

PBC study finds 20 products to increase trade

ISLAMABAD: Pakistan Business Council (PBC) has proposed that Pakistan decrease tariffs or provide subsidies on import of raw materials to help increase competitiveness in the international markets.

The PBC, in its analysis of Pak–Sri Lanka Free Trade Agreements has found 20 products which could potentially increase trade between the two countries. The top 20 products with highest trade potential can increase Pakistan’s exports to Sri Lanka by about \$ 1.14 billion and imports \$ 1.08 billion.

FTA between Pakistan and Sri Lanka came into effect in July 2005 after being signed in August 2002. Under the FTA, Sri Lanka was given immediate duty-free market access for 206 products. Pakistan, on the other hand, received duty-free access for 102 products. Further concessions were agreed in November 2010.

According to the PBC, the purpose of this study is to analyze the performance of the FTA to-date and to highlight the opportunities available to both partners to increase bilateral trade. The study also highlighted some sectors which, if promoted, could potentially increase trade between the two countries. These include Pakistan’s cement and motorcycle industries and Sri Lanka’s apparel and clothing, tourism, and tea industry.

Bilateral trade with Sri Lanka has mostly been in favour of Pakistan since the signing of the FTA. Pakistani exports more than doubled from 2005 to 2011 while imports stayed relatively constant; Pakistan enjoyed its largest trade surplus in 2011 – estimated at \$287 million. Exports fell after 2011 to \$269 million by 2017. Imports, on the other hand, have risen by about 60% since 2011 and peaked at \$103 million in 2017. Pakistan’s trade surplus with Sri Lanka in 2017 was \$166 million.

The study identifies twenty products which have the potential to increase Pakistan’s exports to Sri Lanka by \$1.14 bn. An analysis of Sri Lanka’s tariff regime shows that amongst Pakistan’s top twenty exports to Sri Lanka only four products receive better tariff rates than those applied on India and China.

Pakistani industries where there is potential to export to Sri Lanka include cement and motorcycle industries. The impediments to increasing exports from Pakistan of both cement and motorcycles have been identified. The report also identifies a review of the strategies employed by Sri Lanka to develop its apparel and clothing, tourism and tea industry. There is some learning in these for Pakistani policy makers.—MUSHTAQ GHUMMAN