

Continuation of GSP plus status: PBC for ensuring compliance of 27 Conventions

Pakistan Business Council (PBC) has urged the government, industry and other stakeholders including political parties to ensure country compliance of 27 Conventions for continuation of EU's Generalised System of Preferences (GSP) plus status.

Sri Lanka lost its GSP plus status in 2010 based on its failure to comply with the Conventions related to human and labour rights. GSP potential can be fully realised and will depend on factors not just limited to a zero tariff access.

In a study, "a road map for optimising Pakistan's GSP plus status" PBC argued that Pakistan's competitors from the region such as India, Bangladesh and China have lower unit prices which make their products cheaper compared to Pakistan's.

"Since compliance is a major element, the government may consider providing matching grants for industries wanting to put in place infrastructure needed for meeting buyer's compliance requirements," said PBC- a private sector not-for-profit advocacy platform set up in 2005.

The European Union (EU) granted GSP plus status to Pakistan effective from January 1, 2014. The study conducted by the PBC reveals that maximum additional increase in imports from Pakistan to the EU after fulfilling all criteria under the GSP Plus scheme is estimated to be \$1 billion over a three-year period.

The study estimates maximum potential imports by the EU from Pakistan in 2016 at about \$7.7 billion. However, without GSP plus it is projected that imports by the EU would have reached \$6.6 billion by 2016 growing at the average rate of last three years.

GSP plus export projections have been made with the capping mechanism defined under the GSP Plus scheme where maximum annual growth is limited to 17.5 percent in all sectors (14.5 percent in textiles and 13.5 percent in ethanol) to avail zero duty. In 2013 imports by EU was worth \$6.0 billion out of which imports amounting to US \$2.96 billion would qualify for zero duty under the GSP Plus scheme since they had a market share of less than 6 percent of EU's total imports from the world.

The study identifies 74 "high potential" export items at 6 digits HS Code. These 74 "high potential" product lines are those which in 2013 had imports from Pakistan to the EU of more than \$1 million. In addition to Pakistan's exports in these product lines to the world in 2013 were more than \$10 million and they have a market share of less than 6 percent of EU's total imports from the world.

Given the various challenges identified in this study, PBC proposes a broad based strategy for optimising the GSP Plus opportunity. However, whether this potential can be fully realised will depend on factors not just limited to a zero tariff access. Other factors such as lower prices, proximity to the EU market, better supply chain integration, and competitiveness of the industry as well as the industry's ability to rapidly scale up production are important. A compliance review will be held by the EU in 2016.

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The major components of the proposed optimisation strategy include: (i) Government, industry and other stakeholders including the political parties in Pakistan need to ensure that the country complies with the requirements and the 27 conventions under which GSP Plus has granted; (ii) each industry in the 'high potential' sectors needs to do a competitive analysis and benchmark itself against the industry's major competitors in the EU markets; (iii) government and industry bodies need a joint strategy to inform exporters of the opportunities that are available to Pakistan under the GSP Plus scheme as well as making them aware of the obstacles; (iv) government needs to facilitate buyers from the EU to visit Pakistan. Face-to-face interactions between buyers and sellers can potentially help buyers in placing orders according to their requirements as well as follow-up on production; (v) both public and private sector needs to emphasise on education and skills development in workers; (vi) Small and Medium Enterprises (SMEs) need to be encouraged to work more effectively and be part of value chains of larger companies; (vii) value-added sector needs to have access to raw materials on internationally competitive prices; and (viii) government needs to understand that in order to compete at a global level, industry needs to have access to competitively priced inputs including raw materials and utilities, especially energy.