



SECOND REVIEW OF THE INDONESIA-PAKISTAN PREFERENTIAL TRADE AGREEMENT

MARKET ACCESS SERIES 2020 – 2021

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ACKNOWLEDGEMENTS —

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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 86) 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.

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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.

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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

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LIST OF ACRONYMS

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
CAGR	Compound Annual Growth Rate
CEP	Comprehensive Economic Partnership
ECO	Economic Cooperation Organization
EU	European Union
FAO	Food and Agriculture Organization
FMD	Foot and Mouth Disease
FTA	Free Trade Agreement
G.A.P	Good Agricultural Practices
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GII	Global Innovation Index
GSP	Generalized System of Preferences
HS	Harmonized System
IMF	The International Monetary Fund
IOR-ARC	Indian Ocean Rim Association for Regional Cooperation
IPPTA	Indonesia–Pakistan Preferential Trade Agreement
ITC	International Trade Centre
LC	Letter of Credit
LPI	Logistics Performance Index
MFN	Most Favored Nation
MMT	Million Metric Tons
MOP	Margin of Preference
MPCEPA	Malaysia–Pakistan Closer Economic Partnership Agreement
MPI	Market Potential Index
NTB	Non-Tariff Barrier
OIC	Organization of Islamic Co-operation
PITAD	Pakistan Institute of Trade and Development
PBC	Pakistan Business Council
PFVA	Pakistan Fruit and Vegetable Exporters, Importers and Merchants Association
PHDEC	Pakistan Horticulture Development and Export Company
PPP	Purchasing Power Parity

PTA	Preferential Trade Agreement
RCA	Revealed Comparative Advantage
RCEP	Regional Comprehensive Economic Partnership
RMA	Revealed Market Access
SAFTA	South Asian Free Trade Area
SPS	Sanitary and Phytosanitary Standards
SRO	Statutory Regulatory Orders
TBT	Technical Barriers to Trade
TFA	Trade Facilitation Agreement
UAE	United Arab Emirates
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
USD	United States Dollar
WEF	World Economic Forum
WTO	World Trade Organization

EXECUTIVE SUMMARY

Pakistan and Indonesia's relationship, which is tied through common interests, struggles and mutual religious outlook, started before both countries got their independence in the late 1940s. Indonesia's economy is bigger than Pakistan's in terms of GDP, as well as, population. Indonesia had a GDP of \$1.1 trillion in 2019 as compared to Pakistan's GDP of \$278.2 billion. Indonesia's population was 270.6 million while Pakistan's was 216.6 million in 2019. However, Pakistan's population is growing at a faster rate than Indonesia's. Furthermore, Indonesia is the richer country, with a GDP per capita of \$4,135.6 – around four times that of Pakistan's.

In November 2005, Pakistan and Indonesia signed a Comprehensive Economic Partnership (CEP) Agreement to further strengthen ties and to lay the foundations for a PTA. After successful completion of this agreement and several rounds of negotiations, the countries signed the Indonesia–Pakistan Preferential Trade Agreement (IPPTA) on 3rd February 2012 which came into effect in September 2013. Since then, several rounds of negotiation have taken place, after which, Indonesia in 2018 extended zero duty access to the import of 20 additional Pakistani products to Indonesia – mainly comprising of textile products, tobacco, ethanol, rice, and mangoes.

Currently, the IPPTA includes market access to Pakistan on 232 goods (103 zero-rated) and market access to Indonesia on 313 goods (82 zero-rated). The Indonesian concession list includes products such as fresh fruits, textiles, fans, sports goods, leather goods and other industrial products. Pakistan's concession list includes products like sugar confectionary, cocoa products, kitchenware, chemicals, textiles, electrical machinery and so on. The country also agreed to provide similar treatment to palm oil imports from Indonesia as provided to Malaysia under the Pakistan – Malaysia FTA.

Bilateral trade between Indonesia and Pakistan since the implementation of the IPPTA (2013-2019) has also been discussed in this report. The trade balance has been in favor of Indonesia since 2013 and currently, Pakistan's imports from Indonesia (CAGR: 10.7%) are at least fifteen times larger than its exports to that country (CAGR: 0.3%). Pakistan mainly imports palm oil from Indonesia, which accounted for approximately 63.7% of Pakistan's total imports from that country. Other top imports include mineral fuels and oils, vehicles, paper, rubber products, and machinery. Overall, Pakistan's imports from Indonesia are not very diversified. On the other hand, main exports to Indonesia consist of agricultural products and food items such as rice, along with textile products, raw hides and skins, fish, paper, iron and so on. Since IPPTA has come into effect, exports of textile goods have exhibited the highest growth. Even though the growth rates exhibited by these products are high,

it should be noted that the overall export value still remains low.

Pakistan's trade intensity index has been below 1 since 2015 which indicates that Pakistan is trading less with Indonesia than it should. On the other hand, the intensity of Indonesia's exports to Pakistan is quite high, ranging from 4.5 to 5.1, showing an intense trade relationship. Further, the trade complementarity index indicates that Indonesia is better suited to supply the Pakistani market as opposed to Pakistan supplying the Indonesian market. This shows that the Indonesian export industry stands to gain more from a potential FTA between the two countries.

This study also focuses on the potential for bilateral trade between the two countries. At HS-06 level, Indonesia has an indicative export potential for the top 25 items amounting to \$5.4 billion – for these top 25 items, Indonesia exported \$1.5 billion to Pakistan in 2019. High potential exports include machinery, vehicles, metals, chemicals such as insecticides, and man-made filaments. Similarly, the indicative trade potential for the top 25 Pakistani exports to Indonesia amounted to \$3.2 billion – for these top 25 items, Pakistan exported a mere \$68.8 million to Indonesia in 2019. Majority of the products with high potential for Pakistan fall under the category of agriculture and foodstuffs, especially fruits and vegetables (horticulture).

An analysis of Indonesia's palm oil industry indicates that palm oil production volume in Indonesia has been consistently increasing in the last few years owing to an export-led growth, favorable government policies and increasing domestic and global demand. The country accounts for more than half of the world's total palm oil exports. Pakistan is the 3rd largest export destination for Indonesian palm oil. The unit price of palm oil from Indonesia is relatively lower than that of palm oil from Malaysia, which might indicate why Indonesia has overtaken Malaysia in the export of this commodity to Pakistan, a price-sensitive market.

Pakistan's horticulture sector has also been analyzed in the study which reveals that although exports of horticulture products have increased between Indonesia and Pakistan after the signing of the PTA, results are not as encouraging as were initially expected. There is still a lot of potential in the Indonesian market for Pakistani horticulture products that is yet to be tapped. A few products identified which have immense potential in the Indonesian market are "Fresh or dried dates" (HS-080410), "Fresh or chilled onions and shallots" (HS-070310), "Fresh or chilled potatoes (excluding seed)" (HS-070190), and "Fresh or dried Mandarins incl. tangerines and satsumas (excluding clementines)" (HS-080521).

Finally, inputs from relevant stakeholders have been included in Chapter 10 and the details of these stakeholders can be seen in Annexure I. This chapter discusses non-tariff barriers to trade, logistic issues and other issues arising in trade between Indonesia and Pakistan. Opportunities in these markets, as well as, how to make use of these opportunities have also been highlighted. In the Asian region, Indonesia applies 5th most regulations on Pakistani imports. Technical barriers comprise of technical requirements and conformity assessments. These include SPS measures, certification and testing requirements, quotas, import and export licensing requirements, additional taxes and surcharges, pre-shipment inspections, and rules of origin, among others, which makes it difficult for Pakistani exporters to enter the Indonesian market. Problems related to obtaining letters of credit, lack of direct flights leading to reduced connectivity, as well as, mismatch between Indonesia's demand and Pakistan's supply are also issues pertaining to bilateral trade. Lack of awareness of the IPPTA, as well as, of Pakistani products is another major issue which restricts trade between both the countries. From the Indonesian side, businessmen report issues following Pakistan's labelling requirement in the packaging of products under SRO 237 (1)/2019. This requires the ingredients and details of the product to be printed in Urdu and English, along with the logo of the Halal certification body which Indonesian businessmen are working on, to improve their exports. Furthermore, apart from the items listed above, the input received indicates that "Unmanufactured tobacco" (HS-2401) is another product from Pakistan that holds immense potential.

Given the bilateral trade between both the countries, potential exports, and tariff and non-tariff barriers that currently exist, the PBC recommends further tariff negotiations, along with non-tariff measures for increasing exports to Indonesia. Pakistan needs to negotiate on high potential textile products which consist of cotton items and high-valued added apparel, along with greater market access for high potential food items including fruits and vegetables which can be found in Chapter 11. Further, trade fairs and marketing of textile goods, especially high value-added products in place of low value-added products (woven fabrics of cotton), will allow Pakistan to tap into this market. In the case of horticulture, potential can be realized through increasing awareness, research and development, proper branding, rigorous marketing, trade fairs and promotional activities. The lack of awareness issue can be reduced by increasing participation in Indonesian trade exhibitions which are held every year to promote their products. Such expos, exhibitions and meetings should be encouraged and facilitated so that Indonesian businessmen are also made aware of Pakistani products. The platforms of Pakistan Indonesia Business Forum and Pakistan Embassy in Jakarta can be used to introduce Pakistani brands and products in the Indonesian market.

An aerial photograph of a city skyline at sunset. The sky is filled with dramatic, golden clouds. In the foreground, a large university campus is visible, featuring several large, multi-story buildings with flat roofs, a green sports field, and a pedestrian bridge. The city skyline in the background includes several tall skyscrapers, some with distinctive architectural features like domes and spires. A large red circle is overlaid on the left side of the image, containing the chapter title.

CHAPTER 1: INTRODUCTION



INDONESIA – PAKISTAN SOCIO-ECONOMIC OVERVIEW

Located in Southeast Asia, Indonesia is the largest economy in the region and the world's 10th largest according to purchasing power parity (PPP). The country shares land borders with Malaysia, Papua New Guinea and East Timor while it shares maritime borders with Vietnam, Singapore, India, Thailand, Palau and the Philippines. After overcoming the Asian Financial Crisis of 1997, Indonesia has shown consistent economic growth, qualifying it to become an upper-middle income economy in 2019. The country is also one of the fastest growing economies in South East Asia with an average gross domestic product (GDP) growth rate of approximately 6% in the last ten years.

Since 2005, Indonesia has been following a 20-year development plan, which has been further divided into 5-year medium term plans. Currently, the country is in the last phase (2020-2024) of its development plan which aims to further strengthen the economy by improving Indonesia's human capital and competitiveness in the global market.

The country has progressed from being an economy that was highly dependent on agriculture into a more balanced economy which is lessening its traditional dependency on primary exports. It has become an established international supplier of a range of products such as petroleum and petroleum products, rubber products, garments, shoes, textiles, wood and wood products (including paper), machinery of various sorts (including automobiles) and other commodities, such as electronic products. On the other hand, major imports include petroleum and natural gas, machinery, chemicals, metals, and transport equipment. Indonesia is also part of several trade organizations such as Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation (APEC), G-20, Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) and Regional Comprehensive Economic Partnership (RCEP).

According to the Global Competitiveness Report – which shows a country's ability to provide high levels of prosperity to its citizens – Indonesia ranked as the 50th most competitive country in the world in 2019. During the same year, the country ranked 73rd out of 190 countries in the Doing Business Report.

Due to the Covid-19 outbreak, Indonesia experienced its first recession in the last 22 years towards the end of 2020. The International Monetary Fund (IMF) has estimated that Indonesia's GDP growth is expected to fall to 0.5% in 2020 and pick up to 8.2%, subject to the post-pandemic global economy recovery.

Pakistan, on the other hand, is a lower-middle income economy located in South Asia. It is a semi-industrialized economy where the country's production and exports are largely dependent upon the agriculture and textile sector. Wheat, rice, cotton, sugarcane, fruits, vegetables and tobacco are among the major crops of the country. Major imports include petroleum products, palm oil, gas and so on. The country is part of a few trade organizations such as Economic Cooperation Organization (ECO) and South Asian Free Trade Area (SAFTA).

Pakistan is the 4th largest cotton producer in the world and has abundant natural resources, mainly copper, oil and gas. Due to low foreign exchange reserves, Pakistan entered into a 39-month Extended Fund Facility arrangement with the IMF in July 2019. A depreciation in the value of the currency has led to a rise in Government debt. The correction in the value of the currency did not significantly boost exports, but it did help in reducing imports from \$60.4 billion in 2018 to \$50.1 billion in 2019.

Pakistan ranked as the 110th most competitive economy according to the Global Competitiveness Report of 2019, which is low in comparison to Indonesia. During the same year, Pakistan was ranked 108th in the Doing Business Report.

For Pakistan, the IMF has estimated that its GDP growth is expected to slow further to -1.5% in 2020 due to Covid-19 and to then pick up to reach 2.0% in 2021. Again, this growth is much less in comparison to IMF's estimate of Indonesia's growth.

Table 1 below lists a few socio-economic indicators for both, Indonesia and Pakistan during 2013 and in 2019.

TABLE 1:
Pakistan and Indonesia - Socioeconomic Overview (2013-2019)

Economic Indicators	Pakistan		Indonesia	
	2013	2019	2013	2019
GDP (Current USD) (Billion)	231.22	278.22	912.52	1,119.19
GDP Growth (Annual %)	4.40	0.99	5.56	5.03
GDP Per Capita (Current USD)	1,208.90	1,284.70	3,623.91	4,135.57
Agriculture (% of GDP)	23.83	22.04	13.36	12.72
Industry (% of GDP)	20.22	18.34	42.64	38.95
Services (% of GDP)	52.01	53.86	41.52	44.23
Exchange Rate (LCU per USD, period average)	101.63	150.00	10,461.24	14,050.00
Inflation, Consumer Prices (Annual %)	7.69	10.58	6.41	3.03
Trade (% of GDP)	33.33	30.44	48.64	37.30
Social Indicators				
Population (Million)	191.62	216.57	251.81	270.63
Population Growth (%)	2.10	2.03	1.31	1.10
Age Dependency Ratio (% of working age population)	69.17	64.95	49.77	47.64
Infant Mortality Rate (Per 1,000 live births)	65.40	55.70	25.10	20.20
Employment to Population Ratio, 15+, Total (%)	51.12	50.35	64.14	64.21

Source: World Bank Data Bank, Trading Economics

Indonesia's economy is bigger than Pakistan's in terms of GDP, as well as, population. Indonesia had a GDP of \$1.1 trillion in 2019 as compared to Pakistan's GDP of \$278.2 billion during the same year. Indonesia's population was 270.6 million while Pakistan's was 216.6 million in 2019. However, Pakistan's population is growing at a faster rate than Indonesia's. Furthermore, Indonesia is the richer country, with a GDP per capita of \$4,135.6 – around four times that of Pakistan's.

Pakistan experienced high levels of inflation at 10.6% in 2019 while Indonesia's inflation rate was lower at 3.0%.

All in all, comparison of both the countries' socio-economic condition reveals that Indonesia has developed faster than Pakistan and has shown more progress socially and economically.



INDONESIA – PAKISTAN RELATIONSHIP

Pakistan and Indonesia's ties started before both countries' independence when Mr. Muhammad Ali Jinnah urged Muslims of the Subcontinent to join the Indonesian army for their War of Independence in 1945. Thereafter, many of these Muslims were presented with the highest military awards by Indonesia. Similarly, Indonesia also supported Pakistan during the 1965 war. Thus, relations between Pakistan and Indonesia are tied through common interests, struggles and mutual religious outlook. Both the countries are part of the Organization of Islamic Co-operation (OIC). Indonesia is a part of the Association of Southeast Asian Nations (ASEAN) – an organization which maintains a sectoral dialogue partnership¹ with Pakistan. Furthermore, Indonesia and Pakistan have signed around 40 agreements and memorandum of understandings covering all aspects of bilateral relations including politics, economics, trade, culture, defense and so on.

During November 2005, both countries signed a Comprehensive Economic Partnership (CEP) Agreement to further strengthen ties and to lay the foundations for a PTA. After successful completion of this agreement and several rounds of negotiations, the countries signed the **Indonesia–Pakistan Preferential Trade Agreement (IPPTA)** on 3rd February 2012 which came into effect from September 2013.

¹ Dialogue partner is any country, or organization which enjoys consultative relationship in areas of common interest. Sectoral dialogue partners have a say in a few areas such as palm oil trading. Pakistan and India are the only South Asian countries that enjoy dialogue partnership with ASEAN.

A vibrant outdoor market street scene. The foreground is dominated by a large, multi-colored umbrella (red, green, yellow, purple) shading a stall. The stall is filled with various goods, including hats, jewelry, and clothing. In the background, a long, narrow street is lined with similar stalls and umbrellas, leading towards a building and utility poles under a bright sky. The overall atmosphere is busy and colorful.

CHAPTER 2: COMPARISON OF GLOBAL INDICATORS



MARKET POTENTIAL INDEX (MPI)

The Market Potential Index (MPI), developed by the Michigan State University-Center for International Business Education and Research, is an estimate that measures the potential demand of products and services within a specific region for the purpose of trade expansion. The indexing is done using eight dimensions, and each dimension has its indicators weighted to evaluate their contribution to the overall MPI².

The index helps companies evaluate and compare prospect markets on a spectrum of eight segments (market size, market intensity, market growth rate, market consumption capacity, commercial infrastructure, market receptivity, economic freedom, and country risk) on a scale of 1-100.

The MPI for Pakistan improved with a 4-rank jump to 66 in the 2020 rankings. However, the MPI ranking for Indonesia dropped to 39th from 32nd between 2019 & 2020. Although, Pakistan has improved its world ranking, Indonesia is still a more export-friendly country than Pakistan.

TABLE 2:
Market Potential Index (MPI)-2020

Pakistan			Indonesia		
Overall Score (100=highest)	Rank 2020	Rank 2019	Overall Score (100=highest)	Rank 2020	Rank 2019
21	66	70	27	39	32

Source: Market Potential Index -2019, a study by MSU-CIBER (Michigan State University-Center for International Business Education and Research)

² The Economist article "Emerging-Market Indicators"
<https://www.economist.com/taxonomy/term/85/0?page=140>



GLOBAL INNOVATION INDEX (GII)

The Global Innovation Index, is a measure of the global trends of innovation and performance of 131 economies. The purpose of GII is to provide detailed-insightful data on innovation of 7 segments to assist policymakers and other stakeholders to formulate informed policies. Pakistan was ranked as the 107th most innovative nation in 2020 compared to 105th in 2019. Whereas, Indonesia was ranked as the 85th most innovative economy in 2020.

TABLE 3:
Global Innovation Index (GII) - 2020

	Pakistan		Indonesia	
	Overall Score (100=highest)	Rank 2020	Overall Score (100=highest)	Rank 2020
	22.3	107	26.5	85
Institutions	54.1	99	51	111
Political Environment	43.6	109	58.1	66
Regulatory Environment	44.5	116	20.3	130
Business Environment	74.1	55	74.6	52
Human Capital and Research	12.2	118	21	92
Education	21.9	124	31.4	102
Tertiary education	6	-123	21.3	92
Research & Development	8.8	62	10.2	58
Infrastructure	23.3	119	37.7	80
Information and Communication Technology	38.7	111	54.2	89
General infrastructure	10.1	125	32.8	40
Ecological Sustainability	21	94	26.2	78
Market Sophistication	36	116	48.1	62
Credit	21.1	124	34.3	93
Investment	28.5	100	31.3	93
Trade, competition & market scale	58.5	85	78.8	8

TABLE 3:
Global Innovation Index (GII) - 2020

	Pakistan		Indonesia	
	Overall Score (100=highest)	Rank 2020	Overall Score (100=highest)	Rank 2020
Business Sophistication	22	87	17.8	114
Knowledge Workers	21.1	-98	8.9	125
Innovation Linkages	18.5	83	19.6	71
Knowledge absorption	26.6	72	24.9	78
Knowledge and Technology Outputs	18.6	69	17.9	71
Knowledge creation	15.3	-63	5.7	101
Knowledge impact	20.8	81	27	55
Knowledge diffusion	19.5	81	21.1	72
Creative Outputs	11.6	108	17.8	83
Intangible Assets	18.6	98	24.7	74
Creative goods and services	0.8	128	12.9	69
Online creativity	8.4	93	8.6	91

Source: The Global Innovation Index 2019, co-published by Cornell University, INSEAD, and the World Intellectual Property Organization (WIPO), a specialized agency of the United Nations



GLOBAL COMPETITIVENESS INDEX (GCI)

The Global Competitiveness Index which is published by the World Economic Forum (WEF) helps to estimate the competitiveness and integration of 141 economies based on 12 pillars. The GCI is a strategic tool designed to assess and benchmark the competitiveness of countries and rank them with the totality of their competencies to achieve growth³.

In 2020, Pakistan ranked 110th in the list of globally competitive countries whereas, Indonesia ranked as the 50th most globally competitive economy. Comparing both countries, there can be seen a large gap in the economic integration of Pakistan resulting in falling trade. Pakistan ranks 11th from the bottom out of 141 economies in 'ICT Adoption', 16th from bottom in 'Product Market', and 17th from the bottom in 'Skills'.

Indonesia, on the other hand, ranks 7th in 'Market size' and 29th in 'Business Dynamism'. This indicates that Indonesia has successfully integrated in the global economy by constantly improving its ranking.

TABLE 4:
Comparison of Global Competitive Indicators - 2019

	Pakistan	Indonesia
Overall (Rank)	110	50
Institutions	107	51
Infrastructure	105	72
ICT Adoption	131	72
Macroeconomic Stability	116	54
Health	115	96
Skills	125	65
Product Market	126	49

³ IMD World Competitiveness center

<https://www.imd.org/wcc/world-competitiveness-reflections/global-competitiveness-report>

TABLE 4:
Comparison of Global Competitive Indicators - 2019

	Pakistan	Indonesia
Labor Market	120	85
Financial Market	99	58
Market Size	29	7
Business Dynamism	52	29
Innovation Capability	79	74

Source: The Global Competitiveness Report 2019 – World Economic Forum

LOGISTICS PERFORMANCE INDEX (LPI)

The Logistics Performance Index is a strategic tool to measure the challenges and opportunities that are faced by global economies in the area of logistics performance. Assessment of 160 countries is carried out on the basis of customs, infrastructure, international shipment, logistics quality and competence, tracking and tracing, and timeliness.

This tool further facilitates the governments' and related-stakeholders to thoroughly inspect the areas with worst rankings and formulate policies to improve these. In 2018, Pakistan ranked 122nd in the global logistics performance index whereas, Indonesia, ranked 46th in the logistics performance index.

TABLE 5:
Comparison of Logistics Performance Index – 2018

	Pakistan	Indonesia
Overall (Rank)	122	46
Customs	139	62
Infrastructure	121	54
International Shipment	97	42
Logistics Quality and Competence	89	44
Tracking and Tracing	136	39
Timeliness	136	41

Source: LPI Global Rankings 2018, World Bank

TRADE FACILITATION AGREEMENT (TFA)

The Trade Facilitation Agreement (TFA) came into force in 2017 with efforts of the World Trade Organization (WTO). The objective of this agreement is to boost global trade by expediting the movement, release and clearance of goods ⁴.

An assessment built on 11 categories provides an index value between 0-2 ('0' being the worst and '2' being the best) which enables countries to better assess which trade facilitation dimensions deserve priority⁵. Once this has been done, a viable and efficient policy framework can be formulated by the policy makers.

Pakistan had an index score of 1.30 compared to 1.34 of Indonesia in the year 2019. Difference between the Average Trade Facilitation Performance of both countries is more or less the same, with Pakistan having a score of '1.89' in Governance and Impartiality and '1.77' in Fees and Charges.

TABLE 6:
Comparison of Trade Facilitation Performance - 2019

	Pakistan	Indonesia
Average Trade Facilitation Performance	1.30	1.34
Category	Overall (Index Value 0-2)	
A-Information Availability	1.40	1.52
B-Involvement of the trade community	1.43	1.57
C-Advance Rulings	1.60	1.40
D-Appeal Procedures	1.63	1.50
E-Fees and Charges	1.77	1.54
F-Documents	1.11	1.38

⁴ The WTO Trade Facilitation Agreement
https://www.wto.org/english/forums_e/parliamentarians_e/tfagreesheet_e.pdf

⁵ Moisé, E., T. Orliac and P. Minor (2011), "Trade Facilitation Indicators: The Impact on Trade Costs", OECD Trade Policy Working Papers, No. 118, OECD Publishing.

<http://dx.doi.org/10.1787/5kg6nk654hmr-en>

TABLE 6:
Comparison of Trade Facilitation Performance - 2019

	Pakistan	Indonesia
Category	Overall (Index Value 0-2)	
G-Automation	1.23	1.00
H-Procedures	1.20	1.56
I-Internal Border agency co-operation	1.10	0.90
J-external Border agency co-operation	0.46	0.82
K-Governance and Impartiality	1.89	1.56

Source: OECD - Trade Facilitation



**CHAPTER 3:
THE INDONESIA
PAKISTAN PREFERENTIAL
TRADE AGREEMENT
(IPPTA)**

IPPTA was signed to strengthen Indonesia and Pakistan economic partnership; to facilitate and expand bilateral trade and domestic markets; to bring about economic and social benefits for both the parties involved; and to promote cultural cooperation which would eventually lead to an FTA. For this purpose, it was agreed that the Most Favored Nation (MFN) applied tariff rates on all products covered under the PTA would be reduced or completely removed, where relevant. It was also decided that this PTA would remain in effect till the FTA came into force.

ROUNDS OF NEGOTIATIONS

Initially, the IPPTA covered tariff reduction or elimination on 216 Indonesian goods and 287 Pakistani goods. Since then, several rounds of negotiation have taken place as listed below. The purpose of these meetings has also been briefly mentioned.

3 rounds of negotiations to discuss implementation of PTA	1 round of negotiation to increase coverage of products	2 rounds of negotiations to turn the PTA into an FTA
August 2016	January 2018	August 2019
February 2017		Delayed due to Covid-19 —
August 2017		Dates are being finalized

As a result of these negotiations, Indonesia in 2018 extended zero duty access to the import of 20 additional Pakistani products to Indonesia – mainly comprising of textile products, tobacco, ethanol, rice, and mangoes. Concessions on these tariff lines came into effect from March 1, 2019. This was termed as a major success for Pakistan as it would allow for an increase in exports of Pakistani mangoes and citrus to Indonesia. Previously, Pakistan could export mangoes and citrus to Indonesia for only two months of the year, but now these two fruits can be exported to the country at any time during the year.

CONCESSIONS UNDER IPPTA

Currently, the IPPTA includes market access to Pakistan on 232 goods (103 zero-rated) and market access to Indonesia on 313 goods (82 zero-rated). The Indonesian concession list includes export products like fresh fruits, textiles, fans, sports goods, leather goods and other industrial products. Pakistani kinnow (mandarin) and oranges, which had been a point of contention for Pakistan during the PTA negotiations, were also granted duty free access under the revised agreement of 2018. Pakistan's concession list includes products like sugar confectionary, cocoa products, kitchenware, chemicals, textiles, electrical machinery and so on. The country also agreed to provide similar treatment to palm oil imports from Indonesia as provided to Malaysia under the Pakistan – Malaysia FTA. Hence, Pakistan imports palm oil from Indonesia at 15% Margin of Preference (MoP).⁶

Tables 7 and 8 are more detailed and show sector-wise items at zero-rate offered by both, Indonesia and Pakistan to each other.

TABLE 7:
Zero-rated Concession List by Indonesia

Sector-wise Zero-rated Offer List (HS-10 Level) by Indonesia	No. of Tariff Lines
Total	103
Fish	15
Edible fruits and nuts	11
Preparation of cereal	3
Preparation of vegetable, fruits, nuts	6
Tobacco and manufactured tobacco substitutes	1
Inorganic chemicals	4
Pharmaceutical products	1
Tanning or dyeing extracts	7
Articles of leather	1
Wood and articles of wood	6

TABLE 7:
Zero-rated Concession List by Indonesia

Sector-wise Zero-rated Offer List (HS-10 Level) by Indonesia	No. of Tariff Lines
Silk	1
Cotton	19
Man-made filaments	1
Man-made staple fibers	1
Woven fabrics	4
For industrial use	1
Other textile	1
Glass and glassware	2
Articles of iron and steel	4
Articles of lead	1
Cutlery and kitchenware	5
Machinery and equipment	6
Sport goods	2

Source: Embassy of Pakistan, Jakarta; S.R.O. 741(I)/2013 Ministry of Finance

TABLE 8:
Zero-rated Concession List by Pakistan

Sector-wise Zero-rated Offer List (HS-08 Level) by Pakistan	No. of Tariff Lines
Total	82
Edible vegetables	2
Edible fruits	1
Coffee, tea and spices	26
Oil seeds	1
Cocoa and cocoa preparations	6
Organic chemicals	2
Miscellaneous chemical products	6

TABLE 8:
Zero-rated Concession List by Pakistan

Sector-wise Zero-rated Offer List (HS-08 Level) by Pakistan	No. of Tariff Lines
Plastics and articles	9
Rubber and articles	4
Raw hides and skins (other than fur skins) and leather	3
Wood and articles of wood	4
Articles of stones, plaster	1
Glass and glassware	1
Machinery and mechanical appliances	7
Electrical machinery and equipment, parts	8
Optical and parts	1

Source: Embassy of Pakistan, Jakarta; S.R.O. 741(I)/2013 Ministry of Finance

⁶ MoP is the absolute difference between the MFN rate of duty and the preferential rate of duty for a specific product



**CHAPTER 4:
TRADE AGREEMENTS
AND TOP TRADE PARTNERS**

INDONESIA'S TRADE AGREEMENTS

Indonesia has signed and implemented a number of free trade agreements with countries and regions around the world as an independent market, as well as, a member state of ASEAN. Its bilateral trade agreements include Indonesia–Japan Economic Partnership Agreement, Indonesia–Pakistan Preferential Trade Agreement (IPPTA), and Indonesia–Chile Comprehensive Economic Partnership Agreement. Meanwhile regional trade agreements include ASEAN–People's Republic of China Comprehensive Economic Cooperation Agreement, ASEAN–Australia and New Zealand Free Trade Agreement, ASEAN–India Comprehensive Economic Cooperation Agreement, ASEAN–Japan Comprehensive Economic Partnership, and ASEAN–Korea Comprehensive Economic Cooperation Agreement. Furthermore, the country in December 2020 signed an FTA with South Korea.

Table 9 lists Indonesia's trade balance during the year of implementation of its trade agreements, along with its current trade balance with the partner. It also indicates whether the balance has improved or worsened since implementation of the trade agreements.

TABLE 9:
Indonesia's Trade Agreements

Trade Agreement	Year of Implementation	Indonesia's Trade Balance during		Change in Trade Balance (Upward / Downward)
		Year of Implementation (USD Million)	2019 (USD Million)	
Indonesia–Japan Economic Partnership Agreement	2008	12,614.68	341.43	↓
ASEAN–People's Republic of China Comprehensive Economic Cooperation Agreement	2010	-4,731.61	-16,968.73	↓
ASEAN–Australia and New Zealand Free Trade Agreement	2010	145.35	-3,186.68	↓
ASEAN–India Comprehensive Economic Cooperation Agreement	2010	6,620.28	7,527.80	↑
Indonesia–Pakistan Preferential Trade Agreement	2013	1,246.70	1,566.06	↑
Indonesia–Chile Comprehensive Economic Partnership Agreement	2019	-22.42	-22.42	↔

Source: Ministry of Trade Indonesia, ITC Trade Map

As can be seen from the table above, Indonesia's trade balance has worsened in the case of trade agreements with Japan, China, Australia and New Zealand. In the case of India and Pakistan, Indonesia's trade balance has significantly improved.

INDONESIA'S TOP TRADING PARTNERS

Tables 10 and 11 show Indonesia's top 10 import and export partners in 2019, along with the trade agreements in effect with these countries. For this purpose, the countries listed below are broadly categorized into four categories: the country is an ASEAN member; the country has a trade agreement with ASEAN; the country has a bilateral agreement with Indonesia; or the country does not have any trade agreement with either ASEAN or Indonesia.

Pakistan, which is Indonesia's 36th largest import source and the 16th largest export destination has also been listed and highlighted.

TOP IMPORT SOURCES

TABLE 10:
Indonesia's Top Import Sources, 2019

Rank	Import Sources	Indonesia Imports 2019 (USD Million)	Share in Indonesia's Imports	Trade Agreement in Effect
1	China	44,930.62	26.23%	ASEAN–People's Republic of China Comprehensive Economic Cooperation Agreement
2	Singapore	17,589.85	10.27%	ASEAN Member
3	Japan	15,661.83	9.14%	Indonesia–Japan Economic Partnership Agreement
4	Thailand	9,469.09	5.53%	ASEAN Member
5	United States of America	9,318.90	5.44%	No trade agreement in effect
6	Korea, Republic of	8,421.26	4.92%	ASEAN–Korea Comprehensive Economic Cooperation Agreement

TABLE 10:
Indonesia's Top Import Sources, 2019

Rank	Import Sources	Indonesia Imports 2019 (USD Million)	Share in Indonesia's Imports	Trade Agreement in Effect
7	Malaysia	7,775.27	4.54%	ASEAN Member
8	Australia	5,515.31	3.22%	ASEAN–Australia and New Zealand Free Trade Agreement
9	India	4,295.69	2.51%	ASEAN–India Comprehensive Economic Cooperation Agreement
10	Viet Nam	3,848.20	2.25%	ASEAN Member
36	Pakistan	377.96	0.22%	Indonesia–Pakistan Preferential Trade Agreement

Source: ITC Trade Map

China, Singapore and Japan are the top three import sources for Indonesia, accounting for 26.2%, 10.3% and 9.1% of Indonesia's imports. As can be seen from the table, Pakistan is an insignificant import source for Indonesia as it contributes a mere 0.2% towards the country's imports.

Combined, the top 10 import sources contributed a total of 74.1% of the \$171.3 billion import bill in 2019. Furthermore, with the exception of the USA, all the top import sources either have some agreement with Indonesia or are a part of ASEAN.

TOP EXPORT DESTINATIONS

TABLE 11:
Indonesia's Top Export Destinations, 2019

Rank	Export Destinations	Indonesia Exports 2019 (USD Million)	Share in Indonesia's Exports	Trade Agreement in Effect
1	China	27,961.89	16.68%	ASEAN–People's Republic of China Comprehensive Economic Cooperation Agreement
2	United States of America	17,873.45	10.66%	No trade agreement in effect
3	Japan	16,003.26	9.54%	Indonesia–Japan Economic Partnership Agreement
4	Singapore	12,916.73	7.70%	ASEAN Member
5	India	11,823.49	7.05%	ASEAN–India Comprehensive Economic Cooperation Agreement
6	Malaysia	8,801.82	5.25%	ASEAN Member
7	Korea, Republic of	7,234.41	4.31%	ASEAN–Korea Comprehensive Economic Cooperation Agreement
8	Philippines	6,770.11	4.04%	ASEAN Member
9	Thailand	6,218.39	3.71%	ASEAN Member
10	Viet Nam	5,153.36	3.07%	ASEAN Member
16	Pakistan	1,944.02	1.16%	Indonesia–Pakistan Preferential Trade Agreement

Source: ITC Trade Map

China, USA and Japan are the top export destinations for Indonesia, contributing 16.7%, 10.7% and 9.5% to Indonesia's exports. Pakistan contributes a mere 1.2% to Indonesia's exports, making it the 16th largest export destination for the country. Furthermore, comparing Tables 10 and 11 reveals that countries like China, Japan, USA, Singapore, India, Malaysia and South Korea are important trading partners for Indonesia.

Combined, the top 10 exports destinations contributed a total of 72.0% of the \$238.2 billion export revenue in 2019.

Similar to top import sources, all of Indonesia's top export destinations, with the exception of the USA, either have some bilateral trade agreement with Indonesia or are a part of ASEAN.

PAKISTAN'S TRADE AGREEMENTS

Pakistan has signed a number of FTAs and PTAs with its major trade partners. These include Pakistan–Sri Lanka Free Trade Agreement, China–Pakistan Free Trade Agreement, Pakistan–Iran Preferential Trade Agreement, Pakistan–Mauritius Preferential Trade Agreement, Malaysia–Pakistan Closer Economic Partnership Agreement (MPCEPA), and Indonesia–Pakistan Preferential Trade Agreement (IPPTA). In addition, the country is a member of the South Asian Free Trade Area (SAFTA) and Economic Cooperation Organization (ECO).

Even though Pakistan has ongoing trade negotiations with a few countries, the last FTA was signed with Malaysia in 2008.

The table below lists Pakistan's bilateral FTAs and PTAs along with the country's trade balance during the year of implementation, as well as, the trade balance during 2019. It also indicates whether the balance has improved or worsened since implementation of the trade agreement.

TABLE 12:
Pakistan's Trade Agreements

Trade Agreement	Year of Implementation	Indonesia's Trade Balance during		Change in Trade Balance (Upward / Downward)
		Year of Implementation (USD Million)	2019 (USD Million)	
Pakistan–Sri Lanka Free Trade Agreement	2005	94.49	258.93	↑
China–Pakistan Free Trade Agreement	2006	-2,408.28	-10,381.10	↓
Pakistan–Iran Preferential Trade Agreement	2006	-264.40	-527.92	↓
Pakistan–Mauritius Preferential Trade Agreement	2007	35.00	12.31	↓
Malaysia–Pakistan Closer Economic Partnership Agreement (MPCEPA)	2008	-1,555.60	-724.09	↑
Indonesia–Pakistan Preferential Trade Agreement (IPPTA)	2013	-1,063.94	-2,075.49	↓

Source: Ministry of Commerce Pakistan, ITC Trade Map

As can be seen from the table, trade agreements signed by Pakistan have not been very effective in turning the trade balance in Pakistan's favor. Pakistan's trade balance has worsened since the year of implementation of its trade agreements, with Malaysia and Sri Lanka being the only exceptions. Trade deficit with China has increased exponentially since 2006 due to a surge in imports from that country.

PAKISTAN'S TOP TRADING PARTNERS

Tables 13 and 14 show Pakistan's top 10 import and export partners in 2019, along with the trade agreements in effect with these countries. For this purpose, the countries listed below are broadly categorized into three categories; the country has a trade agreement with Pakistan; the country is part of the regional trade agreements including SAFTA and ECO; or the country does not have any trade agreement with Pakistan and is neither part of any regional trade agreement.

Indonesia— Pakistan's 5th largest import source and 29th largest export destination— has also been listed and highlighted.

TOP IMPORT SOURCES

TABLE 13:
Pakistan's Top Import Sources, 2019

Rank	Import Sources	Pakistan Imports 2019 (USD Million)	Share in Pakistan's Imports	Trade Agreement in Effect
1	China	12,424.00	24.78%	China–Pakistan Free Trade Agreement (CPFTA)
2	United Arab Emirates	6,340.20	12.65%	No Agreement in Effect
3	United States of America	2,614.71	5.22%	No Agreement in Effect
4	Saudi Arabia	2,439.77	4.87%	No Agreement in Effect
5	Indonesia	2,222.14	4.43%	Indonesia–Pakistan Preferential Trade Agreement (IPPTA)
6	Qatar	2,190.93	4.37%	No Agreement in Effect
7	Japan	1,362.46	2.72%	No Agreement in Effect

TABLE 13:
Pakistan's Top Import Sources, 2019

Rank	Import Sources	Pakistan Imports 2019 (USD Million)	Share in Pakistan's Imports	Trade Agreement in Effect
8	Kuwait	1,255.31	2.50%	No Agreement in Effect
9	South Africa	1,174.66	2.34%	No Agreement in Effect
10	Thailand	1,060.72	2.12%	No Agreement in Effect

Source: ITC Trade Map

China remained the top import source for Pakistan, contributing around 24.8% to imports in 2019. UAE and the USA were the 2nd and 3rd largest import sources for the country, contributing 12.7% and 5.2% to the import bill in 2019. Indonesia is an important import source for Pakistan as it accounts for around 4.4% of the country's import bill.

Combined, the top 10 import sources contributed a total of 66.0% of the \$50.1 billion import bill in 2019.

Furthermore, Pakistan only has trade agreements with two of its top import sources – China and Indonesia.

TOP EXPORT DESTINATIONS

TABLE 14:
Pakistan's Top Export Destinations, 2019

Rank	Export Destinations	Pakistan Exports 2019 (USD Million)	Share in Pakistan's Exports	Trade Agreement in Effect
1	United States of America	4,042.27	16.97%	No Agreement in Effect
2	China	2,042.89	8.58%	China–Pakistan Free Trade Agreement
3	United Kingdom	1,682.33	7.06%	EU GSP Plus Status
4	Germany	1,344.83	5.65%	EU GSP Plus Status

TABLE 14:
Pakistan's Top Export Destinations, 2019

Rank	Export Destinations	Pakistan Exports 2019 (USD Million)	Share in Pakistan's Exports	Trade Agreement in Effect
5	Afghanistan	1,183.59	4.97%	Economic Cooperation Organization (ECO)
6	United Arab Emirates	1,179.06	4.95%	No Agreement in Effect
7	Netherlands	1,058.34	4.44%	EU GSP Plus Status
8	Spain	949.00	3.98%	EU GSP Plus Status
9	Italy	810.40	3.40%	EU GSP Plus Status
10	Bangladesh	793.03	3.33%	South Asian Free Trade Area (SAFTA)
29	Indonesia	146.65	0.62%	Indonesia–Pakistan Preferential Trade Agreement (IPPTA)

Source: ITC Trade Map

USA, China and the UK are the top three export destinations for Pakistan, contributing around 17.0%, 8.9% and 7.1%, respectively, to the country's exports in 2019. Indonesia accounts for a mere 0.6% of Pakistan's export revenue, indicating that Pakistan has been unable to gain significant market share in Indonesia.

Combined, the top 10 export destinations contributed a total of 63.3% of the \$23.8 billion export revenue in 2019.

Similar to top import sources, Pakistan does not have bilateral trade agreements with a majority of its top export destinations. Furthermore – Sri Lanka, Mauritius and Malaysia – three of the five countries that have a trade agreement with Pakistan, are not included in Pakistan's top 10 import or export partners. This might also be an indication that Pakistan or the export partner is not fully utilizing its FTAs and PTAs.



CHAPTER 5: TRADE POLICIES



PAKISTAN'S TRADE POLICIES

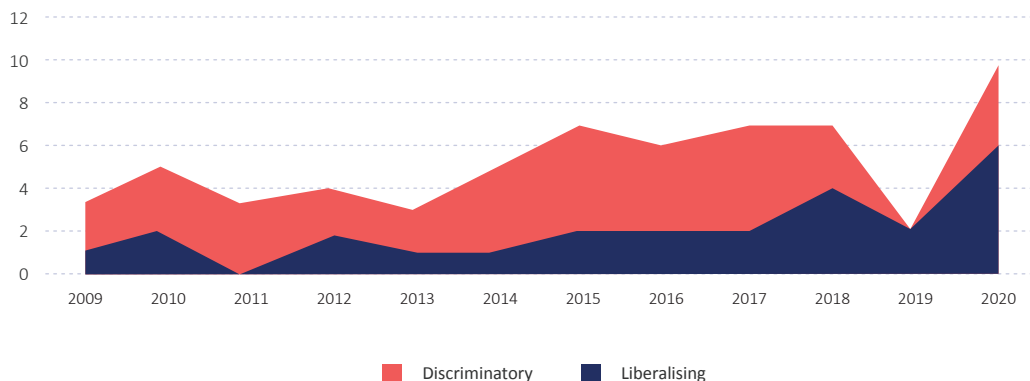
TABLE 15:
Non-Tariff Barriers (NTBs) Applied by Pakistan on the World

Partners Affected	Partners Affected	Phase	Number of Measures
All Members	Export-related measures	In force	36
All Members	Other measures	In force	1
All Members	Pre-shipment inspection	In force	9
All Members	Quantity control measures	In force	27
All Members	Sanitary and Phytosanitary	In force	32
All Members	Technical Barriers to Trade	In force	26
Bilateral	Export-related measures	In force	7
Bilateral	Pre-shipment inspection	In force	1
Bilateral	Price control measures	In force	1
Bilateral	Quantity control measures	In force	3
Bilateral	Sanitary and Phytosanitary	In force	18

Source: UNCTAD TRAINS

Figure 1 shows the number of interventions implemented by Pakistan on Indonesia since 2009, divided into whether the intervention was liberalizing or harmful. During 2020, the Pakistani government implemented a total of 16 new measures, out of which, 10 were discriminatory while 6 were liberalizing.

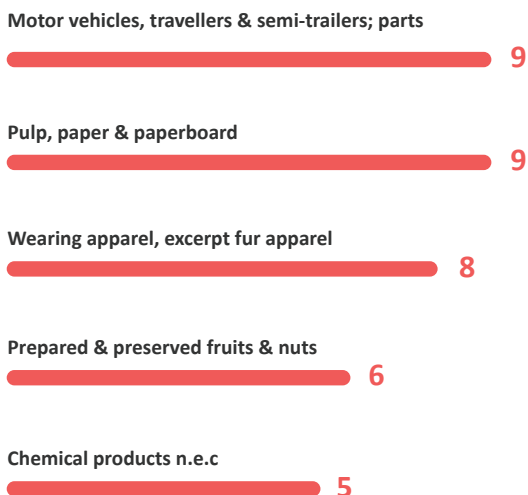
FIGURE 1:
Number of New Interventions Implemented by Pakistan on Indonesia



Source: Global Trade Alert

Figures 2 and 3 show the Indonesian sectors most affected by the harmful and liberalizing trade interventions by Pakistan.

FIGURE 2:
Indonesian Sectors Most Affected by Harmful Interventions by Pakistan



Source: Global Trade Alert

FIGURE 3:
Indonesian Sectors Most Affected by Liberalizing Interventions by Pakistan



Source: Global Trade Alert



INDONESIA'S TRADE POLICIES

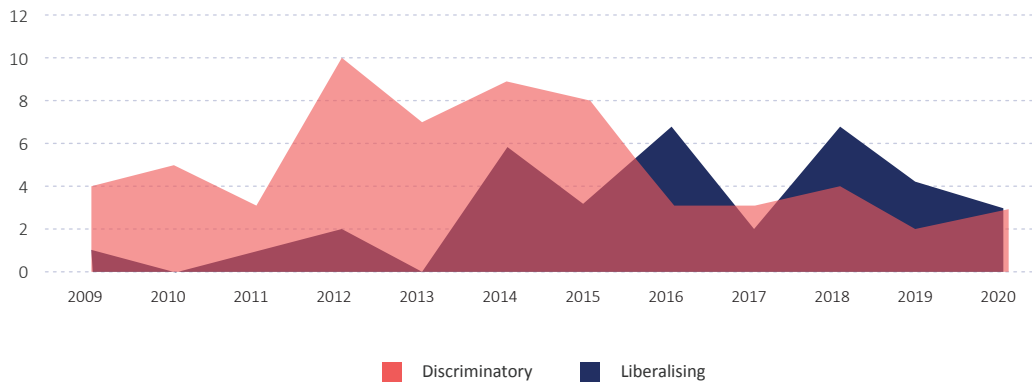
TABLE 16:
Non-Tariff Barriers (NTBs) Applied by Indonesia on the World

Partners Affected	Partners Affected	Phase	Number of Measures
All Members	Export-related measures	In force	128
All Members	Other measures	In force	12
All Members	Pre-shipment inspection	In force	52
All Members	Price control measures	In force	18
All Members	Quantity control measures	In force	80
All Members	Sanitary and Phytosanitary	In force	229
All Members	Technical Barriers to Trade	In force	425
Bilateral	Export-related measures	In force	2
Bilateral	Pre-shipment inspection	In force	1
Bilateral	Quantity control measures	In force	1
Bilateral	Sanitary and Phytosanitary	In force	10
Bilateral	Technical Barriers to Trade	In force	6

Source: UNCTAD TRAINS

Figure 4 shows the number of interventions implemented by Indonesia on Pakistan since 2009, divided into whether the intervention was liberalizing or harmful. During 2020, the Indonesian government implemented a total of 6 new measures, out of which, 3 were discriminatory and 3 were liberalizing.

FIGURE 4:
Number of New Interventions Implemented by Indonesia on Pakistan



Source: Global Trade Alert

Figures 5 and 6 show the Pakistani sectors most affected by the harmful and liberalizing trade interventions by Indonesia.

FIGURE 5:
Pakistani Sectors Most Affected by Harmful Interventions by Indonesia




Source: Global Trade Alert

FIGURE 6:
Pakistani Sectors Most Affected by Liberalizing Interventions by Indonesia



Source: Global Trade Alert



**CHAPTER 6:
INDONESIA—PAKISTAN
BILATERAL TRADE**

OVERVIEW

Figure 7 below gives an overview of bilateral trade between Indonesia and Pakistan since the implementation of IPPTA (2013-2019).

FIGURE 7:
Indonesia–Pakistan Trade Trends Overview



Source: ITC Trade Map

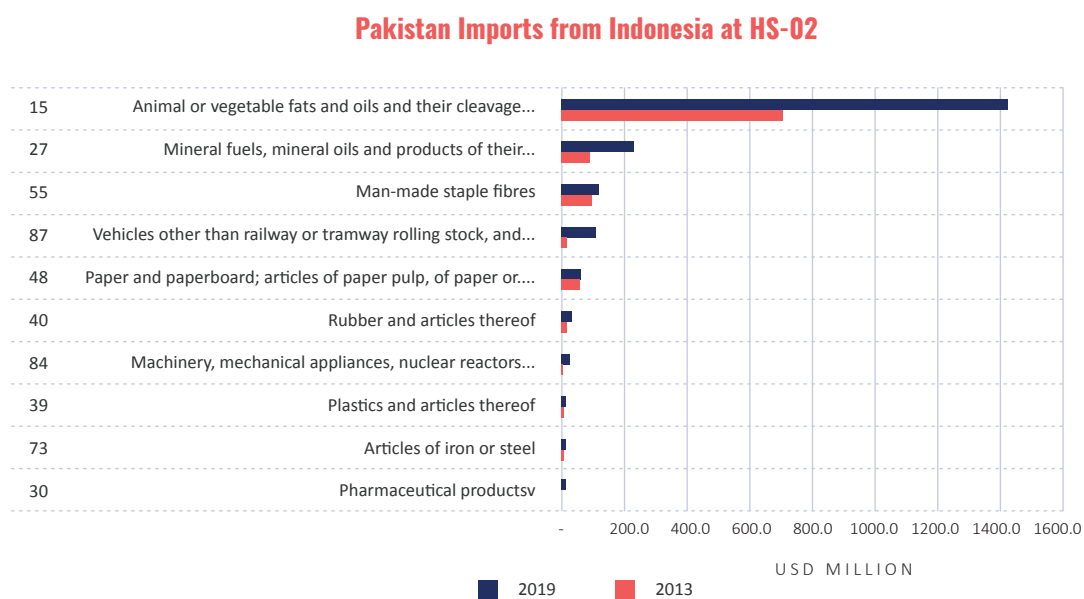
Pakistan's imports from Indonesia increased from \$1.2 billion in 2013 to \$2.2 billion in 2019 – almost doubling in just six years. Meanwhile, its exports to the country increased slightly from \$144.4 million to \$146.7 million during the same time period. This has led to a huge trade deficit worth \$2.1 billion for Pakistan in 2019. As can be seen from the figure above, the largest trade deficit occurred in 2017 when imports reached an all-time high of \$2.6 billion.

All in all, the trade balance has been in favor of Indonesia since 2013 and currently, Pakistan's imports from Indonesia are at least fifteen times larger than its exports to that country. While imports have experienced a significant jump since the implementation of IPPTA, exports to Indonesia have failed to exhibit a substantial increase.

TOP IMPORTS – HS-02 AND HS-06 LEVEL

Figure 8 below shows Pakistan’s top ten imports from Indonesia at HS-02 level in 2013 and then again in 2019.

FIGURE 8:
Pakistan’s Top 10 Imports from Indonesia at HS-02 Level



Source: ITC Trade Map

At HS-02 level, Pakistan’s top import from Indonesia was of “Animal or vegetable fats and oils and their cleavage products; prepared edible fats” (HS-15). Import of this commodity has increased from around \$708.3 million to \$1.4 billion since the implementation of the PTA. The increase in import of palm oil affected the Malaysian market since it diverted imports of this product from Malaysia to Indonesia. Malaysian palm oil traditionally trades at a premium over Indonesian palm oil which is important in a price conscious market like Pakistan. As can be seen from the figure, the other top imports are not as significant as HS-15, indicating that Pakistan’s imports from Indonesia are not very diversified.

Other top imports from Indonesia include mineral fuels and oils, vehicles, paper, rubber products, and machinery. Combined, the top ten commodities at HS-02 level accounted for 93.2% of Pakistan’s total imports from Indonesia.

A more detailed table below shows Pakistan's top 25 imports from Indonesia at HS-06 level in 2013 and then again in 2019, along with the share of these commodities in Pakistan's total imports from Indonesia, the growth rate during this period and the tariff applied by Pakistan on Indonesia.

The highlighted rows indicate the products which are included under IPPTA concessions.

TABLE 17:
Pakistan's Top 25 Imports from Indonesia at HS-06 Level

HS Code	Product Description	Pakistan's Imports from Indonesia		Share in Total Imports from Indonesia 2019	CAGR (2013-19)	Tariff Applied (%) by Pakistan on Indonesia
		2013 (USD Million)	2019 (USD Million)			
TOTAL	All products	1,208.32	2,222.14		10.69%	
	Top 25 products	903.38	2,017.82	90.81%	14.33%	
151190	Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)	654.76	1,325.65	59.66%	12.48%	7
270119	Coal, whether or not pulverised, non-agglomerated (excluding anthracite and bituminous coal)	92.20	124.55	5.61%	5.14%	3
270112	Bituminous coal, whether or not pulverised, non-agglomerated	-	103.13	4.64%	-	3
550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning	52.18	89.50	4.03%	9.41%	3
151110	Crude palm oil	41.06	88.89	4.00%	13.74%	6
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	0.19	70.01	3.15%	168.46%	53
400122	Technically specified natural rubber "TSNR"	13.79	30.94	1.39%	14.41%	0
550320	Staple fibres of polyesters, not carded, combed or otherwise processed for spinning	-	20.78	0.94%	-	11

TABLE 17:
Pakistan's Top 25 Imports from Indonesia at HS-06 Level

HS Code	Product Description	Pakistan's Imports from Indonesia		Share in Total Imports from Indonesia 2019	CAGR (2013-19)	Tariff Applied (%) by Pakistan on Indonesia
		2013 (USD Million)	2019 (USD Million)			
480262	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, ...	13.70	20.07	0.90%	6.57%	20
870840	Gear boxes and parts thereof, for tractors, motor vehicles for the transport of ten or more ...	1.91	15.81	0.71%	42.26%	35
480269	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, ...	0.12	13.43	0.60%	119.82%	12
481029	Paper and paperboard used for writing, printing or other graphic purposes, of which > 10% by ...	2.26	12.51	0.56%	32.96%	16
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	4.81	12.40	0.56%	17.11%	60
300220	Vaccines for human medicine	3.69	11.61	0.52%	21.07%	6
180500	Cocoa powder, not containing added sugar or other sweetening matter	0.46	9.90	0.45%	66.79%	0
140490	Vegetable products n.e.s	3.70	8.48	0.38%	14.82%	34
999999	Commodities not elsewhere specified	0.01	7.66	0.34%	221.02%	0
151329	Palm kernel and babassu oil and their fractions, whether or not refined, but not chemically ...	7.90	7.47	0.34%	-0.92%	6
390410	Poly"vinyl chloride", in primary forms, not mixed with any other substances	-	7.41	0.33%	-	11
190110	Food preparations for infant use, put up for retail sale, of flour, groats, meal, starch or ...	3.30	7.20	0.32%	13.91%	16
840420	Condensers for steam or other vapour power units	-	7.15	0.32%	-	20

TABLE 17:
Pakistan's Top 25 Imports from Indonesia at HS-06 Level

HS Code	Product Description	Pakistan's Imports from Indonesia		Share in Total Imports from Indonesia 2019	CAGR (2013-19)	Tariff Applied (%) by Pakistan on Indonesia
		2013 (USD Million)	2019 (USD Million)			
730423	Drill pipe, seamless, of a kind used in drilling for oil or gas, of iron or steel (excluding ...	-	6.93	0.31%	-	16
550951	Yarn containing predominantly, but < 85% polyester staple fibres by weight, mixed principally ...	5.90	5.55	0.25%	-1.01%	11
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more ...	1.22	5.46	0.25%	28.39%	35
090710	Cloves, whole fruit, cloves and stems, neither crushed nor ground	0.24	5.33	0.24%	68.25%	0

Source: ITC Trade Map

Key Findings:

- Pakistan's imports from Indonesia have increased annually at a rate of 10.7% since the implementation of IPPTA.
- Combined, the top 25 imports at HS-06 level accounted for around 90.8% of Pakistan's total imports from Indonesia in 2019. This indicates that imports from the country are not diversified.
- With an import value of \$1.3 billion in 2019, "Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)" (HS-151190) was Pakistan's largest import from Indonesia. It accounted for 59.7% of Pakistan's total imports from the country which indicates the importance of this product for Indonesia. Imports of this commodity grew at a rate of 12.5% from 2013 as Pakistan diverted its imports of palm oil from Malaysia to Indonesia. Similarly, "Crude palm oil" (HS-151110) is the 5th largest import from the country. Currently, Pakistan is the 3rd largest importer of "Palm oil and its fractions..." (HS-1511) from Indonesia, after China and India, respectively.

- Pakistan is the 2nd largest importer of “Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning” (HS-550410) and the 3rd largest importer of “Staple fibres of polyesters, not carded, combed or otherwise processed for spinning” (HS-550320) from Indonesia.
- Excluding “Commodities not elsewhere specified” (HS-999999), “Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...” (HS-870321) have exhibited the highest growth rate of 168.5% since 2013.
- The highest tariff of 60% is charged on “Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...” (HS-870322).
- Nine out of the top 25 imports are included in the PTA concession list of Pakistan.
- Overall, Pakistan’s imports from Indonesia are not very diversified. Majority of the top 25 imports (18 commodities) had an import value less than \$30.0 million in 2019.

TOP IMPORTS – GROWTH RATE METHOD

While Figure 8 and Table 17 previously showed Pakistan's top imports from Indonesia at HS-02 and HS-06 level according to the import value, Table 18 below lists Pakistan's top 25 imports from Indonesia at HS-06 level, sorted according to the compound average growth rate (CAGR). This table indicates which products exhibited the highest growth after the signing of the IPPTA.

The highlighted rows indicate the products which are included under IPPTA concessions.

TABLE 18:
Pakistan's Top 25 Imports from Indonesia – Growth Rate Method

HS Code	Product Description	Pakistan's Imports from Indonesia		CAGR (2013-19)	Tariff Applied (%) by Pakistan on Indonesia
		2013 (USD Million)	2019 (USD Million)		
940190	Parts of seats, n.e.s.	0.00	4.62	263.58%	31
999999	Commodities not elsewhere specified	0.01	7.66	221.02%	0
120300	Copra	0.00	2.69	210.47%	5
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	0.19	70.01	168.46%	53
841199	Parts of gas turbines, n.e.s.	0.00	0.25	150.99%	3
841430	Compressors for refrigerating equipment	0.02	2.94	126.07%	16
480269	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, ...	0.12	13.43	119.82%	12
392610	Office or school supplies, of plastics, n.e.s.	0.00	0.16	107.36%	20
870850	Drive-axles with differential, whether or not provided with other transmission components, ...	0.00	0.14	103.01%	35
870893	Clutches and parts thereof, for tractors, motor vehicles for the transport of ten or more persons, ...	0.00	0.06	97.86%	35

TABLE 18:
Pakistan's Top 25 Imports from Indonesia – Growth Rate Method

HS Code	Product Description	Pakistan's Imports from Indonesia		CAGR (2013-19)	Tariff Applied (%) by Pakistan on Indonesia
		2013 (USD Million)	2019 (USD Million)		
611190	Babies' garments and clothing accessories of textile materials, knitted or crocheted (excluding ...	0.00	0.12	97.58%	20
340130	Organic surface-active products and preparations for washing the skin, in the form of liquid ...	0.02	1.11	89.38%	20
851110	Sparking plugs of a kind used for spark-ignition or compression-ignition internal combustion ...	0.01	0.51	89.29%	11
291590	Saturated acyclic monocarboxylic acids, their anhydrides, halides, peroxides and peroxyacids; ...	0.07	2.90	87.80%	3
731029	Tanks, casks, drums, cans, boxes and similar containers, of iron or steel, for any material, ...	0.08	3.48	86.80%	20
321590	Ink, whether or not concentrated or solid (excluding printing ink)	0.00	0.04	83.36%	16
380892	Fungicides (excluding goods of subheading 3808.50)	0.03	0.96	82.32%	3
851220	Electrical lighting or visual signalling equipment for motor vehicles (excluding lamps of heading ...	0.01	0.40	79.62%	35
731210	Stranded wire, ropes and cables, of iron or steel (excluding electrically insulated products ...	0.00	0.06	77.24%	20
903289	Regulating or controlling instruments and apparatus (excluding hydraulic or pneumatic, manostats, ...	0.00	0.06	76.76%	24
848410	Gaskets and similar joints of metal sheeting combined with other material or of two or more ...	0.01	0.36	76.35%	26
090811	Nutmeg, neither crushed nor ground	0.03	0.84	73.27%	0
902780	Instruments and apparatus for physical or chemical analysis, or for measuring or checking viscosity, ...	0.00	0.03	73.21%	3
381900	Hydraulic brake fluids and other prepared liquids for hydraulic transmission not containing ...	0.01	0.14	69.24%	20

TABLE 18:
Pakistan's Top 25 Imports from Indonesia – Growth Rate Method

HS Code	Product Description	Pakistan's Imports from Indonesia		CAGR (2013-19)	Tariff Applied (%) by Pakistan on Indonesia
		2013 (USD Million)	2019 (USD Million)		
090710	Cloves, whole fruit, cloves and stems, neither crushed nor ground	0.24	5.33	68.25%	0

Source: ITC Trade Map

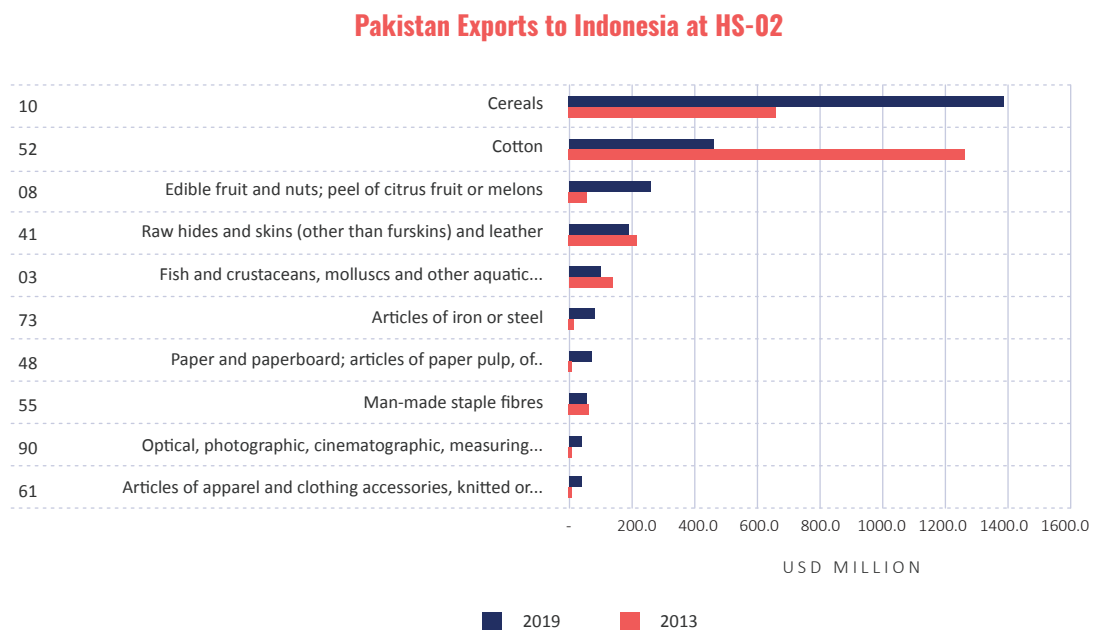
Key Findings:

- Since 2013, “Parts of seats, n.e.s.” (HS-940190) has exhibited the highest growth of 263.6% in import value. This product is not included in the PTA concession list.
- Five out of the top 25 imports fall under the category of Machinery (HS-84-85). The average growth rate of these commodities is 104.5% and Pakistan applied ad valorem tariff ranges from 3%-35% on these products.
- Three of the products listed above also fall under Pakistan’s top imports from Indonesia at HS-06 level as can be seen in Table 9. These products are “Commodities not elsewhere specified” (HS-999999), “Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, ...” (HS-480269) and “Cloves, whole fruit, cloves and stems, neither crushed nor ground” (HS-090710).
- Only four of these commodities are included under the PTA concession list which shows that majority of goods with high growth rate have not been given any concessions.
- However, it is important to note that though these products have shown good growth rates, their overall values are still quite low.

TOP EXPORTS – HS-02 AND HS-06 LEVEL

Figure 9 shows Pakistan's top ten exports to Indonesia at HS-02 level in 2013 and then again in 2019.

FIGURE 9:
Pakistan's Top 10 Exports to Indonesia at HS-02 Level



Source: ITC Trade Map

At HS-02 level, Pakistan's largest export commodity to Indonesia was "Cereals" (HS-10) which amounted to \$69.4 million in 2019. This commodity holds importance for Pakistan in its trade with Indonesia. Export of the second largest commodity "Cotton" (HS-52) totaled \$22.8 million during 2019, which is much lower than export of cereals. Furthermore, the export value of cotton in 2013 amounted to \$60.1 million which shows that exports of this product have exhibited a significant decline since the implementation of IPPTA.

Including cotton, exports of four top products have declined since 2013.

Other top exports include edible fruits and nuts, raw hides and skins, fish, paper, iron etc. However, the export value of these products is still quite low and insignificant. Combined, the top ten exports at HS-02 level accounted for 90.6% of Pakistan's total exports to Indonesia.

A more detailed table below shows Pakistan's top 25 exports to Indonesia at HS-06 level in 2013 and then again in 2019, along with the share of these commodities in Pakistan's total exports to Indonesia, the growth rate for this period and the tariff applied by Indonesia on Pakistan and its other FTA partners.

The highlighted rows indicate the products which are included under IPPTA concessions.

TABLE 19:
Pakistan's Top 25 Exports to Indonesia at HS-06 Level

HS Code	Product Description	Pakistan's Exports to Indonesia		Share in Total Exports to Indonesia 2019	CAGR (2013-19)	Tariff Applied (%) by Indonesia on				
		2013 (USD Million)	2019 (USD Million)			Pakistan	India	Japan	Korea	China
TOTAL	All products	144.38	146.65		0.26%					
	Top 25 products	97.00	124.30	84.76%	4.22%					
100640	Broken rice	19.92	50.59	34.50%	16.81%	0	0	0	0	0
100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	0.60	9.39	6.40%	58.37%	3	3	3	3	3
080529	Fresh or dried wilkings and similar citrus hybrids	-	7.44	5.07%	-	0	0	0	0	0
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	7.10	6.13	4.18%	-2.42%	5	5	5	5	5
520932	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m ² , in three-thread ...	14.14	6.11	4.17%	-13.04%	10	10	10	10	10
520100	Cotton, neither carded nor combed	39.86	5.44	3.71%	-28.24%	0	0	0	0	0
080521	Fresh or dried mandarins incl. tangerines and satsumas (excl. clementines)	-	5.17	3.53%	-	0	0	0	0	0

TABLE 19:
Pakistan's Top 25 Exports to Indonesia at HS-06 Level

HS Code	Product Description	Pakistan's Exports to Indonesia		Share in Total Exports to Indonesia 2019	CAGR (2013-19)	Tariff Applied (%) by Indonesia on				
		2013 (USD Million)	2019 (USD Million)			Pakistan	India	Japan	Korea	China
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated or ...	-	3.51	2.39%	-	5	4	0	0	0
100119	Durum wheat (excluding seed for sowing)	0.21	3.32	2.26%	58.89%	-	-	-	-	-
411310	Leather further prepared after tanning or crusting "incl. parchment-dressed leather", of goats ...	2.47	3.00	2.04%	3.30%	0	0	0	0	0
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m ² , made of yarn of different ...	0.09	2.57	1.75%	75.84%	0	5	0	0	0
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	0.50	2.10	1.43%	26.99%	5	1	0	0	0
730890	Structures and parts of structures, of iron or steel, n.e.s. (excluding bridges and bridge-sections, ...	-	2.03	1.38%	-	13	5	13	8	0
521142	Denim, containing predominantly, but < 85% cotton by weight, mixed principally or solely with ...	-	1.89	1.29%	-	0	5	0	0	0
410712	Grain splits leather "incl. parchment-dressed leather", of the whole hides and skins of bovine ...	1.52	1.77	1.20%	2.53%	0	0	0	0	0
410792	Grain splits leather "incl. parchment-dressed leather", of the portions, strips or sheets of ...	1.71	1.76	1.20%	0.52%	0	0	0	0	0
731029	Tanks, casks, drums, cans, boxes and similar containers, of iron or steel, for any material, ...	-	1.76	1.20%	-	13	8	13	8	0

TABLE 19:
Pakistan's Top 25 Exports to Indonesia at HS-06 Level

HS Code	Product Description	Pakistan's Exports to Indonesia		Share in Total Exports to Indonesia 2019	CAGR (2013-19)	Tariff Applied (%) by Indonesia on				
		2013 (USD Million)	2019 (USD Million)			Pakistan	India	Japan	Korea	China
220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	1.41	1.67	1.14%	2.88%	0	30	9	5	30
551419	Woven fabrics containing predominantly, but < 85% synthetic staple fibres by weight, mixed ...	-	1.54	1.05%	-	10	5	0	0	0
030339	Frozen flat fish "Pleuronectidae, Bothidae, Cynoglossidae, Soleidae, Scophthalmidae and Citharidae" ...	4.33	1.48	1.01%	-16.38%	0	0	0	0	0
411390	Leather further prepared after tanning or crusting "incl. parchment-dressed leather", of antelopes, ...	2.43	1.43	0.97%	-8.45%	5	0	0	0	0
701090	Carboys, bottles, flasks, jars, pots, phials and other containers, of glass, of a kind used ...	0.04	1.18	0.80%	72.99%	5	4	0	0	0
030243	Fresh or chilled sardines "Sardina pilchardus, Sardinops spp.", sardinella "Sardinella spp.", ...	0.02	1.04	0.71%	94.73%	5	0	0	5	0
411200	Leather further prepared after tanning or crusting incl. parchment-dressed leather", of sheep ...	0.67	1.02	0.70%	7.25%	0	0	0	0	0
520812	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 ...	-	0.97	0.66%	-	10	10	0	0	0

Source: ITC Trade Map

Key Findings:

- Pakistan's exports to Indonesia have increased at a rate of 0.3% since the implementation of the IPPTA. Pakistani exporters appear to have failed to utilize the concessions offered under this PTA.
- Combined, the top 25 exports at HS-06 level accounted for 84.8% of Pakistan's total exports to Indonesia in 2019.
- "Fresh or chilled sardines "Sardina pilchardus..." (HS-030243) has shown the highest growth in exports of 94.7% since 2013. However, despite impressive growth, its export value is only \$1.0 million. This product is not included in IPPTA concessions and Indonesia charges 5% tariff on the import of this commodity from Pakistan.
- Nine out of the top 25 exports consist of Agricultural Products and Food Items (HS-01-24). Combined, these products accounted for 58.8% of Pakistan's total exports to Indonesia. The country applies 0% tariff on some of the goods such as broken rice and citrus fruits while it applies 5% duty on a few seafood items and 3%-5% duty on other cereal products. Further negotiations along these lines may help improve Pakistan's exports of these and similar items.
- With an export value of \$50.6 million in 2019, "Broken rice" (HS-100640) was the largest export to Indonesia. This single commodity accounted for 34.5% of Pakistan's total exports to the country in 2019. Initially this product was not included in IPPTA concessions. However, after negotiations in 2018, this was included in the 20 commodities on which tariff was reduced to 0%. Due to this, Pakistan surpassed Thailand and India in exports of rice after 2018, and became the top exporter of this commodity to Indonesia in 2019.
- Furthermore, the 4th largest commodity is "Semi-milled or wholly milled rice, whether or not polished or glazed" (HS-100630) which shows the importance of rice in Pakistan's export basket to Indonesia. However, concession on this product is not included in IPPTA and Indonesia charges the same tariff rate on this commodity to Pakistan and other FTA partners.
- Along with broken rice (previous tariff: 8%), undenatured ethyl alcohol (previous tariff: 30%), and denim (previous tariff: 10%) were among the top 25 exports that were granted zero duty access by Indonesia after further negotiations in 2018.

- Pakistan enjoys 0% duty on exports of citrus fruits such as “Fresh or dried wilkings and similar citrus hybrids” (HS-080529) and “Fresh or dried mandarins incl. tangerines and satsumas (excl. clementines)” (HS-080521). Even though the tariff is lower than what Indonesia applies on India, Korea and Japan, Pakistan’s exports of these products barely touched \$15.0 million in 2019. Pakistani exporters need to look into such products to identify why exports have not been performing well.
- Seven out of the top 25 exports have been included under the IPPTA concessions. It is important to note that a majority of the top products are those on which Indonesia does not apply a preferential tariff for Pakistan.



TOP EXPORTS – GROWTH RATE METHOD

While Figure 9 and Table 19 previously showed Pakistan’s top exports to Indonesia at HS-02 and HS-06 level according to the import value, Table 20 lists Pakistan’s top 25 exports to Indonesia at HS-06 level, sorted according to CAGR. This table indicates which products exhibited the highest growth under IPPTA.

The highlighted rows indicate the products which are included under the IPPTA concessions.

TABLE 20:
Pakistan's Top 25 Exports to Indonesia – Growth Rate Method

HS Code	Product Description	Pakistan's Exports to Indonesia		CAGR (2013-19)	Tariff Applied (%) by Indonesia on				
		2013 (USD Million)	2019 (USD Million)		Pakistan	India	Japan	Korea	China
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	0.00	0.70	148.24%	9	25	0	5	5
030243	Fresh or chilled sardines "Sardina pilchardus, Sardinops spp.", sardinella "Sardinella spp.", ...	0.02	1.04	94.73%	5	0	0	5	0
610469	Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials, ...	0.00	0.03	76.27%	25	25	0	0	0
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m ² , made of yarn of different ...	0.09	2.57	75.84%	0	5	0	0	0
701090	Carboys, bottles, flasks, jars, pots, phials and other containers, of glass, of a kind used ...	0.04	1.18	72.99%	5	4	0	0	0
420219	Trunks, suitcases, vanity cases, executive-cases, briefcases, school satchels and similar containers ...	0.00	0.10	71.28%	19	5	0	0	0
610339	Men's or boys' jackets and blazers of textile materials (excluding of wool, fine animal hair, ...	0.00	0.05	69.24%	25	25	0	0	0
521212	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, other than those ...	0.01	0.21	65.97%	5	5	0	0	0
521029	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed principally ...	0.01	0.25	61.24%	15	15	0	0	0
100119	Durum wheat (excluding seed for sowing)	0.21	3.32	58.89%	-	-	-	-	-
100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	0.60	9.39	58.37%	3	3	0	0	0
620322	Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	0.03	0.33	46.05%	24	24	0	0	0

TABLE 20:
Pakistan's Top 25 Exports to Indonesia – Growth Rate Method

HS Code	Product Description	Pakistan's Exports to Indonesia		CAGR (2013-19)	Tariff Applied (%) by Indonesia on				
		2013 (USD Million)	2019 (USD Million)		Pakistan	India	Japan	Korea	China
320414	Direct synthetic organic dyes; preparations based on direct synthetic organic dyes of a kind ...	0.05	0.35	38.84%	0	0	0	0	0
630510	Sacks and bags, for the packing of goods, of jute or other textile bast fibres of heading 5303	0.07	0.45	37.56%	5	5	0	0	0
630539	Sacks and bags, for the packing of goods, of man-made textile materials (excluding of polyethylene ...	0.10	0.69	37.36%	10	10	0	0	0
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted ...	0.05	0.32	36.04%	24	24	0	0	0
610349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials, ...	0.01	0.06	36.02%	25	25	0	0	5
520819	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m ² , unbleached ...	0.01	0.07	34.46%	10	10	0	0	0
420321	Specially designed gloves for use in sport, of leather or composition leather	0.01	0.07	31.38%	5	15	0	0	0
250100	Salts, incl. table salt and denatured salt, and pure sodium chloride, whether or not in aqueous ...	0.01	0.04	30.22%	8	4	0	0	4
400400	Waste, parings and scrap of soft rubber and powders and granules obtained therefrom	0.13	0.62	29.64%	5	0	0	0	0
520922	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m ² , in three-thread ...	0.20	0.94	29.64%	10	5	0	0	0
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	0.50	2.10	26.99%	5	1	0	0	0


TABLE 20:
Pakistan's Top 25 Exports to Indonesia – Growth Rate Method

HS Code	Product Description	Pakistan's Exports to Indonesia		CAGR (2013-19)	Tariff Applied (%) by Indonesia on				
		2013 (USD Million)	2019 (USD Million)		Pakistan	India	Japan	Korea	China
841370	Centrifugal pumps, power-driven (excluding those of subheading 8413.11 and 8413.19, fuel, lubricating ...	0.08	0.29	24.75%	0	4	0	4	5
610590	Men's or boys' shirts of textile materials, knitted or crocheted (excluding of cotton or man-made ...	0.01	0.04	24.52%	9	25	09	5	0

Source: ITC Trade Map

Key Findings:

- Since IPPTA has come into effect, exports of “Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)” (HS-610910) have exhibited the highest growth rate of 148.2%. This product has been included in IPPTA concessions and Pakistan is charged 9% tariff on the export of this commodity, which is higher than that charged to Japan, Korea and China but lower than that charged to India. However, it is important to note that despite an impressive growth number, the export value of this product is less than a million US dollars.
- Fourteen out of the top 25 products fall under the category of Textiles (HS-50–63) which indicates the importance of this sector for Pakistan. Only four of these commodities are given concessions under IPPTA.
- Six of the products listed above also fall under the top 25 exports to Indonesia at HS-06 level. Some of these commodities include “Fresh or chilled sardines...” (HS-030243), “Denim, containing >= 85% cotton by weight...” (HS-520942), and “Wheat and meslin (excluding seed for sowing, and durum wheat)” (HS-100199).
- Indonesia applies preferential tariff under IPPTA on only seven of the products listed in Table 20. Thus, a majority of the high growth products are those on which there are no concessions under IPPTA.
- Even though the growth rate exhibited by these products are high, it should be noted that their overall export value still remains low.



CHAPTER 7: OTHER TRADE INDICATORS

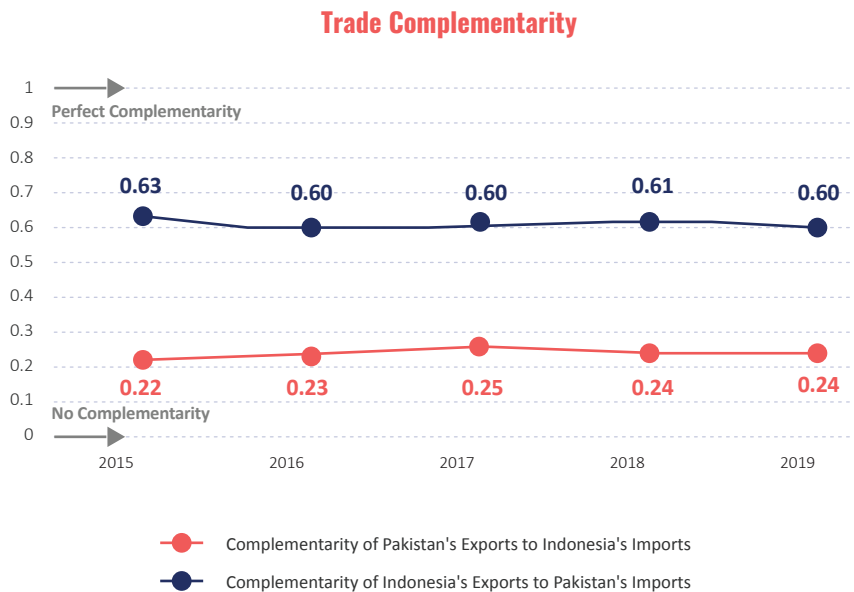


TRADE COMPLEMENTARITY INDEX

The Trade Complementarity Index shows the extent to which the export profile of the exporter complements the import profile of the partner. A high index may indicate that the exporter would stand to gain from increased trade. It is calculated using the following formula:

$$\text{Trade Complementarity of Country i with Country j} = 1 - \frac{\sum \text{share of good X in imports of country j} - \text{share of good X in exports of country i}}{2}$$

FIGURE 10:
Indonesia Pakistan Trade Complementarity



Source: WITS

The figure above shows that Indonesia’s exports match Pakistan’s imports more closely relative to Pakistan’s exports with Indonesia’s imports. Only 24.0% of Pakistan’s exports complement Indonesia’s imports, while more than 60.0% of Indonesia’s exports complement Pakistan’s imports. Over the last few years, correlation of Indonesia’s exports with Pakistan’s imports has decreased slightly. On the other hand, trade complimentary for Pakistani exports with Indonesian imports has remained more or less the same, in fact slightly increasing in 2017. Hence, Indonesia is better suited to supply the Pakistani market as opposed to Pakistan supplying the Indonesian market. This indicates that the Indonesian export industry stands to gain more from an FTA between the partner countries.

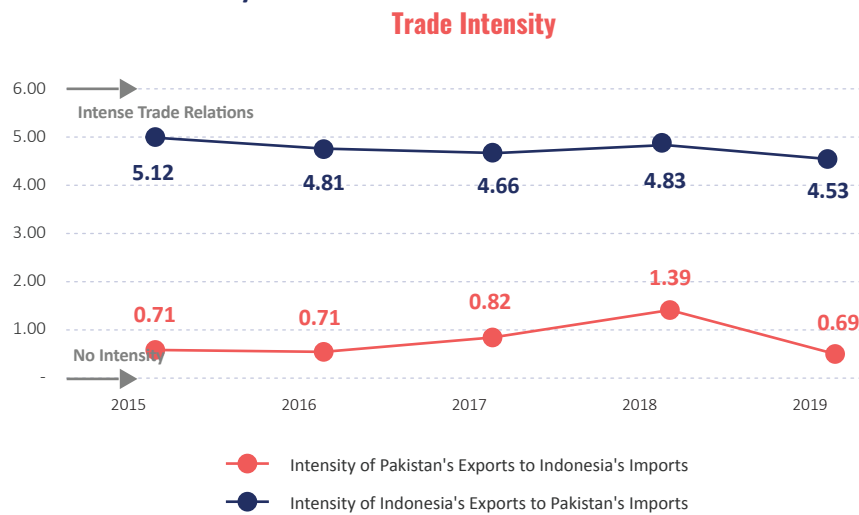
TRADE INTENSITY INDEX

The Trade Intensity Index is used to determine whether the value of trade between two countries is greater or smaller than would be expected on the basis of their importance in world trade. It is calculated using the following formula:

$$\text{Trade Intensity of Country i with Country j} = \frac{X_{ij}/X_{it}}{X_{wj}/X_{wt}}$$

where 'Xij' is one country's exports to the partner country and 'Xit' is the country's exports to the world. Similarly, 'Xwj' is the world exports to the partner country and 'Xwt' is the total world exports. A higher value of the index indicates larger than expected trade flows given their importance in world trade.

FIGURE 11:
Indonesia Pakistan Trade Intensity



Source: WITS

With the exception of 2018, Pakistan's intensity index has been below 1 since 2015 which indicates that Pakistan is trading less with Indonesia than it should. In 2018, this index reached 1.4, meaning Pakistan's trade performance improved significantly during the year. It started exporting more to Indonesia than might be expected from Pakistan's share in world trade. However, it fell significantly in 2019, reaching an all-time low of 0.7.

On the other hand, the intensity of Indonesia's exports to Pakistan is quite high, ranging from 4.5 to 5.1. This index has slowly decreased since 2015, indicating that Indonesia has started exporting less to Pakistan than would be expected from Indonesia's share in world trade, as compared to 2015. However, the index is still quite high, showing an intense trade relationship.

REVEALED MARKET ACCESS INDEX

A study performed by (Mamoon et al. 2011) from the Pakistan Institute of Trade and Development (PITAD) computed Revealed Market Access (RMA) index to explore market access issues faced by the exporting country. RMA is an extension of Revealed Comparative Advantage (RCA) that helps assess by product that whether there is any evidence that Pakistani product's access to Indonesian market is higher or lower than that suggested by its RCA.

$$\text{Revealed Market Access} = \frac{\text{BRCA}}{\text{RCA}}$$

An RMA < 1 suggests that Pakistan is not entering the Indonesian market at the rate that would be expected according to its global revealed comparative advantage. Pakistan faces market access barriers in many products in the Indonesian market. Meanwhile an RMA > 1 shows that Pakistan has better access for the given product in the Indonesian market than other exporters.

TABLE 21:

Average Revealed Market Access Index for Pakistan's Exports to Indonesia (2013-2019)

HS Code	Product Description	Average RMAs (2013-2019) > 1	HS Code	Product Label	Average RMAs (2013-2019) < 1
47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or ...	1043.91	71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	0.93
99	Commodities not elsewhere specified	461.28	54	Man-made filaments; strip and the like of man-made textile materials	0.91
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	37.21	39	Plastics and articles thereof	0.81
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	30.46	90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	0.64

TABLE 21:
Average Revealed Market Access Index for Pakistan's Exports to Indonesia (2013-2019)

HS Code	Product Description	Average RMAs (2013-2019) > 1	HS Code	Product Label	Average RMAs (2013-2019) < 1
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, ...	17.55	44	Wood and articles of wood; wood charcoal	0.63
35	Albuminoidal substances; modified starches; glues; enzymes	14.45	34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial ...	0.50
29	Organic chemicals	14.04	97	Works of art, collectors' pieces and antiques	0.48
73	Articles of iron or steel	13.94	92	Musical instruments; parts and accessories of such articles	0.39
24	Tobacco and manufactured tobacco substitutes	13.48	53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	0.39
01	Live animals	13.24	41	Raw hides and skins (other than furskins) and leather	0.38
40	Rubber and articles thereof	11.88	59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable ...	0.35
70	Glass and glassware	10.60	10	Cereals	0.25
83	Miscellaneous articles of base metal	9.56	30	Pharmaceutical products	0.21
38	Miscellaneous chemical products	7.76	65	Headgear and parts thereof	0.20
23	Residues and waste from the food industries; prepared animal fodder	6.64	22	Beverages, spirits and vinegar	0.15
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	6.52	60	Knitted or crocheted fabrics	0.15

TABLE 21:
Average Revealed Market Access Index for Pakistan's Exports to Indonesia (2013-2019)

HS Code	Product Description	Average RMAs (2013-2019) > 1	HS Code	Product Label	Average RMAs (2013-2019) < 1
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	6.17	15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...	0.14
49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, ...	3.94	68	Articles of stone, plaster, cement, asbestos, mica or similar materials	0.13
74	Copper and articles thereof	3.84	95	Toys, games and sports requisites; parts and accessories thereof	0.12
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	3.20	64	Footwear, gaiters and the like; parts of such articles	0.12
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	2.94	20	Preparations of vegetables, fruit, nuts or other parts of plants	0.08
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	2.58	55	Man-made staple fibres	0.07
72	Iron and steel	2.49	82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	0.06
32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring ...	2.27	09	Coffee, tea, maté and spices	0.06
88	Aircraft, spacecraft, and parts thereof	1.87	94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; ...	0.04

TABLE 21:
Average Revealed Market Access Index for Pakistan's Exports to Indonesia (2013-2019)

HS Code	Product Description	Average RMAs (2013-2019) > 1	HS Code	Product Label	Average RMAs (2013-2019) < 1
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal ...	1.45	25	Salt; sulphur; earths and stone; plastering materials, lime and cement	0.04
76	Aluminium and articles thereof	1.44	13	Lac; gums, resins and other vegetable saps and extracts	0.04
08	Edible fruit and nuts; peel of citrus fruit or melons	1.40	52	Cotton	0.03
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	1.25	96	Miscellaneous manufactured articles	0.02
03	Fish and crustaceans, molluscs and other aquatic invertebrates	1.04	11	Products of the milling industry; malt; starches; inulin; wheat gluten	0.02

Source: ITC Trade Map



**CHAPTER 8:
TRADE POTENTIAL**

INDONESIA'S POTENTIAL TO EXPORT TO PAKISTAN

Table 22 below lists Indonesia's high potential products that it can export to Pakistan, along with the tariff applied by Pakistan on these products. These are the products that Indonesia can be expected to push for inclusion in a future FTA.

The highlighted rows indicate those products which are already included under IPPTA concession list.

TABLE 22:
Indonesia's Top 25 Export Potential Goods

HS Code	Product Description	Indonesia Exports to Pakistan 2019 (USD Million)	Pakistan Imports from World 2019 (USD Million)	Indonesia Exports to World 2019 (USD Million)	Indonesia's Export Potential 2019 (USD Million)	Tariff Applied (%) by Pakistan on Indonesia
	Top 25 Products	1,321.83	6,681.91	22,912.34	5,360.08	
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	0.17	1,019.64	492.45	492.28	0
151190	Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)	1,112.01	1,557.14	11,074.59	445.13	7
151321	Crude palm kernel and babassu oil	-	-	399.72	399.72	4
851762	Machines for the reception, conversion and transmission or regeneration of voice, images or ...	-	263.73	399.82	263.73	11
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	0.83	342.04	245.08	244.25	14
290243	P-Xylene	-	300.75	239.78	239.78	3
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	3.79	220.95	1,437.98	217.16	60

TABLE 22:
Indonesia's Top 25 Export Potential Goods

HS Code	Product Description	Indonesia Exports to Pakistan 2019 (USD Million)	Pakistan Imports from World 2019 (USD Million)	Indonesia Exports to World 2019 (USD Million)	Indonesia's Export Potential 2019 (USD Million)	Tariff Applied (%) by Pakistan on Indonesia
550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning	77.90	293.77	522.04	215.88	3
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	33.00	312.52	219.32	186.33	53
870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	23.11	181.62	2,242.97	158.51	92
540233	Textured filament yarn of polyester (excluding that put up for retail sale)	2.43	202.22	154.13	151.70	11
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution ...	0.00	148.74	168.35	148.74	30
151110	Crude palm oil	52.82	198.06	3,641.69	145.24	6
850440	Static converters	-	128.99	184.73	128.99	15
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors, n.e.s.	0.00	128.74	175.32	128.74	17
382499	Chemical products and preparations of the chemical or allied industries, incl. those consisting ...	0.16	124.90	121.44	121.28	11
380891	Insecticides (excluding goods of subheading 3808.50)	3.36	99.88	139.06	96.52	9
840991	Parts suitable for use solely or principally with spark-ignition internal combustion piston ...	1.70	96.09	220.44	94.39	27
540247	Filament yarn of polyester, incl. monofilament of < 67 decitex, single, untwisted or with a ...	0.48	101.30	92.33	91.85	11
890520	Floating or submersible drilling or production platforms	-	386.11	90.74	90.74	3
400280	Mixtures of natural rubber, balata, gutta-percha, guayule, chicle or similar types of natural ...	-	-	87.47	87.47	0

TABLE 22:
Indonesia's Top 25 Export Potential Goods

HS Code	Product Description	Indonesia Exports to Pakistan 2019 (USD Million)	Pakistan Imports from World 2019 (USD Million)	Indonesia Exports to World 2019 (USD Million)	Indonesia's Export Potential 2019 (USD Million)	Tariff Applied (%) by Pakistan on Indonesia
300220	Vaccines for human medicine	9.61	248.67	96.01	86.40	6
730820	Towers and lattice masts, of iron or steel	-	84.33	115.74	84.33	20
890190	Vessels for the transport of goods and vessels for the transport of both persons and goods ...	-	82.20	98.92	82.20	3
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	0.477	80.338	127.159	79.861	3

Source: ITC Trade Map

Key Findings:

- The aggregate export potential for Indonesia's top 25 products currently being exported to Pakistan amounted to \$5.4 billion in 2019. However, for these top 25 commodities, Indonesia exported goods worth \$1.3 billion to Pakistan during the year.
- Only four of the high potential goods are included under IPPTA concessions. Hence, Indonesia may try to target the other products during FTA negotiations.
- Even though Indonesia exports large quantities of palm oil to Pakistan, it still has potential to export more. While the country exported almost \$1.2 billion of these commodities to Pakistan in 2019, it had the potential to export \$590.4 million more of these products during the same year. However, this portion of Pakistan's palm oil imports is currently fulfilled by Malaysia.
- Six of the high potential products consist of Machinery (HS-84–85). Indonesia holds the potential to export \$1.4 billion worth of these goods to Pakistan. Except for "Telephones for cellular networks "mobile telephones" or for other wireless networks" (HS-851712), Pakistan does not provide concessions to any other high potential electrical machinery product.
- Other high potential exports include vehicles, metals, chemicals such as insecticides, and man-made filaments.

PAKISTAN'S POTENTIAL TO EXPORT TO INDONESIA

The table below lists the top 25 products with the highest export potential for Pakistan in 2019. From the previous tables, it can be seen that Pakistan's exports to Indonesia have not increased much under the IPPTA. Table 23 shows those commodities on which Pakistan should focus on during FTA negotiations so that it can increase its exports to Indonesia. Tariff applied by Indonesia on its FTA partners has also been included.

The highlighted rows indicate the products already included under IPPTA concessions.

TABLE 23:
Pakistan's Top 25 Export Potential Goods

HS Code	Product Description	Pakistan Exports to Indonesia 2019 (USD Million)	Indonesia Imports from World 2019 (USD Million)	Pakistan Exports to World 2019 (USD Million)	Export Potential 2019 (USD Million)	Tariff Applied (%) by Indonesia on				
						Pakistan	India	Japan	Korea	China
	Top 25 Products	68.83	12,124.11	3,248.94	3,180.11					
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	2.10	381.02	405.51	378.93	5	1	0	0	0
100640	Broken rice	50.59	179.56	255.73	128.97	0	8	8	8	8
390761	Poly"ethylene terephthalate", in primary forms, having a viscosity number of >= 78 ml/g	-	128.73	217.75	128.73	5	0	0	0	5
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	-	460.51	82.41	82.41	4	3	0	0	0
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	0.70	73.04	314.81	72.33	9	25	0	5	5
261000	Chromium ores and concentrates	-	85.89	70.04	70.04	5	0	0	0	0

TABLE 23:
Pakistan's Top 25 Export Potential Goods

HS Code	Product Description	Pakistan Exports to Indonesia 2019 (USD Million)	Indonesia Imports from World 2019 (USD Million)	Pakistan Exports to World 2019 (USD Million)	Export Potential 2019 (USD Million)	Tariff Applied (%) by Indonesia on				
						Pakistan	India	Japan	Korea	China
640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather ...	0.08	67.42	87.77	67.34	25	5	0	0	0
080410	Fresh or dried dates	0.02	62.29	71.81	62.28	0	4	0	0	0
520819	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m ² , unbleached ...	0.07	63.86	60.40	60.33	10	10	0	0	0
841199	Parts of gas turbines, n.e.s.	-	264.26	56.86	56.86	5	0	0	0	0
070310	Fresh or chilled onions and shallots	-	56.60	67.48	56.60	6	6	0	0	0
250100	Salts, incl. table salt and denatured salt, and pure sodium chloride, whether or not in aqueous ...	0.04	95.52	49.64	49.60	8	4	0	0	4
520932	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m ² , in three-thread ...	6.11	54.70	148.89	48.58	10	5	0	0	0
170199	Cane or beet sugar and chemically pure sucrose, in solid form (excluding cane and beet sugar ...	-	48.32	218.47	48.32	8	8	8	8	8
890190	Vessels for the transport of goods and vessels for the transport of both persons and goods ...	-	360.81	45.41	45.41	2	2	0	0	0
080521	Fresh or dried mandarins incl. tangerines and satsumas (excl. clementines)	5.17	174.01	47.52	42.35	0	20	20	5	0
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	0.19	41.49	400.50	41.30	25	25	0	0	5

TABLE 23:
Pakistan's Top 25 Export Potential Goods

HS Code	Product Description	Pakistan Exports to Indonesia 2019 (USD Million)	Indonesia Imports from World 2019 (USD Million)	Pakistan Exports to World 2019 (USD Million)	Export Potential 2019 (USD Million)	Tariff Applied (%) by Indonesia on				
						Pakistan	India	Japan	Korea	China
170230	Glucose in solid form and glucose syrup, not containing added flavouring or colouring matter ...	-	79.01	38.02	38.02	5	0	0	0	0
170490	Sugar confectionery not containing cocoa, incl. white chocolate (excluding chewing gum)	-	57.61	35.14	35.14	19	3	0	0	0
520839	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m ² , dyed ...	0.25	33.76	41.66	33.51	5	5	0	0	0
520919	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m ² , unbleached ...	0.00	33.39	49.27	33.39	10	5	0	0	0
300439	Medicaments containing hormones or steroids used as hormones but not antibiotics, put up in ...	-	31.40	77.01	31.40	5	0	0	0	0
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated or ...	3.51	162.16	34.42	30.91	5	4	0	0	0
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...)	0.03	30.89	98.55	30.86	0	25	0	0	5
210690	Food preparations, n.e.s.	0	492.87	30.68	30.68	44	42	40	40	40

Source: ITC Trade Map

Key Findings:

- The aggregate export potential for Pakistan's top 25 products amounted to \$3.2 billion in 2019. However, the country only exported goods worth \$68.8 million from the top 25 high potential goods to Indonesia during the year.
- Only six of the high potential goods are included under IPPTA. Pakistan can focus on the other commodities and try to include these in a potential FTA with Indonesia.
- "Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s." (HS-901890) holds the highest potential of \$378.9 million. Despite this, Pakistan exported only \$2.1 million worth of this commodity in 2019 to Indonesia. Indonesia applies 5% tariff on the import of this commodity from Pakistan.
- Nine of the top 25 products fall under the category of Agricultural Products and Foodstuffs (HS-01–24). While Pakistan holds the potential to export \$492.0 million worth of these commodities, it only exported a mere \$55.8 million to Indonesia in 2019. Indonesia applies a preferential tariff of 0% on three of these products from Pakistan which includes "Broken rice" (HS-100640), "Fresh or dried dates" (HS-080410) and "Fresh or dried mandarins incl. tangerines and satsumas (excl. clementines)" (HS-080521). Despite this, Pakistan's export of these items is quite low, due to which there is a significant untapped potential.
- Other agricultural products and foodstuffs that Pakistan can aim to include in an FTA include "Salts, incl. table salt and denatured salt, and pure sodium chloride" (HS-250100), "Glucose in solid form and glucose syrup, not containing added flavouring or colouring matter" (HS-170230), and "Sugar confectionery not containing cocoa, incl. white chocolate (excluding chewing gum)" (HS-170490). Indonesia charges a tariff between 3%-19% on the import of these products from Pakistan. Comparing this with Indonesia's other FTA partners reveals that Indonesia charges 0% tariff on these items.
- Seven out of the top 25 products consist of textile goods. Combined, Pakistan exported only \$7.4 million of these products to Indonesia in 2019 while it had the potential to export an additional \$320.3 million of these goods during the same year. Most of the high potential products fall under the category of cotton. More trade fairs and marketing of textile goods, especially high value-added products in place of low value-added products (woven fabrics of cotton), will allow Pakistan to tap into this market.

- A high potential and high value-added textile product that Pakistan can include in tariff negotiations is that of “Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton” (HS-620342). Indonesia applies 25% tariff on Pakistan for this product while it imposes 0% and 5% tariff on this product from Korea, Japan and China.
- Pakistan did not export ten of the top potential products to Indonesia in 2019 as can be seen from the table above. Pakistani manufacturers and exporters can look into these items and identify why there have been no exports despite high potential.



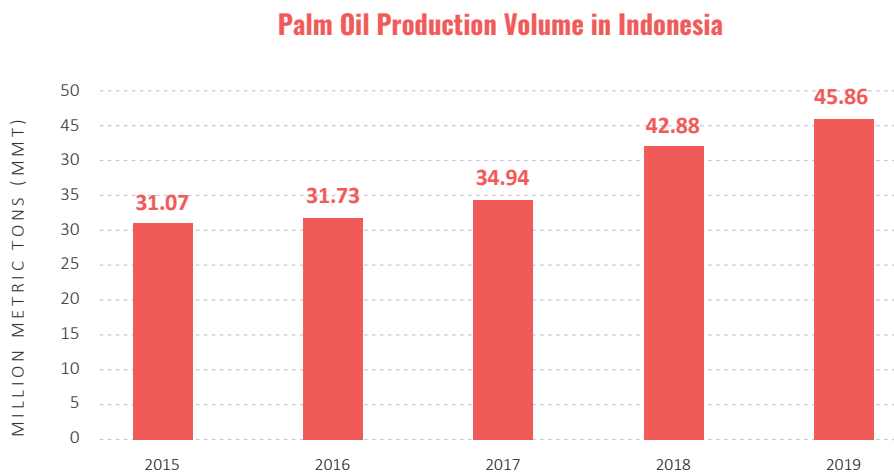
CHAPTER 9: INDUSTRY ANALYSIS

INDONESIA'S PALM OIL INDUSTRY

Palm oil is an important and versatile raw material used by both food and non-food industries. Usage of palm oil in non-food industries includes lubricants, biofuels, deodorants, and beauty products. Palm oil is a very productive crop which offers a far greater yield at a lower cost of production than other vegetable oils⁷. For this reason, the global production and demand for palm oil has been increasing. After overtaking Malaysia, Indonesia remains the largest producer and supplier of palm oil, accounting for approximately 51.9% of the world's total exports of this commodity. Combined, Indonesia and Malaysia contribute more than 80.0% of the world's total palm oil exports. Unlike Malaysia, however, which exported almost all of the palm oil it produced, Indonesia was also one of the world's biggest consumers of palm oil, using it as both a cooking oil and in biofuels.

The figure below illustrates Indonesia's palm oil production in the last five years in million metric tons (MMT). Palm oil production volume in Indonesia has been consistently increasing in the last few years owing to an export-led growth, favorable government policies and increasing domestic and global demand. As can be seen, the country has been producing large amounts of palm oil, exceeding 45.8 MMT in 2019.

FIGURE 12:
Palm Oil Production Volume in Indonesia

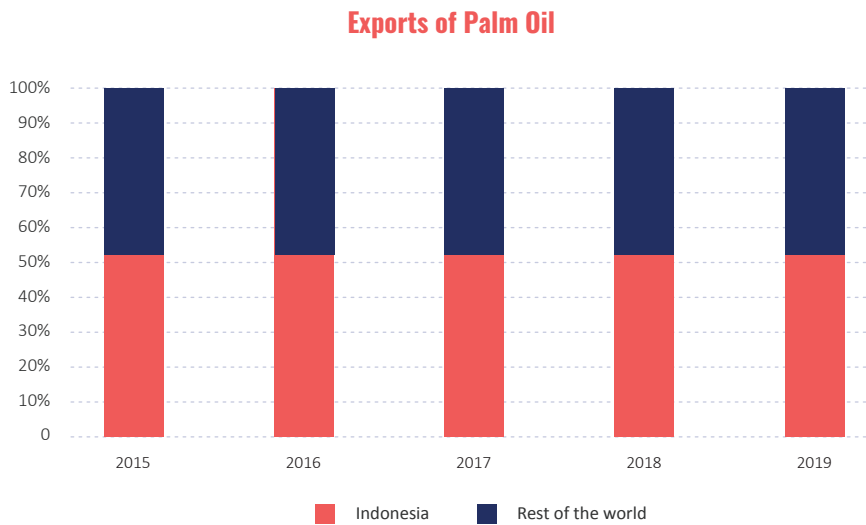


Source: Statista

⁷ Sustainable agriculture, palm oil, WWF <https://www.worldwildlife.org/industries/palm-oil>

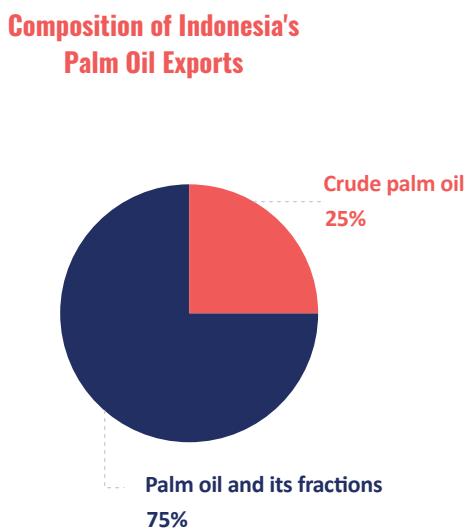
Figure 13 below shows Indonesia’s exports of Palm oil as compared to total world exports of palm oil during the last five years. As can be seen, Indonesia accounts for more than half of the world’s total palm oil exports.

FIGURE 13:
Indonesia Vs the World Palm Oil Exports



Source: ITC Trade Map

FIGURE 14:
Composition of Indonesia’s Palm Oil Exports



Source: ITC Trade Map

There are two components of palm oil production; Crude palm oil and Refined palm oil. Importers of palm oil keep a number of factors in consideration when selecting which component to import such as availability of refineries in the importing country, price difference between crude palm oil and refined palm oil, and the import duty. Figure 14 shows Indonesia’s export composition of “Crude Palm Oil” (HS-151110) and “Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)” (HS-151190) during 2019.

The figure below shows Indonesia's top export destinations for palm oil, along with the export value during 2019. It shows that Pakistan is the 3rd largest export destination for Indonesian palm oil, following China and India. Thus, Pakistan is an important market for Indonesian palm oil.

FIGURE 15:
Top Export Destinations for Indonesian Palm Oil, 2019



Source: ITC Trade Map

EXPORTS OF INDONESIAN PALM OIL TO PAKISTAN

FIGURE 16:
Indonesia Exports of Palm Oil to Pakistan

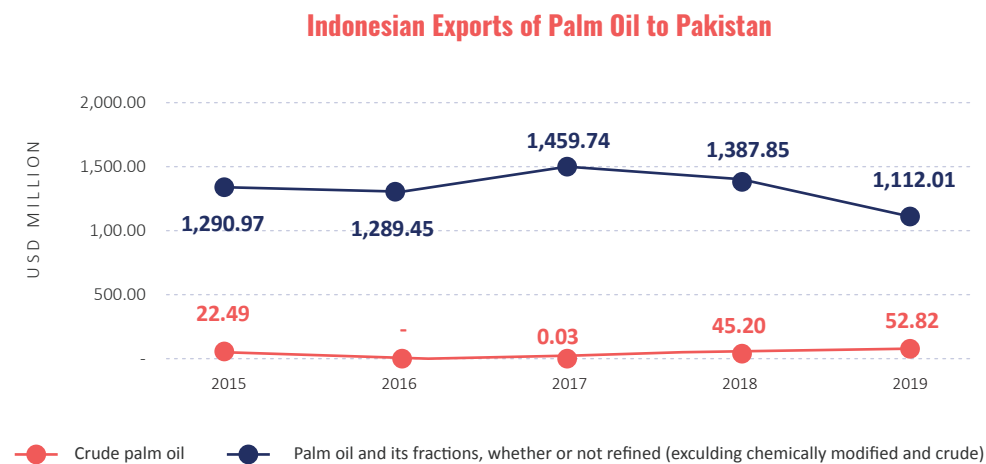


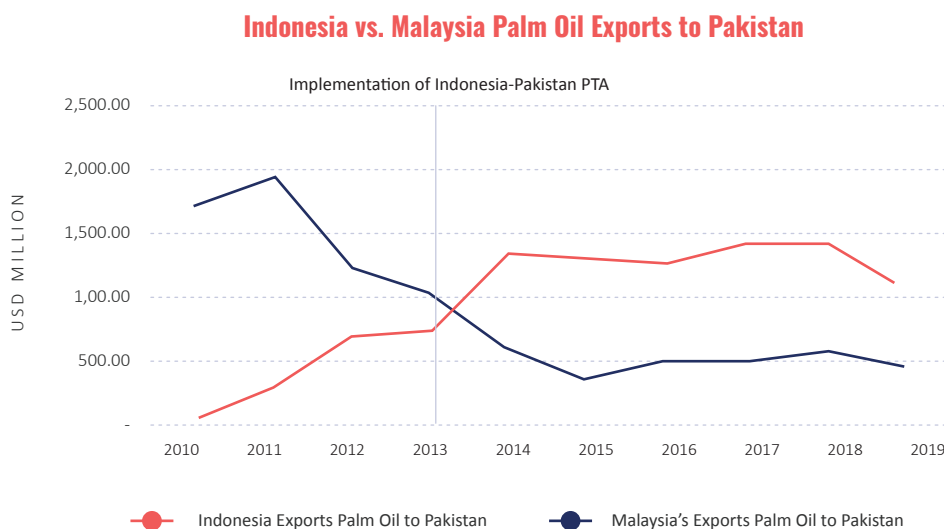
Figure 16 shows Indonesia’s exports of palm oil to Pakistan during the last five years. Exports of palm oil and its fractions has slightly decreased from \$1.3 billion in 2015 to \$1.1 billion in 2019, after an increase in 2017. On the other hand, exports of crude palm oil are lower as compared to palm oil and its fractions. Exports of this commodity rose from \$22.5 million in 2015 to \$52.8 million in 2019.

PALM OIL FROM INDONESIA AND MALAYSIA

Production of palm oil started in Malaysia and Indonesia in the years 1870 and 1964, respectively. Together, Malaysia and Indonesia produce around 85.0% of the world’s palm oil. With high consumption and low production rates, Pakistan is one of the main palm oil importers in the world. After Pakistan’s signing of the PTA with Indonesia, palm oil imports from Malaysia faced a sharp decline. Since 2014, Malaysia has been the second-largest exporter of palm oil to Pakistan, with Indonesia taking the lead. This can be seen in Figure 17 which compares Indonesia’s export of this commodity with Malaysia’s export of the same commodity for the last ten years. In 2019, Malaysia exported palm oil worth \$458.4 million to Pakistan while Indonesia exported palm oil worth \$1.2 billion to Pakistan. Thus, Indonesia’s export of this commodity is more than double that of Malaysia’s.

Since 2014, Indonesia’s exports of palm oil to Pakistan have sharply increased.

FIGURE 17:
Indonesia vs. Malaysia Palm Oil Exports to Pakistan



The table below compares Pakistan's imports of palm oil from both countries. This includes the export value, growth rate in the last ten years, average unit price, tariff applied on both Indonesia and Malaysia by Pakistan and the top three importing countries along with their market shares.

As can be seen from the table, Malaysia has experienced a decline in its exports of palm oil to Pakistan while Indonesia's palm oil exports to Pakistan have experienced a growth of around 34.5% in the last ten years. Moreover, Pakistan is an important market for both countries as it is the third largest importer of palm oil from both Indonesia and Malaysia.

The unit price of palm oil from Indonesia is relatively lower than that of palm oil from Malaysia, which might indicate why Indonesia has overtaken Malaysia in its export of this commodity to Pakistan. In the study "The Sustainability of Indonesia Pakistan Palm Oil Supply Chain" by Barus and Chalil, it was found that Pakistan's palm oil import volume is significantly influenced by the price of palm oil, the trade balance and the price of soybean oil. The lower the palm oil import price, the higher the volume of palm oil imported by Pakistan. The results indicate that price is the most important factor in Pakistan's palm oil imports.

TABLE 24:
Indonesia and Malaysia Exports of Palm Oil to Pakistan

Exporters	Value of Palm Oil Exported to Pakistan in 2019 (USD Million)	CAGR (2010-19)	Unit Price (USD/Tons)	Average tariff (estimated) Applied (%) by Pakistan	Top Three Export Markets (% Market Share)
Indonesia	1,164.83	34.45%	527.00	6.9	China (17.9%) India (15.3%) Pakistan (7.9%)
Malaysia	458.44	-14.15%	560.00	6.9	India (23.2%) China (10.6%) Pakistan (5.5%)

Source: ITC Trade Map

PAKISTAN'S HORTICULTURE SECTOR

Contributing significantly to the Agriculture Industry of Pakistan, Horticulture remains an important sector for the country. Citrus, mangoes, potatoes, onions, apricot, cherries and cabbages are the primary export items from Pakistan.

PAKISTAN'S HORTICULTURE EXPORTS

Despite the presence of highly diversified agro-ecological zones in Pakistan which favor the production of a variety of fruits and vegetables across the country, Pakistan's horticultural exports are limited to a few commodities and the global market share for these exports is very low. Pakistan's top horticulture exports, including citrus fruits, potatoes, dates, guavas, mangoes, and onions have been shown in Figure 18. However, despite immense potential to export, the country remains a net importer of horticulture products as can be seen in Figure 19 on the next page. Nevertheless, the country's imports of such commodities have sharply declined while exports have increased slightly since 2017.

FIGURE 18:
Pakistan's Top Horticulture Exports



Citrus Fruits
149\$ Mn



Potatoes
114\$ Mn



Guavas & Mangoes
102\$ Mn



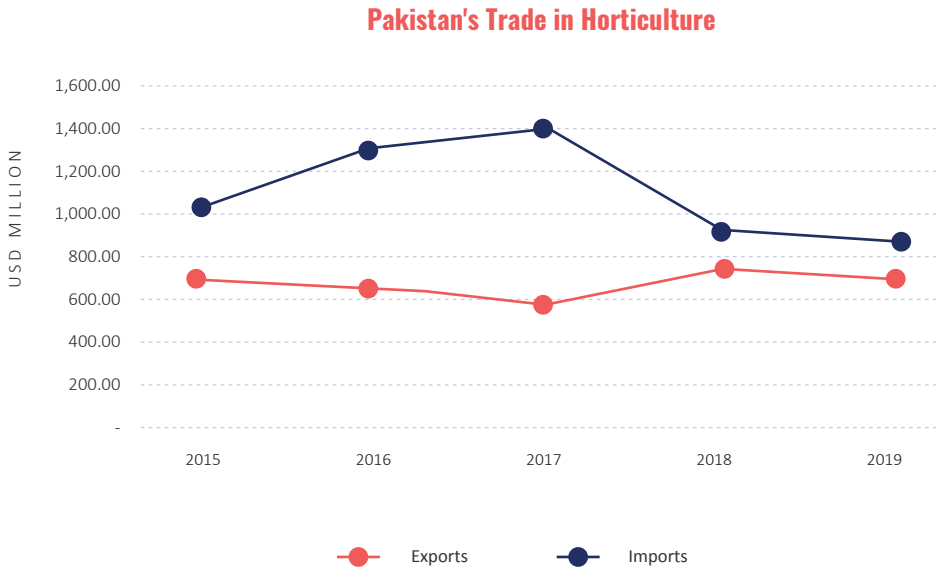
Dates
72\$ Mn



Onions
68\$ Mn

Source: ITC Trade Map

FIGURE 19:
Pakistan's Trade in Horticulture



Source: ITC Trade Map

Table 25 lists Pakistan’s top 10 export destinations for horticulture exports, along with their share and CAGR. Indonesia, the 13th largest export destination in 2019, has also been listed and highlighted. As can be seen, horticulture exports to Indonesia have shown the highest growth of 31.8% since 2013. Thus, Pakistan has managed to improve its horticulture exports to Indonesia. However, there remains immense untapped potential and opportunities for the country to further develop its horticulture exports to Indonesia.

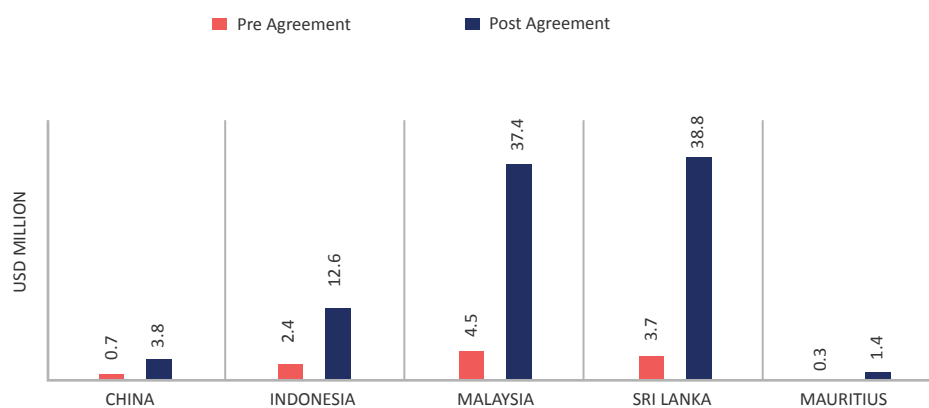
TABLE 25:
Pakistan's Top Export Destinations for Horticulture Products

Rank	Export Destinations	Export Value 2013 (USD Million)	Export Value 2019 (USD Million)	Share in Horticulture Exports	CAGR (2013-19)
	World	752.21	703.93		-1.10%
1	Afghanistan	271.20	174.91	24.85%	-7.05%
2	United Arab Emirates	78.18	101.04	14.35%	4.37%
3	Russian Federation	59.10	47.53	6.75%	-3.56%
4	Sri Lanka	20.69	38.76	5.51%	11.03%
5	Malaysia	16.80	37.36	5.31%	14.24%
6	United Kingdom	28.83	33.66	4.78%	2.62%
7	Oman	10.66	27.51	3.91%	17.11%
8	Qatar	5.40	24.47	3.48%	28.64%
9	Saudi Arabia	15.33	21.94	3.12%	6.15%
10	India	76.30	15.01	2.13%	-23.74%
13	Indonesia	2.41	12.64	1.80%	31.78%

Source: ITC Trade Map

HORTICULTURE UNDER PAKISTAN'S TRADE AGREEMENTS

FIGURE 20:
Pakistan's Exports of Horticulture – Pre- and Post-Agreements



Source: ITC Trade Map

Since horticulture is an important sector for Pakistan, it is obvious that trade agreements signed by the country would have an impact on horticulture exports. Figure 20 shows the changes that have occurred in the exports of horticulture products before and after these agreements were signed.

The most promising results are shown by the Malaysian and Sri Lankan markets, with trade increasing significantly after the signing of trade agreements.

Although, exports of horticulture products have increased between Indonesia and Pakistan after the signing of the PTA, results are not as encouraging as were initially expected. There is still a lot of potential in the Indonesian market for Pakistani horticulture products that is yet to be tapped.

HORTICULTURE UNDER THE IPPTA

Under IPPTA, Pakistan was granted preferential market access by Indonesia on 7 fresh horticulture products which included citrus, dates, apples, grapes, pears, quinces and apricots. After recent negotiations, Indonesia agreed to grant unilateral tariff concessions to Pakistan on 20 items which included one more horticulture product — mangoes.

Despite preferential tariff on 8 horticulture products, Pakistan's exports of fruits are mainly concentrated around citrus fruits, especially kinnow.

Table 26 on the next page compares tariffs applied by Indonesia on a few horticulture products. As shown in the figure, Indonesia grants duty-free access for these items to ASEAN countries such as Malaysia, Thailand and Vietnam or to countries with which it has an FTA such as Korea, China and Japan.

In the case of onions and potatoes, Pakistan does not receive preferential treatment from Indonesia. However, as mentioned previously, Pakistan is charged no tariff on the export of citrus fruits, mangoes, dates, apples and grapes. The country needs to capitalize on this opportunity and work on long-term strategies to increase the exports of such products to Indonesia, given current non-tariff barriers and other restrictions.

TABLE 26:
Comparative Tariffs for Pakistani Products (of Pakistan Interest) in Indonesia

Product	MFN Tariff (%)	Tariff for Pakistan (%)	Countries with Zero Tariff	Preferential Tariff
Citrus	20	0	Australia, Brunei, Cambodia, China, Japan, Korea, Lao, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Thailand, Vietnam	
Mango	10	0	Brunei, Cambodia, China, Lao, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam	Australia: 6.67% Japan: 3.13% Korea: 5%
Dates	5	0	Australia, Brunei, Cambodia, China, Japan, Korea, Lao, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Thailand, Vietnam	
Apple	5	0	Australia, Brunei, Cambodia, China, Korea, Lao, Japan, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Thailand, Vietnam	
Grape	5	0	Australia, Brunei, Cambodia, China, Korea, Lao, Japan, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Thailand, Vietnam	
Onion	6.25	6.25	Brunei, Cambodia, China, Lao, Malaysia, Myanmar, Korea, Philippines, Singapore, Thailand, Vietnam	Australia: 5% New Zealand: 5% Japan: 0.57%
Potato	20	20	Brunei, Cambodia, China, Lao, Malaysia, Myanmar, Korea, Philippines, Singapore, Thailand, Vietnam	Japan: 2.27%

Source: Opportunities for Pakistan in Indonesian Horticulture Market --- PHDEC

INDONESIA'S HORTICULTURE IMPORTS

In 2019, Indonesia imported horticulture products worth \$2.5 billion, out of which 59.2% were from China. Even though Pakistan is Indonesia's 7th largest import source for such items and imports from the country have grown at an impressive rate, the import value remains less than \$45.0 million and Pakistan's share amounts to a mere 1.8%. This can be seen in Table 27 below.

TABLE 27:
Indonesia's Top Horticulture Import Sources

Rank	Import Source	Import Value 2013 (USD Million)	Import Value 2019 (USD Million)	Share in Total Horticulture Import 2019	CAGR (2013-19)
	World	1,447.21	2,480.99		9.40%
1	China	784.09	1,467.69	59.16%	11.01%
2	United States of America	159.78	188.57	7.60%	2.80%
3	Australia	81.35	160.36	6.46%	11.98%
4	Thailand	96.00	154.69	6.24%	8.28%
5	New Zealand	21.74	50.73	2.04%	15.17%
6	Myanmar	47.87	45.74	1.84%	-0.76%
7	Pakistan	3.40	44.61	1.80%	53.61%
8	Egypt	12.57	34.88	1.41%	18.54%
9	India	41.48	30.80	1.24%	-4.84%
10	South Africa	11.27	30.45	1.23%	18.02%

Source: ITC Trade Map

Table 28 shows Indonesia's top imports of horticulture products from the world, along with the country's imports of the same items from Pakistan. The growth rate since 2013 for imports from world and imports from Pakistan has also been listed. The average tariff rate applied by Indonesia on the world as well as on Pakistan has also been compared in the table.

The objective of this exercise is to determine which goods from the horticulture sector should be included in Indonesia's concession list for Pakistan. Keeping in view Indonesia's demand for horticulture products from the world, Pakistan should seek market access not only for current

exports but should also try to obtain access for products with robust growth rates. For this purpose, products with imports from world with CAGR's greater than 10% have been highlighted.

TABLE 28:
Indonesia's Top Horticulture Imports: A Comparison

HS Code	Product Description	Indonesia Imports from World 2019 (USD Million)	Indonesia Imports from World CAGR (2013-19)	Indonesia Imports from Pakistan 2019 (USD Million)	Indonesia Imports from Pakistan CAGR (2013-19)	Average Tariff (estimated) Applied (%) by Indonesia on World	Tariff Applied (%) by Indonesia on Pakistan
	Horticulture	2,481.00	9.40%	44.61	53.61%		
070320	Garlic, fresh or chilled	529.97	6.62%	-	-	2.4	3
080610	Fresh grapes	372.59	24.33%	0.06	-	4.7	0
080810	Fresh apples	341.62	11.73%	-	-	4.7	0
080830	Fresh pears	236.34	13.73%	-	-	4.7	0
080521	Fresh or dried mandarins incl. tangerines and satsumas (excl. clementines)	174.01	-	44.43	-	-	0
081090	Fresh tamarinds, cashew apples, jackfruit, lychees, sapodillo plums, passion fruit, carambola, ...	144.93	10.78%	-	-	4.7	5
200410	Potatoes, prepared or preserved otherwise than by vinegar or acetic acid, frozen	77.21	12.06%	-	-	4.7	5
071331	Dried, shelled beans of species "Vigna mungo [L.] Hepper or Vigna radiata [L.] Wilczek", whether ...	73.49	-2.72%	-	-	2.4	3
080410	Fresh or dried dates	62.29	8.83%	0.00	-	4.7	0
070310	Fresh or chilled onions and shallots	56.60	-3.00%	-	-	5.9	6
080550	Fresh or dried lemons "Citrus limon, Citrus limonum" and limes "Citrus aurantifolia, Citrus ...	38.45	37.46%	-	-	4.7	0
080510	Fresh or dried oranges	27.09	5.81%	-	-	4.7	0

TABLE 28:
Indonesia's Top Horticulture Imports: A Comparison

HS Code	Product Description	Indonesia Imports from World 2019 (USD Million)	Indonesia Imports from World CAGR (2013-19)	Indonesia Imports from Pakistan 2019 (USD Million)	Indonesia Imports from Pakistan CAGR (2013-19)	Average Tariff (estimated) Applied (%) by Indonesia on World	Tariff Applied (%) by Indonesia on Pakistan
200599	Vegetables and mixtures of vegetables, prepared or preserved otherwise than by vinegar, non-frozen ...	20.37	28.14%	-	-	4.7	5
071290	Dried vegetables and mixtures of vegetables, whole, cut, sliced, broken or in powder, but not ...	19.82	3.73%	-	-	4.7	5
200819	Nuts and other seeds, incl. mixtures, prepared or preserved (excluding prepared or preserved ...)	18.62	22.04%	-	-	4.7	5
071220	Dried onions, whole, cut, sliced, broken or in powder, but not further prepared	17.92	6.70%	-	-	4.7	5
080212	Fresh or dried almonds, shelled	17.82	12.74%	-	-	4.7	5
200799	Jams, jellies, marmalades, purées or pastes of fruit, obtained by cooking, whether or not containing ...	17.36	6.71%	-	-100.00%	4.7	5
070190	Fresh or chilled potatoes (excluding seed)	15.22	-11.93%	-	-	19	20
200899	Fruit and other edible parts of plants, prepared or preserved, whether or not containing added ...	14.29	17.09%	-	-	4.7	5
081050	Fresh kiwifruit	14.23	7.70%	-	-	4.7	-
071350	Dried, shelled broad beans "Vicia faba var. major" and horse beans "Vicia faba var. equina ...	11.80	4.13%	-	-	2.3	3
200911	Frozen orange juice, unfermented, whether or not containing added sugar or other sweetening ...	11.39	-2.39%	-	-	4.7	0

TABLE 28:
Indonesia's Top Horticulture Imports: A Comparison

HS Code	Product Description	Indonesia Imports from World 2019 (USD Million)	Indonesia Imports from World CAGR (2013-19)	Indonesia Imports from Pakistan 2019 (USD Million)	Indonesia Imports from Pakistan CAGR (2013-19)	Average Tariff (estimated) Applied (%) by Indonesia on World	Tariff Applied (%) by Indonesia on Pakistan
200290	Tomatoes, prepared or preserved otherwise than by vinegar or acetic acid (excluding whole or ...	10.72	0.33%	-	-	4.7	5
080620	Dried grapes	9.92	14.93%	-	-	4.7	0

Source: ITC Trade Map

Key Findings:

- All products listed above show Indonesia's top horticulture imports from the world, indicating Indonesia's high demand and the need for Pakistani exporters to focus on these products.
- There is immense opportunity for Pakistan to increase its exports of fruits and vegetables to Indonesia. Despite this, more than 90% of Pakistan's horticulture exports to Indonesia currently comprise of "Fresh or dried mandarins incl. tangerines and satsumas (excl. clementines)" (HS-080521).
- Since Indonesia has given duty free access for a few fruits as mentioned previously, Pakistan can look into increasing exports of these products including grapes, apples, pears and so on.

PAKISTAN'S POTENTIAL TO EXPORT HORTICULTURE PRODUCTS TO INDONESIA

The table below lists the top 25 commodities from the horticulture sector in which Pakistan has a high potential to export to Indonesia. In addition, commodities which also fall under Indonesia's top 25 horticulture imports have been highlighted.

TABLE 29:
Pakistan's Potential to Export Horticulture to Indonesia

HS Code	Product Description	Pakistan Exports to Indonesia 2019 (USD Million)	Export Potential 2019 (USD Million)	Tariff Applied (%) by Indonesia on				
				Pakistan	India	Japan	Korea	China
	Horticulture	12.65	691.29					
080410	Fresh or dried dates	0.02	62.28	0	4	0	0	0
070310	Fresh or chilled onions and shallots	-	56.60	6	6	0	0	0
080521	Fresh or dried mandarins incl. tangerines and satsumas (excl. clementines)	5.17	42.35	0	20	20	5	0
070190	Fresh or chilled potatoes (excluding seed)	0.00	15.22	20	20	0	0	0
081090	Fresh tamarinds, cashew apples, jackfruit, lychees, sapodillo plums, passion fruit, carambola, ...	-	7.46	5	3	0	0	0
200799	Jams, jellies, marmalades, purées or pastes of fruit, obtained by cooking, whether or not containing ...	-	5.94	5	5	0	0	0
200819	Nuts and other seeds, incl. mixtures, prepared or preserved (excluding prepared or preserved ...	-	5.65	5	3	0	0	0
070490	Fresh or chilled cabbages, kohlrabi, kale and similar edible brassicas (excluding cauliflowers, ...	-	5.54	5	5	0	0	0
200911	Frozen orange juice, unfermented, whether or not containing added sugar or other sweetening ...	-	5.51	0	5	0	0	0
200600	Vegetables, fruit, nuts, fruit-peel and other edible parts of plants, preserved by sugar (drained, ...	-	2.63	20	20	0	0	0
200989	Juice of fruit or vegetables, unfermented, whether or not containing added sugar or other sweetening ...	-	2.60	5	3	0	0	0
071090	Mixtures of vegetables, uncooked or cooked by steaming or by boiling in water, frozen	-	2.42	5	0	0	0	0
080212	Fresh or dried almonds, shelled	-	2.17	5	4	0	0	0

TABLE 29:
Pakistan's Potential to Export Horticulture to Indonesia

HS Code	Product Description	Pakistan Exports to Indonesia 2019 (USD Million)	Export Potential 2019 (USD Million)	Tariff Applied (%) by Indonesia on				
				Pakistan	India	Japan	Korea	China
081340	Dried peaches, pears, papaws "papayas", tamarinds and other edible fruits (excluding nuts, ...	-	1.90	5	5	0	0	0
200811	Groundnuts, prepared or preserved (excluding preserved with sugar)	-	1.80	5	1	0	0	0
200520	Potatoes, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen)	-	1.77	5	3	0	0	0
070999	Fresh or chilled vegetables n.e.s.	-	1.63	5	0	0	0	0
070951	Fresh or chilled mushrooms of the genus "Agaricus"	-	1.59	5	0	0	0	0
200979	Apple juice, unfermented, Brix value > 20 at 20°C, whether or not containing added sugar or ...	-	1.52	0	0	0	0	0
070110	Seed potatoes	-	1.47	0	0	0	0	0
200290	Tomatoes, prepared or preserved otherwise than by vinegar or acetic acid (excluding whole or ...	-	1.42	5	0	0	2	0
070410	Fresh or chilled cauliflowers and headed broccoli	-	1.09	5	5	0	0	0
070320	Garlic, fresh or chilled	-	0.98	3	3	0	0	0

Source: ITC Trade Map

Key Findings:

- In 2019, Pakistan exported horticulture products worth \$12.7 million to Indonesia while it had the potential to export around \$691.2 million of such items.
- Eight of the highlighted products (including dates, onions, mandarins, and potatoes) fall under Indonesia's top horticulture imports. Since Pakistan has untapped potential for these products, it could focus on increasing exports of such fruits and vegetables to Indonesia.
- Indonesia allows duty free entry from Pakistan on 6 of the items listed in the table above which includes "Fresh or dried dates" (HS-080410), "Seed potatoes" (HS-070110) and "Fresh or dried oranges" (HS-080510). Pakistan should try to take advantage and focus on the export of these products.

- The country can try negotiating for tariff reductions on vegetables such as “Fresh or chilled onions and shallots” (HS-070310) and “Fresh or chilled potatoes (excluding seed)” (HS-070190). This will help provide a level playing field for Pakistan with other competitors.

The section below briefly discusses Pakistan’s current market position in a few of the horticulture products identified above and the opportunities for the same in the Indonesian market.



1. DATES

HS-080410 Fresh or dried dates					
Rank	Top Supplier for Indonesia	Export Value 2019 (USD Million)	Share in Indonesia's Dates Imports	Tariffs Applied (%) by Indonesia	Ranking in World Exports
1	Egypt	18.54	29.75%	5	11
2	Tunisia	16.22	26.00%	5	2
3	United Arab Emirates	9.03	14.49%	5	4
4	Saudi Arabia	4.66	7.47%	5	3
5	Iran	4.04	6.50%	5	6
19	Pakistan	0.02	0%	0	9

Pakistan exported dates worth \$0.02 million to Indonesia in 2019 even though it had the potential to export \$62.3 million worth of dates during the same year. In the previous years, Pakistan had not exported fresh dates to Indonesia. However, since 2019, exporters have started to target Indonesia. Despite being provided duty-free access on this item, exports have not increased as much since Indonesia mostly imports dates from Egypt, Tunisia, and UAE. Furthermore, a market study by the Commercial Section, Embassy of Pakistan, Jakarta revealed that “import licensing procedures are often a discouraging factor for dates exporters from Pakistan⁸.”

⁸ <https://www.foodnavigator-asia.com/Article/2019/09/17/it-s-a-date-Pakistan-eyes-US-6mn-worth-of-fruit-and-vegetable-exports-by-2022>

The Indonesian market for dates has immense potential as indicated above. Before religious holidays and festivals such as Ramadan, Indonesian importers put out inquiries regarding dates to exporters in countries like Tunisia and Egypt⁹ since dates are consumed for religious reasons. Pakistani exporters need to be made aware of this untapped opportunity so that they can work on exporting more dates to Indonesia. Marketing strategies need to be developed by the Pakistan Horticulture Development and Export Company (PHDEC) so that Indonesian importers are also made aware of high-quality dates from Pakistan.

Furthermore, a major chunk of Pakistan's date exports used to go to India. However, post-Pulwama, India hiked 200% customs duty on Pakistani goods due to which, date exporters faced a huge loss. Henceforth, the ministry of commerce was advised to look into other potential markets for dates¹⁰. Given this opportunity and the immense untapped potential, Pakistani date exporters may try to enter the Indonesian market.



2. ONIONS

HS-070310 Fresh or chilled onions and shallots					
Rank	Top Supplier for Indonesia	Export Value 2019 (USD Million)	Share in Indonesia's Onion Imports	Tariffs Applied (%) by Indonesia	Ranking in World Exports
1	New Zealand	18.41	32.53%	5	8
2	China	13.22	23.36%	0	2
3	India	8.71	15.40%	6.25	3
4	Netherlands	5.6	9.90%	6.25	1
5	Australia	0.89	1.59%	5	22
-	Pakistan	-	-	6.25	12

⁹ <https://www.freshplaza.com/article/9197709/indonesia-looking-to-import-enough-dates-for-religious-holidays/>

¹⁰ <https://www.dawn.com/news/1570985>

Despite having potential to export onions worth \$56.6 million to Indonesia, Pakistan currently does not export this product to Indonesia. Onions are Pakistan's fifth largest export commodity under horticulture as indicated in Figure 18 previously and Malaysia was the largest export destination for Pakistani onions in the last few years.

Currently, Indonesian importers are expecting the relaxation of import control on onion and garlic products. Pakistani onion exporters can take advantage of such relaxations and try to explore the Indonesian onion market. Pakistan is expected to experience an increase in onion yields this year which is why the Sindh government has demanded the opening up of onion exports for the bumper crop¹¹.

One of Pakistan's major competitors in this field is India. Due to better institutional support, research and development, and pre-harvest and post-harvest handling, the Indian onion has better quality with a longer shelf life. This makes India the 3rd largest onion exporter to Indonesia. Pakistan should learn from India along these lines to increase its onion exports.

Pakistani onion exporters can try to enter the Indonesian market through better marketing and promotion, especially since the ban on onion exports has been lifted. Provided that Pakistan improves and maintains its quality standards, the country may be able to increase exports of onions since they are in high demand in the Indonesian market.

¹¹ <https://www.freshplaza.com/article/9284482/pakistan-sindh-province-seeks-federal-ban-on-tomato-import-and-opening-up-of-onion-exports/>



3. POTATOES

HS-070190 Fresh or chilled potatoes (excluding seed)					
Rank	Top Supplier for Indonesia	Export Value 2019 (USD Million)	Share in Indonesia's Potato Imports	Tariffs Applied (%) by Indonesia	Ranking in World Exports
1	India	6.96	45.70%	20	12
2	Germany	3.07	20.14%	20	4
3	Egypt	1.29	8.46%	20	5
4	Canada	0.57	3.73%	20	7
5	Australia	0.29	1.76%	20	25
12	Pakistan	0.004	0.02%	20	10

Pakistan is an emerging supplier for the export of potatoes due to its taste and quality. It exported potatoes worth a mere \$4,000 to Indonesia in 2019 even though the country had the potential to export potatoes worth \$15.0 million during the same year. This is one product Pakistan can try to negotiate concessions on in future talks since Indonesia applies 20.0% tariff on the import of potatoes from Pakistan. In 2011, when talks between Pakistan and Indonesia were being held for a trade agreement, Indonesia banned the import of potatoes to protect its domestic producers. This is the reason why tariffs on potato imports were not discussed during the meetings with Pakistan. However, Indonesia has started to import potatoes from India starting in 2017. The import spiked by around 244% between the years 2018-2019.

Exports of Pakistani potatoes are expected to rise in the coming years due to higher yields. Furthermore, Egypt, Pakistan's main competitor for potatoes, has recently shifted its focus to exporting to European countries due to high demand from them¹². Since Egypt was Indonesia's 3rd largest import source for potatoes in 2019, Pakistani potato exporters can try to gain a larger market share in Indonesia.

All in all, increased efforts for marketing Pakistani potatoes abroad, along with working on getting a tariff reduction for this vegetable under IPPTA will help Pakistan realize its untapped potential for the export of potatoes.

¹² <https://www.tridge.com/stories/tridge-market-update-potatoes-from-pakistan-good-production-export-and-price>



4. MANDARINS (INCLUDING TANGERINES AND SATSUMAS)

HS-080521 Fresh or dried Mandarins incl. tangerines and satsumas (excluding clementines)					
Rank	Top Supplier for Indonesia	Export Value 2019 (USD Million)	Share in Indonesia's Mandarin Imports	Tariffs Applied (%) by Indonesia	Ranking in World Exports
1	China	107.62	61.80%	0	1
2	Pakistan	44.43	25.50%	0	10
3	Australia	9.22	5.30%	20	6
4	Argentina	8.31	4.80%	20	16
5	Egypt	2.03	1.20%	20	-

Mandarin or Pakistani kinnow is one fruit that is of importance under the IPPTA since it had been a major point of contention for Pakistan. Indonesia eventually granted duty-free access to it in 2018. Even though this fruit was Pakistan's 7th largest export to Indonesia in 2019, it still has an untapped potential of \$42.4 million. Mandarins are also Indonesia's 5th largest horticulture import. However, despite getting a tariff concession for this fruit, Pakistan has been unable to significantly increase its exports of mandarins to Indonesia.

One reason for Pakistani kinnow being unable to gain a significant market share in the Indonesian market is because of fierce competition from China, which exports similar mandarins to Indonesia. These are preferred over Pakistani mandarins due to their better quality¹³. Funding in horticulture research and development, including citrus, remains low according to international standards which leads to losses in crops.

Pakistani exporters should now make use of the market access and try to improve mandarin exports since there is immense potential to do so. In order to take full advantage, Pakistan Fruit and Vegetable Exporters, Importers and Merchants Association (PFVA) patron in chief, Waheed Ahmed has said *"We have to focus on research and development and encourage farmers to adopt good agricultural practices. We have to work on new varieties and develop new areas so we can expand this sector to a large extent¹⁴."*

¹³ <https://www.thejakartapost.com/news/2017/02/07/pakistan-boosts-orange-exports-to-ri.html>

¹⁴ <http://www.fruitnet.com/asiafruit/article/177901/quota-removal-increases-kinnow-export>

All in all, Pakistan has immense potential to export vegetables and fruits to Indonesia and this potential can be realized through increasing awareness, research and development, proper branding, marketing and trade fairs and promotional activities.



An aerial night view of a busy port. A large cruise ship is docked at a pier, illuminated by warm lights. In the foreground, a vast container yard is filled with stacks of colorful shipping containers. The background shows the dark sea with a few distant lights. A large red circle is on the left side of the image, and a dark blue banner with white text is overlaid on the lower part of the image.

CHAPTER 10: INPUTS FROM RELEVANT STAKEHOLDERS

Inputs from Pakistan’s Trade Minister in Jakarta, the Indonesian Consulate General in Karachi, and President of Pakistan Indonesia Business Forum – details of these stakeholders can be found in Annexure 1.

NON-TARIFF BARRIERS (NTBS) TO TRADE

The main issue that arises when exporting to Indonesia is that of non-tariff barriers (NTBs) rather than that of market access. Although, tariffs have been removed on the preferred commodities, NTBs that are being imposed have affected trade immensely. The Indonesian government is very particular about the products that it imports with respect to quality assurance, testing-certification and protection of its own agricultural industry. Pakistan’s major exports to Indonesia comprise of cotton, raw hide, cereals, citrus fruit and fish variety. All these products belong to the agriculture sector which Indonesia has been long protecting. Currently, Indonesia has one of the most ambitious self-sufficiency policies in South-east Asia, aiming to reduce or eliminate imports in mainly the agricultural sector.

As can be seen in Table 16 under Chapter 5: Trade Policies, Indonesia has applied 964 NTBs in total out of which Export-related measures (128), Sanitary and Phytosanitary (SPS) measures (229) and Technical Barriers to Trade (425) are the most applied ones. The figure below shows the share of troublesome regulations applied on Pakistan by different trading partners. In the Asian region, Indonesia applies 5th most regulations on Pakistani imports.

FIGURE 21:
Share of Troublesome Regulations Applied on Pakistan by Partners, region and country wise

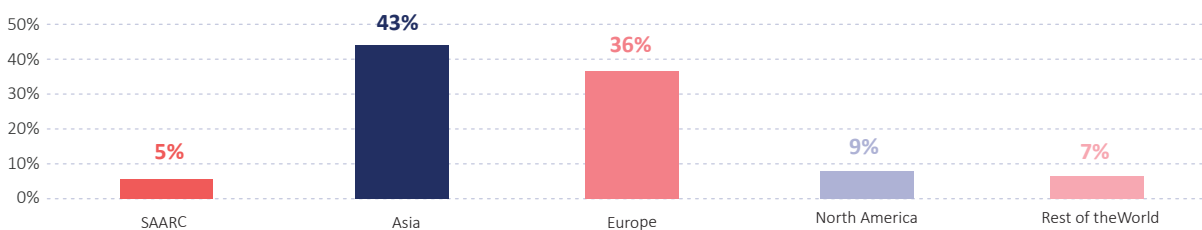
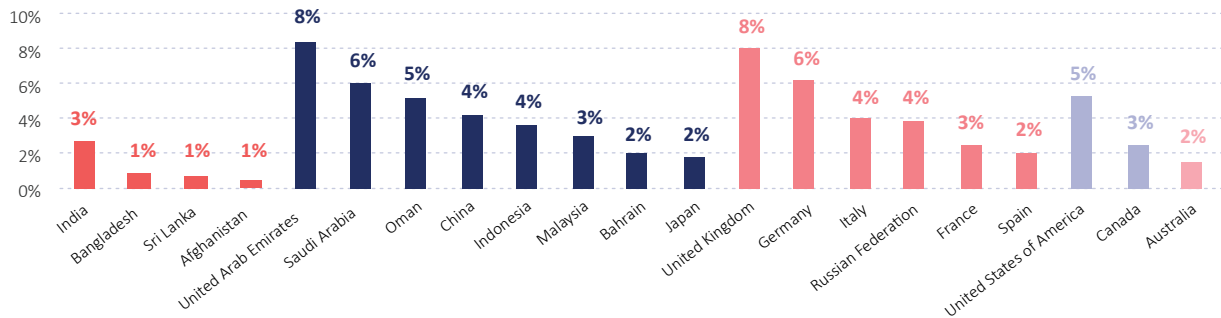


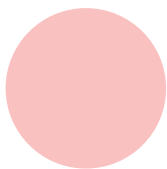
FIGURE 21:

Share of Troublesome Regulations Applied on Pakistan by Partners, region and country wise

Source: ITC NTM Business Survey in Pakistan, 2019

Technical barriers comprise of technical requirements and conformity assessments. These include SPS measures, certification and testing requirements, quotas, import and export licensing requirements, additional taxes and surcharges, pre-shipment inspections, and rules of origin, among others.

The section below briefly lists NTBs Pakistani exporters face in exporting products that have been granted market access under IPPTA.

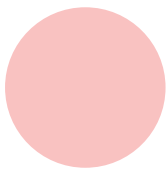


1. HORTICULTURE PRODUCTS LIKE MANGO AND KINNOW:

As mentioned previously, Indonesia granted duty-free access to Pakistan on mangoes in 2018. However, coupled with the fact that Indonesia's domestic produce of mangoes is enough to meet the annual demand of its population, Pakistan faces several NTBs on this product due to which it cannot export this item. Furthermore, there is a very rigorous quota system being followed in Indonesia such that importers have to attain the import permit from the Ministry of Trade twice every year, particularly for Horticulture products. Import permits issued by the trade ministry expire on 31st December and have to be renewed again in January next year. Other NTBs applied on fruits such as mangoes and kinnow include:

- A310 – Labelling Requirements
- A330 – Packaging Requirements
- A820 – Testing Requirements
- A830 – Certification Requirements
- A840 – Inspection Requirements
- A860 – Quarantine Requirement
- B330 – Packaging Requirements
- C100 – Pre-shipment Inspection
- E113 – Licensing Linked with Local Production

Under certification requirements, one requirement is that of being certified under Global G.A.P.¹⁵ In early 2021, Indonesia rejected Pakistan's Global G.A.P certification and Pakistan was asked to update and synchronize their per hectare yield with the Food and Agriculture Organization (FAO). FAO reports Pakistan's per hectare annual yield to be only 11,000 metric ton on average since FAO yield includes grape fruits and lemons in its citrus category. On the contrary, for kinnow alone, Pakistani exporters report 43,000 metric ton/ hectare yield annually which is far more than what FAO website suggests. Hence, this condition will likely limit Pakistani kinnow exports to Indonesia.



2.TEXTILE PRODUCTS LIKE DENIM FABRIC:

The Indonesian Ministry of Trade has authority to issue permits for the import of denim fabric from Pakistan. However, recently, Indonesia introduced new regulations which require Pakistan to receive additional permission from the Ministry to verify the credibility of the company involved in the trade. Furthermore, a 2015 Ministry of Trade regulation¹⁶ requiring government approval for imports on a range of textile and textile products was made more stringent in 2017¹⁷ and then again in 2019¹⁸, requiring all textile imports to be approved by the Ministry. Other NTBs applied on textile products include:

- B859 – Traceability Requirements
- C100 – Pre-shipment Inspections
- E100 – Non-automatic import-licensing procedures other than authorizations covered under SPS and TBT chapter

¹⁵ Global G.A.P. is a trademark and a set of standards for good agricultural practices (G.A.P.). It available for 3 scopes of production: Crops, Livestock, and Aquaculture.

¹⁶ Regulation Number 85: "Provisions for the Import of Textiles and Textile Products"

¹⁷ Regulation Number 64: "Amendments to the Regulation of the MOT Number 85/2015 on the Provisions on the Import of Textiles and Textile Products"

¹⁸ Regulation Number 77: "Second Amendment to MOT Number 85/2015 concerning Provisions on the Import of Textiles and Textile Products"

LOGISTIC ISSUES

Connectivity is another obstacle which has restricted bilateral trade between both the countries. Even though Pakistan's textile exports are demanded in Indonesia, export in this sector has not grown accordingly due to logistical issues. Indonesian textile importers have complained that it takes 3-4 days for a shipment to reach Karachi from Faisalabad and a further 3-4 weeks to reach Indonesia. This is because the cargo which leaves from Karachi's port, first reaches Singapore through Sri Lanka's Colombo port. Here, it is offloaded to some other container ship which leaves for Singapore port to be finally transported to Indonesia. At times, Malaysia's Kuala Lumpur port is used as well. On the contrary, it takes only 10 days for China to export textile products to Indonesia due to which importers would prefer importing from China.

This delay in receiving shipment leads to less import orders and in turn, less trade. Hence, Pakistan needs to address this major constraint in the supply side.

Talks of direct flights from Indonesia to Pakistan are underway since Indonesia's Lion Air has expressed its intention of commencing operations in Pakistan. If direct flights are started between both the countries, this will be helpful for the business community, as well as for tourism.

OTHER ISSUES

One problem that arises during trade is that of payment. A rule from Indonesia's Trade Ministry requires commodity exporters to use letters of credit (LC) in overseas shipments as a guarantee that payment will be received. However, Pakistani businessmen have issues in obtaining and using LCs which restricts bilateral trade between both the countries.

Another issue highlighted was that of mismatch between Indonesia's demand and Pakistan's supply. For instance, Indonesia does not produce wheat locally due to which, it imports around \$3

billion worth of this commodity annually. Moreover, around \$2 billion worth of sugar is imported each year as well. However, the Pakistani Government has opted to import wheat and sugar in recent times, to control the challenging food inflation in the country. Similarly, Indonesia imports around \$2 billion worth of cotton annually. Even though Pakistan used to be a major cotton exporter previously, recent shortages have forced the country to shift to imports. Cotton and textile experts predict that the import of cotton could cross \$1 billion by the end of the third quarter of FY21¹⁹.

Apart from this, Pakistan's halal meat industry has great export potential but Indonesia mainly imports meat only from two countries namely; Australia and India. Indonesia imports meat from partners that are foot and mouth disease (FMD) free countries²⁰ which is why Pakistan cannot export halal meat to Indonesia.

Pakistan has immense potential in exporting pharmaceutical products. However, this industry is heavily protected in Indonesia. A few of the NTBs that exist in this industry include product certification, labelling and packaging, along with special certificate of analysis which makes it difficult for Pakistan to gain a considerable share in this market.

Lack of awareness of the IPPTA, as well as, of Pakistani products is another major issue which restricts trade between both the countries. This issue can be reduced by increasing participation in Indonesian trade exhibitions which are held every year to promote their products. In 2021, the Indonesia Pakistan Virtual Trade Expo took place where 10 exhibitors from Indonesia who are exporters of products in various sectors and more than 50 potential buyers from various companies in Pakistan participated. Such expos, exhibitions and meetings should be encouraged and facilitated so that Indonesian businessmen are also made aware of Pakistani products. The platforms of Pakistan Indonesia Business Forum and Pakistan Embassy in Jakarta can be used to introduce Pakistani brands and products in the Indonesian market.

From the Indonesian side, businessmen report issues in the packaging and labelling requirements of Pakistan. SRO 237 (1)/2019 requires imports into Pakistan to contain the ingredients and details of the product to be printed in Urdu and English, along with the logo of the Halal certification body. Indonesian businessmen are currently working on this issue so that they can increase their exports to Pakistan.

¹⁹ <https://www.dawn.com/news/1601944>

²⁰ India is not FMD free. However, they have region designated for FMD free meat from where they export meat.



PAKISTAN'S POTENTIAL TRADE WITH INDONESIA

Under the Horticulture sector, Pakistan has the most export potential in the following commodities:

- Kinnow (HS-080521)
- Dates (HS-080410)

Pakistan's kinnow season is quite short, starting from December and lasting through March. Furthermore, the country has been unable to increase its exports of kinnow to Indonesia mainly due to Indonesia's quota system. Usually, Indonesia issues quota for Pakistani kinnow during the first week of January. However, in the last two years, this issuance has been delayed, which restricts the exports of kinnow. Last year in 2020, Pakistan was allowed market access in March when the kinnow season had almost passed. This resulted in only 10,000 metric ton exports of kinnow to Indonesia. Similarly, in 2021, quota was issued after February and the Global G.A.P certification from Pakistan was denied. Therefore, despite Pakistan's market access to kinnow and the country's kinnow yield being very productive in December, issuance of quotas and introduction of new rules and regulations have led to rejections and delays in trade.

In the case of dates, Indonesia imported dates worth around \$90 million in 2020. Since the country does not have any local produce of dates, import restrictions on this commodity are relatively low as compared to other horticulture products and obtaining import quota permit is also relatively easier. Pakistani date exporters should capitalize on this opportunity as Indonesian importers have recently started showing interest in importing dates from Pakistan as well. More details on this product can be found in Chapter 9 under the sub-section titled "Pakistan's Potential to Export Horticulture Products to Indonesia".

Other products in the Foodstuffs sector that have unrealized potential are as follows:

- Unmanufactured tobacco (HS-2401)

Indonesia imports large amounts of unmanufactured tobacco every year, making it one of the world's leading consumers of tobacco. In 2019, the country imported unmanufactured tobacco worth \$580 million. The reason why Pakistan has been unable to gain market share in this

commodity is because Indonesian importers are unaware that they can import good quality and low-priced tobacco from Pakistan. Therefore, rigorous marketing is needed in this sector. Given that Indonesia abolished tariffs on tobacco from Pakistan in 2018, Pakistan can work on increasing its exports of this commodity as well.

Since agriculture is a heavily protected sector, Pakistan needs to shift towards manufactured goods. In this case, one sector that has been highlighted is as follows:

- Knitted apparel (HS-61)

Pakistan exports knitted apparel worth around \$3 billion to the world. Despite Pakistan's potential in this sector, Indonesia imports knitted apparel worth only \$5 million from the country. This is because Indonesia's garment industry is very developed. Therefore, it is likely that negotiations for concessions under this sector will be met with resistance in potential FTA talks.





**CHAPTER 11:
KEY FINDINGS**



INDONESIA – PAKISTAN PTA

- After successful completion of the Comprehensive Economic Partnership (CEP) and after several rounds of negotiations, the countries signed the **Indonesia–Pakistan Preferential Trade Agreement (IPPTA)** on 3rd February 2012 which came into effect from September 2013.
- IPPTA was signed to strengthen Indonesia and Pakistan’s economic partnership; to facilitate and expand bilateral trade and domestic markets; to bring about economic and social benefits for both the parties involved; and to promote cultural cooperation which would eventually lead to an FTA.
- As a result of further negotiations, Indonesia extended zero duty concession in 2018 on the import of 20 additional Pakistani products to Indonesia – these included textile products, tobacco, ethanol, rice, and mangoes. This was termed as a major success for Pakistan as it would allow an increase in the exports of Pakistani mangoes and citrus to Indonesia.
- Currently, the IPPTA includes market access to Pakistan for 232 goods (103 zero-rated) and market access to Indonesia for 313 goods (82 zero-rated).
- The Indonesian concession list includes import products like fresh fruits, textiles, fans, sports goods, leather goods and other industrial products. Pakistani kinnow (mandarin) and oranges are also granted duty free access under this agreement.
- In turn, Pakistan’s concession list includes import products like sugar confectionary, cocoa products, kitchenware, chemicals, textiles, electrical machinery and so on. The country also agreed to provide similar treatment to palm oil products from Indonesia as provided to Malaysia under MPCEPA.



TRADE BETWEEN INDONESIA AND PAKISTAN

- Pakistan's imports from Indonesia increased from \$1.2 billion in 2013 to \$2.2 billion in 2019 – almost doubling in just six years. Meanwhile, its exports to the country increased marginally from \$144.4 million to \$146.7 million during the same time period. This has led to a trade deficit of \$2.1 billion for Pakistan in 2019.
- All in all, the trade balance has been in favor of Indonesia since 2013 and currently, Pakistan's imports from Indonesia are at least fifteen times more than its exports to that country.
- Pakistan's imports from Indonesia have increased annually at the rate of 10.7% since the implementation of the IPPTA.
- Pakistan mainly imports palm oil from Indonesia, which accounted for approximately 63.7% of Pakistan's total imports from that country. Other top imports include mineral fuels and oils, vehicles, paper, rubber products, and machinery. Overall, Pakistan's imports from Indonesia are not very diversified.
- Nine out of the top 25 current imports are included in the PTA concession list by Pakistan which is not that significant.
- Pakistan's exports to Indonesia have increased at a rate of 0.3% since the implementation of IPPTA. Pakistani exporters appear to not being able to utilize this PTA to its fullest potential as the growth rate is quite meagre.
- Pakistan mainly exports agricultural products and food items such as rice to Indonesia, along with textile products, raw hides and skins, fish, paper, iron and so on.
- Pakistan is the largest exporter of rice (HS-1006) to Indonesia. The country applies 0% tariff on "Broken rice" (HS-100640) and 5% tariff on "Semi-milled or wholly milled rice, whether or not polished or glazed" (HS-100630) from Pakistan.

- Seven out of the top 25 exports have been included under IPPTA concessions. Therefore, it is important to note that majority of the top products are those on which Indonesia does not apply a preferential tariff for Pakistan.
- Since IPPTA has come into effect, exports of textile goods have exhibited the highest growth. Even though the growth rates exhibited by these products are high, it should be noted that the overall export value still remains low.
- Pakistan's trade intensity index has been below 1 since 2015 which indicates that Pakistan is trading less with Indonesia than it should. On the other hand, the intensity of Indonesia's exports to Pakistan is quite high, ranging from 4.5 to 5.1, showing an intense trade relationship.
- The trade complementarity index indicates that Indonesia is better suited to supply the Pakistani market as opposed to Pakistan supplying the Indonesian market. This indicates that the Indonesian export industry stands to gain more from a potential FTA between the two countries.



INDONESIA'S POTENTIAL EXPORTS

- In Indonesia's case, at HS-06 level, the indicative potential of the top 25 items amounted to \$5.4 billion in 2019. However, for these top 25 commodities, Indonesia exported goods worth just \$1.3 billion to Pakistan during the year.
- Further, seven of the high potential products consist of Machinery (HS-84–85). Indonesia holds the potential to export \$1.4 billion worth of these goods to Pakistan. Except for "Tele-phones for cellular networks "mobile telephones" or for other wireless networks" (HS-851712), Pakistan does not provide concessions on any other top potential electrical machinery export.
- Other high potential exports include vehicles, metals, chemicals such as insecticides, and man-made filaments.
- Even though Indonesia exports large amounts of palm oil to Pakistan, it still has potential to export more. While the country exported almost \$1.2 billion of these commodities to Pakistan in 2019, it had the potential to export an additional \$590.4 million worth of these products.
- Analysis of Indonesia's palm oil industry reveals that after Pakistan's signing of the PTA with Indonesia, palm oil imports from Malaysia faced a decline. Since 2014, Malaysia has been the second-largest exporter of palm oil to Pakistan, with Indonesia taking the lead.
- The unit price of palm oil from Indonesia is relatively lower than that of palm oil from Malaysia, this might explain why Indonesia has overtaken Malaysia in its export of this commodity to a price-sensitive market like Pakistan.



PAKISTAN'S POTENTIAL EXPORTS

- In Pakistan's case, the aggregate export potential for the top 25 export products to Indonesia amounted to \$3.2 billion in 2019. However, the country only exported goods worth \$68.8 million from the top 25 high potential goods to Indonesia during the year.
- "Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s." (HS-901890) holds the highest potential of \$378.9 million. However, Pakistan exported only \$2.1 million worth of this commodity in 2019 to Indonesia. Indonesia applies 5% tariff on the import of this commodity from Pakistan.
- Nine of the top 25 products fall under the category of Agricultural Products and Foodstuffs (HS-01-24), including edible fruits and vegetables from the horticulture sector. While Pakistan holds the potential to export \$492.0 million worth of these commodities, it only exported \$55.8 million worth of products to Indonesia in 2019. Indonesia applies a preferential tariff of 0% on three of these products from Pakistan which includes "Broken rice" (HS-100640), "Fresh or dried dates" (HS-080410) and "Fresh or dried mandarins incl. tangerines and satsumas (excl. clementines)" (HS-080521). Despite this, Pakistan's export of these items is quite low.
- Analysis of the horticulture sector reveals that despite preferential tariff on 8 horticulture products under IPPTA, Pakistan's exports of fruits are mainly concentrated around citrus fruits, especially Kinnow.
- There remains immense untapped potential and opportunities for the country to further explore and penetrate the horticulture market in Indonesia. The commodities listed on the next page are amongst those with high potential.

HS Code	Product Description	Pakistan's Export Potential 2019 (USD Million)
080410	Fresh or dried dates	62.28
070310	Fresh or chilled onions and shallots	56.60
080521	Fresh or dried mandarins incl. tangerines and satsumas (excl. clementines)	42.35
070190	Fresh or chilled potatoes (excluding seed)	15.22

- Furthermore, seven out of the top 25 potential products consist of textile goods. Combined, Pakistan exported only \$7.4 million of these products to Indonesia in 2019 while it had the potential to export up to \$320.3 million of these goods during the same year.
- Most of the high potential products fall under the category of cotton.
- The commodities listed below are amongst those which have a high potential but Indonesia applies high tariffs on Pakistan for these commodities.

HS Code	Product Description	Pakistan's Export Potential 2019 (USD Million)	Tariff Applied (%) by Indonesia on Pakistan
640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather ...	67.34	25
520819	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m ² , unbleached ..	60.33	10
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	41.30	25



**CHAPTER 12:
RECOMMENDATIONS**



TARIFF NEGOTIATIONS

- This study suggests that even though Indonesia has extended duty free access to 20 additional imports from Pakistan following the 2018 negotiations, Pakistan needs to request favorable treatment from Indonesia on more commodities. Gaining concessions on relevant products will help improve trade between both the countries.
- Pakistan needs to negotiate on **high potential textile products** which consist of cotton items and high-valued added apparel. These include “Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton” (HS-620342) (Tariff Applied: 25%) and “Woven fabrics of cotton, containing \geq 85% cotton by weight and weighing \leq 200 g/m², unbleached” (HS-520819) (Tariff Applied: 10%). These products have received no concessions, with more favorable tariffs available to Indonesia’s other FTA partners.
- Pakistan needs to negotiate greater market access for **high potential food items** including fruits and vegetables. A few food items that Pakistan can aim to include in the FTA may include “Salts, incl. table salt and denatured salt, and pure sodium chloride” (HS-250100), “Glucose in solid form and glucose syrup, not containing added flavouring or colouring matter” (HS-170230), and “Sugar confectionery not containing cocoa, incl. white chocolate (excluding chewing gum)” (HS-170490). Indonesia applies a tariff between 3%-19% on the import of these products from Pakistan. Comparing this with other FTA partners shows that Indonesia charges 0% tariff on them. Hence, obtaining concessions on these items will provide Pakistan a level playing field.
- The country should negotiate for tariff reductions on **vegetables** such as “Fresh or chilled onions and shallots” (HS-070310) (Tariff Applied: 6.25%) and “Fresh or chilled potatoes (excluding seed)” (HS-070190) (Tariff Applied: 20%). This will help provide a level playing field for Pakistan with other competitors.
- This study suggests that “Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s” (HS-901890) (Tariff Applied: 5%) holds the highest potential. Including this high potential instrument in tariff negotiations will benefit Pakistan.



NON-TARIFF MEASURES FOR INCREASING EXPORTS TO INDONESIA

- A few of the high potential products fall under the category of cotton. More trade fairs and marketing of textile goods, especially high value-added products in place of low value-added products (woven fabrics of cotton), will allow Pakistan to tap into this market.
- Pakistan is charged zero tariff on the export of citrus fruits, mangoes, dates, apples and grapes. The country should capitalize on this opportunity and the Pakistan Horticulture Development and Export Company (PHDEC) should help come up with a marketing plan.
- All in all, Pakistan has immense potential to export vegetables and fruits to Indonesia and this potential can be realized through increasing awareness, research and development, proper branding, rigorous marketing, trade fairs and promotional activities.
- However, it is also necessary that Pakistan diversifies its exports to Indonesia and does not focus on just horticulture items.
- The lack of awareness issue can be reduced by increasing participation in Indonesian trade exhibitions which are held every year to promote their products. In 2021, the Indonesia Pakistan Virtual Trade Expo took place where 10 exhibitors from Indonesia who are exporters of products in various sectors and more than 50 potential buyers from various companies in Pakistan participated. Such expos, exhibitions and meetings should be encouraged and facilitated so that Indonesian businessmen are also made aware of Pakistani products. The platforms of Pakistan Indonesia Business Forum and Pakistan Embassy in Jakarta can be used to introduce Pakistani brands and products in the Indonesian market.

ANNEXURE 1

Inputs from Relevant Stakeholders		
Rank	Name	Designation
1	Fouzia P. Chaudhry	Minister (Trade & Investment), Embassy of Pakistan in Jakarta
2	Djumara Supriyadi	Head of Economic Affairs at the Consulate General of the Republic of Indonesia at Karachi
3	Ade Pranajaya	Staff of Economic Affairs and Information & Social-Culture at the Consulate General of the Republic of Indonesia at Karachi
4	Syarif Shahabudin	Head of Economic Affairs at the Embassy of the Republic of Indonesia in Islamabad
5	Shamoon Zaki	President of Pakistan Indonesia Business Forum

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