

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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EU Approved GSP Plus Status to Pakistan

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Cotton and Products

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Report Highlights:

On December 05, 2013 the European Union (EU) Parliament approved the Generalized Scheme of Preferences (GSP) Plus status to Pakistan. Access to GSP Plus status means duty-free or lower duty access for almost all Pakistani products with almost 20% of exports entering the 27 European countries at zero tariff and 70% at preferential rates. Trade sources anticipate a growth of \$1 billion in textile exports per year over the next several years. FAS Islamabad expects a 20 - 25 percent increase of U.S. Pima and Upland cotton exports to Pakistan in MY 2013/14 and more in the coming years.

General Information:

On December 05, 2013 the European Union (EU) Parliament approved the Generalized Scheme of Preferences (GSP) Plus status to Pakistan. The effort to establish GSP Plus for Pakistan began as part of the EU's efforts to help Pakistan's economy recover from losses from devastating floods in 2010. The GSP Plus Act will come into force on January 1, 2014 and will be effective through 2017.

Access to GSP Plus status means duty-free or lower duty access for almost all Pakistani products with almost 20% of exports entering the 27 European countries at zero tariff and 70% at preferential rates. EU trade concessions will mainly benefit the country's largest manufacturer and exporters of textiles and clothing by enabling them to compete with regional rivals of Bangladesh and Sri Lanka, which already enjoy duty free access to the EU market.

This special status will provide Pakistan duty concessions on 3,500 products to EU markets where currently Pak exports face an average of 11% duty. Industry and government sources are expecting an increase in exports to be an important factor in economic growth and to help generate millions of additional jobs in the country. Common comments are that the GSP Plus status is likely to be a game changer for the country as it is expected to boost annual exports by US\$1 billion.

Pakistan's textile industry accounts for close to 50% of the country's total exports of \$26 billion for 2012. Textile exports also contribute about 8.5% share in gross domestic product (GDP) and provide 40% of the jobs in the manufacturing sector.

The EU is Pakistan's largest trading partner after the United States. Exports from Pakistan to EU are currently around 3.4 billion Euros (US\$4.6 billion) each year. The country mainly exports textiles and clothing products followed by leather goods.

Industry sources report that there are almost 6,000 tariff lines covered under GSP plus which covers 91% of total tariff lines. It is expected that Pakistan will actually benefit from approximately 2,500 tariff lines, including approximately 900 of which belong to the textile sector. Other products that will benefit include surgical instruments, sports goods, ethanol, plastics and textiles.

FAS sources anticipate a growth of \$1 billion in textile exports per year over the next several years. If Pakistan is able to meet this optimistic goal, FAS Islamabad expects a 20 - 25 percent increase of U.S. Pima and Upland cotton exports to Pakistan in MY 2013/14 and more in the coming years. The increase in exports will not only depend on Pakistan being able to beat its neighbors on price and quality but will also have to work around chronic issues of energy shortages, high cost of production and competitiveness.

