



# Potential for a Pakistan – U.S. Free Trade Agreement





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MARKET ACCESS SERIES

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Pakistan Business Council (PBC)

RAMSHA HAMEED



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## Acknowledgements

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### Team Leader

Samir S. Amir

### Lead Researcher

Ramsha Hameed

### 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, Trade Statistics of the United States, 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 1<sup>st</sup> April, 2019 and may be subject to change.

For any queries or feedback regarding this report, please contact [samir@pbc.org.pk](mailto:samir@pbc.org.pk) or [ramsha@pbc.org.pk](mailto:ramsha@pbc.org.pk).



## The Pakistan Business Council: An Overview

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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

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- 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

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## Background

The idea of a Pakistan – U.S. Free Trade Agreement is an old one with Pakistan at various stages in their bilateral relationship requesting the U.S. for greater market access for Pakistani goods, especially textiles. The possibility that the U.S. may now be more open to signing a market access agreement with Pakistan has its roots in a statement made in September 2018 when U.S. Senator Lindsey Graham hinted at offering Pakistan a trade proposal in return for the country’s assistance in ending the war in Afghanistan. This report tries to put a perspective to a Free Trade Agreement being signed between Pakistan and the United States.

The report begins with a review of the current trade patterns of both Pakistan and the U.S. – the markets as well as the major products that the two countries actively trade in as well as the state of their current bilateral trade relations. The report then has a section on the likely impact on bilateral trade of a possible FTA between the two countries. An analysis of external factors, such as the on-going U.S. – China trade war, has been included to understand the impact on Pakistan – U.S. trade in the near to medium-terms. The report concludes with a brief analysis of some major sectors/industries of the two economies and their likely role in the FTA negotiations and their demands for access or protection.

Currently, Pakistan is the 56th largest trading partner of the U.S. with a bilateral trade of \$6.8 billion in 2018.

Pakistan, primarily, is an agri-based economy, with the agriculture sector contributing over 23.0 percent of Gross Domestic Product (GDP). The sector accounts for half of the employed labor force and is the largest source of foreign exchange earnings. Pakistan’s exports to the world are mostly dependent on cotton (HS-52), apparel (HS-61 and HS-62) and other made-up textiles (HS-63) which, combined, represent 54.0 percent of total exports. Imports, on the other hand, are focused on mineral fuels (HS-27), machinery and electrical equipment (HS-84 and HS-85) and oil seeds and miscellaneous grains (HS-12). Pakistan’s trade deficit has been on the rise, reaching a record high of \$36.6 billion in 2018. Imports have been on an increasing trend since 2010, crossing \$60.0 billion in 2018. On the other hand, exports have followed an almost flat trajectory, ranging between \$20.0 - \$23.0 billion over the last 4 years.

The United States is the largest economy in the world (in nominal terms) with a GDP of \$20.9 trillion as of 2018. In 2018, the U.S. exported over \$1.6 trillion worth of goods, and these mostly comprised of machinery and electrical equipment (HS-84 and HS-85), mineral fuels (HS-27), vehicles, and aircraft & parts thereof (HS-87 and HS-88). On the other hand, the U.S. import bill in 2018 was \$2.6 trillion and comprised mainly of machinery and mechanical equipment (HS-84 and HS-85), vehicles (HS-87) and mineral fuels (HS-27). Even

though U.S. exports in 2018 increased by over \$100.0 billion as compared to the previous year, the country still posted a trade deficit of \$950.0 billion in 2018.

Bilateral trade between Pakistan and the U.S. reached an all-time high in 2018, with two-way trade worth \$6.8 billion. Pakistan's exports to the U.S. were \$3.8 billion whereas imports amounted to \$2.9 billion. The U.S. is one of the few countries with which Pakistan enjoys a trade surplus, worth nearly \$969.0 million in 2018. However, this surplus has seen a declining trend as imports continue to rise while exports continue to show a slowdown. In 2018, 78.0 percent of Pakistan's exports to the U.S. comprised of textiles and textile articles (HS-50 to HS-63), of which 73.0 percent were of apparel and other made up textiles.

In 2018, Soybean (HS-12) was Pakistan's largest import category from the U.S. and represented approximately 23.0 percent of total imports. Long-staple cotton was another notable import category in 2018, and represented roughly 20.0 percent of total imports from the U.S. Other significant product categories imported by Pakistan from the U.S. were iron & steel (HS-72), machinery (HS-84) and aircrafts & parts thereof (HS-88), which combined, made up roughly 18.0 percent of total imports.

The top 20 commodities with the highest export potential to the U.S. from Pakistan have been identified in Table 26. Roughly estimated, these goods have an additional trade potential of \$5.3 billion. 'Rice, semi or wholly milled' (HS-100630) and 'Bedlinen of cotton' (HS-630231) have the highest trade potential, with a combined value exceeding \$1.4 billion. Moreover, an analysis of Pakistan's top exports to the world in Table 28 indicates that the country is one of the major suppliers to the U.S., especially in textiles and textile products and in certain categories is meeting at least 10.0 percent of total U.S. demand. However, competing against Pakistan are Bangladesh and countries from the DR – CAFTA region which enjoy significant tariff advantages. This study also analyzed U.S. exports to Pakistan and found 20 products for which the U.S. could potentially increase its exports to Pakistan. The top 20 products with the highest potential can increase U.S. exports to Pakistan by about \$7.8 billion. Most of these high potential items are categorized under electrical machinery, mechanical appliances and equipment thereof.

When U.S. President Trump announced tariffs on billions' worth of Chinese goods, it sparked a trade war that has led to tariffs being placed by both China and the U.S. on more than \$300.0 billion worth of goods. While Chinese goods face restrictions, the U.S. has been scouting for alternate markets to meet its growing domestic demand. Pakistan, a competitor to China for the U.S. market, however, has been unable to meet this demand. Pakistan's top textile exports to the U.S., some on which China faces additional tariffs, have been identified in Table 37. Analysis of the table shows that Pakistan's existing capacity to export is limited due to supply side issues. However, some exports from China have become more expensive making Pakistani goods more competitive, hence giving the country an opportunity to reduce its trade deficit. There is, however, a need to address capacity issues and investments need to be made to develop the value-added textile sector. Another option available to Pakistan for replacing Chinese goods is by focusing on goods eligible for GSP benefits, some of which have been identified in Table 36.

Pakistan is a beneficiary of the U.S. Generalized System of Preferences (GSP) program, which provides duty-free access into the U.S. for over 3,500 products. In 2018, Pakistan's exports to the U.S. under the program amounted to \$326.0 million, a mere 8.0 percent of total exports to the U.S. Since the GSP scheme does not majorly cover textiles, leather and apparel exports, Pakistan has been unable to fully utilize the benefits of the program. An economy dependent on the textile industry, coupled with lack of awareness and interest on the traders' part, have hindered the country from reaping the full benefits of the program. However, the Ministry of Commerce's recent efforts to include leather products under the GSP scheme have proved beneficial.

An opportunity analysis from Pakistan's perspective of the U.S. government's decision to withdraw GSP status from India has also been done in the report. In March 2019, the U.S. government decided to withdraw trade concessions granted to India, the largest GSP beneficiary, citing protectionist measures used by India to limit

market access to U.S. producers. However, an analysis of the top 20 Indian GSP exports to the U.S. listed in Table 42 indicates that even with the complete removal of GSP status from India, for the 20 items listed in the table, Pakistan would only be able to divert goods worth \$24.0 million towards the U.S. – a mere 1.0 percent when compared to Pakistan’s total exports of \$23.6 billion. However, if local producers could increase capacity and improve their market reach, this number might go up significantly.

The agriculture industry is a significant contributor to the U.S. economy and the country is a net exporter of agriculture produce. In 2018, it exported over \$149.0 billion worth of agriculture produce. Most agriculture produce of the U.S. rely on international demand as a major component of total demand. The country is a low-cost high production source of agriculture commodities and the removal of trade barriers has given an economic boost to the sector. It, therefore, comes as no surprise that U.S. agriculture exports to FTA partners are significantly higher than to non-FTA partners. The current 20 U.S. FTA partner countries represent around 10.0 percent of the world’s GDP and 6.0 percent of global population, yet they account for 46.0 percent of U.S. agricultural exports to the world, up from 29.0 percent in 1990, before a majority of U.S. FTAs were implemented. U.S. agricultural exports to FTA partners are growing at a faster rate than to non-FTA countries, indicating the role FTAs have played in foreign markets for U.S. producers and exporters of agriculture produce. Pakistan’s agriculture sector contributes over 23.0 percent to the country’s GDP. Opening up the agriculture market to U.S. producers would increase competition and local farmers and businesses may suffer and be pushed out of the market as a result. Pakistan, therefore, needs to carefully weigh the benefits it will gain by signing an FTA with the U.S. against the likely costs it will have to bear.

This report has a section on the U.S. soybean industry with a specific focus on Pakistan as an importer of U.S. soybean. Presently, Pakistan imports over \$657.0 million from the U.S. and \$273.0 million worth of soybean from Brazil. In recent months, following the U.S. – China trade war, U.S. soybean prices have plummeted providing Pakistan with the opportunity to decrease its import bill by diverting its import demand from Brazil to the U.S.

In the final section of this report, the importance of the textile industry for both Pakistan and the U.S. has been studied. Pakistan is the 4th largest producer of cotton, it is also a net importer of raw cotton, primarily due to the non-availability of indigenously produced long-staple cotton. In 2018, Pakistan was the 6th largest importer of cotton, with imports worth \$1.09 billion. More than 40.0 percent of cotton was imported from the U.S., the main cotton supplier to world markets.

Pakistan is the 5th largest exporter of cotton yarn (HS-5205, HS-5206 & HS-5207) with exports exceeding \$1.2 billion in 2018. A significant portion of yarn produced locally is exported rather than being utilized for domestic production of value-added products like fabrics or garments. This is an important structural weakness of the country’s textile sector. Major importers of Pakistani yarn include China, Bangladesh and Portugal who then convert the imported yarn into high value-added products, fetching high prices in the international market. The U.S. is the 10th largest export market for Pakistani cotton yarn, however Table 47 shows that the tariff applied by the former was greater than that imposed by all other top importers of Pakistani yarn. A preferential trade agreement with the U.S. could reduce the tariff rate on yarn and could possibly enhance yarn exports from Pakistan.

Similar is the case with Pakistan’s apparel and home textile exports to the U.S. Table 49 analyzes Pakistan’s top apparel and home textile exports to the U.S. It shows that Pakistan is a top supplier to the U.S. for the items mentioned in the list, but the country faces higher tariffs as compared to its competitors like Canada, Mexico and countries from Central America, that enjoy lower duty access to the U.S. market.

As of 2018, the U.S. imported over \$119.3 billion worth of textile goods (HS-50 to HS-63) from the world of which \$102.9 billion were categorized under apparel and home textiles (HS-61 to HS-63). Since textiles represent 78.2 percent of Pakistan’s total exports to the U.S., signing of a trade agreement could likely open up

the U.S. textile market for Pakistani manufacturers. Majority of Pakistan's textile exports to the U.S. are cotton-based where potential to increase exports exists. Hence, Table 53 has been created, based on the size of U.S. textile import demand and Pakistan's capacity to supply these top imports. Table 53 can be used to develop a list of textile articles that PBC recommends to be pushed for inclusion in any possible future negotiations for a trade agreement with the U.S. In addition to some important cotton-based articles, it should be noted that 32 of the top 50 items in the table are made from man-made fibers of which Pakistan holds an insignificant share of less than 1.0 percent for a majority of the items listed. Hence, given the ever-increasing demand for MMF goods where the share of cotton in the global textile market has fallen to less than 27.0 percent (2016), Pakistani manufacturers need to develop industry capacity to manufacture textile articles based on man-made fiber and penetrate the global synthetic or man-made fibers (MMF) market which has long surpassed the demand for cotton articles.

## Key Findings

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### U.S. Agriculture

- U.S. exports a major portion of its agriculture produce. In 2018, 76.0 percent of the cotton produced in the U.S. and 50.0 percent of the soybean crop was exported. In addition, the U.S. is a major exporter of wheat, corn and dairy produce. Agricultural exports are an integral part of all U.S. trade agreements. Historically, signing of a trade agreement with the U.S. has led to increased access to a partner country's agricultural markets. Most U.S. trade agreements require immediate reductions in tariffs on agriculture products. As of 2018, almost half of U.S. agricultural exports were destined to 10 FTA partners. The major FTA export markets for agriculture being Canada, Mexico and the European Union
- In 2018, Pakistan was the 6th largest importer of cotton in the world. Cotton imports were worth \$1.09 billion in 2018. The U.S. was the source of more than 40.0 percent of the cotton imported by Pakistan. The U.S. is the main cotton supplier to world markets with over \$6.5 billion exported in 2018

### Pakistan – U.S. Trade Dynamics

- Pakistan's exports to the U.S. for the year 2018 were reported at \$3.8 billion. In the past six years, Pakistan's exports to the U.S. have stayed flat – ranging between \$3.6 billion and \$3.8 billion. Imports from the U.S., on the other hand, have been steadily increasing, rising from \$1.5 billion in 2012 to \$2.9 billion in 2018. Due to rising imports and flat exports, Pakistan's trade surplus with the U.S. is steadily decreasing
- Pakistan's major current exports to the U.S. are commodities under textiles and textile goods, leather articles and medical instruments. U.S. exports to Pakistan are mostly oil seeds, cotton, iron and mechanical appliances. Pakistan imported about \$657.0 million worth of soybean from the U.S. in 2018 - the largest product category imported at the HS-06-digit level. China is the world's largest importer of soybean and the U.S. is the second largest producer and exporter of the commodity, after Brazil
- For Pakistan, there is high potential for exports to U.S. under HS-100630, i.e. 'semi-milled or wholly-milled rice'. Pakistan exported over \$1.7 billion worth of rice to the world in 2018, whereas the U.S. imported \$887.0 million of the said commodity. Pakistan has the potential to meet all of U.S.'s current rice imports, provided that the type and quality of rice demanded by the U.S. matches Pakistan's supply
- Pakistan, a recipient of the U.S. GSP program, only exported \$326.0 million (2018) worth of goods to the U.S. under the program, a mere 8.0 percent of Pakistan's exports to the U.S. The country has not been able to take advantage of the duty-free access offered under the GSP program to boost its exports

to the U.S. primarily because textiles, Pakistan's highest foreign exchange earner, are mostly not covered under the GSP program. India, a beneficiary of the GSP program till recently, exported over \$6.3 billion (2018) under the program. Analysis of the exports show that Indian exports to the U.S. under the GSP are not dependent on textiles and most exports under the GSP regime are products under jewelry, plastics, chemicals and parts of machinery, most of which Pakistan does not export

## Textiles in U.S. – Pakistan Trade

- Despite growing world demand of synthetic and man-made fibers (MMF), Pakistan's fiber mix still stands at 80:20 in favor of cotton. Only about 25.0 percent of the spinning machines are using MMF to produce blended yarn. Analysis of U.S. textile imports from the world shows that the largest number of products are made from man-made fiber where Pakistan has limited to no capacity to supply to the U.S. Moreover, U.S. import of man-made fiber category also has a high CAGR as compared to the CAGR of cotton-based textiles, clearly indicating the shift in U.S. demand from cotton-based textiles to MMF textiles
- Over 78.0 percent of Pakistan's current exports to the U.S. are under textiles and textile articles (HS-50 to HS-63). The country ranks 7th amongst U.S.'s suppliers for apparel and home textiles (HS-61 to HS-63) and has a share of 2.8 percent in U.S. apparel and home textile imports from the world
- The U.S. is the 10th largest importer of Pakistani cotton yarn. Cotton yarn exported to the U.S. currently face a tariff rate of 5.0 percent to 12.0 percent on different varieties of yarn. Moreover, in 2018, Pakistan imported cotton worth \$477.9<sup>1</sup> million from the U.S. making it the 4th largest importer of U.S. long-staple cotton

## U.S. Textile Tariffs

- The U.S. has signed a number of trade agreements granting market access for textile apparel. The foremost of these is the DR – CAFTA (Dominican Republic Central American Free Trade Agreement) which allows both parties (U.S. and the Central American countries) to trade in their preferred product category at concessional tariff rates. The U.S., being a textile raw material producer, is able to supply these products to the Central American bloc at reduced tariff rates. Similarly, Central American countries which are net exporters of textile finished goods, are able to export these goods to the U.S. at lower tariff rates. Because of the DR – CAFTA, Pakistan faces a tariff disadvantage against the Central American countries when it exports finished textile goods to the U.S.

## U.S. – China Trade Dynamics

- The U.S. – China trade war has made \$360.0 billion worth of bilateral trade expensive by slapping additional tariffs on hundreds of goods. This has caused a slowdown in the global economy. The imposition of these tariffs on China have made Pakistani goods more competitive, and offer Pakistan an opportunity to increase exports of cotton fabrics, rice and leather goods to the U.S.

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<sup>1</sup> Data reported by Pakistan

## Recommendations

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The PBC advises against the signing of a deep Free Trade Agreement (FTA) with the U.S. in the first stage. Pakistan potentially stands to lose more especially in its agricultural sector as opposed to the gains from greater access to the U.S. textile markets. The PBC recommends a limited Preferential Trade Agreement (PTA) which allows U.S. soybean and certain grades of cotton preferential tariffs while providing Pakistan access to U.S. textile markets – especially for apparel made from both cotton and man-made fiber.

### Pakistan's Imports of Agricultural Products from the U.S. under a PTA

- As much as 67 percent of Pakistan's soybean demand is being met by the U.S. which can be further enhanced if a trade agreement were to be in place and offered concessional tariffs

Tariff Structure for Soybean Seed (HS-12011000)	
Tariff Regime	Applied Tariff
MFN	3.00%
Iran	2.10%
Malaysia	0%
Sri Lanka	0%

Source: Data sourced from ITC Trade Map

- Pakistan also imports raw cotton, particularly long-staple fiber, which is imported mainly from the U.S. with room for further increase. By offering preferential tariff of zero percent, as has been offered to Malaysia and Sri Lanka, textile exports could benefit from more affordable cotton inputs

### Pakistan – U.S. Trade Dynamics

- The GSP program does not cover most of Pakistan's current exports to the U.S. Therefore, the PBC recommends that a bilateral arrangement which includes the items actually exported to the U.S. is negotiated including textiles, leather articles, surgical goods and few varieties of rice
- Pakistan's export basket to the U.S. needs to increase in terms of value and as well as variety. Emphasis needs to be placed on value added goods such as apparel and home textiles. Pakistan is already the 7<sup>th</sup> largest exporter to the U.S. for apparel and home textiles, however, for the country to significantly increase its exports to the U.S., it needs to have tariffs similar to those offered by the U.S. to its other trading partners
- The government of Pakistan, during the annual GSP review meeting, can request for some textile items to be included in the list of GSP eligible items. At the same time, Pakistan can also switch to manufacturing goods that are GSP eligible. For instance, Pakistan exports more than \$121 million worth of leather gloves, but does not specialize in making leather gloves used in sports. Leather gloves

used in sports or recreational activities are GSP eligible and Pakistan could immensely benefit from manufacturing such commodities. It should be noted that the removal of the GSP status from India does not seem to bring significant benefits to Pakistan in terms of enhancing exports. This is because Pakistan's existing capacity to export commodities that are currently being penalized by the U.S. is limited. Hence, Pakistan needs to increase its existing capacity to take advantage of the removal of the GSP status from India

## Textiles

- Pakistan's textile industry needs to develop its capacity to manufacture textile articles based on man-made fibers. Since the country does not indigenously produce MME, it can import from China and other South Asian countries, which are the largest exporters of synthetic fibers. With the availability of raw materials in the country, Pakistan too could excel in the global apparel market. Pakistan needs to negotiate with the U.S. for preferential tariffs for man-made fiber apparel in which though it currently does not have capacity, it is hoped that manufacturing capability can be built in the medium term
- Following is a list of textile articles that PBC recommends be part of the U.S. concession list for preferential access to the U.S. market. The list has been created based on multiple criterion including the size of U.S. import demand and Pakistan's capacity to supply

<b>Carpets and other textile floor coverings (HS-57)</b>	
570242	Carpets and other floor coverings, of man-made textile materials, woven, not tufted or flocked, of pile construction, made up (excluding Kelem, Schumacks, Karamanie and similar hand-woven rugs)
<b>Articles of apparel and clothing accessories, knitted or crocheted (HS-61)</b>	
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted (excluding wadded waistcoats)
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted or crocheted (excluding wadded waistcoats)
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted
611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)
610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding panties and swimwear)
611596	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of synthetic fibres, knitted or crocheted (excluding graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies)
610343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres, knitted or crocheted (excluding swimwear and underpants)
610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets and other vests)
611430	Special garments for professional, sporting or other purposes, n.e.s., of man-made fibres, knitted or crocheted
611241	Women's or girls' swimwear of synthetic fibres, knitted or crocheted
610520	Men's or boys' shirts of man-made fibres, knitted or crocheted (excluding nightshirts, T-shirts, singlets and other vests)
610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted
610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding swimwear and underpants)
610822	Women's or girls' briefs and panties of man-made fibres, knitted or crocheted

610832	Women's or girls' nightdresses and pyjamas of man-made fibres, knitted or crocheted (excluding T-shirts, vests and négligés)
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted or crocheted
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of cotton, knitted or crocheted (excluding graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies)
610130	Overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles of man-made fibres, for men or boys, knitted or crocheted (excluding suits, ensembles, jackets, blazers, bib and brace overalls and trousers)
610892	Women's or girls' négligés, bathrobes, dressing gowns, housejackets and similar articles of man-made fibres, knitted or crocheted (excluding vests, slips, petticoats, briefs and panties, nightdresses, pyjamas, brassières, girdles, corsets and similar articles)
610230	Women's or girls' overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles of man-made fibres, knitted or crocheted (excluding suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls)
<b>Articles of apparel and clothing accessories, not knitted or crocheted (HS-62)</b>	
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding knitted or crocheted, panties and swimwear)
620343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres (excluding knitted or crocheted, underpants and swimwear)
620193	Men's or boys' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres (not knitted or crocheted and excluding suits, ensembles, jackets, blazers, trousers and tops of ski suits)
620293	Women's or girls' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres (not knitted or crocheted and excluding suits, ensembles, jackets, blazers, trousers and tops of ski suits)
621143	Women's or girls' tracksuits and other garments, n.e.s. of man-made fibres (excluding knitted or crocheted)
620463	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres (excluding knitted or crocheted, panties and swimwear)
621010	Garments made up of felt or nonwovens, whether or not impregnated, coated, covered or laminated (excluding babies' garments and clothing accessories)
620469	Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials (excluding of wool, fine animal hair, cotton or synthetic fibres, knitted or crocheted, panties and swimwear)
621040	Men's or boys' garments of textile fabrics, rubberised or impregnated, coated, covered or laminated with plastics or other substances (excluding of the type described in subheading 6201,11 to 6201,19, and babies' garments and clothing accessories)
620530	Men's or boys' shirts of man-made fibres (excluding knitted or crocheted, nightshirts, singlets and other vests)
620442	Women's or girls' dresses of cotton (excluding knitted or crocheted and petticoats)
<b>Other made up textile article; sets; worn clothing and worn textile articles; rags (HS-63)</b>	
630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding floorcloths, polishing cloths, dishcloths and dusters)
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)
630392	Curtains, incl. drapes, and interior blinds, curtain or bed valances of synthetic fibres (excluding knitted or crocheted, awnings and sunblinds)
630140	Blankets and travelling rugs of synthetic fibres (excluding electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404)
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials

Source: Data sourced from ITC Trade Map

- The U.S. is the 10th largest importer of Pakistani cotton yarn. Cotton yarn exported to the U.S. currently faces a tariff of 5.0 percent to 12.0 percent on different varieties of yarn. The government of Pakistan could ask for tariff concessions and in turn waive off tariff rates of 3.0 percent currently charged on long-staple cotton imported from the U.S.
- Pakistan's textile industry faces supply-side limitations in terms of both quantitative and qualitative constraints, one of the reasons for which is the vertically-integrated domestic textile industry. The country could benefit from greater global integration – currently, Pakistan has low levels of global integration

### **Tariff Parity with Other Competitors**

- Pakistan's textile exports to the U.S. currently meet only 2.8 percent of the total U.S. demand for apparel and home textiles (HS-61 to HS-63). On the other hand, the same items constitute over 40.0 percent of Pakistan's exports. Similar is the case with rice where Pakistan exports to the U.S. meet a mere 2.5 percent of total U.S. demand for rice whereas Pakistan's rice exports to the world accounted for more than 7.4 percent of total exports

### **Pakistan and the Current U.S. – China Trade War**

- The ongoing U.S. – China trade war theoretically creates great opportunity for Pakistan to enhance its exports to the U.S., however, there is a need to address capacity issues and investments need to be made to develop the value-added textile sector. As a result of the U.S. – China trade war, soybean was among the first items targeted by China when the first round of retaliatory tariffs went into effect in July 2018. Consequently, U.S. soybean prices plummeted. Pakistan, already importing soybean worth \$943.0 million could take advantage of the cheap commodity price available in the U.S. market by shifting its import demand from Brazil and Argentina towards the U.S.

## Acronyms

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ASEAN	Association of Southeast Asian Countries
BRCA	Bilateral Revealed Comparative Advantage
CAGR	Compound Annual Growth Rate
CPEC	China – Pakistan Economic Corridor
DR – CAFTA	Dominican Republic Central American Free Trade Agreement
FAS	Foreign Agriculture Service
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GoP	Government of Pakistan
GSP	Generalized System of Preferences
HS	Harmonized System of tariff nomenclature
LDC	Less Developed Countries
LDBDC	Least Developed Beneficiary Developing Countries
LNG	Liquified Natural Gas
MFN	Most Favored Nation
MMF	Mad-made Fibres
NAFTA	North American Free Trade Agreement
PTA	Preferential Trade Agreement
SAARC	South Asian Association for Regional Cooperation
UK	United Kingdom
USA	United States of America
USD	United States Dollar
USDA	United States Department of Agriculture
USMCA	United States–Mexico–Canada Agreement
USTR	United States Trade Representative
WTO	World Trade Organization

## Introduction

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The idea of a Pakistan – U.S. Free Trade Agreement is an old one with Pakistan at various junctures in their long relationship requesting the U.S. for greater market access. The renewed interest in a Pakistan – U.S. Free Trade Agreement dates to September 2018, when U.S. Senator Lindsey Graham, after a recent visit to Afghanistan, is believed to have discussed with Pakistani leaders a proposal for a Free Trade Agreement (FTA) allowing Pakistan greater access to the world’s largest economy. In return for granting Pakistan greater market access, Pakistan would be expected to ensure an honorable exit for U.S. forces from Afghanistan. Senator Graham is reported to have said, “If we can go to Pakistan and put a free trade agreement on the table to get the Pakistanis to push the Taliban to the peace table, and you can end the Afghan war”<sup>2</sup>.

This report *Potential for a Pakistan – U.S. Free Trade Agreement* analyzes the potential increase in bilateral trade in case an FTA is signed between the two countries. The issues that will need to be addressed for reciprocal market access are also looked at from the perspective of signing of an FTA. With this objective, the study reviews the current trade patterns of both Pakistan and the U.S., the markets that the two countries actively trade with as well as the state of their current bilateral trade relations. The report then has a section on the likely impact on bilateral trade of a possible FTA between the two countries. An analysis of external factors, such as the on-going U.S. – China trade war, has been included to understand the impact on Pakistan – U.S. trade in the near to medium-terms. The report concludes with a brief analysis of some major sectors/industries of the two economies and their likely role in the FTA negotiations and their demands for access or protection.

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2 Dawn News: U.S. hints at offering FTA for Islamabad’s help in Afghan talks, 24th January 2019

## Pakistan – Economic Overview

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Pakistan, the second largest economy in South Asia, after India, is located at the crossroads of China, Central Asia, South Asia and the Middle East.

**TABLE 1: Pakistan – Economic Overview**

Indicator	Pakistan
GDP – 2018 (Current USD) <sup>3</sup>	\$312.6 billion
GDP Growth Rate (%)	5.8%
GDP per Capita – 2018	\$1,641
Inflation – 2018 (%)	3.9%
Population – 2018	200,813,818
Human Development Index (HDI)	0.562
Dependent Population – 2017 (%)	64.67
Business Environment Ranking Position (2014–18)	136 <sup>th</sup>

Source: Data sourced from ITC Trade Map and The World Bank

In 2018, Pakistan's economy maintained its growth momentum with real GDP increasing by more than 5.8 percent which incidentally was the highest in the last 10 years. The nominal GDP crossed the \$310.0 billion mark for the first time.

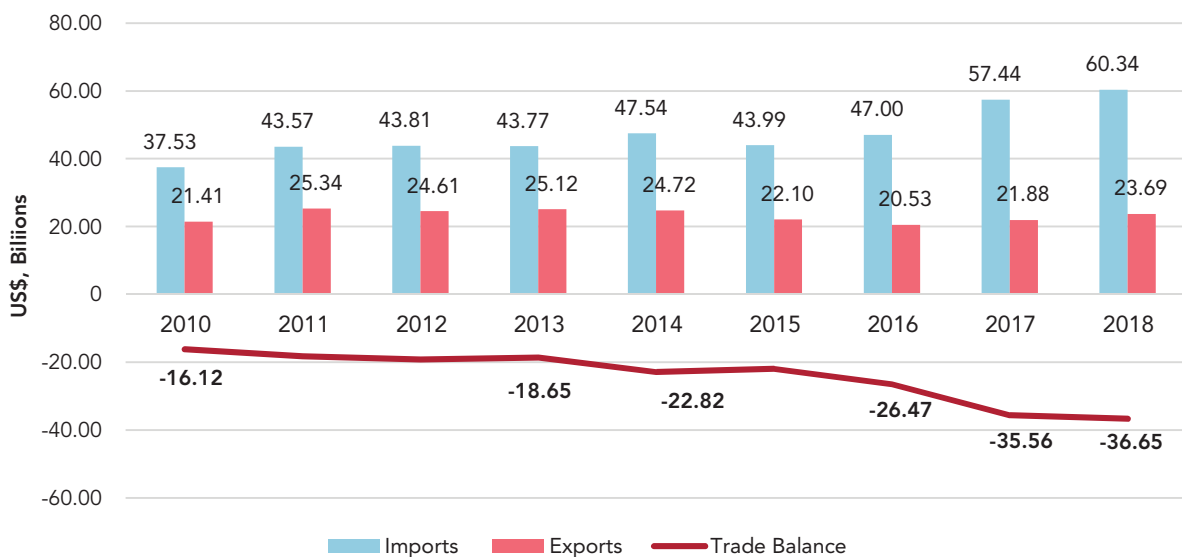
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3 Data taken from Statista and UNDP

## Pakistan – Trade Overview

In calendar year 2018, the overall trade deficit posted an increase of around \$1.0 billion over the previous year to record its highest level of \$36.0 billion. Imports surged to over \$60.0 billion, a gain of 4.8 percent over the previous year, and exports in the same period grew to \$23.7 billion, showing growth of 7.6 percent. Growth in imports declined from 18.0 percent in 2017 to 4.8 percent in 2018. This slowdown in imports was partly due to the regulatory duties placed on certain imports by the government and a reduction in CPEC related imports.

**FIGURE 1: Pakistan's Balance of Trade**



Source: Data sourced from ITC Trade Map

### Trade Trends – Exports

Over the past five-years (2014–18), Pakistan's exports have had a Cumulative Annual Growth Rate (CAGR) of (-1.05 percent). Pakistan's top four export commodities at HS-02 level come under the classification of cotton, apparel and other made-up textiles. At the HS-06 level, the top export is of semi-milled or wholly milled rice (HS-100630). Fifteen of the top '25' export items belong to the textiles and textile groups.

### Trade Trend – Imports

Pakistan's imports in the period 2014–18 grew from \$47.5 billion to \$60.3 billion with a CAGR of 6.1 percent. Pakistan's top import categories at HS-02 included; Mineral fuels and mineral oils, Machinery, Electrical machinery and Iron & Steel. At the HS-06 level, the highest imports in 2018 were for Petroleum oils and oils obtained from bituminous minerals (HS-270900). Pakistan's top import partners in 2018 were; China (24.3 percent), UAE (14.3 percent), Saudi Arabia (5.4 percent) and the U.S. (4.9 percent).

## Trade Trends

### Major Export Categories (HS-02)

The following table shows the top ten exported items by Pakistan at the HS-02 Level and their export patterns since 2014. Additionally, share of each product category in total exports along with their Cumulative Average Growth Rate (CAGR) is also shown.

**TABLE 2: Pakistan's Major Export Categories (HS-02)**

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Exports	CAGR (2014–18)
	Total	24,722,182,000	22,089,018,000	20,533,793,000	21,877,787,000	23,696,528,000		-1.05%
63	Other made-up textile articles	3,906,465,000	3,759,721,000	3,803,987,000	3,955,808,000	4,052,212,000	17.10%	0.92%
52	Cotton	4,731,369,000	4,040,271,000	3,497,374,000	3,497,689,000	3,520,860,000	14.86%	-7.12%
61	Articles of apparel and clothing accessories, knitted or crocheted	2,402,619,000	2,359,608,000	2,347,471,000	2,515,943,000	2,851,919,000	12.04%	4.38%
62	Articles of apparel and clothing accessories, not knitted or crocheted	1,984,656,000	2,127,462,000	2,253,021,000	2,465,340,000	2,586,610,000	10.92%	6.85%
10	Cereals	2,211,315,000	1,942,267,000	1,717,085,000	1,751,542,000	2,351,406,000	9.92%	1.55%
42	Articles of leather; saddlery and harness ...	742,028,000	687,621,000	644,930,000	631,953,000	662,659,000	2.80%	-2.79%
17	Sugars and sugar confectionery	439,338,000	358,000,000	250,787,000	511,945,000	518,971,000	2.19%	4.25%
27	Mineral fuels, mineral oils and products of their distillation	647,584,000	265,131,000	155,100,000	258,511,000	499,457,000	2.11%	-6.29%
22	Beverages, spirits and vinegar	352,272,000	310,032,000	250,602,000	382,204,000	453,130,000	1.91%	6.50%
25	Salt; sulphur; earths and stone ...	694,237,000	507,567,000	448,064,000	385,540,000	445,377,000	1.88%	-10.50%

Source: Data sourced from ITC Trade Map

### Key Findings

- Over the past 5 years, Pakistan's exports have shown a declining trend with a CAGR of negative 1.05 percent. This decline was attributed by policy makers to a slowdown in demand as well as power and gas shortages. Exports increased by \$1.3 billion in 2017 over the previous year, and grew by a further \$1.8 billion in 2018, to reach \$23.7 billion
- Pakistan's top four exports are of apparel and other made-up textiles and cotton which combined represent 54.0 percent of total exports. This shows the heavy reliance on textile products
- Cereals, comprising mainly rice, are one of the leading exports of Pakistan, contributing 9.9 percent to the country's exports. Cereals have shown a positive CAGR of 1.5 percent in the past five years, partly fueled by a recovery in global demand
- The petroleum group, having a negligible share of 2.1 percent in total exports, registered a positive year-on-year growth of 93.0 percent between 2017 and 2018

## Top Exports (HS-06)

The table below lists the top 25 exports of Pakistan at HS-06 Level for the period 2014 to 2018, along with the export values for each of those items. CAGR for the years 2014–18 for each of the commodities is also listed in addition to each commodity's share of total exports in 2018.

**TABLE 3: Pakistan's Top Exported Products (HS-06)**

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Exports	CAGR (2014–18)
TOTAL	All products	24,722,182,000	22,089,018,000	20,533,793,000	21,877,787,000	23,696,528,000		-1.05%
100630	Semi-milled or wholly milled rice	1,895,367,000	1,416,145,000	1,418,928,000	1,512,694,000	1,771,112,000	7.47%	-1.68%
620322	Men's or boys' ensembles of cotton (excluding knitted or crocheted ...)	231,750,000	199,452,000	708,808,000	1,291,728,000	1,532,130,000	6.47%	60.35%
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	792,525,000	744,958,000	773,306,000	810,930,000	860,178,000	3.63%	2.07%
630260	Toilet linen and kitchen linen, of terry towelling	776,389,000	820,804,000	777,086,000	805,010,000	789,350,000	3.33%	0.41%
520512	Single cotton yarn, of uncombed fibres	1,185,230,000	1,017,987,000	810,976,000	811,873,000	787,152,000	3.32%	-9.73%
630239	Bedlinen of textile materials (excluding of cotton and man-made fibres)	620,064,000	588,002,000	651,871,000	669,978,000	697,815,000	2.94%	3.00%
630210	Bedlinen, knitted or crocheted	683,989,000	654,701,000	606,930,000	665,344,000	692,625,000	2.92%	0.31%
520942	Denim	445,676,000	447,171,000	461,848,000	482,494,000	501,157,000	2.11%	2.98%
630710	Floorcloths and similar cleaning cloths, of all types of textile materials	392,749,000	396,831,000	384,886,000	407,123,000	438,864,000	1.85%	2.81%
220710	Undenatured ethyl alcohol	246,212,000	231,498,000	221,817,000	361,533,000	423,973,000	1.79%	14.55%
170199	Cane or beet sugar and chemically pure sucrose, in solid form (excluding cane and beet sugar ...)	289,210,000	230,133,000	123,078,000	342,901,000	401,185,000	1.69%	8.53%
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	319,526,000	332,642,000	326,028,000	360,575,000	372,969,000	1.57%	3.94%
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	664,530,000	762,156,000	543,874,000	410,423,000	350,264,000	1.48%	-14.79%
610590	Men's or boys' shirts of textile materials, knitted or crocheted (excluding of cotton or man-made ...)	275,730,000	262,020,000	252,519,000	310,704,000	332,438,000	1.40%	4.79%
100119	Durum wheat (excluding seed for sowing)	5,000	1,312,000	20,000	-	283,694,000	1.20%	1443.37%

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Exports	CAGR (2014–18)
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted ...	121,092,000	129,804,000	151,086,000	195,778,000	264,713,000	1.12%	21.59%
270900	Petroleum oils and oils obtained from bituminous minerals, crude	222,906,000	175,653,000	76,992,000	114,476,000	261,028,000	1.10%	4.03%
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear ...	378,656,000	320,981,000	297,991,000	275,584,000	259,022,000	1.09%	-9.06%
520812	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 ...	240,084,000	214,956,000	183,873,000	213,201,000	253,077,000	1.07%	1.33%
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	195,408,000	203,756,000	205,111,000	197,757,000	242,398,000	1.02%	5.54%
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	422,940,000	86,002,000	76,859,000	142,866,000	236,972,000	1.00%	-13.48%
610349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials, ...	123,682,000	135,664,000	159,059,000	175,670,000	229,756,000	0.97%	16.75%
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	210,557,000	201,507,000	187,615,000	196,402,000	219,624,000	0.93%	1.06%
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	150,461,000	166,211,000	143,324,000	199,886,000	215,389,000	0.91%	9.38%
252329	Portland cement (excluding white, whether or not artificially coloured)	502,135,000	337,381,000	293,399,000	208,181,000	199,426,000	0.84%	-20.61%

Source: Data sourced from ITC Trade Map

### Key Findings

- Most items in the top 25 list belong to the textile group. This shows the reliance of the economy on textile products and these contribute over 60.0 percent to the country's exports
- Even though rice, including semi-milled and wholly milled, has shown a declining trend over the past 5 years, with the CAGR being a negative 1.6 percent, the crop has registered an impressive growth of 7.7 percent since 2015. Pakistan's rice exports to the Middle East, Australia, Canada and Europe have increased significantly in the recent past
- Apart from 'Single cotton yarn' (HS-520512) and 'Men's or boys' trousers' (HS-620342), all textile articles have shown a positive CAGR (2014–18). The slowdown in exports of cotton yarn is partly due to sluggish demand from China, which is the single largest importer of cotton yarn from Pakistan

## Top Export Partners

The table below shows the top ten export destinations of goods from Pakistan along with export values for the past 5 years for each of these destinations. Each country's share in total exports in 2018 along with the 5 – year growth rate is also included.

**TABLE 4: Pakistan's Top Export Partners**

Importers	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share of Exports (2018)	CAGR (2014–18)
World	24,722,182,000	22,089,018,000	20,533,793,000	21,877,787,000	23,696,528,000		-1.05%
United States of America	3,646,509,000	3,661,588,000	3,429,743,000	3,560,301,000	3,799,274,000	16.03%	1.03%
China	2,252,900,000	1,934,926,000	1,590,858,000	1,508,080,000	1,818,802,000	7.68%	-5.21%
United Kingdom	1,654,645,000	1,572,801,000	1,557,630,000	1,634,955,000	1,729,814,000	7.30%	1.12%
Afghanistan	1,879,143,000	1,722,216,000	1,369,768,000	1,390,081,000	1,355,521,000	5.72%	-7.84%
Germany	1,215,478,000	1,146,261,000	1,186,247,000	1,286,491,000	1,311,881,000	5.54%	1.93%
United Arab Emirates	1,324,075,000	899,030,000	784,747,000	869,050,000	996,026,000	4.20%	-6.87%
Netherlands	684,740,000	666,949,000	650,798,000	758,215,000	941,625,000	3.97%	8.29%
Spain	789,828,000	782,258,000	837,343,000	904,571,000	922,799,000	3.89%	3.97%
Bangladesh	687,641,000	700,567,000	656,160,000	646,404,000	787,587,000	3.32%	3.45%
Italy	767,190,000	618,159,000	667,285,000	703,343,000	776,463,000	3.28%	0.30%

Source: Data sourced from ITC Trade Map

## Key Findings

- USA is the largest export destination accounting for 16.0 percent of total exports of Pakistan. Goods worth over \$3.8 billion were exported to the U.S. in 2018
- Although Pakistan trades with a large number of countries, its exports are highly concentrated in a few countries. About half of total exports go to ten countries namely, USA, China, UK, Afghanistan, Germany, U.A.E, Netherlands, Spain, Bangladesh, and Italy
- UK is the second largest export destination, importing around 7.3 percent or \$1.7 billion worth of goods from Pakistan
- Even though Pakistan has an FTA with China, exports to China, which is the third largest export partner, showed a negative growth rate of 5.2 percent
- Growth in exports to all top ten countries was either negative or marginally positive
- The British Pound witnessed a sharp fall in its value as a result of the referendum on Brexit. Pakistan's exports to the U.K. declined by 5.0 percent during July–December, 2016 over the same period in 2015. However, exports to the UK increased during 2017 and then again in 2018, partly due to a stabilization in the value of the Pound Sterling<sup>4</sup>

## Top 25 Exports and their Destinations

The table below lists the top 25 exported items by Pakistan at HS-06 Level along with each item's exported value in 2018 and the top 3 export destination markets.

**TABLE 5: Pakistan's Top 25 Exports and their Destinations**

HS-Code	Product label	Export Value in 2018	Major Export Destinations
TOTAL	All products	23,696,528,000	United States of America, 15.02% China, 7.68% United Kingdom, 7.30%
100630	Semi-milled or wholly milled rice	1,771,112,000	Kenya, 10.21% United Arab Emirates, 6.79% China, 6.60%
620322	Mens' or boy's ensembles of cotton (excluding knitted or crocheted ...)	1,532,130,000	United States of America, 24.75% Spain, 14.52% Germany, 11.39%
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	860,178,000	United States of America, 14.49% Germany, 13.74% United Kingdom, 11.39%
630260	Toilet linen and kitchen linen, of terry toweling	789,350,000	United States of America, 42.89% United Kingdom, 9.51% Netherlands, 6.01%
520512	Single cotton yarn, of uncombed fibers	787,152,000	China, 75.43% Bangladesh, 6.75% Japan, 3.14%
630239	Bedlinen of textile materials (excluding of cotton and man-made fibers)	697,815,000	United Kingdom, 31.38% United States of America, 18.06% Spain, 7.01%
630210	Bedlinen, knitted or crocheted	692,625,000	United States of America, 31.32% Germany, 13.14% United Kingdom, 12.41%
520942	Denim	501,157,000	Bangladesh, 48.44% Turkey, 19.77% Egypt, 7.23%
630710	Floorcloths and similar cleaning cloths, of all types of textile materials	438,864,000	United States of America, 78.61% United Kingdom, 6.00% Netherlands, 2.09%
220710	Undenatured ethyl alcohol	423,973,000	China, 30.03% Korea, Republic of, 25.12% Netherlands, 8.43%
170199	Cane or beet sugar	401,185,000	Afghanistan, 48.23% Taipei, Chinese, 9.66% Djibouti, 7.74%
901890	Instruments and appliances used in medical, surgical or veterinary sciences	372,969,000	United States of America, 26.83% Germany, 13.76% United Kingdom, 9.35%
620342	Men's or boys' trousers	350,264,000	Spain, 16.60% United States of America, 15.41% United Kingdom, 9.75%
610590	Men's or boys' shirts of textile materials	332,438,000	United States of America, 41.85% United Kingdom, 22.04% Spain, 6.09%
100119	Durum wheat (excluding seed for sowing)	283,694,000	Bangladesh, 27.26% Indonesia, 24.09% Sri Lanka, 20.25%
611090	Jerseys, similar articles, of textile materials, knitted ...	264,713,000	United States of America, 39.81% United Kingdom, 21.97% Spain, 9.56%
270900	Petroleum oils and oils obtained from bituminous minerals	261,028,000	United Arab Emirates, 54.45% Australia, 17.05% Papua New Guinea, 10.76%

HS-Code	Product label	Export Value in 2018	Major Export Destinations
420310	Articles of apparel, of leather	259,022,000	Germany, 28.60% United States of America, 12.53% France, 9.03%
520812	Plain woven fabrics of cotton	253,077,000	Italy, 13.04% China, 12.67% Portugal, 11.90%
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	242,398,000	United States of America, 35.55% United Kingdom, 15.79% Germany, 11.36%
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, . . .	235,930,000	Afghanistan, 68.90% Singapore, 19.60% Korea, Republic of 4.00%
610349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials, . . .	230,689,000	United States of America, 25.80% United Kingdom, 21.10% Spain, 14.80%
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	219,331,000	United States of America, 19.80% Germany, 12.10% Canada, 9.60%
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear	214,767,000	United States of America, 28.80% Netherlands, 17.80% Belgium 16.60%
252329	Portland cement (excluding white, whether or not artificially colored)	199,252,000	Afghanistan, 34.60% India, 31.20% Sri Lanka, 13.50%

Source: Data sourced from ITC Trade Map

### Key Findings

- Fifteen of the 25 items listed above belong to textiles and textile products group. The textile group comprises nearly 60.0 percent of total exports and major markets are the U.S., UK and various European countries
- China and Bangladesh are top importers of yarn (HS-520512) and cotton fabrics (HS-520812) as they use these to manufacture finished textile products.
- Wheat exports continue to increase year-on-year due to large surpluses. Better supply of inputs and higher support prices contributed to a higher per hectare yield that has resulted in more wheat being produced than locally demanded hence opening up a market for wheat exports. Wheat exports are, however, heavily dependent on government subsidies. The commodity in 2018 was mainly supplied to Bangladesh and Indonesia, two of the leading wheat importers in the world

## Major Import Categories (HS-02)

Pakistan's top ten imports are listed below at HS-02 Level along with their share in total imports of the country, and with their CAGRs calculated for the last 5 years.

**TABLE 6: Pakistan's Major Import Categories (HS-02)**

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Exports	CAGR (2014–18)
	Total	47,544,889,000	43,989,645,000	46,998,269,000	57,440,013,000	60,337,562,000		6.14%
27	Mineral fuels, mineral oils and products	14,821,807,000	10,030,526,000	9,528,766,000	13,712,114,000	17,126,712,000	28.38%	3.68%
84	Machinery, mechanical appliances, nuclear reactors	3,927,057,000	4,068,682,000	5,831,518,000	6,863,137,000	6,283,270,000	10.41%	12.47%
85	Electrical machinery and equipment and parts thereof	3,346,273,000	3,801,815,000	4,431,285,000	4,745,358,000	4,341,738,000	7.20%	6.73%
72	Iron and steel	2,301,833,000	2,551,754,000	2,756,017,000	3,418,871,000	3,690,612,000	6.12%	12.53%
29	Organic chemicals	1,964,338,000	1,863,989,000	1,944,043,000	2,372,435,000	2,764,446,000	4.58%	8.92%
87	Vehicles other than railway or tramway rolling stock	1,313,905,000	1,744,611,000	2,101,448,000	2,665,543,000	2,604,907,000	4.32%	18.66%
39	Plastics and articles thereof	1,952,119,000	1,933,164,000	1,938,113,000	2,296,468,000	2,499,738,000	4.14%	6.38%
15	Animal or vegetable fats and oils	2,150,336,000	1,853,374,000	1,928,036,000	2,370,258,000	2,126,352,000	3.52%	-0.28%
12	Oil seeds and oleaginous fruits; miscellaneous grains	780,735,000	784,899,000	1,047,858,000	1,399,201,000	1,463,140,000	2.42%	17.00%
52	Cotton	741,596,000	662,978,000	719,254,000	974,980,000	1,296,126,000	2.15%	14.98%

Source: Data sourced from ITC Trade Map

### Key Findings

- Group wise data suggests that except for '*Animal or vegetable fats and oils*' (HS-15), all other categories in the list above showed a positive growth trend
- The category of petroleum and its products account for the biggest share in the country's imports. Imports for the category have grown by more than \$8.0 billion in the 2016 to 2018 period. This increase was primarily due to higher international oil prices and the increased imports of LNG and coal
- The country's import of machinery and electrical equipment is also a substantial number which amounted to \$10.5 billion in 2018. This was partly due to imports as part of the China Pakistan Economic Corridor (CPEC) Early Harvest Projects. In 2018, the growth rate as compared to the past 2 years remained low as CPEC related projects advanced to maturity
- Another notable category is HS-12 comprising oil seeds and miscellaneous grains. The import bill for oil seeds, the heaviest item in the food group, has had a growth rate of 17.0 percent over the past 5 years. Imports of edible oil stood at \$1.4 billion in 2018

## Top Imports (HS-06)

The table below shows the top 25 imported commodities at the HS-06 Level that Pakistan imported in the past 5 years along with each commodity's share in total imports and their growth trends since 2014.

**TABLE 7: Pakistan's Top Imported Products (HS-06)**

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Imports	CAGR (2014–18)
	All products	47,544,889,000	43,989,645,000	46,998,269,000	57,440,013,000	60,337,562,000		6.14%
270900	Petroleum oils and oils obtained from bituminous minerals, crude	5,609,124,000	3,022,858,000	1,983,027,000	3,135,388,000	4,899,418,000	8.12%	-3.33%
271012	Light oils and preparations, of petroleum or bituminous minerals	2,291,332,000	2,182,835,000	2,217,539,000	3,010,655,000	3,690,066,000	6.12%	12.65%
271111	Natural gas, liquefied	-	356,082,000	849,824,000	1,676,310,000	3,287,137,000	5.45%	-
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	6,266,719,000	3,715,142,000	3,532,113,000	4,398,819,000	3,133,091,000	5.19%	-15.91%
151190	Palm oil and its fractions	1,862,524,000	1,568,479,000	1,629,569,000	2,011,892,000	1,833,848,000	3.04%	-0.39%
270112	Bituminous coal, whether or not pulverized, non-agglomerated	463,000	-	214,765,000	914,223,000	1,222,703,000	2.03%	616.86%
520100	Cotton	521,640,000	543,748,000	580,537,000	761,455,000	1,099,615,000	1.82%	20.49%
720449	Waste and scrap of iron or steel	560,427,000	563,673,000	571,115,000	866,802,000	949,430,000	1.57%	14.09%
120110	Soya bean seed	6,506,000	247,967,000	383,443,000	745,079,000	935,007,000	1.55%	246.24%
851712	Telephones for cellular networks "mobile telephones"	643,116,000	749,985,000	707,648,000	760,264,000	839,406,000	1.39%	6.89%
310530	Diammonium hydrogenorthophosphate "diammonium phosphate"	477,718,000	619,441,000	472,960,000	647,877,000	827,100,000	1.37%	14.71%
720441	Turnings, shavings, chips, milling waste, sawdust, filings, trimmings and stampings of iron ...	302,193,000	414,966,000	426,134,000	543,373,000	586,109,000	0.97%	18.01%
90240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings ...	319,191,000	449,111,000	480,162,000	536,873,000	554,512,000	0.92%	14.81%
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	283,222,000	345,865,000	402,110,000	575,188,000	540,787,000	0.90%	17.55%

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Imports	CAGR (2014–18)
390210	Polypropylene, in primary forms	458,381,000	412,096,000	384,894,000	466,093,000	540,031,000	0.90%	4.18%
890800	Vessels and other floating structures for breaking up	581,146,000	474,831,000	389,797,000	556,433,000	524,652,000	0.87%	-2.52%
720839	Flat-rolled products of iron or non-alloy steel, of a width of $\geq$ 600 mm, in coils, simply ...	153,831,000	148,014,000	260,790,000	347,492,000	469,982,000	0.78%	32.21%
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	279,618,000	283,661,000	318,475,000	368,135,000	431,486,000	0.72%	11.46%
120510	Low erucic acid rape or colza seeds "yielding a fixed oil which has an erucic acid content ...	543,151,000	369,126,000	464,416,000	474,823,000	403,587,000	0.67%	-7.16%
270119	Coal, whether or not pulverised, non-agglomerated (excluding anthracite and bituminous coal)	466,765,000	478,275,000	308,612,000	125,112,000	397,730,000	0.66%	-3.92%
854140	Photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled in ...	205,562,000	445,391,000	493,703,000	656,553,000	391,894,000	0.65%	17.51%
290243	P-Xylene	349,339,000	265,846,000	257,497,000	271,768,000	363,289,000	0.60%	0.98%
390110	Polyethylene with a specific gravity of $<$ 0.94, in primary forms	304,474,000	292,419,000	286,853,000	331,609,000	338,162,000	0.56%	2.66%
290531	Ethylene glycol "ethanediol"	202,907,000	209,693,000	201,493,000	286,672,000	337,596,000	0.56%	13.57%
71320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	36,603,000	34,609,000	116,073,000	448,286,000	333,073,000	0.55%	73.68%

Source: Data sourced from ITC Trade Map

### Key Findings

- Group wise data shows that imports for petroleum products, agriculture & food, and machinery have been rising
- Mineral fuels such as petroleum, natural gas and coal showed a positive growth trend (2017–2018). This was fueled primarily by a rise in international oil prices, where international monthly oil prices surged from \$42.6 a barrel in July 2016 to \$62.8 a barrel in February 2018
- Palm oil, which has a 3.0 percent share in total imports, registered a decline in value terms in 2017 due to a fall in global palm oil prices even though volume imported increased by more than 100,000 tons
- Over the past 5 years, soybean imports have grown at a staggering CAGR of 246.0 percent. Pakistan, until 2013, did not import soybean, but, due to growing domestic demand and insufficient local production, imports became necessary and resultantly, soybean imports now constitute 1.5 percent of total imports

## Top Import Partners

The following table shows Pakistan’s top ten import partners, the value of imports from them in the last five years, the partner’s share in the country’s import bill in 2018 and the CAGRs for imports from each partner in the period 2014–18.

**TABLE 8: Pakistan’s Top Import Partners**

Exporters	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Imports (2018)	CAGR (2014– 18)
World	47,544,889,000	43,989,645,000	46,998,269,000	57,440,013,000	60,337,562,000		6.14%
China	9,588,418,000	11,019,005,000	13,680,153,000	15,383,398,000	14,640,938,000	24.27%	11.16%
United Arab Emirates	7,077,180,000	5,734,688,000	6,202,090,000	7,523,994,000	8,645,121,000	14.33%	5.13%
Saudi Arabia	4,417,354,000	3,006,751,000	1,843,133,000	2,730,371,000	3,240,768,000	5.37%	-7.45%
United States of America	1,799,568,000	1,916,775,000	2,006,823,000	2,842,547,000	2,954,974,000	4.90%	13.20%
Indonesia	2,107,232,000	2,041,765,000	2,088,831,000	2,583,267,000	2,501,605,000	4.15%	4.38%
Qatar	180,898,000	319,313,000	774,256,000	1,608,305,000	2,372,217,000	3.93%	90.30%
Japan	1,752,971,000	1,725,910,000	1,961,395,000	2,293,951,000	2,283,514,000	3.78%	6.83%
India	2,104,804,000	1,669,286,000	1,644,388,000	1,696,136,000	1,954,615,000	3.24%	-1.83%
Thailand	730,062,000	852,735,000	920,023,000	1,279,321,000	1,429,528,000	2.37%	18.29%
Kuwait	2,954,979,000	1,712,743,000	1,271,958,000	1,468,125,000	1,401,940,000	2.32%	-17.01%

Source: Data sourced from ITC Trade Map

## Key Findings

- Pakistan’s imports are highly concentrated and dependent on a few major partners. Goods from the top ten countries constitute more than 60.0 percent of total imports
- China is the country’s biggest import partner, having supplied goods worth \$14.6 billion in 2018. The high CAGR of 11.1 percent for imports from China indicates that imports have been steadily increasing since 2014
- Imports from China are greater than the combined imports from the next 3 partners i.e. the U.A.E, the U.S. and Saudi Arabia
- The negative import trend from Saudi Arabia, a major supplier of crude oil, between 2015–2017 was not due to lesser volume of petroleum being imported from the Kingdom, but due to a global decline in oil prices
- Imports from Indonesia have been steadily increasing over the past 5 years as shown by a CAGR of 4.3 percent. This is due to growing imports of palm oil

## Top 25 Imports and their Sourcing Countries

The following table shows the top 25 items imported by Pakistan at the HS-06 Level. For each of the 25 items listed below, their respective import value as well as the top 3 import sourcing countries in 2018 are also shown.

**TABLE 9: Pakistan's Top 25 Imports and their Sourcing Countries**

HS-Code	Product label	Imported value in 2018	Top 3 Import Sourcing Markets
TOTAL	All products	60,337,562,000	China, 24.27% United Arab Emirates, 14.33% Saudi Arabia, 5.37%
270900	Petroleum oils and oils obtained from bituminous minerals, crude	4,899,418,000	United Arab Emirates, 59.72% Saudi Arabia, 38.65% Qatar, 1.42%
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. ...	3,690,066,000	United Arab Emirates, 69.45% Oman, 15.84% Netherlands, 5.42%
271111	Natural gas, liquefied	3,287,137,000	Qatar, 63.41% Nigeria, 10.65% Equatorial Guinea, 2.91%
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	3,133,091,000	United Arab Emirates, 53.59% Kuwait, 34.34% Korea, Republic of, 2.22%
151190	Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)	1,833,848,000	Indonesia, 77.74% Malaysia, 22.26% United Arab Emirates, 0.01%
270112	Bituminous coal, whether or not pulverised, non-agglomerated	1,222,703,000	South Africa, 75.64% Indonesia, 11.70% Russian Federation, 4.40%
520100	Cotton, neither carded nor combed	1,099,615,000	United States of America, 43.46% India, 33.22% Brazil, 5.36%
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of ...	949,430,000	United Arab Emirates, 22.61% United States of America, 20.97% United Kingdom, 14.59%
120110	Soya bean seed, for sowing	935,007,000	United States of America, 70.27% Brazil, 29.27% Ukraine, 0.27%
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	839,406,000	China, 63.03% Vietnam, 13.43% United Arab Emirates, 12.23%
310530	Diammonium hydrogenorthophosphate "diammonium phosphate" (excluding that in tablets or similar ...	827,100,000	China, 77.64% Morocco, 12.41% Australia, 9.78%
720441	Turnings, shavings, chips, milling waste, sawdust, filings, trimmings and stampings of iron ...	586,109,000	United Kingdom, 42.77% United Arab Emirates, 8.14% European Union Nes, 7.37%
090240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings ...	554,512,000	Kenya, 79.27% Rwanda, 7.68% India, 4.34%
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	540,787,000	Japan, 57.80% Indonesia, 21.16% Thailand, 17.56%
390210	Polypropylene, in primary forms	540,031,000	Saudi Arabia, 54.65% India, 14.21% United Arab Emirates, 8.76%

HS-Code	Product label	Imported value in 2018	Top 3 Import Sourcing Markets
890800	Vessels and other floating structures for breaking up	524,652,000	United Arab Emirates, 38.71% Korea, Republic of, 16.23% Singapore, 14.16%
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	469,982,000	Japan, 57.52% Asia not elsewhere specified 32.07% Ukraine 2.86%
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	431,486,000	Germany, 19.88% Switzerland, 18.12% Italy, 9.93%
120510	Low erucic acid rape or colza seeds "yielding a fixed oil which has an erucic acid content ...	403,587,000	Canada, 86.34% Ukraine, 10.17% Romania, 3.48%
270119	Coal, whether or not pulverised, non-agglomerated (excluding anthracite and bituminous coal)	397,730,000	Indonesia, 39.99% South Africa, 28.37% Mozambique, 19.70%
854140	Photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled in . . .	389,596,000	China, 92.00% Malaysia, 1.50% Korea, Republic of, 1.30%
290243	P-Xylene	365,516,000	Kingdom of Saudi Arabia, 46.2% India, 44.50% Kuwait, 9.20%
390110	Polyethylene with a specific gravity of < 0,94, in primary forms	336,950,000	Kingdom of Saudi Arabia, 38.80% Qatar, 29.40% United Arab Emirates, 8.40%
71320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	334,453,000	Australia, 34.10% Russia, 9.50% Iran, 8.80%
290531	Ethylene glycol "ethanediol"	333,800,000	Kuwait, 54.30% Kingdom of Saudi Arabia, 38.30% United Arab Emirates, 7.00%

Source: Data sourced from ITC Trade Map

### Key Findings

- Top 4 imported goods in 2018 at the HS-06 Level belong to the HS-27xxxx category of 'Mineral fuels, mineral oils and products', and amounted to \$14.0 billion
- Top 25 items combined at HS-06 Level accounted for 47.0 percent of total imports, the value of these 25 items exceeded \$28.8 billion
- Mineral fuels and oils, with the exception of natural gas and coal, are majorly imported from the U.A.E and Saudi Arabia, showing the dependency for oil imports on these two partners
- Imports of liquefied natural gas is increasing with Qatar as the main sourcing partner. The value increased sharply from \$356.0 million in 2013 to \$3.2 billion in 2018 with a CAGR of 109.0 percent (2015–18). This was mainly due to an increase in demand from the power and transportation sectors
- China is a major import partner for industrial equipment such as machinery, mechanical appliances and transport supplies
- Pakistan fulfils more than half of its \$935.0 million worth of soy bean imports from the U.S. and a quarter from Brazil
- Since Pakistan's domestic crop of cotton is of short to medium staple length, the country has to import long and extra-long staple cotton for production of finer yarn counts. These are then transformed into high quality finished goods. Long staple cotton is an important import commodity and is mainly sourced from the U.S.

## Pakistan's Bilateral Trade Agreements

Trade agreements theoretically play an important role in the promotion of trade between partner countries. Pakistan has free trade agreements with China, Sri Lanka and Malaysia. It is also part of the South Asian Association for Regional Cooperation (SAARC) and has preferential trade agreements with Indonesia, Iran and Mauritius. The following table gives an overview of the bilateral agreements that Pakistan has with other countries and their impact on bilateral trade since these agreements came into effect.

**TABLE 10: Pakistan's Bilateral Trade Agreements**

Country	Type of Agreement	Year Implemented	Pakistan's Exports in the Year of Implementation (US\$)	Pakistan's Trade Balance in the Year of Implementation (US\$)	Pakistan's Exports in 2018 (US\$)	Pakistan's Trade Balance in 2018 (US\$)
China	FTA	2007	506,642,000	-2,408,284,000	1,818,802,000	-12,822,136,000
Sri Lanka	FTA	2005	153,662,000	94,485,000	357,344,000	252,030,000
Malaysia	FTA	2008	138,068,000	-1,555,596,000	158,705,000	-998,160,000
Iran	PTA	2004	91,517,000	-189,035,000	22,949,000	-349,831,000
Indonesia	PTA	2013	144,380,000	-1,063,936,000	310,552,000	-2,191,053,000
Mauritius	PTA	2007	35,543,000	35,003,000	19,240,000	10,615,000

Source: Data sourced from ITC Trade Map

### Other Bilateral and Multilateral Trade Agreements:

#### Preferential Trade Agreement – Group of 8 Developing Countries (PTA–D8)

This agreement was signed between 8 developing countries namely Pakistan, Indonesia, Bangladesh, Malaysia, Egypt, Iran, Turkey and Nigeria in 2006 however, it is still to be notified to the World Trade Organization (WTO).

#### South Asian Free Trade Area (SAFTA)

The SAARC Preferential Trade Agreement (SAPTA) was signed in April, 1993. At a subsequent meeting in 1995, the Council of Ministers agreed to establish a South Asian Free Trade Area (SAFTA). The Agreement on SAFTA was signed during SAARC's 12<sup>th</sup> Summit in January, 2004. The participating members include Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. As a result of the Trade Liberalization Program (TLP) under SAFTA, trade in the region has increased substantially. Pakistan's total exports to the SAARC region was \$878.0 million in the year of implementation. Exports at the end of 2018 amounted to \$2.8 billion. Pakistan's total imports increased from \$521.0 million in 2004 to \$2.6 billion in 2018.

#### U.S. – PAK Trade and Investment Framework Agreement (TIFA)

TIFA was signed in 2003 as a primary mechanism to expand bilateral trade and investment flows. The agreement provides a strategic framework and a forum for dialogue on trade and investment issues between the United States and Pakistan. The TIFA Council meets at least once a year to discuss issues related to market access, labor, the environment, protection and enforcement of intellectual property rights, and capacity building. The agreement is under review and has not yet been ratified.

### U.S. Generalized System of Preferences (GSP)

The U.S. Generalized System of Preferences (GSP), is a program designed to promote economic growth in developing countries, GSP provides preferential duty-free access for over 3,500 products from 128 designated beneficiary countries. The GSP program is the largest U.S. trade preference program. Pakistan is one of the beneficiaries enjoying duty free access to the U.S. on more than 3,500 products. In 2018, Pakistan was listed as the 11<sup>th</sup> largest beneficiary of the U.S. GSP scheme, where total goods exported under the program amounted to \$326.0 million.

### EU Generalized System of Preferences Plus (GSP+)

Pakistan was granted GSP+ status by the European Union (EU) in December, 2013. It is a special incentive arrangement that allows developing countries to benefit from trade with the EU. Currently, the GSP+ offers zero-duty on 66.0 percent of the product lines.

### Economic Cooperation Organization Trade Agreement (ECOTA) (signed and in effect)

#### Trade Agreements (under consideration, discussion and negotiation):

Turkey

Korea, Republic of

Saudi Arabia

Singapore

Thailand

Pakistan – Gulf Cooperation Council Free Trade Agreement

Pakistan – MERCOSUR Preferential Trade Agreement

## U.S. – Economic Overview

The United States of America (USA), commonly known as the United States (U.S.) is a capitalist mixed economy with highly industrialized sectors using modern technology. It is the largest economy in the world (in nominal dollars) with a GDP of \$20.9 trillion as of 2018, and is the 3<sup>rd</sup> most populous country in the world. The country had a population of 327.2 million with a per capita GDP of \$62,152.0 in 2018. It is the largest source of, and destination for foreign direct investment. Key sectors include agriculture, manufacturing of machinery, automobiles, chemical products and a booming services sector focused on IT, insurance, real estate, rentals, leases, and finance. The industrial sector contributes 19.0 percent to the GDP and employs around 18.0 percent of the workforce. The economy is essentially based on the service industry where the sector accounts for more than three quarters of GDP and employs 79.0 percent of the workforce.

**TABLE 11: U.S. – Economic Overview**

Indicator	Pakistan
GDP – 2018 (Current USD)	\$20.89 trillion
GDP Growth Rate (%)	2.2
GDP per Capita – 2018	\$62,152
Inflation – 2018 (%)	1.9
Population – 2018	327.2 million
Human Development Index (HDI)	0.924
Dependent Population – 2017 (%)	51.65
Business Environment Ranking Position (2014–18)	7 <sup>th</sup>

Source: Data sourced from ITC Trade Map and The World Bank

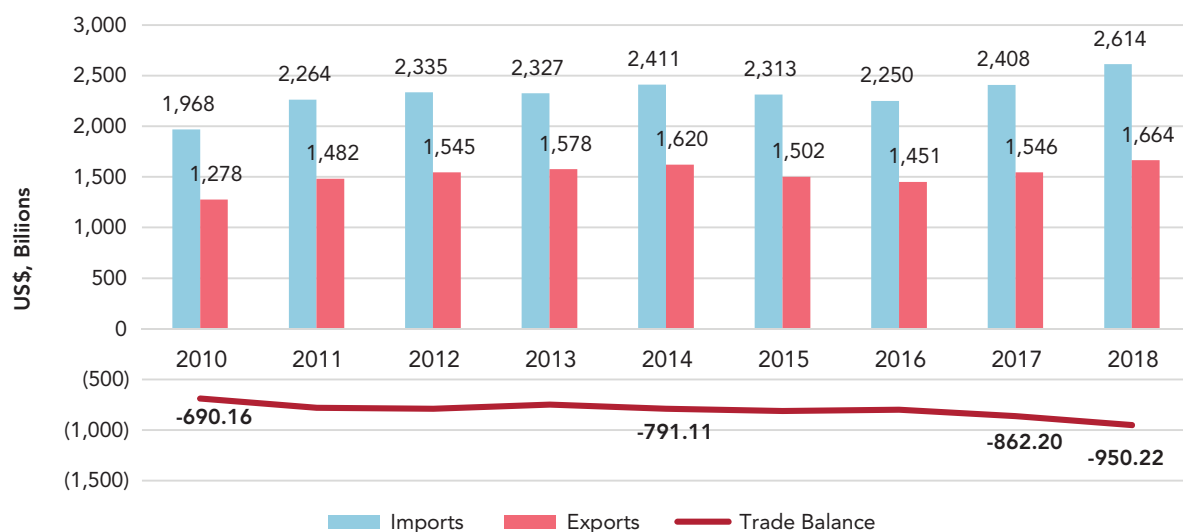
The U.S. had a \$20.8 trillion economy in 2018. The economy grew by 2.2 percent, well ahead of the 1.5 percent growth in 2016 but at par with 2017's growth rate of 2.2 percent. The unemployment rate was the lowest in 2018 after 2001, falling to just 4.0 percent. The key sectors responsible for the recent growth are:

1. Professional and business services
2. Finance, insurance and rentals
3. Manufacturing
4. Educational services, health care and social services
5. Retail trade

The U.S. economy is expected to grow steadily for the next few years, outpacing many other western developed countries.

## U.S. – Trade Overview

FIGURE 2: U.S. Trade Overview



Source: Data sourced from ITC Trade Map

U.S. world trade has grown steadily over the past decade. Imports in 2018 amounted to \$2.6 trillion, whereas exports increased by 7.6 percent over the previous year to reach \$1.6 trillion. Analyzing the past 5 years, the graphs above suggest that exports have increased since 2013 with a positive CAGR of 0.7 percent. Moreover, a steady growth rate of 2.5 percent in imports over the same time period led to an increase in the trade deficit to \$950.0 billion in 2018.

## Trade Trends

### Major Export Categories (HS-02)

The following table shows the top ten exported items by the U.S. at the HS-02 Level and their export patterns since 2014. Additionally, share of each product category in total exports in 2018 along with their Cumulative Average Growth Rate (CAGR) is also shown.

TABLE 12: U.S.'s Major Export Categories (HS-02)

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Exports (2018)	CAGR (2014–18)
TOTAL	All products	1,619,742,900,000	1,501,845,864,000	1,451,023,530,000	1,546,272,961,000	1,664,055,581,000		0.68%
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	219,766,259,000	206,100,142,000	190,729,618,000	202,035,663,000	213,115,437,000	12.81%	-0.77%
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	155,608,248,000	104,105,882,000	93,792,948,000	139,025,424,000	189,946,578,000	11.41%	5.11%

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Exports (2018)	CAGR (2014–18)
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	172,368,327,000	169,956,050,000	167,127,173,000	174,424,001,000	176,065,360,000	10.58%	0.53%
88	Aircraft, spacecraft, and parts thereof	125,186,257,000	131,627,865,000	134,738,835,000	131,143,849,000	139,098,077,000	8.36%	2.67%
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	135,972,388,000	127,396,968,000	124,565,896,000	130,179,116,000	130,589,322,000	7.85%	-1.00%
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	84,966,350,000	83,444,557,000	82,015,376,000	83,637,978,000	89,595,919,000	5.38%	1.34%
39	Plastics and articles thereof	63,037,374,000	60,268,038,000	58,626,887,000	61,892,627,000	66,517,047,000	4.00%	1.35%
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	64,089,621,000	58,007,513,000	57,780,786,000	60,253,338,000	63,794,671,000	3.83%	-0.12%
30	Pharmaceutical products	43,995,520,000	47,293,310,000	46,830,921,000	44,935,704,000	48,391,339,000	2.91%	2.41%
99	Commodities not elsewhere specified	43,237,139,000	41,439,083,000	40,131,277,000	42,436,580,000	48,159,937,000	2.89%	2.73%

Source: Data sourced from ITC Trade Map

### Key Findings

- Goods under ‘*Machinery, mechanical appliances ...*’ (HS-84) and ‘*Electrical machinery and equipment ...*’ (HS-85) had the largest share in exports, accounting for 23.0 percent of total exports
- Biggest jump in 2018 over 2017 was for items under mineral fuels and mineral products. These increased from \$139.0 billion in 2017 to \$189.0 billion in 2018, an increase of 35.0 percent. This was due to higher international prices for crude petroleum. Moreover, U.S. crude petroleum traded at a larger average discount as compared to global prices, further spurring growth in petroleum exports. The removal of a ban by the U.S. government on exports of U.S. crude to countries other than Canada also contributed to this hike in exports
- The biggest decline in exports over the previous year were in vehicles (CAGR -1.0 percent), Machinery (CAGR -0.7 percent) and precious metals (CAGR -0.12 percent)

## Top Exports (HS-06)

The table below lists the top 25 exported commodities by the U.S. to the world at HS-06 Level. For each of the items listed, their export trends, share in total exports in 2018 and growth rates are given.

**TABLE 13: U.S. Top Exports (HS-06)**

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Exports (2018)	CAGR (2014–18)
TOTAL	All products	1,619,742,900,000	1,501,845,864,000	1,451,023,530,000	1,546,272,961,000	1,664,055,581,000		0.68%
999999	Commodities not elsewhere specified	156,308,271,000	160,892,035,000	161,060,350,000	163,424,281,000	178,543,789,000	10.73%	3.38%
271019	Medium oils and preparations, of petroleum or bituminous minerals	73,182,815,000	47,366,711,000	37,728,745,000	48,155,756,000	54,998,367,000	3.31%	-6.89%
270900	Petroleum oils and oils obtained from bituminous minerals	12,309,086,000	8,768,735,000	9,379,717,000	22,593,652,000	47,190,421,000	2.84%	39.93%
271012	Light oils and preparations, of petroleum or bituminous minerals	36,761,402,000	25,277,495,000	24,271,614,000	29,557,329,000	39,153,947,000	2.35%	1.59%
710812	Gold, incl. gold plated with platinum	20,754,187,000	19,077,215,000	17,518,244,000	19,609,616,000	20,130,881,000	1.21%	-0.76%
710239	Diamonds	20,929,607,000	18,322,919,000	18,845,371,000	17,896,986,000	19,470,713,000	1.17%	-1.79%
854231	Electronic integrated circuits	17,461,428,000	18,150,987,000	19,849,121,000	18,963,184,000	19,097,102,000	1.15%	2.26%
300490	Medicaments consisting of mixed or unmixed products	20,822,773,000	20,869,914,000	19,096,355,000	17,127,711,000	17,855,048,000	1.07%	-3.77%
870324	Motor cars and other motor vehicles	22,396,549,000	20,673,522,000	18,603,530,000	18,813,666,000	17,852,274,000	1.07%	-5.51%
851762	Machines for the reception, conversion and transmission	17,233,829,000	18,504,251,000	18,857,077,000	17,591,596,000	17,741,603,000	1.07%	0.73%
847330	Parts and accessories of automatic data-processing machines	15,842,133,000	15,698,858,000	15,501,618,000	15,526,513,000	17,740,601,000	1.07%	2.87%
870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	25,406,823,000	21,754,446,000	21,923,910,000	18,703,442,000	17,400,882,000	1.05%	-9.03%

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Exports (2018)	CAGR (2014–18)
120190	Soya beans, whether or not broken (excluding seed for sowing)	23,854,945,000	18,882,659,000	22,842,986,000	21,460,697,000	17,102,598,000	1.03%	-7.98%
271112	Propane, liquefied	7,705,525,000	5,553,366,000	7,401,201,000	12,368,110,000	14,910,385,000	0.90%	17.94%
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	11,687,828,000	11,862,749,000	12,340,346,000	12,364,494,000	13,164,498,000	0.79%	3.02%
100590	Maize (excluding seed for sowing)	10,711,079,000	8,379,793,000	9,981,654,000	9,238,907,000	12,594,256,000	0.76%	4.13%
848620	Machines and apparatus for the manufacture of semiconductor devices or of electronic	7,463,250,000	8,236,647,000	8,833,315,000	12,489,800,000	12,293,818,000	0.74%	13.29%
270112	Bituminous coal, whether or not pulverised, non-agglomerated	8,163,830,000	5,416,588,000	4,233,073,000	9,584,241,000	11,737,017,000	0.71%	9.50%
970110	Paintings, e.g. oil paintings, watercolours and pastels	7,371,661,000	7,865,630,000	8,116,187,000	8,599,882,000	10,938,236,000	0.66%	10.37%
854239	Electronic integrated circuits (excluding such as processors, controllers, memories and ...)	9,134,140,000	8,770,551,000	9,115,300,000	11,005,418,000	10,835,991,000	0.65%	4.36%
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	11,207,537,000	10,493,609,000	9,898,039,000	11,927,630,000	10,519,990,000	0.63%	-1.57%
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	10,674,546,000	11,769,868,000	10,477,887,000	11,148,812,000	10,057,733,000	0.60%	-1.48%
300215	Immunological products, put up in measured doses or in forms or packings for retail sale	-	-	-	8,283,278,000	9,919,009,000	0.60%	-

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Exports (2018)	CAGR (2014–18)
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more ...	9,440,600,000	9,090,979,000	9,424,611,000	9,440,984,000	9,718,884,000	0.58%	0.73%
711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not ...	9,747,722,000	9,109,850,000	8,956,018,000	9,095,351,000	9,301,367,000	0.56%	-1.16%

Source: Data sourced from ITC Trade Map

### Key Findings

- The top export category of HS-999999 includes civilian aircraft, engines, equipment and parts valued at \$130.0 billion. Over \$90.0 billion in 2018 were directly due to exports of civilian aircraft and aircraft engines. Boeing, the aircraft manufacturer, is the nation's largest single exporter<sup>5</sup>
- Export of all categories of energy products rose sharply, wherein exports of the top three petroleum items jumped 14.0 percent, 109.0 percent and 32.0 percent, respectively over the previous year. The removal of a ban on most U.S. exports of crude in 2015 is thought to be the main factor contributing to this sharp increase in exports
- Most goods under '*Machinery, mechanical appliances ...*' (HS-84xxxx) and '*Electrical machinery and equipment ...*' (HS-85xxxx) continued to show a positive trend in exports. These included increased exports in telecommunication equipment, computers and computer accessories
- Goods under HS-87xxxx showed a declining trend wherein exports fell by 5.0 percent over the previous year. Under this category, automotive vehicles, parts and engines including trucks, busses and special purpose vehicles witnessed a fall.

### Top Export Partners

The table below shows the top ten export destinations of goods from the U.S. along with export values for the past 5 years for each of these destinations. Each country's share in total exports in 2018 along with the 5-year growth rate is also included.

**TABLE 14: U.S. Top Export Partners**

Export Partners	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Exports (2018)	CAGR (2014–18)
World	1,619,742,900,000	1,501,845,864,000	1,451,023,530,000	1,546,272,961,000	1,664,055,581,000		0.68%
Canada	312,371,471,000	280,582,448,000	266,734,465,000	282,265,135,000	298,719,020,000	17.95%	-1.11%
Mexico	240,247,090,000	235,745,087,000	230,051,175,000	243,314,439,000	265,010,357,000	15.93%	2.48%
China	123,675,623,000	116,071,709,000	115,545,508,000	129,893,587,000	120,341,426,000	7.23%	-0.68%
Japan	66,825,973,000	62,441,250,000	63,226,076,000	67,605,077,000	74,966,716,000	4.51%	2.92%
United Kingdom	53,808,147,000	56,103,380,000	55,169,323,000	56,257,923,000	66,228,172,000	3.98%	5.33%

<sup>5</sup> 'These are the top U.S. exports' by Chris Isidore – money.cnn.com

Export Partners	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Exports (2018)	CAGR (2014–18)
Germany	49,028,160,000	49,641,402,000	49,432,134,000	53,896,753,000	57,653,808,000	3.46%	4.13%
Korea, Republic of	44,470,809,000	43,444,787,000	42,312,662,000	48,326,409,000	56,344,306,000	3.39%	6.09%
Netherlands	43,067,033,000	40,184,660,000	39,605,129,000	41,510,333,000	49,390,541,000	2.97%	3.48%
Brazil	42,427,834,000	31,650,624,000	30,066,298,000	37,221,566,000	39,494,177,000	2.37%	-1.78%
Hong Kong, China	40,822,125,000	37,126,659,000	34,895,199,000	39,939,130,000	37,459,620,000	2.25%	-2.13%

Source: Data sourced from ITC Trade Map

### Key Findings

- Cumulatively, the top ten export partners of the U.S. made up about 64.0 percent of the country's exports
- Exports to the EU (28) amounted to \$319.0 billion, which was only slightly higher than exports to the U.S.'s single top export partner, Canada, where goods exported were valued at \$298.0 billion
- With the exception of Hong Kong and China, U.S. merchandise exports to all major export partners increased in 2018 as compared to 2017. The largest increase in value was a \$21.9 billion increase in exports to Mexico, this was followed by a \$16.0 billion increase in goods exported to Canada and a \$9.0 billion increase in exports to the UK
- In percentage terms, the highest increase in the growth of U.S. exports was to the Netherlands, up by 18.0 percent (\$7.0 billion) from the previous year with a CAGR of 3.4 percent (2014–18) suggesting that growth has been steady in the past 5 years

### Top 25 Exports and their Destinations

The following table shows the top 25 exports at the HS-06 Level in calendar year 2018. For each of these items, the top 3 export destination markets along with their relative share in total exports is shown.

**TABLE 15: U.S. Top 25 Exports and their Destinations**

HS-Code	Product label	Exported value in 2018 (US\$)	Top 3 Export Destinations
TOTAL	All products	1,664,055,581,000	Canada, 17.95% Mexico, 15.93% China, 7.23%
999999	Commodities not elsewhere specified	178,543,789,000	China, 10.84% Canada, 10.44% France, 8.28%
271019	Medium oils and preparations	54,998,367,000	Mexico, 21.89% Brazil, 8.34% Canada, 7.65%
270900	Petroleum oils and oils obtained from bituminous minerals	47,190,421,000	Canada, 19.80% Korea, Republic, of 11.85% China, 11.43%
271012	Light oils and preparations	39,153,947,000	Mexico, 39.48% Canada, 19.69% Venezuela, Bolivarian Republic of, 7.29%
710812	Gold, incl. gold plated with platinum	20,130,881,000	Switzerland, 33.65% United Kingdom, 30.32% Hong Kong, China, 11.02%
710239	Diamonds	19,470,713,000	India, 26.79% Israel, 23.71% Hong Kong, China, 16.48%

HS-Code	Product label	Exported value in 2018 (US\$)	Top 3 Export Destinations
854231	Electronic integrated circuits	19,097,102,000	China, 20.57% Mexico, 20.49% Korea, Republic of, 13.47%
300490	Medicaments consisting of mixed or unmixed products	17,855,048,000	United Kingdom, 14.05% Canada, 10.38% Japan, 9.06%
870324	Motor cars and other motor vehicles	17,852,274,000	Canada, 46.45% Mexico, 7.40% Saudi Arabia, 6.83%
851762	Machines for the reception, conversion and transmission	17,741,603,000	Mexico, 17.33% Canada, 13.22% Netherlands, 9.80%
847330	Parts and accessories of automatic data-processing machines	17,740,601,000	Mexico, 65.51% Netherlands, 4.03% China, 3.55%
870323	Motor cars and other motor vehicles	17,400,882,000	China, 23.23% Canada, 21.74% Germany, 8.30%
120190	Soya beans (excluding seed for sowing)	17,102,598,000	China, 18.39% Mexico, 10.07% Netherlands, 8.06%
271112	Propane, liquefied	14,910,385,000	Japan, 26.74% Mexico, 13.75% Korea, Republic of, 9.41%
901890	Instruments and appliances used in medical, surgical or veterinary sciences	13,164,498,000	Netherlands, 13.16% Mexico, 10.87% Japan, 10.55%
100590	Maize (excluding seed for sowing)	12,594,256,000	Mexico, 24.60% Japan, 22.33% Korea, Republic of, 10.82%
848620	Machines and apparatus for the manufacture of semiconductor devices	12,293,818,000	Korea, Republic of, 27.59% China, 24.19% Japan, 17.78%
270112	Bituminous coal	11,737,017,000	India, 14.15% Japan, 10.48% Brazil, 10.12%
970110	Paintings, e.g. oil paintings, watercolors and pastels, and drawings	10,938,236,000	United Kingdom, 26.15% Switzerland, 17.36% Hong Kong, China, 16.06%
854239	Electronic integrated circuits	10,835,991,000	Mexico, 19.45% Hong Kong, China, 16.19% China, 12.01%
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	10,519,990,000	Hong Kong, China, 34.00% Canada, 12.90% United Arab Emirates, 10.90%
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, . . .	10,057,733,000	Mexico, 30.10% Canada, 26.50% China, 10.40%
300215	Immunological products, put up in measured doses or in forms or packings for retail sale	9,919,009,000	Italy, 21.00% Netherlands, 20.20% Japan, 13.20%
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more . . .	9,718,884,000	Canada, 49.60% Mexico, 36.90% China, 2.30%
711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not . . .	9,301,367,000	Hong Kong, China, 27.10% Switzerland, 18.50% Japan, 6.70%

Source: Data sourced from ITC Trade Map

## Key Findings

- The three largest export destinations were responsible for 24.0 percent of the growth experienced in 2018. Overall, U.S. exports to China fell by \$9.0 billion in 2018, negatively impacting the contribution to the growth rate mentioned above
- Exports to major U.S. trading partners were concentrated in electronics, machinery, transportation equipment and energy-related products
- While China continued to be the largest source of imports for the U.S. economy, Canada maintained its position as the largest export destination for U.S. products. Some of the largest increases in exports to Canada were for mineral fuels (up by \$6.2 billion over 2017), aircraft and aircraft parts (up by \$2.3 billion from the previous year) and machinery & mechanical appliances (up by \$2.3 billion over 2017)
- Even though both the U.S. and Canada produce crude oil and natural gas, they share a highly integrated natural gas market, due to location of reserves, demand centers and the availability of transportation infrastructure. This allows both countries to export and import the said commodity to each other
- Soybean, the only item in the list from the food category, is mainly exported to China – the largest consumer of soybean in the world

## Major Import Categories (HS-02)

The top ten import categories for the U.S. are listed below at HS-02 Level along with their share in total imports of the country, and with their CAGRs calculated for the last 5 years.

**TABLE 16: U.S.'s Major Import Categories (HS-02)**

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Exports (2018)	CAGR (2014–18)
TOTAL	All products	2,410,855,500,000	2,313,424,569,000	2,249,943,875,000	2,408,475,702,000	2,614,273,313,000		2.05%
84	Machinery, mechanical appliances, nuclear reactors	331,205,458,000	330,044,570,000	315,443,570,000	349,027,417,000	386,392,918,000	14.78%	3.93%
85	Electrical machinery and equipment and parts thereof	319,671,075,000	333,525,810,000	335,815,195,000	356,673,459,000	367,051,136,000	14.04%	3.52%
87	Vehicles other than railway or tramway rolling stock, and parts	265,323,956,000	284,383,662,000	284,820,915,000	294,555,396,000	306,674,083,000	11.73%	3.69%
27	Mineral fuels, mineral oils and products	358,259,447,000	200,696,084,000	163,116,986,000	204,018,188,000	241,392,006,000	9.23%	-9.40%
30	Pharmaceutical products	73,042,299,000	86,014,133,000	92,523,786,000	96,585,974,000	116,347,863,000	4.45%	12.34%
99	Commodities not elsewhere specified	74,105,015,000	85,044,504,000	86,413,282,000	91,141,510,000	101,542,517,000	3.88%	8.19%
90	Optical, photographic, medical or surgical instruments ...	76,226,166,000	78,504,727,000	80,651,955,000	86,126,616,000	93,443,379,000	3.57%	5.22%
94	Furniture; bedding, mattresses, mattress supports ...	55,782,891,000	61,163,743,000	63,151,502,000	67,228,071,000	72,113,522,000	2.76%	6.63%
39	Plastics and articles thereof	50,128,863,000	50,244,766,000	50,389,397,000	54,851,794,000	61,898,676,000	2.37%	5.41%
71	Natural or cultured pearls, precious metals, ...	64,072,251,000	58,320,314,000	67,292,640,000	59,878,206,000	60,783,666,000	2.33%	-1.31%

Source: Data sourced from ITC Trade Map

## Key Findings

- U.S. imports reached a record high of \$2.6 trillion in 2018, up by \$200.0 billion from the previous year
- As with exports, imports under ‘*Machinery, mechanical appliances ...*’ (HS-84) and ‘*Electrical machinery and equipment ...*’ (HS-85) constituted the two largest import categories in 2018, accounting for 28.0 percent of all imports
- Electronic products including computers, machinery and vehicles were the top imported items
- Most significant increase in imports over 2017 were in mineral fuels and oil (up 18.0 percent over 2017), pharmaceutical products (up 20.0 percent over 2017) and organic chemicals (up 19.0 percent over 2017)
- Biggest reduction in imports from 2016 was for items under natural precious metals category (HS-71) in which the import value has fallen by nearly 10.0 percent in the last two years

## Top Imports (HS-06)

The table below shows the top 25 imported commodities at the HS-06 Level that the U.S. imported in the past 5 years along with each commodity’s share in total imports and their growth trends since 2014.

**TABLE 17: U.S. Top Imports (HS-06)**

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Imports (2018)	CAGR (2014–18)
TOTAL	All products	2,410,855,500,000	2,313,424,569,000	2,249,943,875,000	2,408,475,702,000	2,614,273,313,000		2.05%
270900	Petroleum oils and oils obtained from bituminous minerals, crude	253,228,702,000	132,593,219,000	108,070,629,000	139,300,638,000	163,050,908,000	6.24%	-10.42%
870323	Motor cars and other motor vehicles	85,074,186,000	98,653,500,000	107,652,551,000	103,294,739,000	105,593,468,000	4.04%	5.55%
999999	Commodities not elsewhere specified	74,146,769,000	85,073,068,000	86,447,968,000	91,177,614,000	101,571,693,000	3.89%	8.19%
300490	Medicaments	39,779,651,000	48,177,092,000	51,344,201,000	50,419,824,000	56,321,813,000	2.15%	9.08%
851712	Telephones for cellular networks	53,317,172,000	53,048,519,000	50,161,418,000	56,407,264,000	53,939,014,000	2.06%	0.29%
851762	Machines for the reception, conversion and transmission ...	33,841,643,000	40,475,866,000	45,775,871,000	48,123,207,000	47,895,118,000	1.83%	9.07%
847130	Data-processing machines	42,589,984,000	39,806,420,000	36,357,892,000	40,472,015,000	40,274,743,000	1.54%	-1.39%
870324	Motor cars and other motor vehicles	60,847,022,000	58,258,235,000	50,622,560,000	47,619,148,000	39,529,676,000	1.51%	-10.22%
271019	Medium oils and preparations, of petroleum or bituminous minerals	50,200,834,000	30,695,301,000	23,011,348,000	28,092,286,000	36,751,914,000	1.41%	-7.50%
847150	Processing units for automatic data-processing machines ...	14,673,832,000	17,914,052,000	19,708,501,000	23,511,503,000	31,830,039,000	1.22%	21.36%
847330	Parts and accessories of automatic data-processing machines or for other machines of heading ...	17,475,530,000	16,887,211,000	15,453,389,000	22,185,123,000	27,344,318,000	1.05%	11.84%

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Imports (2018)	CAGR (2014–18)
271012	Light oils and preparations, of petroleum or bituminous minerals which $\geq$ 90% by volume "incl. ...	28,288,628,000	20,462,856,000	18,008,855,000	19,772,128,000	24,643,320,000	0.94%	-3.39%
710239	Diamonds, worked, but not mounted or set (excluding industrial diamonds)	24,611,853,000	23,603,523,000	23,532,342,000	22,072,668,000	23,801,984,000	0.91%	-0.83%
854231	Electronic integrated circuits as processors and controllers, whether or not combined with ...	17,807,569,000	18,227,920,000	20,937,433,000	21,096,082,000	21,632,212,000	0.83%	4.98%
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	5,653,923,000	7,066,407,000	11,027,422,000	16,079,085,000	20,861,320,000	0.80%	38.60%
870431	Motor vehicles for the transport of goods, with spark-ignition internal combustion piston engine, ...	12,731,313,000	13,574,177,000	15,955,907,000	15,882,476,000	17,717,026,000	0.68%	8.61%
880330	Parts of aeroplanes or helicopters, n.e.s. (excluding those for gliders)	15,261,785,000	14,584,016,000	14,604,581,000	14,516,743,000	16,964,677,000	0.65%	2.68%
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more ...	12,552,830,000	14,054,621,000	14,140,305,000	13,616,344,000	15,099,812,000	0.58%	4.73%
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	13,903,620,000	14,005,175,000	13,654,559,000	13,922,687,000	14,925,923,000	0.57%	1.79%
950300	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; ...	12,788,811,000	14,232,721,000	14,592,856,000	14,970,763,000	14,777,396,000	0.57%	3.68%
841191	Parts of turbojets or turbopropellers, n.e.s.	12,132,580,000	12,569,466,000	12,180,674,000	13,628,133,000	14,401,415,000	0.55%	4.38%
300215	Immunological products, put up in measured doses or in forms or packings for retail sale	-	-	-	7,860,045,000	13,991,008,000	0.54%	#DIV/0!
852872	Reception apparatus for television, colour, whether or not incorporating radio-broadcast receivers ...	15,631,034,000	15,981,508,000	12,684,888,000	13,356,388,000	13,293,338,000	0.51%	-3.97%
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution ...	9,362,125,000	9,884,779,000	10,251,471,000	10,943,596,000	12,184,343,000	0.47%	6.81%

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Imports (2018)	CAGR (2014–18)
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	9,038,677,000	9,387,486,000	10,008,942,000	10,277,549,000	11,844,863,000	0.45%	6.99%

Source: Data sourced from ITC Trade Map

### Key Findings

- U.S. merchandise imports amounted to \$2.6 trillion in 2018; an 8.5 percent increase over 2017
- The largest increases were for energy products. Imports of products under mineral oils and petroleum (HS-27xxxx) continued to increase with ‘*Petroleum oils ...*’ (HS-270900) and ‘*Medium oils and preparations ...*’ (HS-271019) growing by 17.0 percent and 30.0 percent, over the previous year
- Motor vehicles (HS-870323), an export item, is also imported in large quantities, with a total value of \$105.0 billion imported in the year
- Most of the items listed above have positive CAGRs and this has resulted in a \$206.0 billion increase in imports in 2018 over 2017

### Top Import Partners

The following table shows the top ten import partners of the U.S. along with the value of imports from these countries in the last 5 years, the share of the partner in the total import bill in 2018, and the growth rate in imports between 2014–18.

**TABLE 18: U.S. Top Import Partners**

Exporters	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Imports (2018)	CAGR (2014–18)
World	2,410,855,500,000	2,313,424,569,000	2,249,943,875,000	2,408,475,702,000	2,614,273,313,000		2.05%
China	486,296,238,000	504,028,117,000	481,500,093,000	526,058,825,000	562,851,621,000	21.53%	3.72%
Mexico	296,855,759,000	299,181,820,000	296,650,021,000	317,215,668,000	349,638,424,000	13.37%	4.18%
Canada	354,171,825,000	301,942,705,000	284,244,764,000	306,465,102,000	325,801,804,000	12.46%	-2.07%
Japan	137,503,838,000	135,023,800,000	135,101,298,000	139,797,090,000	146,073,618,000	5.59%	1.52%
Germany	125,532,375,000	127,170,567,000	116,302,799,000	120,004,359,000	128,407,929,000	4.91%	0.57%
Korea, Republic of	71,745,454,000	74,045,678,000	71,896,989,000	73,451,637,000	76,234,687,000	2.92%	1.53%
United Kingdom	55,316,559,000	58,887,111,000	55,279,716,000	54,076,078,000	61,881,884,000	2.37%	2.84%
Ireland	34,097,160,000	39,492,818,000	45,722,059,000	49,024,927,000	57,694,072,000	2.21%	14.05%
India	46,985,468,000	46,677,950,000	47,735,737,000	50,573,133,000	56,504,761,000	2.16%	4.72%
Italy	43,360,963,000	45,435,389,000	46,635,139,000	51,359,934,000	56,250,218,000	2.15%	6.72%

Source: Data sourced from ITC Trade Map

### Key Findings

- The top ten import partners made up about 70.0 percent of the total import bill of the country
- Imports from China, the U.S.’s largest import partner, amounted to \$562.0 billion in 2018. The EU (28) was the 2<sup>nd</sup> largest import partner with over \$499.0 billion worth of goods imported, however, the table above shows imports from individual countries of the EU. U.S. merchandise imports from each of the top ten countries increased in 2018 over the previous year
- The largest increases were a \$36.0 billion increase in imports from China, a \$32.0 billion increase in imports from Mexico and a \$19.0 billion jump in imports from Canada

## Top 25 Imports and their Sourcing Countries

The table below lists the values of the top 25 items imported by the U.S. in 2018 at HS-06 Level and the top 3 import sourcing countries for each of these items.

**TABLE 19: U.S. Top Imports and their Sourcing Countries**

HS-Code	Product label	Imported value in 2018 (US\$)	Top 3 Import Sourcing Markets
TOTAL	All products	2,614,273,313,000	China, 21.53% Mexico, 13.37% Canada, 12.46%
270900	Petroleum oils and oils obtained from bituminous minerals, crude	163,050,908,000	Canada, 39.45% Saudi Arabia, 13.42% Mexico, 9.00%
870323	Motor cars and other motor vehicles	105,593,468,000	Japan, 22.89% Mexico, 21.65% Germany, 13.18%
999999	Commodities not elsewhere specified	101,571,693,000	Canada, 18.19% Mexico, 8.95% China, 6.91%
300490	Medicaments	56,321,813,000	Ireland, 22.19% Switzerland, 20.58% India, 9.63%
851712	Telephones for cellular networks	53,939,014,000	China, 82.03% Vietnam, 8.92% Korea, Republic, of 7.18%
851762	Machines for the reception, conversion and transmission ...	47,895,118,000	China, 49.91% Mexico, 19.04% Malaysia, 7.34%
847130	Data-processing machines	40,274,743,000	China, 94.37% Taipei, Chinese, 2.71% Vietnam, 1.83%
870324	Motor cars and other motor vehicles	39,529,676,000	Canada, 45.29% Japan, 27.14% Germany, 9.77%
271019	Medium oils and preparations, of petroleum or bituminous minerals	36,751,914,000	Russian Federation, 18.89% Canada, 17.61% Korea, Republic of, 7.92%
847150	Processing units for automatic data-processing machines ...	31,830,039,000	Mexico, 76.09% China, 17.80% Taipei, Chinese, 2.30%
847330	Parts and accessories of automatic data-processing machines or for other machines of heading ...	2,7344,318,000	China, 60.91% Korea, Republic, of 18.17% Taipei, Chinese, 8.45%
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. ...	24,643,320,000	Canada, 18.27% United Kingdom, 10.19% India, 7.37%
710239	Diamonds, worked, but not mounted or set (excluding industrial diamonds)	23,801,984,000	India, 39.11% Israel, 32.50% Belgium, 12.51%
854231	Electronic integrated circuits as processors and controllers, whether or not combined with ...	21,632,212,000	Malaysia, 60.36% China, 7.79% Taipei, Chinese, 6.33%
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	20,861,320,000	Mexico, 38.50% Canada, 26.24% Japan, 13.02%
870431	Motor vehicles for the transport of goods, with spark-ignition internal combustion piston engine, ...	17,717,026,000	Mexico, 87.34% Canada, 9.70% Spain, 2.89%
880330	Parts of aeroplanes or helicopters, n.e.s. (excluding those for gliders)	16,964,677,000	Japan, 24.61% Italy, 11.84% United Kingdom, 9.49%

HS-Code	Product label	Imported value in 2018 (US\$)	Top 3 Import Sourcing Markets
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more ...	15,099,812,000	Mexico, 37.28% Canada, 25.48% China, 11.34%
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	14,925,923,000	Mexico, 31.93% China, 15.73% Canada, 13.09%
950300	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; ...	14,777,396,000	China, 84.90% Mexico, 4.21% Vietnam, 3.56%
841191	Parts of turbojets or turbopropellers, n.e.s.	14,401,415,000	France 30.00% Japan 14.30% UK 8.10%
300215	Immunological products, put up in measured doses or in forms or packings for retail sale	13,991,008,000	Ireland 29.10% Germany 27.10% Netherlands 8.60%
852872	Reception apparatus for television, colour, whether or not incorporating radio-broadcast receivers . . .	13,293,338,000	Mexico 61.20% China 35.70% Thailand 1.60%
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution . . .	12,184,343,000	Mexico 38.20% China 17.80% Germany 6.30%
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	11,844,863,000	Mexico 31.10% Germany 11.80% Ireland 8.70%

Source: Data sourced from ITC Trade Map

### Key Findings

- Canada is one of the top sourcing countries for imports under the mineral oils and petroleum category (HS-27xxxx). U.S. imports from Canada increased by \$19.0 billion in 2018. Imports of energy related products such as crude petroleum, petroleum products and natural gas accounted for a significant portion of this growth, as did imports of aluminum
- Mexico is the 2<sup>nd</sup> largest supplier of goods to the U.S., up \$32.0 billion over 2017. Top import categories from Mexico were: vehicles, electrical machinery, optical and mechanical appliances and mineral fuels
- China is the main import partner for electronic and mechanical goods (HS-84 and HS-85). The leading U.S. imports from China were telephones for cellular networks (cellphones), portable digital automatic data processing machines (laptops and tablets) and machines for the reception, conversion and transmission of voice, images, and data (telecommunication equipment)

## The U.S. and its Trade Agreements

The United States has been a major advocate of trade liberalization and has pursued trade agreements for various economic, political and strategic reasons. Through both multilateral and bilateral trade agreements, the country has signed 14 trade agreements with 20 different countries.

The table below shows two of the multilateral trade agreements that the U.S. has signed and compares trade in the year of implementation with trade in 2018.

**TABLE 20: U.S. Trade Agreements**

Country	Trade Agreement	Year Implemented	U.S. Exports in the Year of Implementation (US\$)	U.S.'s Trade Balance in the Year of Implementation (US\$)	U.S.'s Exports in 2018 (US\$)	U.S.'s Trade Balance in 2018 (US\$)
Canada, Mexico	North American Free Trade Agreement (NAFTA)	1994	264,716,247,000	-82,852,575,000	563,729,377,000	-111,710,851,000
Dominican Republic, Honduras, Costa Rica, El Salvador, Guatemala & Nicaragua	DR – CAFTA (Dominican Republic-Central America FTA)	2009	19,992,544,000	346,225,000	32,175,049,000	5,806,645,000

Source: Data sourced from ITC Trade Map

### Other Trade Agreements in Effect

- U.S.– Australia FTA 2005
- U.S.– Bahrain FTA 2006
- U.S.– Chile FTA 2004
- U.S.– Colombia TPA (Trade Promotion Agreement) 2012
- U.S.– Israel FTA 1985
- U.S.– Jordan FTA 2010
- U.S.– Korea (KORUS) FTA 2012
- U.S.– Morocco FTA 2006
- U.S.– Oman FTA 2009
- U.S.– Panama TPA 2012
- U.S.– Peru TPA 2009
- U.S.– Singapore FTA 2004
- United States – Mexico – Canada Agreement - signed but not yet in effect; this replaces NAFTA

The United States also has Trade and Investment Framework Agreements (TIFAs) with several countries. These agreements provide strategic frameworks and principles for discussions on trade and investment issues.

### Bilateral Investment Treaty

The country also has a series of Bilateral Investment Treaties (BITs), a tool that protects private investments, helps establish market-oriented policies in partner countries, and promotes exports. The list of BITs signed by the U.S. can be found in the annexure.

## Bifurcation of U.S. Trade on the Basis of Trade Agreements

In 2018, 46.0 percent of U.S. exports and 33.0 percent of U.S. imports were to and from FTA partners. NAFTA alone accounted for a major portion of trade with FTA partners (76.0 percent of FTA exports and 72.0 percent of FTA imports<sup>6</sup> <sup>7</sup>. These figures could grow depending on the implementation of the new United States Mexico Canada Agreement (USMCA).

**TABLE 21: Bifurcation of U.S. Trade**

U.S. Exports		U.S. Imports	
<b>Total U.S. Trade with WTO Members</b>	<b>99.1%</b>	<b>Total U.S. Imports from WTO Members</b>	<b>99.5%</b>
FTA	46.89%	FTA	33.63%
NAFTA	33.87%	NAFTA	23.26%

Source: Data sourced from ITC Trade Map

### The United States – Mexico – Canada Agreement (USMCA)

The USMCA is a signed but not yet ratified trade agreement that is meant to replace the North American Free Trade Agreement (NAFTA), which originally came into effect on January 1, 1994. The new trade agreement has been tweaked to include changes for automakers, stricter labor and environmental standards, intellectual property protection, and digital trade provisions. One of the biggest changes included is in the dairy industry where the U.S. got Canada to open up its dairy market to U.S. farmers, allowing Canadian consumers to have greater duty-free access to American dairy, poultry and egg products.

### DR – CAFTA (Dominican Republic – Central America FTA)

On August 5, 2004, the United States entered into the Dominican Republic – Central America – United States Free Trade Agreement (DR – CAFTA). The agreement entered into force with EL Salvador, Nicaragua, Honduras, Guatemala, Costa Rica and the Dominican Republic on January 1, 2009.

<sup>6</sup> Note: Includes goods and service trade

<sup>7</sup> Trade data from U.S. Census Bureau and U.S. Bureau of Economic Analysis

## Significance of DR – CAFTA in the U.S. Textile Market

The U.S. Textile industry supply chain was estimated to employ over 579,000 workers in 2015. An integrated supply chain under DR – CAFTA creates a strong regional textile and apparel industry, and in turn, a strong U.S. industry. With the DR – CAFTA agreement in place, the U.S. has gained through increased exports of cotton and yarn to DR – CAFTA countries. DR – CAFTA countries, on the other hand, have benefitted by using cheaper U.S. cotton, yarn and textiles as raw materials, to produce apparel and textiles which they have exported back to the U.S.

**TABLE 22: U.S. – DR – CAFTA Trade (Exports)**

*All values in US\$ (2018)*

U.S. Total Exports to DR – CAFTA	32,175,049,000
U.S. Exports of Textiles and Textile Products (HS-50 to HS-63)	3,658,212,000
U.S. Export of Cotton to DR – CAFTA (HS-52)	1,279,522,000
DR – CAFTA Total Imports from World	76,003,871,000
DR – CAFTA Total Textile and Textile Product Imports from World (HS-50 to HS-63)	7,325,891,000
DR – CAFTA Cotton Import from World (HS-52)	1,874,381,000

Source: Data sourced from ITC Trade Map

**TABLE 23: U.S. – DR – CAFTA Trade (Imports)**

*All values in US\$ (2018)*

U.S. Total Imports from DR – CAFTA	26,368,404,000
U.S. Imports of Textiles and Textile Products (HS-50 to HS-63)	8,982,025,000
U.S. Import of Apparel and Home Textiles from DR – CAFTA	8,906,410,000
DR – CAFTA Total Exports to World	48,970,013,000
DR – CAFTA Total Textile and Textile Product Exports to World (HS-50 to HS-63)	10,063,420,000
DR – CAFTA Export of Apparel and Home Textiles to World (HS-61 to HS-63)	9,348,702,000

Source: Data sourced from ITC Trade Map

DR – CAFTA includes a wide range of products and services. The agreement was modelled after NAFTA and also includes textile and apparel product codes 50 through 63, amongst other items.

In 2018, the U.S. imported a total of \$119.0 billion worth of textile and textile products (HS-50 to HS-63) from the world out of which \$103.0 billion or 86.0 percent were categorized under apparel, home textiles and other made up textile articles (HS-61 to HS-63). DR – CAFTA's apparel and home textile exports to the U.S. accounted for more than 95.0 percent of their exports to the world. One of the main product categories that the agreement focuses on is textiles. A focal point of the agreement is on the rules of origin. DR – CAFTA's apparel must enter the U.S. under a "yarn forward rule", with some exceptions, where yarn production and all operations that follow must be done in either the U.S. or a DR – CAFTA country. Certain knit fabric is subject to a "fiber forward" rule of origin, where the raw cotton must be regionally grown or the man-made fibers be regionally produced, with the exception of a few items not available indigenously. These pre-requisites, along with other similar conditionality's, have increased the market for U.S. raw cotton and cotton yarn and has also positively affected the exports of apparel and other made-up textiles to the U.S., benefiting the entire bloc.

## Pakistan – U.S. Bilateral Trade

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### Bilateral Ties

Pakistan and the United States established diplomatic ties following Pakistan's independence in 1947. The two countries share a multifaceted relationship in areas ranging from counterterrorism to energy to trade and investment. The United States is the biggest export destination for Pakistani exports and has traditionally been one of the largest sources of foreign direct investment (FDI).

On the political front, Pakistan has been a recipient of economic and military aid to support its fight against terror in the region. Pakistan played a key role in facilitating the U.S.-led intervention in Afghanistan after 9/11 and continues to do so to the present. In doing so, the country has received over \$15.0 billion in the last 15 years from the United States under the head of Coalition Support Fund (CSF), which is a form of reimbursement to Pakistan for counter-terrorism operations.

On the economic front, Pakistan is the 56<sup>th</sup> largest goods trading partner of the U.S. with a two-way trade of approximately \$6.8 billion (2018). Moreover, the U.S. is one of the few countries with which Pakistan enjoys a trade surplus and this surplus was \$969.0 million in 2018. The flow of workers' remittances received by Pakistan from the U.S. is also sizable, reaching \$1.7 billion (July–Mar) in 2017. Inflow of FDI from the U.S. was valued at \$44.6 million in 2017 and \$136.3 million in 2018.

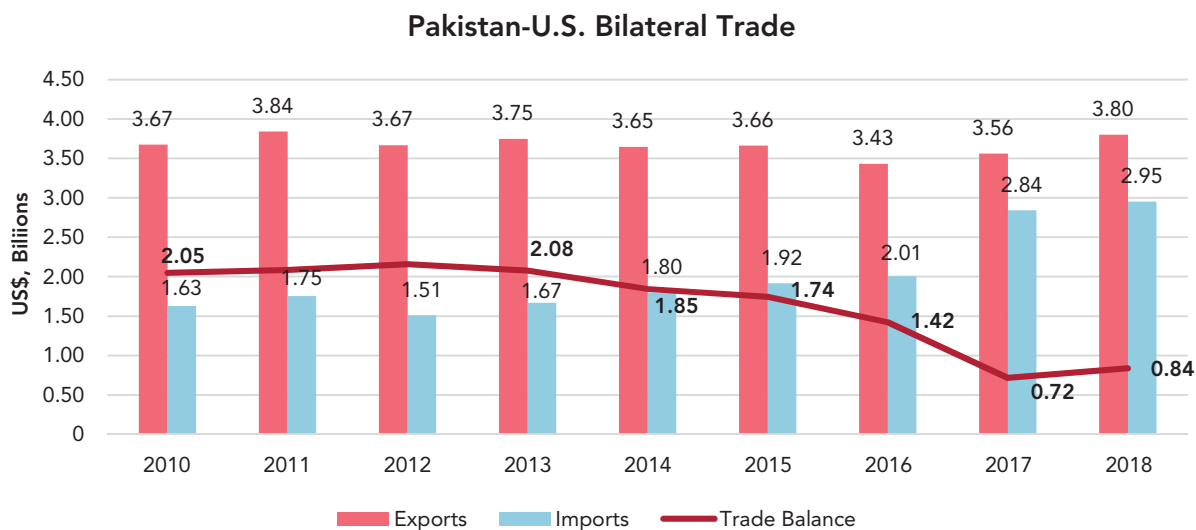
Pakistan and the United States signed a Trade and Investment Framework Agreement (TIFA) in 2003 which is currently under review. TIFA is a forum that provides for discussion on bilateral trade and investment issues. Moreover, the country is a recipient of the U.S. GSP scheme, a unilateral trade concession that provides duty free access for 3,500 tariff lines. This has supported an increase in trade, with Pakistan's exports to the U.S. under the scheme, valued at \$326.0 million in 2018.

### Bilateral Trade

The U.S. remains the largest export destination for Pakistani goods and a major source of foreign direct investment. Similarly, Pakistan remains an attractive market for U.S. companies due to a growing middle class, favorable demographics and few restrictions on the movement of capital.

Despite political rifts between the two countries, bilateral trade in 2018, was at its highest ever point of \$6.8 billion. Compared to 2017, trade grew by \$346.0 million in 2018. The figure below shows Pakistan–U.S. trade statistics for the period 2010–18.

**FIGURE 3: Pakistan’s Trade with the U.S.**



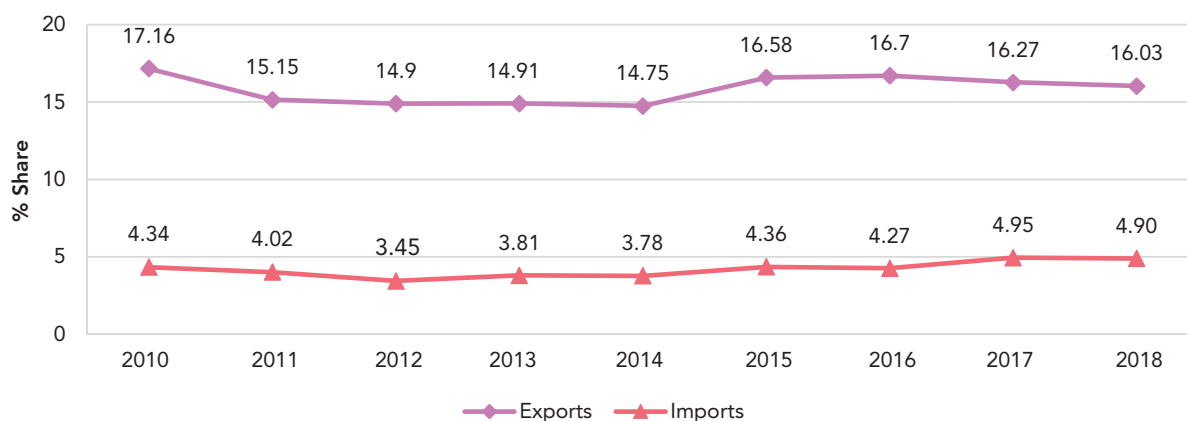
Source: Data sourced from ITC Trade Map

For the nine-year period ending 2018, the highest exports from Pakistan to the U.S. were recorded in 2011 at \$3.84 billion. After peaking in 2011, exports have shown a declining trend, falling to \$3.6 billion in 2016, but slowly picking up again to reach \$3.8 billion in 2018 (CAGR 2010–18: 0.56 percent). Imports, on the other hand, have steadily increased. Imports were valued at \$2.9 billion in 2018, the highest in 9 years with a positive Compound Annual Growth Rate of 5.6 percent (2010–18).

### U.S. Share in Pakistan’s Global Trade

The figure below shows the share that the U.S. has had in Pakistan’s global trade between 2010 and 2018

**FIGURE 4: U.S. Share in Pakistan’s Global Trade**



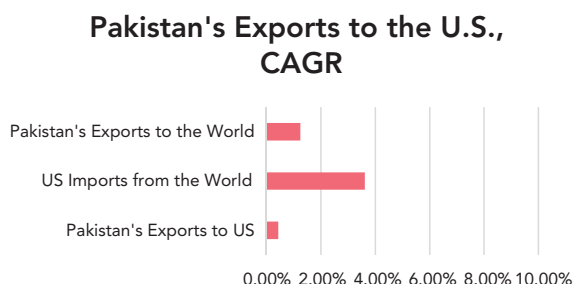
Source: Data sourced from ITC Trade Map

The U.S. is a major trading partner for Pakistan, accounting for more than 16.0 percent of Pakistan’s total exports. In 2018, total imports from the U.S. accounted for 5.0 percent of total imports from the world, a significant share, making it the third largest import partner of Pakistan.

## Compound Annual Growth Rate in Bilateral Trade

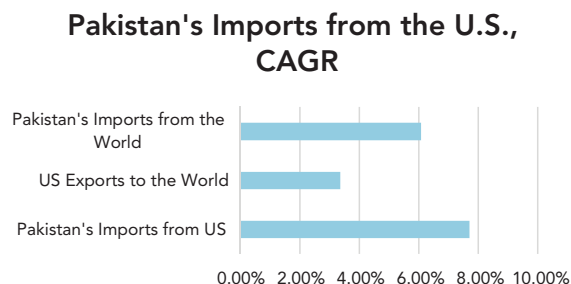
The graphs below show the Compound Annual Growth Rate (CAGR) in bilateral trade between the U.S. and Pakistan over a period of nine years i.e. 2010–18. As can be seen from the table, Pakistan’s total exports to the U.S. increased with a CAGR of 0.4 percent whereas Pakistan’s exports to the World and U.S.’s imports from the world increased by a CAGR of 1.2 percent and 3.6 percent respectively. On the other hand, Pakistan’s imports from the U.S. increased by more than Pakistan’s imports from the world with a CAGR of 7.7 percent and 6.1 percent respectively. This indicates that during this period, the U.S. maintained its position as a prominent supplier to Pakistan whereas Pakistan did not hold a significant position as an export partner for the U.S.

**FIGURE 5: Pakistan’s Exports to the U.S., CAGR**



Source: Data sourced from ITC Trade Map

**FIGURE 6: Pakistan’s Imports from the U.S., CAGR**

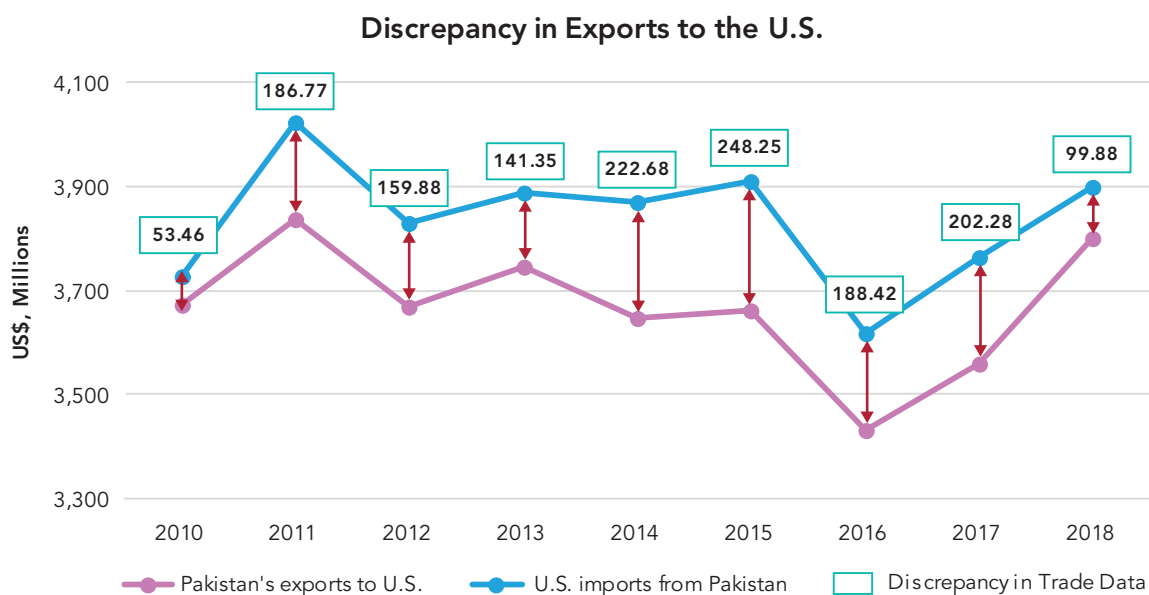


Source: Data sourced from ITC Trade Map

## Discrepancy in Trade Data

The figure below shows the discrepancy between reported values of Pakistan’s exports of goods to the U.S. and U.S.’s reported imports of goods from Pakistan for the period 2010 to 2018. Pakistan’s exports to the U.S. over the past 9 years are lower than mirror values reported by the U.S. over the same time period. The highest discrepancy recorded was in 2015, when U.S.’s imports from Pakistan were recorded at \$3.8 billion, while Pakistan’s exports to the U.S. were reported as \$3.6 billion.

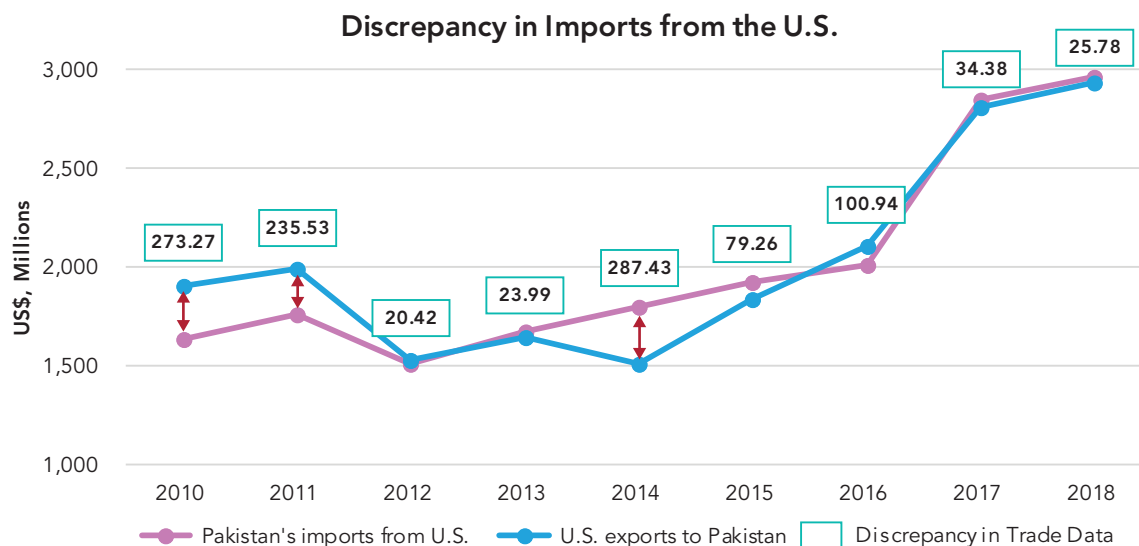
**FIGURE 7: Discrepancy in Pakistan’s Exports to the U.S.**



Source: Data sourced from ITC Trade Map

The following figure shows the discrepancy in Pakistan’s import figures as reported by Pakistan and the reported exports of the U.S. to Pakistan for the period 2010 to 2018.

**FIGURE 8: Discrepancy in Pakistan’s Imports from the U.S.**

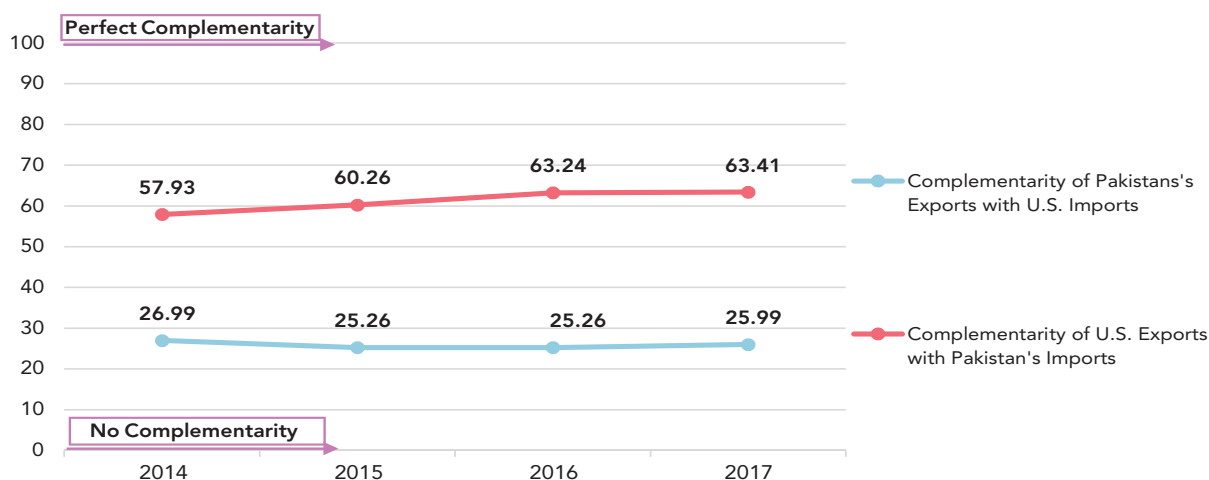


Source: Data sourced from ITC Trade Map

## Trade Complementarity Index

The table below illustrates Pakistan’s trade complementarity<sup>8</sup> with the U.S. and vice versa. Trade complementarity indicates the extent to which the exports of a reporting country match or complement the import profile of a partner country. A high number for both countries would indicate that partner countries stand to gain from an increase in trade. As we can see from the figure below, Pakistan’s exports do not overlap with U.S.’s imports to the same extent that U.S.’s exports do with Pakistan’s imports. Over the past four years, Pakistan’s exports have shown a decreasing complementarity with U.S. imports whereas U.S. exports have become increasingly complementary with Pakistan’s imports. This indicates that the U.S. is more efficiently meeting the demand for imports from Pakistan than Pakistan’s exports are meeting U.S.’s import demand. Given these numbers, it would appear that the U.S. stands to gain more from an increase in bilateral trade.

**FIGURE 9: Pakistan – U.S. Trade Complementarity Index**



Source: Data sourced from WITS

<sup>8</sup> The trade complementarity between countries k and j is defined as:

$$TC_{ij} = 100(1 - \sum(|m_{ik} - x_{ij}| / 2))$$

Where  $x_{ij}$  is the share of good i in global exports of country j and  $m_{ik}$  is the share of good i in all imports of country k.

## Trade Trends

### Pakistan's Top 25 Exports to the U.S. (HS-06 Level)

The following table provides an overview of the top 25 products at the HS-06 Level exported by Pakistan in the last 5 years to the U.S, and it also shows their share in total exports along with their average growth rates.

**TABLE 24: Pakistan's Top 25 Exports to the U.S. (HS-06 Level)**

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Exports (2018)	CAGR (2014– 18)
TOTAL	All products	3,869,193,000	3,909,839,000	3,618,168,000	3,762,585,000	3,899,159,000		0.19%
630260	Toilet linen and kitchen linen, of terry toweling or similar terry fabrics of cotton (excluding floor cloths, polishing cloths, dishcloths and dusters)	542,949,000	534,982,000	523,421,000	532,849,000	510,936,000	13.10%	-1.51%
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted (excluding wadded waistcoats)	249,900,000	225,230,000	190,236,000	187,599,000	243,682,000	6.25%	-0.63%
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding knitted or crocheted, panties and swimwear)	183,472,000	188,746,000	196,854,000	220,689,000	232,596,000	5.97%	6.11%
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	240,622,000	229,963,000	220,286,000	219,704,000	228,626,000	5.86%	-1.27%
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	192,476,000	211,553,000	186,133,000	193,784,000	208,678,000	5.35%	2.04%
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding knitted or crocheted, underpants and swimwear)	157,762,000	180,209,000	178,066,000	206,259,000	206,246,000	5.29%	6.93%
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	141,045,000	144,385,000	147,589,000	125,404,000	129,346,000	3.32%	-2.14%
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of cotton, knitted or crocheted ...	105,119,000	105,402,000	94,827,000	92,984,000	107,928,000	2.77%	0.66%
630221	Printed bedlinen of cotton (excluding knitted or crocheted)	120,949,000	127,013,000	103,287,000	99,593,000	106,149,000	2.72%	-3.21%
630210	Bedlinen, knitted or crocheted	82,274,000	83,547,000	80,981,000	90,201,000	97,159,000	2.49%	4.24%
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	74,515,000	87,867,000	83,658,000	81,712,000	89,394,000	2.29%	4.66%
390761	Polyethylene terephthalate", in primary forms, having a viscosity number of >= 78 ml/g	-	-	-	55,548,000	83,725,000	2.15%	-
610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets and other vests)	137,024,000	125,191,000	97,521,000	84,237,000	78,216,000	2.01%	-13.08%
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	39,211,000	51,451,000	48,264,000	50,309,000	60,480,000	1.55%	11.44%
999999	Commodities not elsewhere specified	27,875,000	35,960,000	36,207,000	39,837,000	53,543,000	1.37%	17.73%

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Exports (2018)	CAGR (2014–18)
610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding swimwear and underpants)	49,169,000	63,893,000	39,465,000	32,431,000	49,172,000	1.26%	0.00%
711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not plated or clad with precious metal (excluding articles > 100 years old)	4,389,000	15,444,000	50,885,000	53,621,000	48,349,000	1.24%	82.18%
940490	Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled with any material or of cellular rubber or plastics ...	75,468,000	69,637,000	53,502,000	48,779,000	48,145,000	1.23%	-10.63%
621142	Women's or girls' tracksuits and other garments, n.e.s. of cotton (excluding knitted or crocheted)	46,822,000	49,088,000	46,287,000	45,450,000	45,174,000	1.16%	-0.89%
570110	Carpets and other textile floor coverings, of wool or fine animal hair, knotted, whether or not made up	72,193,000	64,215,000	52,204,000	42,912,000	42,754,000	1.10%	-12.28%
420321	Specially designed gloves for use in sport, of leather or composition leather	24,517,000	27,969,000	21,112,000	23,008,000	34,413,000	0.91%	8.85%
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear ...)	45,118,000	45,868,000	40,856,000	35,542,000	32,447,000	0.85%	-7.91%
611599	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	40,453,000	39,109,000	29,188,000	29,246,000	31,986,000	0.84%	-5.70%
390769	Polyethylene terephthalate", in primary forms, having a viscosity number of < 78 ml/g	-	-	-	26,784,000	31,279,000	0.82%	-
620349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials (excluding ...)	23,793,000	24,946,000	20,937,000	23,526,000	30,750,000	0.81%	6.62%

Source: Data sourced from ITC Trade Map

### Key Findings

- In the top 25 items on the list, exports comprised majorly of textiles and textile articles (HS 50xxxx to HS 63xxxx)
- The top 5 items from the list, belonging to the textile sector, namely toilet linen and kitchen linen, jerseys and pullovers and knitted articles of apparel, women's apparel (not knitted), bedlinen of cotton, and floorcloths, dishcloths and other materials used for cleaning, made up more than 35.0 percent of total exports to the U.S.
- Exports of carpets, rugs and mats registered a negative growth in value due to a decline in international prices. Moreover, shortage of skilled labor and failure to cope with changing world demand trends appear to have negatively impacted the exports of carpets

## Pakistan's Top 25 Imports from the U.S. (HS-06 Level)

The table below shows the top 25 items at the HS-06 Level imported by Pakistan from the U.S. The figure illustrates the trade trends of these imports occurring over the past five years, along with their growth rates.

**TABLE 25: Pakistan's Top 25 Imports from the U.S. (HS-06 Level)**

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Imports (2018)	CAGR (2014– 18)
TOTAL	All products	1,512,132,000	1,837,507,000	2,107,772,000	2,808,167,000	2,929,194,000		17.97%
120190	Soya beans, whether or not broken (excluding seed for sowing)	-	126,111,000	135,810,000	426,086,000	689,156,000	23.53%	-
520100	Cotton, neither carded nor combed	86,357,000	124,050,000	202,173,000	297,286,000	614,725,000	20.99%	63.34%
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of iron and steel; radioactive waste and scrap;	97,494,000	98,116,000	112,077,000	168,765,000	97,502,000	3.33%	0.00%
999999	Commodities not elsewhere specified	150,484,000	69,194,000	158,473,000	117,069,000	94,475,000	3.23%	-10.99%
720410	Waste and scrap, of cast iron (excluding radioactive)	7,335,000	4,323,000	3,209,000	47,656,000	77,820,000	2.66%	80.48%
271111	Natural gas, liquefied	11,000	-	-	33,629,000	72,362,000	2.47%	800.59%
710812	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excluding gold in powder form)	6,271,000	8,535,000	38,859,000	52,314,000	61,996,000	2.12%	77.32%
880330	Parts of aeroplanes or helicopters, n.e.s. (excluding those for gliders)	36,013,000	101,132,000	112,571,000	91,234,000	59,656,000	2.04%	13.45%
470321	Semi-bleached or bleached coniferous chemical wood pulp, soda or sulphate (excluding dissolving grades)	10,768,000	13,182,000	17,741,000	23,911,000	39,216,000	1.34%	38.14%
040210	Milk and cream in solid forms, of a fat content by weight of <= 1,5%	18,679,000	53,356,000	43,684,000	48,306,000	32,474,000	1.11%	14.83%
903300	Parts and accessories for machines, appliances, instruments or other apparatus in chapter 90, specified neither in this chapter nor elsewhere	783,000	6,289,000	258,000	7,064,000	31,719,000	1.08%	152.28%
100510	Maize seed for sowing	33,257,000	26,564,000	30,259,000	37,096,000	31,291,000	1.07%	-1.51%
440710	Coniferous wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness of > 6 mm	23,539,000	30,972,000	31,303,000	37,848,000	30,074,000	1.03%	6.32%
860210	Diesel-electric locomotives	-	-	25,480,000	174,976,000	26,828,000	0.92%	-
080212	Fresh or dried almonds, shelled	2,387,000	1,330,000	26,828,000	35,184,000	23,807,000	0.81%	77.71%
720421	Waste and scrap of stainless steel (excluding radioactive, and waste and scrap of batteries and electric accumulators)	52,896,000	39,897,000	47,100,000	40,259,000	20,852,000	0.71%	-20.76%
020714	Frozen cuts and edible offal of fowls of the species Gallus domesticus	18,758,000	16,949,000	17,455,000	17,127,000	19,543,000	0.67%	1.03%
390410	Poly"vinyl chloride", in primary forms, not mixed with any other substances	546,000	412,000	5,150,000	3,103,000	18,165,000	0.62%	140.17%

HS-Code	Product label	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Imports (2018)	CAGR (2014–18)
740400	Waste and scrap, of copper (excluding ingots or other similar unwrought shapes, of remelted copper waste and scrap,	32,911,000	25,604,000	11,445,000	18,598,000	17,859,000	0.61%	-14.17%
760200	Waste and scrap, of aluminium (excluding slags, scale and the like from iron and steel production, containing recoverable aluminium ...	4,910,000	8,309,000	13,738,000	4,986,000	16,624,000	0.57%	35.65%
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	11,349,000	10,762,000	15,042,000	16,686,000	15,446,000	0.53%	8.01%
071320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	2,229,000	3,376,000	7,822,000	17,503,000	13,124,000	0.45%	55.77%
851762	Machines for the reception, conversion and transmission or regeneration of voice, images or ...	24,198,000	9,407,000	5,138,000	13,615,000	13,106,000	0.45%	-14.21%
080211	Fresh or dried almonds in shell	10,360,000	8,074,000	28,382,000	25,139,000	12,558,000	0.43%	4.93%
721012	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ...	10,100,000	3,197,000	5,397,000	9,792,000	12,197,000	0.42%	4.83%

Source: Data sourced from ITC Trade Map

### Key Findings

- In 2018, imports from the U.S. rose by 4.3 percent over the previous year as compared to a jump of 33.2 percent between 2016 and 2017
- Soybean seed imports have continued to rise at a rapid pace, with imports rising to \$689.0 million or 1,929,838 tons, up from zero only a few years ago. This is due to the low tariff on soybean versus soybean meal which has been instrumental in the shift, thereby increasing throughput in the domestic crushing sector. Moreover, international prices of soya bean have plummeted following the U.S. China trade war leading importers to substitute soft oils such as canola and sunflower with soybean, thus pushing up its imports
- The surge in imports of iron and steel scrap (2015–17) were due to increased construction activity in Pakistan. Pakistan's imports from the world increased by 59.3 percent during July–February FY2018 which in turn increased imports from the U.S. The imposition of regulatory duties on finished goods along with growing demand from the construction and transportation sector, are the prime reasons for this surge in scrap imports

## Trade Potential

### Pakistan's High Potential Exports to the U.S. at HS-06 Level

The following table shows a comparison between Pakistan's actual exports to the U.S. as well as Pakistan's potential exports to the U.S. for the current top 20 commodities exported by Pakistan to the U.S. This will help us understand how much of additional goods in the top 20 exports can be imported by the U.S. if Pakistan diverted all of its current exports to the world of these high potential goods towards the U.S. market.

**TABLE 26: Pakistan’s High Potential Exports to the U.S. at HS Level 6 Digits**

All values in US\$ (2018)

HS-Code	Product Label	U.S.’ Imports from Pakistan	Pakistan’s Exports to world	U.S.’ Imports from world	Indicative Trade Potential
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	23,314,000	1,757,847,000	887,380,000	864,066,000
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	228,626,000	860,928,000	1,597,292,000	632,302,000
220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	-	425,499,000	676,347,000	425,499,000
170199	Cane or beet sugar and chemically pure sucrose, in solid form (excluding cane and beet sugar containing added flavoring ...)	-	383,694,000	498,934,000	383,694,000
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	89,394,000	373,182,000	11,844,863,000	283,788,000
630260	Toilet linen and kitchen linen, of terry toweling or similar terry fabrics of cotton (excluding floorcloths, polishing cloths, ...)	510,936,000	786,302,000	2,111,386,000	275,366,000
100119	Durum wheat (excluding seed for sowing)	-	272,587,000	289,957,000	272,587,000
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted or crocheted (excluding of wool, ...)	207,000	268,434,000	259,544,000	259,337,000
630210	Bedlinen, knitted or crocheted	97,159,000	691,649,000	333,058,000	235,899,000
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	208,678,000	438,961,000	654,801,000	230,283,000
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear and headgear and parts ...)	29,958,000	258,648,000	383,873,000	228,690,000
252329	Portland cement (excluding white, whether or not artificially colored)	-	199,252,000	951,459,000	199,252,000
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	60,480,000	219,331,000	419,722,000	158,851,000
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	7,321,000	157,263,000	1,900,608,000	149,942,000
950662	Inflatable balls	16,904,000	163,354,000	226,260,000	146,450,000
620342	Men’s or boys’ trousers, bib and brace overalls, breeches and shorts, of cotton (excluding knitted or crocheted, underpants ...)	206,246,000	348,989,000	5,414,038,000	142,743,000
070190	Fresh or chilled potatoes (excluding seed)	-	120,537,000	216,321,000	120,537,000
110100	Wheat or meslin flour	79,000	119,639,000	207,599,000	119,560,000
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	129,346,000	242,703,000	4,250,035,000	113,357,000
410712	Grain splits leather “incl. parchment-dressed leather”, of the whole hides and skins of bovine “incl. buffalo” or ...	170,000	109,690,000	136,066,000	109,520,000
	Top 20 Commodities				5,351,723,000

Source: Data sourced from ITC Trade Map

### Key Findings

- The top 20 high potential goods at HS-06 Level have an export potential of \$5.3 billion
- Rice (HS-100630) is among those commodities that is currently exported in low quantities to the U.S. but holds a huge export potential, a value which could possibly exceed \$860.0 million. However, the type of rice currently exported to U.S. at the tariff line is ‘*Basmati rice*’ (HS-10063010) whereas Pakistan’s main rice exports to the world fall under ‘*non-basmati rice*’ (HS-10063090) category
- ‘*Undenatured ethyl alcohol*’ (HS-220710), ‘*Cane or beet sugar*’ (HS-170199), and ‘*Portland cement*’ (HS-252329) are currently not exported but hold a high potential for exports.
- Eight of the items in the list that indicate high potential, belong to the textile sector (a potential of over \$2.0 billion). This shows that Pakistan has huge untapped potential in the textile sector, where a well

- negotiated trade agreement can significantly enhance exports
- *'Durum wheat'* (HS-110100) a staple food of Pakistan is not exported to the U.S. but has an export potential of \$272.0 million. Similar is the case with *'Fresh or chilled potatoes'* (HS-707190) which is currently not traded but has over \$120.0 million potential export value

## U.S. High Potential Exports to Pakistan at HS-06 Level

U.S. exports to Pakistan increased from \$2.8 billion in 2017 to \$2.9 billion in 2018. The table below lists the top 20 commodities that have the highest potential export value for the U.S. This would help us better understand which goods, currently traded, could be put forward for inclusion by the U.S. if a free trade agreement were to be signed in future between the two countries.

**TABLE 27: U.S. Top 20 High Potential Exports at HS-06 Level**

All values in US\$ (2018)

HS-Code	Product Label	U.S. Exports to Pakistan	Pakistan's Imports from World	U.S. Exports to World	Indicative Trade Potential
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of iron and steel; radioactive waste and scrap;	97,502,000	949,246,000	4,865,661,000	851,744,000
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	283,000	833,074,000	10,519,990,000	832,791,000
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars,	-	542,106,000	733,943,000	542,106,000
390210	Polypropylene, in primary forms	3,000	539,138,000	1,624,780,000	539,135,000
520100	Cotton, neither carded nor combed	614,725,000	1,048,967,000	6,562,696,000	434,242,000
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, put up in measured ...	2,987,000	432,796,000	17,855,048,000	429,809,000
310530	Diammonium hydrogen orthophosphate "diammonium phosphate" (excluding that in tablets or similar forms ...	-	842,345,000	409,694,000	409,694,000
854140	Photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled in modules or made up ...	1,306,000	389,596,000	2,571,249,000	388,290,000
290243	P-Xylene	-	365,516,000	770,411,000	365,516,000
290531	Ethylene glycol "ethanediol"	106,000	333,800,000	501,769,000	333,694,000
390110	Polyethylene with a specific gravity of < 0,94, in primary forms	7,033,000	336,950,000	2,476,568,000	329,917,000
390120	Polyethylene with a specific gravity of >= 0,94, in primary forms	2,002,000	298,870,000	3,482,501,000	296,868,000
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons	15,000	291,880,000	2,274,906,000	291,865,000
847130	Data-processing machines, automatic, portable, weighing <= 10 kg, consisting of at least a central processing unit, ...	10,921,000	286,173,000	5,392,296,000	275,252,000
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	15,446,000	283,312,000	674,928,000	267,866,000
870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with spark-ignition internal combustion ...	957,000	266,725,000	17,400,882,000	265,768,000
280920	Phosphoric acid; polyphosphoric acids, whether or not chemically defined	14,000	265,694,000	346,658,000	265,680,000
300220	Vaccines for human medicine	1,028,000	247,600,000	2,397,374,000	246,572,000
851762	Machines for the reception, conversion and transmission or regeneration of voice, images or other data, ...	13,106,000	242,742,000	17,741,603,000	229,636,000
841430	Compressors for refrigerating equipment	2,862,000	208,418,000	1,310,774,000	205,556,000
	<b>Top 20 Commodities</b>				<b>7,802,001,000</b>

Source: Data sourced from ITC Trade Map

## Key Findings

- The top 20 high potential goods have an indicative trade potential of \$7.8 billion
- Potential exports from the U.S. to Pakistan mainly comprise of intermediate goods and capital goods such as ‘Semi-conductors’ (HS-854140), ‘Scrap of iron and steel’ (HS-720449), ‘Polypropylene’ (HS-390210), ‘Compressors for refrigerators’ (HS-841430) and ‘Telephones for cellular networks’ (HS-851712) to name a few. It should be noted that most of these goods have a derived demand and their import potential depends on the manufacturing capacity of Pakistan. Hence, for imports to realize their true potential, the country would need to develop its industrial sector and increase capacity
- Great potential also lies in commodities such as ‘Telephones for cellular networks’ (HS-851712), ‘Motor vehicles’ (HS-870323), ‘Clothing accessories’ (HS-630900) and edible oils such as ‘Soya-bean oil’ (HS-150710). With prices of soybean plummeting due to the U.S. – China trade war, the U.S. can meet Pakistan’s requirements which are currently being met through imports from Brazil and Argentina

## U.S. Imports of Pakistan’s Top Exported Commodities

The table below lists the top commodities exported by Pakistan to the U.S. at the HS-06 Level and compares U.S. imports for each of the listed items.

The table is divided into two parts. The first part contains an overview of the top items that Pakistan exported to the world in 2018. The second part of the table contains data showing U.S. imports of each of these items. The table further shows the U.S.’s total share in Pakistan’s exports, the top ‘3’ import partners for the U.S. for these items as well as the tariff currently applied by the U.S. on these top ‘3’ import sources and on Pakistan.

**TABLE 28: U.S.’s Imports of Pakistan’s Top Exported Commodities**

Pakistan			U.S.			
HS-Code	Product label	Export Value in 2018 (US\$)	Imports from the World (US\$)	% Share in Pakistan’s Exports	Top 3 Import Sourcing Markets	Tariffs Applied by the U.S. on these Countries
TOTAL	All products	23,696,528,000	2,614,273,313,000	16.45%	China, 21.5% Mexico, 13.4% Canada, 12.50%	
100630	Semi-milled or wholly milled rice <sup>9</sup>	1,771,112,000	887,380,000	1.32%	Thailand, 63.83% India, 22.30% Pakistan, 2.63%	Thailand, 1.00% to 11.20% India, 1.00% to 11.20% Pakistan, 1.00% to 11.20%
620322	Mens or boys ensembles of cotton (excluding knitted or crocheted ...)	1,532,130,000	11,816,000	0.50%	Pakistan, 64.64% China, 30.76% Korea, Republic of, 1.84%	Pakistan, 7.50% China, 7.50% Korea, (PTA) 0% to 7.50%
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	860,178,000	1,597,292,000	26.58%	India, 50.57% China, 23.62% Pakistan, 14.31%	India, 3.80% to 20.90% China, 3.80% to 20.90% Pakistan, 3.80% to 20.90%
630260	Toilet linen and kitchen linen, of terry toweling	789,350,000	2,111,386,000	64.73%	India, 36.55% China, 25.11% Pakistan, 24.20%	India, 9.10% China, 9.10% Pakistan, 9.10%
520512	Single cotton yarn, of uncombed fibres	787,152,000	16,722,000	0.98%	Pakistan, 46.33% Mexico, 41.11% India, 10.09%	Pakistan, 5.20% to 6.50% Mexico, (FTA) 0% to 6.50% India, 5.20% to 6.50%
630239	Bedlinen of textile materials (excluding of cotton and man-made fibres)	697,815,000	61,524,000	0.10%	China, 67.77% India, 15.35% Portugal, 7.13%	China, 4.30%, India, 4.30%, Portugal, 4.30% Pakistan, 4.30%,
630210	Bedlinen, knitted or crocheted	692,625,000	333,058,000	14.03%	China, 50.59% Pakistan, 29.17% El Salvador, 7.87%	China, 6.00%, Pakistan, 6.00% El Salvador, (DR – CAFTA) 0%

<sup>9</sup> One item i.e. basmati is GSP eligible under HS-100630

Pakistan			U.S.			
HS-Code	Product label	Export Value in 2018 (US\$)	Imports from the World (US\$)	% Share in Pakistan's Exports	Top 3 Import Sourcing Markets	Tariffs Applied by the U.S. on these Countries
520942	Denim	501,157,000	66,714,000	0.10%	Mexico, 29.87% Japan, 18.68% Turkey, 17.19%	México, (PTA) 0%, Japan, 8.40%, Turkey, 8.40% Pakistan, 8.40%
630710	Floorcloths and similar cleaning cloths, of all types of textile materials	438,864,000	654,801,000	47.55%	China, 50.38% Pakistan, 31.87% Canada, 3.68%	China, 4.1% to 5.30%, Pakistan, 4.10% to 5.30% Canada, 0% NAFTA
220710	Undenatured ethyl alcohol	423,973,000	676,347,000	0.00%	Brazil, 88.11% Canada, 3.38% Guatemala, 2.90%	Brazil, 2.50%, Canada, (NAFTA) 0% to 2.50%, Guatemala, (DR – CAFTA) 0% to 2.50% Pakistan, 0% to 2.50%
170199	Cane or beet sugar	401,185,000	498,934,000	0.00%	Mexico, 41.38% Brazil, 20.56% Colombia, 11.85%	México, (NAFTA) 0% Brazil, 35.74 cents/kg or 29.56% Colombia, (PTA) 0% Pakistan, 0% to 29.50%
901890	Instruments and appliances used in medical, surgical or veterinary sciences	372,969,000	11,844,863,000	0.00%	Mexico, 31.08% Germany, 11.85% Ireland, 8.68%	Mexico, (PTA) 0%, Germany, 0%, Ireland, 0% Pakistan, 0%,
620342	Men's or boys' trousers	350,264,000	5,414,038,000	58.88%	Bangladesh, 26.72% Mexico, 18.88% China, 14.85%	Bangladesh, 0% to 16.60%, México, (PTA) 0% to 16.60%, China, 0% to 16.60% Pakistan, 0% to 16.60%
610590	Men's or boys' shirts of textile materials	332,438,000	10,956,000	0.03%	China, 39.05% Italy, 19.07% Vietnam, 11.23%	China, 0.90% to 14.90% Italy, 0.90% to 14.90% Vietnam, 0.9% to 14.90% Pakistan, 0.9% to 14.90%
100119	Durum wheat (excluding seed for sowing)	283,694,000	289,957,000	0.00%	Canada, 99.32% Argentina, 0.65% India, 0.02%	Canada, (NAFTA) 0% Argentina, 0.65 cents/kg India, 0.65cents/kg Pakistan, 0.65 cents/kg
611090	Jerseys, similar articles, of textile materials, knitted ...	264,713,000	259,544,000	0.08%	China, 74.84% Vietnam, 6.47% Italy, 5.21%	China, 0.90% to 6.00% Vietnam, 0.90% to 6.00% Italy, 0.9% to 6.00% Pakistan, 0.9% to 6.00%
270900	Petroleum oils and oils obtained from bituminous minerals	261,028,000	261,028,000	0.00%	United Arab Emirates, 54.45% Australia, 17.05% Papua New Guinea, 10.76%	United Arab Emirates, 5.25 - 10.50 cents/bbl, Australia, (FTA) 0% Papua, 5.25-10.50 cents/bbl Pakistan, 5.25-10.50 cents/ bbl
420310	Articles of apparel, of leather	259,022,000	383,873,000	11.57%	China, 31.44% India, 21.83% Italy, 19.53%	China, 4.70% to 6.00% India, 0% to 6.00% Italy, 4.70% to 6.00% Pakistan, 6.00% <sup>10</sup>
520812	Plain woven fabrics of cotton	253,077,000	21,203,000	2.89%	Pakistan, 34.45% China, 30.51% India, 25.55%	Pakistan, 7.00% to 10.50% China, 7.00% to 10.50% India, 7.00% to 10.50%
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	242,398,000	4,250,035,000	53.36%	Honduras, 12.36% Nicaragua, 9.53% China, 8.95%	Honduras, (DR – CAFTA) 0% Nicaragua, (DR – CAFTA) 0% China, 16.50% Pakistan, 16.50%

Source: Data sourced from ITC Trade Map

<sup>10</sup> A tariff rate of 6% is charged for all items exported under 42031040

## Key Findings

- Pakistan is one of the top three exporters to the U.S. for 9 of the 20 items listed above
- Pakistan is a top exporter of textiles and textile products, and the country is meeting at least 10.0 percent of total U.S. demand in each textile category listed above. Pakistani exports of ‘Men’s or boys’ ensemble ...’ (HS-620322), ‘Single cotton yarn ...’ (HS-520512), ‘Bedlinen of cotton ...’ (HS-630231), ‘Toilet and kitchen linen ...’ (HS-630260), ‘Bed linen ...’ (HS-630210), ‘Floor cloths ...’ (HS-630710), and ‘Plain-woven fabrics ...’ (HS-520812) have a share in total U.S. imports of 64.3 percent, 52.9 percent, 13.5 percent, 25.2 percent, 32.6 percent, 32.5 percent and 26.7 percent, respectively
- Major competitors for the above-mentioned textile products are China, India and countries belonging to the DR – CAFTA mainly, Honduras, El Salvador and Nicaragua
- For some textile items in the table above where Pakistan is not listed as a top exporter, the country still has a significant share in U.S. total imports, only behind Bangladesh and countries from DR – CAFTA which enjoy significant tariff advantages

## Bilateral Revealed Comparative Advantage (BRCA)

The BRCA<sup>11</sup> is an index which indicates whether or not a country has a revealed comparative advantage over its partner. This would help determine which products Pakistan has a comparative advantage in over the U.S. and vice versa indicating which industries can successfully export their products to the partner country.

### BRCA to Pakistan of Exporting Goods to the U.S.

The following is a list of the top commodities at the HS-06 Level exported by Pakistan to the United States along with each commodity’s revealed comparative advantage.

**TABLE 29: BRCA to Pakistan by Exporting Goods to the U.S.**

HS-Code	Product label	BRCA Range: 0 – + ∞
620322	Men’s or boys’ ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	1.54
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	4.90
630260	Toilet linen and kitchen linen, of terry toweling or similar terry fabrics of cotton (excluding ...	2.68
630210	Bedlinen, knitted or crocheted	1.95
610590	Men’s or boys’ shirts of textile materials, knitted or crocheted (excluding of cotton or man-made ...	2.61
630239	Bedlinen of textile materials (excluding of cotton and man-made fibres, printed, knitted or ...	1.13
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	0.90
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted ...	2.48
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	1.67
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	3.70
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	2.22
630299	Toilet linen and kitchen linen of textile materials (excluding of cotton or man-made fibres, ...	5.40
610339	Men’s or boys’ jackets and blazers of textile materials (excluding of wool, fine animal hair, ...	2.48
610510	Men’s or boys’ shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets ...	2.66
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	1.77
610349	Men’s or boys’ trousers, bib and brace overalls, breeches and shorts of textile materials, ...	1.61
390761	Polyethylene terephthalate”, in primary forms, having a viscosity number of >= 78 ml/g	2.59

11  $BRCA_{ij} = (x_{ij}/X_{it}) / (x_{wj}/X_{wt})$

Where  $x_{ij}$  and  $x_{wj}$  are the values of country i’s exports of product j and world exports of product j and where  $X_{it}$  and  $X_{wt}$  refer to the country’s total exports and world total exports.

HS-Code	Product label	BRCA Range: 0 – + ∞
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	0.96
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	1.23
570110	Carpets and other textile floor coverings, of wool or fine animal hair, knotted, whether or ...	3.42

Source: Data sourced from ITC Trade Map

### Key findings

- More than 90.0 percent of the items in the list belong to the textile sector
- Pakistan enjoys a comparative advantage in 18 of the 20 products listed above, the exception being 'Bedlinen of Cotton ...' (HS-630231) and 'Men's or boys' trousers of cotton ...' (HS-620342) with a BRCA of 0.90 and 0.96, respectively
- The highest comparative advantage is in 'Floor cloths, dish cloths, dusters and similar cleaning cloths ...' (HS-630710), 'Toilet linen and kitchen linen ...' (HS-630299), and 'T-shirts, singlets ...' (HS-610990), with comparative advantages of 4.9, 5.4 and 3.7, respectively
- Pakistan has a low comparative advantage in most of the goods listed above since none of the top 20 goods have a BRCA greater than 6.0. This tells us that Pakistan's exports to the U.S. are comparatively insignificant as opposed to its exports to the world. Similarly, the U.S. fulfils its demand for the above listed goods from other countries, rather than importing them just from Pakistan

### BRCA to the U.S. of Exporting Goods to Pakistan

The table below shows the top 20 items at the HS-06 Level imported by Pakistan from the U.S. along with their revealed comparative advantages.

**TABLE 30: BRCA to U.S. of Exporting Goods to Pakistan**

HS-Code	Product label	BRCA Range: 0 – + ∞
120190	Soya beans, whether or not broken (excluding seed for sowing)	22.89
520100	Cotton, neither carded nor combed	53.21
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of ...	11.38
999999	Commodities not elsewhere specified	0.30
720410	Waste and scrap, of cast iron (excluding radioactive)	115.38
271111	Natural gas, liquefied	7.00
710812	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excluding gold ...	1.75
880330	Parts of aeroplanes or helicopters, n.e.s. (excluding those for gliders)	7.00
470321	Semi-bleached or bleached coniferous chemical wood pulp, soda or sulphate (excluding dissolving ...	5.17
040210	Milk and cream in solid forms, of a fat content by weight of ≤ 1,5%	13.70
903300	Parts and accessories for machines, appliances, instruments or other apparatus in chapter 90, ...	31.60
100510	Maize seed for sowing	51.71
440710	Coniferous wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded ...	19.27
860210	Diesel-electric locomotives	24.24
080212	Fresh or dried almonds, shelled	4.01
720421	Waste and scrap of stainless steel (excluding radioactive, and waste and scrap of batteries ...	35.67
020714	Frozen cuts and edible offal of fowls of the species Gallus domesticus	4.20

HS-Code	Product label	BRCA Range: 0 – + ∞
390410	Poly“vinyl chloride”, in primary forms, not mixed with any other substances	3.98
740400	Waste and scrap, of copper (excluding ingots or other similar unwrought shapes, of remelted ...	3.19
760200	Waste and scrap, of aluminum (excluding slags, scale and the like from iron and steel production, ...	3.82

Source: Data sourced from ITC Trade Map

### Key Findings

- U.S. enjoys a comparative advantage in almost all of the goods listed above, with the exception of ‘Commodities not elsewhere specified ...’ (999999) which has a BRCA of 0.3
- The highest comparative advantage is in ‘Cotton ...’ (HS-520100), ‘Waste and scrap, of cast iron ...’ (HS-720410), ‘Waste and scrap of stainless steel ...’ (HS-720421) and ‘Maize seed for sowing ...’ (HS-100510) with BRCAs of 53.2, 115.3, 35.6 and 51.7, respectively
- Most of the goods listed above enjoy a high BRCA as these goods are exported by the U.S. to Pakistan in large quantities as compared to U.S. exports to the world. This makes Pakistan an important import partner for most of the items in the table

## Pakistan – U.S. Bilateral Investment Treaty (BIT)

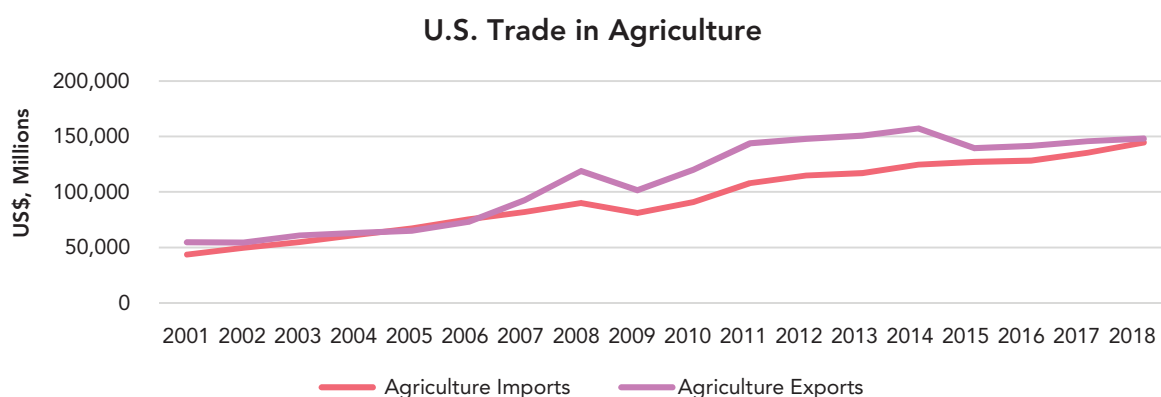
The government of Pakistan has been holding negotiations with the U.S. since 2004 for a Bilateral Investment Treaty (BIT). It is generally felt that the signing of a BIT with the U.S. is the first step towards negotiations for a free trade agreement though no formal indication has been given by the U.S. that signing of a BIT will lead to the initiation of FTA negotiations. The U.S. however in the past has followed a similar path with other countries, including Bahrain and Egypt.

The U.S. resolve to end the conflict in Afghanistan has helped put Pakistan in a strategic position where the U.S. might want to integrate the export sector of Pakistan with Afghanistan in order to promote economic activity in the war-torn country. A similar arrangement was signed between the U.S. and Jordan where Jordanian exports were granted duty free access into the U.S. provided a certain amount of value addition was derived in Israel. The Jordanian arrangement was designed in order to diffuse territorial tensions between the two neighboring countries.

## Significance of Agriculture in a Potential Pakistan – U.S. FTA

The agriculture sector is a significant contributor to the U.S. economy producing over \$2.0 trillion in annual revenues and \$130.0 billion in profits for more than 2.6 million businesses. The country, being a net exporter of agriculture produce, is the world’s second largest trader in agriculture products after the European Union, with about \$149.0 billion exported in 2018, a 9.0 percent share in total U.S. exports.

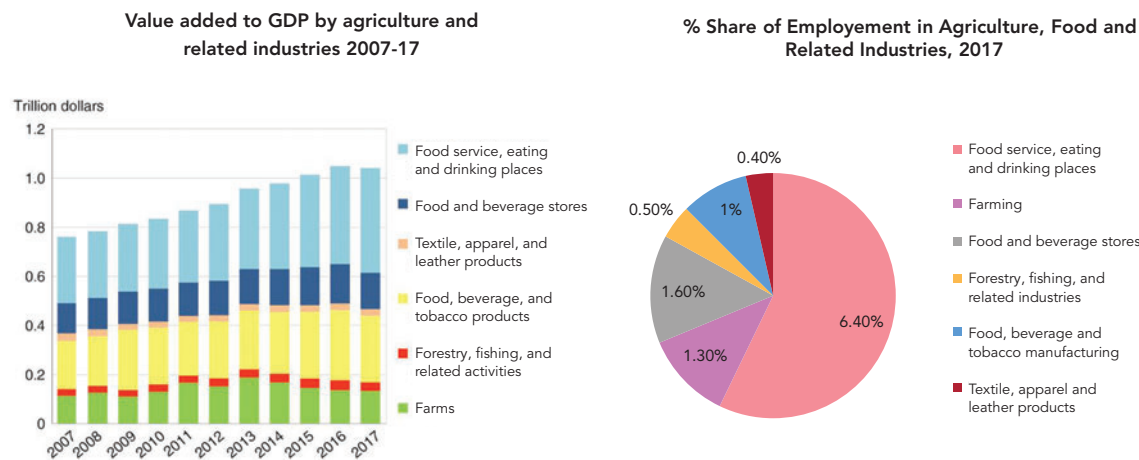
**FIGURE 10: U.S. Trade in Agriculture**



Source: Data sourced from ITC Trade Map

With U.S. agricultural output growing faster than domestic demand for many products, U.S. farms and agriculture businesses have been relying on international markets to sustain prices and revenues. As a result, U.S. exports to the world have grown steadily over the last 17 years, reaching \$149.0 billion in 2018, up from \$54.0 billion in 2001. The U.S. is also the largest importer of agriculture produce and imports have nearly tripled in value, reaching \$144.0 billion in 2018, up from \$49.0 billion in 2001.

**FIGURE 11: Value Added to GDP by Various Sectors** **FIGURE 12: Percentage Share of Employment in Various Industries**



Source: USDA

### Major U.S. Agricultural Exports

- **Non-manufactured items:** food grains, oilseeds, fruits and tree nuts, crops, vegetables and melons, sweeteners, and livestock
- **Manufactured items:** grain and oilseed milling products, meat products, preserved fruits and vegetables, other foods, sugar and confections, dairy products, beverages, and bakery products

### Major Agricultural Imports

- **Non-manufactured items:** sweeteners, fruits and tree nuts, vegetables and melons, food grains, crops, oilseeds, livestock, and feed grains
- **Manufactured items:** grains and oilseed milling products, sugar and confectionaries, preserved fruits and vegetables, beverages, meat products, other foods, bakery products, and dairy products

### Trade at the HS-10 Digits Level

**TABLE 31: U.S. Top Agriculture Exports (2018)**

HS Code	U.S. Top Agriculture Exports (2018)
1201900095	Soybeans, whether or not broken, except seeds
1005902030	Maize
1001992055	Wheat and meslin (excl. Seed for sowing, and durum wheat)
2304000000	Soybean oilcake and other solid residues resulting from the extraction of soy bean oil, ...
2106906698	Edible preparations, not canned or frozen, not containing cane and/or beet sugar, nesoi
1005902035	Almonds, fresh or dried, shelled
0802120000	Meat of bovines, boneless, fresh or chilled, except processed
0201306000	Meat of bovines, boneless, frozen, except processed
0202306000	Brewing or distilling dregs and waste, whether or not in the form of pellets
2303300000	Meat of swine, frozen, nesoi

Source: Data sourced from ITC Trade Map

**TABLE 32: U.S. Top Agriculture Imports (2018)**

HS Code	U.S. Top Agriculture Imports (2018)
2203000030	Beer made from malt in glass containers not over 4 liters each
0901110025	Coffee, arabica, other than certified organic, not decaffeinated, not roasted
2106909873	Preparations for the manufacture of beverages, nesoi
0804400040	Hass avocados and avocados determined by the secretary of agriculture to be hass-like, fresh . . .
0803900035	Bananas, fresh
2204215040	Red wine of fresh grapes of an alcoholic strength by volume not over 14% vol, in containers . . .
2202100040	Carbonated soft drinks, not containing high-intensity sweeteners
2208303030	Whiskies, scotch and Irish, in containers, < 4 liters
0202305085	Meat of bovines, boneless, frozen, as specified in us note 3, except processed, nesoi
2204215055	White wine, except ice wine, of an alcoholic strength by volume not over 14% vol

Source: Data sourced from ITC Trade Map

## U.S.: A Protectionist Economy for Agriculture

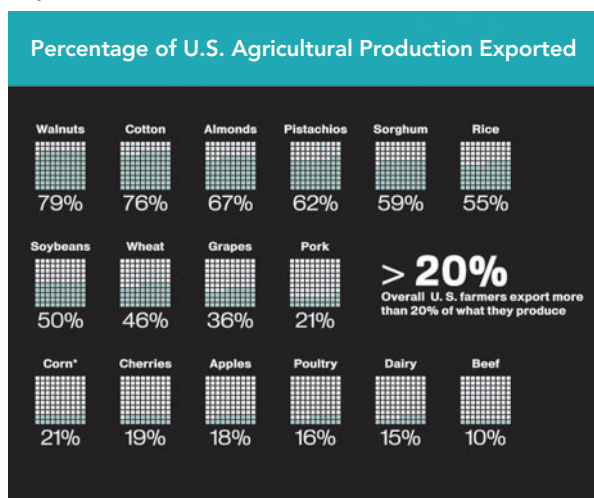
The cultivation of crops and the rearing of livestock remains a vital component of the nation’s psyche though these sectors combined contribute just over 1.0 percent to GDP. Given the agriculture sector’s importance, the U.S. federal government extends farm subsidies, also known as agriculture subsidies, to farmers and agribusinesses. These include direct payments and other forms of support to stabilize markets and regulate agricultural production. Further, the government subsidizes farmers’ conservation efforts, insurance coverage, marketing, export sales, research and other activities.

*The U.S. federal government spends more than \$20.0 billion a year on subsidies for farm businesses, and nearly 39.0 percent of the nation’s 2.1 million farmers benefit from these grants. Congress legislates subsidies through five–year farm bills. The primary beneficiaries are growers of corn, soybean, wheat, cotton and rice. As a result of these subsidies, farmers and agribusinesses are able to produce and export large quantities of the above-mentioned commodities, contributing significantly to world supply.*

## U.S. Agriculture Trade

The U.S. accounts for only 4.4 percent of the global population but U.S. agricultural productivity results in production far beyond the country’s needs. Hence, export markets are critical for surplus production and for preventing price declines in domestic markets. The infographic below depicts, for specific commodities, the share of U.S. agricultural products exported globally.

**FIGURE 13:** Share of U.S. Agricultural Production Exported



Source: United States Department of Agriculture Foreign Agriculture Service

**FIGURE 14:** Top Markets for U.S. Agricultural Exports



Source: United States Department of Agriculture Foreign Agriculture Service

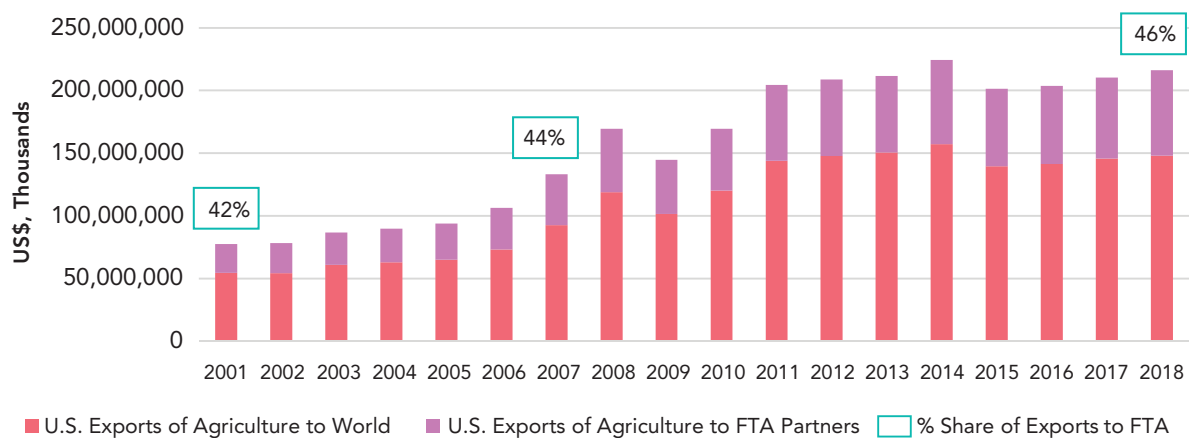
Many of the agriculture products rely on international demand as a major component of total demand. The U.S. is the largest producer of soybeans, with over 100.0 million metric tons produced in 2018 alone. This resulted in large exports to China – the world’s largest soybean importer. Moreover, the U.S. is a top exporter of corn, wheat and cotton, with exports of over \$12.0 billion, \$5.0 billion and \$6.0 billion, respectively.

Canada and Mexico are the top export markets for U.S. agriculture, with combined imports of \$40.0 billion in 2018. In fact, more than 28.0 percent of all U.S. farm and food exports went to these two countries.

## Role of Agriculture in U.S. Free Trade Agreements

The U.S. is the world's largest producer of many agricultural products, and has developed significant resources to transport agriculture goods throughout the world. It is a low-cost, high production source of agriculture commodities and the removal of trade barriers has given a boost to the sector. The current 20 U.S. FTA partner countries represent around 10.0 percent of the world's GDP and 6.0 percent of global population yet they account for 46.0 percent of U.S. agricultural exports to the world, up from 29.0 percent in 1990, before the majority of U.S. FTAs were implemented. Exports to China, a significant non-FTA partner, have declined by half in 2018 over the previous year due to the U.S.– China trade dispute. The graph below shows that U.S. agricultural exports to FTA partners are growing at a faster rate than to non-FTA countries, indicating the role FTAs have played in gaining access to foreign markets for U.S. producers and exporters of agriculture produce.

**FIGURE 15: U.S. Exports of Agriculture**



Source: Data sourced from ITC Trade Map

Under FTAs, the majority of U.S. export products enjoy an immediate tariff reduction to zero upon entry into force, with most of the remaining tariffs phased out over time. Immediate improved access is also achieved through duty-free tariff rates quotas (TRQs) that are used for sensitive commodities, but tariffs for these commodities are also eliminated eventually.

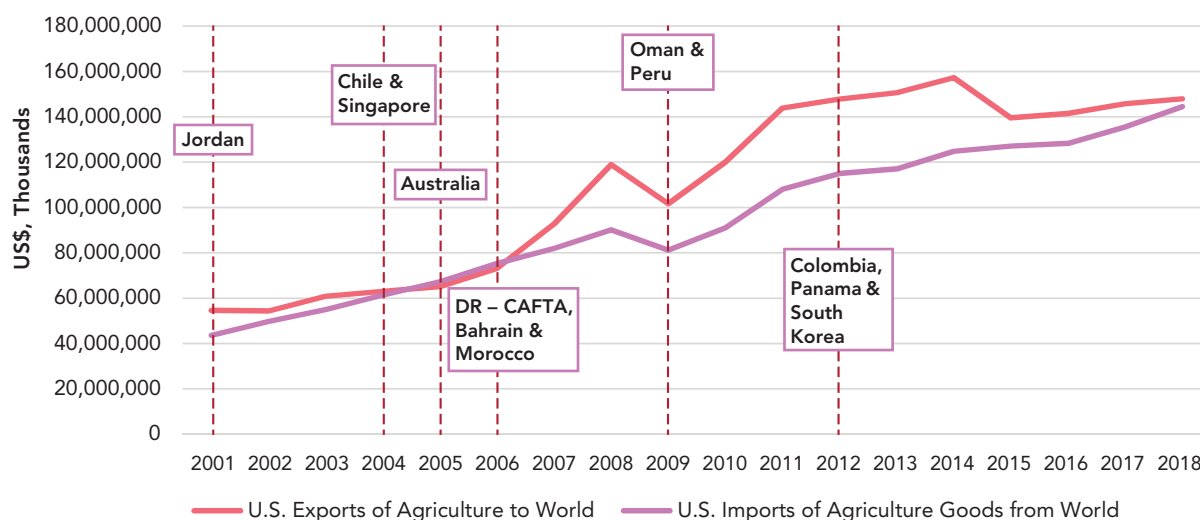
For the U.S., agriculture is a major component of most trade agreements, if not all, and it is one area in which the U.S. has benefited from open trade and has traditionally enjoyed trade surpluses.

Analysis done in 2015 shows that agriculture and agri-related industries contributed \$992.0 billion to the GDP. Output from U.S. farms specifically contributed \$136.7 billion, or about 1.0 percent of the U.S. GDP.

## U.S. Free Trade Agreements & the Growth of Agricultural Exports: A Timeline

The figure below illustrates the historical growth in U.S. agriculture trade and the timing of trade agreements. As can be seen, agriculture trade was relatively small in 2001 before most agreements (except for U.S.– Israel FTA and NAFTA) were signed, however, since then agriculture trade volume has more than quadrupled in the last 18 years, going from \$54.0 billion in 2001 to \$148.0 billion in 2018. Though the FTAs are likely not the only cause of this increase, the rise of China being another factor, the FTAs have helped the U.S. enter new markets.

**FIGURE 16: U.S. Free Trade Agreements & the Growth of Agriculture Exports**



Source: Data sourced from ITC Trade Map

The top 5 destinations for U.S. agriculture exports are Canada, Mexico, Japan, Korea, Republic of and China. Three out of these five have FTAs with the U.S. In 2018, agriculture exports to the top ‘4’ countries combined amounted to \$76.0 billion.

### The Impact of NAFTA on U.S. Agriculture

In the 24 years since NAFTA’s implementation in 1994, U.S. agriculture exports to Canada and Mexico have more than quadrupled, growing from \$8.9 billion in 1993 to \$46.1 billion in 2018. Canada and Mexico’s share of total U.S. agricultural exports to the world have increased from on an average of 19.0 percent in 1993 to 31.0 percent in 2018. Before the agreement, Canada was the fourth largest importer of U.S. agriculture produce, now it is the number one market for U.S. farmers. Mexico, on the other hand, is one of the top importers of U.S. corn, soybean meal and pork. Imports of feed from the U.S. are closely tied to its poultry and pork industries. Analysis by USDA’s Economic Research Services (ERS) found that NAFTA has helped forge deep integration of North American agriculture markets and allowed participants to benefit from the efficient use of resources. Consumers have benefited from competitively priced products, greater varieties of food and off-season availability of fresh produce<sup>12</sup>.

**TABLE 33: Top U.S. Agriculture Exports to Canada and Mexico**

Top U.S. Agriculture Exports to Canada and Mexico – 2018	
1) Corn (\$3.4 billion)	6) Fresh Vegetables (\$2.0 billion)
2) Prepared Foods (\$2.6 billion)	7) Soybeans (\$2.0 billion)
3) Fresh Fruit (\$2.1 billion)	8) Beef and Beef Products (\$1.8 billion)
4) Pork and Pork Products (\$2.1 billion)	9) Snack Foods (\$1.7 billion)
5) Dairy Products (\$2.0 billion)	10) Poultry and Eggs (\$1.6 billion)

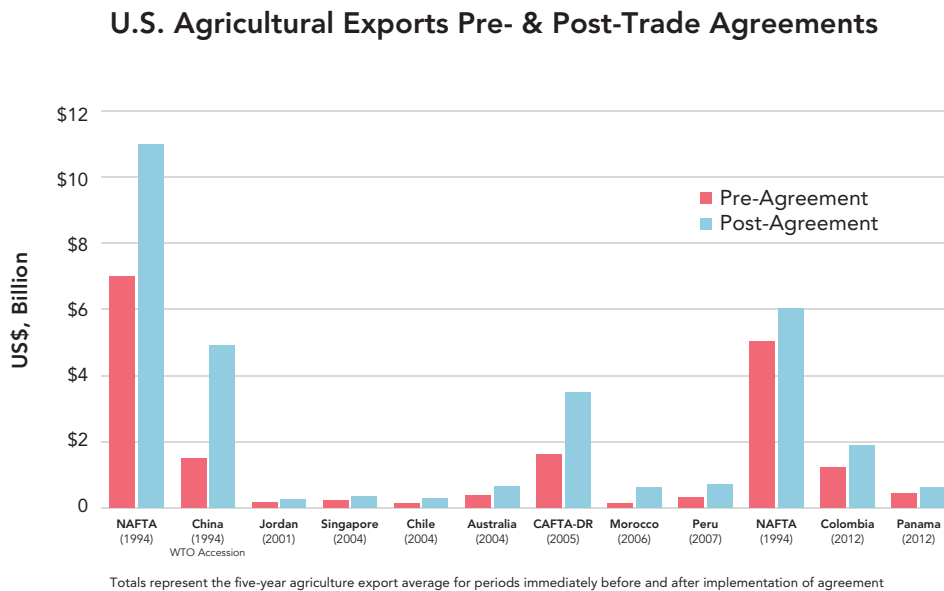
Source: FAS

## U.S. Agricultural Exports to other FTA Partners

U.S. agriculture exports to Central American countries and the Dominican Republic more than doubled after the DR – CAFTA went into effect, from \$2.3 billion in 2006 to \$4.7 billion in 2018. Santo Domingo of the FAS reports that the DR – CAFTA has established a more transparent process for trade and this has led to increased imports of high-value commodities such as meat, poultry, cheese and products that had previously faced restrictions. This contributed to an increase in U.S. exports of dairy, beef, pork, poultry products and prepared food to the Central American bloc.

Colombia’s imports of agriculture as a share of total imports from the U.S. increased after the signing of the U.S. – Colombia FTA, from 6.0 percent in 2012 to approximately 20.0 percent in 2018. Elsewhere, U.S. exports of agriculture produce to FTA partners such as Chile and Peru also increased significantly, from \$115.0 million and \$500.0 million in the year of FTA implementation to over \$1.0 billion and \$1.4 billion in 2018, respectively.

**FIGURE 17: U.S. Agricultural Exports Pre- & Post-Trade Agreements**



Source: USDA

## Country-Specific Trade Agreements on Agriculture

**TABLE 34: Country-Specific Trade Agreements on Agriculture**

Trade Agreement	Benefits from the Agreement
United States – Mexico – Canada Agreement (USMCA) – to replace NAFTA on January 1, 2020	<ul style="list-style-type: none"> <li>All agriculture products that have zero tariffs under NAFTA will remain at zero tariffs under the new trade deal</li> <li>Increased access will be given in the dairy, poultry and egg product sectors. For example, Canada has agreed to eliminate the Class 7 milk pricing program that allows its farmers to undersell U.S. producers</li> <li>Increased access for commodities such as corn, soybean and wheat</li> <li>Changes have been made to sections under agriculture biotechnology, prepackaged foods and food additives, and alcoholic beverages</li> </ul>
Korea – U.S. FTA (KORUS)	<ul style="list-style-type: none"> <li>98.0 percent tariffs on U.S. agriculture products were eliminated. This included wheat, corn, soybean for crushing, whey for feed use, hides and skins, etc. All other tariffs to be reduced in equal annual increments over a phase-out period. Most items of beef, pork, poultry, fruits, vegetables and dairy faced zero duty upon entry into Korea</li> <li>Additional access for rice was not provided by the agreement, however, the U.S. may push for increased access through the WTO Doha negotiations</li> </ul>
U.S. – Colombia FTA	<ul style="list-style-type: none"> <li>Tariffs on 77.0 percent of all agriculture goods, accounting for a major share of total trade, were eliminated immediately whereas all other tariffs are to be eliminated within 15 years. These include commodities such as beef, pork, poultry, dairy, vegetables, dry peas, beans, lentils, fruits, juices, wheat and various feed grains, tobacco and cotton. Colombia's WTO tariff bindings on cotton ranged from 70.0 percent to 99.0 percent. Upon signing of the FTA, Colombia immediately removed tariffs on cotton.</li> </ul>
U.S. – Australia FTA	<ul style="list-style-type: none"> <li>All U.S. agriculture exports to Australia receive duty-free access. These include processed foods, soybeans and oilseeds, fruits and vegetables, alcoholic beverages, etc.</li> <li>Some goods such as beef, dairy, sugar, etc. face tariff-rate quotas (TRQs)</li> </ul>
Dominican Republic – Central America – United States Free Trade Agreement (DR – CAFTA)	<ul style="list-style-type: none"> <li>More than half of U.S. farm exports gained immediate duty-free access, including beef, soybeans, cotton, wheat, many fruits and vegetables and processed foods, with the rest to be phased out by 2021</li> </ul>

\*The table above includes those FTAs where U.S. agriculture exports to FTA partner countries were greater than \$1 billion in 2018  
Source: USTR

## Agriculture in a U.S. – Pakistan FTA

Agriculture will be a challenging area for negotiators of a potential U.S. – Pakistan FTA. Pakistan would want to protect its food and agriculture sectors that contribute 18.9 percent to GDP and absorb 42.3 percent of the labor force. On the other hand, U.S. producers would want maximum access to a market with high growth potential. Moreover, in return for greater access to U.S.’s textile and apparel market, Pakistan would have to cut tariffs and eliminate restrictions that it currently imposes on agricultural and food imports. Analysis of the U.S.’s trade agreements suggest that the U.S. would push for market access especially in dairy, poultry, and processed foods and crops such as wheat, corn and soybeans. Since Pakistan already imports a significant value of soybeans and corn from the U.S., it would have to eliminate tariffs on these commodities or provide preferential access. A similar approach may also have to be taken with imports of U.S. cotton. Of the top ten countries that import cotton from the U.S., Pakistan ranks 6<sup>th</sup> yet it is the only country, besides China, that imposes a tariff of 3.0 percent on cotton imports. If an FTA were to be signed between the two countries, Pakistan could potentially have to remove tariffs on cotton and other products that face tariff barriers.

**TABLE 35: Importance of Agriculture to Pakistan’s Economy**

Products <sup>13</sup>	Value Added to the Agricultural Sector	Value Added to GDP
Wheat	21.90%	4.05%
Rice		
Sugarcane		
Maize		
Cotton		
Other Crops (minor crops)	11.21%	2.07%
Livestock	60.53%	11.21%
Forestry	2.10%	0.39%
Fishing	2.09%	0.39%

Source: Pakistan Bureau of Statistics (PBS)

Inefficiency within Pakistan’s agriculture sector is apparent given that the sector employs more than 42.0 percent of the workforce but only contributes just over 23.0 percent to GDP. Granting access to U.S. producers would increase competition and local farmers and businesses may suffer and be pushed out of the market as a result. An example can be taken from the dairy and poultry industry. Even though Pakistan is the 5<sup>th</sup> largest producer of milk with over 40.0 billion liters produced per annum, the country still imports more than \$112.0 million worth of goods under the milk and cream category (HS-0402). One-third of these products are imported from the U.S., the second largest import source of the product category. If a trade agreement were to be signed between Pakistan and the U.S., Pakistan’s dairy industry would be exposed to cheaper imports from the U.S.

Pakistan, therefore, needs to carefully weigh the benefits it will gain by signing an FTA with the U.S. against the likely costs it will have to bear. In the past, the country has signed various trade agreements in a haste where the local industries have suffered, and these badly negotiated trade agreements have contributed to the country’s mounting trade deficit. Exports did not increase as much while imports rose significantly. Pakistan will have to ensure that this is not repeated with the U.S.

<sup>13</sup> Values taken at constant basis prices of 2005-2006

## U.S. – China Trade War: An Opportunity for Pakistan?

In 2018, President Trump announced tariffs on billions of dollars’ worth of Chinese goods after accusing China of unfair trade practices, citing abuse and theft of intellectual property, technology and trade secrets. The U.S. released a list dominated by high-tech industrial products such as aircraft parts, batteries, medical devices, etc., as targets for proposed tariffs on \$50.0 billion worth of Chinese imports. China announced retaliatory tariffs on \$60.0 billion of U.S. goods to become effective simultaneously with the additional U.S. duties. So far, the U.S. has slapped tariffs on \$250.0 billion worth of Chinese goods and has threatened tariffs on \$267.0 billion more. China, for its part, has imposed tariffs on \$110.0 billion worth of U.S. goods and is threatening qualitative measures, including punitive measures against American companies such as removing privileges and excluding them from future business deals, measures that would negatively affect U.S. businesses in China.

### U.S. Imports from China

Tariffs applied in the first round: \$53 Billion	Tariffs that took effect on 24th Sept 2018: \$200 Billion	Threatened additional tariffs: \$267 billion
2018 total import of goods: \$562 Billion		

### Chinese Imports from U.S.

Tariffs applied in the first round: \$50 Billion	Tariffs that took effect on 24th Sept 2018: \$60 Billion
2018 total import of goods: \$156 Billion	

Source: Crowell & Moring International Trade Group

America’s trade war with China has provided Pakistan with an opportunity to replace China as a supplier for commodities that have, or are likely to fall victim to American tariffs.

### Current U.S. Imports from Pakistan on which the U.S. has put Additional Tariffs on China

The following table lists the top 20 commodities exported by Pakistan to the U.S. on which China, as an exporter of goods to the U.S., faces additional tariffs amid the trade war. The table below shows the additional exports that Pakistan can divert to the U.S. market in the short-term.

**TABLE 36: Current U.S. Imports from Pakistan on which the U.S. has put Additional Tariffs on China**

HS-Code	Product label	U.S. Top Imports from Pakistan 2018 (US\$)	U.S. Imports from World 2018 (US\$)	U.S. Imports from China 2018 (US\$)	Pakistan's Exports to World 2018 (US\$)	Tariff Rate Applied by U.S. on Pakistan	Tariff Rate Applied by U.S. on China	Additional Tariff Placed on China due to the Trade War
57011040	Carpets and other textile floor coverings, of wool or fine animal hair, hand-hooked (tufts were inserted and knotted by hand or hand tool)	41,529,000	87,424,000	4,317,000	65,775,000	0%	0%	25.00%
42032930	Men's gloves, mittens and mitts of leather	37,049,000	41,048,000	82,840,000	3,476,000	14.00%	14.00%	25.00%
52085230	Printed plain weave fabrics of cotton, 85% or more cotton by weight, weighing over 100g/m2 but not more than 200 g/m2, of number 42 or lower	35,314,000	26,750,000	81,831,000	33,861,000	0.06%	0%	25.00%
42031040	Articles of apparel, of leather or of composition leather	29,958,000	82,369,000	20,632,000	258,648,000	6.00%	6.00%	25.00%
10063090	Rice semi-milled or wholly milled, whether or not polished or glazed, other than parboiled	21,703,000	58,019,000	20,830,000	1,149,040,000	1.00%	1.00%	25.00%
25010000	Salt & pure sodium chloride, whether or not in aqueous solution or cont. added anticaking or free-flowing agents; sea water	18,536,000	742,371,000	10,654,000	51,662,000	0%	0%	25.00%
42032180	Gloves, mittens and mitts specially designed for use in sports, nesi, of leather or of composition leather	13,086,000	95,338,000	17,035,000	122,569,000	GSP Applicable	4.90%	25.00%
94052080	Electric table, desk, bedside or floor-standing lamps, not of base metal	11,925,000	510,330,000	456,720,000	5,721,000	GSP Applicable	3.90%	25.00%
42029215	Travel, sports and similar bags with outer surface of cotton, not of pile or tufted construction	10,562,000	369,153,000	256,777,000	2,930,000	GSP Applicable	6.30%	25.00%
10062020	Basmati rice, husked	10,049,000	36,837,000	-	54,779,000	0.54%	0.50%	25.00%
57024910	Carpets not other textile floor coverings of pile construction, woven, not tufted or flocked, made up, of cotton	9,418,000	56,826,000	2,816,000	-	0.00%	0.00%	25.00%
42032950	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves): other	8,977,000	32,842,000	13,643,000	42,836,000	12.60%	12.60%	25.00%
52051210	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight ...	7,573,000	16,048,000	115,000	777,585,000	5.20%	5.20%	25.00%
19059010	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets ...	5,398,000	2,987,261,000	43,069,000	16,483,000	0.00%	0.00%	25.00%
42032908	Gloves, wholly of horsehide or cowhide (except calfskin)	4,782,000	105,454,000	64,695,000	102,620,000	14.00%	14.00%	25.00%
52081240	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 g/m <sup>2</sup> , unbleached	4,632,000	10,728,000	2,545,000	252,975,000	7.00%	7.00%	25.00%
23024001	Bran, sharps and other residues of cereals, whether or not in the form of pellets, derived from sifting, milling or other working (excluding maize and wheat)	4,630,000	22,552,000	12,441,000	365,000	0.00%	0.00%	25.00%
39262030	Gloves specially designed for use in sports, nesi, of plastics	4,437,000	22,039,000	15,282,000	17,000	GSP Applicable	3.00%	25.00%

HS-Code	Product label	U.S. Top Imports from Pakistan 2018 (US\$)	U.S. Imports from World 2018 (US\$)	U.S. Imports from China 2018 (US\$)	Pakistan's Exports to World 2018 (US\$)	Tariff Rate Applied by U.S. on Pakistan	Tariff Rate Applied by U.S. on China	Additional Tariff Placed on China due to the Trade War
03074901	Squid or cuttle fish, dried, salted or in brine	4,198,000	141,520,000	78,684,000	-	0.00%	0.00%	25.00%
52102140	Plain woven fabrics of cotton, containing predominantly, but < 85% cotton by weight,	4,033,000	6,385,000	1,840,000	115,729,000	8.10%	8.10%	25.00%
	<b>Total</b>	<b>287,789,000</b>	<b>7,051,294,000</b>	<b>1,286,766,000</b>	<b>3,057,071,000</b>			

\*Data for Pakistan's exports to the world was not available or it was categorized under a different product group at HS-08-digit level for some of the commodities listed above. Hence, for four of the twenty items listed above, data has been taken at HS-06-digit level. Moreover, Pakistan's reported data containing the country's exports to the world appear to have been mis-reported

Source: Data sourced from ITC Trade Map

U.S.'s top 20 imports from Pakistan in 2018 on which China faces additional tariffs of 25.0 percent, announced in May 2019, amounted to \$287.0 million whereas Pakistan exported about \$3.0 billion of the same goods to the world. This indicates that there is high potential to export goods under textiles, leather and cereals, mainly rice, to the U.S. 'Gloves, mittens ... of leather ...' (HS-42032180), 'Electric tables ...' (HS-94052080), 'Travel, sports and similar bags of cotton' (HS-42029215) and 'Basmati Rice' (HS-10062020) with a combined value of \$183.0 million are exported by Pakistan to the world whereas only \$44.0 million of the same items, are exported to the U.S. Three of the above commodities are GSP eligible which means that they enjoy duty-free access to the U.S. market. Pakistan can increase exports to the U.S. and replace Chinese goods by focusing on promoting those goods that enjoy the GSP status.

## Top 50 U.S. Imports under Textiles from China<sup>14</sup>

The table below shows the top 50 imports under textiles (HS-50 to HS-63) from China and the corresponding U.S. imports from Pakistan.

For each of the commodities listed, U.S. imports from the world and from Pakistan are given along with a column that states whether these goods face additional tariffs if imported from China. This will help us analyze which goods offer Pakistan with an opportunity to increase exports to the U.S., provided capacity exists or can be developed.

**TABLE 37: U.S.'s Top Textile Imports from China**

HS-Code	Product label	U.S. Imports from China 2018 (US\$)	U.S. Imports from world 2018 (US\$)	U.S. Imports from Pakistan 2018 (US\$)	Pakistan's Exports to World 2018 (US\$)	Additional Tariffs placed on China
63079098	National flags and other made-up articles of textile materials, nesoi	2,386,944,000	3,211,065,000	25,203,000	36,190,000	-
61102020	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, nesoi	2,339,073,000	7,625,221,000	243,358,000	72,973,000	-
62046280	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, nesoi, o/than rec perf outdoor	1,774,964,000	4,775,530,000	229,612,000	101,265,000	-
61103030	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, nesoi	1,613,132,000	6,354,005,000	7,861,000	3,747,000	-
61159690	Stockings, socks, etc. nesoi, knitted or crocheted, of synthetic fibers (not containing lace or net)	1,094,762,000	1,452,830,000	26,437,000	23,361,000	-

14 The list of goods facing tariffs provided by the U.S. government does not include HS-61 to HS-63

HS-Code	Product label	U.S. Imports from China 2018 (US\$)	U.S. Imports from world 2018 (US\$)	U.S. Imports from Pakistan 2018 (US\$)	Pakistan's Exports to World 2018 (US\$)	Additional Tariffs placed on China
63014000	Blankets (other than electric blankets) and traveling rugs, of synthetic fibers	878,556,000	925,559,000	358,000	15,201,000	-
62034245	Men's/boys' trousers & shorts, not bibs, not knit/crochet, cotton, not containing 15% or more by weight of down, etc., o/ than rec perf outerwear	778,418,000	5,302,876,000	204,583,000	350,264,000	-
63039220	Curtains (including drapes), interior blinds and valances, nesoi, of synthetic fibers, not knitted or crocheted	747,572,000	1,204,881,000	18,722,000	993,000	-
62121090	Brassieres, not containing lace, net or embroidery, containing under 70% by wt of silk or silk waste, whether or not knitted or crocheted	712,570,000	1,843,275,000	198,000	803,000	-
62044340	Women's or girls' dresses, not knitted or crocheted, of synthetic fibers, nesoi	712,319,000	1,244,271,000	480,000	240,000	-
61112060	Babies' garments and clothing accessories, knitted or crocheted, of cotton, nesoi	603,894,000	1,262,982,000	5,464,000	20,829,000	-
62052020	Men's or boys' shirts, not knitted or crocheted, of cotton, nesoi	559,150,000	2,758,074,000	4,543,000	220,000	-
63026000	Toilet linen and kitchen linen, of terry toweling or similar terry fabrics, of cotton	530,202,000	2,111,386,000	510,935,000	729,980,000	-
61044320	Women's or girls' dresses, knitted or crocheted, of synthetic fibers, nesoi	492,796,000	1,238,628,000	53,000	118,000	-
62114310	Women's or girls' track suits or other garments nesoi, not knitted or crocheted, of man-made fibers, o/than rec perf outerwear	488,121,000	1,123,857,000	12,626,000	1,245,000	-
61124100	Women's or girls' knitted or crocheted swimwear of synthetic fibers	472,115,000	927,738,000	7,000	16,000	-
62064030	Women's or girls' blouses and shirts, not knitted or crocheted, of manmade fibers, nesoi	466,988,000	1,453,663,000	600,000	-	-
62101050	Nonwoven dispos apparel designed for hosps, clinics, labs or cont area use, made up of fab of 5602/5603, n/formed or lined w paper, not k/c	462,481,000	781,456,000	61,000	2,000	-
61083200	Women's or girls' nightdresses and pajamas, knitted or crocheted, of man-made fibers	444,919,000	685,003,000	642,000	2,959,000	-
62019360	Men's or boys' anoraks, windbreakers & similar articles, not knitted or crocheted, of manmade fibers, nesoi, water resistant, o/than rec perf outerwear	426,516,000	781,265,000	224,000	9,588,000	-
63023220	Bed linen, not knitted or crocheted, not printed, of manmade fibers, nesoi	407,101,000	447,564,000	11,945,000	42,222,000	-
61082290	Women's or girls' briefs and panties (other than disposable), of man-made fibers, knitted or crocheted	390,381,000	794,073,000	28,000	17,000	-
62029348	Women's/girls' anoraks, windbreakers & similar articles, not knit/crochet, of manmade fibers, nesoi, water resistant, o/ than rec perf outerwear	390,282,000	643,171,000	315,000	644,000	-
61091000	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	380,414,000	4,250,035,000	129,347,000	242,398,000	-
61089200	Women's or girls' negligees, bathrobes, dressing gowns and similar articles, knitted or crocheted, of man-made fibers	360,990,000	515,268,000	52,000	127,000	-

HS-Code	Product label	U.S. Imports from China 2018 (US\$)	U.S. Imports from world 2018 (US\$)	U.S. Imports from Pakistan 2018 (US\$)	Pakistan's Exports to World 2018 (US\$)	Additional Tariffs placed on China
61046320	Women's or girls' trousers, breeches and shorts, knitted or crocheted, of synthetic fibers, nesoi	343,346,000	1,664,086,000	485,000	1,552,000	-
61046220	Women's or girls' trousers, breeches and shorts, knitted or crocheted, of cotton	333,877,000	1,534,205,000	23,685,000	37,153,000	-
63079075	Toys for pets, of textile materials	328,058,000	334,833,000	-	-	-
63023190	Bed linen, not knit/croc, not printed, of cotton, not cont. any embroidery, lace, braid, edging, trimming, piping or applique work, not napped	325,393,000	1,365,331,000	175,665,000	330,423,000	-
61101210	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted, of Kashmir goats, wholly of cashmere	309,018,000	368,722,000	3,000	723,000	-
63071020	Floor cloths, dishcloths and similar cleaning cloths of textile materials (except dustcloths, mops cloths and polishing cloths of cotton)	285,353,000	418,857,000	51,055,000	145,145,000	-
63079089	Surgical towels; cotton towels of pile/ tufted const.; pillow shells, of cotton; shells for quilts etc., and similar articles of cotton	276,374,000	308,096,000	1,334,000	58,000	-
61099010	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of man-made fibers	267,499,000	1,848,539,000	7,275,000	294,000	-
61101100	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted, of wool	261,245,000	380,900,000	5,000	77,000	-
62063030	Women's or girls' blouses and shirts, not knitted or crocheted, of cotton, nesoi	243,108,000	918,874,000	5,720,000	-	-
61143030	Garments nesoi, knitted or crocheted, of man-made fibers	240,245,000	445,271,000	8,496,000	3,384,000	-
54022030	Single high tenacity yarn of polyesters, not put up for retail sale	233,009,000	361,446,000	1,000	14,000	25.00%
61023020	Women's or girls' overcoats, carcoats, capes, windbreakers and similar articles, knitted or crocheted, of manmade fibers, nesoi	222,117,000	504,212,000	1,495,000	341,000	-
57033080	Carpets & other textile floor coverings, tufted, whether or not made up, of man-made textile materials (not nylon/other polyamides), nesoi	220,586,000	342,262,000	3,000	-	25.00%
62121050	Brassieres containing lace, net or embroidery, containing under 70% by weight of silk or silk waste, whether or not knitted or crocheted	209,858,000	441,956,000	21,000	803,000	-
61143010	Tops, knitted or crocheted, of man-made fibers	209,516,000	425,107,000	240,000	3,384,000	-
62044230	Women's or girls' dresses, not knitted or crocheted, of cotton, nesoi	208,487,000	550,478,000	770,000	1,469,000	-
63022220	Bed linen, not knitted or crocheted, printed, of manmade fibers, nesoi	206,517,000	218,239,000	8,713,000	3,455,000	-
61159590	Stockings, socks, etc. nesoi (not surgical and not containing lace or net), knitted or crocheted, of cotton	205,981,000	607,234,000	107,824,000	215,389,000	-
63062290	Tents other than backpacking tents, of synthetic fibers	198,413,000	324,240,000	1,000	1,882,000	-

HS-Code	Product label	U.S. Imports from China 2018 (US\$)	U.S. Imports from world 2018 (US\$)	U.S. Imports from Pakistan 2018 (US\$)	Pakistan's Exports to World 2018 (US\$)	Additional Tariffs placed on China
62029290	Women's/girls' anoraks, windbreakers & similar articles, nt knit/crochet, cotton, nt cont. 15% or more by wt of down, etc, o/ than rec perf outerwear	195,195,000	342,205,000	2,277,000	228,000	-
62104055	Men's or boys' garm, nesoi, of fab of 5903/5906/5907, not k/c, mmf, o/than w/ outer sur. impreg/coated/etc.	194,744,000	381,022,000	1,098,000	798,000	-
63049300	Furnishing articles (excluding those of heading 9404 and other than bedspreads) not knitted or crocheted, of synthetic fibers	191,406,000	242,520,000	653,000	605,000	-
62114210	Women's or girls' track suits or other garments nesoi, not knitted or crocheted, of cotton	190,832,000	432,498,000	40,674,000	4,432,000	-
61034210	Men's or boys' trousers, breeches and shorts, knitted or crocheted, of cotton	190,736,000	822,383,000	49,168,000	66,938,000	-
	<b>Total</b>	<b>26,005,573,000</b>	<b>69,297,192,000</b>	<b>1,920,315,000</b>	<b>2,473,949,000</b>	

\*Data for Pakistan's exports to the world was not available or classified under a different product category at the HS-08-digit level for some of the commodities listed above. Hence, data at HS-06-digit level has been used instead. The key takeaway is that even at HS-06-digit level, Pakistan's capacity to export is limited as compared to U.S.'s imports from China. Even if data for Pakistan's exports to the world were available at the HS-08-digit level, the values would be insignificant.

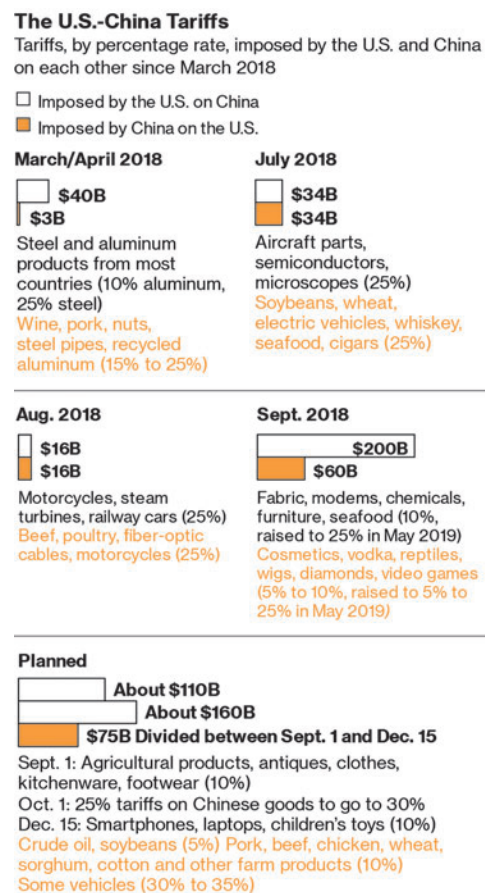
Source: Data sourced from ITC Trade Map

U.S.'s top 50 imports from China under textiles and textile articles amounted to \$26.0 billion whereas Pakistan only exported \$2.4 billion of the same goods to the world in 2018. Though it is claimed that the U.S.– China trade war has negatively affected exports from China to the U.S., the table above shows that out of the top 50 Chinese exports to the U.S. under textiles, additional tariffs have been placed on only 2 items. This shows the relatively insignificant impact of the trade war on Chinese textile exports to the U.S. Given existing capacity and the product mix, Pakistan does not stand to gain much from the U.S. – China trade rift.

Pakistan's existing capacity to export is limited in the category of textiles. However, the imposition of these tariffs offers some interesting opportunities for Pakistan. Some items have been impacted which offer an opportunity for Pakistan to reduce its overall trade deficit. The trade war has made some textile exports from China to the U.S. more expensive, making Pakistan more competitive than China. However, there is first a need to address capacity issues and investments need to be made to develop the value-added textile sector in Pakistan. In the interim, Bangladesh, India and countries in the ASEAN bloc having more advanced textile industries, are more likely to take advantage of and benefit from the trade rift.

Additionally, tariffs placed on Chinese businesses could encourage Chinese manufacturers to relocate to Pakistan to avoid punitive tariffs on their shipments and take advantage of the locally available cheap labor. These producers can also bring semi-finished goods and convert them into value-added goods for exports to the U.S. Chinese investments in Pakistan could benefit Chinese exporters as well as increase Pakistan's trade surplus with the U.S.

**FIGURE 18: The U.S.-China Tariffs**



Sources: Office of the U.S. Trade Representative, Bloomberg

**Bloomberg**

## The U.S. Generalized System of Preferences (GSP) Program

The U.S. Generalized System of Preferences (GSP) program promotes economic growth in the developing world by providing duty-free entry to the U.S. market for goods imported from designated beneficiary countries.

The GSP program was instituted on January 1, 1976 and authorized under the Trade Act of 1974 (19 USC 2641 et seq.). Current congressional authorization of the GSP program for beneficiaries will extend up to December 2020. Currently, 121 developing countries and territories are GSP beneficiary developing countries. The program provides duty-free access into the U.S. for over 3,500 products from Beneficiary Developing Countries (BDCs), and duty-free status on an additional 1,500 goods from beneficiaries designated as Least-Developed Beneficiary Developing Countries (LDBDCs). In 2018, imports valued at \$23.6 billion entered the U.S. duty-free under the program out of total imports from GSP countries of about \$200 billion.

GSP is one of the several trade preferences programs through which the U.S. seeks to help developing nations expand their economies. U.S. implementation of GSP requires certain prerequisites, such as taking steps to maintain internationally recognized workers' rights and protecting intellectual property rights, among others. Moreover, GSP rules of origin require that at least 35 per cent of the value of the product be the "growth, product or manufacture" of the beneficiary country. Certain 'import-sensitive' items (most textiles and apparel) are specifically excluded, and controls are placed on the amount and quality of any one product imported from a beneficiary country (excluding LDBDCs). The GSP eligible countries are also subject to an annual review.

**TABLE 38: U.S. GSP facts**

GSP facts	
Year GSP first instituted	1976
Total U.S. imports under GSP in 2018	\$23.6 billion
Number of GSP beneficiary countries and territories	121
Number of GSP beneficiaries that are least developed countries (LDCs)	44
Total number of 8-digit U.S. tariff lines eligible for duty-free entry under GSP	5,062
-- of these, number eligible for all GSP beneficiaries	3,572
number eligible for LDC beneficiaries only	1,490

Source: USTR

**TABLE 39: Top GSP Beneficiary Developing Countries (2018)**

Top GSP Beneficiary Developing Countries (2018)	Value Imported under GSP (US\$)
India	\$6.3 billion
Thailand	\$4.4 billion
Brazil	\$2.5 billion
Indonesia	\$2.2 billion
Turkey	\$1.9 billion
Philippines	\$1.7 billion
South Africa	\$879.0 million
Cambodia	\$739.0 million
Ecuador	\$458.0 million
Argentina	\$379.0 million
Pakistan	\$326.0 million

Source: USTR

**TABLE 40: Top GSP Products Imported by the U.S. (2018)**

Top GSP Products Imported by the U.S. (2018)	Value Imported under GSP (US\$)
Gold necklaces	\$428.0 million
Ferrochromium	\$365.0million
Rubber gloves	\$292.0 million
Nonalcoholic beverages	\$276.0 million
Beverage preparations such as non-dairy creamer, and herbal tea	\$257.0 million
Monumental building stone	\$221.0 million
Auto parts for steering wheels and columns	\$221.0 million
Leather handbags	\$220.0 million
Parts for air conditioners	\$217.0 million
Leather cases and bags	\$207.0 million

Source: USTR

Pakistan, a beneficiary of the preference, is eligible to export approximately 3,500 different products duty-free to the U.S. under the program. Pakistan's exports to U.S. amounted to more than \$3.8 billion in 2018. Out of these, \$326.0 million (8.0 percent of total exports) qualified under the GSP program. Since the GSP scheme does not majorly cover textiles, leather and apparel exports, it has not become a significant part of the trade conversation. As a result, there is underutilization of the scheme due to lack of awareness and interest in the products the scheme covers. However, Pakistan's Ministry of Commerce (MOC) has repeatedly requested for the grant of meaningful access, especially in the textile sector. In July 2017, the U.S. government included some items under the GSP scheme like travel bags (leather), travel goods (leather), and other products that are of export interest to Pakistan.

#### Pakistan's Top 20 Exports to the U.S. under the U.S. GSP Program

**TABLE 41: Pakistan's Top 20 Exports to the U.S. under the U.S. GSP Program**

HS-Code	Product label	U.S. Imports from Pakistan
39076100	Polyethylene terephthalate, having a viscosity number of 78 ml/g or higher	78,463,540
71131950	Precious metal (o/than silver) articles of jewelry and parts thereof, whether or not plated or clad with precious metal, nesoi	48,298,387
17023040	Glucose and glucose syrup, not containing fructose or in the dry state less than 20 percent by weight of fructose, nesoi	29,557,726
63079098	National flags and other made-up articles of textile materials, nesoi	21,856,306

HS-Code	Product label	U.S. Imports from Pakistan
09109100	Mixtures of spices	12,625,257
94052080	Electric table, desk, bedside or floor-standing lamps, not of base metal	10,267,008
42029215	Travel, sports and similar bags with outer surface of cotton, not of pile or tufted construction	9,205,650
42032180	Gloves, mittens and mitts specially designed for use in sports, nesoi, of leather or of composition leather	8,265,101
95069960	Athletic and sports articles and equipment nesoi, and parts & accessories thereof nesoi	6,978,921
96039080	Brooms & brushes nesoi, mops, hand-operated mechanical floor sweepers, squeegees and similar articles, nesoi	5,476,869
95069100	Arts. and equip. for general physical exercise, gymnastics or athletics and parts & accessories thereof	3,986,009
39206200	Nonadhesive plates, sheets, film, foil and strip, noncellular, not combined with other materials, of polyethylene terephthalate	3,753,427
39262030	Gloves specially designed for use in sports, nesoi, of plastics	3,737,667
62160046	Gloves, mittens & mitts, for sports use, incl. ski & snowmobile, of man-made fibers, not impregnated/coated with plastics or rubber	3,620,309
08041040	Dates, fresh or dried, whole, with pits, packed in units weighing over 4.6 kg	3,146,395
82119290	Knives w/fixed blades (o/than table knives, other knives w/rubb./plast. handles, or hunting knives w/wood handles)	2,769,427
82142030	Base metal instruments for manicure or pedicure purposes, and base metal parts thereof	2,715,977
21039090	Sauces and preparations therefor, neosi	2,555,022
09109960	Spices, nesoi	2,371,916
71162015	Jewelry articles of precious or semiprecious stones, valued over \$40 per piece	2,336,488
	<b>Total</b>	<b>261,987,402</b>

Source: Data sourced from ITC Trade Map

## Removal of India from GSP Eligible Countries

The U.S. government, in March 2019, decided to withdraw trade concessions granted to India under the GSP program. India, being the largest beneficiary of the GSP scheme, exported goods worth \$6.3 billion in 2018 and \$5.6 billion in 2017 under the GSP program. The removal was announced as the U.S. accused India of using protectionist measures by not allowing U.S. goods equitable and reasonable access to Indian markets, especially in the dairy and medical industry.

The table below is a list of the top 20 commodities, imported by the U.S. from India, eligible for duty-free access under the GSP program.

**TABLE 42: U.S.'s Imports from India under GSP**

HS-Code	Product label	U.S. import from India 2018 (US\$)	U.S. import from World 2018 (US\$)	U.S. Import from Pakistan 2018 (US\$)	Pakistan's Exports to World at HS 06 level 2018 (US\$)	MFN Rate now Applicable on India
84834050	Fixed, multiple and variable ratio speed changers	186,054,000	2,165,009,000	-	548,000	2.50%
73239300	Stainless steel, table, kitchen or o/ household arts	171,623,000	1,716,830,000	420,000	1,344,000	2.00%
87089981	Pts. & access., nesoi, of motor vehicles of 8701, nesoi, and 8702-8705	157,428,000	8,861,909,000	931,000	7,671,000	2.50%
87089475	Pts. & access., nesoi, of motor vehicles of 8701, nesoi, and 8702-8705, parts of steering wheels	154,910,000	2,544,001,000	67,000	354,000	2.50%
29349990	Nonaromatic other heterocyclic compounds	145,925,000	428,040,000	-	-	6.50%
84831030	Camshafts and crankshafts nesoi	139,348,000	523,585,000	-	556,000	2.50%

HS-Code	Product label	U.S. import from India 2018 (US\$)	U.S. import from World 2018 (US\$)	U.S. Import from Pakistan 2018 (US\$)	Pakistan's Exports to World at HS 06 level 2018 (US\$)	MFN Rate now Applicable on India
29189920	Aromatic pesticides, derived from carboxylic acids with additional oxygen function, and their derivatives, nesoi	128,002,000	354,953,000	-	-	6.50%
84818030	Taps, cocks, valves & similar appliances for pipes, boiler shells, tanks, vats or the like, hand operated, of iron or steel, nesoi	125,546,000	1,627,715,000	14,000	24,000	5.60%
84099991	Parts nesoi, used solely or principally with the engines of heading 8408, for vehicles of heading 870120, 8702, 8703, 8704	125,055,000	1,530,671,000	-	-	2.50%
73269086	Iron or steel, articles, nesoi	119,588,000	4,632,155,000	1,421,000	3,989,000	2.90%
76061230	Aluminum alloy, plates/sheets/strip, w/ thick o/02mm, rectangular (incl sq), not clad	118,150,000	3,531,819,000	-	-	3.00%
73079150	Iron or steel (o/than stainless), not cast, flanges for tubes/pipes, not forged or forged and machined, tooled & processed after forging	103,273,000	335,100,000	-	10,000	5.50%
42023160	Articles of a kind normally carried in the pocket or handbag, with outer surface of leather, composition or patent leather, nesoi	95,521,000	508,617,000	191,000	1,369,000	8.00%
85371091	Other boards, panels, consoles, desks, cabinets, etc, equipped with apparatus for electric control, for a voltage not exceeding 1,000, nesoi	94,222,000	11,562,490,000	18,000	136,000	2.70%
68029900	Monumental or building stone & arts thereof, nesoi, further worked than simply cut/sawn, nesoi	92,561,000	413,755,000	150,000	705,000	6.50%
85044095	Static converters (for example, rectifiers), nesoi	91,735,000	5,948,485,000	-	513,000	0.70%
87084075	Pts. & access. of motor vehicles of 8701, nesoi, and 8702-8705, pts. for gear boxes, nesoi	89,848,000	2,867,775,000	173,000	643,000	2.50%
39232100	Sacks and bags (including cones) for the conveyance or packing of goods, of polymers of ethylene	84,792,000	2,593,164,000	63,000	65,000	3.00%
94055040	Non-electrical lamps and lighting fixtures nesoi, not of brass	81,937,000	347,427,000	685,000	-	6.00%
63079098	National flags and other made-up articles of textile materials, nesoi	81,697,000	3,211,065,000	25,203,000	36,190,000	7.00%
	<b>Total</b>	<b>2,387,215,000</b>	<b>55,704,565,000</b>	<b>29,336,000</b>	<b>54,117,000</b>	

Source: Data sourced from ITC Trade Map and Market Access Map

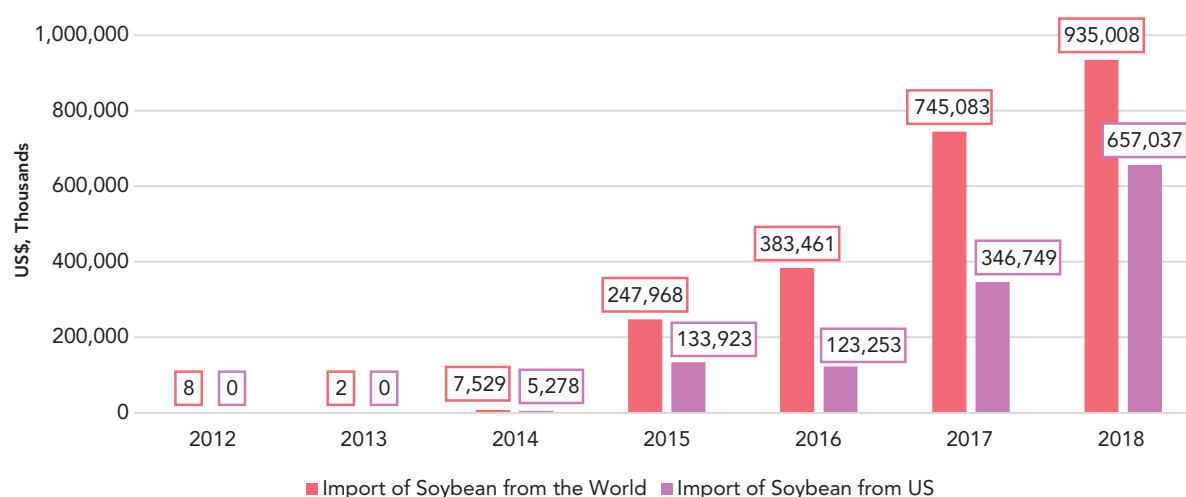
For the top 98 items imported by the U.S. from India, a value exceeding \$37.0 billion, Pakistan's exports to the U.S. for the same items amounted to \$1.9 billion. Of those top 98 commodities, only 20 items from India and 25 items from Pakistan were eligible for duty-free access under the GSP program. The table above shows that in 2018, U.S. imports from India and Pakistan under GSP were valued at \$2.3 billion and \$29.0 million, respectively. For the same items listed above, the U.S.'s imports from the world and Pakistan's exports to the world were \$55.0 billion and \$54.0 million, respectively. This draws us to the conclusion that even with the complete removal of GSP status from India, for the 20 items listed above, Pakistan would only be able to divert goods worth \$24.0 million towards the U.S. However, if local producers could increase capacity and improve their market reach, this number could go up significantly.

## Trade in Soybean in a U.S. – Pakistan FTA

Soybean is an annual oilseed crop mainly grown for edible seeds. It is a highly economical source of protein (40.0 percent) for human and animal consumption. The seed also contains 18.0 percent edible oil. In 2018, globally the soybean crop was planted on over 120.0 million hectares and about 346.0 million metric tons of the seed was produced. USA is the largest producer with 120.0 MMT followed by Brazil with 112.0 MMT and Argentina with 54.0 MMT. According to the USDA, worldwide production of soybean is estimated to reach 350.0 MMT in 2019. In addition to edible oil, Pakistan is now a major importer of oilseeds. Imports of oilseeds are forecast to surpass imports of edible oil, reflecting the growing demand of oilseed meals for the domestic poultry and livestock industries and rising domestic oil production from imported oilseeds. Pakistan augments its domestic oilseed production with imports.

In 2018, Pakistan's Soybean production was only 260.0 tons. Due to insufficient production, about 2.0 million tons' worth around \$940.0 million were imported to meet local demand for poultry and livestock. The country's tariff structure is designed to facilitate oilseed imports through reduced tariffs as a way of increasing value-addition in the domestic sector. In 2015, tariffs on soybean seed was reduced to 4.0 percent whereas tariff on soybean meal was left at 11.0 percent making imports of soybean seeds more attractive than imports of soybean meal. The U.S. is Pakistan's top import origin for soybean seeds with over \$657.0 million worth of soybean imported in 2018. A further quarter of the import demand is met by Brazil, from where Pakistan in 2018 imported \$273.0 million worth of soybean seed.

**FIGURE 19: Pakistan's Imports of Soybean**



Source: Data sourced from ITC Trade Map

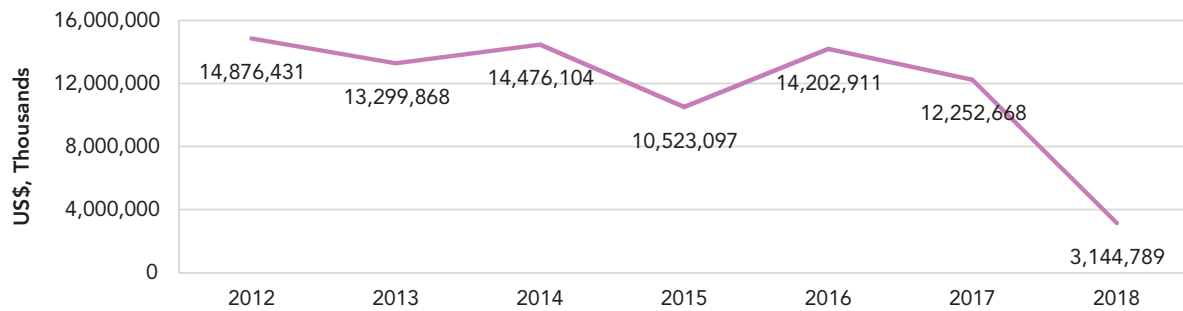
As can be seen from the figure above, the country did not import soybean till 2014, and imports have since grown at an exponential cumulative growth rate of 234.0 percent. Pakistan began cultivating soybean in 1970–71. Area under cultivation reached a maximum of 6,350 hectares in 1997 but since then, the cropping area

has declined to only a few hectares in 2017–18. The absence of a coherent production policy led to a steady decline in the area under cultivation. Issues like the absence of adequate skills, knowledge and production technology and low economic returns hindered the crop’s commercialization. At present, the crop is planted on a negligible area in the northern areas for household consumption and animal feed.

After President Trump imposed additional tariffs on \$250.0 billion worth of imports from China, it started a trade war between the two largest economies of the world. In retaliation, China, the world’s biggest soybean buyer, almost halved its imports of the commodity from the U.S. In 2018, China bought 16.6 million tons of soybean from the U.S., almost half of what it imported in 2017.

The U.S. agricultural market has faced some problems due to the ongoing trade war especially in the soybean market. Soybean prices dropped 20.0 percent after retaliatory tariffs of 25.0 percent were imposed by China on U.S. soybean imports. The graph below depicts the fall in U.S. exports of soybean to China. In 2018, exports to China fell by \$9.0 billion or 75 percent over the previous year.

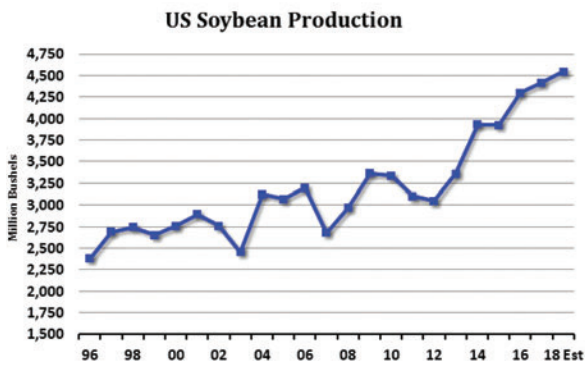
**FIGURE 20: U.S. Soybean Exports to China (1000 USD)**



Source: Data sourced from ITC Trade Map

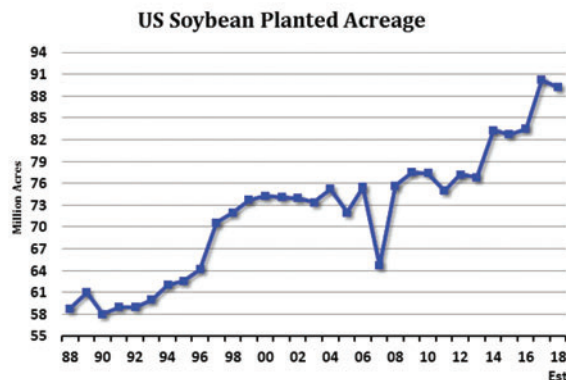
As China’s demand for soybean remains high, it is looking for alternative suppliers. Its focus on Brazil’s soy exports has increased and it has strengthened its relationship with that country to shore up its supply of soybean for domestic oil and animal feed consumption. The Asian giant has continued to invest large amounts in Brazil to support infrastructure for energy and agriculture commodities. Since the trade war began, Brazilian producers are expected to plant more soybean to take advantage of the U.S. – China rift. Imports from Brazil, China’s largest supplier, totaled 66.1 million tons, up 30.0 percent from 2017. This increased demand has hiked the prices of soybean in Brazil, making it more expensive than prices quoted by its competitors, such as the U.S.

**FIGURE 21: U.S. Soybean Production**



Source: CME Group

**FIGURE 22: U.S. Soybean Planted Acreage**



Source: CME Group

U.S. exports of soybean to China may have declined drastically and the country is looking for alternative markets such as those in Europe, the Middle East and Southeast Asia. Argentina and Brazil, two other major soybean growers, are also purchasing U.S. soybean to backfill their own domestic industries, all the while diverting more of their own crops to China at premium prices. As Chinese demand for U.S. soy falls, Argentina has stepped in and is now the main importer of the commodity. From South Asia, Pakistan is one of the beneficiaries which imports the now cheap U.S. commodity.

According to data provided by the All Pakistan Solvent Extractors' Association (APSEA), Pakistan imported 2.5 million tons of soybeans during Marketing Year (MY) 2018/2019. Importers have shifted from Indian soymeal to take advantage of the competitively-priced soybean available globally. Canola and Rapeseed imports are almost flat. Given the current tariff structure, imports of soybean during MY 2019/20 are expected to rise to a record 2.8MMT. There is ample opportunity for Pakistan to increase its imports of soybean from the U.S. rather than buy the commodity at premium prices from Brazil.

## Trade in Textiles in a U.S. – Pakistan FTA

Pakistan is the 4<sup>th</sup> largest producer of cotton in the world with over 1,785 thousand metric tons produced in 2017–18. The availability of the crop has led to the country developing and promoting its textile sector. The textile sector of Pakistan is the largest and most important manufacturing sector of the country, it contributes nearly one-fourth of industrial value-added and provides employment to over 40 percent of the industrial labor force. The sector's share in the country's total exports account for nearly 60 percent.

The textile value chain consists of multiple industrial subsectors. The chain starts from cotton picking and ends as a finished garment involving multiple processes in between. The garment produced at the end of the value chain has the highest value addition. Government statistics reveal that just the knitted sector directly sustains the livelihood of 210,000 skilled workers and 490,000 unskilled workers. Furthermore, another 350,000 people benefit in allied cottage industries.

Even though Pakistan produces cotton, it is a net importer of raw cotton, primarily due to strong demand for better grades of cotton for blending and for producing export-oriented quality textile products. The country mainly produces fiber of medium staple length; hence cotton imports include upland and long staple cotton, this is in addition to medium staple cotton to enhance domestic supplies for processing and re-export.

**TABLE 43: World Top Cotton Importers**

*All values in US\$*

Top Cotton Importers	2016	2017	2018
Total World	10,795,302,000	13,969,950,000	N/A
China	1,565,343,000	2,185,602,000	3,165,657,000
Vietnam	1,643,254,000	2,106,952,000	2,364,968,000
Bangladesh	1,034,467,000	1,821,668,000	1,693,643,000
Turkey	1,238,673,000	1,676,281,000	1,395,590,000
Indonesia	1,087,200,000	1,268,050,000	1,441,949,000
Pakistan	580,537,000	761,455,000	1,099,615,000
India	878,983,000	961,614,000	625,384,000
Thailand	433,106,000	489,529,000	522,727,000
Mexico	351,388,000	413,689,000	387,275,000

Source: Data sourced from ITC Trade Map

**TABLE 44: Pakistan's Top Suppliers of Cotton**

Pakistan's Top Suppliers of Cotton <sup>15</sup>	2016 (US\$)	2017 (US\$)	2018 (US\$)	Tariff Applied by Pakistan at HS-520100
Total World	580,537,000	761,455,000	1,099,615,000	
United States of America	86,497,000	279,143,000	477,932,000	3.00%
India	209,061,000	203,252,000	365,262,000	3.00%
Brazil	91,154,000	22,806,000	58,916,000	3.00%
Afghanistan	57,812,000	46,280,000	39,106,000	3.00%
Mexico	2,737,000	11,090,000	36,772,000	3.00%
South Africa	19,044,000	52,740,000	22,428,000	3.00%
Turkmenistan	23,016,000	14,697,000	16,285,000	3.00%
South Sudan	409,000	0	14,548,000	3.00%
Egypt	5,314,000	12,374,000	13,624,000	3.00%
Côte d'Ivoire	8,025,000	46,750,000	11,633,000	3.00%
Korea, Republic of	376,650,000	407,289,000	395,115,000	

Source: Data sourced from ITC Trade Map and Market Access Map

In 2018, Pakistan was the 6<sup>th</sup> largest importer of cotton, with imports worth \$1.09 billion. More than 40.0 percent of the cotton was imported from the U.S., the main cotton supplier to world markets with over \$6.5 billion worth exported in 2018. For Pakistan, in addition to the U.S., the top cotton sourcing countries in 2018 were India, Brazil and Afghanistan from where imports combined exceeded \$460 million. The tariff rate applied by Pakistan on cotton imports was 3.0 percent.

## The Importance of Textiles for Pakistan

The textile sector includes cotton ginning, spinning, cotton cloth, cotton fabric, fabric processing, home textiles, towels, hosiery, knitwear and readymade garments. These are being produced in both large-scale manufacturing units as well as in the unorganized small and medium scale units. In 2018, Pakistan exported \$23.6 billion worth of goods to the world out of which \$13.6 billion worth of goods were exported under textiles and textile articles. Moreover, the share of apparel and home textile category in the total merchandise exports of Pakistan is around 40.0 percent.

**TABLE 45: Pakistan's Export of Apparel and Home Textiles (HS-61, HS-62 & HS-63)**

All values in US\$

	2016	2017	2018
All products	20,533,793,000	21,877,787,000	23,630,893,000
Textiles and textile articles (HS-50 to HS-63)	12,407,212,000	13,001,798,000	13,569,538,000
Textile as % of Total Exports	60.00%	59.00%	57.00%

**TABLE 46: Pakistan's Exports of Textiles and textile articles (HS-50 to HS-63)**

All values in US\$

	2016	2017	2018
All products	20,533,793,000	21,877,787,000	23,630,893,000
Export of Apparel and Home Textiles (HS-61, HS-62 & HS-63)	8,404,478,000	8,937,088,000	9,496,000,000
Apparel and Home Textiles as % of Total Exports	40.93%	40.85%	40.18%

The emphasis in Pakistan's textile sector is mostly placed on the spinning sector. The country is the 5<sup>th</sup> largest exporter of cotton yarn (HS-5205, HS-5206 & HS-5207) with exported value exceeding \$1.2 billion in 2018. A major portion of yarn produced is exported rather than utilized for domestic production of value-added products like fabrics or garments. This is an important structural weakness of the country's textile value chain. Major export destinations include China, Bangladesh, Portugal and Japan. These countries have well-established textile industries due to heavy investments in modern manufacturing technology and well-trained workers that convert yarn into high value-added products, fetching high prices in the international market. Pakistan's textile industry, on the other hand, continues to suffer due to lack of investment and the absence of a qualified workforce despite having the advantage of domestically produced cotton and a large labor force.

The U.S. was Pakistan's 10<sup>th</sup> largest importer of cotton yarn, yet the tariff applied by the former was greater than that imposed by all other top importers of Pakistani yarn. A preferential trade agreement with the U.S. could reduce the tariff rate on yarn and could possibly enhance yarn exports from Pakistan.

**TABLE 47: Top Importers of Pakistani Cotton Yarn**

Top Importers of Pakistan's Cotton Yarn	2016 (US\$)	2017 (US\$)	2018 (US\$)	Tariff Rate at HS-5205 to HS-5207
World	1,219,686,000	1,246,554,000	1,245,203,000	
China	831,936,000	770,816,000	760,954,000	4.00%
Bangladesh	77,627,000	81,776,000	89,303,000	3.00% to 10.00%
Portugal	40,774,000	53,275,000	52,535,000	0%
Turkey	45,827,000	79,654,000	52,164,000	3.00%
Japan	28,316,000	30,539,000	36,688,000	3.00% to 4.00%
Hong Kong, China	37,835,000	35,209,000	29,531,000	0%
Korea, Republic of	24,077,000	32,862,000	29,472,000	6.00% to 8.00%
Italy	17,854,000	28,004,000	26,108,000	0%
Taipei, Chinese	10,725,000	15,123,000	18,603,000	4.00%
United States of America	14,879,000	11,284,000	17,930,000	3.70% to 12.00%

Source: Data sourced from ITC Trade Map and Market Access Map

## Pakistan's Top 10 Apparel and Home Textile Exports to the World

The following table shows Pakistan's top ten exports under apparel and home textiles to the world. Out of \$23.0 billion exported in 2018, \$9.4 billion or about 40.00 percent, belonged to the apparel and home textiles category.

**TABLE 48: Pakistan's Top 10 Apparel and Home Textile Exports to the World (HS-61 to HS-63)**

All values in US\$ (2018)

HS-Code	Product label	2016	2017	2018
TOTAL	All products	20,533,793,000	21,877,787,000	23,630,893,000
	Apparel and Home Textiles	8,404,478,000	8,937,088,000	9,496,000,000
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	773,306,000	810,930,000	860,928,000
630260	Toilet linen and kitchen linen, of terry toweling or similar terry fabrics of cotton (excluding ...	777,086,000	805,010,000	786,302,000
630239	Bedlinen of textile materials (excluding of cotton and man-made fibers, printed, knitted or ...	651,871,000	669,978,000	697,689,000
630210	Bedlinen, knitted or crocheted	606,930,000	665,344,000	691,649,000
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	384,886,000	407,123,000	438,961,000

HS-Code	Product label	2016	2017	2018
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	543,874,000	410,423,000	348,989,000
610590	Men's or boys' shirts of textile materials, knitted or crocheted (excluding of cotton or man-made ...	252,519,000	310,704,000	331,633,000
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted ...	151,086,000	195,778,000	268,434,000
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	205,111,000	197,757,000	242,703,000

Source: Data sourced from ITC Trade Map

## Pakistan's Top 10 Apparel and Home Textile Exports to the U.S.

In 2018, Pakistan exported goods worth \$3.8 billion to the U.S. out of which \$2.8 billion belonged to the apparel and home textile category. The following table gives an overview of the top 10 apparel and home textile commodities imported by the U.S. from Pakistan in 2018. For each of the items exported by Pakistan to the U.S., a list of the top 3 countries which the U.S. imports from along with the tariff rates applied is also given. A comparison is then made to analyze the tariffs applied by the U.S. on these countries, highlighting those commodities where Pakistan faces a disadvantage in terms of higher tariffs.

**TABLE 49: Pakistan's Top 10 Apparel and Home Textile Exports to the U.S.**

HS-Code	Product label	U.S.' Imports from Pakistan 2018 (US\$)	Pakistan's Exports to World 2018 (US\$)	U.S.' Imports from World 2018 (US\$)	Indicative Trade Potential	Top 3 Import Sourcing Countries	Tariff Applied by the U.S. on these Countries	Tariff Applied by the U.S. on Pakistan
	All products	3,899,159,000	23,630,893,000	2,614,273,313,000				
	Apparel and Home Textiles	2,856,266,000	9,496,000,000	103,064,327,000				
630260	Toilet linen and kitchen linen, of terry toweling or similar terry fabrics of cotton (excluding ...	510,936,000	786,302,000	2,111,386,000	275,366,000	India, 36.55% China, 25.11% Pakistan, 24.20%	9.10% 9.10% 9.10%	9.10%
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	243,682,000	74,241,000*	7,645,250,000	N/A	China, 30.70% Vietnam, 17.00% Indonesia, 6.60%	5.00% to 16.50% 5.00% to 16.50% 5.00% to 16.50%	5.00% to 16.50%
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	232,596,000	100,307,000*	4,936,548,000	N/A	China, 37.50% Bangladesh, 150% Vietnam, 13.40%	0% to 16.60% 0% to 16.60% 0% to 16.60%	0% to 16.60%
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	228,626,000	860,928,000	1,597,292,000	632,302,000	India, 50.57% China, 23.62% Pakistan, 14.31%	3.80% to 20.90% 3.80% to 20.90% 3.80% to 20.90%	3.80% to 20.90%
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	208,678,000	438,961,000	654,801,000	230,283,000	China, 50.38% Pakistan, 31.87% Canada, 3.68%	4.10% to 5.30% 4.10% to 5.30% (NAFTA) 0%	4.10% to 5.30%

HS-Code	Product label	U.S.' Imports from Pakistan 2018 (US\$)	Pakistan's Exports to World 2018 (US\$)	U.S.' Imports from World 2018 (US\$)	Indicative Trade Potential	Top 3 Import Sourcing Countries	Tariff Applied by the U.S. on these Countries	Tariff Applied by the U.S. on Pakistan
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	206,246,000	348,989,000	5,414,038,000	142,743,000	Bangladesh, 26.72% Mexico, 18.88% China, 14.85%	0% to 16.60% (NAFTA) 0% 0% to 16.60%	0% to 16.60%
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	129,346,000	242,703,000	4,250,035,000	113,357,000	Honduras, 12.36% Nicaragua, 69.53% China, 8.95%	(DR – CAFTA) 0% (DR – CAFTA) 0% 16.50%	16.50%
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	107,928,000	214,767,000	609,507,000	106,839,000	China, 34.00% Honduras, 19.00% Pakistan, 17.70%	10.00% to 13.50% (DR – CAFTA) 0% 10.00% to 13.50%	10.00% to 13.50%
630221	Printed bedlinen of cotton (excluding knitted or crocheted)	106,149,000	430,000*	495,613,000	N/A	India, 29.50% China, 29.30% Pakistan, 21.40%	2.50% to 20.90% 2.50% to 20.90% 2.50% to 20.90%	2.5% to 20.90%
630210	Bedlinen, knitted or crocheted	97,159,000	691,649,000	333,058,000	235,899,000	China, 50.59% Pakistan, 29.17% El Salvador, 7.87%	6.00% 6.00% (DR – CAFTA) 0%	6.00%

\* For some commodities' trade potential could not be calculated as Pakistan's reported data containing the country's exports to the world had been under-invoiced (U.S.' imports from Pakistan as reported by the U.S. were greater than Pakistan's exports to the world as reported by Pakistan)

Source: Data sourced from ITC Trade Map and Market Access Map

### Key Findings

- For six of the ten commodities listed under apparel and home textiles, Pakistan is one of the top three import sourcing countries for the U.S. For the other four commodities, Pakistan is one of the top ten suppliers
- Most of the nations listed above enjoy some sort of trade benefits be it NAFTA, where Canada and Mexico enjoy zero tariffs on the products listed, or DR–CAFTA where central American countries, such as Honduras, Nicaragua, El Salvador, etc. are charged zero duty rates. These concessions pave the way for greater access to U.S. markets that result in greater exports, discouraging imports from nations that do not enjoy preferential access
- Pakistan is a top exporter of 'Floorcloths, dishcloths ...' (HS-630710), 'Full length or knee length stockings ...' (HS-611595) and 'Bedlinen ...' (HS-630210) to the U.S. but does not enjoy zero duty on these commodities. However, Canada, Honduras and El Salvador, all competing against Pakistan, are signatories to U.S. free trade agreements, and enjoy zero duty access to the U.S. apparel and home textile market

## The U.S. Textile Market & Pakistan

Textiles represent 78.2 percent of Pakistan's total exports to the U.S. Pakistan's textile exports to the U.S. are primarily in cotton-based textiles which also account for a major share in Pakistan's overall textile exports. Signing of a trade agreement between the two countries would likely open up the U.S. textile market for Pakistani manufacturers. Examples of U.S. trade agreements with Middle Eastern Countries in which concessions in tariffs for textiles have been incorporated could provide a model for a U.S. agreement with Pakistan. In the case of Jordan, Oman and Bahrain, signing of trade agreements opened up 90.0 percent of the U.S. market, including textiles and garments. A year after signing an FTA with Bahrain in 2006, U.S. textile imports from the country increased by 19.1 percent<sup>16</sup>.

A brief analysis of U.S. textile imports and of the trends in their growth rates has been done below. The objective of this exercise being to help Pakistani negotiators develop a perspective on which goods from the

16 DAWN 2010: U.S. embassy pushed for Pakistan textiles in free-trade agreement <https://www.dawn.com/news/634543>

textile sector should be included in the U.S. concessions list if a trade agreement were to be signed between the two countries.

This section moves beyond textile goods which are currently being exported by Pakistan to the U.S. to take a broader view of U.S. textile imports. It is important that Pakistan seeks market access not only for those textile articles which are currently being exported by Pakistan to the U.S, but also try and obtain access for products which are showing healthy growth trends

### Top Sourcing Countries for U.S. Imports of Textiles (HS-50 to HS-63)

The top ten countries from which the U.S. imports textiles and textile articles are listed below along with each country's share in total U.S. imports of textiles. In addition, five-year growth rate trends have also been calculated. China in 2018 was the largest source for U.S. imports of textiles. Even though Pakistan ranks as the 7<sup>th</sup> largest partner, the country had a meagre 2.5 percent share in total U.S. imports of textiles, along with a negative CAGR of -1.3 percent. The negative CAGR depicts an unfavorable future outlook for Pakistani textile exports unless measures to correct the export mix are undertaken.

**TABLE 50: Top Sourcing Countries for U.S. Imports of Textiles (HS-50 to HS-63)**

Country	2014 (US\$)	2015 (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	% Share in Imports (2018)	CAGR (2014–18)
World	114,926,298,000	119,624,121,000	113,472,589,000	113,937,242,000	119,369,381,000		0.95%
China	42,996,742,000	44,546,726,000	41,181,387,000	40,787,664,000	42,403,176,000	35.52%	-0.35%
Vietnam	9,931,104,000	11,286,361,000	11,434,892,000	12,261,785,000	13,062,695,000	10.94%	7.09%
India	7,398,375,000	7,986,914,000	7,931,339,000	8,194,338,000	8,500,235,000	7.12%	3.53%
Bangladesh	5,085,719,000	5,706,830,000	5,552,098,000	5,322,682,000	5,688,721,000	4.77%	2.84%
Mexico	5,534,732,000	5,407,676,000	5,197,038,000	5,424,423,000	5,425,589,000	4.55%	-0.50%
Indonesia	5,284,892,000	5,414,683,000	5,133,173,000	4,948,072,000	4,886,596,000	4.09%	-1.94%
Pakistan	3,214,508,000	3,196,658,000	2,882,253,000	2,936,267,000	3,049,236,000	2.55%	-1.31%
Honduras	2,781,947,000	2,873,278,000	2,734,904,000	2,645,287,000	2,777,577,000	2.33%	-0.04%
Cambodia	2,601,663,000	2,607,288,000	2,245,396,000	2,264,529,000	2,563,692,000	2.15%	-0.37%
Italy	2,223,952,000	2,108,165,000	1,961,948,000	1,992,511,000	2,197,591,000	1.84%	-0.30%

Source: Data sourced from ITC Trade Map

### Top Current U.S. Textile Imports (HS-50 to HS-63)

The U.S. imports over \$119.3 billion worth of textile goods (HS-50 to HS-63) from the world of which \$102.9 billion are categorized under apparel and home textiles (HS-61 to HS-63).

The following table shows the current import patterns of U.S. textiles (HS-50 to HS-63) and Pakistan's share as a supplier of these goods to the U.S. along with the top 3 supplying partners. The tariff<sup>17</sup> applied by the U.S. on the top three suppliers as well tariff applied on imports from Pakistan are shown in the table below. Five-year growth rates are also listed for the same items to identify goods which Pakistan can increase its share in, and hence, promote export-led growth of its value-added textile sector. Moreover, U.S. imports with a CAGR greater than 3.0 percent have been highlighted to identify categories of textile goods in high demand by the

17 The average tariffs (estimate) have been taken from ITC Market Access Map database. At the HS6 level, tariff aggregations are done using simple averages of the underlying tariffs applied at the national tariff line.

U.S. and on which Pakistani manufacturers need to focus. From the tariff rates applied by the U.S. on its top suppliers and on Pakistan, an analysis can be done to showcase those textile articles where policy makers from Pakistan need to ask for tariff concessions.

**TABLE 51: Top Current U.S. Textile Imports (HS-50 to HS-63)**

HS-Code	Product label	Current U.S. Imports from World 2018 (US\$)	U.S. Imports from the World CAGR 2014–18 (US\$)	Top Suppliers for U.S. Imports	The Average Tariff (estimate) Applied by the U.S.	Current U.S. Imports from Pakistan 2018 (US\$)	U.S. Imports from Pakistan CAGR 2014–18	Pakistan's share in U.S. Imports	The Average Tariff (estimate) Applied by the U.S. on Pakistan
Total	All products	2,612,379,157,000							
	Textile group (HS-50 to HS-63)	119,369,380,000							
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted (excluding wadded waistcoats)	7,642,444,000	-2.43%	China, 30.70% Vietnam, 17.00% Indonesia, 6.60%	10.80%  10.80%	243,514,000	-0.65%	3.19%	11.00%
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted or crocheted (excluding wadded waistcoats)	6,540,841,000	4.22%	China, 26.90% Vietnam, 17.00% Honduras, 7.90%	15.30% 15.30% 0.00%	8,241,000	-3.74%	0.13%	15.00%
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding knitted or crocheted, underpants and swimwear)	5,412,174,000	-1.55%	Bangladesh, 26.70% Mexico, 18.90% China, 14.90%	9.00% 9.00% 0.00%	206,191,000	6.92%	3.81%	9.00%
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding knitted or crocheted, panties and swimwear)	4,934,963,000	0.27%	China, 37.50% Bangladesh, 15.00% Vietnam, 13.40%	8.30% 8.30% 8.30%	232,517,000	6.10%	4.71%	8.30%
630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	4,311,063,000	5.94%	China, 73.30% Mexico, 11.30% Canada, 2.30%	3.70% 0.00% 0.00%	26,533,000	6.23%	0.62%	2.40%
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	4,246,508,000	0.99%	Honduras 12.40% Nicaragua 9.50% China 8.90%	0.00% 0.00% 16.50%	129,389,000	-2.13%	3.05%	16.50%
620520	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets and other vests)	2,757,782,000	-3.66%	Bangladesh, 21.20% China, 20.30% Vietnam, 12.00%	14.20% 14.20% 14.20%	4,529,000	-23.94%	0.16%	14.20%
621210	Brassieres of all types of textile materials, whether or not elasticated, incl. knitted or crocheted	2,286,455,000	-0.28%	China, 40.30% Vietnam, 13.80% Sri Lanka, 10.80%	10.30% 10.30% 10.30%	219,000	-19.86%	0.01%	10.30%
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding floorcloths, polishing cloths, dishcloths and dusters)	2,110,965,000	1.69%	India, 36.50% China, 25.10% Pakistan, 24.19%	9.10% 9.10% 9.10%	510,681,000	-1.52%	24.19%	9.10%
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	1,897,382,000	5.30%	China, 15.40% Mexico, 11.50% Honduras, 10.80%	14.10% 0.00% 0.00%	7,318,000	12.47%	0.39%	14.10%

HS-Code	Product label	Current U.S. Imports from World 2018 (US\$)	U.S. Imports from the World CAGR 2014–18 (US\$)	Top Suppliers for U.S. Imports	The Average Tariff (estimate) Applied by the U.S.	Current U.S. Imports from Pakistan 2018 (US\$)	U.S. Imports from Pakistan CAGR 2014–18	Pakistan's share in U.S. Imports	The Average Tariff (estimate) Applied by the U.S. on Pakistan
610463	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres, knitted or crocheted (excluding panties and swimwear)	1,676,111,000	9.00%	Vietnam, 30.50% China, 20.90% Indonesia, 6.60%	19.30% 19.30% 19.30%	489,000	-9.19%	0.03%	19.30%
611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)	1,656,043,000	0.34%	China, 42.80% Cambodia, 13.80% India, 10.60%	14.00% 14.00% 14.00%	9,377,000	-9.17%	0.57%	14.00%
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	1,596,814,000	-0.79%	India, 50.60% China, 23.60% Pakistan, 14.30%	10.80% 10.80% 10.80%	228,423,000	-1.29%	14.30%	10.80%
620343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres (excluding knitted or crocheted, underpants and swimwear)	1,571,291,000	4.88%	Vietnam, 19.60% China, 18.60% Bangladesh, 11.60%	13.00% 13.00% 13.00%	1,348,000	-17.66%	0.09%	13.00%
610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding panties and swimwear)	1,539,858,000	-2.17%	Vietnam, 29.80% China, 22.00% Indonesia, 13.40%	12.60% 12.60% 12.60%	24,032,000	-12.12%	1.56%	12.60%
620193	Men's or boys' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres (not knitted or crocheted and excluding suits, ensembles, jackets, blazers, trousers and tops of ski suits)	1,530,534,000	5.99%	China, 51.10% Vietnam, 23.80% Indonesia, 6.30%	15.00% 15.00% 15.00%	2,117,000	-9.44%	0.14%	15.00%
620640	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted and vests)	1,462,428,000	4.07%	China, 32.30% Indonesia, 19.30% Vietnam, 17.10%	14.50% 14.50% 14.50%	602,000	-2.46%	0.04%	12.60%
611596	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of synthetic fibres, knitted or crocheted (excluding graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies)	1,457,917,000	7.75%	China, 75.30% El Salvador, 11.60% Pakistan, 1.82%	16.70% 0.00% 16.70%	26,569,000	-11.79%	1.82%	16.70%
620293	Women's or girls' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres (not knitted or crocheted and excluding suits, ensembles, jackets, blazers, trousers and tops of ski suits)	1,306,652,000	3.59%	China, 53.50% Vietnam, 23.60% Indonesia, 5.60%	15.00% 15.00% 15.00%	585,000	-18.73%	0.04%	15.00%
620443	Women's or girls' dresses of synthetic fibres (excluding knitted or crocheted and petticoats)	1,253,720,000	-2.46%	China, 57.10% Vietnam, 11.60% Indonesia, 6.80%	12.30% 12.30% 12.30%	487,000	-25.35%	0.04%	12.30%

HS-Code	Product label	Current U.S. Imports from World 2018 (US\$)	U.S. Imports from the World CAGR 2014–18 (US\$)	Top Suppliers for U.S. Imports	The Average Tariff (estimate) Applied by the U.S.	Current U.S. Imports from Pakistan 2018 (US\$)	U.S. Imports from Pakistan CAGR 2014–18	Pakistan's share in U.S. Imports	The Average Tariff (estimate) Applied by the U.S. on Pakistan
621143	Women's or girls' tracksuits and other garments, n.e.s. of man-made fibres (excluding knitted or crocheted)	1,246,099,000	4.68%	China, 42.60% Vietnam, 16.20% India, 10.90%	16.00% 16.00% 16.00%	18,685,000	6.73%	1.50%	16.00%
610443	Women's or girls' dresses of synthetic fibres, knitted or crocheted (excluding petticoats)	1,236,016,000	-0.89%	China, 40.30% Vietnam, 28.50% Indonesia, 6.60%	15.50% 15.50% 15.50%	53,000	-49.59%	0.00%	15.50%
630392	Curtains, incl. drapes, and interior blinds, curtain or bed valances of synthetic fibres (excluding knitted or crocheted, awnings and sunblinds)	1,213,498,000	6.98%	China, 62.40% Mexico, 28.20% Chinese Taipei, 2.80%	11.30% 0.00% 11.30%	18,751,000	-4.33%	1.55%	11.30%
610343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres, knitted or crocheted (excluding swimwear and underpants)	1,210,934,000	7.09%	Vietnam, 24.20% China, 15.40% Jordan, 9.50%	20.10% 20.10% 0.00%	5,518,000	17.97%	0.46%	20.10%
610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets and other vests)	1,121,231,000	-4.36%	Vietnam, 21.00% India, 17.90% China, 12.00%	19.70% 19.70% 19.70%	77,870,000	-13.18%	6.95%	19.70%
620463	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres (excluding knitted or crocheted, panties and swimwear)	1,038,982,000	1.35%	Vietnam, 27.50% China, 21.70% Indonesia, 8.20%	11.80% 11.80% 11.80%	892,000	-30.15%	0.09%	11.80%
611430	Special garments for professional, sporting or other purposes, n.e.s., of man-made fibres, knitted or crocheted	947,446,000	6.64%	China, 50.60% Vietnam, 11.80% Mexico, 8.20%	25.00% 25.00% 0.00%	8,734,000	4.16%	0.92%	25.00%
630140	Blankets and travelling rugs of synthetic fibres (excluding electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404)	934,088,000	6.35%	China, 95.00% India, 2.70% Mexico, 1.00%	8.50% 8.50% 0.00%	358,000	-12.22%	0.04%	8.50%
611241	Women's or girls' swimwear of synthetic fibres, knitted or crocheted	927,842,000	2.16%	China, 50.90% Vietnam, 16.50% Indonesia, 10.80%	24.90% 24.90% 24.90%	7,000	62.66%	0.00%	24.90%
620630	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted and vests)	919,003,000	-3.74%	India, 26.60% China, 26.40% Indonesia, 10.90%	9.30% 9.30% 9.30%	5,718,000	26.12%	0.62%	9.30%
610520	Men's or boys' shirts of man-made fibres, knitted or crocheted (excluding nightshirts, T-shirts, singlets and other vests)	901,583,000	1.69%	Vietnam, 31.20% China, 12.40% Jordan, 10.80%	22.80% 22.80% 22.80%	2,121,000	-21.84%	0.24%	22.80%
610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	880,172,000	-1.92%	Vietnam, 28.20% India, 20.90% El Salvador, 11.20%	7.40% 7.40% 7.40%	15,034,000	0.72%	1.71%	7.40%

HS-Code	Product label	Current U.S. Imports from World 2018 (US\$)	U.S. Imports from the World CAGR 2014–18 (US\$)	Top Suppliers for U.S. Imports	The Average Tariff (estimate) Applied by the U.S.	Current U.S. Imports from Pakistan 2018 (US\$)	U.S. Imports from Pakistan CAGR 2014–18	Pakistan's share in U.S. Imports	The Average Tariff (estimate) Applied by the U.S. on Pakistan
570242	Carpets and other floor coverings, of man-made textile materials, woven, not tufted or flocked, of pile construction, made up (excluding Kelem, Schumacks, Karamanie and similar hand-woven rugs)	845,257,000	16.21%	Turkey, 64.70% Egypt, 11.70% China, 7.80%	0.00% 0.00% 0.00%	50,000	77.83%	0.01%	0.00%
610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding swimwear and underpants)	823,240,000	13.57%	China, 23.20% Vietnam, 15.90% Cambodia, 15.90%	13.20% 13.20% 13.20%	49,153,000	-0.01%	5.97%	13.20%
610822	Women's or girls' briefs and panties of man-made fibres, knitted or crocheted	796,806,000	0.89%	China, 49.20% Vietnam, 11.1% Sri, Lanka, 10.4%	12.00% 12.00% 12.00%	28,000	-41.50%	0.00%	12.00%
621010	Garments made up of felt or nonwovens, whether or not impregnated, coated, covered or laminated (excluding babies' garments and clothing accessories)	792,884,000	1.66%	China, 59.10% Mexico, 15.30% Honduras, 11.40%	6.80% 0.00% 0.00%	76,000	66.04%	0.01%	6.10%
610832	Women's or girls' nightdresses and pyjamas of man-made fibres, knitted or crocheted (excluding T-shirts, vests and négligés)	681,833,000	5.01%	China, 64.80% Cambodia, 14.90% Vietnam, 10.40%	16.00% 16.00% 16.00%	642,000	14.54%	0.09%	16.00%
620469	Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials (excluding of wool, fine animal hair, cotton or synthetic fibres, knitted or crocheted, panties and swimwear)	678,670,000	3.75%	China, 32.30% Guatemala, 17.20% Vietnam, 12.00%	11.10% 0.00% 11.10%	1,673,000	-13.54%	0.25%	11.1%
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted or crocheted	668,811,000	5.54%	China, 50.80% Sri Lanka, 14.60% Korea, Republic of 7.50%	10.80% 10.50% 0.00%	34,645,000	3.65%	5.18%	10.50%
610821	Women's or girls' briefs and panties of cotton, knitted or crocheted	655,629,000	-2.98%	Bangladesh, 20.50% Thailand, 15.90% Sri Lanka, 14.80%	7.60% 7.60% 7.60%	2,021,000	-39.78%	0.31%	7.60%
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	654,410,000	6.25%	China, 50.40% Pakistan, 31.88% Canada, 3.70%	4.70% 4.70% 0.00%	208,649,000	2.04%	31.88%	4.70%
550320	Staple fibres of polyesters, not carded, combed or otherwise processed for spinning	646,103,000	0.52%	China, 29.40% Korea, Republic of, 26.10% Thailand, 10.80%	4.30% 0.00% 4.30%	972,000	-	0.15%	4.30%
621040	Men's or boys' garments of textile fabrics, rubberised or impregnated, coated, covered or laminated with plastics or other substances (excluding of the type described in subheading 6201,11 to 6201,19, and babies' garments and clothing accessories)	642,913,000	0.59%	China, 49.30% Vietnam, 27.90% Bangladesh, 7.90%	5.10% 5.10% 5.10%	1,374,000	-15.06%	0.21%	5.10%

HS-Code	Product label	Current U.S. Imports from World 2018 (US\$)	U.S. Imports from the World CAGR 2014–18 (US\$)	Top Suppliers for U.S. Imports	The Average Tariff (estimate) Applied by the U.S.	Current U.S. Imports from Pakistan 2018 (US\$)	U.S. Imports from Pakistan CAGR 2014–18	Pakistan's share in U.S. Imports	The Average Tariff (estimate) Applied by the U.S. on Pakistan
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of cotton, knitted or crocheted (excluding graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies)	608,505,000	-7.90%	China, 34.00% Honduras, 19.00% Pakistan, 17.77%	11.80% 0.00% 11.80%	108,101,000	0.70%	17.77%	11.80%
620530	Men's or boys' shirts of man-made fibres (excluding knitted or crocheted, nightshirts, singlets and other vests)	596,503,000	4.70%	Vietnam, 15.00% Honduras, 14.50% China, 13.80%	20.20% 0.00% 20.20%	680,000	-1.04%	0.11%	20.20%
620442	Women's or girls' dresses of cotton (excluding knitted or crocheted and petticoats)	553,374,000	2.07%	China, 37.80% India, 24.40% Vietnam, 8.80%	8.60% 8.60% 8.60%	771,000	-19.75%	0.14%	8.60%
610130	Overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles of man-made fibres, for men or boys, knitted or crocheted (excluding suits, ensembles, jackets, blazers, bib and brace overalls and trousers)	520,954,000	2.11%	China, 32.10% Vietnam, 19.00% Honduras, 10.30%	15.00% 15.00% 0.00%	4,105,000	10.10%	0.79%	15.00%
610892	Women's or girls' négligés, bathrobes, dressing gowns, housejackets and similar articles of man-made fibres, knitted or crocheted (excluding vests, slips, petticoats, briefs and panties, nightdresses, pyjamas, brassières, girdles, corsets and similar articles)	515,453,000	4.92%	China, 70.1% Vietnam, 12.50% Cambodia, 6.40%	16.00% 16.00% 16.00%	53,000	-39.17%	0.01%	16.00%
610230	Women's or girls' overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles of man-made fibres, knitted or crocheted (excluding suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls)	513,129,000	-0.98%	China, 44.50% Vietnam, 23.10% Jordan, 9.80%	18.10% 18.10% 0.00%	1,509,000	40.43%	0.29%	18.10%
630221	Printed bedlinen of cotton (excluding knitted or crocheted)	495,510,000	-0.61%	India, 29.50% China, 29.30% Pakistan, 21.44%	10.50% 10.50% 10.50%	106,214,000	-3.20%	21.44%	10.50%

Source: Data sourced from ITC Trade Map and Market Access Map

## Key Findings

- Pakistan is one of the top exporters for 6 of the 50 items listed above namely ‘Toilet linen and kitchen linen ...’ (HS-630260), ‘Bedlinen of cotton ...’ (HS-630231); ‘Floor cloths, dishcloths ...’ (HS-630710), ‘Full length or knee-length stockings ...’ (HS 611595), ‘Full length or knee-length stockings ...’ (HS 611596), and ‘Printed bedlinen ...’ (HS-630221) where the country’s share in the U.S. market is at least 14.0 percent with the exception of HS-611596
- 32 of the top 50 items (highlighted in red) in the table are made from man-made fibers of which Pakistan holds an insignificant share of less than 1.0 percent for a majority of the items listed. Pakistani manufacturers need to penetrate the global synthetic or man-made fibers (MMF) market which has long surpassed the demand for cotton articles. In the global market, the share of cotton had fallen from nearly 70.0 percent in 1960 to only 27.0 percent by the end 2016<sup>18</sup>.
- Pakistan accounts for 24.2 percent for one of U.S.’s top imports, ‘Toilet linen and kitchen linen ...’ (HS-630260). In this tariff line, the growth in Pakistan’s exports to the U.S. is negative with a CAGR of -1.5 percent whereas U.S. import demand from the world for the same item has shown a positive CAGR of 1.7 percent over the last 5 years. This probably signifies that Pakistan is unable to maintain its share in the U.S. market
- For products listed where Pakistan is not one of the top exporters to the U.S., it is still one of the top ten exporters for most goods indicating that Pakistan has domestic industrial capacity to increase its exports to the U.S.
- U.S. imports of apparel and home textiles (HS-61 to HS-63) constitutes a major portion of total textile imports – as much as 86.2 percent
- China is a top supplier for 48 of the 50 goods listed above. China is able to supply the goods even when no tariff concessions have been levied by the U.S., indicating that the country is able to scale up, compete and penetrate the U.S. market with just MFN tariff rates
- Most suppliers, excluding China, are part of trade agreements such as DR – CAFTA and NAFTA that allow these countries to export goods duty-free into the U.S. whereas Pakistan is charged the MFN tariff rate

## U.S. Imports of Textiles and Textile Articles from Pakistan (HS-50 to HS-63)

U.S. total imports from Pakistan amounted to \$3.8 billion in 2018 of which approximately \$3.0 billion were categorized under textiles and textile articles (HS-50 to HS-63) – depicting a sizable share of 78.2 percent of total imports.

The following table shows U.S.’s top 50 textile imports from Pakistan, along with Pakistan’s share in these imports. Five–year growth rates are also included to showcase the trend in U.S. textile (HS-50 to HS-63) imports from Pakistan and from the world along with the tariff rate applied by the U.S. on Pakistan.

**TABLE 52: U.S. Imports of Textiles and Textile Articles from Pakistan (HS-50 to HS-63)**

HS-Code	Product label	U.S. Imports from Pakistan 2018 (US\$)	% Share of Pakistan in Total U.S. Imports 2018 (US\$)	U.S. Imports from Pakistan (CAGR 2014–18)	U.S. Imports from World (CAGR 2014–18)	Tariff Applied (estimate) by the U.S. on Pakistan
TOTAL	All products	3,896,198,000				
Code	Textiles and textile articles (HS-50 to HS-63)	3,049,244,000				
630260	Toilet linen and kitchen linen, of terry toweling or similar terry fabrics of cotton (excluding floorcloths, polishing cloths, dishcloths and dusters)	510,681,000	24.19%	-1.52%	1.69%	9.00%

18 Daily Times: Pakistan lags behind peers in synthetic textiles exports

HS-Code	Product label	U.S. Imports from Pakistan 2018 (US\$)	% Share of Pakistan in Total U.S. Imports 2018 (US\$)	U.S. Imports from Pakistan (CAGR 2014–18)	U.S. Imports from World (CAGR 2014–18)	Tariff Applied (estimate) by the U.S. on Pakistan
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted (excluding wadded waistcoats)	243,514,000	3.19%	-0.65%	-2.43%	11.00%
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding knitted or crocheted, panties and swimwear)	232,517,000	4.71%	6.10%	0.27%	8.00%
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	228,423,000	14.30%	-1.29%	-0.79%	11.00%
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	208,649,000	31.88%	2.04%	6.25%	5.00%
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding knitted or crocheted, underpants and swimwear)	206,191,000	3.81%	6.92%	-1.55%	9.00%
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	129,389,000	3.05%	-2.13%	0.99%	17.00%
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of cotton, knitted or crocheted (excluding graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies)	108,101,000	17.77%	0.70%	-7.90%	12.00%
630221	Printed bedlinen of cotton (excluding knitted or crocheted)	106,214,000	21.44%	-3.20%	-0.61%	11.00%
630210	Bedlinen, knitted or crocheted	97,124,000	29.18%	4.24%	11.26%	6.00%
610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets and other vests)	77,870,000	6.95%	-13.18%	-4.36%	20.00%
610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding swimwear and underpants)	49,153,000	5.97%	-0.01%	13.57%	13.00%
621142	Women's or girls' tracksuits and other garments, n.e.s. of cotton (excluding knitted or crocheted)	44,966,000	9.58%	-1.01%	2.87%	8.00%
570110	Carpets and other textile floor coverings, of wool or fine animal hair, knotted, whether or not made up	42,759,000	13.78%	-12.27%	0.97%	1.00%
520852	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 g/m <sup>2</sup> , printed	37,306,000	13.90%	4.22%	-0.92%	7.00%
630391	Curtains, incl. drapes, and interior blinds, curtain or bed valances of cotton (excluding knitted or crocheted, awnings and sunblinds)	34,841,000	23.25%	-4.79%	-5.41%	10.00%
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted or crocheted	34,645,000	5.18%	3.65%	5.54%	10.00%
610120	Overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles of cotton, for men or boys, knitted or crocheted (excluding suits, ensembles, jackets, blazers, bib and brace overalls and trousers)	33,505,000	8.33%	-14.74%	-6.40%	16.00%
631010	Used or new rags, scrap twine, cordage, rope and cables and worn-out articles thereof, of textile materials, sorted	30,509,000	40.71%	16.75%	4.82%	0.00%
621600	Gloves, mittens and mitts, of all types of textile materials (excluding knitted or crocheted and for babies)	30,496,000	8.46%	-8.68%	-1.26%	8.00%
611596	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of synthetic fibres, knitted or crocheted (excluding graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies)	26,569,000	1.82%	-11.79%	7.75%	17.00%
630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	26,533,000	0.62%	6.23%	5.94%	2.00%
610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding panties and swimwear)	24,032,000	1.56%	-12.12%	-2.17%	13.00%
630130	Blankets and travelling rugs of cotton (excluding electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404)	20,838,000	10.45%	-4.69%	5.04%	8.00%
630392	Curtains, incl. drapes, and interior blinds, curtain or bed valances of synthetic fibres (excluding knitted or crocheted, awnings and sunblinds)	18,751,000	1.55%	-4.33%	6.98%	11.00%
621143	Women's or girls' tracksuits and other garments, n.e.s. of man-made fibres (excluding knitted or crocheted)	18,685,000	1.50%	6.73%	4.68%	16.00%
630291	Toilet linen and kitchen linen of cotton (excluding of terry fabrics, floorcloths, polishing cloths, dishcloths and dusters)	17,478,000	13.36%	-2.47%	6.05%	9.00%

HS-Code	Product label	U.S. Imports from Pakistan 2018 (US\$)	% Share of Pakistan in Total U.S. Imports 2018 (US\$)	U.S. Imports from Pakistan (CAGR 2014–18)	U.S. Imports from World (CAGR 2014–18)	Tariff Applied (estimate) by the U.S. on Pakistan
630419	Bedspreads of all types of textile materials (excluding knitted or crocheted, bedlinen, quilts and eiderdowns)	16,727,000	16.94%	3.44%	5.85%	9.00%
610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	15,034,000	1.71%	0.72%	-1.92%	7.00%
631090	Used or new rags, scrap twine, cordage, rope and cables and worn-out articles thereof, of textile materials (excluding sorted)	13,333,000	42.43%	6.56%	1.33%	6.00%
630492	Articles for interior furnishing, of cotton (excluding knitted or crocheted, blankets and travelling rugs, bedlinen, table linen, toilet linen, kitchen linen, curtains, incl. drapes, interior blinds, curtain or bed valances, bedspreads, lampshades and articles of heading 9404)	12,977,000	5.94%	-7.29%	2.11%	6.00%
610220	Women's or girls' overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles of cotton, knitted or crocheted (excluding suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls)	12,530,000	4.04%	-6.66%	-6.66%	16.00%
630232	Bedlinen of man-made fibres (excluding printed, knitted or crocheted)	12,455,000	2.66%	-2.14%	7.30%	13.00%
521011	Plain woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed principally or solely with man-made fibres and weighing <= 200 g/m <sup>2</sup> , unbleached	11,561,000	32.77%	5.55%	-0.51%	11.00%
610831	Women's or girls' nightdresses and pyjamas of cotton, knitted or crocheted (excluding T-shirts, vests and négligés)	10,614,000	2.64%	-3.89%	-2.65%	9.00%
630251	Table linen of cotton (excluding knitted or crocheted)	10,253,000	5.85%	-2.66%	1.49%	6.00%
570249	Carpets and other floor coverings, of vegetable textile materials or coarse animal hair, woven, not tufted or flocked, of pile construction, made up (excluding Kelem, Schumacks, Karamanie and similar hand-woven rugs, and floor coverings of coconut fibres "coir")	9,414,000	12.57%	-1.12%	-3.51%	0.00%-4.00%
611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)	9,377,000	0.57%	-9.17%	0.34%	14.00%
630222	Printed bedlinen of man-made fibres (excluding knitted or crocheted)	8,755,000	3.95%	-8.20%	2.51%	13.00%
611430	Special garments for professional, sporting or other purposes, n.e.s., of man-made fibres, knitted or crocheted	8,734,000	0.92%	4.16%	6.64%	25.00%
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted or crocheted (excluding wadded waistcoats)	8,241,000	0.13%	-3.74%	4.22%	15.00%
630253	Table linen of man-made fibres (excluding knitted or crocheted)	7,831,000	3.35%	-1.53%	2.00%	11.00%
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear density of 232,56 decitex to < 714,29 decitex "> MN 14 to MN 43" (excluding sewing thread and yarn put up for retail sale)	7,747,000	46.33%	7.70%	1.38%	6.00%
620322	Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	7,626,000	64.61%	0.98%	-2.05%	4.00%
520812	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 g/m <sup>2</sup> , unbleached	7,323,000	34.51%	4.07%	-4.06%	9.00%
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	7,318,000	0.39%	12.47%	5.30%	14.00%
611420	Special garments for professional, sporting or other purposes, n.e.s., of cotton, knitted or crocheted	6,885,000	1.64%	18.44%	-2.17%	11.00%
611692	Gloves, mittens and mitts, of cotton, knitted or crocheted (excluding impregnated, coated or covered with plastics or rubber, and for babies)	6,448,000	12.87%	-5.48%	-6.39%	11.00%
521021	Plain woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed principally or solely with man-made fibres and weighing <= 200 g/m <sup>2</sup> , bleached	5,769,000	60.48%	-8.46%	-5.36%	11.00%
620630	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted and vests)	5,718,000	0.62%	26.12%	-3.74%	9.00%

Source: Data sourced from ITC Trade Map and Market Access Map

## Key Findings

### Articles of apparel and clothing accessories, knitted or crocheted (HS-61)

- Items under HS-61 enjoyed a significant share of total Pakistani exports to the U.S. in so far as taking up 21.9 percent of total exports and 58.4 percent of exports under apparel (HS-61 and HS-62) to the U.S.<sup>19</sup>
- All items under HS-61 in the table above had an export value greater than \$5.0 million for the year 2018
- Items such as ‘*Gloves, mittens and mitts ...*’ (HS-611610), ‘*Special garments ...*’ (HS-611430), and ‘*Textiles, singlets, and other vests ...*’ (HS-610990) all depict positive CAGRs, indicating that U.S. demand for these goods is increasing and Pakistan is also able to meet this demand
- Products, such as ‘*T-shirts, singlets and other vests of cotton ...*’ (HS-610910), ‘*Men’s or boys’ trousers ...*’ (HS-610342) and other such items where U.S. demand is increasing, Pakistani exporters are losing out on their existing market share as Pakistan’s exports are falling, as shown by their negative CAGRs
- Items such as ‘*Full length or knee length stockings ...*’ (HS-611595), ‘*Men’s or boys’ underpants ...*’ (HS-610711) and ‘*Special garments for professional, sporting ...*’ (HS-611420) are those where U.S. imports are falling (as depicted by their negative CAGRs) while Pakistan has been able to maintain a positive CAGR in a declining market.
- What is important to note is that most of Pakistan’s top ‘50’ textile exports to the U.S. listed above face significant tariffs when exported to the U.S. based on average tariff calculated as reported by the ITC. If the U.S. were to sign a trade agreement with Pakistan, negotiators from Pakistan should ask for tariff concessions not only for current textile items being exported, but also for those showing future growth potential

### Articles of apparel and clothing accessories, not knitted or crocheted (HS-62)

- Over \$608.6 million was exported to the U.S. under HS-62, this made-up 15.6 percent of total exports and 41.5 percent of exports under the apparel (HS-61 and HS-62) category
- The table shows two notable items, ‘*Women or girls’ tracksuits ...*’ (HS-621142) and ‘*Men’s or boys’ ensembles of cotton ...*’ (HS-620322), having a significant share of 9.5 percent and 64.6 percent in total U.S. imports, indicating a significant presence in both categories. However, the growth in U.S. imports from the world for HS-621142 are increasing whereas U.S. imports from Pakistan are decreasing, indicating that Pakistan is losing market share to its competitors. Similar is the case with HS-620322 where U.S. import demand is declining but Pakistan’s imports to the U.S. are increasing, possibly indicating that investments are being made to enhance exports in a declining category

### Other made up textile article; sets; worn clothing and worn textile articles; rags (HS-63)

- HS-63 is Pakistan’s biggest export category to the U.S. with over \$1.3 billion exported in 2018 alone, making up 36.5 percent of total exports
- Some notable items with a significant share in total U.S. imports of the category include products under ‘*Toilet linen and kitchen linen ...*’ (HS-630260), ‘*Floorcloths, dishcloths ...*’ (HS-630710), ‘*Bedlinen ...*’ (HS-630210), ‘*Used or new rags ...*’ (HS-631010) with a share of 24.1 percent, 31.8 percent, 29.1 percent and 40.7 percent, respectively
- The table depicts growth trends in items such as ‘*Toilet linen and kitchen linen ...*’ (HS-630260), ‘*Blankets and travelling rugs ...*’ (HS-630130) and other items where Pakistan is losing out on market share due to falling growth in exports to the U.S. Pakistan is losing out as a supplier for these items as U.S. demand is increasing as indicated by the positive growth rates in U.S. imports from the world

<sup>19</sup> U.S. Imports of ‘Articles of apparel and clothing accessories, knitted or crocheted’ (HS-61) from Pakistan amounted to \$856,072,000 in 2018

As can be seen from the tables above, the largest number of goods in the U.S. basket of textile imports are of man-made fiber where Pakistan has limited to no capacity to supply to the U.S. Moreover, the man-made fiber category also has a high CAGR as compared to the CAGR of cotton-based textiles.

The share of cotton in global fiber consumption has fallen from nearly 70.0 percent in 1960, to about 27.0 percent in 2016<sup>20</sup>. Its place has now been taken over by synthetic or man-made fibers (MMF) – especially polyester. Despite growing appeal, Pakistan is advancing into the MMF category at a snail's pace where the fiber mix still stands at 80:20 in Pakistan's garment exports with only 25.0 percent of the country's spinning machines using MMF to produce blended yarn. The largest exporters of synthetic fibers are China, India and other South East Asian countries that have advanced and fully-integrated chemical industries. Where synthetic fibers are not indigenously available, as is the case with Vietnam, Bangladesh and Cambodia, these countries import synthetic raw materials and convert them to value added textiles. This implies that with adequate availability of raw materials in the country, Pakistan too could excel in the global apparel market.

Pakistan's textile industry needs to develop its capacity to manufacture textile articles based on man-made fibers. Of the top 50 textile articles listed in table 2, eighteen are cotton-based articles where Pakistan has a competitive edge and the capacity to export. It is only in 5 of them that the country is one of the leading suppliers to the U.S. These 18 cotton-based textile articles posed an aggregate demand of \$39.4 billion as of 2018 which is significant, therefore, Pakistan should ask for tariff concessions for these listed items.

In addition, Pakistan needs to also negotiate with the U.S. for preferential tariffs for man-made fiber apparel in which though it currently does not have capacity, it is hoped that manufacturing capability can be built in the medium term.

The following is a list of textile articles that PBC recommends to be pushed for inclusion in any possible future negotiations for a trade agreement with the U.S. for tariff concessions. This list has been created based on multiple criterion including the size of U.S. import demand and Pakistan's capacity to supply.

**TABLE 53: Top Potential Textile Items**

<b>Carpets and other textile floor coverings (HS-57)</b>	
570242	Carpets and other floor coverings, of man-made textile materials, woven, not tufted or flocked, of pile construction, made up (excluding Kelem, Schumacks, Karamanie and similar hand-woven rugs)
<b>Articles of apparel and clothing accessories, knitted or crocheted (HS-61)</b>	
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted (excluding wadded waistcoats)
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted or crocheted (excluding wadded waistcoats)
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted
611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)
610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding panties and swimwear)
611596	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of synthetic fibres, knitted or crocheted (excluding graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies)
610343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres, knitted or crocheted (excluding swimwear and underpants)
610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets and other vests)
611430	Special garments for professional, sporting or other purposes, n.e.s., of man-made fibres, knitted or crocheted
611241	Women's or girls' swimwear of synthetic fibres, knitted or crocheted
610520	Men's or boys' shirts of man-made fibres, knitted or crocheted (excluding nightshirts, T-shirts, singlets and other vests)
610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted
610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excluding swimwear and underpants)

610822	Women's or girls' briefs and panties of man-made fibres, knitted or crocheted
610832	Women's or girls' nightdresses and pyjamas of man-made fibres, knitted or crocheted (excluding T-shirts, vests and négligés)
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted or crocheted
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of cotton, knitted or crocheted (excluding graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies)
610130	Overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles of man-made fibres, for men or boys, knitted or crocheted (excluding suits, ensembles, jackets, blazers, bib and brace overalls and trousers)
610892	Women's or girls' négligés, bathrobes, dressing gowns, housejackets and similar articles of man-made fibres, knitted or crocheted (excluding vests, slippers, petticoats, briefs and panties, nightdresses, pyjamas, brassières, girdles, corsets and similar articles)
610230	Women's or girls' overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles of man-made fibres, knitted or crocheted (excluding suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls)
<b>Articles of apparel and clothing accessories, not knitted or crocheted (HS-62)</b>	
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding knitted or crocheted, panties and swimwear)
620343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres (excluding knitted or crocheted, underpants and swimwear)
620193	Men's or boys' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres (not knitted or crocheted and excluding suits, ensembles, jackets, blazers, trousers and tops of ski suits)
620293	Women's or girls' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres (not knitted or crocheted and excluding suits, ensembles, jackets, blazers, trousers and tops of ski suits)
621143	Women's or girls' tracksuits and other garments, n.e.s. of man-made fibres (excluding knitted or crocheted)
620463	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres (excluding knitted or crocheted, panties and swimwear)
621010	Garments made up of felt or nonwovens, whether or not impregnated, coated, covered or laminated (excluding babies' garments and clothing accessories)
620469	Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials (excluding of wool, fine animal hair, cotton or synthetic fibres, knitted or crocheted, panties and swimwear)
621040	Men's or boys' garments of textile fabrics, rubberised or impregnated, coated, covered or laminated with plastics or other substances (excluding of the type described in subheading 6201,11 to 6201,19, and babies' garments and clothing accessories)
620530	Men's or boys' shirts of man-made fibres (excluding knitted or crocheted, nightshirts, singlets and other vests)
620442	Women's or girls' dresses of cotton (excluding knitted or crocheted and petticoats)
<b>Other made up textile article; sets; worn clothing and worn textile articles; rags (HS-63)</b>	
630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding floorcloths, polishing cloths, dishcloths and dusters)
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)
630392	Curtains, incl. drapes, and interior blinds, curtain or bed valances of synthetic fibres (excluding knitted or crocheted, awnings and sunblinds)
630140	Blankets and travelling rugs of synthetic fibres (excluding electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404)
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials

Source: Data sourced from ITC Trade Map

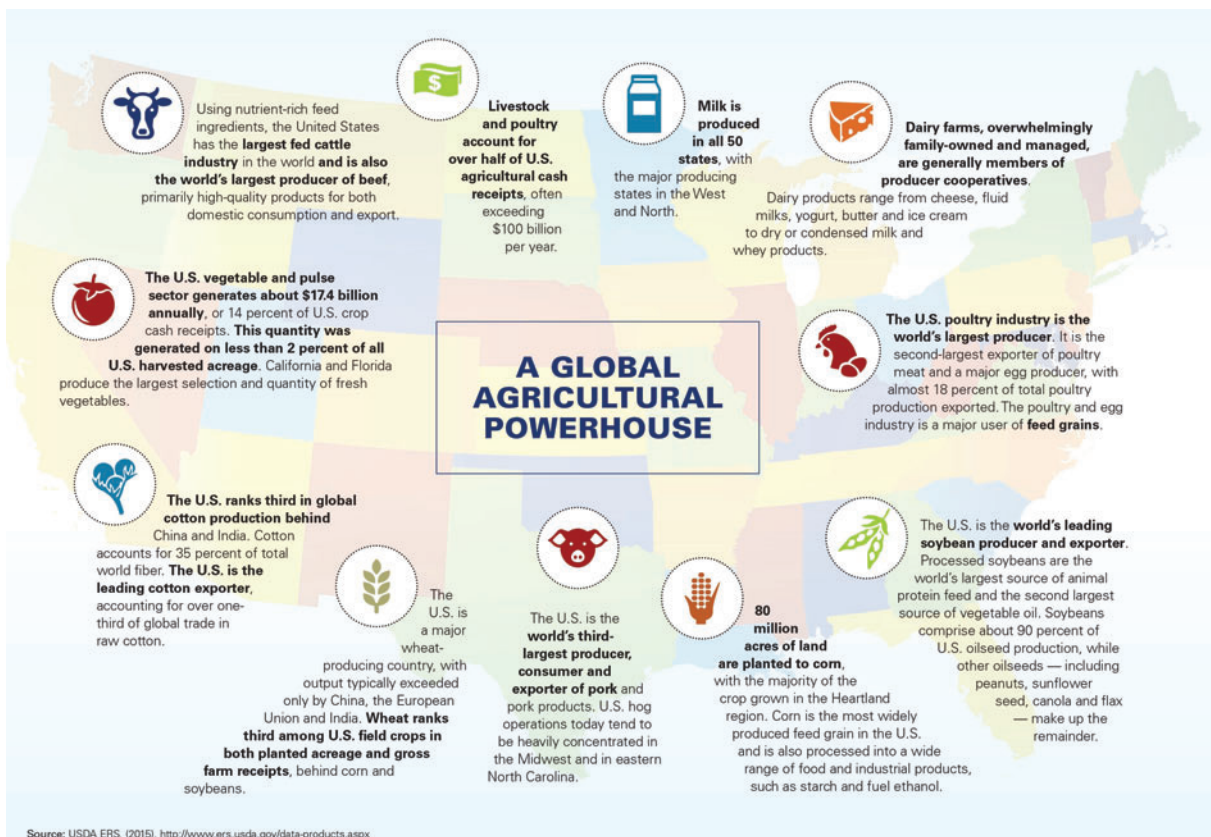
## Annexure

### List of Bilateral Investment Treaties (BIT) that the U.S. has signed

- U.S. – Albania Bilateral Investment Treaty
- U.S. – Argentina Bilateral Investment Treaty
- U.S. – Armenia Bilateral Investment Treaty
- U.S. – Azerbaijan Bilateral Investment Treaty
- U.S. – Bahrain Bilateral Investment Treaty
- U.S. – Bangladesh Bilateral Investment Treaty
- U.S. – Bolivia Bilateral Investment Treaty
- U.S. – Bulgaria Bilateral Investment Treaty
- U.S. – Cameroon Bilateral Investment Treaty
- U.S. – Congo, Democratic Republic Of (Kinshasa) Bilateral Investment Treaty
- U.S. – Congo, Republic Of (Brazzaville) Bilateral Investment Treaty
- U.S. – Croatia Bilateral Investment Treaty
- U.S. – Czech Republic Bilateral Investment Treaty
- U.S. – Ecuador Bilateral Investment Treaty
- U.S. – Egypt Bilateral Investment Treaty
- U.S. – Estonia Bilateral Investment Treaty
- U.S. – Georgia Bilateral Investment Treaty
- U.S. – Grenada Bilateral Investment Treaty
- U.S. – Honduras Bilateral Investment Treaty
- U.S. – Jamaica Bilateral Investment Treaty
- U.S. – Jordan Bilateral Investment Treaty
- U.S. – Kazakhstan Bilateral Investment Treaty
- U.S. – Kyrgyzstan Bilateral Investment Treaty
- U.S. – Latvia Bilateral Investment Treaty
- U.S. – Lithuania Bilateral Investment Treaty
- U.S. – Moldova Bilateral Investment Treaty
- U.S. – Mongolia Bilateral Investment Treaty
- U.S. – Morocco Bilateral Investment Treaty
- U.S. – Mozambique Bilateral Investment Treaty
- U.S. – Panama Bilateral Investment Treaty
- U.S. – Poland Bilateral Investment Treaty
- U.S. – Poland Business and Economic Relations Treaty
- U.S. – Romania Bilateral Investment Treaty
- U.S. – Rwanda Bilateral Investment Treaty
- U.S. – Senegal Bilateral Investment Treat
- U.S. – Slovakia Bilateral Investment Treaty
- U.S. – Sri Lanka Bilateral Investment Treaty
- U.S. – Trinidad And Tobago Bilateral Investment Treaty
- U.S. – Tunisia Bilateral Investment Treaty
- U.S. – Turkey Bilateral Investment Treaty
- U.S. – Ukraine Bilateral Investment Treaty
- U.S. – Uruguay Bilateral Investment Treaty

## Top Importers of U.S. Cotton

Top Importers of U.S. Cotton	2016 (US\$ Mn)	2017 (US\$ Mn)	2018 (US\$ Mn)	Tariff Rate at HS-520100
World	3,959.66	5,828.26	6,562.70	
Vietnam	787.93	1,056.10	1,313.63	0%
China	551.40	973.06	919.74	1.00% IQTR, 40.00% OQTR
Turkey	495.10	730.45	681.87	0%
Pakistan	202.17	297.29	614.73	3%
Indonesia	346.05	497.90	602.79	0%
Bangladesh	94.51	283.54	397.94	0%
Mexico	339.42	403.94	371.67	0%
India	250.55	434.74	329.47	0%
Thailand	164.00	213.44	273.29	0%
Korea, Republic of	164.58	248.27	231.39	0%



## The WTO agreement on agriculture covers the following products:

(i)	HS Chapters 1 to 24 less fish and fish products, plus*		
(ii)	HS Code	2905.43	(mannitol)
	HS Code	2905.44	(sorbitol)
	HS Heading	33.01	(essential oils)
	HS Headings	35.01 to 35.05	(albuminoidal substances, modified starches, glues)
	HS Code	3809.10	(finishing agents)
	HS Code	3823.60	(sorbitol n.e.p.)
	HS Headings	41.01 to 41.03	(hides and skins)
	HS Heading	43.01	(raw fur skins)
	HS Headings	50.01 to 50.03	(raw silk and silk waste)
	HS Headings	51.01 to 51.03	(wool and animal hair)
	HS Headings	52.01 to 52.03	(raw cotton, waste and cotton carded or combed)
	HS Heading	53.01	(raw flax)
	HS Heading	53.02	(raw hemp)

## Sources

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- Pakistan Bureau of Statistics
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- State Bank – Pakistan
- Statista
- The Economist
- The World Bank – Data
- UN Comtrade
- UNDP
- U.S. Bureau of Economic Analysis
- U.S. Consensus Bureau
- USTR United States Trade Representative
- World Integrated Trade Solutions (WITS)



**8th Floor, Dawood Centre,  
M.T. Khan Road,  
Karachi, Pakistan**

**T - +92 21 3563 0528 - 29**

**F - +92 21 3563 0530**

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**[www.pbc.org.pk](http://www.pbc.org.pk)**

