

## **GSP Plus: beyond textiles**

Pakistan can beef exports to the EU by 15 times and not just in textiles (read more: “GSP Plus potential: 15x). In fact, textile is only one of the sectors that enjoy GSP Plus concessions to 28 European countries. Since Pakistan became a beneficiary in 2014, its exports to the EU have averaged 32 percent, against 25 percent in the period prior to signing the scheme. However, the potential is much greater.

Current exports to European Union (EU) under the GSP plus status have been heavily concentrated in apparel and textiles products while other areas have not received the same attention. Textile products account for more than 70 percent of the total exports to EU. A study by the Pakistan Business Council in 2013 identified 74 items at 6 digits HS Code that appear to have a high potential for imports by EU from Pakistan after the GSP plus status. Some of the more prominent product categories that benefit from tariff exemption under GSP plus include leather, cereals, surgical goods and edible fruits to name a few.

A closer look into leather and related products (HS code: 42) reveals a rather struggling picture. These products prior to GSP plus status were subject to 6 percent tariffs which were eliminated after the granting. Yet the sector managed to record a decline in leather goods exports. In fact, the interesting thing here is that EU’s import demand for these goods actually improved during this period. It is just not importing from Pakistan (see table).

Pakistan lost its share in EU’s leather market from 66 percent to 61 percent during FY14-18. Regional competition from China and India during the same period despite the disadvantage on tariff managed to perform better than Pakistan. From 2013-18, China saw a 1 percent increase in leather exports to EU and India recorded a 10 percent decline during the same period. Pakistan in comparison lost 14 percent value on its leather exports to EU during this period. This fall in share despite concessionary market share requires more scrutiny. It has been clear for a while that exports will not grow merely by attaining market access to trading partners, nor will just concessionary treatment help. It is important to look at the range of products under the GSP plus that have potential but (remain unrealized). To start with, aside from oft mentioned doing business indicators and broad based competitiveness indicators, firm-level challenges need to be studied. This is an area rife with opportunities for think tanks and researchers to explore.

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Chenage in value percentage form 2013-18

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HS code	Description	Pakistan Exports to	EU imports from world	Pakistan Exports to World
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42 Articles of leather, saddlery and harness; travel goods, handbags

and similar containers; articles

-14% 25% -11%

10 Cereals

99% -4% 7%

precision, medical or surgical...

9% 2% 2%

90 Optical, photographic, cinematographic, checking,

3. Fish and crustaceans, mollusks and other aquatic invertebrates

519% 21% 29%

17 Sugars and sugar confectionery

-63% -25% -21%

8 Edible fruit and nuts; peel of citrus fruit or melons

-45% 17% -1%

25 Salt; sulphur; earths and stone; plastering materials,

lime and cement

6% 1% -38%

22 Beverages, spirits and vinegar

-2% 6% 25%

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Source: ITC trade Map

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Pakistan's share in EU imports

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HS code Description  
Average (2014-2018)

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42 Articles of leather; Saddlery and harness; travel goods, handbags and  
similar containers; articles 2.00%

10 Cereals  
1.00%

90 Optical, photographic, cinematographic, measuring, checking,  
precision, medical or surgical... 0.08%

3. Fish and crustaceans, mollusks and other aquatic invertebrates  
0.01%

17 Sugars and sugar confectionery  
0.11%

8 Edible fruit and nuts; peel of citrus fruit or melons  
0.07%

25 Salt; sulphur; earths and stone; plastering materials, lime and cement  
0.30%

22 Beverages, spirits and vinegar  
0.10%

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Source: ITC trade map