The GSP+ and Exports of Pakistan to the European Union

Iqbal Ahmad A. Soomro*
Ishaque Ahmed Ansari**

Abstract
The European Union (EU) introduced a scheme known as GSP+ (Generalised Scheme of Preferences Plus) for importing products from developing countries, effective from January 2014, with lowering of tariffs substantially. The GSP+ is termed as a 'special incentive arrangement for sustainable development and good governance.' There are currently eight GSP+ beneficiary countries: Armenia, Bolivia, Cape Verde, Kyrgyzstan, Mongolia, Pakistan, the Philippines, and Sri Lanka. This study is focused on the exports of Pakistan, Sri Lanka, and the Philippines to the European Union. In addition, the impact of GSP+ on the trade of Pakistan, Sri Lanka, and Philippines. Descriptive statistics and regression analyses have been performed to identify the impact of GSP+. For regression analyses, data for the period 2008-2019, i.e., six years before the GSP+ (2008-2013) and six years after the GSP+ (2014-2019) has been studied. The result shows that Pakistan is the most beneficiary of the GSP+ as compared to Sri Lanka and the Philippines. It has also been noticed that the exports of Pakistan have shifted from Asia and Africa to the EU in the wake of the GSP+.

Keywords: GSP+, Regression, Compound Growth Rate, the State Bank of Pakistan, UN Comtrade Database

Introduction
In an 'economic and norm-based' foreign policy initiative, 'in the post-cold war world order,' the European Union granted the Generalised Scheme of Preferences Plus (GSP+) to Pakistan through the Single Delegated Act

* Mr. Iqbal Ahmad A. Soomro is a PhD Scholar at the Department of Social Sciences, Shaheed Zulfikar Ali Bhutto Institute of Science and Technology (SZABIST), Karachi. Email: iasumro@gmail.com.

** Dr. Ishaque Ahmed Ansari at the Faculty of Social Sciences, Shaheed Zulfikar Ali Bhutto Institute of Science and Technology (SZABIST), Karachi. Email: ishaqueansari@yahoo.co.uk.

passed by the EU Parliament in Brussels, in December 2013, in accordance with Regulation (EU) No. 978/2012 dated 25 October 2012. The GSP+ was launched in January 2014 for a period of ten years, and the grant of the incentive is reviewable after every two years. The GSP+ is termed as a 'special incentive arrangement for sustainable development and good governance.' This 'special incentive arrangement' has been granted to Pakistan to help boost its exports to the 28-Member European Union (the 'pre-Brexit' EU), with lowering of tariff barriers substantially. The award of GSP+ incentive to Pakistan by the European Union has been termed 'a unique endeavor'; 'an opportunity to integrate with the international trading system.' However, the grant of the 'special incentive' and its continuation has been linked by the EU to the effective implementation of 27 international conventions by the beneficiary country. These 27 international conventions are related to human rights with focus on legislation to improve women, children, transgender and labour conditions, reforming governance, and improving environmental standards etc. The GSP+ is perceived as a major step towards boosting Pakistan's economy by way of earning additional revenues annually as a result of expected increase in exports. However, Pakistan has to effectively implement relevant conventions prescribed under the GSP+. Accordingly, on the one hand, the 'incentivization' is viewed as the EU's multi-dimensional, multi-purpose and an institutionalized approach based on the EU's 'trade philosophy' of economic growth, and on the other, an improvement of 'norms', such as, human rights, governance etc. in the beneficiary/recipient country.

Pakistan-EU Relations

In retrospect diplomatic relations between Pakistan and the EU dates back to the early 1960's, when Pakistan along with the other developing countries sought duty free access to the markets of industrialized countries through the United Nations Conference on Trade and Development (UNCTAD) and the General Agreement on Tariffs and Trade (GATT) to promote industrialization and international trade in the developing countries. Various cooperation agreements have been signed between Pakistan and the European Community (EC - as it was then called) since 16 November 1976 when the First 'foundations' Accord was signed. The five-year Commercial and Cooperation Agreement was made in 1986. In April 1998, an EU-Pakistan Agreement was initialed in Brussels. After the military coup in Pakistan in October 1999, political dialogue was stalled, as a result, the Third Generation Cooperation Agreement was 'baffled' because 'a non-civilian political set up was not easily acceptable in the post-cold war world ... [However] EU-Pakistan relations became more cordial after Pakistan's decision to back the US-led coalition's war against the Taliban and al-Qaeda.'[1]

An EU-Pakistan Five-Year Engagement Plan was adopted in 2012, aiming at building 'a strategic relationship.' Under the Plan, Pakistan's eligibility to benefit from the EU's GSP+ as from 2014 'on the basis of the EU's GSP + regulation' was envisaged. Pakistan and the European Union also signed a Strategic Engagement Plan (SEP) on 25 June 2019 to further deepen relations and enhance the level of bilateral cooperation. The SEP is perceived as 'a beginning of a new chapter' in the history of relations. Most recently, an EU-Pakistan Business Forum for Small and Medium Enterprises was launched on September 8, 2021 which is aimed at boosting trade with countries in the European Union. The object of the Forum is "to provide opportunities to both EU and Pakistani businesses to work together to become engines of development and partnership and contribute to enhancing bilateral trade."[2] It has been declared that it would 'enable Pakistani SMEs to benefit from a wide range of concessions offered under the preferential trade agreement of Generalised Scheme of Preferences Plus (GSP+).'[3]

Pakistan and the GSP+

Pakistan's participation in the global "war on terror" put a lot of pressure on its internal security. It had a negative effect on economic and social sectors. Amid these circumstances, the award of the GSP + by the European Union was regarded as 'a sigh of relief' for Pakistan. As regards the impact of this incentive, it has been anticipated that increase in exports due the GSP+ could 'bail out the country' from its economic crunch. The grant of GSP+ to Pakistan has been considered as 'a sign of confidence' shown by the international community, particularly, the European Union.[4]

---

1 Naveed Ahmad Tahir, *A Survey of EU-Pakistan Relations in the Contemporary Regional & International Setting: Political, Security, Economic and Development Aspects*, Jean Monnet Project Series (Area Study Center for Europe, University of Karachi, 2003), 14.

2 "EU-Pakistan business forum for SMEs launched", *Dawn*, September 9, 2021.

3 Ibid. See also https://www.eeas.europa.eu/delegations/pakistan/european-union-encourages-pakistani-smes-seek-opportunities-eu-single-market_en?s=175.

4 "EU grants GSP Plus status to Pakistan", 12 December 2013, at https://www.dawn.com/news/1072051/eu-grants-gsp-plus-status-to-pakistan.

A number of studies have been conducted on the GSP+ analyzing its *nature* and *scope* as well as assessing the *impact* of the GSP+ on the economy of the beneficiary country and ascertaining the state of compliance and implementation of the international conventions prescribed under the GSP+ for the recipient country. Many experts have examined the GSP+ from different standpoints. Kishwar Khan maintains that "GSP+ arrangements go a long way in national prosperity and income generation."[5] Magdalena Slok-Wodkowska and Pawel Folfas have examined the state of exports from developing countries to the EU member states under the GSP+ scheme and observe that "… the *economic* magnitude of GSP+ scheme, which is also [a] *political project*, appear[s] to be *very small*". [6]

Hannes Berggren has examined the GSP+ in detail and has questioned whether the GSP+ is really a 'Plus.' Nevertheless, he states that as the EU was a 'forerunner' and the first high-income importer to introduce a GSP, it is at the time "the largest trading partner for many of the world's developing countries."[7] The author points out that the GSP+ is not a 'permanent' phenomenon, it would rest on exporters, quality of products, matter of comparative advantage and reliability.[8] James Roberts and Huma Sattar have discussed the impact of the GSP+ on Pakistan's economy, specifically on the textile sector. They have observed that the GSP Plus status has caused 'a flurry of new economic activity in Pakistan' particularly in the textile sector. According to them, the GSP+ 'would boost exports by $ 1 billion each year' and that 'this boost in exports could create opportunities for Pakistan' to increase its market competitiveness, diversify its product-mix, and strengthen its industries.[9]

---

5 Kishwar Khan, "Pakistan – Trade Performance under the GSP+," (Friedrich Ebert Stiftung, November 2017), 8, see https://library.fes.de/pdf-files/bueros/pakistan/14073.pdf.

6 Magdalena Slok-Wodkowska and Pawel Folfas, "Export from Developing Countries to the EU Member States under GSP+ Scheme," 2012, p. 19, see https://www.estg.org /ETSG2012?Programme/Papers/475.pdf.

7 Hannes Berggren, Is GSP+ A Plus? - A Mixed Method Review of Trade Preference Scheme GSP+, Thesis, Lund University, 2019, 5. Visit at https://scholar.google.com/scholar?hl=en &as_sdt=0%2C5&q=Is+GSP%2B+a+ Plus%3F+by+Berggren&btnG=.

8 Ibid.

9 James Roberts & Huma Sattar, "Pakistan's economic disarray and how to fix it", (2015), 16. Visit at https://www.heritage.org/asia/report/pakistans-economic-disarray-and-how-fix-it.

The purpose behind the mega plan of economic development is clubbed with conditions, specifically, such as political stability, labour conditions, child labour, and women protection at work place. Dr Hafeez Pasha has examined the GSP+ status with a focus on compliance of labour standards in Pakistan and has outlined *eight* conventions related to labour rights and key indicators to determine as 'to which extent the eight labour conventions are being adhered to in Pakistan.'[10] Maximillan Beiter seeks an answer to the question whether the EU's GSP+ policy is effective in promoting sustainable development by fostering labour rights on the assumption that the policy would create 'high economic incentives' (economic stakes) for developing countries to translate core labour standards into their legislation. Moreover, the author considers the GSP+ as a 'foreign policy tool' which has two-fold purposes: first, to stimulate economic growth in developing countries; second, to promote 'sustainable development by upholding the objectives of the international conventions.'[11] Muhammad Riaz Shad citing Ian Manners' study which stated that the EU's foreign policy in the post-cold war world order based on 'five core norms – peace, liberty, democracy, human rights and rule of law'. These are explicitly articulated in the EU's treaties, foreign policy documents, and its partnership agreements with developing countries.[12]

The present study, however, aims at examining the impact of GSP+ on Pakistan's exports to the EU during the period of six years *before* the GSP+ (2008-2013) and six years *after* the GSP+ (2014-2019) by applying Simple Linear Regression Model, and it also seeks to compare it with the exports of two GSP+ beneficiary Asian countries viz. Sri Lanka and the Philippines.

Problem Statement

The GSP+ was granted by the EU to developing countries to boost exports, and, at the same time, it was linked to the effective implementation of the twenty-seven conventions related to human rights, labour rights, environment, and governance by the beneficiary country. Like Pakistan, Sri

[10] Hafiz A. Pasha, "GSP plus status and compliance of labour standards", Friedrich Ebert Stiftung, (2014), 21, see https://library.fes.de/pdf-files/bueros/pakistan/11046.pdf

[11] Maximilan Beiter, Is the European Union's GSP+ Incentive Scheme Effective in Promoting Labour Rights? – A Comparative Analysis, (Thesis, Erasmus University Rotterdam, 2017), 1. See http://thesis.eur.nl/pub/40973/Beiter-Maximilian.pdf.

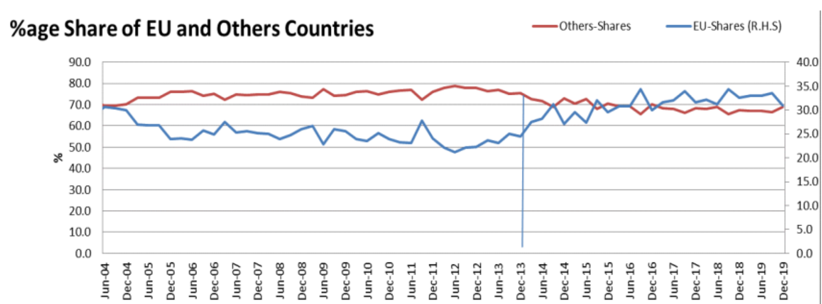
[12] Muhammad Riaz Shad, "Interests and Norms in EU's Policy towards Pakistan after 9/11", *Journal of European Studies* 33, No.2 (2017): 40. Visit at https://ojs.asce-uok.edu.pk/index.php/JES/article/view/25/24.

Lanka and the Philippines are also its beneficiaries. A considerable time has passed since the award of the incentive. It is to examine, at this juncture, as to what has been the impact of the GSP+ on exports of Pakistan to the EU in the period between 2014 and 2019 and compare it with two other GSP+ beneficiary Asian countries - Sri Lanka and the Philippines. The intention is to ascertain how Pakistan has fared in comparison to these countries.

Exports of Pakistan to the EU: Pre-GSP+ and the GSP+ Periods

Exports of Pakistan to the EU vis-à-vis others (countries other than the EU member states) are depicted in the following chart:

Figure 1: Overall Exports of Pakistan



Source: State Bank of Pakistan

It is evident from Figure 1 that Pakistan's exports to countries, other than the EU member states, have been on higher side right from January 2004 till 2013 but after the award of the GSP+ to Pakistan by the EU in 2014, the percentage share of 'exports from Pakistan to the EU' is seen increasing. As depicted in the above graph, as the consequence of GSP+, the exports from Pakistan to the EU have even *surpassed* as compared to its exports to other countries.

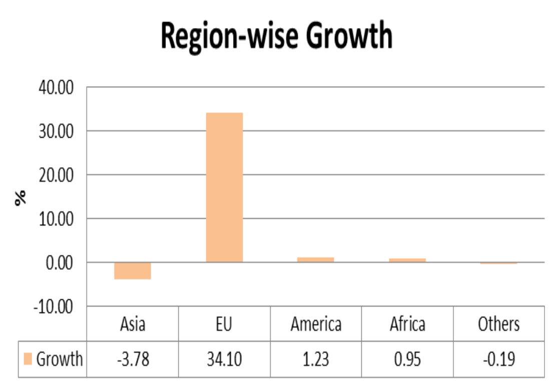
Region-wise exports of Pakistan

The region-wise exports of Pakistan have been studied to know the status of Pakistan's exports with reference to different regions of the world and draw comparison with its exports to the EU. Based on the collected data, following Table 1 reveals region-wise Pakistan's exports share for the period from 2008 to 2019.

Table 1

Region	Before GSP+ (2008-2013) Share	After GSP+ (2014-2019) Share	Growth%
Asia	44.8	40.2	-3.78
EU	25.4	31.7	34.10
America	20.8	19.6	1.23
Africa	5.9	5.6	0.95
Others	3.2	2.9	-0.19
Total	**100**	**100**	**7.26**

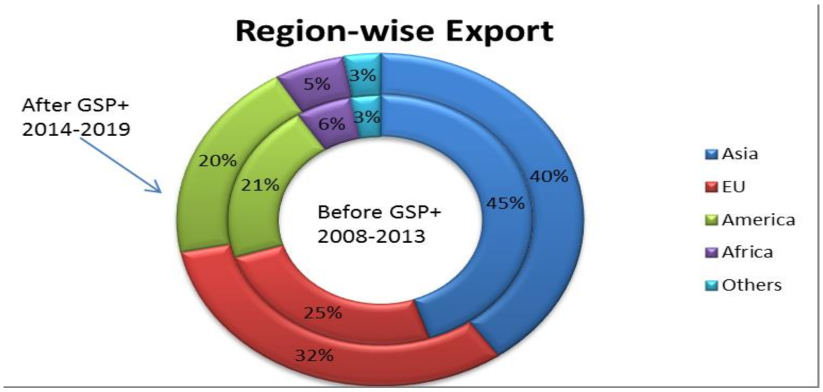
Figure 2



Source: State Bank of Pakistan (SBP)

The above Table 1 shows the *region-wise* percentage share of Pakistan's exports to the EU "*before*" the GSP+ (2008-2013) and the percentage share of exports of Pakistan to the EU "*after*" the GSP+ (2014-2019). It indicates *Growth* percentage as well. It demonstrates that percentage share of Pakistani imports in the EU before the GSP+ was about 25%, whereas the award of scheme has increased the share to around 32% in 2014-2019. Figure 2 (Bar Diagram) demonstrate that exports of Pakistan to the EU have registered a *growth percentage* of 34.1 % as a result of the Scheme.

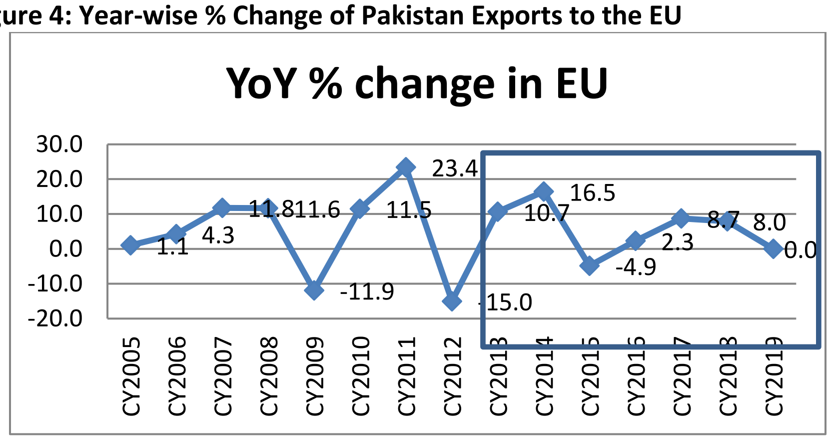
Figure 3



Source: State Bank of Pakistan

The above diagram (Figure 3) reflects that the *region-wise* percentage share of exports of Pakistan to the EU before the preferential system (2008-2013) was 25% and that has increased to 32% after the GSP+ (2014-2019). Thus, there is an increase of 7% in share of the EU to total exports of Pakistan. However, it is noticed that there is a decline of about 5% to the Asian region and a slight decrease to the African and American regions too.

Figure 4: Year-wise % Change of Pakistan Exports to the EU



Source: State Bank of Pakistan

Figure 4 is quite interesting and revealing in that it shows that since Pakistan was granted the GSP+ in 2014, its exports to the EU in terms of percentage share reflect a positive change of 16.5 % as compared to that of the previous year (2013). However, the next year, in 2015, Pakistan exports to the EU declined 5% as the country encountered political disturbances and experienced precarious law and order situation. In the year 2017, exports registered 8.7% year-on-year positive change and in 2018 8% change. However, in 2019, there is a minor variation. The ups and downs of exports performances of Pakistan during the years under study point to the fact that in order to have sustainable economic growth there is a pressing need to have political stability and peaceful law and order situation in the country.

Table 2: Pakistan Exports Share to Major EU and other Countries:

Country	Share (2008 - 2013)	Share (2014 - 2019)	Growth
U. S. A.	16.7	16.4	1.8
China	7.3	8.2	15.6
U. K.	5.3	7.1	38.5
Afghanistan	5.5	5.7	6.1
U. A. E. Dubai	5.7	4.5	-18.1
Germany	4.4	5.4	26.8
Italy	2.8	3.1	12.4
Spain	2.2	3.5	65.1
Bangladesh	2.7	3.0	14.0
Netherlands (Holland)	1.8	3.0	68.2
Hong Kong	2.4	1.1	-52.5
France	2.0	1.9	0.0
Belgium	1.8	2.4	37.8
Saudi Arabia	1.9	1.7	-6.0
Turkey	2.3	1.2	-43.9
India	1.3	1.6	19.5
South Korea	1.5	1.3	-11.4
Sri Lanka	1.3	1.2	-1.7
Canada	1.0	1.1	16.2
South Africa	1.1	0.8	-22.8
Others	29.0	25.9	-7.5
Total Export	**100**	**100**	**3.5**

Source: State Bank of Pakistan

Above Table shows growth in terms of "percentage share" "*before*" and "*after*" the GSP+ of Pakistan exports to major EU-countries vis-à-vis a few other countries. It reveals that exports of Pakistan to the EU countries, especially the Netherlands, Spain, Belgium, Germany, and Italy have shown a growth of 68%, 65%, 38%, 27%, and 12% respectively. However, there is a significant decrease of 53%, 44%, and 23% in case of Hong Kong, Turkey, and South Africa respectively.

Commodity-wise Exports of Pakistan to the EU

In order to know as to which export product of Pakistan registered increase after the GSP+, relevant data was procured from the State Bank of Pakistan. It was revealed that the export of following Pakistani items/products to the EU countries increased as a result of the GSP+:

Table 3

(Amount in Million US$)

Items	Before (GSP+ (2008-2013)	After (GSP+)	Before (Shares)	After (Shares)	ABS Change
Bed and Table Linen, Toilet and Kitchen Linen	6,528	10,329	19.8	23.3	3,801
Men's or Boys' Suits, Ensembles etc., Not Knitted etc.	2,494	7,164	7.6	16.2	4,669
Articles of Apparel and Accessories of Leather	1,454	2,135	4.4	4.8	681
Woven Cotton Fabrics, Cotton more than 85% Wt < 200 g/m2	1,264	1,715	3.8	3.9	451
Rice	1,055	1,539	3.2	3.5	483
Gents Shirts, Knitted or Crocheted	1,027	1,537	3.1	3.5	510
Gents Suits, Ensembles, Jackets etc. Kn/Cr	538	1,365	1.6	3.1	827
Articles and Equipment for Sports etc. NES	1,004	1,242	3.0	2.8	238
Woven Cotton	1,116	1,134	3.4	2.6	18

Fabrics, Cotton more than 85% Wt > 200 g/m2					
Medical, Surgical and Dental Instruments etc.	727	908	2.2	2.1	181
Woven Cotton Fabrics, Cotton less than 85% Wt < 200 g/m2	631	888	1.9	2.0	257
Panty hose, Socks and other Hosiery Kn/Cr	492	850	1.5	1.9	358
Women's or Girls' Suits, Ensembles etc. Not Kn/Cr.	582	849	1.8	1.9	267
T-Shirts, Singlets and other Vests Kn/Cr	247	687	0.7	1.6	440
Sweaters, Pullovers, Vests etc. Kn/Cr	103	660	0.3	1.5	556
Made-Up Articles of Textile Materials NES	364	577	1.1	1.3	214
Cotton Yarn not for Sewing Cotton more than 85% Not Retail	646	566	2.0	1.3	(80)
Ethyl Alcohol, Strength: more than 80% Alcohol	315	454	1.0	1.0	139
Ladies Suits, Ensembles etc. Kn/Cr	178	427	0.5	1.0	249
Others	12,224	9,213	37.1	20.8	(3,011)
Total	**32,989**	**44,238**	**100**	**100**	**11,249**

Source: State Bank of Pakistan

The Table shows that bed/table linen, toilet and kitchen linen and men's/boys' suits have registered a substantial increase as a result of the GSP+, and that overall textile sector is also showing an increasing trend.

To make an intense analysis, *field surveys* in the form of one-to-one semi-structured interviews were also conducted in Pakistan. The senior vice president of the Federation of Pakistan Chamber of Commerce and Industry (FPCCI) during an interview stated that exports of Pakistan to the

EU had increased ‘significantly’ as a result of the award of GSP+ to Pakistan.[13] However, the FPCCI office bearer stated that they lacked support from the government. The director, Economic Affairs & Research, FPCCI, when interviewed, stated that due to the GSP+, exports to the EU did increase especially in the textile sector. The GSP+ *stimulated* exports of Pakistan to the EU, vitalized the process of expert channel due to the duty-free facility under the GSP+, prices of the products decreased making the products cheaper, thus *demand* increased which, in turn, resulted in the increase in exports. He emphasized that the GSP+ was ‘extremely necessary’ for Pakistan as it has resulted in a ‘boost’ to the textile sector in the country, alongside other sectors, such as, agriculture, sports, etc. To a question about ‘shifting’ of industry (especially the textile sector) from Pakistan to other countries, he apprised that shifting did take place; however, according to him, there had also a ‘reverse shifting’ (as termed by the FPCCI representative) *after* 2014, which, as per his version, was due to the GSP+ status to Pakistan. He further pointed out that Pakistan was not producing the products as per the requirements of the buyers for which he emphasized the need to ‘innovate.’ As regards the “diversification” of products for export, he advised that the country should also produce ‘non-textile’ items like marble, ceramics etc. Regarding the ‘release of refund claims’ by the then government during the pandemic, he appreciated that the government had made the refunds to the exporters, which was a sigh of relief.[14] Moreover, the reduction in the discount rate by the State Bank of Pakistan had also benefited the businessmen especially the exporters. The implementation of 27 conventions prescribed under the GSP+ in the compliances are showing upward trends.

Responding to a query about constraints/problems, if any, in making exports to the EU, the director, FPCCI pointed out that (lack of) ‘energy’ was a major obstacle in full utilization of the GSP+ trade incentive, and that a lack of proper ‘marketing’ of export products of Pakistan was also an impediment in increasing exports of Pakistan to the EU. The technical service manager of Pakistan Hosiery Manufacturers & Exporters Association (PHMEA) stated that GSP+ had *stimulated* exports, it was quite right to suggest that the GSP+ did *stimulate* exports from Pakistan to the EU. However, it must be calculated that the GSP+ is not a ‘permanent’

[13] Mian Zahid Hussain, Senior Vice President, FPCCI Business Panel, Karachi (16 June 2020).

[14] Mr. Ahmad Zaman Khan, Director, Economic Affairs & Research, Federation of Pakistan Chamber of Commerce and Industry (FPCCI), Karachi (2 July 2020).

phenomenon, how the EU would update the GSP+ after December 2023 when the GSP+ would complete its current ten-year tenure is pertinent to think and be planned at all levels. The forecasted scenario indicates that in the next GSP+ program more countries might be included, which would obviously increase competition for Pakistan. Former chairman, Surgical Instruments Manufacturers Association of Pakistan (Sialkot) stated that the GSP+ certainly increased exports to the EU, particularly, the exports related to the textiles. Simultaneously, the exports of surgical instruments, such as, dental, medical, hospital necessities etc. to the EU were, of course, not of that much quantity as that of the textile products.[15] Former president of the Karachi Chamber of Commerce & Industry was also of the view that it was a plain reality that the GSP+ was 'an incentive' (for boosting exports of Pakistan to the EU) and further added that Pakistan was complying with the GSP+ prescribed twenty-seven conventions + compliances.[16]

The experts' illustration signifies that GSP+ *has* stimulated exports from Pakistan to the European Union member states, and that it *has* stimulated compliance of the 27 conventions prescribed under the GSP+ as well. Moreover, 'shifting' of industry from Pakistan to other countries has also stopped as a result of the GSP+ award to Pakistan. On the other hand, 'reverse shifting' (return of the industry that had shifted abroad) has come down due to the award of GSP+ to Pakistan.

The above graphical demonstrations based on quantitative data surveys and firsthand knowledge provide insights into the state of exports of Pakistan to the EU after the award of the GSP+, however, in order to get *evidence*, a statistical test was carried out to examine the impact of the GSP+ on exports of Pakistan to the EU. The test is conducted on exports of Sri Lanka and the Philippines to the EU with a view to draw comparison between Pakistan and these two Asian countries.

Regression Analysis

To examine the situation of exports of Pakistan as well as Sri Lanka and the Philippines to the EU for the two specific periods as discussed earlier,

---

[15] Mr. Bilal Tanweer, Former Chairman, Surgical Instruments Manufacturers Association of Pakistan, Sialkot (30 June 2020)

[16] Mr. Abdullah Zaki, Ex-President, Karachi Chamber of Commerce and Industry (KCCI), Karachi (22 June 2020).

Simple Linear Regression Model is employed, taking the data of six years prior the GSP+ and six years following the GSP+:

Table 4

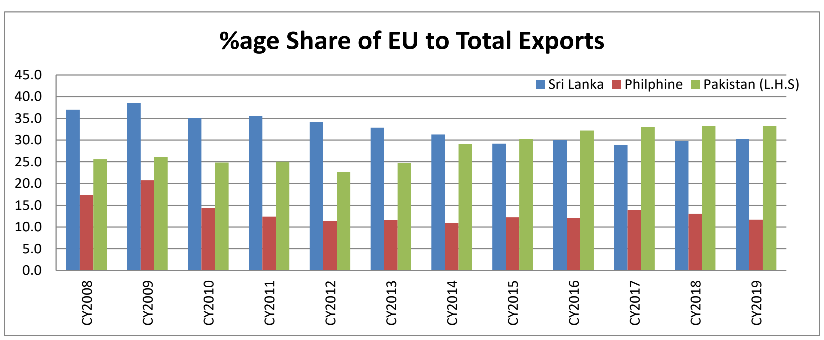
Dependent Variable: Pakistan Export to EU (% Share to Total Export) Method: Least Squares Sample: 2008 2019						
Variable	Coefficient	Std. Error	t-Statistic	Prob.	R-Squared	Model Sig
C	24.81583	0.610102	40.67489	0.00001	0.869161	0.000010
GSP+	**7.032333**	**0.862814**	**8.150458**	**0.00001**		

Dependent Variable: Sri Lanka Export to EU (% Share to Total Export) Sample: 2008 2019						
Variable	Coefficient	Std. Error	t-Statistic	Prob.	R-Squared	Model Sig
C	35.53067	0.629227	56.46714	0.00001	0.800067	0.000086
GSP+*	**-5.629167**	**0.889862**	**-6.325889**	**0.0001**		

* GSP and GSP+ combined periods

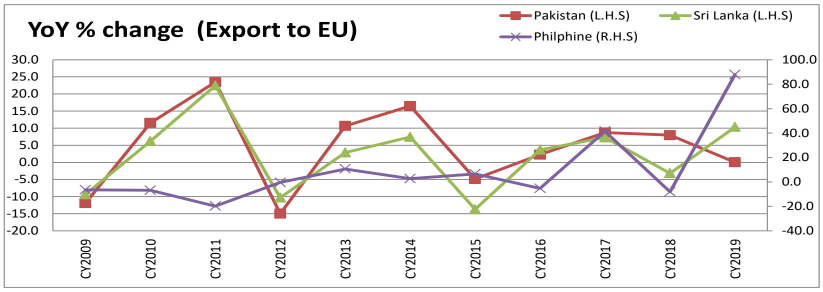
Dependent Variable: Philippines Export to EU (% Share to Total Export) Method: Least Squares Sample: 2008 2019						
Variable	Coefficient	Std. Error	t-Statistic	Prob.	R-Squared	Model Sig
C	14.64833	1.122470	13.05008	0.00001	0.177150	0.173035
GSP+	**-2.329167**	**1.587413**	**-1.467272**	**0.1730**		

Figure 5



Source: UN Comtrade Database

Figure 6



Source: UN Comtrade Database

Export data of six (calendar) years *before* the GSP+ (i.e., from 2008 to 2013) and export data of six (calendar) years *after* the GSP+ (i.e., from 2014 to 2019) have been employed in Regression Model for Pakistan, Sri Lanka, and the Philippines to examine the impact of GSP+, taking twelve observations, with Dummy Variable as "zero" ("0") for the period *before* the GSP+, while value "one" ("1") for the period *after* the GSP+.

The slope of the model is (+) 7 which shows that the (positive) change in exports of Pakistan to the EU is the effect of the GSP+. Similarly, the intercept of the model, in case of Pakistan is 25, which indicates the average exports (% share) to the EU without including the effect of the GSP+. It means that before the GSP+ (2008 to 2013), on average percentage share of Pakistan exports to the EU during the period from 2008 to 2013 was 25%. However, after the GSP+ (2014 to 2019), the average % share of Pakistan exports to the EU rose to 32%, with an average increase of 7% during the period. Thus, we can find that there is a significant gradual increase in Pakistan's exports to the EU as a result of the GSP + (as P value is <0.05).

Similarly, in case of Sri Lanka the regression coefficient (GSP+) is significant but the sign is negative (-5) which indicates that the GSP+ has the inverse impact on the exports of Sri Lanka to the EU. Likewise, the regression coefficient (GSP+), in the case of the Philippines, is negative (-2) (P value is >0.05), thus the impact is *insignificant*. It can be stated that in the regression analysis it is assumed that the change is due to the GSP+, considering other conditions/factors constant/static. Figure 5 depicts the trend, i.e., % share of exports of Pakistan, Sri Lanka and the Philippines to the EU *before* and *after* the GSP+. (Figure 6 shows the year-on-year percentage change of Pakistan, Sri Lanka and the Philippines exports share to the EU.)

The above statistical test brings to the fore the requisite evidence that the impact of the GSP+ on exports of Pakistan to the EU is *significant.* It demonstrates that what had been a supposition on the basis of graphical representations and interviews that the GSP+ had stimulated a *significant* increase in exports of the Pakistan's to the EU, has now been verified/substantiated statistically.

Conclusion

The regression analyses on the data relating to exports from Pakistan, Sri Lanka, and the Philippines to the European Union (28-member states) and comparison of the outcomes reveal that the impact of the GSP+ on exports of Pakistan to the EU is significant as the % share of Pakistan exports to the EU has shown an average increase of 7% from 2014 to 2019. However, in case of Sri Lanka and the Philippines, it has transpired that there is ***no positive*** impact on their exports to the EU. Thus, it is found that exports of Pakistan to the EU have registered substantial increase when compared to Sri Lanka and the Philippines. It has also been noticed that Pakistan's exports to the Asian and African regions have decreased considerably during the period from 2014 to 2019, which indicates that exports to these regions have been diverted to the EU as a result of the GSP+. Moreover, it has emerged that exports of Pakistan to the Netherlands and Spain (EU member states) have recorded substantial increase *after* the GSP+. It is also noted that textile products of Pakistan, such as, bed/ table linen, kitchen linen and men's/boys' clothing have registered substantial increase as a result of the GSP+. However, it is noticed that there are some constraints in making exports from Pakistan to the EU, for instance, shortage of energy, proper 'marketing strategy and mechanism' and innovation, and of course political and economic stability in the country. [17]

Recommendations

Accordingly, it is recommended that Pakistan must take steps, such as, adequate supply of energy to the export sector, making appropriate

[17] Boosting Pakistan's Export Competitiveness: Private Sector Perspectives, Proceedings from Round Table Meetings held in September – November 2017, available at https://documents1.worldbank.org/curated/en/577581570166361981/pdf/Boosting-Pakistan-s-Export-Competitiveness-Private-Sector-Perspectives.pdf.

marketing strategy, resorting to innovations, and ensuring stability in the country so that the business community could enhance the exporting products of high standards. To benefit further from the GSP+ trade incentives, it is recommended for every government to persistently comply with the 27 conventions to gain trustworthy trading partnership with the EU and with other trading partner countries. Moreover, since the GSP+ is not a permanent phenomenon and that it is going to complete its ten-year tenure in December 2023, it is suggested that Pakistan must strategize from now on to cope with the situation after the completion of the current tenure of GSP plus. It is a testing time at all levels; political, social and economic.