Pak-India Trade in Goods Opportunities and Challenges

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Goods trade – historic trends

Predicted trade – Aggregate and Sectoral

Stakeholders Analysis

Sector specific issues, challenges and solutions
Aggregate Trade balance

Source: UN Comtrade Dataset
Indian Exports to Pakistan 2003-07

Source: Department of Commerce India, EIDB (2007)
Sectoral Trade Trends

Pakistan’s Exports to India 2003-07

Source: Department of Commerce India, EIDB (2007)
### Sectoral Trade Potential

**Positioning of India's Major Manufactured Exports in 2007**

- **Textiles, 41.4%**
- **Clothing, 21.4%**
- **Machinery and transport equipment, 11.6%**
- **Chemicals, 11.4%**
- **Iron and steel, 5.7%**
- **Pharmaceuticals, 3.1%**
- **Automotive products, 2.4%**
- **Office and telecom equipment, 0.5%**
- **Telecommunications equipment, 0.4%**

**Annual growth of Country's share in Product's global exports in 2000-2007**

- **Textiles, 41.4%**
- **Clothing, 21.4%**
- **Machinery and transport equipment, 11.6%**
- **Chemicals, 11.4%**
- **Iron and steel, 5.7%**
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**Positioning of Pakistan's Major Manufactured Exports in 2007**

- **Machinery and transport equipment, 11.6%**
- **Chemicals, 11.4%**
- **Clothing, 6.7%**
- **Textiles, 6.6%**
- **Iron and steel, 5.7%**
- **Pharmaceuticals, 2.6%**
- **Automotive products, 2.4%**
- **Office and telecom equipment, 0.5%**
- **Telecommunications equipment, 0.4%**

**Annual growth of Country's share in Product's global exports in 2000-2007**

- **Machinery and transport equipment, 4.5%**
- **Chemicals, 2.6%**
- **Clothing, 21.4%**
- **Textiles, 41.4%**
- **Iron and steel, 5.7%**
- **Pharmaceuticals, 0.6%**
- **Automotive products, 2.4%**
- **Office and telecom equipment, 0.5%**
- **Telecommunications equipment, 0.4%**
Predicted Trade

Gravity models:

Aggregate trade (post MFN & SAFTA): $10 billion to $20 billion.

RCA analyses:

Gainers: Textiles and Garments, Agri (Fruits and dates)

Losers: Auto, Pharma, Chemicals & Polyester, Agri
View of the Chambers (Sialkot, Lahore, Faisalabad and Karachi)

Opportunities:

Access to a large and growing mkt i.e., surgical, sports goods, leather, textiles

Cheaper inputs i.e., dyes, chemicals and machinery

Joint ventures, cross border investments, technology and skills transfer
Challenges:

- Visa restrictions
- Lack of banking facilities
- Few border crossings
- Infrastructure impediments – transportation and storage facilities.
- Indian duty structures, para tariffs – state taxes etc.
- Phyto sanitary requirements, quality standards etc.
- Agricultural tariffs and subsidies.
### Sector Specific Challenges

**Agriculture Sector**

**Issue:** Restrictive market access - high tariffs and subsidies, phyto sanitary requirements etc.

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>INDICES BASED ON APPLIED TARIFFS</th>
<th>INDICES BASED ON MFN TARIFFS</th>
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<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>Agriculture</strong></td>
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<tr>
<td>India</td>
<td>2009</td>
<td>14.9%</td>
<td>69.5%</td>
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<tr>
<td>Pakistan</td>
<td>2009</td>
<td>7.4%</td>
<td>5.8%</td>
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Source: Overall Trade Restrictiveness Index (OTRI) calculations, World Bank
Sector Specific Challenges

Proposed solution:

1. Bilateral agreement on agriculture (NAFTA model)
2. Sensitive list (SAFTA)
3. Countervailing measures, transitional safeguards
Auto Sector

Issue:

India’s competitive advantage: larger scale and lower costs in both auto and auto parts.

Restrictive market access in India for 2/3 wheelers:

*Homologation, emission standards and high tariff barriers.*
Sector Specific Challenges

Proposed solution:

1. JVs to invite Indian OEMs invest in manufacturing/assembly plants in Pakistan
2. Time bound sensitive list
3. Bilateral negotiation
Sector Specific Challenges

Pharmaceutical Sector

Issues:

- Ad-hoc Regulatory Environment in Pakistan
- Withholding Taxes raise the Cost of Exporting
- Cumbersome State Bank (SBP) Procedures for Outward Remittances
- Lack of enforcement of quality standards – domestic and imports.
Proposed solutions:

1. Deregulation of domestic drug prices

2. Exempt withholding on payments abroad for export operations

3. Amend the Pharmaceutical Import Policy to ensure only quality products enter (Bangladesh model)