

E-PAPER

GSP Plus Status: Opportunity for Pakistan to Engage with Europe

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Generalised Scheme of Preferences

The European Union's Generalised Scheme of Preferences (GSP) is a trade incentive scheme which reduces or suspends import duties on the products coming into the EU markets from developing countries.¹ It helps these countries in alleviating poverty through creating jobs as well as strengthening systems in compliance with international standards to protect labour and human rights.² Pakistan is one of the beneficiary countries.

The EU relates the GSP scheme with the United Nation's first Conference on Trade and Development back in 1964 where developed countries were asked to help developing countries integrate into the world economy.³ The EU's trade incentive scheme is divided into three categories: i) Standard GSP for low or lower-middle income countries to pay less or no import duty on two-third tariff lines; ii) GSP+ for vulnerable economies that slashes the same tariffs to 0%; and iii) Everything But Arms (EBA) for least developed countries allowing everything, other than arms, to export to the EU without duty and quota.⁴

The beneficiary countries of GSP scheme have to respect the principles of 15 core conventions on labour and human rights.⁵ However the beneficiary countries of the GSP+ scheme, a specialised incentive arrangement for sustainable development and good governance, are required to ratify, maintain ratification and implement 27 international conventions which are related to labour and human rights, environment protection and good governance.⁶

The European Commission has carried out mid-term evaluation and submitted the report on the GSP for the period 2018-2019 to the EU Parliament and the Council in February 2020. The report noted that the GSP scheme remained effective in terms of fostering sustainable development, and improved compliance with human and labour rights standards and job creation in beneficiary countries.⁷ Evaluation recommendations include: improving GSP+ monitoring, increasing civil society's involvement to

1 Generalised Scheme of Preferences (GSP), European Commission, <https://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/> (accessed on 18 November 2021)

2 Ibid

3 Ibid

4 Ibid

5 Ibid

6 Ibid

7 Joint Report to the European Parliament and the Council: Report on the Generalized Scheme of Preferences Covering the Period 2018-19, European Commission, https://trade.ec.europa.eu/doclib/docs/2020/february/tradoc_158619.pdf (accessed on 20 November 2021)

ensure transparency and initiating withdrawal procedure against reports of severe and systematic violations.⁸

Pakistan and GSP Plus

Pakistan, ranked as one of the major beneficiary country of the EU's GSP+ scheme, is required to implement 27 international conventions and cooperate with European Commission (EC) in monitoring the implementation of these conventions.⁹ The EC's monitoring process includes exchange of information, visits and dialogues with various stakeholders, including civil society.¹⁰

The European Union is Pakistan's second most important trade partner as 28% of the country's total imports landed into EU markets in 2020.¹¹ From 2010 to 2020, imports from Pakistan to the EU have almost doubled from 3.072 to 5.537 million Euros.¹² The growth of imports has been particularly fast since the award of GSP+ to Pakistan in January 2014, with a 21% increase between 2014 and 2016 in terms of GSP+ imports into the EU.¹³ After entering into the GSP+ scheme, Pakistan became the biggest beneficiary of the EU's trade incentive package by achieving 74% share of the total GSP+ imports to the EU in 2018.¹⁴ The GSP+ beneficiary countries, other than Pakistan, benefited less due to lack of political will, lack of awareness about the scheme, lack of administrative capacity or their inability to produce enough to export to the EU.¹⁵ However, the question arises here as to how Pakistan's increased exports to the EU has fulfilled the main goal outlined in GSP+ regulation of benefiting the poorest?

8 Ibid

9 Generalised Scheme of Preferences (GSP), European Commission, <https://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/> (accessed on 19 November 2021)

10 Ibid

11 Countries and Regions, Pakistan, European Commission, [https://ec.europa.eu/trade/policy/countries-and-regions/countries/pakistan/#:~:text=Pakistani%20exports%20to%20the%20EU,\(22.2%25%20in%202020\)](https://ec.europa.eu/trade/policy/countries-and-regions/countries/pakistan/#:~:text=Pakistani%20exports%20to%20the%20EU,(22.2%25%20in%202020)) (accessed on 19 November 2021).

12 Countries and Regions, Pakistan, Trade Picture, European Commission, [https://ec.europa.eu/trade/policy/countries-and-regions/countries/pakistan/#:~:text=Pakistani%20exports%20to%20the%20EU,\(22.2%25%20in%202020\)](https://ec.europa.eu/trade/policy/countries-and-regions/countries/pakistan/#:~:text=Pakistani%20exports%20to%20the%20EU,(22.2%25%20in%202020)) (accessed on 19 November 2021).

13 Joint Staff Working Document: the EU Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+) assessment of Pakistan covering the period 2016-17, European Commission, https://trade.ec.europa.eu/doclib/docs/2018/january/tradoc_156544.pdf (accessed on 20 November 2021)

14 Joint Report to the European Parliament and the Council: Report on the Generalized Scheme of Preferences Covering the Period 2018-19, European Commission, https://trade.ec.europa.eu/doclib/docs/2020/february/tradoc_158619.pdf (accessed on 20 November 2021)

15 GSP+ Brussels Conference Report, How to Promote Human Rights Through EU Trade Policies, Democracy Reporting International, <https://democracy-reporting.org/en/office/global/publications/gsp-brussels-conference-report> (accessed on 20 November 2021)

It is important to note that several countries graduated out of the scheme due to reaching upper-middle income economy status in 2018-19.¹⁶ Furthermore, the EU's successful negotiating agenda contributed to countries leaving GSP due to entering bilateral preferential arrangements with the EU.¹⁷ For instance, Armenia and Sri Lanka classified as upper middle income countries respectively in 2018 and 2019, lost the GSP+ status and entered into Free Trade Agreement (FTA) with the EU.¹⁸ Moreover, the Least Developed Countries (LDCs) such as Bangladesh, Myanmar and Nepal are scheduled to graduate and upgraded from EBA to GSP+ status.¹⁹

Pakistan has achieved substantial increase in GDP growth rate from 1.61% in 2010 to 5.84% in 2018 but the GDP steeply declined to 0.53% in 2020²⁰ due to weak macroeconomic policies, reduced investor's confidence, increased oil prices and global monetary tightening.²¹ It has further exposed the country's economy to an array of debt vulnerabilities.²² The given situation hints that the World Bank may continue to describe Pakistan's economy as vulnerable, making it unable to achieve upper-middle economy status in the coming years. It increases the likelihood for Pakistan to negotiate with the EU for a new trade incentive package after expiry of the existing GSP regulations in December 2023.²³

The EU on the other hand has proposed reforms in the GSP regulations. The new GSP proposal removes the import-share criterion from the GSP+ vulnerability criteria to improve transition and continued access to GSP+ status for the Least Developed Countries (LDC) that will soon rise up from the LDC category.²⁴ Moreover, the EU has introduced a framework for current GSP+ beneficiary countries to adapt to the new requirements, offering an adequate transition period and requiring the presentation of implementation plans.²⁵ Furthermore, the EU has increased burden of compliance obligations for

16 Joint Report to the European Parliament and the Council: Report on the Generalized Scheme of Preferences Covering the Period 2018-19, European Commission, https://trade.ec.europa.eu/doclib/docs/2020/february/tradoc_158619.pdf (accessed on 20 November 2021)

17 Ibid

18 Ibid

19 Ibid

20 Pakistan GDP Growth Rate 1961-2021, Macrotrends, <https://www.macrotrends.net/countries/PAK/pakistan/gdp-growth-rate> (accessed on 21 November 2021)

21 An Economic Crises in Pakistan Again: What's Different this Time, Centre of Strategic and International Studies, <https://www.csis.org/analysis/economic-crisis-pakistan-again-whats-different-time> (accessed on 21 November 2021)

22 Ibid

23 News, Generalised Scheme of Preferences (GSP), Commission Proposes New EU Generalised Scheme of Preferences to Promote Sustainable Development in Low Income Countries, European Commission, <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2303> (accessed on 21 November 2021)

24 Towards a Strong EU Generalised Scheme of Preferences, European Commission, September 2021, https://ec.europa.eu/commission/presscorner/detail/en/fs_21_4803 (accessed on 21 November 2021)

25 Ibid

GSP beneficiary countries by adding following six more international conventions to the list of 27 treaties:²⁶

- The Paris Agreement on Climate Change (2015) – replaced the Kyoto Protocol;
- The Convention on the Rights of Persons with Disabilities (CRPD);
- The Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflict (OP-CRC-AC);
- ILO Convention No 81 on Labour Inspection;
- ILO Convention No 144 on Tripartite Consultation;
- The UN Convention against Transnational Organized Crime.

Concerns on Compliance

Pakistan has already ratified all the above mentioned international treaties and protocols, however, ensuring compliance with these treaties would be a challenging task in case the country decides to renegotiate with the EU for a future preferential trade agreement. Yet, Pakistan continues to face challenges related to compliance with the existing list of 27 international conventions given that the EU has repeatedly shown serious concerns on, inter alia, shrinking civic spaces, death penalty, freedom of religion and belief, freedom of opinion and expression and issues of discrimination against women and minorities.²⁷ The EU has also pointed out to the continued violations of labour rights in Pakistan, including inadequacy of labour inspection system, occupational safety and health, ineffectiveness of labour courts, denial of workers' rights to strike, trade unionisation and collective bargaining, continued harassment and intimidation of the trade union workers and absence of tripartite mechanisms.²⁸

Furthermore, the EU parliament has adopted a resolution against Pakistan in April 2021 calling for review of the country's GSP+ status over alarming increase in the use of blasphemy accusations in the country as well as rising number of online and offline attacks on journalists and civil society organisations.²⁹ The EU Parliament called on the European Commission (EC) and the European External Action Service (EEAS) to immediately review Pakistan's eligibility for GSP+ status in the light of current events and

26 Ibid

27 Joint Staff Working Document: The EU Special Incentive Agreement for Sustainable Development and Good Governance (GSP+) Assessment of Pakistan Covering the Period 2016-17, European Commission, https://trade.ec.europa.eu/doclib/docs/2018/january/tradoc_156544.pdf (accessed on 21 November 2021).

28 Ibid

29 EU Parliament adopts resolution calling for review of Pakistan's GSP+ status over blasphemy law abuse, <https://www.dawn.com/news/1621254> (accessed on 21 November 2021).

whether there is sufficient reasons to initiate a procedure for the temporary withdrawal of this status.³⁰ It should be a point of concern for Pakistan given that the EU has already launched the procedure for temporary withdrawal of Cambodia's tariff preferences due to the country's poor performance on compliance with labour and human rights treaties.³¹ Moreover, the EU has intensified dialogue with Bangladesh and Myanmar to press for concrete actions and on sustainable solutions to serious shortcomings in respecting fundamental human and labour rights.³²

Provided that the EU's existing regulations of GSP are being reviewed and will expire by December 2023, the EU's modernised framework expands the grounds for the withdrawal of GSP facility in case of serious and systematic violations of human and labour rights as well as failure to ensure compliance with environmental and good governance related international conventions.³³ It also involves improvements in monitoring of compliance with GSP+ requirements through increased involvement of civil society, urgent withdrawal procedures in case of grave human rights violations by the beneficiary country, and assessment of socio-economic impacts on vulnerable communities in case of a proposed withdrawal.³⁴

Involvement of Civil Society

EU's disclosure of revised GSP regulation details would allow stakeholders to better understand as how transparency is to be ensured by involving civil society in the monitoring processes given that EU keeps scorecards confidential to build trust between parties (governments of beneficiary countries and the EU).³⁵ Various civil society and labour rights organisations have suggested that confidentiality inhibits key players from fully participating in the monitoring process.³⁶ Hence, the EU should allow social part-

30 Ibid

31 Joint Report to the European Parliament and the Council: Report on the Generalized Scheme of Preferences Covering the Period 2018-19, European Commission, https://trade.ec.europa.eu/doclib/docs/2020/february/tradoc_158619.pdf (accessed on 20 November 2021)

32 Ibid

33 News, Generalised Scheme of Preferences (GSP), Commission Proposes New EU Generalised Scheme of Preferences to Promote Sustainable Development in Low Income Countries, European Commission, <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2303> (accessed on 21 November 2021).

34 Ibid

35 A Scorecard is a list of issues that the Commission prepares for each GSP+ country. It highlights progresses and relevant shortcomings that should be addressed by the country in order to effectively implement the 27 Conventions.

36 GSP+ Brussels Conference Report, How to Promote Human Rights Through EU Trade Policies, Democracy Reporting International, <https://democracy-reporting.org/en/office/global/publications/gsp-brussels-conference-report> (accessed on 21 November 2021)

ners, including civil society organisations and trade unions/labour organisations, to participate as observers in dialogue between the EC, EEAS and the beneficiary governments. Social partners and civil society's formal role in GSP+ monitoring, as recommended by the European Parliament,³⁷ can pave a way for CSOs/trade unions/federations/labour organisations to strengthen solidarity between them thereby to expand their role in labour and human rights protection in the beneficiary countries using GSP+ as an opportunity.

Review of the EU's GSP+ monitoring reports points out numerous anomalies, either due to the EU's poor monitoring procedures or inappropriate reporting by the GSP+ beneficiary countries. For example, the EC's Joint report submitted to the EU Parliament and Council in January 2020 states that a country-wide child labour survey has been carried out in Pakistan. Whereas, consolidated report of the survey, which was launched in March 2019 by the Federal Ministry of Human Rights with the UNICEF's support,³⁸ could not be finalised or publicised so far. Similarly, the EC's 2018 Joint Staff Working Document on assessment of Pakistan's GSP+ compliance obligations covering the period 2016-17 states that Pakistan is committed to establish National Human Rights Institute in 2017 which has so far not materialised.

Pakistan, as part of its efforts to qualify for the EU's GSP+ scheme has ratified international convention on Civil and Political Rights (ICCPR) and the Convention Against Torture (CAT) in 2010.³⁹ Later in 2011, to secure its eligibility for the scheme, the country ratified the Convention on the Rights of Persons with Disabilities as well as withdrew reservations posed on certain articles of ICCPR and CAT.⁴⁰ In addition, Pakistan has also ratified Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography (CRC-OP-SC) in 2011.⁴¹ Also, after attaining the GSP+ status in January 2014, Pakistan has ratified Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict (CRC-OP-AC) in 2016.

37 Contribution to the Mid-Term Evolution of the EU GSP, FIDH-International Federation for Human Rights, <https://www.fidh.org/en/international-advocacy/european-union/contribution-to-the-mid-term-evaluation-of-the-eu-gsp> (accessed on 21 November 2021).

38 MoHR launches survey on child labour in Pakistan, Daily the News International, <https://www.thenews.com.pk/print/448859-mohr-launches-survey-on-child-labour-in-pakistan> (accessed on 21 November 2021).

39 UN Treaty Body Database, Pakistan, Ratification Status, https://tbinternet.ohchr.org/_layouts/15/TreatyBodyExternal/Treaty.aspx?CountryID=131&Lang=EN (accessed on 21 November 2021)

40 Reservations on rights accords withdrawn, Dawn-23 June 2011, <https://www.dawn.com/news/638796> (accessed on 21 November 2021).

41 UN Treaty Body Database, Pakistan, Ratification Status, https://tbinternet.ohchr.org/_layouts/15/TreatyBodyExternal/Treaty.aspx?CountryID=131&Lang=EN (accessed on 21 November 2021)

Compliance Obligations

Pakistan had started showing progress on GSP+ compliance obligations after entering into agreement with the EU in 2014. However, it witnessed complacency after emergence of political instability, change in international and regional geopolitical situation and the advent of Covid-19. The government has started revitalising its efforts to show progress on GSP+ compliance obligations after the passing of resolution by the EU parliament against Pakistan and hence EC has intensified dialogue with the government.

For instance, the country had submitted its overdue reports on Convention on the Rights of the Child (CRC) in May 2014 as well as on Convention Against Torture (CAT), International Covenant on Civil and Political Rights (ICCPR), Convention on Elimination of Racial Discrimination (CERD), and International Covenant on Economic, Social and Cultural Rights (ICESCR) in 2015.⁴²

Pakistan's compliance reporting on CAT which was due in May 2021, and on ICCPR which was initially due in 2020 is overdue. The country continues to suffer lapses vis-à-vis timely submission of reports: report on CEDAW due in March 2017 was submitted in October 2018, report on CERD due in January 2020 was submitted in October 2021 whereas a report on CRC has not been submitted so far though it is due since June 2021. Earlier, the report on CRPD which was due in August 2013 was submitted in October 2019.

On its way to ensure compliance with GSP+ obligations, Pakistan was required to introduce policy, legislative and institutional arrangements at national as well as at sub-national levels, especially related to labour human rights conventions. To achieve this objective, the Pakistan government restored federal Ministry of Human Rights in November 2015 which was earlier merged with Ministry of Law and Justice in 2013.⁴³ Also, the government established Treaty Implementation Cells (TICs) at federal and provincial/territorial levels in November 2016, with an aim to improve coordination between federal and provincial governments for implementation and reporting on GSP+ related international conventions.⁴⁴ As a step ahead, the government also established National Task Force on Human Rights and its provincial chapters in 2018, aimed to ensure implementation on National Action Plan for Human Rights.⁴⁵

42 UN Treaty Body Database, Pakistan, Ratification Status, https://tbinternet.ohchr.org/_layouts/15/TreatyBodyExternal/Treaty.aspx?CountryID=131&Lang=EN (accessed on 21 November 2021)

43 Human rights ministry restored, Dawn- 24 November 2015, <https://www.dawn.com/news/1221857> (accessed on 21 November 2021)

44 <https://democracy-reporting.org/treaty-implementation-cells-next-step-for-human-rights-compliance-in-pakistan/>

45 HR Task Force expanded, the News International, 25 November 2018, <https://www.thenews.com.pk/print/397839-hr-task-force-expanded> (accessed on 21 November 2021).

Human Rights Policies and Mechanisms

The Pakistan government has also established the National Commission for Human Rights (NCHR) in 2015. However, posts of chairperson and members of the NCHR remained vacant till July 2019 after the expiry of the 4-year term of the first batch of appointees⁴⁶. The Commission's Chairperson and members have finally been appointed in November 2021 hence the NCHR is expected to start operating again after remaining practically dysfunctional for the last two years.⁴⁷ Similarly, post of chairperson National Commission on the Status of Women (NCSW) was filled in July 2021 after lying vacant for over two years.⁴⁸ In addition, the Commission on Protection of the Rights of Child (NCRC) was notified in February 2020, though the law to establish the Commission was passed by the parliament back in 2017.⁴⁹ Establishment of the National Commission on Minority Rights, as promised under the National Action Plan for Human Rights, has not been materialised so far.⁵⁰ As a step forward, the established Commissions are required to develop strategies to protect labour rights and to hold businesses accountable if involved in human rights violations.

Pakistan's key policy developments towards ensuring compliance with GSP+ obligations included introduction of Pakistan's very first National Action Plan for Human Rights in 2016.⁵¹ According to a news report, Pakistan has shared with the EU delegation that the country has introduced the National Action Plan for Business and Human Rights on 28 September 2021.⁵²

In follow up of the federal government's efforts to develop the national human rights policies and systems, provincial governments of all the four provinces are on their way to introduce human rights policies /action plans and have established /or establishing systems to ensure human rights protection. Punjab and Khyber Pakhtunkhwa (KP)

46 Four strong women head human rights mechanisms in Pakistan, the News International, 20 November 2021, <https://www.thenews.com.pk/print/910118-four-strong-women-head-human-rights-mechanisms-in-pakistan> (accessed on 21 November 2021)

47 Ibid

48 Row over NCSW, Dawn, 02 August 2021, <https://www.dawn.com/news/1638295> (accessed on 21 November 2021)

49 Webpage of the National Commission on the Rights of Child, <https://ncrc.gov.pk/about-us/> (accessed on 21 November 2021).

50 Action Plan for Human Rights (p-5), Ministry of Human Rights, Government of Pakistan, 2016, <http://www.mohr.gov.pk/Detail/OTYxMjkyOWQtMmYwYy00N2VhLWE0MDktODQ4YzhjZmZjOGFj> (accessed on 21 November 2021).

51 Action Plan for Human Rights, Ministry of Human Rights, Government of Pakistan, 2016, <http://www.mohr.gov.pk/Detail/OTYxMjkyOWQtMmYwYy00N2VhLWE0MDktODQ4YzhjZmZjOGFj> (accessed on 21 November 2021).

52 EU wants Islamabad to do more for GSP Plus windfall, The Express Tribune, 15 November 2021, <https://tribune.com.pk/story/2329490/eu-wants-islamabad-to-do-more-for-gsp-plus-windfall> (accessed on 21 November 2021).

provinces have introduced human rights policies and action plans. Sindh KP and Punjab provinces have also introduced labour policies in 2018. According to the EU's GSP+ assessment report in 2018, provinces are striving to develop strategies and action plans to reflect their provincial human rights priorities as well as to pursue implementation of the national human rights Action Plan.

Pakistan's federal as well as provincial governments have also introduced pieces of legislation, especially for the rights protection of vulnerable communities including women, children, minorities, transgender persons and persons with disabilities.

Despite all human rights related policy, legislative and institutional developments, triggered by the GSP+ obligations, the situation of human rights in Pakistan has not shown any improvement. On implementation status of the conventions, the EU's report in 2018 noted that despite adoption of new laws, strategies and action plans, implementation remained the issue of concern. It points to the lack of political will, weaker institutional capacities and insufficient allocation of resources.

As described above, Pakistan's efforts to back-in-track on GSP+ compliance obligations, after a period of complacency, shows that reinvigoration of relations is essential both for the EU and Pakistan on the way to achieve their strategic objectives. A 10-member European Parliament's delegation for South Asia, headed by Nicola Procaccini, Member of the Committee on Civil Liberties, visited Pakistan in November 2021, to meet with governance and human rights stakeholders in Pakistan to explore avenues and discuss future directions of the EU-Pakistan relations.⁵³

The Way Forward

Pakistan can use the EU's GSP+ trade incentive package to strengthen its vulnerable economy, therefore the country's government should actively engage with responsible authorities at the EU seeking a way forward to adopt revised GSP+ regulations for the time being and look forward to entering into possible incentivised trade agreements in future as well.

As pointed out in the EU's 2018 GSP+ report, lack of political will was one of the key reasons behind Pakistan's complacency to compliance with GSP+ obligations. Pakistan's political leadership is therefore required to strengthen ties with EU parliament and democratic structures of the EU member states with a view to seeking expertise in advancing democratic culture of political decision-making which is a way forward to achieve respect for human rights, peace and sustainable development.

53 <https://www.thenews.com.pk/print/905836-eu-parliament-s-south-asia-delegation-visits-pakistan>

Business community of Pakistan, especially exporters, was one of the primary beneficiaries of the GSP+ trade facility in terms of expanding their exports base and profits as well as creating more jobs for the workers. Business community's engagement with their EU counterparts could be helpful in terms of acquiring technical knowledge for diversification and standardisation of Pakistani products to be exported.

GSP+ scheme was, is and will be an avenue for Pakistan's National Human Rights Institutions (NHRIs), civil society, trade unions/federations and other actors to engage with their respective counterparts in the EU, share experiences, seek support, promote solidarity and work together to achieve benefits for poorest segments of society which is one of the key objective of the GSP scheme.

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