# EUROPEAN UNION’S GENERALIZED SCHEME OF PREFERENCES –GSP+ AND PAKISTAN: A CRITICAL OVERVIEW

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### *ABSTRACT*

*The Generalized Scheme of Preferences of European Union (EU) aims to help the least developed economies to come out from their vulnerabilities and also improve their overall governance. However, the empirical evidences depicts another story. The beneficiaries who gain help from EU are not able to liberalize their economy or trade policies. The purpose of this study is to explore the real meanings of preferential treatment and the burden bear up by beneficiaries. Pakistan has been included in GSP+ scheme since 2014. Although Pakistan is now the most successful among the other eight beneficiaries, there is still room to progress further besides managing hidden agendas which prevent comprehensive benefits. Apparently there are different pros of GSP+ scheme but there are certain cons too due to which it is very hard for beneficiaries to come out from least developed status. The study recommends that if EU truly wants to help the least developed economies; it should minimize the yardsticks.*


***Keywords:*** *GSP+, Pakistan, European Union, Preferential treatment.*

## 1. INTRODUCTION

Pakistan enjoys friendly economic and political ties with the European Union (EU). Trade relations touched new heights when Pakistan got enhanced access to European markets after awarded with EU’s Generalized Scheme of Preferences+ (GSP+) status in 2014. The GSP+ status helped Islamabad enhance its exports to the European market on a massive scale. The GSP+ agreement is the European Union's scheme that grants countries tariff-free access to its market on a variety of items. It can be simply defined as a tool for promoting trade, sustainable development, and the preservation of different rights in GSP+ beneficiary countries which are in developing phase. As per the data by EU is official site, Pakistan’s export to EU increased by 108% in 2014-2022 period and imports from the EU increased by 65% in the same period (europa.eu).

After gaining GSP+ status, the EU became the largest export destination for Pakistani goods, mainly textile and clothing. Total trade

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between Pakistan and EU increased from 8.3 billion euros in 2013 to 14.85 billion euros till November 2023 (europa.eu). This represents an increase of 108 percent in overall exports. It is worth mentioning here that the GSP+ status awarded to beneficiary countries is subject to compliance with 27 core United Nations (UN) conventions related to labor, political and human rights. In September 2021, new amendments were proposed by the EU for the new GSP+ Scheme for the period 2024-34. For the upcoming decade the beneficiaries will implement 32 International conventions instead of 27. New conventions related to human rights and environmental policies and good governance. The E. Parliament in early October, 2023 overwhelmingly voted to extend GSP+ status of Pakistan and other beneficiaries for the period of 2024-27.

### 1.1 Aim of Study

The aim of this study is to critically evaluate the pros and cons of the GSP+ Scheme and its impacts on a developing economy of Pakistan. Further, the study aims to highlight the interests of EU in this scheme. The author limit itself to coverage of EU-Pakistan bilateral economic ties since the inception of GSP+ status. The research will not include the events before the inception of GSP+ status of Pakistan. In addition to this, the study also covers maladministration on Pakistan's part and some suggestions for policy makers.

### 1.2 Research Argument

European Union is portraying that with its preferential scheme of GSP+ it is helping the vulnerable economies but due to GSP+ criterion the beneficiaries never remove their vulnerabilities or diversify their products. Furthermore, the yardsticks of International Conventions implementation and providing proof of their compliance is another burden on already low-income economy.

### 1.3 Research Objective

The objective of this paper is to calculate the benefits of GSP+ and critically dig out the basic purpose of this scheme ----- to remove the vulnerabilities of least developed economies or to permanently keep them in vulnerabilities with special focus on Pakistan.

## 2. RESEARCH METHODOLOGY

The study is based on mixed methods approach, incorporating both qualitative and quantitative techniques. Data vastly based on secondary sources The EU official documents and sites, are the underlying primary sources for this research. In addition to that, all the relevant European Commission reports and working papers and reports on Pakistan are evaluated and analyzed critically. During the research both pros and cons of GSP+ scheme are taken into consideration.

## 3. DISCUSSION

### 3.1 Background

The United Nations Conference on Trade and Development (UNCTAD) in early 60s demanded developed countries to integrate the low middle economies in the World trading system by help them to alleviate poverty, promote industrialization and enforced International values and principles of labor and human rights (http:europa.eu).

The first UNCTAD was held in 1964 and only Australia in 1966 started the preferential non-reciprocal tariffs for lower middle income states. The second UNCTAD was held in 1968; and in 1971, the European Community, as it was called then, along with Norway and Japan, started the GSP scheme. Switzerland and New Zealand in 1972 and USA and Canada commenced their schemes in 1974(https:unctad.org).

According to UNCTAD statistics, a total of thirteen states are now providing Preferential tariffs—Australia, Belarus, Canada, European Union as a state, Iceland, Japan, Kazakhstan, New Zealand, Norway, the Russian Federation, Switzerland, Turkey and the United States of America-- to 132 least developed and low-middle-income states (https:unatad.org). Each Generalized Scheme of Preferences (GSP) granting country has a list of its own beneficiary states and covered different products according to their requirements.

European Union has some of its legal origins in the General Agreement on Tariff and Trade (GATT), which reflect the benefits of free trade and established the concept of non-discrimination. GATT in its Article 1, granted the Most –Favored-Nation (MFN) principle, which requires equal treatment for trading partners (https:wto.org). Moreover, Article 24 of GATT determines the principal of creating customs union by removing custom duties, tariffs and quantitative restrictions on trade in goods between all the members of the customs union and externally adopt common external tariffs with non-member states. After Uruguay Round, GATT was changed into World Trade Organization (WTO) from January 1, 1995 (Piet Eeckhout, 2004).

The European Economic Community (EEC), before UNCTAD1, gave some developing states—ex-colonies of member states, Association status in Treaty of Rome (1957). Thus, EEC's development policy gave market access, financial assistance and preferential treatment through various means.

Like other states, European Union (EU) is also dependent on developing states for raw materials. Thus EU signed different agreements with other countries such as Partnership and Cooperation Agreements, Association Agreements, Free Trade Agreements (FTA's), simple trade agreements and preferential agreements -- Standard GSP, Everything but Arms (EBA) and GSP+. Therefore, since 1971, EEC include along with its ex-colonies other low income countries in preferential treatment. The preferential states allows to send products with reduced tariffs and enhanced quotas.

### 3.2 External Relations of EU

European Union's external relations means trade and economic relations of EU with non-member countries and international organizations. Despite their relevance to foreign policy, EU's external relations in legal terms are practically different with political relations. Since the Treaty of Rome, EU's trade relations were under European Commission's authority along with European Council. After the Treaty of Lisbon (2009) the European Parliament was also included as main player for transparency and to give a democratic face to EU's policies (European Commission, 2009). Hence, NGO's and civil society were included to look into trade matters.

The main components of EU's External Relations are:

Common Commercial Policy;

Development Policy; and

Association Policy.

The Common Commercial Policy (CCP) came into force in 1968 is the oldest and most important exclusive external competence of the EU. It is also one of the constitutive policies which give identity to the Union. The Treaty of Rome through its Articles 110-116, provides the legal basis to CCP (David Moull, 2004). In the early years of EEC trade barriers were only tariffs and quotas and only trade in goods was taking place. Later on trade in services, standards, certifications, intellectual property rights, investment, environment and technological changes gained momentum. Therefore, in the Treaty of Lisbon (2009), along with the European Commission and European Council, European Parliament's role was enhanced in trade policy.

The European Union is a market power, it gives access to its unified market to third countries through its Common Commercial Policy (CCP) (Johan Adriaensen, 2020). CCP is based on the same guidelines provided by GATT and then by WTO (http:europa.eu). After the end of the Cold War, EU included in its trade policy—human rights, democracy, rule of law and environmental issues as its core values, thus politicizing the CCP. Critiques mentioned that after the elimination of Communist threat and race for sphere of influence, development assistance has become a main stream agenda for the EU. It establishes coherence between internal and external policies and trying to promote its values in developing states through trade and development mechanism.

Since 1971, when EU introduced the GSP Scheme, several frameworks were adopted for GSP arrangements. In the recent framework, which was adopted in 2005, there are three arrangements—the general GSP, Everything but Arms (EBA) and GSP+. EU's GSP, EBA and GSP+ are part of its development policy thus, trade preferences are not negotiated but awarded and the preferential treatment is non-reciprocal, with zero or low duties on products originating in low middle income states (Inama Stefano, 2006).

EU's GSP+ scheme is part of its Unilateral Tariff Preferences for developing states. It offers a non-reciprocal generous reduction in custom duties or duty-free-access to those developing states which ratify and implement 27 international conventions (European Commission, 2021); deal with human rights, ILO standards, Kyoto protocol, racial discrimination, minimum employment age, convention on international trade, narcotics control, corruption, endangered species of wild fauna and flora etc.

The European Commission in its September 2021 review of GSP+, introduced five new conventions, pertaining in particular to children's rights, environmental safety, persons with disabilities and good governance. At present there are eight countries along with Pakistan which are included in GSP+ scheme—Bolivia, Mongolia, the Philippines, Cape Verde, Kyrgyzstan, Sri Lanka and Uzbekistan.

The GSP scheme has three essential aims which are as follows:

- Alleviate poverty via dissemination of items from impoverished regions.
- Motivate good governance and sustainable development.
- Protect the financial motives of EU.

The export profit for recipient states has been escalated due to financial progress and development of job opportunities via GSP+ (Inama Stefano, 2006). The overarching function of EU is to minimize 'import costs' on such states and also to help their 'businesses' competitiveness'. The EU sets its GSP+ scheme for a period of ten years, the current round 2014-2023 changes some criteria such as the import threshold from 1% to 2%, a biennial review report instead of after three years, removal of product graduation rule, inclusion of civil society, business class, labor and trade organizations as stakeholders in preparing review reports (Zobi Fatima, 2018). Thus GSP +

focuses on EU's significant enthusiasm towards sustainable development and good governance.

### 3.3 Entry into GSP+

The parameters set in GSP+ Scheme for the entry of states require that the candidate fulfill financial requirements like; the state has to be a 'vulnerable' and non-heterogeneous 'economy', fewer imports into the EU and the state must accept the '27 international conventions' and from 2024 the number of conventions increased to 32. There are two major elements to gain and retain GSP+. First, there must not be reluctance towards 'conventions'. Second, the inspection team must not point out any extreme negligence in its practice (http:trade.ec), in case of negligence, the special incentives will be withdrawn.

The European Union sets out the monitoring criteria through 'Scorecard' and Dialogues'. The Scorecard scores shortcomings for each Convention and the efforts by beneficiary states to remove the identified shortcomings. Dialogues with local and provincial governments, civil society, business class and trade and human rights and labor organizations to assist the authorities to tackle shortcomings and also discuss difficulties in fulfilling the commitments.

Besides the advantages, GSP+ has also some drawbacks. Firstly, similar to principal GSP scheme, GSP+ doesn't shelter '1.200 of the EU's tariff lines' which possess 'non-zero MFN tariff-rates' (http:trade.ec). Items considered as extremely 'sensitive' including; beef, and other meats, dairy products, some processed fruits and vegetables, oils and refined sugar are not part of GSP+ scheme. Secondly, just like directives of GSP, GSP+ also includes the same rules of graduation. Thirdly, there may be restrictions towards the implementation of laws of inception. Fourthly, since the practice of international conventions is needed, this may not be an instant concern of progress for most 'low income countries'. This may divert the efforts needed for the alleviation of poverty (Gasiorek, 2021). Moreover, the European Commission, after every two years submit a report to E. Parliament and E. Council about the implementation of Conventions by beneficiary states and on the basis of these reports, the EU Institutions decided to retain or withdraw a beneficiary state from the scheme.

### 3.5 Interests of the EU

Some of the main concerns of the EU with respect to its trade policies especially GSP+ are to be taken into consideration as one or two interests are interlinked with all other objectives.

First, Trade [GSP+] becomes an essential source for the EU to promote its various interests while maintaining the soft power image. With respect to EU's soft power principle, trade has a main function in deciding its global preferences (San Bilal, 2019). Soft power constitutes the potential to get what you wish via magnetism than relying on force and 'payment' and EU is found to enjoy the capability and powerful idea of allurement while maintaining its position of biggest international 'negotiating' group.

Therefore, the EU is not only seeking its objectives of trade but is also handling it as its diplomatic policy source which is further promoting its interests. Making the most of its 'power of attraction' as a contributor to trade, the EU has a control over third world preferences and recreates paradigms and priorities in different areas (Trobbianiin, 2019). Despite its commitments in trade, politics and diplomacy, EU's GSP+ is either not being properly implemented due to its compliance policies(force over soft power) or due to the absence of awareness and modern acumen among recipient states (Tom Wilms, 2022). This is the reason that some schools of thought are of the view that the states which are no more part of GSP+ are less likely to face economic hurdles than those which still hold the status.

Second, the aim of non-reciprocity in EU's policy has further created problems for the developing states. In the case of developing countries, those of which attained increased items of 'exports', are intimidated by the abolition of GSP+; the results would be inappropriate motivations for the application of 'protectionist' strategies because the hidden purpose is to restrict their 'exports' and neglect the consequences. Nevertheless, if GSP+ is removed and there is tentative reach of 'export marketing' via personal 'trade' strategy along lines of reciprocity, the government of receiving states drops off the intensity of 'protectionism'.

Moreover, some critics depreciate the agenda of EU's trade policy (GSP+) which reflects the idea of dependency. As it is rightly suggested by a critic 'If preference is given to trade then it is better to constrict the developing nations from dependency, instead; seeking of complete membership and getting the freedom in 'world of trading regime' is the significant move'(Ozlan and Reinhardt,2021). Restrictions of EU on certain export products, lack of technological advancement in beneficiaries further undermine the significance of policy practice.

The recent findings with respect to GSP+ emphasize upon the fewer achievements regarding 'exports' of less developed states' (Tom Wilms, 2022). Firstly, GSP+ have not fully included the items like textile which could be beneficial for the recipients. Secondly, the limitations of suitability of GSP+ 'export' items are set as mandatory with the help of acknowledgement and expectations. Thirdly, while the acceptability is not a matter of concern, the intricacy of the procedure and scientific inability of recipients hinder the complete use of 'GSP preferences'. Fourthly, the contributors of GSP+ unreasonably replace 'non-tariffs for 'tariffs' especially on items that are 'sensitive'. Different researches demonstrate that the poor performance of GSP+ was expected while giving a moderate rise in 'imports' from donors.

EU's desire for its commercial and economic power is obvious through its trade policies like GSP+. For example, while trying to be in competition with the US, EU has also confronted the emergence of China's financial strength. US and EU remains under strong competition because of increased investment and improved monetary ties of China with rest of the world. The power of commercial competition with China and the US has compelled European Commission to focus on arranging extensive and financially motivated trade deals (Meissner, 2019).

Like any other idea, GSP+ has fulfilled EU's aims and objectives while keeping the standards of trade and ensuring the duty-free access to export products into the EU market. The interests of the EU differ in various situations, but the provision of preferences through GSP+ specifically highlights its developmental aims in politics, commercial and diplomatic areas.

### 3.6 Pakistan under GSP+

Pakistan is a beneficiary of the GSP Schemes of the European Union (EU), Switzerland, Norway, Turkey, UK, USA, Canada, Australia, New Zealand, Japan, Russia, Belarus, and Kazakhstan. Accordingly, the import of GSP-eligible products into these countries from Pakistan enjoys preferential tariffs i.e. reduced or zero import duties (https:tdap.gov.pk).

Pakistan was placed in EU's GSP+ Scheme in 2014 after ratifying 27 International Conventions related to human and labor rights and others. Pakistan's per capita income according to 2020 figures is still $1,270 thus fall into the category of lower-middle income economy, a condition to enter in GSP+ (Shahid Yusuf, 2022). The purpose was to ensure duty-free entry of 'two-third of all product categories' to EU.

Pakistan, a country with notable geographical importance and greater access to the Arabian Sea, also a home to huge young population, has been in the keen interest of European stakeholders (Shakeel Ahmad, 2017). In 1962, Islamabad established connections with Brussels. To develop industrialization at home, Pakistan concentrated on duty-free access to the markets of West European countries. Pakistan's relations with the EU are still centered on trade, with the EU serving as Pakistan's primary export market. Against the backdrop of various economic challenges, such as loans from International Monetary

Fund that caused inflation in the country, Pakistan's GSP+ status carries huge importance. Pakistan's GSP+ qualification, which provides increased duty reductions to a beneficiary country, has aided the country's exports to Europe by 108% (Ministry of Commerce, 2022). Pakistan has ratified all 27 essential international conventions in accordance with the GSP+ rule.

EU and Pakistan have been considered as essential associates in trade. EU is considered as 'third largest' market of Pakistan's exports and absorbed 28% of total exports (http:trade.ec). From 2014, a considerable progress is observed through GSP+ (http:trade.ec).Throughout this period an exponential growth is noticed in total trade, from $6.87 million. in 2013 to $14.85 million in 2022 (http:trade.ec) an increase of around 100%. It is important to note that 76% of such exports are the result of GSP+; thus, recognizing Pakistan to be the biggest beneficiary of GSP+ (http:trade.ec).

It is to be observed that there are nine main beneficiaries of the GSP+ preferential EU imports in 2018 (http:unctad.org). Among all others Pakistan is rated on top with respect to its imports to EU of worth 5,885 million EUR (https:europa.eu). Philippines is the second most beneficiary of Preferential EU imports in 2018 with 1,915 million EUR (https:europa.eu). On the other hand Sri- Lanka is ranked on third position as its imports worth is 1,365 million Euros (https:europa.eu). The other beneficiaries in line are; Paraguay (104 million EUR), Cape Verde (72 million EUR), Armenia (68 million EUR), Bolivia (37 million EUR), Mongolia (17 million EUR) and Kyrgyz Republic (6 million EUR). (eur-lex.europa.) Pakistan's textile exports to the EU have improved by 66.6 % from 2013 to 2017 and the categories of textile garments and hosiery, home textiles, cotton and intermediary goods and textiles and carpets have also been part of such exports.

The improvement is noticed in first category from 2013 which is 1,398.6 to 2017 which is 2,685.2 with impact percentage 92% (http:finance.gov). Home textile become second category to gain from 2013 (980) to 2017 (1,682.4) with impact percentage of 71.66 (http:finance.gov). Cotton and intermediary goods of textiles have advanced from 2013 (738.8) to 2017 (840.8) reaching the impact of 13.80% (http:finance.gov). However, minor change in export of carpets is observed starting from (30.3) in 2013 to (35.6) in 2017 with 17.34% impact of GSP+. *(*Pakistan Economic Survey 2017-18, (finance.gov.pk/). Among all the eight beneficiaries Pakistan was the least vulnerable. In 2019, Pakistan's vulnerability score was 6.7% with the threshold currently standing at 7.4%. On the other hand, the diversification of the economy remains limited and concentrated on a small bandwidth of products (gsphub.eu).

Moreover, there is a significant change in bilateral trade between the EU and Pakistan in 2017 and 2019 (http:finance.gov). Pakistan's exports in 2019 was highest with 6,071 million EUR as compared to 2016-2018 (http:finance.gov). Pakistan's imports from EU was at peak in 2017 which was 4,492 million EUR as compared to 2016-17 and 2019-20. With respect to the imports from EU the same kind of fluctuation is observed with trade gain of Pakistan 1,895 million EUR in 2020 (pbc.org). The EU imports from Pakistan shows an interesting rise from euro 3.56 million in 2013 to euro 9.45 million in 2022 (tradingeconomics.com)

### 3.7 The Pitfalls

However, there are myriad of reasons due to which Pakistani products are not getting full benefits of GSP+. One of the main reason is absence of advanced technology and the harsh restrictions from donor agencies against government subsidies for the industry, thus without government subsidies the high cost of fuel increased the cost of the product (Evan Traver, 2022). However, most of the countries, including EU give subsidies to their farmers and industries. Moreover, other countries adopt trade friendly policies in which fuel and raw material is cheap for the industries while in Pakistan it is opposite. Pakistan is also not tackling business research for novel markets and finding opportunities in global 'markets' as well as in EU (Asif Saad , 2019). Thus, it could not completely utilize its GSP+ status. Moreover, Pakistan has no consistent policy to ameliorate its trade conditions. Hence, it is true as stated by several economists; there is a need of improvement in technology for gaining benefit in global business.

For exports, Pakistan excessively depends on some products like; clothing, textiles, surgical items, sports goods and leather products. It is not capable of expanding its export circle which has severely blocked the financial progress and is also a condition from the EU to retain the GSP+ —a vulnerable and non-heterogeneous economy (http:trade.ec). Reliance on very few products is not good for economies, as Pakistan relied on few items and the severe downpours of 2010 and 2022 in Pakistan shows that the changes observed due to 'climate change' and 'global warming' can negatively affect products. 'Depreciation of currency' is a major challenge for Pakistani exporters. The degeneration of the rupee means there is escalation of 'costs' on trade i.e. rates of raw materials, energy and transportation. The inconsistency of foreign exchange restrains traders to infuse in the export sector (Malik, 2020).

EU in October 2023 resumed the GSP+ Status for Pakistan till 2027, the EU has broadened exclusive business modifications on imports from

Pakistan. The expansion of status is significant as this ensures the intent or fulfillment of '27 conventions' (Dawn, 2023). However, in April 2021, the E. Parliament adopted a resolution called on E. Commission for a review of trade relations with Pakistan and withdraw its GSP+ status over its blasphemy laws, in particular the case of Shafqat Emmanuel and Shagufta Kausar, who have been on death row since 2014 (Dawn, 2021). The couple acquitted of all charges by Lahore High court in early June 2021 and the couple immediately moved to Europe (https:amnesty.org).

Later, the E. Commission presented its report that it found no grounds to exclude the country, extending GSP+ status until December 2023. The Commission's decision came three weeks after the Taliban takeover of Afghanistan (https:issi.org). The European Commission report stated that: 'Pakistan ratified and maintained ratification of all relevant Conventions which is a positive sign. Moreover Pakistan also signed other Conventions which are not needed for GSP+. Legislation in most of the areas has made but stronger institutional set up is needed to implement them. In some instances, Pakistan despite progressing, need more efforts'.

The problem is that the treaties are signed and ratified by the executive rather than Parliament. For the implementation of International treaties, the national parliament must pass the laws to fulfill the conditionalities of such treaties.

EU's GSP scheme was started in 1971 initially for a decade, later renewed for two more decades. In 1994 the EU introduced the possibility of suspending trade preferences for non-compliance of human and labor rights (http:europarl.eu). In 2005 Everything but Arms (EBA), Standard GSP and GSP+ were introduced. In the revised regulation of 2012, enforced in January 2014, the EU modified the access conditions to its preferential schemes. EBA for least developed countries, allowed tariff and quota free access to EU market for all products except arms and ammunition. GSP+ for those countries that meets vulnerability criteria, their exports lack diversification and insufficient integration in international trading system. They get the status on the condition to ratify and implement the core Conventions and non-compliance means withdrawal from the scheme. GSP+ offers zero tariff for exports of 66% of the EU product lines. The rest of the low income or lower-middle income developing states are included in standard GSP with partial or full removal of custom duties on two-third of tariff lines.

For EBA and Standard GSP, a country has to only fulfill economic criteria thus some countries which have poor human rights record are automatically part of them (http:europarl.eu). Although respect for human rights conditionality is must for all the three schemes but the intensity and monitoring differ. For GSP+ the eligible willing countries must apply in writing by themselves. According to EU, GSP+ means specific incentives but EBA provided 99% of all tariff lines and there is no hard yardstick of implementing conventions, no threat of withdrawal (http:trade.ec). Moreover, if EU really wants to promote its values through conventions then it should apply to all its schemes.

EU portrayed that its preferential schemes are for economic development of low and middle income economies, thus implementation of conventions with low-income economies is a herculean task for beneficiaries. Here, it is pertinent to give example of African continent, where

EU spend trillion of dollars since 1957 and give preferential access to its market but with strings of restrictions attached (Robin Bourgeois, 2020). Thus, Africa remain poor, suffered with famines, hunger and diseases. Only after China and other states provide aid and trade without any conditionality than most of the African states performing better and better if not developed. Therefore, EU's all three GSP arrangements are unilateral and non- negotiated because the EU is the only actor which administered the rules and beneficiary state's vulnerable economy has to comply them. It is observed in many cases that the non-negotiated preference arrangement is a muscle tightening plan for beneficiary states. The EU according to Article 19.1(a) of the 2012 regulation has the sole right to limit or expand the product coverage or withdraw a country from the scheme on violation of UN and ILO Conventions. For GSP+ countries the obligations are more complex. To date the EU suspend three countries from its preferential schemes—Belarus and Myanmar from GSP and Sri Lanka from GSP+.

EU's GSP+ also has political considerations, through this scheme EU gain more political and diplomatic clout than economic benefits (http:europa.eu). However, beneficiary states gain economic benefits because reduction or elimination of tariffs is a life line for them. Generalized Scheme of Preferences Plus, which is not generalized in terms of beneficiaries nor in products, has criterion that the economy is vulnerable and lack of diversification in export products. The figures for all recipients showed that GSP+ is beneficial for them but due to these benefits they do not make any effort to remove their vulnerability or diversify their products, thus remain low-income countries. Another burden on them is to provide proofs regarding compliance of international conventions.

Among the beneficiary states of GSP+ both pros and cons are observed. Pakistan is the biggest beneficiary of the GSP+. Economic benefits are enormous. Pakistan exports are 1.6% of EU's global GSP+ imports and 94% of Pakistani exports heavily concentrate on only 7 sectors (http:lcci.pk). The major success of Pakistan was in 2018 when its imports to EU reached 62.2% (gsphub.eu) but the absence of diversified products, lack of technological advancement, inconsistency in trade policies and devaluation of currency snipped the ascendancy.

Among the other GSP beneficiaries Armenia is the second largest partner in GSP+ but 96% of its exports based on base metals, Armenia is no more in GSP+ scheme since January1, 2022 (Veronika Movchan, 2020). In case of Bolivia 20% increase in exports has been calculated but it sends only raw products which means negative impacts on economy and society (https://gsphub.eu). Kyrgyzstan is getting the gains only from one item i.e. gold (https://gsphub.eu). Cape Verde's exports include: fishery, textile and footwear (https://gsphub.eu). Philippines exports to EU reached 27%, however, its dominancy on tuna industry has found to be worrisome for EU as it has potential to move its industry even without tariff preferences (https://gsphub.eu). With respect to Sri Lanka, after the withdrawal its Garment industry was highly affected due to export competition with other beneficiaries which was evident from closure of 25 garment industries and major job decline. Now Sri Lanka again enjoys the preferential treatment and its economy is reeling (https://gsphub.eu). After getting the GSP+, Mongolia's overall worth of EU imports reached 84m Euro (https://gsphub.eu). The most positive outcome of GSP+ can be seen in the shape of Paraguay as it is now no more part of GSP+ scheme because of its improved status (https:europa.eu).

## 4. CONCLUSIONS

GSP+ can be defined as a tool for promoting trade, sustainable development, and the preservation of different rights in GSP+ beneficiary countries which are in developing phase. Ostensibly, it is for promoting trade but actually through the preferences the international actors direct all the policies of developing states.

GSP+ has two basic conditions-- a country must have ratified and implement 27 UN conventions (now 32) relating to human rights, environment and good governance and a country must be a 'vulnerable economy' means a country is not classified as a high income country and it lacks diversification in exports.

However, the vulnerable economies due to GSP+ criterion never remove their vulnerabilities or diversify their products and the yardsticks of International Conventions implementation and providing proof of their compliance is another burden on already low-income economy. GSP+ offers zero tariff for exports of 66% of the EU product lines. However, only tariff cuts will not increase in exports. Manufacturing costs, quality, and standards also matter. GSP+ has some benefits too for developing economies as they got an edge in comparison to other developing states. Hence, to get maximum benefits the developing states and especially Pakistan need to overcome the constraints like expensive electricity and gas for industries, increase the production capacity and maintain the standards.

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