

A presentation on
EU *GSP Plus*:
Massive Trade Opportunities for
Pakistan

PRGMEA

***Pakistan Readymade Garments Manufacturers
& Exporters Association***

GSP Plus

- GSP is a scheme of preferential tariffs, unilaterally extended with the objective of increasing trade capacity among developing nations. The EU GSP is extended through three arrangements: GSP, **GSP Plus** and Everything But Arms.
- **GSP Plus** is not extended automatically, countries have to apply and will be qualified if they meet the eligibility criteria.
- Under **GSP Plus**, 6274 tariff lines are eligible, of which 6269 are duty free. Textile products are classified as “sensitive” (HS Code chapters 50-60 and 61-63) under GSP Plus.
- **GSP Plus** beneficiaries must ratify and implement 27 international conventions. GSP status is reviewed every two years.
- **GSP Plus** status will be awarded for a period of 10 years

GSP Plus: Qualification Criteria

- Tariff preferences are conditional to an unqualified commitment for ratification and implementation of 27 international conventions (16 relating to human rights and labor rights (11 relating to governance and development issues).
- GSP Plus is extended to countries considered “vulnerable” in their trade profile: exports to the EU are not diversified; 7 or less items makeup at least 75% of their exports to EU and value less than 2% of EU’s total GSP imports.
- Pakistan, Philippines and Ukraine qualify to apply under the above vulnerability criteria.

GSP Plus: Tariff Preferences

Under GSP Plus, the tariff preferences will be suspended if;

- The average value of import of any item increases by 17.5% over three successive years, **EXCEPT:**
 - Textiles, for which the cap is 14.5%;
 - Ethanol, for which the cap is 13.5%

OR EARLIER , UNDER:

- Safeguard Clause (Art. 29) on agriculture, fisheries and textiles.
- General Safeguards (Art. 22) when products enter at volumes or prices that can cause “serious difficulties” to domestic EU industry.

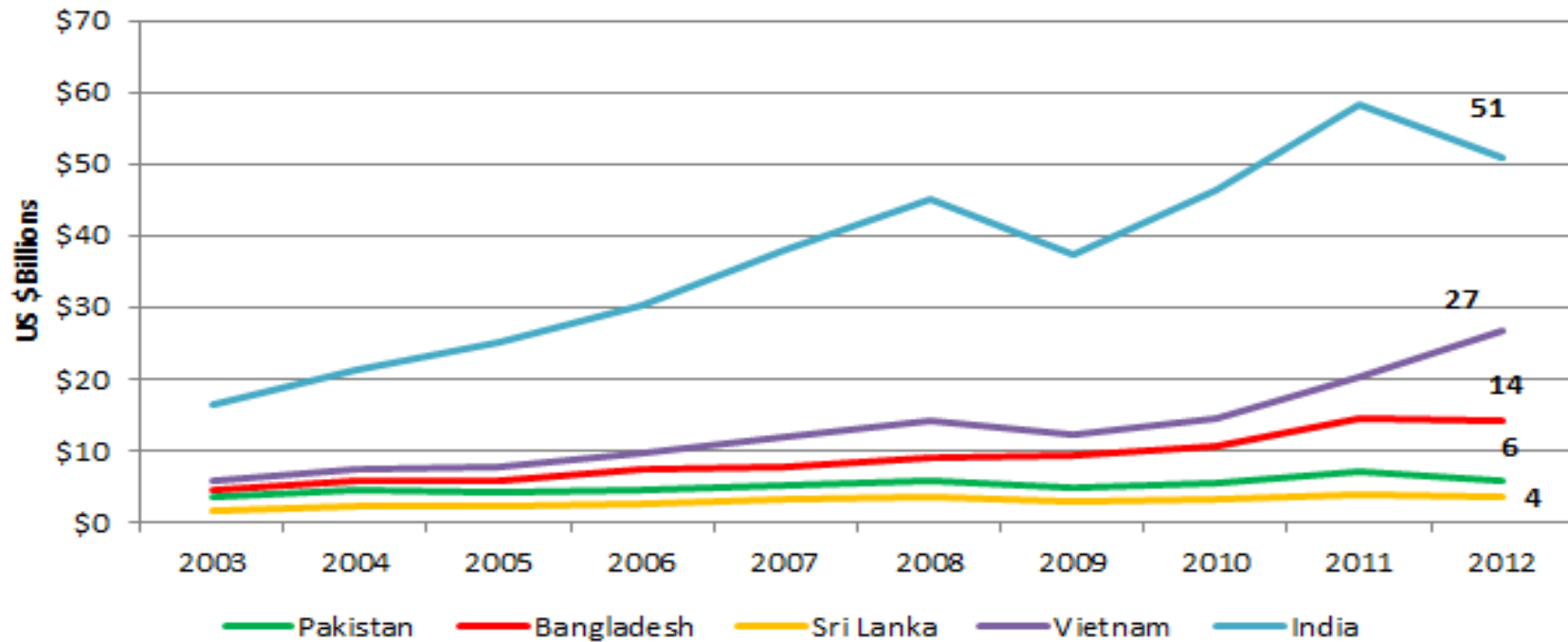
Pakistan's Export Profile to EU

- The total Pakistani exports to the European Union in 2012 were Euro 4.07 billion.
- Total imports of EU-27 countries in 2012 was Euro 1.79 trillion.
- The EU is Pakistan's most important export market comprising of almost 22% of Pakistan's total exports in 2012.
- Pakistan has been unable to improve its exports to the EU market in comparison with other developing countries.
- GSP Plus status is significant for Pakistan in order to enhance its exports.

Pakistan's Export Profile to EU

Pakistan has been unable to enhance its presence in the EU, whereas many competitors have gained a substantial foothold despite starting at a comparable base.

EU-27 Imports



Source: United Nations Commodity Trade Statistics Database

GSP Plus: Key Advantages

- 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.
- In chapters 61 and 62 (knitted and woven apparel), an additional US\$280 million can be earned in the first year (14.5% of current exports of products within the 6% threshold).
- In leather products (chapters 41 & 42), an additional US\$97.1 million (17.5% of existing import levels) in the first year can be earned.
- For all other products, an additional US\$ 250 million in the first year (17.5% of current exports) can be earned.

GSP Plus: Other Advantages

- Massive opportunities to provide employment due to increase in exports.
- Increased revenue for the exchequer in form of taxes from enhanced trade opportunities.
- Massive possibilities to earn foreign investment by inviting entrepreneurs from China and other countries to invest in industries with potential for rapid export expansion through GSP Plus.
- China's dwindling share in the global textile and clothing business, because of surging cost of production there, and Pakistan's expected duty-free access to the European Union (EU) from next year, are being viewed by the textile industry as a 'once-in-a-lifetime' kind of opportunity for the country. ***(Dawn, Sept.2)***

Disadvantaged Sectors

- Many textile products under HS Code chapter 52 (cotton yarn and fabrics) and chapter 63 (home textiles) are above the 6% threshold. These will not qualify for any tariff preference.

GSP Plus: Challenges

- The prevailing security situation and energy crisis will prevent the exporting sectors to capitalize from the full benefits of GSP Plus. These will also prove as a barrier to any potential foreign investment.
- Implementation of 27 international conventions of GSP Plus, some of which are not ratified by Pakistan.
- Coordination between Centre and Provinces on implementation of conventions in the post-18th Amendment scenario.
- Uniformity of regulations in the provinces.
- Effective Implementation of relevant labor, human rights and environmental laws at industry level.

Key Recommendations

- New product lines must be developed in textiles. Particularly technical textile and green textiles.
- Special focus on chapters 61, 62 & 63 in products made from manmade fibers.
- Mindset should change from firms level export promotion to sector level planning.
- Associations to take the lead in members' compliance on labor conventions.
- Associations and FPCCI to liaise with the government for developing credible monitoring of the 27 conventions.
- The Import of raw material to be used in re-export of the products to EU should be made easy other than DTRE.

Key Recommendations

- There should be a strong coordination between the Government and the Industry. It is suggested that a coordination committee should be formed having members from the private sectors along with members from Ministry of Commerce, Customs, State Bank, etc. who should establish consistent follow up with the relevant EU counterparts to keep the process active and progressive.
- Cost competitiveness, non-disruptive supply chain management and maintained quality standards can give Pakistan an edge over the competitors which are currently in a strong position with reference to exports in some sectors like textile and leather.

Thank You
