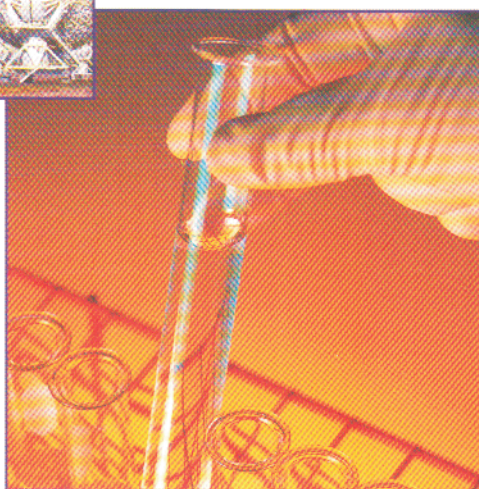
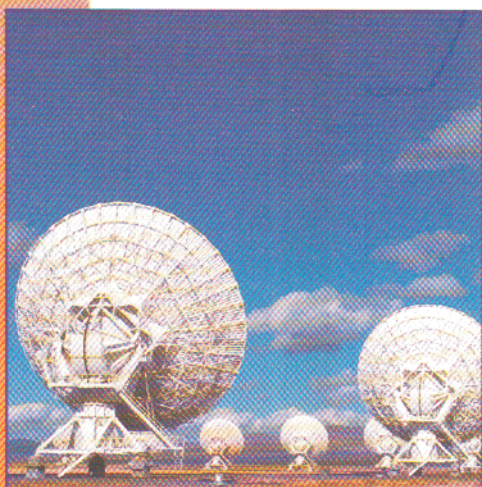


# Potential for Enhancing India's Trade with Pakistan: A Brief Analysis

Working Paper Series  
Paper No. 19



 **एविज़म बैंक**  
**EXIM BANK**  
भारतीय निर्यात-आयात बैंक  
EXPORT-IMPORT BANK OF INDIA

## **About Exim Bank's Working Paper Series**

As part of its endeavour in enriching the knowledge of Indian exporters and thereby to enhance their competitiveness, Exim Bank periodically conducts research studies. These research studies are broadly categorized into three segments, viz. sector study, country study and macro-economic related analysis. These studies are published in the form of Occasional Papers, Working Papers and Books. The research papers that are brought out in the form of Working Papers are done with swift analysis and data collation from various sources. The research papers under the series provide a brief overview on various issues.

### **Previous Working Papers brought out by Exim Bank**

- |              |  |
|--------------|--|
| Paper No. 1  | Snap Market Survey for Pharmaceutical Products in South Africa, July 2002.   |
| Paper No. 2  | Health Insurance Portability and Accountability Act (USA) – An Opportunity for Indian IT Companies, August 2002.   |
| Paper No. 3  | Indian Cement Industry: Perspective and Export Potential, October 2002.  |
| Paper No. 4  | Transaction Costs of Indian Exports: A Review, March 2003.   |
| Paper No. 5  | Strategy for Quantum Jump in Exports: Focus on Africa, Latin America and China, May 2003.                          |
| Paper No. 6  | Export Potential of Indian Steel, February 2004.   |
| Paper No. 7  | Export Potential of Indian Jute Industry, March 2004.  |
| Paper No. 8  | Southern African Customs Union (SACU): A Study of India's Trade and Investment Potential, February 2005.           |
| Paper No. 9  | Textile Exports: Post MFA Scenario: Opportunities and Challenges, February 2005.                                   |
| Paper No. 10 | Indian Ceramic Industry: Perspective and Export Potential, February 2005.  |
| Paper No. 11 | Central Asian Republics, Afghanistan & Pakistan:<br>A Study of India's Trade and Investment Potential, March 2005. |
| Paper No. 12 | Vanilla and its Potential in India, September 2005.  |
| Paper No. 13 | Export Performance of Small and Medium Scale Enterprises in India, October 2005.                                   |
| Paper No. 14 | Prospects for Exports Of Handicrafts from North Eastern Region (NER), October 2005.                                |
| Paper No. 15 | FDI Flows and Investment Policies in India and Select Asian Countries: A Comparative Analysis, October 2005.       |
| Paper No. 16 | Indian Construction Industry: Opportunities Abroad, February 2007.   |
| Paper No. 17 | Potential for Enhancing India's Trade with Myanmar: A Brief Analysis, April 2012.                                  |
| Paper No. 18 | Potential for Enhancing India's Trade with Iran: A Brief Analysis, July 2012.                                      |

**EXPORT-IMPORT BANK OF INDIA**

**WORKING PAPER NO. 19**

**POTENTIAL FOR ENHANCING INDIA'S TRADE WITH PAKISTAN:  
A BRIEF ANALYSIS**

*EXIM Bank's Working Paper Series is an attempt to disseminate the findings of research studies carried out in the Bank. The results of research studies can interest exporters, policy makers, industrialists, export promotion agencies as well as researchers. However, views expressed do not necessarily reflect those of the Bank. While reasonable care has been taken to ensure authenticity of information and data, EXIM Bank accepts no responsibility for authenticity, accuracy or completeness of such items.*

© Export-Import Bank of India  
August 2012

## CONTENTS

	Page No.
List of Tables	5
List of Charts	7
Executive Summary	9
1. Pakistan – Economic Overview	16
2. Foreign Trade of Pakistan	18
3. Bilateral Trade between Pakistan and India	23
4. Potential Areas for Enhancing Bilateral Trade Relations	27
5. Observations and Recommendations	52
<b>Annexures</b>	
Annexure 1: Potential Items of India's Exports to Pakistan, as per 6-Digit HS Commodity Classification	53
Annexure 2: Foreign Investments in Pakistan and Investment Regulations	65

### Project team:

Mr. David Sinate, General Manager  
Ms. Sara Joy, Manager

LIST OF TABLES		
Table No.	Titles	Page No.
A1	Pakistan's Foreign Trade, 2005-2011 (US\$ mn)	10
A2	Pakistan's Trade with India, 2005-2011 (US\$ mn)	11
A3	Pakistan's Major Exports to India, 2005-2011 (US\$ mn)	12
A4	Pakistan's Major Imports from India, 2005-2011 (US\$ mn)	12
A5	Pakistan's Major Import Items, Imports from India and India's Share, 2011	14
1.1	Pakistan - Macro Economic Indicators	16
2.1	Pakistan's Foreign Trade, 2005-2011 (US\$ mn)	18
2.2	Pakistan's Major Export Items, 2005-2011 (US\$ mn)	19
2.3	Pakistan's Major Export Markets, 2005-2011 (US\$ mn)	20
2.4	Pakistan's Major Import Items, 2005-2011 (US\$ mn)	21
2.5	Pakistan's Major Import Sources, 2005-2011 (US\$ mn)	22
3.1	Pakistan's Trade with India, 2005-2011 (US\$ mn)	23
3.2	Pakistan's Major Exports to India, 2005-2011 (US\$ mn)	24
3.3	Pakistan's Major Imports from India, 2005-2011 (US\$ mn)	24
3.4	Pakistan's Major Import Items and India's Share, 2011	25
4.1	Pakistan's Major Import Items, Imports from India and India's Share, 2011	28
4.2	Pakistan's Imports of Mineral Fuels (HS-27) - Major Partners (US\$ mn)	29
4.3	Mineral Fuels and Products (HS-27) - Potential Export Items to Pakistan	30
4.4	Pakistan's Imports of Machinery (HS-84) - Major Partners (US\$ mn)	31
4.5	Machinery & Boilers (HS-84) - Potential Export Items to Pakistan	32
4.6	Pakistan's Imports of Electrical & Electronic Equipment (HS-85) - Major Partners (US\$ mn)	33
4.7	Electrical & Electronic Equipment (HS-85) - Potential Export Items to Pakistan	34
4.8	Pakistan's Imports of Iron & Steel (HS-72) - Major Partners (US\$ mn)	35
4.9	Iron & Steel (HS-72) - Potential Export Items to Pakistan	37
4.10	Pakistan's Imports of Plastics & Articles (HS-39) - Major Partners (US\$ mn)	37
4.11	Plastics & Articles (HS-39) - Potential Export Items to Pakistan	38
4.12	Pakistan's Imports of Vehicles other than Railway (HS-87) - Major Partners (US\$ mn)	39
4.13	Vehicles other than Railway (HS-87) - Potential Export Items to Pakistan	40



<b>LIST OF TABLES</b>		
<b>Table No.</b>	<b>Titles</b>	<b>Page No.</b>
4.14	Pakistan's Imports of Manmade Filaments (HS-54) - Major Partners (US\$ mn)	41
4.15	Manmade Filaments (HS-54) - Potential Export Items to Pakistan	42
4.16	Pakistan's Imports of Manmade Staple Fibres (HS-55) - Major Partners (US\$ mn)	43
4.17	Manmade Staple Fibres (HS-55) - Potential Export Items to Pakistan	44
4.18	Pakistan's Imports of Pharmaceuticals (HS-30) - Major Partners (US\$ mn)	45
4.19	Pharmaceutical Products (HS-30) - Potential Export Items to Pakistan	46
4.20	Pakistan's Imports of Optical & Medical Apparatus (HS-90) - Major Partners (US\$ mn)	47
4.21	Optical & Medical Apparatus (HS-90) - Potential Export Items to Pakistan	48
4.22	Pakistan's Imports of Pearls & Precious Stones (HS-71) - Major Partners (US\$ mn)	49
4.23	Pearls & Precious Stones (HS-71) - Potential Export Items to Pakistan	49
4.24	Pakistan's Imports of Aluminium & Articles (HS-76) - Major Partners (US\$ mn)	50
4.25	Aluminium & Articles (HS-76) - Potential Export Items to Pakistan	50
4.26	Pakistan's Imports of Other Made Textile Articles (HS-63) - Major Partners (US\$ mn)	51
4.27	Other Made Textile Articles (HS-63) - Potential Export Items to Pakistan	51

LIST OF CHARTS		
Chart No.	Titles	Page No.
3.1	Pakistan's Trade with India, 2005-2011 (US\$ mn)	23





## EXECUTIVE SUMMARY

### Economic Overview of Pakistan

Severe floods during 2011 had impacted overall economic activities of Pakistan during the year. However, a slight recovery during the second half of the year, due to higher prices for key exports and expanded services activities, supported overall GDP growth which stood at 2.4 percent during the year. Expansion in the agriculture sector, primarily from growth in livestock, minor crops, wheat and sugarcane, also provided boost to economic growth. Added to these was the surge in workers' remittances and greater incomes from increase in commodity prices which supported increased consumption expenditure, a critical component of the country's GDP growth. Energy outages and damage to cotton crop from floods are expected to hold the fiscal year 2012 GDP growth at around 3.5 percent, before strengthening to 3.8 percent in 2013 underpinned by private and government

consumption expenditure. Nominal GDP rose from US\$ 177 bn in 2010 to an estimated US\$ 211 bn in 2011. After easing to 9.7 percent in 2011 from 15.5 percent in 2010, inflation pressure is expected to ease further in the near term, due to strengthened budget performance, supported by moderate money supply growth and higher agricultural output.

### External Sector

In line with high global oil prices and strong demand for basic commodities and construction materials, merchandise import growth is expected to remain strong in the near term. In the case of exports, while growth in exports during 2011 benefited from high global prices for some of Pakistan's main exports, such as cotton, depressed demand in Pakistan's main export markets such as the US and the EU could impact export growth in the near future. As a result, the merchandise trade deficit is expected to widen steadily. The current account deficit is expected to increase from US\$ 2.1 bn in 2011 to US\$ 5 bn in 2012, and further to US\$ 5.6 bn in 2013, with strong growth in inward remittances offsetting the widening trade balance.

### Economic Prospects and Development Challenges

According to the Asian Development Outlook 2012, Asian Development Bank, power shortage is the main factor constraining economic growth of Pakistan. The impact of substantial gas and power load-shedding is holding down both manufacturing output and export performance. Textile manufacturers have reported substantial reductions in orders as unpredictable energy outages prevented many of them from meeting their production commitments, thereby impacting export prospects.

### Foreign Trade of Pakistan

Pakistan traditionally runs a trade deficit which has risen from US\$ 9 bn in 2005 to US\$ 18 bn in 2011 (**Table A1**). Pakistan's reliance on oil imports makes the current account vulnerable to changes in international oil prices, which, along with food imports, have led to surge in imports in recent years. Exports are dominated by textiles and ready-made garments sold to developed markets. The US has long been Pakistan's largest export market, with UK and Germany also being important export destinations.

Table A1 : Pakistan's Foreign Trade, 2005-2011 (US\$ mn)

	2005	2006	2007	2008	2009	2010	2011
Exports	16,050	16,933	17,838	20,279	17,555	21,413	25,344
Imports	25,097	29,826	32,594	42,327	31,584	37,537	43,578
Total Trade	41,147	46,759	50,432	62,606	49,138	58,950	68,922
Trade Balance	-9,046	-12,893	-14,756	-22,048	-14,029	-16,124	-18,234

Source: Trade Map, ITC Geneva

### Recent Trends in Exports

Boosted by the pickup in major exports items such as cotton, textile materials, and articles of apparel, Pakistan's total exports amounted to US\$ 25.3 bn in 2011, rising from US\$ 21.4 bn in the previous year. The top five export items are cotton, textile articles and sets, cereals, articles of apparel and accessories, knit or crochet, and articles of apparel and accessories, not knit or crochet, together accounting for around 61 percent of Pakistan's global exports in 2011.

### Major Export Markets and Commodities

The US remains the major market for Pakistan's exports, accounting for as much as 15 percent of Pakistan's total exports, although the share has witnessed a modest decline in recent years. Other major markets include Afghanistan, UAE, China, Germany, UK, and Bangladesh.

The importance of the **US** in Pakistan's trade configuration can be assessed from the fact that it is the largest market for Pakistan's major exports such as textile articles and articles of apparel. In 2011, the US accounted for almost 40 percent of Pakistan's global exports of textile articles, 56 percent of Pakistan's global exports of articles of apparel and accessories, knit or crochet, and 26 percent of Pakistan's global exports of articles of apparel and accessories, not knit or crochet. Besides, the US is amongst the major markets for Pakistan's exports of articles of leather and travel goods.

As regards Pakistan's exports to **Afghanistan**, the country is the largest market for Pakistan's exports of petroleum oils, salt & sulphur, milling products, animal and vegetable fats and oils, edible vegetables, and articles of iron and steel. As regards the **UAE**, the country is Pakistan's largest export destination for cereals,

and pearls and precious stones. In 2011, the UAE accounted for 12 percent of Pakistan's global exports of cereals, and a dominant 94 percent of Pakistan's global exports of pearls and precious stones. The UAE is also an important market for Pakistan's exports of mineral fuels and oils.

In the case of **China**, the country is the leading market for cotton exports, accounting for a significant 22 percent of Pakistan's global exports in 2011. China is also the largest market for Pakistan's exports of ores and slags. Other important items of Pakistan's exports to China include raw hides and skins, fish and crustaceans, and plastics and articles. As regards **UK** and **Germany**, they constitute major markets for Pakistan's global exports of apparel, articles of textiles, and pearls and precious stones. As regards **Bangladesh**, the country has emerged as the second largest market for Pakistan's exports of cotton (after China), and cereals (after UAE).

### Recent Trends in Imports

Reflecting the sharp pick up in imports of mineral fuels and oils, animal and vegetable fats, organic chemicals, and plastics and articles, Pakistan's total imports in 2011 rose to US\$ 43.6 bn, from US\$ 37.5 bn in the previous year. The major import items are mineral fuels and oils, machinery and boilers, animal and vegetable fats and oils, electrical and electronic equipment, organic chemicals, iron and steel, plastics and articles, and vehicles other than railway. These top items account for around 70 percent of Pakistan's total imports during 2011.

### Major Import Sources and Commodities

**UAE** and **China** are the two largest sources for Pakistan's imports, together accounting for 30 percent of Pakistan's global imports in 2011. Other important import sources include Saudi

Arabia, Kuwait, Malaysia, Japan, the US, and India.

**UAE, Saudi Arabia** and **Kuwait** are the largest sources for Pakistan's imports of mineral fuels and oils, together accounting for as much as 87 percent of Pakistan's global imports of these items in 2011.

**China**, in recent years, has emerged as an important supplier to Pakistan, with China being the largest supplier of electrical & electronic equipment, machinery, manmade filaments, manmade staple fibres, and iron and steel to Pakistan. Further, China is the second largest supplier of organic chemicals, and plastics and articles to Pakistan.

In the case of **Malaysia**, the importance of the country to Pakistan's import demand can be assessed from the fact that it accounts for as much as 83 percent of Pakistan's global imports of vegetable oils in 2011.

As for **Japan**, it is the largest supplier of transport equipment to Pakistan, accounting for a significant 56 percent of Pakistan's global imports of these items in 2011. Japan is also an important market for Pakistan's imports of machinery, ships and boats, articles of iron and steel, and optical and medical apparatus. In the case of **the US**, the country is a major supplier of machinery, electrical & electronic equipment, optical and medical apparatus, and cotton to Pakistan.

### Bilateral Trade between Pakistan and India

Trade relations between Pakistan and India have witnessed a robust trend in recent years, with total bilateral trade between the two countries having risen from US\$ 914 mn in 2005 to US\$ 1.9 bn in 2011 (**Table A2**). Pakistan generally maintains a trade deficit with India which has increased from US\$ 239 mn in 2005 to US\$ 1.3 bn in 2011.

Table A2: Pakistan's Trade with India, 2005-2011 (US\$ mn)

	2005	2006	2007	2008	2009	2010	2011
Exports to India	337	327	292	355	235	275	273
Imports from India	577	1,115	1,266	1,691	1,080	1,560	1,607
Total Trade	914	1,442	1,558	2,046	1,316	1,835	1,880
Trade Balance	-239	-788	-975	-1,337	-845	-1,285	-1,334

Source: Trade Map, ITC Geneva

Table A3: Pakistan's Major Exports to India, 2005-2011 (US\$ mn)

		2005	2006	2007	2008	2009	2010	2011
<b>HS-</b>								
<b>Code</b>	<b>All products</b>	<b>337.2</b>	<b>326.7</b>	<b>291.7</b>	<b>354.6</b>	<b>235.3</b>	<b>275.0</b>	<b>272.9</b>
25	Salt, sulphur, lime and cement	0.4	0.4	10.3	65.8	32.3	32.3	48.0
08	Edible fruit, nuts	28.8	32.2	34.3	36.3	45.0	45.3	47.9
52	Cotton	37.8	56.3	56.2	52.8	44.5	38.3	30.5
29	Organic chemicals	10.4	30.4	1.6	4.8	25.9	25.7	26.0
28	Inorganic chemicals	0.03	0.003	0.02	0.5	6.4	11.4	14.8
41	Raw hides and skins, and leather	3.6	3.0	11.9	13.5	8.4	12.9	13.0
74	Copper and articles thereof	1.6	3.0	2.8	3.2	4.0	8.7	11.3

Source: Trade Map, ITC Geneva

### Pakistan's Major Exports to India

The major items in Pakistan's exports basket to India are salt, sulphur, lime and cement, edible fruits and nuts, cotton, and organic chemicals (Table A3). The other export items to India which

have shown a rising trend would include inorganic chemicals, raw hides and skins, and copper and articles.

### Pakistan's Major Imports from India

As regards Pakistan's imports

from India, organic chemicals and cotton are the two largest items, accounting for around 42 percent of Pakistan's total imports from India in 2011. Other major items of Pakistan's imports from India include animal fodder, edible vegetables, and plastics and articles (Table A4).

Table A4: Pakistan's Major Imports from India, 2005-2011 (US\$ mn)

		2005	2006	2007	2008	2009	2010	2011
<b>HS-</b>								
<b>Code</b>	<b>All products</b>	<b>576.7</b>	<b>1,115.0</b>	<b>1,266.2</b>	<b>1,691.5</b>	<b>1,080.4</b>	<b>1,559.9</b>	<b>1,607.3</b>
29	Organic chemicals	163.1	209.4	410.9	455.6	338.5	260.7	373.3
52	Cotton	32.5	73.1	281.8	448.3	139.3	338.3	305.5
23	Residues of food industry, animal fodder	57.3	102.2	83.8	116.8	82.0	131.8	186.3
07	Edible vegetables, roots & tubers	32.4	33.1	42.9	74.0	137.2	123.3	141.1
39	Plastics and articles thereof	55.9	103.1	96.5	81.8	42.9	37.5	67.5
09	Coffee, tea, mate and spices	16.6	22.3	15.2	40.6	18.4	51.5	56.7
17	Sugars & sugar confectionery	0.7	324.3	3.5	0.01	0.04	156.7	51.5
38	Miscellaneous chem. products	5.2	6.2	12.8	28.0	34.4	50.9	49.2
32	Tanning, dyeing extracts	20.0	23.3	30.6	37.2	35.8	42.0	41.2
40	Rubber and articles thereof	38.0	39.9	39.4	36.7	23.1	27.3	40.3

Source: Trade Map, ITC Geneva

### **Recent Initiatives to Enhance Bilateral Relations**

In recent years, with a view to forge closer cooperation and enhanced trade relations, both India and Pakistan have taken several concrete measures, which include, among others:

- Visit by Pakistan's Commerce Minister to India during September-October 2011, after more than three and a half decades; Visit by India's Commerce Minister to Pakistan during February 2012, accompanied by high powered business delegation;
- Both sides have set a target of reaching bilateral trade level of US\$ 6 bn in the next three years;
- MOU signed between India Trade Promotion Organisation (ITPO) and Trade Development Authority of Pakistan (TDAP); India Show organized in Lahore in February 2012, and Lifestyle Pakistan 2012 organised in New Delhi in April 2012;
- As the step towards granting the most favoured nation (MFN) status to India, Pakistan to move from a restrictive Positive List to a small Negative List, which would eventually be phased out;

- Operationalisation of an Integrated Check Post at Wagah; and
- Effective August 1, 2012, Govt. of India has allowed a citizen of Pakistan or an entity incorporated in Pakistan to invest in India, under the Government route, in sectors/ activities other than defense, space and atomic energy.

### **Potential Areas for Enhancing Bilateral Trade Relations**

While Pakistan's total imports from India have depicted a rising trend in recent years, an analysis of the share of India in Pakistan's global imports would reveal the tremendous scope to further enhance India's exports to Pakistan.

- In the case of organic chemicals, cotton, oilseeds, miscellaneous chemical products, edible vegetables, rubber and articles, coffee & tea, articles of iron and steel, tanning and dyeing extracts, and animal fodder, India is a major source for Pakistan's imports, accounting for a significant share in Pakistan's global imports;
- However, in the case of other major imports by Pakistan, the share of India

in Pakistan's import basket is low. In particular, India's share in Pakistan's top import items is still marginal, which would serve to highlight the tremendous scope to enhance such exports to Pakistan.

To enhance bilateral trade relations, strategy to boost India's trade relations with Pakistan would entail identification of potential items of India's exports, which would be based on the following analysis:

- Identification of major items in Pakistan's import basket, and share of India in each product line (based on HS-code); and
- Selection of potential items, based on low share of India in Pakistan's import basket of major commodities. This would entail identification of potential export items under each product category, upto 6-digit HS Commodity code.

**Table A5** presents Pakistan's major import items, in terms of 2-digit HS code, and India's share in Pakistan's global imports of these items, along with India's global exports. As can be seen from the table, despite India's global export capability, India's share in Pakistan's major imports is still low, which highlights the potential for enhancing these exports to Pakistan.

Table A5: Pakistan's Major Import Items, Imports from India and India's Share, 2011

	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
	2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
<b>HS-</b>				
<b>Code All products</b>	<b>43,578</b>	<b>1,607.3</b>	<b>3.7</b>	<b>225,307</b>
27 Mineral fuels, oils, distillation products	14,860	10.1	0.1	42,494
84 Machinery, boilers, etc	2,951	24.7	0.8	9,639
85 Electrical, electronic equipment	2,430	6.5	0.3	10,232
<b>29 Organic chemicals</b>	<b>2,213</b>	<b>373.3</b>	<b>16.9</b>	<b>12,830</b>
72 Iron and steel	1,680	29.2	1.7	6,268
39 Plastics and articles thereof	1,679	67.5	4.0	3,967
87 Vehicles other than railway, tramway	1,502	-	-	9,377
<b>52 Cotton</b>	<b>909</b>	<b>305.5</b>	<b>33.6</b>	<b>6,672</b>
54 Manmade filaments	703	0.2	-	1,294
<b>12 Oil seed, oleagic fruits, grain, seed, fruit</b>	<b>691</b>	<b>39.5</b>	<b>5.7</b>	<b>1,177</b>
55 Manmade staple fibres	681	22.9	3.4	1,498
<b>38 Miscellaneous chemical products</b>	<b>588</b>	<b>49.2</b>	<b>8.4</b>	<b>1,744</b>
<b>07 Edible vegetables, roots and tubers</b>	<b>562</b>	<b>141.1</b>	<b>25.1</b>	<b>900</b>
<b>40 Rubber and articles thereof</b>	<b>536</b>	<b>40.3</b>	<b>7.5</b>	<b>2,027</b>
30 Pharmaceutical products	534	20.0	3.8	8,477
90 Optical, medical apparatus	488	0.8	0.2	1,571
<b>09 Coffee, tea, mate and spices</b>	<b>450</b>	<b>56.7</b>	<b>12.6</b>	<b>2,171</b>
<b>73 Articles of iron or steel</b>	<b>387</b>	<b>32.1</b>	<b>8.3</b>	<b>4,203</b>
71 Pearls, precious stones, metals, coins, etc	336	0.1	-	27,903
<b>32 Tanning, dyeing extracts, pigments etc</b>	<b>327</b>	<b>41.2</b>	<b>12.6</b>	<b>1,895</b>
<b>23 Residues of food industry, animal fodder</b>	<b>225</b>	<b>186.3</b>	<b>82.7</b>	<b>2,084</b>
76 Aluminium and articles thereof	205	5.3	2.6	1,324
63 Other made textile articles, sets	201	0.5	0.3	3,954

Note: '-' denotes marginal or nil; ranking of products is based on Pakistan's imports

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

Based on the above criteria, potential items of India's exports to Pakistan would include:

- Mineral fuels and distillation products (HS-27); Machinery and boilers (HS-84); Electrical and electronic equipment (HS-85); Iron and steel (HS-72); Plastics and articles (HS-39); Vehicles other than railway (HS-87); Manmade filaments (HS-54); Manmade staple fibres (HS-55); Pharmaceutical products (HS-30); Optical and medical apparatus (HS-90); Pearls and precious stones (HS-71); Aluminium and articles (HS-76); and Textile articles and sets (HS-63)

Based on the above analysis, identification of potential items of India's exports to Pakistan under the above select categories, up to 6-digit HS Commodity codes, has been undertaken and are presented in **Annexure 1**.

### **Observations & Recommendations**

As observed in the preceding paragraphs, India's trade relations with Pakistan has witnessed a robust trend in recent years, with total bilateral trade between the

two countries having risen from US\$ 914 mn in 2005 to reach US\$ 1.9 bn in 2011.

While India is a major supplier to Pakistan of items including organic chemicals, cotton, oilseeds, miscellaneous chemical products, edible vegetables, rubber and articles, coffee & tea, and articles of iron and steel, India's share in Pakistan's major import items is low. In particular, India's share in Pakistan's top import items is still marginal, which would serve to highlight the tremendous scope to enhance such exports to Pakistan.

Strategy to boost trade relations with Pakistan would entail identification of potential items of India's exports (upto 6-digit commodity classification), which would be in line with Pakistan's imports demand and India's global export capabilities, as has been undertaken in this study, as also identification of potential Indian exporters who could benefit from prevailing and future market opportunities in Pakistan.

Other measures to enhance bilateral trade relations with Pakistan could include:

- A national-level industry association/ trade chamber could be identified which could undertake various trade promoting activities such as organising Business to Government (B2G) and Business-to-Business (B2B) delegation visits relating to identified potential sectors; organising fairs in Pakistan to showcase the competencies of Indian MSMEs and to capture market opportunities; and tie-ups with select industry associations/chambers in identified potential sectors in Pakistan so as to understand the requirements of their members;
- A bank(s) could be identified to take the lead role in promoting and creating a trade enabling environment. Towards this end, Indian banks could consider opening of representative offices (ROs)/JVs/ branches in Pakistan; and
- Indian companies could also consider establishing JVs/ WOS in Pakistan. Highlights of recent trends in foreign investments in Pakistan and investment regulations in Pakistan have been presented in **Annexure 2**.



## 1. PAKISTAN – ECONOMIC OVERVIEW

Severe floods during 2011 had impacted overall economic activities of Pakistan during the year. However, a slight recovery during the second half of the year, due to higher prices for key exports and expanded services activities, supported overall GDP growth which stood at 2.4 percent during the year. Expansion in the agriculture sector, primarily from growth in livestock, minor crops, wheat and sugarcane, also provided boost to the growth of

the economy. Added to these was the surge in workers' remittances and greater incomes from increase in commodity prices which supported consumption expenditure, a critical component of the country's GDP growth. Energy outages and damage to cotton crop from floods are expected to hold the fiscal year 2012 GDP growth at around 3.5 percent, before strengthening to 3.8 percent in 2013 underpinned by private and government consumption expenditure (**Table 1.1**). Nominal GDP rose from US\$ 177 bn in 2010 to an estimated US\$ 211 bn in 2011.

Inflation eased to 9.7 percent in 2011 from 15.5 percent in 2010, although it remains under pressure

from increasing global commodity prices, reflecting flood-related shortages and higher costs resulting from damaged transport networks. Inflation pressure is expected to ease further in the near term, due to strengthened budget performance, supported by moderate money supply growth and higher agricultural output.

### External Sector

In line with high global oil prices and strong demand for basic commodities and construction materials, merchandise import growth is expected to remain strong in the near term. In the case of exports, while growth in exports during 2011 benefited

Table 1.1: Pakistan - Macro Economic Indicators

	2007	2008	2009	2010	2011**	2012#	2013#
Nominal GDP (US\$ bn)	143.0	164.5	161.8	176.8	211.1	238.8	274.4
Nominal GDP (PRs bn)	8,673	10,243	12,724	14,837	18,063	21,268	25,036
Real GDP Growth ( percent)	5.7	1.6	3.6	4.1	2.4	3.5	3.8
Population (mn)	173.3	177.0	180.9	184.8	188.9	193.1	197.5
Central Govt. Budget balance ( % of GDP)	-5.8	-7.6	-5.3	-6.3	-5.9	-6.1	-5.7
Consumer Prices (end-period, percent)	8.8	21.9	8.8	15.5	9.7	9.0	8.4
Lending Interest Rates (avg., percent)	10.6	12.7	14.2	13.5	14.1	13.0	12.0
Ex. Rate PRs:US\$ (avg., end-period)	61.22	79.10	84.26	85.71	89.97	91.03	91.28
Current Account Bal.(US\$ mn)	-8,301	-15,655	-3,993	-1,368	-2,097	-4,993	-5,590
Debt Stock (US\$ mn)	41,531	49,057	54,588	56,773	58,588	58,444	59,066
International Reserves (US\$ mn)	15,689	8,903	13,770	17,210	18,091	16,910	17,262

Notes: \*\*- Estimates; # -Forecasts

Source: IMF, Economic Intelligence Unit (EIU)

from high global prices for some of Pakistan's main exports, such as cotton, depressed demand in Pakistan's main export markets such as the US and the EU could impact export growth in the near future. As a result, the merchandise trade deficit is expected to widen steadily. The current account deficit is expected to increase from US\$ 2.1 bn in 2011 to US\$ 5 bn in 2012, and further to US\$ 5.6

bn in 2013, with strong growth in inward remittances offsetting the widening trade balance.

### **Economic Prospects and Development Challenges**

According to the Asian Development Outlook 2012, Asian Development Bank, power shortage is the main factor constraining economic growth of

Pakistan. The impact of substantial gas and power load-shedding is holding down both manufacturing output and export performance. Textile manufacturers have reported substantial reductions in orders as unpredictable energy outages prevented many of them from meeting their production commitments, thereby impacting export prospects.

## 2. FOREIGN TRADE OF PAKISTAN

Pakistan traditionally runs a trade deficit which has risen from US\$ 9 bn in 2005 to US\$ 18 bn in 2011 (**Table 2.1**). Pakistan's reliance on oil imports makes the current account vulnerable to changes in international oil prices, which, along with food imports, have led to surge in imports in recent years. Industry depends on foreign raw materials and capital goods. Recent economic growth has also triggered rising imports of consumer goods. Exports are dominated by textiles and ready-made garments sold to developed markets. The US has long been Pakistan's largest export market, with UK and Germany also being important destinations.

### Recent Trends in Exports

Boosted by the pickup in major exports items such as cotton, textile materials, and articles of apparel, Pakistan's total exports amounted to US\$ 25.3 bn in 2011, rising from US\$ 21.4 bn in the previous year. Trends in Pakistan's export of major commodities during the period 2005 to 2011 are presented in **Table 2.2**. The top five export items are cotton (HS-52), textile articles and sets (HS-63), cereals (HS-10), articles of apparel and accessories, knit or crochet (HS-61), and articles of apparel and accessories, not knit or crochet (HS-62), together accounting for around 61 percent of Pakistan's global exports in 2011.

### Export Markets and Commodities

Trends in Pakistan's exports to major markets during 2005

to 2011 have been presented in **Table 2.3**. The US remains the major market for Pakistan's exports, accounting for as much as 15 percent of Pakistan's total exports, although the share has witnessed a modest decline in recent years. Other major markets include Afghanistan, UAE, China, Germany, UK and Bangladesh.

The importance of **the US** in Pakistan's trade configuration can be assessed from the fact that it is the largest market for Pakistan's major exports such as textile articles and articles of apparel. In 2011, the US accounted for almost 40 percent of Pakistan's global exports of textile articles (HS-63), 56 percent of Pakistan's global exports of articles of apparel and accessories, knit or crochet (HS-61), and 26 percent of Pakistan's global exports of articles of apparel and accessories, not knit or crochet (HS-62). Besides, the US is amongst the

**Table 2.1 : Pakistan's Foreign Trade, 2005-2011 (US\$ mn)**

	2005	2006	2007	2008	2009	2010	2011
Exports	16,050	16,933	17,838	20,279	17,555	21,413	25,344
Imports	25,097	29,826	32,594	42,327	31,584	37,537	43,578
Total Trade	41,147	46,759	50,432	62,606	49,138	58,950	68,922
Trade Balance	-9,046	-12,893	-14,756	-22,048	-14,029	-16,124	-18,234

Source: Trade Map, ITC Geneva

Table 2.2: Pakistan's Major Export Items, 2005-2011 (US\$ mn)

		2005	2006	2007	2008	2009	2010	2011
<b>HS-</b>								
<b>Code</b>	<b>All products</b>	<b>16,050</b>	<b>16,933</b>	<b>17,838</b>	<b>20,279</b>	<b>17,555</b>	<b>21,413</b>	<b>25,344</b>
52	Cotton	3,429	3,601	3,440	3,596	3,204	4,013	5,097
63	Other made textile articles, sets, worn clothing etc	3,071	3,243	3,179	3,146	2,918	3,285	3,570
10	Cereals	1,101	1,152	1,244	2,508	1,823	2,280	2,807
61	Articles of apparel, accessories, knit or crochet	1,655	1,902	1,851	1,888	1,681	1,982	2,239
62	Articles of apparel, accessories, not knit or crochet	1,330	1,348	1,371	1,361	1,206	1,462	1,775
27	Mineral fuels, oils, distillation products, etc	675	841	994	1,230	715	1,203	1,312
42	Articles of leather, animal gut, harness, travel goods	693	680	692	767	578	619	681
55	Manmade staple fibres	76	234	386	285	300	511	606
25	Salt, sulphur, earth, stone, plaster	113	127	252	601	563	514	571
39	Plastics and articles thereof	274	213	187	296	306	408	544
71	Pearls, precious stones, metals	21	24	120	240	479	590	469
41	Raw hides and skins, and leather	307	318	392	383	270	416	468
11	Milling products, malt, starches	106	125	110	24	22	47	368
08	Edible fruit, nuts, peel of citrus fruit	106	117	125	145	203	254	311
90	Optical, technical, medical apparatus	186	171	241	280	257	261	302
22	Beverages, spirits and vinegar	74	117	156	231	122	187	273
03	Fish, crustaceans, mollusks	147	168	161	218	193	231	261
07	Edible vegetables, roots and tubers	110	44	73	46	86	120	259
84	Machinery, boilers, etc	110	113	155	317	250	249	235
95	Toys, games, sports requisites	287	305	211	226	172	212	225

Source: Trade Map, ITC Geneva

major markets for Pakistan's exports of articles of leather and travel goods (HS-42).

As regards Pakistan's exports to **Afghanistan**, the country is the largest market for Pakistan's exports of petroleum oils (HS-27), salt & sulphur (HS-25), milling products (HS-11), animal and vegetable fats and oils (HS-15), edible vegetables (HS-07), and

articles of iron and steel (HS-73).

As regards the **UAE**, the country is Pakistan's largest export destination for cereals (HS-10) and pearls and precious stones (HS-71). In 2011, the UAE accounted for 12 percent of Pakistan's global exports of cereals, and a dominant 94 percent of Pakistan's global exports of pearls and precious stones. The UAE is also an

important market for Pakistan's exports of mineral fuels and oils.

In the case of **China**, the country is the leading market for cotton exports (HS-52), accounting for a significant 22 percent of Pakistan's global exports in 2011. China is also the largest market for Pakistan's exports of ores and slags (HS-26), with a dominant share of 94 percent of Pakistan's

Table 2.3: Pakistan's Major Export Markets, 2005-2011 (US\$ mn)

	2005	2006	2007	2008	2009	2010	2011
<b>World</b>	<b>16,050</b>	<b>16,933</b>	<b>17,838</b>	<b>20,279</b>	<b>17,555</b>	<b>21,413</b>	<b>25,344</b>
US	3,979	4,343	3,853	3,654	3,221	3,674	3,839
Afghanistan	1,065	992	838	1,448	1,374	1,685	2,660
UAE	1,257	1,242	2,115	2,010	1,539	1,835	1,921
China	436	507	614	727	998	1,436	1,679
Germany	724	698	726	880	719	981	1,312
UK	907	936	967	1,000	943	1,114	1,259
Bangladesh	234	267	279	422	367	637	947
Italy	583	622	683	702	555	642	777
Turkey	299	339	446	471	407	644	756
Belgium	342	341	361	428	396	519	658
Spain	386	476	487	491	407	474	570
Netherlands	378	434	453	560	393	408	535
Hong Kong, China	599	679	608	461	355	495	421
Saudi Arabia	355	309	296	441	426	409	420
France	363	349	362	368	314	358	405
Rep. of Korea	200	177	182	208	238	279	402
Sri Lanka	154	178	209	217	217	284	348
South Africa	222	294	276	281	191	255	285
<b>India</b>	<b>337</b>	<b>327</b>	<b>292</b>	<b>355</b>	<b>235</b>	<b>275</b>	<b>273</b>
Kenya	66	75	97	118	151	129	267

Source: Trade Map, ITC Geneva

global exports in 2011. Other important items of Pakistan's exports to China include raw hides and skins, fish and crustaceans, and plastics and articles.

As regards **UK** and **Germany**, they constitute major markets for Pakistan's global exports of apparel, articles of textiles, and pearls and precious stones. As regards **Bangladesh**, the country has emerged as the second largest market for Pakistan's

exports of cotton (after China), and cereals (after UAE).

#### Recent Trends in Imports

Reflecting the sharp pick up in imports of mineral fuels and oils, animal and vegetable fats, organic chemicals, and plastics and articles, Pakistan's total imports in 2011 rose to US\$ 43.6 bn, from US\$ 37.5 bn in the previous year. Trends in Pakistan's imports of major commodities during the

period 2005 to 2011 have been presented in **Table 2.4**. The major import items are mineral fuels and oils (HS-27), machinery and boilers (HS-84), animal and vegetable fats and oils (HS-15), electrical and electronic equipment (HS-85), organic chemicals (HS-29), iron and steel (HS-72), plastics and articles (HS-39), and vehicles other than railway (HS-87). These top items account for around 70 percent of Pakistan's total imports during 2011.

Table 2.4: Pakistan's Major Import Items, 2005-2011 (US\$ mn)

		2005	2006	2007	2008	2009	2010	2011
HS-								
Code	All products	25,097	29,826	32,594	42,327	31,584	37,537	43,578
27	Mineral fuels, oils, distillation products, etc	5,299	7,680	8,350	14,054	8,838	11,399	14,860
84	Machinery, boilers, etc	3,107	3,344	3,262	3,924	3,120	2,953	2,951
15	Animal, vegetable fats and oils	864	879	1,301	1,880	1,412	1,852	2,589
85	Electrical, electronic equipment	2,520	3,081	3,448	3,782	2,619	2,442	2,430
29	Organic chemicals	1,266	1,178	1,570	1,761	1,518	1,721	2,213
72	Iron and steel	1,443	1,393	1,543	1,629	1,683	1,695	1,680
39	Plastics and articles	999	1,129	1,281	1,360	1,185	1,458	1,679
87	Vehicles other than railway	1,493	1,733	1,419	1,184	969	1,308	1,502
31	Fertilizers	656	452	748	729	805	648	1,028
52	Cotton	518	429	918	1,209	498	831	909
54	Manmade filaments	267	313	339	315	344	516	703
12	Oil seed, oleagif fruits	345	404	501	380	459	628	691
55	Manmade staple fibres	208	285	280	339	345	505	681
38	Misc. chemical products	385	374	393	450	503	555	588
07	Edible vegetables, roots & tubers	203	290	288	305	430	507	562
40	Rubber and articles	295	312	342	365	292	413	536
30	Pharmaceutical products	224	244	374	433	539	498	534
48	Paper & paperboard, articles of pulp, paper and board	297	361	401	439	377	440	528
89	Ships, boats & floating structures	114	72	573	183	399	839	527
28	Inorganic chemicals	271	238	258	688	361	424	509

Source: Trade Map, ITC Geneva

### Import Sources and Commodities

Trends in Pakistan's imports from major sources during 2005 to 2011 have been presented in **Table 2.5**. The UAE and China are the two largest sources for Pakistan's imports, together accounting for 30 percent of Pakistan's global imports in 2011. Other important import sources include Saudi

Arabia, Kuwait, Malaysia, Japan, the US, and India.

**UAE, Saudi Arabia and Kuwait** are the largest sources for Pakistan's imports of mineral fuels and oils, together accounting for as much as 87 percent of Pakistan's global imports of these items in 2011.

**China**, in recent years, has

emerged as an important supplier to Pakistan, with China being the largest supplier of electrical & electronic equipment, machinery, manmade filaments, manmade staple fibres, and iron and steel to Pakistan. In 2011, China accounted for as much as 56 percent of Pakistan's global imports of electrical & electronic equipment, 29 percent of

Table 2.5: Pakistan's Major Import Sources, 2005-2011 (US\$ mn)

	2005	2006	2007	2008	2009	2010	2011
<b>World</b>	<b>25,097</b>	<b>29,826</b>	<b>32,594</b>	<b>42,327</b>	<b>31,584</b>	<b>37,537</b>	<b>43,578</b>
UAE	2,481	3,408	2,767	3,778	3,350	5,248	6,819
China	2,349	2,915	4,164	4,738	3,780	5,248	6,471
Saudi Arabia	2,651	3,033	4,012	5,955	3,500	3,838	4,668
Kuwait	1,264	1,881	1,853	3,444	1,804	2,608	3,891
Malaysia	731	766	1,158	1,694	1,608	2,055	2,728
Japan	1,633	1,872	1,655	1,724	1,289	1,595	1,860
US	1,531	1,886	2,608	2,062	1,800	1,628	1,753
<b>India</b>	<b>577</b>	<b>1,115</b>	<b>1,266</b>	<b>1,691</b>	<b>1,080</b>	<b>1,560</b>	<b>1,607</b>
Germany	1,145	1,190	1,127	1,466	1,271	986	1,001
Indonesia	684	809	877	1,192	654	676	930
Rep. of Korea	655	614	637	707	627	739	837
Thailand	538	626	595	598	600	872	827
Canada	214	396	430	598	403	464	702
Singapore	448	520	476	822	504	914	661
UK	721	742	694	868	781	636	582
Italy	437	548	549	746	680	567	512
France	297	369	464	471	396	399	498
Australia	451	277	428	484	535	467	437
South Africa	172	168	288	295	266	390	378
Chinese Taipei	296	341	358	356	300	353	360

Source: Trade Map, ITC Geneva

Pakistan's global imports of machinery, 69 percent of Pakistan's global imports of manmade filaments, 44 percent of Pakistan's global imports of manmade staple fibres, and 16 percent of Pakistan's global imports of iron and steel. Further, China is the second largest supplier of organic chemicals, and plastics and articles to Pakistan.

In the case of **Malaysia**, the importance of the country to Pakistan's import demand can be assessed from the fact that it accounts for as much as 83 percent of Pakistan's global imports of vegetable oils in 2011.

As for **Japan**, it is the largest supplier of transport equipment to Pakistan, accounting for

a significant 56 percent of Pakistan's global imports of these items in 2011. Japan is also an important market for Pakistan's imports of machinery, ships and boats, articles of iron and steel, and optical and medical apparatus. In the case of **the US**, the country is a major supplier of machinery, electrical & electronic equipment, optical and medical apparatus, and cotton to Pakistan.



### 3. BILATERAL TRADE BETWEEN PAKISTAN AND INDIA

Trade relations between Pakistan and India have witnessed a robust trend in recent years, with total bilateral trade between the two countries having risen from US\$ 914 mn in 2005 to US\$ 1.9 bn in 2011 (**Table 3.1 & Chart 3.1**). Pakistan generally maintains a trade deficit with India which has increased from US\$ 239 mn in 2005 to US\$ 1.3 bn in 2011, boosted primarily by increased imports of Pakistan from India.

#### Pakistan's Major Exports to India

Recent trends in Pakistan's exports of major commodities to India during 2005 to 2011 have

been presented in **Table 3.2**. The major items in Pakistan's export basket to India are salt, sulphur, lime and cement; edible fruits and nuts; cotton; organic chemicals; inorganic chemicals; and raw hides and skins.

The export items to India which have shown a rising trend would include salt, sulphur, lime and cement; edible fruits and nuts; organic chemicals; inorganic chemicals; and raw hides and skins.

#### Pakistan's Major Imports from India

As regards Pakistan's imports from India, organic chemicals and cotton are the two largest items, accounting for around 42 percent of Pakistan's total imports from India in 2011. Recent trends in Pakistan's imports of major items from India during 2005 and 2011 have been presented in **Table 3.3**. Other major items of Pakistan's imports from India include animal fodder, edible vegetables, and plastics and articles.

Chart 3.1: Pakistan's Trade with India, 2005-2011 (US\$ mn)



Source: Trade Map, ITC Geneva

Table 3.1: Pakistan's Trade with India, 2005-2011 (US\$ mn)

	2005	2006	2007	2008	2009	2010	2011
Exports to India	337	327	292	355	235	275	273
Imports from India	577	1,115	1,266	1,691	1,080	1,560	1,607
Total Trade	914	1,442	1,558	2,046	1,316	1,835	1,880
Trade Balance	-239	-788	-975	-1,337	-845	-1,285	-1,334

Source: Trade Map, ITC Geneva

Table 3.2: Pakistan's Major Exports to India, 2005-2011 (US\$ mn)

		2005	2006	2007	2008	2009	2010	2011
<b>HS-Code</b>	<b>All products</b>	<b>337.2</b>	<b>326.7</b>	<b>291.7</b>	<b>354.6</b>	<b>235.3</b>	<b>275.0</b>	<b>272.9</b>
25	Salt, sulphur, lime and cement	0.4	0.4	10.3	65.8	32.3	32.3	48.0
08	Edible fruit, nuts	28.8	32.2	34.3	36.3	45.0	45.3	47.9
52	Cotton	37.8	56.3	56.2	52.8	44.5	38.3	30.5
29	Organic chemicals	10.4	30.4	1.6	4.8	25.9	25.7	26.0
28	Inorganic chemicals	0.03	0.003	0.02	0.5	6.4	11.4	14.8
41	Raw hides and skins, and leather	3.6	3.0	11.9	13.5	8.4	12.9	13.0
74	Copper and articles thereof	1.6	3.0	2.8	3.2	4.0	8.7	11.3
27	Mineral fuels, oils, distillation products, etc	151.3	162.0	94.1	137.7	22.6	26.4	9.3
78	Lead and articles thereof	1.2	4.2	18.7	1.5	3.7	9.1	9.2
39	Plastics and articles thereof	3.0	1.6	2.6	3.6	7.1	18.6	8.9
90	Optical, medical, etc apparatus	1.2	1.4	3.0	3.1	2.8	4.4	6.7
72	Iron and steel	2.3	1.6	2.6	1.5	0.01	2.5	6.5
51	Wool, animal hair, horsehair yarn	1.7	3.2	4.3	3.7	2.2	8.4	6.2
63	Other made textile articles, sets	2.4	2.3	2.2	4.2	2.8	6.6	5.3

Source: Trade Map, ITC Geneva

Table 3.3: Pakistan's Major Imports from India, 2005-2011 (US\$ mn)

		2005	2006	2007	2008	2009	2010	2011
<b>HS-Code</b>	<b>All products</b>	<b>576.7</b>	<b>1,115.0</b>	<b>1,266.2</b>	<b>1,691.5</b>	<b>1,080.4</b>	<b>1,559.9</b>	<b>1,607.3</b>
29	Organic chemicals	163.1	209.4	410.9	455.6	338.5	260.7	373.3
52	Cotton	32.5	73.1	281.8	448.3	139.3	338.3	305.5
23	Residues of food industry, animal fodder	57.3	102.2	83.8	116.8	82.0	131.8	186.3
07	Edible vegetables, roots & tubers	32.4	33.1	42.9	74.0	137.2	123.3	141.1
39	Plastics and articles thereof	55.9	103.1	96.5	81.8	42.9	37.5	67.5
09	Coffee, tea, mate and spices	16.6	22.3	15.2	40.6	18.4	51.5	56.7
17	Sugars & sugar confectionery	0.7	324.3	3.5	0.01	0.04	156.7	51.5
38	Miscellaneous chem.products	5.2	6.2	12.8	28.0	34.4	50.9	49.2
32	Tanning, dyeing extracts	20.0	23.3	30.6	37.2	35.8	42.0	41.2
40	Rubber and articles thereof	38.0	39.9	39.4	36.7	23.1	27.3	40.3
12	Oil seed, oleagious fruits, grain	9.3	14.2	18.0	13.9	20.9	32.2	39.5
73	Articles of iron or steel	0.7	1.5	10.1	22.7	7.2	18.5	32.1
72	Iron and steel	19.0	32.1	35.6	44.1	31.2	29.5	29.2
84	Machinery, boilers, etc	5.2	11.7	24.3	34.0	32.6	42.6	24.7
55	Manmade staple fibres	4.4	3.2	1.9	4.0	5.6	14.5	22.9
30	Pharmaceutical products	1.9	4.2	12.7	22.0	7.5	21.9	20.0
10	Cereals	4.2	0.6	0.4	37.3	8.4	10.6	10.4
27	Mineral fuels, oils	2.2	3.0	3.0	1.8	15.8	10.0	10.1
28	Inorganic chemicals	2.8	3.1	5.8	9.7	8.2	8.9	10.0
74	Copper and articles thereof	1.0	2.5	5.9	7.8	6.8	12.3	8.0

Source: Trade Map, ITC Geneva

### Pakistan's Global Imports and India's Share

While Pakistan's total imports from India have depicted a rising trend in recent years, an analysis of the share of India in Pakistan's global imports would

reveal the tremendous scope to further enhance India's exports to Pakistan.

This analysis has been presented in **Table 3.4** below. The following points can be discerned from the table:

- In the case of organic chemicals, cotton, oilseeds, miscellaneous chemical products, edible vegetables, rubber and articles, coffee & tea, articles of iron and steel, tanning and dyeing extracts, and animal fodder, India is a

**Table 3.4: Pakistan's Major Import Items and India's Share, 2011**

	Pakistan's Imports from World	Pakistan's Imports from India	
	2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %
<b>HS-Code All products</b>	<b>43,578</b>	<b>1,607.3</b>	<b>3.7</b>
27 Mineral fuels, oils, distillation products, etc	14,860	10.1	0.1
84 Machinery, boilers, etc	2,951	24.7	0.8
15 Animal, vegetable fats and oils, products	2,589	0.7	-
85 Electrical, electronic equipment	2,430	6.5	0.3
<b>29 Organic chemicals</b>	<b>2,213</b>	<b>373.3</b>	<b>16.9</b>
72 Iron and steel	1,680	29.2	1.7
39 Plastics and articles thereof	1,679	67.5	4
87 Vehicles other than railway, tramway	1,502	-	-
31 Fertilizers	1,028	1.0	0.1
<b>52 Cotton</b>	<b>909</b>	<b>305.5</b>	<b>33.6</b>
54 Manmade filaments	703	0.2	-
<b>12 Oil seed, oleagious fruits, grain, seed, fruit</b>	<b>691</b>	<b>39.5</b>	<b>5.7</b>
55 Manmade staple fibres	681	22.9	3.4
<b>38 Miscellaneous chemical products</b>	<b>588</b>	<b>49.2</b>	<b>8.4</b>
<b>07 Edible vegetables, roots and tubers</b>	<b>562</b>	<b>141.1</b>	<b>25.1</b>
<b>40 Rubber and articles thereof</b>	<b>536</b>	<b>40.3</b>	<b>7.5</b>
30 Pharmaceutical products	534	20.0	3.8
48 Paper & paperboard, articles of pulp	528	0.8	0.2
89 Ships, boats and other floating structures	527	4.1	0.8
28 Inorganic chemicals	509	10.0	2.0
90 Optical, medical apparatus	488	0.8	0.2
<b>09 Coffee, tea, mate and spices</b>	<b>450</b>	<b>56.7</b>	<b>12.6</b>
<b>73 Articles of iron or steel</b>	<b>387</b>	<b>32.1</b>	<b>8.3</b>
71 Pearls, precious stones, metals, coins, etc	336	0.1	-
<b>32 Tanning, dyeing extracts, pigments etc</b>	<b>327</b>	<b>41.2</b>	<b>12.6</b>
<b>23 Residues of food industry, animal fodder</b>	<b>225</b>	<b>186.3</b>	<b>82.7</b>
76 Aluminium and articles thereof	205	5.3	2.6
63 Other made textile articles, sets	201	0.5	0.3

Note: '-' denotes marginal or nil; ranking of products is based on Pakistan's imports

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

major source for Pakistan's imports, accounting for a significant share in Pakistan's global imports;

- However, in the case of other major imports by Pakistan, the share of India in Pakistan's import basket is low. In particular, India's share in Pakistan's top import items is still marginal, which would serve to highlight the tremendous scope to enhance such exports to Pakistan.

#### **Recent Initiatives to Enhance Bilateral Relations**

In recent years, with a view to forge closer cooperation and enhanced trade relations, both India and Pakistan have taken

several concrete measures, which include, among others:

- Visit by Pakistan's Commerce Minister to India during September-October 2011, after more than three and a half decades; Visit by India's Commerce Minister to Pakistan during February 2012, accompanied by high powered business delegation;
- Both sides have set a target of reaching bilateral trade level of US\$ 6 bn in the next three years;
- MOU signed between India Trade Promotion Organisation (ITPO) and Trade Development Authority of Pakistan (TDAP); India

Show organized in Lahore in February 2012, and Lifestyle Pakistan 2012 organised in New Delhi in April 2012;

- As the step towards granting the most favoured nation (MFN) status to India, Pakistan to move from a restrictive Positive List to a small Negative List, which would eventually be phased out;
- Operationalisation of an Integrated Check Post at Wagah; and
- Effective August 1, 2012, Govt. of India has allowed a citizen of Pakistan or an entity incorporated in Pakistan to invest in India, under the Government route, in sectors/ activities other than defense, space and atomic energy.

## 4. POTENTIAL AREAS FOR ENHANCING BILATERAL TRADE RELATIONS

As highlighted in the previous chapter, bilateral trade relations between India and Pakistan has witnessed a robust rising trend in recent years, with total trade between the two having risen from US\$ 914 mn in 2005 to US\$ 1.9 bn in 2011.

To enhance bilateral trade relations, strategy to boost India's trade relations with Pakistan would entail identification of potential items of India's exports, which would be based on the following analysis:

- Identification of major items in Pakistan's import basket, and share of India in each product line (based on HS-code); and
- Selection of potential items, based on low share of India in Pakistan's import basket of major commodities. This would entail identification of potential export items under each product category, upto 6-digit HS Commodity code.

**Table 4.1** presents Pakistan's major import items, in terms of 2-digit HS code, and India's share in Pakistan's global imports of these items, along with India's global exports. As can be seen from the table, despite India's global export capability, India's share in Pakistan's major imports is still low, which highlights the potential for enhancing these exports to Pakistan.

Based on the above criteria, potential items of India's exports to Pakistan would include:

- Mineral fuels and distillation products (HS-27)
- Machinery and boilers (HS-84)
- Electrical and electronic equipment (HS-85)
- Iron and steel (HS-72)
- Plastics and articles (HS-39)
- Vehicles other than railway (HS-87)
- Manmade filaments (HS-54)
- Manmade staple fibres (HS-55)
- Pharmaceutical products (HS-30)
- Optical and medical apparatus (HS-90)

- Pearls and precious stones (HS-71)
- Aluminium and articles (HS-76)
- Textile articles and sets (HS-63)

Based on the above analysis, identification of potential items of India's exports to Pakistan under the above select categories, up to 6-digit HS Commodity codes, has been undertaken and are presented in **Annexure 1**. Brief analysis of Pakistan's imports of these identified categories from major suppliers and from India is presented below.

### Mineral fuels and distillation products (HS-27)

Mineral fuels and distillation products are the largest items in Pakistan's import basket. In 2011, these imports amounted to US\$ 15 bn with a share of 34 percent in Pakistan's total import basket. Major suppliers to Pakistan are UAE, Saudi Arabia, Kuwait, Iran, Singapore, Bahrain and Indonesia (**Table 4.2**). Besides crude petroleum oils, Pakistan also imports large volumes of petroleum products. Potential to enhance India's exports to Pakistan can be assessed from the fact that India's exports of US\$ 10 mn in 2011 to Pakistan accounts for a marginal 0.1 percent of Pakistan's global imports.

Table 4.1: Pakistan's Major Import Items, Imports from India and India's Share, 2011

	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
	2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
<b>HS- Code All products</b>	<b>43,578</b>	<b>1,607.3</b>	<b>3.7</b>	<b>2,25,307</b>
27 Mineral fuels, oils, distillation products	14,860	10.1	0.1	42,494
84 Machinery, boilers, etc	2,951	24.7	0.8	9,639
85 Electrical, electronic equipment	2,430	6.5	0.3	10,232
<b>29 Organic chemicals</b>	<b>2,213</b>	<b>373.3</b>	<b>16.9</b>	<b>12,830</b>
72 Iron and steel	1,680	29.2	1.7	6,268
39 Plastics and articles thereof	1,679	67.5	4.0	3,967
87 Vehicles other than railway, tramway	1,502	-	-	9,377
<b>52 Cotton</b>	<b>909</b>	<b>305.5</b>	<b>33.6</b>	<b>6,672</b>
54 Manmade filaments	703	0.2	-	1,294
<b>12 Oil seed, oleagic fruits, grain, seed, fruit</b>	<b>691</b>	<b>39.5</b>	<b>5.7</b>	<b>1,177</b>
55 Manmade staple fibres	681	22.9	3.4	1,498
<b>38 Miscellaneous chemical products</b>	<b>588</b>	<b>49.2</b>	<b>8.4</b>	<b>1,744</b>
<b>07 Edible vegetables , roots and tubers</b>	<b>562</b>	<b>141.1</b>	<b>25.1</b>	<b>900</b>
<b>40 Rubber and articles thereof</b>	<b>536</b>	<b>40.3</b>	<b>7.5</b>	<b>2,027</b>
30 Pharmaceutical products	534	20.0	3.8	8,477
90 Optical, medical apparatus	488	0.8	0.2	1,571
<b>09 Coffee, tea, mate and spices</b>	<b>450</b>	<b>56.7</b>	<b>12.6</b>	<b>2,171</b>
<b>73 Articles of iron or steel</b>	<b>387</b>	<b>32.1</b>	<b>8.3</b>	<b>4,203</b>
71 Pearls, precious stones, metals, coins, etc	336	0.1	-	27,903
<b>32 Tanning, dyeing extracts, pigments etc</b>	<b>327</b>	<b>41.2</b>	<b>12.6</b>	<b>1,895</b>
<b>23 Residues of food industry, animal fodder</b>	<b>225</b>	<b>186.3</b>	<b>82.7</b>	<b>2,084</b>
76 Aluminium and articles thereof	205	5.3	2.6	1,324
63 Other made textile articles, sets	201	0.5	0.3	3,954

Note: '-' denotes marginal or nil; ranking of products is based on Pakistan's imports

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

Table 4.2: Pakistan's Imports of Mineral Fuels (HS-27) - Major Partners (US\$ mn)

	2005 (US\$ mn)	2011 (US\$ mn)	2005 (% share)	2011 (% share)
<b>World</b>	<b>5,299</b>	<b>14,860</b>	<b>100.0</b>	<b>100.0</b>
UAE	1,321	5,809	24.9	39.1
Saudi Arabia	2,111	3,686	39.8	24.8
Kuwait	1,123	3,365	21.2	22.6
Singapore	26	257	0.5	1.7
South Africa	8	219	0.2	1.5
Bahrain	6	207	0.1	1.4
Malaysia	5	206	0.1	1.4
Indonesia	74	182	1.4	1.2
France	0.7	144	0.01	1.0
Oman	0.14	142	-	1.0
Qatar	176	68	3.3	0.5
Thailand	1.5	56	0.03	0.4
Republic of Korea	9	49	0.2	0.3
Australia	102	48	1.9	0.3
Denmark	-	47	-	0.3

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva



According to 6-digit HS commodity classification code, the potential items of exports under this category, based on import demand in Pakistan, and in line with India's export capability, have been presented in **Table 4.3**.

**Table 4.3: Mineral Fuels and Products (HS-27) - Potential Export Items to Pakistan**

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
271019	Light petroleum distillates	7,718	0.041	-	23,592
271011	Aviation spirit	1,253	-	-	18,386
270799	Oils & other products of the distillation of high temp coal tar etc nes	19	-	-	8
270750	Aromatic hydrocarbon mixtures etc	5	0.014	0.3	7
271320	Petroleum bitumen	19	-	-	3
271290	Mineral waxes nes and similar products obtained by synthesis etc	3	0.004	0.1	4
271220	Paraffin wax containing by weight less than 0.75% of oil	2	-	-	14

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

**Machinery and boilers (HS-84)**

Machinery and boilers are the second largest items in Pakistan's import basket, amounting to US\$ 3 bn in 2011 and accounting

for 7 percent of Pakistan's global imports. China, Germany, the US, Japan and Italy are the leading suppliers to Pakistan (**Table 4.4**). While India's exports of these items to Pakistan have risen from

US\$ 5 mn in 2005 to US\$ 25 mn in 2011, India's share in Pakistan's imports is marginal at 0.8 percent, which highlights the potential to further enhance these exports to Pakistan.

**Table 4.4: Pakistan's Imports of Machinery (HS-84) - Major Partners (US\$ mn)**

	2005 (US\$ mn)	2011 (US\$ mn)	2005 (% share)	2011 (% share)
<b>World</b>	<b>3,107</b>	<b>2,951</b>	<b>100.0</b>	<b>100.0</b>
China	540	851	17.4	28.8
Germany	410	336	13.2	11.4
USA	280	329	9.0	11.1
Japan	362	305	11.7	10.3
Italy	245	218	7.9	7.4
UK	167	88	5.4	3.0
UAE	69	83	2.2	2.8
Switzerland	183	65	5.9	2.2
Republic of Korea	76	65	2.5	2.2
Singapore	88	61	2.8	2.1
Malaysia	43	59	1.4	2.0
Thailand	56	55	1.8	1.9
France	32	43	1.0	1.5
Belgium	79	40	2.5	1.3
Chinese Taipei	62	33	2.0	1.1
Sweden	34	29	1.1	1.0
<b>India</b>	<b>5</b>	<b>25</b>	<b>0.2</b>	<b>0.8</b>
Netherlands	32	22	1.0	0.7

Source: Trade Map, ITC Geneva

According to 6-digit HS commodity classification code, potential items of exports to Pakistan under this category, based on import demand in Pakistan and India's export capability, have been presented in Table 4.5.

Table 4.5: Machinery & Boilers (HS-84) - Potential Export Items to Pakistan

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
841199	Parts of gas turbines nes	123	-	-	38
841430	Compressors used in refrigerating equipment	120	0.4	0.3	49
841182	Gas turbines nes of a power exceeding 5000 KW	93	-	-	20
840991	Parts for spark-ignition type engines nes	79	-	-	225
840999	Parts for diesel and semi-diesel engines	70	-	-	626
842230	Machinery for filling/closing bottles/cans/boxes/	62	1.1	1.7	54
848180	Taps, cocks, valves and similar appliances, nes	53	0.02	-	394
844520	Textile spinning machines	49	-	-	31
847989	Machines & mechanical	45	0.6	1.3	96
841590	Parts of air conditioning machines	39	-	-	34
848210	Bearings, ball	37	-	-	54
841480	Air or gas compressors, hoods	36	0.1	0.2	281
840211	Watertube boilers with a steam production exceeding 45T per hour	36	0.2	0.4	16
842121	Filtering machinery and apparatus for water	32	0.1	0.3	41
847150	Digital processing units	31	-	-	23
840219	Vapour generating boilers, incl. hybrid boilers	30	-	-	24
840290	Parts of steam or vapour generating boilers nes	29	-	-	24
843149	Parts of cranes, work-trucks, shovels, and other construction machinery	26	0.02	0.1	196
841370	Centrifugal pumps nes	26	0.01	0	68
841330	Fuel, lubricating or cooling medium pumps for int comb piston engines	25	-	-	134
848310	Transmission shafts and cranks, including cam shafts and crank shafts	23	0.03	0.1	376

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

**Electrical and electronic equipment (HS-85)**

Electrical and electronic equipment are major items in Pakistan's imports basket,

amounting to US\$ 2.4 bn in 2011, with a share of 7 percent of Pakistan's global imports. China is the biggest supplier, while other major suppliers include the US, UAE, Germany, and UK

(Table 4.6). Potential to enhance India's exports to Pakistan can be seen from the fact that India accounts for a marginal 0.3 percent share of Pakistan's global imports.

**Table 4.6: Pakistan's Imports of Electrical & Electronic Equipment (HS-85) - Major Partners (US\$ mn)**

	2005 (US\$ mn)	2011 (US\$ mn)	2005 (% share)	2011 (% share)
<b>World</b>	<b>2,520</b>	<b>2,430</b>	<b>100.0</b>	<b>100.0</b>
China	429	1,366	17.0	56.2
USA	237	115	9.4	4.7
UAE	120	84	4.7	3.5
Germany	264	81	10.5	3.3
UK	83	80	3.3	3.3
Republic of Korea	88	77	3.5	3.2
Japan	81	68	3.2	2.8
Finland	277	58	11.0	2.4
France	96	57	3.8	2.4
Sweden	277	52	11.0	2.1
Thailand	18	50	0.7	2.0

Source: Trade Map, ITC Geneva

Based on demand in Pakistan and India's export capability, potential export items under this category according to 6-digit HS commodity classification code are presented in **Table 4.7**.

**Table 4.7 : Electrical & Electronic Equipment (HS-85) - Potential Export Items to Pakistan**

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
851712	Telephones for cellular networks mobile telephones or for other wirele	630	-	-	2,275
851762	Machines for the reception, conversion and transmission or regeneration	170	-	-	132
851770	Parts of telephone sets, telephones for cellular networks or for other	99	-	-	916
850440	Static converters, nes	66	0.01	-	520
850211	Generating sets, diesel/semi-diesel engines, of an output not exceed 75 KVA	64	-	-	31
852990	Parts suitable f use solely/princ w the app of headings 85.25 to 85.28	64	-	-	71
851761	Base stations of apparatus for the transmission or reception of voice,	39	-	-	205
854449	Electric conductors, for a voltage not exceeding 80 V, nes	38	0.006	-	85
852352	Cards incorporating one or more electronic integrated circuits smart c	29	0.001	-	71
850300	Parts of electric motors,generators, generatg sets & rotary converters	26	-	-	294
850720	Lead-acid electric accumulators nes	24	-	-	96
853710	Boards,panels,includg numerical control panels,for a voltage <=1000 V	23	0.001	-	157
850231	Wind-powered generating equipment	21	-	-	156
852340	Optical media for the recording of sound or of other phenomena (excl.	19	-	-	322
853890	Parts for use with the apparatus of headg no. 85.35,85.36 or 85.37,nes	18	0.002	-	198

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

### Iron and steel (HS-72)

Iron and steel are among the major import items of Pakistan, amounting to US\$ 1.7 bn in 2011.

The major suppliers to Pakistan include China, Japan, South Africa, Korea and the US (**Table 4.8**). Although India's exports of iron and steel to Pakistan increased

from US\$ 19 mn in 2005 to US\$ 29 mn in 2011, India's accounts for a modest 1.7 percent share of Pakistan's global imports of these items.

**Table 4.8: Pakistan's Imports of Iron & Steel (HS-72) - Major Partners (US\$ mn)**

	2005 (US\$ mn)	2011 (US\$ mn)	2005 (% share)	2011 (% share)
<b>World</b>	<b>1,443</b>	<b>1,680</b>	<b>100.0</b>	<b>100.0</b>
China	41	268	2.8	15.9
Japan	67	174	4.6	10.3
South Africa	103	113	7.2	6.7
Republic of Korea	87	100	6.0	6.0
USA	46	99	3.2	5.9
UAE	82	88	5.7	5.2
UK	123	83	8.5	4.9
Germany	56	77	3.9	4.6
Afghanistan	23	69	1.6	4.1
Belgium	62	59	4.3	3.5
Russian Federation	49	41	3.4	2.4
Spain	14	36	0.9	2.1
Chinese Taipei	15	34	1.0	2.1
Iran (Islamic Republic of)	83	31	5.8	1.9
<b>India</b>	<b>19</b>	<b>29</b>	<b>1.3</b>	<b>1.7</b>
Netherlands	14	28	1.0	1.6
Saudi Arabia	35	26	2.5	1.6

Source: Trade Map, ITC Geneva

According to 6-digit HS commodity classification code, potential items of exports to Pakistan under this category, based on import demand in Pakistan and India's export capability, have been presented in Table 4.9.

Table 4.9: Iron & Steel (HS-72) - Potential Export Items to Pakistan

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
720839	Hot roll iron/steel nes, coil >600mm x <3mm	209	-	-	225
721049	Flat rolled prod,i/nas,plated or coated with zinc,>=600mm wide, nes	193	-	-	474
720916	Cold rolled iron/steel, coils >600mm x 1-3mm	72	0.02	-	24
720838	Hot roll iron/steel nes, coil >600mm x 3-4.75mm	39	-	-	115
720918	Cold rolled iron/steel, coils >600mm x <0.5mm	39	-	-	43
721391	Hot rolled bar/rod, irregular coils,	35	-	-	39
721012	Flat rolled prod,i/nas,plated or coated with tin,>=600mm wide,	30	-	-	36
721030	Flat rolled i/nas, electrolytically zinc coated >600mm	24	-	-	12
721070	Flat rolled prod,i/nas,painted, varnished or plast coated,>=600mm wide	21	-	-	189
720917	Cold rolled iron/steel, coils >600mm x 0.5-1mm	21	-	-	45
720836	Hot roll iron/steel nes, coil >600mm x >10mm	10	-	-	85

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

### Plastics and articles (HS-39)

Pakistan's imports of plastics and articles increased from US\$ 1 bn in 2005 to US\$ 1.7 bn in 2011, with the major suppliers being

Saudi Arabia, China, UAE, Korea and Qatar. While India's exports of plastics and articles to Pakistan have also risen from US\$ 56 mn to US\$ 67 mn during the same period, India's share in Pakistan's

total imports of these items has declined from 5.6 percent in 2005 to 4 percent in 2011, highlighting the need to take efforts to sustain market share (**Table 4.10**).

**Table 4.10: Pakistan's Imports of Plastics & Articles (HS-39) - Major Partners (US\$ mn)**

	2005 (US\$ mn)	2011 (US\$ mn)	2005 (% share)	2011 (% share)
<b>World</b>	<b>999</b>	<b>1,679</b>	<b>100.0</b>	<b>100.0</b>
Saudi Arabia	167	452	16.8	26.9
China	66	202	6.6	12.0
UAE	60	152	6.0	9.1
Republic of Korea	67	92	6.7	5.5
Qatar	51	72	5.1	4.3
Thailand	57	69	5.7	4.1
Chinese Taipei	44	68	4.4	4.0
<b>India</b>	<b>56</b>	<b>67</b>	<b>5.6</b>	<b>4.0</b>
Iran (Islamic Republic of)	16	65	1.6	3.9
Singapore	55	48	5.5	2.8

Source: Trade Map, ITC Geneva



Potential export items under this category is presented in **Table 4.11**.

**Table 4.11: Plastics & Articles (HS-39) - Potential Export Items to Pakistan**

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
390120	Polyethylene having a specific gravity of 0.94 or more	238	11.9	5.0	306
390110	Polyethylene having a specific gravity of less than 0.94	217	4.2	1.9	55
390690	Acrylic polymers nes, in primary forms	37	0.6	1.7	25
392690	Articles of plastics or of other materials of Nos 39.01 to 39.14 nes	30	0.5	1.5	150
392020	Film and sheet etc, non-cellular etc, of polymers of propylene	29	0.1	0.3	154
391990	Self-adhesive plates, sheets, film etc, of plastic nes	23	-	-	34
392062	Film and sheet etc, non-cellular etc, of polyethylene terephthalates	22	0.1	0.4	283
390950	Polyurethanes in primary forms	19	0.1	0.4	24
391910	Self-adhesive plates,sheets,film etc, of plastic in rolls	13	0.02	0.1	18
392010	Film and sheet etc, non-cellular etc, of polymers of ethylene	13	-	-	24
390740	Polycarbonates	12	0.01	0.1	14
392190	Film and sheet etc, nes of plastics	12	-	-	206

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

**Vehicles other than railway (HS-87)** other than railway amounted to imports. Other major suppliers to Pakistan include Thailand and China (**Table 4.12**).  
 Pakistan's imports of vehicles accounting for as much as 56 percent of Pakistan's global

**Table 4.12: Pakistan's Imports of Vehicles other than Railway (HS-87) - Major Partners (US\$ mn)**

	2005 (US\$ mn)	2011 (US\$ mn)	2005 (% share)	2011 (% share)
<b>World</b>	<b>1,493</b>	<b>1,502</b>	<b>100.0</b>	<b>100.0</b>
Japan	881	838	59.0	55.8
Thailand	153	225	10.2	15.0
China	72	152	4.8	10.1
USA	10	84	0.7	5.6
Singapore	15	40	1.0	2.6
Germany	29	29	2.0	2.0
Belarus	44	28	3.0	1.9
UK	67	17	4.5	1.1
Indonesia	13	17	0.8	1.1
UAE	36	15	2.4	1.0
Republic of Korea	84	14	5.6	0.9
Malaysia	9	8	0.6	0.5

Source: Trade Map, ITC Geneva

For India, the potential export items to Pakistan under this category are presented in **Table 4.13**.

**Table 4.13: Vehicles other than Railway (HS-87) - Potential Export Items to Pakistan**

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
870322	Automobiles w reciprocating piston engine displacg > 1000 cc to 1500 cc	362	-	-	2,797
870321	Automobiles w reciprocating piston engine displacg not more than 1000 cc	263	-	-	1,003
870323	Automobiles w reciprocating piston engine displacg > 1500 cc to 3000 cc	118	-	-	150
871120	Motorcycles with reciprocating piston engine displacg > 50 cc to 250 cc	85	-	-	609
870829	Parts and accessories of bodies nes for motor vehicles	85	-	-	129
871419	Motorcycle parts nes	79	-	-	119
870421	Diesel powered trucks with a GVW not exceeding five tonnes	66	-	-	227
870190	Wheeled tractors nes	60	-	-	597
870899	Motor vehicle parts nes	53	-	-	759
870210	Diesel powered buses with a seating capacity of > nine persons	28	-	-	95
870422	Diesel powered trucks w a GVW exc five tonnes but not exc twenty tonnes	25	-	-	187
870423	Diesel powered trucks with a GVW exceeding twenty tonnes	18	-	-	248
870880	Shock absorbers for motor vehicles	15	-	-	100

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

**Manmade filaments (HS-54)** US\$ 267 mn in 2005 to US\$ 703 mn in 2011, with China being the largest supplier to Pakistan include suppliers to Pakistan include Thailand, Vietnam and Malaysia (Table 4.14).  
Pakistan's imports of manmade filaments increased from share of 69 percent. Other major

**Table 4.14: Pakistan's Imports of Manmade Filaments (HS-54) - Major Partners (US\$ mn)**

	2005 (US\$ mn)	2011 (US\$ mn)	2005 (% share)	2011 (% share)
<b>World</b>	<b>267</b>	<b>703</b>	<b>100.0</b>	<b>100.0</b>
China	93	484	34.9	68.8
Thailand	38	42	14.4	5.9
Viet Nam	2	35	0.8	4.9
Malaysia	21	27	7.8	3.9
Chinese Taipei	12	21	4.7	3.0
Singapore	17	20	6.3	2.8
Republic of Korea	26	16	9.8	2.3
Indonesia	20	15	7.3	2.1
Japan	4	12	1.6	1.7

Source: Trade Map, ITC Geneva

Potential export items to Pakistan under this category, as per 6-digit classification, have been presented in **Table 4.15**.

**Table 4.15: Manmade Filaments (HS-54) - Potential Export Items to Pakistan**

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
540233	Textured yarn nes, of polyester filaments, not put up for retail sale	277	59	0.02	493
540247	Filament yarn of polyester, incl. monofilament of < 67 decitex, single	79	-	-	44
540331	Yarn of viscose rayon filaments, single, untwisted, nes, not put up	77	34	0.04	17
540244	Synthetic filament elastomeric yarn, single, untwisted or with a twist	33	-	-	15
540752	Woven fabrics, >=85% of textured polyester filaments, dyed, nes	26	-	-	30
540754	Woven fabrics, >=85% of textured polyester filaments, printed, nes	15	-	-	11
540769	Woven fabric >85% polyester filaments, nes	10	-	-	11
540110	Sewing thread of synthetic filaments	8	-	-	17

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

**Manmade staple fibres (HS-55)**

Pakistan's imports of manmade staple fibres rose from US\$ 208 mn in 2005 to US\$ 681 mn in 2011, with China having emerged as the largest supplier accounting

for as much as 45 percent. Other major suppliers include Indonesia, Korea and Thailand. While India's exports of these items to Pakistan rose from US\$ 4.4 mn to US\$ 22.9 mn during the same period, potential for enhancing

exports to Pakistan can be assessed from the fact that India's share in still marginal at 3.4 percent of Pakistan's global imports (**Table 4.16**).

**Table 4.16 : Pakistan's Imports of Manmade Staple Fibres (HS-55) - Major Partners (US\$ mn)**

	2005 (US\$ mn)	2011 (US\$ mn)	2005 (% share)	2011 (% share)
<b>World</b>	<b>208.1</b>	<b>680.9</b>	<b>100.0</b>	<b>100.0</b>
China	6.9	303.6	3.3	44.6
Indonesia	28.7	83.1	13.8	12.2
Republic of Korea	21.9	64.4	10.5	9.5
Thailand	37.3	62.2	17.9	9.1
Chinese Taipei	31.8	42.6	15.3	6.3
Austria	2.2	25.3	1.1	3.7
<b>India</b>	<b>4.4</b>	<b>22.9</b>	<b>2.1</b>	<b>3.4</b>
Portugal	0.1	13.4	0.0	2.0

Source: Trade Map, ITC Geneva

To enhance exports to Pakistan, potential export items under this category, as per 6-digit HS commodity classification, have been presented in **Table 4.17**.

**Table 4.17: Manmade Staple Fibres (HS-55) - Potential Export Items to Pakistan**

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
550320	Staple fibres of polyesters, not carded or combed	255	-	-	250
550130	Filament tow of acrylic or modacrylic	34	-	-	16
550330	Staple fibres of acrylic or modacrylic, not carded or combed	32	-	-	10
550921	Yarn, >=85% of polyester staple fibres, single, not put up	24	0.1	0.3	52
550951	Yarn of polyester staple fibres mixd w/ arti staple fib, not put up, nes	7	-	-	187
550922	Yarn, >=85% of polyester staple fibres, multiple, not put up, nes	4	0.03	0.6	34

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

**Pharmaceutical products (HS-30)**

Pakistan's global imports of pharmaceutical products amounted to US\$ 534 mn in

2011, up from US\$ 224 mn in 2005, with the major suppliers being Switzerland, Denmark, Germany, Belgium, France and Italy. India's exports of these products witnessed a sharp

rise from US\$ 2 mn in 2005 to US\$ 20 mn in 2011, with a share of 3.8 percent of Pakistan's global imports (**Table 4.18**).

**Table 4.18: Pakistan's Imports of Pharmaceuticals (HS-30) - Major Partners (US\$ mn)**

	2005 (US\$ mn)	2011 (US\$ mn)	2005 (% share)	2011 (% share)
<b>World</b>	<b>224</b>	<b>534</b>	<b>100.0</b>	<b>100.0</b>
Switzerland	35	102	15.7	19.0
Denmark	5	83	2.2	15.6
Germany	30	42	13.3	7.9
Belgium	11	37	4.8	7.0
France	13	33	5.7	6.3
Italy	14	31	6.2	5.8
China	16	31	7.0	5.8
USA	13	28	6.0	5.3
UK	22	23	9.6	4.4
<b>India</b>	<b>2</b>	<b>20</b>	<b>0.8</b>	<b>3.8</b>
Republic of Korea	10	19	4.6	3.5

Source: Trade Map, ITC Geneva



With India's global export capability in this category and import demand in Pakistan, potential export items to Pakistan, as per 6-digit HS commodity classification, have been presented in **Table 4.19**.

**Table 4.19: Pharmaceutical Products (HS-30) - Potential Export Items to Pakistan**

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
300490	Medicaments nes, in dosage	226	12.4	5.5	6,071
300220	Vaccines, human use	161	6.1	3.8	145
300420	Antibiotics nes, in dosage	27	-	-	782
300439	Hormones nes, not containing antibiotics, in dosage	23	-	-	189
300660	Contraceptive preparations based on hormones or spermicides	11	-	-	10
300610	Suture matls,sterile;laminaria,sterile	10	0.1	1.2	12
300410	Penicillins or streptomycins and their derivatives, in dosage	9	0.2	2.5	192
300339	Hormones nes,formulatd,not cntg antibiotics, in bulk,	7	-	-	16
300290	Human blood;animl blood for therap,prophltc/diag uses	7	0.2	2.4	41
300450	Vitamins and their derivatives,in dosage	6	0.2	3.2	75

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

**Optical and medical apparatus (HS-90)** amounted to US\$ 488 mn in 2011, accounted for a marginal 0.2 percent of Pakistan's imports. with the major suppliers being US, China, Japan, Germany and Italy (Table 4.20). India's exports of US\$ 0.8 mn of these items

Pakistan's global imports of optical and medical apparatus

Table 4.20 : Pakistan's Imports of Optical & Medical Apparatus (HS-90) - Major Partners (US\$ mn)

	2005 (US\$ mn)	2011 (US\$ mn)	2005 (% share)	2011 (% share)
<b>World</b>	<b>317</b>	<b>488</b>	<b>100.0</b>	<b>100.0</b>
USA	64	132	20.3	27.0
China	33	81	10.3	16.6
Germany	45	48	14.1	9.9
Japan	35	43	11.1	8.7
Italy	11	34	3.5	7.0
Netherlands	11	22	3.3	4.4
Singapore	20	21	6.4	4.3
UK	18	15	5.6	3.1

Source: Trade Map, ITC Geneva

For India, the potential export items to Pakistan under this category, based on 6-digit HS commodity classification, have been presented in **Table 4.21**.

**Table 4.21: Optical & Medical Apparatus (HS-90) - Potential Export Items to Pakistan**

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
901890	Instruments and appliances used in medical or veterinary sciences, nes	61	0.05	0.1	102
901839	Needles, catheters, cannulae and the like, nes	39	0.02	0.1	97
901831	Syringes, with or without needles	20	0.03	0.2	21
902780	Instruments and apparatus for physical or chemical analysis, nes	18	0.07	0.4	11
903180	Measuring or checking instruments, appliances and machines, nes	18	-	-	52
902890	Parts&accessories for gas,liquid/electricity supply/production meters	18	-	-	23
903289	Automatic regulating or controlling instruments and apparatus, nes	17	0.01	0.1	93
902139	Artificial parts of the body (excl. artificial teeth and dental fittin	15	0.06	0.4	16
903290	Parts&access for automatic regulatg or controllg instruments&app,nes	14	-	-	29
901819	Electro-diagnostic apparatus, nes	11	0.13	1.2	109
902300	Instruments,apparatus and models,designed for demonstrational purposes	10	0.03	0.3	18

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

**Pearls and Precious Stones (HS-71)**

Pakistan's global imports of pearls and precious stones amounted

to US\$ 336 mn in 2011, with the UAE alone accounting for a much as 79 percent. Indonesia has also emerged as an important supplier (Table 4.22). India's exports of

US\$ 0.1 mn to Pakistan in 2011, accounted for a marginal 0.03 percent of Pakistan's imports.

**Table 4.22: Pakistan's Imports of Pearls & Precious Stones (HS-71) - Major Partners (US\$ mn)**

	2005 (US\$ mn)	2011 (US\$ mn)	2005 (% share)	2011 (% share)
<b>World</b>	<b>459</b>	<b>336</b>	<b>100.0</b>	<b>100.0</b>
UAE	373	265	81.3	78.9
Indonesia	-	40	-	11.9
UK	2.07	8.79	0.5	2.6
Germany	0.18	7.51	0.0	2.2
China	1.71	5.65	0.4	1.7
USA	1.87	4.09	0.4	1.2
Canada	0.14	1.56	0.0	0.5

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva

Potential items of exports to Pakistan under this category, as per 6-digit commodity classification, have been presented in **Table 4.23**.

**Table 4.23: Pearls & Precious Stones (HS-71) - Potential Export Items to Pakistan**

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
710812	Gold in unwrought forms non-monetary	151	-	-	37
711319	Articles of jewellery & parts thereof	69	0.10	0.1	3,509
710692	Silver in semi-manufactured forms (incl. silver plated with gold/platinum)	44	-	-	24

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

**Aluminium and articles (HS-76)** suppliers to Pakistan, together to US\$ 5 mn, with a share of 2.6 percent (Table 4.24). accounting for as much as 63 percent of Pakistan's total imports in 2011. India's exports amounted

China, UAE, Germany, Bahrain and South Africa are the largest

Table 4.24: Pakistan's Imports of Aluminium & Articles (HS-76) - Major Partners (US\$ mn)

	2005 (US\$ mn)	2011 (US\$ mn)	2005 (% share)	2011 (% share)
<b>World</b>	<b>180</b>	<b>205</b>	<b>100.0</b>	<b>100.0</b>
China	14	42	8.0	20.2
UAE	24	33	13.2	16.1
Germany	16	21	8.7	10.3
Bahrain	19	19	10.7	9.3
South Africa	7	15	4.1	7.2
Netherlands	6	7	3.2	3.4
UK	4	6	2.2	3.0
Malaysia	2	6	1.4	2.9
Chinese Taipei	6	6	3.1	2.7
Republic of Korea	4	5	2.5	2.7
<b>India</b>	<b>6</b>	<b>5</b>	<b>3.2</b>	<b>2.6</b>
Italy	3	4	1.9	1.9

Source: Trade Map, ITC Geneva

For India, potential export items to Pakistan under this category based on 6-digit HS commodity classification code, are presented in Table 4.25.

Table 4.25: Aluminium & Articles (HS-76) - Potential Export Items to Pakistan

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
760110	Aluminium unwrought, not alloyed	36	0.20	0.6	671
760120	Aluminium unwrought, alloyed	19	-	-	76
760720	Foil, aluminium, backed, not exceeding 0.2mm thick excluding any backing	18	0.09	0.5	16
761290	Container, alum, cap	14	0.44	3.1	14
760719	Foil, aluminium, not backed and not exceeding 0.2mm thick, nes	13	0.26	2.0	15
761699	Articles of aluminium, nes	6	0.01	0.2	128
761490	Strand wire, cables, plaited bands & the like or alum, not elect insul, nes	5	-	-	63

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

**Other made Textile Articles (HS-63)** textile articles rose from US\$ 72 mn in 2005 to US\$ 201 mn in 2011, with the major suppliers being the US and China. UK, Germany and Korea are also major suppliers to Pakistan (**Table 4.26**).

Pakistan's imports of other made

**Table 4.26: Pakistan's Imports of Other Made Textile Articles (HS-63) - Major Partners (US\$ mn)**

	2005 (US\$ mn)	2011 (US\$ mn)	2005 (% share)	2011 (% share)
<b>World</b>	<b>72</b>	<b>201</b>	<b>100.0</b>	<b>100.0</b>
USA	15	59	20.7	29.1
China	11	46	15.6	22.8
UK	9	16	11.8	8.2
Germany	5	16	6.3	8.1
Republic of Korea	11	14	15.8	7.2
Canada	5	7	6.6	3.3
Japan	2	6	3.0	2.8
Poland	0.1	5	0.2	2.3
Belgium	1.4	4	1.9	2.0

Source: Trade Map, ITC Geneva

For India, potential export items to Pakistan under this category, based on 6-digit HS commodity classification code, are presented in **Table 4.27**.

**Table 4.27: Other Made Textile Articles (HS-63) - Potential Export Items to Pakistan**

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
630900	Worn clothing and other worn articles	139	0.4	0.3	22
630140	Blankets (o/t electric) and travelling rugs, of synthetic fibres	33	-	-	40
630533	Sacks, bags, packing, of strip plastic material	3	0.07	2.0	116
630790	Made up articles, of textile materials, nes, including dress patterns	3	-	-	154

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

## 5. OBSERVATIONS AND RECOMMENDATIONS

As observed in the preceding paragraphs, India's trade relations with Pakistan has witnessed a robust trend in recent years, with total bilateral trade between the two countries having risen from US\$ 914 mn in 2005 to reach US\$ 1.9 bn in 2011.

India is a major source for Pakistan's global imports of organic chemicals, sugar and confectionery, cotton, miscellaneous chemical products, edible vegetables, coffee & tea, and tanning and dyeing extracts, accounting for a significant share in Pakistan's global imports. However, in the case of other major imports by Pakistan, the share of India in Pakistan's import basket is low. In particular, India's

share in Pakistan's top import items is still marginal, which would serve to highlight the tremendous scope to enhance such exports to Pakistan.

Strategy to boost trade relations with Pakistan would entail identification of potential items of India's exports (upto 6-digit commodity classification), which would be in line with Pakistan's imports demand and India's global export capabilities, as has been undertaken in this study, as also identification of potential Indian exporters who could benefit from prevailing and future market opportunities in Pakistan.

Other measures to enhance bilateral trade relations with Pakistan could include:

- A national-level industry association/ trade chamber could be identified which could undertake various trade promoting activities such as organising Business to Government (B2G) and

Business-to-Business (B2B) delegation visits relating to identified potential sectors; organising fairs in Pakistan to showcase the competencies of Indian MSMEs and to capture market opportunities; and tie-ups with select industry associations/chambers in identified potential sectors in Pakistan so as to understand the requirements of their members;

- A bank(s) could be identified to take the lead role in promoting and creating a trade enabling environment. Towards this end, Indian banks could consider opening of representative offices (ROs)/JVs/ branches in Pakistan; and
- Indian companies could also consider establishing JVs/ WOS in Pakistan. Highlights of recent trends in foreign investments in Pakistan and investment regulations in Pakistan have been presented in **Annexure 2**.

## ANNEXURE 1

### Potential Items of India's Exports to Pakistan (as per 6-Digit HS Commodity Classification)

#### 1. Mineral Fuels and Products (HS-27) - Potential Export Items to Pakistan

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
271019	Light petroleum distillates	7,718	0.041	-	23,592
271011	Aviation spirit	1,253	-	-	18,386
270799	Oils & other products of the distillation of high temp coal tar etc nes	19	-	-	8
270750	Aromatic hydrocarbon mixtures etc	5	0.014	0.3	7
271320	Petroleum bitumen	19	-	-	3
271290	Mineral waxes nes and similar products obtained by synthesis etc	3	0.004	0.1	4
271220	Paraffin wax containing by weight less than 0.75% of oil	2	-	-	14

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis



2. Machinery & Boilers (HS-84) - Potential Export Items to Pakistan

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
841199	Parts of gas turbines nes	123	-	-	38
841430	Compressors used in refrigerating equipment	120	0.4	0.3	49
841182	Gas turbines nes of a power exceeding 5000 KW	93	-	-	20
840991	Parts for spark-ignition type engines nes	79	-	-	225
840999	Parts for diesel and semi-diesel engines	70	-	-	626
842230	Machinery for filling/closing bottles/cans/boxes/	62	1.1	1.7	54
848180	Taps, cocks, valves and similar appliances, nes	53	0.02	-	394
844520	Textile spinning machines	49	-	-	31
847989	Machines & mechanical	45	0.6	1.3	96
841590	Parts of air conditioning machines	39	-	-	34
848210	Bearings, ball	37	-	-	54
841480	Air or gas compressors, hoods	36	0.1	0.2	281
840211	Watertube boilers with a steam production exceeding 45T per hour	36	0.2	0.4	16
842121	Filtering machinery and apparatus for water	32	0.1	0.3	41
847150	Digital processing units	31	-	-	23
840219	Vapour generating boilers, incl. hybrid boilers	30	-	-	24
840290	Parts of steam or vapour generating boilers nes	29	-	-	24
843149	Parts of cranes, work-trucks, shovels, and other construction machinery	26	0.02	0.1	196
841370	Centrifugal pumps nes	26	0.01	0	68
841330	Fuel, lubricating or cooling medium pumps for int comb piston engines	25	-	-	134
848310	Transmission shafts and cranks, including cam shafts and crank shafts	23	0.03	0.1	376

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

3. Electrical & Electronic Equipment (HS-85) - Potential Export Items to Pakistan

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
851712	Telephones for cellular networks mobile telephones or for other wirele	630	-	-	2,275
851762	Machines for the reception, conversion and transmission or regeneration	170	-	-	132
851770	Parts of telephone sets, telephones for cellular networks or for other	99	-	-	916
850440	Static converters, nes	66	0.01	-	520
850211	Generating sets, diesel/semi-diesel engines, of an output not exceed 75 KVA	64	-	-	31
852990	Parts suitable f use solely/princ w the app of headings 85.25 to 85.28	64	-	-	71
851761	Base stations of apparatus for the transmission or reception of voice,	39	-	-	205
854449	Electric conductors, for a voltage not exceeding 80 V, nes	38	0.006	-	85
852352	Cards incorporating one or more electronic integrated circuits smart c	29	0.001	-	71
850300	Parts of electric motors,generators, generatg sets & rotary converters	26	-	-	294
850720	Lead-acid electric accumulators nes	24	-	-	96
853710	Boards,panels,includg numerical control panels,for a voltage <=1000 V	23	0.001	-	157
850231	Wind-powered generating equipment	21	-	-	156
852340	Optical media for the recording of sound or of other phenomena (excl.	19	-	-	322
853890	Parts for use with the apparatus of headg no. 85.35,85.36 or 85.37,nes	18	0.002	-	198

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

4. Iron & Steel (HS-72) - Potential Export Items to Pakistan

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
720839	Hot roll iron/steel nes, coil >600mm x <3mm	209	-	-	225
721049	Flat rolled prod,i/nas,plated or coated with zinc,>=600mm wide, nes	193	-	-	474
720916	Cold rolled iron/steel, coils >600mm x 1-3mm	72	0.02	-	24
720838	Hot roll iron/steel nes, coil >600mm x 3-4.75mm	39	-	-	115
720918	Cold rolled iron/steel, coils >600mm x <0.5mm	39	-	-	43
721391	Hot rolled bar/rod, irregular coils,	35	-	-	39
721012	Flat rolled prod,i/nas,plated or coated with tin,>=600mm wide,	30	-	-	36
721030	Flat rolled i/nas, electrolytically zinc coated >600mm	24	-	-	12
721070	Flat rolled prod,i/nas,painted, varnished or plast coated,>=600mm wide	21	-	-	189
720917	Cold rolled iron/steel, coils >600mm x 0.5-1mm	21	-	-	45
720836	Hot roll iron/steel nes, coil >600mm x >10mm	10	-	-	85

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

5. Plastics & Articles (HS-39) - Potential Export Items to Pakistan

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
390120	Polyethylene having a specific gravity of 0.94 or more	238	11.9	5.0	306
390110	Polyethylene having a specific gravity of less than 0.94	217	4.2	1.9	55
390690	Acrylic polymers nes, in primary forms	37	0.6	1.7	25
392690	Articles of plastics or of other materials of Nos 39.01 to 39.14 nes	30	0.5	1.5	150
392020	Film and sheet etc, non-cellular etc, of polymers of propylene	29	0.1	0.3	154
391990	Self-adhesive plates, sheets, film etc, of plastic nes	23	-	-	34
392062	Film and sheet etc, non-cellular etc, of polyethylene terephthalates	22	0.1	0.4	283
390950	Polyurethanes in primary forms	19	0.1	0.4	24
391910	Self-adhesive plates,sheets,film etc, of plastic in rolls	13	0.02	0.1	18
392010	Film and sheet etc, non-cellular etc, of polymers of ethylene	13	-	-	24
390740	Polycarbonates	12	0.01	0.1	14
392190	Film and sheet etc, nes of plastics	12	-	-	206

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

6. Vehicles other than Railway (HS-87) - Potential Export Items to Pakistan

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
870322	Automobiles w reciprocating piston engine displacg > 1000 cc to 1500 cc	362	-	-	2,797
870321	Automobiles w reciprocating piston engine displacg not more than 1000 cc	263	-	-	1,003
870323	Automobiles w reciprocating piston engine displacg > 1500 cc to 3000 cc	118	-	-	150
871120	Motorcycles with reciprocating piston engine displacg > 50 cc to 250 cc	85	-	-	609
870829	Parts and accessories of bodies for motor vehicles	85	-	-	129
871419	Motorcycle parts	79	-	-	119
870421	Diesel powered trucks with a GVW not exceeding five tonnes	66	-	-	227
870190	Wheeled tractors	60	-	-	597
870899	Motor vehicle parts	53	-	-	759
870210	Diesel powered buses with a seating capacity of > nine persons	28	-	-	95
870422	Diesel powered trucks w a GVW exc five tonnes but not exc twenty tonnes	25	-	-	187
870423	Diesel powered trucks with a GVW exceeding twenty tonnes	18	-	-	248
870880	Shock absorbers for motor vehicles	15	-	-	100

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

7. Manmade Filaments (HS-54) - Potential Export Items to Pakistan

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
550320	Staple fibres of polyesters, not carded or combed	255	-	-	250
550130	Filament tow of acrylic or modacrylic	34	-	-	16
550330	Staple fibres of acrylic or modacrylic, not carded or combed	32	-	-	10
550921	Yarn, >=85% of polyester staple fibres, single, not put up	24	0.1	0.3	52
550951	Yarn of polyester staple fibres mixd w/ arti staple fib, not put up, nes	7	-	-	187
550922	Yarn, >=85% of polyester staple fibres, multiple, not put up, nes	4	0.03	0.6	34

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

8. Manmade Staple Fibres (HS-55) - Potential Export Items to Pakistan

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
550320	Staple fibres of polyesters, not carded or combed	255	-	-	250
550130	Filament tow of acrylic or modacrylic	34	-	-	16
550330	Staple fibres of acrylic or modacrylic, not carded or combed	32	-	-	10
550921	Yarn, >=85% of polyester staple fibres, single, not put up	24	0.1	0.3	52
550951	Yarn of polyester staple fibres mixd w/ arti staple fib, not put up, nes	7	-	-	187
550922	Yarn, >=85% of polyester staple fibres, multiple, not put up, nes	4	0.03	0.6	34

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

9. Pharmaceutical Products (HS-30) - Potential Export Items to Pakistan

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
300490	Medicaments nes, in dosage	226	12.4	5.5	6,071
300220	Vaccines, human use	161	6.1	3.8	145
300420	Antibiotics nes, in dosage	27	-	-	782
300439	Hormones nes, not containing antibiotics, in dosage	23	-	-	189
300660	Contraceptive preparations based on hormones or spermicides	11	-	-	10
300610	Suture matls,sterile;laminaria,sterile	10	0.1	1.2	12
300410	Penicillins or streptomycins and their derivatives, in dosage	9	0.2	2.5	192
300339	Hormones nes,formulatd,not cntg antibiotics, in bulk,	7	-	-	16
300290	Human blood;animl blood for therap,prophlhc/ diag uses	7	0.2	2.4	41
300450	Vitamins and their derivatives,in dosage	6	0.2	3.2	75

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis



10. Optical & Medical Apparatus (HS-90) - Potential Export Items to Pakistan

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
901890	Instruments and appliances used in medical or veterinary sciences, nes	61	0.05	0.1	102
901839	Needles, catheters, cannulae and the like, nes	39	0.02	0.1	97
901831	Syringes, with or without needles	20	0.03	0.2	21
902780	Instruments and apparatus for physical or chemical analysis, nes	18	0.07	0.4	11
903180	Measuring or checking instruments, appliances and machines, nes	18	-	-	52
902890	Parts&accessories for gas,liquid/electricity supply/production meters	18	-	-	23
903289	Automatic regulating or controlling instruments and apparatus, nes	17	0.01	0.1	93
902139	Artificial parts of the body (excl. artificial teeth and dental fittin	15	0.06	0.4	16
903290	Parts&access for automatic regulatg or controllg instruments&app,nes	14	-	-	29
901819	Electro-diagnostic apparatus, nes	11	0.13	1.2	109
902300	Instruments,apparatus and models,designed for demonstrational purposes	10	0.03	0.3	18

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

**11. Pearls & Precious Stones (HS-71) - Potential Export Items to Pakistan**

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
710812	Gold in unwrought forms non-monetary	151	-	-	37
711319	Articles of jewellery & parts thereof	69	0.10	0.1	3,509
710692	Silver in semi-manufactured forms (incl. silver plated with gold/platinum)	44	-	-	24

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

**12. Aluminium & Articles (HS-76) - Potential Export Items to Pakistan**

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
760110	Aluminium unwrought, not alloyed	36	0.20	0.6	671
760120	Aluminium unwrought, alloyed	19	-	-	76
760720	Foil, aluminium, backed, not exceeding 0.2mm thick excluding any backing	18	0.09	0.5	16
761290	Container, alum, cap	14	0.44	3.1	14
760719	Foil, aluminium, not backed and not exceeding 0.2mm thick, nes	13	0.26	2.0	15
761699	Articles of aluminium, nes	6	0.01	0.2	128
761490	Strandd wire, cables, plaitd bands&the like or alum, not elect insul, nes	5	-	-	63

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

13. Other Made Textile Articles (HS-63) - Potential Export Items to Pakistan

HS-Product Code	Product Label	Pakistan's Imports from World	Pakistan's Imports from India		India's Exports to World
		2011 (US\$ mn)	2011 (US\$ mn)	India's share in Pakistan's World Imports, %	2011 (US\$ mn)
630900	Worn clothing and other worn articles	139	0.4	0.3	22
630140	Blankets (o/t electric) and travelling rugs, of synthetic fibres	33	-	-	40
630533	Sacks, bags, packing, of strip plastic material	3	0.07	2.0	116
630790	Made up articles, of textile materials, nes, including dress patterns	3	-	-	154

Note: '-' denotes marginal or nil

Source: Trade Map, ITC Geneva, and Exim Bank Analysis

## ANNEXURE 2

### Foreign Investments in Pakistan and Investment Regulations

#### FDI Inflows into Pakistan – Recent Trends, Major Investors & Sectors

The total foreign direct investment (FDI) inflows to Pakistan peaked in 2007-08 to US\$ 5.4 bn from US\$ 485 mn in 2001-02. FDI inflows to Pakistan declined by 31 percent to reach US\$ 3.7 bn in 2008-09, mainly as a result of the global economic slowdown, caused by the international financial crisis and due to the lack of enabling environment for investment in the country in the recent years. The country also

witnessed negative FDI growth in the subsequent years, adversely affecting the country's economic growth. Total FDI inflows to Pakistan stood at US\$ 741.5 mn in 2011-12 (**Table 1**).

The US and UK remain the major sources of FDI inflows to Pakistan despite significant variations in their shares over the years. The share of the US witnessed a sharp decline from 28.8 percent in 2000-01 to 14.7 percent in 2005-06, but increased to 28.7 percent in 2011-12. Similarly, the share of FDI inflows from UK was 28.1 percent in 2000-01, but witnessed a sharp decrease to 6.9 percent in 2005-06. The share of FDI

inflows from UK picked up in the subsequent years to 17.6 percent in 2011-12. Switzerland became the third largest source of FDI inflows to Pakistan in 2011-12, with a share of 15.6 percent. UAE which used to be one of the three largest sources of FDI to Pakistan witnessed a sharp decline in 2011-12 to US\$ 36.6 mn, accounting for a meager 4.5 percent share (**Table 2**). The US, UK and Switzerland together accounted for more than 60 percent of total FDI inflows to Pakistan. Other important sources of FDI inflows to Pakistan in 2011-12 were China, Hong Kong and Germany with shares of 14.9 percent, 9.9 percent and 3.5 percent respectively.

Table 1: Foreign Investment inflows in Pakistan (US\$ mn)

Year*	Greenfield Investment	Privatisation Proceeds	Total FDI	Private Portfolio Investment
2001-02	357.0	128.0	485.0	-10.0
2002-03	622.0	176.0	798.0	22.0
2003-04	750.0	199.0	949.0	-28.0
2004-05	1,161.0	363.0	1,524.0	153.0
2005-06	1,981.0	1,540.0	3,521.0	351.0
2006-07	4,873.2	266.4	5,139.6	1,820.0
2007-08	5,276.6	133.2	5,409.8	19.3
2008-09	3,719.9	-	3,719.9	-510.3
2009-10	2,150.8	-	2,150.8	587.9
2010-11	1,573.6	-	1,739.4	344.5
2011-12	812.6	-	741.5	-71.1
<b>Total</b>	<b>23,277.7</b>	<b>2,805.6</b>	<b>26,178.0</b>	<b>2,689.8</b>

Note: \*- Pakistan Fiscal Year (July - June); '-' denotes marginal or nil

Source: Board of Investment, Pakistan

Table 2: Country Wise FDI Inflows (US\$ mn)

Country	2000-01	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
USA	92.7	516.7	913.1	1309.3	869.9	468.3	238.9	233.0
UK	90.5	244.0	860.1	460.2	263.4	294.6	208.1	142.8
UAE	5.2	1424.5	661.5	589.2	178.1	242.7	284.2	36.6
Japan	9.1	57.0	64.4	131.2	74.3	26.8	3.2	22.8
Hong Kong	3.6	24.0	32.6	339.8	156.1	9.9	125.6	80.3
Switzerland	3.6	170.6	174.7	169.3	227.3	170.6	47.2	127.1
Saudi Arabia	56.6	277.8	103.5	46.2	-92.3	-133.8	6.5	-20.2
Germany	15.5	28.6	78.9	69.6	76.9	53.0	21.2	28.2
Korea (South)	3.7	1.6	1.5	1.2	2.3	2.3	7.7	25.4
Norway		252.6	25.1	274.9	101.1	0.4	-48.0	-275.0
China	41.9	1.7	712.0	13.7	-101.4	-3.6	47.4	120.9
Others		521.9	1,512.2	2,005.2	1,964.2	1,019.6	631.6	290.7

Note: Pakistan Fiscal Year (July –June)

Source: Board of Investment, Pakistan

With an inflow of US\$ 612.8 mn, oil and gas sector attracted the maximum FDI inflows to Pakistan in 2011-12, accounting for more than 75 percent of total FDI inflows to the country (Table 3). The share

of FDI inflows to chemical sector also witnessed a sharp increase from 1.9 percent in 2010-11 to 11.9 percent in 2011-12. Other major recipients of FDI inflows include construction, financial business

and textiles sector. Power and Communication (IT and Telecom) sectors witnessed a negative growth in 2011-12.

Table 3: Sector Wise FDI Inflows (US\$ mn)

Sector	2000-01	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Oil & Gas	80.7	312.7	545.1	634.8	775.0	740.6	512.2	612.8
Financial Business	-34.9	329.2	930.3	1864.9	707.4	163.0	246.9	56.4
Textiles	4.6	47.0	59.4	30.1	36.9	27.8	25.0	30.3
Trade	13.2	118.0	172.1	175.9	166.6	117.0	53.0	25.3
Construction	12.5	89.5	157.1	89.0	93.4	101.6	60.8	71.8
Power	39.9	320.6	193.4	70.3	130.6	-120.6	155.8	-84.9
Chemical	20.3	62.9	46.1	79.3	74.3	112.1	30.5	96.3
Transport	45.2	18.4	30.2	74.2	93.2	132.0	104.6	17.4
Communication (IT & Telecom)	-	1937.7	1898.7	1626.8	879.1	291.0	-34.1	-315.3
Others	140.9	285.0	1107.2	764.5	763.4	586.3	418.9	302.5

Note: '-' denotes not available; Pakistan Fiscal Year (July –June)

Source: Board of Investment, Pakistan

### **Ease of Doing Business**

According to the Doing Business 2012 report of World Bank and International Finance Corporation (IFC), 183 economies across the world are ranked on their ease of doing business, from 1 to 183. A high ranking on the ease of doing business index means the regulatory environment is more conducive to the starting and operation of a local firm. This index averages the country's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic. In Doing Business 2012 ranking, Pakistan's stood at the 105<sup>th</sup> rank, which compares favourably with those of Nepal, Bangladesh and India (**Chart 1**).

### **Country Risk Ratings of Pakistan**

Euromoney, in its June 2011 risk rankings of 186 countries, placed Pakistan at 126<sup>th</sup> position, while Institutional Investor, in its March 2012 rankings of 179 countries, placed Pakistan at 129<sup>th</sup> position.

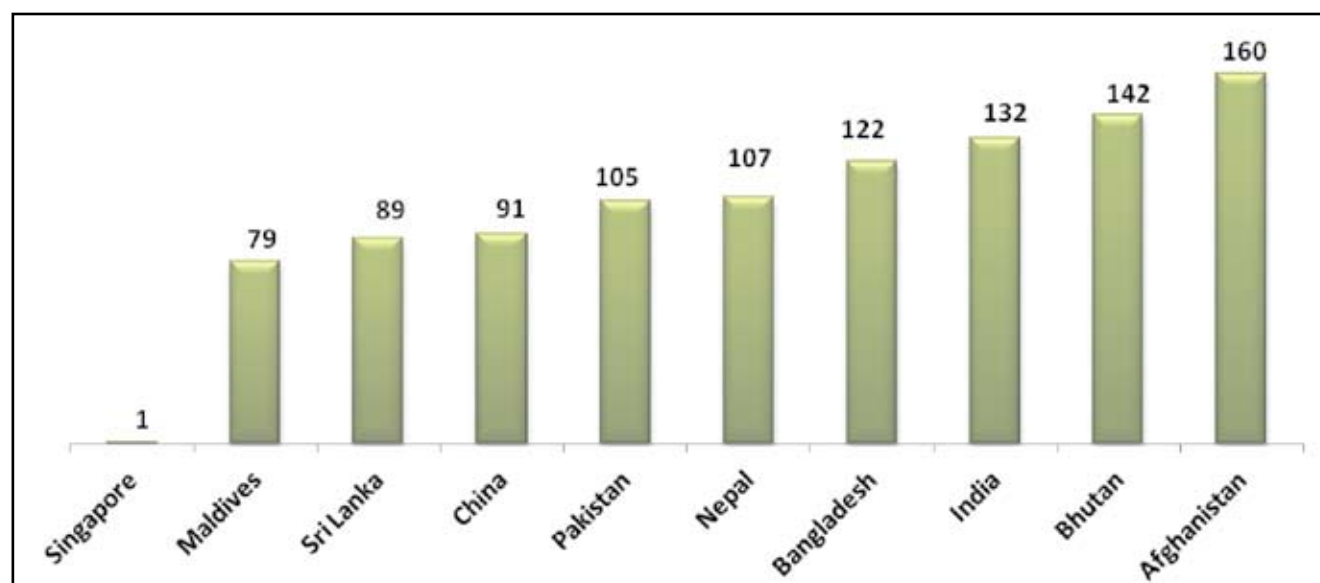
### **Board of Investment (BOI)**

The Board of Investment (BOI) is the apex investment promotion body with the broad based responsibilities of promotion of investment in all sectors of economy; facilitation of local and foreign investors for speedy materialization of their projects and to enhance Pakistan's international competitiveness and

contribute to economic and social development. The BOI has been established under the Board of Investment Ordinance, 2001.

The BOI assists companies and investors who intend to invest in Pakistan as well as facilitates the implementation and operation of their projects. The wide range of services provided by BOI includes providing information on the opportunities for investment and facilitating companies that are looking for joint venture. The BOI acts as a focal point of contact for prospective investors, both domestic and foreign to provide them with all necessary information and assistance in coordinating with other Government Departments/ Agencies.

**Chart 1: Ease of Doing Business Ranking 2012**



Source: Doing Business Report, 2012

## Regulatory Framework

The Foreign Private Investment (Promotion & Protection) Act 1976, and the Protection Reform Act, 1992 are the primary laws regulating foreign investments in Pakistan. In order to protect and stimulate investment (both local and foreign) in Pakistan, specific investment policies and procedures have been designed for individual sectors. Investment

policies, in general, are presented in **Table 4**.

### Investment Policies for Specific Sectors

Investment policies for specific sectors, such as construction & housing; textile; financial services; IT and telecom sector; and energy (power, oil & gas) are given below:

**Agriculture:** Salient features of the Corporate Agriculture Farming (CAF) are:

- Only such companies (foreign and local) will be entitled to CAF that are incorporated in Pakistan under the Companies Ordinance, 1984.
- State land can be purchased or leased for 50 years through open auction, extendable for another 49 years.

**Table 4: Pakistan – General Investment Policies**

Policy Parameters	Manufacturing Sector	Non-manufacturing Sectors		
		Agriculture	Infrastructure & Social	Services
Govt. Permission	Not required except for specific industries **	Not required except licenses from concerned agencies		
Remittance of capital, profits, dividends, etc.	allowed	allowed	allowed	allowed
Upper limit of foreign equity allowed	100 percent	60 percent	100 percent	100 percent
Minimum investment in service sector (US\$ mn)	N/A	0.3	0.3	0.15
Customs duty on import of plant, machinery & equipment	5 percent	0 percent	5 percent	0-5 percent
Tax Relief (initial depreciation allowance, percent of plant, machinery & equipment cost) <ul style="list-style-type: none"> <li>• General</li> <li>• If set up in an under-developed area</li> </ul>	50 percent 90 percent	50 percent 90 percent		
Royalty & technical fee	No restriction on payment	Allowed as per guidelines Initial lump-sum up to US\$ 100,000		

Note: \*\* - Specific Industries include Arms and ammunitions; High Explosives; Radioactive substances; and Security Printing, Currency and Mint.

Source: Board of Investment, Pakistan

- All banks and financial institutions will earmark separate credit share for CAF.
- Exemption of duty for transfer of land for CAF.
- Dividends from CAF are not subject to tax.
- Raw material for manufacture of agricultural pesticides can be generally imported at zero-percent rate of customs duty.
- Plant & machinery, equipment and vehicles meant for agriculture, harvesting, dairy, livestock, poultry, agro-based industries, horticulture and floriculture, etc. under SRO 575(I)/2006 can be imported at zero-percent rate of customs duty.

**Construction & Housing** – Salient features of the National Housing Policy, 2001 are:

- Housing and construction companies shall be charged via Presumptive Tax Regime which shall not exceed 1 percent on yearly receipts.
- Stamp duty / registration fee, for the housing mortgage has been rationalized.
- All new construction of houses on plots measuring up to 150 sq. yards and flats having an area of 1,000 sq. feet, have been exempted from all types

of taxes for a period of 5 years.

- Banks and DFIs shall extend credit facilities for balancing, modernization and replacement (BMR) of machinery used for housing and construction industry.
- Import of plant and machinery and spares by the housing and construction companies, not manufactured locally, shall be exempted from custom and import duties in excess of 10 percent.

**Textile** – Salient features of the Textile Policy, 2009-14 are:

- Textiles Investment Support Fund (TISF) will be established under the ambit of the policy.
- Measures proposed for financing from the TISF include:
  - export refinance available at 5 percent;
  - long term loans will be converted on the pricing applicable to LTTF scheme, together with a grace period of one year on both existing and converted facilities, without the facility of refinancing; and
  - to settle the past claims under R&D scheme of 2007-08, allocation of PKR5.4 bn for the purpose by GoP.
- GoP will contribute part of the investment financing or part of

the investment cost through the Technology Up-gradation Fund.

- The policy will focus on certain sub-sector issues from fibre to garments including ginning, spinning, weaving, knitting, processing, fashion designs, handloom and handicrafts, carpets, technical textiles etc.
- The policy offers duty drawbacks of between 1 percent and 3 percent for a two-year period for value-added textile exports.
- All textile machinery imports will be zero-rated to encourage new investments. Import duty on raw material, sub components and components used in local manufacturing of textile plants and machinery, has been reduced to zero percent.

**Financial Services**

- State Bank of Pakistan (SBP) allows complete freedom of investment and repatriation of profits / dividends / disinvestment proceeds to the foreign investors in line with the overall investment policy.
- As per the Foreign Exchange Regulations, any foreign investor can invest in shares / securities listed on Stock Exchanges in Pakistan, and can repatriate profits / dividends or disinvestment



proceeds. The investor has to open a Special Convertible Rupee Account with any bank in Pakistan, in order to make such portfolio investments.

#### **IT and Telecom Sector**

- Specific licenses are required from respective authorities e.g. in order to start the cellular operation network, a license needs to be obtained from Pakistan Telecommunication Authority.

#### **Energy (Power, Oil & Gas)**

- The energy industry is regulated by the Policy for Power Generation Projects 2002, Policy for Development

of Renewable Energy for Power Generation 2006 and Petroleum Exploration & Production Policy 2009.

- Customs duty at the rate of 5 percent applicable on import of plant, machinery & equipment not manufactured locally for power generation projects whilst zero percent customs duty applies on plant, machinery and spares imported by power generation projects under nuclear and renewable energy sources like solar, wind, micro-hydel bio-energy, ocean, waste-to-energy, hydrogen cell, etc.
- For power projects above 50MW, one-window support

to be provided at the federal level. For projects below or up to 50MW, support to be provided at the respective provincial level.

- Royalty will be payable at the rate of 12.5 percent of the value of petroleum at the field gate.
- Local petroleum companies are encouraged to establish joint ventures with foreign concerns.
- Import of equipment related to the petroleum & refining sectors allowed on concessionary rates.
- The lube industry has been deregulated.

## EXPORT-IMPORT BANK OF INDIA

### HEAD OFFICE

Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.  
Phone : (91 22) 22172600 Fax : (91 22) 22182572  
E-mail : [cag@eximbankindia.in](mailto:cag@eximbankindia.in) Website : [www.eximbankindia.in](http://www.eximbankindia.in)

### LONDON BRANCH

88/90, Temple Chambers, 3-7, Temple Avenue, London EC4Y OHP, United Kingdom,  
Phone : (44) 20 73538830 Fax : (44) 20 73538831  
E-mail : [eximlondon@eximbankindia.in](mailto:eximlondon@eximbankindia.in)

### DOMESTIC OFFICES

#### AHMEDABAD

Sakar II, Floor 1 ,  
Next to Ellisbridge Shopping Centre,  
Ellisbridge P. O.,  
Ahmedabad 380 006.  
Phone : (91 79) 26576852/26576843  
Fax : (91 79) 26577696  
E-mail : [eximahro@eximbankindia.in](mailto:eximahro@eximbankindia.in)

#### BANGALORE

Ramanashree Arcade,  
Floor 4, 18, M. G. Road,  
Bangalore 560 001.  
Phone : (91 80) 25585755/25589101-04  
Fax : (91 80) 25589107  
E-mail : [eximbrog@eximbankindia.in](mailto:eximbrog@eximbankindia.in)

#### CHANDIGARH

PHD House, Floor 1,  
Sector 31-A, Dakshin Marg,  
Chandigarh 160 031.  
Phone : (91 172) 2641910/12/39/49  
Fax : (91 172) 2641915  
E-mail : [eximcro@eximbankindia.in](mailto:eximcro@eximbankindia.in)

#### CHENNAI

UTI House, Floor 1,  
29, Rajaji Salai,  
Chennai 600 001.  
Phone : (91 44) 25224714/25224749  
Fax : (91 44) 25224082  
E-mail : [eximchro@eximbankindia.in](mailto:eximchro@eximbankindia.in)

#### GUWAHATI

Sanmati Plaza, Floor 4,  
Near Sentinel Building, G. S. Road,  
Guwahati 781 005.  
Phone : (91 361) 2462951/2450618  
Fax : (91 361) 2462925  
E-mail : [eximgro@eximbankindia.in](mailto:eximgro@eximbankindia.in)

#### HYDERABAD

Golden Edifice, Floor 2,  
6-3-639/640, Raj Bhavan Road,  
Khairatabad Circle,  
Hyderabad 500 004.  
Phone : (91 40) 23307816-21  
Fax : (91 40) 23317843  
E-mail : [eximhro@eximbankindia.in](mailto:eximhro@eximbankindia.in)

#### KOLKATA

Vanijya Bhawan, Floor 4,  
(International Trade Facilitation Centre),  
1/1 Wood Street, Kolkata 700 016.  
Phone : (91 33) 22833419/22833420  
Fax : (91 33) 22891727  
E-mail : [eximkro@eximbankindia.in](mailto:eximkro@eximbankindia.in)

#### MUMBAI

Maker Chambers IV, Floor 8,  
222, Nariman Point, Mumbai 400 021.  
Phone : (91 22) 22823320/92/94  
Fax : (91 22) 22022132  
E-mail : [eximwro@eximbankindia.in](mailto:eximwro@eximbankindia.in)

#### NEW DELHI

Statesman House, Ground Floor,  
148, Barakhamba Road,  
New Delhi 110 001.  
Phone : (91 11) 23474800  
Fax : (91 11) 23322758/23321719  
E-mail : [eximndro@eximbankindia.in](mailto:eximndro@eximbankindia.in)

#### PUNE

44, Shankarseth Road, Pune 411 037.  
Phone : (91 20) 26403000  
Fax : (91 20) 26458846  
E-mail : [eximpro@eximbankindia.in](mailto:eximpro@eximbankindia.in)

### OVERSEAS OFFICES

#### ADDIS ABABA

Bole Kifle Ketema, Kebele - 19, (03/05)  
House No. 015-B,  
Addis Ababa, Ethiopia.  
Phone : (251 116) 630079  
Fax : (251 116) 610170  
Email : [sachin@eximbankindia.in](mailto:sachin@eximbankindia.in)

#### DAKAR

Floor 1, 7, rue, Félix Faure,  
B.P. 50666, Dakar, Senegal.  
Phone : (221 33) 8232849  
Fax : (221 33) 8232853  
E-mail : [eximdakar@eximbankindia.in](mailto:eximdakar@eximbankindia.in)

#### DUBAI

Level 5, Tenancy 1B, Gate Precinct Building No. 3,  
Dubai International Financial Centre,  
PO Box No. 506541, Dubai, UAE.  
Phone : (971 4) 3637462  
Fax : (971 4) 3637461  
E-mail : [eximdubai@eximbankindia.in](mailto:eximdubai@eximbankindia.in)

#### JOHANNESBURG

Floor 2, Sandton City Twin Towers East,  
Sandhurst Ext. 3, Sandton 2196,  
Johannesburg, South Africa.  
Phone : (27 11) 3265103/13  
Fax : (27 11) 7844511  
E-mail : [eximjro@eximbankindia.in](mailto:eximjro@eximbankindia.in)

#### SINGAPORE

20, Collyer Quay,  
# 10-02, Tung Centre,  
Singapore 049319.  
Phone : (65) 65326464  
Fax : (65) 65352131  
E-mail : [eximsingapore@eximbankindia.in](mailto:eximsingapore@eximbankindia.in)

#### WASHINGTON D.C.

1750 Pennsylvania Avenue NW, Suite 1202,  
Washington D.C. 20006,  
United States of America.  
Phone : (1 202) 223 3238  
Fax : (1 202) 785 8487  
E-mail : [eximwashington@eximbankindia.in](mailto:eximwashington@eximbankindia.in)