Pakistan & SAFTA: Issues, constraints and remedies

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South Asia – some hard facts

- Home to 1/4th of the world's population.
- Home to half of the world's poor.
- 40% living on less than $1.25 a day.
- Accounts for only 2.5% of global GDP.
- Only 2% of world exports, and;
- 1.6% of world FDI.

Some heartening facts

- Amongst the fastest growing economies in the world – averaging 6% since 1990's.
- Annual income growth has average 7.7% since 2002 – outpacing southeast Asia by about 2 percentage points.
- 1/5th population aged between 15 and 24 (the largest number of young people ever to transition into adulthood in the world).

Exports of SAARC member states to SAARC region and world in 2004-2008 (values in US$ million)

Countries	2004		2005		2006		2007		2008	
	SAARC	WORLD	SAARC	WORLD	SAARC	WORLD	SAARC	WORLD	SAARC	WORLD
Afghanistan	-	-	-	-	-	-	-	-	388	580
Bangladesh	165	8,267	273	9,332	325	11,697	640	13,143	425	16,655
Bhutan	-	-	240	258	-	-	-	-	501	521
India	4,412	75,904	5,252	100,353	6,062	121,201	7,630	145,898	6,416	181,861
Nepal	-	-	-	-	-	-	-	-	637	962
Maldives	18	170	20	154	19	136	18	108	14	126
Pakistan	496	13,379	732	16,050	777	16,933	784	17,838	578	20,279
Sri Lanka	642	6,160	599	6,760	645	7,661	560	8,177	537	8,177
Total SAARC	5,733	103,880	7,116	132,907	7,828	157,627	9,632	185,164	9,496	229,163

Source: ITC

% Intra Regional SAARC in 2004-2008

Countries	2004	2005	2006	2007	2008
Afghanistan	-	-	-	-	66.78
Bangladesh	1.99	2.93	2.78	4.87	2.55
Bhutan	-	92.89	-	-	96.00
India	5.81	5.23	5.00	5.23	3.53
Nepal	-	-	-	-	66.20
Maldives	10.46	12.97	13.77	16.78	11.06
Pakistan	3.71	4.56	4.59	4.40	2.85
Sri Lanka	10.43	8.86	8.42	6.85	6.57
Total SAARC	5.52	5.35	4.97	5.20	4.14

Source: ITC

No. of items in Sensitive List under SAFTA

Countries	No of tariff lines
Afghanistan	1072
Bangladesh	1233 (LDCs) 1241(NLDCs)
Bhutan	150
India	480 (LDCs) 868 (NLDCs)
Maldives	681
Nepal	1257 (LDCs) 1295 (NLDCs)
Pakistan	1169
Sri Lanka	1042

Pakistan's exports to Bangladesh of those items which are in SAFTA Sensitive List

Years	% of Pak export to Bangladesh	% of Bangladesh world import	% of Pakistan world export
2004	37.31	53.93	47.31
2005	35.76	50.29	51.75
2006	38.15	47.44	53.34
2007	39.62	53.08	53.54
2008	39.69	56.22	58.03

Source: ITC

Pakistan's exports to India of those items which are in SAFTA Sensitive List

Years	% of Pak export to India	% of India world import	% of Pak world export
2004	57.14	6.83	39.43
2005	68.46	6.12	40.67
2006	50.69	7.20	41.39
2007	43.03	8.75	41.40
2008	33.51	7.93	44.19

Source: ITC

Pakistan's exports to Sri Lanka of those items which are in SAFTA Sensitive List

Years	% of Pak export to Sri Lanka	% of Sri Lanka world import	% of Pak world export
2004	26.60	35.59	19.24
2005	13.39	34.76	23.50
2006	13.15	38.34	23.54
2007	19.68	43.43	24.40
2008	20.74	43.13	32.29

Source: ITC

Concession Utilization ratio under in Indian and Sri Lankan Markets under SAFTA and PSFTA

Years	**2008-09**			**2009-01 (6 months)**		
Pakistan export (in US$ thousand)	Total	Concession availed	**% utilization**	Total*	Concession availed	**% utilization**
India	319,281	44,505	13.94	133,309	23,320	17.49
Sri Lanka	189,520	25,402	13.40	122,624	12,048	9.83

For India concession availed under SAFTA
For Sri Lanka concession availed under PSFTA
Source: FBS, TDAP, SBP
* Means SBP source

Pakistan's trade and economic policy towards South Asia

- Regional Trade Liberalisation.

Only 17% of total imports from SAARC is under the sensitive list, whereas;

34% of Pakistan's exports to the SAFTA member countries fall within the negative lists of its trading partners.

Pakistan's trade and economic policy towards South Asia

- Lowest NTBs in the region.
- Enhancement of the positive list for India; Under the Trade Policy 2008-2009; 136 more tariff lines were added to the list of importable goods from India, including;machinery for mining,cement bulkers and academic and reference books.

Pakistan's trade and economic policy towards South Asia

- Inviting direct investment from India;

  For the first time Pakistan has invited direct investment from India in the manufacture of CNG buses and allowed the test import of ten year old CNG buses from Indian companies who had committed to opening a manufacturing facility in Pakistan.

Remedies

- Signing a regional trade agreement does not automatically produce positive results in increased trade and growth;

  Good intentions need to be translated into actual reductions in border barriers. (Latin American experience of the 60's)

Remedies(contd)

- Successful agreements were often preceded- or accompanied – by unilateral efforts among members to reduce external protection;

  Chile reduced its external tariff from a peak of 30% to 6% in 2004, enabling it to sign more than a dozen trade agreements without concern of trade diversion undermining growth.

Remedies (contd)

- Integration is likely to be most successful when partners streamline border transactions by facilitating trade.
- Regional integration can only be successful if trade actually unleashes new competition that lowers domestic prices and provides new technology.

Remedies(contd)

- Successful integration has usually been associated with new competition in services;

  Much of the FDI going to East Asia and Latin America has been in the service sectors, and competition in telecom, finance, business services and retail and wholesale commerce, resulting in gains across the entire economy.