

A BRIEF OVERVIEW OF GSP+ FOR PAKISTAN

Dr. Zobi Fatima

Abstract

This article evaluates the benefits and costs of the GSP+ scheme for Pakistan. It holds that although the scheme has commercially been fruitful for the economy, there might be long-term repercussions due to the lack of diversity in Pakistani products. In addition, the 27 conventions attached to the scheme still await implementation. There is a lack of coordination between state and the business sector. Besides, the relevant authorities are themselves oblivious of the terms of this commercial engagement between Islamabad and Brussels. The author concludes that unless rectified, the current state of affairs augur complications for Pakistan-EU economic relationship.

Background

The European Commission (EC)^{*} has established its Generalized System of Preferences (GSP) in 1971 by following the recommendations of the second session of the United Nations Conference on Trade and Development (UNCTAD) in 1968, enabling clauses of the WTO to take effect, which then allowed developed countries to formalize and impose trade related preferences onto developing countries. Under the GSP, developing countries were allowed to export their products to Europe, without tariff and under certain quotas, but such agreements had to be renegotiated every year.¹ In 1971, the first GSP scheme was designed by the European Community and operated with the framework for 10 years. However, regulations regarding agricultural products, industrialised

^{*} The EU is an economic governing consortium and the European Commission is the executive of the EU - it is not technically a representative European government that is the job of the council of Europe. <https://www.coe.int/en/web/about-us/do-not-get-confused?desktop=true>

¹ "Generalised Scheme of Preferences (GSP)", European Commission, last modified February 7, 2018, accessed March 6, 2018, <http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/>

products, textile products and those covered by ECSC have been renewed and re-adopted on annual basis.²

Traditionally, the GSP was part of the Common Commercial Policy and it was defined under Article 133 of EC Treaty, which eventually was converted into Article 207 of Treaty on the Functioning of the European Union (TFEU). Hence, it is a tool of development policy, which provides (conditional) trade advantages to almost 130 developing countries through tariff reductions and duty-free access, to promote agricultural and industrial products into the EU market.

The GSP is an autonomous instrument, which establishes terms of trade and which serves as a development policy, therefore trade preferences are not negotiated, but awarded, as standard terms of trade in European dealings with trade-partners and their representative country governments also known as beneficiary countries. Adjacently, these preferences are also in line with WTO's multilateral trade liberalization.³

There are three objectives behind the GSP:

- To eradicate poverty by expanding exports from poor countries.
- To promote good governance and sustainable development.
- To safeguard the economic and financial interests of EU.

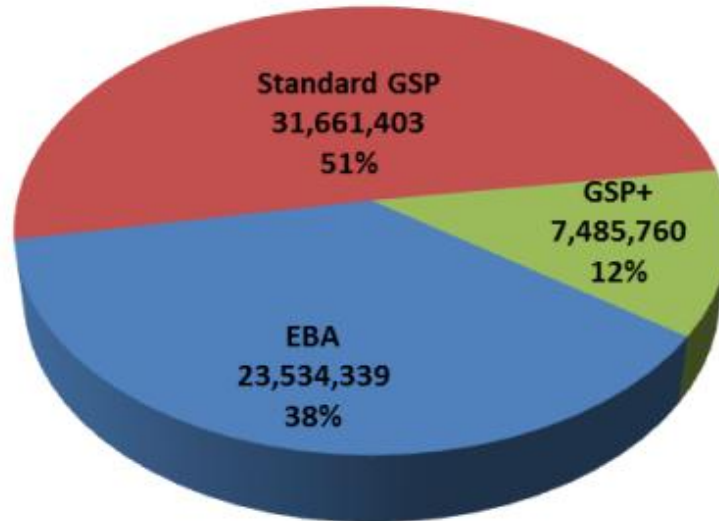
Through the GSP, economic growth and the creation of employment are promoted in beneficiary countries by increasing their export revenue. The EU works generally to lower import costs on these countries and supports their businesses' competitiveness.⁴

² European Commission, *The European Union's Generalised System of Preferences GSP* (Belgium, European Commission, 2004), 3.

³ "The EU and the Generalised System of Preferences," *Europedia*, last modified 2011, accessed March 6, 2018, http://www.europedia.moussis.eu/books/Book_2/7/24/05/?all=1 ; "Generalised System of Preferences," European Commission, last modified 2018, accessed March 6, 2018, https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/rules-origin/general-aspects-preferential-origin/arrangements-list/generalised-system-preferences_en.

⁴ European Commission, "Generalised Scheme of Preferences (GSP)".

Figure 1: Preferential EU imports under Standard GSP, GSP+ and EBA, 2016 (thousand EUR)⁵



In spite of providing apparent benefits through the GSP, the system is also criticized as highly convoluted, due to its complicated rules and regulations. For instance, beneficiaries are required to comply with rules of origin (RoO), which is comprised of complex technical requirements and administrative procedures. Second, the preference margins of trade partners, is further reduced due to GATT's multilateral trade liberalization, which minimizes the competitive advantage of non-GSP signatory countries. Third, the GSP generally requires a wide range of side-or-extra conditions with respect to labour, human rights, and environment, which are hard to follow by beneficiaries. Fourth, there are certain criteria, which determine a product's exclusion (ex ante) or a product's inclusion (ex post) in the GSP framework. This can hamper the competitive advantage of goods, which are important to the trade partners of signatory countries, and sensitive for donors' imports/investments. Fifth, trade partners within signatory countries constantly face uncertainty because the GSP can be terminated/modified on an ad hoc basis, either by altering the conditions/clauses of the agreement, or by putting certain restrictions on

⁵ European Commission, *Report from the Commission to the European Parliament and the Council: Report on the Generalised Scheme of Preferences Covering the Period 2016-2017* (Brussels: European Commission, 2018), 2.

traded goods. In this regard, the problem of overcapacity or over production might occur.⁶

Beneficiary countries may also experience negative effects through the GSP. Their exports may improve in the short-term, but their performance in the medium and medium-to-long run may actually deteriorate or stagnate. Similarly, the donor countries also draw added benefits from this scheme, whereas their opportunistic inclinations are further realized since the GSP is also promoted to improve their own exports to signatory countries in the form of manufactured/processed goods. Moderately developed countries with broad economic diversity and advanced infrastructure tend to benefit more from GSP schemes than poor and developing countries.⁷

Standard GSP

To structure exchanges between EU and Trade Partner Countries, GSP regulations include three schemes of preferences provided to developing countries according to their needs.

- Standard GSP (duty reductions by 66% on all tariff lines) is provided to countries of low and lower-middle income.
- GSP+ (zero duties) is for vulnerable low and lower-middle income countries
- Everything But Arms (EBA) (duty free-quota free) is given to least developed countries (LDCs).⁸

Since the implementation of the GSP, these schemes have been revised several times, whereby previous clauses were removed and new ones added, in every revision. In 1999, the *revised GSP scheme*^{*} replaced the previous scheme, which used to cover 146 countries and their entire industrial sector, excluding armaments. The new GSP modified conditions on tariffs and quotas replaced them with a tariff preference scheme, which depends on product's sensitivity with respect to import goods and the

⁶ Bernhard Herz & Marco Wagner, "The Dark Side of the Generalized System of Preferences", *Working Paper* (Beyreuth: German Council of Economic Experts, 2010), 3-5.

⁷ Ibid, 25.

⁸ European Commission, "Generalised Scheme of Preferences (GSP)".

* GSP Scheme was initiated in 1971, and in 1999 renamed as Revised GSP Scheme.

development index of exporting countries.⁹ Tariff reduction was made dependent on the sensitivity of product or its ad valorem (value-added) duties.¹⁰

Product's sensitivity, which influences preferential rates, is determined by four categories;

1. Very Sensitive: products related to agriculture, clothing, textile, and ferro-alloys incurring 85% decrease in duty for Most Favoured Nations (MFN) to be paid at this preferential rate.
2. Sensitive Products: chemicals, plastic, agricultural products, leather, and wood products along with glass, paper, motor vehicles, and copper appliances, which incur 70% decrease in duty, from their regular duty rates.
3. Semi-Sensitive Products: with 35% rebate from regular duty rates.
4. Non-Sensitive Products: their preferential rate is zero.¹¹

GSP benefits are awarded on the basis of country-product category combinations, if the countries' imports into the EU exceed 25% of their national exports. When the average value of imports from a GSP beneficiary country (divided by the total value of all GSP imports for that Section) over 3 years exceeds the general threshold of 57%,¹² then, a country is said to "graduate" thereby losing access to preferential rates and GSP provisions.

In this way, most of the Least Developing Countries (LDCs) are benefited and few South American countries also enjoy additional preferences for combating trafficking and drug protection. Similarly, special incentives are also provided on the basis of certain parameters, such as when countries implement labour standards, avoid child labour, and adopt environmental protection measures, etc. The prominent examples of graduation for

⁹ Lynden Moore, "Development in Trade and Trade Policy", in *The Economics of the European Union: Policy and Analysis*, eds., Mike Artis & Frederick Nixson (Oxford: University Press, 2005), 285.

¹⁰ "Standard GSP", European Commission, accessed March 6, 2018, <http://trade.ec.europa.eu/tradehelp/standard-gsp>

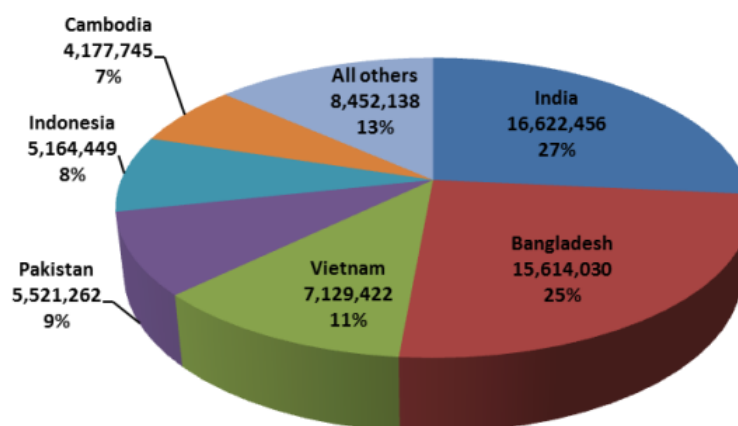
¹¹ Lynden Moore, "Development in Trade and Trade Policy", 285; Gene M. Grossman & Alan O. Sykes, "A Preference for Development: The Law and Economics of GSP", *World Trade Review* 4, no.1 (2005): 46.

¹² <http://trade.ec.europa.eu/tradehelp/standard-gsp>.

countries that previously benefitted from GSP benefits are China, Hong Kong, South Korea and Singapore, which no longer require preferential rates because of their rapid development.¹³

Another significant aspect of the GSP scheme is its framework of 'temporary withdrawal and safeguard'. This is meant to curtail import surges and suspend the preferential rate in case of any violation or investigation. For example, if beneficiary countries violate labour rights, allow slavery, if they export goods made through prison-labour, or if they are unable to control drug trafficking effectively, or if they engage in some kind of scam or unfair trade practices, the preferences are immediately withdrawn.¹⁴

Figure 2: GSP preferential EU imports from all GSP beneficiaries, 2016 (thousand EUR)¹⁵



GSP+ and Pakistan

The economic relations between the EU and Pakistan have been formalized in 1976 with the signing of Cooperation Agreement. It was followed by the establishment of EU's office in Islamabad in 1985, which was upgraded to a delegation in 1998. In 2004, a new Cooperation Agreement was signed to ensure closer relations. Consequently, in 2006, under the sponsorship of EU-Pakistan Joint Commission, efforts have been undertaken to promote

¹³ Ibid, 285.

¹⁴ Grossman & Sykes, "A Preference for Development", 46.

¹⁵ European Commission, *Report from the Commission*, 4.

trade by establishing the Sub-Group on Trade. Further developments occurred in 2007 when a Dedicated Dialogue process was initiated to solve the problems of market access. In 2010, Pakistan faced huge floods, in response to which, the EU granted trade concessions under an exceptional package developed on humanitarian grounds.¹⁶

Moreover, EU-Pakistan relations in the context of access to GSP+ benefits were initiated in 2012, when both parties adopted a 5-Years Engagement Plan with the purpose of establishing strategic relationships, development and peace through common principles, values and commitments. This plan allowed both parties to engage in economic cooperation, security and political dialogues, as well as take steps to counter terrorism. In this plan, the GSP+ plays a central role in structuring economic exchanges between the EU and Pakistan.¹⁷

GSP+ offers special incentives for vulnerable lower-income countries to promote sustainable development as well as good governance. It acts as a strong incentive for beneficiary countries to improve human rights, labour rights, and adopt principles of good governance and environmental ethics. GSP+ was implemented after a review of Pakistan's access to the standard GSP scheme, which began on January 1, 2014, under the Regulation 155/2013.¹⁸

Access to the GSP+ eliminates tariffs on imports for beneficiary countries, for over 66% of products. In order to gain and maintain access to the GSP+, beneficiary countries must fulfil certain commitments such as, ratification of 27 international conventions, with commitments towards their implementation, conformity with reporting requirements, abide by regular monitoring standards with respect to these conventions, and finally provide all required information and cooperate with the Commission. In this regard, EU regularly organizes dialogues with authorities in GSP+

¹⁶ Democracy Reporting International, *GSP+ in Pakistan: A Brief Introduction*, (2016), 6, http://democracy-reporting.org/newdri/wp-content/uploads/2016/05/gsp_in_pakistan_a_brief_introduction...pdf

¹⁷ H.E. Jean-Francois Cautain, "GSP+ in Pakistan: Opportunities and Challenges", http://eeas.europa.eu/archives/delegations/pakistan/documents/press_corner/20151105_03_en.pdf

¹⁸ "10 Countries to Benefit from EU Preferential Trade Scheme GSP+ as of 1 January 2014," European Commission, last modified December 30, 2013, accessed March 6, 2018, <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1006>

countries to ensure compliance.¹⁹ Apart from dialogue processes, the monitoring also occurs in the form of 'scorecard', in which certain shortcomings are identified by international bodies with respect to every convention. This scorecard is compiled annually and sent to GSP+ beneficiaries, and they are expected to overcome the deficiencies identified with respect to given recommendations.²⁰ Moreover, additional monitoring occurs every 2 years by both, the European Parliament and the European Council.²¹

The vulnerability criterion for this scheme is mainly based on two conditions. First, a country must be deemed "not competitive enough" with respect to import-share ratio in the EU market, and second, it must not have a diversified export based (measured through the non-diversification ratio).²²

Unlike the GSP scheme, GSP+ does not differentiate between sensitive and non-sensitive items and it also provides greater tariff cuts. Beneficiaries are expected to follow the conventions and not be subject to graduation, which removes preferences in given sectors or product lines. There are certain restrictions on textile and ethanol products, but apart from these, Pakistan can diversify its exports to the EU as long as it does not exceed a 2% share of EU import.²³ For the vulnerability criteria, "[t]he applicable thresholds are spelled out in Annex VII of the GSP Regulation. The import-share ratio defines a country as being eligible only if its GSP-covered imports represent less than 2% of the EU's imports from all GSP beneficiaries. For the non-diversification ratio, the country's seven largest

¹⁹ "GSP+", European Commission, accessed March 6, 2018, <http://trade.ec.europa.eu/tradehelp/gsp> ; Ludo Cuyvers & Stijn Verherstraeten, "The EU's Generalized System of Preferences and its ASEAN Beneficiaries: A Success Story?" *Centre for ASEAS Studies: Discussion Paper No. 47* (Antwerp: Centre for International Management and Development Antwerp (CIMDA), 2005), 7.

²⁰ European Commission, *Report from the Commission to the European Parliament and the Council: Report on the Generalised Scheme of Preferences Covering the Period 2016-2017* (Brussels: European Commission, 2018), 9.

²¹ European Commission, *The EU's New Generalised Scheme of Preferences (GSP)*, (N.P: European Commission, 2012), 9.

²² European Commission, "10 Countries to Benefit".

²³ Samir S. Amir & Reem Khurshid, *Pakistan's EU GSP+ Status: First Year Performance & Future Potential* (Karachi: The Pakistan Business Council, 2015), 6.

GSP-covered product sections (a section is a group of products) must cover at least 75% of its total GSP-covered exports to the EU."²⁴

In spite of numerous positive aspects of GSP+, the scheme is not devoid of certain drawbacks. First, it is a unilateral scheme and the EU can withdraw its commitment at any time in case of any non-compliance regarding accessibility conditions. GSP+ is more uncertain as compared to LDC status and Free Trade Agreements (FTA) status. Second, it shrinks the export basket not only because of restrictions but also because numerous exporters tend to benefit out of it so they intentionally constrain export diversification to avoid high duties on other products. Third, if exports' share exceed 2% of EU imports from all beneficiary countries, access to the GSP+ scheme can be withdrawn, as this would curtail eligibility on the basis of vulnerability criteria.²⁵

Performance of Pakistan

Pakistan started to benefit from autonomous tariff preferences due to its 2010 floods, which affected the economy in a drastic manner. These preferences expired on December 2013, which lead to the country's accession to the GSP+ scheme in 2014.²⁶

Access to the GSP+ is a significant milestone in EU-Pakistan relations. Within its first year of GSP+ access, Pakistan's exports to the EU increased to 21% and yielded positive impacts on the national economy, which would have been hard to achieve without GSP+ provisions.²⁷ GSP+ allowed Pakistan to export almost 78% of its products to EU member countries without duties. Prior to accessing the GSP+, Pakistan could not compete with the exports of Bangladesh, Turkey, Sri Lanka and Morocco into the EU market, since they were already beneficiaries of the GSP scheme. Hence, this competition is considerably curtailed since 2014.²⁸ However, Export Lead Development has its own drawbacks the products which could enhance the national consumption market are shipped overseas instead,

²⁴ Manzoor Ahmad, "GSP+: Everything You Need to Know about the Generalized System of Preferences", *IPR Report* (Lahore: Institute for Policy Reforms, 2014), 6.

²⁵ Ibid.

²⁶ European Commission, "10 Countries to Benefit".

²⁷ Democracy Reporting International, 5, http://democracy-reporting.org/newdri/wp-content/uploads/2016/05/gsp_in_pakistan_a_brief_introduction..pdf

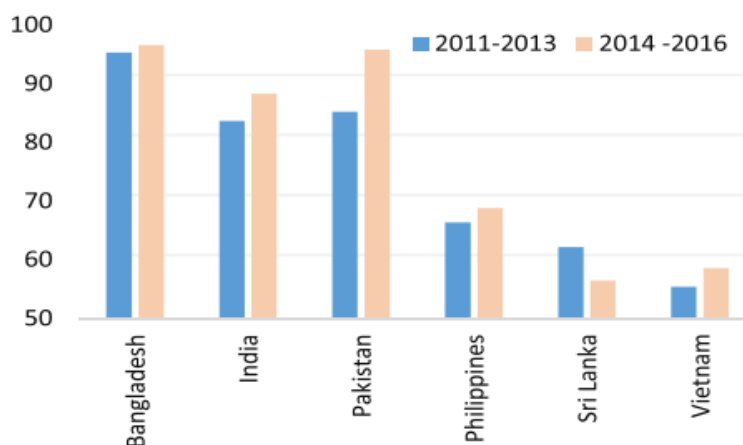
²⁸ Ibid., 8.

this usually means that higher quality products are exported, while lower quality products flood the national market.

Recently, the Committee on International Trade (CIT) of the European Parliament extended Pakistan's access to the GSP+ for the next two years, on the basis of satisfied performance with respect to the implementation of commitments to 27 conventions, with the introduction of new laws and regulations. These constitute decisions taken as bold steps by the Pakistani government, as part of the launch of the National Action Plan for the promotion of human rights.²⁹

Apart from Pakistan, there are other Asian countries, which are benefiting from the GSP scheme. In this regard, India, Bangladesh, Vietnam, Philippines and Sri Lanka have availed related trade advantages. Both Philippines and Pakistan have access to the GSP+ scheme, while Bangladesh's exports fall under the Everything but Arms (EBA) scheme and both India and Vietnam come under the standard GSP.

Figure 3: Utilization Rates with the EU's Arrangements³⁰



Source: European Commission (2017)

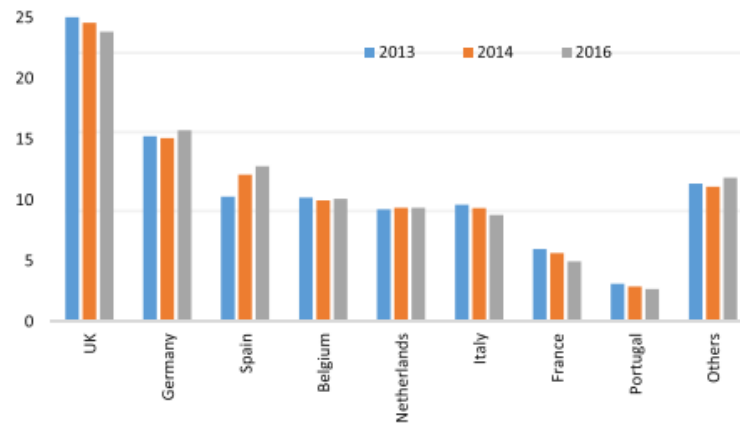
²⁹ Mubarak Zeb Khan, "EU Renews GSP+ Scheme for Two Years", *Dawn*, February 21, 2018, <https://www.dawn.com/news/1390653> ; "Pakistan Wins EU Praise for Meeting GSP Plus Criteria", *The Express Tribune*, February 20, 2018, <https://tribune.com.pk/story/1640084/1-european-parliament-lauds-pakistans-implementation-core-conventions/>

³⁰ Kishwar Khan, *Pakistan-Trade Performance under the GSP+*, (Islamabad: Friedrich-Ebert-Stiftung, 2017), 9-10.

In the context of Pakistan's performance under the GSP+ scheme, the EU has somehow expressed satisfaction. In 2014, exports from Pakistan increased up to 20%. Although, the percentage decreased to 14% in the first half of 2015.³¹

Under the GSP+ scheme, Pakistan mainly exported to the UK, Germany, Spain, Belgium, the Netherlands, Italy, France, and Portugal. In Textile & Clothing (T&C), Pakistan dominated the EU market by 88% in which EU imported 40% of T&C from Pakistan until 2013.

Figure 4: Pakistani T&C Exports' Market Shares (%)³²



Source: Author's calculations | World Bank | <https://wits.worldbank.org/CountryProfile/en/PAK>

The EU's consumption of T&C increased only from 1.8% to 1.9% during the period of 2016-17. In this regard, its T&C imports from Asia however, improved by 3.5%. Here, Pakistan with GSP+ benefits represented 3.2% of the EU clothing imports in 2017.³³

In spite of benefits allowing Pakistan to develop its T&C sector, Pakistan suffered in non-textile sectors. In 2014, most non-textile production could

³¹ http://eeas.europa.eu/archives/delegations/pakistan/documents/press_corner/2015_1105_03_en.pdf

³² Kishwar Khan, *Pakistan-Trade Performance*, 9-10; Democracy Reporting International, 10, http://democracy-reporting.org/newdri/wp-content/uploads/2016/05/gsp_in_pakistan_a_brief_introduction..pdf

³³ Kishwar Khan, *Pakistan-Trade Performance*, 10.

not maximize their GSP+ benefits. Only, leather products were able to gain importance.³⁴ In the same year, non-textile products only accounted for euro € 277 million, which was significantly lower as compared to total growth rate of EU imports from Pakistan.³⁵ Meanwhile, leather products performed relatively well because they were already enjoying preferential status under the old scheme of 2013. So for this industry specifically GSP+ did not bring any significant "added-benefits."³⁶

As far as challenges concerning continued access to, and maximization of benefits under the GSP+ scheme, there are issues of energy shortages, high certification cost, high production cost, instability in the prices of raw materials, issues in maintaining market standards, and a host of hurdles in meeting the criteria of all 27 conventions.³⁷ Moreover, the GSP+ is itself not sufficient to establish sustainable access to the EU market by Pakistan. It only acts as a catalyst and it is the responsibility of federal, provincial and municipal governments and the industrial authorities and leaders of Pakistan to make appropriate investments in enforcing policies, in increasing and diversifying production with the latest technologies, in adopting proper certification systems, in monitoring standard compliance, in focusing efforts towards demand-driven outputs and quality control and ecological packaging for example. GSP+ benefits are meant to be temporary; hence it is important to make prompt investments to increase competitiveness in a sustained manner. Pakistan excels in the export of textile to the EU, hence opposition to the maintenance of its access to GSP+ may arise from EU members like Greece, Portugal and Italy, as well as non-EU states like India, China and Bangladesh, all of which are fierce competitors in this sector. For this reason alone, diversification would serve as a strategy to buffer the effects of a sudden drop in comparative advantage. Therefore, Pakistan must find ways to mitigate risks and tackle these challenges.³⁸

³⁴ Democracy Reporting International, 11.

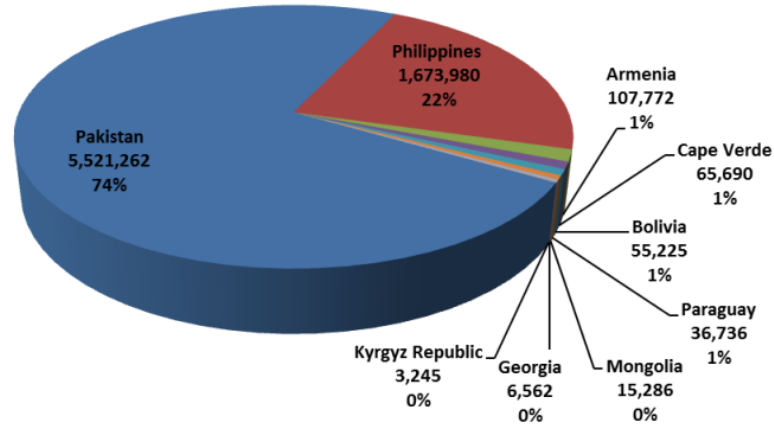
³⁵ Samir S. Amir & Reem Khurshid, *Pakistan's EU GSP+ Status*, 21.

³⁶ *Ibid.*, 24.

³⁷ Status of GSP Plus: Its Implications and Benefits for Pakistani Industries, <http://www.lcci.com.pk/pdfs/Benefit%20of%20GSP%20Plus.pdf>

³⁸ Abdul Ghafoor Awan, Ghulam Sarwar & Kalsoom Siddique, "The Impact of Generalized Scheme of Preference (GSP+) on Pakistan's Textile Exports," *International Journal of Economics, Commerce and Management* 3, no.1 (January 2015): 4-5.

Figure 5: Pakistan’s Share of Exports among GSP+ Countries³⁹



Another significant aspect is competitiveness of countries in GSP scheme. The competitive environment is comprised of macroeconomic institutions, environment, labour market efficiency, infrastructure, business sophistication, education, and innovation. It has been observed that Pakistan ranks least in this competitive scale among Asian countries.

Implementation of International Conventions by Pakistan

It is not enough for beneficiary countries to fulfil vulnerability criteria in order to acquire GSP+ status. They are also expected to ratify 27 international conventions and make binding commitment towards their implementation. These conventions are mainly drawn from the UN, International Labour Organization (ILO) as well as conventions on good governance and environment such as, Freedom of Association and Protection of the Rights to Organize Convention, Convention on the Elimination of all Forms of Racial Discrimination, Convention on International Trade in Endangered Species and International Convention on the Rights of the Child etc.⁴⁰

³⁹ European Commission, *Report from the Commission*, 7.

⁴⁰ European Commission, “10 Countries to Benefit”.

The key conventions related to human rights are drawn from United Nations (UN) conventions, including the:

- International Convention on the Elimination of all Form of Racial Discrimination (CERD);
- International Covenant on Civil and Political Rights (CCPR);
- International Covenant on Economic, Social and Cultural Rights (CESCR);
- Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW);
- Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT); and the
- Convention on the Rights of the Child (CRC).

This also includes major conventions on labour rights based on ILO principles, such as:

- Freedom of Association and Collective Bargaining;
- Abolition of Forced Labour;
- Minimum Age for Work and Worst Forms of Child Labour; and
- Elimination of Discrimination.

Other conventions which are expected to be endorsed by beneficiaries include those that are related to climate change and environmental protection, such as the:

- Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES);
- Basel Convention;
- Convention on Biological Diversity;
- Stockholm Convention on Persistent Organic Pollutants;
- Cartagena Protocol on Biosafety; and the
- Conventions on Climate Change.

Key conventions related to good governance are based on UN commitments, such as, the:

- UN Conventions on Fighting Illegal Drugs, and the

- UN Convention against Corruption (UNCAC).

In order to gain and maintain access to the GSP, it is necessary for Pakistan to ratify these 27 conventions and to demonstrate commitment to their implementation. However, Pakistan is facing numerous problems in its efforts towards full implementation. Hence, the Government of Pakistan has sought "coping mechanisms" through the establishment of joint responsibility with provincial governments, as well as the business community. Since accessing GSP+ benefits, successive governments in Pakistan have failed to establish effective mechanisms through which proper implementation might occur. The regulatory authorities in Pakistan, which were expected to implement these conventions, have not established adequate and efficient enforcement strategies, notwithstanding important gaps in the industrial monitoring infrastructure, in biodiversity preservation, in imposing occupational safety standards and in curbing environmental pollution. There is a lack of relevant knowledge on international conventions, and human resource management, coupled with the absence of experts qualified to carry out industry-specific inspections. Concerned authorities and industry leaders and professionals have not demonstrated a moral sense of responsibility towards these commitments. The business community and industrial stakeholders are reluctant to share the state's burden as many of these benefits directly or indirectly from poor enforcement of these commitments as voluntary compliance with these 27 conventions would require significant restructuring and investments. Normally, decision-making on these commitments involve inter-governmental cooperation among the ministries of the federal, provincial and municipal governing institutions, but since jurisdictions (zones of responsibility), authority, and budgets are not coherently nor clearly assigned, the rhetoric of "cooperation" between levels of government serves to delay formal enactments and even deflect accountability.⁴¹

The reports of EU Commission have depicted a generally positive picture of Pakistan in term of the conventions' implementation. In the 2016 report, Pakistan made improvement in areas of institutional and legislative developments, which involved the establishment of the Human Rights

⁴¹ A.B. Shahid, "The Need to Develop Pakistan's Coping Mechanism for Compliance with GSP+ Conditionality," *Journal of European Studies* 31, no.1 (January 2015): 60-61.

Commission, the National Action Plan as well as laws on anti-honour killing and anti-rape, respectively.⁴² The latest report of the human rights conventions of UN, marked certain institutional improvements during the period 2016-17.

The Treaty Implementation Cells (TICs) was established to strengthen Pakistan's approach towards the safeguard of human rights. Similarly, the Ministry of Human Rights and the Parliament also play an active role in this area, notably in adopting the National Action Plan. Moreover, independent supervisory bodies have also been established such as the Commission on the Status of Women, and the National Commission on Human Rights. Significant steps have been taken in legislation regarding children and women, more specifically with regards to honour killings, violence against women, sexual abuse, rape and children's exploitation. Similarly, initial efforts have been undertaken on the issues of hate speech and in the establishment and consolidation of democracy. In spite of all these efforts, there are significant gaps in implementation, enforcement and monitoring. Institutional capacity must be developed in sustained manner and implementation must be integrated to legislation, as prescribed in the National Action Plan throughout Pakistan.

Furthermore, certain issues also persist in reliable monitoring and evaluation of data. Apart from these developments, there are some areas in which no significant steps have taken and they proved as crucial social issues like extrajudicial killings, use of torture, death penalty and enforced disappearance. Freedom of religion has been promoted by curbing hate speech and blasphemy laws. Nevertheless issues are still persistent for religious minorities and ethnic minorities.⁴³ It has been further highlighted that if appropriate reforms have not been made on appropriate time, Pakistan may lack in implementation of conventions regarding Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment,

⁴² European Commission, "The EU Special Incentive Arrangement Sustainable Development and Good Governance ('GSP+') Assessment of Pakistan Covering the Period 2016-2017," *Joint Staff Working Documents* (Brussels: European Commission, 2018). 11-12.

⁴³ European Commission, *Report from the Commission*, 8; European Commission, "The EU Special Incentive Arrangement," 11-12; Democracy Reporting International, 13, http://democracy-reporting.org/newdri/wp-content/uploads/2016/05/gsp_in_pakistan_a_brief_introduction..pdf ; Samir S. Amir & Reem Khurshid, *Pakistan's EU GSP+ Status*, 7.

International Covenant on Economic, Social and Cultural Rights, CEDAW, and Convention on the Elimination of All Forms of Racial Discrimination.⁴⁴

In the context of ILO conventions' implementation, it has been seen that there is a need to devolve the labour rights from federal to provincial level. In spite of certain steps of improvement by provinces, there are pertinent issues in enforcement of laws and regulations. Ministry of Overseas Pakistanis and Human Resource Development helped in building national labour protection framework. Similarly, both federal and provincial authorities helped in strengthening system of labour inspection and bring it in compliance with basic labour rights and standards. Similarly, numerous surveys are in process to maximize and improve the availability of data. In the area of child labour, progress has been notified specifically in Punjab, where provincial government took steps to address issues in brick factories. Similarly, bonded labour has also notified and curtailed to some extent along with limited improvement in the areas of gender discrimination at workplace, discrimination on the basis of disabilities and other vulnerable reasons. Generally, progress has occurred in overall implementation of ILO conventions but there is a need of more cooperation between federal and provincial authorities. Trade unions are needed to be promoted along with improvement in labour inspection. Labour's safety and occupational health, eradication of bonded labour and elimination of child labour completely.⁴⁵ It has been seen that workers' organizations in Pakistan are using GSP+ to advocate compliance in labour standards however the situation is considerably bleak. It is due to the reason that legislation in the areas of labours' rights was never a priority of government even after the devolution brought by 18th Amendment. The performance of provinces varies with each other. Authorities and organizations are themselves hostile towards labour unions and employees' welfare due to which there is huge gap in implementation.⁴⁶

⁴⁴ Enhancing Pakistan's Trading Benefits from the Proposed EU GSP Plus Scheme, *Trade Related Technical Assistance Programme*, 65-66, [http://www.intracen.org/uploaded/Files/intracen.org/Content/About ITC/Press/Articles/GSP.pdf](http://www.intracen.org/uploaded/Files/intracen.org/Content/About%20ITC/Press/Articles/GSP.pdf)

⁴⁵ European Commission, "The EU Special Incentive Arrangement", 17-18.

⁴⁶ Pakistan Workers Confederation, *GSP Plus and Labour Standards in Pakistan: The Chasm between Conditions and Compliance* (Islamabad: Pakistan Workers Confederation, 2017), 14.

Table 1: Labour Market Efficiency 2017-18⁴⁷

	Bangladesh	India	Pakistan	Philippines	Vietnam
Rank out of 137	118	75	128	84	57
Cooperation in labor-employer relations	76	56	125	33	85
Pay and productivity	80	33	82	43	66
Female participation in the labor force	118	129	132	102	24

Source: | Global Competitiveness Report | (various issues) | www.weforum.org |2017/18

In context of good governance and sustainable development, it has been seen that each convention has different grounds and framework. Their performance indicators vary with each other therefore they need numerous agencies and mechanism to monitor their performance. Some of the conventions have their own secretariat in Pakistan so their monitoring and reporting is conducted by EU itself.⁴⁸

Hence, with respect to climate change and environmental protection conventions, it has been reported that efforts have made by Pakistan to strengthen institutions for sustained implementation of conventions.⁴⁹ Initially, “Strategy Paper 2007-2013 for Pakistan” by EU asserted that environmental condition of Pakistan is extremely grave in spite of significant development in legislative areas in environment. Institutions for environmental protection have reported as weak and ill-resourced.⁵⁰ Nevertheless, now, it has been found that awareness has been growing in civil society organizations about the conventions and their implementation. Similarly, judicial steps have taken in the areas of preventing hunting to protect endangered-species. Collaboration has increased by IUCN, government and WWF, which reflected new priorities in biodiversity which has been neglected prior to 2014. It has been recommended that Pakistan should opt for renewable energy and solutions. In this regard, South-South cooperation can be sought along with EU cooperation. It has been found that climate finance has been secured by Pakistan from Adaptation Fund and the Green Climate Fund.⁵¹

⁴⁷ Kishwar Khan, *Pakistan-Trade Performance*, 13.

⁴⁸ Enhancing Pakistan’s Trading Benefits, 66, http://www.intracen.org/uploadedFiles/intracen.org/Content/About_ITC/Press/Articles/GSP.pdf

⁴⁹ European Commission, “The EU Special Incentive Arrangement”, 20-21.

⁵⁰ Enhancing Pakistan’s Trading Benefits, 67-68, http://www.intracen.org/uploadedFiles/intracen.org/Content/About_ITC/Press/Articles/GSP.pdf

⁵¹ European Commission, “The EU Special Incentive Arrangement”, 20-21.

Finally, with respect to conventions on good governance, anti-corruption frameworks have strengthened along with legislation review and awareness building. It has been recommended by European Commission that law enforcement agencies must coordinate with each other, share information, and efficiently utilize limited resources. It would not only curb the drug trafficking but also help government to improve quality in law enforcement areas.⁵²

As far as the challenges of implementing these conventions are concerned, it has been notified that these conventions have high implementation costs. If Pakistan fails to implement them, it might be withdrawn from GSP+ program. In this regard, the conventions regarding ILO are highly significant. Second, the stakeholders in Pakistan do not have sufficient awareness and knowledge about these conventions. Consequently, they refrain to play active role in their implementation along with government and relevant agencies hence, the compliance get weak and shallow. Third, since the devolution of power to provinces, Pakistan faces significant hurdles in implementation of conventions. It is due to the reason that most of conventions come within the domain of provincial governments, which remain inactive and unconcerned towards implementation of conventions and regulations.⁵³

Discussion & Conclusion

In this study, an attempt has been made to understand the framework of GSP+ and its benefits to Pakistan. In this regard, certain aspects have been notified. First, GSP+ is itself a temporary scheme and would not last for large number of years. Second, Pakistan has numerous competitors in EU market from Asian region itself which include India, Bangladesh, Sri Lanka, and other Southeast Asian countries. Third, under GSP+ Pakistan's export is highly focused on T&C sector only in which Bangladesh is a tough competitor. Fourth, implementation of 27 conventions is not satisfactory

⁵² European Commission, "The EU Special Incentive Arrangement," 23; Shafqat Kakakhel, "The Environmental Impacts of GSP+ in Pakistan," Presentation given at the Workshop on the EU's Generalised Scheme of Preferences (GSP+), 16 May 2017, Islamabad, 6, <https://think-asia.org/bitstream/handle/11540/7036/environmental-impact-of-gsp-in-pakistan.pdf?sequence=1>

⁵³ Enhancing Pakistan's Trading Benefits 70-71, http://www.intracen.org/uploadedFiles/intracen.org/Content/About_ITC/Press/Articles/GSP.pdf

mainly due to two reasons; first, they inculcate higher cost for implementation due to which they often get neglected. Second, most of the conventions come within the domain of provincial authorities but these governments as well as industrialists and other stakeholders do not have sufficient knowledge and awareness about these conventions and they are least interested to implement them. Finally, Pakistan lacks diversification in its exports to EU therefore unable to perform as exceptionally as expected.

On the basis of these highlights, the research has drawn certain conclusions and recommendations. First, Pakistan should focus on diversification of its export paradigm to EU. It is significant due to the reason that GSP+ is a non-negotiable scheme. If EU finds anything unsatisfactory either related to products' quality or implementation of 27 conventions, it can withdraw this scheme immediately. Although, the status has renewed for two more years in 2018 but it should not be viewed as permanent concession. In case of withdraw, Pakistan would not only face tremendous trade problems but also come across with issue of T&C surplus. In order to avoid it, diversification must be emphasized by key stakeholders involved in this program.

Second, Pakistan should take steps to implement those 27 conventions. The implementation should not be done only to please EU but with the purpose of improving overall human rights, labour rights, good governance and environmental conditions. Most of these conventions are beneficial on long term basis and would improve the condition of civil society, entrepreneurs, business community, government structure and preserve the local ecological environment of Pakistan.

Finally, it has been evaluated that Pakistan should not be solely dependent on GSP+ for its economic growth and development. Other options must be sought and secured to prevent any dreadful economic deadlock in future. In this regard, diversification of trade is a crucial element for success both in short-and-long term.