



### ANALYZING THE UPWARD TREND IN PAKISTAN'S EXPORTS TO EU

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January 26, 2018

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



**Pakistan has recently completed three years of bilateral trade and progress under the European Generalized System of Preferences (GSP) Plus scheme. In December 2013, Pakistan was granted the GSP Plus status which gave most of its exports preferential access to EU markets. According to the official EU data, the total export proceeds from EU amounted to €4.79 billion in 2016 which increased to €5.07 billion in 2017.<sup>1</sup>**

It was reported lately that there has been an increase in Pakistan's exports to EU by 6% from January to September 2017. Most of this increase in exports to EU came from UK as Pakistan's exports to UK surged to €1.02 billion showing a growth of 37.8% during the period under review.<sup>2</sup> This is major cause of concern for many exporters who fear that they might lose their market share in UK following Brexit. However, the British government has repeatedly assured Pakistan that Brexit will not affect the bilateral trade ties of the two countries. "As the UK leaves the EU, we recognize the need to ensure a smooth transition in our trading arrangements. The UK's firm intention is to maintain these preferences on a bilateral basis, with the generous access to UK markets that it brings," stated the joint statement issued after trade talks between UK Minister of State for Trade

<sup>1</sup> Mubarak Zeb Khan, "Exports to EU grow almost 6%," *Dawn*, January 14, 2018, <https://www.dawn.com/news/1382753/exports-to-eu-grow-almost-6pc>.

<sup>2</sup> *Ibid.*

Policy, Greg Hands and Pakistan's Minister for Commerce and Textile, Muhammad Pervaiz Malik held last year in September.<sup>3</sup>

Pakistan's exports to Germany and Spain have also shown a tremendous growth under the GSP Plus scheme. Exports to Germany increased by 39% to €995.4 million, while that to Spain rose by 99.9% to €663.9 million.<sup>4</sup> Spain has now turned into a third largest market for Pakistani goods in EU recently. Similarly, Pakistan's exports to Italy went up by 34.15% to €490.9 million. Exports to The Netherlands increased by 56.1% to €480.6 million and those to France rose by 24.9% to €353.9 million.<sup>5</sup> Exports to Belgium went up by 22.7% to €296.9 million, Poland by 121.9% to €112.9 million, Sweden by 46.4% to €111.48 million, Denmark by 81.7% to €103.95 million, Portugal by 22.7% to €86.4 million and the Czech Republic by 98% to €63.6 million.<sup>6</sup> Other EU countries that witnessed more than 50% growth of Pakistani exports during the past three years of GSP Plus scheme include Austria, Cyprus, Hungary, Luxembourg and Slovenia.

GSP Plus has played a significant role in enhancing Pakistan's trade ties with the Eastern European countries and opening new avenues for Pakistani exporters in Europe. It is reported that exports to Greece increased by 47% to €44.13 million, Bulgaria by 82.04% to €14.2 million, Slovenia by 116.7% to €17.73 million, Romania by 19.86% to €14.81 million, Hungary by 98% to €11.7 million, Croatia by 5.2% to €10.4 million, Cyprus by 145% to €4.3 million and Latvia by 41.3% to €3.9 million.<sup>7</sup>

An analysis of sector wise growth in exports shows that the textile sector has shown tremendous growth in the past three years. In 2013, exports of textile products accounted for €3.14 billion, which surged to €4.87 billion in 2016, showing an increase of 54.8%.<sup>8</sup> Exports of rugs and carpets to the EU increased to €37.92 million from €30.3 million and raw hides, skins and other leather products increased to €44.7 million in 2016 from €41.9 million in 2013.<sup>9</sup> According to the statistics, value-added sectors showed growth during the past three years.

Pakistan's main dilemma is that its export base consists mainly of a few commodities restricted only to particular markets. There is a severe need to diversify Pakistan's export portfolio in order to capture various market niches existing in the EU. Furthermore, Pakistan needs to expand its

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<sup>3</sup> "Joint UK-Pakistan Statement on trade." *GOV.UK*. September 19, 2017. <https://www.gov.uk/government/news/joint-uk-pakistan-statement-on-trade>.

<sup>4</sup> "Pakistan exports to EU grow by almost 6%," *Gulf Times*, January 14, 2018, <http://www.gulf-times.com/story/578094/Pakistan-exports-to-EU-grow-by-almost-6>.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Mubarak Zeb Khan, "Exports to EU...," *Dawn*, January 14, 2018.

<sup>8</sup> "European Union, Trade with Pakistan," *European Commission*, November 17, 2017, [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113431.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113431.pdf).

<sup>9</sup> Ibid.

relations with other EU countries as well, not just with UK, in order to ensure strong support in the EU parliament for preferential agreements like GSP Plus in the future. This upward trend in Pakistan's exports to EU following the GSP Plus scheme can significantly contribute in bridging the current account deficit, which is already under pressure due to rising imports of machinery, rupee depreciation and increased oil prices. While we wait for the official report on the renewal of GSP Plus status to be out, the increase in exports to EU has made us hopeful that significant progress can be made in future if Pakistani exports keep on getting preferential treatment in EU markets.