



### HOW CAN PAKISTAN FULLY EXPLOIT ITS GSP PLUS STATUS?

By  
**Shahroo Malik**  
*Research Associate*

Edited by  
**Najam Rafique**

November 16, 2017

*(Views expressed in the brief are those of the author, and do not represent those of ISSI)*



In 2014, Pakistan was awarded the GSP Plus status which gave tariff free access to certain Pakistani goods to the EU markets. This has significantly improved EU-Pakistan trade relations with an increase of 38% in Pakistan's exports to EU since 2014.<sup>1</sup> European Union is Pakistan's one of the largest trading partners and is the destination for more than 25% of Pakistan's exports.<sup>2</sup> Of these, 76% are covered by GSP plus, hence making Pakistan one of the largest GSP plus beneficiary.<sup>3</sup> However, Pakistan has failed to fully exploit the GSP plus status and achieve the trade potential that the European markets can offer.

Pakistan's declining exports are a big cause of concern for the country's leading economists. Pakistan's total exports saw a sharp decline of almost US\$ 5 billion between fiscal years of 2013-14 and 2015-16.<sup>4</sup> Numerous reasons have been identified for the falling exports which include overdependence on a few items and markets, market imperfections, energy crisis, institutional rigidities, lack of skilled labor<sup>5</sup> and modern technology.

<sup>1</sup> Shazia Hasan, "Pakistan among 10 countries enjoying EU's GSP Plus facility, says envoy," *Dawn*, September 27, 2017, <https://www.dawn.com/news/1360246>.

<sup>2</sup> Iftikhar Ahmad, "GSP+ status: are threats of withdrawal real?" *The Express Tribune*, October 27, 2017, <https://tribune.com.pk/story/1542253/6-gsp-status-threats-withdrawal-real/>.

<sup>3</sup> Ibid.

<sup>4</sup> Taimur Malik and Bilal Ramzan, "Declining exports," *Pakistan Today*, November 06, 2017, <https://www.pakistantoday.com.pk/2017/11/06/declining-exports/>.

<sup>5</sup> Ibid.

For decades, Pakistan has greatly relied on a few export items especially textile products which comprise nearly 60% of Pakistan's total exports.<sup>6</sup> Furthermore, most of its export base includes less value added and low tech products coming from low growth industries instead of exporting high value added and hi-tech items from dynamic industries. Energy crisis has also greatly affected the exporting firms by increasing their cost of production and hence the prices. These overly priced Pakistani goods upon entering the European markets, are not able to compete effectively with low priced products from Bangladesh, India and Vietnam.

In October 2017, a roundtable conference was organized by Sustainable Development Policy Institute (SDPI) on "Achieving Export Competitiveness in Pakistan" in which Former Federation of Pakistan Chambers of Commerce and Industry vice president Adnan Jalil raised some concerns regarding falling exports by stating that the federal government was unwilling to engage with the stakeholders while framing relevant policies.<sup>7</sup> He also shed some light on the gaps within the taxation and tariff system and stressed upon reducing the loopholes in the system that encourage corruption.<sup>8</sup> Hence, in order to encourage exporters, not only institutional rigidities need to be minimized, but the government needs to take all stakeholder on board before drafting export policies and provide sound policy initiatives in the form of reduced cost of doing business to enhance competitiveness of Pakistani goods in the international market.

Moreover, there is an immense need for carrying out proper market research in the EU markets to identify gaps and niches where Pakistani goods can easily penetrate. This will help in diversifying Pakistan's portfolio of export goods instead of heavily relying on a few items. Furthermore, Pakistan needs to work on its soft diplomacy in order to promote a positive image of Pakistan abroad. This was recently witnessed when brightly colored buses depicting Pakistani culture and heritage were launched in busy streets of London. More of such initiatives are need of the hour. Pakistani cinema which is now coming out of its recession phase can also greatly help in improving Pakistan's image abroad and reviving the tourism industry at home. Pakistani government should facilitate exporters in building linkages with distributors that can help Pakistani producers in accessing European markets easily.

Furthermore, the recent increase in human rights violations has put the extension of GSP Plus status to Pakistan in jeopardy. The EU authorities are quite worried about these recent developments and have strongly opposed death penalty in Pakistan. It should not be ignored that

---

<sup>6</sup> Iftikhar Ahmad, "GSP+ status: are..." *The Express Tribune*, October 27, 2017.

<sup>7</sup> "Joint efforts of public, private sectors a must for exports revival," *The Nation*, October 20, 2017, <http://nation.com.pk/20-Oct-2017/joint-efforts-of-public-private-sectors-a-must-for-exports-revival>.

<sup>8</sup> Ibid.

the current GSP plus status awarded to Pakistan is subject to compliance with 27 core UN conventions related to labor, political and human rights. As the GSP plus review is underway, it is pertinent that the Pakistani government ensures the implementation of the 27 UN conventions. Considering Pakistan's poor economic conditions with current and fiscal account deficits, falling exports and reduced competitiveness in the international market, Pakistan cannot afford to lose its GSP Plus status.