

MARKET ACCESS SERIES

Review of a Potential Pakistan – Australia Free Trade Agreement

DECEMBER 2019

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Acknowledgements

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Disclaimer

The findings, interpretations and conclusions expressed do not necessarily reflect the views of the Board of Directors and Members of the Pakistan Business Council or the companies they represent.

Any conclusions and analysis based on the data from ITC Trade Map, ITC Market Access Map, Pakistan Bureau of Statistics, Australian Bureau of Statistics, department of foreign affairs and trade Australia, the World Bank and World Integrated Trade Solution are the responsibility of the author(s) and do not necessarily reflect the opinion of the ITC, World Bank, or the European Commission. Although every effort has been made to cross-check and verify the authenticity of the data, the Pakistan Business Council, or the author(s), do not guarantee the data included in this work. All data and statistics used are correct as of 27th August, 2019 and may be subject to change.

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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 82) of Pakistan's largest private-sector businesses and conglomerates, including multinationals. PBC businesses cover nearly all sectors of the formal economy. It is a professionally-run organization headed by a full-time chief executive officer.

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

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

The PBC works closely with 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, the SECP and other regulators with the objective to provide policy assistance on new initiatives and reforms.

The PBC's Founding Objectives

- 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 fieldwork 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's Member Companies





Executive Summary

Pakistan, officially the Islamic Republic of Pakistan, has the second-largest economy in South Asia with a GDP of \$312.57 billion in 2018. Pakistan is the 98th most complex economy in the world, according to the Economic Complexity Index (ECI).¹ Pakistan's GDP grew by 5.8 percent in 2018, which was the highest in the previous 13 years. Australia, officially the Commonwealth of Australia, is a highly developed country, it has the thirteen-largest economy in the world, and in 2018 had a nominal GDP of \$1.46 trillion along with relatively low levels of poverty. Australia has always been one of the strongest economies, according to the Organization of Economic Cooperation and Development (OECD). Even during the recent global recession, Australia maintained a positive GDP growth rate.² Australia has achieved 27 years of economic prosperity, one of the few developed economies that have attained this success since World War II. According to a report of the Australian Government's – Department of Foreign Affairs and Trade (DFAT), it is forecasted that, over the next five years, the country's GDP growth rate will exceed the GDP growth rate of all major advanced economies of the world.

This report provides an overview of '*A Potential Pakistan – Australia Free Trade Agreement*'. Recently, a meeting between chairman of the Pakistan Senate, Muhammad Sadiq Sanjrani and Australian high commissioner Dr Geoferry Shaw was held at Parliament House Islamabad to discuss ways to enhance bilateral relations. Pakistan was ranked 68th in terms of global exports in 2018.³ Pakistan exported \$23.63 billion worth of products in 2018. Pakistan's exports comprised mainly of products in the categories of cotton, textiles, apparels and cereals. In the last ten years, Pakistan's exports to the world increased by 34.6 percent. The top 10 export destinations of Pakistan in 2018 were; the United States (\$3.80 billion), China (\$1.82 billion), the United Kingdom (\$1.73 billion), Afghanistan (\$1.35 billion), Germany (\$1.31 billion), United Arab Emirates (\$0.98 billion), Netherlands (\$0.94 billion), Spain (\$0.92 billion), Bangladesh (\$0.78 billion) and Italy (\$0.77 billion). On the other hand, Pakistan ranked 52nd in terms of imports in 2018.⁴ Pakistan imported \$60.16 billion worth of products in 2018. Significant products imported by Pakistan were from the categories of mineral oils, machinery, transportation, iron & steel, and chemicals. In the last ten years, Pakistan's imports from the world have increased by 90.5 percent. The top 10 import partners of Pakistan in 2018 were; China (\$14.54 billion), United Arab Emirates (\$8.67 billion), Saudi Arabia (\$3.24 billion), United States (\$2.95 billion), Indonesia (\$2.50 billion), Qatar (\$2.39 billion), Japan (\$2.27 billion), India (\$1.93 billion), Thailand (\$1.43 billion) and Kuwait (\$1.41 billion).

In 2018, Australia ranked 23rd in the world in terms of exports. Australia exported \$253.83 billion worth of products in 2018. The major exported products included minerals and mineral oils, ores, precious metals, meat, inorganic chemicals, cereals, machinery and aluminium products. In the last ten years, Australia's exports to the world increased by 64.9 percent. The top export destinations of Australia in 2018 were; China (\$74.03 billion), Japan (\$26.21 billion), Republic of Korea, (\$13.62 billion), India (\$10.10 billion), the United States (\$9.25 billion), Hong Kong, China (\$7.85 billion), New Zealand (\$7.10 billion), Chinese Taipei (\$6.66 billion) and Singapore (\$4.86 billion). On the other hand, Australia ranked 24th in terms of imports in 2018. Australia imported \$227.28 billion worth of products in 2018. Significant products imported by Australia were from the categories of machinery, mineral fuels and oils, vehicles, electrical machinery, surgical instruments, pharmaceutical instruments, precious metals, plastics and articles of iron & steel. In the last ten years, Australia's imports from the world have increased by 37.2 percent. The top import sources of Australia in 2018 were; China (\$54.93

1 The ECI is defined in terms of an eigenvector of a model relating countries to countries, which is a projection of the matrix connecting countries to the products they export.

2 The Atlantic "Why Hasn't Australia had a recession in almost 30 years? The U.S. should take a page from the island nation" December 19, 2018.

3 Economic Complexity Index (ECI)

4 The World Factbook (CIA)

billion), the United States (\$23.28 billion), Japan (\$16.77 billion), Germany (\$11.17 billion), Thailand (\$10.90 billion), Malaysia (\$9.70 billion), Korea (\$9.52 billion), Singapore (\$8.58 billion), New Zealand (\$5.83 billion) and the United Kingdom (\$5.40 billion).

A Bilateral Trade Agreement between Pakistan and Australia has been in effect since July 12th, 1990 the stated purpose of which is to “strengthen, facilitate and diversify” trade between both the parties. Pakistan, Australia Joint Trade Committee (JTC) signed an MOU to enhance bilateral trade relationships and bolster economic growth in Canberra in December 2017. Accounting for a mere 0.8 percent, Australia is not a significant trading partner for Pakistan. Bilateral trade has always been in favor of Australia. Pakistan is consistently facing trade deficits with Australia for many years. In calendar 2018, products worth \$246.37 million were exported, whereas goods imported by Pakistan amounted to \$389.65 million, resulting in a trade deficit of \$143.28 million. Pakistan’s exports to Australia have grown with a CAGR of 8.5 percent, whereas its imports from Australia declined by 3.5 percent.

Furthermore, the exports of Australia complement the imports of Pakistan better than the exports of Pakistan complementing Australian imports. Over three years from 2016 to 2018, exports of Australia have become increasingly complementary to Pakistan’s imports. On the other hand, Pakistan’s exports showed a fluctuating trend with Australia’s imports. Therefore, with respect to bilateral trade, both countries are not competitive but complementary to each other. If an FTA is implemented, both countries will benefit from their trading relationship.

The comparative advantage index is used to compute a country’s advantage (disadvantage) over others in a specific product group. According to the analysis of comparative advantages, Pakistan has a definitive comparative advantage in textile goods, agriculture and food products. Australia is competitive in the export of live animals, vegetable products, foodstuff, mineral products and base metals. There are 12 overlapping groups in which both countries reveal a comparative advantage.

The Trade Specification Index (TSI) is used to determine how a specific product is competitive in international trade. The analysis of the Trade Specification Index (TSI) shows that an FTA between Pakistan and Australia could increase the trade volume without impacting each country’s domestic market share.

Pakistan has signed FTAs with China, Malaysia and Sri Lanka and PTAs with Indonesia, Iran and Mauritius along with multilateral trade agreements with the ECO, PTA-D8 and SAFTA. Pakistan’s trade balance with its FTA partners has been consistently negative even after signing of an FTA, the only exception being the positive trade balance with Sri Lanka. The present FTAs and PTAs of Pakistan are contributing to its trade volume; however, they have not been instrumental in reducing Pakistan’s trade deficit, nor have these trade agreements been able to obtain market access for value-added products. In calendar 2018, Pakistan exported commodities worth \$23.7 billion, whereas it imported goods worth \$60.3 billion. Out of total exports, 31.2 percent were destined for countries and country groups with which Pakistan has a trade agreement.

On the other hand, Australia has 11 FTAs that are currently in effect. These include FTAs with China, Japan, the Republic of Korea, Singapore, Thailand, the U.S., Chile, the Association of South-East Asian Nations (ASEAN), Malaysia, Canada and Mexico. In some instances, such as the ASEAN – Australia – New Zealand FTA (AANZFTA), the FTA is complemented by the individual FTAs with countries such as Singapore and Thailand. For DFAT, the principal aim is to design FTAs in a manner that facilitates Australian exporters by removing barriers in international markets and industries. Apart from the signed and implemented FTAs, there a number of market access agreements currently under negotiation. Among the FTAs currently under negotiations, the FTAs with India, Chile, Colombia, Mexico and Peru have the potential to enable Australian businesses to access the opportunities presented by those growing markets. The Australian Government continues to support efforts to finalize the Environmental Goods Agreement with 17 WTO members (including the United States, China, the European Union and Japan). This agreement will result in significant trade liberalization for an extensive

array of goods with environmentally beneficial technologies. Australia is also working for a comprehensive FTA with the United Kingdom to be implemented on the UK's withdrawal from the EU.

Pakistan has the potential to export 2,658 product lines to Australia. The overall trade potential within these 2,658 products currently exported by Pakistan to Australia with available data is \$5.72 billion. The total trade potential within the top 100 high potential products exported by Pakistan to Australia at the HS-06-digit level is \$4.14 billion. The total trade potential within the top 25 high potential products exported by Pakistan to Australia at the HS-06-digit level is \$2.77 billion. In 2018, Pakistan's actual exports of the top 100 high potential items to Australia amounted to a mere \$114.72 million. However, Pakistan's total actual exports of these same 100 items to the world amounted to \$9.40 billion in the same year. 'Surgical Instruments' (HS-901890), 'Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton' (HS-620342), 'T-shirts, singlets and other vests of cotton, knitted or crocheted' (HS-610910) and 'Bedlinen of cotton (excluding printed, knitted or crocheted)' (HS-630231) have the highest trade potential, with a combined value exceeding \$ 1.11 billion. An analysis of Pakistan's top exports to the world indicates that the country is one of the major suppliers to Australia, for products such as 'Rice, semi or wholly milled' (HS-100630), textile products including 'Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)' (HS-620322), 'Bedlinen of cotton' (HS-630231), 'Single cotton yarn, of uncombed fibres, containing \geq 85 cotton' (HS-520512) 'Bedlinen of textile materials' (HS-630239) 'Bedlinen, knitted or crocheted' (HS-630210) and 'Plain woven fabrics of cotton, containing \geq 85 cotton' (HS-520812), in these products categories it is meeting at least 21.2 percent of total Australian demand for these goods. However, competing against Pakistan are China, India, Bangladesh and ASEAN countries which all enjoy 100 percent concessions other than India. This study also determined Australian exports to Pakistan and found products for which Australia could potentially increase its exports to Pakistan. The top 25 products with the highest potential can increase Australian exports to Pakistan by about \$5.92 billion. 28 out of the top 100 high potential export items are covered under the mechanical and electrical equipment sector (potential of \$2.32 billion). This shows the amount of untapped potential that Australia has in the machinery and electrical equipment sector. A free trade agreement if well-negotiated can significantly enhance exports of these high potential machinery items.

The calculations of bilateral revealed comparative advantage (BRCA) shows that 18 of the top 25 export items have $BRCA > 1$, indicating that these items weigh heavier in Pakistan's export basket to Australia than they do in its export basket to the world. With respect to Australia, the calculations demonstrate that Australia enjoys a comparative advantage in 8 of the top 25 exports items, and which have a $BRCA > 1$, indicating that these items weigh heavier in Australia's export basket to Pakistan than they do in its export basket to the world.

For textiles, Pakistan is the 9th largest source country for Australia with a share of 1.3 percent, along with a positive CAGR of 3.4 percent. As of 2018, Australia imported \$9.45 billion worth of textile articles (HS 50-63) from the world. Since textile represents 48.3 percent of Pakistan's total exports to Australia, signing a trade agreement could likely open up Australian textile market for Pakistani textile manufacturers. Items classified under HS-63 enjoyed a significant share of 28.5 percent in total imports of Australia from Pakistan and 53.4 percent in the textile imports from Pakistan. A list of textile articles has been developed that PBC recommends being pushed for inclusion in the concession list in any possible future negotiations for a trade agreement with Australia.

Furthermore, the importance of agriculture in a potential Pakistan – Australia FTA is also analysed. Fruits are an essential sub-sector of the agriculture industry of Pakistan. This sub-sector contributed 697 thousand tons of exports to the world in 2017–18. Favorable climatic conditions allow Pakistan to produce a variety of fruits and vegetables. Australia imported \$119.05 million worth of fruits from the world. However, Pakistan's trade potential for the export of these goods is \$118.37 million.

This study also identifies products which though not major exports of Pakistan to Australia at the moment, should be taken into consideration if an FTA is signed between the two countries. Pakistan should seek market

access not only for current exports but also try to obtain access for products with robust growth rates. The CAGR of Australia's imports from the world is shown to identify suggestive future trends and identify goods with future demand and on which Pakistan needs to focus. Keeping in view Australia's demand, Pakistan needs to try and obtain greater market access for mangoes and dates. Currently, Australia is the world's largest exporter of dried chickpea (HS-071320) contributing \$308.40 million to the total world exports of chickpeas. Because of increased demand, Australia has increased its production of chickpeas in recent years. Pakistan is the second-largest export destination for Australia for the product 'Dried, shelled chickpeas "garbanzos", whether or not skinned or split' (HS-071320) having a significant share of 34.1 percent. 'Dried, shelled chickpeas "garbanzos", whether or not skinned or split' (HS-071320), made up 29.3 percent of total imports and was worth \$114.13 million, making it the highest import item from Australia in 2018. For the same item, Pakistan is the second-largest export destination for Australia behind Bangladesh. Imports of, 'Dried, shelled chickpeas "garbanzos", whether or not skinned or split' (HS-071320) had witnessed a surge of \$249.61 million in 2017. This sharp increase in imports was due to a shortfall in domestic production. According to the data of the Australian Bureau of Statistics (ABS), Australia exported 27,251 tonnes of dried chickpeas to the world in June 2019, up by 10 percent over May 2019.

Australia is the fourth largest mining country in the world (after China, the United States and Russia). The minerals and fuels sector contributed 47.0 percent of total Australian exports. The overall exports of this sector grew by 12.6 percent in 2018. Liquefied natural gas exports increased by 38.5 percent valued at \$30.9 billion and crude petroleum grew by 26.3 percent and was worth \$6.5 billion. Recently, a meeting between chairman of senate Muhammad Sadiq Sanjrani and the Australian high commissioner Dr Geoferry Shaw has held at Parliament House Islamabad⁵ at which the possibility of Australian mining companies operating Baluchistan province of Pakistan was discussed.

To assess the potential gains from a potential Pakistan – Australia FTA to both sides; a tariff and trade simulation was conducted using the SMART methodology from the World Integrated Trade Solutions (WITS) for the year 2018. The SMART methodology enables us to determine the impact of a proposed FTA on Pakistan's exports where Australia reduced all tariffs for Pakistan to zero. According to the simulation results, with a 100 percent tariff cut given by Australia, the total trade effect, or the increase in Pakistan's exports to Australia amounted to \$26.10 million that is 11 percent of the current total exports of Pakistan to Australia. With a reduction in tariffs to zero in 2019, Pakistan's prospective trade after the application of duty concessions were valued at \$263.24 million in 2019. Pakistan's exports to Australia would grow by 11 percent at the HS-06-digit level. Similarly, with a 100 percent tariff cut given by Pakistan, the total trade effect amounted to \$70.51 million that is 22.3 percent of the total Australian exports to Pakistan. With the reduction in tariff to zero percent in 2019, Australia's prospective trade after the application of duty concessions were valued at \$459.47 million in 2019. Australia's exports to Pakistan would grow by 18.1 percent at the HS-06-digit level.

5 Pakistan, Australia agree to enhance mutual collaboration in mining, trade – Business Recorder, October 28th, 2019

Major Findings

Pakistan – Australia Bilateral Trade Dynamics

- Pakistan's total exports to the world in calendar 2018 amounted to \$23.63 billion. Pakistan's exports to Australia in 2018 were valued at \$246.37 million. In calendar 2018, Pakistan's total imports from the world were worth \$60.16 billion, while Pakistan's total imports from Australia were valued at \$389.65 million. Pakistan in the recent past has never enjoyed a positive trade balance with Australia, in 2018, the deficit was \$143.28 million. The trade balance for the past ten years, has remained in favor of Australia. Pakistan imports decreased by 38.5 percent in the last year, reducing the trade deficit by \$252.68 million.
- Australia's share in Pakistan's exports and imports is far more significant than Pakistan's share in Australia's exports and imports. Pakistan has only a 0.1 percent share in Australia's imports, while Australia's share in Pakistan's exports is 0.9 percent. Pakistan had a 0.2 percent share in Australia's exports, while Australia had a 0.5 percent share in Pakistan's imports in 2018.
- There are discrepancies in the bilateral trade figures as reported by both countries to the International Trade Centre (ITC). In 2018, Pakistan reported exports to Australia of \$246.37 million, while Australia reported imports from Pakistan of \$227.62 million. This variation in trade figures amounted to \$18.75 million. Similarly, Australia reported exports to Pakistan of \$315.49 million, while Pakistan reported imports from Australia of \$389.65 million. This variation in trade figures amounted to \$74.16 million.
- According to the analysis of comparative advantages, Pakistan has a definitive comparative advantage in textile goods, agriculture and food products. Australia is competitive in the export of live animals, vegetable products, foodstuff, mineral products and base metals. There are 12 overlapping groups in which both countries reveal a comparative advantage.
- The bilateral trade between Pakistan and Australia has displayed patterns of volatility depending on the circumstances. In 2018, bilateral trade witnessed a reduction of 26.9 percent over 2017, with the trade balance in favor of Australia. Two-way trade has always been in favor of Australia. Pakistan is consistently facing trade deficits with Australia for many years. In calendar 2018, products worth \$246.37 million were exported, whereas goods imported by Pakistan amounted to \$389.65 million, resulting in a trade deficit of \$143.28 million. In 2018, Pakistan was Australia's 54th largest export market. On the other hand, Australia was Pakistan's 28th largest export partner, with an export value of \$389.65 million.
- Pakistan's exports to Australia constitute mainly of textile articles (bedlinen, towels, knitwear, woven apparels and readymade garments). Pakistan's exports to Australia are textile-centric with textiles having a share of 48.3 percent in Pakistan's exports to Australia. Similarly, Pakistan's imports from Australia are mostly concentrated in edible vegetables and fertilisers, having shares of 30.1 percent and 21.6 percent respectively.

Trade Potential

- The 2,658 Pakistani export items with available data other than under HS-27 indicate a total trade potential for Pakistan of \$5.72 billion in 2018 for exports to Australia. The overall trade potential for the top 100 high potential products exported by Pakistan to Australia at HS-06-digit level was \$4.14 billion. Similarly, the total trade potential within the top 25 high potential products exported by Pakistan to Australia at HS-06-digit level was \$2.77 billion. Products with significant trade potential include 'Surgical Instruments' (HS-901890), 'Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton' (HS-620342), 'T-shirts, singlets and other vests of cotton, knitted or crocheted' (HS-610910) and 'Bedlinen of Cotton' (HS-630231). The tariff faced by Pakistan is significantly higher than that faced by Australia's other trading partners. Among the top 100 export potential items, Pakistan enjoys concession on only 32 items. Forty-Five of the top 100 high potential export items are covered under the textile sector (potential of \$2.21 billion). This shows the amount of untapped potential that Pakistan has in the textile sector.
- In 2018, exports of the top 100 high potential items to Australia amounted to \$4.14 billion. However, Pakistan's actual exports of these same 100 items to the world in the same year amounted to \$9.40 billion.
- The Compound Annual Growth Rates (CAGR) for Pakistan's exports to Australia, Australia's imports from the world and Pakistan's exports to the world were calculated for the period 2009–18. This exercise has been done to identify products which have long-term export potential for Pakistan to Australia. It is essential from Pakistan's perspective that these items are included in any concession list offered by Australia to Pakistan. For eight of the top 20 items, Pakistan's exports to Australia have a CAGR higher than that for Australian imports from the world. The total trade potential of these eight high potential Australian imports amounted to \$171.11 million. Pakistan needs to obtain from Australia market access similar to that offered by Australia to Bangladesh and other FTA partners.
- The total trade potential within the top 100 high potential products currently exported by Australia to Pakistan at HS-06-digit level was \$15.30 billion in 2018. Products with significant trade potential include 'Cotton, neither carded nor combed' (HS-520100), 'Coin of legal tender' (HS-711890) and 'Telephones for cellular networks "mobile telephones" or for other wireless networks' (HS-851712).

Trade in Textiles in a Pakistan – Australia FTA

- Australia imports \$9.45 billion worth of textile products from the world, out of which \$8.01 billion are categorized under knitted (HS-61), woven (HS-62) and other made-up textile apparels (HS-63). These items constitute 84.8 percent of the total textile imports.
- Pakistan is one of the world's top exporters for 'Bedlinen of cotton (excluding printed, knitted or crocheted)' (HS-630231) whereas the country's share in the Australian market is only 8.1 percent, however, potential to export the same item is \$159.13 million. Pakistan ranks at number 9 for the supply of textile products to Australia. It's competitors in the same sector, namely China, Bangladesh, Indonesia and Viet Nam enjoy 100 percent concessions on textile products exported to Australia. Competitors other than Bangladesh enjoy zero duty because of an FTA with Australia. While products being imported from Bangladesh are subject to 100 percent concession because of it being classified as a Least Developed Country (LDC).
- Thirteen of the top 25 items are those products for which the CAGR for Australia's imports from Pakistan is higher than Australia's imports from the world indicating Pakistan's ability to fulfil Australian demand.
- Items classified under HS-63 enjoyed a significant share of 28.5 percent in total imports of Australia from Pakistan and 53.4 percent in the textile imports from Pakistan.

- Textile products in which Pakistan has a significant share in Australia's textile imports from the world are (HS-630222), (HS-630231), (HS-630221), (HS-630232), (HS-631010), (HS-520852), (HS-570110), (HS-520821), (HS-630210) and (HS-551411).
- Three of the top 25 items namely '*Bedlinen of cotton (excluding printed, knitted or crocheted)*' (HS-630231), '*Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton*' (HS-620342) and '*T-shirts, singlets and other vests of cotton, knitted or crocheted*' (HS-610910) have significant trade potentials of \$159.13 million, \$346.61 million and \$238.04 million respectively. Pakistan is not among the top 3 suppliers for these products except for '*Bedlinen of cotton (excluding printed, knitted or crocheted)*' (HS-630231).
- China is the largest supplier of '*Bedlinen of cotton (excluding printed, knitted or crocheted)*' (HS-630231) to Australia with a share of 73.6 percent. For the same product, Pakistan is the 2nd largest exporter in the world after China and the 3rd largest import sourcing market for Australia. Keeping in view Pakistan's global strength in this article, Pakistan needs to negotiate favorable tariff rates for this product to expand its untapped potential.
- Pakistan is the 4th largest supplier of '*Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton*' (HS-620342) to Australia with a further potential of \$346.61 million. Australian imports from the world for this product amounted to \$367.20 million. Pakistan's leading competitors for this product are China, Bangladesh and Viet Nam with market shares of 55.1 percent, 27.5 percent and 2.7 percent respectively.

Trade in Agriculture in a Potential Pakistan – Australia FTA

- Australia imported \$119.05 million worth of fruits from the world. However, Pakistan's trade potential for the export of these goods is \$118.37 million. The objective of this exercise is to determine which products should be taken into consideration if an FTA is signed between the two countries. Pakistan should seek market access not only for current exports but also try to obtain access for products with robust growth rates.
- Pakistan is the second-largest export destination for Australia for the product '*Dried, shelled chickpeas "garbanzos", whether or not skinned or split*' (HS-071320) having a significant share of 34.1 percent. '*Dried, shelled chickpeas "garbanzos", whether or not skinned or split*' (HS-071320), made up 29.3 percent of total imports and was worth \$114.13 million, making it the highest import item from Australia in 2018. For the same item, Pakistan is the second-largest export destination for Australia behind Bangladesh. Imports of, '*Dried, shelled chickpeas "garbanzos", whether or not skinned or split*' (HS-071320) had witnessed a surge of \$249.61 million in 2017.

Ex – Ante Impact of an FTA

- A tariff and trade simulation have been conducted as part of this Study using the SMART methodology from the World Integrated Trade Solutions (WITS) to anticipate the potential gains for both Pakistan and Australia from signing an FTA. According to the simulation results, with a 100 percent tariff cut given by Australia, the total trade effect amounted to \$26.10 million that is 11 percent of the total exports of Pakistan to Australia.
 - Trade creation and trade diversion effects are 6.5 percent and 4.1 percent, respectively. As a result, Pakistan's prospective exports to Australia are dominated by trade creation.
 - With the reduction in tariff to zero percent in 2019, Pakistan's prospective trade after the application of duty concessions was valued at \$263.24 million in 2019.
 - The total change in export revenue for prospective exports is \$26.10 million.
 - Pakistan's greatest change in export revenue would be recorded within '*Printed bedlinen of man-made fibres (excluding knitted or crocheted)*' (HS- 630222) amounting to \$8.23 million.
 - Pakistan's exports to Australia would grow by 11 percent at the HS-06-digit level.

- With a 100 percent tariff cut given by Pakistan; the total trade effect amounted to \$70.51 million that is 22.3 percent of total Australian exports to Pakistan.
 - Trade creation and trade diversion effects are 14.8 percent and 7.6 percent respectively. As a result, Australia's prospective exports to Pakistan are dominated by trade creation.
 - With the reduction in tariff to zero percent in 2019, Australia's prospective trade after the application of duty concessions was valued at \$459.47 million in 2019.
 - The total change in export revenue for prospective exports is \$70.51 million.
 - Australia's highest change in export revenue would be recorded within '*Unbleached sack kraft paper, uncoated, in rolls of a width > 36 cm (excluding goods of heading ...)*' (HS- 480421) amounting to \$24.12 million.
 - Australia's exports to Pakistan would grow by 18.1 percent at the HS-06-digit level.

Recommendations

Looking at current bilateral trade patterns, Pakistan would be better off signing a limited Preferential Trade Agreement (PTA) with Australia as opposed to a deep and inclusive Free Trade Agreement (FTA).

The current tariff structure reveals that there is a room for tariff cut, for the goods traded between the two countries. A Preferential Trade Agreement would result in significant gains for Pakistan as Pakistani exporters face differential tariffs. Pakistan could ask for 100 percent concession or the most concessionary tariffs for its top potential textile exports to Australia. Since Pakistan is not among the primary source of textile articles for Australia, but has a high potential to supply these products, provision of concessionary duties will make Pakistani products more competitive in the Australian market against zero-rated products of China, Bangladesh and ASEAN countries.

“The Pakistan Business Council recommends that Pakistan seek preferential tariff access for its textile products or at least the same tariffs that Australia applies on these products when imported from China, Bangladesh and ASEAN countries. Once Pakistan has built sufficient presence in these textile categories, negotiations can begin for a free trade agreement”.

The PBC recommends the inclusion of the following products in the concession list in any possible future negotiation for a trade agreement with Australia. This list has been created based on the products for which the CAGR for Australia’s imports from Pakistan is greater than the CAGR of Australia’s imports from the world and these products are in the list of the top 25 Australian imports from Pakistan.

Product Code	Product Label	Product Code	Product Label
610462	Women’s or girls’ trousers, bib and brace overalls, breeches and shorts of cotton, knitted ...	610910	T-shirts, singlets and other vests of cotton, knitted or crocheted
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted ...	611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...
620342	Men’s or boys’ trousers, bib and brace overalls, breeches and shorts, of cotton	620462	Women’s or girls’ trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...
621143	Women’s or girls’ tracksuits and other garments, n.e.s. of man-made fibres	630231	Bedlinen of cotton (excluding printed, knitted or crocheted)
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...	630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.

China and Bangladesh are the most significant competitors for Pakistan for the export of textile products, particularly ‘Home Linen’ and ‘Ready-Made Garments’.

While Australia stands to benefit immediately from a reduction in tariffs for its major exports to Pakistan, Pakistan will need time to build capacity, mostly in the textile sector to gain from an FTA. The WITS simulation study anticipates that Pakistan’s total exports to Australia would rise by \$16.87 million while its imports from Australia would increase by \$69.82 million.

List of Acronyms

AANZFTA	ASEAN Australia New Zealand Free Trade Agreement	OECD	Organization of Economic Cooperation and Development
ABS	Australian Bureau of Statistics	OPEC	Organization of the Petroleum Exporting Countries
ACLFTA	Australia Chile Free Trade Agreement	PBC	Pakistan Business Council
ANZCERTA	Australia New Zealand Closer Economic Relations Trade Agreement	PBS	Pakistan Bureau of Statistics
ASEAN	Association of Southeast Asian Nations	PPP	Purchasing Power Parity
AUSFTA	Australia United States Free Trade Agreement	PTA	Preferential Trade Agreement
BOP	Balance of Payments	PTA-D8	Preferential Tariff Agreement – Group of Eight Developing Countries
BRCA	Bilateral Revealed Comparative Advantage	RCA	Revealed Comparative Advantage
CAGR	Compound Annual Growth Rate	RCA	Revealed Comparative Advantage
ChAFTA	China Australia Free Trade Agreement	SAARC	South Asian Association for Regional Cooperation
DB	Doing Business	SAFTA	South Asian Free Trade Area
DFAT	Department of Foreign Affairs and Trade	SAFTA	Singapore Australia Free Trade Agreement
EC	European Commission	SBP	State Bank of Pakistan
ECI	Economic Complexity Index	SECP	Securities and Exchange Commission of Pakistan
ECO	Economic Cooperation Organization	SEZ	Special Economic Zone
EPZ	Export Processing Zone	SMART	Single Market Partial Equilibrium Simulation Tool
EU	European Union	SMEs	Small and Medium Sized Enterprises
FTA	Free Trade Agreement	STAR	Services Trade Access Requirements
GCI	Global Competitiveness Index	TAFTA	Thailand Australia Free Trade Agreement
GDP	Gross Domestic Product	TCI	Trade Complementarity Index
HDI	Human Development Index	TIFA	Trade and Investment Framework Agreement
HS	Harmonized System	TII	Trade Intensity Index
ICI	Industrial Competitiveness Index	TSI	Trade Specification Index
IMF	International Monetary Fund	UAE	United Arab Emirates
IMF	International Monetary fund	UK	United Kingdom
ITC	International Trade Centre	UN Comtrade	United Nations Commodity Trade Statistics
ITP	Indicative Trade Potential	UNDP	United Nations Development Programme
JAPEA	Japan Australia Economic Partnership Agreement	US\$	United States Dollar
JTC	Joint Trade Committee	USA	United States of America
KAFTA	Korea Australia Free Trade Agreement	US-EIA	United States – Energy Information Administration
LCU	Local Currency Unit	WITS	World Integrated Trade Solutions
LDC	Least Developed Country	WTO	World Trade Organization
LNG	Liquified Natural Gas		
MAFTA	Malaysia Australia Free Trade Agreement		
MIGA	Multilateral Investment Guarantee Agency		
MOU	Memorandum of Understanding		
MPCEPA	Malaysia Pakistan Closer Economic Partnership Agreement		

CHAPTER 1

OVERVIEW OF THE ECONOMY – PAKISTAN & AUSTRALIA

Economic Overview

Pakistan, officially the Islamic Republic of Pakistan, has the second-largest economy in South Asia with a GDP of \$312.57 billion in 2018. The country is bordered by India to the East, China to the Northeast, Afghanistan to the North and Iran to the West. Pakistan is the 98th most complex economy in the world, according to the Economic Complexity Index (ECI).⁶ Pakistan's GDP grew by 5.8 percent in 2018, which was the highest in the previous 13 years. In 2018, the service sector contributed 60.4 percent, industrial sector 20.6 percent and agriculture sector 18.9 in the composition of Pakistan GDP. The provisional GDP growth rate for 2019 is estimated at 3.3 percent based on agricultural, industrial and services sectors contributing 0.9 percent, 1.4 percent and 4.7 percent respectively. In 2018, Pakistan's population stood at 212.22 million, with a growth of 1.9 percent compared to the previous year, making it the fifth-largest country by population in the world. The total labour force comprised of 73.23 million whereas the unemployment rate among those aged 15 and reached 5.8 percent in 2018. Pakistan currently faces an economic challenge in the shape of the current account deficit amounting to \$19.19 billion in 2018, up from \$16.93 billion in the previous year. The Global Competitiveness Index, which shows a country's ability to provide high levels of prosperity to its citizens ranked Pakistan 107th in the global competitiveness index.

Australia, officially the Commonwealth of Australia, is a highly developed country, it has the thirteen-largest economy in the world, and in 2018 had a nominal GDP of \$1.46 trillion along with relatively low levels of poverty. Australia has always been one of the strongest economies, according to the Organization of Economic Cooperation and Development (OECD). Even during the recent global recession, Australia maintained a positive GDP growth rate.⁷ Australia has achieved 27 years of economic prosperity, one of the few economies that have attained this success since World War II. According to a report of the Australian Government's – Department of Foreign Affairs and Trade (DFAT), it is forecasted that, over the next five years, the country's GDP growth will exceed the GDP of all major advanced economies of the world. In 2018, Australia's population stood at 24.99 million, making it the smallest population among the fifteen largest economies of the world.⁸ The total labour force comprises of 13.13 million, and the unemployment rate among those aged 15 and over reached 5.4 percent in 2018. Australia's standard of living is very high, the country was ranked 3rd in the Human Development Index report⁹, which is based on a country's life expectancy at birth, income per capita and education level. In 2018, Australia's current account deficit amounted to \$29.06, which is persistent for more than 50 years. Australia ranked 14th in the global competitiveness index and 8th on a global scale of economic resilience.

6 The ECI is defined in terms of an eigenvector of a matrix connecting countries to countries, which is a projection of the matrix connecting countries to the products they export.

7 The Atlantic "Why Hasn't Australia had a recession in almost 30 years? The U.S. should take a page from the island nation" December 19, 2018.

8 IMF – World Economic Outlook.

9 United Nations Development Programme – Human Development Reports 2018.

Table 1-1 Economic Overview – Pakistan & Australia, 2018

Economic Indicator	Pakistan	Australia
GDP		
GDP current US\$, billions	312.57	1,432.19
GDP (PPP) % of world GDP	0.8	0.9
Average Annual Growth Rate – 10 year %	3.6	2.5
Trade		
Exports US\$, billions	23.63	253.83
Imports US\$, billions	60.16	227.28
Trade % of GDP	28.0	43.0
Trade Tariffs % duty	16.9	2.1
Complexity of Tariffs 1-7 (best)	6.4	6.8
Efficiency of the Clearance Process 1-5 (best)	2.1	3.9
Product Market		
Distortive Effect of Taxes and Subsidies on Competition 1-7 (best)	3.8	4.4
Extent of Market Dominance 1-7 (best)	3.8	4.3
Prevalence of Non-Tariff Barriers 1-7 (best)	4.0	5.1
Macroeconomic Stability		
Inflation annual % change	3.5	1.6
Fiscal and Financial Variables		
Official Exchange Rate LCU per US\$, period average	121.8	1.3
Financing of SMEs 1-7 (best)	3.8	4.7
Labor Force		
Population millions	212.22	24.99
Labour Force millions	73.23	13.13
Employed Persons millions	62.23	12.93
Unemployment Rate %	5.8	5.4
External Sector		
Current Account Balance Bop, current US\$, billions	-19.19	-29.06
Competitiveness Ranking		
Global Competitiveness Index (GCI) – 2018 (Rank/140)	107 th	14 th
Industrial Competitiveness Index (ICI) – 2015 (Rank/148)	80 th	30 th
Human Development Index (HDI) – 2018		
Value	0.56	0.93

Source: World Bank Data Bank
The Global Competitiveness Report 2018 – World Economic Forum
Industrial Development Report 2018 – UNIDO
OECD 2018
Pakistan Labour Force Survey 2017–18

CHAPTER 2

GLOBAL TRADE OVERVIEW – PAKISTAN & AUSTRALIA

Trade Profile of Pakistan

Pakistan has been consistently facing trade deficits for the last many years. Figure 2-1 shows the increasing trend of the trade deficit in the previous ten years. In the calendar year 2018, the trade deficit stood at \$36.53 billion, which was the highest level in the past ten years. In 2018, the deficit increased by \$0.97 billion over the previous year. Pakistan's exports, on the other hand, have shown a declining trend since 2014. In 2018, exports stood at \$23.63 billion, a gain of 7.9 percent over the previous year. Imports in 2018 grew to \$60.16 billion, showing a growth of 4.7 percent. However, growth in imports declined from 22.2 percent in 2017 to 4.7 percent in 2018. This slowdown in imports may be attributed to the imposition of regulatory duties on imports and the government's decision to depreciate the Pakistani rupee to bridge the balance of trade gap and sustain depleting foreign exchange reserves.

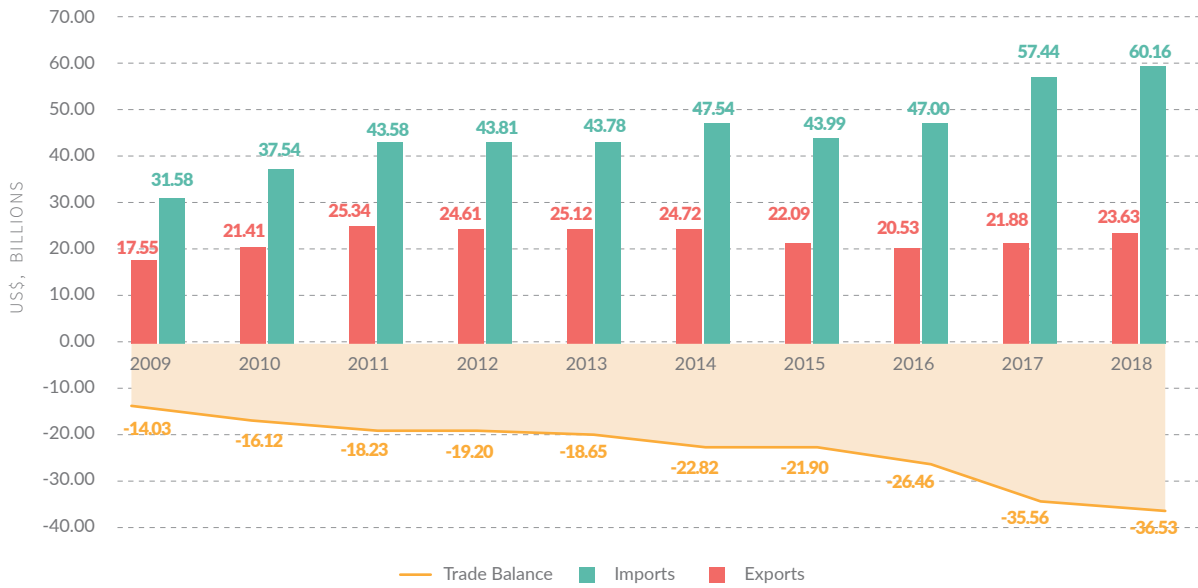
■ Trend in Exports

In the calendar year 2018, Pakistan's exports stood at \$23.63 billion, showing an increase of 34.6 percent over the last ten years. Pakistan's exports have had a CAGR of 3.4 percent over the previous ten years.

■ Trend in Imports

Pakistan's imports have grown over the past decade, amounting to \$60.16 billion in 2018. Imports during the period increased by 90.5 percent from \$31.58 billion in 2009 to \$60.16 billion in 2018, increasing the trade deficit from \$14.03 billion in 2009 to \$36.53 billion in 2018. Pakistan's imports have had a CAGR of 7.4 percent for the past ten years.

FIGURE 2-1 Pakistan’s Global Trade, 2009–18



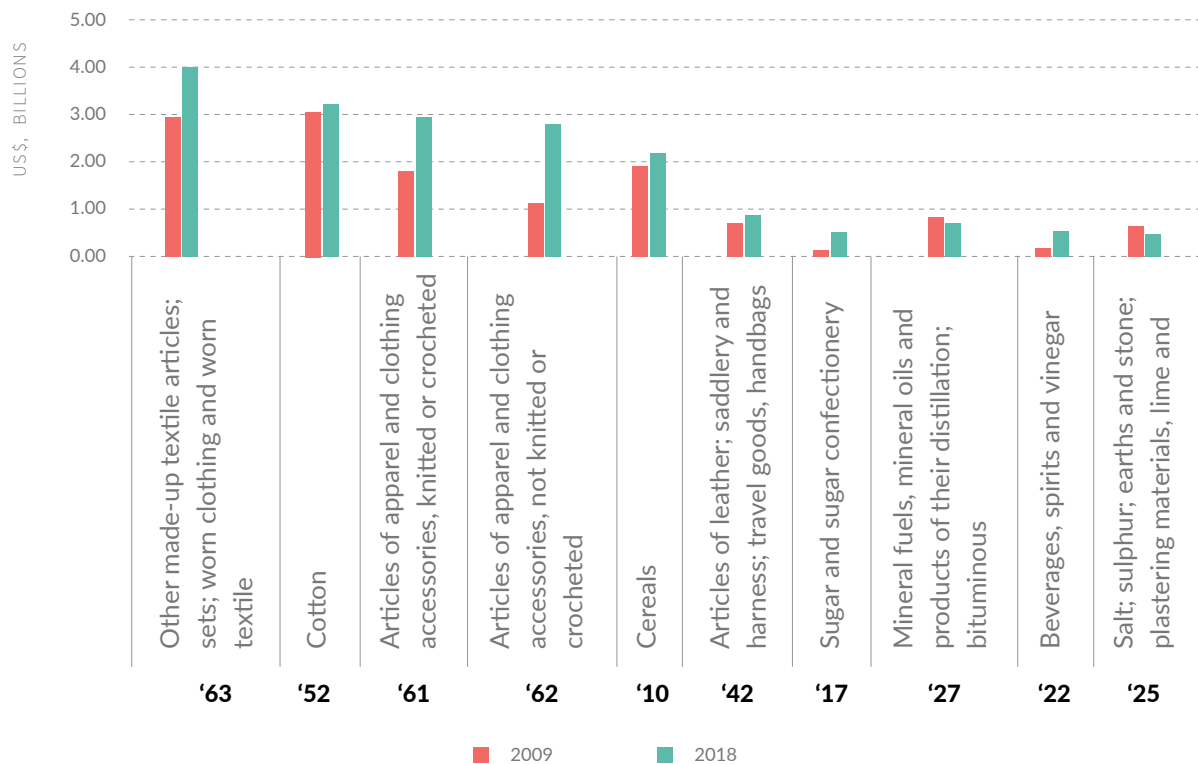
Source: ITC Trade Map

Major Trade Products

Pakistan’s Top 10 Export Categories

The following figure shows Pakistan’s major export groups in 2018.

FIGURE 2-2 Pakistan’s Top 10 Export Products at HS-02 Level



Source: ITC Trade Map

The following table shows the top ten exported items by Pakistan at the HS-02 Level and their export patterns since 2014. Additionally, the share of each product category in total exports in 2018, along with their Compound Annual Growth Rate (CAGR) for the period 2009–18 is also given. The table also represents the percentage share of each export category in the overall exports of Pakistan to the world. The table also exhibits a change in Pakistan's world exports in 2018 over the previous year.

Table 2-1 Pakistan's Top 10 Exports to the World at HS-02 Level

Product Code	Product label	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Change over the last year (%)	Share in Total Exports 2018 (%)	CAGR 2009-18 (%)
TOTAL	All products	24.72	22.09	20.53	21.88	23.63	8.01	100.00	3.36
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	3.91	3.76	3.80	3.96	4.05	2.42	17.14	3.72
52	Cotton	4.73	4.04	3.50	3.50	3.50	0.04	14.81	0.98
61	Articles of apparel and clothing accessories, knitted or crocheted	2.40	2.36	2.35	2.52	2.86	13.71	12.11	6.09
62	Articles of apparel and clothing accessories, not knitted or crocheted	1.98	2.13	2.25	2.47	2.58	4.80	10.93	8.83
10	Cereals	2.21	1.94	1.72	1.75	2.33	32.78	9.84	2.74
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles animal gut (other than silkworm gut)	0.74	0.69	0.64	0.63	0.66	4.50	2.79	1.49
17	Sugars and sugar confectionery	0.44	0.36	0.25	0.51	0.50	-2.18	2.12	18.12
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	0.65	0.27	0.16	0.26	0.50	93.17	2.11	-3.90
22	Beverages, spirits and vinegar	0.35	0.31	0.25	0.38	0.46	19.12	1.93	15.80
25	Salt; Sulphur; earths and stone; plastering materials, lime and cement	0.69	0.51	0.45	0.39	0.45	16.33	1.90	-2.50

Source: ITC Trade Map

Key Findings

- In the calendar year 2018, Pakistan exported \$23.63 billion worth of products at the HS-02-digit level.
- In 2017, exports increased by \$1.35 billion, over 2016, and grew by 8.0 percent in 2018 over 2017.
- The top 10 products exported by Pakistan are classified in the categories of textiles, cotton, articles of clothing, cereals, articles of leather, sugar and confectionery, mineral products, beverages and salt.
- Top 10 exports accounted for 75.7 percent or three-quarters of total exports.
- Pakistan's total exports have shown a positive CAGR of 3.4 percent over the last 10 years.
- The 'Other made-up textile articles' (HS-63) group, made up 17.1 percent of the total exports and were worth \$4.05 billion, making it the highest contributor to Pakistan's global exports.
- The top four exports are from the textile group, representing 54.9 percent of the total exports in 2018.
- In fifth place was the cereals group, which rose by 32.8 percent in 2018, contributing 9.8 percent of the total exports, significant contributions to this increase came from rice, wheat, barley, buckwheat and rye exports.

- The sector with the highest growth over the past ten years has been 'Sugars and sugar confectionery' (HS-17) with a CAGR of 18.2 percent.
- Among the top 10 categories, 'Mineral fuels and mineral oils' (HS-27) showed the most significant change of 93.2 percent from 2017 to 2018. However, the same group had a negligible share of 2.1 percent in total exports.
- Cotton was the slowest growing category with a 0.04 percent change in 2018 over 2017.

Pakistan's Top 25 Exports at HS-06 Level

The following table shows the top exported items by Pakistan at the HS-06 Level and their export patterns since 2014. Additionally, the share of each product category in total exports along with their Compound Annual Growth Rate (CAGR) for the period 2009–18 is also given. The table also represents the percentage share of each export category in the overall exports of Pakistan to the world. The table also shows the change in Pakistan's world exports over the previous year.

Table 2-2 Pakistan's Top 25 Exports to the World at HS-06 Level

Product Code	Product label	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Change over the last year (%)	Share in Total Exports 2018 (%)	CAGR 2009-18 (%)
TOTAL	All products	24.72	22.09	20.53	21.88	23.63	8.01	100.00	3.36
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	1.90	1.42	1.42	1.51	1.76	16.21	7.44	0.80
620322	Men's or boys ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	0.23	0.20	0.71	1.29	1.53	18.46	6.48	65.13
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	0.79	0.74	0.77	0.81	0.86	6.17	3.64	3.04
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...	0.78	0.82	0.78	0.81	0.79	-2.32	3.33	2.46
520512	Single cotton yarn, of uncombed fibres, containing >= 85 cotton by weight and with a linear ...	1.19	1.02	0.81	0.81	0.78	-4.22	3.29	3.95
630239	Bedlinen of textile materials (excluding of cotton and man-made fibres, printed, knitted or ...	0.62	0.59	0.65	0.67	0.70	4.14	2.95	6.16
630210	Bedlinen, knitted or crocheted	0.68	0.65	0.61	0.67	0.69	3.95	2.93	2.76
520942	Denim, containing >= 85 cotton by weight and weighing > 200 g/m ² , made of yarn of different ...	0.45	0.45	0.46	0.48	0.50	3.23	2.11	10.84
630710	Floor cloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	0.39	0.40	0.38	0.41	0.44	7.82	1.86	6.62
220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80	0.25	0.23	0.22	0.36	0.43	17.69	1.80	46.26
170199	Cane or beet sugar and chemically pure sucrose, in solid form (excluding cane and beet sugar ...	0.29	0.23	0.12	0.34	0.38	11.90	1.62	–
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	0.32	0.33	0.33	0.36	0.37	3.50	1.58	5.37

Product Code	Product label	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Change over the last year (%)	Share in Total Exports 2018 (%)	CAGR 2009-18 (%)
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	0.66	0.76	0.54	0.41	0.35	-14.97	1.48	-4.64
610590	Mens or boys shirts of textile materials, knitted or crocheted (excluding of cotton or man-made ...	0.28	0.26	0.25	0.31	0.33	6.74	1.40	7.65
100119	Durum wheat (excluding seed for sowing)	0.00	0.00	0.00	0.00	0.27	-	1.15	-
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted ...	0.12	0.13	0.15	0.20	0.27	37.11	1.14	28.03
270900	Petroleum oils and oils obtained from bituminous minerals, crude	0.22	0.18	0.08	0.11	0.26	128.93	1.11	-
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear ...	0.38	0.32	0.30	0.28	0.26	-6.15	1.09	-3.27
520812	Plain woven fabrics of cotton, containing >= 85 cotton by weight and weighing > 100 g to 200 ...	0.24	0.21	0.18	0.21	0.25	18.66	1.07	14.73
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	0.20	0.20	0.21	0.20	0.24	22.73	1.03	-0.78
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	0.42	0.09	0.08	0.14	0.24	65.14	1.00	-11.48
610349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials, ...	0.12	0.14	0.16	0.18	0.23	31.32	0.98	19.82
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	0.21	0.20	0.19	0.20	0.22	11.67	0.93	7.79
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	0.15	0.17	0.14	0.20	0.21	7.44	0.91	69.94
252329	Portland cement (excluding white, whether or not artificially colored)	0.50	0.34	0.29	0.21	0.20	-4.29	0.84	-7.10

Source: ITC Trade Map

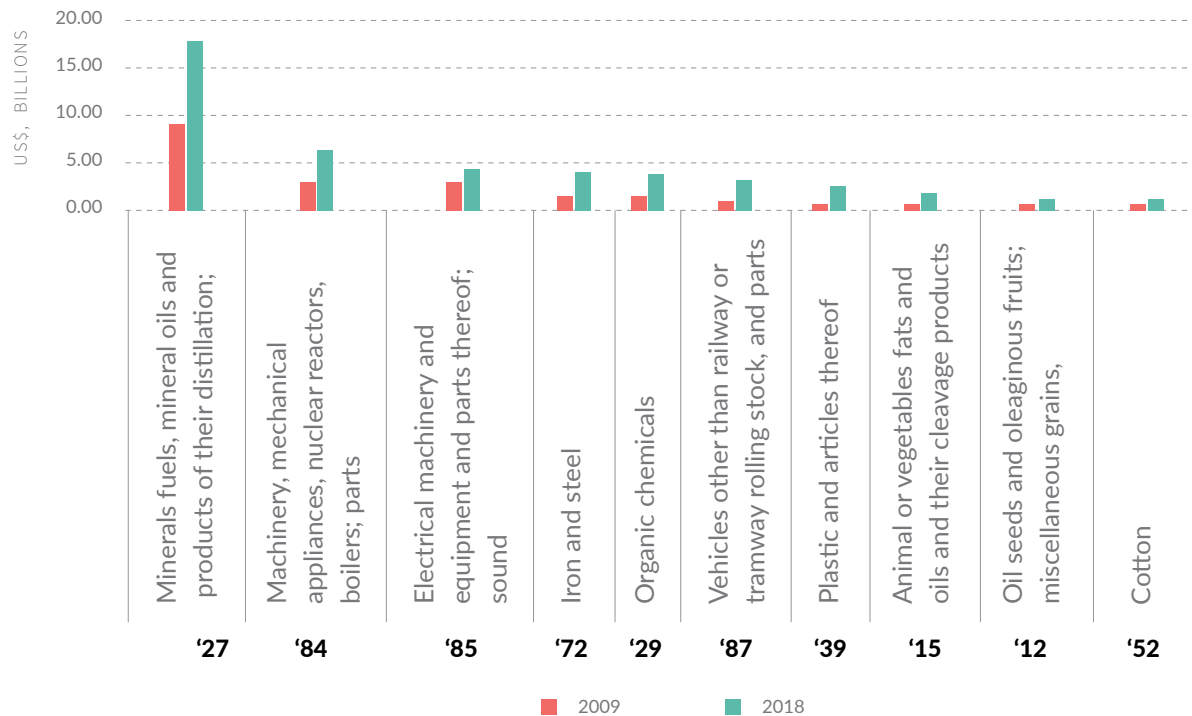
Key Findings:

- Top 25 exports accounted for 53.1 percent that is more than half of Pakistan's total world exports.
- Fifteen out of the top 25 items belong to the textile group. These items contributed 34.6 percent to total exports.
- Apart from 'Mens or boys' trousers, bib and brace overalls, breeches and shorts, of cotton' (HS-620342) and 'T-shirts, singlets and other vests of cotton, knitted or crocheted' (HS-610910), all textile articles in the top 25 items list have shown a positive CAGR.
- 'Semi-milled or wholly milled rice' (HS-100630), made up 7.4 percent of the total exports and was worth \$1.76 billion, making it the highest contributor in global shipments at HS-06 level in 2018.
- Among the top 25 items, 'Petroleum oils and oils obtained from bituminous minerals' (HS-270900) showed the highest growth of 128.9 percent from 2017 to 2018.
- The item with the highest growth over the past ten years has been 'Full-length or knee-length stockings, socks and other hosiery, incl. footwear' (HS-611595) with a CAGR of 69.9 percent.

Pakistan's Top 10 Import Categories

The following figure shows Pakistan's major import groups in 2018.

FIGURE 2-3 Pakistan's Top 10 Import Products at HS-02 Level



Source: ITC Trade Map

The following table shows the top ten product groups imported by Pakistan at the HS-02 Level and their import patterns since 2014. Additionally, the share of each product category in total imports along with their Compound Annual Growth Rate (CAGR) for the period 2009–18 is also given. The table also represents the percentage share of each import category in the overall imports of Pakistan from the world. The table also shows the change in Pakistan's world imports in 2018 over that in 2017.

Table 2-3 Pakistan's Top 10 Imports from the World at HS-02 Level

Product Code	Product label	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Change over the last year (%)	Share in Total Imports 2018 (%)	CAGR 2009-18 (%)
TOTAL	All products	47.54	43.99	47.00	57.44	60.16	4.74	100.00	7.42
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral	14.82	10.03	9.53	13.71	17.15	25.09	28.51	7.65
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	3.93	4.07	5.83	6.86	6.24	-9.04	10.38	8.01
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	3.35	3.80	4.43	4.75	4.30	-9.47	7.14	5.65
72	Iron and steel	2.30	2.55	2.76	3.42	3.67	7.45	6.11	9.06
29	Organic chemicals	1.96	1.86	1.94	2.37	2.76	16.28	4.59	6.86

Product Code	Product label	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Change over the last year (%)	Share in Total Imports 2018 (%)	CAGR 2009-18 (%)
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	1.31	1.74	2.10	2.67	2.60	-2.50	4.32	11.58
39	Plastics and articles thereof	1.95	1.93	1.94	2.30	2.49	8.37	4.14	8.59
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...	2.15	1.85	1.93	2.37	2.12	-10.39	3.53	4.64
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal ...	0.78	0.78	1.05	1.40	1.47	4.86	2.44	13.78
52	Cotton	0.74	0.66	0.72	0.98	1.24	27.57	2.07	10.71

Source: ITC Trade Map

Key Findings

- In the calendar year 2018, Pakistan imported \$60.16 billion worth of products at HS-02-digit level.
- In 2017, imports increased by \$10.44 billion, over 2016, and they went up by a further 4.7 percent in 2018.
- The top 10 products imported by Pakistan are classified under the categories of mineral products, machinery, iron and steel, organic chemicals, vehicles, plastics, animal and vegetable fats, oilseeds and cotton.
- Top 10 imports accounted for 73.1 percent, that is nearly three-quarters of total imports.
- Pakistan's total imports have shown a positive CAGR of 7.4 percent over the last ten years.
- The '*Mineral fuels, mineral oils and products of their distillation; bituminous substances*' (HS-27) group, made up 28.5 percent of the total imports and were worth \$17.15 billion, making it the highest import category.
- The sector with the highest growth in imports over the past ten years has been '*Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal*' (HS-12) with a CAGR of 13.8 percent.
- Among the top 10 categories, imported '*Cotton*' (HS-52) showed the highest change of 27.6 percent from 2017 to 2018.

Pakistan's Top 25 Imports at HS-06 Level

The following table shows the top twenty-five imported items by Pakistan at the HS-06 Level and their import patterns since 2014. Additionally, the share of each product category in total imports along with their Compound Annual Growth Rate (CAGR) for the period 2009–18 is also given. Also shown is the percentage share of each import category in the overall imports of Pakistan from the world. The table also shows the change in Pakistan's world imports over the last year.

Table 2-4 Pakistan's Top 25 Imports from the World at HS-06 Level

Product Code	Product label	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Change over the last year (%)	Share in Total Imports 2018 (%)	CAGR 2009-18 (%)
TOTAL	All products	47.54	43.99	47.00	57.44	60.16	4.74	100.00	7.42
270900	Petroleum oils and oils obtained from bituminous minerals, crude	5.61	3.02	1.98	3.14	4.90	56.41	8.15	5.10
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90 by volume "incl. ...	2.29	2.18	2.22	3.01	3.72	23.59	6.18	–
271111	Natural gas, liquefied	–	0.36	0.85	1.68	3.30	96.62	5.48	–

Product Code	Product label	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Change over the last year (%)	Share in Total Imports 2018 (%)	CAGR 2009-18 (%)
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	6.27	3.72	3.53	4.40	3.12	-29.17	5.18	-4.73
151190	Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)	1.86	1.57	1.63	2.01	1.83	-9.14	3.04	7.49
270112	Bituminous coal, whether or not pulverised, non-agglomerated	0.00	-	0.21	0.91	1.22	33.95	2.04	135.11
520100	Cotton, neither carded nor combed	0.52	0.54	0.58	0.76	1.05	37.76	1.74	9.06
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of ...)	0.56	0.56	0.57	0.87	0.95	9.51	1.58	15.01
120110	Soya bean seed, for sowing	0.01	0.25	0.38	0.75	0.94	26.61	1.57	-
310530	Diammonium hydrogen orthophosphate "diammonium phosphate" (excluding that in tablets or similar ...)	0.48	0.62	0.47	0.65	0.84	30.02	1.40	9.74
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	0.64	0.75	0.71	0.76	0.83	9.58	1.38	18.22
720441	Turnings, shavings, chips, milling waste, sawdust, filings, trimmings and stampings of iron ...	0.30	0.42	0.43	0.54	0.59	7.67	0.97	6.54
090240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings ...	0.32	0.45	0.48	0.54	0.56	3.53	0.92	10.76
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	0.28	0.35	0.40	0.58	0.54	-5.75	0.90	18.95
390210	Polypropylene, in primary forms	0.46	0.41	0.38	0.47	0.54	15.67	0.90	7.91
890800	Vessels and other floating structures for breaking up	0.58	0.47	0.39	0.56	0.52	-7.35	0.86	6.96
720839	Flat-rolled products of iron or non-alloy steel, of a width of ≥ 600 mm, in coils, simply ...	0.15	0.15	0.26	0.35	0.47	34.08	0.77	92.51
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	0.28	0.28	0.32	0.37	0.43	17.56	0.72	7.38
120510	Low erucic acid rape or colza seeds "yielding a fixed oil which has an erucic acid content ..."	0.54	0.37	0.46	0.47	0.40	-15.98	0.66	4.04
270119	Coal, whether or not pulverised, non-agglomerated (excluding anthracite and bituminous coal)	0.47	0.48	0.31	0.13	0.39	215.25	0.66	-1.83
854140	Photosensitive semiconductor devices, incl. photovoltaic cells	0.21	0.45	0.49	0.66	0.39	-40.66	0.65	75.35
290243	P-Xylene	0.35	0.27	0.26	0.27	0.37	34.50	0.61	1.88
390110	Polyethylene with a specific gravity of $< 0,94$, in primary forms	0.30	0.29	0.29	0.33	0.34	1.61	0.56	8.41
071320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	0.04	0.03	0.12	0.45	0.33	-25.39	0.56	13.54
290531	Ethylene glycol "ethanediol"	0.20	0.21	0.20	0.29	0.33	16.44	0.55	8.35

Source: ITC Trade Map

Key Findings

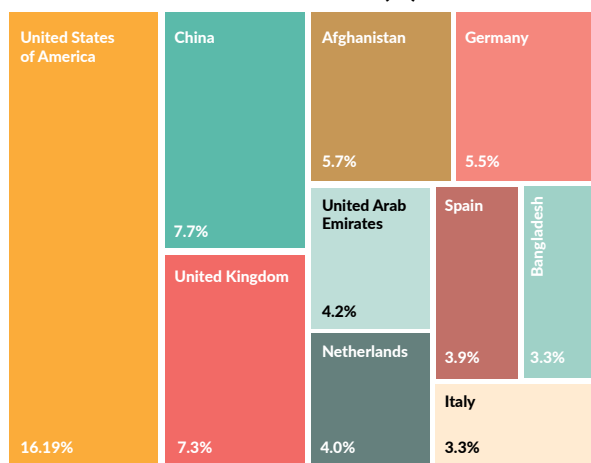
- The top 25 imports accounted for 48.0 percent of total imports.
- Six of the top 25 items belong to the mineral fuels and oils group. These items contributed 27.7 percent to total imports.
- The 'Petroleum oils and oils obtained from bituminous minerals' (HS-270900), made up 8.2 percent of total imports.
- Among the top 25 items, 'Coal, whether or not pulverized, non-agglomerated' (HS-270119), had the fastest-growing increase in imported value up by 215.3 percent from 2017 to 2018. However, the same item had a negative CAGR of -1.8 percent.
- The item with the highest growth over the past ten years has been 'Bituminous coal, whether or not pulverized, non-agglomerated' (HS-270112) with a CAGR of 135.1 percent.

Major Trading Partners

Pakistan's Top 10 Export Destinations

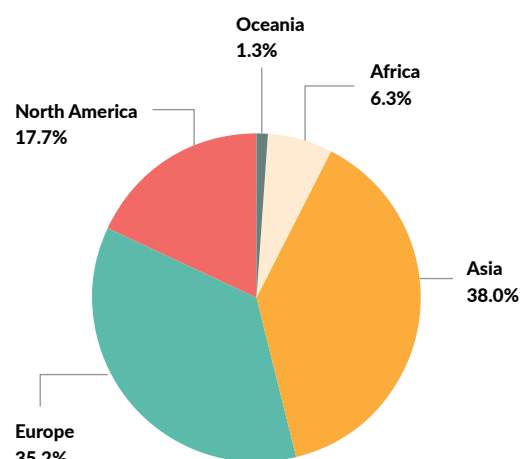
The following figures show Pakistan's top export partners and top destinations by the country for 2018. The share of each region in Pakistan's exports is also shown.

FIGURE 2-4 Share of Top 10 Export Destinations of Pakistan in 2018 (%)



Source: ITC Trade Map

FIGURE 2-5 Export Destinations by Region, 2018



Source: ITC Trade Map

The table below shows the top 10 export destinations of Pakistan along with each import country's share in Pakistan's exports. Pakistan's exports in the last five years along with the CAGR for the previous ten years is also included.

Table 2-5 Top 10 Export Destinations of Pakistan 2018

Pakistan Export Partners	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Share in Exports 2018 (%)	CAGR 2009-18 (%)
World	24.72	22.09	20.53	21.88	23.63	100.00	3.36
United States of America	3.65	3.66	3.43	3.56	3.80	16.09	1.86
China	2.25	1.93	1.59	1.51	1.82	7.69	6.89
United Kingdom	1.65	1.57	1.56	1.63	1.73	7.32	6.97
Afghanistan	1.88	1.72	1.37	1.39	1.35	5.70	-0.21
Germany	1.22	1.15	1.19	1.29	1.31	5.55	6.89
United Arab Emirates	1.32	0.90	0.78	0.87	0.98	4.16	-4.85
Netherlands	0.68	0.67	0.65	0.76	0.94	3.99	10.20
Spain	0.79	0.78	0.84	0.90	0.92	3.91	9.53
Bangladesh	0.69	0.70	0.66	0.65	0.78	3.32	8.78
Italy	0.77	0.62	0.67	0.70	0.77	3.27	3.72

Source: ITC Trade Map

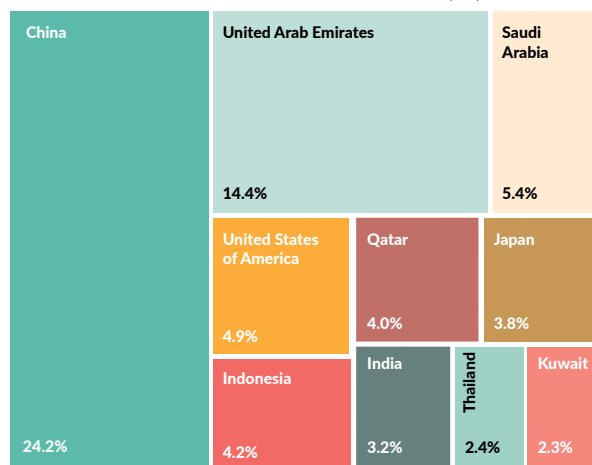
Key Findings

- Pakistan's export basket has continued to be dominated by the United States with a 16.1 percent share in exports.
- Top 10 export partners contributed 60.1 percent of the total exports in 2018.
- China is the second-largest export destination, importing around \$1.82 billion worth of goods from Pakistan.
- Both Netherlands and Spain have shown CAGR's as export markets for Pakistani products through 2009 – 18.
- Currently, Australia is not among the top 10 export destinations, but it is ranked 22nd in Pakistan's export partners with a share of 1.0 percent.
- From a regional perspective, 38.0 percent of total exports were destined for Asia and 35.2 percent for Europe.

Pakistan's Top 10 Import Sources

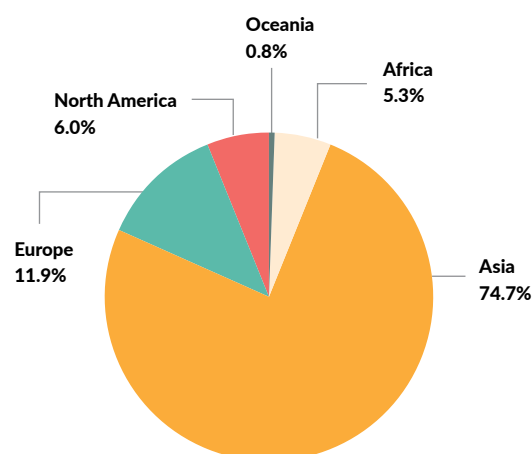
The following figures show Pakistan's top import sourcing markets and top sources by region in 2018.

FIGURE 2-6 Share of Top 10 Import Sourcing Markets of Pakistan in 2018 (%)



Source: ITC Trade Map

FIGURE 2-7 Import Sources by Region, 2018



Source: ITC Trade Map

The table below shows the top 10 import sourcing markets of Pakistan along with each exporting country's share in Pakistan's imports. Pakistan's imports in the last five years along with the CAGR for the last ten years is also included.

Table 2-6 Top 10 Import Sourcing Markets for Pakistan 2018

Exporters	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Share in Imports 2018 (%)	CAGR 2009-18 (%)
World	47.54	43.99	47.00	57.44	60.16	100.00	7.42
China	9.59	11.02	13.68	15.38	14.54	24.18	16.15
United Arab Emirates	7.08	5.73	6.20	7.52	8.67	14.41	11.14
Saudi Arabia	4.42	3.01	1.84	2.73	3.24	5.39	-0.85
United States of America	1.80	1.92	2.01	2.84	2.95	4.90	5.63
Indonesia	2.11	2.04	2.09	2.58	2.50	4.16	16.09
Qatar	0.18	0.32	0.77	1.61	2.39	3.97	34.29
Japan	1.75	1.73	1.96	2.29	2.27	3.78	6.50
India	2.10	1.67	1.64	1.70	1.93	3.21	6.65
Thailand	0.73	0.85	0.92	1.28	1.43	2.38	10.14
Kuwait	2.95	1.71	1.27	1.47	1.41	2.34	-2.72

Source: ITC Trade Map

Key Findings

- Pakistan's imports are highly dependent on China, with a 24.2 percent share in 2018.
- China has the highest CAGR in the last ten years of 16.2 percent.
- UAE is Pakistan's second-largest import sourcing market with imports of around \$8.7 billion in 2018.
- Over two-thirds, i.e. 68.7 percent of Pakistan's imports are contributed by the top 10 import sources.

- Imports from Middle-Eastern countries represent 26.1 percent of Pakistan's total imports from the world. Major import sourcing markets in the Middle East are the United Arab Emirates, Saudi Arabia, Qatar and Kuwait.
- Both Saudi Arabia and Kuwait have shown a negative CAGR, signaling both a change the energy import mix and declining oil prices.¹⁰
- Currently, Australia is not among the top 10 import sourcing markets, but it is ranked 28th in Pakistan's import partners with a share of 0.6 percent.

Trade Profile of Australia

Australia is a highly developed economy with a GDP of \$1.43 trillion in 2019. Australia has enjoyed economic expansion for more than two decades. When most of the largest economies were going through the global financial crisis, Australia was the only advanced economy to maintain a positive GDP growth rate. However, the major trading partners experienced a slow down which in turn impeded Australia's economic growth in 2009. Trade has played an important role in Australia's persistent economic development, creating one-fourth of the economic revenue and one in five jobs are related to trade. Australia is a trade-exposed economy; changes in the demand for goods from other countries will have a significant impact on the Australian economy. High demand in export markets for iron ore, coal¹¹ and natural gas¹² has worked to the country's advantage resulting in high growth rates in the mid-2000s. China has been a major contributor to Australian exports.¹³ In the calendar year 2018, the overall trade surplus amounted to \$26.54 billion, which is the highest in the last ten years, with exports posting an increase of \$18.16 billion over the previous year. Exports surged to \$253.83 billion in 2018, a gain of 10.5 percent over the previous year. Imports for the same period grew to \$227.28 billion, showing a growth of 2.7 percent. However, growth in imports declined from 16.9 percent in 2017 to 2.7 percent in 2018.

■ Trend in Exports

Australian exports represented a 1.3 percent share in global imports. In the calendar year 2018, Australia's exports stood at \$253.83 billion, showing an increase of 64.9 percent over the last ten years. Australia's exports have had a CAGR of 5.7 percent for the past ten years.

■ Trend in Imports

Australian imports represented a 1.2 percent share in global imports in 2018. Australia's total imports have grown over the past decade, amounting to \$227.28 billion in 2018. Imports during the period increased by 37.2 percent from \$165.60 billion in 2009 to \$227.28 billion in 2018. Australia's imports have had a CAGR of 3.6 percent in the past ten years.

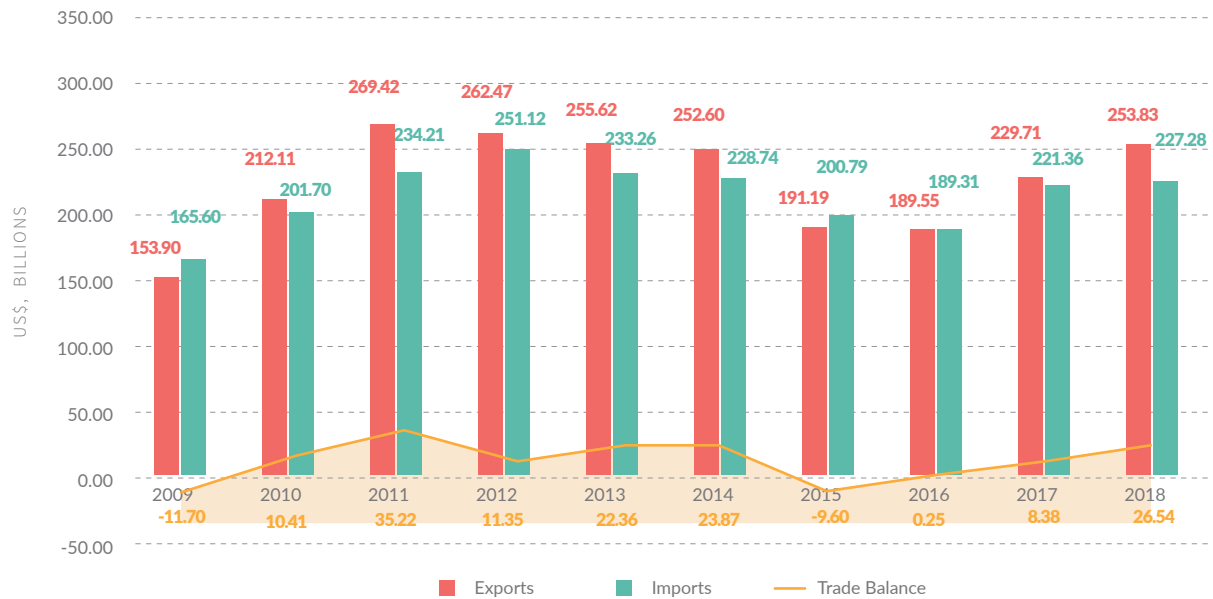
10 <https://oilprice.com/Energy/General/Markets-Fear-Oil-Price-Collapse-Should-OPEC-Cut-More-Production.html>

11 Australia is the world's largest exporter of iron ore and coal – UN Comtrade, 2017

12 Australia is the world's fourth-largest exporter of liquified natural gas – UN Comtrade, 2017

13 Australia and the Global Economy: The Terms of Trade Boom – Reserve Bank of Australia

FIGURE 2-8 Australia's Global Trade, 2009–18



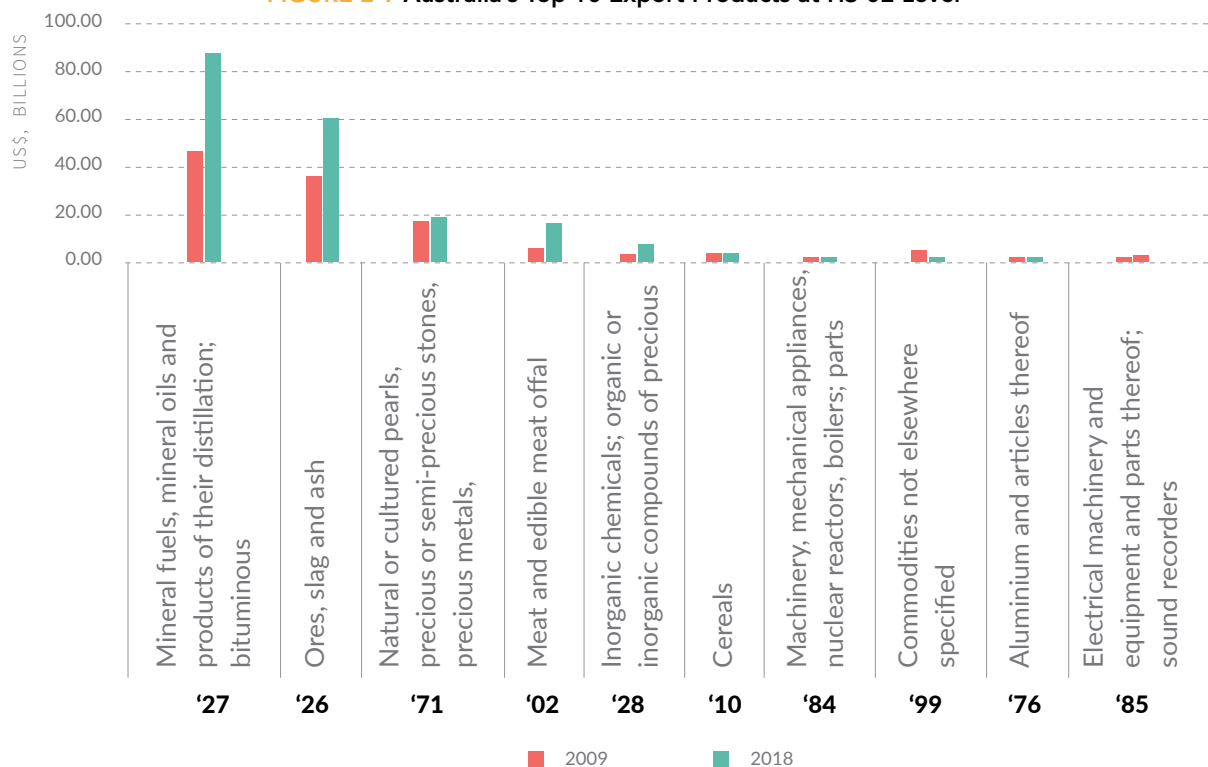
Source: ITC Trade Map

Major Trade Products

Australia's Top 10 Export Categories

The following figure shows Australia's major export groups in 2018.

FIGURE 2-9 Australia's Top 10 Export Products at HS-02 Level



Source: ITC Trade Map

The following table shows the top ten exported items by Australia at the HS-02 Level and their export patterns since 2014. Additionally, the share of each product category in total exports along with their Compound Annual Growth Rate (CAGR) for the period 2009–18 is also given. The table also represents the percentage share of each export category in overall exports of Australia to the world. The table also exhibits a change in Australia's world exports over the last year.

Table 2-7 Australia's Top 10 Exports to the World at HS-02 Level

Product Code	Product label	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Change over the last year (%)	Share in Total Exports 2018 (%)	CAGR 2009-18 (%)
TOTAL	All products	252.60	191.19	189.55	229.74	253.83	10.48	100.00	5.72
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	65.20	48.99	47.53	66.94	87.72	31.05	34.56	7.59
26	Ores, slag and ash	82.78	48.09	48.87	60.17	59.72	-0.74	23.53	7.47
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	14.04	12.70	15.83	15.37	16.12	4.89	6.35	2.70
02	Meat and edible meat offal	10.48	9.93	8.26	9.12	10.19	11.72	4.01	7.88
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, ...	5.82	5.49	4.65	6.14	8.19	33.31	3.23	8.09
10	Cereals	7.47	6.52	5.08	6.56	4.88	-25.65	1.92	1.09
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	5.82	5.23	4.90	4.65	4.81	3.43	1.90	1.42
99	Commodities not elsewhere specified	6.61	5.74	5.82	5.68	4.57	-19.52	1.80	-3.93
76	Aluminium and articles thereof	4.16	3.55	2.89	3.15	3.85	22.23	1.52	1.16
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	2.76	2.62	2.70	3.12	3.21	3.11	1.27	4.53

Source: ITC Trade Map

Key Findings

- In the calendar year 2018, Australia exported \$253.83 billion worth of products at the HS-02-digit level.
- In 2017, exports increased by \$40.19 billion, over 2017, and grew by a further 10.5 percent in 2018.
- The top 10 products exported by Australia are classified under mineral fuels, ores, natural pearls, meat, inorganic chemicals, cereals, aluminium and machinery.
- Top 10 exports accounted for 80.1 percent of the total exports of Australia to the world.
- Australia's total exports have shown a positive CAGR of 5.7 percent over the last ten years.
- The '*Mineral fuels, mineral oils and products of their distillation*' (HS-27) group, made up 34.6 percent of the total exports and were worth \$87.72 billion, making it the highest export for Australia in 2018.
- The sector with the highest growth over the past ten years has been '*Inorganic Chemicals*' (HS-28) with a CAGR of 8.1 percent.

- Among the top 10 categories, 'Inorganic Chemicals' (HS-28) showed the greatest change of 33.3 percent from 2017 to 2018.
- The 'Mineral fuels, mineral oils and products of their distillation' (HS-27) group showed the second-fastest increase, up by 31.1 percent from 2017 to 2018. This was due to the high demand for Australian petroleum and coal products.
- Two product group 'Cereals' (HS-10) and 'Ores' (HS-26) showed a decline in exports, down by 27.7 percent and 0.7 percent respectively.

Australia's Top 25 Exports at HS-06 Level

The following table shows the top ten exported items by Australia at the HS-06 Level and their export patterns since 2014. Additionally, the share of each product category in total exports along with their Compound Annual Growth Rate (CAGR) for the period 2009–18 is also given. The table also represents the percentage share of each export category in overall exports of Australia to the world. The table also shows the change in Australia's world exports in 2018 over 2017.

Table 2-8 Australia's Top 25 Exports to the World at HS-06 Level

Product Code	Product label	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Change over the last year (%)	Share in Total Exports 2018 (%)	CAGR 2009-18 (%)
TOTAL	All products	252.60	191.19	189.55	229.74	253.83	10.48	100.00	5.72
270112	Bituminous coal, whether or not pulverised, non-agglomerated	35.13	29.63	28.25	40.56	47.04	15.97	18.53	4.76
260111	Non-agglomerated iron ores and concentrates (excluding roasted iron pyrites)	69.36	36.65	39.30	49.11	46.47	-5.37	18.31	7.89
271111	Natural gas, liquefied	16.45	12.56	13.57	19.94	31.75	59.25	12.51	20.36
710813	Gold, incl. gold plated with platinum, in semi-manufactured forms, for non-monetary purposes	11.87	10.69	13.44	13.01	14.06	8.10	5.54	1.99
999999	Commodities not elsewhere specified	8.04	7.29	7.40	8.47	7.93	-6.37	3.12	0.63
281820	Aluminium oxide (excluding artificial corundum)	5.10	4.85	4.16	5.61	7.46	32.93	2.94	8.23
270900	Petroleum oils and oils obtained from bituminous minerals, crude	9.72	4.67	3.61	4.03	5.92	46.81	2.33	0.55
260300	Copper ores and concentrates	4.90	3.71	3.44	3.65	4.50	23.31	1.77	4.69
020230	Frozen, boneless meat of bovine animals	4.35	4.27	3.08	3.23	3.68	13.90	1.45	8.32
100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	5.29	4.38	3.55	4.54	3.05	-32.93	1.20	–
510111	Greasy shorn wool, incl. fleece-washed wool, neither carded nor combed	1.93	1.99	2.06	2.65	2.74	3.19	1.08	9.12
760110	Aluminium, not alloyed, unwrought	2.48	2.36	1.99	2.10	2.64	25.36	1.04	2.55

Product Code	Product label	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Change over the last year (%)	Share in Total Exports 2018 (%)	CAGR 2009-18 (%)
020130	Fresh or chilled bovine meat, boneless	2.27	2.44	2.20	2.23	2.48	11.43	0.98	5.86
740311	Copper, refined, in the form of cathodes and sections of cathodes	3.40	2.57	2.16	2.15	2.45	13.76	0.96	4.84
260800	Zinc ores and concentrates	1.61	1.58	0.88	1.35	1.90	41.37	0.75	11.37
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	1.93	1.30	1.38	1.47	1.85	25.96	0.73	49.09
520100	Cotton, neither carded nor combed	1.85	0.81	1.19	1.60	1.78	11.38	0.70	17.33
220421	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested ...	1.26	1.27	1.35	1.64	1.67	2.21	0.66	1.27
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	1.83	1.09	1.40	1.34	1.40	4.14	0.55	-6.40
100390	Barley (excluding seed for sowing)	1.60	1.32	1.12	1.61	1.39	-14.14	0.55	-
880330	Parts of aeroplanes or helicopters, n.e.s. (excluding those for gliders)	1.17	1.23	1.19	1.36	1.35	-0.76	0.53	11.74
790111	Unwrought zinc, not alloyed, containing by weight >= 99,99 of zinc	0.90	0.78	0.78	1.25	1.26	0.11	0.49	10.12
253090	Arsenic sulfides, alunite, pozzuolana, earth colours and other mineral substances, n.e.s.	0.25	0.26	0.29	1.00	1.17	17.55	0.46	39.81
020442	Frozen cuts of sheep, with bone in (excluding carcasses and half-carcasses)	1.04	0.76	0.69	1.00	1.17	17.71	0.46	11.58
210690	Food preparations, n.e.s.	0.39	0.72	1.03	1.32	1.07	-18.68	0.42	23.31

Source: ITC Trade Map

Key Findings

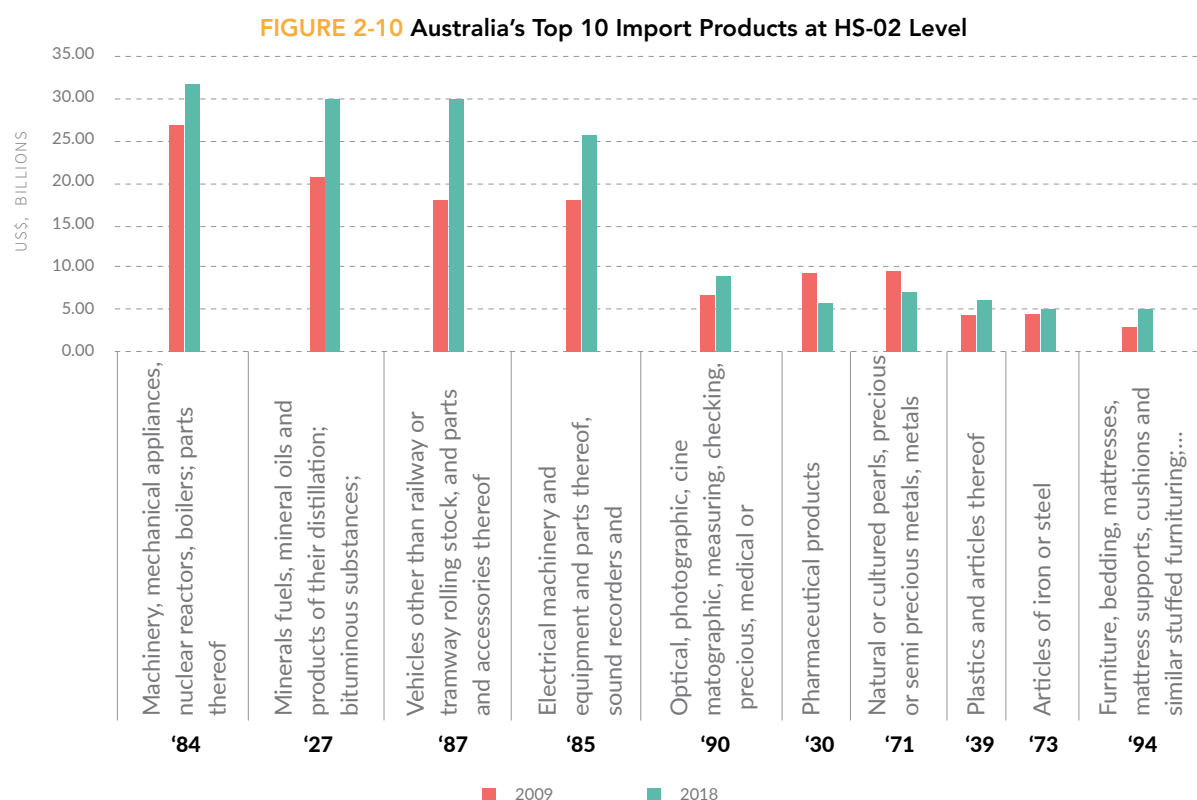
- Top 25 exports accounted for 78.1 percent, which is more than three-quarter of the total exports.
- Eight out of the top 25 items belong to the mineral group. These items contributed 55.4 percent to total exports.
- All mineral products under the top 25 items list have shown a positive CAGR.
- *'Bituminous coal, whether or not pulverized, non-agglomerated'* (HS-270112), made up 18.5 percent of total exports and were worth \$47.04 billion in 2018, making it Australia's highest import at HS-06.
- Australia is the world's largest exporter of not just *'Bituminous coal, whether or not pulverised, non-agglomerated'* (HS-270112), but also of *'Iron Ore'* (HS-2601), *'Unwrought lead'* (HS-7801) and *'Wool'* (HS-51).
- Australia is the world's second-largest exporter of *'Liquified Natural Gas (LNG)'* (HS-271111),¹⁴ *'Aluminium ores'* (HS-2606), *'Beef'* (HS-0202) and *'Lentils'* (HS-0713).

¹⁴ The U.S Energy Information Administration (EIA) says Australia is on track to consistently export more LNG than Qatar, as recently commissioned projects such as Wheatstone, Ichthys, and Prelude ramp up production – CNBC August 23, 2019.

- Australia is the third-largest exporter of 'Cotton' (HS-5201).
- Among the top 25 items 'Liquefied Natural Gas (LNG)' (HS-271111) showed the highest growth of 59.3 percent from 2017 to 2018., exports have grown by 20.1 percent in the last ten years.
- The item with the highest growth over the past ten years has been 'Medium oils and preparations, of petroleum or bituminous minerals' (HS-271019) with a CAGR of 49.1 percent.
- The same item is the second-highest product in terms of CAGR.

Australia's Top 10 Import Categories

The following figure shows Australia's major import groups at HS-02 for 2018.



Source: ITC Trade Map

The following table shows the top ten product groups imported by Australia at the HS-02 Level and their import patterns since 2014. Additionally, the share of each product category in total imports along with their Compound Annual Growth Rate (CAGR) for the period 2009–18 is also given. The table also represents the percentage share of each import category in overall imports of Australia from the world. The table also exhibits a change in Australia's world imports in 2018 over 2017.

Table 2-9 Australia's Top 10 Imports from the World at HS-02 Level

Product Code	Product label	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Change over the last year (%)	Share in Total Imports 2018 (%)	CAGR 2009-18 (%)
'TOTAL	All products	228.74	200.79	189.31	221.36	227.28	2.68	100.00	3.58
'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	33.81	31.56	27.29	28.84	31.87	10.51	14.02	2.36
'27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	36.77	22.22	17.56	22.82	30.31	32.83	13.34	4.23
'87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	26.19	24.89	26.24	29.44	30.07	2.13	13.23	6.38
'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	22.17	20.56	20.15	22.81	25.62	12.31	11.27	3.86
'90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	8.30	7.72	7.80	7.83	8.32	6.37	3.66	3.92
'30	Pharmaceutical products	8.48	7.23	7.79	7.87	8.17	3.88	3.60	1.41
'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	5.97	5.31	7.63	6.62	6.62	-0.13	2.91	-3.23
'39	Plastics and articles thereof	5.80	5.43	5.37	5.83	6.40	9.76	2.81	5.61
'73	Articles of iron or steel	6.63	6.92	4.12	4.15	5.05	21.62	2.22	2.79
'94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; ...	4.42	4.38	4.28	4.39	4.81	9.41	2.11	6.04

Source: ITC Trade Map

Key Findings

- In the calendar year 2018, Australia imported \$227.28 billion worth of products at the HS-02-digit level.
- In 2017, imports increased by \$32.05 billion, over 2016 and they went up by a further up by 2.7 percent in 2018.
- The top 10 products imported by Australia are classified under the categories of machinery, mineral products, vehicles, optical products, pharmaceutical items, natural pearls, plastics, articles of iron & steel and furniture.
- Top 10 imports accounted for 69.2 percent of imports.
- Australia's total imports have shown a positive CAGR of 3.6 percent over the last ten years.
- The 'Machinery and mechanical appliances' (HS-84) group, made up 14.0 percent of the total imports and were worth \$31.87 billion, making it the highest import
- The sector with the highest growth over the past 10 years has been 'Vehicles other than railway or tramway rolling stock' (HS-87) with a CAGR of 6.4 percent.
- Among the top 10 categories, imported 'Mineral fuels and oils' (HS-27) showed the highest change of 32.8 percent from 2017 to 2018.
- 'Articles of iron and steel' (HS-73) had the second-fastest growth of 21.6 percent in 2018.
- 'Electrical machinery and equipment' (HS-85) was the third-fastest growing category with an increase of 12.3 percent in 2018.

- Among the top 10 import categories, the product group of 'Natural or cultured pearls, precious or semi-precious stones, precious metals' (HS-71), showed a decline of -0.1 percent from 2017 to 2018. The same category had a negative CAGR of 3.2 percent for the last ten years.

Australia's Top 25 Imports at HS-06 Level

The following table shows the top ten imported items by Australia at the HS-06 Level and their import patterns since 2014. Additionally, the share of each product category in the total imports along with their Compound Annual Growth Rate (CAGR) for the period 2009–18 is also given. Also shown is the percentage share of each import category in the overall imports of Australia from the world. The table also interprets the change in Australia's world imports over the last year.

Table 2-10 Australia's Top 25 Imports from the World at HS-06 Level

Product Code	Product label	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Change over the last year (%)	Share in Total Imports 2018 (%)	CAGR 2009-18 (%)
TOTAL	All products	228.74	200.79	189.31	221.36	227.28	2.68	100.00	3.58
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel,	14.14	10.82	8.65	11.75	15.68	33.43	6.90	10.77
270900	Petroleum oils and oils obtained from bituminous minerals, crude	18.62	7.32	5.94	7.23	10.21	41.26	4.49	0.17
870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	8.09	7.45	7.96	8.70	8.57	-1.49	3.77	5.67
870421	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston ...	3.78	3.78	4.20	5.10	5.43	6.40	2.39	11.34
999999	Commodities not elsewhere specified	6.41	5.50	1.96	11.38	4.46	-60.79	1.96	-0.77
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	5.53	4.44	4.72	4.34	4.29	-1.00	1.89	-2.24
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	3.88	3.73	3.60	4.13	4.23	2.51	1.86	8.26
847130	Data-processing machines, automatic, portable, weighing <= 10 kg, consisting of at least a ...	3.51	3.24	2.74	3.28	3.59	9.26	1.58	6.93
851762	Machines for the reception, conversion and transmission or regeneration of voice, images or ...	2.34	2.50	2.81	2.99	3.49	16.79	1.53	11.67
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90 by volume "incl. ...	2.93	3.29	2.39	2.98	3.24	8.77	1.43	-

Product Code	Product label	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Change over the last year (%)	Share in Total Imports 2018 (%)	CAGR 2009-18 (%)
710812	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excluding gold ...	2.66	2.57	2.84	2.94	2.90	-1.30	1.28	5.41
870333	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	2.62	2.59	2.51	2.36	2.39	1.09	1.05	8.89
870324	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	1.82	1.90	1.72	1.87	1.89	1.48	0.83	1.85
870332	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	1.84	1.62	2.00	2.26	1.70	-24.70	0.75	7.09
710813	Gold, incl. gold plated with platinum, in semi-manufactured forms, for non-monetary purposes	0.79	0.34	1.55	1.34	1.70	26.50	0.75	-12.24
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	1.29	1.49	1.54	1.86	1.64	-11.75	0.72	9.82
847150	Processing units for automatic data-processing machines, whether or not containing in the same ...	0.73	1.05	0.88	1.10	1.60	45.44	0.70	13.92
854140	Photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled in ...	0.65	0.57	0.47	0.97	1.59	63.68	0.70	16.24
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	1.24	1.16	1.30	1.29	1.43	11.07	0.63	5.38
210690	Food preparations, n.e.s.	1.22	1.19	1.21	0.91	1.11	22.16	0.49	3.67
300215	Immunological products, put up in measured doses or in forms or packings for retail sale	0.00	0.00	0.00	0.91	1.11	21.84	0.49	-
950300	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; ...	0.98	0.96	0.95	1.03	1.05	2.09	0.46	5.22
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves, ...	1.23	1.26	0.93	0.91	1.00	9.78	0.44	2.26
852872	Reception apparatus for television, colour, whether or not incorporating radio-broadcast receivers ...	1.04	0.93	0.93	1.01	0.96	-4.94	0.42	-6.93
850440	Static converters	0.68	0.64	0.61	0.81	0.94	15.72	0.41	9.71

Source: ITC Trade Map

Key Findings

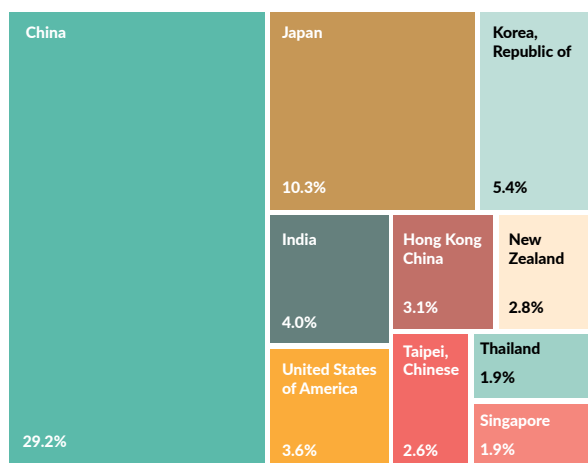
- The top 25 imports accounted for 37.9 percent of total imports.
- Eight of the top 25 items belong to the Machinery and mechanical appliances; electrical equipment group. These items contributed 7.7 percent to total imports.
- Six of the top 25 items list belong to the Motor vehicle group. These products contributed 9.5 percent to total imports.
- The 'Medium oils and preparations, of petroleum or bituminous minerals' (HS-271019), made up 6.9 percent of the total imports.
- Among the top 25 items, 'Processing units for automatic data-processing machines' (HS-847150), had the fastest- growth in import value, up by 45.4 percent in 2018 over 2017. It also had the second-highest CAGR of 13.9 percent for the last ten years.
- The item with the highest growth over the past 10 years has been 'Photosensitive semiconductor devices' (HS-854140) with a CAGR ten 16.2 percent.

Major Trading Partners

Australia's Top 10 Export Destinations

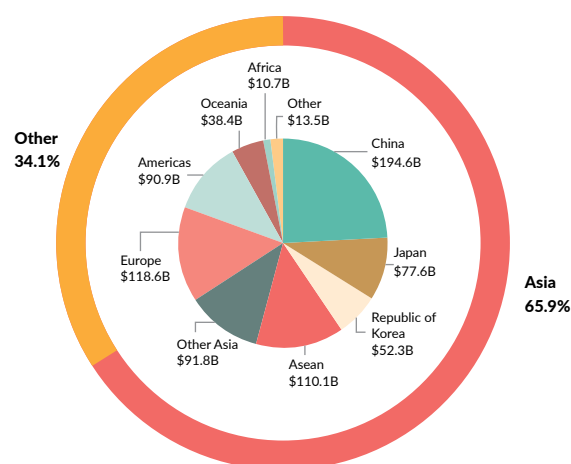
The following figures show Australia's top export partners and top destinations by region in 2018.

FIGURE 2-11 Share of Top 10 Export Destinations of Australia in 2018 (%)



Source: ITC Trade Map

FIGURE 2-12 Australia's Total Trade by Region in 2018 (US\$, Billions)



Source: Australian Bureau of Statistics, 2018

The Commonwealth of Australia is the largest exporter in the Oceania region.¹⁵ The table below shows the top 10 export destinations for Australian exports along with each import country's share in Australia's exports. Australia's exports in the last five years along with the CAGR for the last ten years is also included.

Table 2-11 Top 10 Export Destinations of Australia 2018

Australia Export Partners	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Share in Exports 2018 (%)	CAGR 2009-18 (%)
World	252.60	191.19	189.55	229.74	253.83	100.00	5.72
China	85.53	56.51	61.83	67.99	74.03	29.20	9.25
Japan	27.50	20.53	26.13	23.59	26.21	10.30	-1.50
Korea, Republic of	15.63	11.84	12.52	12.54	13.62	5.40	1.16
India	7.79	7.55	7.64	10.17	10.10	4.00	-1.30
United States of America	9.54	9.56	8.99	8.65	9.25	3.60	2.40
Hong Kong, China	2.57	2.42	5.18	9.15	7.85	3.10	14.86
New Zealand	6.99	6.10	6.51	6.86	7.10	2.80	1.47
Taipei, Chinese	6.24	4.70	5.26	6.20	6.66	2.60	3.02
Singapore	7.75	5.05	4.26	3.64	4.86	1.90	1.64
Thailand	4.67	3.22	2.71	3.09	4.82	1.90	4.21

Source: ITC Trade Map

Key Findings

- Australia is an island economy that relies on large export markets like China and Japan; these two countries accounted for 39.5 percent of Australia's exports in 2018.
- Top 10 export partners contributed 81.7 percent to Australia's exports in 2018.
- Both Japan and India have shown a negative CAGR as export markets for Australian exports over the period of 2009–18.
- Currently, Pakistan is not among the top 10 export destinations, and it is ranked 37th in the list of Australia's export partners with a share of 0.1 percent.
- From a regional perspective, 65.9 percent of total Australian exports were destined for Asia.

¹⁵ Regional breakdowns (referring to figure 2-12):

Asia includes Central Asia; Middle East; North Asia; South East Asia and Southern Asia; **Europe** includes Eastern Europe; Northern Europe; South-Eastern Europe, Southern Europe and Western Europe; **Americas** includes North America; the Caribbean; Central America and South America; **Oceania** includes Antarctica and Pacific Island countries and territories.

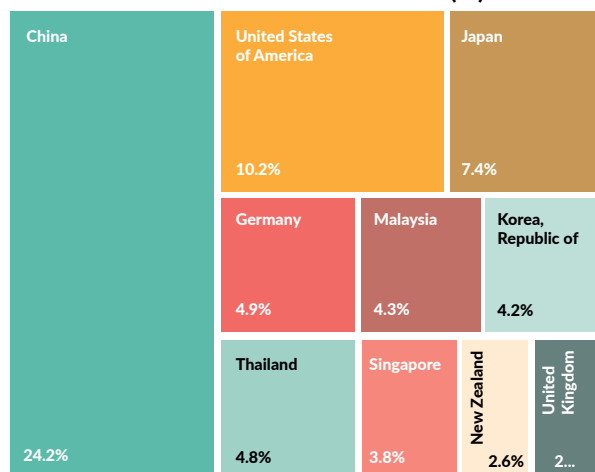
Africa includes Central and West Africa; North Africa and Southern and East Africa.

(a) Includes confidential items of trade.

Australia's Top 10 Import Sources

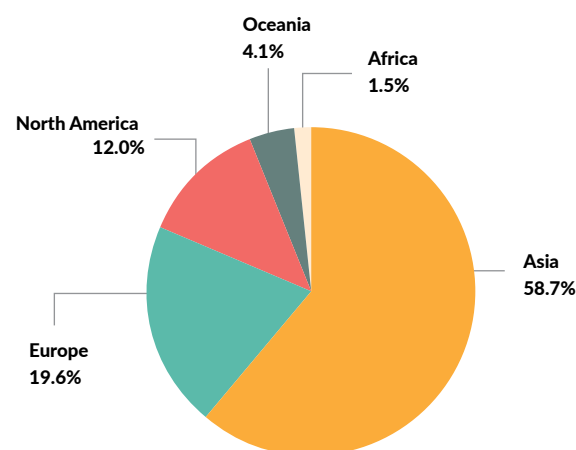
The following figures show Australia's top import sourcing markets and the top sources by region in 2018.

FIGURE 2-13 Share of Top 10 Import Sourcing Markets of Australia in 2018 (%)



Source: ITC Trade Map

FIGURE 2-14 Import Sources by Region, 2018



Source: ITC Trade Map

The table below shows the top 10 import sourcing markets of Australia along with each exporting country's share in Australia's imports. Australia's imports in the last five years along with the CAGR for the last ten years is also included.

Table 2-12 Top 10 Import Sourcing Markets for Australia 2018

Exporters	2014 (US\$, Bn)	2015 (US\$, Bn)	2016 (US\$, Bn)	2017 (US\$, Bn)	2018 (US\$, Bn)	Share in Imports 2018 (%)	CAGR 2009-18 (%)
World	228.74	200.79	189.31	221.36	227.28	100.00	3.58
China	46.18	45.78	44.15	48.38	54.93	24.17	7.27
United States of America	23.86	22.27	21.69	22.71	23.28	10.24	2.48
Japan	15.13	14.63	14.61	16.01	16.77	7.38	2.46
Germany	10.64	9.22	10.08	10.43	11.17	4.91	2.92
Thailand	9.47	9.90	10.86	10.77	10.90	4.79	1.77
Malaysia	10.06	7.36	6.96	8.46	9.70	4.27	5.56
Korea, Republic of	10.26	10.62	8.06	15.73	9.52	4.19	6.74
Singapore	11.55	6.98	5.25	6.17	8.58	3.77	-0.28
New Zealand	7.03	5.68	5.62	5.86	5.83	2.57	1.01
United Kingdom	5.48	5.30	5.31	5.25	5.40	2.38	0.76

Source: ITC Trade Map

Key Findings

- Australia's imports have been highly dependent on China in the last five years, with a 10.2 percent share in 2018.
- In 2018, Australia imported \$54.93 billion worth of goods from China with an increase of \$6.55 billion in 2018 over 2017.
- Australia and China signed an FTA in 2015, allowing tariff-free access for sectors such as agriculture, manufacturing, energy and natural resources.
- The U.S. is Australia's second-largest import market; Australia imported around \$23.28 billion worth of goods from the U.S. in 2018.
- Over two-thirds, that is 68.7 percent of Australia's imports came from the top 10 import sources.
- Among the top 10 import sourcing markets, about 36 percent is contributed by East Asian countries and 12.8 percent by Southeast Asian countries.
- Currently, Pakistan is not among the top 10 import sourcing markets and is ranked 54th with a share of 0.1 percent in Australian imports.
- From a regional perspective, 58.7 percent of total imports came from Asia while 19.6 percent of the imports originated within Europe.

CHAPTER 3

PAKISTAN'S BILATERAL TRADE WITH AUSTRALIA

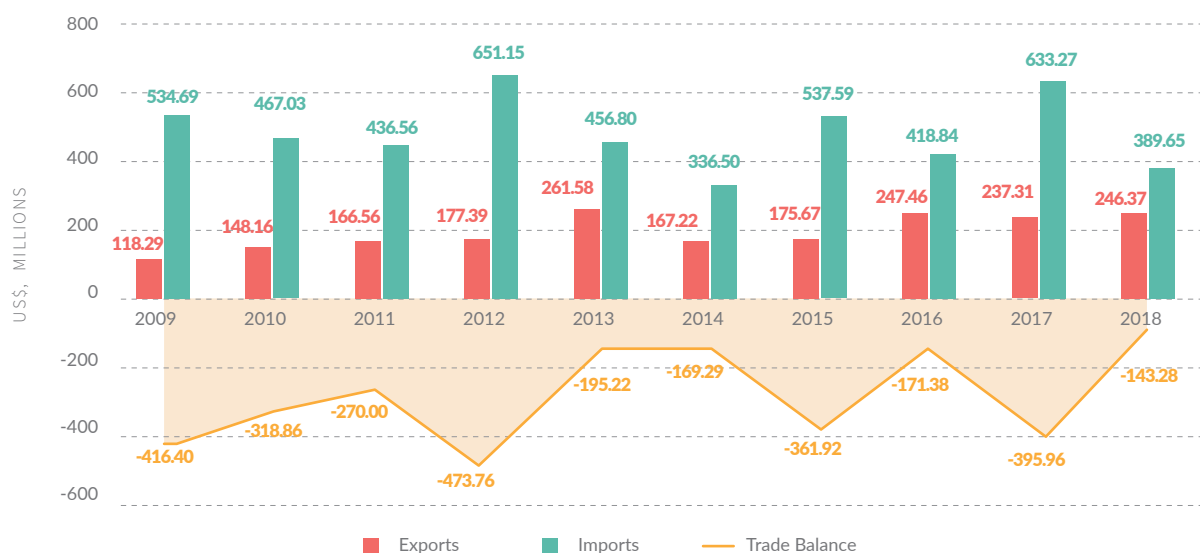
Trade Trends

Pakistan – Australia Bilateral Trade, 2014–18

A Bilateral Trade Agreement between Pakistan and Australia has been in effect since July 12th, 1990 with the intention to “strengthen, facilitate and diversify” trade between both the parties. Pakistan, Australia Joint Trade Committee (JTC) signed an MOU to enhance bilateral trade relationships and bolster economic growth in Canberra in December 2017. Accounting for a mere 0.8 percent, Australia is not a major trading partner for Pakistan.

Bilateral trade has always been in favor of Australia. Pakistan is consistently facing trade deficits with Australia for many years. In calendar 2018, products worth \$246.37 million were exported, whereas goods imported by Pakistan amounted to \$389.65 million, resulting in a trade deficit of \$143.28 million. The graph below shows the trend of goods exported to and imported from Australia along with the balance of trade for Pakistan for the period 2009–18.

FIGURE 3-1 Pakistan – Australia Bilateral Trade, 2009–18



Source: ITC Trade Map

Trend in Exports

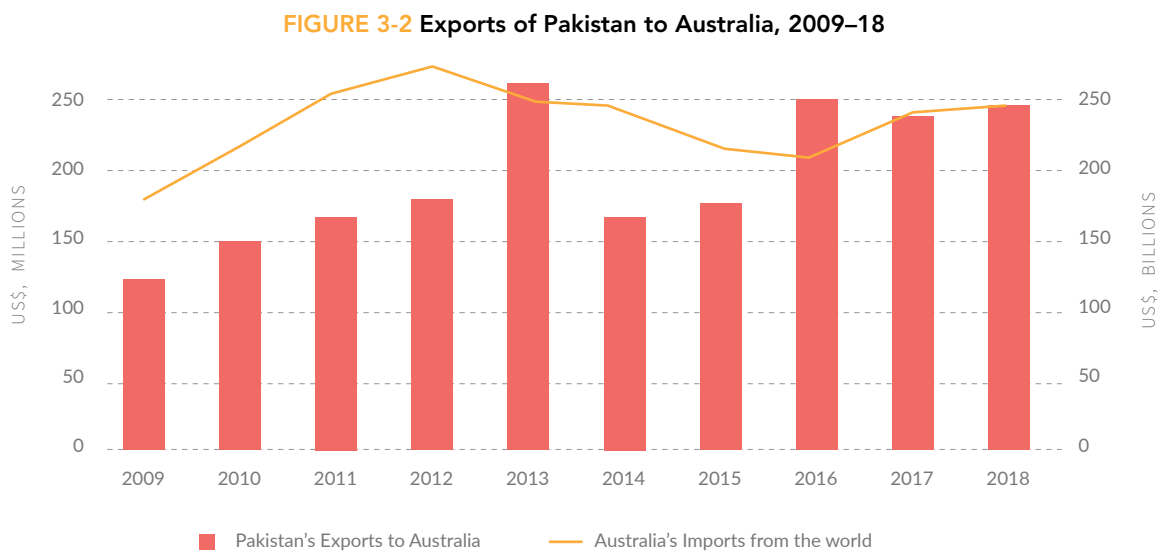
Australia is the 22nd largest export destination for Pakistan. For the nine-year period 2009 to 2018, the highest exports from Pakistan to Australia were recorded in 2013 when they amounted to \$261.58 million. Thereafter exports declined by 36.1 percent in 2014, decreasing the trade deficit by \$25.93 million. In the calendar year 2018, Pakistan exports to Australia stood at \$246.37 million, showing an increase of 3.8 percent over the last year. Pakistan's exports to Australia have had a CAGR of 8.5 percent for the past ten years.

Trend in Imports

On the import side, Australia is the 28th largest import sourcing market for Pakistan. Imports were valued at \$389.65 million in 2018. Pakistan's imports in 2018 decreased by 38.5 percent year, decreasing the trade deficit by \$252.68 million. Pakistan imports have had a CAGR of 1.6 percent for the nine-year period.

Pakistan's Trade with Australia in the Last Ten Years

For a better understanding of trends in bilateral trade, Pakistan's exports to Australia have been compared with Australia's imports from the world in the last ten years in Figure 3-2. Similarly, in Figure 3-3, a ten-year comparison has been made between Pakistan's imports from Australia and Australia's exports to the world. The correlation coefficient is also calculated to identify the strength of the relationship between the two variables.¹⁶

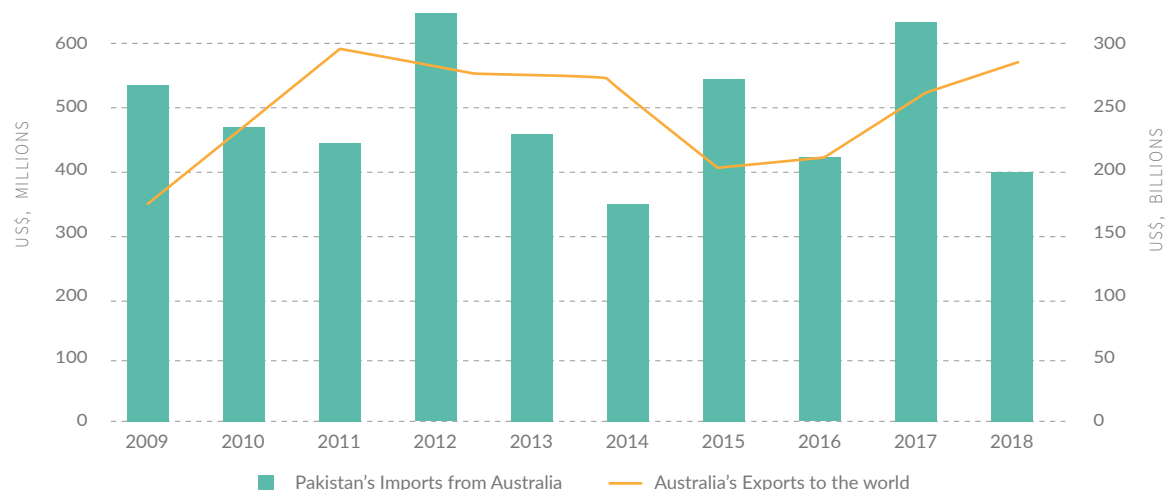


Source: ITC Trade Map

¹⁶ Correlation Coefficients are between -1 and 1. Strong positive correlation ranges from 0.5 to 1.0. Moderate positive correlation ranges from 0.3 to 0.49. Weak positive correlation ranges from 0.1 to 0.29. Strong negative correlation ranges from -1.0 to -0.5. Moderate negative correlation ranges from -0.49 to -0.3.

Australia's imports from the world had a positive and moderate correlation with Pakistan's exports to Australia, i.e. 0.34 over the period 2009 to 2018. This means that in the years where Australia increased its total imports from the world, Pakistan's exports to Australia also grew. Pakistan's exports to Australia were lowest in 2009 and the highest in 2013.

FIGURE 3-3 Imports of Pakistan from Australia, 2009–18



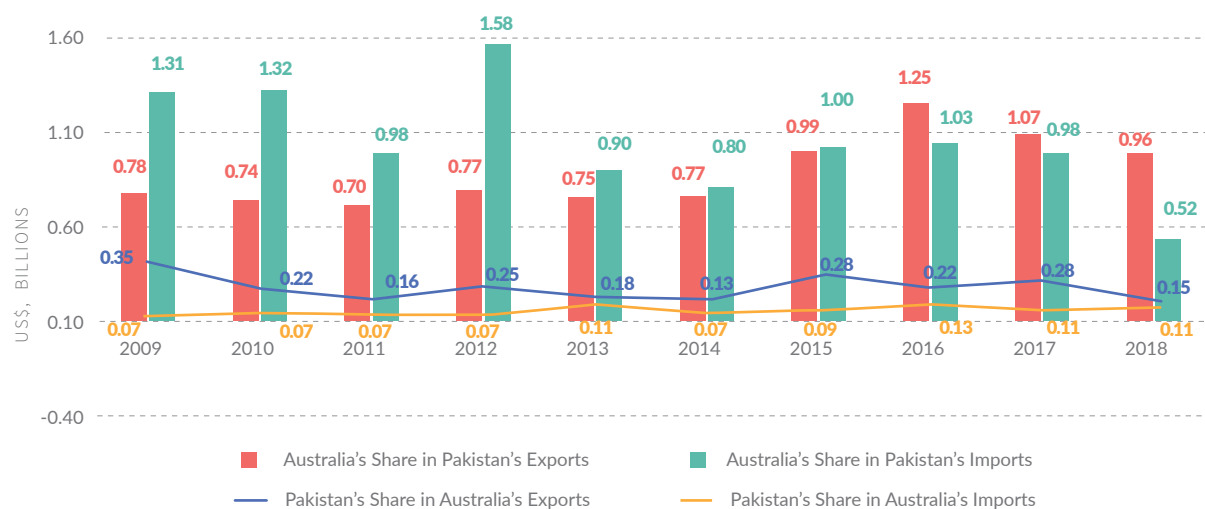
Source: ITC Trade Map

Australia's exports to the world had a negative and weak correlation with Pakistan's imports from Australia, i.e. -0.15 over the period 2009 to 2018. This means that the relationship between Australia's exports to the world and Pakistan's imports from Australia is weak and likely insignificant. Pakistan's imports from Australia were lowest in 2014 and highest in 2012. Australia's exports to the world were marked by fluctuations primarily because of the nature of Australia's exports, whereas Australia's imports from the world have remained steady over the period 2009 to 2018.

Importance of Pakistan – Australia Bilateral Trade

The graph below illustrates the importance of their bilateral trade for both Pakistan and Australia. The figure shows that Australia's share in Pakistan's exports and imports is far more significant than Pakistan's share of Australia's exports and imports for the period 2009–18.

FIGURE 3-4 Importance of Bilateral Trade for Pakistan and Australia



Source: ITC Trade Map

Compound Annual Growth Rate

The Compound Annual Growth Rate (CAGR) is the average annual growth rate of a quantity over a specified period.

$$CAGR_{ijk} = \left[\left(\frac{xijkt2}{xijkt1} \right)^{\frac{1}{n}} \right] - 1$$

Where '*xijkt2*' is the value of exports of product 'k' from country 'i' to country 'j' in t2 i.e. ending year 2018 and '*xijkt1*' is the value of exports of product 'k' from country 'i' to country 'j' in t1 i.e. beginning year 2009 and 'n' is the number of years.

$$CAGR_{ijk} = \left[\left(\frac{mijkt2}{mijkt1} \right)^{\frac{1}{n}} \right] - 1$$

Similarly, '*mijkt2*' is the value of imports of product 'k' of country 'i' by country 'j' in t2 i.e. ending year 2018 and '*mijkt1*' is the value of imports of product 'k' of country 'i' by country 'j' in t1 i.e. beginning year 2009 and 'n' is the number of years.

The graph below shows the Compound Annual Growth Rate (CAGR) in bilateral trade between Pakistan and Australia and their trade with the world over nine years, i.e. 2009–18. The graph illustrates that Pakistan's total exports to Australia have grown with a CAGR of 8.5 percent, whereas Pakistan's exports to the world and Australia's imports from the world increased by a CAGR of 3.4 percent and 3.6 percent respectively. On the other hand, Pakistan's imports from the world increased by more than Pakistan's imports from Australia with a CAGR of 7.4 percent and -3.5 percent respectively. This indicates that during this period, Australia was not an important import sourcing market for Pakistan.

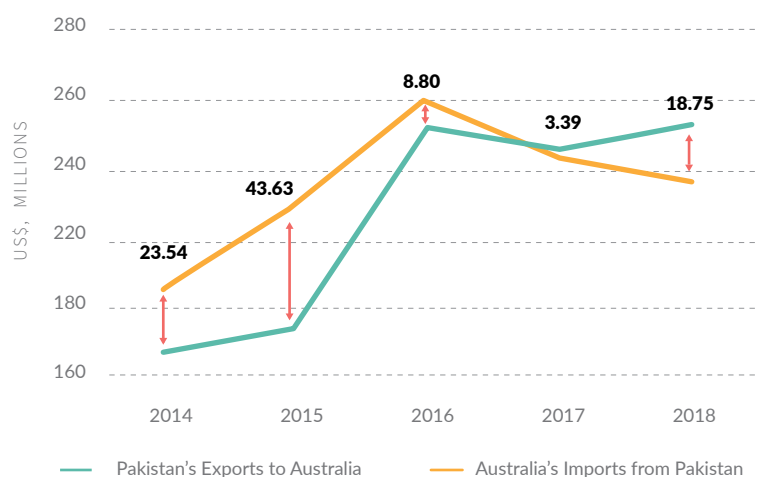


Source: ITC Trade Map

Discrepancies in Bilateral Trade Data

The graph below shows the discrepancy between the reported values of Pakistan's exports to Australia and Australia's reported imports from Pakistan for the period 2014 to 2018. There are differences in the trade values reported by Pakistan and Australia. Pakistan's reported exports to Australia over two years, i.e. 2014–16 are lower than the mirror values reported by Australia for the same period. The highest discrepancy recorded in the data was \$43.63 million in 2015 when Australia's imports from Pakistan were reported as \$219.30 million, while Pakistan's exports to Australia amounted to \$175.67 million.

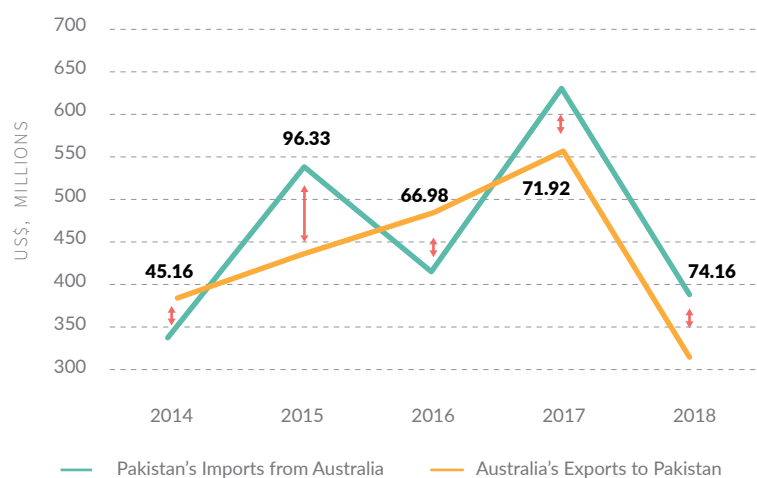
FIGURE 3-6 Discrepancy in Pakistan's Reported Exports to Australia



Source: ITC Trade Map

The graph below shows the discrepancy between the reported values of Pakistan's imports from Australia and Australia's reported exports to Pakistan for the period 2014 to 2018. Small variations can be seen in the values reported by Pakistan and Australia. The highest discrepancy recorded in the data is \$96.33 million in 2015, where Pakistan's imports from Australia were reported as \$537.59 million, while Australia's reported exports to Pakistan amounted to \$441.26 million.

FIGURE 3-7 Discrepancy in Australia's Reported Exports to Pakistan



Source: ITC Trade Map

Trade Complementarity Index (TCI)

The trade complementarity index indicates the extent to which the export profile of a reporting country matches or complements the import profile of a partner country. A high degree of complementarity is assumed to indicate more favourable prospects for a successful trade arrangement. It is calculated using the formula given below:

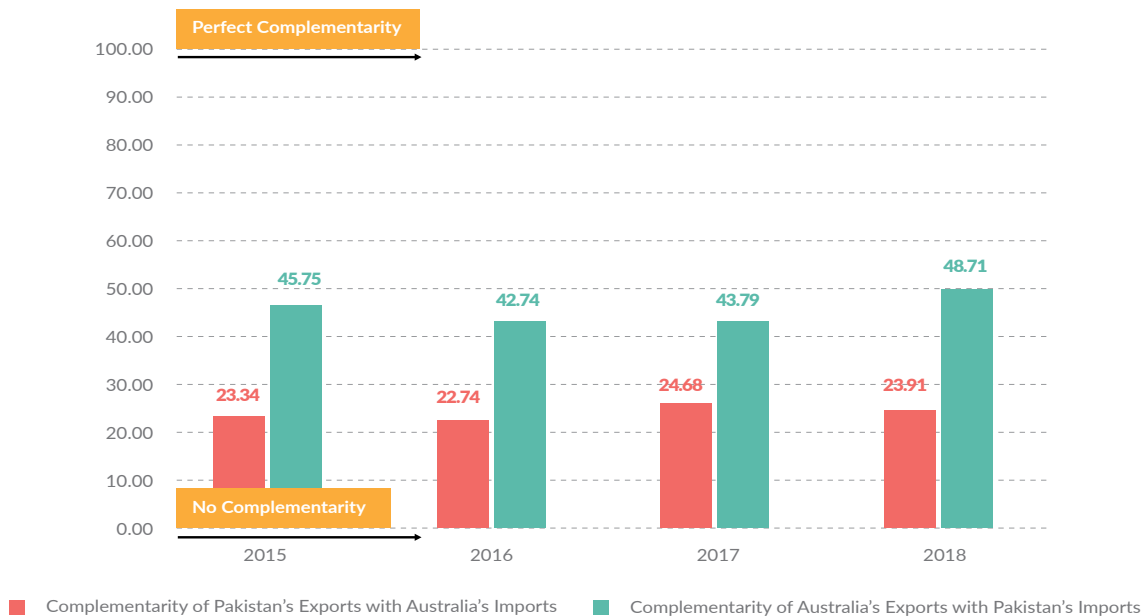
$$\text{Complementarity of country i's exports with country j's imports} = 100^* \left\{ 1 - \sum \left(\frac{m_{jk} - x_{ik}}{2} \right) \right\}$$

Where 'x_{ik}' is the share of product 'k' in exports of reporting country to the world and 'm_{jk}' is the share of product 'k' in imports of partner country from the world.

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

Where 'x_{jk}' is the share of product 'k' in exports of reporting country to the world and 'm_{ik}' is the share of product 'k' in imports of partner country from the world. TCI ranges from 0 to 100. A score of 100 represents perfect complementarity and that the countries are ideal trading partners. On the other hand, no complementarity indicates that the countries are perfect competitors represented by a zero score. TCI can be a useful indicator to determine prospective bilateral trade agreements.

FIGURE 3-8 Trade Complementarity Index



Source: World Integrated Trade Solutions

The graph illustrates that the exports of Australia complement the imports of Pakistan better than the exports of Pakistan complementing imports in Australia. Over the span of three years from 2016 to 2018, exports of Australia have become increasingly complementary to Pakistan's imports. On the other hand, Pakistan's exports showed a fluctuating trend with Australia's imports. Therefore, with respect to the bilateral trade, both countries are not competitive but complementary to each other. The graph shows that if an FTA is implemented, both countries will benefit from their trading relationship.

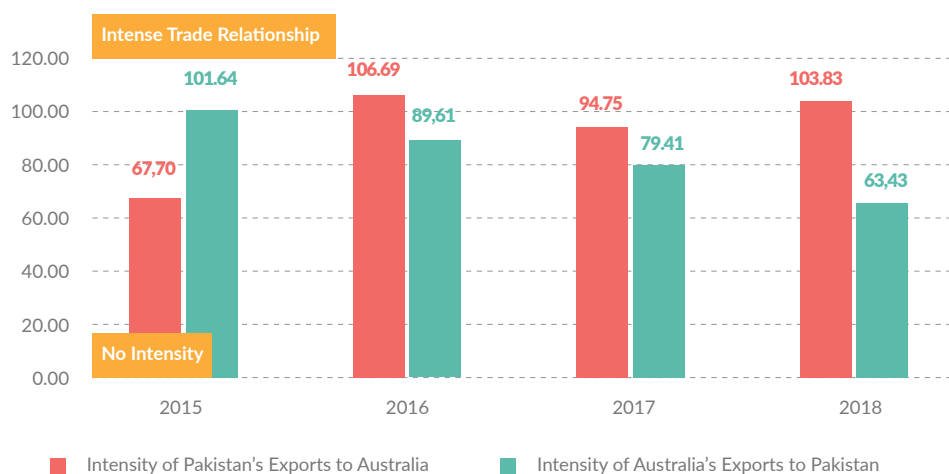
Trade Intensity Index (TII)

Trade intensity Index is used to evaluate the intensity of bilateral trade between the countries based on their importance in world trade. It is defined as the share of one country's exports going to the partner country divided by the percentage of world exports going to the partner. It is calculated as:

$$TII_{ij} = \frac{X_{ij}/X_{it}}{X_{wj}/X_{wt}}$$

where 'X_{ij}' is one country's exports to the partner country and 'X_{it}' is the country's exports to the world. Similarly, 'X_{wj}' is the world exports to the partner country and 'X_{wt}' is the total world exports. A higher value of the index indicates larger than expected trade flows given their importance in world trade. For the period 2016–18, Australia's TII is less than 100, meaning that Australia is trading less with Pakistan than it should. On the contrary, in 2016 and 2018, Pakistan's TII exceeds 100, meaning that Pakistan's trade performance is significant and it is exporting more to Australia than might be expected from Pakistan's share in world trade.

FIGURE 3-9 Trade Intensity Index



Source: World Integrated Trade Solutions

Comparative Advantages of Pakistan and Australia

Revealed Comparative Advantage (RCA)

A comparative advantage index is used to compute a country's advantage (disadvantage) over others in a specific product group. It is based on the Ricardian theory of comparative advantage.¹⁷ It is defined as:

$$RCA_{ij} = \frac{X_{ij}/X_{wj}}{X_i/X_w}$$

Where, 'X_{ij}' is country *j*'s exports to the world in a given product group, i.e. '*i*'; 'X_{wj}' is country *j*'s total exports to the world; 'X_i' is the total exports of the world of the particular product group and 'X_w' is the total exports of the world. A country has a comparative advantage over another nation if the value of the RCA index exceeds 1, meaning that a country can produce that product at a relatively low opportunity cost or an autarky price.¹⁸ The RCA index shows the actual gains of trade for the countries based on their technological advancement and factor endowments. The law demonstrates that in free trade, the countries will produce more and consume less of a product for which they possess a comparative advantage.

Table 3-1 Revealed Comparative Advantage, Pakistan & Australia

HS-02	Pakistan		Australia		HS-02	Pakistan		Australia		HS-02	Pakistan		Australia	
	2017	2018	2017	2018		2017	2018	2017	2018		2017	2018	2017	2018
01	1.00	1.00	4.27	4.63	34	1.37	0.76	0.28	0.30	67	0.09	0.12	0.01	0.02
02	5.89	4.08	5.62	6.05	35	0.78	0.66	0.47	0.49	68	1.42	0.96	0.09	0.09
03	11.77	7.95	0.68	0.66	36	6.94	4.41	0.53	0.36	69	0.55	0.38	0.08	0.06
04	2.25	1.30	1.64	1.61	37	0.03	0.01	0.08	0.07	70	0.56	0.42	0.07	0.06
05	8.36	7.14	1.92	2.14	38	0.43	0.24	0.16	0.14	71	0.12	0.05	1.78	1.88
06	0.27	0.32	0.05	0.04	39	1.58	1.08	0.12	0.10	72	0.47	0.24	0.25	0.25
07	8.11	7.87	2.55	1.04	40	0.50	0.38	0.10	0.10	73	1.42	0.64	0.16	0.16
08	10.17	7.93	0.93	0.97	41	44.51	28.51	2.21	2.15	74	2.97	3.00	1.36	1.37
09	6.16	4.91	0.08	0.08	42	28.20	18.04	0.08	0.08	75	0.00	0.01	0.23	2.14
10	58.12	47.87	4.82	3.32	43	0.03	0.01	0.07	0.07	76	0.49	0.33	1.39	1.52
11	21.25	16.74	2.53	2.62	44	0.99	0.56	0.93	0.92	78	0.06	0.00	8.22	7.17
12	2.99	2.65	1.48	1.16	45	0.00	0.00	0.05	0.03	79	0.61	0.59	5.20	4.89
13	19.82	12.14	0.12	0.13	46	0.94	0.69	0.01	0.02	80	0.43	0.01	0.08	0.16
14	20.30	13.92	0.01	0.02	47	0.03	0.05	0.38	0.26	81	0.01	0.02	0.72	0.72
15	1.51	0.97	0.48	0.49	48	2.18	1.17	0.38	0.38	82	5.36	3.55	0.16	0.16
16	0.36	0.16	0.21	0.20	49	0.41	0.18	0.44	0.40	83	0.08	0.07	0.11	0.11
17	36.44	27.58	0.35	0.33	50	1.80	0.93	0.03	0.03	84	0.33	0.23	0.17	0.16
18	0.01	0.03	0.30	0.31	51	1.20	0.95	16.51	15.56	85	0.10	0.08	0.09	0.09
19	2.78	1.87	1.04	1.13	52	212.73	136.25	2.16	2.30	86	0.12	0.10	0.12	0.13
20	2.93	1.88	0.17	0.17	53	2.33	1.13	0.01	0.01	87	0.10	0.06	0.10	0.07

17 David Ricardo developed the classical theory of comparative advantage in 1817 to explain why countries engage in international trade even when one country's workers are more efficient at producing every single good than workers in other countries.

18 Lower relative marginal cost prior to the trade

HS-02	Pakistan		Australia		HS-02	Pakistan		Australia		HS-02	Pakistan		Australia	
	2017	2018	2017	2018		2017	2018	2017	2018		2017	2018	2017	2018
21	1.40	0.86	1.71	1.29	54	1.79	1.36	0.04	0.03	88	0.09	0.15	0.35	0.38
22	11.39	8.41	1.57	1.54	55	24.47	19.15	0.02	0.02	89	0.74	0.28	0.13	0.30
23	1.87	2.46	0.52	0.51	56	20.57	7.58	0.12	0.11	90	2.44	1.52	0.41	0.39
24	2.42	1.16	0.09	0.08	57	16.19	9.97	0.18	0.15	91	0.46	0.05	0.16	0.16
25	31.90	21.88	2.22	2.54	58	5.52	4.22	0.02	0.02	92	1.86	1.34	0.12	0.10
26	1.93	0.89	22.78	21.01	59	0.66	0.56	0.07	0.07	93	1.55	0.69	0.22	0.29
27	0.45	0.46	2.59	2.67	60	2.66	1.67	0.01	0.01	94	1.39	0.90	0.07	0.07
28	0.75	0.50	4.25	4.74	61	38.63	27.34	0.02	0.02	95	6.29	4.17	0.20	0.20
29	0.07	0.04	0.05	0.12	62	37.52	24.85	0.04	0.04	96	2.35	0.85	0.09	0.11
30	1.36	0.77	0.37	0.39	63	215.06	139.77	0.14	0.13	97	13.29	0.02	0.21	0.20
31	3.63	0.28	0.32	0.32	64	2.46	1.77	0.05	0.05	99	0.01	0.00	1.23	0.89
32	1.64	1.27	0.72	0.69	65	0.52	0.47	0.09	0.07					
33	0.66	0.30	0.44	0.42	66	0.32	0.22	0.03	0.03					

Source: Own calculations based on the data from ITC Trade Map

Notes: Green area (greater than 1) reveals the goods that possess comparative advantage for Pakistan. Red area (greater than 1) reveals the goods that possess comparative advantage for Australia.

Key Findings

- In 2018, Pakistan had a comparative advantage in 42 out of 99 commodity groups.
- Ten of the 42 product groups, in which Pakistan has a comparative advantage, belong to the textile sector.
- There are 12 overlapping groups in which both countries possess competitiveness in the world market.
- Australia is competitive in the export of live animals, vegetable products, foodstuff, mineral products and base metals.

Trade Specification Index (TSI)

Trade Specification Index (TSI) is used to determine how a specific product is competitive in international trade. It is defined as:

$$TSI_{ij} = \frac{Export_{ij} - Import_{ij}}{Export_{ij} + Import_{ij}}$$

Where the ' $Export_{ij}$ ' represents the value of country 'j's' export of product 'i' to the world and ' $Import_{ij}$ ' constitutes the value of country 'j's' import of product 'i' from the world. TSI ranges from negative to positive value. A negative value of TSI for the relevant product indicates that the country has no competitiveness for the specific item to export to the world. As a result, the domestic demand relies on its imports due to no production. Here imports are higher than exports. As the value rises to the point where the domestic production completely fulfills the domestic demand, the TSI equals zero. This indicates that the country's exports are equal to its imports. As the country's competitiveness for the product increases to the point where its domestic production is greater than the domestic demand, the export of the product increases. As a result, the TSI shows a positive value.

Table 3-2 Trade Specification Index, Pakistan & Australia

HS-02	Pakistan		Australia		HS-02	Pakistan		Australia		HS-02	Pakistan		Australia	
	2017	2018	2017	2018		2017	2018	2017	2018		2017	2018	2017	2018
01	-0.62	-0.47	0.83	0.83	34	-0.81	-0.81	-0.56	-0.52	67	-0.91	-0.84	-0.95	-0.95
02	0.88	0.91	0.89	0.91	35	-0.83	-0.77	-0.19	-0.20	68	-0.57	-0.52	-0.86	-0.85
03	0.90	0.95	0.12	0.12	36	0.47	0.34	-0.66	-0.74	69	-0.93	-0.91	-0.87	-0.89
04	-0.53	-0.52	0.30	0.29	37	-0.99	-0.99	-0.74	-0.74	70	-0.87	-0.82	-0.84	-0.85
05	0.70	0.84	0.48	0.53	38	-0.94	-0.95	-0.67	-0.66	71	-0.31	-0.43	0.40	0.42
06	-0.47	-0.10	-0.72	-0.74	39	-0.79	-0.78	-0.73	-0.76	72	-0.97	-0.98	-0.10	-0.11
07	-0.70	-0.45	0.81	0.61	40	-0.92	-0.89	-0.85	-0.86	73	-0.75	-0.80	-0.75	-0.77
08	0.00	0.33	0.27	0.34	41	0.71	0.68	0.86	0.87	74	-0.25	-0.05	0.53	0.54
09	-0.77	-0.75	-0.86	-0.85	42	0.88	0.91	-0.88	-0.89	75	-1.00	-0.99	0.04	0.83
10	0.90	0.89	0.95	0.93	43	-0.86	-0.87	-0.61	-0.49	76	-0.88	-0.86	0.29	0.32
11	0.70	0.76	0.69	0.69	44	-0.69	-0.71	-0.01	-0.04	77	0.00	0.00	0.00	0.00
12	-0.89	-0.85	0.74	0.68	45	-1.00	-1.00	-0.92	-0.95	78	-1.00	-1.00	0.98	0.97
13	0.33	0.34	-0.79	-0.79	46	0.26	0.39	-0.97	-0.97	79	-0.89	-0.87	0.91	0.90
14	-0.74	-0.69	-0.96	-0.93	47	-0.99	-0.99	0.13	-0.07	80	-0.79	-0.99	-0.34	-0.07
15	-0.96	-0.96	0.04	0.00	48	-0.71	-0.75	-0.44	-0.43	81	-0.99	-0.97	0.35	0.35
16	-0.18	-0.08	-0.71	-0.69	49	-0.85	-0.92	-0.56	-0.57	82	-0.07	-0.08	-0.73	-0.73
17	0.84	0.85	-0.14	-0.23	50	-0.95	-0.93	-0.68	-0.68	83	-0.97	-0.95	-0.82	-0.81
18	-0.99	-0.97	-0.59	-0.55	51	-0.64	-0.39	0.97	0.97	84	-0.94	-0.93	-0.72	-0.74
19	-0.46	-0.46	-0.15	-0.09	52	0.56	0.48	0.93	0.93	85	-0.97	-0.96	-0.76	-0.78
20	-0.08	0.09	-0.74	-0.72	53	-0.90	-0.92	-0.92	-0.96	86	-0.99	-0.98	-0.83	-0.89
21	-0.48	-0.52	-0.02	-0.18	54	-0.94	-0.92	-0.83	-0.82	87	-0.97	-0.97	-0.88	-0.91
22	0.94	0.96	0.14	0.15	55	-0.49	-0.38	-0.79	-0.85	88	-0.89	-0.63	-0.18	0.04
23	-0.75	-0.11	-0.20	-0.21	56	0.05	-0.23	-0.71	-0.71	89	-0.91	-0.96	-0.93	0.00
24	0.41	0.19	-0.87	-0.89	57	0.49	0.52	-0.84	-0.86	90	-0.34	-0.38	-0.43	-0.45
25	0.46	0.54	0.53	0.57	58	-0.38	-0.44	-0.85	-0.87	91	-0.53	-0.85	-0.66	-0.66
26	0.92	0.93	0.97	0.97	59	-0.93	-0.91	-0.79	-0.78	92	0.53	0.26	-0.87	-0.89
27	-0.96	-0.94	0.49	0.49	60	-0.78	-0.75	-0.86	-0.86	93	0.11	-0.25	-0.80	-0.73
28	-0.90	-0.90	0.57	0.79	61	0.95	0.96	-0.95	-0.95	94	-0.47	-0.34	-0.90	-0.91
29	-0.99	-0.99	-0.82	-0.56	62	0.98	0.96	-0.94	-0.94	95	0.37	0.50	-0.78	-0.78
30	-0.58	-0.63	-0.51	-0.47	63	0.85	0.84	-0.85	-0.85	96	-0.77	-0.84	-0.84	-0.80
31	-0.87	-0.99	-0.71	-0.71	64	-0.06	0.11	-0.90	-0.90	97	0.98	-0.42	-0.34	-0.28
32	-0.86	-0.83	-0.02	-0.03	65	-0.61	-0.55	-0.90	-0.92	98	0.00	0.00	0.00	0.00
33	-0.79	-0.83	-0.41	-0.43	66	-0.74	-0.68	-0.94	-0.94	99	-0.94	-0.98	-0.33	0.02

Source: Own calculations based on the data from ITC Trade Map

Key Findings

- Product groups in which Pakistan has competitiveness are highlighted in 'green'. These HS-02 commodity groups are 02, 03, 05, 08, 10, 11, 13, 17, 22, 25, 26, 36, 42, 46, 52, 57, 61, 62, 63, 92 and 95.
- Product groups in which Australia has competitiveness are highlighted in 'red'. These HS-02 commodity groups are 01, 02, 03, 05, 07, 08, 10, 11, 12, 15, 22, 25, 26, 27, 28, 51, 52, 71, 74, 75, 76, 77, 78, 79, 81 and 88.
- Export competitiveness of both the countries overlaps in the export of product groups, namely 02, 03, 05, 08, 10, 11, 22, 25, 26 and 52.
- Apart from these products, the results of the TSI indicates that an FTA between Pakistan and Australia could increase the trade volume without losing each country's domestic market share.

Pakistan and Australia Bilateral Trade – By Product

Pakistan's Top 10 Exports to Australia at HS-02 Level, 2018

The following table shows the top ten product groups exported by Pakistan to Australia at the HS-02 Level and their export patterns since 2014. Additionally, the share of each product category in total exports along with their Compound Annual Growth Rate (CAGR) for the period 2009–18 is also given. The table also represents the percentage share of each export category in the overall exports of Pakistan to Australia. The table also displays the percentage share of each export category in the overall world exports.

Table 3-3 Pakistan's Top 10 Exports to Australia at HS-02 Level

Product Code	Product Label	2014 (US\$, Mn)	2015 (US\$, Mn)	2016 (US\$, Mn)	2017 (US\$, Mn)	2018 (US\$, Mn)	Share in Total Exports to Australia 2018 (%)	Share in Total World Exports (%)	CAGR 2009–18 (%)
TOTAL	All products	167.22	175.67	247.46	237.31	246.37	100.00	1.04	-3.45
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	59.02	63.57	68.05	57.84	66.95	27.17	1.65	14.39
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	0.00	13.50	66.03	50.23	45.55	18.49	9.12	-6.36
61	Articles of apparel and clothing accessories, knitted or crocheted	14.13	13.22	16.22	19.24	24.68	10.02	0.86	4.22
62	Articles of apparel and clothing accessories, not knitted or crocheted	10.62	10.89	15.31	20.06	18.58	7.54	0.72	-13.55
10	Cereals	22.91	17.26	15.51	14.95	17.40	7.06	0.75	1.84
73	Articles of iron or steel	1.56	2.13	7.14	10.58	12.21	4.95	13.93	-1.05
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles ...	11.30	10.86	12.29	12.78	11.02	4.47	1.67	-5.06
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	7.49	7.04	7.34	7.53	7.98	3.24	1.97	3.15
52	Cotton	8.69	9.04	6.98	6.72	5.48	2.23	0.16	8.72
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; ...	2.63	3.29	5.05	6.32	5.48	2.22	5.36	2.51

Source: ITC Trade Map

Key Findings

- In the calendar year 2018, Pakistan exported \$246.37 million worth of products to Australia at the HS-02-digit level.
- The top 10 products exported by Pakistan are classified under the categories of textiles, mineral fuels, cereals, articles of iron and steel, articles of leather, surgical instruments, cotton and furniture.
- Top 10 exports accounted for 87.3 percent of total exports, indicating that exports to Australia are highly concentrated.
- In Pakistan – Australia bilateral trade, 'Other made-up textile articles' (HS-63) is the leading category followed by 'Mineral fuels' (HS-27), 'Knitted Apparel' (HS-61) and 'Woven Apparel' (HS-62). The 'Other made-up textile articles' (HS-63) group, made up 27.2 percent of the total exports to Australia and were worth \$66.95 million. The same item is also the leading export of Pakistan to the world, accounting for a 17.1 percent share in total exports of Pakistan, and showing a positive CAGR of 14.4 percent. The 'Other made-up textile articles' (HS-63) group ranked 28th in Australia's total imports and Pakistan occupied the 3rd position as an 'Other made-up textile articles' (HS-63) exporter to Australia. China and India are the top two exporters of 'Other made-up textile articles' (HS-63) to Australia.
- In fifth place was the cereals group, contributing 7.1 percent of the total Pakistani exports to Australia. 'Cereals' (HS-10) comprise of rice, wheat, barley, buckwheat and rye. Pakistan is the 3rd largest exporter of 'Cereals' (HS-10) to Australia. However, Pakistan is at number 13 in the world ranking for export of 'Cereals' (HS-10).
- The sector with the second-highest growth over the past ten years in Pakistan's exports to Australia has been 'Cotton' (HS-52) with a CAGR of 8.7 percent.
- Pakistan is the 4th largest exporter of 'Cotton' (HS-52) contributing 5.8 percent to world exports of 'Cotton' (HS-52) in 2018. Also, for the same product category, Pakistan is the 3rd largest import sourcing market for Australia. Pakistan's exports of 'Cotton' (HS-52) to Australia have been declining since 2015.

Pakistan's Top 25 Exports to Australia at HS-06 Level, 2018

The following table shows the top exported items by Pakistan to Australia at the HS-06 Level and their export patterns since 2014. Additionally, the share of each product category in total exports to the world along with their Compound Annual Growth Rate (CAGR) for the period 2009–18 is also given. The table also represents the percentage share of each export category in the overall exports of Pakistan to Australia.

Table 3-4 Pakistan's Top 25 Exports to Australia at HS-06 Level

Product code	Product label	2014 (US\$, Mn)	2015 (US\$, Mn)	2016 (US\$, Mn)	2017 (US\$, Mn)	2018 (US\$, Mn)	Share in Total Exports to Australia 2018 (%)	Share in Total World Exports 2018 (%)	CAGR 2009–18 (%)
TOTAL	All products	167.22	175.67	247.46	237.31	246.37	100.00	1.04	8.49
270900	Petroleum oils and oils obtained from bituminous minerals, crude	0.00	13.50	66.03	50.23	45.55	18.49	17.38	–
630239	Bedlinen of textile materials (excluding of cotton and man-made fibres, printed, knitted or ...	20.99	21.61	28.75	22.30	31.41	12.75	4.50	13.12
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	22.61	17.08	14.77	13.42	16.98	6.89	0.97	0.50
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	12.21	15.01	17.18	13.40	14.83	6.02	1.72	3.22

Product code	Product label	2014 (US\$, Mn)	2015 (US\$, Mn)	2016 (US\$, Mn)	2017 (US\$, Mn)	2018 (US\$, Mn)	Share in Total Exports to Australia 2018 (%)	Share in Total World Exports 2018 (%)	CAGR 2009–18 (%)
730690	Tubes, pipes and hollow profiles "e.g., open seam, riveted or similarly closed", of iron or ...	1.45	2.01	6.97	10.46	12.09	4.91	29.16	–
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	7.09	6.79	7.25	7.52	7.90	3.21	2.12	5.28
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...	11.86	12.52	10.30	8.44	7.65	3.11	0.97	-1.56
630210	Bedlinen, knitted or crocheted	6.41	6.78	4.67	7.43	7.17	2.91	1.04	-1.93
620322	Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	0.28	1.04	1.65	7.10	7.12	2.89	0.47	59.93
940490	Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled ...	2.49	3.10	4.90	5.46	5.14	2.09	5.79	29.69
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	0.69	1.00	1.87	3.04	4.66	1.89	1.92	43.65
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	3.52	3.09	3.13	4.26	3.36	1.36	1.53	6.63
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	0.19	0.21	0.20	0.94	3.31	1.34	2.10	72.87
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear ...	3.61	3.65	3.31	3.74	2.80	1.14	1.08	1.22
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	3.56	4.27	3.05	3.46	2.38	0.97	0.68	-10.00
420321	Specially designed gloves for use in sport, of leather or composition leather	2.86	2.39	4.08	2.62	2.33	0.95	1.92	3.89
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted ...	2.96	1.98	1.96	2.94	2.32	0.94	2.40	15.72

Product code	Product label	2014 (US\$, Mn)	2015 (US\$, Mn)	2016 (US\$, Mn)	2017 (US\$, Mn)	2018 (US\$, Mn)	Share in Total Exports to Australia 2018 (%)	Share in Total World Exports 2018 (%)	CAGR 2009–18 (%)
250100	Salts, incl. table salt and denatured salt, and pure sodium chloride, whether or not in aqueous ...	0.55	0.89	1.06	1.68	2.32	0.94	4.49	47.30
091091	Mixtures of different types of spices	1.26	1.51	1.95	2.73	2.27	0.92	3.42	22.46
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated or ...	0.02	0.01	0.89	1.93	2.18	0.88	3.19	–
620339	Men's or boys' jackets and blazers of textile materials (excluding of wool, fine animal hair, ...)	0.96	1.02	1.13	1.54	2.15	0.87	2.91	8.05
620349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials (excluding ...)	1.12	0.54	1.95	3.67	2.06	0.84	1.76	33.13
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted ...	0.71	0.67	1.12	1.65	1.94	0.79	0.72	50.49
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	2.14	1.65	1.90	2.26	1.93	0.78	0.44	3.38
950699	Articles and equipment for sport and outdoor games n.e.s; swimming and paddling pools	2.83	2.39	2.05	1.77	1.91	0.78	6.31	1.37

Source: ITC Trade Map

Key Findings

- Top 25 exports to Australia at HS-06 accounted for 78.6 percent of total exports of Pakistan to Australia.
- Thirteen out of the top 25 items belong to the textile group. These items contributed 36.1 percent of the total exports to Australia.
- Among the top 25 items, '*Petroleum oils and oils obtained from bituminous minerals, crude*' (HS-270900), made up 18.5 percent of total exports and was worth \$45.55 million making it the top export product at HS-06. Exports of '*Petroleum oils and oils obtained from bituminous minerals, crude*' (HS-270900) resumed after ten years in 2014 when the government allowed oil producers to ship excess quantities.¹⁹ Australia is the 2nd largest export destination of Pakistan for export of '*Petroleum oils and oils obtained from bituminous minerals, crude*' (HS-270900) after the U.S.
- Among the top 25 items, '*T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)*' (HS-610990) showed the highest growth of 72.9 percent.
- In the '*Bedlinen of textile materials*' (HS-630239) category Australia is the 6th largest export destination for Pakistan., whereas, Pakistan is the 3rd largest import sourcing market for Australia behind China and India.

¹⁹ State Bank of Pakistan Annual Report, 2014–15

Share in Australia's Imports for Pakistan's Top 25 Global Exports at HS-06 Level

The following table shows Pakistan's top 25 global exports at the HS-06 level and compares Australia's import patterns for each of these products.

The table is divided into two sections. The first segment contains Pakistan's top exports to the world at the HS-06-digit level along with the top 3 export destinations of Pakistan. The second part of the table shows Australia's imports of these products from the world. Moreover, the table also displays Australia's share in Pakistan's exports along with Australia's top 3 import sourcing markets and the tariff rate applied by Australia on these top 3 import sourcing markets.

Table 3-5 Australia's Imports of Pakistan's Top 25 Exported Products

Pakistan				Australia				
Product Code	Product Label	Pakistan Exports to the World 2018 (US\$, Mn)	Top 3 Export Destinations, Share in Pakistan's Exports (%)	Australia Imports from the World 2018 (US\$, Mn)	Imports from Pakistan 2018 (US\$, Mn)	Share in Pakistan's Exports 2018 (%)	Top 3 Import Sourcing Markets, Share in Australia's Imports (%)	Tariffs applied by Australia on these countries (%)
TOTAL	All products	23,630.89	U.S.A., 16.09 China, 7.69 U.K., 7.31	27,284.14	246.37	1.04	China, 24.12 U.S.A., 10.24 Japan, 7.38	
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	1,757.85	Kenya, 10.30 China, 6.80 U.A.E., 6.70	163.14	16.98	0.97	Thailand, 36.50 India, 32.92 Pakistan, 10.42	Thailand, 0.00 India, 0.00 Pakistan, 0.00
620322	Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	1,530.21	U.S.A., 24.80 Spain, 14.60 Germany, 11.30	0.34	7.12	0.47	Pakistan, 48.10 China, 22.15 U.S.A., 8.16	Pakistan, 5.00 China, 0.00 U.S.A., 0.00
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	860.93	U.S.A., 14.40 Germany, 13.70 U.K., 11.50	173.95	14.83	1.72	China, 73.60 India, 8.85 Pakistan, 8.11	China, 0.00 India, 5.00 Pakistan, 5.00
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...)	786.30	U.S.A., 42.9 U.K., 9.60 Netherlands, 6.0	121.96	7.65	0.97	China, 48.48 India, 28.71 Bangladesh, 10.78	China, 0.00 India, 5.00 Bangladesh, 0.00
520512	Single cotton yarn, of uncombed fibres, containing >= 85 cotton by weight and with a linear ...	777.59	China, 75.40 Bangladesh, 6.80 Japan, 3.20	0.28	0.04	0.01	Malaysia, 85.55 Pakistan, 10.46 Viet Nam, 2.16	Malaysia, 0.00 Pakistan, 5.00 Viet Nam, 0.00
630239	Bedlinen of textile materials (excluding of cotton and man-made fibres, printed, knitted or ...)	697.69	U.K., 31.50 U.S.A., 18.10 Spain, 6.90	23.65	31.41	4.50	China, 92.66 India, 2.15 Pakistan, 1.77	China, 0.00 India, 5.00 Pakistan, 5.00

Pakistan				Australia				
Product Code	Product Label	Pakistan Exports to the World 2018 (US\$, Mn)	Top 3 Export Destinations, Share in Pakistan's Exports (%)	Australia Imports from the World 2018 (US\$, Mn)	Imports from Pakistan 2018 (US\$, Mn)	Share in Pakistan's Exports 2018 (%)	Top 3 Import Sourcing Markets, Share in Australia's Imports (%)	Tariffs applied by Australia on these countries (%)
630210	Bedlinen, knitted or crocheted	691.65	U.S.A., 31.20 Germany, 13.20 U.K., 12.40	4.03	7.17	1.04	China, 56.55 Pakistan, 22.51 India, 6.81	China, 0.00 Pakistan, 5.00 India, 5.00
520942	Denim, containing >= 85 cotton by weight and weighing > 200 g/m ² , made of yarn of different ...	498.09	Bangladesh, 48.50 Turkey, 19.60 Egypt, 7.30	0.76	0.00	0.00	Turkey, 73.58 China, 13.00 Japan, 6.04	Turkey, 5.00 China, 0.00 Japan, 0.00
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	438.96	U.S.A., 78.60 U.K., 6.00 Netherlands, 2.10	65.75	1.93	0.44	China, 72.21 Netherlands, 5.34 U.S.A., 4.80	China, 0.00 Netherlands, 5.00 U.S.A., 0.00
220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80	425.50	China, 30.10 Korea, Republic of, 24.60 Netherlands, 8.70	5.58	0.09	0.02	U.S.A., 79.35 New Zealand, 6.30 South Africa, 3.40	U.S.A., 0.00 New Zealand, 0.00 South Africa, 5.00
170199	Cane or beet sugar and chemically pure sucrose, in solid form (excluding cane and beet sugar ...	383.69	Afghanistan, 48.80 Taipei, Chinese, 9.40 Djibouti, 7.60	8.45	0.00	0.00	Thailand, 55.07 Malaysia, 11.80 China, 11.61	Thailand, 0.00 Malaysia, 0.00 China, 0.00
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	373.18	U.S.A., 26.80 Germany, 13.70 U.K., 9.30	1,432.46	7.90	2.12	U.S.A., 43.17 Mexico, 10.73 Germany, 6.74	U.S.A., 0.00 Mexico, 0.00 Germany, 0.00
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	348.99	Spain, 16.60 U.S.A., 15.40 U.K., 9.70	367.20	2.38	0.68	China, 55.11 Bangladesh, 27.48 Viet Nam, 2.67	China, 0.00 Bangladesh, 0.00 Viet Nam, 5.00
610590	Men's or boys' shirts of textile materials, knitted or crocheted (excluding of cotton or man-made ...	331.63	U.S.A., 41.80 U.K., 21.90 Spain, 6.30	4.66	0.98	0.30	China, 87.47 Italy, 2.08 Fiji, 1.22	China, 0.00 Italy, 5.00 Fiji, 0.00
100119	Durum wheat (excluding seed for sowing)	272.59	Bangladesh, 27.10 Indonesia, 24.30 Sri Lanka, 20.40	0.00	0.00	0.00	Italy, 50.00 Canada, 25.00 Egypt, 25.00	Italy, 0.00 Canada, 0.00 Egypt, 0.00

Pakistan				Australia				
Product Code	Product Label	Pakistan Exports to the World 2018 (US\$, Mn)	Top 3 Export Destinations, Share in Pakistan's Exports (%)	Australia Imports from the World 2018 (US\$, Mn)	Imports from Pakistan 2018 (US\$, Mn)	Share in Pakistan's Exports 2018 (%)	Top 3 Import Sourcing Markets, Share in Australia's Imports (%)	Tariffs applied by Australia on these countries (%)
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted ...	268.43	U.S.A., 39.70 U.K., 22.00 Spain, 9.60	10.99	1.94	0.72	China, 67.19 Italy, 10.98 Bangladesh, 3.40	China, 0.00 Italy, 5.00 Bangladesh, 0.00
270900	Petroleum oils and oils obtained from bituminous minerals, crude	262.07	U.A.E., 52.30 Australia, 17.40 Papua New Guinea, 11.40	10,212.89	45.55	17.38	Malaysia, 34.18 U.A.E., 14.59 Indonesia, 7.84	Malaysia, 0.00 U.A.E., 0.00 Indonesia, 0.00
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear ...	258.65	Germany, 28.50 U.S.A., 12.60 France, 9.00	31.00	2.80	1.08	India, 23.98 China, 23.53 Italy, 17.12	India, 5.00 China, 0.00 Italy, 5.00
520812	Plain woven fabrics of cotton, containing >= 85 cotton by weight and weighing > 100 g to 200 ...	252.98	Italy, 13.00 China, 12.70 Portugal, 11.90	0.93	0.03	0.01	India, 40.94 China, 36.74 Pakistan, 13.25	India, 5.00 China, 0.00 Pakistan, 5.00
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	242.70	U.S.A., 35.60 U.K., 15.80 Germany, 11.50	491.40	4.66	1.92	China, 41.88 Bangladesh, 31.60 India, 6.77	China, 0.00 Bangladesh, 0.00 India, 5.00
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	235.93	Afghanistan, 69.80 Singapore, 19.60 Korea, Republic of, 4.00	15,678.27	0.00	0.00	Singapore, 33.63 Korea, Republic of, 23.01 Japan, 14.06	Singapore, 0.00 Korea, Republic of, 0.00 Japan, 0.00
610349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials, ...	230.69	U.S.A., 25.80 U.K., 21.10 Spain, 14.80	1.24	0.90	0.39	China, 44.87 Italy, 14.44 Indonesia, 10.25	China, 0.00 Italy, 5.00 Indonesia, 5.00
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	219.33	U.S.A., 19.80 Germany, 12.10 Canada, 9.60	28.58	3.36	1.53	China, 46.07 India, 27.42 Pakistan, 11.43	China, 0.00 India, 3.00 Pakistan, 3.00

Pakistan				Australia				
Product Code	Product Label	Pakistan Exports to the World 2018 (US\$, Mn)	Top 3 Export Destinations, Share in Pakistan's Exports (%)	Australia Imports from the World 2018 (US\$, Mn)	Imports from Pakistan 2018 (US\$, Mn)	Share in Pakistan's Exports 2018 (%)	Top 3 Import Sourcing Markets, Share in Australia's Imports (%)	Tariffs applied by Australia on these countries (%)
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	214.77	U.S.A., 28.80 Netherlands, 17.80 Belgium, 16.60	97.66	1.11	0.52	China, 78.78 Viet Nam, 8.96 Turkey, 2.32	China, 0.00 Viet Nam, 0.00 Turkey, 5.00
252329	Portland cement (excluding white, whether or not artificially coloured)	199.25	Afghanistan, 34.60 India, 31.20 Sri Lanka, 13.50	48.21	0.00	0.00	Taipei, Chinese, 31.41 China, 25.86 Japan, 20.00	Taipei, Chinese, 0.00 China, 0.00 Japan, 0.00

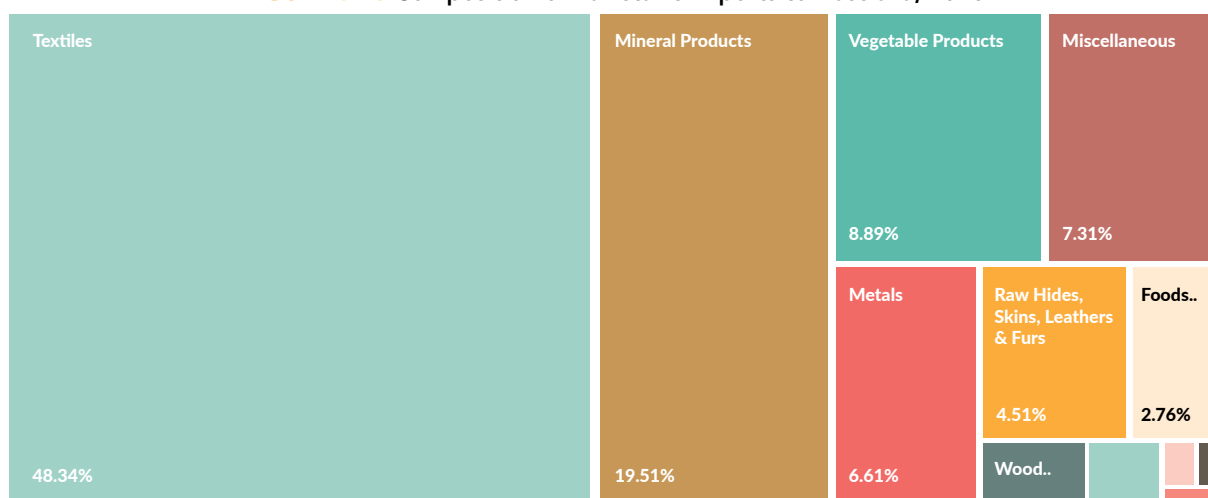
Source: ITC Trade Map

Key Findings

- Overall, Australia has a 1.0 percent share in Pakistan's exports.
- Pakistan is one of the top three import sourcing markets for Australia for 7 of the top 25 products listed above.
- Fifteen out of the top 25 items belong to the textile group. These items contribute 36.1 percent of the total exports to Australia.
- Pakistan is meeting 6.2 percent of the total Australian demand in textile products listed above.
- Pakistan's competitors in exports of these textile products are China, India, the U.S., Bangladesh and countries belonging to ASEAN.
- Pakistan is not listed as the top exporter for the exports of (HS-630260), (HS-620342), (HS-610590), (HS-611090), (HS-610910), (HS-610349) and (HS-611595) to Australia, however, the country still has a significant share in Australian imports from the world for these products.
- Australia stands at number 2 in the top 3 export destinations of Pakistan for the export of 'Petroleum oils and oils obtained from bituminous minerals, crude' (HS-270900).

Composition of Pakistan's Exports to Australia, 2018

The following figure shows the sector-wise composition of Pakistan's exports to Australia in 2018. The most significant component of exports is textiles; these constitute 48.3 percent of total exports to Australia. This is followed by mineral products that present 19.5 percent. Other major product groups exported by Pakistan to Australia are vegetable products constituting 8.9 percent, miscellaneous products 7.3 percent, metal 6.2 percent, raw hides and skins 4.5 percent and food products 2.3 percent.

FIGURE 3-10 Composition of Pakistan's Exports to Australia, 2018


Source: ITC Trade Map

Pakistan's Top 10 Imports from Australia at HS-02 Level

The following table shows the top ten product groups imported by Pakistan from Australia at the HS-02 Level and their import patterns since 2014. Additionally, the share of each product category in total imports along with their Compound Annual Growth Rate (CAGR) for the period 2009–18 is also given. The table also represents the percentage share of each import category in the overall imports of Pakistan from Australia along with the percentage share of each import category in the total world imports.

Table 3-6 Pakistan's Top 10 Imports from Australia at HS-02 Level

Product Code	Product Label	2014 (US\$, Mn)	2015 (US\$, Mn)	2016 (US\$, Mn)	2017 (US\$, Mn)	2018 (US\$, Mn)	Share in Total Imports from Australia 2018 (%)	Share in Total World Imports 2018 (%)	CAGR 2009–18 (%)
TOTAL	All products	336.50	537.59	418.84	633.27	389.65	100.00	0.65	1.64
07	Edible vegetables and certain roots and tubers	52.66	93.44	134.50	362.29	120.60	30.95	18.51	9.64
31	Fertilisers	19.67	94.16	135.06	91.52	84.06	21.57	8.47	17.52
72	Iron and steel	27.63	68.80	46.63	47.33	37.67	9.67	1.03	3.51
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	38.44	74.75	0.14	4.73	32.93	8.45	0.19	-1.70
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	15.41	13.13	12.82	14.59	17.65	4.53	2.83	1.52
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	5.92	12.17	10.71	10.66	12.08	3.10	0.19	8.24
78	Lead and articles thereof	5.72	11.33	13.78	9.75	11.52	2.96	15.59	8.09
79	Zinc and articles thereof	1.99	3.98	3.85	6.85	9.81	2.52	13.77	19.40
01	Live animals	3.64	5.80	4.76	9.42	7.91	2.03	29.40	8.99

Product Code	Product Label	2014 (US\$, Mn)	2015 (US\$, Mn)	2016 (US\$, Mn)	2017 (US\$, Mn)	2018 (US\$, Mn)	Share in Total Imports from Australia 2018 (%)	Share in Total World Imports 2018 (%)	CAGR 2009–18 (%)
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	2.65	2.27	4.06	3.12	7.33	1.88	0.17	11.96

Source: ITC Trade Map

Key Findings

- In the calendar year 2018, Pakistan imported \$389.65 million worth of products from Australia at the HS-02-digit level.
- The most notable reduction in Pakistan's imports from Australia was recorded in 2018, a decrease of 38.5 percent over the previous year.
- The most significant decline of 66.7 percent was recorded in imports of 'Edible vegetables and certain roots and tubers' (HS-07).
- Top 10 imports accounted for 87.7 percent of total imports, indicating that imports from Australia are highly concentrated.
- Pakistan's total imports have shown a negative CAGR of 1.2 percent over the last ten years.
- The 'Edible vegetables and certain roots and tubers' (HS-07) is the leading category followed by 'Fertilisers' (HS-31), 'Iron and Steel' (HS-72) and 'Mineral Fuels' (HS-27). Australia is the top import sourcing market for Pakistan for the supply of 'Edible vegetables and certain roots and tubers' (HS-07).
- The only item under 'Edible vegetables and certain roots and tubers' (HS-07) imported by Pakistan from Australia is 'Dried Leguminous Vegetables' (HS-0713) valued at \$120.60 million in 2018.

Pakistan's Top 25 Imports from Australia at HS-06 Level

The following table shows the top imported items by Pakistan from Australia at the HS-06 Level and their import patterns since 2014. Additionally, the share of each product category in total imports from the world along with their Compound Annual Growth Rate (CAGR) for the period 2009–18 is also given. The table also represents the percentage share of each import category in the overall imports of Pakistan from Australia.

Table 3-7 Pakistan's Top 25 Imports from Australia at HS-06 Level

Product code	Product label	2014 (US\$, Mn)	2015 (US\$, Mn)	2016 (US\$, Mn)	2017 (US\$, Mn)	2018 (US\$, Mn)	Share in Total Imports from Australia 2018 (%)	Share in Total World Imports 2018 (%)	CAGR 2009–18 (%)
TOTAL	All products	336.50	537.59	418.84	633.27	389.65	100.00	0.65	-3.45
071320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	8.73	6.74	30.34	279.95	114.13	29.29	34.12	16.28
310530	Diammonium hydrogenorthophosphate "diammonium phosphate" (excluding that in tablets or similar ...)	19.64	94.15	135.05	91.52	84.05	21.57	9.98	-5.76
271111	Natural gas, liquefied	0.00	52.29	0.00	0.00	32.81	8.42	1.00	–

Product code	Product label	2014 (US\$, Mn)	2015 (US\$, Mn)	2016 (US\$, Mn)	2017 (US\$, Mn)	2018 (US\$, Mn)	Share in Total Imports from Australia 2018 (%)	Share in Total World Imports 2018 (%)	CAGR 2009–18 (%)
480421	Unbleached sack kraft paper, uncoated, in rolls of a width > 36 cm (excluding goods of heading ...	8.79	7.24	9.01	9.06	14.68	3.77	18.01	3.42
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of ...	3.83	12.41	14.29	12.78	14.11	3.62	1.49	31.43
720441	Turnings, shavings, chips, millings waste, sawdust, filings, trimmings and stampings of iron ...	10.58	45.98	27.53	23.83	11.38	2.92	1.95	3.26
780110	Unwrought lead, refined	5.72	11.33	13.78	9.17	9.81	2.52	16.29	-6.74
010221	Pure-bred cattle for breeding	3.09	5.74	4.76	9.41	7.14	1.83	69.00	–
721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ...	9.81	7.34	2.07	6.17	7.00	1.80	6.54	-1.83
071340	Dried, shelled lentils, whether or not skinned or split	19.69	14.69	6.61	29.42	6.43	1.65	12.78	1.63
320611	Pigments and preparations based on titanium dioxide of a kind used for colouring any material ...	3.79	5.06	6.71	5.99	6.01	1.54	7.26	-1.83
790111	Unwrought zinc, not alloyed, containing by weight >= 99,99 of zinc	0.00	1.86	1.53	2.58	5.43	1.39	13.83	-2.48
847130	Data-processing machines, automatic, portable, weighing <= 10 kg, consisting of at least a ...	1.92	2.69	2.69	3.12	4.65	1.19	1.62	23.72
790120	Unwrought zinc alloys	1.99	2.12	2.33	4.26	4.38	1.12	17.57	24.52
150210	Tallow of bovine animals, sheep or goats (excluding oil and oleostearin)	8.10	11.98	4.85	5.27	3.40	0.87	20.36	–
180620	Chocolate and other food preparations containing cocoa, in blocks, slabs or bars weighing > ...	0.01	0.00	0.00	0.08	3.35	0.86	48.62	26.79
847529	Machines for manufacturing or hot working glass or glassware (excluding machines for making ...	0.00	0.00	0.26	1.73	3.06	0.78	21.38	–
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	3.27	3.83	4.31	2.10	2.84	0.73	0.66	-1.01
740400	Waste and scrap, of copper (excluding ingots or other similar unwrought shapes, of remelted ...	0.08	0.12	0.04	0.38	2.53	0.65	6.70	95.70
760200	Waste and scrap, of aluminium (excluding slags, scale and the like from iron and steel production, ...	0.90	0.89	0.37	0.83	2.51	0.64	2.88	30.35

Product code	Product label	2014 (US\$, Mn)	2015 (US\$, Mn)	2016 (US\$, Mn)	2017 (US\$, Mn)	2018 (US\$, Mn)	Share in Total Imports from Australia 2018 (%)	Share in Total World Imports 2018 (%)	CAGR 2009–18 (%)
380891	Insecticides (excluding goods of subheading 3808.50)	0.91	2.14	1.89	1.73	2.37	0.61	2.71	50.20
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	3.31	4.81	2.06	3.54	2.12	0.54	0.75	6.80
852560	Transmission apparatus for radio-broadcasting or television, incorporating reception apparatus	0.30	0.01	0.26	0.07	2.00	0.51	28.31	73.57
480411	Unbleached kraftliner, uncoated, in rolls of a width > 36 cm	5.00	4.44	2.57	4.40	1.95	0.50	22.41	-2.46
721070	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ...	0.51	0.49	0.76	1.15	1.94	0.50	1.77	6.67

Source: ITC Trade Map

Key Findings

- In 2017, Pakistan's imports from Australia witnessed a surge of 51.2 percent. However, the imports declined by \$243.62 million in 2018.
- The top 25 items accounted for 89.8 percent of total imports from Australia.
- Nine of the top 25 imported items belong to the category of 'Base metal and articles of Base Metal'. These HS-06 products contributed 15.2 percent of the total imports from Australia in 2018.
- Among the top 25 items, 'Dried, shelled chickpeas "garbanzos", whether or not skinned or split' (HS-071320), made up 29.3 percent of the total imports and in 2018 were worth \$114.13 million making it the top HS-06 import from Australia. For the same item, Pakistan is the second-largest export destination for Australia behind Bangladesh. Imports of, 'Dried, shelled chickpeas "garbanzos", whether or not skinned or split' (HS-071320) witnessed a surge of \$249.61 million in 2017. This sharp increase in imports in 2017 was due to a shortfall in domestic production due to climatic reasons.²⁰
- Among the top 25 items, 'Waste and scrap, of copper' (HS-740400) showed the highest growth of 95.7 percent.

Share in Pakistan's Top 25 Global Imports for Australia at HS-06 Level

The following table shows Pakistan's top 25 global imports at the HS-06 level and compares Australia's export patterns for each of these products.

The table is divided into two sections. The first segment contains Pakistan's top imports from the world at the HS-06-digit level along with the top 3 import sourcing markets for Pakistan and the tariff rate applied by Pakistan on these top 3 import sourcing countries. The second part of the table shows Australia's exports of these products to the world. Moreover, the table also displays Australia's share in Pakistan's imports along with Australia's top 3 export destinations.

²⁰ According to the statistics reported by the Ministry of National Food Security and Research

Table 3-8 Australia's Exports of Pakistan's Top 25 Imported Products

Product Code	Product Label	Pakistan			Australia			
		Pakistan Imports from the World in 2018 (US\$, Mn)	Top 3 Import Sourcing Markets, Share in Pakistan's Imports (%)	Tariffs Applied by Pakistan on these countries (%)	Exports to the World in 2018 (US\$, Mn)	Imports by Pakistan in 2018 (US\$, Mn)	Share in Pakistan's Imports (%)	Top 3 Export Destinations, Share in Australia's Exports (%)
TOTAL	All products	60,162.86	China, 24.20 U.A.E., 14.40 Saudi Arabia, 5.40		253,827.86	389.65	0.65	China, 29.20 Japan, 10.30 Korea, Republic of, 5.40
270900	Petroleum oils and oils obtained from bituminous minerals, crude	4,903.91	U.A.E., 59.80 Saudi Arabia, 38.60 Qatar, 1.30	U.A.E., 3.00 Saudi Arabia, 3.00 Qatar, 3.00	5,919.18	0.00	0.00	Thailand, 24.40 Singapore, 19.30 Malaysia, 12.10
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. ...	3,720.92	U.A.E., 69.80 Oman, 15.60 Netherlands, 5.00	U.A.E., 7.30 Oman, 7.30 Netherlands, 7.30	433.25	0.01	0.00	Singapore, 41.40, Japan, 26.30, Hong Kong, China 10.80
271111	Natural gas, liquefied	3,295.89	Qatar, 63.80 Nigeria, 10.40 Bermuda, 2.90	Qatar, 3.00 Nigeria, 3.00 Bermuda, 3.00	31,747.28	32.81	1.00	–
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	3,115.62	U.A.E., 53.30 Kuwait, 34.80 Korea, Republic of, 2.20	U.A.E., 11.90 Kuwait, 11.90 Korea, Republic of, 11.90	1,850.87	0.10	0.00	Ship stores and bunkers, 76.70, Singapore, 15.00, New Zealand, 3.00
151190	Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)	1,828.02	Indonesia, 77.90 Malaysia, 22.10 U.A.E., 0.00	Indonesia, 7.00 Malaysia, 7.00 U.A.E., 8.30	0.74	0.00	0.00	Malaysia, 61.40 New Zealand, 27.60 Colombia, 6.80
270112	Bituminous coal, whether or not pulverised, non-agglomerated	1,224.59	South Africa, 75.60 Indonesia, 11.90 Russian Federation, 4.30	South Africa, 3.00 Indonesia, 3.00 Russian Federation, 3.00	47,035.33	0.00	0.00	Japan, 29.50 China, 21.20 India, 15.90
520100	Cotton, neither carded nor combed	1,048.97	U.S.A., 43.60 India, 32.80 Brazil, 5.40	U.S.A., 3.00 India, 3.00 Brazil, 3.00	1,777.47	1.68	0.16	Area Nes, 46.50 Viet Nam, 18.60 China, 12.30
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of ...	949.25	U.A.E., 22.50 U.S.A., 21.10 U.K., 14.50	U.A.E., 9.40 U.S.A., 9.40 U.K., 9.40	420.33	14.11	1.49	Viet Nam, 39.50 Indonesia, 13.90 India, 8.80
120110	Soya bean seed, for sowing	943.37	U.S.A., 71.30 Brazil, 28.30 Ukraine, 0.30	U.S.A., 3.00 Brazil, 3.00 Ukraine, 3.00	0.11	0.00	0.00	Papua New Guinea, 72.80 Fiji, 27.20
310530	Diammonium hydrogenorthophosphate "diammonium phosphate" (excluding that in tablets or similar ...	842.35	China, 77.10 Morocco, 12.80 Australia, 12.00	China, 3.00 Morocco, 3.00 Australia, 3.00	161.62	84.05	9.98	Pakistan, 28.30 United States of America, 20.70 Thailand, 14.80
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	833.07	China, 62.70 Viet Nam, 13.30 U.A.E., 12.40	China, 7.20 Viet Nam, 9.80 U.A.E., 9.80	436.44	0.01	0.00	New Zealand, 29.40 China, 22.50 United Arab Emirates, 15.40
720441	Turnings, shavings, chips, milling waste, sawdust, filings, trimmings and stampings of iron ...	585.06	U.K., 43.20 U.A.E., 8.10 Europe, 7.50	U.K., 3.00 U.A.E., 3.00 Europe, –	3.68	11.38	1.95	India, 69.40, New Zealand, 19.20 United Kingdom, 7.20
090240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings ...	555.81	Kenya, 79.30 Rwanda, 7.70 India, 4.30	Kenya, 11.00 Rwanda, 11.00 India, 11.00	1.44	0.03	0.01	New Zealand, 51.40 Malaysia, 20.60 United States of America, 5.00

Pakistan					Australia			
Product Code	Product Label	Pakistan Imports from the World in 2018 (US\$, Mn)	Top 3 Import Sourcing Markets, Share in Pakistan's Imports (%)	Tariffs Applied by Pakistan on these countries (%)	Exports to the World in 2018 (US\$, Mn)	Imports by Pakistan in 2018 (US\$, Mn)	Share in Pakistan's Imports (%)	Top 3 Export Destinations, Share in Australia's Exports (%)
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	542.11	Japan, 57.60 Indonesia, 21.20 Thailand, 17.60	Japan, 52.50 Indonesia, 52.50 Thailand, 52.50	1.65	0.01	0.00	Sri Lanka, 40.40 New Zealand, 26.30 Germany, 10.20
390210	Polypropylene, in primary forms	539.14	Saudi Arabia, 54.50 India, 14.10 U.A.E., 9.10	Saudi Arabia, 11.00 India, 5.00 U.A.E., 11.00	48.08	0.80	0.15	Indonesia, 33.80 Viet Nam, 19.00 New Zealand, 13.40
890800	Vessels and other floating structures for breaking up	515.54	U.A.E., 38.90 Korea, Republic of, 16.20 Singapore, 13.70	U.A.E., 3.00 Korea, Republic of, 3.00 Singapore, 3.00	0.30	0.00	0.00	India, 84.50 Maldives, 9.90 New Zealand, 5.60
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	465.93	Japan, 56.60 Taipei, Chinese, 33.10 Ukraine, 2.80	Japan, 15.00 Taipei, Chinese, 15.00 Ukraine, 15.00	121.27	0.00	0.00	United Arab Emirates, 48.20 Thailand, 25.50 Italy, 17.50
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	432.80	Germany, 19.80 Switzerland, 18.70 Italy, 9.90	Germany, 14.30 Switzerland, 14.30 Italy, 14.30	1,396.07	2.84	0.66	China, 49.30 New Zealand, 12.20 United States of America, 4.80
120510	Low erucic acid rape or colza seeds "yielding a fixed oil which has an erucic acid content ...	398.94	Canada, 85.80 Ukraine, 10.60 Romania, 3.60	Canada, 3.00 Ukraine, 3.00 Romania, 3.00	949.24	0.00	0.00	Germany, 39.60 Belgium, 27.40 Japan, 8.10
270119	Coal, whether or not pulverised, non-agglomerated (excluding anthracite and bituminous coal)	394.42	Indonesia, 40.40 South Africa, 27.80 Mozambique, 19.70	Indonesia, 3.00 South Africa, 3.00 Mozambique, 3.00	-	0.00	0.00	United States of America, - China, - Columbia, -
854140	Photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled in ...	389.60	China, 92.00 Malaysia, 1.50 Korea, Republic of, 1.30	China, 0.00 Malaysia, 0.00 Korea, Republic of, 3.00	18.76	0.06	0.01	United States of America, 29.00 New Zealand, 17.10 China, 7.70
290243	P-Xylene	365.52	Saudi Arabia, 46.20 India, 44.50 Kuwait, 9.20	Saudi Arabia, 3.00 India, 3.00 Kuwait, 3.00	-	0.00	0.00	-
390110	Polyethylene with a specific gravity of < 0,94, in primary forms	336.95	Saudi Arabia, 38.80 Qatar, 29.40 U.A.E., 8.40	Saudi Arabia, 11.00 Qatar, 11.00 U.A.E., 11.00	-	0.00	0.00	Italy, - Niger, - Viet Nam, -
071320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	334.45	Australia, 34.10 Russian Federation, 9.50 Iran, Islamic Republic of, 8.80	Australia, 3.00 Russian Federation, 3.00 Iran, Islamic Republic of, 2.10	308.40	114.13	34.12	Bangladesh, 41.70 Pakistan, 35.10 United Arab Emirates, 6.00
290531	Ethylene glycol "ethanediol"	333.80	Kuwait, 54.30 Saudi Arabia, 38.30 U.A.E., 7.00	Kuwait, 3.00 Saudi Arabia, 3.00 U.A.E., 3.00	0.41	0.00	0.00	Singapore, 42.40 Papua New Guinea, 40.70 Malaysia, 4.90

Source: ITC Trade Map

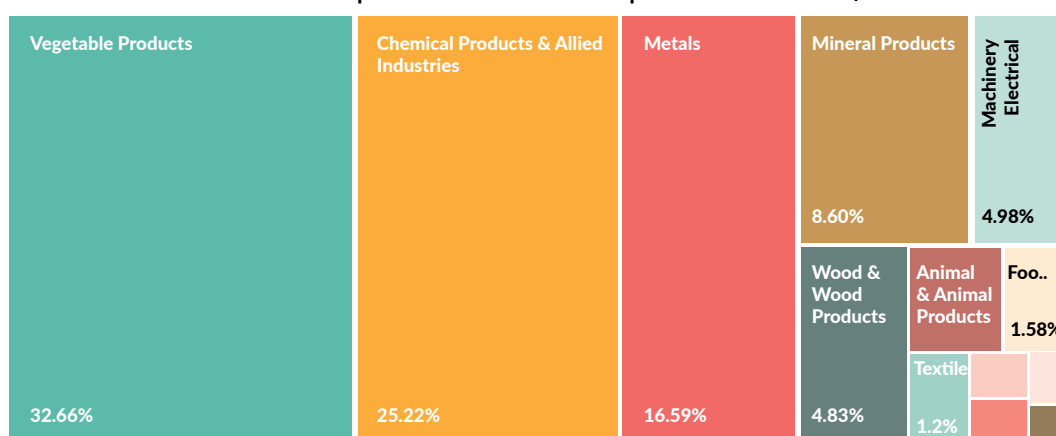
Key Findings

- Overall, Australia has a 0.6 percent share in Pakistan's imports.
- Australia is one of the top three import sourcing markets for Pakistan for two of the top 25 products listed above.
- Pakistan is the top importer of mineral products. Five out of the top 25 items belong to the mineral group. These items contribute 8.4 percent of total imports from Australia.
- Pakistan is the top export destination for Australia for 'Diammonium hydrogenorthophosphate diammonium phosphate' (HS-310530) and the second-largest for the product 'Dried, shelled chickpeas "garbanzos", whether or not skinned or split' (HS-071320) having a significant share of 10.0 and 34.1 percent respectively.

Composition of Pakistan's Imports from Australia, 2018

The following figure demonstrates the sector-wise composition of Australia's imports from Pakistan in 2018. The most significant component of imports is the vegetable sector; this comprises 32.7 percent of total imports from Australia. This is followed by chemical products that contribute 25.2 percent. Other major product groups imported by Pakistan are metals 16.7 percent, mineral products 8.6 percent, sector of machinery and electrical equipment 4.5 percent and wood products 4.8 percent.

FIGURE 3-11 Composition of Pakistan's Imports from Australia, 2018



Source: ITC Trade Map

CHAPTER 4

TRADE AGREEMENTS OF PAKISTAN AND AUSTRALIA

Trade Agreements – Pakistan

The world is increasingly becoming a global village with countries more and more opting for trade agreements which may be either Free or Preferential. Usually, Preferential Trade Agreement (PTA) is a starting point in the process of trade liberalization, while Free Trade Agreements (FTA) aim for the removal of tariffs altogether. Such trade agreements predominantly improve the trade balance of the countries having specialization in products of interest to each other.

The government of Pakistan is a keen pursuer of bilateral trade and investment agreements. Pakistan has signed various free trade agreements with its neighbouring countries and trade partners; Sri Lanka, China, and Malaysia. Pakistan is also a part of the South Asian Association for Regional Cooperation (SAARC) and has preferential trade agreements with Iran, Indonesia, and Mauritius. The United States and Pakistan have had a bilateral tax treaty in force since 1959. Moreover, Pakistan and the United States signed a Trade and Investment Framework Agreement (TIFA) in 2003, which provides a forum for discussion on bilateral trade issues.

Pakistan also has double taxation agreements with; Austria, Canada, Germany, Indonesia, Italy, Lebanon, Mauritius, Poland, Switzerland, Turkmenistan, Kazakhstan, the United Arab Emirates, Belgium, China, France, Greece, Iran, Japan, Libya, Saudi Arabia, Romania, Sweden, Belarus, Hungary, Jordan, Kenya, Kuwait, Malaysia, Netherlands, Nigeria, Norway, Oman, Philippines, Qatar, South Africa, Syria, Tunisia, Uzbekistan, the United Kingdom, Bangladesh, Denmark, Finland, India, Ireland, South Korea, Malta, Singapore, Sri Lanka, Thailand, Azerbaijan, and Turkey.

Pakistan has bilateral investment agreements with Australia, Azerbaijan, Mauritius, Bahrain, Bangladesh, Morocco, Belarus, Netherlands, Belgo-Luxemburg Economic Union, Oman, Philippines, Bosnia, Portugal, Bulgaria, Qatar, Cambodia, Romania, China, Singapore, Czech Republic, South Korea, Denmark, Spain, Egypt, Sri Lanka, France, Sweden, Germany, Switzerland, Indonesia, Syria, Iran, Tajikistan, Italy, Tunisia, Japan, Turkey, Kazakhstan, Turkmenistan, Kuwait, U.A.E, Kyrgyz Republic, United Kingdom, Lebanon, Uzbekistan, Laos and Yemen. These investment treaties generally include dispute settlement provisions. If a dispute cannot be settled through mutual consultation, investors can usually take cases to arbitration under rules of the U.N. Commission on International Trade Law, the World Bank's International Centre for Settlement of Investment Disputes, or to the Court of Arbitration of the International Chamber of Commerce. Pakistan is a member of the Multilateral Investment Guarantee Agency (MIGA), an arm of the World Bank.

The present FTAs and PTAs of Pakistan are contributing to its trade volume; however, they are not very responsive in reducing its trade deficit, nor have they been able to obtain market access for value-added products.

In calendar 2018, Pakistan exported products worth \$23.7 billion, whereas it imported goods worth \$60.3 billion. Out of the total exports, 31.2 percent of exports were destined for the countries and country groups with which Pakistan has a trade agreement.

The table below lists down the trade agreements along with their date of implementation, exports, imports and trade balance before and after signing of the agreements.

Table 4-1 Trade Agreements – Pakistan

FREE TRADE AGREEMENTS									
Country	Trade Agreements			Exports (US\$, Millions)		Imports (US\$, Millions)		Trade Balance (US\$, Millions)	
	Title	Year	Status	in the year of agreement implemented	2018	in the year of agreement implemented	2018	in the year of agreement implemented	2018
Malaysia	Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA)	2008	Signed and In Effect	138.1	↑ 158.7	1,693.7	↓ 1,156.9	-1,555.6	↑ -998.2
People's Republic of China	Pakistan-People's Republic of China Free Trade Agreement	2007	Signed and In Effect	613.8	↑ 1,818.8	4,164.2	↑ 14,640.9	-3,550.5	↓ -12,822.1
Sri Lanka	Pakistan-Sri Lanka Free Trade Agreement	2005	Signed and In Effect	153.7	↑ 357.3	59.2	↑ 105.3	94.5	↑ 252.0
PREFERENTIAL TRADE AGREEMENTS									
Country	Trade Agreements			Exports (US\$, Millions)		Imports (US\$, Millions)		Trade Balance (US\$, Millions)	
	Title	Year	Status	in the year of agreement implemented	2018	in the year of agreement implemented	2018	in the year of agreement implemented	2018
Indonesia	Indonesia-Pakistan Preferential Trade Agreement	2012	Signed and In Effect	144.4	↑ 310.6	1,208.3	↑ 2,501.6	-1,063.9	↓ -2,191.0
Mauritius	Pakistan-Mauritius Preferential Trade Agreement	2007	Signed and In Effect	35.5	↓ 19.3	0.5	↑ 8.5	35.0	↓ 10.8
Iran	Pakistan-Iran Preferential Trade Agreement	2006	Signed and In Effect	178.8	↓ 22.9	443.2	↓ 372.8	-264.4	↓ -349.8
REGIONAL TRADE AGREEMENTS									
Region	Trade Agreements			Exports (US\$, Millions)		Imports (US\$, Millions)		Trade Balance (US\$, Millions)	
	Title	Year	Status	in the year of agreement implemented	2018	in the year of agreement implemented	2018	in the year of agreement implemented	2018
PTA-D8	Preferential Tariff Arrangement-Group of Eight Developing Countries	2011	Signed and In Effect	-	-	-	-	-	-
Economic Cooperation Organization	Economic Cooperation Organization Trade Agreement	2008	Signed and In Effect	2,364.0	↓ 1,815.3	1,060.7	↑ 1,256.3	1,303.3	↓ 559.0
South Asia	SAFTA	2006	Signed and In Effect	1,768.1	↑ 2,876.7	1,311.3	↑ 2,615.0	456.8	↑ 2,876.7

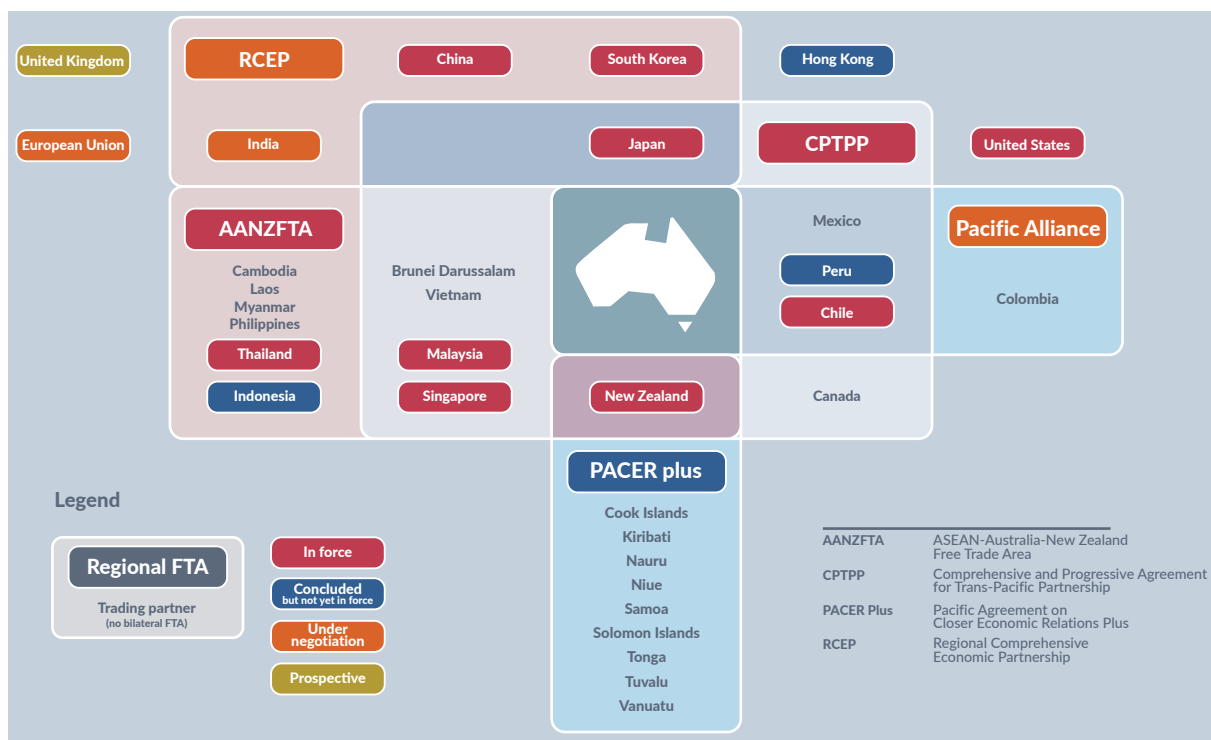
Source: Asia Regional Integration Center; ITC Trade Map

Trade Agreements – Australia

In Australia, the Department of Foreign Affairs and Trade (DFAT) is the official Australian government body that deals with negotiations and coordination of the FTAs with industries and foreign governments. Keeping aside the numerous FTAs that are under negotiation or those which have been signed but are not yet in force, Australia has 11 FTAs that are currently in effect. These include FTA with China, Japan, the Republic of Korea, Singapore, Thailand, the U.S., Chile, the Association of South-East Asian Nations (ASEAN), Malaysia, Canada and Mexico. In some instances, such as the ASEAN Australia- New Zealand FTA (AANZFTA), the FTA is complemented by the individual FTAs with countries such as Singapore and Thailand. For DFAT, the principal aim is to design FTAs in a manner that facilitates Australian exporters by removing barriers in international markets and industries.

Apart from the signed and implemented FTAs, the Australian Government's response, issued on 22 November 2018, to the independent report 'An India Economic Strategy to 2035: Navigating from Potential to Delivery' will unlock opportunities that will help India and Australia grow together. Similarly, an FTA with the Pacific Alliance bloc involving Chile, Colombia, Mexico and Peru has the potential to enable Australian businesses to access the opportunities presented by those growing markets. The Australian Government continues to support efforts to finalize the Environmental Goods Agreement with 17 WTO members (including the United States, China, the European Union and Japan). Consequently, the agreement will result in significant trade liberalization for an extensive array of goods with environmentally beneficial technologies. Australia is also working for a comprehensive FTA with the United Kingdom as soon as it leaves the European Union; Australia and the UK have been preparing for negotiations through a Trade Working Group established in September 2016.

FIGURE 4-1 Australia's Trade Agreements



Source: Trade and Investment at a Glance 2019, Australian Government – Department of Foreign Affairs and Trade

Thailand – Australia Free Trade Agreement (TAFTA)

The Thailand – Australia Free Trade Agreement (TAFTA) has eliminated the majority of Thai tariffs on goods imported from Australia. The agreement entered into force on 1st January 2005 and was Australia's third FTA and Thailand's first FTA with a developed country. The total two-way trade between Australia and Thailand has more than doubled since TAFTA entered into force as Thailand has removed high tariff barriers (for some goods, up to 200 percent). Total exports of Australia to Thailand have increased and amounted to \$4,821.8 million in 2018.

China – Australia Free Trade Agreement (ChAFTA)

The China – Australia Free Trade Agreement (ChAFTA) entered into force in December 2015. China is Australia's largest export market for goods and services, accounting for nearly a third of total exports, and a growing source of foreign investment. Thus, this agreement unlocks several opportunities for both countries. Bilateral trade between the two countries in 2018 was worth \$19,099.6 million; it has increased compared to the year the agreement was implemented in.

Malaysia – Australia Free Trade Agreement (MAFTA)

The Malaysia – Australia Free Trade Agreement (MAFTA) entered into force on 1st January 2013. MAFTA integrates the Australian economy into the fast-growing Asian region and the Malaysian market. 97.6 percent of Australian goods currently exported to Malaysia became eligible for tariff-free treatment on entry into force of the Agreement, rising to 99 percent in 2017. Total exports of Australia to Malaysia increased to \$4,539.7 million in 2018.

Singapore – Australia Free Trade Agreement (SAFTA)

SAFTA entered into force on 28th July 2003, followed by subsequent amendments, the recent one being on 1st December 2017. Singapore is Australia's most extensive trade and investment partner in South-East Asia. In addition to tariff elimination, the FTA with Singapore provides a more open and predictable business environment across a range of areas, including competition policy, government procurement, intellectual property, e-commerce, customs procedures and business travel. Total exports of Australia to Singapore increased to \$4,863.7 million in 2018.

Korea – Australia Free Trade Agreement (KAFTA)

The Korea – Australia Free Trade Agreement (KAFTA) came into force on 12th December 2014. Under KAFTA, Australian exporters to Korea gained a competitive edge for their exports as more than 99.0 percent of Australia's exports to Korea are eligible to enter duty-free or preferential access.

Japan – Australia Economic Partnership Agreement (JAEPA)

The Japan – Australia Economic Partnership Agreement (JAEPA) entered into force on 15th January 2015. Once JAEPA is fully implemented, around 98.0 percent of Australia's merchandise exports to Japan will receive preferential access or duty-free access. This includes a reduction in prohibitive tariffs on agricultural products and the elimination of tariffs on Australian mineral, energy and manufacturing exports. The trade surplus between the two countries has increased as of 2018 amounting to \$9,432.9 million compared to the year the agreement was implemented in.

Australia – New Zealand Closer Economic Relations Trade Agreement (ANZCERTA)

ANZCERTA was signed on 28th March 1983. It is one of the most comprehensive bilateral free trade agreements in existence as it covers substantially all trans-Tasman trade in goods, including agricultural products, and was the first to include free trade in services. All tariffs and quantitative import or export restrictions on trade in goods originating in the Free Trade Area are prohibited under ANZCERTA. ANZCERTA has underpinned strong growth in trade across the Tasman with an average increase in two-way trade of 6.6 percent, and in 2014-15 total trade (goods and services) was valued at \$A23.7 billion.

ASEAN – Australia – New Zealand Free Trade Area (AANZFTA)

The Agreement Establishing the ASEAN – Australia – New Zealand Free Trade Area (AANZFTA) entered into force in January 2010 for Australia and eight other signatories; Laos, Cambodia and Indonesia followed in 2011-12. The Agreement delivers huge tariff reduction and greater certainty for services suppliers and investors. Regional rules of origin provide new opportunities for Australian exporters to tap into international supply chains in the region.

Australia – Chile Free Trade Agreement (ACLFTA)

Australia – Chile Free Trade Agreement entered into force on 6th March 2009. From 1st January 2015, all tariffs were eliminated except for sugar, which retains a tariff of six percent for Australian exports due to Chile's price-band system. Since its entry into force, there has been a significant increase in Australian companies operating in Chile, and they now number more than 200.

Australia – United States Free Trade Agreement (AUSFTA)

AUSFTA entered into force on 1st January 2005. The agreement has secured vital Australian interests in areas such as health, in particular, the Pharmaceutical Benefits Scheme, foreign investment screening, the audio-visual sector and quarantine and food safety regimes. The United States is the largest and most significant investor in Australia, accounting for 27.0 percent (\$939.0 billion) of Australia's total foreign investment stock as of December 2018. Two-way investment has almost tripled since the Agreement came into force. Australia's exports to the U.S.A. have increased since the year the agreement was implemented, amounting to \$9,245.4 million in 2018.

Table 4-2 Trade Agreements – Australia

TRADE AGREEMENTS									
Country	Trade Agreements			Exports (US\$, Millions)		Imports (US\$, Millions)		Trade Balance (US\$, Millions)	
	Title	Year	Status	in the year of agreement implemented	2018	in the year of agreement implemented	2018	in the year of agreement implemented	2018
New Zealand	ASEAN-Australia and New Zealand Free Trade Agreement	2010	Signed and In Effect	–	–	–	–	–	–
Chile	Australia-Chile Free Trade Agreement	2009	Signed and In Effect	172	↓ 229.4	506.5	↓ 346.3	-334.4	↑ -116.8
Japan	Australia-Japan Economic Partnership Agreement	2015	Signed and In Effect	20,529	↑ 26,206	14,628	↑ 16,773	5,901	↑ 9,432.9
Malaysia	Australia-Malaysia Free Trade Agreement (MAFTA)	2013	Signed and In Effect	4,532.4	↑ 4,539.7	8,919.3	↑ 9,700.7	-4,386.9	↑ -5,161
China	Australia-People's Republic of China Free Trade Agreement (PRC-Australia FTA)	2015	Signed and In Effect	56,509.8	↑ 74,030.2	45,779.9	↑ 54,930.5	10,729.8	↑ 19,099.6
Singapore	Australia-Singapore Free Trade Agreement (SAFTA)	2003	Signed and In Effect	2,283.4	↑ 4,863.7	3,031.4	↑ 8,575.2	-748	↑ -3,711
Thailand	Australia-Thailand Free Trade Agreement (TAFTA)	2005	Signed and In Effect	3,149.6	↑ 4,821.8	3,866.6	↑ 10,895	-717	↑ -6,073
United States	Australia-United States Free Trade Agreement (AUSFTA)	2005	Signed and In Effect	7,069	↑ 9,245.4	17,460	↑ 23,284.4	-10,391	↑ -14,038
Korea	Australia- Korea (Republic of) Free Trade Agreement	2014	Signed and In Effect	15,632.8	↓ 13,620	10,260.9	↓ 9,520.5	5,371.9	↓ 4,099.5

Source: Asia Regional Integration Center; ITC Trade Map

CHAPTER 5

TRADE POTENTIAL

Analysis of High Potential Pakistani Exports to Australia

The Indicative Trade Potential Method

Indicative trade potential is an economic measure that allows us to examine the scope for growth in trade of a specific product. It is calculated using the formula given below:

$$\text{Country 'i' s Potential Goods for Export to country j} = \text{Minimum (Country 'i' exports of 'X' to the world, country 'j' imports of 'X' from the world)} \\ - \text{Country 'i' exports of 'X' to country 'j'}$$

Indicative trade potential is a helpful method to anticipate the scope of bilateral trade. It analyzes those items that have a well-established production capacity in the supplying market and robust demand in the importing country. However, it also has some limitations. This method does not take into account the items whose demand could emerge in the importing country. Moreover, it does not give the estimated cost of the diversification of the products in trade.

Pakistan's High Potential Exports to Australia at HS-06 Level

A comparison is made to analyze Pakistan's actual exports to Australia and the potential to export to Australia for the top 25 items at the HS-06 level. The following table will help us determine the number of additional products in the top 25 exports that Australia can import from Pakistan instead of demanding from the world.

Table 5-1 Pakistan's High Potential Exports to Australia for Top 25 items at HS-06 Level

Product code	Product label	Pakistan Exports to Australia 2018 (US\$, Millions)	Australia Imports from World 2018 (US\$, Millions)	Pakistan Exports to World 2018 (US\$, Millions)	Indicative Trade Potential 2018 (US\$, Millions)	Tariff Applied by Australia (%)				
						Pakistan	China	India	Bangladesh	Malaysia
TOTAL	All products	246.37	227,284.14	23,630.89	23,384.53					
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	7.90	1,432.46	373.18	365.28	0.00	0.00	0.00	0.00	0.00
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...)	2.38	367.20	348.99	346.61	5.00	0.00	5.00	0.00	0.00
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	4.66	491.40	242.70	238.04	5.00	0.00	5.00	0.00	0.00

Product code	Product label	Pakistan Exports to Australia 2018 (US\$, Millions)	Australia Imports from World 2018 (US\$, Millions)	Pakistan Exports to World 2018 (US\$, Millions)	Indicative Trade Potential 2018 (US\$, Millions)	Tariff Applied by Australia (%)				
						Pakistan	China	India	Bangladesh	Malaysia
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	14.83	173.95	860.93	159.13	5.00	0.00	5.00	0.00	0.00
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	3.31	223.37	157.26	153.95	5.00	0.00	5.00	0.00	0.00
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	16.98	163.14	1,757.85	146.16	0.00	0.00	0.00	0.00	0.00
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...	7.65	121.96	786.30	114.31	5.00	0.00	5.00	0.00	0.00
390761	Poly"ethylene terephthalate", in primary forms, having a viscosity number of >= 78 ml/g	0.00	108.03	132.99	108.03	-	-	-	-	-
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	0.07	297.50	100.31	100.24	5.00	0.00	5.00	0.00	0.00
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	1.11	97.66	214.77	96.55	5.00	0.00	5.00	0.00	0.00
940490	Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled ...	5.14	257.23	88.74	83.60	5.00	0.00	5.00	0.00	0.00
640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather ...	1.18	452.03	78.13	76.95	5.00	0.00	5.00	0.00	0.00
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	0.00	4292.80	73.54	73.54	0.00	0.00	0.00	0.00	0.00
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	0.95	255.16	74.24	73.29	5.00	0.00	5.00	0.00	0.00
610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets ...	0.88	71.57	152.86	70.69	5.00	0.00	5.00	0.00	0.00
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated or ...	2.18	79.21	68.32	66.14	5.00	0.00	5.00	0.00	0.00

Product code	Product label	Pakistan Exports to Australia 2018 (US\$, Millions)	Australia Imports from World 2018 (US\$, Millions)	Pakistan Exports to World 2018 (US\$, Millions)	Indicative Trade Potential 2018 (US\$, Millions)	Tariff Applied by Australia (%)				
						Pakistan	China	India	Bangladesh	Malaysia
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	1.93	65.75	438.96	63.81	5.00	0.00	5.00	0.00	0.00
030617	Frozen shrimps and prawns, even smoked, whether in shell or not, incl. shrimps and prawns in	0.00	187.64	62.47	62.47	0.00	0.00	0.00	0.00	0.00
252310	Cement clinkers	0.00	138.04	60.67	60.67	0.00	0.00	0.00	0.00	0.00
300439	Medicaments containing hormones or steroids used as hormones but not antibiotics, put up in	0.00	297.37	60.49	60.49	0.00	0.00	0.00	0.00	0.00
610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	0.15	71.40	58.66	58.51	5.00	0.00	5.00	0.00	0.00
610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or ...	0.52	56.94	66.79	56.42	5.00	0.00	5.00	0.00	0.00
252329	Portland cement (excluding white, whether or not artificially coloured)	0.00	48.21	199.25	48.21	0.00	0.00	0.00	0.00	0.00
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted ...	2.32	44.95	96.71	42.63	0.00	0.00	0.00	0.00	0.00
630232	Bedlinen of man-made fibres (excluding printed, knitted or crocheted)	0.01	74.68	42.54	42.53	5.00	0.00	5.00	0.00	0.00

Source: ITC Trade Map

Key Findings

- Pakistan has the potential to export 2,658 products to Australia. The total trade potential within these 2,658 products exported by Pakistan to Australia with available data is \$5.72 billion.
- The total trade potential within the top 100 high potential products exported by Pakistan to Australia at the HS-06-digit level is \$4.14 billion.
- The total trade potential within the top 25 high potential products exported by Pakistan to Australia at the HS-06-digit level is \$2.77 billion.
- In 2018, Pakistan's actual exports of the top 100 high potential items to Australia amounted to a mere \$114.72 million. However, Pakistan's total real exports of these same 100 items to the world amounted to \$9.40 billion in the same year.
- Forty-Five of the top 100 high potential export items are covered under the textile sector (potential of \$2.21 billion). This shows the amount of untapped potential that Pakistan has in the textile sector. A free trade agreement if well-negotiated can significantly enhance exports of these high potential textile items.
- Pakistan's highest export potential of \$365.28 million is for 'Surgical Instruments' (HS-901890).

- ‘Surgical Instruments’ (HS-901890) is exported in low quantities but holds a huge potential. The U.S. is the top source for Australia for the said product. The U.S. is also ranked 1st in world exports capturing 24.2 percent of the world market share. Pakistan enjoys concession on this product; however, the commodities are limited due to low-tech surgical instruments manufactured in Pakistan. Australia has a high demand for this product since 80 percent of the surgical appliances are imported. U.S.A. and Germany are the top suppliers for Australia.
- The next largest export potential item of \$346.61 million is for ‘Men’s or boys’ trousers, bib and brace overalls, breeches and shorts, of cotton’ (HS-620342), here the tariff faced by Pakistan from Australia is significantly higher than that faced by other trading partners.
- Australia world imports of ‘Men’s or boys’ trousers, bib and brace overalls, breeches and shorts, of cotton’ (HS-620342) amounted to \$367.20 million. Top competitors of Pakistan for export of these goods to Australia are China and Bangladesh, capturing 55.1 percent and 27.5 percent market share respectively.
- For ‘Bedlinen of cotton (excluding printed, knitted or crocheted)’ (HS-630231), Pakistan has the potential to export \$159.13 million. China is the largest supplier with a share of 27.5 percent of the total Australian imports. China is the biggest supplier of this product despite its higher unit price. Pakistan is the 2nd largest exporter of ‘Bedlinen of cotton (excluding printed, knitted or crocheted)’ (HS-630231) offering the lowest unit price of 5.4 US\$/unit against the world’s average unit price of \$8.4 US\$/unit.

The Compound Annual Growth Rate Method

Pakistani High Potential Items based on Australia’s Imports from the world favorable CAGR values

The Compound Annual Growth Rates for Pakistan’s exports to Australia, Australia’s imports from the world and Pakistan’s exports to the world are calculated for the period 2009–18. The following table shows those high potential items which have high CAGR values. Australian imports of these items have been increasing in the past ten years and are likely to continue to grow in the coming years.²¹

Table 5-2 Top 20 Pakistani High Potential Items based on Australia’s Imports from the world with favorable CAGR values

Product code	Product label	Indicative Trade Potential 2018 (US\$, Millions)	CAGR for Pakistan’s exports to Australia 2009–18 (%)	Australia Imports from the world 2018 (US\$, Millions)	CAGR for Australia’s imports from world 2009–18 (%)	CAGR for Pakistan’s exports to world 2009–18 (%)	Tariff Applied by Australia on Pakistan (%)	Tariff Applied by Australia on Bangladesh (%)
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated or	66.14	0.00	79.21	10.76	136.96	5.00	0.00
610342	Men’s or boys’ trousers, bib and brace overalls, breeches and shorts of cotton, knitted or ...	56.42	36.34	56.94	15.62	8.11	5.00	0.00
620469	Women’s or girls’ trousers, bib and brace overalls, breeches and shorts of textile materials ...	35.45	11.93	76.69	18.06	3.81	5.00	0.00
560819	Knotted netting of twine, cordage, ropes or cables, by the piece or metre; made-up nets, of ...	27.34	0.00	27.34	12.31	153.29	3.00	0.00

21 High Potential Items are taken based on Australia’s imports from the world CAGR values between 10% – 90%

Product code	Product label	Indicative Trade Potential 2018 (US\$, Millions)	CAGR for Pakistan's exports to Australia 2009–18 (%)	Australia Imports from the world 2018 (US\$, Millions)	CAGR for Australia's imports from world 2009–18 (%)	CAGR for Pakistan's exports to world 2009–18 (%)	Tariff Applied by Australia on Pakistan (%)	Tariff Applied by Australia on Bangladesh (%)
610343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres, knitted	27.21	16.33	55.37	11.77	18.14	5.00	0.00
630612	Tarpaulins, awnings and sunblinds of synthetic fibres (excluding flat covers of light fabrics ...	25.77	45.50	31.08	11.79	10.01	5.00	0.00
611596	Full-length or knee-length stockings, socks and other hosiery, incl. Footwear without applied ...	23.03	0.00	41.10	12.45	72.36	5.00	0.00
610520	Men's or boys' shirts of man-made fibres, knitted or crocheted (excluding nightshirts, T-shirts, ...	22.56	-9.46	65.92	11.42	9.11	5.00	0.00
050400	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof, fresh, ...	20.24	0.00	38.40	12.30	-2.77	0.00	–
610469	Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials, ...	18.83	42.13	19.26	24.48	18.26	5.00	0.00
392490	Household articles and toilet articles, of plastics (excluding tableware, kitchenware, baths, ...	17.57	0.00	261.95	11.40	-6.98	5.00	0.00
030614	Frozen crabs, even smoked, whether in shell or not, incl. Crabs in shell, cooked by steaming ...	15.35	0.00	15.35	10.23	17.83	0.00	0.00
610130	Overcoats, car coats, capes, cloaks, anoraks, incl. Ski jackets, windcheaters, wind-jackets ...	13.52	13.74	13.66	11.03	35.20	5.00	0.00
630629	Tents of textile materials (excluding of synthetic fibres, and umbrella and play tents)	13.11	4.11	13.13	11.42	7.16	5.00	0.00
620439	Women's or girls' jackets and blazers of textile materials (excluding of wool, fine animal ...	12.74	34.43	20.55	10.43	25.99	5.00	0.00
611510	Graduated compression hosiery [e.g., stockings for varicose veins], of textile materials, knitted	12.70	5.13	12.90	29.89	-4.30	5.00	0.00
630520	Sacks and bags, for the packing of goods, of cotton	12.52	3.92	13.68	12.71	7.53	0.00	0.00
283620	Disodium carbonate	11.86	0.00	62.29	10.75	5.12	3.00	0.00
392062	Plates, sheets, film, foil and strip, of non-cellular poly"ethylene terephthalate", not reinforced, ...	11.17	0.00	76.76	10.67	0.00	5.00	0.00
190190	Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing ...	9.99	15.76	65.54	15.67	35.47	4.00	0.00

Source: ITC Trade Map

Key Findings

- Eight of the top 20 items highlighted in yellow have unfavorable Pakistan exports to Australia CAGR as compared to the growth rates of Australia's imports from the world and Pakistan's exports to the world.
- Compound annual growth rates for Pakistan's exports to the world are relatively high, indicating that these are those items in which the policymakers need to focus since Pakistan can supply them.
- These eight products represent a total trade potential of \$179.34 million.

Pakistani High Potential Items based on Australia's Imports from the world with favorable CAGR values & which currently enjoy 100 percent Tariff Concession

The following table shows those high potential items which have high CAGR values for Australia imports from the world. Australian imports of these items have been increasing in the past ten years and are likely to continue to grow in the coming years. Pakistan currently enjoys 100 percent concession for these items.

Table 5-3 Pakistani High Potential Items based on Australia's Imports from the world with favorable CAGR values and which currently receive 100 percent Tariff Concessions

Product code	Product label	Indicative Trade Potential 2018 (US\$, Millions)	CAGR for Pakistan's exports to Australia 2009-18 (%)	GAGR for Australia's imports from the world 2009-18 (%)	CAGR for Pakistan's exports to the world 2009-18 (%)	Tariff Applied by Australia on Pakistan (%)
050400	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof, fresh, ...	20.24	-	12.30	-2.77	0.00
030614	Frozen crabs, even smoked, whether in shell or not, incl. crabs in shell, cooked by steaming ...	15.35	-	10.23	17.83	0.00
630520	Sacks and bags, for the packing of goods, of cotton	12.52	3.92	12.71	7.53	0.00
740400	Waste and scrap, of copper (excluding ingots or other similar unwrought shapes, of remelted ...	9.91	-	11.06	10.31	0.00
190110	Food preparations for infant use, put up for retail sale, of flour, groats, meal, starch or ...	8.28	-	14.62	30.10	0.00
040900	Natural honey	7.00	-	12.76	6.86	0.00
631010	Used or new rags, scrap twine, cordage, rope and cables and worn-out articles thereof, of textile ...	6.36	-100.00	10.64	8.35	0.00
230230	Bran, sharps and other residues of wheat, whether or not in the form of pellets, derived from ...	4.11	-	18.78	11.25	0.00
020130	Fresh or chilled bovine meat, boneless	3.76	-	11.91	7.25	0.00
570210	Kelem, Schumacks, Karamanie and similar hand-woven rugs, whether or not made up	3.74	5.51	13.02	25.66	0.00
420219	Trunks, suitcases, vanity cases, executive-cases, briefcases, school satchels and similar containers ...	3.59	52.65	13.58	48.51	0.00
100620	Husked or brown rice	3.05	-	20.16	21.26	0.00
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	2.69	-100.00	10.29	13.61	0.00
260111	Non-agglomerated iron ores and concentrates (excluding roasted iron pyrites)	2.50	-	34.60	-	0.00

Product code	Product label	Indicative Trade Potential 2018 (US\$, Millions)	CAGR for Pakistan's exports to Australia 2009–18 (%)	GAGR for Australia's imports from the world 2009–18 (%)	CAGR for Pakistan's exports to the world 2009–18 (%)	Tariff Applied by Australia on Pakistan (%)
040221	Milk and cream in solid forms, of a fat content by weight of > 1,5%, unsweetened	2.38	–	18.46	-3.87	0.00
252321	White portland cement, whether or not artificially coloured	2.37	–	10.94	3.23	0.00
252010	Gypsum; anhydrite	2.24	–	10.62	82.64	0.00
900510	Binoculars	1.90	–	31.00	–	0.00
230110	Flours, meals and pellets, of meat or offal, unfit for human consumption; greaves	1.83	–	19.09	–	0.00
790310	Zinc dust	1.74	–	29.26	–	0.00

Source: ITC Trade Map

Key Findings

- Six items where Pakistan's exports to the world have a CAGR higher than the CAGR of Australia's imports from the world are highlighted in yellow.
- These six from the top 20 items are those in which Australia is providing 100 percent tariff concession to Pakistan. However, Pakistan's exporters haven't been able to exploit this opportunity fully.
- These six items represent a total trade potential of \$35.35 million.

Pakistani High Potential Items based on GAGR of Australia's Imports for Inclusion in Concession List

The following table shows those high potential items which have high CAGR values for Australia imports from the world with Bangladesh having a tariff advantage over Pakistan.

Table 5-4 Pakistan's High Potential Items based on GAGR of Australia's Imports for inclusion in Concessions List

Product code	Product label	Indicative Trade Potential 2018 (US\$, Millions)	CAGR for Pakistan's exports to Australia 2009–18 (%)	CAGR for Australia's imports from the world 2009–18 (%)	CAGR for Pakistan's exports to the world 2009–18 (%)	Tariff Applied by Australia on Pakistan (%)	Tariff Applied by Australia on Bangladesh (%)
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated or ...	66.14	–	10.76	136.96	5.00	0.00
610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or ...	56.42	36.34	15.62	8.11	5.00	0.00
620469	Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials ...	35.45	11.93	18.06	3.81	5.00	0.00
560819	Knotted netting of twine, cordage, ropes or cables, by the piece or metre; made-up nets, of	27.34	–	12.31	153.29	3.00	0.00

Product code	Product label	Indicative Trade Potential 2018 (US\$, Millions)	CAGR for Pakistan's exports to Australia 2009-18 (%)	CAGR for Australia's imports from the world 2009-18 (%)	CAGR for Pakistan's exports to the world 2009-18 (%)	Tariff Applied by Australia on Pakistan (%)	Tariff Applied by Australia on Bangladesh (%)
610343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres, knitted	27.21	16.33	11.77	18.14	5.00	0.00
630612	Tarpaulins, awnings and sunblinds of synthetic fibres (excluding flat covers of light fabrics ...	25.77	45.50	11.79	10.01	5.00	0.00
611596	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	23.03	-	12.45	72.36	5.00	0.00
610520	Men's or boys' shirts of man-made fibres, knitted or crocheted (excluding nightshirts, T-shirts, ...	22.56	-9.46	11.42	9.11	5.00	0.00
610469	Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials, ...	18.83	42.13	24.48	18.26	5.00	0.00
392490	Household articles and toilet articles, of plastics (excluding tableware, kitchenware, baths, ...	17.57	0.00	11.40	-6.98	5.00	0.00
610130	Overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, wind-jackets ...	13.52	13.74	11.03	35.20	5.00	0.00
630629	Tents of textile materials (excluding of synthetic fibres, and umbrella and play tents)	13.11	4.11	11.42	7.16	5.00	0.00
620439	Women's or girls' jackets and blazers of textile materials (excluding of wool, fine animal ...	12.74	34.43	10.43	25.99	5.00	0.00
611510	Graduated compression hosiery [e.g., stockings for varicose veins], of textile materials, knitted .	12.70	5.13	29.89	-4.30	5.00	0.00
283620	Disodium carbonate	11.86	-	10.75	5.12	3.00	0.00
392062	Plates, sheets, film, foil and strip, of non-cellular poly"ethylene terephthalate", not reinforced, ...	11.17	-	10.67	-	5.00	0.00
190190	Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing ...	9.99	15.76	15.67	35.47	4.00	0.00
620193	Men's or boys' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres	9.19	9.40	19.79	37.89	5.00	0.00
611599	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	6.63	39.16	14.65	1.90	5.00	0.00
620791	Men's or boys' singlets and other vests, bathrobes, dressing gowns and similar articles of	5.82	-13.11	10.97	0.32	5.00	0.00

Source: ITC Trade Map

Key Findings

- The table above lists those products for which Pakistan needs to request Australia for market access similar to that offered to Bangladesh and other FTA partners.
- For eight of the top 20 items in the above list, Pakistan's exports to Australia have a CAGR is higher than that for Australian imports from the world, these eight items are highlighted in yellow.
- These eight highlighted items represent a total trade potential of \$171.11 million.

Bilateral Revealed Comparative Advantage Method

The BRCA is an index which shows whether a country has a revealed comparative advantage in a specific commodity over its partner or not as indicated by trade flows. It is calculated using the formula given below:

$$\text{BRCA of country 'i' for exporting X to country 'j'} = \frac{\left(\frac{\text{Country 'i' s export of X to country j}}{\text{Country 'i' s export of X to country j}} \right)}{\left(\frac{\text{Country 'i' s export of X to the world}}{\text{Country 'i' s export of X to the world}} \right)}$$

BRCA to Pakistan of Exporting Goods to Australia

The following is a list of the top 25 commodities at the HS-06 Level exported by Pakistan to Australia along with each product's revealed comparative advantage.

Table 5-5 Pakistan's Bilateral Revealed Comparative Advantage over Australia for Top 25 Items at HS-06, 2018

Product code	Product label	BRCA Range (0 - + ∞)
270900	Petroleum oils and oils obtained from bituminous minerals, crude	16.67
630239	Bedlinen of textile materials (excluding of cotton and man-made fibres, printed, knitted or ...	4.32
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	0.93
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	1.65
730690	Tubes, pipes and hollow profiles "e.g., open seam, riveted or similarly closed", of iron or ...	27.97
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	2.03
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...	0.93
630210	Bedlinen, knitted or crocheted	0.99
620322	Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	0.45
940490	Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled ...	5.55
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	1.84
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	1.47
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	2.02
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear ...	1.04

Product code	Product label	BRCA Range (0 - + ∞)
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	0.65
420321	Specially designed gloves for use in sport, of leather or composition leather	1.84
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted ...	2.30
250100	Salts, incl. table salt and denatured salt, and pure sodium chloride, whether or not in aqueous ...	4.30
091091	Mixtures of different types of spices	3.28
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated or ...	3.06
620339	Men's or boys' jackets and blazers of textile materials (excluding of wool, fine animal hair, ...	2.79
620349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials (excluding	1.69
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted ...	0.69
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	0.42
950699	Articles and equipment for sport and outdoor games n.e.s; swimming and paddling pools	6.05

Source: ITC Trade Map

Key Findings

- The table shows that Pakistan enjoys a comparative advantage in 18 of the top 25 products exported by Pakistan to Australia.
- 13 out of the 25 items listed above belong to the textile sector.
- Pakistan has the highest comparative advantage in 'Tubes, pipes and hollow profiles "e.g., open seam, riveted or similarly closed' (HS-730690) followed by 'Petroleum oils and oils obtained from bituminous minerals, crude' (HS-270900) with comparative advantages of 27.97 and 16.67 respectively.
- Other than these goods, Pakistan has a low comparative advantage in most of the products.
- It can be noted that Pakistan has a low comparative advantage over Australia in most of the goods. This shows that Australia's demand for these goods is more from other countries rather than in importing from Pakistan.

Analysis of High Potential Australian Exports to Pakistan

A comparison is made to analyze Australia's actual exports to Pakistan and Australia's potential to export to Pakistan for the top 25 items at the HS-06 level. The following table will help us determine the additional exports for the top 25 Australian exports currently being exported to Pakistan.

Table 5-6 Australia's High Potential Exports to Pakistan for Top 25 items at HS-06 Level

Product code	Product label	Australia Exports to Pakistan 2018 (US\$, Millions)	Pakistan Imports from World 2018 (US\$, Millions)	Australia Exports to World 2018 (US\$, Millions)	Indicative Trade Potential 2018 (US\$, Millions)
TOTAL	All products	315.49	60,162.86	253,827.86	59,847.37
520100	Cotton, neither carded nor combed	8.79	1,048.97	1,777.47	1,040.18
711890	Coin of legal tender	-	-	604.60	604.60
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	-	833.07	436.44	436.44
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	2.88	432.80	1,396.07	429.92

Product code	Product label	Australia Exports to Pakistan 2018 (US\$, Millions)	Pakistan Imports from World 2018 (US\$, Millions)	Australia Exports to World 2018 (US\$, Millions)	Indicative Trade Potential 2018 (US\$, Millions)
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of ...	16.26	949.25	420.33	404.07
120510	Low erucic acid rape or colza seeds "yielding a fixed oil which has an erucic acid content ...	-	398.94	949.24	398.94
847130	Data-processing machines, automatic, portable, weighing <= 10 kg, consisting of at least a ...	2.80	286.17	327.75	283.38
851762	Machines for the reception, conversion and transmission or regeneration of voice, images or	0.01	242.74	358.68	242.73
071320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	108.12	334.45	308.40	200.28
711291	Waste and scrap of gold, incl. metal clad with gold, and other waste and scrap containing gold	-	-	173.93	173.93
847989	Machines and mechanical appliances, n.e.s.	0.01	170.31	208.71	170.30
080262	Fresh or dried macadamia nuts, shelled	-	-	142.90	142.90
260900	Tin ores and concentrates	-	-	125.40	125.40
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves, ...	0.01	138.47	123.80	123.78
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	-	465.93	121.27	121.27
310530	Diammonium hydrogenorthophosphate "diammonium phosphate" (excluding that in tablets or similar ...	45.66	842.35	161.62	115.96
190110	Food preparations for infant use, put up for retail sale, of flour, groats, meal, starch or ...	0.00	115.86	566.14	115.85
080610	Fresh grapes	-	105.30	306.81	105.30
040210	Milk and cream in solid forms, of a fat content by weight of <= 1,5%	-	104.93	346.20	104.93
740311	Copper, refined, in the form of cathodes and sections of cathodes	-	100.72	2,448.13	100.72
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more ...	0.18	135.91	100.04	99.86
300220	Vaccines for human medicine	-	247.60	99.39	99.39
721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ...	10.45	107.01	113.78	96.56
850440	Static converters	0.02	125.65	93.81	93.79
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution	0.08	92.98	92.31	92.24

Source: ITC Trade Map

Key Findings

- The total trade potential within the top 100 high potential products exported by Australia to Pakistan at the HS-06-digit level is \$15.30 billion.

- The total trade potential within the top 25 high potential products exported by Australia to Pakistan at the HS-06-digit level is \$5.92 billion.
- 28 out of the top 100 high potential export items are covered under the mechanical and electrical equipment sector (potential of \$2.32 billion). This shows the amount of untapped potential that Australia has in the machinery and electrical equipment sector. A free trade agreement if well-negotiated can significantly enhance exports of these high potential machinery items.
- Australia's highest export potential of \$1.04 billion is for 'Cotton, neither carded nor combed' (HS-520100). Australian export earnings from cotton are worth more than \$2.0 billion per annum. Australia exports 3 percent of the world's total cotton. Australia is the 3rd largest exporter of 'Cotton, neither carded nor combed' (HS-520100) behind the U.S. and India. More than 99.0 percent of the cotton produced in Australia is exported.

BRCA to Australia of Exporting Goods to Pakistan

The BRCA is an index which shows whether a country has a revealed comparative advantage in a specific commodity over its partner or not as indicated by trade flows. It is calculated using the formula given below:

$$\text{BRCA of country 'i' for exporting X to country 'j'} = \frac{\left(\frac{\text{Country i's export of X to country j}}{\text{Country i's export of X to the world}} \right)}{\left(\frac{\text{Country j's export of X to the world}}{\text{Country j's export of X to the world}} \right)}$$

The following is a list of the top 25 commodities at the HS-06 Level exported by Australia to Pakistan along with each product's revealed comparative advantage.

Table 5-7 Australia's Bilateral Revealed Comparative Advantage over Pakistan for Top 25 Items at HS-06, 2018

Product code	Product label	BRCA Range (0 - + ∞)
071320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	282.06
310530	Diammonium hydrogenorthophosphate "diammonium phosphate" (excluding that in tablets or similar	227.30
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of ...	31.13
480421	Unbleached sack kraft paper, uncoated, in rolls of a width > 36 cm (excluding goods of heading ...	261.13
790111	Unwrought zinc, not alloyed, containing by weight >= 99,99% of zinc	7.18
721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ...	73.87
520100	Cotton, neither carded nor combed	3.98
740400	Waste and scrap, of copper (excluding ingots or other similar unwrought shapes, of remelted ...	22.65
780110	Unwrought lead, refined	13.49
320611	Pigments and preparations based on titanium dioxide of a kind used for colouring any material ...	7.48
071340	Dried, shelled lentils, whether or not skinned or split	23.31
010221	Pure-bred cattle for breeding	24.22
845710	Machining centres for working metal	400.85
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	50.72

Product code	Product label	BRCA Range (0 - + ∞)
720410	Waste and scrap, of cast iron (excluding radioactive)	14.91
760200	Waste and scrap, of aluminium (excluding slags, scale and the like from iron and steel production, ...)	6.26
180620	Chocolate and other food preparations containing cocoa, in blocks, slabs or bars weighing > ...	47.94
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	1.66
847130	Data-processing machines, automatic, portable, weighing ≤ 10 kg, consisting of at least a ...	6.87
480411	Unbleached kraftliner, uncoated, in rolls of a width > 36 cm	126.11
870893	Clutches and parts thereof, for tractors, motor vehicles for the transport of ten or more persons, ...	90.86
380892	Fungicides (excluding goods of subheading 3808.50)	37.23
854290	Parts of electronic integrated circuits, n.e.s.	29.24
850110	Motors of an output ≤ 37,5 W	98.83
741300	Stranded wire, cables, plaited bands and the like, of copper (excluding electrically insulated ...)	26.39

Source: ITC Trade Map

Key Findings

- The table shows that Australia enjoys a comparative advantage in all of the top 25 products listed above.
- Eight of the 25 items listed above belong to the base metal group.
- Australia has the highest comparative advantage in 'Machining centres for working metal' (HS-845710) followed by 'Dried, shelled chickpeas "garbanzos", whether or not skinned or split' (HS-071320) with comparative advantages of 400.85 and 282.06 respectively.
- It can be noted that Australia has a substantial comparative advantage over Pakistan in most of the goods listed above. This shows that Australia is a vital import sourcing market for Pakistan.

CHAPTER 6

TRADE IN TEXTILES IN A
PAKISTAN – AUSTRALIA
FTA

Pakistan's Textile Exports

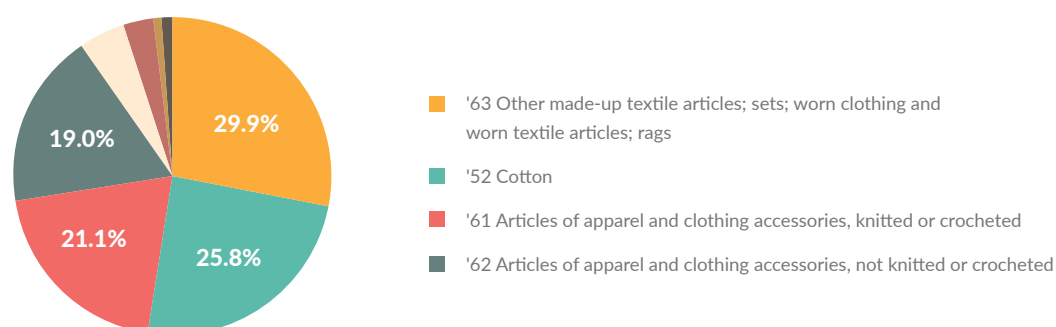
Pakistan's textile industry is the most important manufacturing industry in Pakistan. This sector contributes 60 percent of total exports, 8.5 percent of the GDP and 40 percent of the labor force participation in industry.²² In 2018, Pakistan exported \$13.56 billion worth of textile products to the world constituting 57.4 percent of total exports. Moreover, the apparel and home textiles categories (HS 61-63) and cotton products (HS-52) contributed the highest share in the export of textile articles. Out of \$13.56 billion textile exports, HS-52, HS-61, HS-62 and HS-63 contributed 25.8 percent, 21.1 percent, 19.0 percent and 29.9 percent respectively.

Table 6-1 Pakistan's Exports of Textile Products, 2014–18

	2014 (US\$, Mn)	2015 (US\$, Mn)	2016 (US\$, Mn)	2017 (US\$, Mn)	2018 (US\$, Mn)
All products	24,722.18	22,089.02	20,533.79	21,877.79	23,630.89
Textile Sector (HS 50-63)	13,772.52	12,918.18	12,407.21	13,001.80	13,569.54
Textiles (as % of Total Exports)	55.71%	58.48%	60.42%	59.43%	57.42%

Source: ITC Trade Map

FIGURE 6-1 Percentage Share of Textile Items in Total Textile Exports, 2018



Source: ITC Trade Map

Pakistan's Top Destinations for Export of Textile Products (HS 50-63)

Table 6-2 Pakistan's Top Destinations for Export of Textile Products (HS 50-63)

Importers	Exported value in 2018 (US\$, Millions)	Textiles (as % of Total Exports)	Rank
World	13,569.54	57.42	
United States of America	3,188.18	83.84	1
United Kingdom	1,390.42	80.43	2
Germany	975.77	74.46	3
China	951.67	52.35	4
Spain	796.84	86.34	5
Netherlands	754.41	80.02	6
Bangladesh	591.17	75.42	7
Italy	550.54	71.35	8
Belgium	530.81	79.65	9
France	324.33	72.58	10
Australia	119.09	48.34	19

Source: ITC Trade Map

Following is a list of top 10 import sourcing markets from which Australia imports textile products (HS 50-63). The share of each country in total textile imports along with their CAGR for the period 2009–18 is also given. China is the largest source for Australia's imports of textiles with a share of 60.7 percent in total Australian textile imports. Pakistan is the 9th largest source country for Australia with a share of 1.3 percent, along with a positive CAGR of 3.4 percent.

Top Sourcing Markets for Australia for Imports of Textile Products (HS 50-63)

Table 6-3 Top Sourcing Markets for Australian Imports of Textile Products (HS 50-63)

Exporters	2014 (US\$, Mn)	2015 (US\$, Mn)	2016 (US\$, Mn)	2017 (US\$, Mn)	2018 (US\$, Mn)	Share in Total Textile Imports 2018 (%)	CAGR 2009–18 (%)
World	8,841.42	8,900.11	8,632.38	9,016.05	9,451.87	100.00	5.18
China	5,477.19	5,414.00	5,162.27	5,460.49	5,736.82	60.70	4.55
Bangladesh	486.23	617.85	634.36	623.24	683.92	7.24	24.95
India	363.18	407.23	416.18	449.88	464.18	4.91	9.01
Viet Nam	174.19	205.33	238.39	256.49	317.72	3.36	24.48
Indonesia	189.39	225.43	245.77	250.50	253.03	2.68	11.94
United States of America	211.40	207.73	189.60	191.25	189.11	2.00	1.32
Italy	134.32	128.65	132.71	149.40	166.92	1.77	3.93
Thailand	150.92	154.26	137.36	130.33	122.36	1.29	2.75
Pakistan	115.08	111.89	124.39	117.08	121.47	1.29	3.76
New Zealand	170.55	139.88	137.69	129.65	113.34	1.20	-5.97

Source: ITC Trade Map

Australian Imports of Textile Articles (HS 50-63)

Australia imports \$9.45 billion worth of textile products from the world, out of which \$8.01 billion are categorized under knitted (HS-61), woven (HS-62) and other made-up textile apparels (HS-63). These items constitute 84.8 percent of the total textile imports.

The following table shows Australia's imports of textile articles from the world. The following table also demonstrates Pakistan's share as a supplier of these goods to Australia along with the top 3 supplying markets and their share in Australia's imports. The tariff rate²³ applied by Australia on the top 3 suppliers as well as tariff applied on Pakistan are also shown.

The objective of this exercise is to determine which goods from the textile sector should be included in Australia's concession list if a trade agreement were to be signed between the two countries. Keeping in view Australia's demand for textile articles from the world, Pakistan should seek market access not only for current exports but also try to obtain access for products with robust growth rates. CAGR's for Australia's imports from the world are also shown to identify suggestive future trends and goods in demand on which Pakistan also needs to focus.

Table 6-4 Australia Imports of Textile Articles (HS 50-63): A Comparison

Product code	Product label	Australian Imports from the world in 2018 (US\$, Millions)	CAGR of Australian Imports from the world 2009-18 (%)	Top 3 Suppliers for Australian Imports and Share in Australia's Imports (%)	Average Tariff (estimated) Applied by Australia on Top Exporter (%)	Australian Imports from Pakistan in 2018 (US\$, Millions)	Trade Potential for Pakistan 2018 (US\$, Millions)	CAGR of Australian Imports from Pakistan 2009-18 (%)	Pakistan's Share in Australian Imports (%)	Ad Valorem Equivalent Tariff Applied by Australia on Pakistan (%)
TOTAL	All products	227,284.14								
	Textile product category (HS 50-63)	9,451.86								
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	491.40	5.45	China (41.90) Bangladesh (31.60) India (6.80)	0.00 0.00 5.00	5.77	238.04	51.41	1.17	5.00
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	367.20	6.23	China (55.10) Bangladesh (27.50) Viet Nam (2.70)	0.00 0.00 5.00	7.15	346.61	0.22	1.95	5.00
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	297.50	3.42	China (61.30) Bangladesh (18.10) Indonesia (4.00)	0.00 0.00 0.00	3.83	100.24	33.50	1.29	5.00
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted ...	286.58	5.79	China (77.60) Bangladesh (7.30) Viet Nam (2.60)	0.00 0.00 0.00	1.16	3.78	33.35	0.40	5.00
630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	277.69	9.17	China (66.00) United States (9.10) United Kingdom (2.30)	0.00 0.00 5.00	2.17	41.28	35.70	0.78	5.00
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted	255.16	6.67	China (62.20) Bangladesh (13.20) Viet Nam (3.30)	0.00 0.00 0.00	4.42	73.29	46.09	1.73	5.00
620520	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets and ...	227.57	4.63	China (57.10) Bangladesh (15.40) Indonesia (6.40)	0.00 0.00 0.00	0.39	3.13	2.62	0.17	5.00

23 Average tariff (estimated) at the HS-06 level is calculated using simple averages of the underlying tariffs applied by the national tariff line.

Product code	Product label	Australian Imports from the world in 2018 (US\$, Millions)	CAGR of Australian Imports from the world 2009–18 (%)	Top 3 Suppliers for Australian Imports and Share in Australia's Imports (%)	Average Tariff (estimated) Applied by Australia on Top Exporter (%)	Australian Imports from Pakistan in 2018 (US\$, Millions)	Trade Potential for Pakistan 2018 (US\$, Millions)	CAGR of Australian Imports from Pakistan 2009–18 (%)	Pakistan's Share in Australian Imports (%)	Ad Valorem Equivalent Tariff Applied by Australia on Pakistan (%)
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	223.37	9.41	China (75.00) Viet Nam (3.90) Bangladesh (3.70)	0.00 5.00 0.00	0.53	153.95	39.21	0.24	5.00
620443	Women's or girls' dresses of synthetic fibres (excluding knitted or crocheted and petticoats)	180.56	10.24	China (80.90) India (3.40) Indonesia (2.40)	0.00 5.00 0.00	0.02	0.24	–	0.01	5.00
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	173.95	8.88	China (73.60) India (8.90) Pakistan (8.10)	0.00 5.00 5.00	14.12	159.13	3.48	8.11	5.00
621210	Brassieres of all types of textile materials, whether or not elasticated, incl. knitted or ...	170.72	4.40	China (67.70) Indonesia (13.90) Viet Nam (2.90)	0.00 0.00 0.00	0.01	0.76	-1.47	0.00	5.00
621143	Women's or girls' tracksuits and other garments, n.e.s. of man-made fibres (excluding knitted)	150.27	13.15	China (83.70) Indonesia (3.50) India (3.30)	0.00 0.00 5.00	0.98	1.25	28.06	0.65	5.00
620640	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or ...)	135.43	7.69	China (73.50) Viet Nam (5.70) Indonesia (5.60)	0.00 0.00 0.00	0.04	0.15	-15.94	0.03	5.00
611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)	125.33	5.22	China (65.80) Bangladesh (16.90) Cambodia (7.20)	0.00 0.00 0.00	0.12	20.40	57.01	0.09	3.00
610463	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres, ...	124.86	16.30	China (63.10) Indonesia (7.10) Viet Nam (6.90)	0.00 0.00 0.00	0.12	1.52	40.00	0.10	5.00
620343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres (excluding ...)	122.74	4.23	China (58.30) Viet Nam (12.00) Bangladesh (8.10)	0.00 5.00 0.00	0.40	18.87	4.05	0.32	5.00
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...)	121.96	5.78	China (48.40) India (28.70) Bangladesh (10.80)	0.00 5.00 0.00	6.86	114.31	-2.67	5.62	5.00
630622	Tents of synthetic fibres (excluding umbrella and play tents)	111.15	8.99	China (86.60) Bangladesh (4.10) Germany (1.50)	0.00 0.00 5.00	0.17	1.87	36.91	0.15	5.00
570320	Carpets and other floor coverings, of nylon or other polyamides, tufted "needle punched", whether ...	110.81	10.26	China (30.70) Thailand (18.00) United States (15.60)	0.00 0.00 0.00	0.00	0.39	–	0.00	5.00
611430	Special garments for professional, sporting or other purposes, n.e.s., of man-made fibres, ...	107.05	4.22	China (78.80) Viet Nam (4.60) Fiji (2.80)	0.00 0.00 0.00	0.15	3.26	42.68	0.14	5.00
620463	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres ...	104.78	4.05	China (65.70) Viet Nam (12.20) Indonesia (4.30)	0.00 0.00 0.00	0.06	1.94	-8.77	0.06	5.00

Product code	Product label	Australian Imports from the world in 2018 (US\$, Millions)	CAGR of Australian Imports from the world 2009–18 (%)	Top 3 Suppliers for Australian Imports and Share in Australia's Imports (%)	Average Tariff (estimated) Applied by Australia on Top Exporter (%)	Australian Imports from Pakistan in 2018 (US\$, Millions)	Trade Potential for Pakistan 2018 (US\$, Millions)	CAGR of Australian Imports from Pakistan 2009–18 (%)	Pakistan's Share in Australian Imports (%)	Ad Valorem Equivalent Tariff Applied by Australia on Pakistan (%)
610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted ...	99.15	6.43	China (52.30) Bangladesh (21.90) Indonesia (10.20)	0.00 0.00 0.00	0.85	37.14	35.89	0.86	5.00
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	97.66	8.19	China (78.80) Viet Nam (9.00) Turkey (2.30)	0.00 0.00 5.00	1.42	96.55	19.47	1.46	5.00
570330	Carpets and other floor coverings, of man-made textile materials, tufted "needle punched", ...	92.88	7.45	China (56.40) United States (8.90) United Arab Emirates (8.00)	0.00 0.00 5.00	0.01	0.00	5.36	0.01	5.00
611241	Women's or girls' swimwear of synthetic fibres, knitted or crocheted	84.70	11.75	China (91.30) Indonesia (1.50) Viet Nam (1.20)	0.00 5.00 5.00	0.01	0.02	–	0.01	5.00

Source: ITC Trade Map

Key Findings:

- All the products listed above show Australia's imports from the world with a CAGR greater than 3.0 percent, indicating Australia's high demand and the needs for Pakistani textile manufacturers to focus on these items.
- Pakistan is one of the world's top exporters for 'Bedlinen of cotton (excluding printed, knitted or crocheted)' (HS-630231) whereas the country's share in the Australian market is only 8.1 percent, however, potential to export the same items is \$159.13 million.
- Five of the 25 items (highlighted in red) are made from man-made fibers, where Pakistan holds an insignificant share of less than 1 percent in all the products.
- Six of the top 25 items are made from synthetic fibers. The global demand for cotton products is declining, mainly because of competition from synthetic items.²⁴ Pakistani manufacturers need to concentrate more on the production of synthetic goods.
- Pakistan ranks at number 9 for the supply of textile products to Australia. It's competitors in the same sector, namely China, Bangladesh, Indonesia and Viet Nam enjoy 100 percent concessions on textile products exported to Australia. Competitors other than Bangladesh enjoy zero duty because of an FTA with Australia, while products being imported from Bangladesh are subject to 100 percent concession because of it being classified as a Least Developed Country (LDC).
- Thirteen of the top 25 items (highlighted in yellow) are those products for which the CAGR for Australia's imports from Pakistan is higher than Australia's imports from the world indicating Pakistan's ability to fulfill Australian demand.
- China is the top supplier of all products listed above and is enjoys 100 percent tariff concession.

Australian Imports of Textile Articles from Pakistan (HS 50-63)

Australia's total imports from Pakistan amounted to \$227.63 million, out of which \$121.47 million were categorized under textile articles (HS 50-63). Textiles thus constitute 53.4 percent of total Australian imports from Pakistan.

The following table shows Australia's top 25 imports of textile articles from Pakistan, along with Pakistan's share in Australia's imports of these particular products. Compound annual growth rates for the last 10 years are also included to analyse Australia's demand better. Pakistan's rank in Australia's imports is also included to show Pakistan's position in the Australian market for the supply of these products.

Table 6-5 Australia Imports of Textile Articles from Pakistan (HS 50-63)

Product Code	Product label	Australian imports from Pakistan in 2018 (US\$, Millions)	Australian imports from the world in 2018 (US\$, Millions)	Pakistan's share in Australia's imports in 2018 (%)	Trade Potential for Pakistan 2018 (US\$, Millions)	Pakistan's Rank in Australian Imports 2018	CAGR of Australian imports from Pakistan 2009–18 (%)	CAGR of Australian imports from world 2009–18 (%)	Ad Valorem Equivalent Tariff Applied by Australia on Pakistan (%)
TOTAL	All products	227.62	227,284.14						
	Textile product category (HS 50-63)	121.47	9,451.86						
630222	Printed bedlinen of man-made fibres (excluding knitted or crocheted)	14.82	34.14	43.40	3.49	2	6.21	5.78	5.00
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	14.12	173.95	8.11	159.13	3	3.48	8.88	5.00
630221	Printed bedlinen of cotton (excluding knitted or crocheted)	11.46	53.84	21.28	0.42	2	2.85	7.58	5.00
630232	Bedlinen of man-made fibres (excluding printed, knitted or crocheted)	8.24	74.68	11.04	42.53	3	1.74	2.93	5.00
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	7.15	367.20	1.95	346.61	4	0.22	6.23	5.00
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...	6.86	121.96	5.62	114.31	4	-2.67	5.78	5.00
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	5.77	491.40	1.17	238.04	10	51.41	5.45	5.00
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	4.42	255.16	1.73	73.29	13	46.09	6.67	5.00
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	3.83	297.50	1.29	100.24	7	33.50	3.42	5.00
631010	Used or new rags, scrap twine, cordage, rope and cables and worn-out articles thereof, of textile ...	3.30	7.00	47.13	6.36	1	13.50	10.64	0.00

Product Code	Product label	Australian imports from Pakistan in 2018 (US\$, Millions)	Australian imports from the world in 2018 (US\$, Millions)	Pakistan's share in Australia's imports in 2018 (%)	Trade Potential for Pakistan 2018 (US\$, Millions)	Pakistan's Rank in Australian Imports 2018	CAGR of Australian imports from Pakistan 2009-18 (%)	CAGR of Australian imports from world 2009-18 (%)	Ad Valorem Equivalent Tariff Applied by Australia on Pakistan (%)
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted ...	2.96	44.95	6.59	42.63	3	7.58	9.55	0.00
520852	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 ...	2.30	20.26	11.34	20.25	4	7.00	2.15	5.00
630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	2.17	277.69	0.78	41.28	15	35.70	9.17	5.00
570110	Carpets and other textile floor coverings, of wool or fine animal hair, knotted, whether or ...	1.63	14.06	11.62	13.04	3	-8.10	-0.26	0.00
520821	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m ² , ...	1.49	2.10	70.90	1.98	1	27.92	6.76	5.00
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	1.42	97.66	1.46	96.55	6	19.47	8.19	5.00
630130	Blankets and travelling rugs of cotton (excluding electric, table covers, bedspreads and articles ...	1.16	14.19	8.19	13.09	3	9.47	2.57	3.00
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted ...	1.16	286.58	0.40	3.78	13	33.35	5.79	5.00
621600	Gloves, mittens and mitts, of all types of textile materials (excluding knitted or crocheted ...	1.02	17.42	5.86	17.31	4	5.46	6.70	0.00
630291	Toilet linen and kitchen linen of cotton (excluding of terry fabrics, floorcloths, polishing ...	1.00	21.54	4.63	4.52	4	-1.78	2.37	3.00
621143	Women's or girls' tracksuits and other garments, n.e.s. of man-made fibres (excluding knitted ...	0.98	150.27	0.65	1.25	8	28.06	13.15	5.00
630210	Bedlinen, knitted or crocheted	0.91	4.03	22.51	-3.14	2	17.98	15.14	5.00
610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted ...	0.85	99.15	0.86	37.14	7	35.89	6.43	5.00

Product Code	Product label	Australian imports from Pakistan in 2018 (US\$, Millions)	Australian imports from the world in 2018 (US\$, Millions)	Pakistan's share in Australia's imports in 2018 (%)	Trade Potential for Pakistan 2018 (US\$, Millions)	Pakistan's Rank in Australian Imports 2018	CAGR of Australian imports from Pakistan 2009–18 (%)	CAGR of Australian imports from world 2009–18 (%)	Ad Valorem Equivalent Tariff Applied by Australia on Pakistan (%)
551411	Plain woven fabrics containing predominantly, but < 85% polyester staple fibres by weight, ...	0.79	3.35	23.64	2.49	2	94.40	7.22	5.00
630520	Sacks and bags, for the packing of goods, of cotton	0.78	13.68	5.67	12.52	4	21.84	12.71	0.00

Source: ITC Trade Map

Key Findings:

- Items classified under HS-63 enjoyed a significant share of 28.5 percent in total imports of Australia from Pakistan and 53.4 percent in the textile imports from Pakistan.
- Items with a significant share in Australia's textile imports from the world are highlighted in red. These products are (HS-630222), (HS-630231), (HS-630221), (HS-630232), (HS-631010), (HS-520852), (HS-570110), (HS-520821), (HS-630210) and (HS-551411).
- 3 of the top 25 items namely 'Bedlinen of cotton (excluding printed, knitted or crocheted)' (HS-630231), 'Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton' (HS-620342) and 'T-shirts, singlets and other vests of cotton, knitted or crocheted' (HS-610910) have a significant trade potential of \$159.13 million, \$346.61 million and \$238.04 million respectively. Pakistan is not among the top 3 suppliers for these products except 'Bedlinen of cotton (excluding printed, knitted or crocheted)' (HS-630231).
- China is the largest supplier of 'Bedlinen of cotton (excluding printed, knitted or crocheted)' (HS-630231) to Australia with a share of 73.6 percent. For the same product, Pakistan is the 2nd largest exporter in the world after China and the 3rd largest import sourcing market for Australia. Keeping in view Pakistan's global strength in this article, Pakistan needs to negotiate tariff rates for this product to expand its untapped potential.
- Pakistan is the 4th largest supplier of 'Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton' (HS-620342) to Australia with a further potential of \$346.61 million. Australian imports from the world for this product amounted to \$367.20 million. Pakistan's leading competitors for this product are China, Bangladesh and Viet Nam with market shares of 55.1 percent, 27.5 percent and 2.7 percent respectively.

The PBC recommends the inclusion of the following products in the concession list in any possible future negotiation for a trade agreement with Australia. This list has been created based on the products for which the CAGR for Australia's imports from Pakistan is greater than the CAGR of Australia's imports from the world and these products are in the list of the top 25 Australian imports from Pakistan.

Product Code	Product Label	Product Code	Product Label
610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted ...	610910	T-shirts, singlets and other vests of cotton, knitted or crocheted
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted ...	611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...)
621143	Women's or girls' tracksuits and other garments, n.e.s. of man-made fibres	630231	Bedlinen of cotton (excluding printed, knitted or crocheted)
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...)	630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.

CHAPTER 7

TRADE IN AGRICULTURE IN A POTENTIAL PAKISTAN – AUSTRALIA FTA

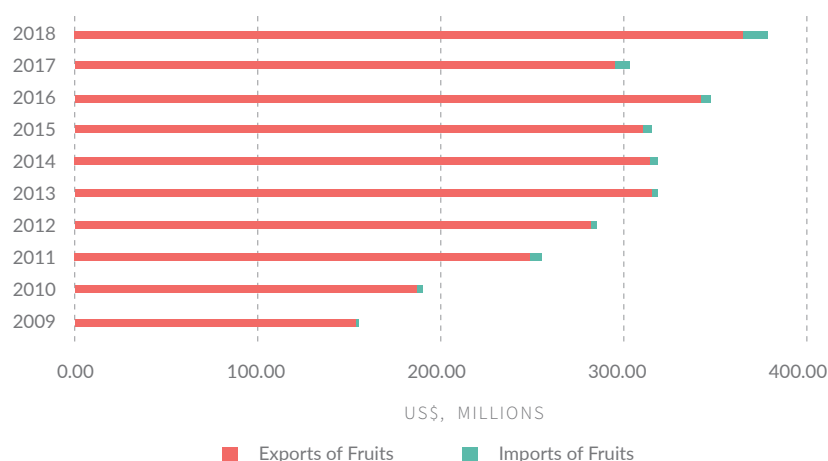
Fruits are an essential sub-sector of the agriculture industry of Pakistan. This sub-sector contributed 697 thousand tons of exports to the world in 2017–18. Favorable climatic conditions allow Pakistan to produce a variety of fruits and vegetables. Major fruits produced and exported by Pakistan are citrus, mango, banana, apple, grapes, pomegranate, guava, dates, apricot, peach and pear. Fruits comprise 40 percent of the horticulture market. Pakistan's land and climatic conditions are conducive to the growth of a variety of fruits.

Table 7-1 Production of Fruit – Pakistan

	(Tonnes)				
FRUIT	2013-14	2014-15	2015-16	2016-17	2017-18
Citrus	2,167,719	2,395,550	2,344,086	2,180,037	2,351,386
Mango	1,658,562	1,716,882	1,636,473	1,784,089	1,735,000
Banana	118,756	118,044	134,634	137,449	140,415
Apple	606,016	616,748	620,481	669,912	564,693
Grapes	66,244	66,036	65,854	66,192	66,987
Pomegranate	45,318	42,641	40,125	37,692	36,840
Guava	496,008	488,017	522,573	547,647	586,070
Dates	526,749	537,204	467,756	438,989	540,606
Apricot	177,630	170,504	172,933	165,918	141,721
Peach	60,880	66,792	70,750	71,639	72,536
Pear	18,726	17,012	16,569	16,452	15,926
Total	5,942,608	6,235,430	6,092,234	6,116,016	6,252,180

Source: Ministry of National Food Security and Research

FIGURE 7-1 Pakistan Trade in Fruits



Source: ITC Trade Map

The following table shows a brief analysis of Australia's imports of fruits²⁵ from the world. The table also depicts Pakistan's potential to export these fruits to Australia. The tariff rate applied by Australia on Pakistan is also shown. Australia imported \$119.05 million worth of fruits from the world. However, Pakistan's trade potential for the export of these goods is \$118.37 million. The objective of this exercise is to determine which products should be taken into consideration if an FTA is signed between the two countries. Pakistan should seek market access not only for current exports but also try to obtain access for products with robust growth rates. The CAGR of Australia's imports from the world is shown to identify suggestive future trends and identify goods with future demand and on which we need to focus. Keeping in view Australia's demand, Pakistan needs to try and obtain greater market access for mangoes and dates.

Table 7-2 Australia's Imports of Fruits, 2018

Product Code	Product label	Australian Imports from the world in 2018 (US\$, Millions)	CAGR of Australian Imports from the world 2009–18 (%)	Australian Imports from Pakistan in 2018 (US\$, Millions)	Trade Potential for Pakistan 2018 (US\$, Millions)	CAGR of Australia Imports from Pakistan 2009–18 (%)	Ad Valorem Equivalent Tariff Applied by Australia on Pakistan (%)
TOTAL	All products	227,284.14	3.58	227.62	23,384.53	5.85	
	Fruits Product Group (HS 0804 & HS-0805)	119.05	4.01	0.81	118.37	26.51	
080440	Fresh or dried avocados	52.46	5.47	0	–	–	0.00
080510	Fresh or dried oranges	22.28	0.35	0	2.90	–	0.00
080410	Fresh or dried dates	14.52	5.41	0.70	13.94	24.56	0.00
080550	Fresh or dried lemons "Citrus limon, Citrus limonum" and limes "Citrus aurantifolia, Citrus ...	8.70	2.42	0	0.17	–	0.00
080420	Fresh or dried figs	8.13	5.51	0	0.47	–	0.00
080521	Fresh or dried mandarins incl. tangerines and satsumas (excl. clementines)	7.42	–	0	7.42	–	–
080450	Fresh or dried guavas, mangoes and mangosteens	2.93	-1.19	0.11	2.82	–	0.00
080540	Fresh or dried grapefruit	1.55	4.45	0	–	–	–
080522	Fresh or dried clementines incl. monreales	0.65	–	0	–	–	–
080430	Fresh or dried pineapples	0.39	-6.16	0	–	–	–
080590	Fresh or dried citrus fruit (excluding oranges, lemons "Citrus limon, Citrus limonum", limes ...	0.03	-3.92	0	0.03	–	0.00
080529	Fresh or dried wilkings and similar citrus hybrids	0.01	–	0	0.01	–	–
080520	Fresh or dried mandarins incl. tangerines and satsumas, clementines, wilkings and similar citrus ...	–	-100.00	0	–	–	–
080530	Fresh or dried lemons "Citrus limon, Citrus limonum" and limes "Citrus aurantifolia"	–	–	0	–	–	–

Source: ITC Trade Map

25 For this analysis, we have categorized fruits under 'Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried' (HS-0804) and 'Citrus fruit, fresh or dried' (HS-0805), since Pakistan has demanded markets access for exports of these products.

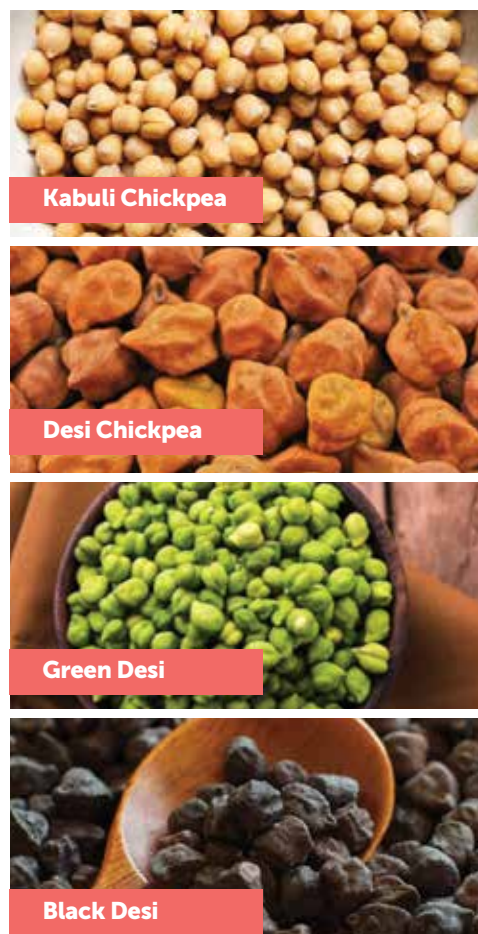
Trade in 'Dried Leguminous Vegetables' HS-071320 in a Pakistan – Australia FTA

Dried Leguminous vegetables come from the legume botanical family of plants. These plants include pulses that are dried seeds of legumes. Legumes include all forms of pulses and peas, e.g. chickpeas, beans, peas, lentils and lupins. Legumes are an essential source of protein, fibre, carbohydrates, minerals and vitamins.

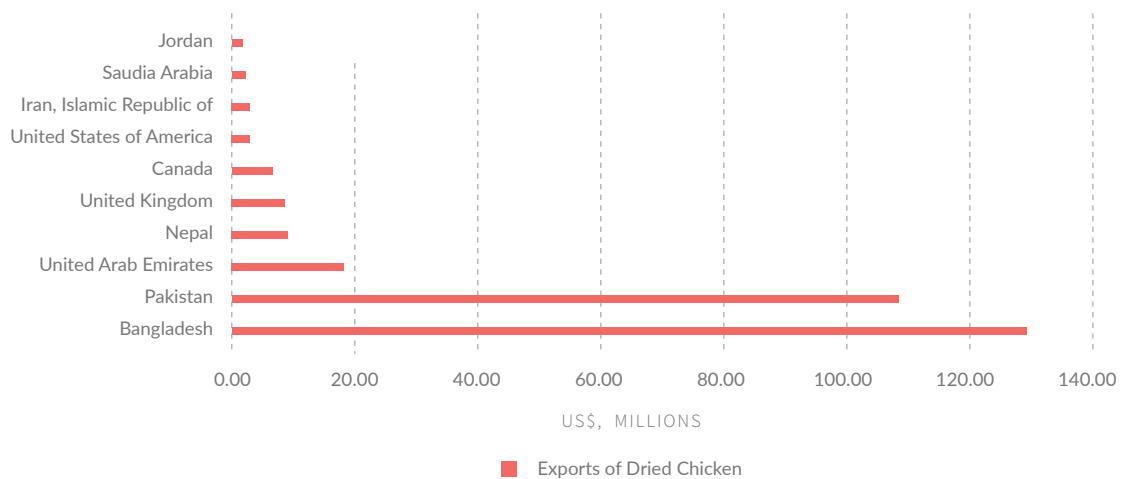
Chickpea is an important commercial crop of Australia and was first grown in Goondiwindi (Queensland) during the early 1970s. It is widely grown in Victoria, South Australia and Western Australia. There are two groups of chickpeas – Desi and Kabuli – distinguished by their color, shape and size and having different market requirements and growth techniques. Australia is the world's largest exporter of dried chickpea (HS-071320) contributing \$308.40 million to the total world exports of chickpeas. Because of increased demand, Australia has increased its production of chickpeas in recent years.

Pakistan is the second-largest export destination for Australia for the product 'Dried, shelled chickpeas "garbanzos", whether or not skinned or split' (HS-071320) having a significant share of 34.1 percent.

FIGURE 7-2 Types of Dried Chickpeas

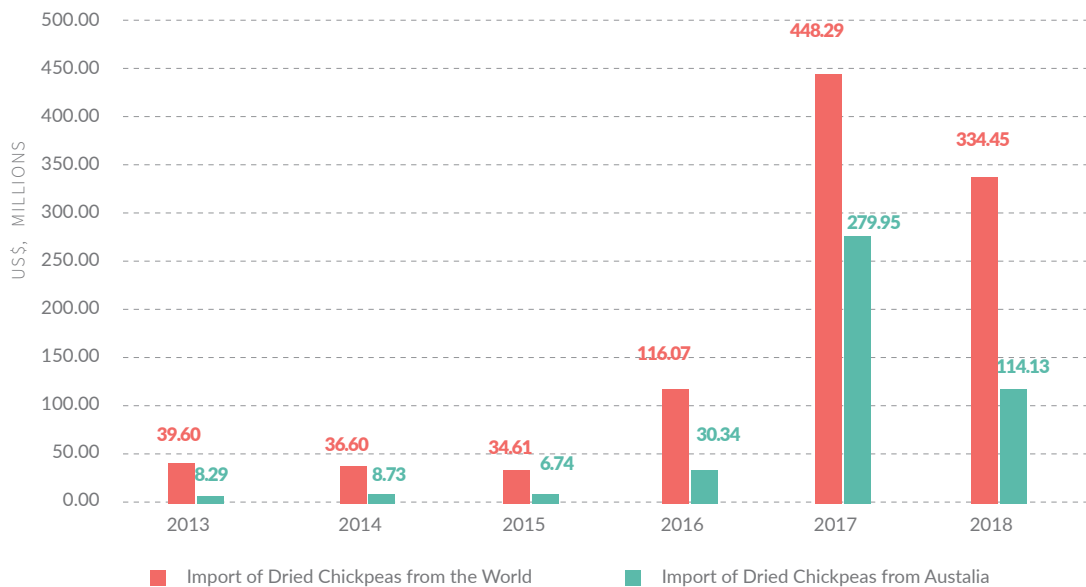


Source: Grains and Legumes Nutrition Council, Australia

FIGURE 7-3 Australia's Top 10 Export Destinations for 'Dried Chickpeas', 2018

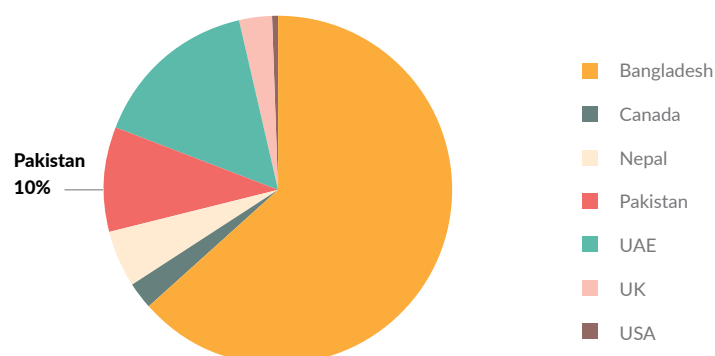
Source: ITC Trade Map

'Dried, shelled chickpeas "garbanzos", whether or not skinned or split' (HS-071320), made up 29.3 percent of total imports and was worth \$114.13 million, making it the highest import item from Australia in 2018. For the same item, Pakistan is the second-largest export destination for Australia behind Bangladesh. Imports of, 'Dried, shelled chickpeas "garbanzos", whether or not skinned or split' (HS-071320) had witnessed a surge of \$249.61 million in 2017. This sharp increase in imports is due to a shortfall in domestic production.

FIGURE 7-4 Pakistan's Imports of Dried Chickpeas, 2018

Source: ITC Trade Map

According to the data of the Australian Bureau of Statistics (ABS), Australia exported 27,251 tonnes of dried chickpeas to the world in June 2019, up by 10 percent from May. Australia has greater market access for the export of 'Dried Chickpeas' (HS-071320).²⁶

FIGURE 7-5 Australia's Exports of Dried Chickpea, January to June 2019

Source: Australian Bureau of Statistics

Table 7-3 Australia's Exports of Dried Chickpea in tonnes, January to June 2019

Top Importers	January	February	March	April	May	June	Tonnes
Bangladesh	2,1066	39,960	17,087	28,226	8,126	8,463	122,928
United Arab Emirates	3,248	2,894	1,934	8,183	8,465	4,991	29,715
Pakistan	3,704	1,224	1,526	2,192	2,571	8,064	19,281
Nepal	1,827	838	120	1,452	3,038	2,548	9,822
India	0	0	0	247	360	242	848
Total	32,358	46,866	23,089	43,124	24,719	27,251	197,407

Source: Australian Bureau of Statistics

ASEAN is an important market for Australia for the exports of vegetables. Free trade agreement among ASEAN, Australia and New Zealand (AANZFTA) has given great market access in ASEAN countries, and it has also helped Australia in enhancing this market access through the reduction and elimination of tariffs. The following table shows the tariff rates applied in AANZFTA and the current tariff rate applied by Pakistan on Australia for the import of 'Dried, shelled chickpeas "garbanzos", whether or not skinned or split' (HS-071320).

Table 7-4 Elimination of Tariff Rates in AANZFTA for the import of 'Dried Chickpeas' HS-071320

Australia	Tariffs bound at 0% on EIF
Indonesia	5% tariffs eliminated in 2010
Malaysia	All tariffs either bound at 0% on EIF (69 tariff lines) or phase to 0% by 2010 or 2011 (remaining 15 lines)
New Zealand	All tariffs eliminated or bound at 0% on EIF
Philippines	Tariffs on remaining 86 lines phase to 0% by 2010 or 2012 (55 lines); remainder phase to 0% by 2015 or 2020
Singapore	All tariffs bound at 0% on EIF
Thailand	30% tariffs eliminated on EIF or phased to 0% by 2013
Viet Nam	30% tariffs phase to 0% by 2018 with reductions commencing in 2010
	Average Tariff Estimated Applied by Pakistan
Pakistan	3%

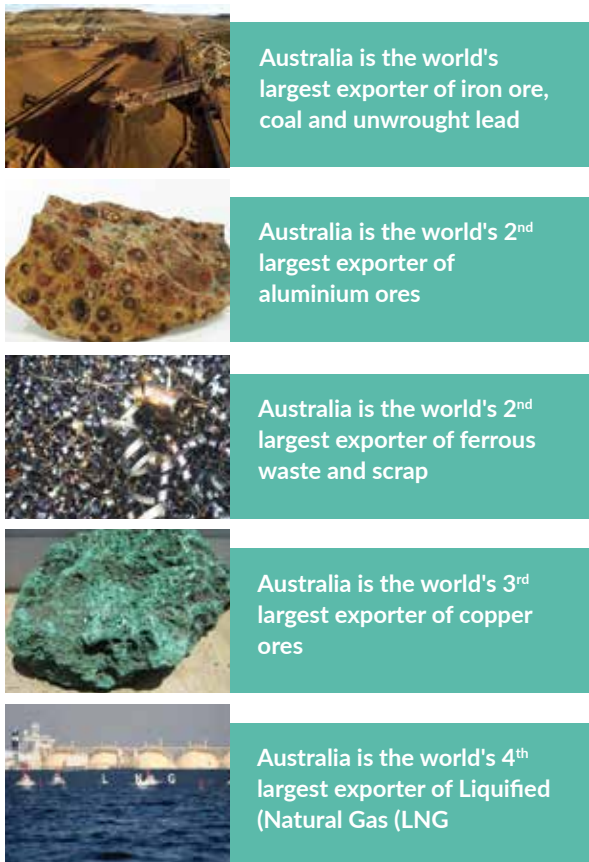
Source: Australian Government – Department of Foreign Affairs and Trade
Source: ITC Trade Map

CHAPTER 8

AUSTRALIA'S MINING INDUSTRY

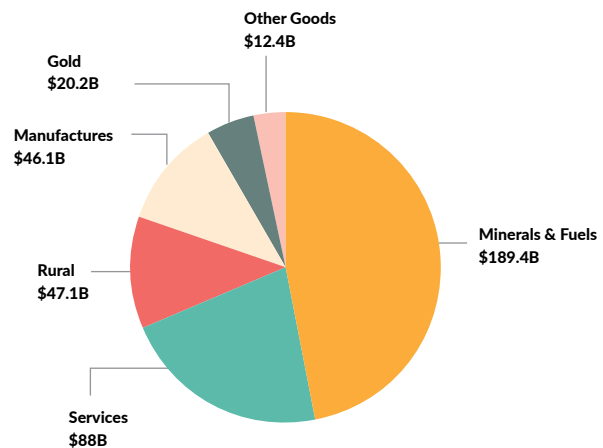
Australia is the fourth largest mining country in the world (after China, the United States and Russia). The mining industry has been a significant contributor to the Australian economy, dating back to the gold rushes of the 1850s. Australia's mining industry is strongly export-oriented, with minimal processing onshore. It is a significant contributor to national GDP, typically accounting for around 7 percent of total GDP. Australia is a global top-five producer of gold, iron ore, lead, zinc and nickel and also has the world's most abundant uranium and the fourth-largest black coal reserves. The industry experienced an extended phase of strong growth from around 2005 to early 2013, during which there were significant investment and construction of major projects. Since 2013, there has been a definite shift in focus from construction to production and export. This coincided with a fall in major international commodity prices, particularly iron ore and coal – and led to the delay/cancellation of some projects and a strong drive to cut operating costs. In the financial year 2018, the mining industry added over 148 billion Australian dollars to Australian economic growth. Moreover, several mining booms over the years have increased investment in mining and infrastructure, leading to higher incomes from mining activities and more immigration to Australia.

FIGURE 8-1 Significance of Mining Industry in Australia



Source: UN Comtrade, 2018

FIGURE 8-2 Australian Exports by Sector, 2018



Source: Australian Bureau of Statistics Catalogues 5302.0 & 5368.0

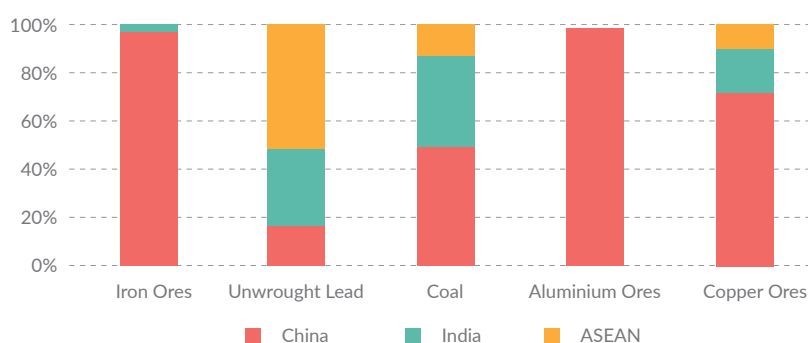
The minerals and fuels sector contributed 47 percent of total Australian exports. The overall exports of this sector grew by 12.6 percent in 2018. Liquefied natural gas increased by 38.5 percent amounting to \$30.9 billion and crude petroleum grew by 26.3 percent amounting to \$6,507 million. The following table shows the top 20 mineral and fuel products exported by Australia.

Table 8-1 Australia's Top Exports of Minerals and Fuels in 2017-18

Product Label	Exported value in 2017-18 (A\$, Millions)	Share in exports (%)	Change over 2017 (%)
Iron Ores and Concentrates	61,357	32.4	-2.0
Coal	60,376	31.9	11.3
Liquefied Natural Gas	30,907	16.3	38.5
Aluminium Ores and Concentrates	9,448	5.0	25.5
Crude Petroleum	6,507	3.4	26.3
Copper Ores and Concentrates	5,720	3.0	25.0
Refined Petroleum	26,26	1.4	11.9
Crude Minerals	1,707	0.9	131.1
Precious metal ores and concentrates (excluding gold)	1,535	0.8	-7.9
Non-ferrous waste and scrap	1,223	0.6	10.2
Ferrous waste and scrap	895	0.5	32.6
Liquefied propane and butane	798	0.4	26.6
Nickel ores and concentrates	263	0.1	8.2
Stone, sand and gravel	149	0.1	8.2
Natural abrasives	98	0.1	15.5
Petroleum gases	14	0.0	-5.8
Crude fertilisers	13	0.0	11.1
Uranium or thorium ores and concentrates	2	0.0	-2.0

Source: Based on ABS trade data on DFAT STARS database and ABS catalogues 5302.0 & 5368.0
Note: All values are in Australian Dollars

FIGURE 8-3 Australian Exports of Mineral and Fuels to China, India and ASEAN



Source: ITC Trade Map

Recently, a meeting between chairman of senate Muhammad Sadiq Sanjrani and Australian high commissioner Dr Geoferry Shaw has held at Parliament House Islamabad.²⁷ The chairman briefed that Pakistan, particularly Baluchistan, have valuable natural raw materials. But Pakistan has not utilized these mineral deposits properly for economic development. He has asked the investors from Pakistan and Australia to explore the potential in the mining sector. He added that Australia is an advanced economy in terms of the mining sector. Therefore, a mutually beneficial outcome could occur if both countries collaborate efficiently.

27 Pakistan, Australia agree to enhance mutual collaboration in mining, trade – Business Recorder, October 28th, 2019

CHAPTER 9

EX – ANTE IMPACT
OF AN FTA

To anticipate the potential gains from the Pakistan – Australia FTA to both sides, a tariff and trade simulation was conducted using the SMART methodology from the World Integrated Trade Solutions (WITS) for the year 2018. The SMART methodology enables us to determine the impact of a proposed FTA on Pakistan’s exports where Australia reduced all tariffs for Pakistan to zero. It is based on the concept of equilibrium demand of a good as a function of relative prices between foreign and local products. Similarly, it also allows us to evaluate Australia’s exports when Pakistan reduces tariffs on all imports from Australia to zero. The reduction in tariff rate decreases the price of the product being imported, as a result, due to the change in the relative prices, domestic demand for a product drops, and the demand for foreign products increases. Hence, this degree of change depends on the price elasticity of demand for international products in the local market. The increase in the volume of imports and the price elasticity arising from it is called the ‘Trade Creation Effect’.

Moreover, the local market is offered different relative prices from the beneficiary country and other foreign countries (prices offered by the beneficiary country is lower due to the tariff reduction), therefore, the local demand from other foreign countries decreases at the expense of an increase in demand from the beneficiary country. This is the substitution effect between the goods being imported that leads to ‘Trade Diversion’. Substitution and supply elasticities are fixed at 1.5 and 99, respectively. The price effect, which depicts the additional import value from increased world price, is also fixed at 0.

Pakistan’s Prospective Exports to Australia

Total Trade Effect of Pakistan’s Prospective Exports to Australia at the HS-06 Digit Level

This section shows the total trade effect for Pakistan’s exports to Australia at the HS-06 level. The total trade effect is the sum of trade creation effect and trade diversion effect from a SMART simulation. The following is a list of the top 50 items sorted on the total trade effect.

Table 9-1 Top 50 items based on the ‘Total Trade Effect’ at the HS-06 Level

Product Code	Product Label	Trade Total Effect (US\$, Millions)	Trade Creation Effect (US\$, Millions)	Trade Diversion Effect (US\$, Millions)	Old Simple Duty Rate (%)	New Simple Duty Rate (%)
630222	Printed bedlinen of man-made fibres (excluding knitted or crocheted)	8.23	7.59	0.64	5.00	0.00
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	1.75	0.79	0.96	5.00	0.00
630221	Printed bedlinen of cotton (excluding knitted or crocheted)	0.98	0.31	0.67	5.00	0.00
620342	Mens or boys trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...)	0.93	0.42	0.51	5.00	0.00
630232	Bedlinen of man-made fibres (excluding printed, knitted or crocheted)	0.93	0.37	0.56	5.00	0.00

Product Code	Product Label	Trade Total Effect (US\$, Millions)	Trade Creation Effect (US\$, Millions)	Trade Diversion Effect (US\$, Millions)	Old Simple Duty Rate (%)	New Simple Duty Rate (%)
730630	Tubes, pipes and hollow profiles, welded, of circular cross-section, of iron or non-alloy steel ...	0.81	0.37	0.44	4.00	0.00
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...	0.77	0.27	0.49	5.00	0.00
940490	Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled ...	0.71	0.25	0.46	5.00	0.00
551411	Plain woven fabrics containing predominantly, but < 85% polyester staple fibres by weight, ...	0.57	0.52	0.05	5.00	0.00
620462	Womens or girls trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	0.54	0.26	0.28	5.00	0.00
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	0.47	0.03	0.43	5.00	0.00
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	0.46	0.13	0.33	5.00	0.00
410712	Grain splits leather "incl. parchment-dressed leather", of the whole hides and skins of bovine ...	0.41	0.40	0.00	5.00	0.00
620322	Mens or boys ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	0.40	0.40	0.01	5.00	0.00
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	0.31	0.21	0.11	5.00	0.00
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated or ...	0.30	0.10	0.20	5.00	0.00
520852	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 ...	0.29	0.14	0.15	5.00	0.00
630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	0.27	0.11	0.17	5.00	0.00
950699	Articles and equipment for sport and outdoor games n.e.s.; swimming and paddling pools	0.26	0.10	0.16	5.00	0.00
392620	Articles of apparel and clothing accessories produced by the stitching or sticking together ...	0.23	0.15	0.08	3.75	0.00
520821	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m ² , ...	0.22	0.19	0.03	5.00	0.00
640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather ...	0.21	0.08	0.13	5.00	0.00
950662	Inflatable balls	0.21	0.09	0.12	5.00	0.00
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	0.19	0.08	0.11	2.50	0.00
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear ...	0.19	0.03	0.16	5.00	0.00
940520	Electric table, desk, bedside or floor-standing lamps	0.15	0.06	0.09	5.00	0.00
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted ...	0.15	0.06	0.09	5.00	0.00
610349	Mens or boys trousers, bib and brace overalls, breeches and shorts of textile materials, ...	0.14	0.14	0.00	5.00	0.00
950691	Articles and equipment for general physical exercise, gymnastics or athletics	0.13	0.05	0.08	5.00	0.00
420221	Handbags, whether or not with shoulder straps, incl. those without handles, with outer surface ...	0.13	0.07	0.05	5.00	0.00
420321	Specially designed gloves for use in sport, of leather or composition leather	0.12	0.06	0.07	2.50	0.00
820320	Pliers, incl. cutting pliers, pincers and tweezers for non-medical use and similar hand tools, ...	0.12	0.05	0.07	5.00	0.00

Product Code	Product Label	Trade Total Effect (US\$, Millions)	Trade Creation Effect (US\$, Millions)	Trade Diversion Effect (US\$, Millions)	Old Simple Duty Rate (%)	New Simple Duty Rate (%)
610799	Mens or boys bathrobes, dressing gowns and similar articles of textile materials, knitted ...	0.12	0.12	0.00	5.00	0.00
630229	Printed bedlinen of textile materials (excluding cotton and man-made fibres, knitted or crocheted)	0.11	0.11	0.01	5.00	0.00
170490	Sugar confectionery not containing cocoa, incl. white chocolate (excluding chewing gum)	0.11	0.03	0.08	5.00	0.00
621143	Womens or girls tracksuits and other garments, n.e.s. of man-made fibres (excluding knitted ...)	0.10	0.03	0.08	5.00	0.00
950669	Balls (excluding inflatable, tennis balls, golf balls, and table-tennis balls)	0.10	0.05	0.06	5.00	0.00
520822	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 ...	0.09	0.05	0.05	5.00	0.00
630210	Bedlinen, knitted or crocheted	0.09	0.04	0.05	5.00	0.00
610462	Womens or girls trousers, bib and brace overalls, breeches and shorts of cotton, knitted ...	0.08	0.02	0.06	5.00	0.00
420292	Travelling-bags, insulated food or beverage bags, toilet bags, rucksacks, shopping-bags, map-cases, ...	0.08	0.03	0.05	4.50	0.00
610342	Mens or boys trousers, bib and brace overalls, breeches and shorts of cotton, knitted or ...	0.08	0.02	0.06	5.00	0.00
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	0.07	0.03	0.04	5.00	0.00
610343	Mens or boys trousers, bib and brace overalls, breeches and shorts of synthetic fibres, knitted ...	0.07	0.02	0.05	5.00	0.00
842121	Machinery and apparatus for filtering or purifying water	0.07	0.03	0.04	4.50	0.00
420291	Travelling-bags, insulated food or beverage bags, toilet bags, rucksacks, shopping-bags, map-cases, ...	0.06	0.03	0.04	4.50	0.00
630291	Toilet linen and kitchen linen of cotton (excluding of terry fabrics, floorcloths, polishing ...)	0.06	0.01	0.05	3.33	0.00
551090	Yarn containing predominantly, but < 85% artificial staple fibres by weight, other than that ...	0.06	0.05	0.01	5.00	0.00
620193	Mens or boys anoraks, windcheaters, wind jackets and similar articles, of man-made fibres ...	0.06	0.02	0.04	5.00	0.00
620520	Mens or boys shirts of cotton (excluding knitted or crocheted, nightshirts, singlets and ...)	0.06	0.03	0.03	5.00	0.00

Source: World Integrated Trade Solutions

Key Findings

- The application of the simulation study suggests that 461 Pakistani export items at the HS-06-digit level will experience trade creation and trade diversion effects after the signing of the FTA between Pakistan and Australia.
- With a 100 percent tariff cut given by Australia, the total trade effect amounted to \$26.10 million that is 11 percent of the total exports of Pakistan to Australia.
- Trade creation and trade diversion effects are 6.5 percent and 4.1 percent, respectively. As a result, Pakistan's prospective exports to Australia are dominated by trade creation.

Pakistan's Prospective Exports to Australia of Top Growth Items at the HS-06 Digit Level

The top 50 items with the most significant change in export revenue are presented in the table below.

Table 9-2 Pakistan's Prospective Exports to Australia of Top 50 Growth Items at the HS-06 Level

Product Code	Product Label	Pre-FTA Exports (US\$, Millions)	Post-FTA Exports (US\$, Millions)	Change in Export Revenue (US\$, Millions)
630222	Printed bedlinen of man-made fibres (excluding knitted or crocheted)	15.44	23.67	8.23
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	14.39	16.14	1.75
630221	Printed bedlinen of cotton (excluding knitted or crocheted)	11.66	12.63	0.98
620342	Mens or boys trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	7.16	8.09	0.93
630232	Bedlinen of man-made fibres (excluding printed, knitted or crocheted)	8.57	9.50	0.93
730630	Tubes, pipes and hollow profiles, welded, of circular cross-section, of iron or non-alloy steel ...	9.01	9.82	0.81
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...	7.21	7.97	0.77
940490	Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled ...	6.51	7.22	0.71
551411	Plain woven fabrics containing predominantly, but < 85% polyester staple fibres by weight, ...	0.82	1.39	0.57
620462	Womens or girls trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	3.86	4.40	0.54
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	6.02	6.49	0.47
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	4.55	5.01	0.46
410712	Grain splits leather "incl. parchment-dressed leather", of the whole hides and skins of bovine ...	0.07	0.47	0.41
620322	Mens or boys ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	0.18	0.58	0.40
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	1.47	1.79	0.31
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated or ...	2.87	3.17	0.30
520852	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 ...	2.34	2.63	0.29
630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	2.30	2.58	0.27
950699	Articles and equipment for sport and outdoor games n.e.s; swimming and paddling pools	2.18	2.44	0.26
392620	Articles of apparel and clothing accessories produced by the stitching or sticking together ...	1.50	1.74	0.23
520821	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m ² , ...	1.51	1.73	0.22
640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather ...	1.76	1.97	0.21
950662	Inflatable balls	1.82	2.02	0.21
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	3.38	3.57	0.19
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear ...	2.44	2.64	0.19

Product Code	Product Label	Pre-FTA Exports (US\$, Millions)	Post-FTA Exports (US\$, Millions)	Change in Export Revenue (US\$, Millions)
940520	Electric table, desk, bedside or floor-standing lamps	1.28	1.42	0.15
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted ...	1.25	1.40	0.15
610349	Mens or boys trousers, bib and brace overalls, breeches and shorts of textile materials, ...	0.04	0.19	0.14
950691	Articles and equipment for general physical exercise, gymnastics or athletics	1.10	1.24	0.13
420221	Handbags, whether or not with shoulder straps, incl. those without handles, with outer surface ...	0.71	0.84	0.13
420321	Specially designed gloves for use in sport, of leather or composition leather	2.20	2.32	0.12
820320	Pliers, incl. cutting pliers, pincers and tweezers for non-medical use and similar hand tools, ...	0.99	1.11	0.12
610799	Mens or boys bathrobes, dressing gowns and similar articles of textile materials, knitted ...	0.02	0.14	0.12
630229	Printed bedlinen of textile materials (excluding cotton and man-made fibres, knitted or crocheted)	0.11	0.22	0.11
170490	Sugar confectionery not containing cocoa, incl. white chocolate (excluding chewing gum)	1.08	1.19	0.11
621143	Womens or girls tracksuits and other garments, n.e.s. of man-made fibres (excluding knitted ...	1.06	1.16	0.10
950669	Balls (excluding inflatable, tennis balls, golf balls, and table-tennis balls)	0.89	0.99	0.10
520822	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 ...	0.73	0.83	0.09
630210	Bedlinen, knitted or crocheted	0.96	1.05	0.09
610462	Womens or girls trousers, bib and brace overalls, breeches and shorts of cotton, knitted ...	0.86	0.95	0.08
420292	Travelling-bags, insulated food or beverage bags, toilet bags, rucksacks, shopping-bags, map-cases, ...	0.76	0.84	0.08
610342	Mens or boys trousers, bib and brace overalls, breeches and shorts of cotton, knitted or ...	0.80	0.87	0.08
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	0.61	0.68	0.07
610343	Mens or boys trousers, bib and brace overalls, breeches and shorts of synthetic fibres, knitted ...	0.67	0.74	0.07
842121	Machinery and apparatus for filtering or purifying water	0.62	0.69	0.07
420291	Travelling-bags, insulated food or beverage bags, toilet bags, rucksacks, shopping-bags, map-cases, ...	0.57	0.63	0.06
630291	Toilet linen and kitchen linen of cotton (excluding of terry fabrics, floorcloths, polishing ...	1.06	1.12	0.06
551090	Yarn containing predominantly, but < 85% artificial staple fibres by weight, other than that ...	0.10	0.17	0.06
620193	Mens or boys anoraks, windcheaters, wind jackets and similar articles, of man-made fibres ...	0.57	0.63	0.06
620520	Mens or boys shirts of cotton (excluding knitted or crocheted, nightshirts, singlets and ...	0.41	0.47	0.06

Source: World Integrated Trade Solutions

Key Findings

- Before the reduction in tariff to zero percent, the export value amounted to \$237.14 million, according to the results reported by the WITS simulation.

- With the reduction in tariff to zero percent in 2019, Pakistan's prospective trade after the application of duty concessions was valued at \$263.24 million in 2019.
- The total change in export revenue for prospective exports is \$26.10 million.
- Pakistan's most significant change in export revenue would be recorded within 'Printed bedlinen of man-made fibres (excluding knitted or crocheted)' (HS- 630222) amounting to \$8.23 million.
- Pakistan's exports to Australia would grow by 11 percent at the HS-06-digit level.

Australia's Prospective Exports to Pakistan

Total Trade Effect of Australia's Prospective Exports to Pakistan at the HS-06 Digit Level

This section reports the results of the total trade effects for Australia's exports to Pakistan at the HS-06 level. The total trade effect is the sum of trade creation effect and trade diversion effect from a SMART simulation. The following is a list of the top 50 items sorted on the total trade effect.

Table 9-3 Top 50 items based on the 'Total Trade Effect' at the HS-06 Level

Product Code	Product Label	Trade Total Effect (US\$, Millions)	Trade Creation Effect (US\$, Millions)	Trade Diversion Effect (US\$, Millions)	Old Simple Duty Rate (%)	New Simple Duty Rate (%)
480421	Unbleached sack kraft paper, uncoated, in rolls of a width > 36 cm (excluding goods of heading ...	24.12	21.61	2.51	16.00	0.00
071320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	5.67	2.39	3.28	3.00	0.00
310530	Diammonium hydrogenorthophosphate "diammonium phosphate" (excluding that in tablets or similar ...	5.20	1.86	3.34	3.00	0.00
760200	Waste and scrap, of aluminium (excluding slags, scale and the like from iron and steel production, ...	4.72	4.20	0.52	16.50	0.00
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of ...	2.52	0.73	1.79	9.40	0.00
721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ...	2.10	0.77	1.33	15.50	0.00
271111	Natural gas, liquefied	1.74	0.32	1.42	3.00	0.00
480411	Unbleached kraftliner, uncoated, in rolls of a width > 36 cm	1.62	1.24	0.38	20.00	0.00
230800	Acorns, horse-chestnuts, marc and other vegetable materials and vegetable waste, vegetable ...	1.44	1.38	0.06	11.00	0.00
720441	Turnings, shavings, chips, milling waste, sawdust, filings, trimmings and stampings of iron ...	1.29	0.80	0.49	3.00	0.00
180620	Chocolate and other food preparations containing cocoa, in blocks, slabs or bars weighing > ...	1.20	0.83	0.38	17.00	0.00
850220	Generating sets with spark-ignition internal combustion piston engine	0.98	0.78	0.21	11.00	0.00
840820	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine", for ...	0.82	0.65	0.17	35.00	0.00
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	0.79	0.26	0.53	14.27	0.00
790120	Unwrought zinc alloys	0.71	0.55	0.16	3.00	0.00
150210	Tallow of bovine animals, sheep or goats (excluding oil and oleostearin)	0.66	0.25	0.42	11.00	0.00

Product Code	Product Label	Trade Total Effect (US\$, Millions)	Trade Creation Effect (US\$, Millions)	Trade Diversion Effect (US\$, Millions)	Old Simple Duty Rate (%)	New Simple Duty Rate (%)
870324	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	0.54	0.37	0.17	100.00	0.00
780110	Unwrought lead, refined	0.50	0.14	0.36	3.00	0.00
380891	Insecticides (excluding goods of subheading 3808.50)	0.48	0.18	0.31	9.56	0.00
847529	Machines for manufacturing or hot working glass or glassware (excluding machines for making ...	0.44	0.34	0.11	3.00	0.00
320611	Pigments and preparations based on titanium dioxide of a kind used for colouring any material ...	0.44	0.19	0.25	3.00	0.00
721070	Flat products of iron or non-alloy steel, of a width of \geq 600 mm, hot-rolled or cold-rolled ...	0.43	0.13	0.29	11.33	0.00
847130	Data-processing machines, automatic, portable, weighing \leq 10 kg, consisting of at least a ...	0.42	0.22	0.20	3.00	0.00
841451	Table, floor, wall, window, ceiling or roof fans, with a self-contained electric motor of an ...	0.41	0.27	0.14	20.00	0.00
852560	Transmission apparatus for radio-broadcasting or television, incorporating reception apparatus	0.41	0.19	0.21	11.00	0.00
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	0.38	0.12	0.26	35.00	0.00
721061	Flat-rolled products of iron or non-alloy steel, of a width of \geq 600 mm, hot-rolled or cold-rolled ...	0.37	0.24	0.13	15.50	0.00
071340	Dried, shelled lentils, whether or not skinned or split	0.37	0.12	0.25	3.00	0.00
721069	Flat-rolled products of iron or non-alloy steel, of a width of \geq 600 mm, hot-rolled or cold-rolled ...	0.35	0.31	0.04	15.50	0.00
010229	Live cattle (excluding pure-bred for breeding)	0.33	0.33	0.00	3.00	0.00
721030	Flat-rolled products of iron or non-alloy steel, of a width of \geq 600 mm, hot-rolled or cold-rolled ...	0.31	0.22	0.10	15.50	0.00
870850	Drive-axles with differential, whether or not provided with other transmission components, ...	0.29	0.12	0.17	35.00	0.00
720916	Flat-rolled products of iron or non-alloy steel, of a width of \geq 600 mm, in coils, simply ...	0.28	0.19	0.09	15.50	0.00
790111	Unwrought zinc, not alloyed, containing by weight \geq 99,99% of zinc	0.28	0.07	0.20	3.00	0.00
190190	Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing ...	0.27	0.09	0.18	20.00	0.00
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more ...	0.26	0.15	0.11	35.00	0.00
010221	Pure-bred cattle for breeding	0.26	0.16	0.10	3.00	0.00
720430	Waste and scrap of tinned iron or steel (excluding radioactive, and waste and scrap of batteries ...	0.25	0.23	0.03	3.00	0.00
250810	Bentonite	0.24	0.23	0.01	3.00	0.00
200819	Nuts and other seeds, incl. mixtures, prepared or preserved (excluding prepared or preserved ...	0.23	0.14	0.09	16.00	0.00
510130	Carbonised wool, neither carded nor combed	0.21	0.21	0.00	3.00	0.00
870421	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston ...	0.21	0.08	0.13	60.00	0.00
850239	Generating sets (excluding wind-powered and powered by spark-ignition internal combustion piston	0.21	0.17	0.04	3.00	0.00
390210	Polypropylene, in primary forms	0.20	0.09	0.12	11.00	0.00
740400	Waste and scrap, of copper (excluding ingots or other similar unwrought shapes, of remelted ...	0.19	0.09	0.10	3.00	0.00

Product Code	Product Label	Trade Total Effect (US\$, Millions)	Trade Creation Effect (US\$, Millions)	Trade Diversion Effect (US\$, Millions)	Old Simple Duty Rate (%)	New Simple Duty Rate (%)
480100	Newsprint as specified in Note 4 to chapter 48, in rolls of a width > 36 cm or in square or ...	0.19	0.10	0.09	11.00	0.00
841990	Parts of machinery, plant and laboratory equipment, whether or not electrically heated, for ...	0.19	0.08	0.10	13.00	0.00
520100	Cotton, neither carded nor combed	0.18	0.11	0.07	3.00	0.00
840734	Spark-ignition reciprocating piston engine, of a kind used for vehicles of chapter 87, of a ...	0.17	0.05	0.12	35.00	0.00
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	0.15	0.05	0.09	3.00	0.00

Source: World Integrated Trade Solutions

Key Findings

- The application of the simulation study suggests that 686 Australian export items at the HS-06-digit level will experience trade creation and trade diversion effects after the signing of the FTA between Pakistan and Australia.
- With a 100 percent tariff cut given by Pakistan, the total trade effect amounted to \$70.51 million that is 22.3 percent of the total Australian exports to Pakistan.
- Trade creation and trade diversion effects are 14.8 percent and 7.6 percent, respectively. As a result, Australia's prospective exports to Pakistan are dominated by trade creation.

Australia's Prospective Exports to Pakistan of Top Growth Items at the HS-06 Digit Level

The top 50 items with the most significant change in export revenue are presented in the table below.

Table 9-4 Australia's Prospective Exports to Pakistan of Top 50 Growth Items at the HS-06 Level

Product code	Product label	Pre-FTA Exports (US\$, Millions)	Post-FTA Exports (US\$, Millions)	Change in Export Revenue (US\$, Millions)
480421	Unbleached sack kraft paper, uncoated, in rolls of a width > 36 cm (excluding goods of heading ...)	14.68	38.79	24.12
071320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	114.13	119.79	5.67
310530	Diammonium hydrogenorthophosphate "diammonium phosphate" (excluding that in tablets or similar ...)	84.05	89.25	5.20
760200	Waste and scrap, of aluminium (excluding slags, scale and the like from iron and steel production, ...)	2.51	7.22	4.72
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of ...)	14.11	16.63	2.52
721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ...	7.00	9.10	2.10
271111	Natural gas, liquefied	32.81	34.55	1.74
480411	Unbleached kraftliner, uncoated, in rolls of a width > 36 cm	1.95	3.57	1.62
230800	Acorns, horse-chestnuts, marc and other vegetable materials and vegetable waste, vegetable ...	0.55	1.99	1.44
720441	Turnings, shavings, chips, milling waste, sawdust, filings, trimmings and stampings of iron ...	11.38	12.67	1.29

Product code	Product label	Pre-FTA Exports (US\$, Millions)	Post-FTA Exports (US\$, Millions)	Change in Export Revenue (US\$, Millions)
180620	Chocolate and other food preparations containing cocoa, in blocks, slabs or bars weighing > ...	3.35	4.56	1.20
850220	Generating sets with spark-ignition internal combustion piston engine	1.43	2.41	0.98
840820	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine", for ...	0.46	1.28	0.82
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	2.84	3.63	0.79
790120	Unwrought zinc alloys	4.37	5.08	0.71
150210	Tallow of bovine animals, sheep or goats (excluding oil and oleostearin)	3.40	4.06	0.66
870324	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	0.22	0.76	0.54
780110	Unwrought lead, refined	9.81	10.31	0.50
380891	Insecticides (excluding goods of subheading 3808.50)	2.37	2.86	0.48
847529	Machines for manufacturing or hot working glass or glassware (excluding machines for making ...	3.06	3.50	0.44
320611	Pigments and preparations based on titanium dioxide of a kind used for colouring any material ...	6.01	6.45	0.44
721070	Flat products of iron or non-alloy steel, of a width of \geq 600 mm, hot-rolled or cold-rolled ...	1.94	2.36	0.43
847130	Data-processing machines, automatic, portable, weighing \leq 10 kg, consisting of at least a ...	4.65	5.07	0.42
841451	Table, floor, wall, window, ceiling or roof fans, with a self-contained electric motor of an ...	0.57	0.98	0.41
852560	Transmission apparatus for radio-broadcasting or television, incorporating reception apparatus	2.00	2.41	0.41
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	0.68	1.06	0.38
721061	Flat-rolled products of iron or non-alloy steel, of a width of \geq 600 mm, hot-rolled or cold-rolled ...	0.61	0.98	0.37
071340	Dried, shelled lentils, whether or not skinned or split	6.43	6.80	0.37
721069	Flat-rolled products of iron or non-alloy steel, of a width of \geq 600 mm, hot-rolled or cold-rolled ...	0.77	1.12	0.35
010229	Live cattle (excluding pure-bred for breeding)	0.75	1.07	0.33
721030	Flat-rolled products of iron or non-alloy steel, of a width of \geq 600 mm, hot-rolled or cold-rolled ...	0.49	0.80	0.31
870850	Drive-axles with differential, whether or not provided with other transmission components, ...	0.47	0.75	0.29
720916	Flat-rolled products of iron or non-alloy steel, of a width of \geq 600 mm, in coils, simply ...	0.47	0.76	0.28
790111	Unwrought zinc, not alloyed, containing by weight \geq 99,99% of zinc	5.43	5.71	0.28
190190	Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing ...	0.74	1.01	0.27
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more ...	0.29	0.55	0.26
010221	Pure-bred cattle for breeding	7.14	7.40	0.26
720430	Waste and scrap of tinned iron or steel (excluding radioactive, and waste and scrap of batteries ...	0.61	0.86	0.25
250810	Bentonite	0.35	0.59	0.24
200819	Nuts and other seeds, incl. mixtures, prepared or preserved (excluding prepared or preserved ...	0.85	1.08	0.23

Product code	Product label	Pre-FTA Exports (US\$, Millions)	Post-FTA Exports (US\$, Millions)	Change in Export Revenue (US\$, Millions)
510130	Carbonised wool, neither carded nor combed	0.91	1.12	0.21
870421	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston ...	0.24	0.45	0.21
850239	Generating sets (excluding wind-powered and powered by spark-ignition internal combustion piston ...	0.81	1.01	0.21
390210	Polypropylene, in primary forms	0.80	1.01	0.20
740400	Waste and scrap, of copper (excluding ingots or other similar unwrought shapes, of remelted ...	2.53	2.72	0.19
480100	Newsprint as specified in Note 4 to chapter 48, in rolls of a width > 36 cm or in square or ...	0.58	0.77	0.19
841990	Parts of machinery, plant and laboratory equipment, whether or not electrically heated, for ...	0.62	0.81	0.19
520100	Cotton, neither carded nor combed	1.68	1.86	0.18
840734	Spark-ignition reciprocating piston engine, of a kind used for vehicles of chapter 87, of a ...	0.33	0.50	0.17
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	2.12	2.27	0.15

Source: World Integrated Trade Solutions

Key Findings

- Before the reduction in tariff to zero percent, the export value amounted to \$388.96 million, according to the results reported by the WITS simulation.
- With the reduction in tariff to zero percent in 2019, Australia's prospective trade after the application of duty concessions was valued at \$459.47 million in 2019.
- The total change in export revenue for prospective exports is \$70.51 million.
- Australia's most prominent change in export revenue would be recorded within '*Unbleached sack kraft paper, uncoated, in rolls of a width > 36 cm (excluding goods of heading ...*' (HS- 480421) amounting to \$24.12 million.
- Australia's exports to Pakistan would grow by 18.1 percent at the HS-06-digit level.

CHAPTER 10

EASE OF DOING
BUSINESS

The World Bank Group makes a report on the Ease of Doing Business Index each year. The ease of doing business index highlights ten indicators that are used to evaluate different sectors of operation of a business. A high rank of doing business (a low numerical value) indicates a better and efficient business environment.

The following table shows the overall ranking of Ease of Doing Business with the ten indicators used to measure it, for the years 2018 and 2019. According to the doing business 2019 data, Pakistan ranks 108th while Australia ranks 14th out of 190 countries listed. Australia outranks Pakistan in nine of the doing business indicators depicting a significant and robust business performance of Australia. According to the World Bank Ease of Doing Business Report 2020, Pakistan has improved its ranking from 136th in 2019 to 108th in 2020, marking a jump of 28 places.

Pakistan has been acknowledged as one of the top 20 global reformers this year.

Dawn, October 29th 2019

Table 10-1 Ease of Doing Business

	Pakistan			Australia		
	DB 2020 Rank	DB 2020 Score	DB 2019 Score	DB 2020 Rank	DB 2020 Score	DB 2019 Score
Overall	108 th	61.0	55.31	14 th	81.20	80.70
Starting a Business	72 nd	89.3	81.89	7 th	96.60	96.50
Dealing with Construction Permits	112 th	66.5	53.59	11 th	84.70	84.60
Getting Electricity	123 rd	64	44.75	62 nd	82.30	82.30
Registering Property	151 st	48.6	45.63	42 nd	75.70	75.90
Getting Credit	119 th	45	45.00	4 th	95.00	90.00
Protecting Minority Investors	28 th	72 nd	71.67	57 th	64.00	64.00
Paying Taxes	161 st	52.9	47.05	28 th	85.70	85.60
Trading Across Borders	111 th	68.8	60.12	106 th	70.30	70.30
Enforcing Contracts	156 th	43.5	43.49	6 th	79.00	79.00
Resolving Insolvency	58 th	59	59.86	20 th	78.90	78.90

Source: World Bank Doing Business 2020, 17th Edition

Table 10-2 Cost of Doing Business Comparison

	Pakistan	Australia	India	China
Starting a Business				
Procedures required to register a firm (number)	5	3	10	4
Time required to register a firm (days)	16.5	2	17.5	9
Cost of starting a new business (% of income per capita)	6.7	0.7	7.2	1.1
Minimum capital required to start a firm (% of income per capita)	0.0	0.0	0.0	0.0
Getting Electricity				
Procedures to obtain permanent electricity connection (number)	6	5	3	2
Time to obtain permanent electricity connection (days)	113	75	53	32
Reliability of supply and transparency of tariff index (0-8)	5	7	6	7
Cost of getting permanent electricity connection (% of income per capita)	1,234.5	12.1	28.6	0.0
Getting Credit				
Strength of legal rights index (0-12)	2	11	9	4
Depth of credit information index (0-8)	7	8	7	8
Paying Taxes				
Payments (number per year)	34	11	11	7
Time (hours per year)	283	105	252	138
Labour tax and contribution rate (% of profits)	15	21	20.2	46.2
Trading Across Borders				
Time to Export:				
Border compliance (hours)	55	7	12	9
Documentary compliance (hours)	96	4	20	13
Cost to Export:				
Border compliance (US\$)	288	766	212	256
Documentary compliance (US\$)	118	264	58	74
Time to Import:				
Border compliance (hours)	120	39	65	36
Documentary compliance (hours)	96	4	20	13
Cost to Import:				
Border compliance (US\$)	287	539	266	241
Documentary compliance (US\$)	130	100	100	77
Enforcing Contracts				
Time taken to enforce contract (days)	1,071	402	1445	496
Cost of enforcing contract (% of claim)	20.5	23.2	31	16.2

Source: World Bank Doing Business 2020, 17th Edition

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