



SEPTEMBER, 2021  
MARKET ACCESS SERIES



# TRADE AND INVESTMENT OPPORTUNITIES IN A PAKISTAN - BANGLADESH FTA

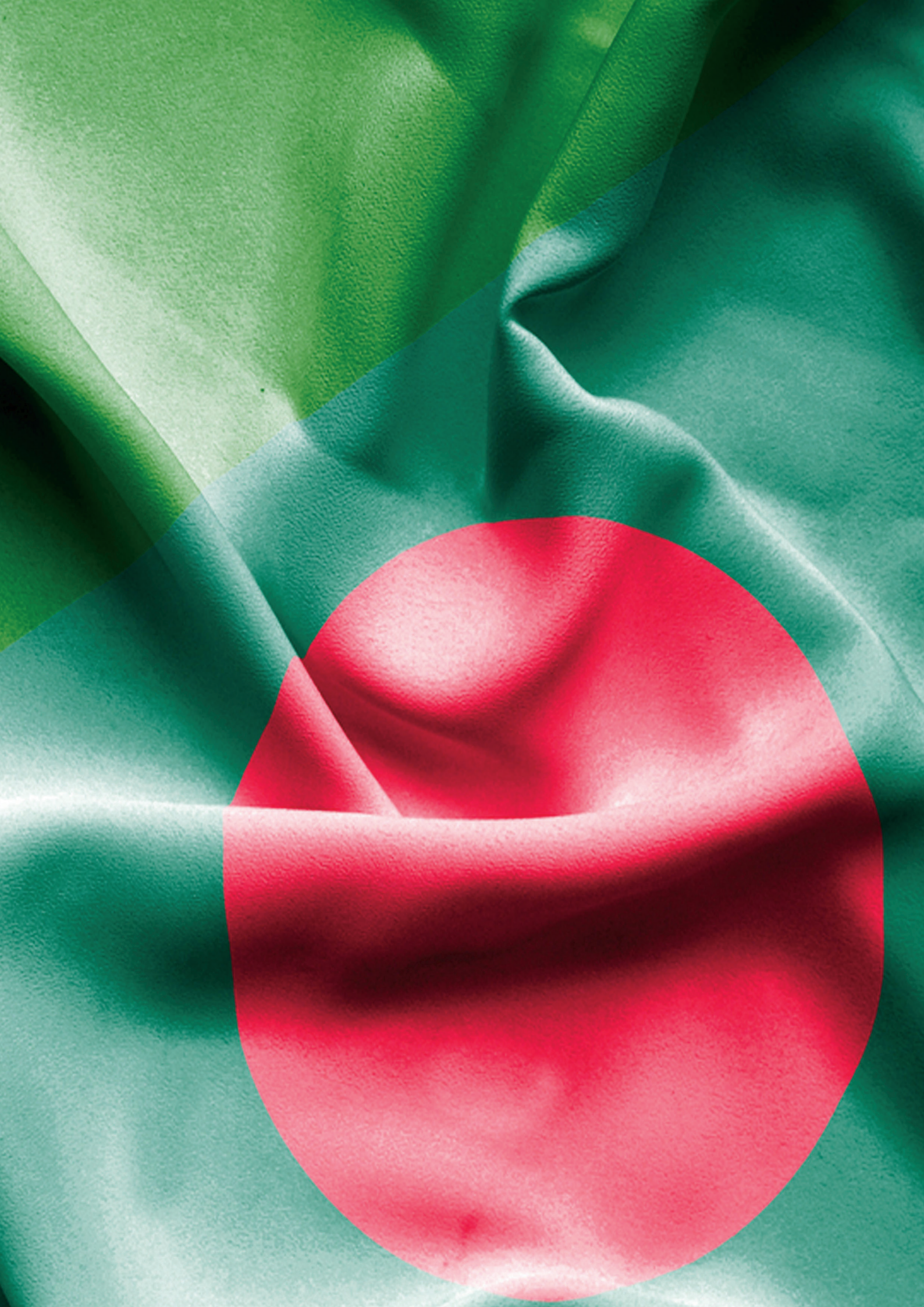


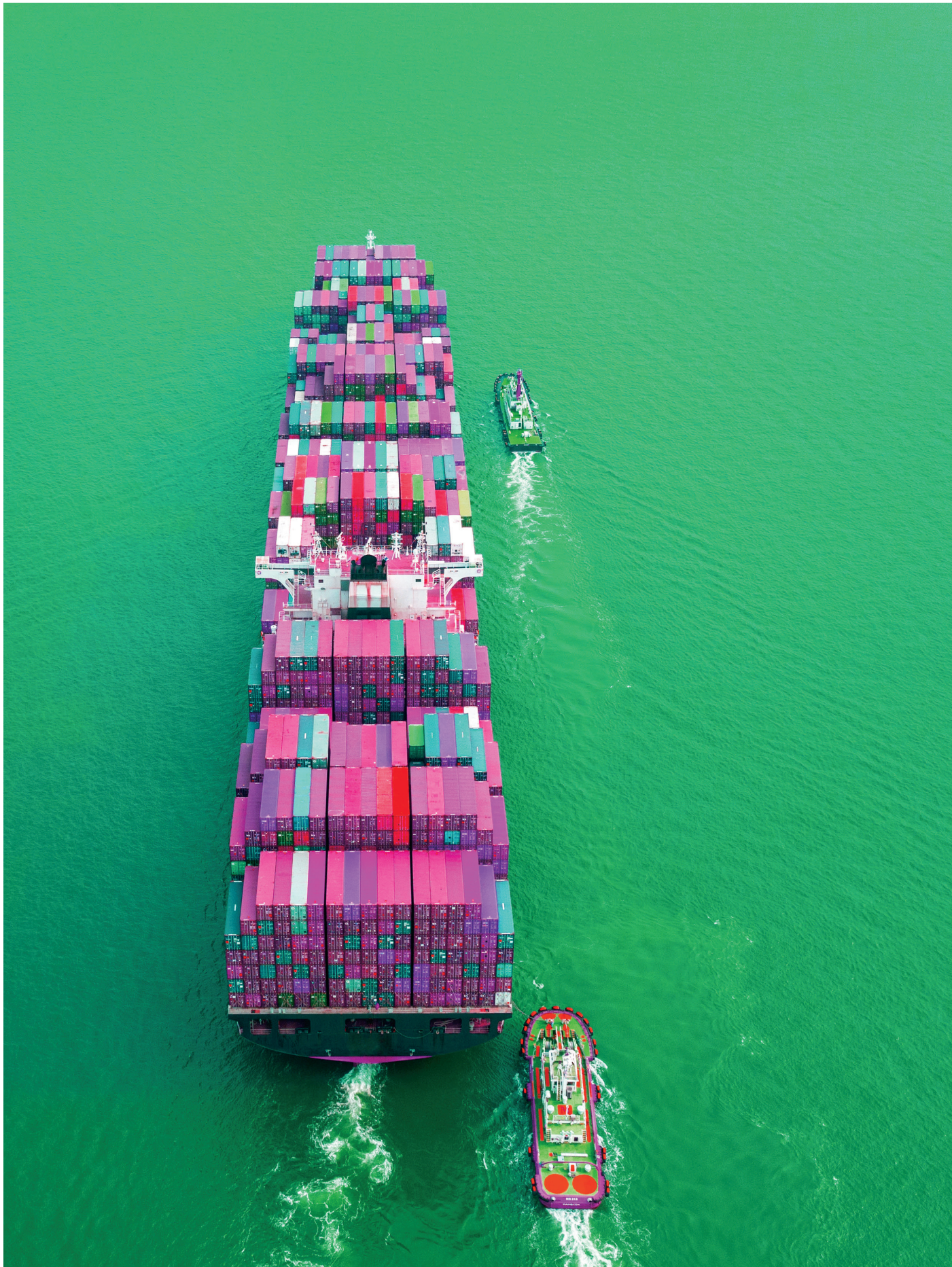
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 The  
**Pakistan  
Business  
Council**

FOSTERING ECONOMIC GROWTH  
(A Company set up under Section 42 of the Companies Ordinance 1984)







# Trade and Investment Opportunities in a Pakistan - Bangladesh FTA

Market Access Series

September, 2021

The Pakistan Business Council (PBC)



FOSTERING ECONOMIC GROWTH

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## *Acknowledgments*

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## *The Pakistan Business Council:*

### *An Overview*

The Pakistan Business Council (PBC) is a business policy advocacy platform, established in 2005 by 14 (now 88) of Pakistan's largest private-sector businesses and conglomerates, including multinationals. PBC businesses cover nearly all sectors of the formal economy. It is a professionally-run organization headed by a full-time chief executive officer.

The PBC is a not-for-profit entity, registered under Section 42 of the Companies Ordinance 1984. Though it is not required under the law to do so, the PBC follows to the greatest extent possible, the Code of Corporate Governance as applicable to listed companies.

The PBC is a pan-industry advocacy group. It is not a trade body nor does it advocate for any specific business sector. Rather, its key advocacy thrust is on easing barriers to allow Pakistani businesses to compete in regional and global arenas. The PBC conducts research and holds conferences and seminars to facilitate the flow of relevant information to all stakeholders in order to help create an informed view on the major issues faced by Pakistan.

The PBC works closely with the relevant government departments, ministries, regulators and institutions, as well as other stakeholders including professional bodies, to develop consensus on major issues which impact the conduct of business in and from Pakistan. The PBC has submitted key position papers and recommendations to the government on legislation and other government policies affecting businesses. It also serves on various taskforces and committees of the Government of Pakistan as well as those of the State Bank, SECP and other regulators with the objective to provide policy assistance on new initiatives and reforms.

### *The PBC's Founding Objectives*

The major objectives of the PBC as stated in its founding documents are:

- To provide for the formation and exchange of views on any question connected with the conduct of business in and from Pakistan.
- To conduct, organize, set up, administer and manage campaigns, surveys, focus groups, workshops, seminars and field works for carrying out research and raising awareness in regard to matters affecting businesses in Pakistan.
- To acquire, collect, compile, analyze, publish and provide statistics, data analysis and other information relating to businesses of any kind, nature or description and on opportunities for such businesses within and outside Pakistan.
- To promote and facilitate the integration of businesses in Pakistan into the World economy and to encourage in the development and growth of Pakistani multinationals.
- To interact with governments in the economic development of Pakistan and to facilitate, foster and further the economic, social and human resource development of Pakistan.

The PBC is a Section 42 not-for-profit Company Limited by Guarantee. Its working is overseen by a Board of Directors. More information on the PBC, its members, and its workings, can be found on its website: [www.pbc.org.pk](http://www.pbc.org.pk)

## PBC Member Companies





Good food, Good life





## *Abbreviations and Acronyms*

ACC	Anti-Corruption Commission
ADD	Anti-Dumping Duty
APTA	Asia - Pacific Trade Agreement
BDS	Bangladesh Standard
BEI	Bangladesh Enterprise Institute
BEPS	Base Erosion and Profit Shifting
BIDA	Bangladesh Investment Development Authority
BIT	Bilateral Investment Treaty
BOI	Board of Investment
BOT	Balance of Trade
BRI	Belt and Road Initiative
BRCA	Bilateral Revealed Comparative Advantage
BSTI	Bangladesh Standards and Testing Institution
BSWF	Bangladesh Sovereign Wealth Fund
BTMA	Bangladesh Textile Mills Association
CAGR	Compound Annual Growth Rate
CCP	Competition Commission of Pakistan
CDP	Committee for Development Policy
CEIC	Census and Economic Information Center
COVID-19	Coronavirus Disease of 2019
CPEC	China – Pakistan Economic Corridor
CSR	Corporate Social Responsibility
DCCI	Dhaka Chamber of Commerce and Industry
DFQF	Duty-Free Quota-Free
DTAA	Double Tax Avoidance Agreement
EPZ	Export Processing Zone
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FY	Financial Year
GDP	Gross Domestic Product
GII	Global Innovation Index
GOB	Government of Bangladesh
GOI	Global Opportunity Index
HIC	High-Income Country
HS	Harmonized System
IBC	International Business Center
ICC	International Chamber of Commerce
ICSID	International Centre for Settlement of Investment Disputes
ICT	Information and Communications Technology
ILO	International Labour Organization
IMF	International Monetary Fund
ITC	International Trade Centre
JICA	Japan International Cooperation Agency
LDC	Least Developed Country
LNG	Liquefied Natural Gas
LPI	Logistics Performance Index
MIGA	Multilateral Investment Guarantee Agency
MPI	Market Potential Index

MPOC	Malaysian Palm Oil Council
MSU-IBC	Michigan State University - International Business Center
MW	Mega Watt
NAB	National Accountability Bureau
NBR	National Board of Revenue
NFCD	Non-resident Foreign Currency Deposit
NRB	Non-Resident Bangladeshi
NTB	Non-Tariff Barriers
NTC	National Tariff Commission
OECD	Organization for Economic Co-operation and Development
OPIC	Overseas Private Investment Corporation
OSS	One-Stop Service
PCI	Productive Capacities Index
PKR	Pakistani Rupee
PNSC	Pakistan National Shipping Corporation
PRI	Policy Research Institute
PSQCA	Pakistan Standards and Quality Control Authority
PSWP	Pakistan Single Window Programme
RBC	Responsible Business Conduct
RMG	Ready-Made Garment
RTA	Regional Trade Agreements
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
SANSAR	South Asian Network on Sustainability and Responsibility
SASEC	South Asia Subregional Economic Cooperation
SBP	State Bank of Pakistan
SEZ	Special Economic Zone
TFA	Trade Facilitation Agreement
TRQ	Tariff-Rate Quota
TTFMM	Trade and Transport Facilitation Monitoring Mechanism
UMIC	Upper Middle-Income Country
UN	United Nations
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNGC	United Nations Global Compact
USA	United States of America
USDA	United States Department of Agriculture
VAT	Value-Added Tax
WeBOC	Web-Based One Customs
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

## Executive Summary

The idea of a Free Trade Agreement (FTA) between Pakistan and Bangladesh was first proposed in 2002. This was further discussed at the 2004 SAARC summit by the Commerce Ministers of both countries. When negotiations began, Bangladesh put forward its demand for free access to Pakistan's markets within one year of signing of the FTA, citing Bangladesh's status as an LDC. Bangladesh also insisted on a "negative list approach" in the trade negotiations to protect its domestic industries.

Pakistan, on the other hand, was not willing to grant unilateral and unconditional access to its market. Pakistan proposed instead, a relaxed set of origin rules, lower direct tariffs, elimination of non-tariff barriers (NTBs), a more extended phase-out period for tariff withdrawal, greater reliance on anti-dumping and countervailing measures for moving negotiations forward.

Recently there is renewed interest in both Islamabad and Dhaka to revisit the option of signing an FTA between the two countries. With Bangladesh's LDC status expected to lapse in 2024, the government of Bangladesh is looking to maintain market access in key markets through trade agreements. Though Pakistan is not currently a major export market for Bangladesh, the government of Bangladesh views Pakistan's 220 million population as a market in the medium to long-term.

This report '**Trade and Investment Opportunities in a Pakistan – Bangladesh FTA**' is a part of the Pakistan Business Council's (PBC's) Market Access Series. The reports prepared under the Market Access Series look to help bring clarity in trade & business policy decision makers. This report tries to put a perspective on a Free Trade Agreement being signed between Pakistan and Bangladesh.

### Economic Overview

Pakistan, officially the Islamic Republic of Pakistan, is located in South Asia and had a GDP of \$263.69 billion in 2020. The country has evolved from an economy that was heavily reliant on agriculture to a more balanced one that is less reliant on primary exports. In terms of population, Pakistan is a larger country than Bangladesh.

Economic considerations underpin Bangladesh's desire to emerge as a "bridge between South Asia and Southeast Asia." Bangladesh's economy has been improving, and in 2020, it had a GDP of \$324.24 billion.

In 2020, Pakistan's services sector contributed 61.7 percent to the GDP, while the contribution of the services sector in Bangladesh was 54.6 percent to its GDP. While Pakistan's industrial sector contributed 19.1 percent to GDP, the industrial sector's contribution to Bangladesh's GDP was 28.8 percent. From a policy perspective, the composition of the industrial sector is equally important, with industry in Pakistan mainly producing products of a lower sophistication/technology level compared to their counterparts in Bangladesh where the emphasis is on value-addition.

### Global Trade

In 2020, Pakistan exported \$22.24 billion worth of goods, and it imported products worth \$45.78 billion (\$35.46 billion excluding 'Mineral Fuels and Oils' HS-27), leading to a negative trade balance of \$23.54 billion. Exports increased by \$0.04 billion in 2019 over the previous year and decreased by \$1.58 billion in 2020, a decline of 6.6 percent from the previous year. Imports declined by \$4.36 billion from \$50.13 billion in 2019 to \$45.78 billion in 2020.

Pakistan's exports to the world are primarily dependent on '*Cotton*' (HS-52), '*Knitted and Woven Apparel*' (HS-61 and HS-62), and '*Other Made-up Textile Articles*' (HS-63) which, combined, represented 56.7 percent of total exports in 2020. Besides mineral fuels, Pakistan's imports are highly

concentrated in a few items such as capital goods falling under (HS-84 & HS-85), iron and steel, animal or vegetable fats, agricultural products, organic chemicals, vehicles, and cotton.

Top export destinations of Pakistan include the USA (18.6 percent), China (8.4 percent), the UK (7.8 percent), Germany (6.3 percent), and the UAE (4.9 percent). At the same time, the top import sourcing markets for Pakistan include China (27.3 percent), the UAE (9.8 percent), the USA (5.6 percent), Indonesia (5.3 percent), and Saudi Arabia (4.1 percent).

Bangladesh's economic development strategies focus on manufactured goods and emphasize diversification of the economy away from agriculture into the secondary sector. Bangladesh's exports have been growing since 2016, and the trend continued till 2019 as the country focused on specializing in goods where it is competitive.<sup>1</sup> In 2020, exports dropped by 11.9 percent, reaching a value of \$41.34 billion. Bangladesh exported \$37.48 billion worth of manufactured goods (90.7 percent of the total exports in 2020) with high value-added '*Knitted Apparel*' (HS-61) and '*Woven Apparel*' (HS-62) accounting for 45.2 percent and 40.2 percent, respectively of total exports. Bangladesh's imports from the world increased from \$43.05 billion in 2016 to \$57.72 billion in 2019. This led to a trade deficit of \$10.21 billion for Bangladesh in 2019.

The top export destinations of Bangladesh include Germany (15.8 percent), the USA (15.3 percent), the UK (7.4 percent), Spain (7.2 percent), and France (7 percent). In comparison, the top import sourcing markets for Bangladesh include China (32.5 percent), India (17.1 percent), Singapore (5.1 percent), the USA (4.0 percent), and Indonesia (3.6 percent).

### **Pakistan – Bangladesh Bilateral Trade**

Bilateral trade between Pakistan and Bangladesh has always been in favor of Pakistan. Exports to Bangladesh, however, decreased from \$947.23 million in 2011 to \$583.44 million in 2020. Although Pakistan is one of the top 10 import partners, its market share has declined by 8.4 percent, indicating that Pakistan's export competitiveness has fallen in the Bangladeshi market. In addition, Pakistan's imports from Bangladesh have also declined from \$82.73 million in 2011 to \$61.94 million in 2020, resulting in a positive balance for Pakistan of \$521.50 million in 2020; this is Pakistan's lowest ever trade surplus in its trade with Bangladesh in the last ten years.

Pakistan's exports to Bangladesh are dominated by '*Cotton*' (HS-52), which accounted for 73.3 percent of the total exports in 2020. Other major Pakistani exports to Bangladesh in 2020 comprised of '*Salt; Sulphur; earths and stone; plastering materials, lime and cement*' (\$73.7 million); '*Edible vegetables*' (\$17.5 million); '*Raw hides and skins*' (\$9.8 million); '*Machinery*' (\$9.7 million); '*Inorganic chemicals*' (\$4.4 million); '*Man-made staple fibers*' (\$4.0 million); '*Plastics*' (\$3.9 million), '*Tanning or dyeing extracts*' (\$3.9 million); and '*Edible fruits and nuts*' (\$3.2 million). The top 10 exports accounted for 95.6 percent of total exports to Bangladesh, indicating that exports to Bangladesh are highly concentrated.

At the HS-02 level, Pakistan's leading import from Bangladesh was '*Other vegetable textile fibres*' (HS-53), accounting for 77.5 percent of the total imports in 2020. Other imports comprised of '*Ships, boats and floating structures*' (\$2.6 Million), '*Coffee, tea, maté and spices*' (\$2.3 Million), '*Inorganic chemicals*' (\$1.7 Million), '*Miscellaneous manufactured articles*' (\$1.2 Million), '*Pharmaceutical products*' (\$1.1 Million), '*Cotton*' (\$0.9 Million), '*Man-made Staple Fibers*' (\$0.5 Million), '*Knitted Apparel*' (\$0.5 Million), and '*Made-up Articles*' (\$0.4 Million). Pakistan's imports from Bangladesh

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<sup>1</sup> <https://economictimes.indiatimes.com/news/economy/foreign-trade/rising-bangladesh-exports-hold-lessons-for-india-eco-survey/articleshow/80587971.cms?from=mdr>

have witnessed a surge of 49.2 percent in the last year. The most significant increase of 49,600.0 percent was recorded in the imports of ‘Man-made staple fibers’ (HS-55), indicating that this industry is developing in Bangladesh and has exportable surpluses.

### **Opportunities for Pakistani Exports to Bangladesh**

At HS-06 digit, the top 100 potential export products for Pakistan to Bangladesh offer an additional export potential of about \$1.92 billion.<sup>2</sup> The major high potential export items from Pakistan to Bangladesh, along with their potential, are:

#### **Textile Products**

Pakistan had the potential to export an additional \$721.34 million worth of textile products to Bangladesh in 2020. Despite facing tariffs of up to 25 percent, Pakistan’s textile exports to Bangladesh have been increasing and have the potential for further increase. One of the largest Bangladeshi conglomerates, Advanced Chemical Industries (ACI), has expressed interest in importing grey textiles and yarn from Pakistani firms, enabling Pakistani firms to get a larger share of Bangladesh’s textile market.<sup>3</sup>

#### **Agricultural Products**

In the agriculture sector, Pakistan offers potential in ‘*Fresh or chilled onions and shallots*’ (HS-070310) and ‘*Plants, parts of plants, incl. seeds and fruits, used primarily in perfumery*’ (HS-121190). These products with intensive margins offer an aggregate potential of \$117.41 million. Pakistan was the 2<sup>nd</sup> largest supplier of ‘*Onions*’ (HS-070310) to Bangladesh, after India in 2020. Bangladesh’s imports increased by 183.9 percent in 2020 over the previous year when Pakistan received the first onion export order from Bangladesh after 15 years.<sup>4</sup>

#### **Prepared Foodstuffs; Beverages, Spirits and Vinegar Products**

Top potential products under the foodstuff category include ‘*Food preparations*’ (HS-210690), ‘*Flours, meals and pellets of fish or crustaceans*’ (HS-230120), ‘*Glucose in solid form*’ (HS-170230), and ‘*Oilcake and other solid residues*’ (HS-230400) having a combined export potential of \$90.21 million. Certification from Bangladesh Standards and Testing Institution (BSTI) and other labeling and packaging requirements for these products are applicable to imports into Bangladesh.

#### **Chemical and Allied Products**

Production of Paints and Varnishes in Pakistan has been growing and witnessed a 17.6 percent growth in production during July-March 2019-20 compared to the same period last year.<sup>5</sup> ‘*Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes*’ (HS-300490) is the chemical product with the highest export potential to Bangladesh of \$48.24 million.

#### **Base Metals**

Potential products under the ‘Base metals and articles’ category have a combined export potential of \$101.47 million. ‘*Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm*’ (HS-

<sup>2</sup> Excluding ‘*Mineral Oils and Fuels*’ (HS-27xxxx).

<sup>3</sup> <https://customnews.pk/2019/12/12/bangladeshs-largest-conglomerate-to-import-grey-fabric-yarn-from-pakistan/>

<sup>4</sup> Pakistan receives onion export order from Bangladesh after 15 years. (n.d.). The News International. Retrieved May 31, 2021, from <https://www.thenews.com.pk/print/552730-pakistan-receives-onion-export-order-from-bangladesh-after-15-years>

<sup>5</sup> Pakistan Economic Survey 2019-20.

721049) has an export potential of \$40.63 million. The MFN tariff for this item is 25 percent. Pakistan has a tariff advantage since it is a member of SAFTA.

### **Plastics and Rubber Products**

Collectively, there exists a theoretical potential of \$198.53 million for exports to Bangladesh. To further expand its global exports of plastics articles, Pakistan needs to install a ‘Naphtha Cracker.’ The Cracker would be able to produce condensates that are utilized to provide the raw material for the plastic industry. This localization will support the development of high value-added plastics and will further grow the export potential. Moreover, increasing the production capacity of base materials such as plastic will help reduce costs and provide a level field with competitors such as China, India, and Thailand.<sup>6</sup>

### **Cement and Salt Products**

‘Cement Clinkers’ (HS-252310) has the highest export potential in this sector. To make up for the losses they've incurred since the COVID-19 outbreak, the Bangladeshi cement manufacturers have asked for a 60 percent reduction in clinker import duties and a waiver on interest on existing loans.<sup>78</sup> Moreover, Pakistan has the potential to export \$11.85 million worth of ‘Salts’ (HS-250100) to Bangladesh. Pakistan was the 7<sup>th</sup> largest import sourcing market for Bangladesh in 2020. Despite having the world's second-largest salt mine, Pakistan is not among the top ten salt exporters; instead, India and China are ranked 7<sup>th</sup> and 9<sup>th</sup>, respectively. China accounts for over 30 percent of world salt demand. This demand could be met by Pakistani salt, which is 99 percent halite and significantly purer than other varieties. Instead of refining this salt and maximizing its unique value, Pakistan exports it in rock form at a low price.<sup>9</sup>

### **Bangladesh’s Textile Market & Pakistan**

Despite not having any local production of raw materials required for value-added textiles, Bangladesh is the world’s 2<sup>nd</sup> largest exporter of apparel products, accounting for \$40.39 billion or 8.7 percent of the total world exports in 2019.

Bangladesh’s textile exports to Pakistan are minimal and don’t even make it in the top 50 list. Moreover, 24 out of the top 25 export items have a positive CAGR for Bangladesh’s exports to Pakistan, indicating a market for Bangladeshi products in Pakistan. Pakistan imposes tariffs on all top 25 items imported from Bangladesh, ranging between 5 and 25 percent.

### **Pakistan’s Trade Policies**

The total number of non-tariff barriers imposed by Pakistan on the world as well as on Bangladesh is 131. In 2020, the Pakistani government implemented a total of seven new measures, out of which four were discriminatory, and three were liberalizing. The National Tariff Commission of Pakistan issued a notification on August 26th, 2020, imposing antidumping duty at two rates — 15.38 percent and 16.10 percent, depending on the company — for five more years on ‘Hydrogen Peroxide’ (HS-284700) manufactured by Bangladeshi companies.<sup>10</sup> Previously, on October 16<sup>th</sup>, 2015, the NTC

<sup>6</sup> The Pakistan Business Council. (2018). Value Addition in Manufacturing: Study of High Potential Products for Local Manufacturing and Export Diversification. <https://www.pbc.org.pk/wp-content/uploads/Value-Addition-in-Manufacturing-Digital.pdf>

<sup>7</sup> <https://www.thedailystar.net/business/news/cement-manufacturers-want-cuts-import-duty-clinker-1911909>

<sup>8</sup> <https://www.globalcement.com/news/item/9159-clinker-wars>

<sup>9</sup> <https://eurasianimes.com/himalayan-pink-salt-indian-or-pakistani/>

<sup>10</sup> <https://www.newagebd.net/article/117267/pakistan-imposes-fresh-add-on-imports-from-bangladesh>

imposed a five-year definitive ADD on imports of the said item from Bangladesh at 10.67 percent and 12.14 percent, depending on the firm. However, the Bangladeshi Commerce Minister has requested the NTC to withdraw the ADD on exports of 'Hydrogen Peroxide' (HS-284700) to boost bilateral trade between Pakistan and Bangladesh.<sup>11</sup>

Bangladesh believes that like other Asian countries, including Sri Lanka, India, China, and Pakistan, have developed a syndicate-like arrangement to restrict the imports of potatoes from Bangladesh. Exporters in Bangladesh believe that because of this syndicate, they are unable to export to these countries.<sup>12</sup>

### **Bangladesh's Trade Policies**

The total number of non-tariff barriers imposed by Bangladesh on the world as well as on Pakistan is 243. However, during 2020, the Bangladeshi government implemented 0 new measures on goods exported by Pakistan into Bangladesh.

### **Unilateral Access to the Chinese Market for Bangladesh's Exports**

Bangladesh's largest trading partner, China, has recently granted a zero-duty concession to 97 percent of Bangladeshi imports. A total of 8,256 Bangladeshi products will be included in the 97 percent of products that will be exempted from tariffs, with a preferential tax rate of zero being imposed, effective from July 1st, 2020. Previously, 3,095 Bangladeshi products (36.2 percent of total exports) had duty-free access to the Chinese market under the Asia-Pacific Trade Agreement (APTA).

Bangladeshi producers will be able to use this duty-free and quota-free provision after adding 40 percent value to their products. Pharmaceuticals, readymade garments, frozen food, seafood, and vegetables from Bangladesh have a good opportunity of expanding into the Chinese markets. Based on the findings in this section, the PBC recommends that Pakistan ask for unilateral market access to the Chinese market similar to those offered to Bangladesh's exports.

### **Investment Climate in Pakistan and Bangladesh**

This study also conducted a brief analysis of Pakistan and Bangladesh's investment climates, as well as how the Bangladeshi government's implementation of appropriate policies and collaboration with the private sector has resulted in large amounts of FDI, particularly in the RMG sector.

### **Inputs from Commercial Section, Pakistan High Commission in Bangladesh**

The views expressed in this section are those of the Commercial Section of the Pakistan High Commission in Dhaka. Some minor editing has been done to the original text for brevity & clarity.

Stricter visa regimes, delayed clearance of consignments at the Chittagong port, lack of a direct shipping line, separate counters for Pakistani exporters, absence of discriminatory tariff structure, and smuggling of Pakistani products via UAE are some of the hurdles faced by Pakistani exporters while exporting goods to Bangladesh.

For trade promotion, Pakistan needs to expand its export base. In the long run, if Pakistan shifts to value-added RMG exports, it will export less raw material to the world. As a result, it will need to diversify its exports to Bangladesh. Pakistan can utilize its capacity to export mangoes, onions, and

<sup>11</sup> <https://www.thedailystar.net/business/export/news/withdraw-anti-dumping-duty-hydrogen-peroxide-commerce-minister-pakistan-2034897>

<sup>12</sup> Bangladesh Foreign Trade Institute (BFTI). (2019, May). Identification of Non-Tariff Barriers Faced by Bangladesh in Exporting Potential Exportable Products to Major Export Markets. [https://bfti.org.bd/pdf/Final\\_NTM%20Study.pdf](https://bfti.org.bd/pdf/Final_NTM%20Study.pdf)

cement clinkers to Bangladesh. Pakistan exports of cement clinkers appeared to have increased in FY20-21, aided by seaborne shipments to Bangladesh and Sri Lanka.<sup>13</sup>

The commercial section representative also mentioned the drawbacks of investing in Bangladesh. These include a lack of organizational and institutional capacity, which impedes data availability, infrastructure backwardness, which causes congestion and obstructs economic activities, a scarcity of land, an absence of a middle class, unregistered trade due to smuggling, employer-friendly labor laws, high inflation, and inefficient document management and translation of laws from Bengali to English. Furthermore, some favorable characteristics of investment in Bangladesh include increased female labor force participation due to high literacy, internationally known brands and shops in BEPZA, export-oriented SEZs, and inexpensive labor and low labor input costs.

Moreover, Bangladeshi investors in Pakistan can enjoy advantage of the China Pakistan Economic Corridor (CPEC) for exporting their goods to China, Central Asia, and Russia more easily and at a cheaper rate. Additionally, Bangladesh has also formalized its participation in the 'Belt and Road Initiative' on October 15, 2016, during a visit by Chinese President Xi Jinping to the country. The initiative aims to build connectivity and cooperation across CPEC.

Although the quality of Pakistani products is superior to that of India and China, Bangladesh prefers to import from India and China due to the price differential. Additionally, because Bangladesh shares a land border with India, transportation costs are low. Moreover, the representative highlighted that there is less discussion on Bangladesh's exports to Pakistan when bilateral trade trends are considered. Priority should be given to Bangladesh's exports to Pakistan in bilateral negotiations.

Multiple Japanese textile buying houses and international liaison offices relocated from Pakistan to Bangladesh when Bangladesh's RMG industry started growing in 2006. Additionally, many Japanese offices source from Pakistan but operate in Bangladesh. For business negotiations, the Japanese prefer Bangladesh over Pakistan. Pakistan's exports suffer as a result. It is recommended that efforts should be made to encourage Japanese firms to operate in Pakistan.

Many companies in Bangladesh are of Pakistani origin, but they hold UK or Canadian passports, e.g., 'Experience Group,' 'ACS Textiles & Towel (BD) Ltd.' Additionally, there are numerous liaisons and purchasing offices for Pakistani denim manufacturers in Bangladesh. But with respect to investment, only Soorty Enterprises Pvt Ltd and Interloop Limited have established their plants in Bangladesh.

Whilst Pakistani textiles have parity access in the USA with countries like Bangladesh, exports from Pakistan suffer higher duties into Japan, relative to Bangladesh.<sup>14</sup> The PBC, through its national charter of exports, recommends that one of the strategies to achieve economic diplomacy goals is that Pakistan lobby to be allowed parity access in Japan, Australia & Canada with countries such as Bangladesh.

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<sup>13</sup> <https://www.cemnet.com/News/story/171125/another-busy-export-year-for-pakistan-s-cement-industry.html>

<sup>14</sup> PBC. (2020, November). Charter of Economy. <https://www.pbc.org.pk/research/pbcs-charter-of-economy/>

## Key Findings

### Pakistan – Bangladesh Trade Dynamics

Pakistan's total trade with Bangladesh decreased by \$189.17 million in 2020, showing a decline of around 23 percent over the previous year.

Pakistan's exports to Bangladesh decreased from \$947.23 million in 2011 to \$583.44 million in 2020. Similarly, Pakistan's imports from Bangladesh have also declined from \$82.73 million in 2011 to \$61.94 million in 2020, resulting in a positive balance for Pakistan of \$521.50 million in 2020, which is Pakistan's lowest trade surplus in its trade with Bangladesh in at least the last ten years. Currently, Pakistan's exports to Bangladesh are at least nine times more than its imports from that country.

Pakistan's main export commodities to Bangladesh are classified under '*Cotton*' (\$427.6 million); '*Salt; Sulphur; earths and stone; plastering materials, lime and cement*' (\$73.7 million); '*Edible vegetables*' (\$17.5 million); '*Raw hides and skins*' (\$9.8 million); '*Machinery*' (\$9.7 million); '*Inorganic chemicals*' (\$4.4 million); '*Man-made staple fibers*' (\$4.0 million); '*Plastics*' (\$3.9 million), '*Tanning or dyeing extracts*' (\$3.9 million); and '*Edible fruits and nuts*' (\$3.2 million).

Six of the top 25 exports belong to the '*Woven fabrics of cotton, containing  $\geq$  85% cotton by weight and weighing  $>$  200 g/m<sup>2</sup>*' (HS-5209) group. Pakistan is the largest exporter of this product to Bangladesh. Its ranking in Bangladesh's world imports is number 1. This product accounted for 44.8 percent of Pakistan's exports to Bangladesh. The tariff applied by Bangladesh on Pakistan is 25 percent.

The highest positive CAGR (2016-20) relates to exports of '*Fresh or chilled onions and shallots*' (HS070310), i.e., 516.8 percent. Pakistan was the 2nd largest supplier of this product to Bangladesh, after India in 2020. The imports increased by 183.9 percent in 2020 over the previous year when Pakistan received the first onion export order from Bangladesh after 15 years. Bangladesh imported onions from Pakistan in 2020 when India put a ban on exports of onions due to the failure of India's onion crop. This product is subject to a relatively low tariff of 13 percent.

'*Cement Clinkers*' (HS-252310), '*Medicaments consisting of mixed or unmixed products*' (HS-300490), and '*Fresh or chilled onions and shallots*' (HS070310) provide both product and market diversification opportunities for Pakistan's export basket.

Pakistan's exports to Bangladesh are positively correlated with FDI and GDP growth of Bangladesh, whereas negatively correlated with the exchange rate (BDT/USD).

In 2020, Pakistan's imports from Bangladesh witnessed a surge of 49.2 percent over the previous year as opposed to a decline of 42.8 percent between 2018 and 2019.

With an import value of \$46.78 million, 'Jute and other textile bast fibers' (HS-530310) was Bangladesh's most significant import product in 2020. This single commodity alone accounted for 75.5 percent of Pakistan's total imports from Bangladesh in 2020, and the tariff rate applied by Pakistan on Bangladesh is 3.0 percent. In budget 2020-21, the federal government had evolved a strategy to encourage raw jute import mainly from Bangladesh to promote exports of jute-based processed products from the country.

The top 10 imports at the HS-02 level accounted for 95.5 percent of total imports. Five of the top ten products belong to the textile group, indicating Pakistan's reliance on Bangladesh's textile sector. Other top imports include agricultural products, machinery and mechanical appliances, chemical and

allied industries products, and other miscellaneous manufactured articles. The heavy reliance on the top 10 products shows that Pakistan's imports are highly concentrated.

The most significant increase of 49,600.0 percent was recorded in the imports of '*Man-made staple fibers*' (HS-55), indicating that this industry is developing in Bangladesh and has exportable surpluses.

Bangladesh is facing comparatively higher tariffs in Pakistan than its other competitors.

The ad valorem equilibrium tariff applied by Pakistan on products originating from Bangladesh ranges between 2 to 59 percent, with an average rate of 7.8 percent. However, the tariff faced by Pakistani commodities in Bangladesh ranges between zero & 25 percent, with an average tariff of 9 percent.

### **Pakistan's Potential Exports**

For Pakistan, there exist an export potential of at least \$2.95 billion to Bangladesh, mainly driven by sectors that include textile, agriculture, foodstuff, chemical, base metals, plastics, and salt & cement products.

The aggregate export potential for the top 25 commodities amounted to \$1.24 billion in 2020. However, the country only exported goods worth \$435.78 million for these top 25 commodities to Bangladesh during the year.

*'Denim, containing >= 85% cotton by weight and weighing > 200 g/m<sup>2</sup>, made of yarn of different colours'* (HS-520942) holds the highest potential of \$187.15 million. Bangladesh applies a 25 percent tariff on the import of this product from Pakistan.

Ten of the top 25 products fall under the category of '*Denim and Woven Fabrics of Cotton*' (HS 52-55). While Pakistan holds a potential to export \$522.74 million worth of these commodities, it exported just \$341.25 million worth of woven fabrics to Bangladesh in 2020. The tariff applied by Bangladesh on woven and denim fabrics originated from Pakistan ranges between 3 to 25 percent.

Four of the top 25 potential products fall under the category of '*Agriculture and Foodstuffs*' (HS-01-24), including edible fruits and vegetables such as onions and oranges from the horticulture sector. For Pakistan, there is a high potential for exports to Bangladesh under '*Fresh or chilled onions and shallots*' (HS-070310). Pakistan exported over \$124.03 million worth of onions to the world in 2020, whereas Bangladesh imported \$168.78 million of the said commodity.

Bangladesh's imports represented 4.5 percent of world imports for '*Fresh or chilled onions and shallots*' (HS-070310) in 2020, its ranking in world imports is 6. Pakistan was the 2nd most significant supplier of this product for Bangladesh, behind India in 2020. Bangladesh's imports surged by 183.9 percent in 2020 over the past year when Pakistan received the first onion export order from Bangladesh after 15 years.

There remains unattained potential and opportunity for Pakistan to penetrate the Bangladeshi cement and salt market further. Pakistan has an untapped export potential of \$39.17 million in '*Cement Clinkers*' (HS-252310). Moreover, the Bangladeshi cement manufacturers have asked for a 60 percent reduction in clinker import duties and a waiver on interest on existing loans.<sup>1516</sup>

<sup>15</sup> <https://www.thedailystar.net/business/news/cement-manufacturers-want-cuts-import-duty-clinker-1911909>

<sup>16</sup> <https://www.globalcement.com/news/item/9159-clinker-wars>

Pakistan has the potential to export \$11.85 million worth of ‘Salts, incl. table salt and denatured salt’ (HS-250100) to Bangladesh. Pakistan was the 7<sup>th</sup> largest import sourcing market for Bangladesh in 2020. Despite having the world's second-largest salt mine, Pakistan is not among the top ten salt exporters; instead, India and China are ranked 7<sup>th</sup> and 9<sup>th</sup>, respectively. China accounts for over 30 percent of world salt demand. This demand could be met by Pakistani salt, which is 99 percent halite and significantly purer than other varieties. Instead of refining this salt and maximizing its unique value, Pakistan exports it in rock form at a low price.

## Recommendations

### Tariff Negotiations

The current tariff structure reveals that there is room for tariff cuts for goods traded between the two countries. The average tariff on Bangladeshi products imported by Pakistan is 7.8 percent across all 99 chapters. However, the average tariff on products imported into Bangladesh from Pakistan across all 99 chapters is 9.0 percent, with the highest tariff of 25 percent. Only 16 out of 99 chapters are subject to a tariff that ranges from 0 to 2 percent. The average tariff on the remaining 83 chapters ranges between 3 & 25 percent.

*Tariff Applied by Pakistan on Bangladesh*

Number of Products at HS-02	Tariff Range
25	2-4
37	5-7
14	8-10
11	11-13
4	14-16
3	17-18
2	30-60

*Tariff Applied by Bangladesh on Pakistan*

Number of Products at HS-02	Tariff Range
16	0-2
27	3-5
10	6-8
10	9-11
11	12-14
6	15-17
9	18-20
7	22-25

Due to its rapid industrialization, Bangladesh has emerged as a leading importer of cotton yarn and woven fabrics. Pakistan is currently facing tariffs of up to 25 percent. The country has a vast untapped potential in the textile sector, where a well-negotiated trade agreement can significantly enhance exports. The PBC recommends including the following products in the concession list in any possible future negotiation for a trade agreement with Bangladesh. The list has been created based on multiple criteria, including the size of Bangladesh's import demand and Pakistan's capacity to supply.

Product Code	Product Label	Tariff (%)	Product Code	Product Label	Tariff (%)
551312	Woven fabrics containing predominantly, but < 85% polyester staple fibres	25%	520523	Single cotton yarn, of combed fibres, containing $\geq$ 85% cotton by weight	3%
520544	Multiple "folded" or cabled cotton yarn, of combed fibres, containing $\geq$ 85% cotton	3%	520524	Single cotton yarn, of combed fibres, containing $\geq$ 85% cotton by weight	10%
520942	Denim, containing $\geq$ 85% cotton by weight and weighing > 200 g/m <sup>2</sup> , made of yarn	25%	540772	Woven fabrics of yarn containing $\geq$ 85% synthetic filament by weight	25%
520852	Plain woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing > 100 g to 200	25%	521132	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed principally	5%
520512	Single cotton yarn, of uncombed fibres, containing $\geq$ 85% cotton by weight	3%	520932	Woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing > 200 g/m <sup>2</sup>	5%
521031	Plain woven fabrics of cotton, containing predominantly, but < 85% cotton by weight	5%	521142	Denim, containing predominantly, but < 85% cotton by weight, mixed principally	25%

Pakistan could ask for greater market access for high potential agriculture and vegetable exports to Bangladesh. Since Pakistan is not among the primary sources of agriculture and vegetable articles for Bangladesh, but has a high potential to supply these products, the provision of concessionary duties will make Pakistani products more competitive in the Bangladeshi market. This will help provide a level playing field for Pakistan with competitors such as India and China.

Product Code	Product Label	Tariff (%)
070310	Fresh or chilled onions and shallots	13%
121190	Plants, parts of plants, incl. seeds and fruits, used primarily in perfumery, in pharmacy	3%
151620	Vegetable fats and oils and their fractions, partly or wholly hydrogenated	3%
210690	Food preparations, n.e.s.	18%
170230	Glucose in solid form and glucose syrup	25%

This study reveals that the most promising product in the Salt and Cement sector is ‘Salts, incl. table salt and denatured salt’ (HS-250100). Despite having the world's second-largest salt mines, Pakistan is not among the top ten salt exporters; instead, India and China are ranked 7<sup>th</sup> and 9<sup>th</sup>, respectively. Bangladesh currently applies a 19 percent tariff on imports of salt from Pakistan. The demand could be met by Pakistani salt, which is 99 percent halite and significantly purer than other varieties. Therefore, this high potential item should be included in tariff negotiations.

#### **Anti-dumping duty on Bangladesh’s exports of ‘Hydrogen Peroxide’ (HS-284700)<sup>17</sup> needs to be reconsidered**

After conducting a review for change of circumstances, the National Tariff Commission of Pakistan issued a notification on August 26<sup>th</sup>, 2020, imposing antidumping duty at two rates — 15.38 percent and 16.10 percent, depending on the company — for five more years on ‘Hydrogen Peroxide’ (HS-284700) manufactured by Bangladeshi companies.<sup>18</sup> Previously, on October 16<sup>th</sup>, 2015, the NTC imposed a five-year definitive ADD on imports of the said item from Bangladesh at 10.67 percent and 12.14 percent, depending on the firm. However, the Bangladeshi Commerce Minister has requested the NTC to withdraw the ADD on exports of 'Hydrogen Peroxide' (HS-284700) to boost bilateral trade between Pakistan and Bangladesh.<sup>19</sup>

#### **Regional syndication restriction claims by Bangladeshi potato exporters must be investigated**

Bangladesh believes that other Asian countries including, Sri Lanka, India, China, and Pakistan, have developed a sort of syndicate-like arrangement to restrict the imports of potatoes from Bangladesh. Exporters in Bangladesh believe that because of this syndicate, they are unable to export to these countries.<sup>20</sup>

<sup>17</sup> HP is used as a bleaching agent in the textile industry, paper and pulp industry, for sterilizing packaging material of milk, fruit juice (aseptic packaging) industry, and for the general purpose of oxidizing, detoxifying and as a deodorizing agent. It is also used for waste paper treatment and soil remediation.

<sup>18</sup> <https://www.newagebd.net/article/117267/pakistan-imposes-fresh-add-on-imports-from-bangladesh>

<sup>19</sup> <https://www.thedailystar.net/business/export/news/withdraw-anti-dumping-duty-hydrogen-peroxide-commerce-minister-pakistan-2034897>

<sup>20</sup> Bangladesh Foreign Trade Institute (BFTI). (2019, May). Identification of Non-Tariff Barriers Faced by Bangladesh in Exporting Potential Exportable Products to Major Export Markets. [https://bfti.org.bd/pdf/Final\\_NTM%20Study.pdf](https://bfti.org.bd/pdf/Final_NTM%20Study.pdf)

### **Other non-tariff barriers applied by Pakistan needs to be removed**

Pakistan has removed a number of non-tariff barriers over the past few years, but, as reported by Bangladeshi companies, non-tariff barriers still remain. Some of the non-tariff barriers applied by Pakistan are:<sup>21</sup> quantitative restrictions such as quotas, and prohibitions, imposition of arbitrary health and quality standards, which favor domestic producers over foreign producers. Government monopoly in importing through state trading agencies etc.

### **Pakistani food exports should meet the standards set by Bangladesh Standard & Testing Institution (BSTI)**

Food products may be subject to testing by the Bangladesh Standard & Testing Institution (BSTI) and/or the Bangladesh Centre for Science and Industrial Research. The products should meet the Bangladesh Standard (BDS). BSTI has signed an agreement/MOU with Pakistan Standards and Quality Control Authority (PSQCA) in the field of standards and quality assurance.<sup>22</sup> This MOU needs to lead to a Mutual Recognition Agreement to promote exports.

### **Non-tariff barriers on Pakistan's potential food and vegetable products need to be removed**

Pakistan has immense export potential for agricultural and vegetable products. However, Bangladesh's agriculture and vegetable sector is heavily protected. Several non-tariff barriers exist in this area, including phytosanitary certification, labeling, packaging, and a unique certificate of analysis, making it difficult for Pakistan to gain a significant share in this market.

### **Pakistan should ask for unilateral access to the Chinese market similar to that for Bangladesh's exports**

Bangladesh's largest trading partner, China, has granted a zero-duty concession to 97 percent of Bangladeshi imports. Previously, 3,095 Bangladeshi products (36.2 percent of total exports) had duty-free access to the Chinese market under the Asia-Pacific Trade Agreement (APTA). According to the State Council of the Ministry of Finance of China, a total of 8,256 Bangladeshi products will be included in the 97 percent of products that will be exempted from tariffs. The PBC recommends that Pakistan should ask for unilateral access to the Chinese market for its exports.

### **Bangladesh's graduation from LDC status: An opportunity for Pakistan?**

Bangladesh is increasingly focusing on bilateral, preferential trade agreements (PTAs) and free trade agreements (FTAs) to enhance export revenues and obtain improved market access in the next 3-6 years as it prepares to graduate from the least developed country (LDC) status in 2024. The Bangladeshi government is reviewing the possibility of trade agreements with 44 countries to see if PTA are possible. Dhaka has similarly approached 11 countries to sign free trade agreements with. Since the Bangladesh Government appears amiable to signing trade agreements, Pakistan can avail this opportunity and negotiate with the Bangladesh government for a free or a preferential trade agreement.

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<sup>21</sup> Bhuyan, A. R. (2006). "Should Bangladesh Sign a Bilateral Free Trade Agreement with Pakistan?"

<sup>22</sup> Bangladesh Foreign Trade Institute (BFTI). (2019, May). Identification of Non-Tariff Barriers Faced by Bangladesh in Exporting Potential Exportable Products to Major Export Markets. [https://bfti.org.bd/pdf/Final\\_NTM%20Study.pdf](https://bfti.org.bd/pdf/Final_NTM%20Study.pdf)

### **Lenient visa regime for Pakistani businessmen**

Bangladesh's stringent visa policy for Pakistani business people is motivated by political considerations. Pakistani businessmen find it difficult to travel to Bangladesh to conduct business deals. Therefore, as an alternate, the Pakistan high commission sends businessmen from Bangladesh to Pakistan since the visa is issued by the high commission of Pakistan in Bangladesh. It is recommended that the Government of Pakistan take up the matter of issuance of visas with the Bangladesh Government as this is turning to be a major non-tariff barrier to bilateral trade.

### **Pakistani Consignments should be released, checked, and verified in the minimal amount time**

Nominated consignments of international retailers based in Bangladesh arrive in Bangladesh relatively quickly. Non-nominated shipments of small businesses of yarn and fabric face delays in the release of consignments as Chittagong Port which experiences severe congestion, leading to vessel backlogs at the outer anchorage lasting several days. It is recommended that consignments from Pakistan should be cleared in the minimal time period.

### **Direct shipping facility should be reactivated to avoid delays**

Pakistan's export cargo is transported from Karachi to Chittagong through transshipment via Singapore or Colombo which takes an extra 15 to 20 days to reach the final destination. The commercial section in Dhaka has received a proposal sent by the Pakistan National Shipping Corporation (PNSC) to establish a direct shipping line between the two countries.

### **Separate Pakistani import counters delay clearance**

There are separate counters for imports from Pakistan. These need to be streamlined to reduce delays.

### **Pakistan needs to diversify its export basket**

In the long run, if Pakistan shifts to value-added RMG exports, it will export less raw material to the world. As a result, it will need to diversify its exports to Bangladesh.

### **Bangladesh must build its institutional capacity to avoid data reporting issues**

Data reporting concerns are also identified in WTO documents on Bangladesh, the Government of Bangladesh needs to build institutional capacity as is losing out on import revenues.

### **Bangladesh's exports to Pakistan should be a priority in bilateral negotiations**

When bilateral trade trends are considered, there is less discussion on Bangladesh's exports to Pakistan. Priority should be given to Bangladesh's exports to Pakistan in bilateral negotiations.

### **Japanese purchasing houses should be targeted & efforts made to achieve parity market access**

Multiple Japanese purchasing firms and international liaison offices relocated from Pakistan to Bangladesh when Bangladesh's RMG industry started growing in 2006. Additionally, many Japanese offices source from Pakistan but operate from Bangladesh. For business negotiations, the Japanese prefer Bangladesh over Pakistan. Pakistan's exports suffer as a result. It is recommended that efforts should be made to encourage Japanese firms to operate in Pakistan.

Whilst Pakistani textiles have parity access in the USA with countries like Bangladesh, exports from Pakistan suffer high duties into Japan, relative to Bangladesh.<sup>23</sup> The PBC, through its national charter of exports, recommends that one of the strategies to achieve economic diplomacy goals is that Pakistan should be allowed parity access in Japan, Australia and Canada with countries like Bangladesh.



<sup>23</sup> PBC. (2020, November). Charter of Economy. <https://www.pbc.org.pk/research/pbc-charter-of-economy/>

## Chapter 1 Introduction

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The idea of a Free Trade Agreement (FTA) between Pakistan and Bangladesh was first proposed in 2002. This was further discussed at the 2004 SAARC summit by the Commerce Ministers of both countries. When negotiations began, Bangladesh put forward its demand for free access to Pakistan's markets within one year of signing of the FTA citing Bangladesh's status as an LDC. Bangladesh also insisted on a "negative list approach" in the trade negotiations to protect its domestic industries.

Pakistan, on the other hand, was not willing to grant unilateral and unconditional access to its market. Pakistan proposed instead, a relaxed set of origin rules, lower direct tariffs, elimination of non-tariff barriers (NTBs), a more extended phase-out period for tariff withdrawal, and a set of anti-dumping and countervailing measures for moving the negotiations forward.

Recently there is renewed interest in both Islamabad and Dhaka to revisit the option of signing an FTA between the two countries. With Bangladesh's LDC status expected to lapse in 2024, the Bangladesh government is looking to maintain market access in key markets through trade agreements. Though Pakistan is not currently a major export market for Bangladesh, the government of Bangladesh views Pakistan's 220 million population as a market in the medium to long-term.

Bilateral trade between the two countries has grown slowly in recent years. Between 2010 and 2019, Pakistan's exports to Bangladesh grew at a 2.0 percent CAGR, while imports from Bangladesh fell by 6.0%. Bangladesh aims for a \$50 billion export target by 2021 and wants Pakistan to expand its investment partnership to fully leverage Bangladesh's garment industry, which is the world's second-largest exporter.

### Economic and Social Indicators

Pakistan, officially the Islamic Republic of Pakistan, is located in South Asia and had a GDP of \$263.69 billion in 2020.<sup>24</sup> The country has evolved from an economy that was heavily reliant on agriculture to a more balanced one that is less reliant on primary exports. Like almost every country around the globe, Pakistan's economy suffered in 2020 due to the global pandemic. According to the IMF, the GDP growth rate for 2020 was -0.4 percent – the first time that it fell into negative territory in seven decades. For Pakistan, the IMF has recently revised the GDP growth projection upward to 3.9 percent for 2021 from its earlier forecast of 1.5 percent. This growth rate is lower than the IMF's estimate of Bangladesh's growth rate, which is 5.0 percent. In terms of population, Pakistan is a larger country than Bangladesh.

Economic considerations underpin Bangladesh's desire to emerge as a "bridge between South Asia and Southeast Asia." Among the Least Developed Countries (LDCs), Bangladesh has the largest economy, also it is the largest exporter among the LDCs, and is expected to graduate from LDC status by 2024.<sup>25</sup> Bangladesh's economy has been improving and in 2020 overtook Pakistan's economy, with a GDP of \$324.24 billion.

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<sup>24</sup> World Bank.

<sup>25</sup> Pulipaka, S. (2021, January 29). Bangladesh poised as bridge between South, SE Asia. Asia Times. <https://asiatimes.com/2021/01/bangladesh-poised-as-bridge-between-south-se-asia/>

Figure 1-1 Comparison of Socio-Economic Indicators of Pakistan and Bangladesh



Source: World Development Indicators (World Bank Group); Pakistan Economic Survey 2020-21; Statista

### GDP Composition

In 2020, Pakistan's services sector contributed 61.7 percent to the GDP, while the contribution of the services sector in Bangladesh was 54.6 percent to its GDP, indicating the importance of this sector for both economies. However, the significant difference between the two economies was the contribution of the industrial and the agriculture sectors to their respective GDPs. While Pakistan's industrial sector contributed 19.1 percent to GDP, the industrial sector's contribution to Bangladesh's GDP was 28.8 percent.

From a policy perspective, the composition of the industrial sector is equally important, with industry in Pakistan mainly producing products of a lower sophistication/technology level compared to their counterparts in Bangladesh which has been concentrating on value-added exports. As an example, the top five exports of Pakistan at the two-digit level are cotton and textile products. On the other hand, Bangladesh's top five exports mainly comprise textiles and apparel, indicating a comparatively more value-added product mix.

Figure 1-2 Pakistan's GDP Composition, 2020

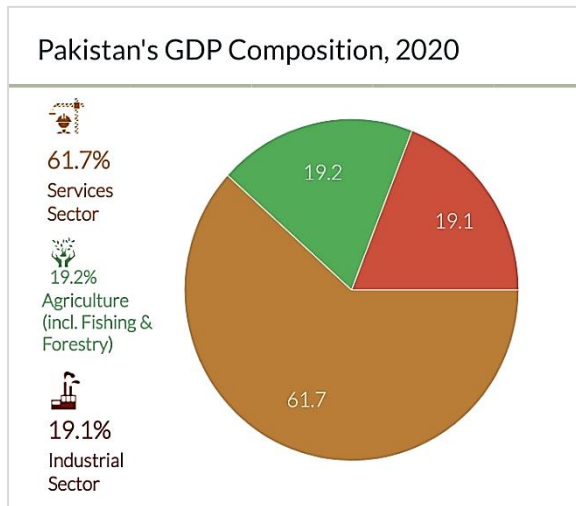
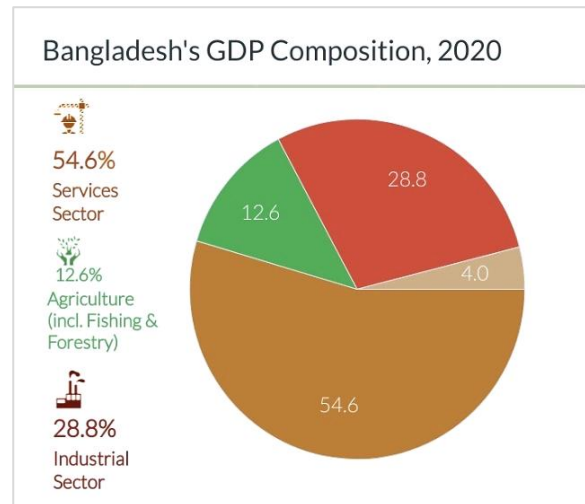


Figure 1-3 Bangladesh's GDP Composition, 2020



Source: Pakistan Economic Survey, 2020-21

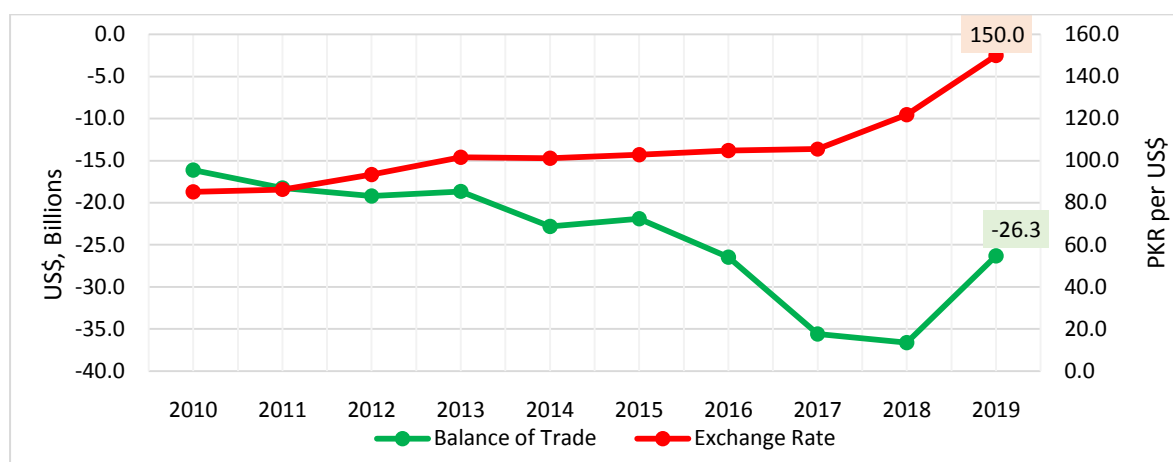
Source: World Development Indicators, The World Bank

### Balance of Trade and the Exchange Rate

According to economic theory, when the exchange rate appreciates/depreciates, exports become more expensive/cheaper for foreign buyers, affecting the country's trade balance. Economic theory also suggests that supply and demand can cause currencies to appreciate or depreciate.

Pakistan's situation is almost like Bangladesh's, the primary reason being that Pakistan has been a net importer with the trade balance being negative in the past decade. Because the exchange rate and trade balance have a negative correlation of -0.55, a declining BOT deficit will follow a depreciation in the exchange rate. Furthermore, because the PKR is weaker than the Taka, Pakistani products should be competitive in Bangladesh. In contrast, a stronger Taka should hurt Bangladeshi exports to Pakistan.

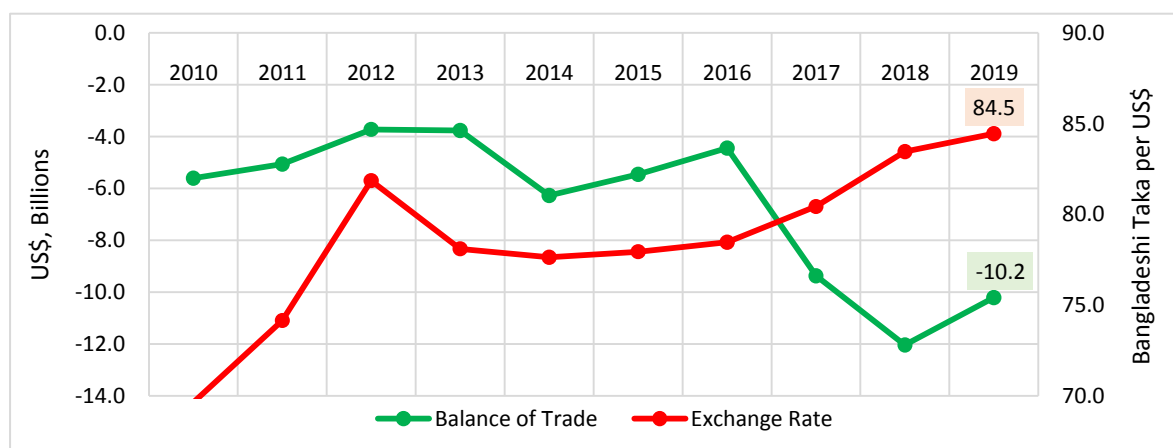
Figure 1-4 Pakistan's Balance of Trade and the Exchange Rate



Source: World Development Indicators, The World Bank; ITC, Trade Map

In the last ten years, Bangladesh's BOT and exchange rate have moved in the direction suggested by economic theory. But in 2017 and 2018, the two variables moved in a manner that contradicts theory. This is primarily because Bangladesh imported a lot of capital goods for its key exporting industries.<sup>26,27</sup> Devaluation of the Bangladeshi Taka versus the US\$ increased export demand. As a consequence, the increased export demand immediately increased the effective demand for imports for capital goods. This is why the trade balance deteriorated immediately after the currency depreciation.<sup>28</sup> The coefficient of correlation between the exchange rate and the balance of trade comes out to be -0.54; this means that a decreasing BOT deficit will accompany a depreciation in the exchange rate.

Figure 1-5 Bangladesh's Balance of Trade and the Exchange Rate



Note: Mirror data for 'Balance of Trade' has been used for Bangladesh due to unreported data.

Source: Source: World Development Indicators, The World Bank; ITC, Trade Map

<sup>26</sup> In 2017 and 2018, Bangladesh's imports of machinery increased by 14.5 percent and 13.7 percent, respectively.

<sup>27</sup> "Imports of capital machinery and construction materials rose largely as Bangladesh has been implementing some big infrastructure projects." Bangladesh trade deficit surges to an all-time high on robust imports - Xinhua | English.news.cn. (n.d.). Retrieved from: [http://www.xinhuanet.com/english/2018-07/15/c\\_137326070.htm](http://www.xinhuanet.com/english/2018-07/15/c_137326070.htm)

<sup>28</sup> Chowdhury, M., Khanom, S., Emu, S., Uddin, S., & Farhana, P. (2014). Relationship between the Exchange rate and trade balance in Bangladesh from 1973 to 2011: An econometric analysis. *International Journal of Economics, Commerce and Management*, 11(11), 1-26.

## Chapter 2 Global Economic Indicators

### Market Potential Index (MPI)

MSU-IBC developed the Market Potential Index (MPI) to compare prospective markets and identify potential export markets. The indexing is based on eight dimensions: market size, market intensity, market growth rate, market consumption capacity, commercial infrastructure, market receptivity, economic freedom, and country risk. Pakistan's MPI rank rose from 70 in 2019 to 66 in 2020. Bangladesh's MPI rank went up from 58 in 2019 to 55 in 2020. Bangladesh is still a more export-friendly country than Pakistan, despite Pakistan's improvement in the world ranking.

Table 2-1 Market Potential Index (MPI) – 2020

Pakistan			Bangladesh		
Overall Score (100=highest)	Rank 2020	Rank 2019	Overall Score (100=highest)	Rank 2020	Rank 2019
21	66	70	24	55	58

Source: Market Potential Index – 2020, a study by MSU-IBC (Michigan State University – International Business Center)

### Global Innovation Index (GII)

The Global Innovation Index (GII) ranks 131 economies based on innovation. Based on 80 indicators grouped into seven categories, these metrics help policymakers and stakeholders evaluate their economy's innovation capability on an annual basis.

Pakistan was ranked the 107th most innovative nation in 2020, while Bangladesh was ranked 116th. Among SAARC countries, Pakistan has retained its position as the second most robust economy after India in trade-related variables, ranking 72nd in high-tech exports and 106th in creative goods exports. In 2020, Bangladesh was ranked 95th in high-tech exports and 108th in creative goods exports.

Table 2-2 Global Innovation Index (GII) – 2020

	Pakistan		Bangladesh	
	Overall Score (100=highest)	Rank 2020	Overall Score (100=highest)	Rank 2020
	22.31	107	20.39	116
Market Sophistication	36.0	116	42.1	100
Business Sophistication	22.0	87	17.0	122
Knowledge and Technology Outputs	18.6	69	13.2	95
Creative Outputs	11.6	108	9.4	115

Source: The Global Innovation Index 2020, co-published by Cornell University, INSEAD, and the World Intellectual Property Organization (WIPO), a specialized agency of the United Nations.

### Global Opportunity Index (GOI)

The Global Opportunity Index (GOI) uses a combination of economic, financial, institutional, and regulatory variables to determine a country's attractiveness for foreign investors. These factors are grouped into five categories – business perception, economic fundamentals, financial services, institutional framework, and international standards and policy.<sup>29</sup>

<sup>29</sup> Milken Institute. (2021). Global Opportunity Index 2021 White Paper.

<https://milkeninstitute.org/reports/latin-america-global-opportunity-index/white-paper>

Figure 2-1 Global Opportunity Index (GOI) – 2021



Source: Milken Institute, Global Opportunity Index 2021.

### World Bank Ease of Doing Business Index

According to the World Bank Ease of Doing Business Report 2020, Pakistan has improved its ranking from 136<sup>th</sup> in 2019 to 108<sup>th</sup> in 2020, showing a jump of 28 places. However, Pakistan has been performing poorly and is lagging behind its competitors (except Bangladesh) in the overall ranking – China (77 rank), India (45 rank) and Viet Nam (38 rank).

Table 2-3 Doing Business Ranking, 2020

	Pakistan	Bangladesh
<b>Overall</b>	<b>108</b>	<b>168</b>
Starting a Business	72	131
Dealing with Construction Permits	112	135
Getting Electricity	123	176
Registering Property	151	184
Getting Credit	119	119
Protecting Minority Investors	28	72
Paying Taxes	161	151
Trading Across Borders	111	176
Enforcing Contracts	156	189
Resolving Insolvency	58	154

Source: World Bank Doing Business 2020, 17th Edition

<sup>30</sup> However, this was the best performance for Bangladesh.

## Global Competitiveness Index (GCI)

The Global Competitiveness Index describes competitiveness by integrating different sets of factors based on 12 pillars: institutions; infrastructure; ICT adoption; macroeconomic stability; health; skills; product market; labour market; financial system; market size; business dynamism; and innovation capability.

Pakistan ranks 11<sup>th</sup> from the bottom out of 141 economies in ‘ICT Adoption,’ 17<sup>th</sup> from the bottom in ‘Skills’ and 16<sup>th</sup> from the bottom in ‘Product Market.’ However, Pakistan performs better than Bangladesh in the fields of ‘Infrastructure,’ ‘Labour Market,’ ‘Financial System,’ ‘Market Size,’ ‘Business Dynamism,’ and ‘Innovation Capability.’

Table 2-4 Comparison of Global Competitiveness Indicators – 2019

Economy	Overall	Institutions	Infrastructure	ICT Adoption	Macroeconomic Stability	Health	Skills	Product Market	Labour Market	Financial System	Market Size	Business Dynamism	Innovation Capability
Pakistan	110	107	105	131	116	115	125	126	120	99	29	52	79
Bangladesh	105	109	114	108	95	93	117	119	121	106	36	121	105

Source: The Global Competitiveness Report 2019 – World Economic Forum

## World Bank Logistics Performance Index (LPI)

The LPI is an interactive benchmarking tool designed to assist countries in identifying the obstacles and challenges they face in trade logistics, as well as what they can do to improve these. According to the World Bank Logistics Performance Index (LPI) (2018), Bangladesh was ranked 100<sup>th</sup> in 2018. Whereas, Pakistan was ranked 122<sup>nd</sup> and lags in ‘Customs’, ‘Tracking and Tracing’, and ‘Timeliness’, and is only marginally ahead of Bangladesh in ‘International Shipments and ‘Logistics Quality and Competence.’

Table 2-5 Components of Logistics Performance Index (Rank, 2018)

Economy	Overall LPI	Customs	Infrastructure	International Shipments	Logistics Quality and Competence	Tracking and Tracing	Timeliness
Pakistan	122	139	121	97	89	136	136
Bangladesh	100	121	100	104	102	79	107

Source: LPI Global Rankings 2018, The World Bank

## WTO Trade Facilitation Agreement (TFA)

In December 2013, negotiations for the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) were concluded. In February 2017, TFA entered into force when two-thirds of the WTO members ratified the agreement.

A Free Trade Agreement (FTA) leads to a reduction in tariff rates, but goods traded under FTA may not always be traded smoothly. Trade facilitation measures are important because of existing non-tariff barriers (NTBs) between FTA partners. Tariff elimination complemented by trade facilitation can facilitate cooperation and increase trade flows between FTA partners.

In terms of appeal processes, fees and costs, governance, and impartiality, Pakistan comes nearest to the top in the sample. Advance decisions, appeal processes, document simplification, harmonization,

process streamlining, and internal border service cooperation have strengthened between 2017 and 2019. On the other hand, Bangladesh's performance in the areas of information availability, advance decisions, and appeal procedures improved between 2017 and 2019. Performance in other areas has remained steady, with the exception of involvement of trade community, which has lost ground in comparison to other economies in the region.

Table 2-6 Comparison of Trade Facilitation Performance – 2019

	Pakistan <sup>31</sup>	Bangladesh <sup>32</sup>
<b>Average Trade Facilitation Performance</b>	<b>1.35</b>	<b>0.95</b>
<b>Category</b>	<b>Overall (Index Value 0-2)</b>	
A- Information availability	1.40	1.25
B- Involvement of the trade community	1.43	1.14
C- Advance rulings	1.60	1.14
D- Appeal procedures	1.63	1.63
E- Fees and charges	1.77	1.46
F- Documents	1.11	0.78
G- Automation	1.23	0.46
H- Procedures	1.20	0.70
I- Internal border agency co-operation	1.10	0.55
J- External border agency co-operation	0.46	0.36
K- Governance and impartiality	1.89	1.00

Source: OECD

## UNCTAD Productive Capacities Index (PCI)

The Productive Capacities Index (PCI) of UNCTAD is a dynamic and realistic tool that helps developing countries understand their productive potential and how to strengthen it.

The PCI includes 193 economies and 46 indicators. The PCI scale ranges from 0 to 100, with 100 being the best score.

The index can help diagnose where countries are leading or lagging, highlighting successful and ineffective policies. The components of PCI include human capital, natural capital, ICTs, structural change, transportation, institutions, and the private sector.

Table 2-7 Productive Capacities Index Scores, 2018

	Pakistan	Bangladesh
<b>Overall index: Productive Capacities Index</b>	<b>25.2</b>	<b>26.8</b>
PCI Average (2011-18)	24.7	25.7
Human Capital	36.6	44.7
Natural Capital	56.5	58.1
Energy	24.8	25.3
Transport	11.8	13.6
Information and Communication Technology (ICT)	5.9	6.7
Institutions	32.7	37.7
Private Sector	77.7	72.7
Structural Change	17.8	16.5

Source: UNCTAD STAT

<sup>31</sup> National Trade and Transport Facilitation Committee. Established in August 2001 and reconstituted in February 2018.

<sup>32</sup> National Trade and Transport Facilitation Monitoring Mechanism (TTFMM) in Bangladesh, Bhutan and Nepal was initiated by ESCAP and ADB in October 2015, as part of implementation of the South Asia Subregional Economic Cooperation (SASEC) Trade Facilitation Strategic Framework and to enhance subregional connectivity. Bangladesh ratifies Trade Facilitation Agreement. (n.d.). WTO. [https://www.wto.org/english/news\\_e/news16\\_e/fac\\_27sep16\\_e.htm](https://www.wto.org/english/news_e/news16_e/fac_27sep16_e.htm)

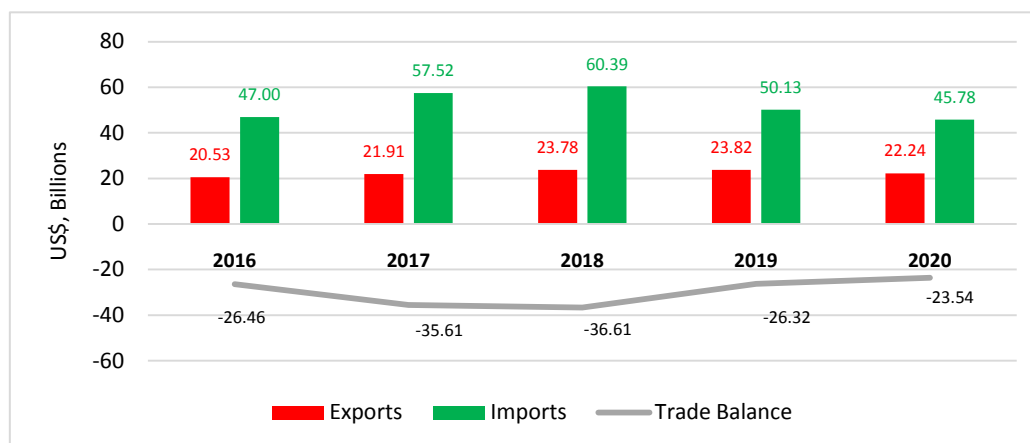


## Chapter 3 Trade Profiles

### Pakistan's Trade Profile

In 2020, Pakistan exported \$22.24 billion worth of goods, and imported products worth \$45.78 billion (\$35.46 billion excluding 'Mineral Fuels and Oils' HS-27), leading to a negative trade balance of \$23.54 billion.

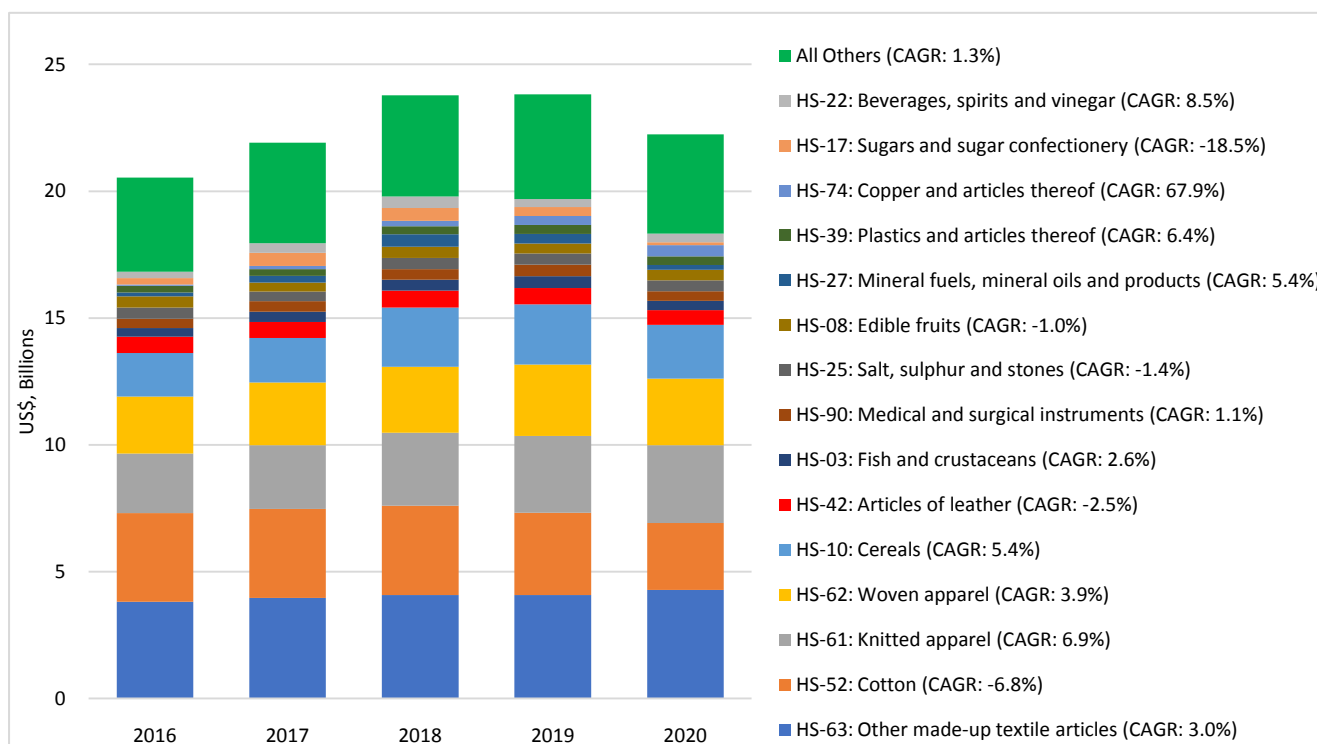
Figure 3-1 Pakistan's Trade Overview



Source: ITC, Trade Map

The following figure shows the top 15 exported items of Pakistan at the HS-02 Level and their export patterns since 2016. Additionally, the Compound Annual Growth Rates (CAGR) for the period 2016–20 is also given.

Figure 3-2 Pakistan's Exports to the World



\*CAGR (2016-20)

Source: ITC, Trade Map

## Key Findings:

- The top 15 exports in 2020 accounted for 82.4 percent of total exports.
- Exports increased by \$0.04 billion in 2019 over the previous year and decreased by \$1.58 billion in 2020, a decline of 6.6 percent from the previous year, according to data released by ITC trade map.
- Pakistan's thirteenth major export category, '*Copper and articles thereof*' (HS-74), has recorded the highest CAGR of 67.9 percent in the last five years.

The table below lists the top 25 exports of Pakistan at HS-06 Level for the period 2016 to 2020, along with the export values for each of those items. CAGR for the years 2016–20 for each of these commodities is also listed in addition to each product's share in world exports in 2020.

Table 3-1 Pakistan's Top 25 Exports at HS-06 Level

*All values in US\$, Millions*

Code	Product label	2016	2017	2018	2019	2020	Share in World Exports 2020 (%)	CAGR 2016–20 (%)
<b>TOTAL</b>	<b>All products</b>	<b>20,533.79</b>	<b>21,911.60</b>	<b>23,778.62</b>	<b>23,818.82</b>	<b>22,237.16</b>	<b>0.10%</b>	<b>2.01%</b>
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	1,418.93	1,515.03	1,768.84	1,786.25	1,532.88	7.90%	1.95%
620322	Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	708.81	1,293.72	1,539.78	1,618.51	1,425.69	88.70%	19.09%
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	773.31	812.18	866.31	855.93	923.83	28.00%	4.55%
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...)	777.09	806.25	791.22	787.44	776.51	13.50%	-0.02%
630210	Bedlinen, knitted or crocheted	606.93	666.37	695.97	696.19	726.15	43.60%	4.59%
630239	Bedlinen of textile materials (excluding of cotton and man-made fibres, printed, knitted or ...)	651.87	671.01	702.05	710.80	636.72	56.40%	-0.59%
520512	Single cotton yarn, of uncombed fibres, containing $\geq$ 85% cotton by weight and with a linear ...	810.98	813.13	782.45	696.17	524.51	16.60%	-10.32%
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	384.89	407.75	441.71	407.89	400.78	14.70%	1.02%
520942	Denim, containing $\geq$ 85% cotton by weight and weighing $>$ 200 g/m <sup>2</sup> , made of yarn of different ...	461.85	483.24	501.20	498.35	388.25	20.60%	-4.25%
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted	151.09	196.08	270.11	323.32	379.28	23.60%	25.87%
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	326.03	361.13	375.52	405.51	361.30	0.60%	2.60%
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...)	543.87	411.06	351.17	400.50	327.15	1.50%	-11.93%
100620	Husked or brown rice	31.73	47.30	56.59	232.92	307.20	16.70%	76.40%
740319	Copper, refined, unwrought (excluding copper in the form of billets, wire-bars, cathodes and ...)	3.44	17.57	128.89	259.71	306.45	8.20%	207.22%
220710	Undenatured ethyl alcohol, of actual alcoholic strength of $\geq$ 80%	221.82	362.09	428.16	301.87	303.61	3.80%	8.16%
610590	Men's or boys' shirts of textile materials, knitted or crocheted (excluding of cotton or man-made ...)	252.52	311.18	333.71	328.57	283.63	44.00%	2.95%
100640	Broken rice	251.85	182.85	172.97	255.73	259.13	12.60%	0.71%

All values in US\$, Millions

Code	Product label	2016	2017	2018	2019	2020	Share in World Exports 2020 (%)	CAGR 2016–20 (%)
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	205.11	198.06	244.22	314.81	252.61	0.90%	5.35%
520812	Plain woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing $>$ 100 g to 200 ...	183.87	213.53	254.56	238.16	250.38	18.10%	8.02%
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear ...	297.99	276.01	260.27	258.66	237.54	10.20%	-5.51%
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	187.62	196.71	220.70	230.08	225.20	17.20%	4.67%
610349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials, ...	159.06	175.94	232.13	215.47	218.44	30.30%	8.25%
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted ...	64.63	105.25	97.31	144.75	200.30	6.50%	32.68%
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	11.34	10.67	13.50	33.16	198.43	5.20%	104.52%
020110	Carcases or half-carcases of bovine animals, fresh or chilled	125.74	110.46	155.48	184.10	187.56	10.00%	10.51%

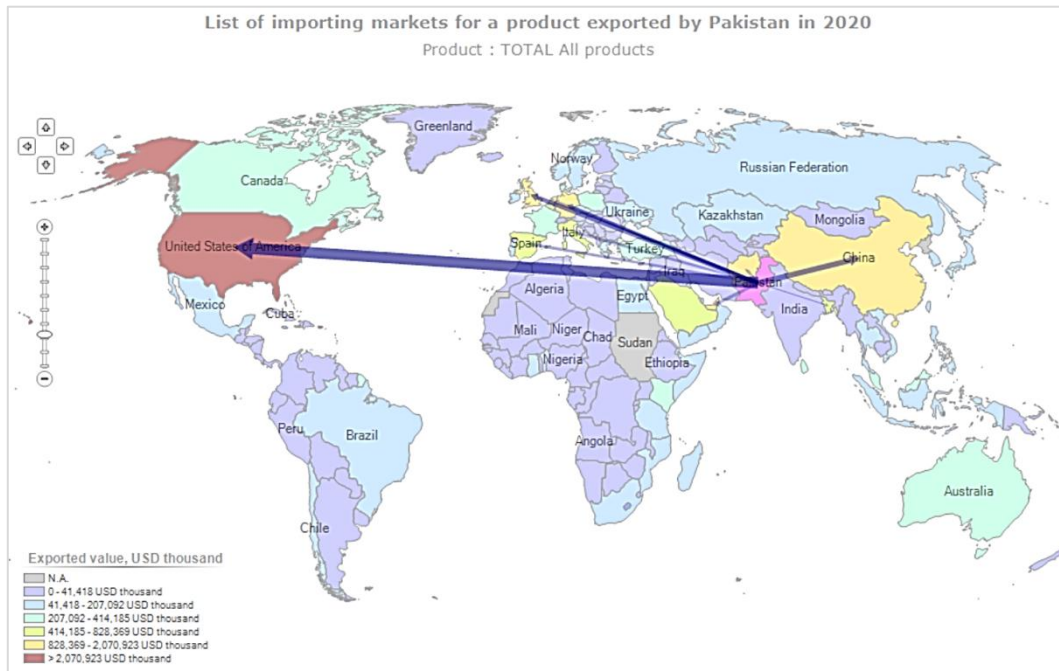
Source: ITC, Trade Map

### Key Findings:

- Sixteen out of the top 25 items belong to the textile group. These items contributed 35.6 percent to the total exports in 2020. This shows the dependence of Pakistan's exports on textiles articles.
- Apart from (HS-520512), (HS-630239), (HS-520942), and (HS-630260) all textile articles in the top 25 items list have shown a positive CAGR.
- 'Semi-milled or wholly milled rice' (HS-100630) has shown a positive CAGR over the past five years. The crop contributed 7.9 percent to total world exports. It was worth \$1.53 billion, making it the highest contributor in global shipments at the HS-06 level in 2020.
- The most noticeable increase was observed in the exports of 'Copper, refined, unwrought (excluding copper in the form of billets, wire-bars, cathodes and ...' category (HS-740319), with exports increasing by 207.2 percent in the past five years.

Top export destinations of Pakistan include the USA (18.6 percent), China (8.4 percent), the UK (7.8 percent), Germany (6.3 percent), and the UAE (4.9 percent). The following figure represents the export destinations of Pakistan, and the thickness of the arrow corresponds to the export value.

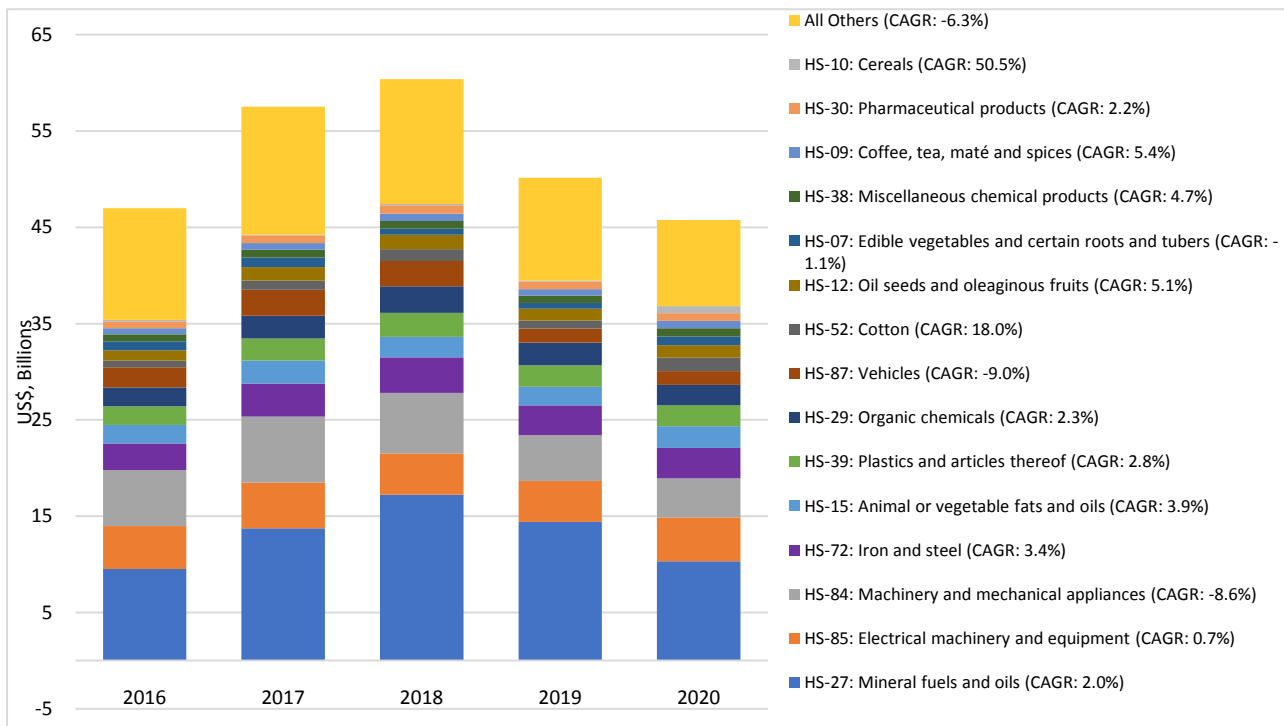
Figure 3-3 Pakistan's Top Export Destinations, 2020



Source: ITC, Trade Map

The following figure shows the top 15 imported items by Pakistan at the HS-02 Level and their import patterns since 2016. Additionally, the Compound Annual Growth Rates (CAGR) for 2016–20 are also given.

Figure 3-4 Pakistan's Imports from the World



\*CAGR (2016-20)

Source: ITC, Trade Map

## Key Findings:

- In the calendar year 2020, Pakistan imported goods worth \$45.78 billion, showing a decrease of more than \$4 billion over 2019.
- The category of 'Mineral Products' (HS-27) accounted for a significant share in Pakistan's import basket. The category's imports have fallen by 28.4 percent in the last year, mainly due to historically low global oil prices.<sup>33</sup>
- Besides mineral fuels, Pakistan's imports are highly concentrated in a few items such as capital goods falling under (HS-84 & HS-85), iron and steel, animal or vegetable fats, organic chemicals, vehicles, cotton, etc.

The table below shows the top 25 imported items at the HS-06 level that Pakistan imported in the past five years, along with each product's share in world imports and their CAGRs for 2016-20.

Table 3-2 Pakistan's Top 25 Imports at HS-06 Level

All Values in US\$, Millions

Code	Product label	2016	2017	2018	2019	2020	Share in World Imports 2020 (%)	CAGR 2016-20 (%)
<b>TOTAL</b>	<b>All products</b>	<b>46,998.27</b>	<b>57,518.65</b>	<b>60,391.13</b>	<b>50,134.81</b>	<b>45,775.14</b>	<b>0.30%</b>	<b>-0.66%</b>
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. ...	2,217.54	3,014.74	3,734.99	3,523.78	2,588.90	1.70%	3.95%
270900	Petroleum oils and oils obtained from bituminous minerals, crude	1,983.03	3,139.64	4,922.45	3,913.91	2,267.40	0.30%	3.41%
271111	Natural gas, liquefied	849.82	1,678.58	3,308.35	3,269.82	2,079.18	1.90%	25.07%
151190	Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)	1,629.57	2,014.62	1,834.93	1,557.14	1,989.78	8.90%	5.12%
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	707.65	761.29	836.22	1,019.64	1,695.33	0.70%	24.41%
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	3,532.11	4,404.78	3,127.40	1,863.41	1,605.69	0.60%	-17.89%
520100	Cotton, neither carded nor combed	580.54	762.49	1,052.93	709.51	1,315.55	10.20%	22.69%
270112	Bituminous coal, whether or not pulverised, non-agglomerated	214.77	915.46	1,229.22	1,157.00	1,050.00	1.60%	48.70%
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of ...	571.12	867.98	952.83	871.45	898.90	4.30%	12.01%
120110	Soya bean seed, for sowing	383.44	746.09	946.93	756.16	842.49	72.50%	21.75%
720441	Turnings, shavings, chips, milling waste, sawdust, filings, trimmings and stampings of iron ...	426.13	544.11	587.28	613.17	732.68	26.70%	14.51%
090240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings ...	480.16	537.60	557.91	481.67	572.67	18.20%	4.50%
390210	Polypropylene, in primary forms	384.89	466.73	541.18	479.82	503.51	2.10%	6.95%
100119	Durum wheat (excluding seed for sowing)	-	-	-	-	440.11	4.10%	-
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	260.79	347.96	467.69	451.04	419.97	2.90%	12.65%
310530	Diammonium hydrogenorthophosphate "diammonium phosphate"	472.96	648.76	845.53	457.57	369.77	6.20%	-5.97%

<sup>33</sup> Pakistan Economic Survey 2019-20.

All Values in US\$, Millions

Code	Product label	2016	2017	2018	2019	2020	Share in World Imports 2020 (%)	CAGR 2016–20 (%)
	(excluding that in tablets or similar ...							
271119	Gaseous hydrocarbons, liquefied, n.e.s. (excluding natural gas, propane, butane, ethylene, ...	210.54	267.68	225.40	288.56	368.01	8.50%	14.98%
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	318.48	368.63	434.43	342.04	362.77	0.10%	3.31%
854140	Photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled in ...	493.70	657.44	391.07	355.91	358.15	0.60%	-7.71%
870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	214.96	341.21	267.73	181.62	354.76	0.10%	13.34%
850239	Generating sets (excluding wind-powered and powered by spark-ignition internal combustion piston ...	329.86	171.52	154.69	214.95	338.27	9.40%	0.63%
120510	Low erucic acid rape or colza seeds "yielding a fixed oil which has an erucic acid content ...	464.42	475.47	400.45	366.59	329.48	3.20%	-8.22%
390110	Polyethylene with a specific gravity of < 0,94, in primary forms	286.85	332.06	338.22	310.23	318.85	1.40%	2.68%
722530	Flat-rolled products of alloy steel other than stainless, of a width of >= 600 mm, not further ...	369.06	402.78	299.36	250.38	249.71	5.00%	-9.30%
071310	Dried, shelled peas "Pisum sativum", whether or not skinned or split	325.71	139.07	51.87	77.89	249.20	10.70%	-6.47%

Source: ITC, Trade Map

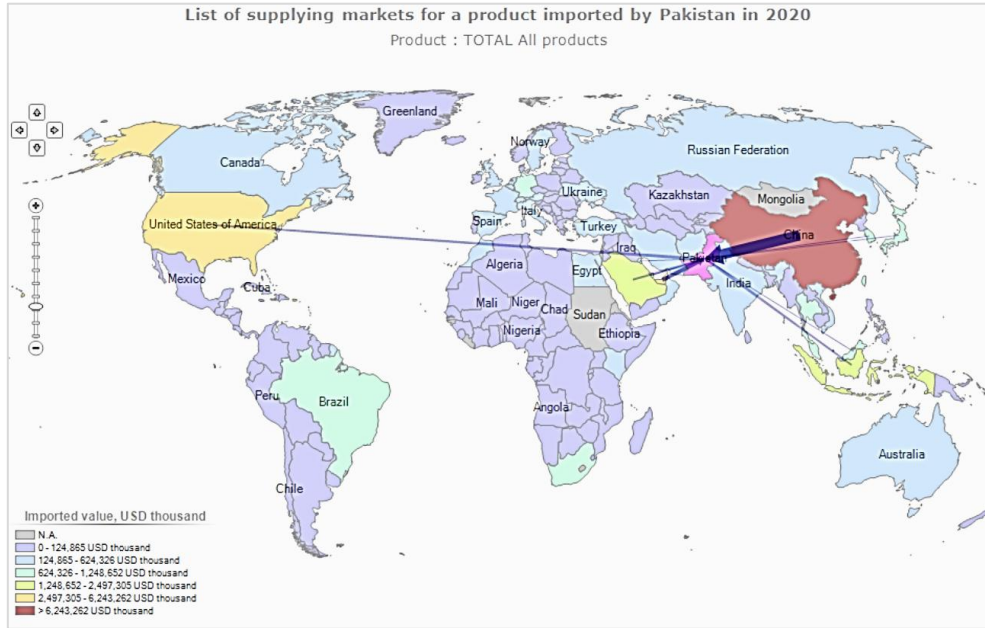
### Key Findings:

- Pakistan's top 25 imports from the world at the HS-06 level accounted for 48.7 percent of total imports in 2020.
- Six of the top 25 products listed above belong to 'Mineral Products' (HS-27). These items accounted for 21.8 percent of total imports in 2020.
- Capital goods and articles of iron and steel products were also significant imports in 2020.
- It can be seen that imports of 'Durum wheat' (HS-100119) have surged over the past year, reaching a value of \$440.11 million in 2020. Pakistan has transitioned from being a significant wheat exporter to a major wheat importer in the last one year primarily because wheat production in Pakistan is not keeping pace with the population growth. The government's persistent efforts to replenish strategic stocks in response to pandemic-related demand increases and the threat of locust attacks also contributed to last year's record imports of durum wheat.<sup>34</sup>

Top import sourcing markets for Pakistan include China (27.3 percent), the UAE (9.8 percent), the USA (5.6 percent), Indonesia (5.3 percent) and Saudi Arabia (4.1 percent). The following figure represents the import sourcing markets for Pakistan in 2020, and the thickness of the arrow represents the import value.

<sup>34</sup> United States Department of Agriculture. (2021). Grain and Feed Annual (No. PK2021-0002). <https://apps.fas.usda.gov/>

Figure 3-5 Pakistan's Top Import Sourcing Markets, 2020

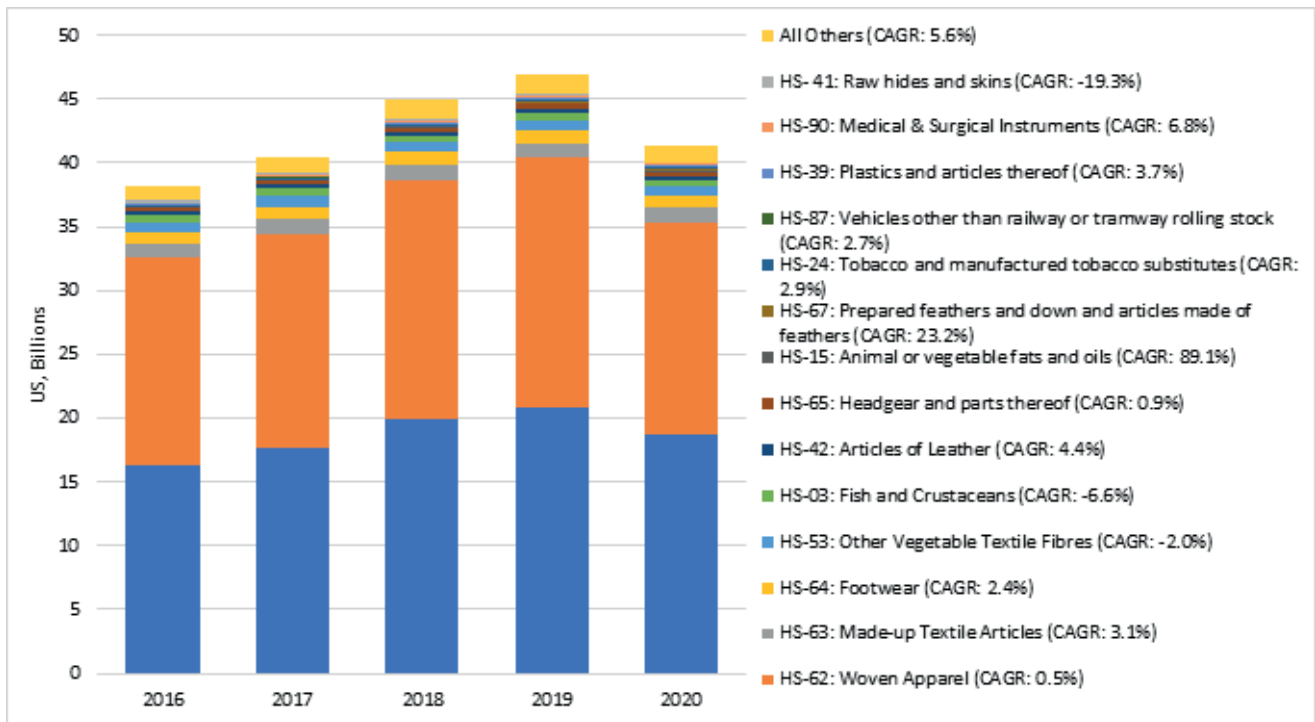


Source: ITC, Trade Map

### Bangladesh's Trade Profile

The following figure shows the top 15 exported items by Bangladesh at the HS-02 level and their export patterns since 2016. Additionally, the Compound Annual Growth Rates (CAGR) for the years 2016–20 are also given.

Figure 3-6 Bangladesh's Exports to the World



\*Mirror data for the years 2016-20 has been used for Bangladesh due to unreported data.

\*CAGR (2016-20)

Source: ITC, Trade Map

## Key Findings:

- Bangladesh's economic development strategies focus on manufactured goods and emphasize diversification of the economy away from agriculture into the secondary sector.
- Bangladesh's exports have been growing since 2016, and the trend continued till 2019 as the country focused on specializing in goods where it is competitive.<sup>35</sup> In 2020, exports dropped by 11.9 percent, reaching a value of \$41.34 billion.
- Bangladesh exported \$37.48 billion worth of manufactured goods (90.7 percent of the total shipments made in 2020) with high value-added 'Knitted Apparel' (HS-61) and 'Woven Apparel' (HS-62) accounting for 45.2 percent and 40.2 percent, respectively of total exports.

The table below lists the top 25 exports of Bangladesh at HS-06 Level for the period 2016 to 2020, along with the export values for each of those items. CAGR for the years 2016–20 for each of the commodities are also listed in addition to each product's share in world exports in 2020.

Table 3-3 Bangladesh's Top 25 Exports at HS-06 Level

All values in US\$, Millions

Code	Product label	2016	2017	2018	2019	2020	Share in World Exports 2020 (%)	CAGR 2016–20 (%)
<b>TOTAL</b>	<b>All products</b>	<b>38,136.93</b>	<b>40,464.20</b>	<b>44,930.29</b>	<b>46,937.54</b>	<b>41,344.23</b>	<b>0.20%</b>	<b>2.04%</b>
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	4,798.69	5,239.27	5,783.69	5,977.85	5,126.95	18.40%	1.67%
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	5,234.04	5,402.03	5,776.86	5,860.74	4,762.91	21.70%	-2.33%
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	3,023.73	3,097.79	3,515.24	3,584.55	3,155.56	17.70%	1.07%
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	2,260.59	2,404.65	2,660.06	2,846.06	2,700.49	11.30%	4.55%
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted ...	2,052.90	2,104.21	2,515.51	2,584.84	2,099.08	9.40%	0.56%
620520	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets and ...	2,053.19	1,855.99	1,960.65	1,987.02	1,446.23	18.70%	-8.39%
610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted ...	905.56	1,017.65	1,165.40	1,231.68	1,323.16	17.40%	9.94%
611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)	702.70	770.03	871.40	837.27	868.18	15.40%	5.43%
610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets ...	829.84	942.73	1,008.97	1,030.17	771.37	16.40%	-1.81%

35 <https://economictimes.indiatimes.com/news/economy/foreign-trade/rising-bangladesh-exports-hold-lessons-for-india-eco-survey/articleshow/80587971.cms?from=mdr>

All values in US\$, Millions

Code	Product label	2016	2017	2018	2019	2020	Share in World Exports 2020 (%)	CAGR 2016–20 (%)
620343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres (excluding ...	511.55	567.79	697.97	739.35	661.15	9.10%	6.62%
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	708.76	760.82	862.96	843.63	641.88	5.00%	-2.45%
620193	Men's or boys' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres ...	329.32	401.04	534.29	579.77	553.56	6.30%	13.86%
621210	Brassieres of all types of textile materials, whether or not elasticated, incl. knitted or ...	402.09	476.21	528.84	566.26	552.85	5.80%	8.29%
610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or ...	318.52	353.48	416.84	448.96	464.26	9.70%	9.88%
610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	342.86	375.65	460.53	465.54	459.07	12.10%	7.57%
610442	Women's or girls' dresses of cotton, knitted or crocheted (excluding petticoats)	242.27	314.98	377.92	409.14	436.49	14.30%	15.86%
620293	Women's or girls' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres ...	266.02	306.22	373.48	422.54	413.26	4.90%	11.64%
610821	Women's or girls' briefs and panties of cotton, knitted or crocheted	349.76	374.58	410.47	404.87	404.07	14.20%	3.68%
530710	Single yarn of jute or of other textile bast fibres of heading 5303	359.38	427.68	337.66	344.29	395.39	96.20%	2.42%
620469	Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials ...	258.93	299.21	301.78	378.38	346.82	9.60%	7.58%
620640	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or ...	309.19	394.05	462.19	443.89	343.06	6.60%	2.63%
030617	Frozen shrimps and prawns, even smoked, whether in shell or not, incl. shrimps and prawns in ...	468.27	469.53	372.89	361.01	333.87	2.10%	-8.11%
640391	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather, ...	316.62	335.57	349.70	397.46	310.58	2.60%	-0.48%
620463	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres ...	239.44	239.93	293.69	360.60	298.82	5.10%	5.69%
620920	Babies' garments and clothing accessories of cotton (excluding knitted or crocheted and hats, ...	385.17	351.84	368.45	359.82	295.54	24.40%	-6.41%

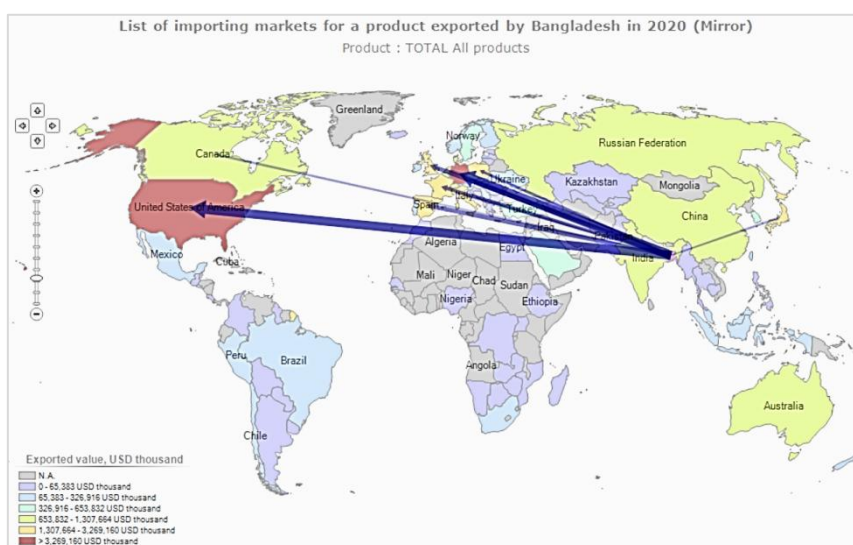
Mirror data for the years 2016-20 has been used for Bangladesh due to unreported data. Source: ITC, Trade Map

## Key Findings:

- Bangladesh's top 25 exports to the world at the HS-06 level accounted for 70.5 percent of total exports in 2020.
- 22 of the top 25 products listed above belong to the category of 'Knitted and Woven Apparel' articles (HS-61 & HS-62). These items contributed 68 percent to total exports in 2020.
- Apart from (HS-620342), (HS-620520), (HS-610510), (HS-610990), and (HS-620920) all textile categories have shown a positive CAGR (2016-20).
- It is noted that, in 2020, Bangladesh accounted for 96.2 percent of world exports of 'Single yarn of jute or other textile bast fibers of heading 5303'(HS-530710).

Top export destinations of Bangladesh include Germany (15.8 percent), the USA (15.3 percent), the UK (7.4 percent), Spain (7.2 percent), and France (7 percent). The following figure represents the export destinations of Bangladesh, and the thickness of the arrow represents the export value.

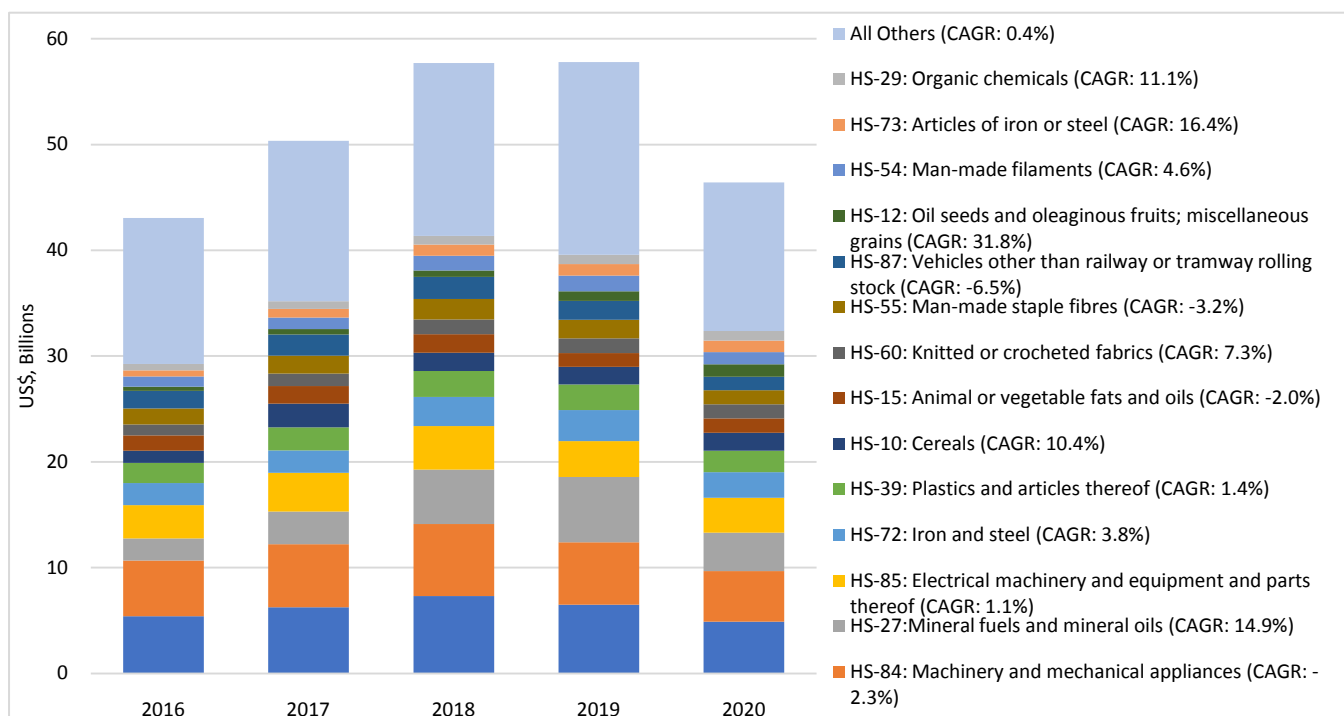
Figure 3-7 Bangladesh's Top Export Destinations, 2020



Source: ITC, Trade Map

The following figure shows the top 15 imported items by Bangladesh at the HS-02 Level and their import patterns since 2016. Additionally, the Compound Annual Growth Rates (CAGR) for the period 2016–20, are also given.

Figure 3-8 Bangladesh's Imports from the World



\*Mirror data for the years 2016-20 has been used for Bangladesh due to unreported data.

\*CAGR (2016-20)

Source: ITC, Trade Map

### Key Findings:

- Bangladesh's imports from the world increased from \$43.05 billion in 2016 to \$57.72 billion in 2019. This led to a trade deficit of \$10.21 billion for Bangladesh in 2019. But in 2020, the trade deficit shrank by 53.4 percent due to declining imports during the economic slump, indicating a fall in domestic demand and consumption.<sup>36</sup>
- Group-wise data suggests that imports of 'Mineral fuels' (HS-27), 'Cereals' (HS10) and 'Oil seeds and oleaginous fruit' (HS-12) has recorded the most significant growth in recent years.
- Even though 'Cotton' (HS-52) accounted for the highest value in Bangladesh's imports (10.5 percent), it has shown a declining trend over the past five years (2016-20).
- 'Electrical Machinery and Mechanical Appliances' (HS-85 and HS-84) made up 17.4 percent of total imports in 2020. The import of these goods had declined by 12.9 percent over 2019.
- Imports of intermediate goods 'Articles of Plastics' (HS-39), 'Man-made staple fibers' (HS-55), 'Man-made filaments' (HS-54), and 'Articles of iron and steel' (HS-73), declined in 2020 as compared to 2019. This decline in imports highlights the difficulty exporters are facing because of the pandemic. Exporters are usually among the top importers in Bangladesh because they produce goods for foreign markets.<sup>37</sup>

The following table shows the top 25 imported products by Bangladesh at the HS-06 level and their import patterns since 2016. Additionally, the share of each product category in world imports in 2020, along with their Compound Annual Growth Rate (CAGR), are also shown.

<sup>36</sup> <https://www.dhakatribune.com/business/economy/2020/12/03/trade-deficit-narrows-on-stuttering-economic-recovery>

<sup>37</sup> <https://www.thedailystar.net/business/news/trade-deficit-narrows-falling-imports-2035181>

Table 3-4 Bangladesh's Top 25 Imports at HS-06 level

All values in US\$, Millions

Code	Product label	2016	2017	2018	2019	2020	Share in world imports 2020 (%)	CAGR 2016-20 (%)
<b>TOTAL</b>	<b>All products</b>	<b>43,053.53</b>	<b>50,338.25</b>	<b>57,693.99</b>	<b>57,807.16</b>	<b>46,405.35</b>	<b>0.30%</b>	<b>1.89%</b>
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	1,800.95	2,662.74	4,046.64	3,733.49	2,505.80	0.90%	8.61%
520100	Cotton, neither carded nor combed	1,032.19	1,785.82	2,065.29	1,904.72	1,483.49	11.50%	9.49%
100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	931.56	1,232.77	918.11	1,399.08	1,273.75	3.70%	8.14%
151190	Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)	845.13	999.90	1,030.02	740.61	896.87	4.00%	1.50%
120190	Soya beans, whether or not broken (excluding seed for sowing)	248.55	407.80	492.97	753.35	841.42	1.30%	35.64%
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of ...)	305.03	447.83	618.68	835.88	786.17	3.70%	26.71%
170114	Raw cane sugar, in solid form, not containing added flavouring or colouring matter (excluding ...)	666.46	1,079.53	528.15	594.36	678.34	5.20%	0.44%
851770	Parts of telephone sets, telephones for cellular networks or for other wireless networks and ...	121.27	82.25	112.86	215.41	633.80	0.50%	51.20%
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m <sup>2</sup> , made of yarn of different ...	623.58	603.64	624.18	592.02	475.91	26.90%	-6.53%
521142	Denim, containing predominantly, but < 85% cotton by weight, mixed principally or solely with ...	328.17	442.36	527.39	539.51	451.61	33.80%	8.31%
271600	Electrical energy	46.84	33.66	189.84	504.98	424.69	1.50%	73.53%
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	320.83	371.92	337.07	465.44	402.34	2.80%	5.82%
150710	Crude soya-bean oil, whether or not degummed	572.43	594.81	652.11	487.80	392.30	5.10%	-9.01%
100590	Maize (excluding seed for sowing)	182.05	202.18	293.31	214.36	379.86	1.10%	20.19%
600410	Knitted or crocheted fabrics, of a width of > 30 cm, containing >= 5% by weight elastomeric ...	190.92	251.92	285.16	309.67	347.26	6.50%	16.13%
270119	Coal, whether or not pulverised, non-agglomerated (excluding anthracite and bituminous coal)	58.28	131.82	182.59	323.75	343.63	1.30%	55.83%
999999	Commodities not elsewhere specified	719.00	889.51	1,334.34	1,393.70	324.95	0.10%	-18.01%
252310	Cement clinkers	429.56	464.91	600.45	638.41	305.34	8.00%	-8.18%

All values in US\$, Millions

Code	Product label	2016	2017	2018	2019	2020	Share in world imports 2020 (%)	CAGR 2016-20 (%)
390210	Polypropylene, in primary forms	281.62	326.72	370.24	371.15	292.02	1.20%	0.91%
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	563.99	674.95	606.65	521.52	278.85	0.10%	-16.15%
520524	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear ...	252.28	277.29	328.47	238.76	271.31	24.90%	1.83%
540752	Woven fabrics of yarn containing >= 85% by weight of textured polyester filaments, incl. monofilament ...	229.76	246.27	317.31	339.17	265.30	6.30%	3.66%
071340	Dried, shelled lentils, whether or not skinned or split	257.56	172.24	158.35	195.72	264.27	9.40%	0.64%
390410	Poly"vinyl chloride", in primary forms, not mixed with any other substances	155.77	207.89	236.62	248.30	245.99	2.20%	12.10%
520523	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear ...	198.50	222.93	250.32	200.55	242.64	17.70%	5.15%

\*Mirror data for the years 2016-20 has been due used for Bangladesh to unreported data.

Source: ITC, Trade Map

## Key findings

- 'Parts of telephone sets' (HS851770), 'Electrical energy' (HS-271600), and 'Coal' (HS-270119) have shown the highest positive growth rates over the last five years (2016-20).
- Imports of 'Liquified natural gas' (HS-271111)<sup>38</sup> have grown at a staggering CAGR (2015-19) of 1,473.4 percent. This is because several dual-fuel power plants in Bangladesh with a total electricity generation capacity of around 650 MW previously powered by gasoil have recently been converted to gas-fired power plants, necessitating a rise in LNG imports. In 2021, more gas-fired power plants are expected to be operational.<sup>39</sup> As domestic gas supplies dwindle, Bangladesh, along with Pakistan and India, is expected to become a significant LNG importer in Asia.<sup>40</sup>
- 'Palm oil' (HS-151190) registered an increase in value terms in 2020. Indonesia and Malaysia are the top exporters of 'Palm oil' (HS-151190) to Bangladesh. Annually, Bangladeshis consume 3 million tons of oils and fats. Bangladesh can only meet about 10 to 12 percent of its yearly oil and fat demands with locally produced oilseeds. The possibility of boosting indigenous oilseed production is almost nil due to limited agricultural land availability. As a result, Bangladesh will continue to import oils and fats from Indonesia and Malaysia. Imports

<sup>38</sup> This product was included in the top 25 list of imported products in 2019. Hence the analysis.

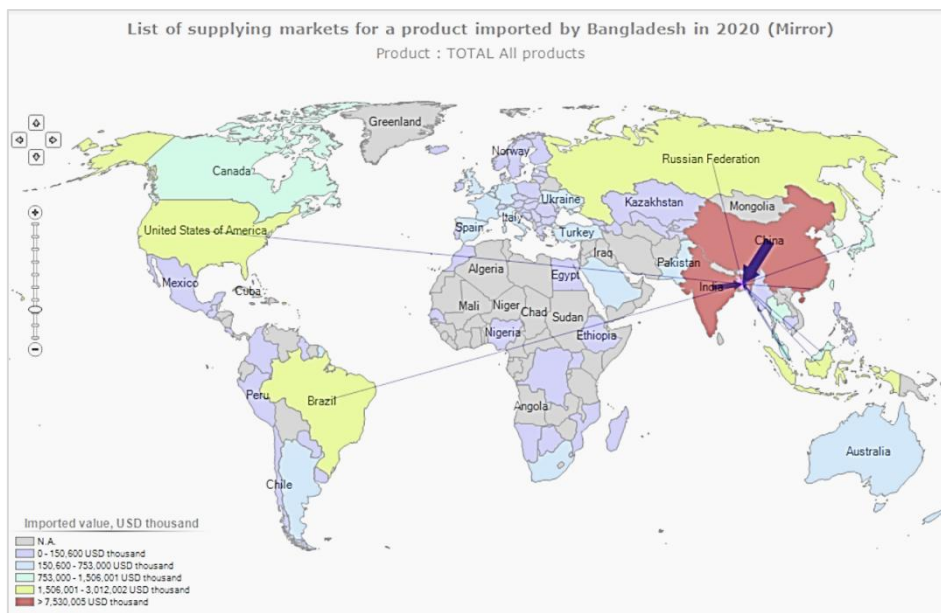
<sup>39</sup> Bangladesh is aiming to boost LNG imports by a third in 2021. S&P Global. <https://www.spglobal.com/platts/en/market-insights/latest-news/natural-gas/012221-bangladesh-aiming-to-boost-lng-imports-by-a-third-in-2021-via-spot-purchases-official>

<sup>40</sup> Bangladesh to increase spot LNG imports because of rising demand. (n.d.). The Economic Times. <https://energy.economictimes.indiatimes.com/news/oil-and-gas/bangladesh-to-increase-spot-lng-imports-because-of-rising-demand/78659809>

would expand in line with rising consumption, giving Malaysian Palm Oil (MPO) a competitive advantage.<sup>41</sup>

Top import sourcing markets for Bangladesh include China (32.5 percent), India (17.1 percent), Singapore (5.1 percent), the USA (4.0 percent) and Indonesia (3.6 percent). The following figure represents the import sourcing markets for Bangladesh, and the thickness of the arrow represents the import value.

Figure 3-9 Bangladesh's Top Import Sourcing Markets, 2020



Source: ITC, Trade Map

<sup>41</sup> Malaysian Palm Oil Council (MPOC). <http://mpoc.org.my/upcoming-challenges-for-palm-oil-and-mpo-in-bangladeshmarket/>

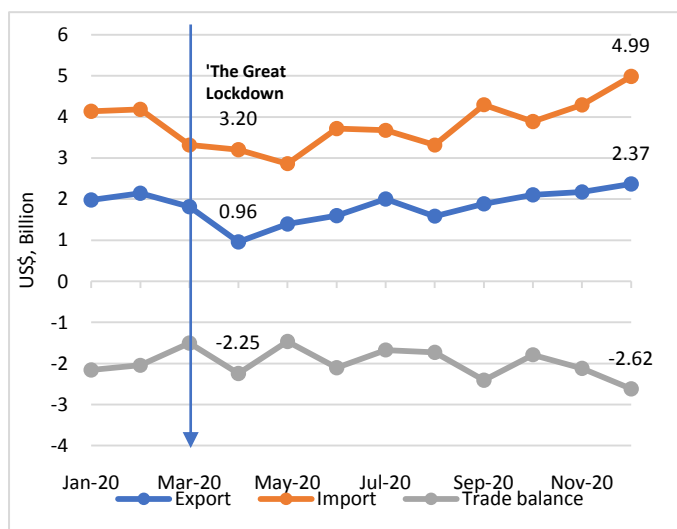
## Chapter 4 Impact of Covid-19 on Economy and Trade

### Pakistan

Pakistan's trade post-COVID-19 has fluctuated. Pakistan's imports decreased by 37.9 percent in dollar terms in April and May 2020 as compared to the same period a year earlier. In contrast, exports dropped by 41.8 percent over the same time period.

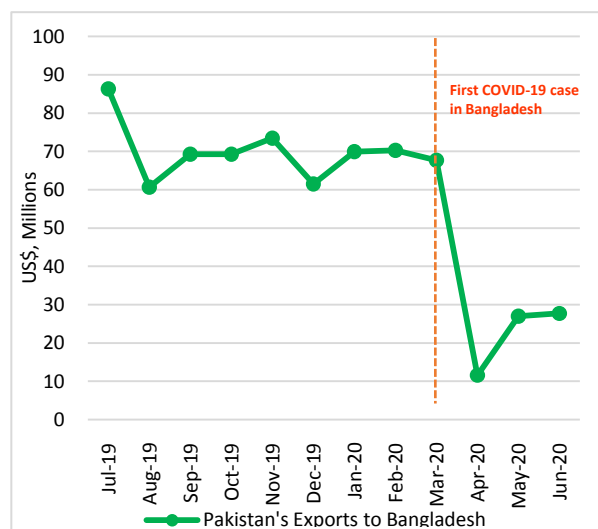
Figure 4-2 shows a decline in Pakistan's exports to Bangladesh after the first COVID-19 case was reported in March 2020.

Figure 4-1 Trade Dynamics of Pakistan amidst COVID-19



Source: Pakistan Bureau of Statistics (PBS)

Figure 4-2 Pakistan's Monthly Exports to Bangladesh



Source: ITC, Trade Map

According to the data published by the ITC Market Access Map, the Pakistani government had adopted various trade measures to combat the impact of COVID-19 on the economy. The government offered tariff reductions on imports of critical medical supplies while prohibiting the exports of commodities such as masks, sanitizers, and food products. The table below shows the Covid-19 trade measures applied by Pakistan.

Table 4-1 Trade Measures Adopted by Pakistani Government Amidst COVID-19

Type of Measure	Affected Products	Measure	Effect on Trade	Affected Partners	Status of Measure	Start Date	End Date
Tariff reduction (Import)	medical goods <sup>42</sup>	<ul style="list-style-type: none"> <li>June 19, 2020: The measure is extended until 30 September 2020.</li> <li>March 20, 2020: Exemption of whole of the customs duty, the additional customs duty, and the regulatory duty for the import of 61 medical goods for 3 months.</li> </ul>	Liberalizing	All countries	Unknown	2020/03/20	2020/09/30
Export prohibition (Export)	anti-malaria drugs	<ul style="list-style-type: none"> <li>September 15, 2020: The Government has lifted ban on the export of PPE suits and the anti-malarial drugs.</li> <li>April 09, 2020: Exports of certain anti-malarial drugs are temporarily suspended.</li> </ul>	Restrictive	All countries	Terminated	2020/04/09	2020/09/15

<sup>42</sup> Official HS-codes: 382200, 392620, 392690, 400599, 401511, 401519, 630790, 640299, 640590, 650610, 841920, 841989, 842119, 842199, 847989, 850440, 901812, 901819, 901839, 901890, 901920, 902214, 902780, 903180, 940290, 961900

Type of Measure	Affected Products	Measure	Effect on Trade	Affected Partners	Status of Measure	Start Date	End Date
Export prohibition repealed (Export)	masks, sanitizers	<ul style="list-style-type: none"> <li>September 15, 2020: The Government has lifted ban on the export of PPE suits and the anti-malarial drugs.</li> <li>April 18, 2020: Government has decided to ban on the export of textile masks and sanitizers.</li> </ul>	Restrictive	All countries	Terminated	2020/04/18	2020/09/15
Export prohibition (Export)	gloves, face masks, sanitizers, goggles, suits	<ul style="list-style-type: none"> <li>September 15, 2020: The Government has lifted ban on the export of PPE suits and the anti-malarial drugs.</li> <li>March 24, 2020: Temporary export ban on certain personal protective equipment.</li> </ul>	Restrictive	All countries	Terminated	2020/03/24	2020/09/15
Export prohibition (Export)	food products	<ul style="list-style-type: none"> <li>The federal cabinet banned exports of all edible items to ensure adequate food supply for 3 weeks.</li> </ul>	Restrictive	All countries	Terminated	2020/04/28	2020/05/11
Tariff reduction (Import)	oxygen gas and oxygen cylinders <sup>43</sup>	<ul style="list-style-type: none"> <li>Temporary exemption of customs duty on the imports of oxygen gas and oxygen cylinders</li> </ul>	Liberalizing	All countries	Unknown	2020/06/23	2020/09/23
Tariff reduction (Import)	Remdesivir (Pharmaceutical Product) <sup>44</sup>	<ul style="list-style-type: none"> <li>Exemption from customs duty and additional customs duty on the import of Remdesivir (anti-Covid pharmaceutical product).</li> </ul>	Liberalizing	All countries	Active	2020/06/22	Unknown

Enacting Country: Pakistan

Source: ITC, Market Access Map

## Bangladesh

In the latest World Economic Outlook, the IMF now estimates that the real GDP growth in Bangladesh would be 5.0 percent in 2021 which is 1.2 percentage points higher than in 2020 and 3.2 percentage points lower than in 2019, showing a sign of economic recovery.<sup>45</sup>

The economy was severely battered due to a downturn in the export-oriented ready-made garments sector, which accounts for more than 80 percent of exports. Earnings from RMG exports fell by 18.12 percent in fiscal year 2019-2020 compared to the previous year. With a significantly smaller drop in RMG exports, of roughly 3.0%, Vietnam surpassed Bangladesh to become the world's second-largest RMG exporter in 2020.

Export orders worth several billion dollars were canceled or delayed as a result of the 2020 outbreak, as shown by a sharp drop in trade volume in April 2020. Exports experienced a drop of 17 percent in the financial year 2019-20, unprecedented in Bangladesh's recent history. Although the situation has improved since the start of the current fiscal year 2020-21, it is still not clear if exports will resume their previous trends. There are concerns that recession in the United States and Europe, Bangladesh's two key export destinations, will last longer than originally forecast, thus delaying Bangladesh's export sector recovery.

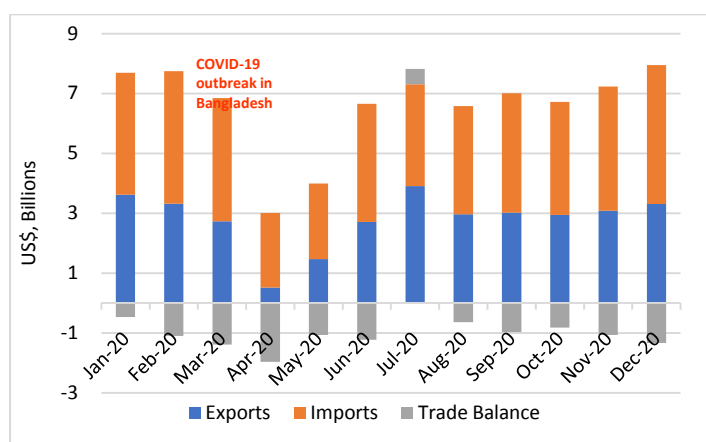
Figure 4-4 shows trend in Pakistan's imports from Bangladesh amidst COVID-19 pandemic. Pakistan's imports decreased by 13 percent in dollar terms in April and May 2020 combined compared to the same period a year earlier.

<sup>43</sup> 28044000, 73110090, 73110030

<sup>44</sup> 30049099

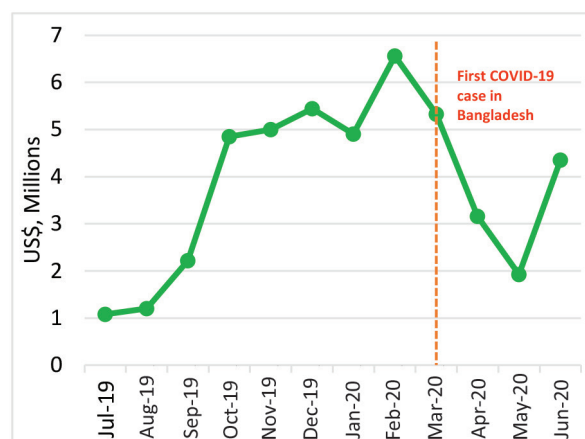
<sup>45</sup> Bangladesh. (n.d.). IMF. <https://www.imf.org/en/Countries/BGD>

Figure 4-3 Trade Dynamics of Bangladesh amidst COVID-19



Source: Export Promotion Bureau, Government of the People's Republic of Bangladesh; CEIC

Figure 4-4 Bangladesh's Monthly Exports to Pakistan



\*Mirror data  
Source: ITC, Trade Map

According to the data published by the ITC Market Access Map, the Bangladesh government enacted temporary trade measures intended to restrict exports while liberalizing imports of critical medical supplies.

Table 4-2 Trade Measures Adopted by Bangladeshi Government Amidst COVID-19

Type of Measure	Affected Products	Measure	Effect on Trade	Affected Partners	Status of Measure	Start Date	End Date
Tariff reduction (Import)	test kits, disinfectants, personal protective equipment <sup>46</sup>	<ul style="list-style-type: none"> <li>June 30, 2020: National Board of Revenue extends exemption from import taxes on medical products and protective equipment to 30 September 2020.</li> <li>March 22, 2020: Government has waived the import duty and taxes on certain medical items needed for protection from the coronavirus.</li> </ul>	Liberalizing	All countries	Terminated	2020/03/22	2020/09/30
Tariff reduction (Import)	personal protective equipment	<ul style="list-style-type: none"> <li>June 30, 2020: National Board of Revenue extends VAT exemption on medical products and protective equipment to 30 September 2020.</li> <li>May 05, 2020: National Board of Revenue has waived VAT to facilitate local production of personal protective equipment and surgical face masks to fight COVID-19.</li> </ul>	Liberalizing	All countries	Terminated	2020/05/07	2020/09/30
Export prohibition (Export)	medical supply products	<ul style="list-style-type: none"> <li>April 02, 2020: Ministry of Commerce has lifted the ban on export of locally-made face masks and hand sanitizers.</li> <li>March 14, 2020: The commerce ministry has imposed a ban on the export of locally-made face masks and hand sanitizers as a part of precautionary measures taken in response to the growing domestic demand for the items amid the global coronavirus outbreak.</li> </ul>	Restrictive	All countries	Terminated	2020/03/14	2020/04/02

Enacting Country: Bangladesh  
Source: ITC, Market Access Map

<sup>46</sup> Official HS-codes affected: 29051290, 30021500, 38220000, 90278000, 38089491, 90189090, 90200000, 39262020, 39262090, 62101000, 62104000, 62105000, 62113300, 62113900, 62114300, 62114900, 90049000

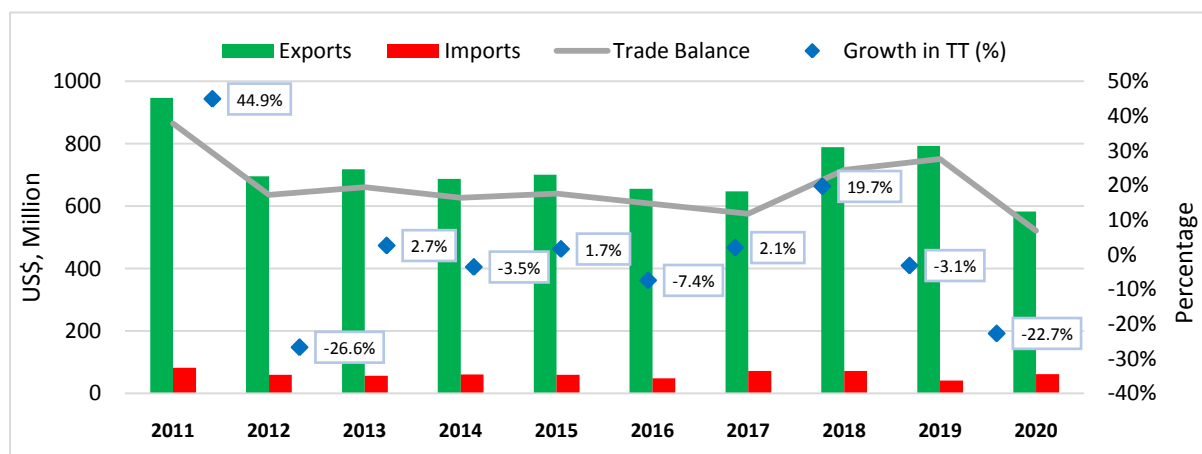
## Chapter 5 Pakistan – Bangladesh Bilateral Trade

### Overview

Bilateral trade between Pakistan and Bangladesh has been in favor of Pakistan in at least the last 10 years. Exports to Bangladesh however, decreased from \$947.23 million in 2011 to \$583.44 million in 2020. In addition, Pakistan's imports from Bangladesh have also declined from \$82.73 million in 2011 to \$61.94 million in 2020, resulting in a positive balance for Pakistan of \$521.50 million in 2020, this is Pakistan's lowest ever trade surplus in its trade with Bangladesh. Currently, Pakistan's exports to Bangladesh are at least 9 times more than its imports from that country.

Pakistan's total trade with Bangladesh decreased by \$189.17 million in 2020, showing a decline of around 23 percent over the previous year.

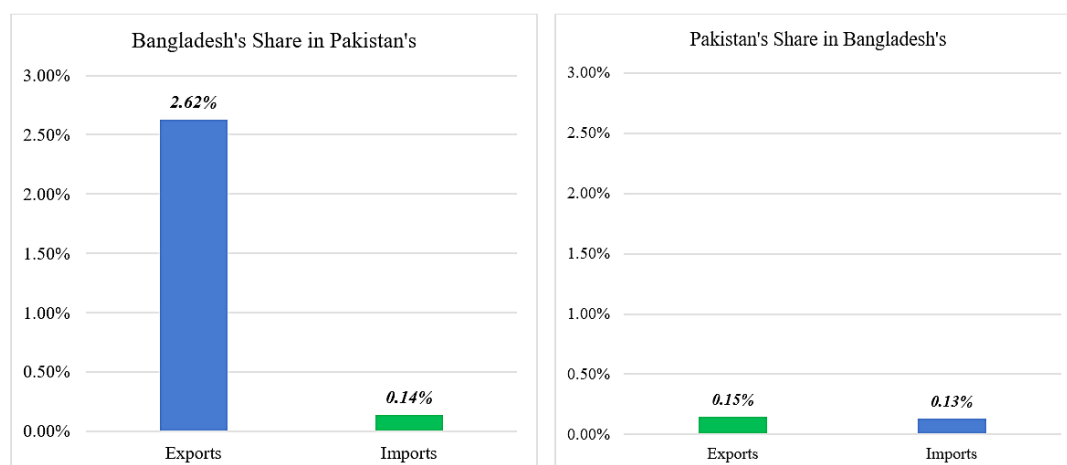
Figure 5-1 Pakistan – Bangladesh Bilateral Trade Trend



Source: ITC, Trade Map

Bangladesh accounts for 1.13 percent of Pakistan's total trade. Bangladesh is Pakistan's 49th largest import market. Moreover, Pakistan's share of Bangladesh's total trade is 0.14 percent.

Figure 5-2 Importance of Bilateral Trade (2020)



Source: ITC, Trade Map

## Trade Indicators

### 5.1.1 Bilateral Export Competitiveness

The change in the share of one country's exports in the overall imports of the trade partner is used to determine bilateral export competitiveness. The table below shows the bilateral export competitiveness (i.e., change in share 2019-20) of Bangladesh's top import partners, including Pakistan. Export competitiveness of India, the Russian Federation, Brazil, Japan, and Hong Kong shows double-digit growth in market share in Bangladesh's imports in 2020. Although Pakistan is one of the top 10 import partners, its market share has declined by 8.4 percent, indicating that Pakistan's export competitiveness has fallen in the Bangladesh market.

Table 5-1 Bilateral Export Competitiveness

Rank	Import Partners	Imports of Bangladesh (US\$, Million)	Share in Bangladesh's Imports (%)		Change in Share 2019-20 (%)
		2020	2019	2020	
1	China	15,060.01	30.0%	32.5%	8.2%
2	India	7,912.82	14.3%	17.1%	19.6%
3	Singapore	2,366.39	5.3%	5.1%	-3.5%
4	United States of America	1,844.19	4.0%	4.0%	-1.3%
5	Indonesia	1,685.82	3.3%	3.6%	9.7%
6	Russian Federation	1,528.69	1.9%	3.3%	70.4%
7	Brazil	1,525.17	2.3%	3.3%	43.5%
8	Japan	1,503.01	2.5%	3.2%	31.7%
9	Hong Kong, China	1,290.69	2.4%	2.8%	16.8%
10	Malaysia	1,228.24	4.1%	2.6%	-34.7%
17	Pakistan	583.44	1.4%	1.3%	-8.4%

\*Bangladesh's Mirror Data  
Source: ITC, Trade Map

### 5.1.2 Bilateral Revealed Comparative Advantage (BRCA)

The BRCA is an index that shows whether a country has a revealed comparative advantage in a specific commodity over its partner or not, as indicated by trade flows.<sup>47</sup>

BRCA compares Pakistan's and Bangladesh's competitiveness in global exports. In other words, if the BRCA index is greater than 1, the country has a comparative advantage over other countries. This index is calculated to identify products where Pakistan has a competitive advantage over Bangladesh. These findings allow us to identify products where Pakistani industries excel and where they lag in comparison to Bangladesh. This allows us to identify the likely winners and losers in case an FTA is signed. According to the table, Pakistan has a comparative advantage in all 25 products it currently exports to Bangladesh. Further, 18 of the top 25 products are textiles.

<sup>47</sup>  $BRCA \text{ of country 'i' for exporting X to country 'j'} = \frac{\left( \frac{\text{Country 'i' s export of X to country j}}{\text{Country 'i' s total exports to country j}} \right)}{\left( \frac{\text{Country 'i' s export of X to the world}}{\text{Country 'i' s total exports to the world}} \right)}$

Table 5-2 Pakistan's Revealed Comparative Advantage for Top 25 Exports to Bangladesh at HS-06 Level

Product code	Product label	BRCA Range (0 - + ∞)
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m <sup>2</sup> , made of yarn of different ...	19.74
252310	Cement clinkers	24.83
521142	Denim, containing predominantly, but < 85% cotton by weight, mixed principally or solely with ...	26.06
520932	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m <sup>2</sup> , in three-thread ...	16.21
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	2.15
070310	Fresh or chilled onions and shallots	5.34
521223	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, other than those ...	17.80
520922	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m <sup>2</sup> , in three-thread ...	13.88
520912	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m <sup>2</sup> , in three-thread ...	4.77
520839	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m <sup>2</sup> , dyed ...	9.88
520511	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	2.14
410712	Grain splits leather "incl. parchment-dressed leather", of the whole hides and skins of bovine ...	4.14
521132	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed principally ...	15.82
520612	Single cotton yarn containing predominantly, but < 85% cotton by weight, of uncombed fibres ...	21.48
283620	Disodium carbonate	20.39
841451	Table, floor, wall, window, ceiling or roof fans, with a self-contained electric motor of an ...	6.36
520829	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m <sup>2</sup> , bleached ...	14.97
320415	Synthetic organic vat dyes, incl. those usable in that state as pigments; preparations based ...	9.02
520532	Multiple "folded" or cabled cotton yarn, of uncombed fibres, containing >= 85% cotton by weight ...	2.45
520544	Multiple "folded" or cabled cotton yarn, of combed fibres, containing >= 85% cotton by weight ...	24.54
520952	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m <sup>2</sup> , in three-thread ...	16.92
521031	Plain woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed ...	2.47
841490	Parts of : air or vacuum pumps, air or other gas compressors, fans and ventilating or recycling ...	16.64
520939	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m <sup>2</sup> , dyed (excluding ...	8.45
520522	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear ...	-

Source: ITC, Trade Map

### 5.1.3 Trade Complementary Index

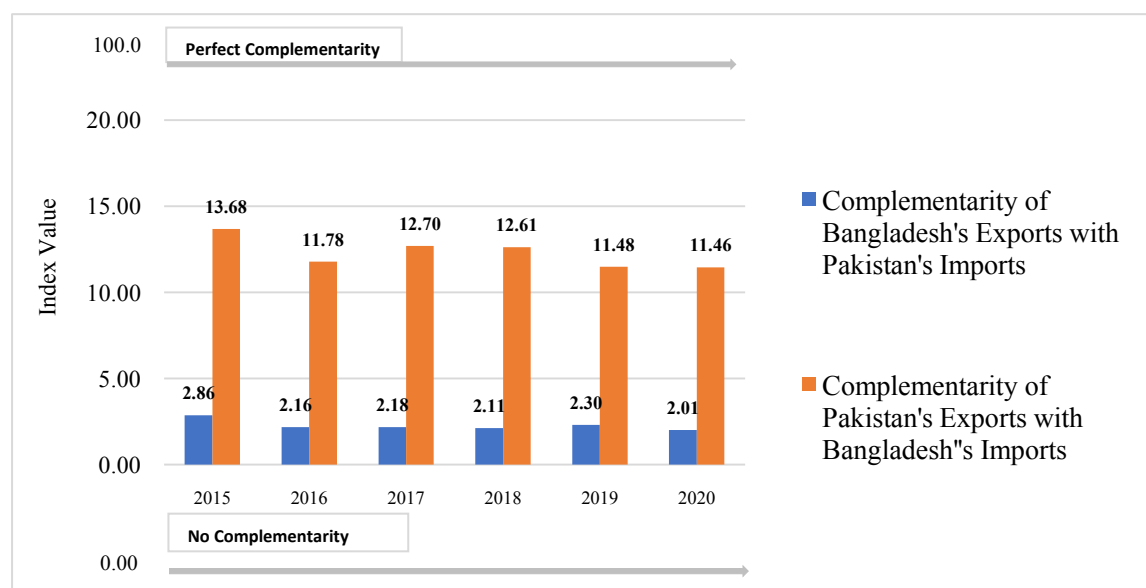
The trade complementarity index indicates the extent to which a reporting country's export profile matches or complements the import profile of a partner country.<sup>48</sup>

<sup>48</sup>  $Complementarity\ of\ country\ i's\ exports\ with\ country\ j's\ imports = 100 * \left\{ 1 - \sum \left( \frac{m_{jk} - x_{ik}}{2} \right) \right\}$

Where 'x<sub>ik</sub>' is the share of product 'k' in exports of reporting country to the world and 'm<sub>jk</sub>' is the share of product 'k' in imports of partner country from the world. A high degree of complementarity is assumed to indicate more favorable prospects for a successful trade arrangement.

The graph below shows that Pakistan’s exports complement Bangladesh’s imports better than Bangladesh’s exports complementing Pakistan’s imports. Irrespective of the current bilateral trade between the two countries, Pakistan has an advantage; it is better suited to supply to the Bangladeshi markets than Bangladesh is able to supply to the Pakistani market. However, over the span of six years, from 2011 to 2020, the complementarity of Pakistan’s exports with Bangladesh’s imports has been showing a declining trend. Pakistan had a TCI of 13.68 in 2011; however, in 2020, the TCI was 11.46, showing a decrease of 2.22 index points. This reduction in the value is an indication that over the last six years, Bangladesh’s import basket has changed.

Figure 5-3 Trade Complementarity Index (TCI)



Source: Authors’ Calculations based on ITC Trade Map data

#### 5.1.4 Correlation Analysis

This section provides an analysis of the correlation between Pakistan’s exports to Bangladesh and the economic indicators of Bangladesh. It demonstrates that Pakistan’s exports to Bangladesh are contingent on economic conditions in Bangladesh.

Table 5-3 Correlation Matrix

Correlation Matrix	GDP growth (annual %)	Population (in Millions)	Unemployment rate	Consumer Price Inflation	Exchange Rate	Current Account Balance (% of GDP)	Foreign direct investment, net	Pakistan's Exports to Bangladesh
GDP growth (annual %)	1							
Population (Millions)	0.90	1						
Unemployment Rate (% of total labor force) (modeled ILO estimate)	0.41	0.68	1					
Consumer Price Index (2010 = 100)	0.90	1.00	0.68	1				
Exchange Rate (LCU per US\$)	0.82	0.80	0.69	0.81	1			
Current Account Balance (% of GDP)	-0.78	-0.74	-0.31	-0.74	-0.53	1		
Foreign direct investment, net (BoP, current US\$)	-0.25	-0.59	-0.79	-0.58	-0.39	0.15	1	
Pakistan's Exports to Bangladesh (US\$, Millions)	0.26	-0.03	-0.21	0.00	-0.08	-0.27	0.29	1

Source: Author's own estimates based on data from the World Development Indicators, World Bank

**Key findings of correlation analysis are as follows:**

- The exchange rate (BDT/USD) of Bangladesh is negatively correlated to Pakistan's Exports to Bangladesh. A negative correlation coefficient (-0.08) suggests that a depreciation in the local currency's value (BDT/USD) depresses the Bangladeshi consumer's purchasing power to buy imported goods from Pakistan.<sup>49</sup>
- A positive correlation exists between Bangladesh's GDP growth and Pakistan's exports. It implies that an improvement in the GDP improves living standards hence increasing imports.<sup>50</sup>
- A positive correlation exists between Bangladesh's FDI and Pakistan's exports. The inflow of FDI increases the host country's imports. One reason for this could be that the foreign direct investment (FDI) is used to import capital and intermediate goods and services that are not readily available in the host country.<sup>51</sup>

<sup>49</sup> The exchange rate exerts a strong influence on a country's trade. It is depicted from the high correlation between the real exchange rate and imports. (Kemal & Qadir; 2005).

<sup>50</sup> (Ghani; 2011).

<sup>51</sup> Hossain, M. A. (2008). Impact of foreign direct investment on Bangladesh's balance of payments: Some policy implications. Policy Note, 805.

## Top Exports – HS-02 and HS-06 Level

### 5.1.5 Pakistan's Top 10 Exports to Bangladesh at HS-02 Level

The following table shows the top ten product groups exported by Pakistan to Bangladesh at the HS-02 level and their export patterns since 2016. Additionally, the percentage share of each product category in Pakistan's total exports to Bangladesh along with their Compound Annual Growth Rate (CAGR) for the period 2016–20 is also given.

Table 5-4 Pakistan's Top 10 Exports to Bangladesh at HS-02 Level

All values in US\$, Millions

Product code	Product label	2016	2017	2018	2019	2020	Change 2019-20 (%)	CAGR (2016-20)	Share in Total Exports 2020 (%)
<b>TOTAL</b>	<b>All products</b>	<b>656.2</b>	<b>647.4</b>	<b>788.7</b>	<b>793.0</b>	<b>583.4</b>	<b>-26.43%</b>	<b>-2.89%</b>	
52	Cotton	572.0	547.5	578.3	580.0	427.6	-26.27%	-7.02%	73.29%
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	0.5	0.6	42.1	77.1	73.7	-4.44%	252.40%	12.64%
07	Edible vegetables and certain roots and tubers	0.1	0.2	0.0	6.1	17.5	186.74%	263.92%	3.01%
41	Raw hides and skins (other than furskins) and leather	20.9	22.8	19.4	17.0	9.8	-42.60%	-17.33%	1.67%
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	16.6	15.5	12.6	20.4	9.7	-52.70%	-12.67%	1.66%
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, ...	0.4	0.3	0.1	4.7	4.4	-5.23%	83.58%	0.76%
55	Man-made staple fibres	4.8	5.7	4.0	3.8	4.0	6.43%	-4.19%	0.69%
39	Plastics and articles thereof	5.8	4.9	6.0	7.1	3.9	-45.02%	-9.20%	0.67%
32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments	3.3	3.0	3.1	5.2	3.9	-24.63%	4.19%	0.67%
08	Edible fruit and nuts; peel of citrus fruit or melons	1.3	1.7	2.0	2.0	3.2	60.02%	24.13%	0.54%

Source: ITC, Trade Map

#### Key Findings:

- Pakistan's exports to Bangladesh accounted for 2.6 percent of Pakistan's total exports to the world in 2020.
- There has been a 26.4 percent decline in Pakistan's exports to Bangladesh in 2020 as compared to 2019.
- The top 10 exported commodities are classified under 'Cotton' (\$427.6 million); 'Salt; Sulphur; earths and stone; plastering materials, lime and cement' (\$73.7 million); 'Edible vegetables' (\$17.5 million); 'Raw hides and skins' (\$9.8 million); 'Machinery' (\$9.7 million); 'Inorganic chemicals' (\$4.4 million); 'Man-made staple fibers' (\$4.0 million); 'Plastics' (\$3.9 million), 'Tanning or dyeing extracts' (\$3.9 million); and 'Edible fruits and nuts' (\$3.2 million).

- The top 10 exports accounted for 95.6 percent of total exports to Bangladesh, indicating that exports to Bangladesh are highly concentrated.
- At the HS-02 level, Pakistan's leading export to Bangladesh was 'Cotton' (HS-52) and which accounted for 73.3 percent of the total exports in 2020. Pakistan was the 6<sup>th</sup> largest exporter of 'Cotton' (HS-52) in 2020, contributing 5.7 percent to total world exports of 'Cotton' (HS-52) in 2020. Also, for the same product category, Pakistan is the 3<sup>rd</sup> largest import sourcing market for Bangladesh, contributing 8.7 percent to total imports of cotton, after China (34.7 percent) and India (34.6).
- 'Salt; Sulphur; earths and stone; plastering materials, lime and cement' (HS-25) was the 2<sup>nd</sup> highest export to Bangladesh. The commodity showed a significant growth rate of 252.4 percent in the 2016-20 period
- Furthermore, 'Edible Vegetables' (HS-07) ranked 16<sup>th</sup> in Bangladesh's total imports, and Pakistan occupied 7<sup>th</sup> position as a top import market for Bangladesh. Pakistan faces a tariff of 5.9 percent, which is well below what Bangladesh is applying to imports from Pakistan's competitors; Australia (9.9 percent) and Canada (9.9 percent). There exists a potential to increase exports of 'Edible Vegetables' (HS-07) to Bangladesh.

### 5.1.6 Pakistan's Top 25 Exports to Bangladesh at HS-06 Level

The following table provides an overview of the top 25 products at the HS-06 Level exported by Pakistan in recent years to Bangladesh. It also shows each product's share in total exports along with the compound annual growth rates.

Table 5-5 Pakistan's Top 25 Exports to Bangladesh at HS-06 Level

All Values in Millions

Product code	Product label	2018	2019	2020	CAGR (2016-20)	Share in Total Exports to Bangladesh (%)	Bangladesh Imports from World, 2020	Equivalent Ad Valorem Tariff Applied by Bangladesh on					
								Pakistan	China	India	Japan	Canada	Australia
<b>TOTAL</b>	<b>All products</b>	<b>788.73</b>	<b>793.03</b>	<b>583.44</b>	<b>-2.89%</b>		<b>46,405.35</b>						
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m <sup>2</sup>	242.87	253.00	201.11	-5.40%	34.47%	475.91	25	25	25	25	25	25
252310	Cement clinkers	41.48	76.59	73.18	-	12.54%	305.34	0	0	0	0	0	0
521142	Denim, containing predominantly, but < 85% cotton by weight	53.99	62.63	60.23	30.66%	10.32%	451.61	25	25	25	25	25	25
520932	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m <sup>2</sup>	66.17	65.59	35.56	-17.23%	6.10%	141.07	5	25	5	25	25	25
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight	53.03	43.83	29.59	-8.50%	5.07%	75.74	3	10	3	10	10	10

Product code	Product label	2018	2019	2020	CAGR (2016-20)	Share in Total Exports to Bangladesh (%)	Bangladesh Imports from World, 2020	Equivalent Ad Valorem Tariff Applied by Bangladesh on					
								Pakistan	China	India	Japan	Canada	Australia
070310	Fresh or chilled onions and shallots	-	6.12	17.37	516.77%	2.98%	168.78	13	13	13	13	13	13
521223	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight,	19.81	20.33	11.95	-10.33%	2.05%	17.16	25	25	25	25	25	25
520922	Woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing > 200 g/m <sup>2</sup>	7.17	13.28	9.91	63.68%	1.70%	32.66	25	25	25	25	25	25
520912	Woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing > 200 g/m <sup>2</sup>	16.25	14.57	8.81	4.78%	1.51%	26.86	5	25	5	25	25	25
520839	Woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing $\leq$ 200 g/m <sup>2</sup>	12.56	15.40	8.41	-12.95%	1.44%	51.29	25	25	25	25	25	25
520511	Single cotton yarn, of uncombed fibres, containing $\geq$ 85% cotton by weight	9.22	4.09	7.36	4.90%	1.26%	17.42	3	10	3	10	10	10
410712	Grain splits leather	10.34	8.75	6.01	-20.24%	1.03%	12.34	0	5	0	5	5	5
521132	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight,	8.17	10.32	5.31	153.29%	0.91%	63.16	5	25	5	25	25	25
520612	Single cotton yarn containing predominantly, but < 85% cotton by weight,	2.03	2.71	4.37	74.65%	0.75%	10.94	5	5	5	5	5	5
283620	Disodium carbonate	0.03	4.58	4.32	-	0.74%	61.68	5	5	5	5	5	5
841451	Table, floor, wall, window, ceiling or roof fans	7.90	8.33	4.15	-1.51%	0.71%	17.94	25	25	25	25	25	25
520829	Woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing $\leq$ 200 g/m <sup>2</sup>	9.60	8.08	3.89	-18.44%	0.67%	13.68	25	25	25	25	25	25
320415	Synthetic organic vat dyes, incl. those usable in that state as pigments	2.26	4.24	3.44	122.17%	0.59%	31.05	0	5	0	5	5	5

Product code	Product label	2018	2019	2020	CAGR (2016-20)	Share in Total Exports to Bangladesh (%)	Bangladesh Imports from World, 2020	Equivalent Ad Valorem Tariff Applied by Bangladesh on					
								Pakistan	China	India	Japan	Canada	Australia
520532	Multiple "folded" or cabled cotton yarn, of uncombed fibres, containing $\geq$ 85% cotton	14.50	11.89	3.40	-34.15%	0.58%	18.94	3	10	3	10	10	10
520544	Multiple "folded" or cabled cotton yarn, of combed fibres, containing $\geq$ 85% cotton	1.72	2.66	3.04	232.15%	0.52%	47.95	3	10	3	10	10	10
520952	Woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing $>$ 200 g/m <sup>2</sup>	2.45	4.65	3.04	22.48%	0.52%	9.93	5	25	5	25	25	25
521031	Plain woven fabrics of cotton, containing predominantly, but $<$ 85% cotton by weight	2.21	3.28	2.97	-12.74%	0.51%	34.21	5	25	5	25	25	25
841490	Parts of: air or vacuum pumps, air or other gas compressors, fans and ventilating or recycling ...	1.48	1.08	2.84	-13.14%	0.49%	27.28	18	18	18	18	18	18
520939	Woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing $>$ 200 g/m <sup>2</sup> , dyed	6.40	3.92	2.75	-19.84%	0.47%	156.90	5	25	5	25	25	25
520522	Single cotton yarn, of combed fibres, containing $\geq$ 85% cotton by weight	1.47	1.71	2.28	9.38%	0.39%	80.23	3	10	3	10	10	10

Source: ITC, Trade Map

**Key Findings:**

- The Top 25 exports at HS-06 accounted for 88.3 percent of Pakistan's total exports to Bangladesh in 2020.
- With an export value of \$201.11 million, 'Denim, containing  $\geq$  85% cotton by weight and weighing  $>$  200 g/m<sup>2</sup>' (HS-520942) was the largest export to Bangladesh in 2020. This single commodity accounted for 34.5 percent of Pakistan's total exports to Bangladesh in 2020, and the tariff applied by Bangladesh on Pakistan, and its top import partners is 25 percent.
- Six of the top 25 exports belong to the 'Woven fabrics of cotton, containing  $\geq$  85% cotton by weight and weighing  $>$  200 g/m<sup>2</sup>' (HS-5209) group. These products accounted for 44.8 of Pakistan's exports to Bangladesh. Bangladesh applied the same tariff rate on other members of SAFTA (i.e., India). Bangladesh's imports of 'Woven fabrics of cotton, containing  $\geq$  85% cotton by weight and weighing  $>$  200 g/m<sup>2</sup>' (HS-5209) represent 21.3 percent of world imports for this product, it's ranking in Bangladesh's world imports is 1.
- Due to its extensive grinding capacity but limited clinker capacity, Bangladesh is one of the largest clinker importers in the world. It imports significant volumes from Thailand, Indonesia,

and Pakistan. Bangladesh's imports of 'Cement clinkers' (HS-252310) represent 8 percent of world imports for this product and its ranking in world imports is 2. Pakistan is the 3<sup>rd</sup> largest supplier of this commodity to Bangladesh. The top two suppliers are Thailand and Indonesia, both ASEAN members, who also face a lower tariff of 0.3 percent.

- Bangladesh's imports represent 4.5 percent of world imports for 'Fresh or chilled onions and shallots' (HS070310), its ranking in world imports is 6. The highest growth (516.2 percent) is in the import of 'Fresh or chilled onions and shallots' (HS070310). Pakistan was the 2<sup>nd</sup> largest supplier of this product to Bangladesh, after India in 2020. The imports increased by 183.9 percent in 2020 over the previous year when Pakistan received the first onion export order from Bangladesh after 15 years.<sup>52</sup> Bangladesh imported onions from Pakistan in 2020 when India put a ban on exports of onions due to a failure of India's onion crop.

### 5.1.7 Pakistan's Top 25 Exports to Bangladesh – Growth Rate Method

While the previous two sub-sections showed Pakistan's top exports to Bangladesh at HS-02 and HS-06 level according to the export values, table 6-6 lists Pakistan's top 25 exports to Bangladesh at the HS-06 level, sorted according to the compound average growth rate (CAGR) for 2016-20.

The table lists those exports which exhibited the highest growth for the period 2016-20. It also compares the tariff rates applied by Bangladesh on Pakistan and its other major import partners. Moreover, the highlighted rows indicate commodities with the highest growth rate for 2016-20 that face relatively lower tariff rates as compared to other countries, indicating an export potential for Pakistan.

Table 5-6 Pakistan's Top 25 Exports to Bangladesh – Growth Rate Method

All Values in Millions

Product code	Product label	2016	2017	2018	2019	2020	CAGR (2016-20)	Equivalent Ad Valorem Tariff Applied by Bangladesh on					
								Pakistan	China	India	Japan	Canada	Australia
070310	Fresh or chilled onions and shallots	0.01	0.17	-	6.12	17.37	516.77%	13	13	13	13	13	13
551312	Woven fabrics containing predominantly, but < 85% polyester staple fibres by weight, mixed ...	0.00	-	-	0.21	0.62	278.39%	25	25	25	25	25	25
520544	Multiple "folded" or cabled cotton yarn, of combed fibres, containing >= 85% cotton by weight ...	0.03	1.54	1.72	2.66	3.04	232.15%	3	10	3	10	10	10
540772	Woven fabrics of yarn containing >= 85% synthetic filament by weight, incl. monofilament of ...	0.01	0.01	0.03	0.53	0.65	222.62%	25	25	25	25	25	25
520526	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear ...	0.00	0.01	-	0.00	0.07	192.30%	10	10	10	10	10	-
540233	Textured filament yarn of polyester (excluding that put up for retail sale)	0.00	0.09	-	0.12	0.14	160.90%	25	25	25	25	25	25
521132	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed	0.13	1.84	8.17	10.32	5.31	153.29%	5	25	5	25	25	25

<sup>52</sup> Pakistan receives onion export order from Bangladesh after 15 years. (n.d.). The News International. Retrieved May 31, 2021, from <https://www.thenews.com.pk/print/552730-pakistan-receives-onion-export-order-from-bangladesh-after-15-years>

Product code	Product label	2016	2017	2018	2019	2020	CAGR (2016-20)	Equivalent Ad Valorem Tariff Applied by Bangladesh on						
								Pakistan	China	India	Japan	Canada	Australia	
	principally ...													
481910	Cartons, boxes and cases, of corrugated paper or paperboard	0.00	-	-	-	0.03	132.06%	25	25	25	25	25	25	25
847982	Mixing, kneading, crushing, grinding, screening, sifting, homogenising, emulsifying or stirring ...	0.00	0.01	-	-	0.03	125.81%	0	1	0	1	1	1	1
210690	Food preparations, n.e.s.	0.00	0.05	0.09	-	0.05	122.48%	18	18	18	18	18	18	18
320415	Synthetic organic vat dyes, incl. those usable in that state as pigments; preparations based ...	0.14	0.25	2.26	4.24	3.44	122.17%	0	5	0	5	5	5	5
620412	Women's or girls' suits of cotton (excluding knitted or crocheted, ski overalls and swimwear)	0.00	0.00	0.01	0.00	0.07	122.10%	5	25	5	25	25	25	25
390319	Polystyrene, in primary forms (excluding expansible)	0.05	0.40	0.03	0.11	1.14	121.87%	5	5	5	5	5	5	5
550951	Yarn containing predominantly, but < 85% polyester staple fibres by weight, mixed principally ...	0.01	-	-	0.00	0.12	105.15%	10	10	10	10	10	10	10
320419	Synthetic organic colouring matter (excluding disperse dyes, acid dyes, mordant dyes, basic ...)	0.00	0.04	0.01	0.11	0.06	93.43%	3	5	3	5	5	5	5
200989	Juice of fruit or vegetables, unfermented, whether or not containing added sugar or other sweetening ...	0.01	0.01	0.00	-	0.08	90.49%	25	25	25	25	25	25	25
551219	Woven fabrics containing $\geq$ 85% polyester staple fibres by weight, dyed, made of yarn of different ...	0.01	0.35	0.23	0.08	0.08	82.12%	18	18	18	18	18	18	18
381400	Organic composite solvents and thinners, n.e.s.; prepared paint or varnish removers (excluding ...)	0.01	0.03	0.03	0.03	0.05	81.28%	10	10	10	10	10	10	10
650500	Hats and other headgear, knitted or crocheted, or made up from lace, felt or other textile ...	0.00	0.00	-	0.01	0.01	77.83%	5	25	5	25	25	25	25
902121	Artificial teeth	0.00	0.01	-	-	0.01	77.83%	0	5	0	5	5	5	5
520612	Single cotton yarn containing predominantly, but < 85% cotton by weight, of uncombed fibres ...	0.47	0.75	2.03	2.71	4.37	74.65%	5	5	5	5	5	5	5
999999	Commodities not elsewhere specified	0.01	-	0.01	0.00	0.05	73.21%	0	0	0	0	0	0	0
293339	Heterocyclic compounds with nitrogen hetero-atom[s] only, containing an unfused pyridine ring, ...	0.17	1.12	1.06	1.11	1.55	73.12%	0	5	0	5	5	5	5
520922	Woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing > 200 g/m <sup>2</sup> , in three-thread ...	1.38	1.72	7.17	13.28	9.91	63.68%	25	25	25	25	25	25	25
081310	Dried apricots	0.05	0.04	0.05	0.10	0.27	55.39%	5	25	5	25	25	25	25

Source: ITC, Trade Map

### 5.1.8 Bangladesh's Imports of Pakistan's Top Exported Commodities to the World

The table below is divided into two parts. The first part contains an overview of the top products that Pakistan exported to the world in 2020. The second part of the table contains data showing Bangladesh imports of each of these items. The table further shows Bangladesh's total share in Pakistan's exports, the top '3' import sourcing markets for Bangladesh for these items, and the tariff currently applied by Bangladesh on these top '3' import sources and on Pakistan.

Table 5-7 Bangladesh's Imports of Pakistan's Top Exported Commodities

All values in US\$, Millions

Pakistan			Bangladesh			
Product Code	Product Label	Export Value in 2020	Imports from the World 2020	% Share in Pakistan's Exports	Top 3 Import Sourcing Markets	Tariffs Applied by Bangladesh on these Countries
<b>TOTAL</b>	<b>All products</b>	<b>22,237.16</b>	<b>46,405.35</b>	<b>2.62%</b>		
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	1,532.88	6.01	0.06%	India, 55.6% China, 28.2% Pakistan, 15.9%	India, 10.0% China, 10.0% Pakistan, 10.0%
620322	Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	1,425.69	0.20	0.00%	China, 91.0% Pakistan, 9.0%	China, 25.0% Pakistan, 5.0%
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	923.83	0.17	0.00%	China, 98.8% Hong Kong, China, 1.2%	China, 25.0% Hong Kong, China, 25.0%
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...	776.51	1.51	0.00%	China, 95.7% Turkey, 2.0% Thailand, 1.5%	China, 25.0% Turkey, 25.0% Thailand, 25.0%
630210	Bedlinen, knitted or crocheted	726.15	0.02	0.00%	China, 78.3% Hong Kong, China, 17.4% Turkey, 4.3%	China, 25.0% Hong Kong, China, 25.0% Turkey, 25.0%
630239	Bedlinen of textile materials (excluding of cotton and man-made fibres, printed, knitted or ...	636.72	-	0.00%	-	-
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	524.51	75.74	5.64%	India, 51.1% Pakistan, 39.1% Turkey, 3.3%	India, 3.0% Pakistan, 3.0% Turkey, 10.0%
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	400.78	0.91	0.00%	China, 84.1% Italy, 7.6% India, 1.8%	China, 25.0% Italy, 25.0% India, 5.0%
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m <sup>2</sup> , made of yarn of different ...	388.25	475.91	51.80%	Pakistan, 42.3% China, 21.2% India, 20.9%	Pakistan, 25.0% China, 25.0% India, 25.0%
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted ...	379.28	0.08	0.00%	India, 100%	India, 25.0%
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	361.30	44.94	0.25%	Singapore, 29.1% China, 13.7% Germany, 10.7%	Singapore, 2.5% China, 2.5% Germany, 2.5%

All values in US\$, Millions

Pakistan			Bangladesh			
Product Code	Product Label	Export Value in 2020	Imports from the World 2020	% Share in Pakistan's Exports	Top 3 Import Sourcing Markets	Tariffs Applied by Bangladesh on these Countries
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	327.15	4.16	0.00%	China, 73.8% Belgium, 8.5% Czech Republic, 6.1%	China, 25.0% Belgium, 25.0% Czech Republic, 25.0%
100620	Husked or brown rice	307.20	3.35	0.00%	India, 99.9% Singapore, 0.1%	India, 10.0% Singapore, 10.0%
740319	Copper, refined, unwrought (excluding copper in the form of billets, wire-bars, cathodes and ...	306.45	0.11	0.00%	China, 80.4% India, 19.6%	China, 5.0% India, 0.0%
220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	303.61	1.44	0.01%	China, 62.7% Germany, 30.4% UK, 3.2%	China, 25.0% Germany, 25.0% UK, 25.0%
610590	Men's or boys' shirts of textile materials, knitted or crocheted (excluding of cotton or man-made ...	283.63	0.03	0.00%	Thailand, 44.4% Singapore, 40.7% India, 11.1%	Thailand, 25.0% Singapore, 25.0% India, 25.0%
100640	Broken rice	259.13	0.05	0.00%	India, 100%	India, 10.0%
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	252.61	4.08	0.00%	China, 84.4% Denmark, 7.8% Singapore, 3.0%	China, 25.0% Denmark, 25.0% Singapore, 25.0%
520812	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 ...	250.38	17.47	0.78%	India, 79.3% <b>Pakistan, 11.2%</b> China, 9.2%	India, 25.0% <b>Pakistan, 25.0%</b> China, 25.0%
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear ...	237.54	0.04	0.00%	China, 73.8% India, 11.9% Singapore, 9.5%	China, 25.0% India, 5.0% Singapore, 25.0%
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	225.20	0.10	0.00%	China, 50.0% India, 38.8% Singapore, 6.1%	China, 10.0% India, 3.0% Singapore, 10.0%
610349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials, ...	218.44	0.08	0.00%	India, 35.7% Singapore, 32.1% China, 32.1%	India, 25.0% Singapore, 25.0% China, 25.0%
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted ...	200.30	0.47	0.00%	China, 93.2% India, 2.1% Singapore, 1.3%	China, 22.5% India, 5.0% Singapore, 25.0%
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	198.43	6.44	0.00%	Korea, Republic of, 59.9% Taipei, Chinese, 28.6% Japan, 7.9%	Korea, Republic of, 15.0% Taipei, Chinese, 15.0% Japan, 15.0%
020110	Carcases or half-carcases of bovine animals, fresh or chilled	187.56	-	0.00%	-	-

Source: ITC, Trade Map

## Key Findings:

- Pakistan is one of the top three exporters to Bangladesh for 5 of the top 25 items listed above.
- Pakistan is one of the top three exporters of (HS-100630), (HS-620322), (HS-520512), (HS-520942), and (HS-520812) having a share in total Bangladesh's imports of 15.9 percent, 9.0 percent, 39.1 percent, 42.3 percent, and 11.2, respectively. Major competitors for the products mentioned above are China and India.
- For some items in the table above where Pakistan is not listed as a top exporter, the country has a 0.0 percent share in Bangladesh's total imports from Pakistan. This implies that Pakistan needs to diversify its export basket in order to gain a share in Bangladesh's imports.

## Top Imports – HS-02 and HS-06 Level

### 5.1.9 Pakistan's Top 10 Imports from Bangladesh at HS-02 Level

The following table shows the top ten products imported by Pakistan from Bangladesh at the HS-02 level and their import patterns since 2016. Additionally, the percentage share of each import category in Pakistan's total imports from Bangladesh along with their Compound Annual Growth Rate (CAGR) for the period 2016–20 is also given.

Table 5-8 Pakistan's Top 10 Imports from Bangladesh at HS-02 Level

All values in US\$, Millions

Product code	Product label	2016	2017	2018	2019	2020	Change 2019-20 (%)	CAGR (2016-20)	Share in Total Imports 2020 (%)
<b>TOTAL</b>	<b>All products</b>	<b>48.60</b>	<b>71.99</b>	<b>72.56</b>	<b>41.51</b>	<b>61.94</b>	<b>49.20%</b>	<b>6.25%</b>	
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	37.43	51.43	51.46	25.06	47.97	91.42%	6.40%	77.45%
89	Ships, boats and floating structures	0.00	5.68	3.29	0.00	2.55	-	-	4.11%
09	Coffee, tea, maté and spices	0.67	3.02	0.92	0.62	2.31	276.26%	36.32%	3.74%
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, ...	0.72	0.50	0.36	0.74	1.74	133.92%	24.52%	2.81%
96	Miscellaneous manufactured articles	0.76	1.37	1.85	2.61	1.16	-55.60%	11.04%	1.87%
30	Pharmaceutical products	0.00	0.00	0.00	0.01	1.14	10254.55%	-	1.84%
52	Cotton	1.02	1.55	1.75	1.14	0.89	-21.57%	-3.21%	1.44%
55	Man-made staple fibres	0.07	0.25	0.30	0.00	0.50	49600.00%	63.82%	0.80%
61	Articles of apparel and clothing accessories, knitted or crocheted	1.11	1.19	1.31	1.50	0.45	-70.07%	-20.16%	0.72%
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	0.45	0.47	0.41	0.46	0.42	-7.22%	-1.20%	0.68%

Source: ITC, Trade Map

## Key Findings:

- Pakistan's imports from Bangladesh accounted for 0.1 percent of Pakistan's total imports from the world in 2020.
- The top 3 imported commodities are classified under 'Other vegetable textile fibre' (\$47.97 million); 'Ships, boats and floating structures' (\$2.55 million); and 'Coffee, tea, maté and spices' (\$2.31 million);

- The top 10 imports accounted for 95.5 percent of total imports. Five of the top ten products belong to the textile group, indicating Pakistan's reliance on Bangladesh's textile sector.
- Pakistan's imports from Bangladesh have witnessed a surge of 49.2 percent in the past year.
- The most significant increase of 49,600.0 percent was recorded in the imports of 'Man-made staple fibers' (HS-55) indicating that this industry is developing in Bangladesh and has exportable surpluses.
- At the HS-02 level, Pakistan's leading import from Bangladesh was 'Other vegetable textile fibres' (HS-53) that accounted for 77.5 percent of the total imports in 2020. Pakistan was the 4<sup>th</sup> largest importer of 'Other vegetable textile fibres' (HS-53) in 2020, contributing 6.6 percent to total Bangladeshi exports of 'Other vegetable textile fibres' (HS-53) in 2020.
- The 2<sup>nd</sup> highest growth, for 2016-20, is seen in the imports of 'Pharmaceutical Products' (HS-30) i.e., 10,254.6 percent. The main import item within the sector is 'Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses' (HS-3004) valued at \$1.14 million in 2020. The reason for this surge is that Bangladesh is among the newer entrants, besides Thailand, Vietnam, Indonesia, and Malaysia, in the production of APIs used for manufacturing pharmaceutical products.<sup>53</sup>

#### 5.1.10 Pakistan's Top 25 Imports from Bangladesh at HS-06 Level

The table below shows the top 25 items at the HS-06 level imported by Pakistan from Bangladesh. The table shows the trends of these imports over the past three years, along with their growth rates for 2016-20 and the tariff faced by Bangladesh.

Table 5-9 Pakistan's Top 25 Imports from Bangladesh at HS-06 Level

All values in US\$, Millions

Product code	Product label	2018	2019	2020	CAGR (2016-20)	Share in Total Imports from Bangladesh (%)	Bangladesh exports to World, 2020	Equivalent Ad Valorem Tariff faced by Bangladesh					
								Pakistan	China	India	Japan	Canada	Australia
<b>TOTAL</b>	<b>All products</b>	<b>72.56</b>	<b>41.51</b>	<b>61.94</b>	<b>6.25%</b>		<b>41,344.23</b>						
530310	Jute and other textile bast fibres, raw or retted (excluding flax, true hemp and ramie)	48.55	23.61	46.78	8.59%	75.54%	112.74	3	0	0	0	0	0
890800	Vessels and other floating structures for breaking up	3.29	0.00	2.55	-	4.11%	2.55	3	-	0	0	0	0
090240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings ...	0.05	0.00	1.80	-	2.91%	2.03	11	0	0	0	0	0
284700	Hydrogen peroxide, whether or not solidified with urea	0.35	0.74	1.74	25.45%	2.80%	11.49	5	0	0	0	0	0

<sup>53</sup> Unleashing the Potential of Pharmaceuticals in Pakistan. (2021). <https://www.pbc.org.pk/wp-content/uploads/Unleashing-the-Potential-of-Pharmaceuticals-in-Pakistan.pdf>

All values in US\$, Millions

Product code	Product label	2018	2019	2020	CAGR (2016-20)	Share in Total Imports from Bangladesh (%)	Bangladesh exports to World, 2020	Equivalent Ad Valorem Tariff faced by Bangladesh					
								Pakistan	China	India	Japan	Canada	Australia
530710	Single yarn of jute or of other textile bast fibres of heading 5303	2.81	1.40	1.16	-22.65%	1.87%	395.39	5	0	0	0	0	0
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes,	0.00	0.01	1.14	-	1.84%	67.30	14	0	0	0	0	0
960719	Slide fasteners (excluding fitted with chain scoops of base metal)	1.57	2.01	0.91	44.06%	1.47%	1.47	5	0	0	0	0	0
520291	Garnetted stock of cotton	1.12	0.80	0.73	52.60%	1.18%	1.35	5	-	0	0	0	0
090220	Green tea in immediate packings of > 3 kg	0.87	0.62	0.51	-6.51%	0.83%	0.55	11	0	0	0	0	0
550320	Staple fibres of polyesters, not carded, combed or otherwise processed for spinning	0.00	0.00	0.50	-	0.80%	1.77	5	0	0	0	0	0
320416	Synthetic organic reactive dyes; preparations based on synthetic organic reactive dyes of a ...	0.00	0.04	0.42	-	0.68%	0.42	16	0	0	0	0	0
630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	0.40	0.46	0.40	-2.39%	0.65%	108.61	15	0	0	1	0	0
560500	Metallised yarn, whether or not gimped, being textile yarn,	0.00	0.00	0.32	-	0.51%	0.32	5	0	0	0	0	0
240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	6.20	5.85	0.20	-47.60%	0.33%	82.06	5	0	30	0	0	0
100610	Rice in the husk, "paddy" or rough	0.00	0.00	0.20	-	0.32%	0.30	4	0	0	490	0	0
120991	Vegetable seeds, for sowing	0.08	0.13	0.18	70.63%	0.29%	0.43	3	0	0	0	0	0
960200	Worked vegetable or mineral carving material and articles of these materials	0.28	0.59	0.18	-22.63%	0.29%	0.22	5	0	0	0	0	0
540262	Multiple "folded" or cabled filament yarn of polyester, incl. monofilament of < 67	0.00	0.00	0.16	-	0.25%	0.16	5	0	0	0	0	0
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	0.44	0.58	0.15	-6.51%	0.24%	4,762.91	20	0	0	0	0	0

Product code	Product label	2018	2019	2020	CAGR (2016-20)	Share in Total Imports from Bangladesh (%)	Bangladesh exports to World, 2020	Equivalent Ad Valorem Tariff faced by Bangladesh					
								Pakistan	China	India	Japan	Canada	Australia
852359	Semiconductor media, unrecorded, for the recording of sound or of other phenomena	0.20	0.06	0.14	161.37%	0.23%	0.21	4	0	0	0	0	0
391590	Waste, parings and scrap of plastics	0.00	0.00	0.11	-	0.18%	1.39	5	0	0	0	0	0
482190	Paper or paperboard labels of all kinds, non-printed	0.21	0.11	0.10	-9.64%	0.16%	0.27	5	0	0	0	0	0
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	0.33	0.38	0.10	12.00%	0.15%	5,126.95	20	0	0	0	0	0
844630	Weaving machines for weaving fabrics of a width > 30 cm, shuttleless type	0.00	0.21	0.08	-	0.13%	0.31	3	0	0	0	0	0
520851	Plain woven fabrics of cotton, containing ≥ 85% cotton by weight and weighing ≤ 100 g/m <sup>2</sup>	0.00	0.00	0.07	-	0.11%	0.08	5	0	0	1	0	0

Source: ITC, Trade Map

### Key Findings:

- In 2020, imports from Bangladesh witnessed a surge of 49.2 percent over the previous year as opposed to a decline of 42.8 percent between 2018 and 2019.
- The top 25 imports at HS-06 accounted for 97.9 percent of Pakistan's total imports from Bangladesh in 2020.
- Top products belong to the categories of jute and jute goods (HS-530310) and (HS-530710); agriculture (HS-090240), (HS-090220), (HS-240120), (HS-100610), (HS-120991); textiles (HS-520291), (HS-550320), (HS-630790), (HS-560500), (HS-540262), (HS-620342), (HS-610910), (HS-520851); machinery and mechanical appliances (HS-852359), (HS-844630); products of chemical and allied industries (HS-284700), (HS-300490), (HS-320416); and other miscellaneous manufactured articles (HS-960719), (HS-960200). This shows that Pakistan's import basket is well diversified. The president of the Dhaka Chamber of Commerce and Industry (DCCI) has recently urged Pakistani importers to import more of these products from Bangladesh.<sup>54</sup>
- With an import value of \$46.78 million, 'Jute and other textile bast fibres' (HS-530310) was the most significant import product from Bangladesh in 2020. This single commodity alone accounted for 75.5 percent of Pakistan's total imports from Bangladesh in 2020, and the tariff rate applied by Pakistan on Bangladesh was 3.0 percent. Pakistan was the largest importer of this product from Bangladesh in 2020. India ranked 1 in 2019. The federal government in budget 2020-21 has evolved a strategy to encourage raw jute import mainly from Bangladesh to promote exports of jute based processed products from the country.<sup>55</sup>
- It can be seen that Bangladesh is facing comparatively higher tariffs in Pakistan than its other competitors.

<sup>54</sup><https://www.dhakatribune.com/business/2020/11/05/dcci-chief-urges-pakistani-businesses-to-import-more-bangladeshi-goods>

<sup>55</sup><https://pk.mashable.com/business/4249/jute-export-from-pakistan-is-an-inspiring-story-says-abdul-razak-dawood>

## Chapter 6 Opportunities for Pakistani Exports to Bangladesh

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Indicative trade potential is an economic measure that allows us to examine the growth scope in a specific product's trade.<sup>56</sup>

Indicative trade potential is a helpful method to anticipate the scope of bilateral trade. It analyzes those items with a well-established production capacity in the supplying market and robust demand in the importing country.

Pakistan's total export potential to Bangladesh in 2020 for its top 25 export products was roughly US\$ 1.24 billion.

The 'Indicative Trade Potential' method has been used to further classify potential products into products with intensive and extensive margins. The intensive margin of exports refers to expansion opportunities in already-exported products, whereas the extensive margin of exports refers to expansion possibilities in new categories. Products at HS-06 level, having at least export potential of \$10.0 million, were selected to identify the extent of diversification.

### Pakistan's Potential Textile Products

Pakistan's textile sector provides an immense potential for exports. The table below shows the potential textile products at the HS-06 level for exports to Bangladesh as well as the relevant trade indicators for Pakistan and the top exporters to Bangladesh.

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Country *i*'s Potential Goods for Export to country *j*  
= Minimum (Country '*i*' exports of '*X*' to the world, country '*j*' imports of '*X*' from the world)  
– Country '*i*' exports of '*X*' to country '*j*'

Table 6-1 Pakistan's Potential Textile Products for Exports to Bangladesh

All values in US\$, Millions

Code	Product Label	Export Potential 2020	Tariff faced by Pakistan (%)	Top Exporters to Bangladesh			
				Countries	Exports in 2020	Tariff faced by the Competitors (%)	Average Unit Prices (\$/unit)
520942	Denim, containing $\geq$ 85% cotton by weight and weighing $>$ 200 g/m <sup>2</sup> , made of yarn of different ...	187.15	25%	Pakistan	201.11	25%	10,029
				China	100.96	25%	5,445
				India	99.33	25%	10,029
520852	Plain woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing $>$ 100 g to 200 ...	59.27	25%	China	48.55	25%	4,504
				India	7.43	25%	324
				Hong Kong, China	3.04	25%	277
520932	Woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing $>$ 200 g/m <sup>2</sup> , in three-thread ...	48.06	5%	China	61.90	25%	5,545
				Pakistan	35.56	5%	11,457
520512	Single cotton yarn, of uncombed fibres, containing $\geq$ 85% cotton by weight and with a linear ...	46.15	3%	India	38.69	3%	2,169
				Pakistan	29.59	3%	2,429
520522	Single cotton yarn, of combed fibres, containing $\geq$ 85% cotton by weight and with a linear ...	40.54	3%	Turkey	2.50	10%	2,547
				India	68.83	3%	2,568
				Indonesia	4.75	10%	2,789
551321	Plain woven fabrics containing predominantly, but $<$ 85% polyester staple fibres by weight,	34.51	25%	China	3.55	10%	4,884
				China	25.71	25%	6,797
				Thailand	11.48	25%	6,481
521031	Plain woven fabrics of cotton, containing predominantly, but $<$ 85% cotton by weight, mixed ...	31.24	5%	Hong Kong, China	1.50	25%	7,931
				China	26.49	25%	9,114
				Pakistan	2.97	5%	20,363
630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	28.84	5%	India	2.07	5%	20,446
				China	73.83	25%	7,037
				Taipei, Chinese	1.22	25%	20,661
521142	Denim, containing predominantly, but $<$ 85% cotton by weight, mixed principally or solely with ...	27.88	25%	India	1.17	5%	14,060
				China	307.66	25%	4,978
				Pakistan	60.23	25%	10,621
520839	Woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing $\leq$ 200 g/m <sup>2</sup> , dyed ...	24.02	25%	India	50.89	25%	10,621
				China	40.44	25%	7,131
551219	Woven fabrics containing $\geq$ 85% polyester staple fibres by weight, dyed, made of yarn of different ...	23.92	18%	Pakistan	8.41	25%	33,775
				China	19.32	17.5%	7,081
				Hong Kong, China	1.97	17.5%	12,716
520832	Plain woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing $>$ 100 g to 200 ...	22.35	25%	Thailand	1.30	17.5%	12,283
				China	40.42	25%	8,667
				India	19.91	25%	15,739
520912	Woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing $>$ 200 g/m <sup>2</sup> , in three-thread ...	18.05	5%	Korea, Republic of	3.12	25%	9,298
				India	10.85	5%	5,959
				Pakistan	8.81	5%	5,959
520822	Plain woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing $>$ 100 g to 200 ...	17.97	25%	China	6.32	25%	5,442
				China	16.28	25%	8,727
				India	0.74	25%	14,412
520922	Woven fabrics of cotton, containing $\geq$ 85% cotton by weight and weighing $>$ 200 g/m <sup>2</sup> , in three-thread ...	17.31	25%	Malaysia	0.57	25%	9,262
				China	10.04	25%	6,313
				Pakistan	9.91	25%	9,485
				India	8.34	25%	9,485

Intensive Margins

600622	Dyed cotton fabrics, knitted or crocheted, of a width of > 30 cm (excluding warp knit fabrics ...	16.60	25%	China	98.34	25%	5,612
				Hong Kong, China	35.85	25%	4,974
				India	20.18	25%	5,467
520532	Multiple "folded" or cabled cotton yarn, of uncombed fibres, containing >= 85% cotton by weight ...	15.54	3%	India	12.72	3%	2,434
				Pakistan	3.40	3%	2,431
				China	2.44	10%	6,062
520812	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 ...	15.51	25%	India	13.85	25%	4,783
				Pakistan	1.96	25%	4,779
				China	1.62	25%	7,447
551311	Plain woven fabrics containing predominantly, but < 85% polyester staple fibres by weight, ...	14.02	25%	China	21.60	25%	5,103
				Thailand	4.68	25%	3,558
				Indonesia	3.37	25%	4,430
520523	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear ...	11.39	3%	India	205.88	3%	2,680
				China	19.87	10%	5,194
				Indonesia	12.16	10%	2,960
521051	Plain woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed ...	10.98	5%	China	10.33	25%	11,131
				India	0.51	5%	9,018
				Hong Kong, China	0.14	25%	11,333
520511	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	10.06	3%	India	9.53	3%	2,140
				Pakistan	7.36	3%	2,224
				China	0.26	10%	4,258

Source: ITC, Trade Map

### Key Findings:

- Pakistan had a potential to export an additional \$721.34 million worth of textile products to Bangladesh in 2020, this is based on the parameters used to determine potential exports. Pakistan has vast untapped potential in the textile sector, where a well-negotiated trade agreement can significantly enhance exports.
- Pakistan is one of the top exporters for 11 of the 22 potential items listed above. These 11 items belong to the category of 'Cotton yarn other than sewing thread, containing >= 85% cotton by weight' (HS-5205), 'Plain woven fabrics of cotton, containing >= 85% cotton by weight' (HS-5208), and (HS-5209), 'Plain woven fabrics of cotton, containing <= 85% cotton by weight' (HS-5210) and (HS-5211) where the country's average percentage share, for all the 11 products, in the Bangladeshi market is 25.9 percent.
- Pakistan's textile industry focuses mainly on the spinning sector. The country is the 5<sup>th</sup> largest exporter of cotton yarn (HS-5205, HS-5206 & HS-5207) with an export value exceeding \$837.50 million in 2020, in addition it is the 2<sup>nd</sup> largest supplier of woven fabrics of cotton (HS-5208 to 5212), after China.
- Due to its rapid industrialization, Bangladesh has emerged as a leading importer of cotton yarn and woven fabrics. Despite facing tariffs of up to 25 percent, Pakistan's textile exports to Bangladesh have been increasing and have the potential for further increase. One of the largest Bangladeshi conglomerates, Advanced Chemical Industries (ACI), has expressed interest in

importing grey textiles and yarn from Pakistani firms, enabling Pakistani firms to get a larger share of Bangladesh's textile market.<sup>57</sup>

## Pakistan's Potential Agricultural Products Exports to Bangladesh

In calendar 2020, Pakistan exported \$3.12 billion worth of 'Agricultural products' to the world. The table below shows the potential for exports of 'Agricultural products' to Bangladesh.

Table 6-2 Pakistan's Potential Agricultural Products for Exports to Bangladesh

All values in US\$, Millions

	Code	Product Label	Export Potential 2020	Tariff faced by Pakistan (%)	Top Exporters to Bangladesh			
					Countries	Exports in 2020	Tariff faced by the Competitors (%)	Average Unit Prices (\$/unit)
Intensive Margins	070310	Fresh or chilled onions and shallots	106.66	13%	India	92.90	12.5%	188
					Pakistan	17.37	12.5%	389
					Turkey	13.64	12.5%	305
	121190	Plants, parts of plants, incl. seeds and fruits, used primarily in perfumery, in pharmacy or ...	10.75	3%	India	12.50	3%	1,229
					Pakistan	0.34	3%	927
					Thailand	0.33	9.2%	199
151620	Vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, ...	10.72	3%	Malaysia	8.13	10%	993	
				Indonesia	1.58	10%	871	
				France	0.75	10%	7,863	
Extensive Margins	100590	Maize (excluding seed for sowing)	11.82	0%	India	224.34	0%	197
					Brazil	136.67	0%	163
					Ukraine	18.28	0%	161

Source: ITC, Trade Map

### Key Findings:

- Bangladesh's imports represented 4.5 percent of world imports for 'Fresh or chilled onions and shallots' (HS070310) in 2020, it's ranking in world imports is 6. Pakistan was the 2<sup>nd</sup> largest supplier of this product to Bangladesh, after India in 2020. Bangladesh's imports increased by 183.9 percent in 2020 over the previous year when Pakistan received the first onion export order from Bangladesh after 15 years.<sup>58</sup>
- The export order contained at least 12 containers of onions that cost around \$600 per ton. One container carries approximately 28 tons.<sup>59</sup>
- Pakistan is one of the top exporters to Bangladesh for 2 of the 4 potential items listed above. These 2 items are 'Fresh or chilled onions and shallots' (HS-070310), and 'Plants, parts of plants, incl. seeds and fruits, used primarily in perfumery' (HS-121190). These products with intensive margins offer an aggregate potential of \$117.41 million.

<sup>57</sup> <https://customnews.pk/2019/12/12/bangladeshs-largest-conglomerate-to-import-grey-fabric-yarn-from-pakistan/>

<sup>58</sup> Pakistan receives onion export order from Bangladesh after 15 years. (n.d.). The News International. Retrieved May 31, 2021, from <https://www.thenews.com.pk/print/552730-pakistan-receives-onion-export-order-from-bangladesh-after-15-years>

<sup>59</sup> <https://www.dhakatribune.com/bangladesh/foreign-affairs/2019/11/10/bangladesh-to-import-onion-from-pakistan-after-15yrs>

## Pakistan's Potential Prepared Foodstuffs; Beverages, Spirits and Vinegar Products

The table below lists the potential foodstuff products at the HS-06 level for exports to Bangladesh and the relevant trade indicators for Pakistan and the top exporters. Based on the criteria to calculate the potential exports, Pakistan had the potential to export an additional \$90.21 million worth of foodstuff products to Bangladesh in 2020.

Table 6-3 Pakistan's Potential Prepared Foodstuffs; Beverages, Spirits and Vinegar Products for Exports to Bangladesh

All values in US\$, Millions

	Code	Product Label	Export Potential 2020	Tariff faced by Pakistan (%)	Top Exporters to Bangladesh			
					Countries	Exports in 2020	Tariff faced by the Competitors (%)	Average Unit Prices (\$/unit)
Intensive Margins	210690	Food preparations, n.e.s.	45.30	18%	Singapore	16.67	17.5%	-
					China	8.72	17.5%	2,506
					India	4.18	17.5%	6,128
Extensive Margins	230120	Flours, meals and pellets of fish or crustaceans, molluscs or other aquatic invertebrates, ...	22.56	0%	India	15.02	0%	790
					Thailand	11.85	0%	1,063
					Brazil	3.32	0%	873
	170230	Glucose in solid form and glucose syrup, not containing added flavouring or colouring matter	11.26	25%	China	10.94	25%	485
					India	0.20	25%	632
					Turkey	0.05	25%	414
	230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	11.09	0%	India	39.24	0%	486
USA					2.12	0%	392	

Source: ITC, Trade Map

### Key Findings:

- Top potential products under the foodstuff category include 'Food preparations' (HS-210690), 'Flours, meals and pellets of fish or crustaceans' (HS-230120), 'Glucose in solid form and glucose syrup' (HS-170230), and 'Oilcake and other solid residues, whether or not ground or in the form of pellets' (HS-230400) having a combined export potential of \$90.21 million.
- Pakistan has the potential to export \$45.30 million worth of 'Food preparations' (HS-210690) to Bangladesh. Pakistan's exports of this product to the world have increased with a CAGR of 26.2 percent in 2016-20. Moreover, Bangladesh's imports of foodstuff items have increased with a CAGR of 2.4 percent in 2016-20; the Bangladesh market therefore offers immense opportunity for Pakistan.
- For the intensive and extensive margins mentioned above, Pakistan's global exports and Bangladesh's global imports were more than US\$100 million in 2020.<sup>60</sup> However, Bangladesh's imports of these items from Pakistan were either Nil or insignificant (only \$49 Thousand) during the said year. Therefore, Bangladesh may explore the possibility of sourcing these food items from Pakistan. Certification from Bangladesh Standards and Testing Institution (BSTI) and other labeling and packaging requirements in respect of these products may be sought from Bangladesh.

<sup>60</sup> Pakistan's global exports were \$120.30 million, whereas Bangladesh's global imports were \$131.21 million in 2020.

## Pakistan's Potential Chemical and Allied Products

The table below lists potential products belonging to the Chemical and Allied Industries sector. The export potential, along with the tariff applied by Bangladesh on Pakistan and the top exporters, and the unit price fetched by each of the top exporters, is also given.

Table 6-4 Pakistan's Potential Chemical and Allied Products for Exports to Bangladesh

*All values in US\$, Millions*

	Code	Product Label	Export Potential 2020	Tariff faced by Pakistan (%)	Top Exporters to Bangladesh			
					Countries	Exports in 2020	Tariff faced by the Competitors (%)	Average Unit Prices (\$/unit)
Intensive Margins	300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	48.24	9%	India	18.78	8.8%	42,772
					Germany	7.40	8.8%	29,381
					Switzerland	5.51	8.8%	157,400
	320415	Synthetic organic vat dyes, incl. those usable in that state as pigments; preparations based ...	11.08	0%	Singapore	10.79	5%	2,891
					China	6.14	5%	5,410
					India	5.98	0%	26,100
330499	Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), ...	10.64	25%	India	14.52	25%	7,000	
				Thailand	1.64	25%	4,263	
				Korea, Republic of	1.49	25%	14,337	
Extensive Margins	300420	Medicaments containing antibiotics, put up in measured doses "incl. those in the form of transdermal	10.71	3%	Korea, Republic of	4.40	2.5%	19,573
					USA	1.33	2.5%	18,000
					China	1.25	2.5%	6,088

Source: ITC, Trade Map

### Key Findings:

- Production of Paints and Varnishes in Pakistan has been growing and witnessed a 17.6 percent growth in production during July-March 2019-20 as compared to the same period last year.<sup>61</sup> 'Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes' (HS-300490) is the chemical product with the highest export potential of \$48.24 million.
- China and India are the key regional competitors of Pakistan for the Bangladesh chemical market and all three countries face a similar tariff for all the potential products mentioned above.

## Pakistan's Potential Base Metals and Articles of Base Metal

Pakistan's base metals industry provides an immense potential for exports. The exports of base metals and articles grew by 22.1 percent during the first six months of the current financial year (2020-21) compared to the corresponding first six months of the last fiscal year (2019-20). The commodity that contributed the highest growth included 'Iron and Steel' (HS-72), exports of which grew from \$37.44 million in July-December 2019-20 to \$52.77 million in July-December 2020-21, showing an increase of 41 percent, according to data published by the State Bank of Pakistan (SBP). The exports of

<sup>61</sup> Pakistan Economic Survey 2019-20.

'Aluminium Articles' (HS-76) grew by 52.6 percent from \$22.84 million in July-December 2019-20 to \$34.85 million in July-December 2020-21.<sup>62</sup>

The table below lists potential products belonging to the base metals sector for exports to Bangladesh. The export potential along with the tariff applied by Bangladesh on Pakistan, the top exporters, and the unit price fetched by each of the top exporters is also shown.

Table 6-5 Pakistan's Potential Base Metal and Articles of Base Metal for Exports to Bangladesh

All values in US\$, Millions

	Code	Product Label	Export Potential 2020	Tariff faced by Pakistan (%)	Top Exporters to Bangladesh			
					Countries	Exports in 2020	Tariff faced by the Competitors (%)	Average Unit Prices (\$/unit)
Intensive Margins	721049	Flat-rolled products of iron or non-alloy steel, of a width of $\geq$ 600 mm, hot-rolled or cold-rolled ...	40.63	3%	Japan	20.12	15%	449
					China	19.48	15%	665
					Korea, Republic of	11.98	15%	475
	730690	Tubes, pipes and hollow profiles "e.g., open seam, riveted or similarly closed", of iron or ...	24.81	25%	Russian Federation	24.79	25%	71,647
					India	1.94	25%	1,834
					China	0.56	25%	1,186
Extensive Margins	720917	Flat-rolled products of iron or non-alloy steel, of a width of $\geq$ 600 mm, in coils, simply ...	18.66	10%	China	7.97	10%	544
					Korea, Republic of	5.32	10%	473
					Canada	4.11	10%	435
	760120	Unwrought aluminium alloys	17.37	0%	India	16.05	0%	2,113
					Malaysia	10.52	5%	1,721
					Russian Federation	2.87	5%	1,601

Source: ITC, Trade Map

### Key Findings:

- Potential products under the 'Base metals and articles' category have a combined export potential of \$101.47 million. These include 'Flat-rolled products of iron or non-alloy steel, of a width of  $\geq$  600 mm' (HS-721049), 'Tubes, pipes and hollow profiles' (HS-730690), 'Flat-rolled products of iron or non-alloy steel, of a width of  $\geq$  600 mm' (HS-720917), and 'Unwrought aluminium alloys' (HS-760120).
- 'Flat-rolled products of iron or non-alloy steel, of a width of  $\geq$  600 mm' (HS-721049) has an export potential of \$40.63 million. The MFN tariff for this item is 25 percent. Pakistan has a tariff advantage since it is a member of SAFTA.

### Pakistan's Potential Plastics and Rubber Products

The table below shows the potential plastic and rubber products for export to Bangladesh at the HS-06 level. In addition, relevant trade indicators for Pakistan and top exporters to Bangladesh are also highlighted. Collectively, there exists a theoretical potential of \$198.53 million for exports to Bangladesh.

<sup>62</sup> <https://www.sbp.org.pk/publications/export/2020/Dec/2.pdf>

Table 6-6 Pakistan's Potential Plastics and Rubber Products for Exports to Bangladesh

All values in US\$, Millions

	Code	Product Label	Export Potential 2020	Tariff faced by Pakistan (%)	Top Exporters to Bangladesh			
					Countries	Exports in 2020	Tariff faced by the Competitors (%)	Average Unit Prices (\$/unit)
Intensive Margins	390761	Poly"ethylene terephthalate", in primary forms, having a viscosity number of >= 78 ml/g	84.64	-	Russian Federation	24.79	25%	71,647
					India	1.94	25%	1,834
					China	0.56	25%	1,186
	390319	Polystyrene, in primary forms (excluding expansible)	35.04	5%	Taipei, Chinese	15.24	5%	1,001
					Korea, Republic of	7.40	5%	1,035
					India	4.53	5%	953
	390110	Polyethylene with a specific gravity of < 0,94, in primary forms	20.58	5%	Saudi Arabia	48.52	5%	840
					Singapore	25.01	5%	872
					India	14.32	5%	837
	392020	Plates, sheets, film, foil and strip, of non-cellular polymers of ethylene, not reinforced, ...	11.65	15%	China	14.72	15%	1,516
Indonesia					6.28	15%	1,598	
Malaysia					4.72	15%	2,272	
Extensive Margins	392062	Plates, sheets, film, foil and strip, of non-cellular poly"ethylene terephthalate", not reinforced, ...	35.31	18%	China	30.36	17.5%	1,609
					India	19.00	17.5%	1,516
					Thailand	3.16	17.5%	1,396
	392490	Household articles and toilet articles, of plastics (excluding tableware, kitchenware, baths, ...)	11.31	25%	China	16.60	25%	3,908
					Hong Kong, China	0.27	25%	5,000
					Taipei, Chinese	0.24	25%	12,526

Source: ITC, Trade Map

### Key Findings:

- Pakistan's main regional competitors for the Bangladeshi plastic and rubber market are India and China, and all three countries face similar tariff rates for each product.
- Out of the total exports of plastics and rubber products from Pakistan, Pakistan exported only 1.1 percent of this to Bangladesh in 2020. Moreover, Bangladesh is the 17<sup>th</sup> largest export destination for Pakistan.
- To further expand its exports of plastics articles, Pakistan should consider installing a 'Naphtha Cracker.' The Cracker would be able to produce condensates that can be utilized to provide the raw material for the plastic industry in Pakistan. This localization will support the development of high value-added plastics and will further grow the export potential. Moreover, increasing the production capacity of base materials such as plastic will help reduce costs and provide an edge over competitors such as China, India and Thailand.<sup>63</sup>

### Pakistan's Potential Exports of Cement and Salt Products

The potential products and relevant indicators for Cement and Salt related products are listed in the table below.

<sup>63</sup> The Pakistan Business Council. (2018). Value Addition in Manufacturing: Study of High Potential Products for Local Manufacturing and Export Diversification. <https://www.pbc.org.pk/wp-content/uploads/Value-Addition-in-Manufacturing-Digital.pdf>

Table 6-7 Pakistan's Potential Cement and Salt Products for Exports to Bangladesh

All values in US\$, Millions

	Code	Product Label	Export Potential 2020	Tariff faced by Pakistan (%)	Top Exporters to Bangladesh			
					Countries	Exports in 2020	Tariff faced by the Competitors (%)	Average Unit Prices (\$/unit)
Intensive Margins	252310	Cement clinkers	39.17	0.3%	Thailand	109.70	0.3%	34
					Indonesia	84.86	0.3%	31
					Pakistan	73.18	0.3%	28
	250100	Salts, incl. table salt and denatured salt, and pure sodium chloride, whether or not in aqueous ...	11.85	19%	India	6.54	17.1%	18
					China	4.29	17.1%	61
					Thailand	0.53	19.0%	188

Source: ITC, Trade Map

### Key Findings:

- 'Cement Clinkers' (HS-252310) has the highest export potential in this sector. To make up for the losses they've incurred since the COVID-19 outbreak, the Bangladeshi cement manufacturers have asked for a 60 percent reduction in clinker import duties and a waiver on interest on existing loans.<sup>64</sup>
- Pakistan has the potential to export \$11.85 million worth of 'Salts, incl. table salt and denatured salt' (HS-250100) to Bangladesh. Pakistan was the 7<sup>th</sup> largest import sourcing market for Bangladesh in 2020. Despite having the world's second-largest salt mine, Pakistan is not among the top ten salt exporters; instead, India and China are ranked 7<sup>th</sup> and 9<sup>th</sup>, respectively. China accounts for over 30 percent of world salt demand. This demand could be met by Pakistani salt, which is 99 percent halite and significantly purer than other varieties. Instead of refining this salt and maximizing its unique value, Pakistan exports it in rock form at a low price.<sup>66</sup>

<sup>64</sup> <https://www.thedailystar.net/business/news/cement-manufacturers-want-cuts-import-duty-clinker-1911909>

<sup>65</sup> <https://www.globalcement.com/news/item/9159-clinker-wars>

<sup>66</sup> <https://eurasianimes.com/himalayan-pink-salt-indian-or-pakistani/>

## Chapter 7 Significance of Textiles in a Potential Pakistan – Bangladesh FTA

Pakistan is the 4<sup>th</sup> largest textile producer contributing around 3.6 percent to the global textile output in 2019.<sup>67</sup> With the longest production chain, the textile industry of Pakistan is one of the important sectors of Pakistan, contributing 8.5 percent to the GDP of Pakistan.<sup>68</sup> The textile production chain involves cotton ginning, spinning, weaving, fabric dyeing, finishing, made-ups, and garments.<sup>69</sup> With every production stage, value addition increases the worth and value of the product, making it one of the most exported commodities of Pakistan.

Cotton is the primary raw material in the conversion and production of textile goods and garments. In 2019, Pakistan became the 5<sup>th</sup> largest cotton-producing country globally, moving down from the 4<sup>th</sup> position in 2018. Falling area under cultivation, low quality seed, and unfavorable weather conditions due to climate change are a few of the many issues cotton producers face leading to a 34 percent fall in production in 2021.<sup>70</sup>

Pakistan is the 3<sup>rd</sup> largest consumer of cotton and the 7<sup>th</sup> largest importer of cotton, as shown in the table below. It imported \$709.5 million worth of cotton in 2019.

Table 7-1 World's Top Cotton Importers

All values in US\$, Millions

Top Cotton Importers	2017	2018	2019
<b>TOTAL</b>	<b>14,209.59</b>	<b>15,816.57</b>	<b>15,328.10</b>
China	2,185.78	3,165.66	3,567.23
Viet Nam	2,331.83	2,727.49	2,400.18
Bangladesh	1,785.75	1,946.16	1,828.21
turkey	1,676.28	1,395.59	1,572.73
India	955.69	623.72	1,320.90
Indonesia	1,325.17	1,441.95	1,117.65
<b>Pakistan</b>	<b>762.49</b>	<b>1,052.93</b>	<b>709.51</b>
Thailand	491.71	523.31	394.67
Mexico	413.69	387.28	309.70
Malaysia	170.45	330.09	289.48

Source: ITC, Trade Map

The table below shows the top 10 suppliers of cotton to Pakistan in 2019 with the applied tariff rates. Pakistan imported 54.7 percent of its cotton from the United States in 2019, amounting to US\$388.06 million. In addition to the USA, other cotton suppliers to Pakistan were Afghanistan, India, Mexico, and Brazil, from where the combined imports exceeded \$188.85 million. The tariff rate applied by Pakistan on cotton imports was 3.0 percent.

Table 7-2 Pakistan's Top Suppliers of Cotton

All values in US\$, Millions

Pakistan's Top Suppliers of Cotton	2017	2018	2019	Tariff Applied by Pakistan at HS-520100
<b>TOTAL</b>	<b>762.49</b>	<b>1,052.93</b>	<b>709.51</b>	-
United States of America	279.52	458.61	388.06	3.0%

<sup>67</sup> Mordor Intelligence, Grand View Research

<sup>68</sup> Textile. Board of Investment. <https://invest.gov.pk/textile>

<sup>69</sup> Ministry of Finance (2020). Pakistan Economic Survey (2019-20).

<sup>70</sup> Cotton production falls by 34pc, lowest in 30 years. Dawn. Retrieved from: <https://www.dawn.com/news/1605373>

All values in US\$, Millions

Pakistan's Top Suppliers of Cotton	2017	2018	2019	Tariff Applied by Pakistan at HS-520100
Afghanistan	46.34	39.20	57.73	3.0%
India	203.53	345.78	54.71	3.0%
Mexico	11.11	35.31	41.99	3.0%
Brazil	22.84	56.36	34.42	3.0%
Egypt	12.39	13.29	30.99	3.0%
Côte d'Ivoire	46.81	10.99	19.83	3.0%
Argentina	0.17	10.42	18.22	3.0%
South Africa	52.81	21.65	17.31	3.0%
Sudan	0	0	7.69	3.0%

Source: ITC, Trade Map

## The Importance of Textiles for Pakistan

The textile industry holds a major position in Pakistan's trade because of its contribution to GDP and exports. In 2019, Pakistan exported \$23.82 billion worth of goods to the world out of which textiles and textile articles contributed \$13.70 billion.

Table 7-3 Pakistan's exports of 'Textiles and Textile Articles' (HS-50 to HS-63)

All values in US\$, Millions

	2017	2018	2019
<b>All Products</b>	<b>21,911.60</b>	<b>23,778.62</b>	<b>23,818.82</b>
Textiles and textile articles (HS-50 to HS-63)	13,021.89	13,654.37	13,696.38
Textiles as % of Total Exports	59.43%	57.42%	57.50%

Source: ITC, Trade Map

## Top Exporters of 'Knitted and Woven Apparel' (HS-61 & HS-62)

The table below shows the top global exporters of 'Knitted and Woven Apparel' (HS-61 & HS-62) in 2019. Pakistan ranked 17<sup>th</sup> with a share of just 1.2 percent in world exports. China, Bangladesh, and Viet Nam top the list having a share in world exports of 29.3 percent, 8.6 percent, and 6.4 percent, respectively.

Table 7-4 Top Exporters of 'Knitted and Woven Apparel' (HS-61 & HS-62)

All values in US\$, Millions

Country	Exports 2019	% Share in world exports	Rank
China	138,238.45	29.39	1
Bangladesh	40,948.18	8.70	2
Viet Nam	30,038.02	6.39	3
Germany	23,804.52	5.06	4
Italy	23,771.48	5.05	5
India	16,241.81	3.45	6
Turkey	15,540.20	3.30	7
Spain	14,281.87	3.04	8
France	11,986.84	2.55	9
Hong Kong	11,663.33	2.48	10
Pakistan	5,843.28	1.24	17
<b>World</b>	<b>470,418.74</b>	<b>100.00</b>	-

Source: ITC, Trade Map

## Pakistan's Top 10 Apparel Exports to Bangladesh

In 2019, Pakistan exported \$793.03 million worth of goods to Bangladesh, out of which only \$5.30 million belonged to the Apparel sector (HS-61 & HS-62). The following table gives an overview of the products imported by Bangladesh from Pakistan at the HS-06-digit level. For each item exported by Pakistan to Bangladesh, a list of the top 3 countries that Bangladesh imports from and the tariff rates applied is also given. A comparison is then made to analyze the tariffs applied by Bangladesh on these countries and Pakistan. This exercise aims to help Pakistani negotiators and policymakers develop a perspective on which goods from the textile sector should be included in Bangladesh's concession list if a trade agreement were to be signed between the two countries.

Table 7-5 Pakistan's Top 10 Apparel Exports to Bangladesh.

*All values in US\$, Millions*

Product Code	Product Label	Bangladesh's Imports from Pakistan 2019	Pakistan's Exports to World 2019	Bangladesh's imports from World 2019	Indicative Trade Potential	Top 3 Import Sourcing countries	Tariff Applied by Bangladesh on these countries	Tariff Applied by Bangladesh on Pakistan
<b>Total</b>	<b>All Product</b>	<b>793.03</b>	<b>23,818.82</b>	<b>57,717.05</b>				
	Apparel	5.30	5,843.28	211.77				
620423	Women's or girls' ensembles of synthetic fibres	3.07	3.49	3.22	0.15	Pakistan, 95.34% India, 3.26% Germany, 0.71%	Pakistan, 25% India, 25% Germany, 25%	25%
611692	Gloves, mittens and mitts, of cotton, knitted or crocheted	0.67	36.57	2.19	1.53	China, 67% Pakistan, 30.4% UK, 1.73%	China, 20% Pakistan, 5% UK, 25%	5%
620413	Women's or girls' suits of synthetic fibres	0.52	0.81	0.63	0.12	Pakistan, 81.39% India, 18.3% China, 0.32%	Pakistan, 5% India, 5% China, 20%	5%
611699	Gloves, mittens and mitts, of textile materials, knitted or crocheted	0.44	16.15	0.46	0.021	Pakistan, 95.4% India, 2.4% China, 1.97%	Pakistan, 5% India, 5% China, 25%	5%
620449	Women's or girls' dresses of textile materials	0.32	2.70	3.71	2.38	India, 88% Pakistan, 8.52% Italy, 2.37%	India, 25% Pakistan, 25% Italy, 25%	25%
621710	Made-up clothing accessories, of all types of textile materials	0.15	5.40	13.48	13.32	China, 67.38% Hong Kong, 19.51% Korea, 4.1%	China, 25% Hong Kong, 25% Korea, 25%	25%
620339	Men's or boys' jackets and blazers of textile materials (excluding . . .	0.06	83.18	1.25	1.19	China, 71.6% India, 21.68% Pakistan, 4.72%	China, 25% India, 5% Pakistan, 5%	5%
611300	Garments, knitted or crocheted, rubberised	0.03	0.40	0.925	0.37	UAE, 94.38% Pakistan, 3.68% China, 1.62%	UAE, 25% Pakistan, 5% China, 25%	5%
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted	0.02	144.75	0.29	0.27	China, 84.14% Pakistan, 6.55% UAE, 4.48%	China, 20% Pakistan, 5% UAE, 25%	5%
621390	Handkerchiefs of textile materials, of which no side exceeds 60 cm	0.01	0.06	0.15	0.044	China, 80.82% India, 11% Pakistan, 8.22%	China, 25% India, 5% Pakistan, 5%	5%

\*Mirror Data

Source: ITC Trade Map; Market Access Map

## Key Findings:

- For nine of the ten commodities listed under 'Knitted and Woven Apparel' (HS-61 & HS-62), Pakistan is one of Bangladesh's top import sourcing markets. For the remaining one product, Pakistan is one of the top ten suppliers.
- Pakistan faces tariff rates on all the top ten commodities exported to Bangladesh, ranging from 5 to 25 percent.
- Pakistan is a top exporter of 'Women's or girls' ensembles of synthetic fibres' (HS-620423), 'Gloves, mittens and mitts, of textile materials, knitted or crocheted' (HS-611699), and 'Women's or girls' suits of synthetic fibres' (HS-620413) to Bangladesh but does not enjoy a zero tariff on any of these commodities.

## Bangladesh's Textile Market & Pakistan

Despite not having any local production of raw materials required for the production of value-added textiles, Bangladesh is the world's 2<sup>nd</sup> largest exporter of apparel products, accounting for \$40.39 billion or 8.7 percent of the total world exports in 2019.

A brief analysis of Bangladesh textile exports and its trends follow:

### 7.1.1 Top Destination Markets for Bangladesh's Exports of Knitted and Woven Apparel (HS-61 & HS-62)

The top countries to which Bangladesh exports textile and textile articles are listed below, along with Bangladesh's share of exports to each country. In addition, five-year growth rate trends have also been calculated. Germany, in 2019, was the largest export destination for Bangladesh's textiles.

Bangladesh's textile exports to Pakistan are very minimal and don't even make it in the top 50 list.

Table 7-6 Top Destination markets for Bangladesh Exports of Textiles (HS-61 & HS-62)

*All values in US\$, Billions*

Country	2015	2016	2017	2018	2019	% Share in Exports (2019)	CAGR (2015-19) %
World	30.69	33.03	34.93	39.25	40.95	-	5.94
Germany	4.74	5.05	5.61	6.45	6.21	15.16	5.55
USA	5.45	5.31	5.06	5.43	5.93	14.48	1.68
UK	3.23	3.25	3.31	3.46	3.64	8.90	2.41
Spain	2.04	2.34	2.60	3.02	3.21	7.84	9.44
France	2.17	2.50	2.54	2.84	3.08	7.52	7.20
Poland	0.77	0.93	1.19	1.62	1.78	4.35	18.39
Italy	1.29	1.34	1.44	1.54	1.54	3.77	3.59
Netherlands	0.79	0.92	1.16	1.34	1.33	3.26	10.98
Canada	1.03	1.07	1.09	1.12	1.30	3.17	4.69
Japan	0.76	0.91	0.86	1.12	1.17	2.85	8.85

\*Mirror Data

Source: ITC, Trade Map

### 7.1.2 Bangladesh's Top Exports of Knitted and Woven Apparel (HS-61 & HS-62) at HS-06 Level

Bangladesh in 2019 exported \$40.39 billion worth of 'Knitted and Woven Apparel' (HS-61 & HS-62), of which \$20.75 billion belonged to the 'Apparel and clothing accessories; knitted or crocheted' (HS-61) category.

The following table shows the current export patterns of Bangladesh textiles (HS-61 & HS-62) and Bangladesh's share as a supplier of these goods to Pakistan and the top 3 destination markets. The tariff applied by the top 3 destination countries on Bangladesh and tariff applied by Pakistan on imports from Bangladesh is shown in the table. Five-year growth rates are also listed for the same items to identify goods that Bangladesh can increase its share in and promote bilateral trade with Pakistan.

Table 7-7 Bangladesh's Top Exports Knitted and Woven Apparel (HS-61 & HS-62) at HS-06 Level

All values in US\$, Millions

HS-Code	Product Label	Bangladesh Exports to the World (2019)	Bangladesh Exports to the World CAGR (2015-19) %	Top Destinations for Bangladesh's Exports	The Average Tariff (estimate) applied by these countries	Bangladesh's Exports to Pakistan (2019) (US\$)	Bangladesh Exports to Pakistan CAGR 2015-19	Pakistan's Share of Imports in Bangladesh's Global Exports	The Average Tariff (estimate) applied by Pakistan on Bangladesh
<b>TOTAL</b>	<b>All products</b>	<b>47,509.40</b>	<b>8.41</b>			<b>41.51</b>	<b>-7.18</b>		
	<b>Garments</b>	<b>40,946.34</b>	<b>9.07</b>			<b>3.51</b>	<b>14.47</b>		
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	6,079.78	0.99	Germany, 17.63% Spain, 9.52% UK, 8.72%	Germany, 0% Spain, 0% UK, 0%	0.38	42.58	0.006	20%
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	5,940.95	3.38	USA, 25.36% Germany, 15.42% France, 7.32%	USA, 8.97% Germany, 0% France, 0%	0.58	28.03	0.010	20%
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton	3,611.98	10.33	USA, 22.68% Spain, 12.17% Germany, 9.92%	USA, 8.30% Spain, 0% Germany, 0%	0.23	95.25	0.006	20%
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted	2,886.55	18.33	Germany, 17.07% USA, 13.72% France, 8.71%	Germany, 0% USA, 10.75% France, 0%	0.12	25.89	0.004	20%
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres	2,622.50	45.32	Germany, 16.9% Spain, 9.79% UK, 9.57%	Germany, 0% Spain, 0% UK, 0%	0.08	-	0.003	20%
620520	Men's or boys' shirts of cotton	1,998.91	3.53	USA, 29.87% Germany, 11.48% UK, 8.56%	USA, 14.2% Germany, 0% UK, 0%	0.33	10.94	0.017	20%
610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton	1,257.15	22.96	Germany, 21.07% UK, 12.98% France, 9.86%	Germany, 0% UK, 0% France, 0%	0.01	3.40	0.001	5%
610510	Men's or boys' shirts of cotton, knitted or crocheted	1,048.00	7.86	Germany, 18.82% France, 11.08% Spain, 10.19%	Germany, 0% France, 0% Spain, 0%	0.06	21.54	0.006	20%
610990	T-shirts, singlets and other vests of textile	858.11	22.45	Germany, 17.86% UK, 10.91%	Germany, 0% UK, 0%	0.10	0.00	0.012	20%

HS-Code	Product Label	Bangladesh Exports to the World (2019)	Bangladesh Exports to the World CAGR (2015-19) %	Top Destinations for Bangladesh's Exports	The Average Tariff (estimate) applied by these countries	Bangladesh's Exports to Pakistan (2019) (US\$)	Bangladesh Exports to Pakistan CAGR 2015-19	Pakistan's Share of Imports in Bangladesh's Global Exports	The Average Tariff (estimate) applied by Pakistan on Bangladesh
	materials, knitted or crocheted			Spain, 10.67%	Spain, 0%				
611120	Babies' garments and clothing accessories of cotton, knitted or crocheted	851.23	39.86	Germany, 14.98% France, 10.73% USA, 10.26%	Germany, 0% France, 0% USA, 14%	0.09	71.88	0.011	20%
620343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres	745.63	27.68	USA, 25.49% Germany, 15.45% UK, 12.69%	USA, 12.98% Germany, 0% UK, 0%	0.05	-	0.007	20%
620193	Men's or boys' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres	585.20	23.38	USA, 16.65% Germany, 13.46% Spain, 10.67%	USA, 14.95% Germany, 0% Spain, 0%	0.00	-	0.001	5%
621210	Brassieres of all types of textile materials, whether or not elasticated	578.39	15.35	USA, 15.89% Germany, 15.01% UK, 14.86%	USA, 10.33% Germany, 0% UK, 0%	0.07	-	0.011	20%
610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	473.22	12.83	UK, 20.03% USA, 13.89% Germany, 11.38%	UK, 0% USA, 7.40% Germany, 0%	0.05	115.06	0.010	20%
620640	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres	450.64	55.20	Germany, 21.02% UK, 14.65% Poland, 9.36%	Germany, 0% UK, 0% Poland, 0%	0.04	-	0.009	20%
610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton	449.94	10.09	Italy, 14.88% USA, 14.83% UK, 8.84%	Italy, 0% USA, 13.20% UK, 0%	0.04	40.26	0.008	20%
620293	Women's or girls' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres	429.55	33.88	USA, 18.38% Germany, 16.87% Spain, 8.86%	USA, 14.97% Germany, 0% Spain, 0%	0.01	-	0.002	5%
610442	Women's or girls' dresses of cotton, knitted or crocheted	419.26	26.27	Germany, 22.24% Spain, 8.53% France, 7.98%	Germany, 0% Spain, 0% France, 0%	0.04	37.97	0.010	5%
610821	Women's or girls' briefs and panties of cotton, knitted or crocheted	411.95	7.41	USA, 28.98% UK, 13.13% Germany, 12.87%	USA, 7.60% UK, 0% Germany, 0%	0.03	-	0.007	20%
620469	Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials ...	384.39	-2.19	Germany, 14.34% UK, 14.01% USA, 10.62%	Germany, 0% UK, 0% USA, 11.13%	0.06	12.77	0.016	20%

HS-Code	Product Label	Bangladesh Exports to the World (2019)	Bangladesh Exports to the World CAGR (2015-19) %	Top Destinations for Bangladesh's Exports	The Average Tariff (estimate) applied by these countries	Bangladesh's Exports to Pakistan (2019) (US\$)	Bangladesh Exports to Pakistan CAGR 2015-19	Pakistan's Share of Imports in Bangladesh's Global Exports	The Average Tariff (estimate) applied by Pakistan on Bangladesh
620463	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres	365.09	12.01	UK, 16.74% Germany, 16.16% USA, 10.29%	UK, 0% Germany, 0% USA, 11.84%	0.02	-	0.004	20%
620920	Babies' garments and clothing accessories of cotton	362.98	28.26	USA, 29.73% Spain, 12.32% France, 11.05%	USA, 12.73% Spain, 0% France, 0%	0.06	70.12	0.016	20%
620530	Men's or boys' shirts of man-made fibres	352.45	42.31	UK, 22.64% USA, 21.75% Japan, 9.91%	UK, 0% USA, 20.17% Japan, 0%	0.06	-	0.017	20%
620630	Women's or girls' blouses, shirts and shirt-blouses of cotton	315.94	-0.47	USA, 17.19% Germany, 16.27% France, 5.78%	USA, 9.3% Germany, 0% France, 0%	0.01	1.76	0.004	20%
620192	Men's or boys' anoraks, windcheaters, wind jackets and similar articles, of cotton	309.70	41.94	USA, 28.99% Spain, 14.05% Germany, 10.84%	USA, 6.67% Spain, 0% Germany, 0%	0.12	77.69	0.040	5%

Source: ITC, Trade Map; Market Access Map

#### Key Findings:

- Bangladesh exports 18 out of 25 items listed in the table to the US, with Bangladesh having a significant share in the US market.
- 14 of the top 25 items belong to the 'Woven Apparel' (HS-62) category.
- The European countries and the United States are the primary export markets of Bangladesh's Textile articles. The European countries impose a zero-tariff rate on imports from Bangladesh. On the other hand, the US imposes varying tariffs on its imports from Bangladesh despite being reliant on Bangladesh's textile products.

#### 7.1.3 Bangladesh's Exports of Knitted and Woven Apparel (HS-61 & HS-62) to Pakistan at HS-06 Level

Bangladesh's total exports to Pakistan amounted to \$41.51 million in 2019, of which \$3.51 million belonged to the category of 'Knitted and Woven Apparel' (HS-61 & HS-62).

The following table shows Bangladesh's top 25 exports of 'Knitted and Woven Apparel' (HS-61 & HS-62) to Pakistan and Pakistan's share in Bangladesh's world exports. Five-year growth rates are also included to showcase the trend in Bangladesh's Apparel (HS-61 & HS-62) exports to Pakistan and the world and the tariff rates applied by Pakistan on Bangladesh on those products.

Table 7-8 Bangladesh Exports of Knitted and Woven Apparel (HS-61 & HS-62) to Pakistan at HS-06 Level

All values in US\$, Millions

HS-Code	Product Label	Bangladesh Exports to Pakistan 2019	% Share of Pakistan in Bangladesh World Exports 2019	Bangladesh Exports to Pakistan CAGR (2015-19) %	Bangladesh Exports to World CAGR (2015-19) %	Tariff Applied (estimate) by Pakistan on Bangladesh
<b>TOTAL</b>	<b>All products</b>	<b>41.51</b>	<b>0.09</b>	<b>-7.18</b>	<b>8.41</b>	
	<b>Garments</b>	<b>3.51</b>	<b>0.01</b>	<b>14.47</b>	<b>9.07</b>	
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	0.58	0.01	28.03	3.38	20%
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	0.38	0.01	42.58	0.99	20%
620520	Men's or boys' shirts of cotton nightshirts	0.33	0.02	10.94	3.53	20%
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton	0.23	0.01	95.25	10.33	20%
610590	Men's or boys' shirts of textile materials, knitted or crocheted	0.14	1.31	51.57	-2.13	5%
620192	Men's or boys' anoraks, windcheaters, wind jackets and similar articles, of cotton	0.12	0.04	77.69	41.94	5%
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted	0.12	0.00	25.89	18.33	20%
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted	0.10	0.01	0.00	22.45	20%
611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)	0.09	0.01	71.88	39.86	20%
620590	Men's or boys' shirts of textile materials	0.08	0.05	27.67	-24.12	20%
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted	0.08	0.00	-	45.32	20%
621210	Brassieres of all types of textile materials, whether or not elasticated, incl. knitted	0.07	0.01	-	15.35	20%
620469	Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials	0.06	0.02	12.77	-2.19	20%
610510	Men's or boys' shirts of cotton, knitted or crocheted	0.06	0.01	21.54	7.86	20%
620530	Men's or boys' shirts of man-made fibres	0.06	0.02	-	42.31	20%
620339	Men's or boys' jackets and blazers of textile materials	0.06	0.58	37.51	-35.93	20%
620920	Babies' garments and clothing accessories of cotton	0.06	0.02	70.12	28.26	20%
620343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres	0.05	0.01	-	27.68	20%
610831	Women's or girls' nightdresses and pyjamas of cotton, knitted or crocheted	0.05	0.02	48.76	15.50	20%

All values in US\$, Millions

HS-Code	Product Label	Bangladesh Exports to Pakistan 2019	% Share of Pakistan in Bangladesh World Exports 2019	Bangladesh Exports to Pakistan CAGR (2015-19) %	Bangladesh Exports to World CAGR (2015-19) %	Tariff Applied (estimate) by Pakistan on Bangladesh
610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	0.05	0.01	115.06	12.83	20%
620640	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres	0.04	0.01	-	55.20	20%
610442	Women's or girls' dresses of cotton, knitted or crocheted (excluding petticoats)	0.04	0.01	37.97	26.27	5%
620332	Men's or boys' jackets and blazers of cotton	0.04	0.06	41.71	-12.71	20%
610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted	0.04	0.01	40.26	10.09	20%
620349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials	0.04	0.02	-22.28	-14.76	20%

Source: ITC, Trade Map; Market Access Map

#### Key Findings:

- 11 out of the 25 items belonged to the category of 'Knitted Apparel' (HS-61).
- Twenty four of the 25 items listed in the table have a positive CAGR for Bangladesh's exports to Pakistan, indicating a market for Bangladeshi products in Pakistan.
- Pakistan imposes tariffs on all top 25 items imported from Bangladesh, ranging between 5 and 25 percent.

## Chapter 8 Trade Policies

### Pakistan's Trade Policies

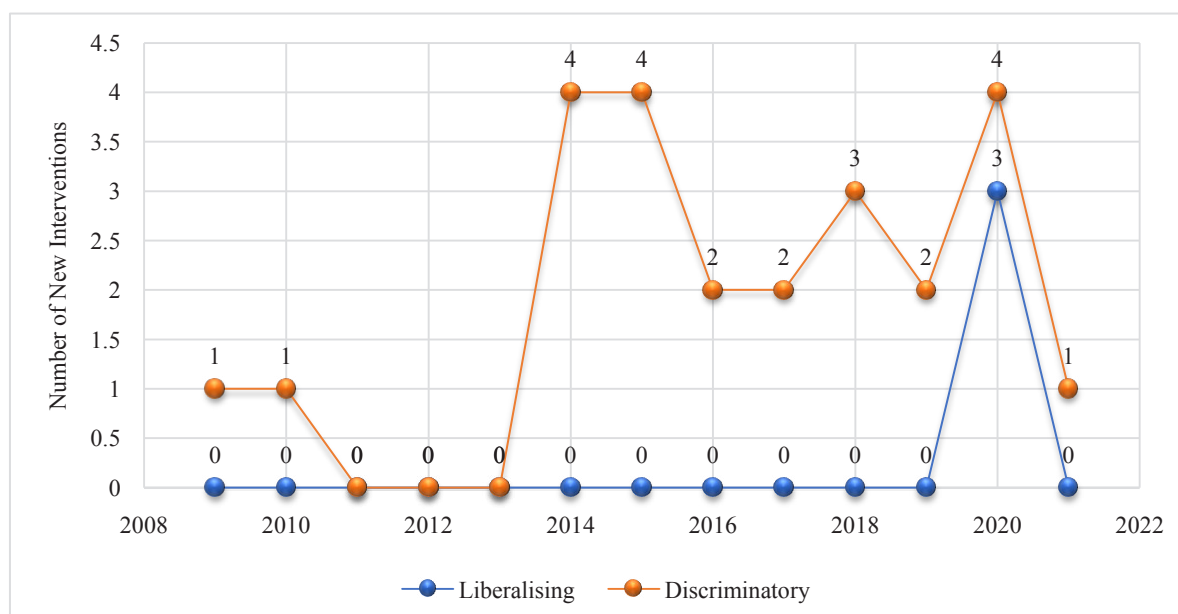
Table 8-1 Non-Tariff Barriers (NTBs) Applied by Pakistan on the World and Bangladesh

Country imposing	Partner affected	Requirements	Phase	Measures
Pakistan	All Members	Export-related measures	In force	36
Pakistan	All Members	Other measures	In force	1
Pakistan	All Members	Pre-shipment inspection	In force	9
Pakistan	All Members	Quantity control measures	In force	27
Pakistan	All Members	Sanitary and Phytosanitary	In force	32
Pakistan	All Members	Technical Barriers to Trade	In force	26
Pakistan	Bilateral (Bangladesh)	Export-related measures	In force	1
Pakistan	Bilateral (Bangladesh)	Sanitary and Phytosanitary	In force	4
<b>Total Number of Measures Imposed by Pakistan</b>				<b>131</b>

Source: UNCTAD TRAINS - Non-Tariff Measures

The figure below shows the number of interventions implemented by Pakistan on Bangladesh since 2009, these are divided into whether the intervention was liberalizing or harmful. During 2020, the Pakistani government implemented a total of 7 new measures, out of which, 4 were discriminatory and 3 were liberalizing.









Figure 8-1 All State Interventions of Pakistan which Affect Bangladesh



Source: Global Trade Alert

Figures 8-2 and 8-3 below show the Bangladeshi sectors and products most affected by the harmful and liberalizing trade interventions implemented by Pakistan.

Figure 8-2 Bangladeshi Sectors Most Affected by Liberalizing and Harmful Interventions Implemented by Pakistan

LIBERALISING			HARMFUL		
SECTOR		INTERVENTIONS	SECTOR		INTERVENTIONS
 Forage; natural rubber; living plants; raw vegetable materials		2	 Wearing apparel, except fur apparel		8
 Textile yarn & thread of natural fibres		2	 Forage; natural rubber; living plants; raw vegetable materials		5
 Non-metal wastes or scraps		2	 Textile yarn & thread of natural fibres		4
			 Made-up textile articles		4
			 Tanned or dressed leather; composition leather		4

Source: Global Trade Alert

Figure 8-3 Bangladeshi Products Most Affected by Liberalizing and Harmful Interventions Implemented by Pakistan

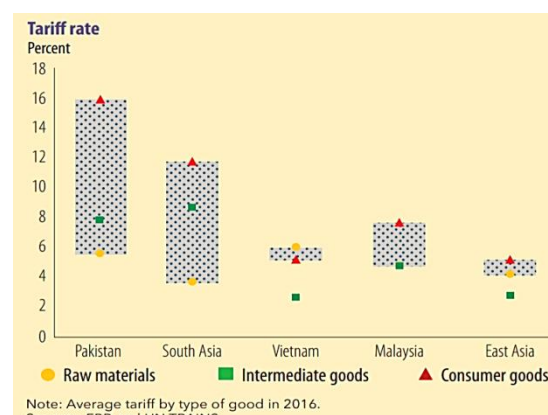
LIBERALISING			HARMFUL		
PRODUCT		INTERVENTIONS	PRODUCT		INTERVENTIONS
<b>5307</b> Yarn of jute or of other textile bast fibres of heading 53.03.		2	<b>6206</b> Women's or girls' blouses, shirts and shirtblouses.		5
<b>5202</b> Cotton waste (including yarn waste and garnetted stock).		2	<b>6207</b> Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles.		5
<b>5303</b> Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).		2	<b>6208</b> Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles.		5
			<b>6203</b> Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear).		5
			<b>6204</b> Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear).		5

Source: Global Trade Alert

Bangladesh cannot manufacture capital machinery or spares due to its backward and undiversified industrial base. It can only offer essential consumer goods such as ready-made apparel, leather shoes, fruit juices, jams and pickles, fish and fish items, and so on. In Pakistan, these products are subject to substantially higher duty rates than intermediate and capital items.<sup>71</sup>

<sup>71</sup> Bhuyan, A. R. (2006). "Should Bangladesh Sign a Bilateral Free Trade Agreement with Pakistan?"

Figure 8-4 Pakistan's Tariffs are higher than those in the Region, with Escalation showing an Anti-Export Bias



Source: South Asia Economic Focus, Spring 2019 – The World Bank

### 8.1.1 Antidumping Duties on Imports of ‘Hydrogen Peroxide’ (HS-284700)<sup>72</sup>

- Pakistan imported \$1.74 million worth of ‘Hydrogen Peroxide’ (HS-284700) from Bangladesh in 2019. The equivalent ad valorem tariff applied by Pakistan on Bangladesh for this product was 5 percent.
- After conducting a review for change of circumstances, the National Tariff Commission of Pakistan issued a notification on August 26<sup>th</sup>, 2020, imposing antidumping duty at two rates — 15.38 percent and 16.10 percent, depending on the company — for five more years on ‘Hydrogen Peroxide’ (HS-284700) manufactured by Bangladeshi companies.<sup>73</sup>
- Previously, on October 16<sup>th</sup>, 2015, the NTC imposed a five-year definitive ADD on imports of the said item from Bangladesh at 10.67 percent and 12.14 percent, depending on the firm.
- The Bangladeshi Commerce Minister however has requested the NTC to withdraw the ADD on exports of ‘Hydrogen Peroxide’ (HS-284700) to boost bilateral trade between Pakistan and Bangladesh.<sup>74</sup>

### 8.1.2 Syndication among the Asian Countries to restrict import of potatoes

Bangladesh believes that other Asian countries including Sri Lanka, India, China, and Pakistan have developed a sort of syndicate-like arrangement to restrict the imports of potatoes from Bangladesh. Exporters in Bangladesh believe that because of this syndicate they are unable to export to these countries.<sup>75</sup>

### 8.1.3 Other Non-Tariff Barriers Applied by Pakistan

Pakistan has removed a number of non-tariff barriers over the past few years but, as reported by companies, traces of non-tariff barriers still remain. Some of the non-tariff barriers applied by Pakistan are:<sup>76</sup>

- Quantitative restrictions such as quotas, and prohibitions.
- Imposition of arbitrary health and quality standards, which favor domestic producers over foreign producers.
- Government monopoly in importing through state trading agencies.

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<sup>72</sup> HP is used as a bleaching agent in the textile industry, paper and pulp industry, for sterilizing packaging material of milk, fruit juice (aseptic packaging) industry, and for the general purpose of oxidizing, detoxifying and as a deodorizing agent. It is also used for waste paper treatment and soil remediation.

<sup>73</sup> <https://www.newagebd.net/article/117267/pakistan-imposes-fresh-add-on-imports-from-bangladesh>

<sup>74</sup> <https://www.thedailystar.net/business/export/news/withdraw-anti-dumping-duty-hydrogen-peroxide-commerce-minister-pakistan-2034897>

<sup>75</sup> Bangladesh Foreign Trade Institute (BFTI). (2019, May). Identification of Non-Tariff Barriers Faced by Bangladesh in Exporting Potential Exportable Products to Major Export Markets. [https://bfti.org.bd/pdf/Final\\_NTM%20Study.pdf](https://bfti.org.bd/pdf/Final_NTM%20Study.pdf)

<sup>76</sup> Bhuyan, A. R. (2006). “Should Bangladesh Sign a Bilateral Free Trade Agreement with Pakistan?”

## Bangladesh's Trade Policies

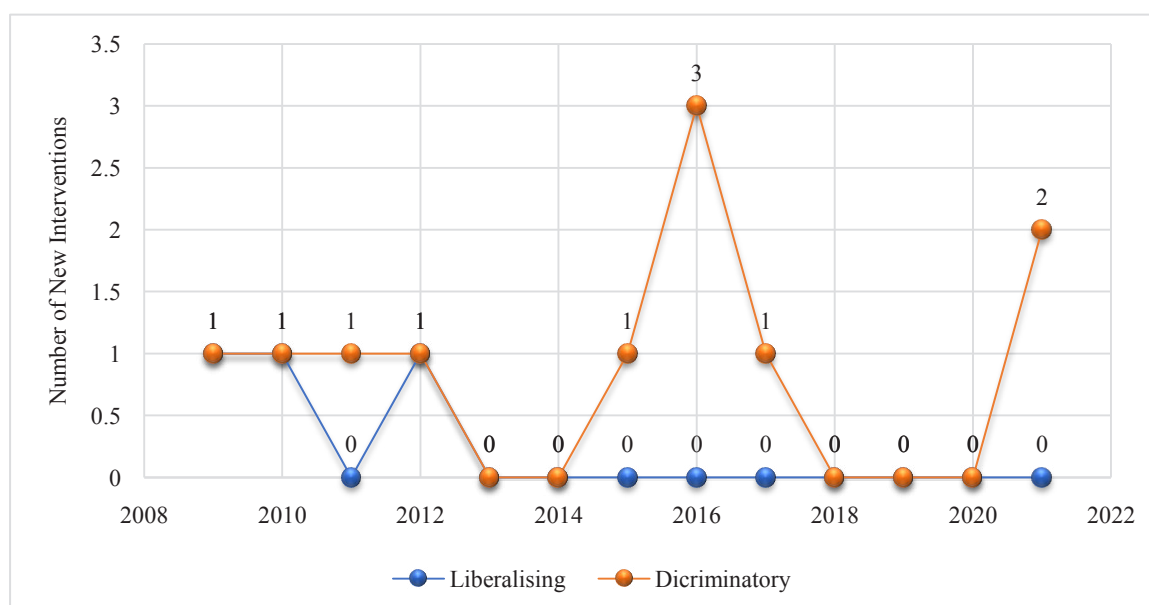
Table 8-2 Non-Tariff Barriers (NTBs) Applied by Bangladesh on the World and Pakistan

Country imposing	Partner affected	Requirements	Phase	Measures
Bangladesh	All Members	Export-related measures	In force	28
Bangladesh	All Members	Pre-shipment inspection	In force	4
Bangladesh	All Members	Price control measures	In force	22
Bangladesh	All Members	Quantity control measures	In force	27
Bangladesh	All Members	Sanitary and Phytosanitary	In force	79
Bangladesh	All Members	Technical Barriers to Trade	In force	82
Bangladesh	Bilateral	Export-related measures	In force	1
<b>Total Number of Measures Imposed by Bangladesh</b>				<b>243</b>

Source: UNCTAD TRAINS- Non-Tariff Measures

The figure below shows the number of interventions implemented by Bangladesh on Pakistan since 2009, divided into whether the intervention was liberalizing or harmful. During 2020, the Bangladesh government implemented 0 new measures on goods exported by Pakistan into Bangladesh.











Figure 8-5 All State Interventions of Bangladesh which Affect Pakistan



Source: Global Trade Alert

Figures 8-6 and 8-7 below show the Pakistani sectors and products most affected by the harmful and liberalizing trade interventions implemented by Bangladesh.

Figure 8-6 Pakistani Sectors Most Affected by Liberalizing and Harmful Interventions Implemented by Bangladesh

LIBERALISING			HARMFUL		
SECTOR		INTERVENTIONS	SECTOR		INTERVENTIONS
 Motor vehicles, trailers & semi-trailers; parts		2	 Vegetables		2
 Natural textile fibres prepared for spinning		1	 Forage; natural rubber; living plants; raw vegetable materials		2
 Textile yarn & thread of natural fibres		1	 Wearing apparel, except fur apparel		2
 Tanned or dressed leather; composition leather		1	 Packaging products of plastics		1
 Basic inorganic chemicals n.e.c.		1	 Prefabricated buildings		1

Source: Global Trade Alert

Figure 8-7 Pakistani Products Most Affected by Liberalizing and Harmful Interventions Implemented by Bangladesh

LIBERALISING			HARMFUL		
PRODUCT		INTERVENTIONS	PRODUCT		INTERVENTIONS
<b>8704</b> Motor vehicles for the transport of goods.		2	<b>0703</b> Onions, shallots, garlic, leeks and other alliaceus vegetables, fresh or chilled.		2
<b>2836</b> Carbonates; peroxocarbonates (percarbonates); commercial ammonium carbonate containing ammonium carbamate.		1	<b>5303</b> Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).		2
<b>3204</b> Synthetic organic colouring matter, whether or not chemically defined; preparations as specified in Note 3 to this Chapter based on synthetic organic colouring matter; synthetic organic products of a kind used as fluorescent brightening agents or as lumin		1	<b>2401</b> Unmanufactured tobacco; tobacco refuse.		1
<b>4104</b> Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared.		1	<b>6102</b> Women's or girls' overcoats, carcoats, capes, cloaks, anoraks (including skijackets), windcheaters, wind jackets and similar articles, knitted or crocheted, other than those of heading 61.04.		1
<b>5203</b> Cotton, carded or combed.		1	<b>6110</b> Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted.		1

Source: Global Trade Alert

### 8.1.4 Import Requirements and Documentation<sup>77</sup>

#### **Cotton: Pakistan's Export Potential = \$806.26 Million**

1. Proforma Invoice: issued by the exporter before opening of the LC
2. LC copy
3. Import Permit issued by Department of Livestock Service, Bangladesh
4. LCAF (Letter of Credit Authorization Form): issued by bank
5. Commercial Invoice: issued by the exporter
6. Packing List: issued by the exporter
7. Bill of Lading: issued by Shipping company
8. Bill of Exchange: issued by Exporter
9. Country of Origin: issued by any trade association of the exporting country
10. Phyto-Certificate: issued by agricultural department of the exporting country
11. Release order after fumigation of cotton issued by Plant Quarantine Office, Bangladesh

<sup>77</sup> United States Department of Agriculture (USDA). (2019, March). Food and Agricultural Import Regulations and Standards Report - Bangladesh (BG 1812). <https://apps.fas.usda.gov/>

### **Tree Nuts: Pakistan's Export Potential = \$4.09 Million**

1. Phyto-Certificate (Exporter)
2. Country of origin certificate (Exporter)
3. Fumigation certificate (Exporter)
4. Health certificate (Exporter)
5. USDA Quality inspection certificate (Exporter)
6. Weighmaster container certificate (Exporter)
7. Shipping line certificate (Exporter)
8. GMO certificate (Exporter)
9. Ocean bill certificate (Exporter)

### **8.1.5 Prohibited & Restricted Imports**

The Import Policy Order (2015-18) was issued to facilitate raw material imports for export-oriented industries. Some commodities, like vegetable seeds, cereals, and food products, have strict rules and regulations. Prohibited items include illegal substances, religiously sensitive material, some agro-based products, and many refurbished items. Only authorized industrial users (e.g., pharmaceutical companies) or government organizations (e.g., arms and ammunition) can import some prohibited commodities.<sup>78</sup>

### **8.1.6 Non-tariff Barriers Imposed by Bangladesh on the World for Pakistan's Priority Sectors<sup>79</sup>**

#### **Textiles: Pakistan's Export Potential = \$721.34 Million**

- Labels may be in English or Bangla and must include fiber content and origin country.
- Woven fabrics of silk or silk waste, certain types of cloth, and rags may be prohibited.
- A "certificate of cleanliness", signed by a physician, is required for used clothing.
- A certificate is required for used or new rags, scrap twine, cordage, rope and cables; and worn-out articles of twine, cordage, rope or cables, of textile materials.

#### **Vegetable Products: Pakistan's Export Potential = \$181.64 Million**

- A phytosanitary certificate is required for the import of most plants and plant products. Fruits and vegetables, except potatoes, are exempt from this requirement.
- Genetically modified organisms are subject to special requirements.
- An additional certificate is required for leaf tobacco.
- Raw sugar, semi-solid sugar, poppy seeds, grass seeds, and dried posto dana, ghas, bhang, and opium are prohibited.
- Tallow for soap and detergent products requires a certificate stating that "the tallow is free from radiation, D.D.B. and/or L.A.B." and this certificate must receive certification and legalization.
- A radiation certificate is required for many food products.
- Raw sugar, poppy seeds and dried posto dana, ghas, bhang, and opium are prohibited.
- Specific requirements apply to coconut oil.
- Genetically modified organisms are subject to special requirements.
- Imports of certain foodstuffs must be covered by a certificate of analysis.
- Radiation testing is required for vegetable seeds, edible oils, and cereal products.

<sup>78</sup> <https://www.privacyshield.gov/article?id=Bangladesh-Prohibited-Restricted-Imports>

<sup>79</sup> <https://www.gistnet.com/cidb-sample/bd.importproduct.html>

### **Food Products: Pakistan's Export Potential = \$90.21 Million**

#### **Documentation:**

- A "radiation certificate," certifying the foods have not been exposed to radioactivity, is required for most food products.
- Food products require a certification "from the government of the exporting country or from appropriate approved agency to the effect that the item is 'fit for human consumption', 'that it does not contain harmful ingredients', or that 'it is free from all kinds of harmful germs'. Such a certificate shall mention the age group for which the item is eligible for consumption".
- Certain food products are subject to standards and may require a certificate of conformity.
- Food products may be subject to testing by the Bangladesh Standard & Testing Institution (BSTI) and/or the Bangladesh Centre for Science and Industrial Research. The products should meet the Bangladesh Standard (BDS). BSTI has signed agreement/MOU with Pakistan Standards and Quality Control Authority (PSQCA) in the field of standards and quality assurance.<sup>80</sup>

#### **Restrictions/prohibitions:**

- Palm oil (solid or semisolid) and raw sugar are prohibited.
- "According to the Import Policy Order 2015 to 2018, imports of prawns, poppy seeds, grass seeds, semi-solid sugar, artificial mustard oil, live swine, and any products derived from swine are not allowed market entry."

#### **Labeling:**

- Labels must include country of origin, quantity/weight, and list of ingredients.
- Date of manufacture and date of expiry must be shown.
- Special labeling requirements apply to certain milk and baby food products.
- Labels may be in English or Bangla.

#### **Packaging:**

- A measuring spoon must be supplied in all containers of dehydrated baby food.
- Nonfat dried milk may be imported in airtight containers only, bags or tins.

### **Chemical and Allied Industry Products: Pakistan's Export Potential = \$80.67 Million**

- Ethyl alcohol, 80 percent or higher and other denatured spirits of any strength are prohibited from being imported.

### **Cement and Salt Products: Pakistan's Export Potential = \$51.02 Million**

- Certificate of conformity is required for construction materials.

### **Metal Products: Pakistan's Export Potential = \$101.47 Million**

- Imports of iron and steel may require a producer's "certificate of conformity".
- Special requirements apply to iron, steel and aluminum waste and scrap products.

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<sup>80</sup> Bangladesh Foreign Trade Institute (BFTI). (2019, May). Identification of Non-Tariff Barriers Faced by Bangladesh in Exporting Potential Exportable Products to Major Export Markets. [https://bfti.org.bd/pdf/Final\\_NTM%20Study.pdf](https://bfti.org.bd/pdf/Final_NTM%20Study.pdf)

## Bilateral Market Access Analysis

Pakistan has applied tariffs of between 2 and 59 percent at the HS-02 level on goods imported from Bangladesh. The left panel of the table below shows that 25 out of 99 HS-02-digit chapters are subject to an average tariff of 2 to 4 percent. The tariffs on the remaining 71 chapters (at the HS-02 level) range from 5 to 59 percent, with only 2 chapters facing tariffs between 30 and 59 percent. These chapters include 'Beverages, spirits, and vinegar' (HS-22) and 'Vehicles other than railway or tramway rolling stock, and parts and accessories thereof' (HS-87). The average tariff on Bangladeshi products imported by Pakistan is 7.8 percent across all 99 chapters.

The distribution of HS-codes (at 2 digits) over tariff brackets for Bangladesh's average tariffs on Pakistani exports is shown in the right table below. The highest number of products at the HS-02 level, 27 products, are subject to tariffs ranging from 3 to 5 percent, while 16 products at the HS-02 level are subject to tariffs ranging from 0 to 2 percent. The average tariff on products imported into Bangladesh from Pakistan across all 99 chapters is 9.0 percent, with the highest tariff at 25 percent.

Table 8-3 Tariff Applied by Pakistan on Bangladesh

Number of Products at HS-02	Tariff Range
25	2-4
37	5-7
14	8-10
11	11-13
4	14-16
3	17-18
2	30-60

Source: ITC, Trade Map

Table 8-4 Tariff Applied by Bangladesh on Pakistan

Number of Products at HS-02	Tariff Range
16	0-2
27	3-5
10	6-8
10	9-11
11	12-14
6	15-17
9	18-20
7	22-25

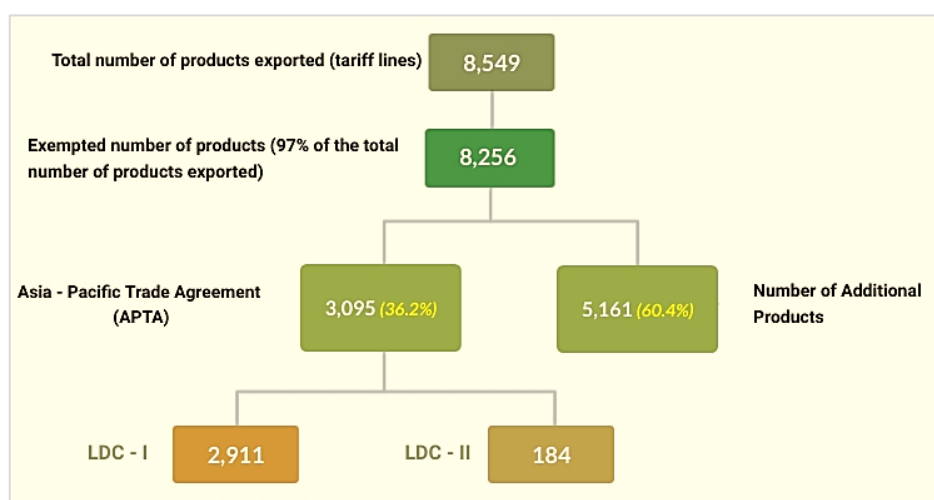
Source: ITC, Trade Map

## Chapter 9 Unilateral Access to the Chinese Market for Bangladesh's Exports

Bangladesh's largest trading partner, China, has recently granted zero-duty concession to 97 percent of Bangladeshi imports. Previously, 3,095 Bangladeshi products (36.2 percent of total exports) had duty-free access to the Chinese market under the Asia-Pacific Trade Agreement (APTA).

According to the State Council of the Ministry of Finance of China, a total of 8,256 Bangladeshi products will be included in the 97 percent of products that will be exempted from tariffs, with a preferential tax rate of zero being imposed, effective from July 1st, 2020.

Figure 9-1 Number of Eligible Products for Tariff Exemption



Bangladeshi producers will be able to make use of this duty-free and quota-free provision after adding 40 percent value to their products. Pharmaceuticals, readymade garments, frozen food, seafood, and vegetables from Bangladesh have a great opportunity of expanding into the Chinese markets.

China enjoys a competitive advantage in bilateral trade. China exported \$12 billion worth of commodities to Bangladesh in the previous fiscal year, while Bangladesh exported only \$831 million.

Businesses claim that despite the fact that labor in Bangladesh is lower than in China and that Bangladeshi products are in high demand in the Chinese market, tariffs prevent Bangladesh from increasing exports to China. Bangladesh Tanners' Association President Shahin Ahmed stated that previously, Bangladesh could export over 3,000 items to China without suffering tariff hurdles by adding 35 percent value to those exports.



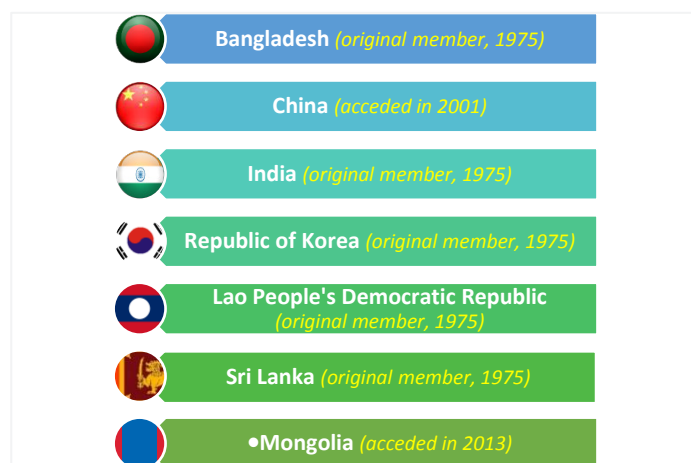
Source: The Business Standard

However, because the more prominent export items were not on the list of products covered by the facility, Bangladesh could not obtain the facility on the majority of the prospective export items. Currently, China purchases 50% of Bangladesh's tannery products, he said, adding that the newly announced facility will boost the sector.

The Asia-Pacific Trade Agreement (APTA), formerly known as the Bangkok Agreement, is a preferential trade agreement. Its goal is to promote economic development and cooperation by enacting mutually beneficial trade liberalization policies.

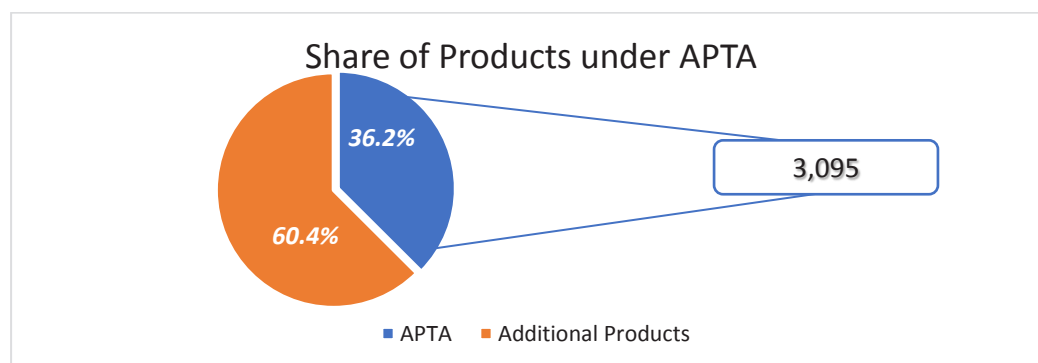
The rules of origin are considerably more flexible for LDCs. The value addition requirement is 35 percent, compared to 45 percent for non-LDCs; regional cumulation is permitted with a value addition requirement of 50 percent, compared to 60 percent for non-LDCs.

Figure 9-2 APTA Member Nations



Under the Asia-Pacific Trade Agreement, 3,095 Bangladeshi products enjoy duty-free access to the Chinese market (APTA).<sup>81</sup>

Figure 9-3 Share of Products under APTA



Source: Ministry of Commerce Bangladesh <https://mincom.gov.bd/>

Table 9-1 Number of Tariff lines under Asia - Pacific Trade Agreement (APTA)

Category	Number of Tariff Lines Products in that Category	Preferential rate (%)	General Rate (%)
Animal & Animal Products	65	0%	20% - 90%
Vegetable Products	201	0%	8% - 100%
Foodstuff	142	0%	30% - 180%
Mineral Products	40	0%	11% - 80%
Chemical Products & Allied Industries	790	0%	8% -150%

<sup>81</sup><https://economictimes.indiatimes.com/news/defence/nepal-on-its-side-china-now-woos-bangladesh/articleshow/76477205.cms?from=mdr>

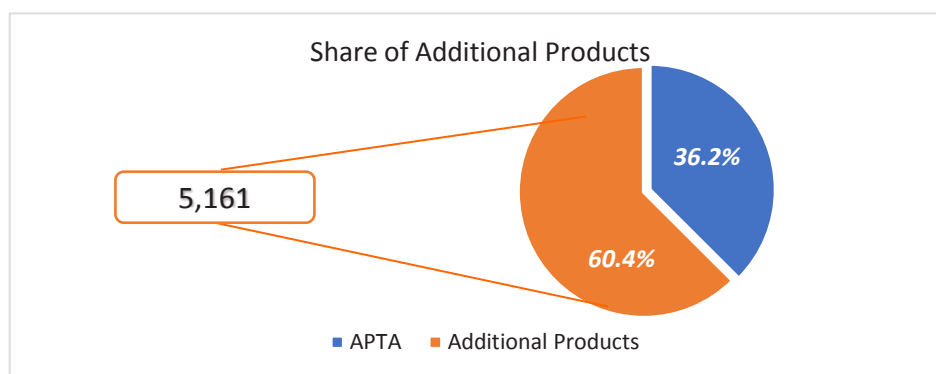
Category	Number of Tariff Lines Products in that Category	Preferential rate (%)	General Rate (%)
Plastics/Rubber	84	0%	40% - 90%
Raw Hides, Skins, Leathers & Furs	37	0%	30% - 150%
Wood & Wood Products	102	0%	17% - 100%
Textiles	337	0%	20% - 130%
Footwear/Headgear	38	0%	90% - 130%
Stone/Glass	116	0%	8% - 130%
Metals	220	0%	8% - 100%
Machinery/Electrical	529	0%	8% - 130%
Transportation	186	0%	11% - 270%
Miscellaneous	242	0%	11% - 130%
<b>TOTAL</b>	<b>3,129</b>		

Note: There exist a slight discrepancy in the number of tariff lines.

Source: Ministry of Commerce Bangladesh <https://mincom.gov.bd/site/notices/90aa0371-9c9c-41db-9d66-df11bb56eb14/>

However, Bangladesh could not really capitalize on this opportunity because the facility was limited to less essential export commodities than Bangladesh's primary exportable goods. The new facility would allow Bangladeshi products unrestricted access to the Chinese market. China awarded zero-tariff treatment to 5,161 more Bangladeshi items entering the Chinese market beginning July 1st, 2020.

Figure 9-4 Share of Additional Products



Source: Ministry of Commerce Bangladesh <https://mincom.gov.bd/>

Table 9-2 Number of Additional Tariff Lines

Category	Number of Tariff Lines	Preferential rate (%)
Animal & Animal Products	424	0%
Vegetable Products	310	0%
Foodstuff	137	0%
Mineral Products	160	0%
Chemical Products & Allied Industries	542	0%
Plastics/Rubber	186	0%
Raw Hides, Skins, Leathers & Furs	48	0%
Wood & Wood Products	172	0%
Textiles	755	0%
Footwear/Headgear	30	0%
Stone/Glass	174	0%
Metals	543	0%
Machinery/Electrical	1,072	0%
Transportation	166	0%
Miscellaneous	294	0%
<b>TOTAL</b>	<b>5,013</b>	

Note: There exist a slight discrepancy in the number of tariff lines.

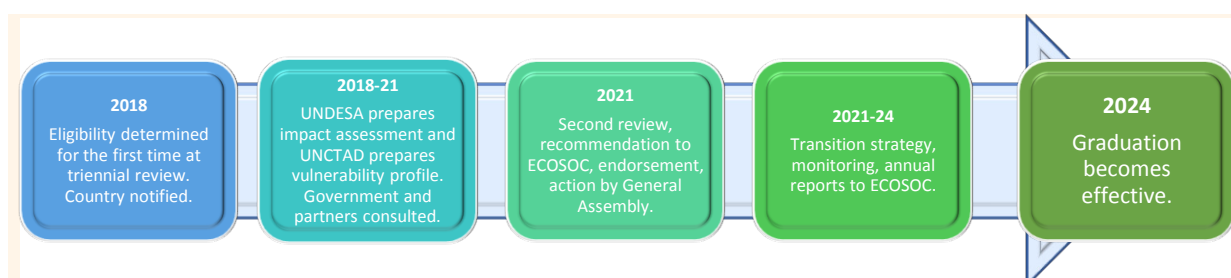
Source: Ministry of Commerce Bangladesh <https://mincom.gov.bd/site/notices/90aa0371-9c9c-41db-9d66-df11bb56eb14/>

## Chapter 10 Graduation of Bangladesh from the category of Least Developed Countries (LDCs): An Opportunity for Pakistan?

Bangladesh has met all three criteria for graduation from LDC status and is expected to do so in 2024. The country has a current per capita income of \$1,827 compared to the threshold of \$1,272; an economic vulnerability index of 27 out of 32 or less; and a human development index of 75.4 which is higher than the 66 or lower for LDCs.

The UN Committee on Development Policy is expected to complete the final assessment in 2021. (UN CDP). If the UN CDP's assessment is positive, Bangladesh will become a developing nation in 2024.<sup>82</sup>

Figure 10-1 Timeline for Graduation from LDC Status



Source: United Nations Department for Economic and Social Affairs<sup>83</sup>

### Graduation Cost to Bangladesh

According to a recent analysis by the World Trade Organization (WTO), Bangladesh is expected to face an average tariff hike of up to 9 percent in its preferential export markets after graduating from the category of Least Developed Countries (LDCs). Moreover, graduation from the LDC status would have the most significant impact on the country's exports, which are expected to drop by 14 percent, due to loss of the duty-free, quota-free (DFQF) provision, amounting to about \$2.5 billion annually. Some 74 percent of Bangladesh's exports are made under preferential treatment granted by 39 countries (27 of which are within the EU) under the LDC criteria. Out of the 74 percent, 64 percent comes from the EU markets, the remaining 10 percent from Japan, Canada, and other developed countries.



Source: The Business Standard

Bangladesh benefits from preferential treatment, including DFQF access, in the EU under the "Everything But Arms" policy and Canada, Japan, and the United States under their respective GSP programs.

<sup>82</sup> The country is likely to be recommended for graduation by 2024 at the next triennial assessment in 2021. The government has also adopted 'Vision 2041' that seeks to eliminate extreme poverty and reach Upper Middle-Income Country (UMIC) status by 2031, and High-Income Country (HIC) status by 2041.

<sup>83</sup> <https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/1A-Bangladesh-2019.pdf>

Table 10-1 Preference utilization by LDC beneficiaries in preference-granting markets<sup>84</sup>

WTO LDC Beneficiary	Australia	Canada	Chile	China	European Union	India	Japan	Korea, Republic of	Norway	Switzerland	Chinese Taipei	USA
	GSP	LDC	Duty-free treatment for LDCs		EBA	DFTP Scheme for LDCs	GSP	Preferential Tariff for LDCs	GSP	GSP	Duty Free Market Access for LDCs	GSP
Bangladesh	93.1	89.4	3.3	42.4	95.8	0	94.1	85.8	76.1	46.0	42.9	-

Source: WTO, World Tariff Profiles 2018

Pakistan has no LDC-specific preferences, therefore, as a major importer of Bangladeshi jute, there will be no impact on trade post-graduation.<sup>85</sup> On the other hand, SAFTA's LDC-specific provisions will no longer be available to Bangladesh.<sup>86</sup>

Table 10-2 SAFTA's LDC-specific Provisions

Market	LDC-specific scheme (tariffs)	Tariffs applicable after graduation (MFN applies when the product is not covered by preferential arrangements)	LDC-specific rules of origin	Rules of origin applicable after graduation	Smooth transition arrangements
SAFTA	Smaller sensitive lists for LDCs in some Members (including Bangladesh in regard to other LDCs).	Non-LDC (larger) sensitive lists apply	Change of tariff heading and value addition of 10% less than the requirement for non-LDCs	Change of tariff heading and value addition of 10% more than for LDCs (60% general rule; some product specific rules)	No established smooth transition provision.

Source: Trade impacts of LDC Graduation, WTO

All tariff benefits will be removed once the country has graduated. Only the European Union (EU) will extend Bangladesh's tariff advantage for another three years as a grace period. This means that Bangladesh will stand to profit from the zero-duty benefit to the EU until 2027, while the tariff advantages for the rest of the world will be phased out in 2024.

After graduation, Bangladesh will face competition in Europe since Vietnam has already inked a free trade agreement (FTA) with the EU. Moreover, if the EU's Everything But Arms (EBA) policy is not renewed, Bangladesh's exports will fall by 5.7 percent a year, as local exporters will have to pay an 8.7 percent tariff to the EU.<sup>87</sup>

## Opportunity for Pakistan

Bangladesh is increasingly focusing on bilateral, preferential trade agreements (PTAs) and free trade agreements (FTAs) to enhance export revenues and obtain improved market access in the next 3-6 years as it prepares to graduate from the least developed country (LDC) status in 2024. The Bangladesh government is considering trade agreements with 44 countries to see if PTAs are possible. Dhaka has approached 11 countries to sign free trade agreements. These countries' responses have mostly been positive. Therefore, Pakistan can avail of this opportunity and negotiate with the Bangladesh government for a free or preferential trade agreement.<sup>88</sup>

<sup>84</sup> Preference Utilization Rates (PURs) measure the extent to which tariff preferences provided by a particular trade agreement are being used by imports and exports of either side.

<sup>85</sup> Ex ante assessment of the possible impacts of the graduation of Bangladesh from the category of Least Developed Countries (LDCs). Retrieved from: <https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/IA-Bangladesh-2019.pdf>

<sup>86</sup> Bangladesh, Afghanistan, Bhutan, Maldives, Nepal, India, Pakistan, Sri Lanka

<sup>87</sup> The European Union's Everything But Arms (EBA) initiative has a built-in transition period that provides graduating LDCs with duty-free quota-free market access – a continuation of EBA benefits – for a period of three years after the graduation date.

<sup>88</sup> <https://www.dhakatribune.com/business/2020/12/12/bangladesh-pins-hopes-on-various-trade-deals-after-ldc-graduation>

## Chapter 11 Investment Climate in Pakistan and Bangladesh

The Government of Bangladesh (GOB) actively seeks foreign investment, particularly in agribusiness, garment/textiles, leather/leather goods, light manufacturing, oil and gas, information and communications technology (ICT), and infrastructure projects. Under its industrial policy and export-oriented economic plan, it provides a variety of investment incentives, with few formal distinctions between foreign and domestic private investors. All but four sectors (i.e., (1) arms and ammunition and other defense equipment and machinery, (2) forest plantation and mechanized extraction within the bounds of reserved forests, (3) production of nuclear energy, and (4) security printing and mining) are open for private investment in Bangladesh.

### FDI Inflows (Net) by Sector

Foreign investment is, nevertheless, particularly sought out for in the following main industry sectors:

- Export-oriented industries
- Industries in the Export Processing Zones (EPZs)
- High technology products that will be either import substitution or export-oriented.

Table 11-1 FDI Inflows (Net) by Sector, 2019

*All values in US\$, Millions*

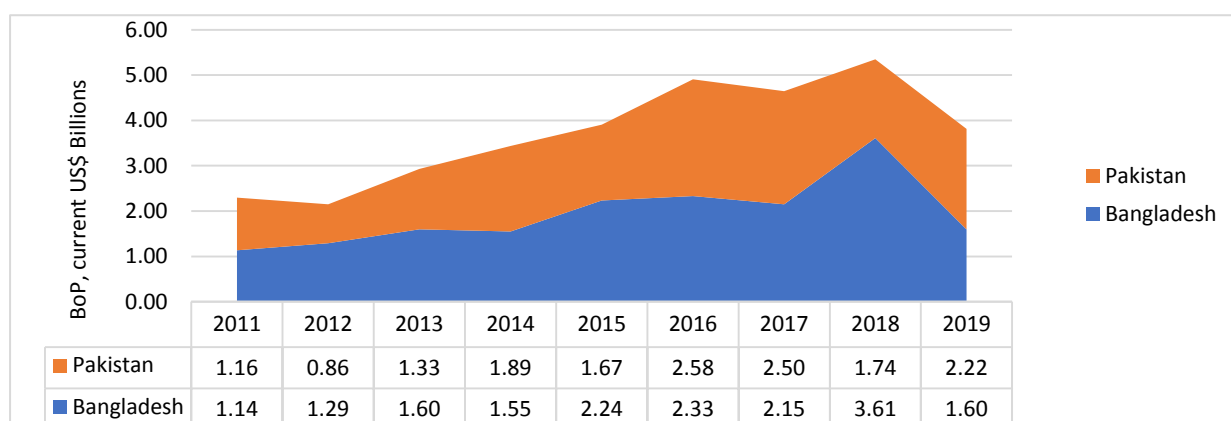
Sector	Net Inflow
Agriculture & Fishing	27.78
Mining and Quarrying	0.02
Power, Gas & Petroleum	1,061.27
Power	941.53
Gas & Petroleum	119.74
Manufacturing	851.94
Food Products	248.51
Textiles & Apparel	244.18
Pharmaceuticals & Chemicals	49.93
Metal & Machinery Products	26.41
Vehicle & Transport Equipment	7.48
Fertilizer	24.41
Cement	20.00
Leather & Leather Products	51.90
Other Manufacturing	179.12
Construction	64.05
Trade & Commerce	472.60
Trading	101.76
Banking	335.33
Insurance	33.14
NBFI (Including Financial Intermediaries)	2.37
Transport, Storage & Communication	221.11
Telecommunication	208.35
Transport, Storage & Others	12.76
Services	160.55
Hotel & Restaurant	0.91
Clinical	2.19
Computer Software & IT	41.75
Other Service	115.70
Other Sector	14.63
<b>Total</b>	<b>2,873.95</b>

Source: Bangladesh Bank

Despite being ranked lower than Bangladesh in the Milken index, Pakistan still receives more Foreign Direct Investment (FDI) than Bangladesh, especially from the Middle Eastern countries.<sup>89</sup>

According to data published by UNCTAD, FDI in Bangladesh fell by 55.7 percent to \$1.60 billion in 2019 (compared to \$3.61 billion in 2018). Pakistan experienced a 27.7 percent increase in FDI inflow, causing Bangladesh to drop to third place in South Asia. However, the rate of FDI inflows is about 1 percent of GDP, which is one of the lowest in Asia.

Figure 11-1 Foreign Direct Investment, Net Inflows



Source: UNCTAD

### China is the top investor with \$625.92 million

China is the leading investor in the country with \$625.92 million in 2019. The United Kingdom invested the second highest amount of \$416.14 million, and Singapore was at number three with \$272.07 million.

Table 11-2 Net FDI Inflows by Country, 2019

All values in US\$, Million

Country	Net Inflows
China	625.92
United Kingdom	416.14
Singapore	272.07
United States	197.52
Norway	194.19
Netherlands	191.70
United Arab Emirates	153.25
Hong Kong, China	145.31
India	115.99
Japan	72.33
Other Countries	489.53

Source: Bangladesh Bank

<sup>89</sup> Bhuiyan, M. (2021, February 6). Bangladesh overtakes Pakistan in attracting foreign investors. The Business Standard. <https://www.tbsnews.net/bangladesh/bangladesh-overtakes-pakistan-attracting-foreign-investors-197374>

## Reasons favoring FDI inflow into Bangladesh

In comparison to other South Asian nations, Bangladesh has an unrivaled investment climate. Some key aspects of Bangladesh's investment climate are as follows:

- Stable economic growth with a growth rate of 8.2 percent in 2019 and 3.8 percent in 2020 (IMF)
- A favorable geographic location as a gateway to Asia-Pacific countries
- Nation-wide inland water and sea connectivity
- A 64 percent working-age population led demographic dividend.
- An enthusiastic and low-cost workforce suitable for any labor-intensive industry
- Rising middle-income group and domestic consumption
- Policy reforms
- One-Stop Service (OSS) for investors
- Positive business environment
- Suitable economic, political and legislative environment for businesses
- Expanded domestic market
- A strategic and competitive position in the global economy's value chain
- Infrastructural projects such as Padma Bridge, Rooppur Nuclear Power Plant, and LNG terminals
- Tax policy support provided by the NBR to support the manufacturing sector
- Improvement in investor's confidence as equity investment increased by 108.6 percent to \$1.12 billion, which was \$539 million.
- Increase in intra-company loans by 254 percent, from \$333.24 million to \$1.18 billion.
- A satisfactory level of the public debt of 39.6 percent in 2020 (IMF)

## Incentives for Investment in Bangladesh

- 100 percent foreign equity participation is allowed.
- A corporate tax holiday for seven years (15 years in the power sector) is allowed.
- Income, capital gains, and interest on overseas loans are all tax-free.
- Income Tax exemption for the first 3 years. After 3 years, 80% exemption on income tax for 4th year, 70% for 5th year, 60% for 6th year, 50% for 7th year, 40% for 8th year, 30% for 9th year, and 20% for 10th year.
- Exemption of custom duties on imports of equipment & raw materials used to produce exported goods.
- Land Lease term: 50-years with scope of extension to industrial tenants.
- Remittance of technical fees and royalties following BOI rules about technical assistance/royalty agreements.
- 100 percent FDI, joint ventures partnerships, non-equity mode, and full repatriation of capital, dividend, profit, investment, and income.<sup>90</sup>
- Establishment of 100 Special Economic Zones (SEZs) by 2030.<sup>91</sup>
- Issuance of official work permits, multiple-entry visas for periods ranging from one month to five years, and citizenship on investment of US\$1 Million or fixed deposit of US\$2 Million in a scheduled bank. Foreign workers can obtain a work permit from BIDA, BEZA, or BEPZA. The

<sup>90</sup> Dhaka Chamber of Commerce & Industry (DCCI)

<sup>91</sup> The economic zone in Mirsarai, named "Bangabandhu Sheikh Mujib Shilpa Nagar," is being developed on 30,000 acres of land, stretching to Feni's Sonagazi Upazila. This new zone is expected to create employment opportunities for 1.5 million people within the next 15 years and ensure export earnings of \$15 billion. Retrieved from: <https://www.dhakatribune.com/business/2019/05/09/fdi-rises-by-67-in-2018>.

number of expatriate personnel in an industrial company cannot exceed a 1:20 (foreign: local) ratio in industrial settings and a 1:5 (foreign: local) ratio in commercial establishments.

- Non-Resident Bangladeshis (NRBs) and individual investors can make portfolio investments in Bangladesh stock markets. A quota of 10 percent in significant public shares has been set aside for NRBs. They can also keep foreign currency in the Non-resident Foreign Currency Deposit (NFCD) account.<sup>92</sup>
- Special assistance and venture capital support to ‘thrust sectors.’
- No approval of Bangladesh Bank's is required to transfer Bangladeshi shares and securities from one shareholder to another irrespective of their nationality. Similarly, no permission is needed if the entrepreneurs use their funds to set up a joint venture.
- Shares acquired from abroad via the bank transfer or against the import of capital machinery may be issued against freely convertible foreign exchange. Except in the case of Type A (fully foreign-owned) and Type B (Joint Venture) units of EPZs and EZs, where equity in FC brought from abroad may be maintained in FC accounts of the units concerned, foreign exchange brought in must be encashed in taka before the issue of shares.

### Comparison of Investment Laws and Incentives – Pakistan Vs. Bangladesh

#### Labor Policies and Practices

Bangladesh has labor laws that govern job conditions, working hours, minimum wage levels, leave policies, health and sanitary standards, and worker compensation. Following is the list of labor deductions and social security schemes offered in Pakistan and Bangladesh.

Pakistan	Bangladesh
<ul style="list-style-type: none"> <li>• Provincial Employees' Social Security Institutions (ESSI)</li> <li>• Employees' Old-Age Benefits Institution (EOBI)</li> <li>• Workers Welfare Fund (WWF)</li> <li>• Workers Profit Participation Fund (WPPF)</li> </ul>	<ul style="list-style-type: none"> <li>• National Social Security Strategy (NSSS)</li> <li>• Social Security Policy Support (SSPS)</li> <li>• Social Economic Recovery Framework (SERF)</li> <li>• Food for Work Programme (FWP)</li> <li>• Employment Generation Programme for the Poorest (EGPP)</li> <li>• Vulnerable Group Development (VGD)</li> <li>• Government Service Pension</li> </ul> <p><b><u>ILO's Programmes in Bangladesh:</u></b></p> <ul style="list-style-type: none"> <li>• Employment Injury Insurance (EII)</li> <li>• Persons with Disabilities (PWDs)</li> <li>• Wage subsidy</li> <li>• Unemployment insurance</li> <li>• UN-SERF</li> <li>• UN SDG Joint Programme for tea gardens</li> </ul>

Foreign firms entering the host country increase labor demand. According to relevant studies, inward FDI leads to higher salaries, improved productivity, and increased wage inequality, owing to a rise in the skill premium, which is the difference in wages between skilled and unskilled workers.

Table 11-3 Minimum Wage Rate in Bangladesh and Pakistan

	Minimum Wage Rate (in US\$)
Bangladesh	97
Pakistan	113

<sup>92</sup> <https://www.bb.org.bd/investfacility/invesfac.php>

Table 11-4 Productivity Indicators

	Labour productivity (US\$ per hour worked, 2017)	Capital Deepening /Capital stock per hour worked (US\$, 2017)	Energy productivity (US\$ 000' per toe, 2016)
<b>Bangladesh</b>	3.8	7.9	18.7
<b>Pakistan</b>	8.8	7.8	12.4

Source: Asian Productivity Organization, 2019

Table 11-5 Productivity Growth Indicators

	Per-Hour Labor Productivity Growth [% (per year)]		Capital Productivity Growth [% (per year)]		TFP Growth [% (per year)]	
	2015-17	2017-20	2015-17	2017-20	2015-17	2017-20
<b>Bangladesh</b>	5.8	4.2	-7.4	-0.9	0.9	0.8
<b>Pakistan</b>	4.4	2.0	-2.6	1.2	2.5	0.7

Source: Asian Productivity Organization, 2019

## Responsible Business Conduct

The Commitment. Sustainability. Responsibility (CSR) center, in collaboration with the Bangladesh Enterprise Institute (BEI), serves as the joint focal point for the United Nations Global Compact (UNGC) and its principals in Bangladesh. The United Nations Global Compact is the largest corporate citizenship and sustainability programme in the world. The Centre is a part of the South Asian Network on Sustainability and Responsibility (SANSAR), a regional RBC platform. Afghanistan, Bangladesh, India, Nepal, and Pakistan are the current members of SANSAR.

## Bilateral Investment Conventions Signed by Bangladesh and Pakistan

Bangladesh has signed BITs with many countries, including Pakistan, to promote and protect investments. Typical BIT provisions cover foreign investment protection and treatment norms, which often cover concerns like fair and equitable treatment, security, and complete safety. Most IIAs cover both foreign investments and cross-border financial transfers. Pakistan has signed BITs with 49 countries, but only 27 have come into force.

## Double Taxation Avoidance Agreement (DTAA)

Other than trade agreements, Bangladesh has also signed Double Taxation Avoidance Agreements (DTAA) with 36 countries including, Pakistan. This addresses income taxability concerns and assists individuals in avoiding paying income tax twice on the same income, asset, and financial transaction in two separate jurisdictions.<sup>93</sup>

Pakistan has double taxation agreements with 63 countries.

## Legal Regime

Bangladesh Investment Development Authority (BIDA) maintains a website named "One-Stop Service," covering essential laws, rules, procedures, and reporting requirements for investors.

In Pakistan, the Federal Board of Revenue (FBR) has recently launched Pakistan Single Window Programme (PSWP). The PSWP will connect the Web-based One Customs (WeBOC) system with customs, banking channels, and other institutions to improve efficiency and minimize processing time in multiple departments. This initiative is expected to increase the ease of doing business in Pakistan, and this will enhance the country's image and attract foreign direct investment.<sup>94</sup>

<sup>93</sup> <https://www.thedailystar.net/law-our-rights/news/double-taxation-avoidance-mechanism-bangladesh-1996229>

<sup>94</sup> <https://tribune.com.pk/story/2303147/fbr-launches-single-window-programme>

## Legal Protection

The GOB ensures protection of foreign investment through the Foreign Private Investment Act of 1980. In addition, Bangladesh is a signatory to MIGA (Multilateral Investment Guarantee Agency), OPIC (Overseas Private Investment Corporation) of USA, ICSID (International Centre for Settlement of Investment Disputes) and a member of the WIPO (World Intellectual Property Organization).

## Dispute Settlements

The BITs also include a provision on dispute settlement between the investor and the state. Typically, this allows investors the ability to file a lawsuit with an international arbitration tribunal if they have a disagreement with the host country. Arbitration is commonly sought at the International Center for Settlement of Investment Disputes (ICSID), the United Nations Commission on International Trade Law (UNCITRAL), and the International Chamber of Commerce (ICC).

## Financial Sector

**Foreign Exchange:** The Bangladesh 'Taka' is convertible. Individuals and businesses in Bangladesh may conduct all current international transactions, including trade and investment, without prior Bangladesh Bank approval. In Pakistan, there is no clear policy regarding the convertibility of assets linked to foreign currency investments. The SBP adopts a case-by-case approach.

**Remittances:** Foreign companies operating in Bangladesh can issue shares to non-Bangladeshis in exchange for investment in establishing industries in Bangladesh (dividends on such shares are sent to non-resident investors) without prior approval from the Bangladesh Bank.

**Bank Credit:** Foreign investors can borrow money from local banks and non-banking financial institutions (NBFIs) via their Bangladeshi subsidiaries. This includes working capital loans, secured overdrafts, term and demand loans, loans from the central bank's Export Development Fund, and lease financing. Foreign investors can borrow money in Pakistan, subject to the SECP and SBP's current norms and regulations, as well as the debt-equity ratio.

**Sovereign Wealth Funds:** Sovereign wealth funds are special investment funds established by governments to hold foreign assets.<sup>95</sup> In February 2017, the Cabinet approved the establishment of a US\$10 billion Bangladesh Sovereign Wealth Fund (BSWF) that excess foreign exchange reserves will create. Pakistan does not have its sovereign wealth fund (SWF), and there are no particular exemptions in Pakistani tax legislation for global SWFs.

## Corporate Tax Rate:

Various studies confirm that there exists a negative relationship between corporate tax rate and the level of FDI. The countries that cut their corporate tax rates attract a higher amount of FDI following this decrease. (Nazir *et al.*, 2020); (Abdioğlu *et al.*, 2016).

Table 11-6 Corporate Tax Rates in Pakistan and Bangladesh

Country	Corporate Tax Rate (%)
Pakistan	29.0
Bangladesh	32.5

Source: Trading Economics

<sup>95</sup> <https://unctad.org/press-material/sovereign-wealth-funds-beginning-play-major-role-foreign-direct-investment-through-mergers-and-acquisitions>

## Utility Prices for Export Oriented Industries:

Bangladesh has made gradual headway in removing some investment obstacles, such as taking steps to improve energy reliability, but poor infrastructure and a congested road network continue to hamper foreign investment.

In recent years, US enterprises have claimed that they have had difficulty obtaining the initial investment incentives granted by the GOB. Several organizations have claimed instances of infrastructure commitments (ranging from power to gas connections) that have not been fully fulfilled or tax breaks that have been postponed, either temporarily or indefinitely.

Pakistan has 23 notified special economic zones (SEZs), with the government recently beginning work on ten of them. All potential investors in SEZs are offered a package of incentives. Despite offering significant financial, investor service, and infrastructure benefits to lower the cost of doing business, Pakistan's SEZs have so far failed to attract investments due to a lack of basic infrastructure facilities.

The following table shows the utility incentives provided by the Bangladeshi and Pakistani governments to promote trade and investment.

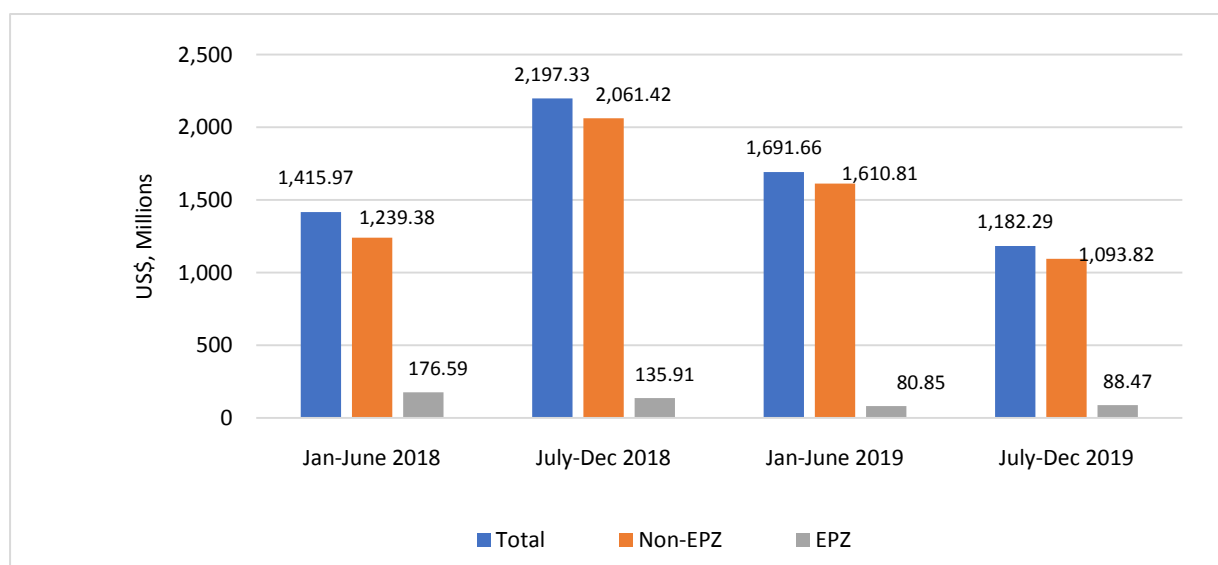
Table 11-7 Utility Prices for Export Oriented Industries

Public Utility Rate	Pakistan	Bangladesh
Electricity Tariff (US cents/kWh)	9.0	11.0 <sup>96</sup>
Gas Tariff (US\$/MMBTU)	6.5	4.6

## Investment in EPZs and Non-EPZs in Bangladesh

FDI inflows (net) in the non-EPZ areas was US\$1,093.82 million from July to December 2019, accounting for 92.5 percent of overall inflows (net). FDI inflows (net) in EPZ areas, on the other hand, totaled US\$88.47 million from July to December 2019, accounting for 7.5 percent of overall inflows (net).

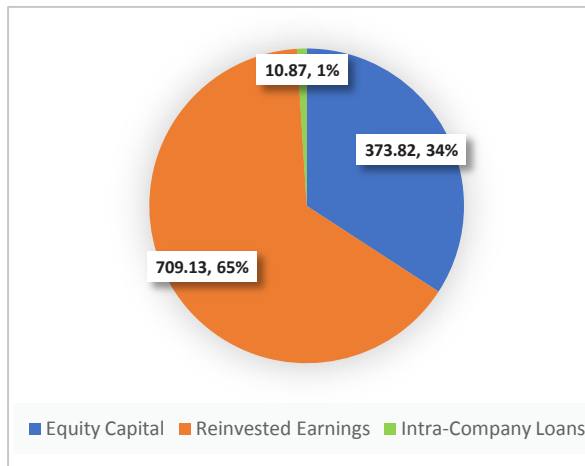
Figure 11-2 FDI Inflows (Net) by Non-EPZ and EPZ Area



Source: Bangladesh Bank

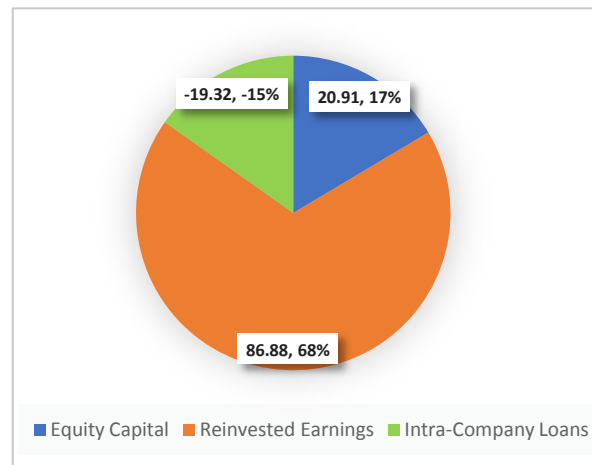
<sup>96</sup> These charges are inside the zone. Outside the zone charges are less than 10%.

Figure 11-3 FDI Inflows (Net) of Non-EPZ area by Components during July-December, 2019 (in US\$, Millions)



Source: Bangladesh Bank

Figure 11-4 FDI Inflows (Net) of EPZ area by Components during July-December, 2019 (in US\$, Millions)



Source: Bangladesh Bank

## Chapter 12 Inputs from Commercial Section, Pakistan High Commission in Bangladesh

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*The views expressed in this section are those of the Commercial Section of the Pakistan High Commission in Dhaka. Some minor editing has been done to the original text for brevity & clarity.*

### **Stricter Visa Regimes for Pakistani Businessmen is a Major NTB**

Bangladesh's stringent visa policy for Pakistani business persons appears to be motivated by political considerations. Pakistani businessmen find it difficult to travel to Bangladesh to conduct business deals. Therefore, as an alternate, the Pakistan High Commission works to send businessmen from Bangladesh to Pakistan since the visa is issued by the High Commission of Pakistan in Bangladesh.

### **Delayed Clearance of Consignments at the Chittagong Port**

According to sources, Pakistani denim products (woven fabrics) are shipped in two types of consignments: nominated and non-nominated. Nominated consignments of international retailers based in Bangladesh arrive in Bangladesh relatively quickly. Non-nominated shipments of small businesses of yarn and fabric face delays in the release of consignments as Chittagong Port experiences severe congestion, which causes a vessel backlog at the outer anchorage lasting from several days to more than a week. Another reason for the delay, as reported by denim exporters, is that the consignments are thoroughly checked and verified, due to which the process takes time.

### **Lack of a Direct Shipping Line**

There is no facility for direct shipment of goods between Pakistan and Bangladesh. Pakistan's export cargo is transported from Karachi to Chittagong through transshipment via Singapore or Colombo. It is estimated that it takes an extra 15 to 20 days and a total of 35 to 40 days for the consignments to reach their destination. Apart from being delayed, indirect shipping also incurs more cost (transportation charges) than direct shipping. Raw materials and woven fabrics exported from Pakistan are susceptible to delays. The commercial section in Dhaka has received a proposal sent by the Pakistan National Shipping Corporation (PNSC) to establish a direct shipping line between the two countries.

### **Separate Pakistani Export Counters Delay Clearance**

There are separate counters for Pakistani exporters for verification and scrutiny, this also delays shipments.

### **There are no Specific Import Bans on Pakistan**

Bangladesh does not apply tariffs on Pakistan that are discriminatory. Bangladesh, on the other hand, has one of the highest tariff regimes in South Asia. It imposes higher tariffs on various imports, not just for Pakistan but for other countries as well. Exports from Pakistan to Bangladesh are hampered as a result of heavy duties imposed by Bangladesh. Since Bangladesh is an LDC country, it enjoys flexibility in various international and multilateral forums.

### **Bangladesh Ban on World and Pakistani Mango Imports**

Due to the fact that the indigenous Bangladeshi mango is farmed in the country during this time period, the Bangladeshi government does not issue import permits for mangoes (including Pakistani mangoes) between August 15 and September 15, and thus discourages mango importation during this time period. As a result, Pakistan is only able to export its very last mango variety, white chaunsa (this is not Pakistan specific).

## Export Opportunities for Onions

Onions have the potential to be exported to Bangladesh, where they are in high demand.

## Limited Institutional and Organizational Setup Limits Data Availability

Bangladesh recently signed a PTA with Bhutan, but it has yet to sign FTAs post-LDC graduation. To do so, Bangladesh must build its institutional capacity to sign agreements with countries. WTO documents on Bangladesh also have data reporting issues.

## Female Labor Force Participation in Bangladesh

Bangladesh has a very high literacy rate, particularly among females. As a result, female labor force participation is very high in Bangladesh. Most of them work in the RMG industry due to its liberal and safe environment.

## Internationally Famous Brands are Expanding their Presence in Bangladesh

Bangladesh, which is expected to become a middle-income country by 2021, appears to have evolved into an interesting possibility for a number of major brands due to the country's expanding economic prowess. Bangladesh seems to be developing into a market for global brands with a number of them opening their own-label stores to capitalize on the opportunities emerging in Bangladesh. Many international retailers have opened their offices in Bangladesh's Export Processing Zones (EPZs) to gain market access into Europe and other countries due to Bangladesh's LDC status.

## Bangladesh's Economic Zones are more Export-Oriented than those in Pakistan

Around 17 percent of total Bangladeshi exports to the world are generated through SEZs. While Pakistan's SEZs account for less than 1 percent of total exports.

Table 12-1 Comparison of Economic Impact of SEZs

	Bangladesh	Pakistan
<b>Economic Impact of SEZs</b>	(2003) % Share of exports from EPZs: 18%. (2009) % Share of exports from EPZs: 17%	To be determined but would be substantial on employment, exports, import substitution and the environment.

Source: PBC Policy Brief: Key Recommendations for a SEZ Framework

## Bangladesh prefers to Import from China and India rather than Pakistan due to Pricing Differentials

Although the quality of Pakistani products is superior to that of India and China, Bangladesh prefers to import from India and China due to the price difference. Additionally, because Bangladesh shares a border with India, transportation costs are low. India surrounds Bangladesh on three sides.

## Bangladesh's High Exports are due to Low Labor & Utility Costs

Bangladesh exports are high due to cheap labor and low input costs for utilities and as such Bangladesh exports more affordable RMG products to the EU as compared to Pakistan.

Table 12-2 Comparison of Input Costs of Utilities

	Bangladesh	Pakistan
<b>Electricity Tariff (US cents/kWh)</b>	11	9.0
<b>Gas Tariff (US\$/MMBTU)</b>	4.6	6.5

## **Bangladesh's Infrastructure is Deficient and Backward in Comparison to Pakistan**

Dhaka's planning is poor. Numerous offices and academic institutions have been constructed along a single road, resulting in significant congestion. However, much progress is being made for the infrastructural development of roads and highways. The construction of the Padma Bridge is one of them.

### **The Missing Middle Class in Bangladesh**

Bangladesh has the fastest-growing ultra-rich class in the world, but they are a small minority. Bangladesh lacks a middle class and has high rates of poverty. A sizable portion of the population lives in or below the poverty level.

### **Lack of product diversification**

In the long run, if Pakistan shifts to value-added RMG exports, it will export less raw material to the world. As a result, it will need to diversify its exports to Bangladesh. On the other hand, Bangladesh is offering a wide range of products to Pakistan, which includes '*Vegetable Fibers*' (HS-53), '*Ships and Floating Structures*' (HS-89), and '*Coffee, tea and spices*' (HS-09).

### **Potential in 'Cement Clinkers' (HS-252310)**

Due to increasing construction projects in Bangladesh, clinker imports have been growing in the last five years. Due to a scarcity of natural resources, the country imports an estimated 15,000 - 20,000Mt of clinker and limestone per year, making it the world's largest importer of clinker and other raw materials for cement manufacturing. Pakistan can export \$39.17 million worth of 'Cement Clinkers' (HS-252310) to Bangladesh. Pakistan exports of cement clinkers appeared to have increased in FY20-21, aided by seaborne shipments to Bangladesh and Sri Lanka.<sup>97</sup>

### **Other Potential Products**

Some other products with high export potential are inorganic chemicals, dyes, leather products, sports goods, surgical items, rice, spices, and fruits and vegetables.

### **Due to Bangladesh's High Duty on Pakistan, Products are Exported via the UAE**

Certain Pakistani products, such as ladies' designer suits, are in high demand in the Bangladesh market, but the Bangladesh government imposes a high duty on them, so they are smuggled in via UAE. They are being transported as luggage.

### **Unregistered and Unreported Data**

It is believed that there is a substantial amount of bilateral trade data that is not reported. In 2018, bilateral trade was reported to be between US\$700 and 800 million, but actual exports exceeded US\$1 billion. This is because a large number of products are exported through the UAE and other countries. As a result, these exports go unrecorded in bilateral trade statistics.

### **Bangladesh's Exports to Pakistan Should Be Priority in Bilateral Negotiations**

When bilateral trade trends are considered, there is less discussion on Bangladesh's exports to Pakistan. Priority should be given to Bangladesh's exports to Pakistan in bilateral negotiations.

### **CPEC can Bolster Pakistan – Bangladesh Bilateral Trade**

Bangladeshi investors in Pakistan can enjoy advantage of the China Pakistan Economic Corridor (CPEC) for exporting their goods to China, Central Asia and Russia more easily and at a cheaper rate. Several studies also show that CPEC will convert Pakistan into a business hub and will facilitate trade

<sup>97</sup> <https://www.cemnet.com/News/story/171125/another-busy-export-year-for-pakistan-s-cement-industry.html>

with Indonesia, Bangladesh and Burma (Kostecka 2011). Additionally, Bangladesh has also formalized its participation in the 'Belt and Road Initiative' on October 15, 2016, during a visit by Chinese President Xi Jinping to the country. The initiative aims to build connectivity and cooperation across CPEC.

### **Increasing Number of Japanese Buyers in Bangladesh at the Cost of Pakistan**

In Bangladesh, there are several Japanese purchasing houses. As a result, Bangladesh's RMG business is well-positioned to serve the Japanese market. For business negotiations, the Japanese prefer Bangladesh over Pakistan. Whilst Pakistani textiles have parity access in the USA with countries like Bangladesh, exports of Pakistan suffer high duties into Japan, relative to Bangladesh.<sup>98</sup>

Numerous Japanese firms established their purchasing houses in Pakistan in 2003-04; later, when Bangladesh's RMG industry grew in 2006, exports began to expand as a result of numerous policy initiatives. Following that, multiple Japanese purchasing firms and international liaison offices relocated from Pakistan to Bangladesh. Additionally, many Japanese offices source from Pakistan but operate in Bangladesh. Pakistan's exports suffer as a result. Bangladesh also has a slew of international purchasing offices that conduct business with Pakistan. In Bangladesh, these purchasing houses have considerable capacity/size.

*Figure 12-1 Japanese lifestyle and fashion brands operating in South Asian and Southeast Asian countries*



*Source: Take-out from the seminar hosted by Japan International Cooperation Agency – JICA in Karachi in February 2020*

### **Limited Availability of Land**

In Dhaka, all construction is vertical. As a result of technology transfer from developed countries, the buildings are vertically integrated and relatively well-constructed. Increasing the number of SEZs/EPZs will require additional land, which will increase capital expenditures and costs associated with water, sanitation, and hygiene services. Additionally, connectivity and road issues will continue to be a significant constraint for Bangladesh.

### **Labor Laws in Bangladesh are Employer Friendly**

Bangladesh's labor laws favor employers over employees, unlike those in India and Pakistan. The Bangladesh Export Processing Zones Authority (BEPZA) has direct links with the Prime Minister so from a policy point of view, there is no political interference from any ministry. The employees cannot protest and voice their concerns against employers in the EPZs.

### **Minimum Wage Differential**

The Bangladeshi government claims to provide health, education, and other services, but inflation is high. Unlike Pakistani workers, Bangladeshi workers cannot afford essential food items like fruits and vegetables. A salary package cannot support a person living below the poverty line. This is why women work in Bangladesh.

<sup>98</sup> PBC. (2020, November). Charter of Economy. <https://www.pbc.org.pk/research/pbcs-charter-of-economy/>

Table 12-3 Minimum Wage Rate (US\$)

Bangladesh	97
Pakistan	126

### Legal Documents Regarding Labor Laws

Another issue with labor laws is that most legal documents are in Bengali and must be translated. Like Pakistan, Bangladesh will need to ratify and implement several international laws to gain GSP+ benefits once it leaves the LDC category. International conventions also include a minimum wage law. Because Bangladesh has not ratified these international conventions, unregistered child labor exists.

Additionally, industrial salaries are for the most part not documented. Thus, the monthly wage of an industrial laborer is 20,000 Takas, although he initially receives between 10,000 and 12,000 Takas. Bangladeshi labor is more exploited as a result of these irregularities.

### Pakistani Firms Operating in Bangladesh

Many companies in Bangladesh are of Pakistani origin, but they hold UK or Canadian passports, e.g., 'Experience Group,' 'ACS Textiles & Towel (BD) Ltd.' Additionally, there are numerous liaisons and purchasing offices for Pakistani denim manufacturers in Bangladesh. But with respect to investment, only Soorty Enterprises Pvt Ltd and Interloop Limited have established their plants in Bangladesh.

### Details of the Representative Interviewed

Name	Designation
Muhammad Suleman Khan	Commercial Secretary at Pakistan High Commission Dhaka.

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