Report of the Stakeholder Outreach Workshop on the Mid-Term Evaluation of the EU’s Generalised Scheme of Preferences (GSP)

Islamabad Marriott Hotel, Pakistan
16 May 2017, 8:30-18:30

Objectives of the Workshop
To bring together stakeholders from the national and regional administrations, businesses, and social organizations in Pakistan to disseminate information about the EU’s GSP+; to discuss the preliminary findings of the Mid-Term Evaluation with respect to Pakistan; and to provide stakeholders with the opportunity to share their views on the impact and application of the GSP+ in Pakistan with high-level officials from the European Commission and the Project Team.

Main Points of Discussion
The following are the key points raised by speakers and panellists (sequenced according to the Workshop Agenda). The Outreach Workshop was chaired by Dr. Peter Holmes, Senior Economic Expert, DEVELOPMENT Solutions Europe Limited and Ms. Emily Hemmings, Project Manager, DEVELOPMENT Solutions Europe Limited.

- **Opening Remarks – H.E. Mr. Jean-François CAUTAIN, Ambassador and Head of Delegation, Delegation of the European Union to Pakistan**
  - The GSP+ arrangement has had a positive impact on the relationship between the EU and Pakistan.
  - This Workshop is part of a wider exercise to evaluate the effectiveness of the GSP Regulation, and is not specific to Pakistan only. It is intended to retrieve contributions on how the GSP+ is benefitting Pakistan. Contributions will feed into the Final Report.
  - From a political perspective, the GSP+ has had a positive impact. It has strengthened cooperation and has led to a more mature relationship between the EU and Pakistan. The 5-year engagement framework guides political cooperation between the parties, of which the GSP+ is one of the main elements.
  - From a trade perspective, there have also been positive improvements. There has been a 38% increase in exports from Pakistan to the EU since 2014, although overall Pakistani exports to the world have decreased.
  - There is still untapped potential in non-traditional sectors and in traditional sectors, only large companies benefit from the GSP+. There is thus a window of opportunity for increased utilisation and export diversification.
  - From the perspective of fundamental rights, the situation is not always very clear, though there have been improvements on the institutional/legislative side. In terms of the institutional framework, the establishment of the Treaty Implementation Cell is seen as an innovative idea. It remains to be seen if this model can be replicated in other GSP+ countries.
  - The extent to which the GSP+ has led to improvements in the lives of ordinary Pakistani people is difficult to assess. It may be challenging to track, but the trends can be monitored. The EU has to manage its expectations.
  - To some extent, the GSP+ has increased national focus on human rights in Pakistan. It is seen as a useful tool to promote human rights.
With regards to the implementation of the 27 conventions, there are mechanisms to be improved. It would be good to find out if the 2016 European Commission Report on the GSP+\(^1\) truly reflects stakeholder opinions on the GSP+ in Pakistan.

**Opening Remarks – H.E. Mr. Ashtar Ausaf ALI, Attorney General for Pakistan and Chair of the Treaty Implementation Cell**

- The GSP+ assists Pakistan in implementing obligations that are already entrenched in its Constitution.
- The emblem of partnership between Pakistan and the EU has been scaled up as a result of the GSP+ arrangement. The trade incentives granted to Pakistan as it implements the 27 required international conventions have improved trade relations between the EU and Pakistan.
- There are incentives for both sides. Exports from the EU to Pakistan have increased, especially in terms of machinery. Such machinery has been used to produce quality products for export to the European market.
- There are still problems in the area of human rights. However, this is not just an issue in Pakistan, but this can be found all over the world. Human rights have been promised to the Pakistani people as per the Constitution.
- The Government of Pakistan is committed to information exchange in a cohesive manner. One example is the establishment of the Treaty Implementation Cell, which exists not only at the federal level but also at the provincial level.
- There is need for continued dialogue amongst NGOs, INGOs, state-institutions, civil society and trade unions on pertinent issues, including improving the situation of trade unions and eradicating child labour.
- There have been huge leaps especially in the use of technology in the monitoring process. Mobile phones have been utilised for noting where things are going wrong, collating the data and using the data for improvements.
- There is need to put our minds together for a better world, and especially for peace in the region. This can only be achieved when there is economic stability.

**EU’s GSP+: Rationale from the EU’s perspective – Mr. Andreas JULIN, Senior Expert, Directorate-General for Trade of the European Commission**

- The EU’s GSP emerged in 1971 as a result of an UNCTAD initiative and the WTO’s Enabling Clause.
- The current GSP Regulation entered into force in 2014. Its main objectives are to contribute to poverty eradication and to promote sustainable development by providing preferential tariffs to developing countries.
- There have been a number of revisions to the GSP Regulation over the years. However, the objectives have always remained the same - poverty eradication, economic growth, and industrialisation through better access to the EU market.
- From 1971 onwards, the EU has placed significant emphasis on sustainable development. It is important that trade makes a significant contribution to sustainable development – jobs, growth, human rights, environmental protection, labour rights and prosperity.
- These issues also form part of the globalisation debate in the EU – not only at the EU level but also at the level of the Member States.

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The current Regulation aims to focus on countries most in need, reducing the number of beneficiary countries from around 180 countries to 80 countries. There have been improvements in product coverage, the inclusion of safeguard clauses to better protect the EU’s interests, as well as the improvements to ensure greater stability and predictability. This exercise is intended as an evaluation of the GSP Regulation and is not specifically about Pakistan. It is important to find out how Pakistan’s experience can contribute to this overall exercise. One key question to be asked is if the GSP+ arrangement has been beneficial or non-beneficial for Pakistan.

Pakistan was chosen as a case study country in this Evaluation as it is by far the largest beneficiary of the GSP+.

- EU’s GSP+: Rationale from the Local Government’s perspective – Mr. Asad HAYAUDDIN, Additional Secretary, Trade Diplomacy, Ministry of Commerce of Pakistan
  
  - The nature of the Pakistan-EU relationship is best envisaged in the cooperation that the two sides have extended to each other in the context of the GSP+.
  - Trade concessions allow Pakistan to compete on a level-playing field in the EU market.
  - Cooperation with the EU is enabling Pakistan to meet its constitutional obligations in case of good principles, good governance and sustainable development as required by the 27 international conventions.
  - The 2005 withdrawal of preferences hurt Pakistan significantly in the EU market. During this time, competitors such as Vietnam and Bangladesh were able to increase their competitiveness in a significant way.
  - Pakistan is closer to being a LDC than a developing country based on the Human Development Indices of Pakistan, yet it is categorized as a developing country. It is critical that this dilemma is understood.
  - Pakistan’s global exports have decreased by 12% in 2015/16 compared to the previous year, while Pakistan’s exports to the EU have increased by 38% in the same period. It is fair to say that the GSP+ is the only engine of growth at present.
  - Pakistan’s global trade deficit has increased by around USD 30 billion. This presents a serious problem if trade is to be used as an engine of growth as opposed to foreign aid.
  - Pakistan faces enormous challenges as a result of high production costs. This is partially due to investments in energy and the shortages of energy. The cost of energy is notably higher than Bangladesh, Sri Lanka, Vietnam and Turkey. The minimum wage in Pakistan is also increasing.
  - Treaty Implementation Cells have been instituted at the provincial level to ensure that the benefits to be derived from GSP+ are shared across all strata of society without discrimination.
  - As a result of trade under the GSP+ arrangement, Pakistani exports of textiles have increased by 55% in 2016 compared to 2013. Textiles garments and home textiles exports increased by 76% and 16% respectively. Intra-EU trade for Pakistani exports has also increased in the same sectors that constitute Pakistan’s trade to the EU. Without GSP+ preferences, the decline in Pakistan’s global exports would have been steeper.
  - It is challenging for Pakistan to maximise its gains under GSP+ as exports from its competitors (Bangladesh, Vietnam and Turkey) are also increasing. These countries have very stable market access arrangements with the EU.
  - The EU’s GSP is unique – Pakistan has accepted the challenge to partner with the EU to develop ethical supply chains, to enhance its production capacity, as well as to fulfill its constitutional and international commitments.
  - No country can claim to be 100% compliant with the implementation of these international conventions. However, it is important that progress is witnessed.
One key question remains: What is envisaged beyond GSP+ for predictable and sustainable Pakistan-EU trade?

**Stakeholder Discussions in this Session**

- Pakistan’s utilisation rate of the GSP+ is high. However, these benefits are completely neutralised given slow progress in poverty reduction and implementation of standards, particularly core labour standards. The Tripartite Forum should evaluate performance on labour standards and should be responsible for reporting and engaging the tripartite stakeholders. The scorecard mechanism should also be more transparent. Civil society has not been privy to the key elements incorporated on these scorecards. The effective participation of civil society is necessary.

- **Response by Mr. Andreas Julin, European Commission**: Scorecards are considered to be confidential communication with partner countries. Confidentiality is essential in building a trustful relationship with beneficiary countries. The scorecards are shared with Member States and the European Parliament. GSP+ beneficiary countries should organise their own approach to consultations towards the implementation of core labour standards under the GSP+ arrangement.

- The International Labour Organization (Pakistan Country Office) and the Labour Federation of Pakistan are invited to and are partners of the Treaty Implementation Cell.

- **The GSP Evaluation: Methodology and Main Interim Findings – Ms. Emily HEMMINGS, Project Manager, Mid-Term Evaluation Project Team**

  - The objectives of the EU’s GSP are three-fold: to contribute to poverty eradication; to promote sustainable development and good governance; and to safeguard the EU’s financial and economic interests.

  - Rationale for GSP reform: To better reflect the current global landscape; to focus on the countries most in need; and to reduce the erosion of preference margins. Current GSP Regulation – Regulation (EU) No. 978/2012 – in force since 1 January 2014.

  - The Project Team will assess the current GSP scheme on its effectiveness, efficiency, coherence and relevance. This evaluation is not specific to Pakistan. Key questions that the Evaluation seeks to address include:

    1. To what extent are the objectives of the GSP on track to be achieved?
    2. What has been the impact of GSP in developing countries?
    3. What unintended consequences are presented?
    4. To what extent is the current GSP efficient?
    5. To what extent is the current GSP scheme relevant to the development needs which it is intended to address?

  - Both quantitative and qualitative analyses on the functioning of the current GSP Regulation is to be undertaken: Quantitative analysis based on previous studies using updated trade and tariff data, case studies on specific EBA (Bangladesh and Ethiopia) and GSP+ (Pakistan and Bolivia) countries as well as on key sectors (textiles and machinery); economic analysis to capture preference utilisation rate, diversification, real income indicators, among others; social and environmental analysis to cover indicators such as good governance, poverty reduction, women equity, climate change, among others.

  - Stakeholder engagement via questionnaires, interviews/meetings, online public consultation, civil society dialogues, workshops, social media and website interaction.
Stakeholder Discussions after Presentation

- There are different institutional frameworks in beneficiary countries. Countries are at differing stages of development. The same monitoring mechanism cannot be applied across all countries. There needs to be a deeper understanding of respective country situations. A tripartite consultative model is important at the industry, provincial and federal levels.

- **GSP+: Preliminary findings and introduction to the case study – Mr. Peter HOLMES, Senior Economic Expert, Mid-Term Evaluation Project Team**

- The purpose of the Workshop is to retrieve feedback on the effectiveness of the GSP Regulation. One key question is: what can we learn from Pakistan’s experiences in order to improve the application of the GSP in the future?
- The Evaluation is in the initial stages. There is need for feedback from stakeholders so that the analysis can be refined.
- Pakistan is the main beneficiary of the EU’s GSP+ arrangement. Its exports account for 69% of all GSP+ exports to the EU.
- The EU is the main export destination for Pakistani exports. In recent years, exports and the share in Pakistan’s global exports have steadily increased.
- Relatively low diversification of export base: RMG exports represent almost 65% of Pakistan’s exports to the EU in 2016. Non-RMG exports maintain a relatively small share in the EU market.
- Pakistan faces competition from Vietnam and Sri Lanka (Standard GSP) and Bangladesh and Cambodia (EBA), who are steadily increasing their share in the EU market.
- Social progress has been noted in the following areas: increased life expectancy, education, healthcare and reproduced population growth. A number of challenges remain to be addressed.
- Federal and provincial governments have made considerable efforts to expand and ensure labour rights for every worker. There has been a devolution of power to provincial governments through the 18th Constitutional Amendment.
- GSP+ and labour rights: Pakistan is largely compliant with the reporting obligations under the ILO conventions, with one out of cycle request for 2017.
- Environmental protection in Pakistan is important due to vulnerability to climate change and degradation as a result of biological and socio-economic processes. The Government has adopted numerous policies to address the detrimental effect on the environment.
- GSP+ and environmental protection: There is a lack of compliance with reporting requirements under some of the UN conventions, but Pakistan has made an effort to catch up on reporting since 2014.
- Environmental impact of the textile industry: increased use of pesticides and fertilisers to produce cotton, inadequate waste management and water pollution due to processing.
- Human rights are set in a difficult context. The Government adopted an Action Plan for human Rights to improve the protection of human rights and the implementation of international conventions. A few cases of capital punishment, death penalty and restricted freedom of expression are reported.
- GSP+ and human rights: The Government had to withdraw a number of reservations on the Covenant on Civil and Political Rights and the Convention Against Torture in 2011 to be eligible for GSP+. Pakistan has made efforts to catch up on its reporting since 2014.
- GSP+ and good governance: Pakistan had ratified all required conventions and has created the necessary authorities to combat corruption and drug trafficking and use.
Stakeholder Discussions after Presentation

- Pakistan was granted GSP+ status in 2014. However, most of the GSP+ conventions were ratified by Pakistan prior to application for GSP+ status. Hence, there was no compulsion by the EU. These conventions were ratified in order to improve the well-being of the Pakistani people.
- In the areas of human rights and the implementation of labour laws, there have been improvements but there is still a lot to be done. Pakistan cannot be compared to any European country as it is a developing country. Pakistan has issues that need to be addressed. Until these are addressed, there will not be progress on economic development. Some proposals for improvement include:
  1. Greater focus on capacity building initiatives;
  2. Increased technical support from international agencies such as the ILO with a special emphasis on improving labour law implementation and strengthening labour inspections. Penalisation is to be avoided as this will hamper growth and hurt the economy. Uniformity of labour laws to be promoted at the provincial level as currently, some variations exist;
  3. Increased government initiatives to facilitate buyers from EU countries;
  4. Continued availability of skilled and trained manpower; and
  5. Continued interactions and dialogue with stakeholders.
- It is believed that trade preferences may actually hamper developing countries’ efforts to diversify. Because of supply-side constraints in Pakistan, manufacturers tend to focus on one market.
- Unilateral preferences can assist any developing country to become competitive globally. Bangladesh’s exports are predominantly sent to the EU because of duty-free access for a wide variety of products.
- The Government of Pakistan does not view human resources obligations as an impediment for pushing for development. The EU’s GSP has brought more focus on the idea of more inclusive growth across sectors.
- The GSP is discussed as a trade promotion programme. However, the Regulation says that it is a tool to achieve the promotion of good governance and sustainable development through effective implementation of the 27 international conventions.
- If the Government of Pakistan has signed on to the GSP+, there must be a commitment to effectively implement the required conventions.
- It is important that benchmarking and linkages are properly defined. Key question: How can trade filter into social, human rights and environmental improvements? It is a very difficult task to measure progress after 2 and 3 years in the current evaluation cycles.
- The majority of benefits tend to be concentrated in the two provinces where textiles are manufactured. It would be good to identify whether the impact is greater in these two provinces or whether it is all-inclusive.
- There seems to be more of a debate on Pakistan’s implementation of the core conventions. However, there is a greater need to analyse the economic benefits of the GSP+ in Pakistan as critics tout that there are no known economic benefits.
- It is felt that Pakistani exports may simply be diverted from other destinations into the EU market, resulting in trade diversion rather than trade creation. It is estimated that about 36% of trade with the EU might be trade diversion. There is need for this situation to be examined in greater detail.
- The textiles sector is a preferred sector. The industry has received significant incentives in the domestic market as well as in the international market through the GSP+.
- There needs to be dialogue on how the Government of Pakistan can build its capacity so that there will be demand driven interventions. More interventions are needed to help the
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Government to address the trade deficit. This is where the Government needs the most help.

- **Socio-economic impact of GSP+ in Pakistan – Dr. Safdar SOHAIL, Executive Director General, Ministry of Commerce of Pakistan**

  - The GSP Regulation has combined the ethical and sustainability aspects of trade with the development impact of trade. It has attracted a lot of interest and has had a lot of impact.
  - Pakistan has fashioned its trade policy on the models of Western countries. The linkage between trade and development has been adopted as a formal pillar in Pakistan’s trade policy.
  - With the introduction of GSP+, the process of engagement has been enriched and is more robust. However, it remains to be seen if more can be delivered. Does this tool work well for Pakistan or does it have limitations? Should there be more tools at Pakistan’s disposal to go forward?
  - Pakistan’s exports have been declining. In 2016, there was a record high trade deficit of around USD 30 billion. Exports barely crossed USD 20 billion, while imports amounted to around USD 50 billion. Competitiveness is the major problem.
  - What is the potential for deeper trade integration? GSP+ is seen as a stepping stone. However, has the EU-Pakistan trade relationship been reduced to compliances with the GSP+ conventions? The EU has been averse to attend to any other agreement in the Five-Year Engagement Plan than the GSP+. There is need for engagement and regulatory dialogue on comprehensive trade issues.
  - Critics see the GSP+ arrangement as a type of foreign aid initiative with several conditionalities attached. There is a fear that the EU is becoming rather irrelevant to discussions in Pakistan.
  - There is the possibility that there was trade diversion in the first year of Pakistan’s entry into the GSP+ arrangement.
  - The 2-year evaluation cycle that the EU employs is rather limited. Furthermore, there needs to be more focus on medium to long-term plans. As it currently stands, too much time is spent on filling out scorecards.
  - Compliance is very strict on non-firm based institutions. There is need to focus on firm-based compliances. The textile value chain is one of the highest polluters in Pakistan. This problem is not with the state but with the firms. If the EU and Pakistani authorities were to involve these actors in the process, there would lead to better results in the area of compliance. It is proposed that the EU employ sanctions at the sectoral level.

*Stakeholder Discussions after Presentation*

  - There are claims that the GSP may actually be used as a protectionist measure by the EU. It is proposed that the Project Team carefully assesses trends where the GSP Regulation has been used for strategic objectives on behalf of countries’ or sectors’ interest.
  - State companies tend to be compliant with the implementation of labour laws. However, non-compliance is most noticeable amongst SMEs. It would be good to assess the extent of compliance of SMEs that are involved in exporting to the EU.
  - It is outrageous to think that the EU should be involved in regulatory reforms at the sectoral level. This is squarely the responsibility of the Government of Pakistan.
  - **Response from Dr. Safdar Sohail, Ministry of Commerce of Pakistan** – At the very broad scale, Pakistan institutions are products of exchange with the free world. Ideally, this regulatory reform should be undertaken by the Government of Pakistan. However, there is no harm if there is assistance from the international community. As there are pressures from the compliance side, engagement from EU actors is welcome. It is not
unheard of for the EU to have regulatory dialogue with developed countries, e.g. Japan. The EU does take interest in the domestic trade policy of its partners.

- The EU is not keen to upscale the level of strategic engagement with Pakistan in the area of trade. The Joint statements of the EU-Pakistan Commission tend to focus on security, migration, anti-terrorism, narcotics and nuclear non-proliferation only.

- The proposal for firm-based compliance is welcomed. There is need to focus on the sectors that are benefitting the most from the GSP+ arrangement. The textiles industry employs 15 million people and is the biggest beneficiary of the GSP+. More should be done to ensure that these firms are GSP+ compliant.

- **Response from Mr. Andreas Julin, European Commission:** There is currently a top-down approach to the implementation of the conventions. However, the conventions have impact from the bottom-up. The debates in the EU Parliament are now focused on getting companies to do the right thing. However, there are other views that the government has to regulate these companies.

- **The impact of the GSP+ on Pakistan’s exports and the way forward – Mr. Ehsan MALIK, Chief Executive Officer, Pakistan Business Council**

  - Manufacturing as a percentage of GDP is declining. There is a fear that Pakistan is becoming a nation of traders.
  
  - None of the FTAs that Pakistan has signed have created a trade advantage for Pakistan. The largest trade agreement is with China and Pakistan has an enormous trade deficit.
  
  - Pakistan’s exchange rate tool has not worked to boost exports or to manage imports. The Pakistan rupee has also appreciated against other major currencies such as the euro, the pound and the yen, ultimately making their exports more expensive. This situation comes in the face of the depreciation of currencies of sourcing competitors such as India, Turkey and Sri Lanka.
  
  - Pakistan’s share in world exports has declined, moving from 0.16% in 1998 to 0.14% in 2015. On the other hand, Bangladesh’s share in global trade has grown from 0.1% in 1998 to 0.21% in 2015. In terms of absolute exports, Pakistan’s exports have witnessed almost three-fold growth, while Bangladesh’s exports have seven-folded. There seems to be more strategic and export oriented policies in Bangladesh compared to the fragmented policy employed in Pakistan.
  
  - Pakistan’s tax rates are not competitive against the Asian competitors. Total tax rate amounts to 40% - roughly twice the Asian average of 22%. High tax rates encourage more people to remain outside of the tax base. The tax burden is placed squarely on the manufacturing industry in Pakistan. There is need to strengthen domestic industry – only then will the country be able to generate employment, which is badly needed. Unemployment has also been impacted by years of power shortage, and even if power shortage is addressed, electricity supply is not available at competitive rates.
  
  - Trade deficit is growing at an alarming rate – 40.2%. Exports have decreased by 2.3%, while imports have grown by 20%. Remittances have revealed a downward trend and external balances are at risk.
  
  - Textiles are the backbone of the economy, employing 40% of the industrial labour force. Textiles represented 55% of Pakistan global exports in 2013, moving to 60% in 2015.
  
  - Total world exports have declined. In like manner, Pakistan’s exports to the world have declined. However, exports to the EU have been growing, while exports to China – an FTA partner - have been declining. This reveals that even without FTAs, Pakistan can grow its exports.
  
  - The EU’s share in Pakistan’s exports was 30% in 2016 compared to Pakistan’s share in EU imports - 0.15%. The latter moved upwards from 0.11% in 2010. This positive movement has been as a result of the GSP+. 
GSP+ has been a positive impact as it has increased exports. On the contrary, the GSP+ has made the dominant exports - textiles exports - more GSP+ reliant. It was noted that 41% of Pakistan’s textiles exports are GSP reliant.

Pakistan’s exports to the EU are largely finished goods, while those to China are largely raw materials. Then, China competes with Pakistan in the market for finished products in the EU market. Pakistan is encouraged to export more value-added goods.

Pakistan’s share in total EU imports has risen but to a lesser extent than its major competitors, e.g. Bangladesh. A key question remains: Why has Pakistan not been able to take greater advantage of GSP+ preferences?

Besides bed linen exports, Pakistan does not have a significant share in linen items to the EU market. Even if there was a major diversion of all exports under a particular category, there would not be the attainment of a significant market share in the EU market.

It is proposed that more cotton is grown in Pakistan in order to produce more finished goods for export to the EU market. It was noted that Pakistan’s cotton production has remained stagnant over the years.

Labour costs in Pakistan are significantly higher than in competing countries. Additionally, electricity and gas costs are very high.

Although textiles represented 60% of Pakistan global exports in 2016, textiles only represent 6% of world trade. Therefore, there is need to diversify exports in general. There is potential to expand exports in the following sectors: footwear, gloves, leather, medical and surgical instruments and sports equipment. However, there is need for more stringent testing standards in order to meet the requirements of the EU market.

Brexit can be seen as a threat and an opportunity. The UK represents 24% of Pakistan’s exports to the EU. Therefore, these exports will no longer benefit from GSP+ access to the UK market after Brexit. However, Pakistan could lobby for a similar arrangement to be instituted in the UK.

Whatever trade concessions Pakistan can receive will be very important for the country. Pakistan is still not fully able to take advantage due to competitiveness and capacity issues. Not a fragmented but a strategic policy framework is required. There should be active buy-in of all the other ministries, not just one particular ministry.

Stakeholder discussions after this Presentation

The extent to which trade preferences will support Pakistan depends on the level of attention that is placed on addressing both capacity and competitiveness constraints.

Response from Mr. Ehsan Malik, Pakistan Business Council: With regards to the key components of a good FTA, trade complementarity between the parties is a necessity. The impact of the FTA should not only positively impact the trade balance, but should also positively impact employment and value-added exports.

There is divergence between policies employed in export-oriented industries and domestic industries. The Government has not been able to effect proper standards for domestic commerce. This is the time to bring international standards into the domestic industries as this contributes to firm-level competitiveness and better performance on a global scale.

One of the major impediments to moving towards firm-based compliance is the size of the informal sector. If more companies are able to be brought into the tax base, then they could be held accountable for their actions.

There is a tendency for Pakistani businesses to be dependent on concessions and subsidies. There is need for businesses to be more competitive.

Response from Mr. Ehsan Malik, Pakistan Business Council: Competitiveness is an issue that must be directly addressed by Pakistani businesses. However, public policy plays a key role.
• The social impact of GSP+ in Pakistan – Ms. Ingrid CHRISTENSEN, Country Director International Labour Organization (ILO) Pakistan

  o The ILO is involved in the GSP+ through standard setting, the supervisory mechanism, technical assistance in support of effective implementation, the Treaty Implementation Cell and through the implementation of EU and donor funded capacity building projects.
  o RMG sector is important in Pakistan. It makes up 47% of total wage employment in the manufacturing sector. About 37.4% are paid below the minimum wage.
  o The federal and provincial capacity to address labour matters and to monitor and report on progress has been strengthened. However, the remains room for improvement.
  o Since Pakistan’s admission to the GSP+ arrangement, there has been significant labour law development at the provincial level. This is due to devolution of labour law implementation to the provincial level.
  o There are fifteen labour laws under development. The ILO is assisting the Government of Pakistan to become more international labour law compliant. The tripartite consultation mechanism has been utilised in this regard.
  o The implementation and enforcement of labour laws are challenges for many countries, including Pakistan
  o There are still issues to be addressed in the area of labour inspections; however, there have been positive developments. Database systems are being used by labour inspectors in Lahore, which assists with data collection and transfer. Technology is also being used to support the abolition of child labour in Punjab.
  o There are national capacity building programmes for labour inspectors in which the ILO and other donors are involved. There are signs of improvement in the area of labour inspections.
  o Larger provinces are extending labour protection to home-based workers / domestic workers.
  o There is low trade unionisation and a low trade union membership amongst workers.
  o Among governments, private sectors and social partners, there is a high awareness of the GSP+ and the obligation to comply with fundamental principles and rights at work.
  o There is a need to move towards a coordinated, comprehensive and consistent long-term labour law reform. There is furthermore need for consultation and social dialogue, implementation and enforcement, effective application in the informal economy and consistency across Pakistan.
  o Challenges related to the GSP+ are the implementation of conventions in a devolved scenario, the lack of comprehensive monitoring and evaluation, difficult benchmarking of scorecards and a strict focus on a selected number of conventions. Furthermore, the CEARC observations and direct request merely indicate possible challenges in implementation, but do not necessarily show the quantitative scale of it.
  o Recommendations in this respect are to support social dialogue at different levels, support social partners, incorporate feedback from employers, workers and others at work, develop a comprehensive monitoring and evaluation system, follow improvements on different levels, coordinate with the Sustainable Development Goals and to support government and social partners to develop a strategy to enhance the decent employment
opportunities of the GSP+. Furthermore, it will be important to ensure increased data capability.

- The environmental impact of GSP+ in Pakistan– Ambassador Shafqat KAKAKHELI, Chairperson, Sustainable Development Policy Institute

  o Pakistan has ratified the 8 multilateral environmental agreements (MEAs) under the GSP+ arrangement and has maintained its ratification. Pakistan has been participating at various levels of the Conference of the Parties at these 8 MEAs and their subsidiary bodies.
  o Pakistan has formulated plans of action to implement the 8 MEAs. The GSP+ has added urgency to these plans.
  o Capacity and resource constraints have affected Pakistan’s ability to fulfil its obligations.
  o The Montreal Convention has been noted as the most successful of all the 8 conventions as it has been easy to implement given its in-built financial mechanism.
  o The UN Framework Convention on Climate Change (UNFCCC) is noted as the most important Convention for Pakistan as it is highly vulnerable to the impacts of climate change – rising sea levels, melting of the glaciers, and high temperatures that impact plants, animals and human beings. Pakistan was slow to develop a national climate policy and adopted this only in 2012.
  o Deforestation and forest degradation in Pakistan are taking place at an extraordinary speed.
  o It is difficult to assess the correlation between the GSP+ and environmental progress in Pakistan. The establishment of the Treaty Implementation Cell is considered to be beneficial. The GSP+ also serves as a significant incentive for the Government to abide by its obligations.
  o The formulation of national action plans provides national benchmarks and targets, as well as they provide the basis for the budgetary exercise and planning exercise. Additionally, they serve as carefully crafted plans for transmission to external partners.
  o Deterioration and degradation of natural resources in Pakistan can be directly attributed to the near six-fold increase in the population over the past 7 decades.
  o One of the daunting challenges related to the protection and conservation of natural resources and ecosystems is the lack of reliable data.
  o Civil society and environmentalists have welcomed the GSP+ and the associated linkages to the implementation of these 8 MEAs.
  o Pakistan’s civil society considers a EU-Pakistan partnership for sustainable development not only as means of facilitating increased financial assistance but also as a vehicle for plugging the gaps in the country’s scientific, technical, and technological and human resource capacities, which are indispensable for achieving sustainable development.

Stakeholder Discussions in this Session

  o Greater dialogue with the EU regarding capacity-building initiatives will go a long way with the implementation of the conventions. Need for more trained professionals at the Ministry of Climate Change.
  o The provinces may be lacking in capacity more than the Ministry of Climate Change. For example, the Punjab Government has highlighted that they do not have sufficient capacities for the implementation of the required environmental conventions.
  o Governance problems are also an impediment to the implementation – ownership. Inter-institutional and ministerial coherence needs to be improved as well. All ministries have to come together to form a coherent national response.
Government has done much through the ratification of conventions and the development of action plans, but what is needed now is to focus on filling the gaps. A national stakeholder partnership is needed to see what the gains are and where the gaps are. Progress on the implementation of the environmental conventions cannot be talked about in isolation as Pakistan is still far ahead of other countries. There are certain legislative tools that are currently being developed, and a number of local laws that have been passed towards the implementation of the GSP+ obligations.

- Ensuring stakeholder input into the GSP Evaluation: Concerns, progress and opportunities – Panel discussion with speakers from civil society and industry

- Mr. Gulzar FIROZ, Chairman, Standing Committee on Environment & GSP Plus, Federation of Pakistan Chamber of Commerce & Industry

  - The GSP+ was not a gift to Pakistan. Pakistan worked hard to earn GSP+ status.
  - Pakistan’s share in EU imports is low - 0.3%. There is need for more discussions on how to increase this share.
  - The annual growth rate in Pakistan’s exports to the EU is 19.5%.
  - Immediately after gaining GSP+ status, Pakistan significantly increased its exports to the EU. However since that time, the rate of increase in exports has not been as high.
  - The United Kingdom dominates as the main EU importer of Pakistani exports. Pakistani exports to Belgium are also noteworthy (ranked as the 6th largest importer of Pakistani exports). There is need to find out why there is low importation of Pakistani products in certain European countries.
  - Some potential exports to be expanded include: jewelry, fruit juices and fruits.
  - Pakistan’s share in total EU imports in textiles such as HS codes 63 (textile sets clothing), 61 (apparel accessories not knitted or crocheted) and 55 (man-made staple fibers) is very low.
  - As Pakistan benefits from tariff concessions under the GSP+ where duties of 3-8% would have applied, India has increased their duty-drawback from 3-11% in the domestic setting, and has given incentives to their exporters. Therefore, Pakistani exporters are on a level playing field with their competitors.
  - Leather and textile industries are major environmental pollutants. 90% of leather companies located in Karachi and Lahore have established their own treatment plants, which has led to significant environmental improvements.
  - Energy and labour costs are high, which lead to higher costs of production.
  - In general, there is a lack of awareness of the GSP+ regime in Pakistan amongst business people. They may know about tariff concessions, however, they are generally unaware of the conditionalities.
  - The GSP+ arrangement has had a positive impact on Pakistan. Most industries are trying to comply with labour laws and minimum wages. Pakistan’s private sector is working hard towards conformity.
  - If labour and human rights are violated, then it should not affect the GSP scheme as a whole. Punitive actions should be taken against the sectors that are in violation only.

- Mr. Syed Ayb QUTUB, Executive Director, Pakistan Institute for Environment-Development Action Research

  - It is very difficult to correlate the GSP to environmental management in Pakistan. GSP+ has had a minor role to play in Pakistan’s environmental management and, as it is currently configured, will have a minor role in the future.
If we look at the 8 MEAs that are monitored under GSP+, only 3 are related to trade in a minor way (CITES, Montreal, and Basil Conventions). Additionally, traders and industrialists do not know about the link between such concessions and the implementation of conventions, neither do they think it concerns them.

At present, the biggest environmental concern in Pakistan is the impact of CPEC on the mountain terrain as well as the impact of oil future.

At the level of principle and concept, the EU is well-positioned to assist Pakistan towards the achievement of SDG12 - sustainable consumption and production. This will undoubtedly assist Pakistan on its path to resource efficiency and sustainable livelihoods/lifestyles.

In terms of more practical and immediate assistance, there can be increased sectoral monitoring, especially within the textile industry. There needs to be greater supervision and policy enforcement at the sectoral level.

Effective interface can begin to be built from the bottom-up. The EU can promote the use of decentralised waste treatment plants in Pakistan. These systems use no energy and chemicals, and can be fabricated with local material.

- **Mr. Zulfiqar SHAH, Executive Director, Pakistan Institute of Labour Education and Research (PILER)**

- **Mr. M. Zahoor AWAN, General Secretary, Pakistan Workers Federation (PWF)**

A Report on the GSP+ and Labour Standards in Pakistan (Interim Report 2016) has been recently published with the support of Friedrich Ebert Stiftung, and has been published in both Urdu and English. The comprehensive views of the Pakistan Workers Federation on the GSP+ are contained within this document.
Surveys have revealed that in the major districts where there are significant exports under GSP+- Lahore, Faisalabad and Sialkot – workers’ rights tend to be abused.

The ILO has identified a deficit in decent work in Pakistan.

Since gaining GSP+ status, labour inspectors have not increased. Less than 300 inspectors serve the entire country in commercial, industrial, and other establishments.

Workers are properly secured when they are unionised since there is social dialogue. As a result, there is no need for labour inspections.

The social safety net situation has shown modest improvements over the past year. Many workers are still excluded from social security, the pension scheme and welfare facilities.

Less than 20% of workers are covered under the social safety net.

Pakistan’s minimum wage is approximately 15,000 rupees. This is extremely low given the large size of households. In some sectors, workers do not receive the minimum wage. This is a deprivation of the right to enjoy life. It is necessary to determine the extent to which workers have to sacrifice their basic human rights and unionisation for economic gains.

Before attracting more FDI, there need to better the quality of life for workers. It is important that Pakistan does not emerge as a supplier of cheap labour and a merchant of human miseries. Well-defined labour standards should be insisted upon.

Closing remarks – Mr. Andreas JULIN, Senior Expert, Directorate-General for Trade of the European Commission

The GSP Regulation is a main trade policy tool for supporting economic development in developing countries. As a result, there is a need for effective implementation and monitoring.

How can the GSP+ be used for positive leveraging? How is it driving things that the government has set out to do anyway? These are some of the questions that have been fleshed out in the Workshop.

Assessment of the benefits should not be limited to the implementation of the 27 conventions, but there is a need to focus on the economic gains that have been accrued to Pakistan.

The discussions indicated that there may have been some trade diversion from Pakistan's other export destinations and that the GSP+ trade preferences may not have been fully utilised, including for greater diversification.

Exports to the EU are increasing, while global exports are decreasing. It was suggested that this was due to a number of factors negatively affecting the competitiveness of Pakistan’s industry. It was mainly the responsibility of the Government to put into place policies that were conducive to both increasing exports and employment.

There have also been proposals for broader engagement with industry in view of compliance requirements.

The discussions during the Workshop came with several proposals to improve the GSP+, including the reporting process, the use of benchmark and indicators and closer and more structured involvement of civil society. The EU is grateful for the active participation and the lively discussions aimed at contributing to the improvement of the way the GSP+ works and how it can positively contribute to sustainable economic development.

Closing remarks – Mr. Ahmed Fasih, Deputy Secretary, Europe, Ministry of Commerce

Debate reflects the ripples that the GSP+ is creating across all industries. It is a very important debate in a developing country like Pakistan.
Human rights, labour rights are independent of any additional incentives – The Government of Pakistan is bound by the constitution to provide these for their people. However, the Government has to work continually to improve these standards.

The GSP+ is a unique arrangement. There is no parallel like this in any other scheme. The fact that countries have decided to take up this responsibility, given challenges of development in so many different areas, reflects joint partnership between them and the EU.

The complaints that have been voiced tend to be genuine. However, everything has to be seen in comparison. Minimum wage is low, but so is per capita income as well as the opportunities for decent employment. However, the Government is not complacent in fulfilling its obligations to the Pakistani people.

There is a need for Pakistan to strengthen policy. It takes time to fully develop and strengthen democratic participatory institutions. In this sense, the GSP+ came at the right time for Pakistan.

To monitor Pakistan’s progress on the implementation of the conventions, the Government has involved civil society through the Treaty Implementation Cell. Civil society is broadly represented in the Treaty Implementation Cell and is able to have frank discussions and exchanges on the implementation of conventions.

There is a need for proper benchmarking and higher standards to gauge improvements. The review system allows the Government to see the impact of the GSP+ in Pakistan.

Pakistan and the EU should start talking about more long-term and deeper integration agreements.