Pakistan Institute of Trade and Development
Ministry of Commerce
Government of Pakistan
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No. Pitad-Res-12(26)/2011

Dated: 10 December, 2012

Pakistan Hosiery Manufacturers Association (PHMA)
Mr. Jawed Bilwani
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Subject: **Public Private Dialogue on "Policy Reform to Maximize benefits from the European Union GSP plus Scheme"**

A public private dialogue steering committee (PPDSC) was established by the Ministry of Commerce under Component 1 of the European Union funded Trade Related Technical Assistance (TRTA II) programme to hold regular consultations among private sector, public sector and civil society on issues related to trade policy and regulatory reforms to generate specific recommendations. Pakistan Institute of Trade and Development (PITAD) and the International Trade Centre (ITC) are tasked to perform the role of Secretariat of the PPDSC.

A public private dialogue (PPD) on **"Policy Reforms to Maximize Benefits from the European Union GSP plus Scheme"** is being conducted on **20 December 2012 at Marriott hotel Karachi** in collaboration with the Trade Development Authority of Pakistan, Karachi Chamber of Commerce and Industry, Institute of Business Administration and Sindh Department of Commerce and Industry. (Agenda of the PPD is attached).

A research study has been commissioned to identify government policy reforms to enhance competitiveness and exports in the sectors covered by the EU GSP plus. Findings and recommendations of the research study would be presented during the PPD to initiate debate among the invited stakeholders and to provide alternate policy options for potential adoption by the government. The presentation will be followed by sharing of views from key panel discussants and hearing the views of the participant through an open floor debate. The ultimate aim of the PPD is to produce concrete policy recommendations for enhancing competitiveness in the potential and priority sectors for EU GSP plus scheme.

Brief summary, including the key findings, of the research study are attached to give you an idea about the type of issues that are likely to be discussed during the day.

It will be extremely useful for the dialogue process if you could kindly make it convenient to attend the PPD on 20 December 2012 at Marriott hotel Karachi.

For confirmation of participation or any clarification please contact: Mr. Mohammad Owais Khan, 051-8354822 (office); 0300-5012097 (mobile); mokhan@intracen.org (email)

Encl: As above

Yours sincerely,

Tahir Maqsood
Co-Chair PPDSC/Director General PITAD

International Trade Centre

The TRTA II programme is funded by the EU

Trade Related Technical Assistance Programme (TRTA II) for Pakistan

Public Private Dialogue on

Policy Reform to Enhance Benefits from the Proposed GSP plus Scheme

20 December, 2012

Venue: Crystal Ball Hall Marriott hotel Karachi

AGENDA

Time	Activity/Session	Speaker
	Inaugural Ceremony	
09:00-09:30 am	Registration of the participants	Registration desk in-charge
9:30-9:35 am	Recitation from the holy Quran	Rao Rizwan ul Haq
9:35-09:40 am	Welcome address and background to Public Private Dialogue initiative	Muhammad Owais Khan, International Trade Centre, Islamabad
09:40-09:50 am	Opening remarks by Co-Chair of the Public Private Dialogue Steering Committee	Mr. Tahir Maqsood, Director-General, Pakistan Institute for Trade and Development/Co-Chair PPDSC
09:50-10:00 am	Address by the Additional Secretary Ministry of Commerce	Mr. Fazal Abbas Maken, Additional Secretary
10:00-10:10 am	Key note address	To be decided
10:10-10:30 am	**Group picture and tea/coffee break**	
10:30 am-01:30 pm	***Technical Session***	

Chair and moderator of the session:

Mr. Fazal Abbas Mekan, Additional Secretary Ministry of Commerce

Presentation of the research studies:

Mr. Shahid Scheik
Ms. Zeewar Scheik

Policy Reform to Enhance Exports Potential to the European Union under European Union GSP plus Scheme

Panel Discussants:

1. Mr. Mujeeb Ahmad Khan, Head Policy and Analysis Wing TDAP Karachi
2. Dr. Nishat Ahmad Associate Dean, Institute of Business Administration, Karachi
3. Mir Nassir Ali, Secretary Environment, Government of Sindh
4. Representative of Pakistan Ready Made Garments Manufacturers & Exporters Association

	5. Representative of Pakistan Footwear Manufacturers Association 6. Mr. Ahmad Ali (Former Senator & Chairman of Senate Committee on Banking & Finance, leading exporter of knitwear) Rapporteur: Dr. Syed Kausar Ali Zaidi, Director Pakistan Institute of Trade and Development **Open house discussion**	
01:30-01:40 pm	Concluding Remarks	Dr. Shujat Ali, The Secretary Industries, Commerce and Investment Department The President Karachi Chamber of Commerce and Industry
01:40-02:30 pm	Lunch	

For further information and inquiries please contact:

International Trade Centre

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Policy Reform Proposal Form (PPD on EU GSP plus)

Please tick the follow applicable box that you belong to:

Public authority	Private Business	Interest group
☐ Ministry	☐ > 100 (Employees)	☐ Chamber of commerce
☐ Federal Government agency	☐ 50-100	☐ Business association
☐ Provincial Department	☐ 20-50	☐ University
☐ Provincial attached department	☐ 5-20	☐ Union
☐ Corporation	☐ <5	☐ Other (Please indicate)
☐ Govt. owned Company	☐ Foreign	
☐ Other	☐ Local	

What area does your policy reform proposal concern (please tick appropriate box)

What is the issue at stake?

Why is it a problem for the growth of the private sector?

What is the proposed solution?

What are the specific action items? (Which specific articles / policies /laws need to be amended?)

Please return submissions to:

Mohammad Owais Khan
Programme Officer (Trade Policy)
EU funded Trade Related Technical Assistance (TRTA II) programme
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If you wish, you may provide your contact details below for further follow up:

Name: ______________________________

Organization: ______________________________

Tel: ______________________ Email: ______________________

International Trade Centre

EXPORT IMPACT FOR GOOD

Benefitting from EU GSP plus scheme 2014 through enhancing competitiveness in the qualified sectors

BRIEF SUMMARY

TRTA Programme is funded by the European Union

Background

The European Union (EU) is not only Pakistan's largest export destination and trading partner; it is also engaged in multiple levels of social and economic development activities. Revisions in the EU's import tariff preferences (GSP) scheme, to become effective from January 2014, contain provisions that provide Pakistan with the opportunity to merge its EU exports with an identified development agenda, enabling enhanced economic growth with matching social development. The latter, especially in the area of working conditions for labour, will facilitate Pakistan's integration into a rules-based global economy which is dominated by the inter-linked elements of buyer-driven compliance and cross-border supply chains.

Pakistan's exports to the EU are seen to have climbed steadily, but not spectacularly, since 2003, with the share of EU in Pakistan's overall global exports declining by 9% over this period:

Pak Exports	2003	2004	2005	2006	2007	2008	2009	2010	2011	Growth 03-10
EU	3.684	4.409	4.071	4.500	5.099	5.838	5.048	5.632	7.09	92.6%
Growth y/y %		22.2	(-7.5)	10.5	13.3	14.5	(13.5)	11.5	26.0	
World	11.930	13.37	16.050	16.932	17.83	17.554	20.27	21.413	25.3	112.4%
% Growth y/y		12.1	20.0	5.5	5.3	(1.6)	15.4	5.6	18.3	
%EU share/ Pak total exports	30.8	32.9	25.3	26.5	28.6	33.2	24.9	26.3	28	(-2.8)

Source: COMTRADE, figures in US$ Billion

Given its natural resource base, manpower and entrepreneurial skills and the size of the European import market (2011 imports from rest of the world were US$1.54 trillion), Pakistan's export volumes to EU do not reflect their potential. The performance gap arises from known domestic sector inadequacies, one of the outcomes of which is the inability to diversify the export products basket. As a result, Pakistan's exports to the EU remain supply-driven rather than demand-driven. Except for goods covered by Ch 61 and 62, the top 6 sectors that constitute almost 90% of Pakistan's exports to EU do not find a place in the top 45 EU import products. This mismatch extends also to GSP, where only 3 of Pakistan's top 20 exports to the EU find a place in the EU's top 20 GSP imports, as against 8 from India and 6 from Sri Lanka.

Other least developed and lower middle income countries, with less production facilities, have used the GSP tariff preferences to identify sectors where they can compete for markets in developed countries. For example, Mauritius was dependent on sugar for 85% of its exports in 1975, but by 1999 four other sectors (clothing, jewelry and watch dials, seafood, preserved foods) made up 75% of its exports and the share of sugar in total exports was down to 14%. Bangladesh has used duty-free/quota free access to build up a US$14 billion diversified clothing sector market in the EU and in the process has developed a domestic yarn and fabrics production base that now meets 60% of its clothing sector requirements.

During an earlier duty-free concession period in 2002-04, the prevailing MFA quota regime had put a cap on Pakistan's textile exports; despite this, the country did manage a 20% increase in overall exports between 2003 and 2004 indicating that focus on sectors other than textiles presents good growth prospects. The expected market access, which could result from GSP+, may be viewed as a timely chance for Pakistan to catch up with lost opportunities.

Basic provisions of the new GSP+

Changes enacted to the quantitative requirements of GSP+ (seven or less products should make up minimum 75% of exports to EU, total exports to EU should be under 2% of EU's GSP imports) enable Pakistan to apply for qualification under the GSP+ arrangement that will become effective in January 2014.

The new GSP+ comprises of two separate but interlinked areas, which involve both private and public sectors of the economy – it provides duty free access (subject to quantity restraint) for all listed items, including textiles and clothing, covering about 90% of the EU's tariff lines; but the concession is subject to ratification and implementation of 27 international conventions on human rights, labour rights, environment and cooperation on controls in the areas of combating terrorism, money laundering and narcotics trafficking. Like most other countries of the world, Pakistan has already ratified the 27 conventions. The grey areas lie in implementation and the revised monitoring mechanisms stipulated in the new GSP+ regime.

Threshold: under the new GSP+, products having a market share of more than 6% of total EU imports of that item will not qualify for duty-free access. This provision affects the major portion of current textiles exports (Ch 52 – cotton fabric and yarn, Ch 55 – man-made fibers, Ch 57 – carpets, Ch 61 – knitted apparel, Ch - 63, textiles made-ups, including bed wear and towels) and leather articles (Ch 42), which already have a strong market share and therefore will continue to enter the EU under normal GSP duties.

Annual Cap: The new EU's GSP+ also places a ceiling, 17.5% for all goods other than textiles and ethanol (14.5%), on the value by which a product's import increases over the previous year, at which point duty-free preferences will be withdrawn and that product will enter at normal duties.

Safeguards: The GSP scheme also includes safeguard provisions for agriculture, textile and fisheries products whereby tariffs can be suspended when imports of products enter at such volumes or prices as to threaten domestic industry.

Opportunities:

Textiles: Except for Ch 55 (manmade fibers), where practically all the currently exported products have more than 6% market share, duty-free market access remains available on all other lines, including in Ch 52 (cotton yarn and fabrics), Ch 63 (textile made-ups), Ch 62 (clothing, woven) and Ch 61 (clothing, knitted), which by themselves constitute 67% of all exports to EU.

The table below highlights the size of the EU market in products where Pakistan's exports are under the 6% threshold and the size of the available EU market in those products:

	2011 US$ million		
Products within below HS codes	Pakistan's current export of items for which zero duty is available	Available EU market in those items	6% threshold
Ch 63	131.86	6,976.97	418.56
Ch 52	167.51	4,661.91	279.71
Ch 54	2.40	935.56	56.12
Ch 61	576.4	83,088.18	4985.28
Ch 62	1,183.1	87,173.25	5230.38
Ch 41	4.34	894.02	51.84
Source: based on data from Comtrade			

To place these market openings in perspective, Bangladesh's exports to the EU of Ch 61 were US$8545.01 millions and of Ch 62 were US$4462.36 millions in 2011, so there is great room for expansion.

Footwear: The footwear sector (Ch 64) stands to benefit greatly from GSP+ duty free access. MNF duties in the EU on footwear are 8%, which is a big margin in an intensively price-competitive export market (over US$ 50 billion.) In recent years footwear exports to EU from Brazil, Thailand and Vietnam have declined respectively by 35%, 18% and 14% due to the withdrawal of duty preferences. In the same period, Nicaragua (GSP+) and Bangladesh have used duty free access to drive their exports of footwear (Nicaragua from zero to US$12.5 million in less than three years, Bangladesh by 94% in five years.)

Ethanol: EU autonomous trade preferences for 2012-2013 have allowed a quota of 75,000 tons import of ethanol from Pakistan. Under the new GSP+, the specific duty on ethanol will not apply for quantities imported up to 113.5% of exports made in 2013. Controlled sales will enable ethanol exporters to re-build their market in the EU without inviting the negative attraction of 2005.

Other sectors:

Ch 39: (Plastic products) have a 6.5% duty, products as PET and polystyrene have an US$6.9 billion dollar market in the EU. Imports from Pakistan have proved to be competitive.

Ch 08: (Fruits, nuts) GSP+ will provide duty advantage of between 5%-16%, plus specific duties on some items. Against Pakistan's US$65.8 million worth exports to the EU, India has exports of US$460.5 million.

Ch 71: Pakistan's jewellery exports to the rest of the world are rising much faster than to the EU, where the expatriate/Pakistani origin has more spending power than in other areas. Removal of Indian jewelleryexports from the US's GSP in 2008 led to a doubling of Pakistani jewellery exports to the US within two years. India's Ch 71 exports have graduated out of EU's GSP, creating an additional market opportunity.

Recommendations for the private sector:

Textiles:

- Increase in production of products using man-made fibers
- Use "regional cumulation" to import man-made fibers from India
- Identify reasons for the big gap between Pakistan and Bangladesh in production of knitwear
- Diversify the product lines to utilize available tariff headings in Ch 61 and 62
- Investment in modern dyeing and printing facilities to upgrade quality of knitted fabrics
- Invite MNC/overseas investors in apparel production
- Develop closer coordination at association level with overseas counterparts
- Sector associations to ensure basic compliance of EU's GSP+ requirement by their members
- Capacity-building for smaller exporting units in social compliance areas
- Increase women workers in the shop floor – exports are seen to be negligible in many items of women's wear that are best made/assembled by women workers
- Training of women workers in the infant wear category, which has a large market in the EU

Leather & Footwear:

- Attain minimum EU environment requirements
- Invite MNC collaboration in design/production/marketing
- Invite Chinese, Vietnamese companies to develop production facilities in Pakistan
- Highlight achievements in adoption of labour standards
- Strongly project existence of better working conditions prevailing in Pakistan than in other SAARC countries
- Concentrate on development of women's footwear, which is the largest segment of the EU market
- Leather Garments Association should liaise with and improve coordinate with COTANCE to create a better trading climate and EU industry to understand the importance of leather industry to the domestic economy

Ethanol:

- Develop sector level mechanism to avoid unrestrained selling and price-cutting that led to earlier anti-dumping measures and re-imposition of duties

Fruits:

- Focus the marketing effort on eastern member states of the EU
- Develop collaboration with Turkish companies for promotion of export sales in new member states
- Invite Chinese, Malaysian, Thai collaboration and investment in development of production facilities for export of fresh and processed fruit.

- Capacity building in SPS requirements
- Capacity building in grading, quality control, packaging and treatment
- Developing linkage with internationally recognized brands, they will bring managerial and marketing efficiencies

Seafood:

- Urgent attention for improvement of harbor and auction premises, processing facilities to attain EU minimum standards
- Develop coordination with relevant EU seafood importers associations for development of private standards
- Improve social benefits of fisher folk families
- Identify and fill gaps in off-shore and on-shore frozen storage

Chambers of Commerce, FPCCI:

- Coordination with provincial governments and Federal government for uniformity in provinces of regulations relating to work conditions and environment standards
- Develop credible domestic independent monitoring bodies that can advise/report on compliance
- Capacity building of exporters regarding the EU market
- Disaggregated market studies of the EU, which is comprised of 27 members, each having its own special requirements
- FPCCI to develop mechanism with counterparts in Sri Lanka, Bangladesh, Nepal, India, Maldives for optimum benefits from regional cumulation allowed in rules of origin

Conditionality's of GSP+

To qualify for GSP+, Pakistan and other beneficiary countries are eligible for duty-free imports of non-sensitive items and reduced tariffs for sensitive items, subject to ratification and effective application of 27 key international conventions on sustainable development and good governance (16 on human rights and labour rights and 11 on environmental standards, drug enforcement). These are listed in the attached sheet.

The burden is on the beneficiary country to prove "effective implementation" of the conventions; however, the special incentive arrangement can be withdrawn temporarily if the beneficiary country fails to meet certain conditions. This evaluation mechanism will be based on EU reporting, as well as that of the relevant monitoring bodes of the conventions (where they exist) and any data from third parties including legal and non-legal persons.

Some aspects related to the reporting and monitoring requirements and on-ground implementation will require further clarity. These include (i) undefined violation thresholds and (ii) unconditional acceptance of applicant state to third party monitoring. Within Pakistan, the key issues are costs of implementation, stakeholder sensitization and the impact of devolution on the concerned subjects.

Devolution: Environmental Pollution & Ecology, Population Planning & Social Welfare, Welfare of Labour, Employers Liability & Workmen's Compensation, Population & Social Welfare, Employment Insurance, Trade Unions & Labour Disputes, Regulation of Labour & Safety in Mines and Oilfields, Drugs & Medicines are among the subjects that have devolved from the Center to the Provinces as a result of the 18th Amendment to the Constitution. However, the Provincial Governments have thus far neither developed the required legal framework or legislation for compliance with international obligations nor authorized the Federal Government to act on their behalf in this matter.

An analysis has been done on the new GSP+ scheme's conditionality requirements on sustainable development and good governance and implications for beneficiary countries. Simultaneously a review has been conducted on Pakistan's status vis-à-vis the 27 conventions required for GSP+ qualification and challenges to be faced for meeting the eligibility criteria. The analysis leads to the following recommendations:

Creation of a focal body to coordinate between Center and provinces and among Provinces to coordinate in the area of legislation for implementation of international conventions and maintaining liaison in the area of international monitoring:

- Enhanced coordination between all stakeholders at country level, particularly post-devolution
- Advanced capacity building and awareness campaigns
- Creation of a dedicated country-level monitoring unit
- Sector-level monitoring through a public-private stakeholder body comprising professional bodies chambers and government departments
- Enhanced number of judicial commissions for reporting
- Creation of a panel of trade consultants and legal experts to advice on GSP+ conditionality.

Technical Barriers to Trade & Sanitary/Phytosanitary Measures

Pakistan has to ready itself for meeting TBT and SPS requirements in the products and sectors identified in the trade analysis. These include, but are not limited to, a number of product- and production-related technical, social and environmental measures in the textile, leather and ethanol sectors in particular and SPS, HAACP measures in the food items sectors.

In addition to the TBT and SPS measures directly imposed on Pakistan' exports, internal regulations such as REACH will impact Pakistani producers.

Challenges identified to Pakistan's compliance in these sectors include costs of compliance, lack of accredited national testing and certification resources and facilities, lack of awareness amongst producers of the need to certify products, intellectual property rights including lack of local branding, meeting environmental and labour standards (HSE), and increasing the use of voluntary sustainability standards.

Some general recommendations for meeting these standards are given below:

- Increased capacity building and awareness raising amongst industry stakeholders, particularly SMEs, through FPCCI, relevant chambers of commerce, professional bodies on the subjects of social and environmental compliance for country-level implementation of the 27 conventions on human rights and sustainable development

- Renewed mapping activities and capacity development through PSQA, TRTA, TDAP, UNIDO, Ministry of Science and Technology of more testing and certification facilities either private or housed at academic facilities

- Technical capacity development programs with regional beneficiary countries, China, Bangladesh, India, etc. for standardization

- Marketing help-desk through the relevant chambers and professional associations to assist brand-development and labeling of local products

- Publicizing and highlighting best practices amongst industries implementing Voluntary Sustainability Standards (VSS)

Annex: List of the 27 Conventions to be ratified and implemented for GSP+ Qualification

Treaty
International Covenant on Civil and Political Rights (New York, 1966)
International Covenant on Economic, Social and Cultural Rights (New York, 1966)
International Convention on the Elimination of All forms of racial discrimination (New York, 1966)
Convention on the Elimination of All forms of Discrimination against Women (New York 1979)
Amendment to article 20, paragraph 1 of the Convention on the Elimination of All Forms of Discrimination against Women New York, 22 December 1995
Convention on the Rights of the Child (New York 1989)
Convention on the Prevention and Punishment of the Crime of Genocide (Paris 1948)
Convention concerning minimum age for Admission to Employment (No 138)
Convention concerning the Prohibition and Immediate Action for the elimination of the worst forms of child labour (no 182) 1999 (Entry into force: 19 Nov 2000)
Convention concerning the Abolition of Forced Labour (no 105) 1957 Date of entry into force: 17 Jan 1959
Convention concerning Forced or Compulsory Labour (no 29) 1930 (Entry into force: 01 May 1932)
Convention concerning Equal Remuneration for Men and Women Workers for work of equal value(no 100) 1951'
Convention concerning Discrimination in Respect of Employment and Occupation (no 111) 1958
Convention concerning Freedom of Association and Protection of the Right to organize (no 87) 1948
Convention concerning the application of the Rights to Organize and Bargain collectively (no 98) 1949
UN Convention against Corruption NY 2003: Entry into force 14 December 2005, in accordance with article 68(1).
Montreal Protocol on Substances that delete the Ozone layer (1987):+Amendments to the Montreal Protocol (1992) 2 .e Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer Beijing, 3 December 1999
Basel Convention on the control of movement of transboundary waste and hazardous substances
The United Nations Framework Convention on Climate Change (UNFCC) 1992
Stockholm Convention on Persistent Organic Pollutants Stockholm, 22 May 2001
Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES): To prevent the overall
Convention of Biological Diversity (CBD) (1992)
Cartagena Protocol on Biosafety (2000)
Kyoto Protocol to the United Nations Framework Convention on Climate Change (1997)
Amendment to Annex B of the Kyoto Protocol to the United Nations Framework Convention on Climate Change Nairobi, 17 November 2006
UN Single Convention on Narcotic Drugs (New York 1961)
UN Convention on Psychotropic Substances (Vienna, 1971)
UN Convention against illicit Traffic in Narcotic Drugs And Psychotropic Substances (Vienna, 1988)
UN Convention against corruption NY 2003: Entry into fore 14 December 2005, in accordance with article 68(1).