

Our Correspondent

Pakistan's intra-regional trade remains lowest

KARACHI: Pakistan is one of the lowest regionally-integrated countries in the world as the country's trade with its regional partners has remained paltry over years despite immense potential, a latest report by a business policy advocacy group revealed.

Pakistan Business Council (PBC), covering its trade relations with three bordering countries – India, Afghanistan and Iran –, said the country's trade with trading partners, except for China, is limited both in scale and scope.

“As of 2018, the share of regional partners in Pakistan's imports was 4.67 percent against a share of 7.42 percent in Pakistan's exports,” PBC said. “The share of Pakistan's trade with India, Afghanistan, and Iran as a bloc has been on a decline for both imports as well as exports.”

PBC said the country's trade balance with its regional partners has cumulatively been mostly negative in the last 10 years. The country recorded its highest ever deficit of \$1.06 billion, up from a deficit of \$0.69 billion in the previous year.

“Exports to regional partners have declined by a higher percentage as compared to the overall decline in Pakistan's global exports,” it said. “While imports from regional countries increased, they have not increased at the pace at which Pakistan's global imports have increased, leading to a decline in the share of regional imports in total imports.”

PBC has 81 members from the country's largest private sector businesses and conglomerates, including multinationals.

Pakistan and India, despite sharing a long border and being members of the South Asian Free Trade Agreement, don't have a very active trade relationship. “In fact, Pakistan did more trade with Japan than with India in 2018,” PBC said. “The limited trade that happens between the two countries has always been in favour of India.”

The council said exports to India peaked in 2013 when they touched the historical high of \$403 million. However, they were significantly lower than imports in the same year of around \$1.87 billion. In 2018, the balance of trade between the two neighbouring countries stood at \$1.55 billion in favour of India with imports amounting to \$1.93 billion and exports standing at \$383 million.

PBC said the country could earn \$1.59 billion from exports of 20 products to India last year, while it has import potential in excess of \$7 billion.

The council further said trade with Afghanistan which shares the longest land border with Pakistan has shown downward trend after 2011. Exports to Afghanistan amounted to \$1.35

billion, down a significant 50 percent in the last seven years, although imports have been increasing year-on-year since 2003.

Pakistan enjoys favourable trade balance with Afghanistan. Exporters need to explore engineering goods and auto parts to increase exports of 20 potential products to \$354 million from the existing \$269 million for the same list of products. Likewise, Pakistan could boost imports from underdeveloped Afghanistan from the current \$508 million by exploring imports of dry fruits, nuts and fruits and cotton.

PBC said bilateral trade potential with regards to Iran is largely untapped. The country exported \$19.05 million of products to Iran despite the potential of \$1.91 billion. If the reliance is diverted to other products, including rice and textile, exports can increase. Currently, more than three fourths of exports to Iran comprise of coloured paper. Imports of chemicals, alloys, metals, mineral and petroleum products could lift up the bill to \$7.18 billion from the existing \$374 million.