

# Pak-India Trade in Goods Opportunities and Challenges



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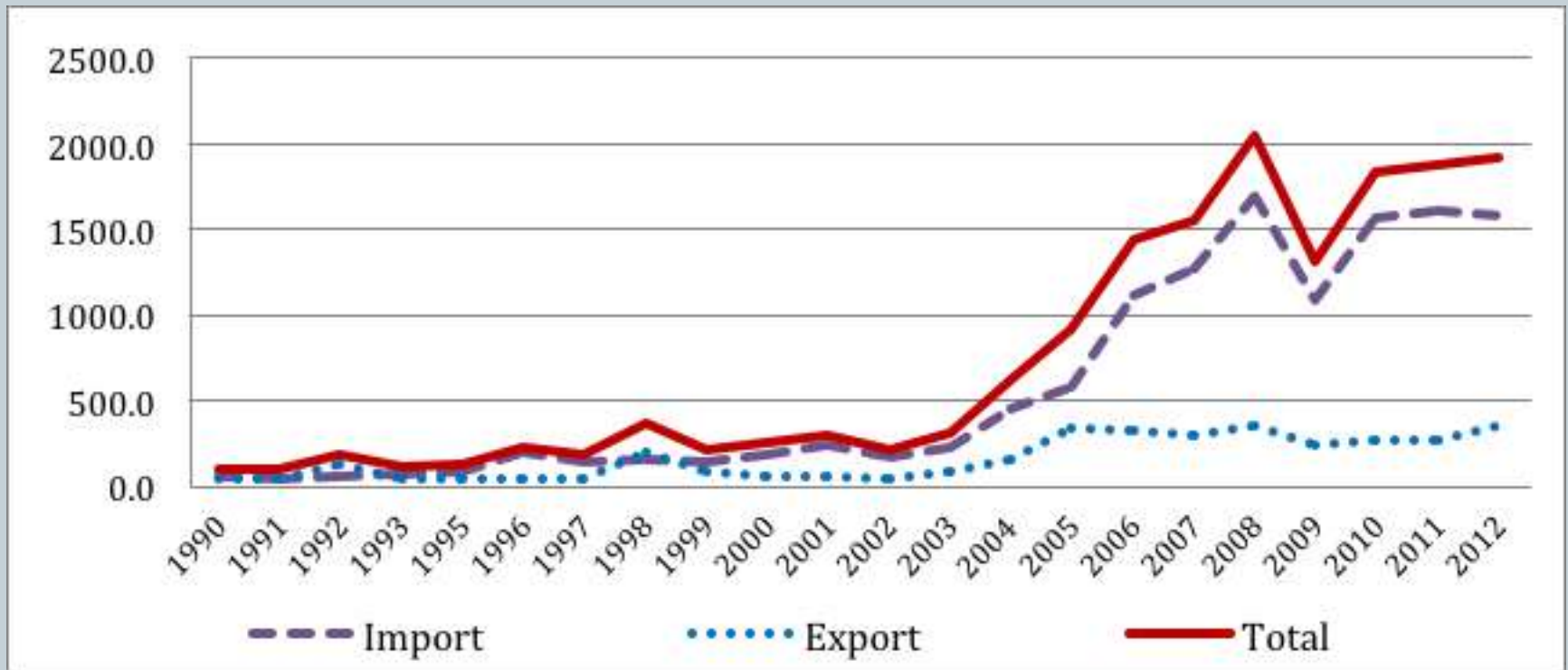
21<sup>ST</sup> JAN, 2014

# Outline



- Goods trade – historic trends
- Predicted trade – Aggregate and Sectoral
- Stakeholders Analysis
- Sector specific issues, challenges and solutions

# Aggregate Trade balance

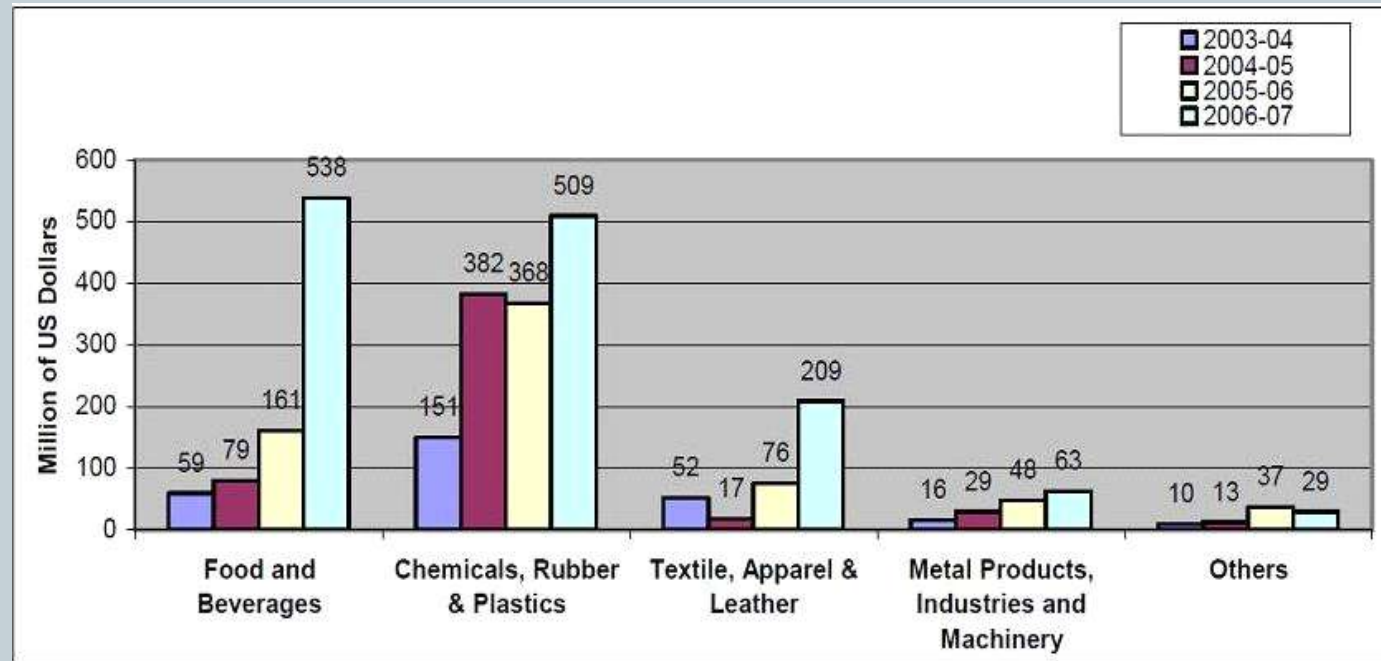


Source: UN Comtrade Dataset

# Sectoral Trade Trends



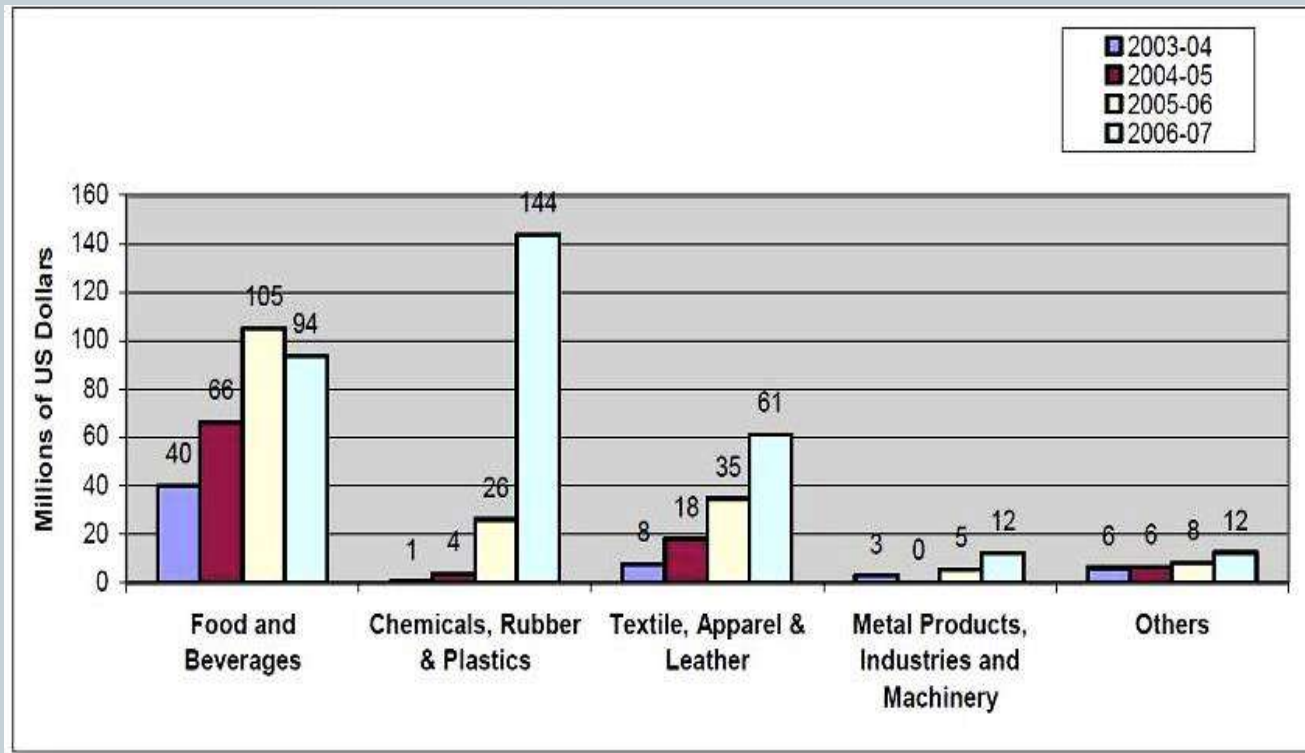
## Indian Exports to Pakistan 2003-07



Source: Department of Commerce India, EIDB (2007)

# Sectoral Trade Trends

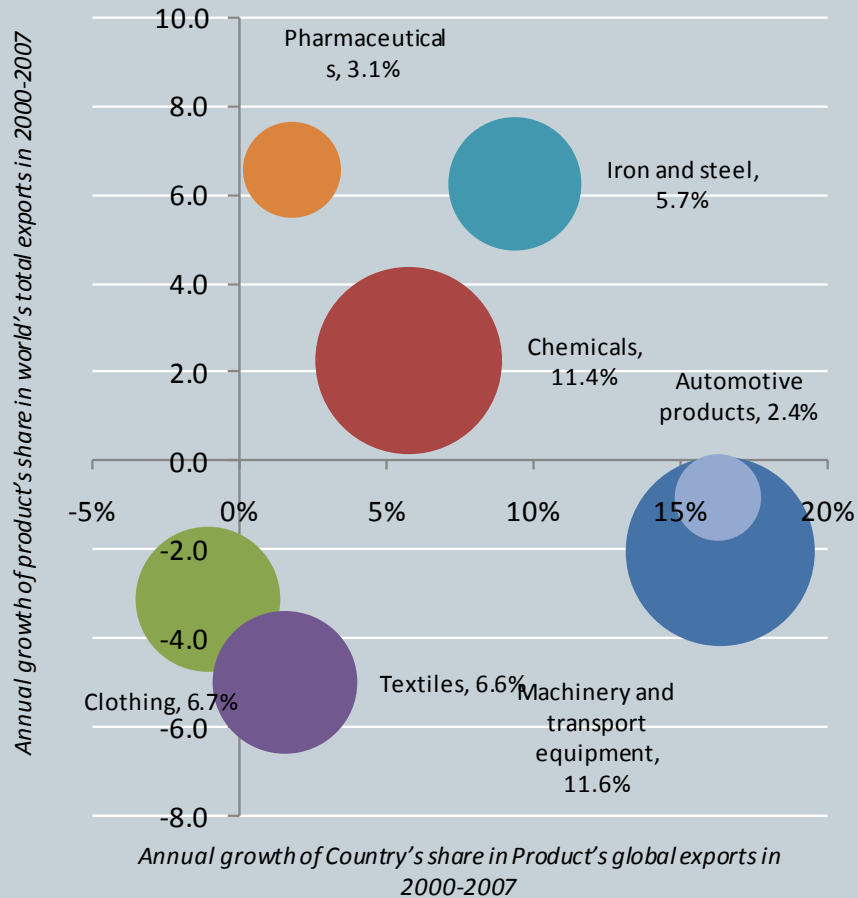
## Pakistan's Exports to India 2003-07



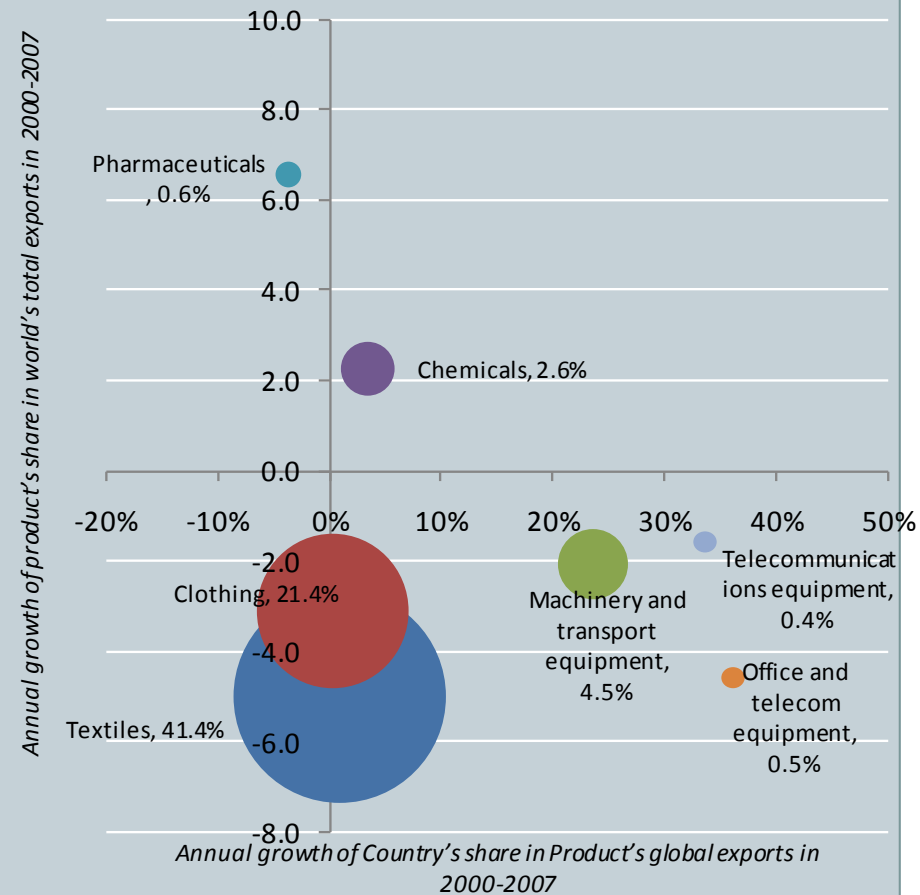
Source: Department of Commerce India, EIDB (2007)

# Sectoral Trade Potential

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



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



# 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

# Lums Study: Stakeholder Analysis



## **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



# Lums Study: Stakeholder Analysis



## **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.

Country	Year	INDICES BASED ON APPLIED TARIFFS			INDICES BASED ON MFN TARIFFS		
		<i>Total</i>	<i>Agriculture</i>	<i>Manufactures</i>	<i>Total</i>	<i>Agriculture</i>	<i>Manufactures</i>
India	2009	14.9%	69.5%	13.1%	15.3%	71.7%	13.4%
Pakistan	2009	7.4%	5.8%	7.5%	7.4%	5.8%	7.5%

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

# Sector Specific Challenges



## **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.

# Sector Specific Challenges



## **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)