the best interest of Pakistan. This would also assist in its transition from geo-strategy to geo-economics. It is thus

important that Pakistan starts preparing for re-applying to the GSP+ status' new regime in order to continue availing the scheme beyond 2023.