FRIEDRICH NAUMANN FOUNDATION For Freedom.
Pakistan

PRIME
Policy Research Institute of Market Economy

PAKISTAN AND THE EUROPEAN UNION UNDER GSP+

RESHAPE EUROPE

POLICY PAPER

IMPRINT

Office

Friedrich Naumann Foundation for Freedom-Pakistan
P.O. Box 1733, Islamabad
Website: www.freiheit.org/pakistan
Facebook: @FNFPakistan
Twitter: @FNFPakistan

Author

Sarah Javaid, Research Economist

Layout

Rebea Firdous, Communication Manager, FNF Pakistan

Editorial Staff

Birgit Lamm, Head of Country Office FNF Pakistan
Aniqa Arshad, Program Manager, FNF Pakistan

Contact Info

Ph: +92 (51) 26 55 750
Fax: + 92 (51) 26 55 752

Year

June 2022

Disclaimer

Every effort has been made to ensure the accuracy of the contents of this publication. The author or the organization does not accept any responsibility of any omission as it is not deliberate. Nevertheless, we will appreciate the provision of accurate information to improve our work. The findings, interpretations, and conclusions expressed in this report reflect the views of the author. The views expressed in this report do not necessarily represent the views of the Friedrich Naumann Foundation for Freedom.

About this Publication

The data for this report is sourced from the State Bank of Pakistan, European Commission, World Trade Organization, The World Bank and World Integrated Trade Solutions. Trade data sourced from the State Bank of Pakistan is different from the data sourced from the European Commission due to a difference in their methodology of data collection. Therefore, Policy Research Institute of Market Economy does not guarantee the consistency of the data used in this work. Any form of outdated information used in this report was either subject to availability or restricted intentionally considering the pandemic effect. The data cut-off date for this report was 15th May 2022.We are thankful to the Ministry of Commerce for providing us insights on the GSP+. Information used in Table 14, Table 15 and Table 19 is directly provided by the representative from the Ministry of Commerce. Information in Annexure on Chapter 61 to 63 and Chapter 42 is sourced from Pakistan Business Council.

Information on the use of this Publication

This publication is an information offer of the Friedrich Naumann Foundation for Freedom based on the research conducted by the Policy Research Institute of Market Economy. It is available free of charge and not intended for sale. It may not be used by parties or election workers for the purpose of election advertising during election campaigns (federal, state or local government elections, or European Parliament elections).

TABLE OF CONTENTS

LIST OF GRAPHS

LIST OF TABLES

LIST OF ACRONYMS

BOP	Balance of Payments
BOT	Balance of Trade
CBU	Completely Built Up
CD	Custom Duties
DTRE	Duty and Tax Remission for Exports
EBA	Everything But Arms
EC	European Commission
EU	European Union
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FIR	First Information Report
FTA	Free Trade Agreement
GSP	Generalized System of Preferences
ILO	International Labour Organization
INGO	International Non-Government Organization
MFN	Most Favoured Nation
NGO	Non-Government Organization
NOC	No Objection Certificate
OSH	Occupational Safety and Health
PBC	Pakistan Business Council
PRGMEA	Pakistan Ready-made Garments Manufacturers and Exporters Association
RCA	Revealed Comparative Advantage
SBP	State Bank of Pakistan
SME	Small and Medium-sized Enterprises
TIC	Treaty Implementation Cells
TL	Tariff Lines
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USD	US Dollar
WB	World Bank
WITS	World Integrated Trade Solutions
WTO	World Trade Organization

EXECUTIVE SUMMARY

Pakistan was awarded the GSP+ status on 1st of January 2014. It aimed to promote economic stability and good governance in the country. The status, which expires in December 2023, provides full removal of duties on most of the European Union's tariff lines and is subject to compliance with 27 International Conventions. Although Pakistan's exports to the EU have increased by almost 46.6% (FY13 to FY22) since 2013. The exports stand at USD 7.6 billion (10 months) in 2022 and are projected to increase to USD 8.3 billion by the end of FY22 (excluding the UK). The country's compliance with and performance of the 27 mandatory conventions remains inconsistent.

The analysis in this report disaggregates Pakistan's bilateral trade with the EU in two periods– 2007-2013 and 2014-2022. The findings indicate that Pakistan's exports to the EU have increased from an aggregate USD 37 billion (2007-13) to an aggregate USD 66 billion (2014-2022); compared to its exports to the world i.e. from an aggregate USD 150 billion to USD 217 billion in the same period.

Although cumulative exports to EU between these two periods have increased by almost 78.4% (as compared to growth in exports to the world in same period i.e. by almost 44.7%), Pakistan's exports to the EU since FY13 (before the start of GSP+) have risen at a relatively slow pace i.e. by approximately 46.6% (FY22).

The proportion of Pakistan's exports to the EU in total exports has also increased from 24.6% (2007-13) to 30.1% (2014-22) as compared to other major export destinations including China (6.4% to 8.6%) and USA (17.8% to 17.9%) in same eras.

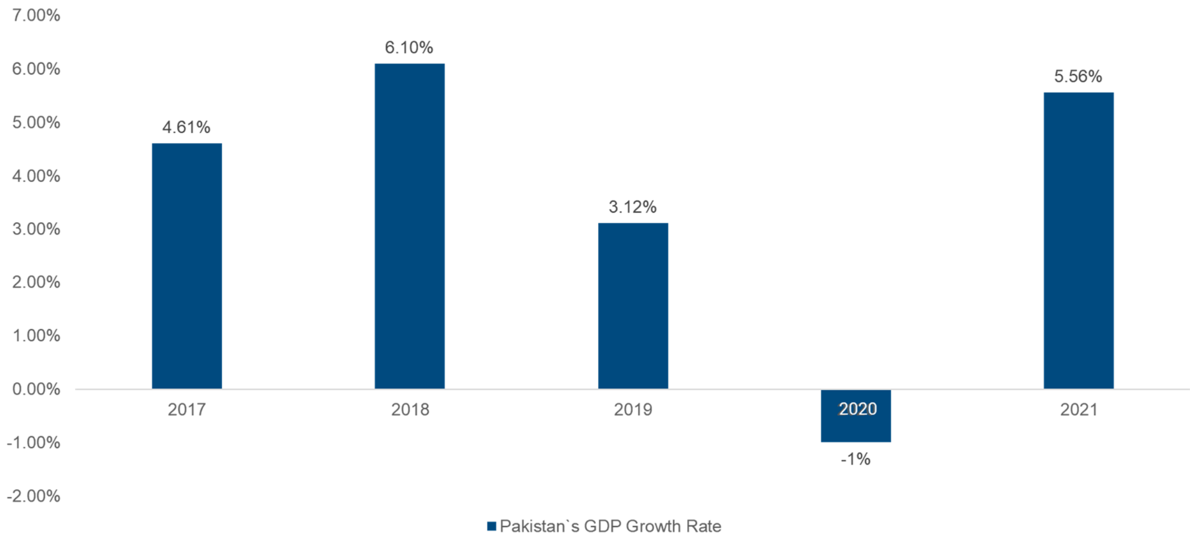
Moreover, Pakistan faces immense competition from its regional competitors like Bangladesh, which enjoyed a 25% share in EU's imports among GSP beneficiaries in 2018 followed by India (24%), Vietnam (14%), and Indonesia (10%). Although Pakistan had a 9% share in EU's imports among GSP beneficiaries in the same year, Bangladesh has a higher Revealed Comparative Advantage in textiles – a major sector under GSP_+ status.

This report provides an overview of Pakistan's trade performance under the GSP+ status and implementation of International Conventions. Pakistan's GSP+ utilization rate has been high i.e. 96.5%. With that, proportion of EU's total trade with Pakistan among other GSP+ beneficiaries is comparatively better i.e. 0.3%. However, the GSP+ utilization rate could be further increased through exhausting tariff lines that constitute a higher proportion of EU's imports including Chapters 42, 61, 62 and 63 i.e. knitted or crocheted apparel, not knitted or crocheted apparel, home textile and leather articles respectively.

In the absence of this preferential status, Pakistan would have to bear an MFN tariff of 12% under most traded chapters (42 and 61 to 63). For Pakistan to remain in the scheme for 10 more years, it must ratify and implement five new conventions in addition to the previous 27. Additionally, for a better approach, it should start negotiating with the EU on tariff lines not falling under the GSP+ preferential status for the next GSP+ agreement.

INTRODUCTION

Graph 1: Pakistan's GDP Growth Rate



Source: International Monetary Fund

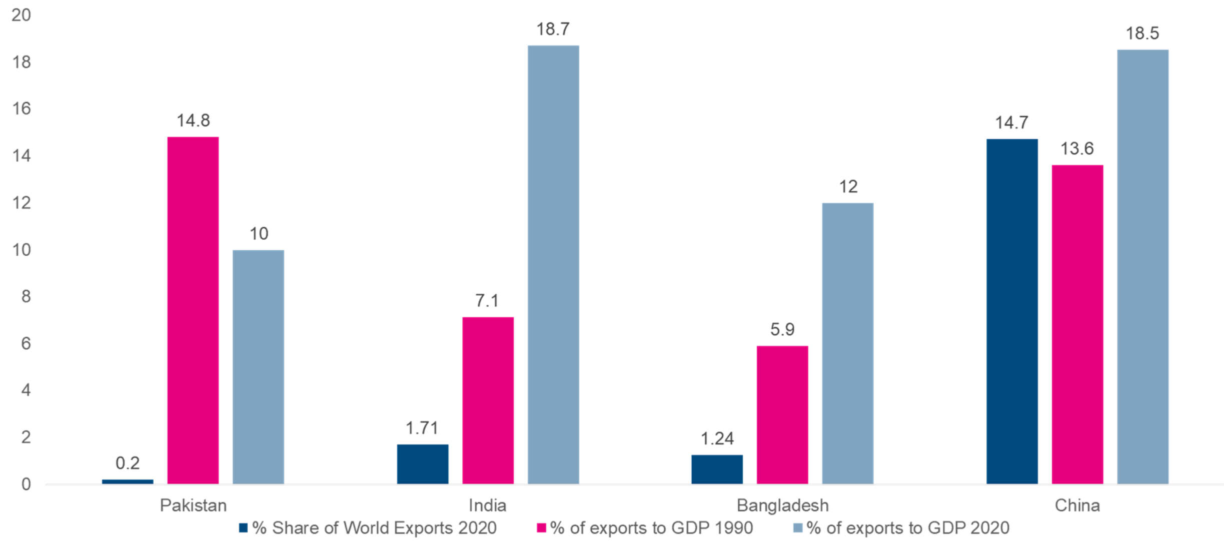
Trade is essential for fuelling growth within economies. According to World Bank's data, the proportion of world trade as a percentage of the world's GDP was 51.6% in 2020. This trade liberalization – through economies of scale, enhanced productivity, and increase in potential output – can be a possible reason for economic growth (Iqbal, 2016). The term economic growth is itself generic – an amalgamation of the progress in all segments of the economy. For Pakistan, it has followed a boom-and-bust kind of trend.

Pakistan's trade performance in past decades has remained volatile. With a stagnant export basket and continuously rising trade deficit, Pakistan though has managed to stay in the market but has failed to exploit its potential and effectively compete with its competitors. Resultantly, the export performance of the country has lagged compared to other developing countries (Malik, et al., 2017).

PAKISTAN'S EXPORT PERFORMANCE

As per World Bank's data set, Pakistan's export to GDP ratio has declined from 14.8% in 1990 to 10% in 2020. Comparatively, India, Bangladesh, and China, all had lesser proportion of export to GDP ratio in 1990, were able to improve performance substantially by 2020. This fact is substantiated through each countries' shares in World Exports.

Graph 2: Pakistan's Export to GDP ratio compared with other countries



Source: World Bank; China's share of World Export 2020 was extracted from UNCTAD

Graph 2 depicts that other countries were able to expand their export share in the world market as compared to Pakistan, eventually resulting in less diversification, and falling sophistication gains (Trade Related Technical Assistance, 2015).

Pakistan's export composition has been through a transformation. From and export share of 45% for primary goods and 28% of manufactured goods (1971-72) Pakistan has moved towards a share of 16% and 72% (2015-16) for primary and manufactured exports respectively (Malik, et al., 2017). Despite this shift over five decades, Pakistan's exports have not gone beyond an average of USD 24 billion in past 10 fiscal years (2012-22)[1].

To measure Pakistan's diversification, Table 1 proves to be a useful tool that includes indicators to measure export diversification and trading relations of Pakistan (World Integrated Trade Solutions, 2022).

Table 1: Revealed Comparative Advantage (major product categories)

Countries	HH Market Concentration Index		Index of Export Market Penetration		Number of Products Exported	
	2008	2018	2008	2018	2008	2018
Pakistan	0.05	0.05	7.39	8.39	3,017	2,757
India	0.04	0.05	25.77	29.95	4,691	4,450
Bangladesh	0.1	0.07*	5.12	6.09*	1,694	1,728*

Source: World Integrated Trade Solutions

* *Figures for Bangladesh under the date '2018' are from '2015', the maximum data source could publish.*

[1] Author's estimation, State Bank Pakistan Data Bank

First indicator is Herfindahl-Hirschman (HH) Market Concentration Index that measures dispersion of trade value across an exporter's partners. A value closer to 1 shows a country's trade value concentrated in very few markets. A fall in the indicator is an indication of diversification in the country's exporting partnership.

The second indicator is the Index of Export Market Penetration that measures the extent to which a country's exports reach already proven markets. A low number represents possible barriers to trade a country might be facing and hence less penetration. The last indicator, Number of Products Exported is another measure of diversification that counts 6-digit HS level products exported to at least one destination country.

Pakistan has a stagnant HH index (at the lower value), increasing market penetration but decreasing number of products exported to the market during the period 2008-18. The analysis primarily suggests that Pakistan's number of products exported to its partners has fallen. However, an increasing market penetration indicates that barriers to Pakistani exports have also reduced over time. Hence, it is fair to say that Pakistan's exports are concentrated in very few products and the country has been integrating with the world market at snail's pace (Annexure C).

For further justification, Table 2 illustrates the Revealed Comparative Advantage (RCA) of Pakistan in various product groups. As per these numbers, Pakistan has always had the highest RCA for less sophisticated and low value-added products, for instance, textiles, leather products (hides and skins), and vegetables. The unsophisticated export basket can also be justified by extremely low and declining RCA in sophisticated capital goods like machinery, transportation (automotive products), fuel, and chemical products.(Annexure C)

Table 2: Revealed Comparative Advantage for Pakistan (major product categories)

Product Group	2010	2015	2018
Textiles and Clothing	13.81	14.28	15.22
Vegetable	4.42	3.21	4.16
Intermediate goods	1.4	1.25	1.13
Hides and Skins	8.88	7.48	6.95
Stone and Glass	1.77	0.2	0.4
Minerals	1.35	1.49	1.51
Animal	1.02	1.34	1.48
Transportation	0.03	0.05	0.02
Metals	0.37	0.29	0.51
Plastic or Rubber	0.37	0.29	0.34
Mach and Elec	0.04	0.03	0.03
Capital goods	0.07	0.08	0.07
Raw materials	0.51	0.87	0.75
Wood	0.13	0.1	0.28
Consumer goods	1.73	1.83	1.99
Chemicals	0.13	0.12	0.13
Fuels	0.17	0.25	0.12
Footwear	0.6	0.77	1.13
Food Products	0.65	0.9	1.82
Miscellaneous	0.44	0.53	0.55
Source: World Integrated Trade Solutions			

The Global Competitiveness Report 2019 also substantiates the fact that Pakistan's exports are not competitive in the international market. It ranked the country 110th out of 140 countries. Other countries in the region like India, Bangladesh, and China ranked 68th, 105th, and 28th respectively (World Economic Forum, 2019).

Exports Trend: Pakistan's exports in terms of volume have either been diminishing or showing a meagre recovery since the beginning of 2000. Graph 3 illustrates Pakistan's overall trade profile. From 2014 to 2019, the exports have narrowed by 10.1% as compared to imports that have spiralled by almost 25%. Several causes account for this decelerated trend in exports, including the exporting firm's inability to expand production for various reasons such as a lack of long-term financing and low productivity, hence making them less competitive in the world market. Moreover, exporting firms facing barriers to entry or barriers to increasing their production are additional limiting factors for Pakistan's export performance. Lastly, the anti-export bias created due to the high levels of protectionism in Pakistan's tariff policy (Adil, 2021), proves to be another underlying cause of the sluggish rise in exports. This has affected the economy's diversification and integration. According to the World Bank's study, Pakistan Development Update 2021 (World Bank, 2021), the increase in productivity of Pakistan's economy is directly linked with firms integrating with the world economy. Findings from the report suggest that firms, which were systematic exporters tend to be 25% more productive than firms that never exported.

European Union 28 (including the UK) as an Export Destination: Graph 4 illustrates Pakistan's top export destinations in the year 2014 and 2018. Over the years, European Union (EU) has been the largest export destination for Pakistan following the USA. In 2020, exports to the EU market constituted almost 31.5% of Pakistan's total exports. Among the EU countries, United Kingdom has been the leading export destination (pre-Brexit) and competes among the top three export destinations for Pakistan. In the past 14 years, the EU has remained a major constituent of export earnings for Pakistan. The fact can be verified through Table 3; in FY20 out of a total of USD 22.5 billion exports, Pakistan's exports to the EU were almost USD 7.1 billion i.e. about 31.6% of Pakistan's total exports. The main exports to the EU include Textile and Agricultural products, where the share of textiles among total exports in 2021 was almost 61% (Ministry of Finance, 2021)

Table 3: Exports to Pakistan's Top Export Destinations

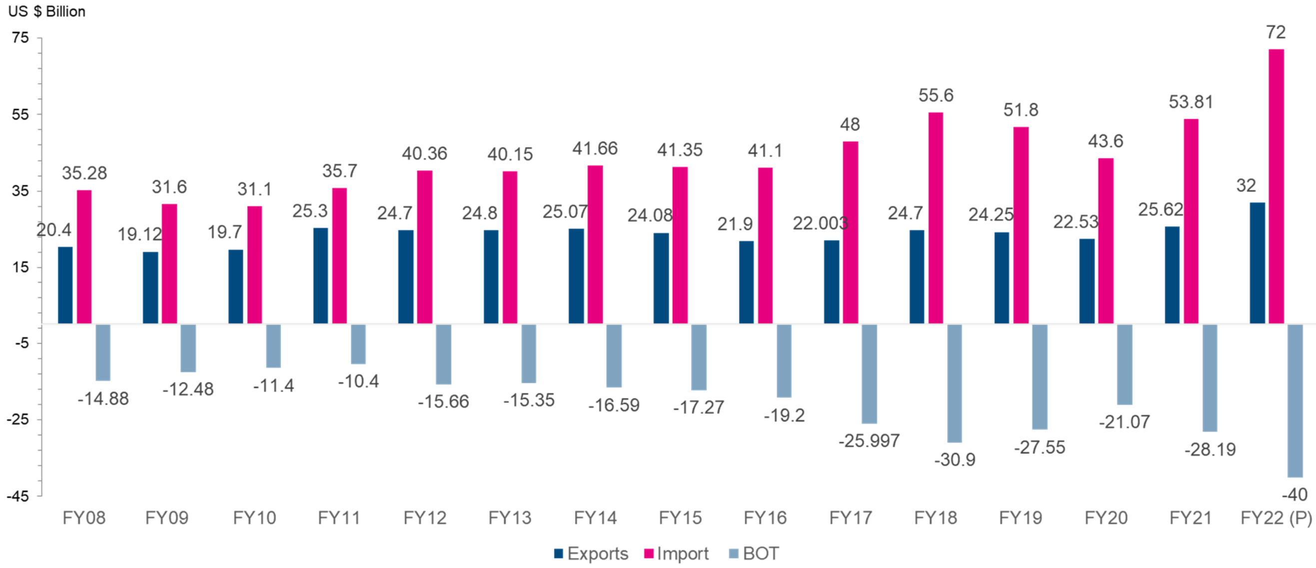
Year	EU 27* US $ Billion	USA US $ Billion	China US $ Billion
2006-07	4.47	3.8	0.5
2007-08	5.1	3.7	0.67
2008-09	4.8	3.5	0.66
2009-10	4.9	3.56	1.2
2010-11	6.02	4.1	1.6
2011-12	5.9	3.94	2.08
2012-13	5.7	3.88	2.69
2013-14	6.6	3.95	2.68
2014-15	6.9	3.96	2.3
2015-16	6.7	3.71	1.9
2016-17	7.03	3.68	1.6
2017-18	7.97	3.86	1.75
2019-20	7.1	3.9	1.66
2020-21	6.7	5.03	2.04
2021-22 (P)**	8.3	5.6	2.3

Source: Author's Estimations, SBP Economic Data

** Exports to UK have been included till January 2020*

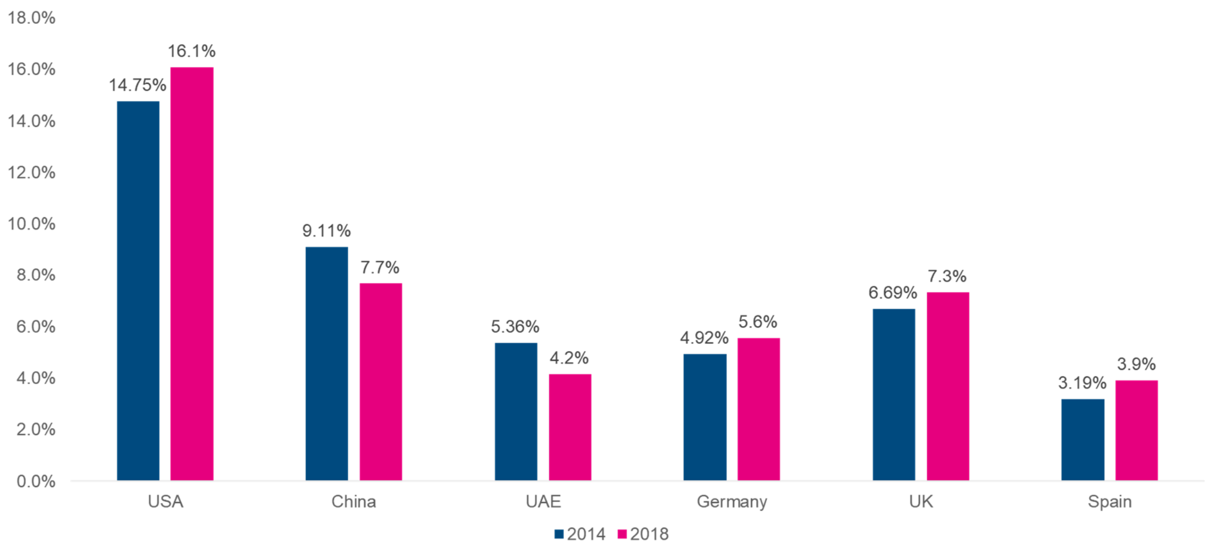
*** Exports for FY22 include 2 month's projections*

Graph 3: Pakistan's Balance of Trade Profile



Source: State Bank of Pakistan

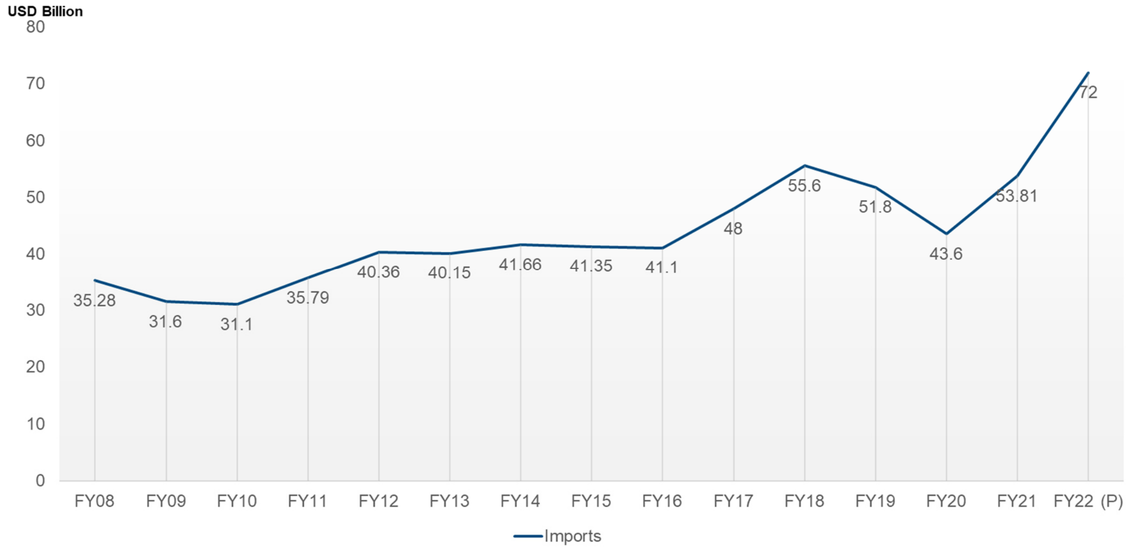
Graph 4: Pakistan's Export Partner Share (%)



Source: World Integrated Trade Solutions

PAKISTAN'S IMPORT PERFORMANCE

Graph 5: Pakistan's Annual Net Imports



Source: State Bank of Pakistan

In the post liberalization era, imports were counted alongside the country's economic expenditure. Later, a realisation that resources are scarce and limited, and that imports can be one solution for filling the demand and supply gap removed imports from expenditure calculations. At present, resource diffusion from the developed economies to the developing world carries a lot of significance, but the extent varies from country to country.

Pakistan, being a developing country, has been experiencing a trade deficit since the time of its independence in 1947 (State Bank of Pakistan, 2020). The SBP's data on trade balance effectively validated this claim. In 1970-71, Pakistan had a balance of trade of USD -405 million, which further accelerated to USD -2.8 billion within a decade (1980-81). During 1990-91 and 2000-01, the balance was improving but still remained negative i.e. USD -2.5 billion and USD -1.3 billion respectively. Furthermore, for the last two decades, Pakistan has started facing serious BOP crisis as it recorded a trade deficit worth USD -10.4 billion and USD -28.6 billion dollars in 2010-11 and 2020-21 respectively. The primary cause of the crisis is import proliferation and stagnant exports.

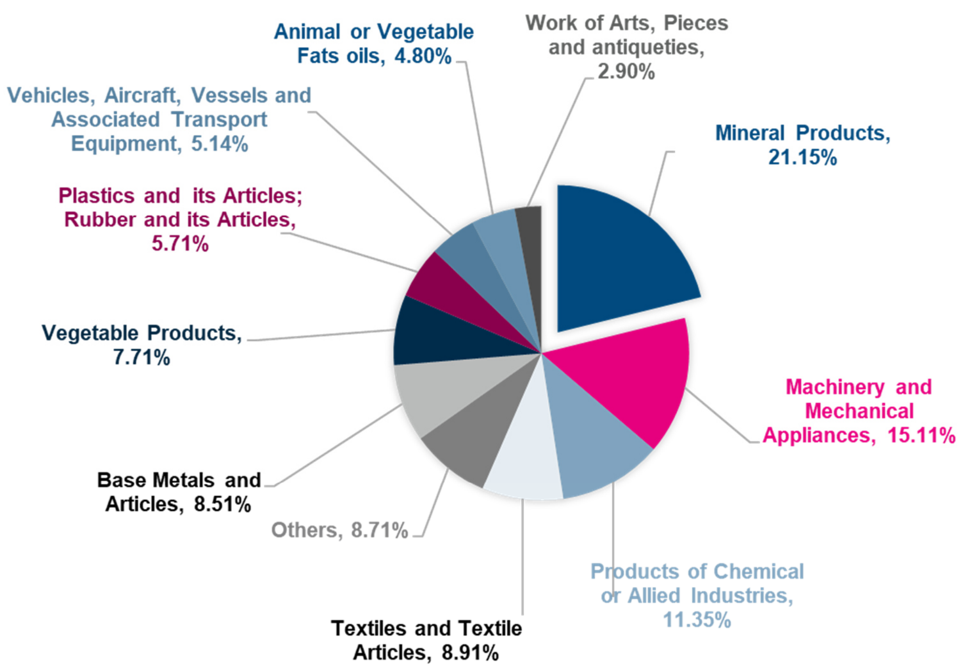
Graph 5 shows a constant upward trend in Pakistan's imports (pandemic exception). Although the growth rate for imports might decline in some years, it is quite evident that the systematic and hefty import bill has been playing an essential role in Pakistan's rising trade deficit. The general perspective on a colossal trade deficit is spiralling imports; attained mostly through tariffs, quotas or import bans. Research shows a 10-percentage point reduction on final goods, increased productivity of firms by 1 percent. Whereas an equivalent decrease in duties on raw material increased productivity by 3 percent for all firms and 11 percent increase in productivity for importing firms (Nasir, 2020). However, one major reason of trade deficit is also the inability of Pakistani firms to expand exports. In FY21, 53% of the total imports were intermediate inputs, 24% were fuel imports, capital and consumer goods were 11% and 7% respectively.

Whereas, mobile phones were merely 4% of the total imports (World Bank, 2021). This corroborates to the fact that Pakistan's import composition is mainly concentrated in manufacturing raw materials and consumer goods followed by a negligible proportion of luxury goods. In addition, Pakistan's import bill stood at 17% of its GDP in 2020 compared to its regional competitor Bangladesh which stood at 19% of its GDP in the same year (World Bank, 2021). Thus the problem in Pakistan's case is not the import bill, rather stagnant volume of exports, and unsophisticated composition of the export basket.

Graph 6 is another visual representation of the import structure in Pakistan. From the data for FY21, we can observe that out of a total of USD 54 billion imports, the petroleum group out-weighed all other groups and constituted almost 21% of the total import bill. Machinery accounted for 15.1% of the total imports, this implies Pakistan's reliance on sophisticated products as a source of inputs. Similarly, the country also relies on chemicals and textiles from other countries.

Although the most important manufacturing sector of Pakistan is the textile sector with the longest production chain, the data from SBP exhibits a total of USD 3.8 billion imports of textile group in the FY21 as compared to USD 2.5 billion imports in FY20 i.e. about a 53% increase. The sharp decline in cotton production in Pakistan may be attributed to this meagre number. With that, Pakistan has also witnessed an all-time high import bill from the automobile sector in FY21. This is probably due to the entry of the Korean and Chinese players in the local assembly of new models. Despite imposing high custom duties (CD), Pakistan could not limit the import of cars.

Graph 6: Pakistan's Import Profile by Commodity (FY21)



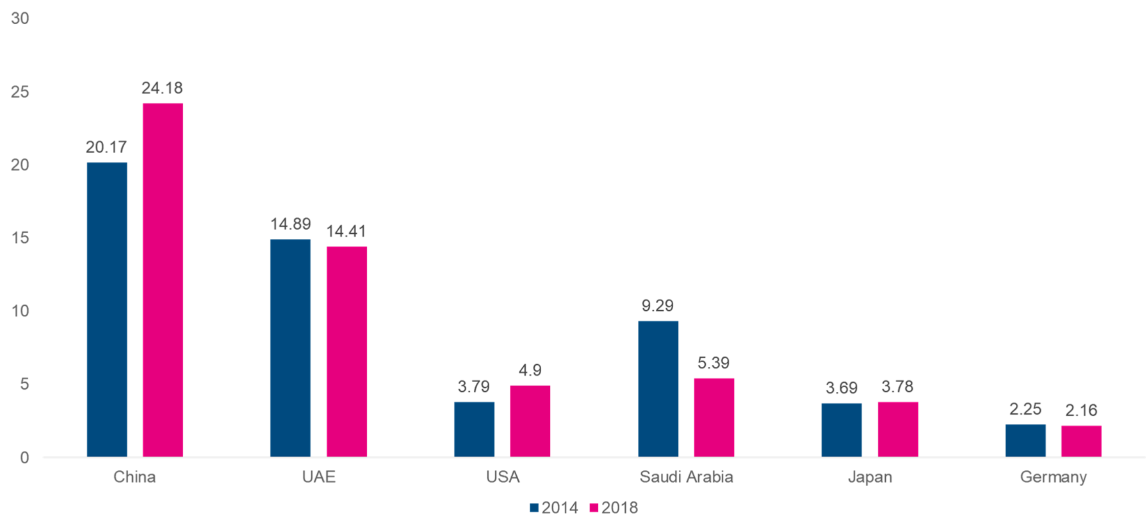
Source: State Bank of Pakistan

Food group is another important heading under imports. Pakistan has imported food products worth almost USD 8 billion in the FY21 as compared to USD 5.4 billion in the FY20, which has triggered the trade deficit. The import bill of eatables also includes Palm Oil and sugar. Pakistan is the fourth largest importer of wheat and sugar globally – almost USD 1 billion of wheat and USD 128.7 million of sugar has been imported in the same period since the government has banned wheat export and has welcomed a duty-free import of the grain.

In a move to curb spiralling imports, the government of Pakistan in May 2022 issued a ban on "non-essential" and "luxury" imports, which also includes home appliances and auto CBUs. Raising CDs or imposing a complete ban cannot facilitate trade deficit because the proportion of these goods in total import bill is negligible. Furthermore, in case of an import ban, firms would start assembling cars within Pakistan in order to cater to the needs of the domestic market. For this they still need to import parts and components, on which there is no ban eventually raising the import bill. Hence, setting off the impact of the initial ban on CBUs.

Graph 6 shows the major import partners of Pakistan i.e. China, UAE, USA, Saudi Arabia, Japan and Germany. Other import-partners for Pakistan include Qatar, Kuwait, Brazil, and South Africa. Imports from European Union during FY20 were USD 4.8 billion. These include the following groups – Agricultural Products, Non-Agricultural Products, Food, and Raw Material, Fuels and Mining, Machinery and Transport Equipment, Textile and Clothing, and Chemicals. A major proportion of imports from EU during FY20 comprise of machinery and equipment and chemicals, which constituted about 33.5% and 22.2% respectively, in the imports (Trade Development Authority of Pakistan, 2021).

Graph 7: Pakistan's Import Partner Share (%)



Source: World Integrated Trade Solutions

PAKISTAN'S FREE TRADE AGREEMENTS

Protectionism – Barriers to Trade, usually taking the form of tariffs and quotas, are part of a controversial argument on enhancing an economy's well-being through protecting the domestic market. However, some studies show how the imposition of tariffs on foreign-made goods affects the local industry. In other words, many times tariffs act as a disincentive for developing countries rather than as a source of growth in the domestic market.

In contrast, Free Trade Agreements (FTA) are said to encourage investment in different sectors of a country. These can take the form of either a reduction or a complete elimination of trade barriers.

Pakistan being a developing country has aimed at creating an export-led policy. For this purpose, it has signed bilateral and multilateral trade agreements in various regions, one with China that allows zero-tariff access to Pakistan's manufacturers in chemicals and machinery from China, providing market access to both the partners in 11 sectors.

Besides all trade agreements, Pakistan has been enjoying Generalized System of Preferences (GSP) status since 1971 under trade with the EU. One of the most important trade agreements of Pakistan was signed between both parties in December 2013 – the GSP Plus status; which allows duty and quota-free access to the maximum exports entering into the EU market.

GSP: HISTORY AND EVOLUTION

Under international trade theories, trade liberalization is one of the causes of economic growth. Modern trade history began with the "General Agreement on Tariffs and Trade" in 1948 which focused on free trade through the abolishment of tariffs and a significant reduction in quotas.

During the 1950s, with an aim of regional cooperation, a few European countries including Germany, France, Italy, Luxembourg, Netherlands, and Belgium stepped forward and formed the "European Economic Committee" later re-named as the "European Union" in 1992. A common trading currency -the Euro- was formed in 1999. It was the time when the EU started establishing bilateral agreements with different developed countries. Later in 1976, a Commercial Cooperation agreement was signed between the EU and Pakistan, which assigned greater trade benefits to the latter. (Iqbal, 2016)

Pakistan and EU have had a bilateral trade agreements since the 1970s, namely the EU GSP agreement. However, Pakistan never remained in a strong position in the hierarchy of trade preferences set by the EU – *The Pyramid*.

The EU Trade Pyramid of trade preferences is the representation of hierarchy in terms of EU's trade preferences that takes the form as follows (from top to bottom):

1. EU membership,
2. Association Agreements,
3. Free trade areas,
4. Non-reciprocal preferences (GSP, EBA),
5. MFN Treatment

What is the Generalized System of Preferences (GSP)? The widely recognized scheme, in terms of trade preferences to the developing countries – the EU's GSP, aims at promoting sustainable economic, social, and environmental development in the developing countries. The scheme complies with the World Trade Organization's (WTO) requirements in terms of differential and more favourable treatment to the developing economies.

The scheme was designed to give access to the developing countries (as per the World Bank's definition) in international trade and hence aiding them to generate additional revenues, which then could be used to diversify their economies.

WB's Definitions as per GNI Per Capita:

- Low Income: $1,045
- Lower Middle Income $1046 to 4,095
- Upper middle income $ 4,096 to $12,695
- High Income: 12,696 $

GSP embodies two special arrangements and one general arrangement.

1. Standard GSP: As per the WB's definitions, High income and Upper-middle income countries are the ones that have acquired certain levels of diversification in the world economy and do not comparatively require financial and developing support e.g. tariff preferences, as compared to other developing countries. Use of tariff preferences by more developed countries would impose an unjustified burden on the vulnerable countries. Therefore, the standard GSP status removes, partially or completely, custom duties (CD) on two-thirds of tariff lines for low and lower-middle-income countries.

2. GSP+: The GSP+ status of the EU eliminates tariffs over 66% of product categories exported by the vulnerable countries to the EU market and is based on the effective implementation of the 27 International Conventions on human and labour rights, environmental protection, and good governance. Pakistan was awarded the GSP+ status on 1st January 2014, which was intended to serve as an impetus for boosting the country's economy.

3. EBA (Everything but Arms): This is the second special arrangement of the GSP status and provides duty-free and quota-free access for all products except arms and ammunition going into the EU market by the least-developed countries. Where the duties include CDs or any form of custom tariffs.

Following is the list of GSP beneficiary countries as of 1st January 2019.

Table 4: List of GSP beneficiaries

Standard GSP	EBA
Congo	Afghanistan
Cook Islands	Angola
India	Bangladesh
Kenya	Benin
Micronesia	Bhutan
Nauru	Burkina Faso
Nigeria	Burundi
Niue	Cambodia
Samoa	Central African Rep
Syria	Chad
Tajikistan	Comoros
Tonga	Congo (DRC)
Uzbekistan	Djibouti
Vietnam	Equatorial Guinea
	Eritrea
GSP+	Ethiopia
Armenia	The Gambia
Bolivia	Guinea
Cape Verde	Guinea-Bissau
Kyrgyzstan	Haiti
Mongolia	Kiribati
Pakistan	Lao PDR
Philippines	Lesotho
Sri Lanka	Liberia
	Madagascar
	Malawi
	Mali
	Mauritania
	Mozambique
	Myanmar/Burma
	Nepal
	Niger
	Rwanda
	Sao Tome & Principe
	Senegal
	Sierra Leone
	Solomon Islands
	Somalia
	South Sudan
	Sudan
	Tanzania
	Timor-Leste
	Togo
	Tuvalu
	Uganda
	Vanuatu
	Yemen
	Zambia
Source: European Commission	

GSP+ Eligibility Criteria:

The focal point of eligibility criteria for the GSP+ status is compliance with the 27 International Conventions, which fall under the four core areas as follows.

A. Human Rights
B. Labour Rights
C. Environment
D. Governance

The detailed 27 conventions are mentioned in Annexure B, 16 relate to Human Rights and 11 relate to Governance and Development issues.

As per Article 14 of the GSP Regulation, the European Commission (EC) is bound to present a biennial report to the European Parliament on the status of the effective implementation of these conventions by the GSP beneficiaries. Three reports regarding the GSP+ performance of Pakistan have been presented up till April 2022 in January 2016, January 2018, and February 2020. The fourth report on Pakistan's GSP+ performance is due later this year, depending upon the arrival of the delegation of the EU to Pakistan.

Pakistan's Compliance with the GSP+ Obligations:

Previously in October 2018, the EC monitored the GSP+ status of Pakistan and the country's compliance with GSP+ obligations. For this purpose, the Government of Pakistan (GOP) in 2015 established federal and provincial Treaty Implementation Cells (TICs) to oversee the GSP+ implementation across Pakistan. The outcome was progressive in terms of women and children's rights, protection of transgender, eliminating honour killings, protection of the environment and good governance (Directorate-General for Trade, European Commission, 2020).

However, legislation on labour rights did not progress. Crimes against journalists, cancellation of the registrations of International Non-Governmental Organizations (INGOs), and discrimination against religious minorities also remained an issue.

I- UN Human Rights Convention:

Among GSP+ beneficiaries, Pakistan has made some prominent progress in the form of legal and institutional reforms. In an attempt to gauge any progress on Human Rights, the TIC in Punjab launched a web portal in September 2019. Moreover, the Ministry of Human Rights led awareness campaigns on women and children's rights nationally.

As per the GSP+ assessment report by the EC, attacks on religious minorities are still persistent in the country. Although the Penal Code guarantees the protection of citizens, World Justice Project (WJP) Rule of Law Index 2021 ranks Pakistan at 130th out of 139 countries as compared to other GSP beneficiaries including India and Bangladesh (79th and 124th respectively). (World Justice Project, 2021) As per The State of Human Rights 2018 report, a significant number of attacks continued being reported on religious minorities in Pakistan (Human Rights Commission of Pakistan, 2019) . Among some safe steps during 2018-19', the release and departure of Asia Bibi is counted among some safe steps to protect religious minorities during 2018-19. Because of forced marriages, the Sindh Child Marriage Restraint Act 2013 has not been implemented effectively, because of which, Pakistan has witnessed forced marriages and forced conversions especially of Hindu women to Islam (Directorate-General for Trade, European Commission, 2020).

Based upon the assessment report of the EC, the EU Election Observer Mission also assessed the electoral process in Pakistan and found military interference in the election process. Furthermore, on part of the death penalty, the EC observed a fall in the number of executions since 2016 – only 511 out of 4,688 persons on death row were executed since December 2018.

Moreover, policies about registrations of INGO and NGOs working for the protection of human rights, seem to be vague as per the assessment report (Directorate-General for Trade, European Commission, 2020). According to Ministry of Interior's data, total 172 INGOs have applied online for registration out of which 103 were approved and registered and 85 have signed MOUs with the MOI (Ministry of Interior, 2022). Also during the pandemic, INGOs working for the emergency response were exempted from an NOC for six months. However, they were allowed to work in only eight areas which were approved by the Government of Pakistan.

On account of the economic and social well-being of the country, the Pakistan Tehreek-e-Insaf's government promised to deliver 5 million housing units and 10 million jobs for the poor during its ruling tenure to ensure economic and social well-being. Former Prime Minister Imran Khan's Ehsaas Program launched in 2019, focused on creating equality, addressing the elite capture, human capital development and creation of jobs through a public-private partnership. Considering the financial and economic crisis in Pakistan, the implementation of the project remained partially effective.

Other positive measures under the UN Human Rights Convention included the finalization of the Federal Domestic Violence Bill in 2019 by the Ministry of Human Rights, the appointment of the first female chief justice in the High Court of Pakistan, and the incorporation of the Transgender Persons (Protection of Rights) Act 2018.

On the note of children's rights, 2019 experienced a violent child abuse case against a girl child – Zainab. Thus, a Zainab Alert, Response and Recovery Bill 2019 was submitted to the Parliament and was passed by the Upper House. On a positive side, an agency was established in order to track child abuse cases through provision of a helpline for missing child alerts. The police officers were responsible for responding to the query within two hours and completing investigations within three months of the incident being reported (Khan, 2020). However, in 2020 another minor child abuse and murder case was reported. Also according to a Pakistani aid group, 3,852 cases of child sexual abuse and child marriages were reported in Pakistan in 2021 i.e. 10 assaults per day (Gannon & Ahmed, 2022).

Furthermore, in terms of gender equality, Pakistan as per the Global Gender Gap Index 2018 was ranked at the 148th position out of 149 countries and the second-worst country concerning gender equality. The position has slightly improved as Pakistan now stands at 153rd position out of 156 countries as per the same index in 2021 (World Economic Forum, 2021).

II- ILO Labour Rights Conventions:

Since September 2016, International Labour Organization (ILO) has implemented a program - International Labour and Environmental Standards Application in Pakistan's SMEs (ILES) that aims at enhancing Pakistan's compliance with the international labor and environmental standards.

Under the assessment report by the EC, Occupational Safety and Health (OSH) remains an issue in Pakistan. 42% of all injuries took place in the agriculture sector and 34% in both manufacturing and construction sectors. One in every 25 workers is subject to an occupational accident. Not all provinces have adopted the OSH legislation and the Labour Inspection System does not effectively ensure labour laws and safety standards. In addition unionization in Pakistan is less than 5% and workers are subject to threats and violence that includes threats of dismissal.

The EC report finds an increase in child labour and forced labour incidents in Pakistan. According to the Global Slavery Index 2018 (Walk Free Foundation, 2018), Pakistan is one of the top ten countries showing the highest prevalence of modern slavery. Modern slavery refers to situations of exploitation that a person cannot leave because of threats, violence, coercion, abuse of power, or deception. Forced child labour cases were found in brick kilns in Punjab. 12,934 labour inspections were carried out in 2018 and 1,865 children were found employed. Because of this, 176 FIRs were lodged, however, only 30 arrests were made. According to the data, despite actions taken against child labour in brick kilns, the probability of incidence remained high. To address the issues, provinces have defined minimum age of work i.e. 15 years of age for Punjab, 14 years of age as 'light work' in KP, in Baluchistan – 14 years, and for Sindh – 15 years.

Furthermore, the gender wage gap was addressed in the EC's assessment report concluding that in Pakistan, women have a limited presence in high-level occupations and less participation in the labour market as compared to men.

EC was of the view that Pakistan needs to carry out more child labour surveys. The labour inspection system is weak and consists of an extremely small number of labour inspectors who at the same time lack technical expertise.

III- UN's Conventions on Environmental Protection and Climate Change:

Pakistan has actively participated in controlling wildlife trafficking and at the same time has raised awareness among the civil societies regarding the illegal trafficking of wildlife exports. Pakistan customs, the Ministry of Climate Change have helped organizations like South Asia Wildlife Regional Initiative (SAWEN), and forest departments in improving their vigilance through training and meetings.

A permit would have to be issued by the Wildlife Department of the Province before transporting any rare animal species abroad. Additionally, the Customs Office performs regular checks at the airport, because of which, seven falcons worth

PKR.3.5 million were recovered from Islamabad airport in 2018. Moreover, WWF Pakistan developed a national plan of action that has trained around 500 officials of the law enforcement agencies in order to monitor the illegal trade of wildlife in Pakistan specially that of the Indian Pangolins (Directorate-General for Trade, European Commission, 2020).

As per the assessment report, The Basel Convention Import Policy Order 2016 bans the imports of hazardous wastes. However, it is not being implemented since Pakistan's manufacturing sectors regularly import scrap untested for contaminants.

Moreover, land degradation and desertification are a cause of concern in Pakistan which is not even well documented. These include wind erosion, water erosion, soil fertility depletion, waterlogging and deforestation. A National Biodiversity Strategy and Action Plan (NBSAP) was prepared in 2018 and was under consultation with the provinces. On the good part, Federal Government's project i.e., 'Billion Tree Tsunami' extended from KPK to all other provinces. Water shortages in Pakistan are also a cause of concern for which the Government plans to build reservoirs.

Brown bears in Pakistan, residing in the Deosai plateau, were once recorded over 10,000 in number, now endangered as only 54 in number are left in the area. In May 2019, the UNDP organized an awareness workshop on the Himalayan subspecies of the brown bears which is a good initiative. As per sources, global market for illegal wildlife products is worth USD 20 billion a year (WWF-Pakistan, 2019). Pakistan has also introduced training courses in wildlife management in a move to conserve and protect the wildlife species of Pakistan (Pakistan Wildlife Foundation, 2021).

The assessment report also highlights the deteriorating environment and human health due to excessive use of Persistent Organic Pollutants (POPs). As part of the Ministry of Climate Change program, international consultants have been delivering training workshops to the relevant stakeholders. Also, Pakistan is one of the most vulnerable countries to climate change. Pakistan emits only less than 1% of the total global greenhouse gases. And the carbon intensity is almost 4 times the world's average. According to the assessment report, Pakistan presented a project proposal to the 34th meeting of the Least Developed Countries Expert Group in 2018 on the National Support Program. The idea was to get funding of USD 3 million. The proposal was accepted; however, the Ministry of Climate Change did not provide any details for further execution.

According to a WB report, "South Asia's Hotspots: The Impact of Temperature and Precipitation Changes on Living Standards", the temperature in Pakistan by 2050 will increase by 2.5 degrees on average and 25% of the total population in Pakistan are currently living in locations which will become 'moderate hotspots' according to the report (World Bank, 2018). Pakistan agreed to reduce hydro-fluorocarbons (HFCs) through the Kigali Amendment of the Montreal Protocol. The country has not yet ratified Kigali Amendment but has ratified all other amendments in compliance with HFCs and ozone depletion substances phase-out under Montreal Protocol.

IV- UN Conventions on Good Governance:

Pakistan along with Afghanistan and Iran is part of the Golden Crescent in South-West Asia - two main illicit opiate producing and trafficking regions of the world. One of the routes used for smuggling opiates runs through Pakistan and Iran and transported to East Africa through Gulf countries. As per Pakistan's Anti-Narcotics Force (ANF), the country has been more vulnerable to drug trafficking due to an increase in Afghanistan's poppy cultivation. From the 137 cases came forward out of which 163 traffickers were arrested and 2,518 kg of drugs were seized. However, in 2019, the cases increased to 1,184 and arrests elevated to 1,376. In addition, drugs worth USD 1,195.72 million were seized in the same year. Despite all measures, some of the heroin seized in Europe was trafficked directly from Pakistan. With that, an amount of morphine and heroin seized in Iran also was trafficked through Pakistan.

On part of the UN Convention against Corruption (UNCAC), Pakistan's position has slightly improved as per the Transparency International's Corruption Perception Index 2018, from a score of 32 in 2016 to 33 in 2018. The UNCAC also advised on improvement in data collection, appropriate investigations, and prosecutorial and enforcement capacities for corruption cases. The assessment report appreciates NAB's autonomous working in anti-corruption through promoting special helplines for complaints and recovering PKR 326 billion from opposition parties in 2018, for which it was being criticized since little or no cases of the ruling parties came forward (Directorate-General for Trade, European Commission, 2020).

However, the prevalence of money laundering and terrorist financing in the country has led to Pakistan's inclusion in the 'grey list' of the Financial Action Task Force (FATF), hence, the country has also fallen under the EU's list of high-risk third countries (Directorate-General for Trade, European Commission, 2020).

The FATF at its June 2022 Plenary, made the initial determination that Pakistan has substantially completed its two action plans, covering 34 items, and warrants an on-site visit to verify that the implementation of the reforms (Financial Action Task Force, 2022). This could be a plausible development in aiding with the approval of the next GSP+ status.

Eligibility Criteria other than 27 Conventions: Although GSP+ status is subject to the 27 international conventions, Pakistan must qualify for a few other prerequisites to avail these tariff preferences. The table below indicates these conditions.

Table 5: Pakistan's Position under Qualifying Criteria

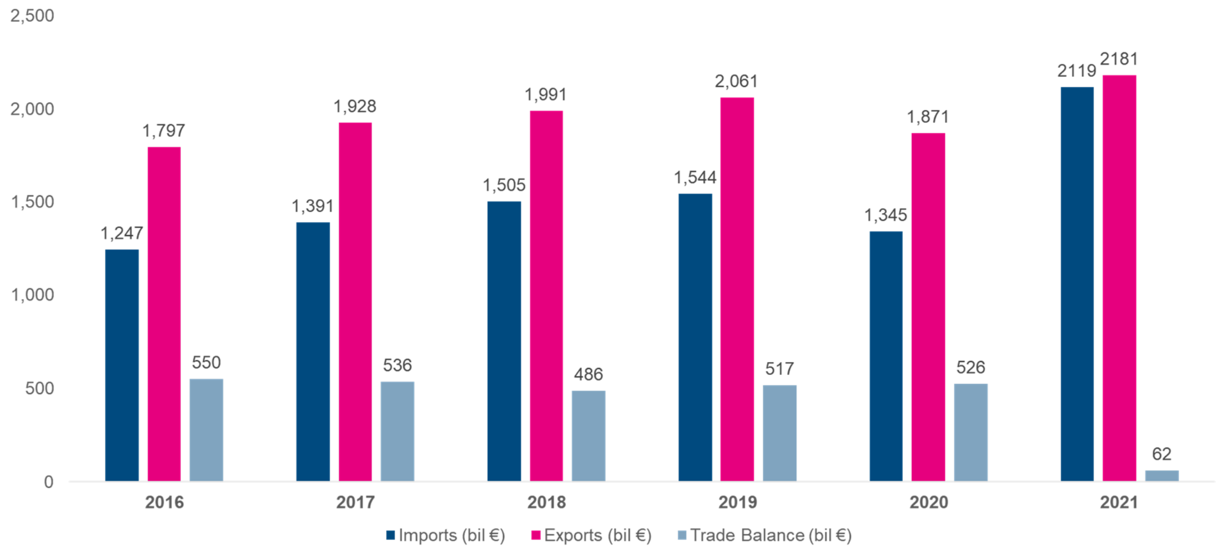
GSP+ criteria	Pakistan's Position
Exports of the beneficiary country for the seven largest sections should be greater than 75%	94.6%
Per capita income should not be more than USD 4,095	Pakistan's per capita is USD 1,666 (after re-basing 2021)
Share of total imports of EU from the beneficiary country should not be more than 2% of the total imports of EU.	1.6%
GSP+ is extended to countries considered 'vulnerable' under their trade profile.	6.7 among other beneficiaries
Source: Pakistan Institute of Trade & Development Islamabad and EC	

Table 6: GSP+ Vulnerability

Country	Vulnerability 2019
Armenia	0.2
Bolivia	0.1
Cape Verde	0.1
Kyrgyz Republic	0
Mongolia	0
Pakistan	6.7
Philippines	3.1
Source: European Commission	

PAKISTAN AND EU TRADE UNDER GSP+

Graph 8: EU's Trade Trends with the World



Source: Eurostat

Trends in the EU market:

Like China and the US, EU is one of the world's largest economies. Table 7 shows the total GDP each member country contributes to the EU economy.

Graph 8 shows the trade trend of the EU with the world. There's a continuous positive outlook of the EU trade, however, 2020 experiences a significant pandemic-stricken fall in both exports and imports i.e. by -9.21% and -11.5% compared with 2019. However, year 2021 accounts for a growth in exports and imports by 12.8% and 23.4% respectively.

Table 7: Top 10 EU Economies according to GDP

Ranking	Country (EU 27)	GDP 2020 (Euro Billion)	% share in EU GDP
1	Germany	3,367.56	25.17%
2	France	2,302.86	17.21%
3	Italy	1,653.58	12.36%
4	Spain	1,121.95	8.38%
5	Netherland	800.10	5.98%
6	Poland	523.67	3.91%
7	Sweden	475.29	3.55%
8	Belgium	451.18	3.37%
9	Austria	379.32	2.83%
10	Ireland	372.87	2.79%
	EU 27	13,381.34	
Source: Eurostat			

Table 8 depicts the import appetite of the EU. Mostly concentrated in petroleum products, machinery, electronics, and automobiles, EU's import basket relies on energy and more sophisticated, value-added products

Table 8: EU's Imports from the World in EUR billion

HS Code	Product Description	2018	2020
270900	Petroleum oils and oils obtained from bituminous minerals, crude	225.07	125.87
851712	Telephones for cellular networks "mobile telephones" or other wireless networks	39.23	36.69
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes,...	31.36	35.68
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel,...	54.12	30.65
847130	Data-processing machines, automatic, portable, weighing <= 10 kg, consisting of at least a ...	24.03	30.08
851762	Machines for the reception, conversion and transmission or regeneration of voice, images, or ...	23.73	27.93
300215	Immunological products, put up in measured doses or forms or packings for retail sale	15.46	16.47
854231	Electronic integrated circuits as processors and controllers, whether or not combined with ..	10.89	15.91
271121	Natural gas in the gaseous state	28.29	13.10
880240	Aeroplanes and other powered aircraft of an of an unladen weight > 15000 kg (excluding helicopters ...	19.92	11.34
847330	Parts and accessories of automatic data-processing machines or for other machines of heading ...	11.83	11.11
271111	Natural gas, liquefied	11.31	9.68
Source: Eurostat			

Pakistan's Trade with EU:

2019 accounted for the second highest exports from Pakistan to the EU market, which was 6.8 billion Euros as compared to 4.8 billion Euros imports from EU – the third largest import source for Pakistan in the same year. In 2021, Pakistan's exports to the EU were even higher i.e. 6.6 billion Euros. Graph 9 is the visual representation of trade between Pakistan and the EU for the past 10 years.

Also, Table 9 depicts the share of Pakistan's exports to the EU members in 2020. From Tables 5 it's evident that Germany remains the top EU member destination and one of the top export destinations of Pakistan. Other important destinations for Pakistan's exports in the EU for 2020 were Spain, Italy, Netherlands, France, and Belgium.

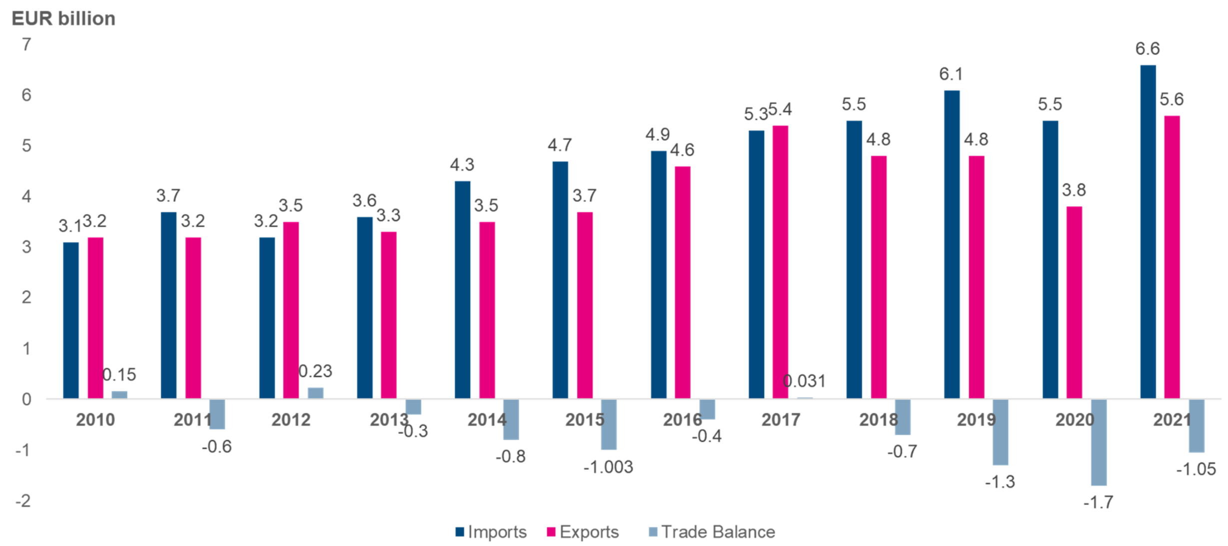
Table 10 shows the top 10 exports of Pakistan into the EU market. Almost 56% of Pakistan's total exports to EU in 2020 were from the textile group. One of the reasons for this high composition of textiles in 2020 was Pakistan's exports of Personal Protective Equipment (PPE) and masks. During the COVID-19 pandemic, Pakistan started to manufacture and export N95, KN95 masks and other PPEs particularly to Europe (Jamal, 2020). Also, Pakistan's export interest lies in mostly textile, textile made-ups, footwear, leather products, agriculture products and processed food. Table 24 in the annexure provides the details on the specific sections and chapters for the eligible goods being covered under the GSP Plus scheme.

EU's trade balance with Pakistan has mostly remained negative. This corroborates to the fact that EU's imports from Pakistan have outweighed its exports to Pakistan, which gives a favourable position to the latter. Pakistan's total exports to the EU during FY14 to FY22 were estimated at almost EUR 66 billion (Graph 9).

Table 9: Pakistan's Exports to EU members 2020

Rank ing	EU member countries	Pakistan Exports in 2020 EUR mil	Share in Exports to EU
1	Germany	1,403.11	25.48%
2	Spain	741.78	13.47%
3	Italy	625.09	11.35%
4	Netherlands	612.22	11.12%
5	France	528.93	9.61%
6	Belgium	371.23	6.74%
7	Poland	238.15	4.32%
8	Denmark	178.17	3.24%
9	Portugal	147.26	2.67%
10	Sweden	129.20	2.35%
11	Austria	126.93	2.31%
12	Czech Republic	93.65	1.70%
13	Greece	64.18	1.17%
14	Ireland	48.83	0.89%
15	Bulgaria	31.06	0.56%
16	Romania	28.80	0.52%
17	Finland	23.55	0.43%
18	Slovakia	23.02	0.42%
19	Hungary	22.39	0.41%
20	Lithuania	18.47	0.34%
21	Slovenia	14.57	0.26%
22	Croatia	10.53	0.19%
23	Estonia	10.44	0.19%
24	Latvia	7.21	0.13%
25	Cyprus	4.43	0.08%
26	Malta	3.28	0.06%
27	Luxembourg	0.21	0.00%
	EU 27	5,506.68	
Source: Eurostat			

Graph 9: EU's Trade Balance with Pakistan



Source: European Commission

Table 10: Pakistan's top 10 exports to EU in EUR billion

HS Code	Product description	2018	2020
620342	Men's or boys' trousers, bib and brace overalls, breeches, and shorts, of cotton (excluding ...	707.05	612.83
630221	Printed bed linen of cotton (excluding knitted or crocheted)	306.61	342.43
630231	Bedlinen of cotton (excluding printed, knitted, or crocheted)	340.36	334.63
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	310.20	314.22
620462	Toilet linen and kitchen linen, of terry toweling or similar terry fabrics of cotton (excluding ...	218.88	226.62
620462	Jerseys, pullovers, cardigans, waistcoats, and similar articles, of cotton, knitted or crocheted ...	226.62	183.76
620462	Husked or brown rice	133.47	176.49
620462	Bedlinen, knitted or crocheted	134.18	146.07
620462	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear.	138.33	127.24
520812	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 ...	127.24	102.14
Source: Eurostat			

PAKISTAN'S TRADE PERFORMANCE UNDER GSP+

Since 2013, Pakistan's exports to the EU have risen by almost 46.5% during the period FY13' to FY22'[2]. For further discussion, it is pertinent to mention that growth in exports to the EU has increased from 26% (2007 to 2013) to 46.57% (2014-2021). For justification, a look at Table 11 is useful. As per the analysis, there is growth since the proportion of exports to EU has increased from 24.6% to 30.1%, but the growth is at a slower pace considering a 9 years' period. The reason for this increase in growth at a comparatively slow rate can be justified by the sluggish growth in Pakistan's exports to the world i.e. approximately 28%[3] in same period (2014-22).

Pakistan's total exports to EU in the past 15 years have been around USD 103 billion. On average in the past 9 years, it has been USD 6.5 billion. Table 12 disaggregates this figure into pre and post GSP+ period.

Being a major export destination, UK has been an annual source of foreign exchange earnings of around USD 1 - 1.5 billion in the form of exports. For a closer look at the impact of Brexit, the table below (Table 12) indicates if UK was part of the EU bloc today, exports to the EU market would have risen from USD 8.3 billion to approximately USD 10.9 billion in FY22' - a 91.2% growth in exports since the start of GSP+. Pakistan's total exports to EU in the past 15 years have been around USD 103 billion. On average in the past 9 years, it has been USD 6.5 billion. Table 11 disaggregates this figure into pre and post GSP+ period.

Table 11: Pakistan's Pre and Post GSP outlook

	Pakistan's Exports in USD billion				Pakistan's Imports in USD billion		
	To World	To EU	Proportion in total exports %	Growth in exports to EU %	From World	From EU	Proportion in total imports
2007-13	150	37	24.6	26	241	33	14
2014-21*	217	66	30.1	46.57	437	43	10

Source: Author's Estimations, State Bank of Pakistan Economic Data

** For 2021 figures, UK has been excluded*

*** This growth figure is till 2020*

[2] Growth between two fiscal years is calculated.

[3] Author's estimation, State Bank Pakistan Data

According to these estimations, it is fair to say that exports to the EU have risen by value as well as by proportion in total Pakistan's exports from 24.6% (2007-13') to 30.1%% (2014-22'). Although there is growth, a 46.5% growth in 9 years does not seem desirable. This leads to three implications.

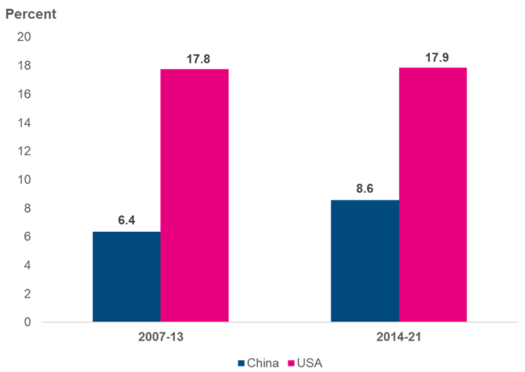
1. Pakistan expanding its bilateral trade with other partners.
2. Pakistan has significantly transformed its export basket – the country's concentration in exports falling under GSP+ has reduced.
3. Pakistan has not been utilizing (produce and export) the GSP+ scheme effectively.

The last point draws the attention of most trade analysts.

Table 12: Analysis of growth in Pakistan's exports to the EU with and without UK in USD billion

	Exports if UK was part of EU block	Exports including Brexit
2013	5.7	5.7
2022	10.9	8.3
Growth	91.2%	45.6%
Source: Author's Estimations, State Bank of Pakistan Economic Data		

Graph 10: Proportion of Pakistan's Top Export Destinations

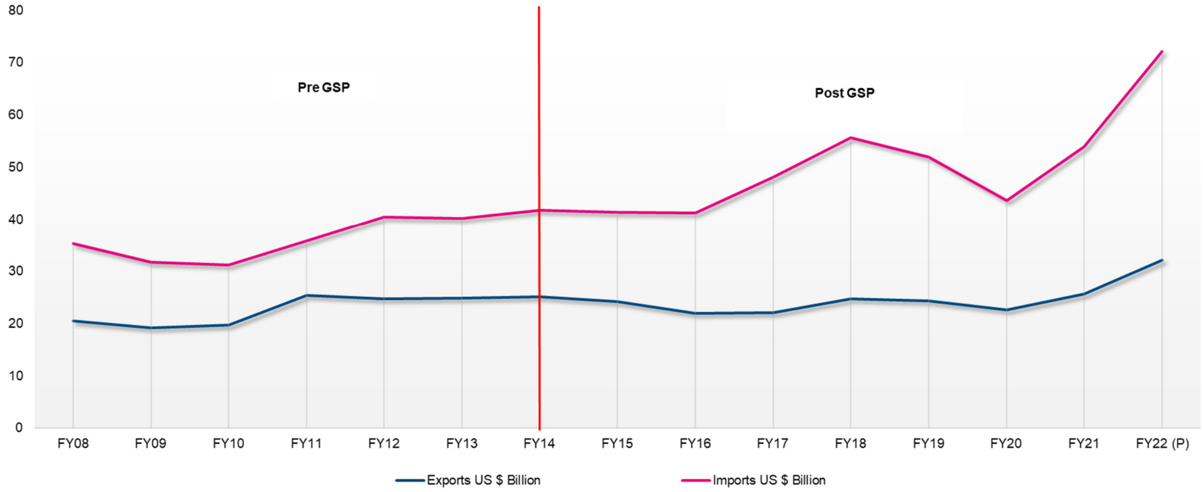


Source: State Bank of Pakistan

1. Pakistan expanding its bilateral trade with other partners: Graph 10 shows the proportion of the export share of Pakistan's top export destinations i.e. UAE, China, and the USA is also falling between these two time periods. (2007-13 and 2014-22) These are major export destinations that can also be seen in Table 3. This corroborates the fact that, not only for the EU but for major partners, the proportion of exports in total Pakistan's exports, is increasing at a slow pace during this period. Whereas, for USA it has remained almost unchanged. Since the share of major partners is either stagnant or increasing by a smaller proportion, at this point it may be fruitful to mention that Pakistan has been increasing its exports to the partners but at a decreasing rate, and is unable to transform its export patterns significantly.

Point number 1 thus, cannot be justified.

Graph 11: Pakistan's Import Export Trend



Source: State Bank of Pakistan

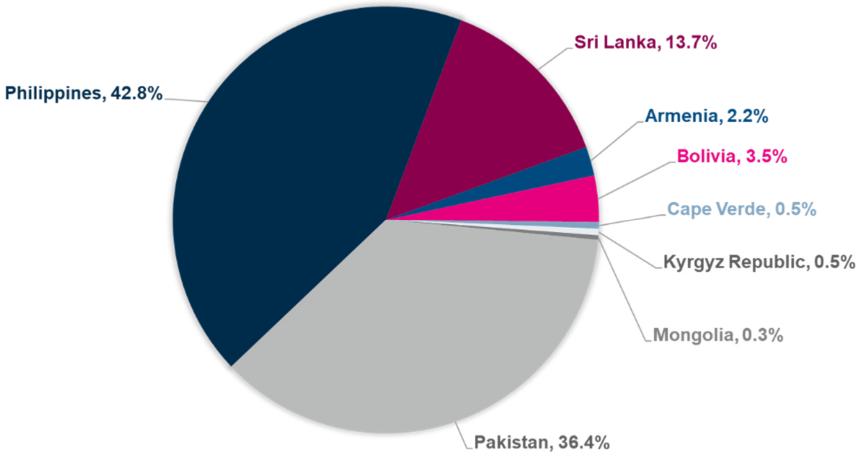
2. Pakistan has significantly transformed its export basket – the country's concentration in exports falling under GSP+ has reduced: Pakistan's major export reliance is on textiles. Another reason for falling export share is the competitiveness of competitors i.e., China and Bangladesh in textiles. For the past few years, buyers from UK, EU and USA have been shifting their textile imports from Pakistan to Bangladesh due to better quality of products. Table 13 verifies Bangladesh's textile exports to the US were greater than that of Pakistan's in 2015. Also, RCA in textiles is higher for Bangladesh than for Pakistan.

Table 13: Pakistan versus Bangladesh Textiles (2015)

	Pakistan USD Billion	Bangladesh USD Billion
Textile exports to USA	3.1	5.8
RCA in textiles USA	15.8	17.7
RCA in textiles World	14.28	21.77
Source: State Bank of Pakistan and WITS		

Based upon the information from Table 2, RCA in textiles for Pakistan for the past ten years has been the highest. This invalidates point number 2. Pakistan's export basket has not gone through any major changes.

Graph 12: EU's Imports as percentage of total imports exclusively from GSP+ beneficiaries



Source: European Commission

3. Pakistan has not been utilizing (produce and export) the GSP+ scheme effectively: Point number 3 sets the ground for discussion. As of January 2022, there are 8 beneficiaries of the GSP+ status (Table 4). Graph 11 is a representation of EU's trade with the GSP+ beneficiaries. Pakistan and the Philippines among other beneficiaries have performed comparatively better in terms of the proportion of total trade in 2020 with EU.

Out of total exports to the EU, the proportion of exports under GSP+ has been 93.6%, 93.7% and 93.6% in 2019, 2020 and 2021 (Table 14).

Table 14: Pakistan's Exports to EU (USD billion)

	2018-19	2019-20	2020-21
Total Exports	7.9	7.5	8.9
Export under GSP+	7.5	7.1	8.3
% share of Exports under GSP+	93.6%	93.7%	93.6%
Source: Federal Bureau of Revenue, Ministry of Commerce			

This means that under this preferential status, most of the EU tariff lines are duty-free for Pakistan, which needs to be optimally utilized. It is important to mention here that Pakistan itself is the 7th most protected country, where the weighted average tariff of Pakistan was 13.8% in 2019 (Adil, 2021). On the other hand, Germany and Spain, the largest and second-largest economies of EU, had an MFN weighted average of 3.16% and 3.83% in 2019 (World Integrated Trade Solutions, 2020).

Table 15 includes the details of the top 10 products exported under the EU GSP+ in 2021. Textile and articles share a major proportion. Out of a total of USD 14.5 billion of textile exports in 2021, almost USD 7 billion textile products were falling under EU's GSP+. Other major eligible exports under GSP+ include wool and leather.

Table 15: Top Products included in EU GSP+

Pak Exports to EU (USD million)	
Sectors	Exports 2020-21
Readymade Garments	3,688.79
Home Textile	2,462.99
Intermediate Textile	859.42
Leather	414.89
Processed food	184.39
Sports goods	103.49
Footwear	86.27
Plastics and Rubber	55.73
Other base metals	54.98
Fruits and vegetables	16.83
Engineering Goods	15.91
Chemicals	12.38
Ceramics and Glass	8.35
Source: Federal Bureau of Revenue, Ministry of Commerce	

Although an accumulated growth figure of 46.5% might not be appealing, section-wise growth under GSP+ might provide a holistic view. Table 16 provides us with growth in GSP+ eligible exports in different sections. Section 3, 4, 5, 11, 13, 14, 15, 18 and 20 show us an increase during 2018 and 2019. As per their definitions (table in annexure), these sections fall under animal or vegetables prepared edibles, cocoa and cereals, base metals, plastic and rubber articles, articles of apparel and clothing, ceramic and glass, precious metals, articles of iron and steel, furniture and bedding and miscellaneous manufactured articles.

Based upon the proportion of exports to EU under GSP+, and the utilization rate of Pakistan, the country might not have achieved a significant growth figure since 2013. But it has grown in different tariff lines due to the preferential status.

Table 16: Growth in Pakistan's exports to EU (%)

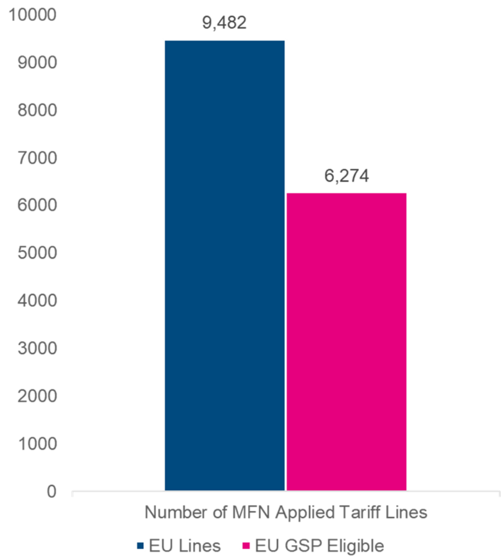
Product Section	2018	2019
All Sections	4.1	9
S-01a	-	-
S-01b	-8.9	-20
S-02a	-9.5	-100
S-02b	33.3	-17.2
S-02c	36.1	10
S-02d	-80.2	-81.8
S-03*	17.5	19.5
S-04a	-	-
S-04b*	7.5	56.3
S-04c	4165.4	-33.3
S-05*	7.5	56.3
S-06a	-	-
S-06b	-40.3	-12.7
S-07a*	12.2	26.5
S-07b*	-9.2	13.2
S-08a	-16.9	-19.1
S-08b	-0.13	1.07
S-09a	-	-
S-09b	-	-
S-10	-	-
S-11a	-3.1	-1.7
S-11b*	0.5	11.2
S-12a	14.1	9.6
S-12b	18.6	7.2
S-13*	-6.1	18.2
S-14*	-50	94.8
S-15a*	-30.9	45.1
S-15b*	-20.2	4.4
S-16	-2.5	-23.6
S-17a	-	-
S-17b	24.6	-0.14
S-18*	15.8	20.2
S-19	-	-
S-20*	2.5	6.56
S-21	-	-
Source: Author's Estimations, European Commission		

PAKISTAN WITHOUT GSP+

Pakistan's presence under the GSP+ has mainly been in Chapters 61, 62, 63, and 42, which fall under textile and leather. In our analysis above, we have seen growth in these sectors as per this preferential status. Also considering that Pakistan's almost 60% of exports fall under the textile sector, the GSP+ Scheme is of crucial importance for the country. Table 18 explains why Pakistan needs GSP+. In the absence of the status, the country would have to face an MFN Tariff of a maximum of 12% for the most traded commodities under GSP+, which is zero in presence of the status (Amir & Arshad, 2020). In addition to this, Pakistan would also be paying an anti-dumping duty of 13.1% to the EU on cotton bed linen (Shad, 2021).

Furthermore, Pakistan would have to face 12.1% of the weighted MFN average on all traded tariff lines for agricultural products and 9.8% for non-agricultural products by the EU (Table 18). Graph 13 shows that out of a total of 9,482 EU tariff lines, 6000+ fall under GSP+. Pakistan, if loses GSP+ would have to bear the otherwise MFN applied tariff from goods eligible under the GSP+ and goods not eligible. (Table 19)

Graph 13 Total Number of EU MFN Tariff Lines



Source: World Trade Organization and Pakistan Business Council

Table 17: MFN Tariff-for most traded articles under GSP+

Chapter	MFN Tariff
chapter 61: articles of apparel and clothing accessories, knitted or crocheted	8.4 – 12%
chapter 62: articles of apparel and clothing accessories, not knitted or crocheted	6.5% - 12%
chapter 63: other made-up textile articles; sets; worn clothing and worn textile articles; rags	5.3% – 12%
chapter 42: articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)	1.7% – 9%
Source: Pakistan Business Council	

Table 18: Pakistan's exports to major trading partners and imposed duties (2019)

Major Markets	Bilateral imports	Diversification: 95% trade in no. of		MFN AVG of traded Tariff Lines (TL)		Preference Margin	Duty-Free Imports	
	USD Million	HS 2 Digit	HS 6 Digit	Simple	Weighted	Weighted	TL in %	Value in %
Agricultural								
European Union	713	17	38	14.7	12.1	6.7	63.9	51.4
UAE	357	16	38	5.6	0.7	0	33.5	86.8
China	313	7	8	14.9	46.2	5.2	22.0	15.7
Iran	309	5	5	18.0	23.5	0	0	0
Saudi Arabia	264	12	33	35.4	3.3	0	32.5	73.6
Non-Agricultural Products								
European Union	7,515	29	235	4.8	9.8	9.8	99.2	99.8
USA	3,786	21	128	6.7	10.1	0.5	50.1	16.8
China	1,492	19	72	6.7	3.8	2.2	40.5	65.6
Korea	372	20	51	8.6	3.9	0	6.2	55.7
UAE	305	47	284	4.7	3.4	0	5.5	32.7
Source: World Trade Organization								

Table 19: Products not included in GSP+

Products	Avg. MFN %
Agriculture	
Live animals	18
Meat of bovine, goat, poultry, and meat products	26
Milk, cream, butter, cheese, and birds' eggs	31
Tomato, garlic, onion, and dried vegetables	21
Fresh strawberries, plums, apricot, oranges, cherries, bananas, apples, grapes, and other dried fruits	10.5
Rice and other cereal grains	17
Industry	
Chemicals including silicon, sodium, Aluminium hydroxide, Antibiotics, Dextrins, and Sorbitol	8.5
Raw hides and skins	2
Unwrought zinc, aluminium, zirconium, chromium, and Cermet	3.2
Source: Federal Bureau of Revenue, Ministry of Commerce	

MISSED OPPORTUNITIES

EU's import appetite is mostly concentrated in high value-added commodities as already shown in Table 9. The highest level of EU imports among GSP+ eligible tariff lines were falling under petroleum oil, crude oil, medium oils, motor cars and vehicles, natural gas, telephones for cellular networks – for all these aforementioned items, Pakistan's exports to the EU were nil. The reason is evident - Pakistan does not make what EU really demands.

From the analysis, it is quite visible that EU's import basket is clustered in high-value-added items. Pakistan's ability to expand trade in these items remains impossible, especially for crude oil and natural gas. Commodities being exported by Pakistan under the GSP+ status remain in the lower demand by the EU and are relatively low value-added – the main reason why Pakistan has always been unable to expand its exports by a substantial move.

In addition to that, Pakistan's market share in top GSP eligible imports of EU in 2019 was 1.9%, 2.6%, 11.4%, and 1.4% in chapters 61, 62, 63 and 42 respectively (Amir & Arshad, 2020). EU's top GSP eligible imports are concentrated in these chapters where Pakistan could not grow substantially. To address this issue, Pakistan must optimally utilize its preferential status and increase its exports in tariff lines most eligible under GSP+ preferential status rather than exporting what it is producing in routine

Table 20: EU's total imports from the world versus from Pakistan (2019) in USD million

HS Code	Label	EU imports from the world	EU imports from Pakistan
'270900	Petroleum oils and oils obtained from bituminous minerals, crude	286,548.0	0
'271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	133,684.3	0
'870332	Motor cars and other motor vehicles principally designed for the transport of persons, incl.	85,742.0	0
'271121	Natural gas in gaseous state	77,693.5	0
'851712	Telephones for cellular networks "mobile telephones" or other wireless networks	86,861.9	0
Source: Pakistan Business Council			

COMPARATIVE ANALYSIS OF REGIONAL COMPETITOR BENEFICIARIES

Pakistan faces competitive pressure from Bangladesh as it falls under the EBA status(Table 4). The EBA status allows Bangladesh zero percent duties on all tariff lines with exception of armaments. Compared to that, Pakistan is a GSP+ beneficiary that does not allow the country to have access to all EU tariff lines. Also, Bangladesh's exports to EU comprise of a higher proportion of textiles, and it believes that it will graduate to the developing country status by 2024. Pakistan needs to increase its market share in the EU's market to stay in the competition. Graph 13 shows that Bangladesh, out of the major GSP beneficiaries, has the largest proportion in EU's imports (25%), followed by India (24%), Vietnam (14%), Indonesia (10%) and Pakistan (9%) (European Commission, 2020)((European Commission, 2020).

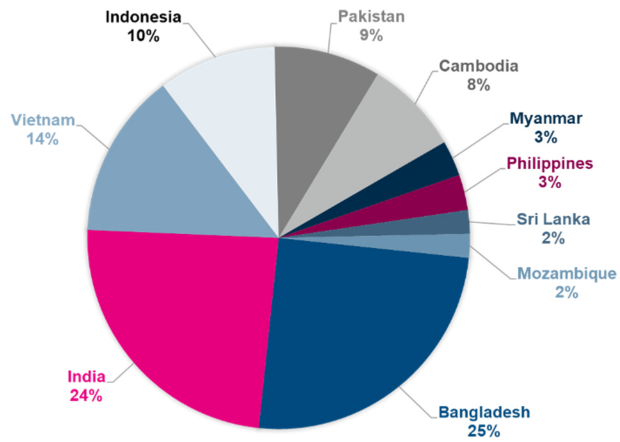
Furthermore, Pakistan's tariff policy does not allow the country to compete internationally. Pakistan relies on imported raw material and intermediate goods, duties raise the cost of production, which makes Pakistan's exports relatively less competitive.

Due to better quality and prices offered by Bangladesh, it has been leading in textile export share as compared to Pakistan. For Pakistan to stand a position, it needs to look into its tariff policies. High tariffs have created an anti-export bias thus Pakistan has failed to keep a pace with regional export growth. Countries like China, Malaysia, Indonesia and Sri Lanka have lower tariffs accompanied by higher export growth (Adil, 2021)

PAKISTAN AS A BENEFICIARY OF EU GSP+

The GSP+ status for Pakistan expires in December 2023. Pakistan's GSP+ utilization has been very high i.e., 96.5% whereas, an additional increase of 3.5% can increase exports to EU by USD 200 million to USD 300 million (Amir, 2020). However, in 2018, Pakistan did not utilize almost 213 million Euros of GSP+ eligible exports to the EU where 87.3% of Pakistan's total exports to the EU were GSP+ eligible (European Commission, 2020). EU's import appetite does not match Pakistan's export basket. Only three of the top commodities being exported by Pakistan to the EU were part of the EU's top 20 imports as compared to India (8) and Sri Lanka (6) (Amir & Arshad, 2020). For Pakistan to stay in the scheme, it needs to effectively implement the 27 conventions in areas where the performance has not been satisfactory. In case the GSP+ status is not extended for the next 10 years; Pakistan would experience a loss of preferential status in form of duty-free access as well as a loss of around USD 1 billion to 1.5 billion of textile exports.

*Graph 14: Largest GSP beneficiaries (2018)**



Source: European Commission

**Includes Standard GSP, GSP+ and EBA beneficiaries*

RECOMMENDATIONS

An effective trade policy for Pakistan is going to be an amalgamation of the EU's demands and the country's capacity. Although Pakistan has been exporting to the EU for several decades now, it has been unable to compete effectively in the region. This has caused Pakistan to miss out on opportunities which could have enabled an increase in its market share as compared to that of its competitors. Based on the data available, and research conducted for this paper some recommendations are presented below which can allow Pakistan to take better advantage of the GSP+ scheme.

- Pakistan must focus on tariff lines that constitute a higher proportion of EU imports and must increase its export share in the EU's top GSP eligible imports, especially in Chapter 61, 62, 63 and Chapter 42 i.e. knitted or crocheted apparel, not knitted or crocheted apparel, home textile and leather articles respectively
- GSP+ scheme has a maximum annual growth rate of 17.5% in all sectors. This discourages Pakistani exporters from increasing their textile exports to the EU market (Malik, et al., 2017). Therefore, Pakistan needs a paradigm shift in the textile sector. Pakistan needs to increase its market share through advancing production of synthetic garments (a capital and technology-intensive market). For that, the Government of Pakistan must reduce customs duties on imported machinery used in the textile sector.
- There is an increased demand for clothing and apparel made from man-made fibre in the EU's market, duties on raw materials (synthetic filament yarn) should be reduced to 0% which are currently between 6% and 11% (Amir & Arshad, 2020).
- Foreign direct investment from Chinese investors with relevant skill and expertise should be attracted by the Board of Investment (BOI) to set up textile processing plants in Special Economic Zones.
- The government must ensure financing for Small and Medium-sized Enterprises (SMEs) on easy rates. In March 2022, only 2.5% out of the total private sector lending was made to SMEs[4]. There are 5.2 million SMEs in Pakistan and several are classified under the textile sector.
- The government must ensure provision of duty free raw material (DTRM) to the SME manufacturers. Currently, only 100 companies in Pakistan are able to avail the DTRE facility.
- Pakistan's commercial counsellors located in the EU can facilitate in increasing the demand for Pakistani products in Europe. By targeting more SMEs that are looking to procure from Pakistan and not just targeting a few large buyers within the EU.
- Exporters need to focus more on the packaging and quality standards set by the EU to fulfil requirements and requisites.
- During the current energy crisis power supply to export-led manufacturers should be made mandatory. The crisis impacts the manufacturing sector, which is operating at less than 70% of its total capacity at present. Due to similar reasons in 2013, Pakistan lost 35% of its exports (Malik, et al., 2017)
- Pakistan must start prepping itself for the GSP+ 2023-33 status. For the purpose, it needs to effectively implement the 27 conventions and try to fill the gaps mentioned in the latest assessment report by the European Commission including concerns regarding issues such as honour killing, forced marriages and child labour laws, cancellation of the registration of INGOs, and crimes against journalists (European Commission, 2020). To expand its exports, Pakistan should try negotiating on items which it already exports to the EU but are not covered under GSP+ scheme. These are listed in Table 21.

4 Author's estimation, State Bank Pakistan

Table 21: List of items that could be negotiated for the next GSP+ scheme

HS Code	Label	MFN Tariff
'100620	Husked or brown rice	4.2%
'100630	Semi-milled or wholly milled rice, whether or not polished or glazed	22.0%
'250100	Salts, incl. table salt and denatured salt, and pure sodium chloride, whether or not in aqueous ...	0.9%
'170310	Cane molasses resulting from the extraction or refining of sugar	2.3%
'100640	Broken rice	18.0%
'170230	Glucose in solid form and glucose syrup, not containing added flavoring or coloring matter ...	10.3%
'230310	Residues of starch manufacture and similar residues	21.2%
'410441	Full grains leather, unsplit and grain splits leather, in the dry state "crust", of hides and ...	5.2%
'410449	Hides and skins of bovine "incl. buffalo" or equine animals, in the dry state "crust", without ...	5.0%
Source: EC and Pakistan Business Council		

CONCLUSIONS

Pakistan is going through serious economic crisis including energy shortfall, fiscal deficit, BOP deficit, and depleting foreign exchange reserves. Therefore, Pakistan needs the GSP+ status in coming years. In case Pakistan loses its preferential GSP+, status PRGMEA has warned the Government of Pakistan of the perilous effects on the textile industry could lose USD 3 billion annually in the form of a loss of exports worth USD 3 billion per year loss in exports. Although Pakistan has a high GSP+ utilization rate, the country faces immense competition from its regional competitors. Pakistan being a GSP+ beneficiary could achieve even better, by exhausting almost all the EU's tariff lines falling under this preferential status and increasing its exports under the most traded EU's TLs. The EU has been a major trading partner of Pakistan for decades and both the partners need to focus on trade and non-trade ties.

The Generalized Scheme of Preferences is a policy tool used by the EU in order to facilitate developing countries in achieving sustainable development. Many beneficiaries have benefited from the scheme already in form of more job creation and poverty alleviation. For instance, Uzbekistan which was a Standard GSP Beneficiary as of 1st January 2019, applied for GSP+ status after adopting a law on Cartagena Biosafety Protocol and has graduated to a GSP+ status as of 1st January 2022.

Pakistan as a GSP+ beneficiary needs to stay in the program for many reasons.

- First, the EU is a dominating partner of Pakistan and any preferential status can boost latter's performance. Pakistan although is not the largest GSP beneficiary, but 87.3% of the total exports to the EU fall under the GSP+ scheme. In case it loses the status, 87.3% exports to the EU market would be subject to MFN tariff.
- Pakistan also needs the status for job creation. Many firms in Pakistan have transformed their production requirements as per the requirements of the buyers in EU. According to the biennial report on GSP (2018-2019), GSP scheme helped in job creation where 500,000 people were employed in Myanmar and 5 million in Bangladesh.

With that, GSP+ is the need of the hour because the scheme not only supports Pakistan's exports but also helps in the implementation of United Nation's Sustainable Development Goals. Countries like Paraguay, Sri Lanka, Bolivia, and Mongolia have shown progress in eradicating child labor with the help of GSP scheme. The largest garment manufacturer in Lahore, Pakistan that supplies to the European brands and markets, is in constant dialogue with the EU with respect to labor and environmental standards.

Therefore, Pakistan must make the best use of this unilateral tariff preference for increasing its trade capacity. For this, it is crucial to focus on EU's most traded products under GSP, where Pakistan's share is small.

Since, Pakistan's export composition to EU and to the world is largely concentrated in textiles, it needs to create a favourable environment for manufacturers by:

- Providing financing facility for the SMEs
- Reducing duties on imported raw material such as raw material for manmade fiber which faces 11% duty in Pakistan as compared to 0% duty in Vietnam (Vietnam imports from China) (Amir & Arshad, 2020)
- Conducting an in-depth focus on industries not operating at their maximum capacity

ABOUT PRIME INSTITUTE

Policy Research Institute of Market Economy (PRIME) is an economic policy research and advocacy organization striving for an open, free, and prosperous Pakistan. PRIME was established in Islamabad in 2013 and has played a leading role in advancing ideas and policies for open trade and economic efficiency in Pakistan through its research and public education. PRIME is included in the top 100 think tanks in the Asia-Pacific region according to the Global Go To Think Tank Index Report 2020.

To know more visit: https://primeinstitute.org/

ABOUT FNF PAKISTAN

FNF Pakistan Office has been working for a peaceful and progressive Pakistan since 1986. As individuals everyone is entitled to personal dignity and freedom. It has been FNF's mission to make these principles valid for all. FNF promotes a social and political environment where every individual can assume responsibility for their life.

To know more about FNF's work visit
www.freiheit.org/pakistan

REFERENCES

Adil, T., 2021. *Customs Tarriff Reforms,* Islamabad: Policy Research Instute of Market Economy.

Amir, S. S. & Arshad, S., 2020. *Pakistan Performance Under the EU GSP+ Program 2014-19.* [Online]
Available at: https://www.pbc.org.pk/wp-content/uploads/Pakistans-Performance-Under-the-EU-GSP-Plus-Program-2014-2019.pdf

Directorate-General for Trade, European Commission, 2020. *The EU Special Incentive Arrangement for Sustainable Development and Good Governance ('GSP+') assessment of Pakistan covering the period 2018 - 2019.* [Online]
Available at: https://op.europa.eu/en/publication-detail/-/publication/e01fc63a-5327-11ea-aece-01aa75ed71a1/language-en
[Accessed 2022].

European Commission, 2020. *Trade: 2019 Biennial Report on the Generalised Scheme of Preferences.* [Online]
Available at:
https://trade.ec.europa.eu/doclib/docs/2020/february/tradoc_158618.pdf
[Accessed 22 June 2022].

Financial Action Task Force, 2022. *Jurisdictions under Increased Monitoring - June 2022.* [Online]
Available at: https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-june-2022.html#pakistan-
[Accessed 23 June 2022].

Gannon, K. & Ahmed, M., 2022. *AP News.* [Online]
Available at: https://apnews.com/article/covid-health-pakistan-child-abuse-islamabad-f5a3c5b67ee0bbc37c4918bd3a89c105
[Accessed 21 June 2022].

Human Rights Commission of Pakistan, 2019. *State of Human Rights in 2018,* Lahore: HRCP.

Iqbal, M. S., 2016. *Potential Economic Gains from GSP Plus Status for Pakistan: An Empirical Analysis,* Faisalabad: Government College Univeristy Faisalabad.

Jamal, S., 2020. *Govt allows export of N95, surgical masks , Dawn, August 19, 2020.* [Online]
Available at: https://www.dawn.com/news/1575199
[Accessed 21 June 2022].

Khan, E., 2020. *Tribune.* [Online]
Available at: https://tribune.com.pk/story/2267492/another-zainab-murdered-after-rape
[Accessed 21 June 2022].

Malik, A., Ghani, E. & Din, M. u., 2017. An Assessment of Pakistan's Export Performance and the Way Forward. *PIDE Working Papers.*

Ministry of Finance, 2021. *Economic Survey of Pakistan.* [Online]
Available at:
https://www.finance.gov.pk/survey/chapters_21/PES_2020_21.pdf
[Accessed 23 June 2022].

Ministry of Interior, 2022. *Government of Pakistan's Special Initiative to Register INGOs Online.* [Online]
Available at: https://ingo.interior.gov.pk/
[Accessed 21 June 2022].

Nasir, J., 2020. The Tariff Tripod of Pakistan: Protection, Export Promotion, and Revenue Generation. *PIDE Working Paper,* Volume 6.

Pakistan Wildlife Foundation, 2021. *Training Courses in Wildlife Management Through Distance Learning.* [Online]
Available at: https://www.wildlife.org.pk/wildlife-training-courses/
[Accessed 21 June 2022].

Shad, M. R., 2021. *The GSP+ Status of Pakistan in the European Union: Challenges and Prospects.* [Online]
Available at: https://gprjournal.com/article/the-gsp-status-of-pakistan-in-the-european-union-challenges-and-prospects

State Bank of Pakistan, 2020. *Handbook of Statistics on Pakistan Economy.* [Online]
Available at:
https://www.sbp.org.pk/departments/stats/PakEconomy_HandBook/Chap-8.1.pdf
[Accessed 22 June 2022].

Trade Development Authority of Pakistan, 2021. *Annual Trade Review: Pakistan Trade Perspective.* [Online] Available at: https://tdap.gov.pk/wp-content/uploads/2022/03/Final-Pakistans-Annual-Trade-Performance-July-June-FY-2021-11-jan-2021.pdf [Accessed 23 June 2022].

Trade Related Technical Assistance, 2015. *Enhancing Pakistan's Trading Benefits from the Proposed EU GSP Plus Scheme.* [Online] Available at: http://trtapakistan.org/wp-content/uploads/2012/04/GSP.pdf [Accessed 23 June 2022].

Walk Free Foundation, 2018. *Global Slavery Index 2018.* [Online] Available at: https://www.globalslaveryindex.org/2018/data/country-data/pakistan/ [Accessed 21 June 2022].

World Bank, 2018. *South Asia Hotspots: Impacts of Temperature and Precipitation Changes on Living Standards, South Asia Development Matters;. Washington, DC: World Bank. © World Bank..* [Online] Available at: https://openknowledge.worldbank.org/handle/10986/28723

World Bank, 2021. *Pakistan Development Update,* s.l.: World Bank.

World Economic Forum, 2019. *The Global Competitiveness Report 2019.* [Online] Available at: https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf [Accessed 23 June 2022].

World Economic Forum, 2021. *Global Gender Gap Report 2021,* s.l.: s.n.

World Integrated Trade Solutions, 2020. *World Product MFN Weighted Average in %.* [Online] Available at: https://wits.worldbank.org/CountryProfile/en/Country/WLD/StartYear/LTST/EndYear/LTST/TradeFlow/Import/Indicator/MFN-WGHTD-AVRG/Partner/WLD/Product/All-Groups [Accessed 23 June 2022].

World Integrated Trade Solutions, 2022. *Export Diversification.* [Online] Available at: http://wits.worldbank.org/WITS/WITS/TradeIndicatorsHelp/TradeOutcomes_Help.htm#Section2 [Accessed 2022].

World Justice Project, 2021. *Rule of Law Index® 2021 Insights.* [Online] Available at: https://worldjusticeproject.org/sites/default/files/documents/WJP-INSIGHTS-21.pdf [Accessed 2022].

WWF-Pakistan, 2019. *Speakers call for awareness raising campaigns to fight wildlife crime.* [Online] Available at: https://www.wwfpak.org/?355491/Speakers-call-for-awareness-raising-campaigns-to-fight-wildlife-crime [Accessed 23 June 2022].

ANNEXURE A: GSP+ Eligible Chapters

Table 22: Definitions for GSP + Eligible Chapters

	Reference date	30/09/2019
		GSP Section definition
Section	Chapter	Label
S-01a	01	live animals
S-01a	02	meat and edible meat offal
S-01a	04	dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsew here specified or
S-01a	05	products of animal origin, not elsew here specified or included
S-01b	03	fish and crustaceans, molluscs and other aquatic invertebrates
S-02a	06	live trees and other plants; bulbs, roots and the like; cut flow ers and ornamental foliage
S-02b	07	edible vegetables and certain roots and tubers
S-02b	08	edible fruit and nuts; peel of citrus fruits or melons
S-02c	09	coffee, tea, mată and spices
S-02d	10	cereals
S-02d	11	products of the milling industry; malt; starches; inulin; w heat gluten
S-02d	12	oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants;
S-02d	13	lac; gums, resins and other vegetable saps and extracts
S-02d	14	vegetable plaiting materials; vegetable products not elsew here specified or included
S-03	15	animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable
S-04a	16	preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates
S-04b	17	sugars and sugar confectionery
S-04b	18	cocoa and cocoa preparations
S-04b	19	preparations of cereals, flour, starch or milk; pastrycooks' products
S-04b	20	preparations of vegetables, fruit, nuts or other parts of plants
S-04b	21	miscellaneous edible preparations
S-04b	22	beverages, spirits and vinegar
S-04b	23	residues and w aste from the food industries; prepared animal fodder
S-04c	24	tobacco and manufactured tobacco substitutes
S-05	25	salt; sulphur; earths and stone; plastering materials, lime and cement
S-05	26	ores, slag and ash
S-05	27	mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral w axes
S-06a	28	inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of
S-06a	29	organic chemicals
S-06b	30	pharmaceutical products
S-06b	31	fertilisers
S-06b	32	tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter;
S-06b	33	essential oils and resinoids; perfumery, cosmetic or toilet preparations
S-06b	34	soap, organic surface-active agents, w ashing preparations, lubricating preparations, artificial w axes,
S-06b	35	albuminoidal substances; modified starches; glues; enzymes
S-06b	36	explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations
S-06b	37	photographic or cinematographic goods
S-06b	38	miscellaneous chemical products
S-07a	39	plastics and articles thereof
S-07b	40	rubber and articles thereof
S-08a	41	raw hides and skins (other than furskins) and leather
S-08b	42	articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of
S-08b	43	furskins and artificial fur; manufactures thereof
S-09a	44	w ood and articles of w ood; w ood charcoal
S-09b	45	cork and articles of cork
S-09b	46	manufactures of straw , of esparto or of other plaiting materials; basketw are and w ickerw ork
S-10	47	pulp of w ood or of other fibrous cellulosic material; recovered (w aste and scrap) paper or paperboard
S-10	48	paper and paperboard; articles of paper pulp, of paper or of paperboard
S-10	49	printed books, new spapers, pictures and other products of the printing industry; manuscripts,
S-11a	50	silk

S-11a	51	w ool, fine or coarse animal hair; horsehair yarn and w oven fabric
S-11a	52	cotton
S-11a	53	other vegetable textile fibres; paper yarn and w oven fabrics of paper yarn
S-11a	54	strip and the like of man-made textile materials
S-11a	55	man-made staple fibres
S-11a	56	w adding, felt and nonw ovens; special yarns; tw ine, cordage, ropes and cables and articles thereof
S-11a	57	carpets and other textile floor coverings
S-11a	58	special w oven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery
S-11a	59	impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial
S-11a	60	knitted or crocheted fabrics
S-11b	61	articles of apparel and clothing accessories, knitted or crocheted
S-11b	62	articles of apparel and clothing accessories, not knitted or crocheted
S-11b	63	other made-up textile articles; sets; w orn clothing and w orn textile articles; rags
S-12a	64	footw ear, gaiters and the like; parts of such articles
S-12b	65	headgear and parts thereof
S-12b	66	umbrellas, sun umbrellas, w alking-sticks, seat-sticks, w hips, riding-crops and parts thereof
S-12b	67	prepared feathers and dow n and articles made of feathers or of dow n; artificial flow ers; articles of
S-13	68	articles of stone, plaster, cement, asbestos, mica or similar materials
S-13	69	ceramic products
S-13	70	glass and glassw are
S-14	71	natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad w ith
S-15a	72	iron and steel
S-15a	73	articles of iron or steel
S-15b	74	copper and articles thereof
S-15b	75	nickel and articles thereof
S-15b	76	aluminium and articles thereof
S-15b	78	lead and articles thereof
S-15b	79	zinc and articles thereof
S-15b	80	tin and articles thereof
S-15b	81	other base metals; cermets; articles thereof
S-15b	82	tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal
S-15b	83	miscellaneous articles of base metal
S-16	84	nuclear reactors, boilers, machinery and mechanical appliances; parts thereof
S-16	85	electrical machinery and equipment and parts thereof; sound recorders and reproducers, television
S-17a	86	railw ay or tramw ay locomotives, rolling-stock and parts thereof; railw ay or tramw ay track fixtures and
S-17b	87	vehicles other than railw ay or tramw ay rolling-stock, and parts and accessories thereof
S-17b	88	aircraft, spacecraft, and parts thereof
S-17b	89	ships, boats and floating structures
S-18	90	optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments
S-18	91	clocks and w atches and parts thereof
S-18	92	musical instruments; parts and accessories of such articles
S-19	93	arms and ammunition; parts and accessories thereof
S-20	94	furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and
S-20	95	toys, games and sports requisites; parts and accessories thereof
S-20	96	miscellaneous manufactured articles
S-21	97	w orks of art, collectors' pieces and antiques

Chapter 42 - Articles of Leather; Saddlery and Harness; Travel Goods, Handbags and Similar containers; Articles of Animal Gut (Other than Silkworm Gut)

HS Code	Product label	EU from World 2019	EU imports from Pakistan in 2019	Market Share of PK 2019
'420292	Travelling-bags, insulated food or beverage bags, toilet bags, rucksacks, shopping-bags, map-cases, ...	6,991.40	46.2	0.70%
'420221	Handbags, whether or not with shoulder straps, incl. those without handles, with outer surface ...	5,446.80	4.1	0.10%
'420222	Handbags, whether or not with shoulder straps, incl. those without handles, with outer surface ...	4,309.00	2.4	0.10%
'420212	Trunks, suitcases, vanity cases, executive-cases, briefcases, school satchels and similar containers, ...	2,986.30	0.4	0.00%
'420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footware ...	1,554.10	202.1	13.00%
'420231	Wallets, purses, key-pouches, cigarette-cases, tobacco-pouches and similar articles carried ...	1,547.30	0.8	0.10%
'420500	Articles of leather or composition leather (excluding saddlery and harness bags; cases and ...	1,398.40	1.6	0.10%
'420232	Wallets, purses, key-pouches, cigarette-cases, tobacco-pouches and similar articles carried ...	1,265.40	0.6	0.00%
'420330	Belts and bandoliers, of leather or composition leather	1,000.70	2.5	0.30%
'420291	Travelling-bags, insulated food or beverage bags, toilet bags, rucksacks, shopping-bags,	737.60	1.2	0.20%
'420100	Saddlery and harness for any animal, incl. traces, leads, knee pads, muzzles, saddle cloths,	737.2	2.9	0.40%
'420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	679.2	131.2	19.30%
'420299	Travelling-bags, shopping or tool bags, jewellery boxes, cutlery cases and similar, with outer ...	493.4	0.6	0.10%
'420211	Trunks, suitcases, vanity cases, executive-cases, briefcases, school satchels and similar containers, ...	421	0.4	0.10%
'420219	Trunks, suitcases, vanity cases, executive-cases, briefcases, school satchels and similar containers ...	220.3	0.1	0.10%
'420229	Handbags, whether or not with shoulder strap, incl. those without handle, with outer surface	178.3	0.3	0.10%
'420239	Wallets, purses, key-cases, cigarette-cases, tobacco-pouches and similar articles of a kind	117.3	0	0.00%
'420321	Specially designed gloves for use in sport, of leather or composition leather	107.5	18.8	17.50%
'420600	Articles of gut, goldbeater's skin, bladders or tendons (excluding silkworm gut, sterile catgut,	85.5	0	0.00%
'42034	Clothing accessories of leather or composition leather (excluding gloves, mittens and mitts, ..	72.9	2.3	3.20%
		30,349.60	418.50	1.4%

Chapter 61 - Articles Of Apparel and Clothing Accessories, Knitted Or Crocheted

HS Code	Product label	EU from World 2019	EU imports from Pakistan in 2019	Market Share of PK 2019
'610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	14,864.50	175.5	1.20%
'611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted ...	10,570.30	115.6	1.10%
'611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	10,219.00	394	3.90%
'610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	6,287.60	47.9	0.80%
'610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted ...	3,587.10	115.2	3.20%
'610463	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres, ...	3,083.80	49.9	1.60%
'611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)	2,976.30	51	1.70%
'611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	2,946.40	200.8	6.80%
'610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets ...	2,836.90	49.2	1.70%
'610443	Women's or girls' dresses of synthetic fibres, knitted or crocheted (excluding petticoats)	2,154.70	3.9	0.20%
'611011	Jerseys, pullovers, cardigans, waistcoats and similar articles, of wool, knitted or crocheted ...	2,083.20	0.5	0.00%
'610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	1,986.70	67.2	3.40%
'611430	Special garments for professional, sporting or other purposes, n.e.s., of man-made fibres, ...	1,911.60	5.5	0.30%
'611241	Women's or girls' swimwear of synthetic fibres, knitted or crocheted	1,653.00	0.1	0.00%
'610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or ...	1,595.10	134.1	8.40%
'610822	Women's or girls' briefs and panties of man-made fibres, knitted or crocheted	1,426.00	1	0.10%
'610230	Women's or girls' overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, ...	1,405.80	14.1	1.00%
'610442	Women's or girls' dresses of cotton, knitted or crocheted (excluding petticoats)	1,345.60	10.8	0.80%
'611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted ...	1,310.80	74.9	5.70%
'610821	Women's or girls' briefs and panties of cotton, knitted or crocheted	1,256.70	1.5	0.10%
'611420	Special garments for professional, sporting or other purposes, n.e.s., of cotton, knitted or ...	1,123.80	5.9	0.50%
'610444	Women's or girls' dresses of artificial fibres, knitted or crocheted (excluding petticoats)	1,064.40	0.8	0.10%
'610343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres, knitted ...	1,061.80	33.3	3.10%
'611596	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	999.5	11.3	1.10%
'610620	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres, knitted or crocheted ...	881.5	2.7	0.30%
		80,632.10	1,566.70	1.9%

Chapter 62 - Articles Of Apparel and Clothing Accessories, Not Knitted Or Crocheted

HS Code	Product label	EU from World 2019	EU imports from Pakistan in 2019	Market Share of PK 2019
'620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	12,545.20	1,250.30	10.00%
'620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	9,008.10	586.1	6.50%
'620293	Women's or girls' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres…	4,706.60	5.6	0.10%
'620193	Men's or boys' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres	4,514.60	25.1	0.60%
'620520	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets and ...	4,499.30	9.1	0.20%
'620640	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or ...	4,489.20	1.3	0.00%
'621210	Brassieres of all types of textile materials, whether or not elasticated, incl. knitted or ...	4,229.80	0.4	0.00%
'620443	Women's or girls' dresses of synthetic fibres (excluding knitted or crocheted and petticoats)	3,978.30	1.9	0.00%
'620343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres (excluding ...	3,192.40	56.8	1.80%
'620463	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres ...	3,111.10	12.6	0.40%
'620213	Women's or girls' overcoats, raincoats, car coats, capes, cloaks and similar articles, of man-made	2,855.70	0.6	0.00%
'620444	Women's or girls' dresses of artificial fibres (excluding knitted or crocheted and petticoats)	2,345.80	0.9	0.00%
'621050	Women's or girls' garments of textile fabrics, rubberised or impregnated, coated, covered or ...	1,875.60	7.7	0.40%
'620469	Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials ...	1,850.00	7.4	0.40%
'620630	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted ...	1,690.40	1.8	0.10%
'621143	Women's or girls' tracksuits and other garments, n.e.s. of man-made fibres (excluding knitted	1,672.00	13.7	0.80%
'620442	Women's or girls' dresses of cotton (excluding knitted or crocheted and petticoats)	1,625.90	8.2	0.50%
'621040	Men's or boys' garments of textile fabrics, rubberised or impregnated, coated, covered or laminated ...	1,621.20	4.5	0.30%
'620433	Women's or girls' jackets and blazers of synthetic fibres (excluding knitted or crocheted, ...	1,350.10	3.6	0.30%
'620113	Men's or boys' overcoats, raincoats, car coats, capes, cloaks and similar articles, of man-made	1,243.90	3.2	0.30%
'620333	Men's or boys' jackets and blazers of synthetic fibres (excluding knitted or crocheted, and ...	1,184.60	14.3	1.20%
'620211	Women's or girls' overcoats, raincoats, car coats, capes, cloaks and similar articles, of wool ...	1,050.50	0.1	0.00%
'620453	Women's or girls' skirts and divided skirts of synthetic fibres (excluding knitted or crocheted ...	932.1	0.3	0.00%
'621133	Men's or boys' tracksuits and other garments, n.e.s. of man-made fibres (excluding knitted ...	839.2	10	1.20%
'620449	Women's or girls' dresses of textile materials (excluding of wool, fine animal hair, cotton ...	831.7	0.9	0.10%
		77,243.30	2,026.40	2.6%

Chapter 63 - Other Made-Up Textile Articles; Sets; Worn Clothing And Worn Textile Articles; Rags

HS Code	Product label	EU from World 2019	EU imports from Pakistan in 2019	Market Share of PK 2019
'630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	4,309.10	26.7	0.60%
'630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...	1,648.00	357	21.70%
'630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	1,447.50	564.6	39.00%
'630221	Printed bedlinen of cotton (excluding knitted or crocheted)	1,418.10	531.2	37.50%
'630392	Curtains, incl. drapes, and interior blinds, curtain or bed valances of synthetic fibres (excluding ...	1,310.30	16.7	1.30%
'630532	Flexible intermediate bulk containers, for the packing of goods, of synthetic or man-made textile...	1,096.50	0.5	0.00%
'630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	832	21.2	2.50%
'630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles	806.4	6.8	0.80%
'630622	Tents of synthetic fibres (excluding umbrella and play tents)	711.1	0.5	0.10%
'630140	Blankets and travelling rugs of synthetic fibres (excluding electric, table covers, bedspreads ...	666.2	0.6	0.10%
'630210	Bedlinen, knitted or crocheted	657.6	170.3	25.90%
'630232	Bedlinen of man-made fibres (excluding printed, knitted or crocheted)	469.6	193.7	41.20%
'630612	Tarpaulins, awnings and sunblinds of synthetic fibres (excluding flat covers of light fabrics ...	445.7	0.2	0.00%
'630690	Camping goods of textile materials (excluding tents, awnings and sunblinds, sails, pneumatic ...	358.8	0	0.00%
'630493	Articles for interior furnishing, of synthetic fibres (excluding knitted or crocheted, blankets ...	351.4	3.6	1.00%
'630222	Printed bedlinen of man-made fibres (excluding knitted or crocheted)	347.5	156.5	45.00%
'630291	Toilet linen and kitchen linen of cotton (excluding of terry fabrics, floorcloths, polishing ...	337.1	68.2	20.20%
'630491	Articles for interior furnishing, knitted or crocheted (excluding blankets and travelling rugs, ...	336.9	0.2	0.10%
'630533	Sacks and bags, for the packing of goods, of polyethylene or polypropylene strip or the like ...	326.6	0.5	0.20%
'630293	Toilet linen and kitchen linen of man-made fibres (excluding floorcloths, polishing cloths, ...	266.8	2.9	1.10%
'630492	Articles for interior furnishing, of cotton (excluding knitted or crocheted, blankets and travelling	255.2	14.8	5.80%
'630251	Table linen of cotton (excluding knitted or crocheted)	229.5	10.8	4.70%
'630391	Curtains, incl. drapes, and interior blinds, curtain or bed valances of cotton (excluding knitted ...	201.7	26.6	13.20%
'630253	Table linen of man-made fibres (excluding knitted or crocheted)	199.5	5.9	3.00%
'630312	Curtains, incl. drapes, and interior blinds, curtain or bed valances of synthetic fibres, knitted ...	180.2	0.6	0.30%
		19,209.30	2,180.60	11.4%

ANNEXURE B: RELEVANT DEFINITIONS

Revealed Comparative Advantage Index

Measures of revealed comparative advantage (RCA) have been used to help assess a country's export potential. The RCA indicates whether a country is in the process of extending the products in which it has a trade potential, as opposed to situations in which the number of products that can be competitively exported is static. It can also provide useful information about potential trade prospects with new partners. Countries with similar RCA profiles are unlikely to have high bilateral trade intensities unless intra industry trade is involved. RCA measures, if estimated at high levels of product disaggregation, can focus attention on other nontraditional products that might be successfully exported. The RCA index of country I for product j is often measured by the product's share in the country's exports in relation to its share in world trade:
$RCA_{ij} = (x_{ij}/X_{it}) / (x_{wj}/X_{wt})$
Where x_{ij} and x_{wj} are the values of country i's exports of product j and world exports of product j and where X_{it} and X_{wt} refer to the country's total exports and world total exports. A value of less than unity implies that the country has a revealed comparative disadvantage in the product. Similarly, if the index exceeds unity, the country is said to have a revealed comparative advantage in the product.

Hirschman Herfindahl Index

It is the sum of squared shares of each product in total export. A country with a perfectly diversified export portfolio will have an index close to zero, whereas a country which exports only one export will have a value of 1 (least diversified).

Index of Export Market Penetration

It is the share of the actual number of export relationships (at the country product level) forged by Country A in the maximum possible number of export relationships it can form given the number of its exports. The denominator is calculated by summing the number of countries that import each product that Country A exports.
This indicator measures the extent to which a country's exports reach already proven markets. It is calculated as the number of countries to which the reporter exports a particular product divided by the number of countries that report importing the product that year. A low export penetration may signal the presence of barriers to trade that are preventing firms from expanding the number of markets to which they export.

Source: World Integrated Trade Solutions

ANNEXURE C: 27 UN CONVENTIONS

1. Convention on the Prevention and Punishment of the Crime of Genocide
2. International Convention on the Elimination of All Forms of Racial Discrimination
3. International Covenant on Civil and Political Rights
4. International Covenant on Economic, Social and Cultural Rights
5. Convention on the Elimination of All Forms of Discrimination against Women
6. Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment
7. Convention on the Rights of the Child
8. Convention concerning Forced or Compulsory Labor, No. 29
9. Convention concerning Freedom of Association and Protection of the Right to Organize, No. 87
10. Convention concerning the Application of the Principles of the Right to Organize and to Bargain Collectively, No. 98
11. Convention concerning Equal Remuneration of Men and Women Workers for Work of Equal Value, No. 100
12. Convention concerning the Abolition of Forced Labor, No. 105
13. Convention concerning Discrimination in Respect of Employment and Occupation, No. 111
14. Convention concerning Minimum Age for Admission to Employment, No. 138
15. Convention concerning Minimum Age for Admission to Employment, No. 182
16. CITES
17. Montreal Protocol
18. Basel Convention
19. Convention on Biological Diversity
20. UN Framework Convention on Climate Change
21. Cartagena Protocol on Biosafety
22. Stockholm Convention
23. Kyoto Protocol
24. UN Single Convention on Narcotic Drugs
25. UN Convention on Psychotropic Substances
26. UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
27. UN Convention against Corruption

END

ABOUT AUTHOR

Sarah Javaid is a Research Economist at PRIME. She completed her Master of Science in Economics from Lahore University of Management Sciences (LUMS) and Bachelors in Economics from Quaid-i-Azam University (QAU).

At PRIME, she is responsible for producing a quarterly report on Pakistan's business environment. Her research expertise include trade, policy analysis, and private enterprise.

Contact: 0323-8548181

Email: sarah@primeinstitute.org

freiheit.org

Post Box 1733

Islamabad 44000 – Pakistan

@FNFPakistan