ENHANCING PAKISTAN'S TRADING BENEFITS FROM THE PROPOSED EU GSP PLUS SCHEME

POLICY RECCOMENDATIONS PAPER

TRADE RELATED TECHNICAL ASSISTANCE PROGRAMME

THE TRTA II PROGRAMME IS FUNDED BY THE EUROPEAN UNION

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Summary

This policy recommendations paper results from the findings of a research study and an extensive public-private consultation process conducted under the trade policy capacity-building Trade Related Technical Assistance (TRTA II) program, being implemented by the International Trade Centre (ITC).

The methodology used for arriving at these proposed recommendations is briefly described below (and detailed in Annex 1):

i) A research study was conducted in order to: (i) identify sectors and products having potential vis-à-vis the EU's GSP+ regime and (ii) analyse and report on the legislative measures, if any, that may be needed to support Pakistan's application for qualification as a GSP+ beneficiary State;

ii) Interviews by the Consultant with private sector stakeholders representing 80% of Pakistani exports to the EU in order to elicit firms and sector insight regarding current and potential exports to the EU;

iii) Responses received to the Consultant's questionnaires, which were circulated by the Trade Development Authority of Pakistan during its stakeholder consultation on Autonomous Trade Preferences;

iv) A stakeholder identification and mapping exercise carried out by Pakistan's Institute of Trade and Development in order to ensure the participation of public and private sector stakeholders in the process, obtaining the views of Federal Government ministries and departments, provincial departments and authorities, trade associations, chambers of commerce and industry, individual firms, universities and independent research organizations; and

v) Comments recorded by the Consultant during the Public-Private Dialogue for the Study, which was attended by more than one hundred twenty five representatives from the public sector, chambers of commerce, testing and certification agencies, trade associations and multi-sectoral representation of private sector exporting firms.

The proposed policy recommendations are, by their very nature, rather concise and aimed at providing the Federal Government of Pakistan, its relevant ministries, the provincial departments and authorities, trade associations, chambers of commerce and industry, individual firms, universities, independent research organizations and all other relevant stakeholders with a set of guidelines that can inform legislative decision-making, regulatory initiatives and business decisions geared to allow Pakistan to take full advantage of its future position vis-à-vis the preferential regime accorded by the EU's GSP+ scheme.

Background

On 31 October 2012, major changes to the EU's Generalized Scheme of Preferences (GSP) were enacted into law by the European Parliament through Regulation (EU) No. 978/ 2012. Revisions to the qualification criteria applicable to the special incentives scheme of the GSP have created an opening for Pakistan, among other nations, to apply for qualification as a GSP Plus (GSP+) beneficiary and gain increased access to the EU market through duty-free imports of GSP-eligible products.

The European Union (EU) is not only Pakistan's largest export destination (in 2011, Pakistani exports to the EU were valued at US$ 7.09 billion), but it is also engaged in multiple levels of social and economic development activities in the country. The GSP+ arrangement, which is conditional to ratification and implementation of 27 international conventions, provides a platform by which Pakistan's export-driven economy can be utilized for the promotion of basic social and governance standards to which the EU is strongly committed. Adoption of these conventions will assist Pakistan in integrating into the cross-border supply chains that will sustain its manufacturing activity and further promote its exports.

Although Pakistan's exports to the EU (Table 1, below) have risen from US$ 3.68 billion in 2003 to US$ 7.09 billion in 2011 (with exports recording a healthy rise of 40% since 2009), the share of exports to the EU as a percentage of Pakistan's total exports has declined by 16% in the same period, indicating faster expansion of Pakistan's exports to other markets. While this diversification is a positive development, the absence of a proportionate increase to the EU, the world's largest importer, must be a cause for concern and Pakistan must adopt the necessary industrial and commercial policies to address it, including within the framework provided by the EU's GSP+ scheme and the opportunities that it offers.

Table 43: Pakistan Exports to the European Union in 2003-2012 (US$ Billions)

Pakistan exports:	2003	2004	2005	2006	2007	2008	2009	2010	2011	Growth 03-10
A. To the EU	3.684	4.409	4.071	4.500	5.099	5.838	5.048	5.932	7.096	92.6%
B. To the World	11.930	13.379	16.050	16.932	17.838	17.554	20.279	21.413	25.343	112.4%
A / B	30.8%	32.9%	25.3%	26.5%	28.6%	33.2%	24.9%	26.3%	28%	(-9.1%)

Given the combination of Pakistan's indigenous raw materials, technical manpower and entrepreneurial skills, its exports to the EU remain well below their potential, given the import appetite of the EU-27 (in 2011, extra-EU imports were valued at US$ 2.28 trillion). This performance gap, as underscored by the consulted stakeholders, can be largely attributed to several domestic export sector inadequacies, one of which is Pakistan's continued inability to diversify its export products basket.

GSP+ as one of the factors of export competition, not the only factor

The tariff advantages provided by the GSP+ scheme are powerful and must be exploited, but they are not the only factor that can render Pakistan's exports competitive, sustainable and appealing on the EU market.

First, in a market such as the EU, in which more than half of all MFN tariff lines are already set at 0% and another quarter of them are below 5% *ad valorem*, any import duty preference under the GSP scheme is often balanced by cost, production, quality and delivery efficiencies from non-preferential suppliers. For instance, the small difference of 2.4% between GSP (9.6%) and MFN (12%) tariffs that apply to textiles provides little incentive for importers to utilize the preferential regime, especially if cost, production, quality and delivery efficiencies of textiles from non-preferential suppliers are factored-in. This is evidenced by the fact that exports of textiles and clothing from India and China under the MFN rate are more than double those of all other GSP, GSP+ and 0% duty suppliers put together. GSP+ tariff preferences do, however, make a considerable difference in higher-taxed and large volume/low profit margin goods such as footwear, seafood and fruits.

Second, tariff preferences under the GSP+ scheme are subject to quantity restraints and safeguards, but these instruments do not apply to exports cleared under MFN rates. Consequently, for EU buyers, import clearance under MFN is considered the more reliable and sustainable method, because such shipments are not subject to the uncertainty of import embargoes and/or of increased duties applicable upon arrival.

While the prospects of duty-free access for textiles and clothing suggest enormous scope for expansion of Pakistan's heavily textile-dependent exports, the reality is, therefore, somewhat different. The applicable quantity threshold (*i.e.*, tariff preferences are not available to a country for a product whose exports exceed 6% of the EU's annual GSP imports of that product) means that Pakistan's textile and clothing exports will largely remain subject to MFN import duties. What proportion is affected remains unclear since the EU Commission has not yet published the modalities that will be used for the application of the threshold.

Quantity estimations must also take into account the applicable safeguard provisions, under which tariff preferences are withdrawn when imports of textiles increase by 14.5% (and all other products by 17.5% in value, except for price-volatile ethanol, for which the cut-off is 13.5% by volume) over a period of three years. It is estimated that a total of US$ 580 million (*i.e.*, roughly, US$ 280 million in textiles, US$ 97 million in leather articles and US$ 203 million for all other products) can be additionally offered to EU buyers at 0% duty imports without attracting safeguard action.

These estimates do not take into account the possible increased exports of seafood, which is currently under an EU ban because of safety reasons, but which would enjoy a considerable competitive edge through substantial tariff preferences (GSP duties are 8%-16%) under GSP+ and could allow Pakistan to regain a market worth US$ 50 million at the time of the EU ban (2007), now worth approximately US$ 90 million (35% of Pakistan's global seafood exports in 2011).

> *Pakistan must take advantage of the tariff preferences provided by the EU's GSP+ scheme, but this preferential duty regime will not suffice alone to secure sustainable market access to the EU. They are merely a catalyst. Pakistan must take concerted action and adopt dedicated policies to address its comparative shortcomings vis-à-vis its direct competitors: costly factors of production, production constraints, quality and delivery inefficiencies, lack of demand-driven export strategies, compliance with EU's regulatory framework and private standards.*

Which sectors/products show the greatest potential for export increase under GSP+?

If the import threshold is applied at the HS level rather than on the basis of the GSP Section, the greatest scope for expansion of Pakistan's exports is clearly in the textiles and clothing sector. The capability to produce the relevant items already exists in Pakistan, but production is limited due to insufficient availability of synthetic and man-made fibres and the export volumes are not commensurate to the size of the EU import market in these products.

Exports of non-textile products to the EU show mixed results. While the value has risen from US$ 971 million in 2007 to US$ 1,405 million in 2011, exports have not kept pace with shipments to the rest of the world (from US$ 6,304 million in 2007 to US$ 10,776 million in 2011). During the 2002-2004 period of duty-free GSP "*special incentives*", exports of non-textile products from Pakistan could not increase by more than 1.5% *per annum*, suggesting that other factors, such as standards compliance, certification, quality control and packaging, which are as important as tariff preferences in order to capture of EU market share, were not catered for.

Many non-textile products that constitute Pakistan's "*traditional*" export sectors, such as sports goods, surgical instruments and Basmati rice, or fast-increasing exports, such as copper and animal casings, already enter the EU duty-free under either GSP or MFN rates. Therefore, for these products, the GSP+ tariff preferences will have no positive market access impact.

The following sectors (Table 3 below), which possess demonstrated export potential, either in the EU or on world markets, have been identified as having the potential for capturing increased market share due to the tariff advantage available under the EU's GSP+ scheme:

Table 44: Exports of Selected Products (2011) and EU Regular Import Duties Applicable Thereon

Product	Current Import Duty	Pakistan Exports to EU	EU Imports
Footwear	8%-16%	US$ 79 million	US$ 50,519 million
Ethanol	EURO 19.2/hectoliter	US$ 43 million	US$ 43,786 million
Plastic	6.5%	US$ 83 million	US$ 220,962 million
Fruit and Nuts	8%-16%	US$ 66 million	US$ 42,486 million
Gems and Jewellery	2.5%	US$ 33 million	US$ 105,553 million
Seafood	8%-20%	Banned since 2007	US$ 2,355 million

The greatest potential for Pakistan's increased exports to the EU clearly lays in the textiles and clothing sector. It must be achieved. The preferences under the GSP+ scheme must offer the added incentive for the Pakistani Government and industry to invest in higher technology, standards compliance, certification, quality control and packaging, and demand-driven output. GSP+ will not be there forever and investments must be made to make this sector sustainably competitive.

Is the EU's GSP+ scheme sufficient to make Pakistan's exports competitive?

Research shows that demand-driven export strategies are more effective at securing market share than tariff preferences. India and China, for instance, have successfully built, expanded and consolidated a majority market share in the EU's US$ 240 billion textiles, clothing and footwear import market, despite competition from countries that have 0% import duty preferences.

Their export success, and that of other countries such as Brazil, Hong Kong SAR, Thailand and Vietnam, results from careful and continuous study of the EU market and utilization of their strong industrial base, skilled manpower and managerial capabilities in order to manufacture products in large volumes, in line with EU standards, of acceptable quality and at prices that make them attractive to EU customers and enable these export sources to outsell their competitors.

GSP+ advantages perceived to be accruing to Pakistan are also likely to trigger strong defensive action from textiles lobbies within the EU (*i.e.*, Italy, Portugal and Greece in textiles, Romania in clothing) and offensive actions may be initiated by the main non-EU competitors of Pakistan (*i.e.*, Bangladesh, China, India, *etc*.).

In synthesis, the extension of the EU's GSP+ preferences to Pakistan will certainly boost its competitiveness, but ultimate success in accessing the EU market in greater quantities will also largely depend on Pakistan's ability to meet EU consumers' demand, both in terms of reliable export volumes and quality, to increase its production efficiency, to invest in technologies and skilled manpower, and to be able to deflect its competitors' defensive or offensive actions. GSP+ alone will not suffice.

The margins of duty preference accorded under the EU's GSP+ scheme can be a double-edged sword: they artificially increase the short-term competitiveness, but if not properly used to acquire long-term and sustainable efficiency, they bring complacence and downturn. Pakistan must invest in new technologies, production efficiency, good management practices, higher reliability of its supply chain, infrastructure, and safety/quality compliance. The short-term advantages of tariff preferences under the GPS+ must be wisely invested for this long-term goal, not for short-term profit.

What are the challenges faced by Pakistan's exports to the EU?

Noting that textiles and clothing enjoy the least level of import tariff preferences, Pakistan's main export line may turn into its biggest handicap for optimizing EU market access through GSP+. Given that substantial opportunities exist in the EU's textiles import market, the challenge is for Pakistan to respond with new clothing and textile products that carry the selling advantage of a 0% import duty for potential EU customers. Product concentration (*i.e.*, 83% of Pakistan's exports to the EU are made up of just two sectors: 1) textiles and clothing; and 2) leather) results in Pakistani exports to the EU being supply-driven and rather unresponsive to demand.

The key challenges to increasing Pakistan's exports to the EU are found to lie primarily within the border. In the textiles sector, Pakistan needs to analyse further why countries such as Bangladesh, Morocco, Tunisia, Turkey and Vietnam and have greater market share in the EU, not to mention China and India, whose exports are already at a level that Pakistan may not be able to reach for several years, if ever. The Pakistani Government and industry stakeholders must work to address the anomalous situation whereby US$ 8 billion of yarn and fabric are exported to three countries (*i.e.*, Bangladesh, China and Turkey), which use these raw materials to produce finished goods that capture market share in the EU to the detriment of Pakistan. By a rough estimate, availability of this raw material in Pakistan, coupled with a demand-driven domestic industry that were able to compete with the countries indicated above, would create 200,000 direct and another 300,000 indirect jobs in the value-added textile sector.

Stakeholder consultation and research indicate that serious impediments to increasing exports (not only to the EU, but to all markets) are posed by costs of production, lower productivity, volatile prices of raw materials in the textiles and plastics sectors, difficulty in achieving the required market standards, costs of certification and lack of customer confidence due to the poor security environment.

In the non-textiles sector, products suffer from gaps in acceptable testing and conformance assessments, non-adherence to standards, lack of compliance with traceability and global GAP standards, sub-standard storage and packaging of produce, and inconsistent levels of quality control that are necessary for mass penetration in sophisticated and prosperous markets.

> *Despite the daunting task, the recipe is simple and well known: the key challenges to increasing Pakistan's exports to the EU lay primarily within the border. Whether it is in the textile and clothing sector or in other high potential sectors, Pakistan's export constraints rest in its high costs of production, low productivity, volatile prices of raw materials, difficulty in achieving the required market standards, costs of certification, lack of customer confidence, gaps in acceptable testing and conformance assessments, lack of compliance with traceability and global GAP standards, inconsistent levels of quality control and supply-driven exports that are unresponsive to demand. The EU market is a lucrative and highly profitable market, but it is also a very sophisticated and competitive markets. Pakistan must use its GSP+ advantages to improve within the border.*

The importance of complying with SPS and TBT standards and technical regulations

In the absence of sufficient in-country facilities to conduct the required testing and conformity assessment, the cost of overseas testing and certification is reported to add to the cost burden of Pakistani exporters, thereby diminishing their competitiveness. For instance, achieving REACH certification (and sustaining the related costs) will be a costly and complex undertaking for Pakistani producers and exporters in the leather and ethanol sectors.

In order to ensure compliance with the applicable SPS and TBT requirements, it is paramount that all the relevant standards and technical regulations, applicable in each sector and to each exported product, be identified, understood and properly applied by Pakistani producers and traders (particularly in the areas of SPS regulation, HAACP measures and REACH).

The main challenges facing Pakistan's compliance with all these non-tariff measures, which have the ability to severely diminish the margins of comparative competitiveness of its products benefitting of the tariff preferences under the EU's GSP+ scheme include: the costs of compliance; the lack of accredited national testing and certification resources and facilities; the lack of awareness amongst producers of the need to certify given products for export to the EU; the need to meet environmental and labour standards; and the increasing importance of meeting voluntary sustainability standards.

> *This area of compliance with the EU regulatory framework is critical. Pakistani Government and industry must work together to improve its producers' ability to comply, if need be in cooperation with dedicated technical assistance programmes. GSP+ tariff preferences are worthless without products that meet the EU's SPS and TBT standards and technical regulations.*

Is Pakistan well-positioned to be awarded GSP+ status?

With respect to the 27 conventions listed for GSP+ qualification, Pakistan has currently ratified all of them, except for the Amendment to Article 20, Paragraph 1 of the Convention on the Elimination of All Forms of Discrimination against Women (New York, 22 December 1995); and the Amendment to Annex B of the Kyoto Protocol to the United Nations Framework Convention on Climate Change Nairobi, 17 November 2006).

The most critical aspect of Pakistan's compliance with this EU requirement relates to the obligation of monitoring the application of the 27 conventions. The EU's GSP+ 2014 scheme requires beneficiaries to unconditionally accept monitoring of some of the 27 conventions by unnamed third parties from civil society that could include NGOs. Another critical aspect relates to the fact that, because of the 18th Amendment to the Constitution of Pakistan adopted in 2010, a shift of power relevant to the conditions of GSP+ qualification has occurred between the Federal Government and the Provinces. While the Federal Government is authorized to negotiate foreign treaties and is the authority that will deal with matters such as those related to the reporting and monitoring of the 27 conventions in light of the EU's GSP+ 2014 scheme, on-the-ground implementation of the corresponding domestic legislation is the preserve of Pakistan's Provincial Governments. Constitutional devolution has occurred. However, the Provincial Governments have so far neither developed the required legal framework or legislation for compliance with international obligations, nor authorized the Federal Government to act on their behalf in this matter.

This dichotomy necessitates the creation at the Federal level of a facilitation and supervisory body that can coordinate with the Provincial Governments in order to ensure that the rules and regulations enacted have uniformity and cohesion across the country, particularly in the area of international monitoring required for compliance with GSP+ conditions.

> *Pakistan is well-positioned to be awarded GSP+ status having already ratified 25 out the 27 Conventions required under the EU's GSP+ scheme. However, its new constitutional distribution of powers between the Federal and Provincial Governments requires that good coordination be achieved, ideally by means of a joint supervisory body, in order to ensure that the rules and regulations enacted have uniformity of application and cohesion across the country, particularly in the area of international monitoring required for compliance with GSP+ conditions.*

Conclusions and recommendations

The textiles sector continues to account for 75% of Pakistan's exports to the EU and must, therefore, remain the focus of policy action to capitalize on GSP+. Such conclusion appears to be economically justified by the fact that this sector has idle capacity, it is low on energy consumption compared to yarn and fabrics production, it is labour intensive and, being located in urban areas, offers the best prospects for gender balancing of the labour force and it can bring large export volumes at short notice compared to other sectors.

Having identified in the Study huge potential for duty-free entry in certain items in HS 63 as well as the untapped potential in HS 61 and 62, it is recommended that Pakistan engage India as a partner, rather than continue viewing it as a competitor, and begin imports of man-made fibre from India for the manufacture and export of apparel made from these fibres, in view of the huge gap between demand in the EU and Pakistan's ability to supply. By means of example, reportedly India's leather industry association has already grasped the potential of GSP+ for export of leather garments and sent two delegations to discuss the possibility of Indian investment in Pakistan's leather industry. This model approach must be replicated in the textiles sector with Pakistan driving it and ensuring that the ensuing benefits accrue primarily to Pakistan.

In light of this objective, immediate attention needs to be paid to two drivers: (i) Increasing domestic production of synthetic and man-made fibres (*i.e.*, cotton textiles and clothing account for less than 20% of global demand), which will also result in collateral benefits by means of greater export of PET; and (ii) Correcting the anomaly whereby US$ 8 billion of cotton textiles raw materials are made available to Pakistan's competitors, but not to its own domestic industry, at great costs both in terms of missed export opportunities and lower employment in the neighbourhood of half a million jobs.

In general, the main conclusion is that the principal hurdles to increasing Pakistan's exports to the EU lie within the border. Pakistan's structural problems need to be addressed. Lack of appropriate policy-making, scarce coordination between Government and industry, and few targeted investments over the years in key areas such as technology, infrastructure, quality control and supply-chain management have resulted in Pakistan lagging seriously behind competing countries such as Bangladesh, China, India, Morocco, Tunisia, Turkey and Vietnam, which have all recorded much faster growth and captured markets, including the one of the EU. The EU's GSP+ scheme with its preferences is an opportunity that Pakistan simply cannot miss.

While the textiles sector is the one where all priority efforts by Pakistan (*i.e.*, both the Government and its industry) must be made, the Study has revealed that the EU's GSP+ scheme will provide Pakistan with opportunities also in other export sectors, such as leather and footwear, fruits, ethanol, seafood, gems and jewellery. By the very nature of the GSP+ scheme and in light of Pakistan's progressive development, these opportunities may only be available in the short and medium-term. Therefore, it is urgent that Pakistan puts in place and implements the right policies in order to ensure the medium and long-term sustainability of its industrial, commercial and export development.

The summarized table below is intended to provide a concise visual of the policy recommendations stemming from the Study and that Pakistan should consider for purposes of taking full advantage of the EU's GSP+ scheme.

Key Policy Recommendations Requiring Priority Attention		
	Horizontal Policies	
Subject	**Intervention**	**Outcome**
27 Conventions	Early ratification of: Amendment to Article 20, Paragraph 1 of the Convention on the Elimination of All Forms of Discrimination against Women (New York, 22 December 1995); and Confirm acceptance of the Amendment to Annex B of the Kyoto Protocol to the United Nations Framework Convention on Climate Change (Nairobi, 17 November 2006).	Pakistan will complete ratification of all the stipulated Conventions necessary to qualify for GSP+. Irrespective of whether Pakistan qualifies for GSP+, visible intent to implement the labour, environment and social agenda conventions will assist Pakistan to integrate into the global supply chain.
27 Conventions	Develop a focal body to coordinate between the Federal Government and the Provincial Authorities for enactment and/or harmonization of domestic legislation; and Ensure that the rules and regulations enacted have uniformity of application and cohesion across the country, particularly in the area of international monitoring required for compliance with EU's GSP+ conditions.	EU monitoring of the application of the 27 Conventions will be done at the country level, so all relevant domestic legislation must be harmonized to avoid *lacunae*. Production in areas such as FATA, and PATA is not likely to pass monitoring of the 27 Conventions and may result in loss of investments and inability to take advantage of preferential access to EU market.
27 Conventions	Initiate steps for FPCCI and Pakistan's main Chambers of Commerce to liaise between the Federal/ Government, the Provincial Authorities and the relevant trade sector associations in order to assist with the implementation of the requirements under the 27 Conventions at firms' level.	Compliance of many conventions will be monitored at the firms' level and individual companies infractions can result in an entire sector being de-listed and severe economic and commercial consequence. Capacity building at firm level will assist in obtaining orders from the major multi-national buyers.
Gender Mainstreaming	Encourage the employment of women in the textiles, apparel and footwear sectors.	Pakistan lags behind all the major textile exporters in the number of women employed. Apart from increasing household incomes in urban areas, the addition of women will enhance the quality of goods produced for export.
Environmental Improvements	Pollution in leather tanneries must be addressed and policies adopted to favour investments and upgrading; and The basic welfare standards at factory level must be improved and uniformly achieved, starting from the export plants.	Containment of industrial pollution is a major environmental goal of the EU and the implementation of dedicated policies that can be traced will facilitate EU monitoring and EU's quality control assessment of this sector. Improved shop floor working conditions will result in major buyers placing increased orders and preferring Pakistan to other SAARC countries and competitors.
Export Marketing	Focused studies should be commissioned and carried-out in order to identify viable exportable products and customers for the EU market; and Government should assist the private sector associations in generating actionable market studies and targeting	Studies will result in identification of goods whose production takes into account existing realities and constraints (i.e., products involving low fixed capital investment, low energy consumption, high labour employment and which use as much as possible labour-intensive

	Pakistan's export drive and strategies.	domestic raw material).
SPS/TBT Compliance	Pakistani Government and industry must work together to improve its producers' ability to comply with the EU's regulatory framework on SPS and TBT issues, if need be in cooperation with dedicated technical assistance programmes; and National certification centres and conformity assessment bodies should be constituted and/or better staffed, equipped and trained, with a focus on export.	Pakistani products for export will achieve the required market standards, the costs of certification will diminish, EU customers' confidence will grow, and quality control will become reliable and a powerful factor of advantage vis-à-vis competitors. Pakistan will be able to take full advantage of GSP+. GSP+ tariff preferences are worthless without exported products that can meet the EU's SPS and TBT standards and technical regulations.
Certification	New sector-specific regulatory frameworks should be put in place to encourage domestic investment by well-known overseas testing and certification agencies. Incentives should be considered and priority export sectors (for purposes of GSP+ eligibility) fast-tracked.	Accredited certification (ISO, Global GAP, Social Audit, FLO, *etc*.) will help to promote exports of products in several sectors other than just textiles and leather, which already comply with many EU requirements.
Legislative Improvements	Harmonization of compliance legislation at Federal level and across all Provinces, in relation to compliance with both EU's GSP+ requirements and relevant EU's SPS/TBT requirements, including SPS control, conformity assessment and certification.	A stronger Pakistani legislative and regulatory framework, including on monitoring and enforcement, will improve the quality, reliability and compliance of Pakistani products with EU's GSP+, SPS and TBT requirements, thereby improving Pakistani's export performance and competitiveness.
Capacity Building	Capacity building programmes should be conceived and implemented, through cooperation among Government, industry, relevant donors and EU importers, in order to train Pakistani producers and exporters on EU's GSP+, SPS and TBT requirements, marketing strategies and good governance, including traceability.	Pakistani products will enjoy greater market access to the EU and will be more marketable, with positive spill-over effects on the wider economy, employment and both Pakistan's export performance and ability to attract foreign investments.
	Sector-Specific Policies	
Subject	**Intervention**	**Outcome**
Textiles	In the short-term, the importation of synthetic fibres and/or man-made fibres and fabrics from India should be encouraged. In the medium and long-term, new policies should be adopted to encourage investment in domestic production of synthetic and man-made fibres.	Availability of synthetic and man-made fibre fabrics will provide Pakistan's made-ups and apparel manufacturers with the raw material to compete in an existing EU import market of US $11 billion *per annum*, which Pakistan currently exploits for with sales of less than US $ 80 million. The enhanced availability of such raw material will also enable greater access to the EU import market of knitted and woven apparel, which is worth more than US $ 90 billion *per annum* and where Pakistan's exports are currently negligible.
Textiles	Provide industrial, fiscal and investment incentives for Pakistan's and foreign-invested industry to focus on value addition by encouraging availability of yarn and fabrics to the domestic processing industry.	At present, Pakistan is exporting annually more than US $ 8 billion worth of yarn and fabrics to China, Bangladesh and Turkey, which are Pakistan's main competitors in the EU's apparels and textile-made-ups market. Availability of the same *quantum*

		of raw material in Pakistan, if coupled with the growth of Pakistan's processing and value-addition industry, would create an estimated 200,000 direct and 300,000 indirect jobs in the textile value-added sector, enhancing in particular the gender-balancing efforts of the Government and capitalizing on key duty-free openings under the EU's GSP+ scheme.
Seafood	Urgent measures and policies must be adopted and enforced for attaining minimum compliance with EU's health and hygiene standards and thereby terminating the EU ban imposed on Pakistani produce.	A market which has been lost because of hygiene incompliance is now worth around US $ 75-100 million *per annum* and could be regained simply by meeting basic sanitary measures, especially in light of the considerable duty advantage (*i.e.*, 8%-20%) offered to Pakistan by the EU's GSP+ scheme vis-à-vis Pakistan's non-GSP+ competitors.
Footwear	Devise policies to attract domestic and foreign investment in the manufacturing of footwear and make further efforts for higher compliance in relation to labour and environmental standards, which should be skilfully advertised in order to compete with SAARC countries and other GSP+ beneficiaries.	Zero duty imports of footwear under GSP+ will provide price a tariff advantage of 8%-16% vis-à-vis non-preferential sources, which is a major factor in the intensely competitive US $ 50 billion EU footwear market. China, Thailand and Vietnam have well-developed footwear industries and technical/managerial know-how, but no GSP+ duty advantage in the footwear sector. Pakistan has the additional advantages of local raw material availability (*i.e.*, hides and skins, fabrics, plastics) and competitively-priced wages in a highly labour intensive industry. Therefore, this is a key area where greater investments can easily be attracted and result in a powerful catalyst for economic development.