INTERNATIONAL THE NEWS

24th November, 2019

Our Correspondent

Govt urged to ensure GSP plus compliance as exports to Europe flat at $2.8bln in 4 months

KARACHI: Exports to European countries remained flat at $2.8 billion in the first four months of the current fiscal year despite tax concessions available to Pakistan's products in Europe.

The central bank's latest data showed that the European countries were, however, the single biggest source of export earnings for Pakistan during the period.

Analysts said the country could not be able to avail the full benefits of tax incentives available to its exports to European market under the generalised system of preferences (GSP) plus status.

In 2014, the country's exports got duty-free access to 28-member European Union block. The tax incentives were slated for a decade, but the country has to comply with the 27 conventions, including labor rights and submit a compliance report every two year.

Daroo Khan, president of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) urged the government to ensure compliance of the country with the GSP plus standards related to human and labor rights, environment and governance.

Khan said EU is the second biggest trading partner of Pakistan after the US. The balance of trade with EU is positive. Around 20 percent of Pakistani exports have duty-free access to the Europe, while 70 percent avails preferential treatment.

Failure to compliance could lead to withdrawal of GSP plus status. Pakistan is expected to submit its next compliance report in January next year.

Pakistan was the second textile and garment exporting country in the South and South East Asian region, having duty free access into the EU. Bangladesh was another beneficiary of GSP plus.

This opportunity was expected to increase exports of Pakistan to Europe. Although exports to EU showed an upward trend a couple of years back, but they were largely limited to traditional products.

Khan said it was expected that GSP plus would increase Pakistani exports to EU by 20 percent every year. "The exports increased to $7.9 billion from 6.2 billion during the last five years."

Pakistan Business Council (PBC) said EU's imports from Pakistan rose from $6.90 billion in 2013 to $8.08 billion in 2016 under GSP plus scheme.

“However, this increase in EU imports from Pakistan has been concentrated on textiles,” the PBC said in a report. “Textiles and leather in 2016 made up nearly 86 percent of EU imports from Pakistan; six countries in the EU were responsible for 80 percent of imports from Pakistan.”

FPCCI president agreed that exports to EU are limited to textile and clothing that accounted for 82 percent of total exports to the region.

Exports of carpets, pharmaceuticals, iron, steel, fruit, oilseeds, plastics and sugar were showing downward trend. He emphasised diversification in exportable products and value-addition.

Pakistan’s exports to European markets slightly increased to $8.4 billion in the last fiscal year of 2018/19 compared with $8.3 billion.

Imports from European markets also showed downtrend in the first four months of the current fiscal year. Pakistan’s import payments amounted to $1.7 billion in the July-October period as opposed to $2.3 billion. The decrease was continuation of the last fiscal year when imports fell to $6.2 billion compared to $7.7 billion a year earlier.

Overall, imports declined in the July-October period due to the government regulatory and administrative measures to relieve pressures on external account.

The SBP’s data showed that the country’s imports fell to $14.7 billion in the July-October period compared to $19 billion in the corresponding period a year earlier. Exports, during the period, increased to $8.2 billion from $7.9 billion.