The Pakistan Business Council

FOSTERING ECONOMIC GROWTH

(A Company set up under Section 42 of the Companies Ordinance 1984)

What is at Stake?
Pakistan's EU GSP+ After 2027

November 2026



"Nations have no permanent friends and enemies; they have only permanent interests"

– LORD PALMERSTON



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The Pakistan Business Council: An Overview

The Pakistan Business Council (PBC) is a research-based business advocacy platform established in 2005. It is now supported by over 100 private sector local and multinational businesses with significant investment in, and long-term commitment to sustainable growth of the country. They come from 14 countries, have leading roles in 17 major sectors of the formal economy, generate 40% of annual exports, contribute a third of Pakistan's total tax revenues and employ three million. Their combined sales represent every 6th Rupee of Pakistan's GDP.

PBC's major objectives are to advocate polices that lead to creation of jobs, value-added exports and reduction in import reliance through improved competitiveness of manufacturing, services and the agriculture sectors. It also promotes formalization of the economy.

PBC's over-arching theme, **"Make-in-Pakistan"** consists of three pillars: **"Grow More/Grow Better"**, **"Make More/Make Better"** and **"Serve More/Serve Better."** Its evidence-based advocacy is backed by over a hundred studies to date through its full-time research team, supplemented by collaborative research with renowned industry experts and economists. Through its Centre of Excellence in Responsible Business (CERB), PBC works to build capacity and capability of businesses beyond its membership, to adopt high environmental, social and governance standards. PBC holds conferences, seminars and webinars to facilitate the flow of relevant information to all stakeholders in order to help create an informed view on the major issues faced by Pakistan. Through its presence in Islamabad and Karachi, it works closely with relevant government departments, ministries, regulators and institutions, as well as other stakeholders including professional bodies, to develop consensus on major issues impacting the economy.

PBC is a pan-sectoral, not-for-profit, Section 42 entity. It is not a trade body; therefore, it does not advocate for any specific business sector. Rather, its key advocacy thrust is on easing barriers that thwart competitiveness of businesses in Pakistan. Further information on the PBC is available on: www.pbc.org.pk. The PBC's founding objectives are:

- To provide for the formation and exchange of views on any question connected with the conduct of business in and from Pakistan.
- To conduct, organize, set up, administer and manage campaigns, surveys, focus groups, workshops, seminars and fieldwork for carrying out research and raising awareness in regard to matters affecting businesses in Pakistan.
- To acquire, collect, compile, analyze, publish and provide statistics, data analysis and other information relating to businesses of any kind, nature or description and on opportunities for such businesses within and outside Pakistan.
- To promote and facilitate the integration of businesses in Pakistan into the World economy and to encourage in the development and growth of Pakistani multinationals.
- To interact with governments in the economic development of Pakistan and to facilitate, foster and further the economic, social and human resource development of Pakistan.

The PBC Member Companies


















































































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List of Acronyms

AVE	Ad Valorem Equivalent
CAGR	Compound Annual Growth Rate
CDP	Committee for Development Policy (United Nations)
EBA	Everything But Arms
EC	European Community
EEAS	European External Action Service
ETUC	European Trade Union Confederation
EU	European Union
EUR	Euro
EuroCham	European Chamber of Commerce
EVFTA	EU–Vietnam Free Trade Agreement
FTA	Free Trade Agreement
GSP	Generalised Scheme of Preferences
GSP+	Generalised Scheme of Preferences Plus
HS	Harmonized Commodity Description and Coding System
ICCPR	International Covenant on Civil and Political Rights
ICESCR	International Covenant on Economic, Social and Cultural Rights
ICFTU	International Confederation of Free Trade Unions
ILC	International Labour Conference
ILO	International Labour Organization
ITUC	International Trade Union Confederation
LDC	Least Developed Country
MFN	Most-Favoured-Nation
NGOs	Non-governmental organisations
TARIC	Integrated Tariff of the European Union
UN	United Nations
UNGA	United Nations General Assembly
US	United States
WCL	World Confederation of Labour
WTO	World Trade Organization

Executive Summary



Executive Summary

Pakistan's GSP+ access is at greater risk than at any time since 2014. Under the new GSP Regulation (2026/1395), it must reapply by the end of 2028 and meet 32 conventions instead of the current 27. It has been forcefully stated that Pakistan will be judged on implementation, not just ratification.

The EU bought 29.8% of Pakistan's exports (€8.7 billion in 2025), out of which 70% were textiles and apparel. Without GSP+ these goods would face duties of 9.6% under standard GSP, or 12% if preferences were suspended. Pakistan has ratified all 32 conventions, but the Commission insists that progress is mostly on paper. It flags enforced disappearances, freedom of expression, blasphemy laws, and child and forced labour as areas of concern. In 2026, both the EU Ambassador and the European Parliament have warned that access is not guaranteed.

Lessons from past cases of suspension of GSP+ and Standard GSP

The report examines in greater detail the three cases where the EU withdrew trade preferences for non-compliance. Together, they show how a withdrawal unfolds and what Pakistan needs to avoid.

- **Sri Lanka (GSP+ withdrawn 2010–2017):** Sri Lanka lost GSP+ for failing to implement UN conventions on torture, children's rights, and civil and political rights. Its exports however kept growing on standard GSP. The review judged practice over law and counted its refusal to cooperate against it. The commitments it made to regain access are still being monitored years later.

- **Belarus (standard GSP withdrawn 2007):** A trade union complaint triggered the investigation into violations of freedom of association. However, only about 10% of its EU exports were affected. The case shows that civil society can start a review and that politics shapes the outcome.

- **Myanmar (standard GSP withdrawn 1997–2013):** Myanmar was suspended over forced labour. Its EU exports fell to €125 million by 2012, and access returned only after the ILO verified real change.

What Pakistan should do?

Pakistan's strategic value to the EU, which helped it win GSP+, has faded. In 2013, Pakistan was a vital logistics route for NATO forces in Afghanistan, and that gave it a strong leverage with the EU. Those operations have ended and even compliance alone will no longer secure automatic renewal: Pakistan must create value for the EU, for example by offering access to its critical minerals, and turn GSP+ into a mutually beneficial relationship.

In addition to this, Pakistan needs to show results and build support in Brussels well before the 2028 deadline. It should start the reapplication now, led by a GSP+ committee chaired by the Prime Minister. It should deliver verifiable progress on the concerns the EU has named, especially labour inspections and access to remedies. It should also engage early with the Commission, the European Parliament, member states and civil society, and publish progress data every quarter. Finally, it should reduce its dependence on GSP+: exporters should diversify their markets and products.

Background: GSP+ and Pakistan's Position



Background: GSP+ and Pakistan's Position

What is GSP+

The EU's Generalised Scheme of Preferences (GSP) gives developing countries reduced or zero tariffs on exports to the EU. The GSP+ is its most generous tier which gives full removal of duties on roughly two-thirds of EU tariff lines, and is granted unilaterally (not negotiated as a trade deal) to vulnerable, low- and lower-middle-income countries that effectively implement 27 international conventions on human rights, labour rights, environmental protection, and good governance (Regulation (EU) No 978/2012, 2012). Unlike a free trade agreement, GSP plus does not ask for any benefits in return from the country that receives it. It can be taken away by the EU at any time if compliance lapses.

Figure 1: The EU's Generalised Scheme of Preferences: Three Tiers



Source: Created by the author using information from Regulation (EU) No 978/2012 (2012)

Pakistan has held GSP+ status since 1 January 2014. Pakistan gets more out of GSP+ than any other country (EEAS, 2023). *While 85% of Pakistani exports incur no duties at all upon entering the EU market, 78.7% specifically claim the GSP+ scheme to achieve that tariff-free status (EEAS, 2023).*

EU-Pakistan Trade Relations, 1985-2026

The relationship between the EU and Pakistan predates the GSP+ scheme. In 1985 the two sides signed their first Cooperation Agreement, which was followed by a new agreement in 2004, and in 2007 a dedicated EU-Pakistan Sub-Group on Trade was set up to focus on marketaccess issues (Malik, 2020). Pakistan had been trying to secure GSP+ status since 2009 but could not meet the schemes eligibility criteria.

ISAF in Afghanistan, the 2010 Floods and the Road to GSP+

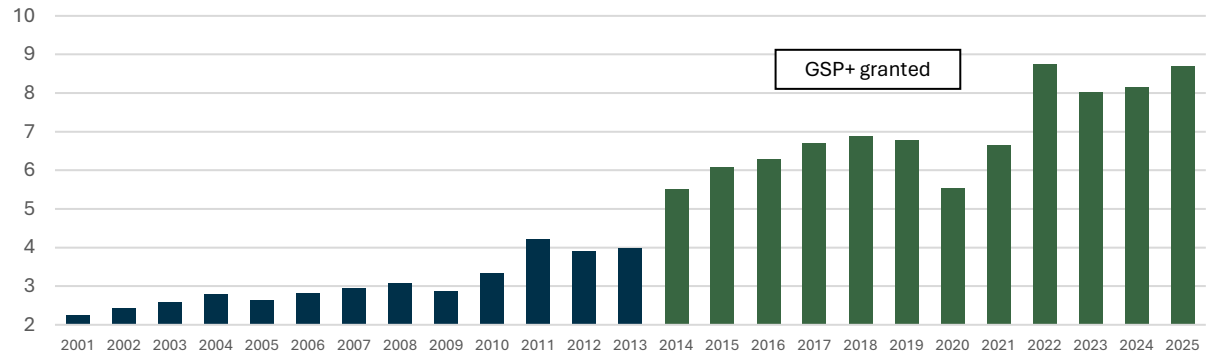
In 2010, approximately 30,000 troops from the EU nations were serving Afghanistan, with their principal supply routes passing through Pakistan. The 2010 floods, which caused an estimated loss of about €7.3 billion (Asian Development Bank & World Bank, 2010), and put a huge burden on Pakistan's ecnomy led the EU to grant Pakistan temporary tariff-free access on 75 product lines, including textiles, leather and ethanol, under a WTO-approved waiver (Regulation (EU) No 1029/2012, 2012). This emergency package bridged the gap until Pakistan qualified for GSP+ in 2014, and exports to the EU rose soon after.

Pakistan Enters GSP+

In 2013, the total number of troops from the EEU countries were estimated at about 14,000 while at the same time the Pakistan economy was still showing signs of stress. On 1 January 2014, Pakistan formally received GSP+ status, having ratified the 27 required conventions. Pakistan quickly became, and remains, the scheme's single largest beneficiary by trade value (EEAS, 2023).

Ratifying a convention however, is not the same as implementing it, and GSP+ requires both. Pakistan met the ratification test in 2014, but ratification is only the entry point: beneficiaries must then implement the conventions effectively, and the Commission checks this in regular monitoring reviews. This is where Pakistan has run into difficulties. The Commission's latest review, covering 2023–2025, found that most of Pakistan's progress is legislative and administrative and still has to be translated into real improvements on the ground, and the review recorded concerns about enforced disappearances, freedom of expression and child labour (European Commission, 2026b).

Figure 2: Pakistan's exports to the EU (2001-2024) in Euro Billions



Source: Eurostat (2026)

Current Situation - 2026

Three developments since 2025 have put Pakistan under closer scrutiny than at almost any time since 2014, though no withdrawal has happened and none is formally underway.

- Political language has hardened. In April 2026, the EU's Ambassador to Pakistan said publicly that continued GSP+ access is "neither guaranteed nor automatic", pointing to blasphemy-law application, enforced disappearances, and minority rights (Jam Kamal, EU Envoy, 2026).

- How the current extension came about: The previous GSP Regulation (No 978/2012) was due to expire at the end of 2023. The Commission proposed a replacement in 2021, but the Council and the European Parliament could not agree and the trilogue talks failed, so the EU extended the existing rules to 31 December 2027 through Regulation (EU) 2023/2663, adopted in November 2023 and applying from 2024 (Regulation (EU) 2023/2663, 2023). The extension has kept Pakistan's GSP+ status running, but it has also delayed the new rules: talks stalled again around the 2024 European Parliament elections, and a provisional agreement was reached only on 1 December 2025, leading to the new Regulation (EU) 2026/1395 (European Parliament, n.d.).

- The EU signed a recast GSP Regulation on 18 June 2026, to come in force from 1st January 2027 for a new ten-year cycle. The rule is a one-time reapplication for the new 10-year framework cycle, combined with ongoing 2-year monitoring cycles. The new EU GSP regulation officially takes effect on January 1, 2027.

However, the EU granted a 2-year transition period ending December 31, 2028. Pakistan must therefore, formally reapply by the end of 2028 along with a forward-looking action plan. Once approved under the new scheme, the EU will conduct biennial (every 2 years) monitoring reviews to verify compliance with international conventions (Regulation (EU) 2026/1395, 2026).

Pakistan's Possible Tariff Status After 2027: Three Scenarios

Scenario A: Reapplication is Approved - Retains GSP+

If the European Commission accepts Pakistan's reapplication and action plan:

- Tariffs: Zero tariffs (0%) on over 66% of tariff lines, including key textile and apparel categories.
- Requirements: Pakistan must sign, ratify, and effectively implement 32 international conventions (up from the original 27) (Regulation (EU) 2026/1395, 2026).

Scenario B: Reapplication Fails or Delays - Downgrade to Standard GSP

If Pakistan fails to meet the GSP+ conditionalities (e.g., insufficient progress on human rights or labour enforcement) or misses procedural deadlines, it falls out of the special incentive scheme but remains a lower-middle-income economy.

- Status Granted: Standard GSP.
- Tariffs: Partial tariff reductions rather than 0% duty-free entry. Exporters would face non-zero preferential tariffs.
- Special conditions: Standard GSP does not require Pakistan to ratify or implement the 32 conventions, but it is not unconditional. The EU can still temporarily withdraw preferences for serious and systematic violations of core human and labour rights principles. Preferences also apply product group by product group: textile duties are cut by only 20% and other sensitive products by 3.5 percentage points (Regulation (EU) No 978/2012, 2012), and a product group loses its preferences if the country's share of EU imports stays above a set threshold for three years in a row.

Scenario C: Breach of Core Principles / Suspension - Fallback to MFN

Most Favored Nation (MFN) status is the standard World Trade Organization (WTO) default rate applied to any trading partner without a preferential trade agreement.

- Status Granted: Standard MFN Status.
- When would this happen?
  1. If Pakistan loses GSP+ and does not qualify for Standard GSP.
  2. If the EU executes a temporary withdrawal procedure due to severe or systemic violations of core international human rights or labour standards.
- Tariffs: Full, un-discounted EU import tariffs (typically 12% on textile and apparel products (European Commission, 2020).

Pakistan's Compliance Challenges

The European Commission's latest GSP+ monitoring report (covering 2023–2025) (European Commission, 2026b) identifies significant concerns regarding Pakistan's implementation of its GSP+ obligations. While acknowledging legislative progress, the report notes that "most progress is of legislative and administrative nature and needs to be translated into real improvements on the ground".

The EU has identified specific priority areas for Pakistan (European Commission, 2026b[1]):

- Ensuring accountability for human rights violations
- Stronger action against torture and enforced disappearances
- Prison reforms and death penalty issues
- Protecting freedom of expression
- Tackling violence against women
- Improving children's access to education and ending child marriage
- Strengthening measures against child and forced labour
- Addressing discrimination against minorities
- Strengthening anti-corruption institutions

Specific concerns have been raised about recent amendments to cybercrime, anti-terrorism, and blasphemy legislation, with the report noting that freedom of expression "deteriorated" and that enforced disappearances and extrajudicial killings "increased, without accountability for perpetrators" (European Commission, 2026b). The European Parliament has warned Pakistan that failure to effectively implement its human rights commitments, including on women's and children's rights, "should result in the withdrawal of Pakistan's GSP+ status" (European Parliament, 2026).

Conventions: From 27 to 32

Table 1 summarizes the 32 international conventions required for compliance under the new EU's GSP+ framework. It details the 27 core conventions currently required under Regulation (EU) No 978/2012 alongside the 5 new additions introduced under Regulation (EU) 2026/1395 that take effect in 2027.

Table 1: EU's 32 Conventions

Category	Convention Name	Status	Ratification Status	Implementation Status
UN Human Rights	International Covenant on Civil and Political Rights (ICCPR)	Current	Ratified (2010)	Ongoing Gap
	International Covenant on Economic, Social and Cultural Rights (ICESCR)	Current	Ratified (2008)	Ongoing Gap
	Convention on the Elimination of All Forms of Racial Discrimination (CERD)	Current	Ratified (1966)	Substantial
	Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)	Current	Ratified (1996)	Ongoing Gap
	Convention against Torture (CAT)	Current	Ratified (2010)	Ongoing Gap
	Convention on the Rights of the Child (CRC)	Current	Ratified (1990)	Ongoing Gap
	Genocide Convention	Current	Ratified (1957)	Full
	Convention on the Rights of Persons with Disabilities (2006)	New (From 2027)	Ratified (2011)	Ongoing Gap

1 2026b refers to the European Commission's joint staff working document of 16 July 2026 assessing Pakistan's GSP+ compliance for 2023-2025. The "b" distinguishes it from the 2026a press release on the EU-India FTA; see References.

Category	Convention Name	Status	Ratification Status	Implementation Status
ILO Labour Rights	Forced Labour Convention (No. 29)	Current	Ratified (1957)	Ongoing Gap
	Abolition of Forced Labour Convention (No. 105)	Current	Ratified (1960)	Ongoing Gap
	Freedom of Association and Protection of the Right to Organise Convention (No. 87)	Current	Ratified (1951)	Ongoing Gap
	Right to Organise and Collective Bargaining Convention (No. 98)	Current	Ratified (1952)	Ongoing Gap
	Equal Remuneration Convention (No. 100)	Current	Ratified (2001)	Ongoing Gap
	Discrimination (Employment and Occupation) Convention (No. 111)	Current	Ratified (1961)	Ongoing Gap
	Minimum Age Convention (No. 138)	Current	Ratified (2006)	Ongoing Gap
	Worst Forms of Child Labour Convention (No. 182)	Current	Ratified (2001)	Ongoing Gap
	ILO Labour Inspection Convention, No. 81 (1947)	New (From 2027)	Ratified (1953)	Ongoing Gap
	ILO Tripartite Consultation (International Labour Standards) Convention, No. 144 (1976)	New (From 2027)	Ratified (1994)	Substantial
Environment & Climate	Montreal Protocol	Current	Ratified (1992)	Substantial
	Basel Convention	Current	Ratified (1994)	Substantial
	Stockholm Convention on POPs	Current	Ratified (2008)	Substantial
	CITES	Current	Ratified (1976)	Substantial
	Convention on Biological Diversity	Current	Ratified (1994)	Substantial
	Cartagena Protocol on Biosafety	Current	Ratified (2009)	Substantial
	UN Framework Convention on Climate Change (UNFCCC)	Current	Ratified (1994)	Substantial
	Kyoto Protocol	Current	Ratified (2005)	Full
	Paris Agreement (2015)	New (From 2027)	Ratified (2016)	Ongoing Gap
Good Governance	UN Single Convention on Narcotic Drugs (1961)	Current	Ratified (1965)	Substantial
	UN Convention on Psychotropic Substances (1971)	Current	Ratified (1977)	Substantial
	UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988)	Current	Ratified (1991)	Substantial
	UN Convention against Corruption (UNCAC)	Current	Ratified (2007)	Ongoing Gap
	UN Convention against Transnational Organized Crime (2000)	New (From 2027)	Ratified (2010)	Substantial

Source: Regulation (EU) No 978/2012 (2012), Annex VIII, (Regulation (EU) 2026/1395, 2026)

Under the renewed EU GSP Regulation, beneficiary countries are monitored against 32 core international conventions spanning human rights, labor rights, environmental sustainability, and good governance. While Pakistan has achieved a 100% ratification rate across all 32 instruments, including the five newly introduced conventions, implementation performance varies significantly. As detailed in Table 1, environmental protocols and good governance frameworks show strong operational compliance. In contrast, the human rights and labor rights categories present ongoing enforcement gaps, primarily due to provincial coordination bottlenecks and resource constraints in monitoring mechanisms. Closing these operational gaps will be critical to securing preference continuity beyond 2027.

Pakistan-EU Trade Profile



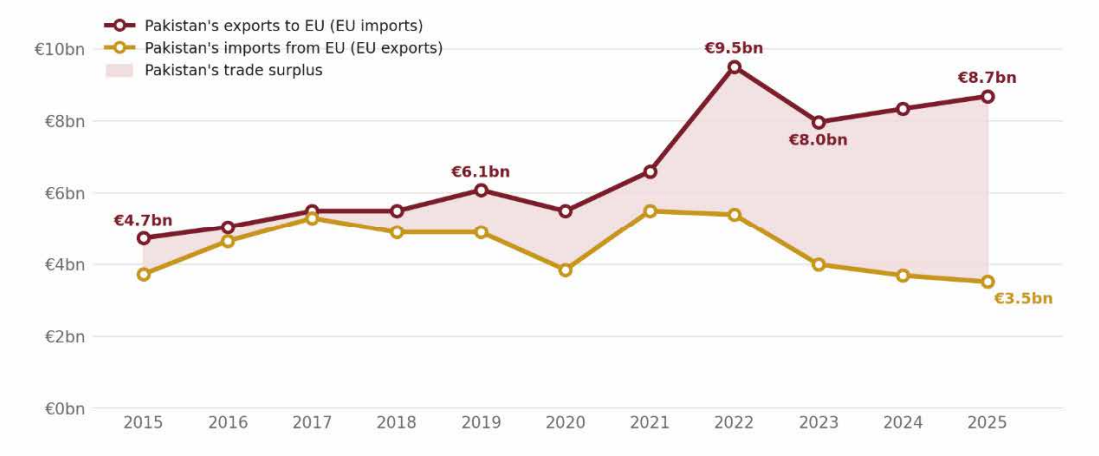
Pakistan-EU Trade Profile

Overview: The EU's Place in Pakistan's Trade

The EU is Pakistan's single largest export destination. In 2025, Pakistan exported €8.7 billion worth of goods to the EU27, representing 29.8% of Pakistan's total global exports (Eurostat, 2026).

The figure below shows Pakistan's trade flows with the EU. Exports to the EU have grown 83% over the past decade, from €4.7 billion in 2015 (the year after GSP+ was granted) to €8.7 billion in 2025.

Figure 3: Pakistan-EU trade flows, 2015-2025



Source: Created by the author using Eurostat (2026) data

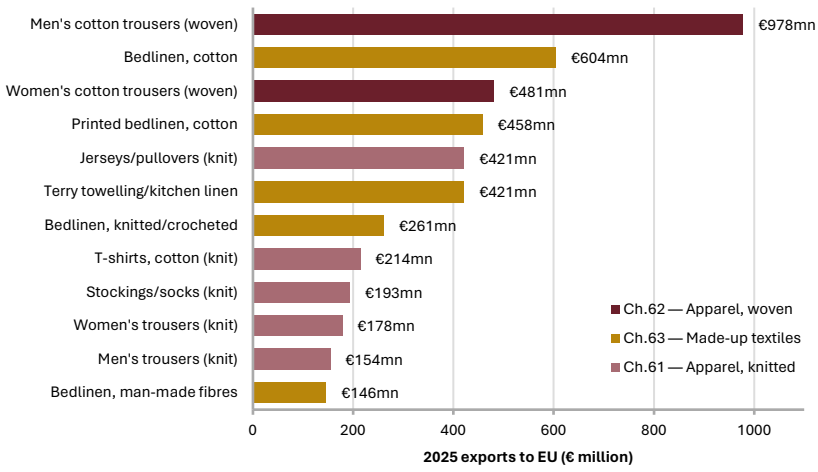
Throughout the decade, Pakistan has consistently maintained a trade surplus with the EU, represented by the shaded pink region. While Pakistan's imports from the EU hover between €3.5bn and €5.5bn, its exports to the EU trend significantly upward, rising from €4.7bn in 2015 to a peak of €9.5bn in 2022 before ending at €8.7bn in 2025 (Eurostat, 2026).

Top Export Products

At the HS 06 level, Pakistan's export base is dominated by a number of apparel and home-textile lines. Cotton trousers (HS 620342) is the single largest export line.

Cotton trousers (620342) alone account for 11.3% of Pakistan's total 2025 EU exports. The top 10 lines together represent 48.5% of the total (€4.2 bn of €8.7 bn; Eurostat, 2026).

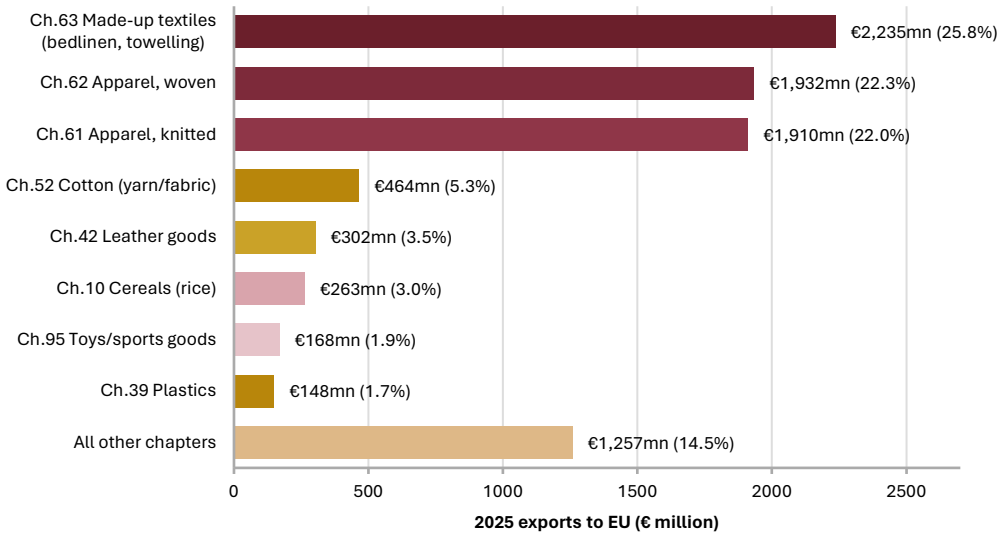
Figure 4: Pakistan's top 12 EU Export Lines (2025)



Source: Made by the author using Eurostat (2026) data

Aggregating all 7,782 product lines to 2-digit HS chapter level gives a precise sectoral picture. Chapters 61-63: knitted apparel, woven apparel, and made-up textiles/home textiles collectively account for €6 billion, or 70% of total 2025 exports (Eurostat, 2026).

Figure 5: Sectoral composition by HS chapter, 2025

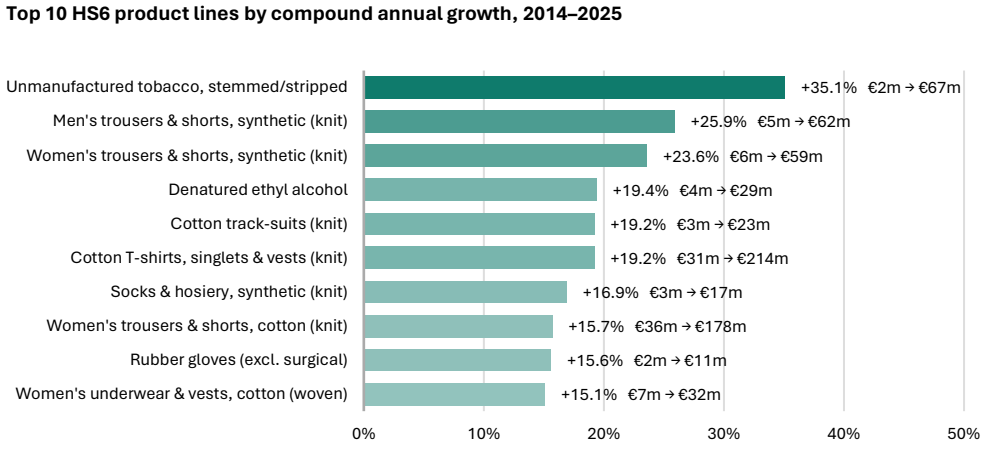


Source: Made by the author using Eurostat (2026) data

Growth Leaders and Decliners, CAGR (2014-2025)

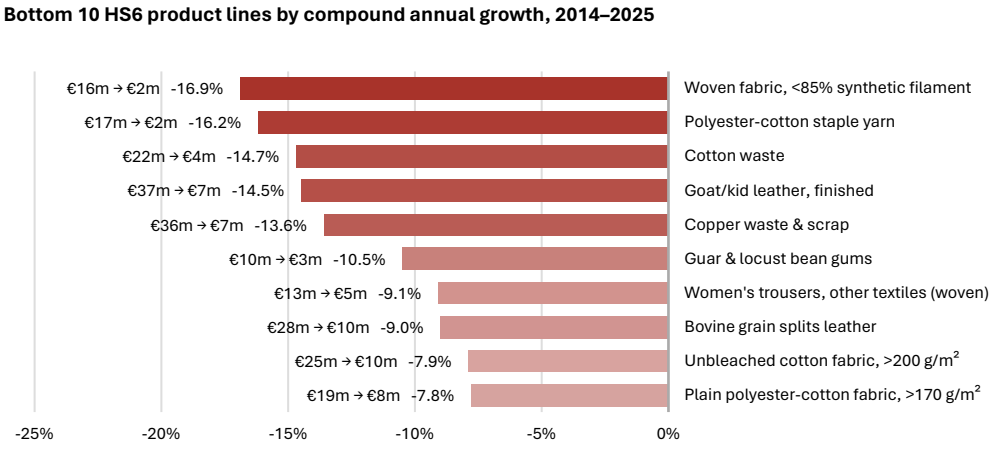
The Eurostat data from 2014 to 2025 shows a clear shift within Pakistan's EU export basket away from raw materials and toward finished apparel. Figure 6 reveals that the fastest-growing exports are finished, labor-intensive garments such as cotton T-shirts and synthetic trousers which grew by 15% to 26% annually. Conversely, Figure 7 shows the sharpest declines in intermediate textile goods like unbleached cotton fabric, synthetic yarn, and cotton waste, which shrank by 8% to 17%. However, because this growth is confined to low-to-mid-value garments, it does not represent a structural shift into truly high-value-added or diversified manufacturing.

Figure 6: Pakistan's fastest growing exports to the EU



Source: Made by the author using Eurostat (2026) data

Figure 7: Pakistan's fastest shrinking exports to the EU



Source: Made by the author using Eurostat (2026) data

Tariff Schedule Analysis



Tariff Schedule Analysis

GSP+ operates by reducing the EU's standard MFN tariffs to zero on qualifying goods in eligible countries (Regulation (EU) No 978/2012, 2012). In the event that Pakistan were to lose GSP+, its exports would revert either to standard GSP treatment or to the MFN (Most Favored Nation) rates which the EU applies to any WTO member lacking a preferential or free trade agreement. This section presents those MFN and standard GSP rates disaggregated by product and sector (European Commission, 2026b).

Product-Level Tariff Schedule

The whole GSP+ mechanism can be summarized as a single question: what rate does Pakistan pay today, and what would it pay without preference? Today, the answer is 0% on almost every GSP+ eligible line. Without that preference, each product reverts to either the GSP rate or the ordinary MFN rate.

Table 2: Pakistan's Top 20 GSP+ Exports to the EU: Product Values and Tariff Comparison (2025)

HS6 Code	Product	2025 (€mn)	GSP+ Rate	Std GSP Rate	MFN Rate
620342	Men's/boys' cotton trousers (woven)	977.6	0%	9.6%	12%
630231	Bedlinen of cotton	604.1	0%	9.6%	12%
620462	Women's/girls' cotton trousers (woven)	481.4	0%	9.6%	12%
630221	Printed bedlinen of cotton	457.5	0%	9.6%	12%
611020	Jerseys/pullovers/cardigans (knit)	421.0	0%	9.6%	12%
630260	Terry toweling/kitchen linen	420.6	0%	9.6%	12%
630210	Bedlinen, knitted/crocheted	261.3	0%	9.6%	12%
610910	T-shirts, cotton (knit)	214.3	0%	9.6%	12%
611595	Stockings/socks (knit)	193.2	0%	9.6%	12%
610462	Women's cotton trousers (knit)	178.3	0%	9.6%	12%
610342	Men's trousers, other materials (knit)	154.3	0%	9.6%	12%
630232	Bedlinen of man-made fibres	145.7	0%	9.6%	12%
100630	Milled rice2	140.0	0%	0%	~3%
420310	Leather apparel	126.6	0%	5.5%	9%
100620	Husked/brown rice[2]	113.2	0%	0%	3%
220710	Undenatured ethyl alcohol3	110.5	susp.	€0.192/liter	€0.192/liter
950662	Inflatable balls	106.6	0%	0%	3%
420329	Leather gloves/mittens	105.5	0%	5.5%	9%
901890	Medical/surgical instruments	103.9	0%	0%	2%
630222	Printed bedlinen, man-made fibres	94.7	0%	9.6%	12%

Source: European Commission (2026)

Four lines, namely rice, inflatable balls and medical instruments, already face 0% under standard GSP, meaning a loss of GSP+ specifically would carry no tariff consequence for them. Ethanol sits outside the GSP framework under a separate suspension instrument and should be treated independently in any exposure calculation.

2 *EU-specific reporting indicates Pakistan's rice exports to the EU skew heavily toward basmati varieties which enter at EUR 0 duty under a separate WTO arrangement regardless of GSP+ status. A revised blended AVE of approximately 3% is used here to reflect this EU-specific skew, though the exact basmati/non-basmati split within EU-bound shipments is not published and this remains an estimate.*

3 *HS 220710 (undenatured ethyl alcohol) is not exposed to ordinary MFN-reversion risk in the way modelled elsewhere in this table. Its preferential duty has been suspended since 21 June 2025 under a separate automatic-safeguard action. It is included here for completeness of the ranking, not as an MFN-reversion exposure figure.*

Sectors with Structurally Lower Exposure

Three categories are notably less exposed than the headline apparel/textiles numbers suggest, each for a different structural reason:

- Medical and surgical instruments (Chapter 90, including Sialkot's surgical-instrument cluster) face a very low (near 0-2%) EU MFN duty on most lines regardless of GSP+. The marginal cost of losing preference here is small in absolute terms.

- Since Europe buys mostly Basmati from Pakistan, and Basmati is insulated by global WTO rules (Commission Regulation (EC) No 972/2006, 2006), Pakistan's rice sector is shielded from any political or trade shocks surrounding the future of its GSP+ arrangement.

- Sporting goods (Chapter 95, including Sialkot's football manufacturing cluster) face a modest 3% MFN rate, reflecting the EU's generally low external tariff on toys and sports equipment as a category.

Case Studies



Case Studies

This section examines the three cases in the EU's sixty-year tariff-preference history where a beneficiary has faced full or partial suspension of preferences for non-compliance: Sri Lanka (GSP+, 2010–2017), Belarus (Standard GSP, 2006–present), and Myanmar (Standard GSP, 1997–2013). Using European Commission investigative reports alongside trade data from the same periods, the following section reconstructs how the withdrawal of preferences play out in practice.

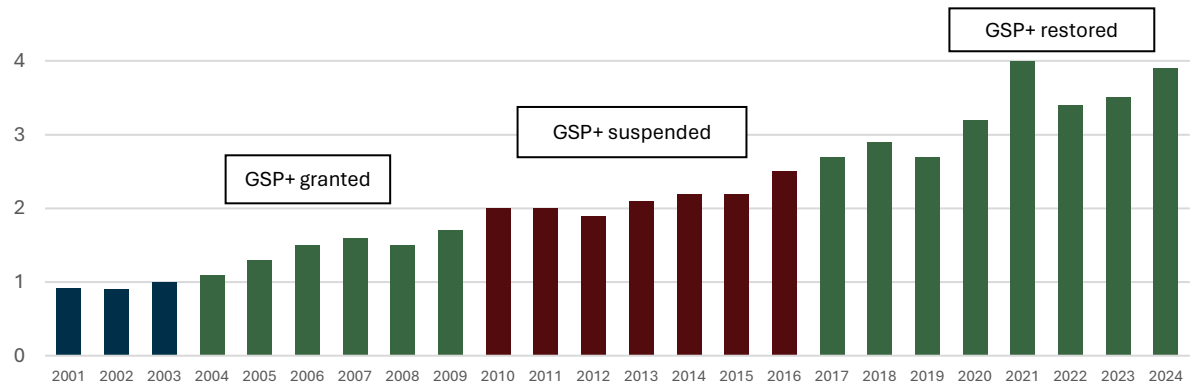
1. Sri Lanka's GSP+ Withdrawal, 2010-2017

Background & History

Sri Lanka was granted GSP+ status in 2005, giving it duty-free access to EU markets for over 7,200 products in exchange for human rights commitments (Verité Research, 2022). By 2009, Sri Lanka's exports to the EU grew by 70%, from €1 billion in 2003 to €1.7 billion, with the EU becoming Sri Lanka's largest export market (Eurostat, 2026). Textiles and apparel accounted for roughly 60% of Sri Lanka's EU exports throughout this period.

In sixty years of the EU's tariff-preference system, Sri Lanka remains the only GSP+ beneficiary to have had its status fully withdrawn for non-compliance, making it the best precedent for understanding withdrawal mechanisms.

Figure 8: Sri Lanka's EU exports before, during, and after the suspension (Euro Billions)



Source: Created by the author using International Trade Centre (2026)

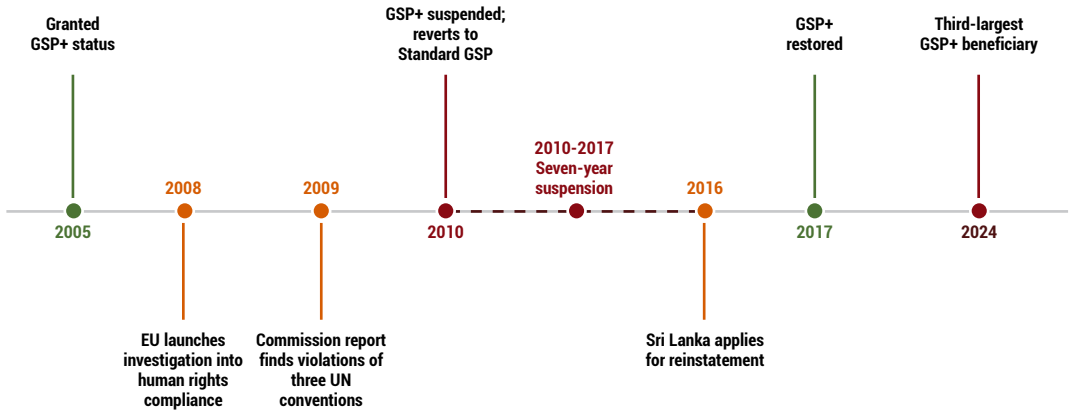
Investigation & Trigger for Withdrawal

The trigger was political, not economic. Sri Lanka's 26-year civil war ended in May 2009, with the final phase drawing sustained international criticism over alleged human rights violations. In October 2008, the European Commission launched an investigation into alleged violations, which it completed in October 2009 (European Commission, 2010). The Commission concluded that Sri Lanka had failed to implement three UN conventions on torture, children's rights, and civil and political rights (European Commission, 2010). The Commission formally proposed withdrawal in December 2009, with the decision taking effect on 15 August 2010 (Council Implementing Regulation (EU) No 143/2010, 2010) (six months after adoption, consistent with the regulation's withdrawal provisions).

Impact

The key observation is that exports did not collapse after 2010. In fact, they grew from €1.7 billion in 2009 to €2.5 billion by 2016, a 47.1% total increase over seven years (International Trade Centre, 2026). This supports the argument that the immediate impact of GSP+ withdrawal was muted, largely because Sri Lanka retained standard GSP access, had strong buyer relationships, and diverted attention to the US market. Sri Lanka avoided collapse, but the withdrawal years were marked by slower growth.

Figure 9: Sri Lanka's EU GSP+ Timeline



Source: Created by the author

Lessons for Pakistan

1. **Pakistan Would Be More Exposed Than Sri Lanka Was**
   Sri Lanka survived losing GSP+ in 2010 by falling back on standard GSP, and Pakistan likely could too, though the cushion is thinner. Standard GSP reduces textile duties from 12% to 9.6%, versus 0% today, and Pakistan's rivals are better placed: Vietnam has had an EU free trade agreement since 2020 and India is expected to follow. With textiles making up about 70% of Pakistan's EU exports, the impact on Pakistan would be more severe.

2. **Process Matters**
   An independent expert panel, written evidence, and clear rules on what must be proven would probably shape any review of Pakistan in the same way. This is how the institution works and not something special to Sri Lanka.

3. **Implementation vs. Laws**
   The panel was clear that what matters is what actually happens in practice, not what is written on paper. A few separate violations do not automatically discredit the whole system. But a pattern of violations that the country's own remedies fail to fix does.

4. **Cooperation Is Non-Optional**
   The Sri Lankan government refused the panel's request to visit the country and did not give a proper response. The panel treated both as weaknesses in Sri Lanka's position. The opposite approach, full cooperation, is the better path.

5. **Long-Term Monitoring**

   Promises made to win back preferences are watched for years afterward. Repealing the Prevention of Terrorism Act was a specific promise made by Sri Lanka when GSP+ was restored in 2017 (European Parliament, 2021). As of 2021, Members of the European Parliament were still pointing out that Sri Lanka had not repealed it (European Parliament, 2021). This was a concern eleven years after the original suspension.

As of October 2026, the Act has not been revoked. The government elected in 2024 pledged to abolish it and proclaimed the Protection of the State from Terrorism Bill in September 2026 to replace it, with a first reading in Parliament scheduled for 6 October 2026 (Newswire, 2026a, 2026b).

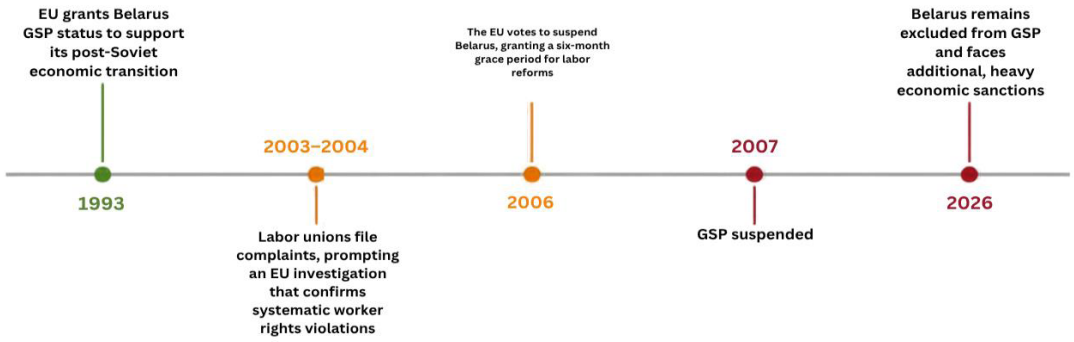
2. Belarus's Standard GSP Withdrawal, 1993-2007

Belarus was included as a Standard GSP beneficiary country under the EU's generalized system of tariff preferences, which grants reduced or zero tariffs on select products to eligible developing countries.

In 2003, the European Commission initiated an investigation into alleged violations of freedom of association and the right to collective bargaining in Belarus. The inquiry was prompted by a joint request from the International Confederation of Free Trade Unions (ICFTU), the European Trade Union Confederation (ETUC), and the World Confederation of Labour (WCL) (Council Regulation (EC) No 1933/2006, 2006).

The investigation concluded that Belarus was violating fundamental labour rights. For example, the investigation found that Belarus was preventing workers from forming trade unions freely, limiting their ability to organize and to choose which trade union to join, and refusing to grant legal recognition to independent unions. It also restricted the external funding available to trade unions, encouraged or allowed discrimination against union members, and dissolved or suspended trade unions (Council Regulation (EC) No 1933/2006, 2006).

Figure 10: Belarus's EU GSP Timeline

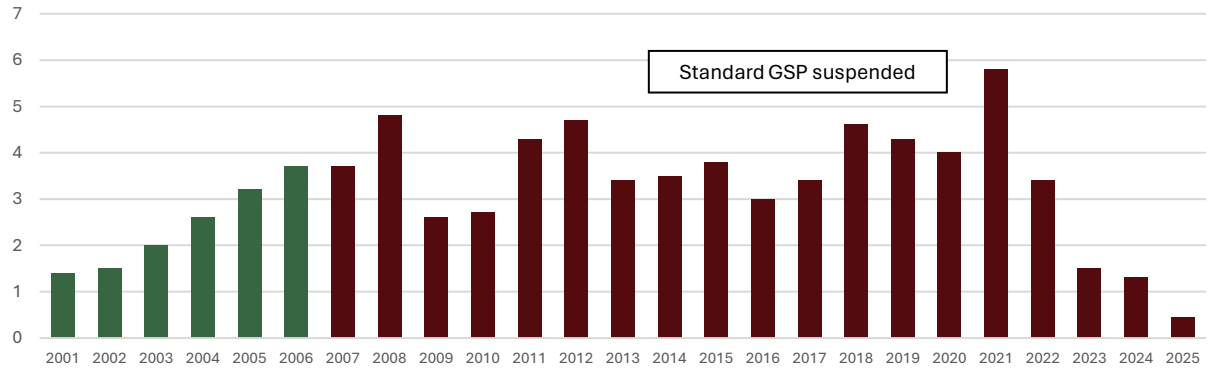


Source: Created by the author

At the same time, the International Labour Organization (ILO) set up a Commission of Inquiry. In July 2004, this Commission issued twelve recommendations that the Belarusian government was required to follow by June 2005 in order to address its failure to apply ILO Convention No. 87 and Convention No. 98 (International Labour Organization, 2004). The European Union then gave Belarus a period in which its progress would be monitored and assessed. However, by March 2006, Belarus had still not made the necessary commitments, and by October 2006 the situation had not improved. As a result, the Commission proposed that Belarus's trade preferences be temporarily withdrawn (European Commission, 2006).

The EU officially stripped Belarus of GSP benefits after non-compliance, and standard higher tariffs applied (Council Regulation (EC) No 1933/2006, 2006). The suspension affected approximately 10-12% of Belarus's products exported to the EU, including farm machinery and chemicals.

Figure 11: Belarus's EU exports before and after suspension (Euro Billions)



Source: Created by the author using International Trade Centre (2026)

Economic Impact and Political Significance

The economic impact was milder than anticipated. Belarus's key exports to the EU were energy products and raw materials, which already faced low tariffs, so the withdrawal hit only a narrow slice of manufactured goods. Of the nearly €3.34 billion in goods Belarus exported to the EU in 2005, only about 10% was affected (Gnutzmann, 2022). Yet the political weight of the decision was far greater than its economic cost. The Committee on the Application of Standards of the International Labour Conference judged Belarus's response "clearly insufficient," noting that it "did not address the heart of the matter."

Conditions for Reinstatement

The EU made clear that the withdrawal could be reversed. As the Commission's proposal stated, the situation would be watched closely so that trade benefits for Belarus could be restored once the violations of freedom of association and collective bargaining were no longer present (European Commission, 2006).

Today, Belarus remains excluded from the GSP and faces additional, heavy sanctions. By 2026, the EU had moved far beyond GSP withdrawal, imposing comprehensive sanctions after Belarus backed Russia's invasion of Ukraine. These include controls on exports and transit of military-related goods and technology, restrictions on services, bans on transactions involving Belarusian central bank digital currency, and prohibitions on crypto-asset services.

Lessons from Belarus for Pakistan

1. **Civil Society Can Trigger a Review**
   Belarus's suspension began with a trade union complaint, not EU initiative. Under the revised GSP's Single Entry Point, any stakeholder including NGOs, unions, and businesses can formally trigger scrutiny of Pakistan.

2. **Labour Rights Violations Are Taken Seriously**
   Belarus lost preferences specifically for violating freedom of association and collective bargaining rights. Pakistan has ratified these conventions, but implementation gaps and new ILO conventions on labour inspection and tripartite consultation expand the risk surface.

3. **Legislative Progress Alone Is Not Enough**
   The EU gave Belarus years of dialogue before withdrawing. Pakistan has been under GSP+ monitoring since 2014. The Commission's finding that Pakistan's progress "needs to be translated into real improvements on the ground matches the verdict on Belarus that progress remained unsatisfactory.

4. **Politics Shapes the Outcome**
   The formal ground for the withdrawal was labour rights, but it came in a tense political climate. After the disputed March 2006 presidential election, the EU had already imposed sanctions on Belarusian officials, and the decision on preferences followed later that year (Rácz, 2010). Trade preferences sit inside the wider political relationship, so a good compliance record is necessary but not sufficient.

3. Myanmar (Standard GSP, 1997–2013)

Background and History

The EU suspended Myanmar's trade preferences in 1997 over forced labour violations (Council Regulation (EC) No 552/97, 1997), part of broader Western sanctions against the military government that had ruled since 1962. The withdrawal removed duty-free access that had sustained Myanmar's early export sectors.

The suspension lasted 16 years. By 2012, Myanmar's exports to the EU had fallen to just €125 million, roughly 3% of its total trade (International Trade Centre, 2026). This demonstrated how GSP suspension can push a country's export economy to the margins, particularly when alternative markets are scarce.

Reinstatement (2013)

Myanmar was readmitted under the Everything But Arms (EBA) scheme for Least Developed Countries in 2013 (Regulation (EU) No 607/2013, 2013), with the change applying from June 2012, only after the ILO first acknowledged progress on labour rights. The decision came after political reforms: a move to civilian rule, the freeing of political prisoners, and early changes to labour law.

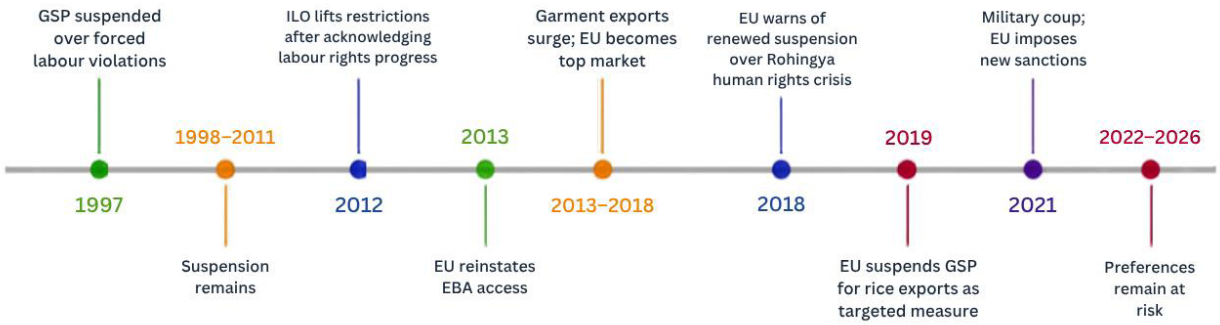
The economic response was swift. Garment exports increased by 8.5% from 2012 to 2013, with projections of €1.13 billion by 2014 (SMART Myanmar & Myanmar Garment Manufacturers Association, 2015). The sector employed hundreds of thousands of workers, mostly rural women. By 2018, duty-free exports to the EU had reached roughly €2.3 billion, 70% of which was garments (EEAS, 2020).

Renewed Suspension Threat (2018 to 2020)

The reform momentum did not last. In October 2018, after a fact-finding mission, the EU warned that GSP privileges could be suspended over deeply troubling developments, especially human rights violations in Rakhine, Kachin, and Shan States, along with labour rights concerns. The immediate trigger was the Rohingya crisis in Rakhine State, which UN reports described as ethnic cleansing and crimes against humanity. An EU monitoring mission travelled to Yangon to assess whether suspension was justified (Kyaw Thu & Kyaw Htun Naing, 2018).

Myanmar's business community pushed back. The Union of Myanmar Federation of Chambers of Commerce and Industry warned that withdrawal would affect garment workers, noting that 19% came from Rakhine State and sent home around $6.1 million to the troubled region (Kyaw Thu & Kyaw Htun Naing, 2018). In January 2019, the EU suspended GSP preferences specifically for rice exports from Myanmar and Cambodia for three years (Commission Implementing Regulation (EU) 2019/67, 2019), showing a graduated approach that starts with targeted sectors before considering broader suspension.

Figure 12: Myanmar's EU GSP Timeline



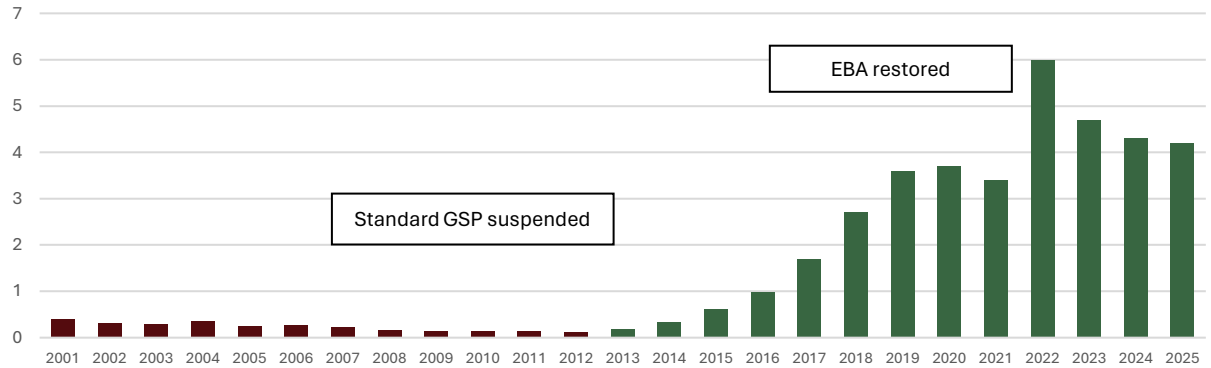
Source: Created by the author

Structural Vulnerability

The case exposed how fragile a GSP-dependent export model can be. If EU buyers had to pay tariffs on Myanmar-made garments, they would simply shift sourcing elsewhere. Without GSP, Myanmar's garment exports would lose their price advantage. The estimated tariff burden of full suspension was 12 to 17 percent (EuroCham Myanmar, 2023), enough to wipe out profitability in a low-cost, low-value production model.

The garment sector employs around 700,000 people (World Bank, 2023), mostly women, and was one of the few manufacturing sectors offering semi-skilled work. Even the threat of suspension created enough uncertainty to discourage investment and strain relationships with buyers.

Figure 13: Myanmar's EU exports before and after suspension



Source: International Trade Centre (2026)

Lessons for Pakistan

1. **Trade Preferences Are Conditional, Not Permanent**
   Myanmar's GSP access was suspended in 1997 over forced labour and restored only in 2013, after the ILO verified that serious and systematic abuses had ended. Preferences can be revoked if conditions are violated.

2. **The Threshold for Action Is Lower Than Pakistan Assumes**
   Myanmar's 1997 suspension rested on forced labour alone. The 2018 threat cited human rights abuses and labour concerns. Pakistan's 2026 EU assessment already flags widespread forced labour and slow progress on child labour (European Commission, 2026b), reflecting Myanmar's earlier triggers. Since the EU prioritises labour rights, the risk is real.

3. **Legislation Does Not Equal Compliance**
   Myanmar regained its trade preferences only after the ILO confirmed genuine improvements on the ground, not merely the passing of new laws. Pakistan's 2026 assessment recognizes that legislative steps have been taken, but most progress remains on paper. It also identifies enforced disappearances, a narrowing space for freedom of expression, and a weakening judiciary (European Commission, 2026b).

4. **Markets Do Not Wait**
   During suspension, Myanmar's EU exports collapsed to around 125 million euros in 2012. Recovery came without major competitors. If Pakistan loses GSP+, Bangladesh, Vietnam, and Turkey will fill the gap. Once supply chains shift, rebuilding takes years. The India EU Free Trade Agreement could further erode Pakistan's position.

Competitive Landscape



Competitive Landscape

No tariff analysis of Pakistan's GSP+ exposure is complete without asking the question EU buyers actually ask: compared to what? Pakistan competes against Bangladesh, Vietnam, India and Turkey for the same EU sourcing orders. Each of those competitors' own tariff positions is itself in flux through 2029.

Note: Rates are EU import duties on textiles and apparel (HS chapters 61-63), which make up about 70% of Pakistan's exports to the EU; other sectors face different rates (see Table 2).

Table 3: Current and projected EU tariff rates on textiles and apparel, 2026 and 2029

Country	Mechanism	Current (2026)	2029 outlook	Status
Turkey	EU Customs Union	0%	0%	Secure
Vietnam	EVFTA (in force 2020)	0%	0%	Secure
Pakistan	GSP+	0%	0% (GSP+) or 9.6% (standard GSP)	At risk
Bangladesh	EBA (LDC)	0%	0% (if extension granted) or 12%	Pending UNGA decision
India	Standard GSP suspended, MFN tariffs currently charged	12%	0% (if FTA in force; most textile and apparel duties removed at entry into force)	Pending FTA ratification

Source: Compiled from Commission Implementing Regulation (EU) 2025/1909 (2025), Decision No 1/95 of the EC-Turkey Association Council (1995), and European Commission (2026a, 2026b).

Bangladesh

Bangladesh is the EU's largest apparel supplier and Pakistan's primary benchmark competitor. Its zero duty EBA access was scheduled to lapse following LDC graduation on 24 November 2026, with a three-year transition ending November 2029 (Regulation (EU) No 978/2012, 2012).

Bangladesh has formally requested a three-year postponement of its graduation to 24 November 2029. The UN Committee for Development Policy (CDP) has recommended approving this extension, finding that Bangladesh significantly exceeds the LDC graduation thresholds and faces low risk of reversal (The Daily Star, 2026a). As of early October 2026, the request awaits final approval by the UN General Assembly (The Business Standard, 2026).

If the extension is granted, Bangladesh retains EBA zero duty access through November 2029, followed by a standard three-year transition to November 2032. If denied, the original timeline applies.

India

Following the conclusion of the India-European Union Free Trade Agreement (FTA), the trade framework has established a comprehensive market reset for import duties between both regions. Under the negotiated text, India will eliminate or reduce tariffs on roughly 96.6% of EU goods (European Commission, 2026a). In return, the EU will cut tariffs on 99.5% of goods imported from India over seven years, with textiles, leather, marine products, chemicals, base metals, and gems and jewellery going to zero duty, according to India's trade ministry (Acharya et al., 2026). For Pakistan, the key point is textiles and clothing: Indian exporters, who now face about 12%, would compete at zero duty. Until the FTA comes in force which is not expected to be till 2027-2028, India will be charged MFN tariffs from the EU (Commission Implementing Regulation (EU) 2025/1909, 2025).

Turkey and Vietnam

Turkey has had duty-free access for industrial goods, including textiles and clothing, since the EU-Turkey Customs Union took full effect in 1996. Its access is built into that union rather than granted as a preference that can be withdrawn (Decision No 1/95 of the EC-Turkey Association Council, 1995). Vietnam's access comes from the EU-Vietnam Free Trade Agreement, in force since 1 August 2020, under which the EU progressively removes its duties on Vietnamese goods by 2027 (European Commission, n.d.-a). To benefit, Vietnamese garments must meet rules of origin that, for clothing, typically require the fabric as well as the garment to be made in Vietnam or the EU, but the access itself is contractual and cannot be withdrawn through a monitoring review (European Commission, n.d.-a). Both therefore face no risk of the kind Pakistan faces under GSP+.

Recommendations



Recommendations

For the Government of Pakistan

The cases above show that trade preferences are granted based on broader political relationships with the EU, while compliance conditions serve as the criteria for applying these decisions when issues arise.

Pakistan should also recognize that in 2013, it served as a vital logistics hub for NATO forces in Afghanistan, making a stable and cooperative Pakistan essential for the EU. Consequently, Pakistan possessed strong leverage when securing GSP+ status.

By 2026, NATO operations near Pakistan have ended, leaving the country with fewer bargaining chips in negotiations with EU member states. Its primary remaining leverage is offering the EU access to its critical mineral resources, similar to the access granted to the US.

Therefore, beyond establishing a mutually beneficial relationship with the EU, Pakistan must maintain a sustained, high-level diplomatic presence in Brussels, the European Parliament, and key member states. It should keep the European Commission informed of progress before each review rather than after, and utilize the Strategic Dialogue and Joint Commission to agree on action plans early (IPDS, 2026). The recommendations below provide the evidence supporting this case.

1. The EU has pointed to the application of the blasphemy laws, enforced disappearances, military trials of civilians, and the protection of minorities. Pakistan should show clear, well-documented progress on each, because these issues, more than trade itself, could decide the outcome.

2. The EU's main criticism is that laws have been passed but little has changed on the ground. Pakistan should back its commitments with investigations, prosecutions where warranted, and safeguards that can be independently checked.

3. Enforce labour rights in practice. Signing ILO conventions is not enough. The EU wants to see factory inspections, problems being fixed, and workers being able to get justice. The gender pay gap study and wage-reform action plan[4] are positive steps, but, as the commission stresses, they must lead to real improvements on the ground (European Commission, 2026b).

4. Start the 2027 re-application early. The recast regulation makes this a formal requirement, separate from the political review. The transition period runs to the end of 2028, but waiting will only shrink the time available and raise the risk of falling back to Standard GSP and weakening Pakistan's negotiating position.

5. Work with civil society, not against it. The EU's Single-Entry Point lets local and international groups raise complaints directly. Pakistan is better off talking to these groups early and fixing problems before they become formal complaints.

4 *The gender pay gap study is the ILO's* Pakistan Gender Pay Gap Report 2025, which estimated a gap of about 25% (hourly) and 30% (monthly). The wage-reform plan is the National Action Plan on Equal Pay, agreed by government, employers and workers at the report's launch (International Labour Organization, 2025).

6. Help smaller exporters. Small and medium firms often lack the funds and expertise to meet compliance standards or find new markets. Training, cheaper finance for compliance upgrades, and export-development support would help them.

7. Track progress publicly. A simple quarterly progress report or online dashboard, covering labour inspections, cases resolved, and export shares, would show the EU and buyers that improvements are real. A similar approach has operated in Cambodia, where the ILO's Better Factories Cambodia programme has published factory compliance data quarterly since 2014 (Better Work, 2018).

8. Improve overall competitiveness. Lower energy costs, steadier policies, and faster shipping and customs processes would help exporters compete even if tariff advantages shrink.

9. Set up a high-level GSP+ committee. A committee chaired by the Prime Minister, meeting quarterly should track progress on every convention, assign clear responsibilities to federal ministries and provinces, and ensure the action plan is finalized well before the late-2028 deadline.

For Exporters and Industry Bodies: Reduce Your Exposure

1. Spread your risk. Bedlinen, terry toweling, and woven cotton apparel are the largest export lines, and also the closest to the graduation limits. Exporters should look for new buyers in other markets and add new products.

2. Businesses must build their compliance record. EU monitoring reports draw on input from civil society and international organizations. Documented, credible efforts on labour and environmental standards give businesses a real way to be heard.

Longer-Term Reforms

1. Diversify beyond cotton textiles. Over 75% of Pakistan's exports to the EU depend on cotton-based products, much like Myanmar's reliance on garments. Growing electronics, higher-value manufacturing, and non-traditional agricultural exports would make Pakistan less vulnerable to any one market's decisions.

2. Work toward a Free Trade Agreement with the EU. Vietnam moved from one-sided preferences to a two-way trade agreement, which gave it more stable access. An FTA would end the uncertainty of regular GSP+ reviews.

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