



# EU-NEPAL BUSINESS FORUM 2023

Unleashing the opportunities for trade and investment in Nepal

# LDC graduation and market entry requirements for Nepal's export potential products in EU markets

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# Presentation outline

- EU's GSP arrangements
- Market access conditions for Nepal's major exports to the EU after graduation
- The best option for Nepal and the necessary conditions
- A quick example of a GSP+ beneficiary

## Options for Nepal's access to EU markets upon LDC graduation

- Graduation in 2026
- Three-year transition period in the EU
- As an LDC, Nepal is a beneficiary of the EBA scheme of the EU
- After 2029, Nepal will be eligible for EU's standard GSP scheme
- A better option is to be a GSP+ beneficiary

### EU's GSP arrangements

	Standard GSP	GSP+	EBA
<b>Criteria</b>	Low- or lower-middle-income countries	<ul style="list-style-type: none"> <li>- Vulnerable (in terms of export diversification, export and import volumes)</li> <li>- Standard GSP beneficiaries that have ratified the 27* GSP+ relevant international conventions</li> </ul>	LDCs
<b>Duty reduction/suspension</b>	Duty suspension for non-sensitive products and duty reduction (3.5 percentage points) for sensitive products across around 66% of all EU tariff lines	Duty suspension for around 66% of all EU tariff lines, including sensitive products	Duty suspension for all goods with the exception of arms and ammunitions
<b>Rules of origin (important provisions)</b>	Double transformation for textile and clothing items. For all other products, a minimum local value added of 50%.	Double transformation for textile and clothing items. For all other products, a minimum local value added of 50%.	Single transformation for textile and clothing items. For all other products, a minimum local value added of 30%.

\*possibly 32 conventions from 2024

Source: gsphub.eu and Razzaque (2020)

### Nepal's exports (US\$ thousand)

Export partner	2018	2019	2020	2021	Average	Share in total exports (%)
India	461,816	659,575	623,925	1,333,726	769,760.50	72.2
US	92,803	98,372	86,848	132,610	102,658.25	9.6
EU	74,580	68,480	56,348	75,980	68,847.00	6.5
<b>Total exports</b>	<b>781,143</b>	<b>959,629</b>	<b>855,421</b>	<b>1,665,728</b>	<b>1,065,480.25</b>	<b>100</b>

Source: ITC Trademap

### Market access conditions in the EU

HS code	Product description	Share in exports to the EU in 2017 (%)	MFN rate	GSP +	Standard GSP
62	Articles of apparel and clothing accessories, not knitted or crocheted	35.3	6.5-12% 12% mostly; average rate 11.6%	duty suspension	5%–9.6% 9.6% for most products and avg tariff rate 9.25%
57	Carpets and other textile floor coverings	23.4	3.5%-8% 8% for most products; average rate is 7.6 %	duty suspension	2.8%-6.4% duty reduction by 20%
61	Articles of apparel and clothing accessories, knitted or crocheted	11.8	8-12% 12% mostly; average rate 11.6%	duty suspension	6.4%-9.6% 9.6% for most products and avg tariff rate 9.3%
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	6.0	3.2%-12% 6.5% and 8% for most products; average rate 6.1%	duty suspension	2.5%-9.6% tariff rates above 20 per cent reduction for all tariff line under this category

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### Market access conditions in the EU

63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	3.4	0%-12% 12% for most products; average rate 10%	duty suspension	0%-9.6% 9.6% for most products and avg tariff rate 8.25%	65	Headgear and parts thereof	2.2	0%-5.7% 2.7% for most products; average rate 2.8%	duty suspension	duty suspension
41	Raw hides and skins (other than furskins) and leather	3.4	0%-6.5% 6.5% for most products; average rate is 3.1%	tariff suspension for more than 85% of tariff line under this category	0%-6.5% tariff reduction and suspension for 85% of tariff line	97	Works of art, collectors' pieces and antiques	2.1	MFN 0 for all products		
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	2.8	MFN 0 for all products			9	Coffee, tea, maté and spices	1.9	0%-12.5% 0% for most of the products; average rate 2.7%	Duty suspension	0%- 8% concessional rate for the products whose MFN rate is non-zero

Source: Razzaque (2020)



# So, upon graduation...

- Tariff preferences are better under GSP+
- What about the rules of origin?
  - For carpets, shawls and scarves, and felt products, there will be no change in RoO (specific process of production)
  - Coffee and tea, which are the main items other than textiles and apparel, meet the 50% value addition requirement
  - In readymade garments such as trousers, jackets, dresses, etc. there will be a change in the RoO (single-stage to double-stage transformation)

# Other market entry requirements

- Requirements for product safety and standard (SPS/TBT) remain the same.
- Detailed information about these are available are online.
- Market entry requirements have been compiled for Nepal's potential exportable products identified in the NTIS.

# To fulfill the conditions for GSP+ eligibility

- Nepal needs to
  - sign and ratify the ILO Convention No. 87 on the right to association and freedom to organize.
  - ratify the Cartagena Protocol on Biosafety to the Convention on Biological Diversity.
  - In case of the new GSP+ scheme after 2024, Nepal will also need to sign and ratify ILO Convention No. 81 on labour inspection.

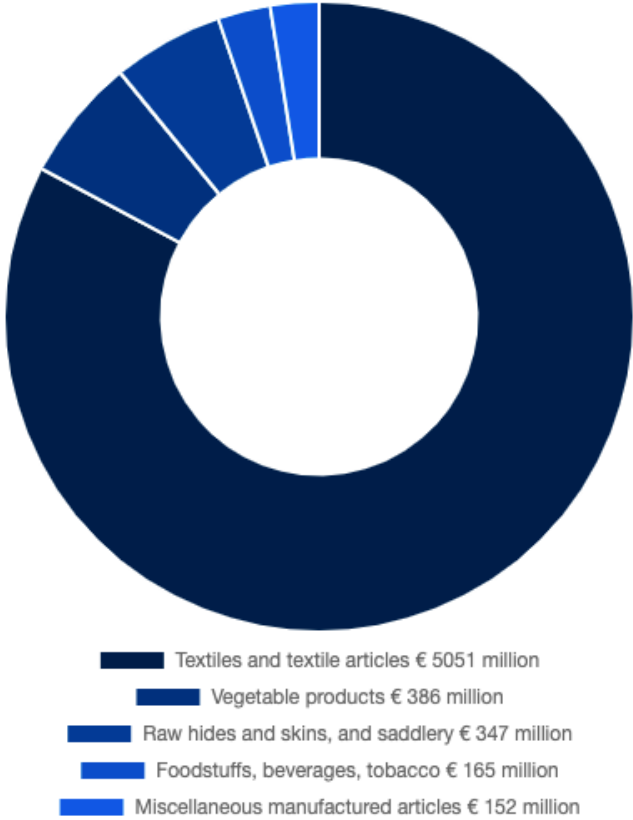
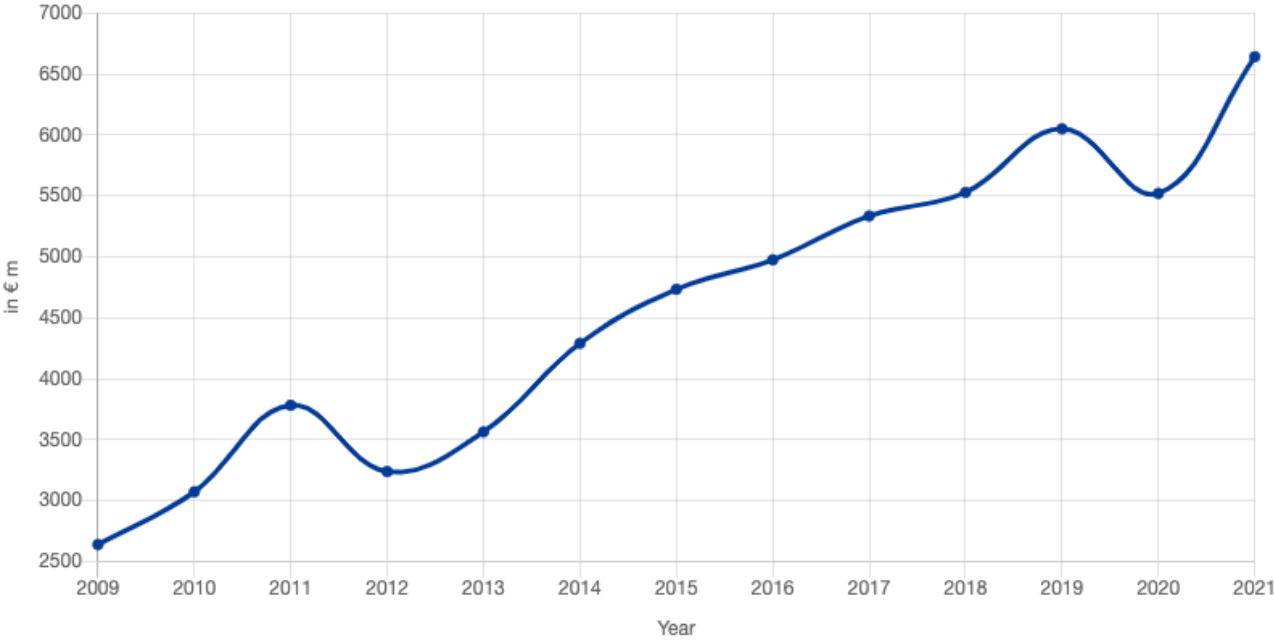
# Current list of GSP+ beneficiaries

- Bolivia
- Cabo Verde
- Kyrgyzstan
- Mongolia
- Pakistan
- Philippines
- Sri Lanka
- Uzbekistan

# Example: Pakistan

- GSP+ status since 2014
- €4.7 billion worth of Pakistan's exports to the EU in 2021 out of a total of €6.6 billion was utilizing GSP+ tariffs.
- Pakistan's GSP+ preference utilization rate is 97%, which is the highest of all GSP+ beneficiaries.
- Pakistan is the largest beneficiary of all GSP+ beneficiaries.

# EU's imports from Pakistan



Source: <https://gsphub.eu/country-info/Pakistan>

# References

- Razzaque, Mohammad A. 2020. “Nepal’s Graduation from the Least Developed Country Group: Potential Implications and Issues for Consideration.” WP/20/01. Bangkok.
- Sharma, Puspa. 2022. “Nepal’s LDC Graduation”. Background paper prepared for Nepal Trade Integration Strategy (NTIS) 2023.
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Thank you for your attention