

KARACHI: A proposed free trade agreement between Pakistan and Turkey is likely to remain beneficial for the latter more than the former, a report by the Pakistan Business Council (PBC) said on Monday, recommending a bilateral accord to explore the potential.

“The exports of Turkey complement the imports of Pakistan better than the exports of Pakistan complement Turkish imports,” the report said. “Pakistan (must) disassociate itself from the FTA negotiations and instead insist that Turkey allow Pakistan unilateral market access to which it is entitled under the GSP+ (generalised scheme of preferences plus) program.”

Pakistan’s imports from Turkey have seen an increasing trend (compound annual growth rate of 10 percent) after 2013, while exports to Turkey have exhibited a downward trend (compound annual growth rate of negative 3.3 percent). In 2018, exports to Turkey were \$303 million, while imports were worth \$358 million, resulting in a trade deficit of \$55 million, which was the highest of all years for Pakistan’s bilateral trade with Turkey since 2009, said the PBC report.

Pakistan has a definitive comparative advantage in textile goods, agriculture and food products while Turkey is competitive in the export of metals and machinery.

“Pakistan has an indicative trade potential for the top 25 items amounting to \$2.3 billion – for these top 25 items, Pakistan exported a mere \$137.4 million to Turkey in 2018,” said the report. “Since Turkey has immense potential to export high value-added goods such as machinery or automobiles, the country may work towards negotiating for the export of such goods to Pakistan. In this case, the interest of the Pakistani manufacturing sector, especially in the auto industry needs to be safeguarded.”

Turkey trades approximately 4.6 times more than Pakistan. Turkey’s global trade was worth \$391 billion, while Pakistan’s global trade was worth \$83.8 billion in 2018. Since 1995, Turkey has had a customs union with the European Union.

In December 2013, the EU granted Pakistan GSP+ status. Under the terms of the Turkish-EU customs union agreement, Pakistan wanted to secure GSP+ status from Turkey as well. “However, due to the latter’s reluctance, the two countries reached a compromise and agreed to negotiate a bilateral FTA,” said the report.

Instruments and appliances used in medical, surgical or veterinary sciences holds the highest potential worth \$352.9 million. The tariff faced on this product is, however, currently zero percent and Pakistani exporters need to identify the actual reason for their failure to capitalise on this opportunity. Furthermore, durum wheat, footwear with outer soles of rubber, plastics or composition leather and medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes are among those commodities which have a high potential, but are currently not being exported to Turkey. Except for agricultural goods, most of these other commodities already have zero percent tariff charged by Turkey.

Similarly, the indicative trade potential for the top 25 Turkish exports to Pakistan amounted to \$4.6 billion while Turkey exported a mere \$37.4 million of those commodities to Pakistan. Motor cars and other motor vehicles principally designed for the transport of persons hold the largest export potential for Turkey amounting to \$542.1 million. However, Turkey did not export this commodity to Pakistan at all in 2018, said the PBC report. Textile products, mostly with low value-addition are among the top 25 Pakistani exports, while for Turkey the high potential items are mostly in the high-value added manufacturing sectors such as the automobile sector.

Pakistan is the 8th largest exporter of textile products in Asia and these commodities accounted for 57.4 percent of Pakistan's total export earnings in 2018. Turkey is Pakistan's 12th largest export destination for these products even though Pakistan accounts for a mere 2.2 percent of Turkey's textile imports. Pakistan had the potential to export textile goods worth \$10.3 billion to Turkey in 2018. Out of these, the aggregate of the top 25 high potential goods amounted to \$1.2 billion.