Transatlantic Trade and Investment Partnership (TTIP) and Pakistan- A Global Commutable General Equilibrium Approach

Topic: (8.4) International Trade (3)
Author: Alishba Tahir
Co-Authors: Muhammad Aamir KHAN

Transatlantic Trade and Investment Partnership (TTIP) is a mega trade deal between European Union and United States, insuring free trade between the two regions. While this agreement is expected to facilitate trade among the member economies, other countries in the region that are left out of the agreement, such as Pakistan, are likely to be adversely affected due to significant trade diversion. From the current facts and figures, it is accurate to say that both members of TTIP are the biggest trading partner of Pakistan. As EU holds the largest and significant share in its exports and imports following by USA, this trade deal will be proven unfriendly to Pakistan. On the other hand, Pakistan has been recently granted a Generalized Scheme of Preferences (GSP) Plus status by the European Union in December 2013.The status allows Pakistan commodities to access 500 million consumers, in 28 EU countries, with roughly the same tariff preferences in a single market. The immediate outcome of GSP Plus status is likely to increase in accessing EU market through the duty free import of GSP-eligible goods. This status will substantially increase Pakistani exports to the European markets especially Textile, Wearing Apparel and leather sectors. By using the Global CGE modelling, this study shows that TTIP will leave a negative impact on the macroeconomic level of Pakistan. Moreover, the real household incomes will reduce making it an unfavorable deal for a non-member country i.e. Pakistan. The GSP+ status would, however, overcome the negativities created by the TTIP in the economy of Pakistan. Nevertheless, under current GSP plus status, keeping in view the capping mechanism set by the European Parliament the scope for growth gets limited.