

GSP Plus status has been responsible for textile exports growth since 2013

It has been four years since Pakistan's textile sector received the much needed GSP Plus status from the European parliament. GSP plus is a special incentive arrangement for sustainable development and good governance. GSP Plus status is granted to those countries that are vulnerable due to a lack of diversification within the international trading system. These incentives are given to these countries to assist them to assume the special burdens and responsibilities resulting from the ratification and effective implementation of currently 27 core international conventions on human and labour rights, environmental protection and good governance. Pakistan ratified all the 27 conventions.

To be eligible for the GSP Plus status, exports of a country should not exceed 2% of EU's global GSP imports. Pakistan had a share of 1.6% in 2013 which has practically remained constant. The second criteria require that seven largest sectors of products should contribute more than 75% of its exports to the EU. Pakistan's share of seven largest sectors is 94% well above the required level. Furthermore, the country should not be a high or upper middle-income country as per World Bank criteria. Pakistan remains a low-income country.

The duty-free treatment for Pakistani products covers 96% of products exported to the EU by Pakistan. It is the second country in the entire South and South East Asian region to have duty free access to European Union. Competitors in textile and clothing sectors such as China, India, Vietnam, Thailand and Indonesia do not have the duty free access and preferential access resulting in 10 to 14% duty advantage to Pakistan against them.

The GSP plus status for Pakistan was received enthusiastically by the textile industry of Pakistan which was indeed a major achievement on part of the industry and the government. While EU's GSP+ preferences to Pakistan improved our competitiveness, ultimate success depended upon Pakistan's ability to meet demands of highly discerning EU consumers for quality and increasing requirements of meeting environmental challenges. Let us examine if our industry has been able to achieve this success as per expectations

The last few years have seen a steady decline in the exports of commodity textiles primarily yarn and grey fabrics. The value-added sectors, however, have seen significant and visible growth over the last three years. It can be said that the value-added sectors of apparel, home textiles and most importantly the burgeoning retail sector have been the salvation for this vitally important textile industry of Pakistan.

Every year Pakistan Textile Journal publishes a compendium of most relevant textile statistics to analyse the past and future direction of the textile industry. A snapshot of the entire textile supply chain is presented to our readers with a detailed competitive analysis to help them comprehend the magnitude of the issues faced in today's highly competitive global scenario. Compared to 2013 pre GSP scenario, yarn and fabrics exports showed a decline of 31% and 12.5% while the value-added sectors of towels, bedwear, readymade garments and knitwear have shown consistent growth over the last five years despite severe handicaps of blocked funds towards sales tax, acute energy crisis and uncertain political situation in the country and region. However, the direction is clearly towards higher value addition and our textile industry should be geared to continue taking the maximum benefit of the advantageous position they have due to GSP Plus status. ♦

