



PAKISTAN AND ASEAN FREE-TRADE AGREEMENT: EXPLORING THE SCOPE OF PAKISTAN'S VISION EAST POLICY

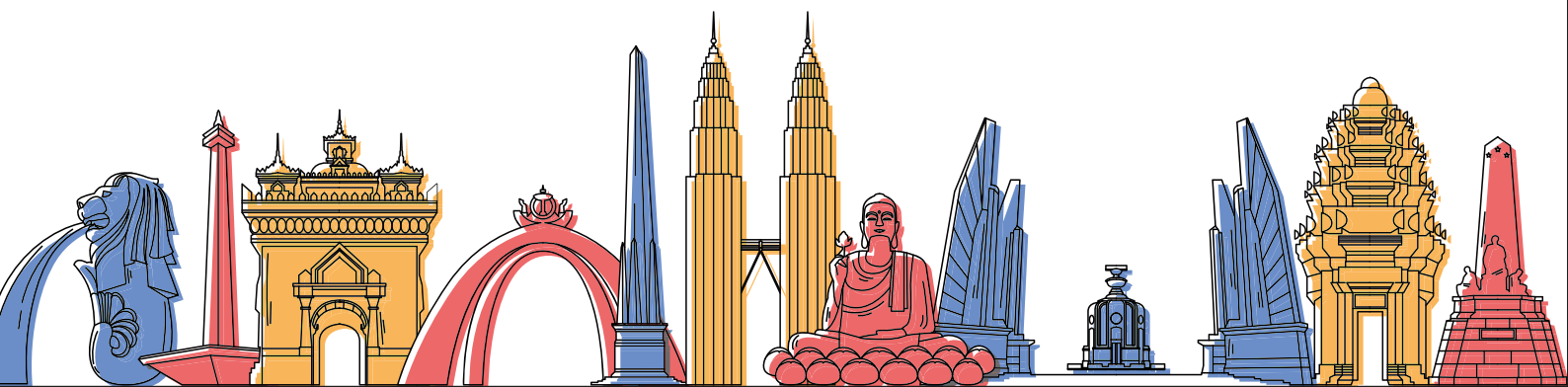
Market Access Series 2025-26

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Acknowledgments

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The Pakistan Business Council (PBC) is a research-based business advocacy platform established in 2005. It is now supported by over 100 private sector local and multinational businesses with significant investment in, and long-term commitment to sustainable growth of the country. They come from 14 countries, have leading roles in 17 major sectors of the formal economy, generate 40% of annual exports, contribute a third of Pakistan's total tax revenues and employ three million. Their combined sales represent every 6th Rupee of Pakistan's GDP.

PBC's major objectives are to advocate policies that lead to creation of jobs, value-added exports and reduction in import reliance through improved competitiveness of manufacturing, services and the agriculture sectors. It also promotes formalization of the economy.

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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.

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Table of Contents

Executive Summary	1
Key Takeaways	3
1. An Introduction to ASEAN	6
1.1 Members and History	6
1.2 The ASEAN Free Trade Agreement	7
1.3 Understanding the ASEAN Divide	9
1.4 Intra-ASEAN Trade	11
2. ASEAN in the World	19
2.1 An Overview of ASEAN's External Trade	19
2.2 ASEAN and China: Complementarity or Over-Dependance	20
2.3 ASEAN and India: An Agreement Falling Apart and Lessons for Pakistan	27
3. Pakistan and ASEAN	30
3.1 A Timeline of Pakistan-ASEAN relations	30
3.2 Exploring Bilateral Trade	31
3.3 Pakistan and Malaysia FTA: An Early Example of an ASEAN Success?	37
3.4 Pakistan and Indonesia: A PTA that Leaves More to be Desired	40
4. Pakistan's Trade Potential with ASEAN	46
4.1 Setting the Framework for Maximizing Exports	46
4.2 The Competitiveness of Pakistan's Current Exports	48
4.3 Potential New Exports to ASEAN	54
4.4 Pakistan's Imports from ASEAN	58
5. Non-Tariff Barriers	63
6. Trade in Services	66
6.1 An Overview of Trade in Services	66
6.2 The Way Forward in IT Exports	67
6.3 A Glance at Tourism's Potential	68
Stakeholder Inputs	71
Policy Recommendations	75
Annexure	78
References	82

List of Tables

Table 1:	Population, GDP and GDP per Capita Across ASEAN	9
Table 2:	Gap in Key Indicators between ASEAN-6 and CLMV	10
Table 3:	Top 15 Intra-ASEAN Exports in 2024	13
Table 4:	ASEAN's Free Trade Agreements	19
Table 5:	US Tariff Rates on ASEAN members	20
Table 6:	Selected Textile Exports from China to ASEAN in 2024	25
Table 7:	Imbalanced Tariff Concessions in AITIGA	28
Table 8:	Pakistan's Top 24 Exports to ASEAN in 2024	33
Table 9:	Pakistan's Top 24 Exports to Malaysia in 2024	38
Table 10:	Pakistan's Top 24 Exports to Indonesia in 2024	40
Table 11:	The Impact of the 2018 PTA Concessions on Textile Exports to Indonesia	44
Table 12:	The State of Pakistan's Current Exports to ASEAN in 2024: Rising Stars, Falling Stars, Lost Opportunities and Retreat Export	49
Table 13:	Potential Agriculture/Processed Food Lines for Export to ASEAN	55
Table 14:	Potential Ready-Made Textiles/Apparel Lines for Export to ASEAN	56
Table 15:	Potential Miscellaneous Lines for Export to ASEAN	58
Table 16:	Pakistan's Top 24 Imports from ASEAN in 2024 by Category	58
Table 17:	Pakistan's Trade in Services with ASEAN for FY 24	67
Table 18:	List of Interviewees	78
Table 19:	Examples of Non-Tariff Barriers Applied by ASEAN Members	78

List of Figures

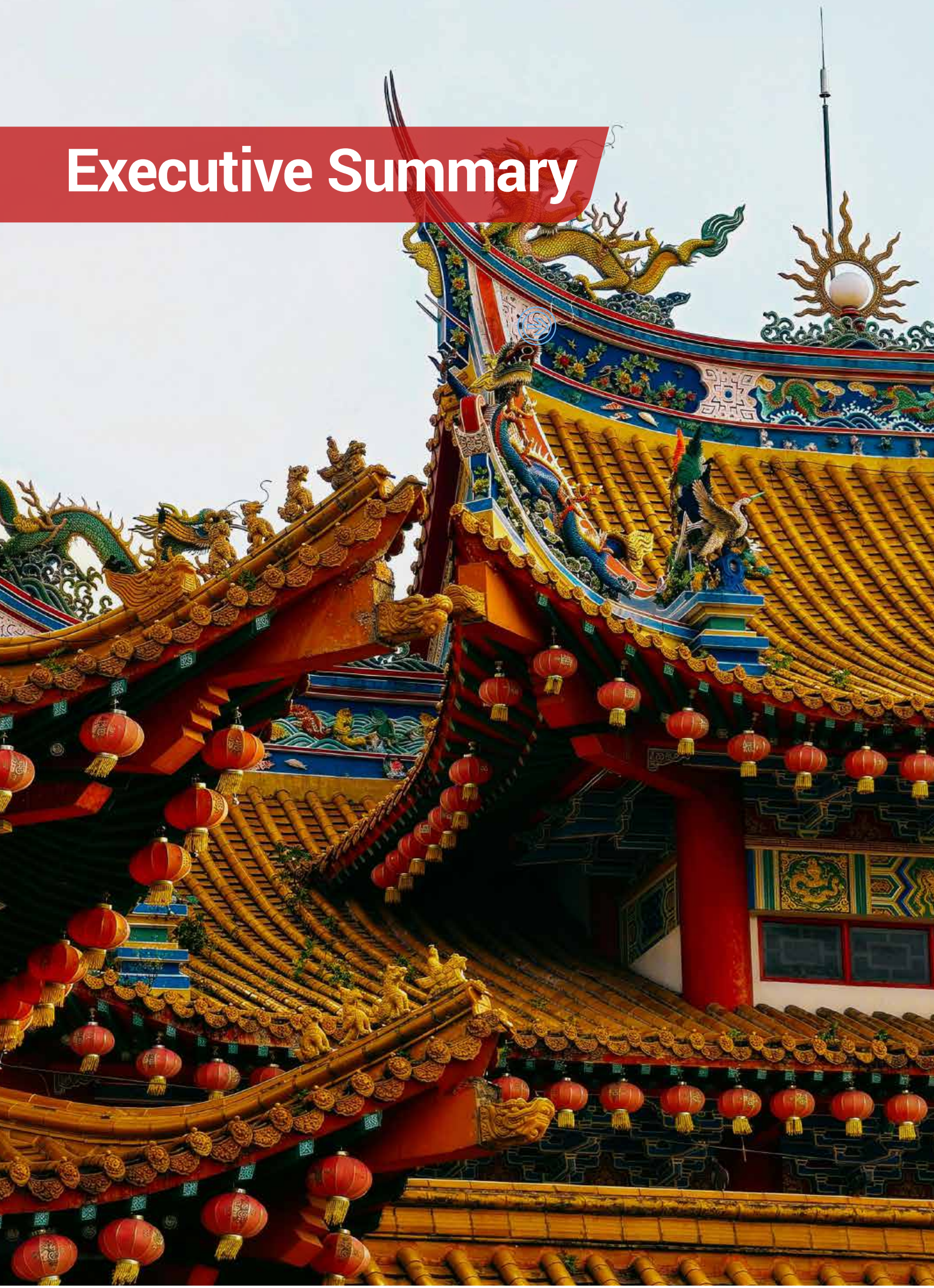
Figure 1:	A Map of ASEAN	6
Figure 2:	How Intra-ASEAN Trade Increased with Falling Tariff Rates	7
Figure 3:	Split of Intra-ASEAN vs Extra-ASEAN Exports	11
Figure 4:	Composition of Each ASEAN Member's Intra-ASEAN Exports in 2024	12
Figure 5:	Share of GVC Output in ASEAN in 2024	15
Figure 6:	Comparison of LPI Scores Across ASEAN	16
Figure 7:	High Share of Extra-ASEAN Trade in each ASEAN member	19
Figure 8:	ASEAN's Trade with China Over the Years	20
Figure 9:	Trade Deficit of ASEAN members with China Over the Years	21
Figure 10:	Share of ASEAN in China's Raw Materials, Machinery and Electronics Imports in 2024	21
Figure 11:	Changing Importance of ASEAN, the US and EU for China's Exports	22
Figure 12:	ASEAN's Alignment with China over the US in Trade	23
Figure 13:	YoY Growth of China's Major Textile Exports to ASEAN in 2021 vs 2024	24
Figure 14:	Global Value Chain Trade between China and ASEAN in the Manufacturing Sector in 2024	26
Figure 15:	Sectoral Share of China's FDI in ASEAN in 2024	27
Figure 16:	India's Trade with ASEAN Following the AITIGA	27
Figure 17:	The Importance of ASEAN in Pakistan's Trade Portfolio	31
Figure 18:	Pakistan's Trade with ASEAN Members in 2024	31
Figure 19:	Trade Complementarity between Pakistan and ASEAN members in 2023	32
Figure 20:	How Pakistan's Exports are Concentrated Between ASEAN-5 and Vietnam	32
Figure 21:	Composition of Pakistan's Top Exports to Selected ASEAN members in 2024	34
Figure 22:	How Major Textile Producers in ASEAN Import Intermediate Cotton Goods over Garments and Home-textiles	35
Figure 23:	Pakistan's Stagnant Participation in Global Value Chains Over the Years	36
Figure 24:	Pakistan's Trade Deficit with Malaysia	37
Figure 25:	How the PTA with Indonesia reduced Palm Oil Imports from Malaysia	37
Figure 26:	Pakistan's Glaring Trade Deficit with Indonesia	40
Figure 27:	Pakistan's Rice Exports to Indonesia since the PTA	42
Figure 28:	The Inconsistency in Pakistan's Top Exports to Indonesia	43
Figure 29:	The BCG Matrix	46
Figure 30:	The Export Product Dynamics Matrix	46
Figure 31:	EPD Matrix for Pakistan's Current Exports to ASEAN	48
Figure 32:	The Recent Dependency on Crop Exports to ASEAN	51

Figure 33:	The Volatility in Cotton Ginning Over the Years	53
Figure 34:	Potential Agriculture/Processed Food Lines: The Gap between Pakistan's Global Exports and their ASEAN Market Size in 2024	54
Figure 35:	Potential Ready-Made Textiles/Apparel Lines: The Gap between Pakistan's Global Exports and their ASEAN Market Size in 2024	55
Figure 36:	Potential Miscellaneous Lines: The Gap between Pakistan's Global Exports and their ASEAN Market Size in 2024	57
Figure 37:	Correlation of Palm Oil Imports and the Trade Deficit	60
Figure 38:	Pakistan's Losing Position in Man-Made Fibre Apparels	61
Figure 39:	Split of Pakistan's Trade Costs with ASEAN in 2023	63
Figure 40:	Prevalence Score of NTBs in ASEAN	64
Figure 41:	Breakdown of Pakistan's Trade in Services with ASEAN for FY 24	66
Figure 42:	Pakistan's IT Exports to ASEAN Over the Years	67
Figure 43:	Pakistani Visitor Arrivals in ASEAN for 2024	69

List of Abbreviations

ACFTA	ASEAN-China Free Trade Area
AEC	ASEAN Economic Community
AFTA	ASEAN Free Trade Area
AITIGA	ASEAN-India Trade in Goods Agreement
ASEAN	Association of South East Asian Nations
ASEAN-5	Indonesia, Malaysia, the Philippines, Singapore, and Thailand
ASEAN-6	Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand
ATIGA	ASEAN Trade in Goods Agreement
BCG	Boston Consulting Group
BRCA	Bilateral Revealed Comparative Advantage
CAGR	Compound Annual Growth Rate
CEPT	Common Effective Preferential Tariff
CLMV	Cambodia, Laos, Myanmar, and Vietnam
CPP	Certificate of Pharmaceutical Product
DRAP	Drug Regulatory Authority of Pakistan
EPD	Export Product Dynamics
EU	European Union
FDA	Food and Drug Authority
FDI	Foreign Direct Investment
FDP	Full Dialogue Partner
FMD	Foot-and-Mouth Disease
FTA	Free Trade Agreement
FY	Fiscal Year
GCC	Gulf Cooperation Council
GMP	Good Manufacturing Practice
GVC	Global Value Chains
HDI	Human Development Index
LPI	Logistics Performance Index
MFN	Most Favoured Nation
MMF	Man-Made Fibres
MoP	Margin of Preference
MoU	Memorandum of Understanding
MPCEPA	Malaysia Pakistan Closer Economic Partnership Agreement
MRA	Mutual Recognition Agreement
NECOP	National Electronics Complex of Pakistan
NTB	Non-Tariff Barrier
PTA	Preferential Trade Agreement
RCEP	Regional Comprehensive Economic Partnership
SAARC	South Asian Association for Regional Cooperation
SDP	Sectoral Dialogue Partner
SEATO	South East Asia Treaty Organization
SPS	Sanitary and Phytosanitary Standards
TCI	Trade Complementarity Index
YoY	Year on Year

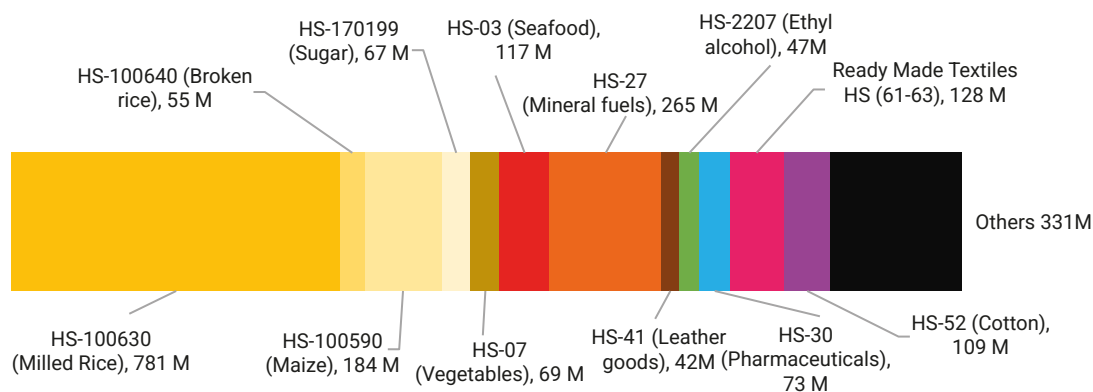
Executive Summary



Executive Summary

Pakistan obtained its Sectoral Dialogue Partner (SDP) status with ASEAN in 1996, and despite being involved in diplomatic missions and cooperation forums since then, the export-led growth to the region never matured. The country's stubborn geopolitical approach favoured western markets like the United States and the European Union (EU) instead of seeking eastward integration and as a result, exports to ASEAN only stood at 2.24 billion USD in 2024. The havoc created in global trade by the Trump administration in early 2025 further exposed the necessity in having diversified export markets -and South East Asia still remains a very viable market. The alliances that were sought with Malaysia through the Free Trade Agreement (FTA) in 2008 and Indonesia through the Preferential Trade Agreement (PTA) in 2013, favour the South East Asian counterparts and still remain underutilized by the Pakistani side.

Pakistan's Main Exports to ASEAN in 2024 in USD

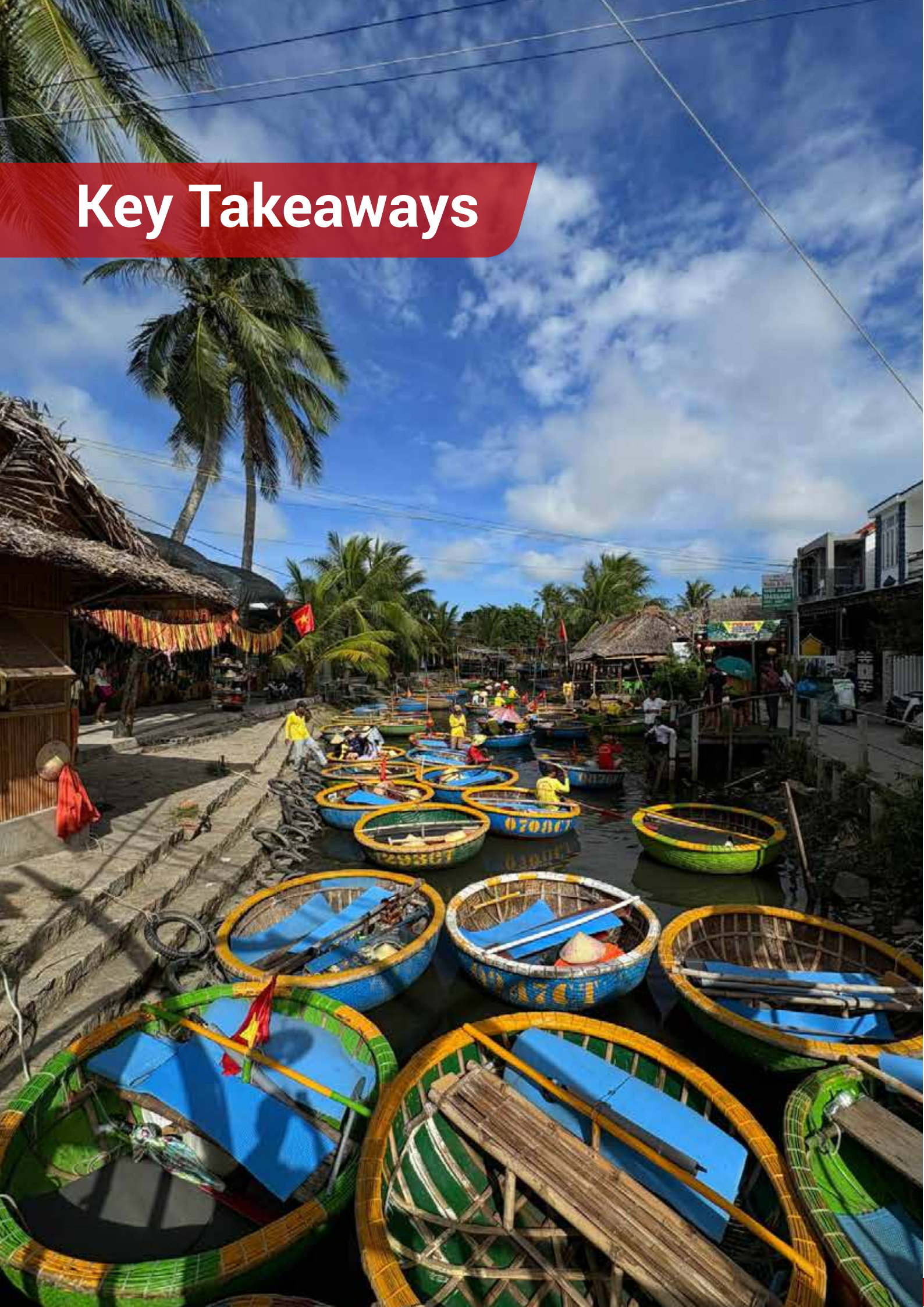


This report breaks down the success of ASEAN which thrives on intense Global Value Chain (GVC) participation aided by trade liberalization within the bloc as well as through a number of FTAs in the Indo-Pacific. The bloc's evolving relationship with China, the US and India are explored before moving on to trade dynamics with Pakistan. Unlike the country's global export basket which is skewed with textiles, exports to ASEAN are dominated by agricultural exports. Pakistan must be cautious in their dependency on such exports given the volatile nature of specifically rice from the demand-side, and the supply-side issues that have become common due to adverse weather conditions in the country.

Investing in the branding of surgical instruments, crossing the technical barriers with pharmaceuticals and spotting the gaps in the Information Technology (IT) sector would unlock not just a large but growing market in the east and could become the key to diversified export growth. Trade complementarity is low for Pakistan across all ASEAN members so targeting specific sectors and making inroads in them is a better option. Replicating the traditional blueprint of garment exports still stands but is difficult due to the low-price and medium-quality needs of ASEAN where Pakistani exporters are unable to fetch the same prices as expected in the EU, and is further hindered by intense competition from China and other intra-ASEAN members. Not to mention domestically, the rising input costs and unpredictability in the cotton crop has left the textile sector in a disarray.

Complying with the Non-Tariff Barriers (NTBs) are specifically emphasized as any tariff concessions negotiated become irrelevant if the legal and health-related measures -particularly in cereal, fruit and processed food exports- are not fulfilled in the first place. Tourism is touched upon as another sector that can be pushed given Pakistan's culture and natural beauty and its ability to foster people-to-people connections.

Key Takeaways



Key Takeaways

With Regards to ASEAN:

- The ASEAN Free Trade Area (AFTA) exists as a virtually tariff-free zone (except on excluded and sensitive goods) due to gradual tariff liberalization since the early nineties.
- The region has become a hotspot for foreign investment, has some of the highest trade openness ratios in the world and operates through extensive global value chains because of which it's been called to be a part of 'Factory Asia'.
- A noticeable divide exists between Cambodia, Laos, Myanmar and the rest of ASEAN in terms of human and digital development.
- Intra-ASEAN trade has been criticised for being historically low, between 21-26 percent in the last twenty years due to homogenous trade profiles, logistical issues, and unharmonized non-tariff barriers.
- Trade of electric components, consumer electronics and machinery consists of almost 35 percent of intra-ASEAN trade, followed by mineral fuels, metals and vehicles/vehicle components.

ASEAN's External Trade:

- Trade with ASEAN's FTA partners across the Indo-Pacific accounted for 41 percent of its total trade and 38 percent of its exports in 2024.
- China's exports to ASEAN have overtaken both the US and the EU in the last three years due to the dumping of consumer goods, its heavily integrated supply chains via offshore manufacturing and cases of transshipments to evade tariffs. ASEAN is incredibly important for China to fulfill its demand of electronics and machinery, metals like nickel and other raw materials.
- A threat to domestic factories has led Indonesia and Vietnam to reduce their imports of ready-made textiles from China. However, alongside Cambodia, they continue to import large quantities of cotton and other textile inputs due to their insufficient local supplies.
- ASEAN's FTA with India has been criticised for favouring the former due to unequal tariff concessions and its outcome in which India's imports of 70 billion USD in 2024 are double that of its exports. India has offered an identical tariff structure to both Indonesia and Malaysia but Indonesia gave zero-tariff concessions on only 43 percent of the tariff lines compared to Malaysia's 82 percent (under a separate FTA), which gives support to bilateral over multilateral free trade negotiations.

ASEAN's Trade with Pakistan:

- Pakistan's trade was only 0.24 percent of ASEAN's global trade in 2024 but ASEAN stands as the fourth largest trade partner for Pakistan behind the Gulf Cooperation Council (GCC), China and the EU.
- Pakistan runs a trade surplus with only 4 out of the 11 members (Brunei, Cambodia, the Philippines and Timor-Leste) and with the bloc as a whole it has consistently been in a deficit which stood at 4.5 billion USD in 2024. It can be attributed to the high complementarity of ASEAN's exports to Pakistan but not the other way around.
- All of Pakistan's palm oil imports come from ASEAN, valued at 2.9 billion USD and making up 43 percent of the country's imports in 2024. Its indispensable need in foodstuff processing compounded by Pakistan's growing population has created an import burden.
- Milled rice is the most valued export contributing to more than a third of the export base in 2024 and has been a major reason why exports to ASEAN have shot upwards since 2023. However recent policies by the main importers -Indonesia and the Philippines- are set to reduce exports in the coming year. Its dependency on not just local harvest but harvest and weather conditions of the above countries have led it to become an incredibly volatile export.
- Pakistan's export profile to ASEAN members is not homogenous; Seafood makes up a large share in Thailand, mineral fuels in Singapore and pharmaceuticals in Cambodia. Even in textiles, intermediate cotton goods like yarn, denim and fabric are exported to the global strongholds of Vietnam and Indonesia while garments and home textiles go almost exclusively to Malaysia, Thailand and the Philippines.

Pakistan's Trade Agreements with Indonesia and Malaysia:

- Indonesia's PTA has had no impact in Pakistan's export growth with exports being 144 million USD in 2013 when the PTA went into effect and 156 million USD in 2022, before the surge in rice exports began due to poor weather conditions in Indonesia.
- Out of the top 24 exports in 2024, only 9 lines have zero tariffs and only 9 lines have had their tariffs reduced during or after the PTA. The 2018 PTA review offered generous concessions on intermediate cotton goods, garments, kinnow and mangoes out of which only the cotton goods and kinnow exports have been somewhat taken advantage of.
- Some reasons for failure come from inconsistency in exports which stem from supply-chain problems, China's undocumented textile trade reduces demand and concessions negotiated by Pakistan are not aligned with Pakistan's export basket.
- By the same metrics 22 out of the top 24 exports to Malaysia have zero-tariffs and growth in exports has been much larger (138 million USD when the FTA came into effect in 2008 to 233 million in 2020 before the surge in rice exports began). Import dependency on palm oil was also originally on Malaysia before the PTA with Indonesia offered the same margin of preference with lower export taxes which shifted the imports and subsequently the trade deficit.
- The FTA still remains heavily underutilized as without rice, vegetables and mineral fuels, exports only stood at 142 million USD in 2024. Halal meat exports are one way to diversify but becoming price competitive with India and poor farming practices stand as challenges.

Pakistan's Export Potential:

- Besides the important food crops of rice, sugar and maize, ASEAN is a huge market for other cash and food crops like tobacco (1.4 billion USD), onions (543 million USD), potatoes (258 million USD) and sesamum seeds (178 million USD), all of which Pakistan currently exports with a small market share. Caution must be applied in ensuring that supply-chains remain intact in adverse climate conditions.
- Pharmaceuticals and surgical goods are the two categories that fall in the lost opportunity section i.e. they have a huge market (8.7 billion USD and 2.8 billion USD respectively) but Pakistan has a very low share in them (17.8 million USD and 16.8 million USD respectively).
- Woven fabric, denim and yarn exports suffer due to poor quality and quantity stemming from outdated ginning methods as well as volatile ginning output as a whole.
- Out of the potential new exports, ASEAN has the market and Pakistan has the capacity to export mangoes, sugar confectionery and prepared foodstuff in the food/agriculture goods category; a number of garment exports and footwear in the apparel category, and seatite, articles of bedding/furnishing and unwrought aluminium alloys in the miscellaneous category.

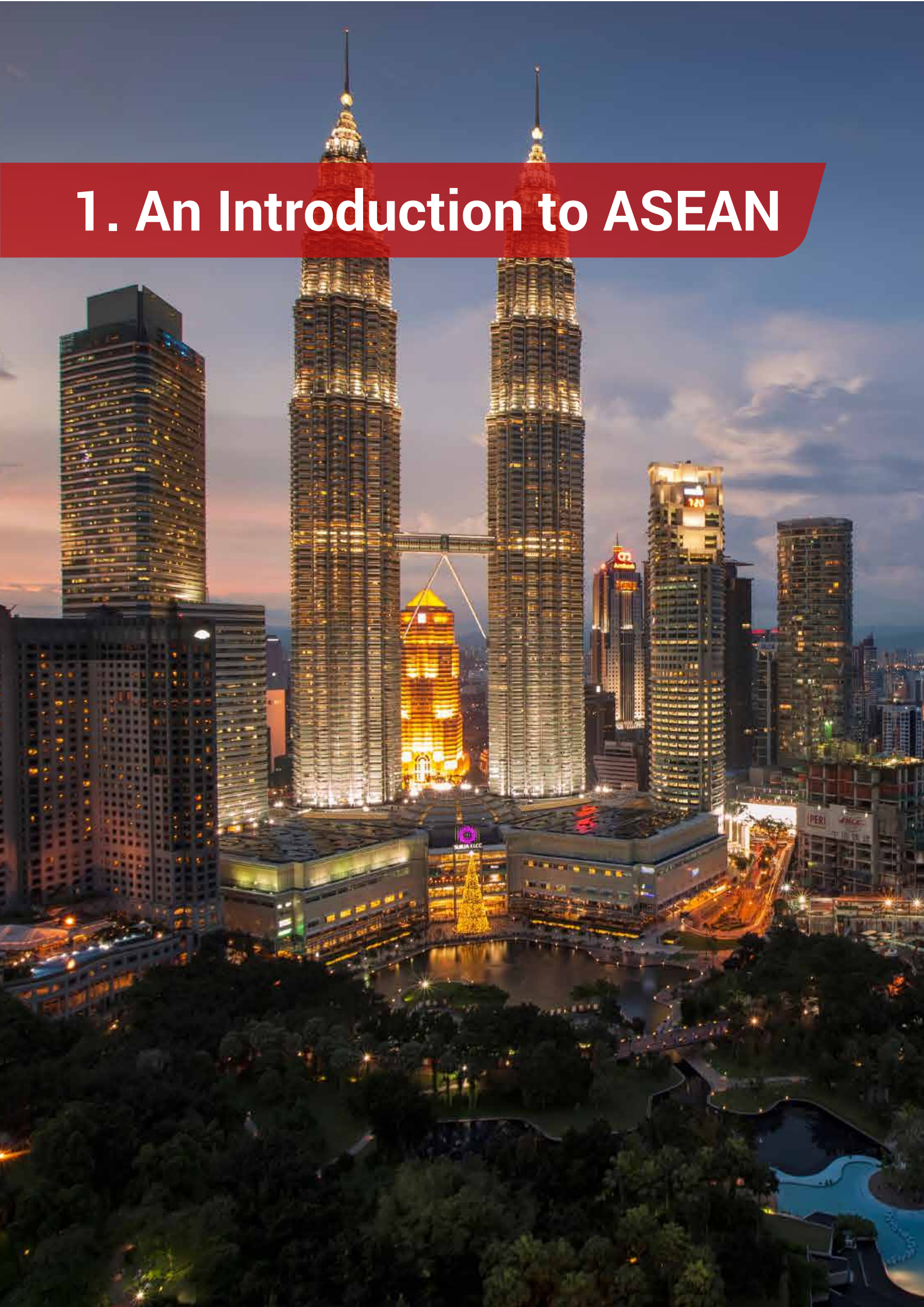
Non-Tariff Barriers:

- Costs associated with NTBs have almost the same costs as those induced by tariffs and are in general higher across the agriculture sector across ASEAN members. Any single export of agri-food to ASEAN has on average 15 NTBs attached to it.
- Some NTBs that Pakistani exporters face are concerns of khapra beetle, aflatoxin and moisture content in maize; fish catch certificates and those regarding the temperature of its shipping and registration requirements for medicines.

Trade in Services:

- Pakistan's exports in services accounted for 20 percent of its entire exports to ASEAN in FY 24 with IT services, government goods and services and other business services making up 93 percent of the services export base.
- IT exports to ASEAN only formed 8.7 percent of Pakistan's 3.2 billion USD global IT exports in FY 24. Semiconductor software design has a huge demand in Malaysia who is involved in its manufacturing and Pakistan should aim to penetrate this segment.
- Pakistani visitor arrivals in Malaysia and Thailand are the highest given they are the only ASEAN countries with direct flights to Pakistan. Potential for heritage tourism in Pakistan should be explored given key Buddhist sites in Taxila and Khyber-Pakhtunkhwa.

1. An Introduction to ASEAN



1. An Introduction to ASEAN

1.1 Members and History

The Association of South East Asian Nations (ASEAN) is a regional cooperation bloc, spanning a wide range of objectives from promoting economic development to protecting national sovereignty. Currently it has eleven member states; these are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam, and Timor-Leste being the latest one to gain membership in October 2025. These countries had a combined population of around 695 million and an economy of \$3.9 trillion in 2024.

Figure 1: A Map of ASEAN



Source: Britannica

How ASEAN was Formed

It can be said that the bloc was formed from the remnants of the South East Asia Treaty Organization (SEATO) of 1954. SEATO was initially created as a front against the rising threat of communism but was riddled with issues like an overt influence of western colonial powers, no real collective mechanism to fight insurgencies, and the inclusion of Pakistan for reasons of self-interest. But once the Vietnam war ended, the main purpose of the treaty disappeared and SEATO was eventually dissolved two years later in 1977.

ASEAN emerged from a similar objective of curbing the spread of communism and was formed in 1967, initially consisting of six countries -Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand- also known as the ASEAN-6. The end of the cold war in the 90s led to the joining of the CLMV countries (Cambodia, Laos, Myanmar, and Vietnam). The founding vision can be understood from the Philippine's Secretary of Foreign Affairs' speech at the ASEAN Declaration of 1967 who stated that "ASEAN could marshal the still untapped potentials of this rich region through more substantial united action" rather than "each country pursuing its own limited objectives and dissipating its meager resources in the overlapping or even conflicting endeavors of sister states". The bloc was already far more likely to succeed given that South East Asian countries were actually a part of it (only Thailand and the Philippines were members of SEATO) but also due to its diverse goals that extended beyond trade to security, education and cultural ties.

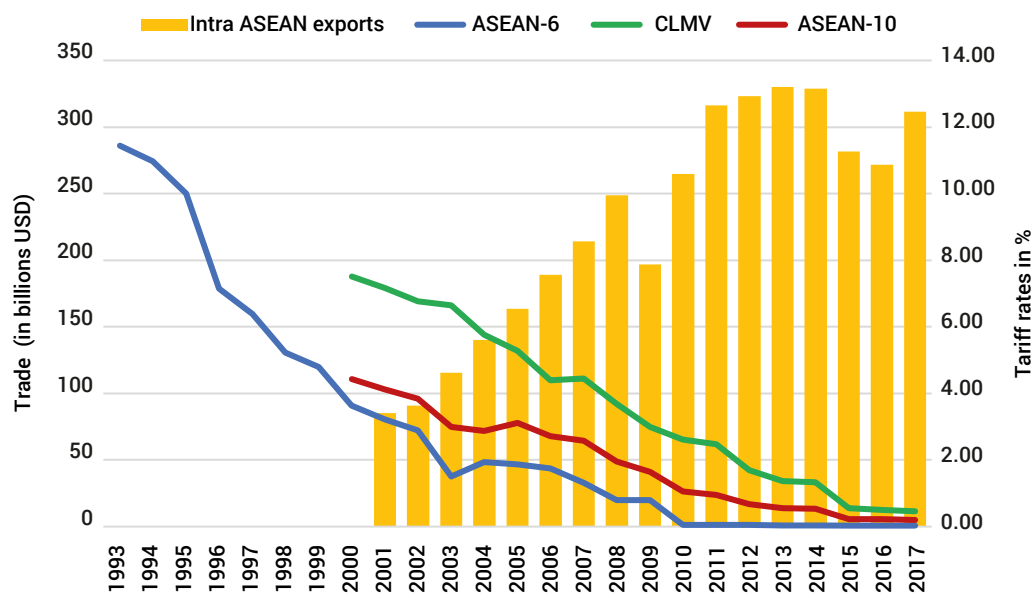
1.2 The ASEAN Free Trade Agreement

To promote investment, regional trade, and foreign exchange earnings, the ASEAN Free Trade Area (AFTA) was established in 1992 under the guidelines of the Common Effective Preferential Tariff (CEPT) scheme. The CEPT included obligations on tariff reductions, quantitative restrictions and other non-tariff barriers for all goods except agricultural raw materials and unprocessed products under the HS codes (1-24). Some of the highlights included:

- Reducing tariffs on all manufactured and capital goods to 20 percent in 5 to 8 years and subsequently to 0-5 percent in the next 7 years as part of the normal track. The original timeline also did not prevent members from immediately reducing tariffs in an accelerated schedule to 0-5 percent
- Lifted all quantitative restrictions
- Removed all other non-tariff barriers over a period of 5 years
- Defined an ASEAN good as that whose contents had originated at least 40 percent from within ASEAN member countries
- General cooperation in border and non-border areas to improve trade liberalization

Given the rapid growth of ASEAN economies in the 90s, which was followed by the 1997 Asian financial crisis, the deadline of tariff reduction under 5 percent was shortened from 2008 to 2002. However, the figure below shows that the average CEPT rate was under 5 percent even before that in the year 2000. By 2002 all individual ASEAN-6 countries had their average tariff rates below 5 percent and by 2010 the CLMV countries also reached that goal. As of 2020, intra-ASEAN tariffs are effectively eliminated on 98.6 percent of all products¹.

Figure 2: How Intra-ASEAN Trade Increased with Falling Tariff Rates



Source: ASEAN Secretariat

The CEPT scheme was superseded by the ASEAN Trade in Goods Agreement (ATIGA) in 2010 which was a more comprehensive pact. Some additional specifications it included were:

- **The Trade Facilitation Work Program** specification with objectives to create ‘a consistent, transparent, and predictable environment for international trade transactions that increased trading opportunities and helped businesses, including small and medium sized enterprises (SMEs), to save time and reduce costs”
- **Sanitary and Phytosanitary Standards (SPS)** to protect human, animal or plant life or health
- Explanation on **Rules of Origin (ROO)** and calculation of regional value content
- Temporary modifications and suspension of concessions

¹ Each ASEAN member has its own general exception list and sensitive list of tariff lines that are not subject to concessions

- Import duties on all **Priority Integration Sector (PIS)** products from ASEAN-6 to be zero percent. These products included the following:
 1. Agro-based products (Prepared Foodstuff – HS Codes 16 to 22)
 2. Air travel
 3. Automotives
 4. e-ASEAN
 5. Electronics
 6. Fisheries
 7. Healthcare
 8. Rubber-based products
 9. Textiles and apparels
 10. Tourism
 11. Wood-based products; and
 12. Any other sector recognized by the ministers

In reality ATIGA is part of an even larger and an even more comprehensive aspiration for a deeply integrated trading bloc, with not only free movement of goods but also skilled labor, investments, ideas and technology. The vision was encapsulated in the 2007 ASEAN Economic Community (AEC) blueprint, which outlines this regional connectivity through its five pillars of:

- I. A Highly Integrated and Cohesive Economy
- II. A Competitive, Innovative, and Dynamic ASEAN
- III. Enhanced Connectivity and Sectoral Cooperation
- IV. A Resilient, Inclusive, People-Oriented, and People-Centred ASEAN
- V. A Global ASEAN

What the AEC hopes to achieve is something beyond a free trade area but less than a European Union style monetary union. The latter has the features of a common external tariff as well as a common currency which have not yet been adopted by ASEAN, and at the moment is not one of the ultimate goals of the trading bloc. It does however plan to push for greater mobility and upskilling of workers and higher levels of digitalization especially after the lessons of the pandemic. The blueprint was supposed to be fully implemented by 2015 but was deferred to 2025. As of May 2025, 75 percent of the measures have been completed while 22 percent are currently in progress².

²"AEC Blueprint Makes Significant Stride With Implementation Rate at a Commendable 97 Pct - Tengku Zafrul."

1.3 Understanding the ASEAN Divide

The overarching concern of the divide between the ASEAN countries is a key part of realizing the AEC. The table below shows how the vast differences in populations and GDP of economies have created wide disparities in the GDP per capita.

Table 1: Population, GDP and GDP per Capita Across ASEAN

Country	Population	GDP (current US\$)	GDP per capita
Brunei	463K	\$15.5B	\$33,418
Cambodia	17.6M	\$46.4B	\$2,628
Indonesia	283.5M	\$1.4T	\$4,925
Laos	7.8M	\$16.5B	\$2,124
Malaysia	35.6M	\$422B	\$11,867
Myanmar	54.5M	\$74.1B	\$1,359
Philippines	115.8M	\$461.6B	\$3,985
Singapore	6M	\$547.4B	\$90,674
Thailand	71.7M	\$526.4B	\$7,345
Timor-Leste	1.4M	\$1.9B	\$1,343
Vietnam	101M	\$476.4B	\$4,717

Source: World Bank

An indicator of the digital gap between the two groups can be noted in the table below by the percentage of population using the internet with the average of ASEAN-6 countries being almost 89 percent while only 65 percent for the CLMV. There is also a noticeable difference in the Human Development Index (HDI) which measures the standard of living through gross national income per capita, life expectancy and years of schooling. For CLMV the average value is 0.650 which is classified as medium development. It is not only significantly lower than the average value of 0.808 (very high development) for ASEAN-6 but is also below the global average of 0.756. This almost 'two-tier system'³ between the ASEAN-6 and the CLMV is even acknowledged in the AEC under the Initiative for ASEAN Integration (IAI) which plans for better capacity-building and growth of rural communities in these sub-regions of under development.

³Hew, "Is It Realistic to Achieve the ASEAN Economic Community (AEC) by 2025?"

Table 2: Gap in Key Indicators between ASEAN-6 and CLMV

Country	Trade-to-GDP ratio in % (2024)	FDI net inflows as a% of GDP (2024)	Population using the Internet in % (2023)	HDI (2023)
Brunei	133.2	0.2	99	0.837
Indonesia	42.6	1.7	69.2	0.728
Malaysia	137.4	3.7	97.7	0.819
Philippines	65.9	1.9	83.3	0.720
Singapore	322.4	27.8	94.3	0.946
Thailand	136.8	1.9	89.5	0.798
Average for ASEAN-6	139.7	6.2	88.9	0.808
Cambodia	143.4	9.5	60.7	0.606
Laos	-	6	63.6	0.617
Myanmar	-	1.5	58.5	0.609
Vietnam*	164.8	4.2	78.1	0.766
Average for CLMV	154.1	6.9	65.2	0.650
Average for ASEAN-10	143.3	5.8	79.4	0.745
Average for EU	92.2	2.1	-	0.818*
Global Average	56.6	1.5	65.4	0.756

Source: World Bank, UNDP. Notes: Trade to GDP ratio for Laos and Myanmar is unavailable and for Vietnam it is mentioned for the year 2023. Internet usage data for the EU is also unavailable. The HDI value for EU is approximated by the HDI value for Europe and Central Asia

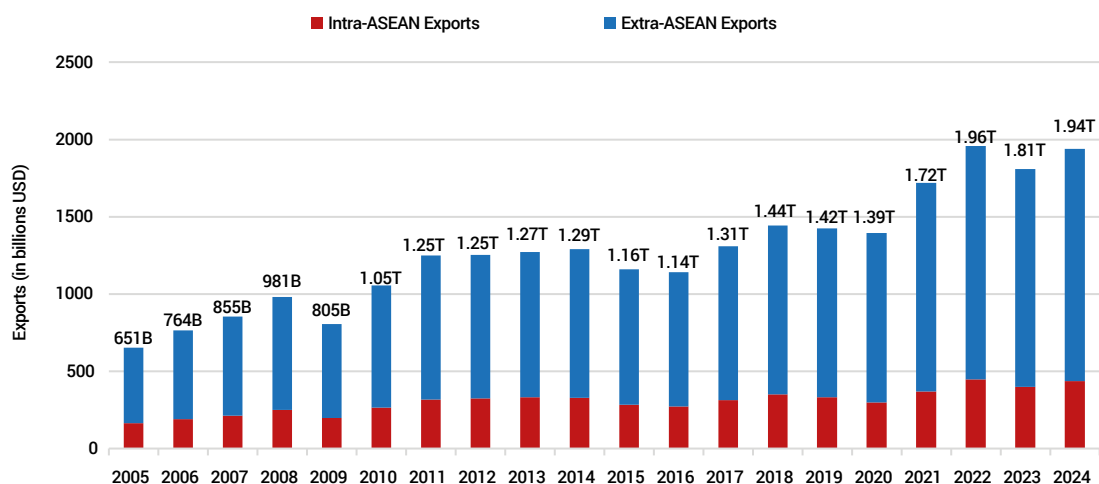
Interestingly in the matters of both the trade-to-GDP ratio and Foreign Direct Investment (FDI) net inflows as a percentage of GDP, CLMV is marginally better than ASEAN-6, even with Singapore's high values inflating the ASEAN-6 averages. But regardless of these differences, the ASEAN region as a whole remains one of the leading hotspots for foreign investment and trade. This is indicated by the net inflow of FDI as a percentage of GDP, which is 2.8 times higher than the European Union average and almost 4 times higher compared to the global average.

The region is also unusually trade intense with the trade-to-GDP ratio of all countries except Indonesia and Philippines above a hundred percent meaning that the total value of their exports and imports is actually greater than their GDP. This can be explained by the fact that maintaining a high standard of living forces these countries to trade more, as they are not self-sufficient due to their small populations. The two outliers mentioned above have the highest populations in the region and are hence relatively less dependent on trade to fulfill their needs. We explore intra-ASEAN trade first in the next section.

1.4 Intra-ASEAN Trade

ASEAN has been criticized for having historically low shares of intra-regional trade with values hovering between 21-26 percent for the past twenty years. In the last four years in particular that share has been on the lower end of the spectrum with an average of just 22.1 percent and as of 2024 that value stood at 22.5 percent.

Figure 3: Split of Intra-ASEAN vs Extra-ASEAN Exports



Source: ITC Trade Map

Focusing on regional trade has become vital in the current international landscape given the sweeping tariffs imposed by the United States which has created uncertainty and exposed risks in being overly dependent on external partners for huge proportions of trade. The evidence for this can be noted through a disruption like Covid-19, when intra-ASEAN trade actually grew faster (24.3 percent in 2021 and 20.8 percent in 2022) than extra-ASEAN trade (23 percent in 2021 and 12 percent in 2022). The reasons for low regional trade can be attributed to two factors:

1. The Nature of Intra-ASEAN Trade

The argument frequently made is that ASEAN members *individually* have not focused on a particular export base to specialize in and export it to the non-producers in the bloc⁴. This is mostly because of similar factor endowments of natural resources, abundant labor and capital that has in turn led to very similar costs of production within the members as well⁵.

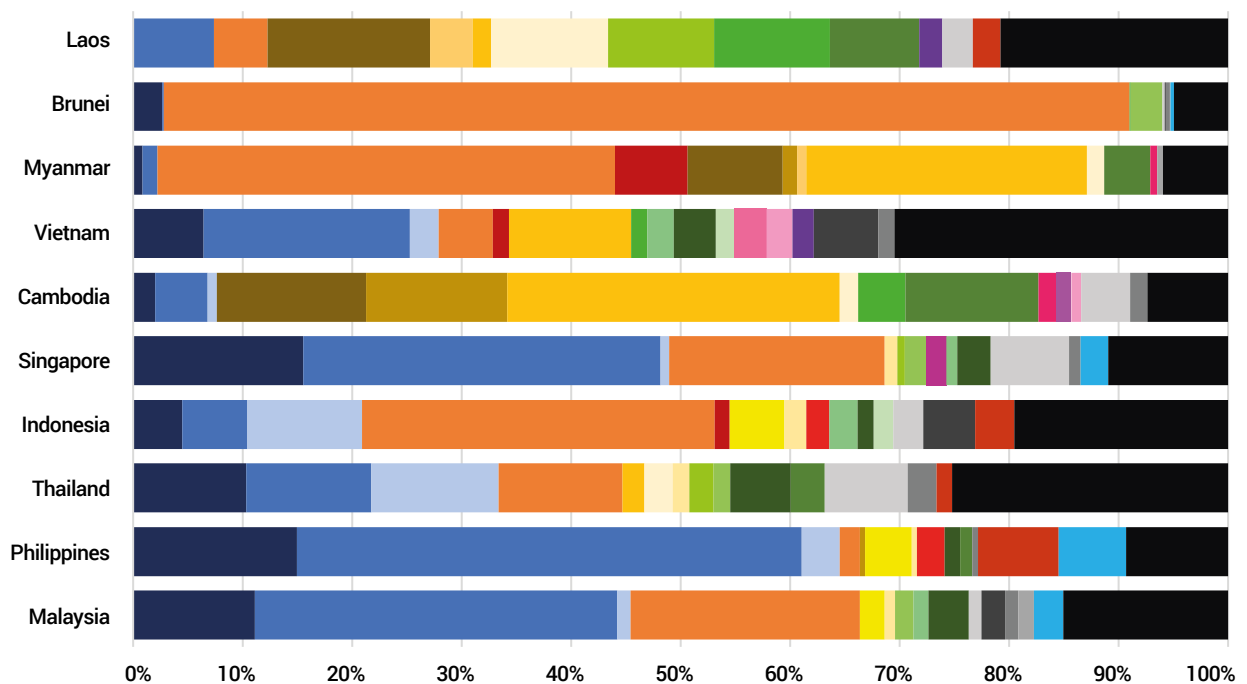
If we look at the top 15 intra-ASEAN exports of each country then broadly speaking, the product groups of machinery (HS-84), electronics (HS-85) and vehicles/vehicle parts (HS-87), all marked in shades of blue, are present and dominant amongst most members, especially the ASEAN-5 and Vietnam. Looking at intra-bloc trade also helps us understand a country's profile and its thriving, main sectors. For example, how the Malaysian economy is built on the highly industrialized five sectors of machinery manufacturing, electrical appliance manufacturing, semiconductors, aerospace and LNG, all of which is reflected by the goods it trades with other ASEAN members.

⁴Kompas, "Intra-ASEAN Trade Remains Stagnant."

⁵"The Impact of the ASEAN Free Trade Agreement on Intra-ASEAN Trade: A Review of Empirical Literature."

Figure 4: Composition of Each ASEAN Member's Intra-ASEAN Exports in 2024

- HS-84 (Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof)
- HS-85 (Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...)
- HS-87 (Vehicles other than railway or tramway rolling stock, and parts and accessories thereof)
- HS-27 (Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...)
- HS-03 (Fish and crustaceans, molluscs and other aquatic invertebrates)
- HS-07 (Edible vegetables and certain roots and tubers)
- HS-08 (Edible fruit and nuts; peel of citrus fruit or melons)
- HS-09 (Coffee, tea, maté and spices)
- HS-10 (Cereals)
- HS-15 (Animal, vegetable or microbial fats and oils and their cleavage products; prepared edible fats; ...)
- HS-17 (Sugars and sugar confectionery)
- HS-21 (Miscellaneous edible preparations)
- HS-22 (Beverages, spirits and vinegar)
- HS-24 (Tobacco and manufactured tobacco substitutes; products, whether or not containing nicotine, ...)
- HS-25 (Salt; sulphur, earths and stone; plastering materials, lime and cement)
- HS-29 (Organic chemicals)
- HS-33 (Essential oils and resinoids; perfumery, cosmetic or toilet preparations)
- HS-38 (Miscellaneous chemical products)
- HS-39 (Plastics and articles thereof)
- HS-40 (Rubber and articles thereof)
- HS-48 (Paper and paperboard; articles of paper pulp, of paper or of paperboard)
- HS-60 (Knitted or crocheted fabrics)
- HS-61 (Articles of apparel and clothing accessories, knitted or crocheted)
- HS-62 (Articles of apparel and clothing accessories, not knitted or crocheted)
- HS-64 (Footwear, gaiters and the like; parts of such articles)
- HS-70 (Glass and glassware)
- HS-71 (Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...)
- HS-72 (Iron and steel)
- HS-73 (Articles of iron or steel)
- HS-74 (Copper and articles thereof)
- HS-76 (Aluminium and articles thereof)
- HS-90 (Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...)
- Others



Source: ITC Trade Map. Note: Export values for Laos are mentioned for the latest available year of 2023

The second most prominently traded product group is of mineral fuels (HS-27) marked in orange followed by those of raw materials like plastics, rubber and chemicals (HS 28-40) marked in green, metals (HS 72-83) marked in grey, and vegetable products like cereals and edible fats (HS 06-15) marked in yellow, all of which results in somewhat homogenous trade profiles.

Table 3: Top 15 Intra-ASEAN Exports in 2024

Product code at HS-02	Product label	Exports (in billions USD)	Share in Exports	Top three tariff lines exported at the 6-digit level
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	104.5	24.01%	<ul style="list-style-type: none"> HS-854231 (Electronic integrated circuits as processors and controllers, whether or not combined with . . .) HS-854239 (Electronic integrated circuits (excl. such as processors, controllers, memories and amplifiers)) HS-854232 (Electronic integrated circuits as memories)
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	84.8	19.48%	<ul style="list-style-type: none"> HS-271019 (Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, . . .) HS-271012 (Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. . . .) HS-270900 (Petroleum oils and oils obtained from bituminous minerals, crude)
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	47.8	10.97%	<ul style="list-style-type: none"> HS-847150 (Processing units for automatic data-processing machines, whether or not containing in the same . . .) HS-847330 (Parts and accessories of automatic data-processing machines or for other machines of heading . . .) HS-847180 (Units for automatic data-processing machines (excl. processing units, input or output units . . .)) HS-710812 (Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excl. gold in . . .))
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	18.9	4.34%	<ul style="list-style-type: none"> HS-710813 (Gold, incl. gold plated with platinum, in semi-manufactured forms, for non-monetary purposes) HS-711319 (Articles of jewellery and parts thereof, of precious metal other than silver, whether or not . . .)
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	17.5	4.02%	<ul style="list-style-type: none"> HS-870322 (Motor cars and other motor vehicles principally designed for the transport of <10 persons, . . .) HS-870899 (Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, . . .) HS-870421 (Motor vehicles for the transport of goods, with only compression-ignition internal combustion . . .)

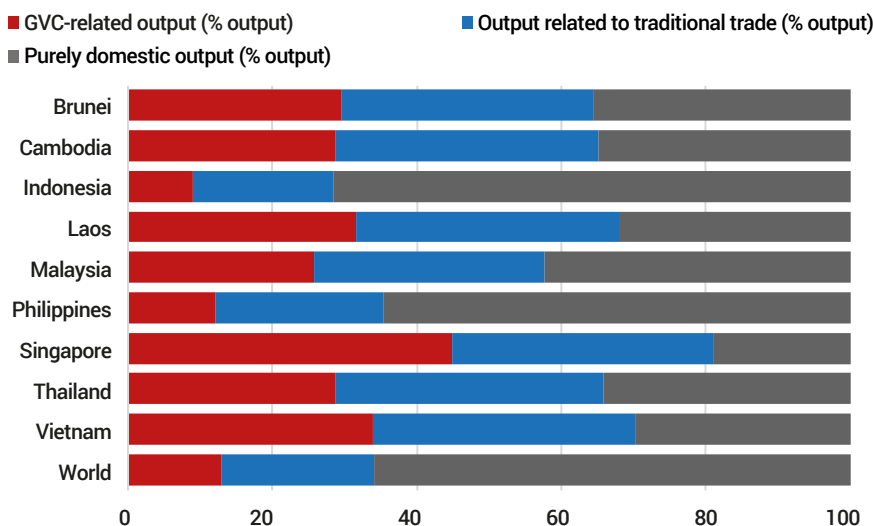
Product code at HS-02	Product label	Exports (in billions USD)	Share in Exports	Top three tariff lines exported at the 6-digit level
39	Plastics and articles thereof	14.4	3.30%	<ul style="list-style-type: none"> • HS-390210 (Polypropylene, in primary forms) • HS-390120 (Polyethylene with a specific gravity of $\geq 0,94$, in primary forms) • HS-390110 (Polyethylene with a specific gravity of $< 0,94$, in primary forms)
10	Cereals	8.5	1.95%	<ul style="list-style-type: none"> • HS-100630 (Semi-milled or wholly milled rice, whether or not polished or glazed) • HS-100610 (Rice in the husk, "paddy" or rough) • HS-100590 (Maize (excl. seed for sowing))
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	8.4	1.93%	<ul style="list-style-type: none"> • HS-903090 (Parts and accessories for instruments and apparatus for measuring or checking electrical quantities . . .) • HS-903289 (Regulating or controlling instruments and apparatus (excl. hydraulic or pneumatic, manostats, . . .)) • HS-901890 (Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.)
72	Iron and steel	8.3	1.91%	<ul style="list-style-type: none"> • HS-721913 (Flat-rolled products of stainless steel, of a width of ≥ 600 mm, not further worked than hot-rolled, . . .) • HS-721391 (Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel, of circular . . .) • HS-720720 (Semi-finished products of iron or non-alloy steel containing, by weight, $\geq 0,25\%$ of carbon)
29	Organic chemicals	6.5	1.50%	<ul style="list-style-type: none"> • HS-290243 (p-Xylene) • HS-290121 (Ethylene) • HS-290511 (Methanol "methyl alcohol")
15	Animal, vegetable or microbial fats and oils and their cleavage products; prepared edible fats; ...	6.3	1.45%	<ul style="list-style-type: none"> • HS-151190 (Palm oil and its fractions, whether or not refined (excl. chemically modified and crude)) • HS-151800 (Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, . . .) • HS-151311 (Crude coconut oil)
73	Articles of iron or steel	5.8	1.33%	<ul style="list-style-type: none"> • HS-730890 (Structures and parts of structures, of iron or steel, n.e.s. (excl. bridges and bridge-sections, . . .)) • HS-732690 (Articles of iron or steel, n.e.s. (excl. cast articles or articles of iron or steel wire)) • HS-731815 (Threaded screws and bolts, of iron or steel, whether or not with their nuts and washers (excl. . . .))

Product code at HS-02	Product label	Exports (in billions USD)	Share in Exports	Top three tariff lines exported at the 6-digit level
38	Miscellaneous chemical products	5.7	1.31%	<ul style="list-style-type: none"> • HS-382319 (Fatty acids, industrial, monocarboxylic; acid oils from refining (excl. stearic acid, oleic . . .)) • HS-381800 (Chemical elements and compounds doped for use in electronics, in the form of discs, wafers, . . .) • HS-382499 (Chemical products and preparations of the chemical or allied industries, incl. those consisting . . .)
21	Miscellaneous edible preparations	5.3	1.22%	<ul style="list-style-type: none"> • HS-210690 (Food preparations, n.e.s.) • HS-210111 (Extracts, essences and concentrates, of coffee) • HS-210112 (Preparations with a basis of extracts, essences or concentrates of coffee or with a basis of . . .)
40	Rubber and articles thereof	5.2	1.18%	<ul style="list-style-type: none"> • HS-400122 (Technically specified natural rubber "TSNR") • HS-401110 (New pneumatic tyres, of rubber, of a kind used for motor cars, incl. station wagons and racing . . .) • HS-400110 (Natural rubber latex, whether or not prevulcanised)

Source: ITC Trade Map. Note: Tariff lines are colored in red if Pakistan also exports it to ASEAN

But ASEAN is characteristic of operating through highly integrated GVCs where the final quantity of a good matters and not which country it originates from. And this is why it's called as a part of 'Factory Asia' because parts of the production process and the manufacturing of components are sourced from multiple members. This is true for the entire consumer electronics industry where for example the Philippines exports integrated electronic circuits and micro-assemblies to Singapore, Malaysia, Thailand and Vietnam which in turn use them to produce home appliances and smartphones and further export them to other countries. Inputs that cross at least two borders are classified as GVC-related output and ASEAN members have some of the highest GVC-related output as a percentage of their total outputs in the world.

Figure 5: Share of GVC Output in ASEAN in 2024



Source: Asian Development Bank, WITS

The example of smartphones is a good demonstration of vertical intra-industry trade which occurs when there is a noticeable difference between the quality of goods, often at different phases of production. Another example of it is the mineral fuel trade between Brunei and Singapore. In 2024 HS-27090010 (**Petroleum oils and oils obtained from bituminous minerals, crude**) accounted for around 20 percent of Brunei's exports to Singapore which was then refined and formed into value-added goods like HS-27101224 (**Motor spirit of ron 90 & above but below ron 97 unleaded & unblended**), HS-27101971 (**Gas oil**), HS-27101979 (**Other fuel oils**), and HS-27101972 (**Other diesel fuel**). These were then exported to the rest of ASEAN and comprised almost 17 percent of Singapore's intra-ASEAN exports.

Smartphones are also a good example of horizontal intra-industry trade where traded goods belong to the same category but are differentiated by style and preferences. Literature states that horizontal intra-industry trade is higher amongst countries with similar resources and income levels because they would consume goods of similar quality as well⁶. This stands true at least for Thailand, the Philippines, Indonesia and Vietnam if using per capita income as a measure of incomes.

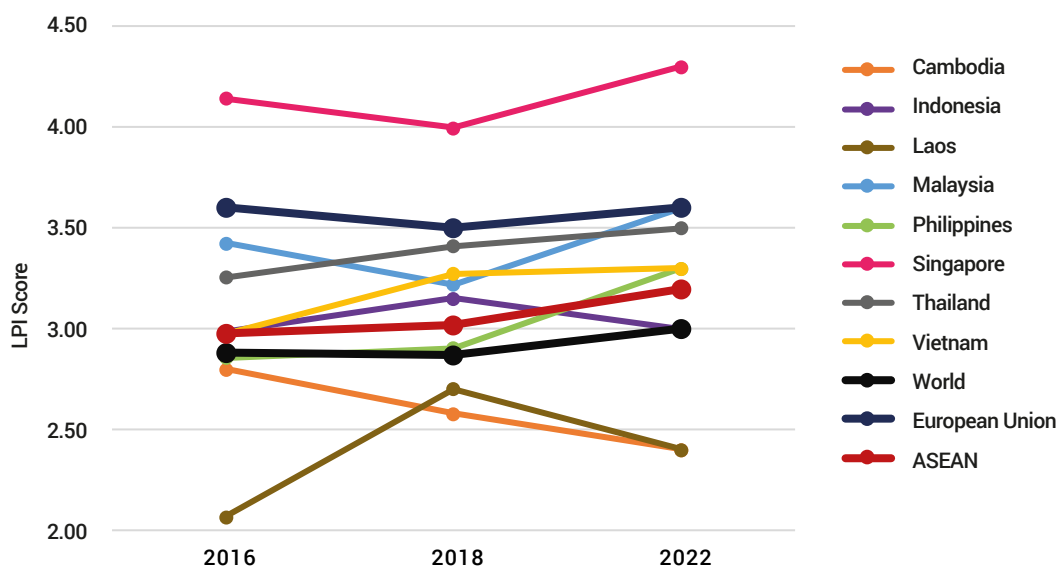
But unlike the European Union where income levels are relatively homogenous, ASEAN by nature is still a region with differing income categories and development levels which will always be reflected in the goods that it trades since high-income members not only demand high-income goods but also produce the same, adding value to their export bases.

In that respect, the one aspect that can be used to split the countries by products is by the fact that the low-income countries like Cambodia, Laos and Myanmar are heavily geared towards the export of agricultural goods like HS-07 (Edible vegetables and certain roots and tubers), HS-08 (Edible fruit and nuts; peel of citrus fruit or melons) and HS-10 (cereals) all marked in yellow as compared to electronics. Cambodia and Vietnam also export some amounts of footwear, fabrics and apparel marked in pink and we will revisit these when discussing Pakistan's export potential in the coming chapters.

2. Trade Logistics in ASEAN aren't as Strong!

Although the intra-ASEAN tariff rate has been reduced to virtually zero, weak trade facilitation that covers everything from tedious customs, poor infrastructure and bureaucracy have added to preventable trade costs of inter-ASEAN trade. The figure below demonstrates how the Logistics Performance Index (LPI)⁷ differs between ASEAN members, the EU and the world.

Figure 6: Comparison of LPI Scores Across ASEAN



Source: World Bank. Notes: Data for Brunei and Myanmar was incomplete and hence excluded. Data for Timor-Leste is unavailable

⁶Muryani and Pratiwi, "Intra-Industry Trading Factors and Patterns in ASEAN-5 Region."

⁷The LPI is a compound measure of customs procedure, infrastructure efficiency, timeliness and tracking with a score of 1-5 with the higher score indicating better performance.

There is a clear gap between the performance of Singapore which is ranked amongst the top in the world, and declared the financial hub of South East Asia and members like Cambodia and Laos which have consistently been below the ASEAN average as well as the global average. Though as a whole ASEAN performs better than the global average by a margin of 0.2 in 2024, it is still below the European Union by 0.4 which many critics hold as a pinnacle of the free trade movement.

The prevalence of some indispensable Non-Tariff Barriers (NTBs) such as sanitary and technical measures have also been a sticking point for low intra-ASEAN trade. It is estimated that each technical measure increases the price of traded goods by 2 percent at the margin⁸. But the problem isn't the existence of these measures because some NTBs are important for human health and safety but rather the lack of harmonization in them amongst members. ASEAN doesn't have an enforcing body for standards like the EU Commission but rather opts for a model of 'open-regionalism' which follows international regulations and hopes that members will eventually converge to them⁹.

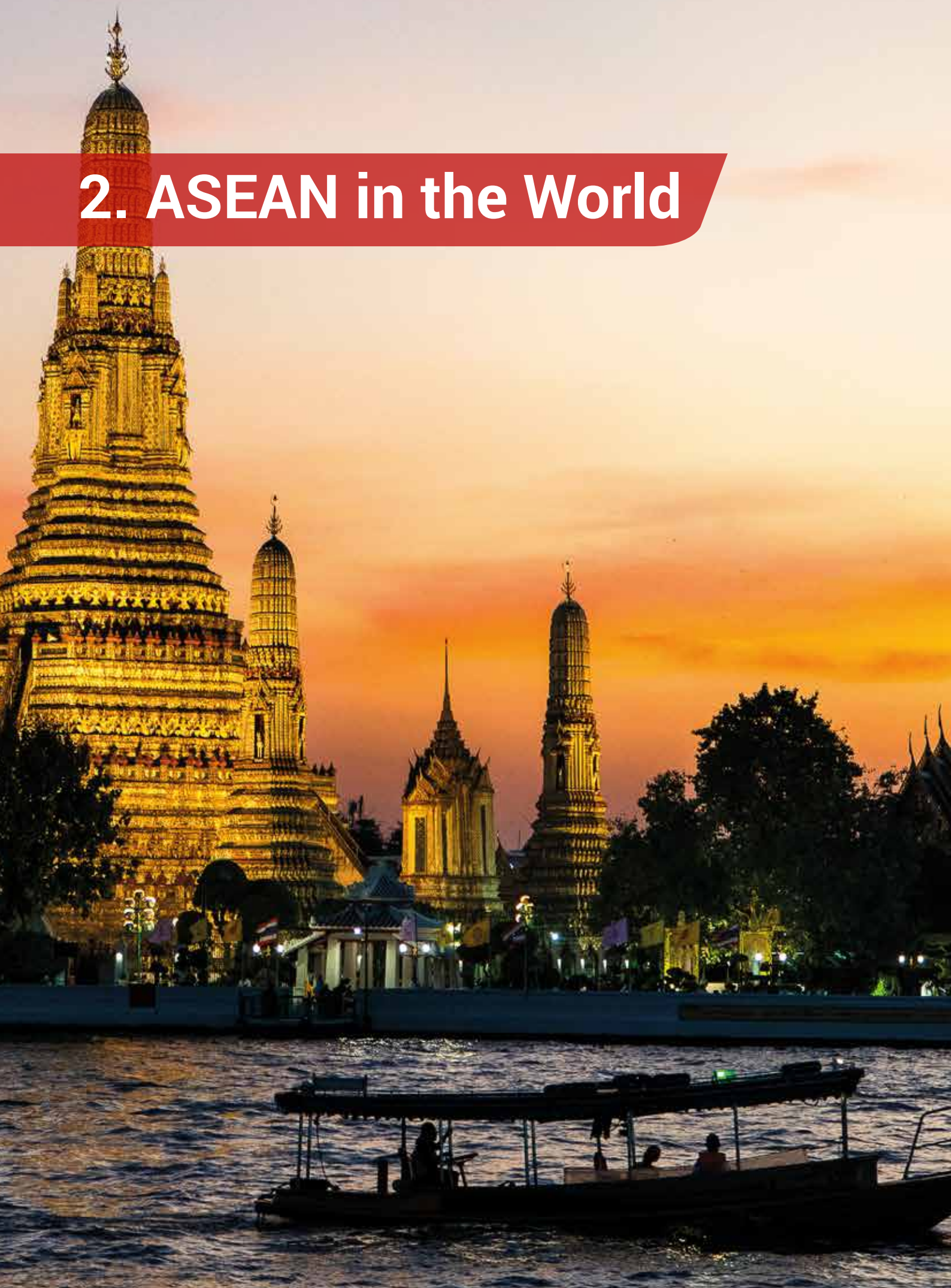
Some sectors like electronics and cosmetics are closely aligned given the prevalence of multinationals but others like prepared foodstuff and traditional medicines are less compliant. This again boils down to differences in development levels, administrative abilities and how concerned consumers are at the end of the day about safety-standards, all of which vary considerably across the bloc and would be very difficult to uniformly implement.

Other reasons for low intra-ASEAN trade also exist such as competition from China and these will be discussed in the next chapter.

⁸"Non-Tariff Measures and the Impact of Regulatory Convergence in ASEAN."

⁹"NTMs in ASEAN: Ways Toward Regulatory Convergence."

2. ASEAN in the World

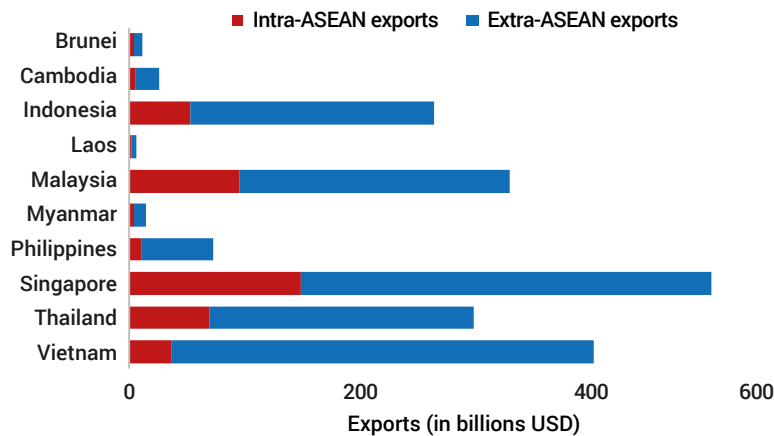


2. ASEAN in the World

2.1 An Overview of ASEAN's External Trade

In 2024, extra-ASEAN exports were valued at 1.5 trillion USD, making up 78 percent of ASEAN's global exports. The figure below shows how every ASEAN member trades more externally than within the bloc. The export values range from the highest of 366 billion USD by Vietnam to the lowest of 3.9 billion USD for Laos.

Figure 7: High Share of Extra-ASEAN Trade in each ASEAN member



Source: ITC Trade Map. Note: Values for Laos are taken from the latest available year of 2023

The foundation of ASEAN's export success has been through a number of FTAs spanning through East Asia and the Pacific. Together they make up 38 percent of ASEAN's exports and 41 percent of ASEAN's total trade. The most prolific of these is the Regional Comprehensive Economic Partnership (RCEP) which is the largest free trade agreement in the world, covering 30 percent of the population across 15 countries (ASEAN-10, China, Japan, South Korea, Australia and New Zealand) and stands as a beacon of multilateral trade.

Table 4: ASEAN's Free Trade Agreements

Agreement	Effective since	Signed with	Trade in 2024 (in billions USD)	% of ASEAN's Trade in 2024	% of ASEAN's Exports in 2024
ASEAN-China Framework Agreement on Comprehensive Economic Co-operation	2005	China	767.1	20.11%	15.00%
ASEAN-India Framework Agreement on Comprehensive Economic Cooperation	2010	India	106.3	2.79%	3.60%
ASEAN-Republic of Korea Framework Agreement on Comprehensive Economic Cooperation	2006	South Korea	206.3	5.41%	4.10%
ASEAN-Japan Agreement on Comprehensive Economic Partnership	2008	Japan	233.4	6.12%	6.10%
ASEAN-Australia-New Zealand Free Trade Agreement	2010	Australia, New Zealand	108.4	2.84%	3.10%
ASEAN-Hong Kong, China Free Trade Agreement	2019	Hong Kong	130.7	3.43%	5.70%
Regional Comprehensive Economic Partnership	2022	Australia, China, Japan, New Zealand, South Korea	1,315.2	34.48%	67.80%

Source: ASEAN Secretariat. Note: ASEAN's reported values are used

The United States also had a multilateral free trade agreement with Brunei, Malaysia, Singapore and Vietnam through the Trans-Pacific Partnership (TPP) until president Trump withdrew from the treaty in 2017. It still remains immensely important for ASEAN as its second largest trade partner with trade worth 451 billion USD in 2024, almost 70 percent of which were exports. This naturally created problems when the Trump tariffs were announced in 2025, bringing into light the drawbacks of open-economies when exports are concentrated with unreliable partners. The table below shows the tariff rate on ASEAN members as of December 2025.

Table 5: US Tariff Rates on ASEAN members

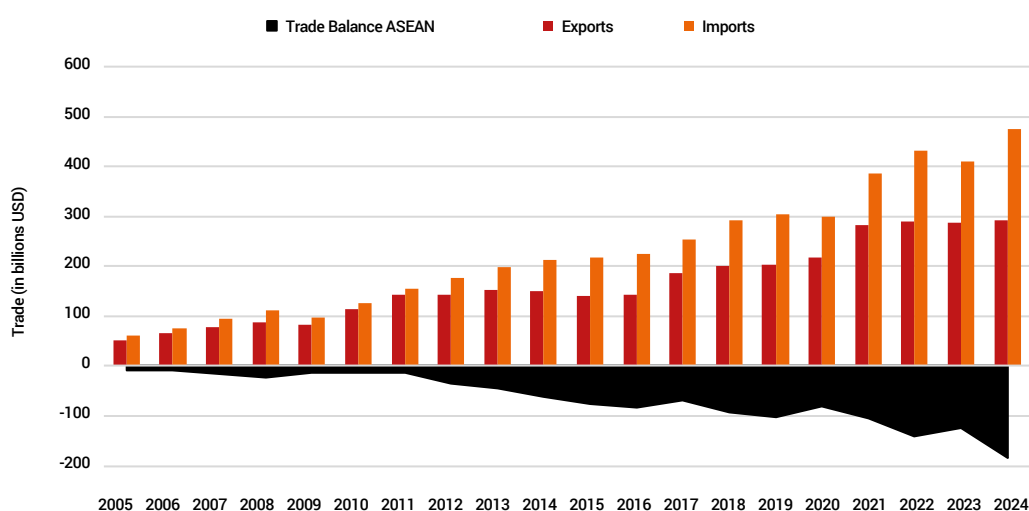
Country	Tariff rate	% of Exports to the US (2024)
Brunei	25%	1.60%
Cambodia	19%	37.20%
Indonesia	19%	10%
Laos	40%	1.60%
Malaysia	19%	13.20%
Philippines	19%	16.60%
Singapore	10%	8.70%
Thailand	19%	18.30%
Timor-Leste	10%	1.60%
Vietnam	20%	29.60%

Source: ITC Trade Map, BBC. Note: Share for Laos is mentioned for the year 2023

2.2 ASEAN and China: Complementarity or Over-Dependence

China is undoubtedly the bloc's most important partner with trade amounting to 767 billion USD in 2024 –almost 20 percent of ASEAN's GDP. Though the region has always had historically deep ties in trade, it was first formalized by establishing the ASEAN-China Free Trade Area (ACFTA) which came into play in 2010. The FTA directed the liberalization of trade through concessions such as the gradual decrease of tariffs and non-tariff barriers, an Early Harvest programme with special tariff reduction timelines and cooperation in investment especially in the development of the Mekong River basin. The figure below shows the progression of trade between the two partners.

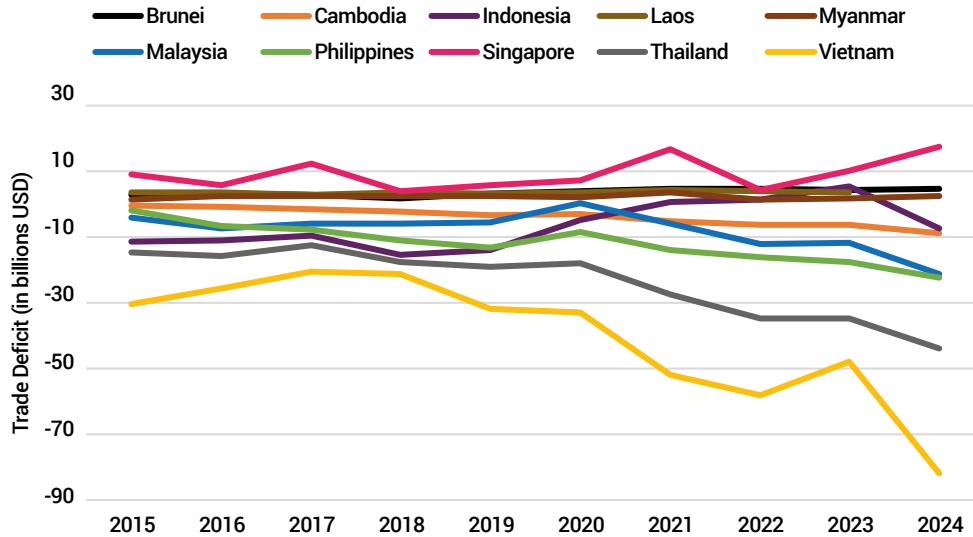
Figure 8: ASEAN's Trade with China Over the Years



Source: ITC Trade Map. Note: ASEAN's reported values are used

The share of ASEAN's exports to China have almost doubled in the last twenty years from 8 percent to 15 percent but the share of their imports have increased by more, from 10 in 2005 to 25 percent in 2024. This has created a glaring deficit that has only widened over the years to its largest of 184 billion USD in 2024.

Figure 9: Trade Deficit of ASEAN members with China Over the Years



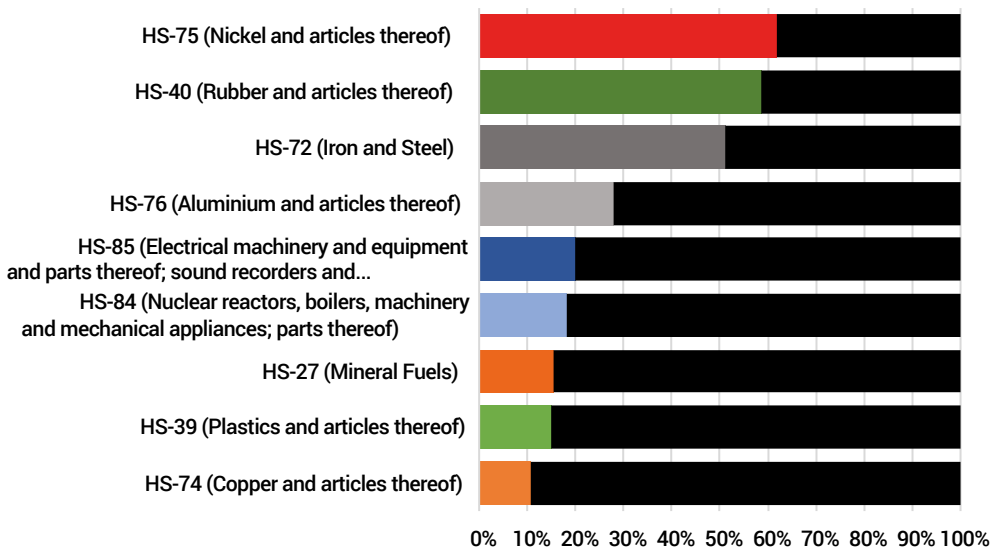
Source: ITC Trade Map

The financial importance of the deficit is less important as that is recouped through trade with other countries (ASEAN has a surplus of 172 billion with the US and 39 billion with the EU) but it signifies a growing reliance on China for the functioning of its major supply chains.

Why is ASEAN so important to China?

ASEAN is essential to China for its wealth of raw materials such as mineral fuels, metals, rubber and plastics. The figure below shows the share of ASEAN in these import groups from China. Mineral fuels such as petroleum oils, petroleum gas, lignite and coal are China's second biggest import from ASEAN with Malaysia being its second biggest exporter after Russia occupying 10.3 percent of the share.

Figure 10: Share of ASEAN in China's Raw Materials, Machinery and Electronics Imports in 2024



Source: ITC Trade Map. Note: Reported values by China are used in the figure above and, in the analysis, below. Proportion shaded in black are Chinese imports by countries other than ASEAN

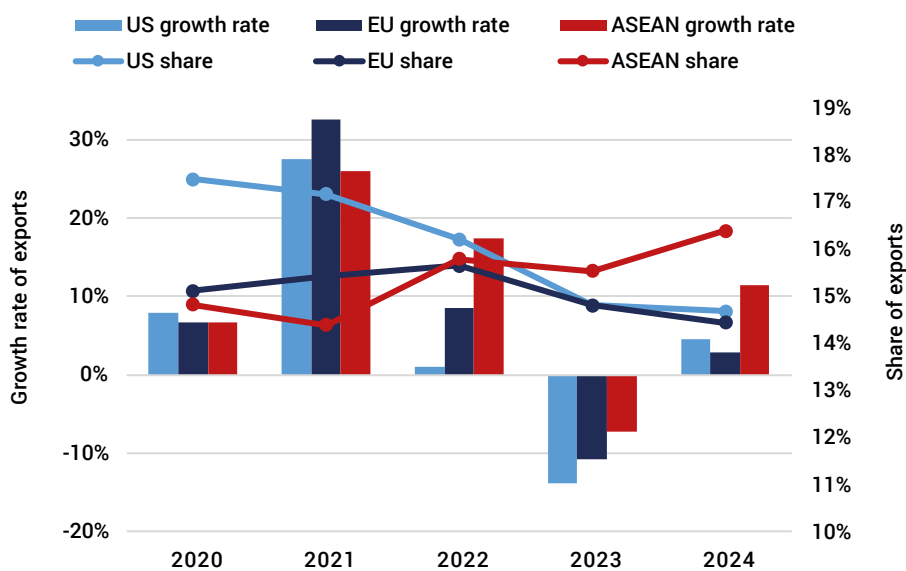
Indonesia is the world's largest nickel producer with 14 billion USD in ferro-nickel and 7.1 billion USD in nickel matte exports to the world in 2024. The country had banned the export of unprocessed nickel ore to encourage investment in domestic refineries and smelters. Nickel is also a key element in EV batteries so it is unsurprising that Chinese FDI has flown in and imports of HS-75 (**Nickel and articles thereof**) by China have increased exponentially from 8.6 million USD in 2020 to 6.6 billion USD in 2024.

Machinery and electronics are the two essential lifelines of trade amounting to 157 billion and 40 percent of China's imports in 2024. The products range from those in the beginning of the supply chains such as electronic integrated circuits and flat panel display modules to fully finished goods like smartphones and cameras.

Fruits and nuts is the fifth largest import group by China, specifically durians which had a staggering import value of almost 7 billion in 2024, shared between Thailand and Vietnam.

Now with regards to the export landscape, the flurry of tariffs and all the political tensions with the US has led China to rethink its trade strategies and find a replacement market. The figure below shows how the proportion of China's exports to the US has dropped significantly in the last five years while exports to ASEAN have simultaneously risen.

Figure 11: Changing Importance of ASEAN, the US and EU for China's Exports



Source: ITC Trade Map. Note: China's reported values are used.

From 2022 onwards ASEAN had also experienced the highest YoY export growth rate, that too by a large margin as compared to both the US and the EU. The relationship succeeds the other way around as well. The Anatomy of Choice Alignment Index (AOCAI) shows how closely ASEAN members are aligned with China and the US in the matters of trade from 2015 to 2024, and all ASEAN members lean towards China.

Figure 12: ASEAN's Alignment with China over the US in Trade



Source: Lee Kuan Yew School of Public Policy. Note: Scores nearer to 0 in red indicate likeness towards China while those closer to 100 in blue show alignment with the US.

Even within ASEAN there exists a range of alignment; the less developed members like Myanmar and Laos are very strongly aligned with very low scores of 11 and 13 respectively while Indonesia and Thailand converge more towards the centre. Nevertheless China's trade influence has been overwhelmingly apparent and the surge in exports to ASEAN can be attributed to two major reasons:

1. A Flood of Low-Priced and Fully Finished Consumer Goods.

China's industrial over-capacity has targeted the large consumer market of ASEAN, spilling over to the base of ready-to-use goods like furniture (HS-94), cosmetics (HS-33) and beverages (HS-22) with 2020-2024 CAGRs of 7 percent, 14.3 percent and 19.5 percent respectively. These do not require any value addition and thus do not contribute to the local economy and China is able to price these unusually low due to economies of scale.

The main channel in recent years for this massive influx has been through e-commerce platforms such as Temu that have captivated consumers through their rapid delivery times, logistics efficiencies and favorable refund policies. It is estimated that between four to five million low-priced goods, valued at \$1.9 billion, are shipped each month between China and Vietnam through e-commerce¹⁰.

The lower prices -although very attractive for the consumers- threatens the livelihoods of SMEs and home-run businesses, affecting domestic production not just in the long-run but immediately as well. From July 2023 to June 2024, around 2,000 factories shut down in Thailand and 50,000 jobs were lost as a result¹¹. The ones that remained open were hit with low productivity as less work now got divided over the same workers or the number of hours were reduced.

¹⁰"Việt Nam Needs to Curb the Glut of Cheap Products."

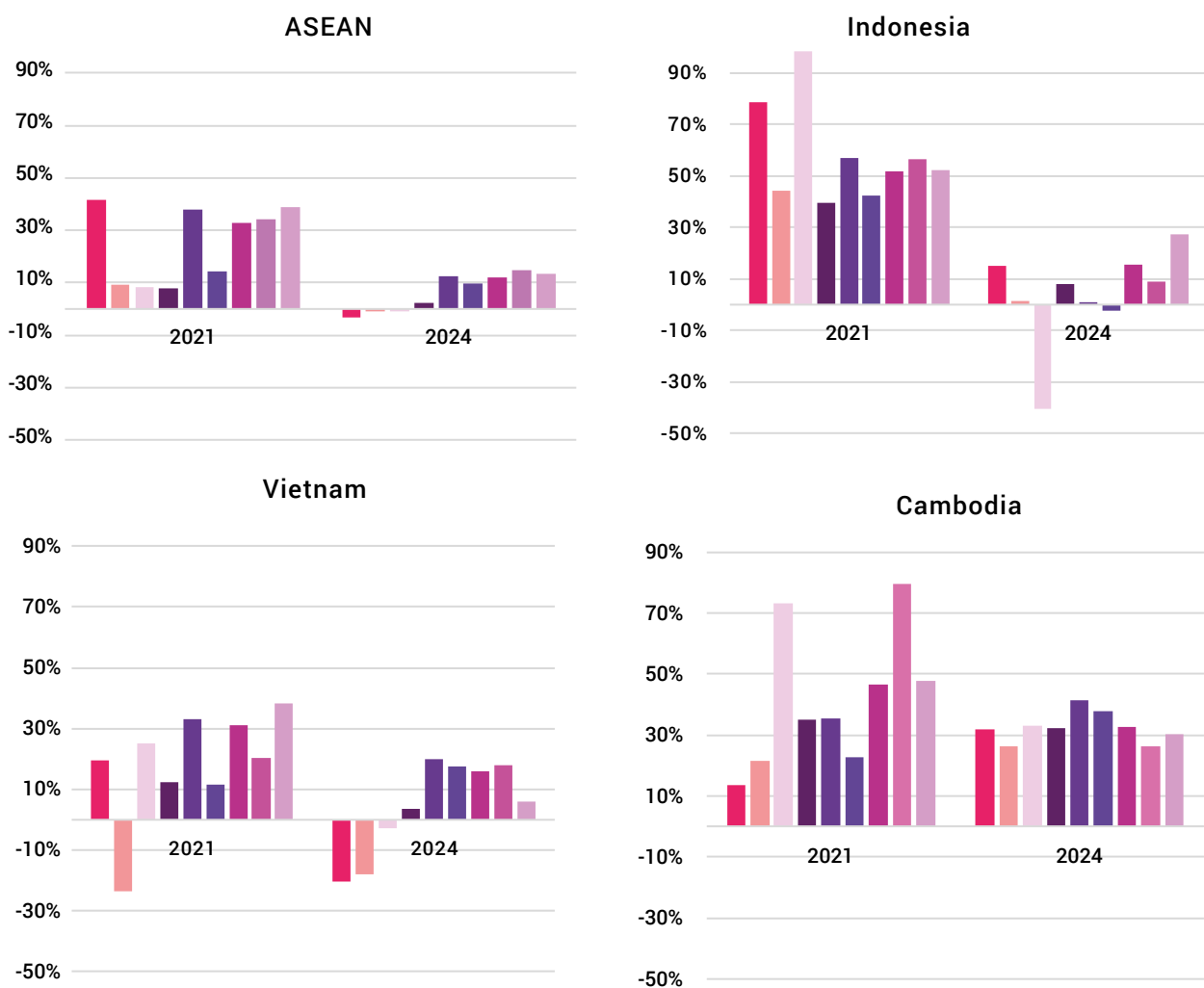
¹¹"Thai Economy Faces Upheaval Due to Factory Closures and Cheap Chinese Imports."

The Case of Textiles

The flow of ready-made apparel and fast fashion through sites like Shein and Temu poses a graver challenge. Whereas China is the world's biggest exporter of all textile goods and has been utterly dominant in the sector for a long time, ASEAN members like Vietnam, Indonesia, and Cambodia also hold strongholds in the industry and face competition in local demand.

Indonesia has been on the forefront for the survival of its apparel sector. Between January and July 2024 at least 12 textile factories have shut down causing 12,000 workers to lose their jobs¹² and 60 more are planning layoffs, potentially affecting up to 200,000 employees¹³. To prevent any further damages, Indonesia has placed tariffs of up to 200 percent on some textile imports from China and its effect can be seen in the figure below with the YoY growth rate in apparels (bars marked in pink) in 2021 as compared to 2024. Temu has been blocked in Indonesia and is currently suspended in Vietnam.

Figure 13: YoY Growth of China's Major Textile Exports to ASEAN in 2021 vs 2024



- HS-61 (Articles of apparel and clothing accessories, knitted or crocheted)
- HS-62 (Articles of apparel and clothing accessories, not knitted or crocheted)
- HS-63 (Other made-up textile articles; sets; worn clothing and worn textile articles; rags)
- HS-52 (Cotton)
- HS-54 (Man-made filaments; strip and the like of man-made textile materials)
- HS-55 (Man-made staple fibres)
- HS-58 (Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery)
- HS-59 (Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use)
- HS-60 (Knitted or crocheted fabrics)

Source: ITC Trade Map, Author's Calculation

¹²Associated Press, "Indonesia Searches for Ways to Balance Domestic Industries With Surging Chinese Imports."

¹³"Indonesia's Textile Industry Faces Layoff Surge, Up to 280,000 Jobs at Risk."

An interesting observation is that while the growth rate of all three Chinese apparel exports into ASEAN as a whole have fallen (most prominent in the case of Vietnam), the inflow of textile raw materials like cotton, yarn, fibers and fabrics (all marked in purple bars) have remained positive.

This is explained by the fact that many of the above countries have insufficient, expensive or poor-quality domestic supply of such raw materials. In Vietnam's case for example the local fabric industry only fulfills 20 percent of the input demand by the garment sector while the rest of it is imported from countries like China¹⁴. The table below shows how Cambodia, Vietnam and Indonesia are the prime destinations for cotton exports, making up a large proportion of China's global markets. Other home textiles like bed linen and towels are targeted to countries like Malaysia, Thailand, Singapore and the Philippines to be used in their established hospitality sectors.

Table 6: Selected Textile Exports from China to ASEAN in 2024

HS-code	Product Label	China's Exports (in millions USD)	ASEAN's Imports* (in millions USD)	Share of ASEAN in China's Global Exports	CAGR of China's Exports (2022-2024)	China's top 3 Export Destinations in ASEAN by Market Share
Cotton						
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m ² , made of yarn of different . . .	255.6	197.4	40.26%	5.54%	Cambodia (59%) Vietnam (34%) Indonesia (4%)
520932	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m ² , in three-thread . . .	104.5	48.3	33.21%	0.37%	Vietnam (36%) Cambodia (22%) Indonesia (21%)
521142	Denim, containing predominantly, but < 85% cotton by weight, mixed principally or solely with . . .	287.5	210.6	22.14%	-6.05%	Vietnam (56%) Cambodia (33%) Indonesia (4%)
Apparel/Home Textiles						
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	585.3	295.6	10.02%	4.80%	Vietnam (27%) Philippines (26%) Malaysia (20%)
630231	Bedlinen of cotton (excl. printed, knitted or crocheted)	79.9	27.1	8.29%	-12.86%	Malaysia (30%) Singapore (25%) Thailand (20%)
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excl. . . .	424.1	67.0	22.07%	-15.03%	Thailand (37%) Malaysia (21%) Philippines (16%)
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles . . .	176.8	37.5	27.03%	1.97%	Philippines (44%) Thailand (17%) Malaysia (14%)

Source: ITC Trade Map, Author's Calculations. Notes: ASEAN's reported values (in red) are mentioned to highlight the significant trade discrepancy that exists among the two partners. These tariff lines are chosen on the basis of their similarity with Pakistan's exports to ASEAN which will be explored in chapter 4.

Thus, policymakers in ASEAN member countries have remained vigilant on the specific textile categories where any tariffs or other trade restrictions should be applied because targeting the beginning of the supply chain in the case of cotton imports could end up hurting them. It could be costly for a country like Cambodia, where the industry is the biggest employer and accounted for 70 percent of all export earnings in 2020, with the backing of brands like Adidas, Gap and M&S.

¹⁴"Garment Industry in CLMV Economies."

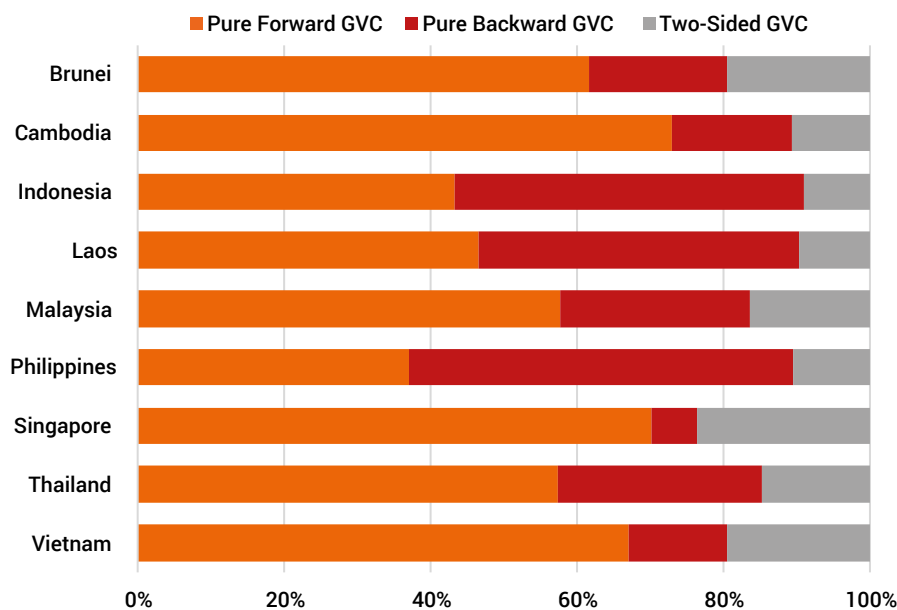
2. Chinese Supply Chains are Heavily Integrated in ASEAN

In his first term, President Trump waged a trade war with China and in his second term the tariff tit-for-tat became even worse with the rate set at 145 percent at one point in April 2025. Bruised by its experiences during the first Trump administration, and realizing its vulnerability due to the US being the biggest market for China, the Chinese government encouraged its companies to find a loophole by third-country rerouting primarily through ASEAN. Critics have noted how the increases in Chinese exports to Vietnam and Thailand in particular have mirrored the import increases from these countries to the US.

The US has tried to curb these transshipments for example by reaching a lowered tariff deal of 20 percent with Vietnam while slapping a 40 percent rate on transshipments through the country. Similar prohibitions are also expected through the 19 percent tariff deal with Indonesia; both of these are primarily targeted at China.

But what constitutes a 'Chinese product transshipped' is difficult to differentiate given just how integrated supply chains are in all of ASEAN. Often times the second-half of the production process or only the assembly of products occurs in ASEAN given their cheap labor while using Chinese components that were exported first. Other times it's the case of light re-packaging or labelling. This is unsurprising given how the entire region is heavily integrated through global value chains.

Figure 14: Global Value Chain Trade between China and ASEAN in the Manufacturing Sector in 2024



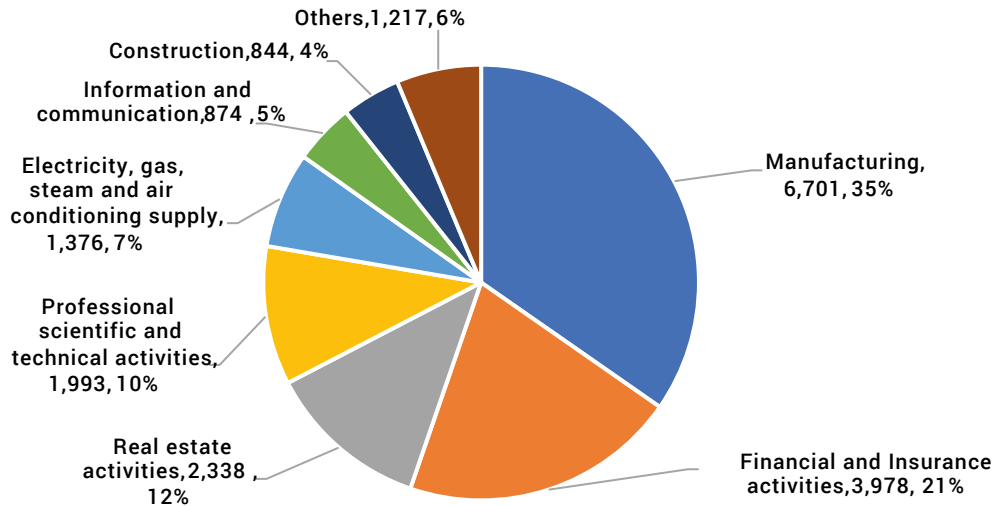
Source: WITS, Asian Development Bank

Majority of ASEAN members are involved in GVC trade with China through pure forward participation where value addition occurs at the beginning, in domestic Chinese supply chains and the goods are simply re-exported or finished in ASEAN. But others like Indonesia, Laos and the Philippines excel at pure backward GVCs meaning they add value to raw materials or intermediate goods from China to produce final goods for export.

AFTA's rules of origin states that at least 40 percent of the product must be made using components from ASEAN members for it to qualify as a 'ASEAN product' but the RCEP is considerably more flexible, creating what is known as the noodle-bowl effect where multiple FTAs actually blur the rules.

For some industries, China has built a more direct presence through offshore manufacturing, leading to FDI in ASEAN. Solar is a prime example with China having multiple solar equipment plants in Malaysia, Thailand, Cambodia and Vietnam for them to then export to the US, however these have been scrutinized through anti-dumping laws and hit with tariffs anywhere from 41 to 3,521 percent¹⁵.

Figure 15: Sectoral Share of China's FDI in ASEAN in 2024



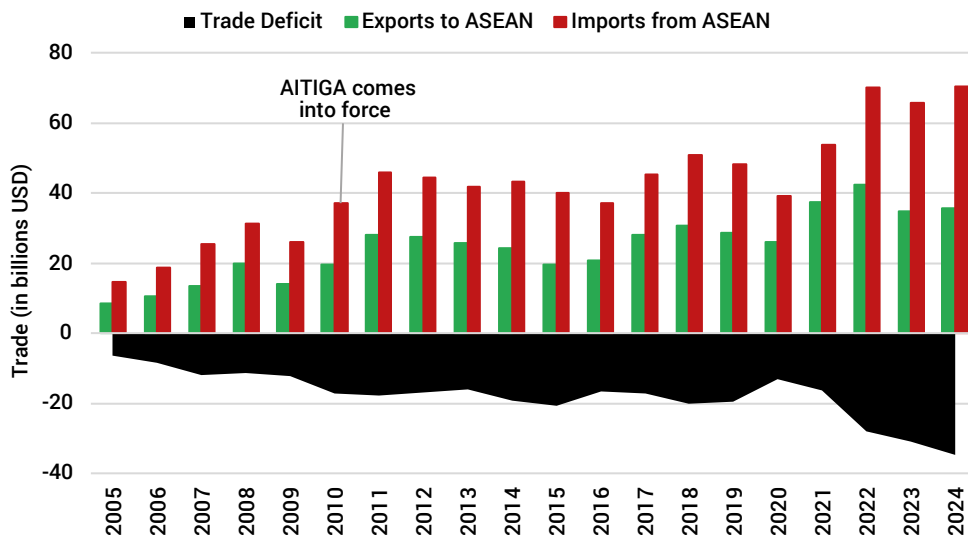
Source: ASEAN Stats. Note: Values mentioned are in millions USD

Other common offshore manufacturing sectors have been of EVs through the likes of BYD, Changan and Chery and of batteries with firms like CATL and SVOLT Energy. Again, Chinese manufactures have been criticized for jumping over local supply chains and preferring their own which has raised questions over the benefits of this form of FDI.

2.3 ASEAN and India: An Agreement Falling Apart and Lessons for Pakistan

Expectations from an ASEAN-India Free Trade Agreement were very optimistic when signed in 2009 considering it spanned two massive emerging economies, and was an essential step in India's 'Look East Policy' but since then it has failed to realize its full potential. The ASEAN-India Trade in Goods Agreement (AITIGA) has been criticized for being too favorable towards ASEAN while leaving India on the losing side.

Figure 16: India's Trade with ASEAN Following the AITIGA



Source: ITC Trade Map. Note: ASEAN's reported values are used

¹⁵Da Silva, "US Sets Tariffs of up to 3,521% on South East Asia Solar Panels."

India's exports to ASEAN never really took off. The CAGR from 2010-2015 was -0.19 percent, increased in the next period of 2016-2020 to 4.6 percent, and then declining to -1.2 percent from 2021-2024. All while the deficit kept on increasing and since 2020 it has ballooned from 13 to 34 billion USD. Some of the failures can be attributed to the following reasons:

1) The Rules of Origin are Violated

Chinese transshipments through ASEAN, but this time into India are observed which raises the possibility of dumping. AITIGA states a 35 percent origination rule but once again this has become difficult to measure. For example, the absence of a 'melt and pour clause' enables preferential tariff treatment for Chinese steel even though enough value by ASEAN members haven't been added¹⁶.

2) Tariff and Non-Tariff Barriers haven't Actually Been Reduced as Agreed

AITIGA directed 'liberalizing tariffs on 76 percent of the goods' but as of 2024 there still remains wide disparities on meeting that criteria. India has criticized that while they are close to meeting that target, other ASEAN members like Indonesia for example has only done so on 42.9 percent of the lines. And because Singapore has zero tariffs on 11,414 tariff lines, the average ASEAN tariff rate has been inflated, leaving India devoid of maximum benefits.

Table 7: Imbalanced Tariff Concessions in AITIGA

Tariff Bracket	India to Indonesia (2024)		Indonesia to India (2024)		India to Malaysia (2024)		Malaysia to India (2024)	
	Tariff Lines	% of total	Tariff Lines	% of total	Tariff Lines	% of total	Tariff Lines	% of total
0 percent	9,020	73.1%	4,892	42.9%	9,124	74.0%	9,330	81.6%
5 percent and under	10,772	87.3%	10,245	89.8%	10,920	88.6%	10,311	90.2%
10 percent and under	11,052	89.6%	10,737	94.1%	11,085	89.9%	10,473	91.6%
20 percent and under	11,322	91.8%	10,961	96.0%	11,352	92.1%	10,774	94.3%
50 percent and under	12,066	97.8%	11,351	99.4%	12,071	97.9%	11,374	99.5%
100 percent and under	12,208	99.0%	11,385	99.7%	12,208	99.0%	11,398	99.7%
over 100 percent	12,332	100.0%	11,414	100.0%	12,332	100.0%	11,431	100.0%

Source: ITC MacMap

The table above shows how identical concessions have been offered by India to both Indonesia and Malaysia but they have not been reciprocated by Indonesia under AITIGA. India does have a separate FTA with Malaysia which has yielded better concessions with 81.6 percent of the tariff lines being tariff free- even more than India's 74 percent, which has supported the argument for a bilateral rather than a multilateral approach to free trade negotiations.

As far as non-tariff barriers are concerned tedious certification requirements, products standards and SPS norms have led to Indian exporters not using the FTA at all and questioning its purpose.

3) Lack of a Clear Export Strategy

While ASEAN members are highly open and export-oriented economies, India is more service and agriculture based, the latter of which is subject to intense protectionism. PM Modi's 'Make in India' policy has struggled to engage the manufacturing sector due to its structural issues¹⁷, thus leaving ASEAN without a target export base. Currently India's top exports consist of mineral fuels (20%), machinery (8%), organic chemicals (5%), frozen, boneless meat (4%) and diamonds (3%).

¹⁶Saini, "Fixing ASEAN-India Trade in Goods Agreement (AITIGA): A Litmus Test for India-ASEAN Relations - CSDR."

¹⁷Shastri, "Roadblocks to India's Manufacturing Renaissance."

3. Pakistan and ASEAN



3. Pakistan and ASEAN

3.1 A Timeline of Pakistan-ASEAN relations

Majority of Pakistan's trade hinges on its obsession with westward partners like the United States, the Middle East and Europe, and this has left the country with a trade strategy that in today's dynamic world is myopic and regressive. Much of South East Asia and by extension the Pacific has been neglected by the country's decades long geopolitical stance rather than a geoeconomic approach which has been the backbone of ASEAN's success.

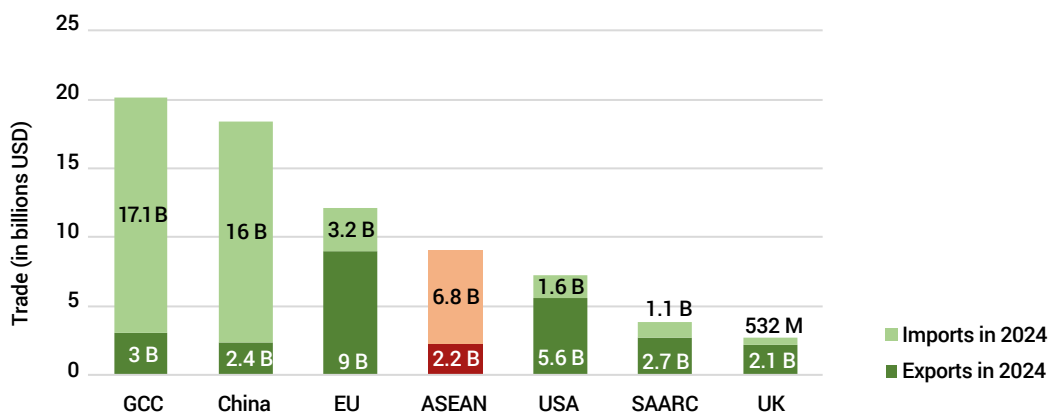
- 1996** Pakistan is granted the Sectoral Dialogue Partner (SDP) status and remains ASEAN's oldest one. The partnership covers areas of trade, industry, investment, environment, science and technology, drugs and narcotics, tourism and human resource development
- 1999** The first ASEAN-Pakistan Joint Sectoral Cooperation Committee (APJSCC) meeting is held in Bali as a means of furthering mutual relations. So far eight meetings have taken place with the latest one in February 2025
- 1999** The ASEAN-Pakistan Cooperation Fund (APCF) is established to undertake relevant projects. Some include:
 - Workshop on Industrial Applications and Composite Design in October 2002
 - Multimedia Training and Resources Development from November to December 2006
 - Workshop on Geo-Informatics in September 2007
 - Workshop on Halal Food Production Technology and Certification System in March 2009
 - Short Diplomatic Course for ASEAN Diplomats which was held in three batches from 2022 to 2024
 - Training Program on Digital Payment Landscape and Financial Inclusion in Emerging Markets in May 2023
 - ASEAN-Pakistan Technological Research Collaborations Program through the National Centre of Robotics and Automation (NCRA) in April 2025.
- 2003** Pakistan adopts its 'Vision East Asia Policy' to formally strengthen regional and institutional ties and to promote trade and investment. It hopes to follow the direction that transformed nations like Singapore into economic powerhouses.
- 2004** Pakistan becomes a member of the ASEAN Regional Forum (ARF) -a platform for consultations between ASEAN members and those interested in the region's security. On the same day it accedes to the Treaty of Amity and Cooperation in Southeast Asia
- 2005** Pakistan and ASEAN sign the Joint Declaration for Cooperation to Combat Terrorism at the sidelines of the 12th ARF in Vientiane
- 2008** Malaysia becomes the first ASEAN member to have a Free Trade Agreement (FTA) with Pakistan that comes into effect
- 2009** A joint feasibility study on Pakistan-ASEAN FTA takes place, conducted by researchers from both sides. However, in 2011 a temporary suspension is applied on the final proposal.
- 2013** The Preferential Trade Agreement (PTA) between Pakistan and Indonesia comes into effect
- 2020** As a follow up to the 2017 APJSCC meeting, Practical Cooperation Areas (PCA) for mutual benefit were identified through the Sectoral Dialogue Partnership for the period 2019-2021. These included countering terrorism, economic cooperation, food and agriculture, science, technology and innovation, information and communication technology, tourism, disaster management, culture, human resource development, connectivity and narrowing the development gap and initiative for ASEAN integration. The period was later extended till 2023.
- 2024** Sectoral Dialogue Partnership: Practical Cooperation Areas (2024-2028) is adopted to replace the previous version.

Despite being engaged with ASEAN since the nineties, Pakistan's relationship with the region never matured like India which got the Full Dialogue Partner (FDP) status and a Free Trade Agreement. The country's FDP status remains blocked by the Philippines and Vietnam due to the South China Sea conflict and Pakistan's long known support for China. Singapore has also objected under Indian influence.

3.2 Exploring Bilateral Trade

Technically speaking, not having the FDP status does not impede existing trade in any way but is rather a diplomatic and symbolic move towards a more comprehensive agreement like an FTA with the bloc. But to ASEAN, Pakistan's trade is already not very significant. In 2024, it contributed to only 0.12 percent of the region's imports and 0.35 percent of the region's exports. However, to Pakistan, ASEAN is its fourth largest trade partner, behind China and the trade blocs of GCC and the EU.

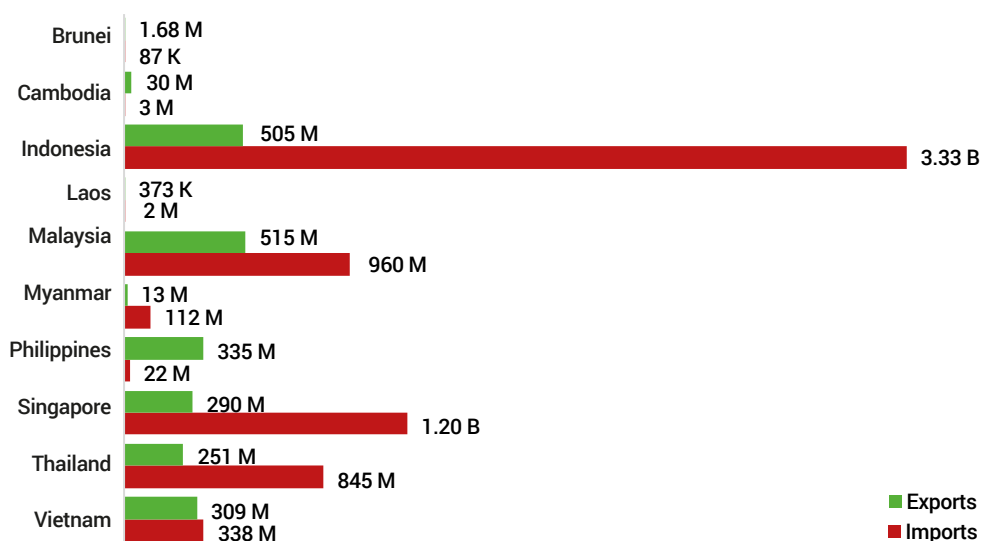
Figure 17: The Importance of ASEAN in Pakistan's Trade Portfolio



Source: ITC Trade Map. Pakistan's reported values are used throughout this section

Unfortunately, in terms of exports, ASEAN ranks sixth, even behind the South Asian Association for Regional Cooperation (SAARC) which shows how the region was never taken seriously as an export destination in policy making. Pakistan also runs a massive deficit of 4.56 billion USD with ASEAN, with Indonesia responsible for 60 percent of it followed by Singapore (20%) and Thailand (13%).

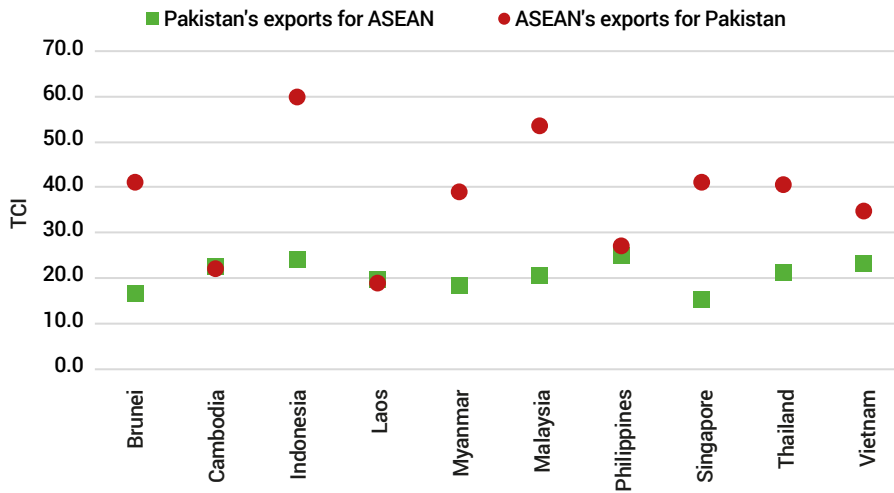
Figure 18: Pakistan's Trade with ASEAN Members in 2024



Source: ITC Trade Map. Note: Pakistan has no imports from Timor-Leste while its exports in 2024 were 8.3 billion USD

One explanation for the deficit could be the gap in the Trade Complementarity Index (TCI) which measures how well the export profile of a country matches the import needs of its partner. A higher score means better complementarity and the figure below shows how ASEAN's exports are relatively more aligned with the imports of Pakistan but it's not the case the other way around. Pakistan's TCI values are very low, hovering between 15 and 25 for all members, the highest being for the Philippines.

Figure 19: Trade Complementarity between Pakistan and ASEAN members in 2023

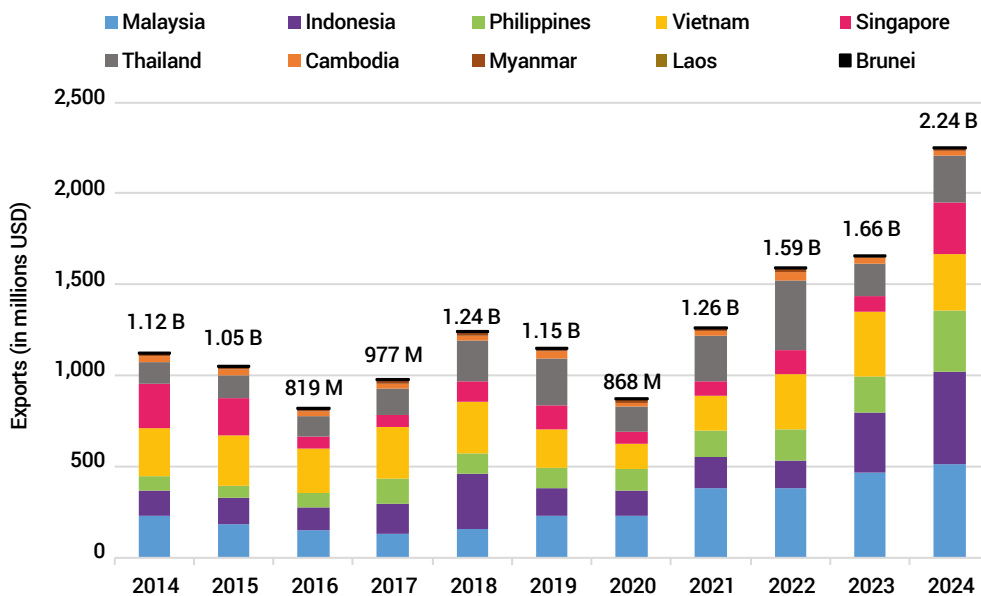


Source: World Bank Group. Note: Data for Timor-Leste is not available

Cambodia, Laos and the Philippines are some exceptions that have low or comparable TCI with Pakistan. This is then reflected in the fact that their exports are also low and in fact Cambodia and the Philippines are the few members alongside Brunei that Pakistan actually has a trade surplus with. In general TCI acts as a good indicator for judging the trade balance. Thus, if moving towards an FTA, the risk of running into an even larger deficit will always loom given the noticeable trade complementarity gap that exists with 7 out of the 10 members.

Within ASEAN, exports are spread within the six highest GDP members with Malaysia and Indonesia accounting for almost half, and the shares being split between the Philippines, Vietnam, Singapore and Thailand. Exports to Brunei, Cambodia, Laos and Myanmar have been minimal, accounting for less than 2 percent of all exports. The potential these markets hold need to be reconsidered.

Figure 20: How Pakistan's Exports are Concentrated Between ASEAN-5 and Vietnam



Source: ITC Trade Map. Note: Shares in 2024 are as follows: Malaysia (23%), Indonesia (22%), the Philippines (15%), Vietnam (14%), Singapore (13%), Thailand (11%), Cambodia (1.3%), Myanmar (0.56%), Brunei (0.07%) and Laos (0.02%)

A boost in rice exports to Indonesia and the Philippines, mineral fuels to Singapore and sugar to Thailand has led to their respective shares jumping between 2023 and 2024. The table below gives an overview of Pakistan's top 24 exports and the figure following it breaks down the exports by member country at HS-04.

Table 8: Pakistan's Top 24 Exports to ASEAN in 2024

Product code	Product label	Pakistan's Exports (in millions USD)			Share in Total Exports	CAGR (2022- 2024)	Share of ASEAN in Pakistan's Global Exports
		2022	2023	2024			
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	209.1	465.9	781.1	34.7%	55.2%	24.0%
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	-	12.9	194.2	8.6%	-	41.4%
100590	Maize (excl. seed for sowing)	177.9	252.8	183.5	8.2%	1.1%	63.6%
270900	Petroleum oils and oils obtained from bituminous minerals, crude	247.7	-	67.6	3.0%	-35.1%	100.0%
170199	Cane or beet sugar and chemically pure sucrose, in solid form (excl. cane and beet sugar containing ...	-	19.3	66.6	3.0%	-	19.5%
070310	Fresh or chilled onions and shallots	15.0	31.1	59.2	2.6%	58.0%	27.0%
100640	Broken rice	40.7	54.8	54.6	2.4%	10.3%	10.2%
300439	Medicaments containing hormones or steroids used as hormones but not antibiotics, put up in ...	44.3	39.7	42.4	1.9%	-1.4%	28.7%
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	46.7	35.0	41.9	1.9%	-3.6%	14.7%
220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	65.6	43.8	38.2	1.7%	-16.5%	13.0%
030354	Frozen mackerel "Scomber scombrus, Scomber australasicus, Scomber japonicus"	27.0	25.8	30.9	1.4%	4.6%	97.5%
030743	Cuttle fish and squid, frozen, with or without shell	34.6	37.9	26.1	1.2%	-9.0%	42.8%
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated or ...	15.6	2.4	25.2	1.1%	17.3%	58.3%
240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	5.3	18.4	21.0	0.9%	58.2%	20.1%
521142	Denim, containing predominantly, but < 85% cotton by weight, mixed principally or solely with ...	10.2	13.9	19.3	0.9%	23.6%	16.2%
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	20.1	15.5	17.8	0.8%	-3.9%	8.8%
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m ² , made of yarn of different ...	16.2	12.0	17.4	0.8%	2.4%	3.4%
411310	Leather further prepared after tanning or crusting "incl. parchment-dressed leather", of goats ...	19.3	14.5	17.1	0.8%	-3.9%	46.6%
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	16.0	17.3	16.8	0.7%	1.8%	3.8%
620322	Men's or boys' ensembles of cotton (excl. knitted or crocheted, ski ensembles and swimwear)	15.1	13.0	16.7	0.7%	3.3%	0.8%
841199	Parts of gas turbines, n.e.s.	6.4	6.8	16.5	0.7%	37.1%	54.1%
701090	Carboys, bottles, flasks, jars, pots, phials and other containers, of glass, of a kind used ...	2.8	1.5	13.6	0.6%	69.2%	90.2%
410712	Grain splits leather "incl. parchment-dressed leather", of the whole hides and skins of bovine ...	20.7	16.8	13.0	0.6%	-14.3%	26.4%
520932	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m ² , in three-thread ...	27.4	13.0	12.5	0.6%	-23.1%	10.0%

Source: ITC Trade Map. Note: Negative growth rates are shaded in red.

Key Takeaways

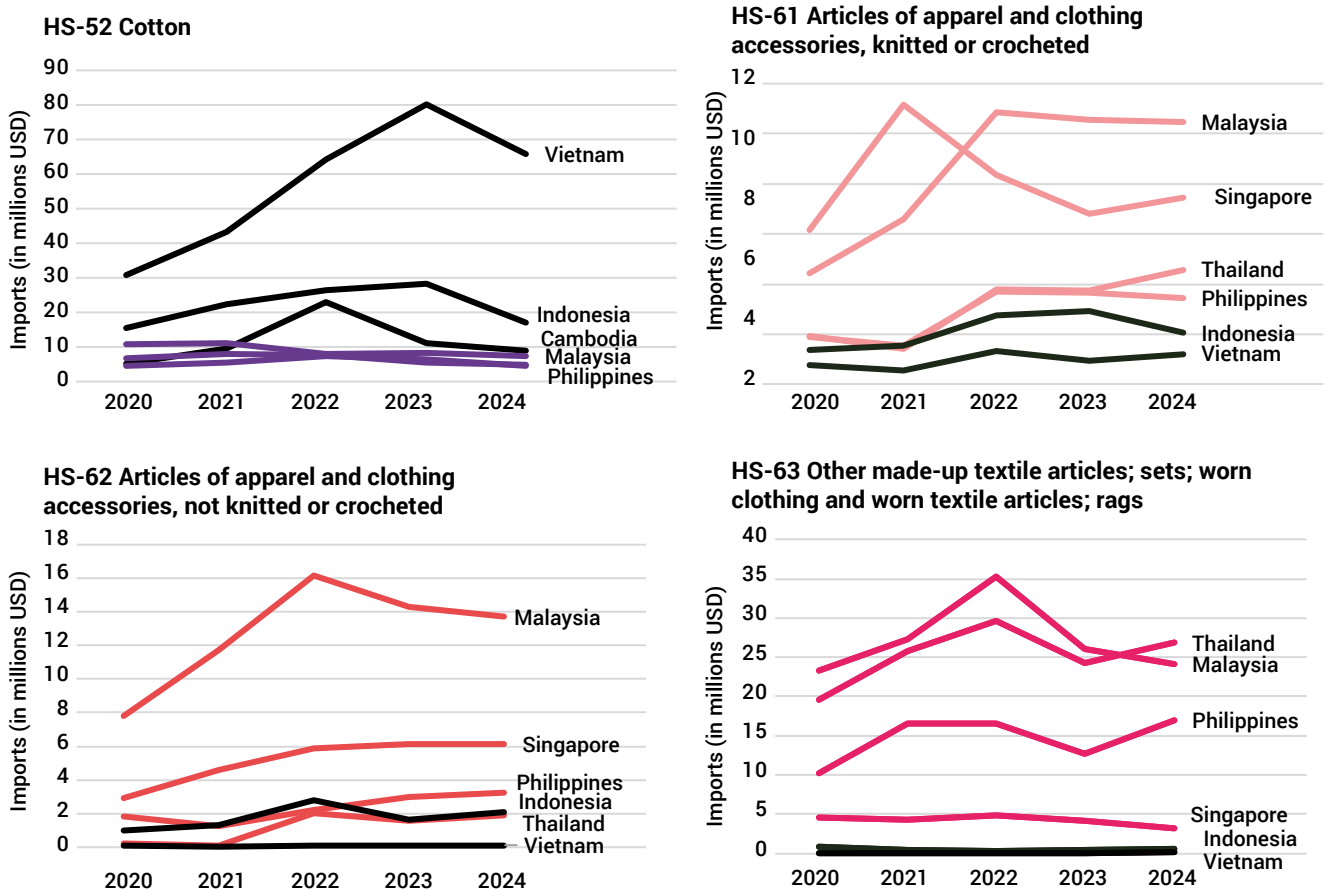
1) Pakistan's Export Profile for ASEAN Members is not Homogenous.

Rice and maize exports are dominant in Indonesia, Malaysia and the Philippines. Maize, leather goods and intermediate cotton goods are leading in Vietnam. Petroleum products account for close to 75 percent of exports to Singapore while Thailand is the leading destination for sugar, seafood and worn clothing. Exports to Cambodia, Myanmar and Laos are predominantly pharmaceuticals. This indicates that a lumped-up approach for policy might not hold and the point below is an example of that.

2) The Trend in Textiles

A noteworthy observation is how textile strongholds like Indonesia and Vietnam mostly import raw or intermediate cotton goods like denim, yarn and woven fabric to feed into their industries and as in the case of Chinese exports, rank lower for apparel and other ready-made textiles. But this doesn't hold true for other members who still import garments and home-textiles and thus would prove to be more viable markets for Pakistan. The figure below demonstrates these differences:

Figure 22: How Major Textile Producers in ASEAN Import Intermediate Cotton Goods over Garments and Home-textiles

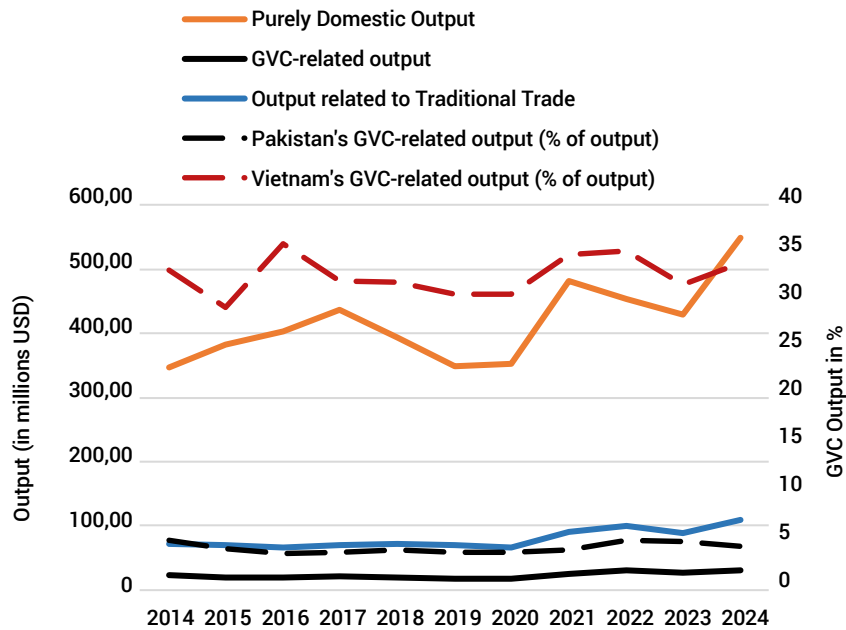


Source: ITC Trade Map.

3) The Long-standing Case for Diversification

Pakistan has historically been criticized for its reliance on agricultural goods and textiles and although that's still the case with regards to the countries above, there have also been a move towards halal meat, seafood, pharmaceuticals and ethanol. The problem is not the lack of diversity in exports but rather the lack of sophistication¹⁸ where innovation, design and branding could really help some products like surgical goods take off in the global market. And it's difficult to attain complexity without value-addition and participation in GVCs. The figure below shows how Pakistan's GVC output has remained stagnant over the years.

Figure 23: Pakistan's Stagnant Participation in Global Value Chains Over the Years



Source: WITS, Asian Development Bank

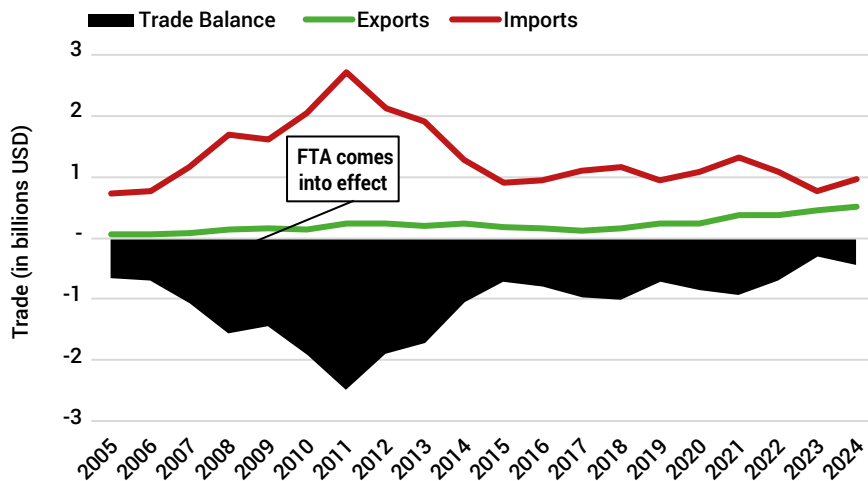
Some reasons why GVC output is so low as compared to highly integrated Vietnam is Pakistan's protectionist policies on import duties. Inputs are forced to be sourced from within the country which have made some manufacturing sectors like that of man-made fiber apparels thoroughly uncompetitive. These will be discussed further in the import potential section.

¹⁸"Positioning Pakistan for Integration with Regional Comprehensive Economic Partnership (RCEP)."

3.3 Pakistan and Malaysia FTA: An Early Example of an ASEAN Success?

The Malaysia Pakistan Closer Economic Partnership Agreement (MPCEPA) is one of Pakistan's more comprehensive FTAs covering not just trade in goods, but trade in services and investments as well. It came into effect in 2008 and offered concessions on 10,593 tariff lines to Pakistan and 6,803 to Malaysia. As of 2024, 79 percent of the lines have zero tariffs for Pakistan while for Malaysia 44.6 percent are tariff-free.

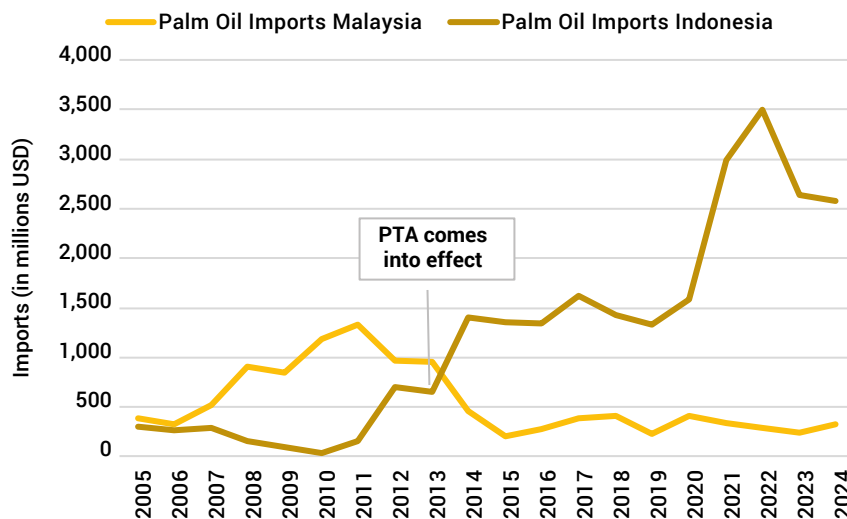
Figure 24: Pakistan's Trade Deficit with Malaysia



Source: ITC Trade Map

Immediately as the FTA came into effect, exports jumped by 56.7 million in 2007 to 138 million in 2008. Following that growth was steady with a CAGR of 6.76 percent from 2008 to 2013 but was succeeded by continuously falling exports between 2014 and 2017. The highest growth has come in the last five years where exports have grown by 17 percent to the highest ever of 515 million in 2024.

Figure 25: How the PTA with Indonesia reduced Palm Oil Imports from Malaysia



Source: ITC Trade Map

Pakistan's largest import from Malaysia is palm oil which got a Margin of Preference (MoP) of 15 percent by 2010. But when Pakistan entered into its PTA with Indonesia in 2013 with the same MoP on palm oil, coupled with lower import duties on crude palm oil, its imports shifted to Indonesia, automatically reducing the trade deficit with Malaysia. Malaysian palm oil has become more expensive to import given their 10 percent export tax on crude palm oil and palm kernel.

The table below shows the composition of the top 24 exports to Malaysia. These constitute 87 percent of Pakistan's exports which can help us evaluate the success of the trade agreement.

Table 9: Pakistan's Top 24 Exports to Malaysia in 2024

Product code	Product label	Exports 2024 (in millions USD)	Share in Exports	CAGR		Tariff Rate	
				Since 2008	Since 2020	Before FTA (2007)	Current (2025)
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	230.20	44.66%	14.30%	30.65%	40.00%	0.00%*
070310	Fresh or chilled onions and shallots	51.26	9.94%	22.49%	4.61%	0.00%	0.00%
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	25.35	4.92%	-	-	1.25%	0.00%
270900	Petroleum oils and oils obtained from bituminous minerals, crude	24.71	4.79%	-	2.35%	3.33%	0.00%
100590	Maize (excl. seed for sowing)	23.01	4.46%	4.12%	73.40%	0.00%	0.00%
620322	Men's or boys' ensembles of cotton (excl. knitted or crocheted, ski ensembles and swimwear)	9.82	1.91%	43.98%	11.88%	20.00%	0.00%
070190	Fresh or chilled potatoes (excl. seed)	8.80	1.71%	7.99%	0.16%	0.00%	0.00%
100640	Broken rice	8.11	1.57%	4.77%	52.10%	40.00%	0.00%*
261900	Slag, dross, scalings and other waste from the manufacture of iron or steel (excl. granulated ...	7.23	1.40%	-	-	0.00%	0.00%
260111	Non-agglomerated iron ores and concentrates (excl. roasted iron pyrites)	6.50	1.26%	-	-	0.00%	0.00%
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excl. ...	6.03	1.17%	2.01%	9.52%	20.00%	0.00%
030617	Frozen shrimps and prawns, even smoked, whether in shell or not, incl. shrimps and prawns in ...	5.12	0.99%	-	18.61%	0.00%	0.00%
350300	Gelatin, whether or not in square or rectangular sheets, whether or not surface-worked or coloured, ...	4.98	0.97%	5.94%	25.27%	15.00%	0.00%
251020	Natural calcium phosphates and natural aluminium calcium phosphates, natural and phosphatic ...	4.82	0.93%	-	48.09%	0.00%	0.00%
630231	Bedlinen of cotton (excl. printed, knitted or crocheted)	4.73	0.92%	0.43%	-5.10%	20.00%	0.00%
030389	Frozen fish, n.e.s.	4.70	0.91%	-	22.65%	0.00%	0.00%
551511	Woven fabrics containing predominantly, but < 85% polyester staple fibres by weight, mixed ...	4.10	0.79%	-	-	10.00%	0.00%
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	3.55	0.69%	-	0.36%	0.00%	0.00%
630239	Bedlinen of textile materials (excl. of cotton and man-made fibres, printed, knitted or crocheted)	3.45	0.67%	6.70%	-8.60%	20.00%	0.00%
780110	Unwrought lead, refined	3.07	0.59%	40.05%	-	0.00%	0.00%
520622	Single cotton yarn containing predominantly, but < 85% cotton by weight, of combed fibres and ...	2.84	0.55%	14.68%	-7.67%	10.00%	0.00%
220720	Denatured ethyl alcohol and other spirits of any strength	2.42	0.47%	6.66%	6.55%	15.64%	18.71%
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	2.37	0.46%	6.75%	10.45%	0.00%	0.00%
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	2.16	0.42%	24.80%	12.37%	20.00%	0.00%

Source: ITC Trade Map, ITC MacMap, Author's calculations. Notes: CAGR for goods with zero exports in either years cannot be calculated. Tariffs shaded in green means they were reduced in any period following the FTA or are zero, yellow means they remained the same, and red means they increased. The average tariff rate is mentioned for goods with more than one tariff lines at the 6-digit level.

*Due to the tax exemption given to Malaysia's sole rice importer, Bernas, no tariffs are applicable on any exporting country

Key Takeaways Regarding the FTA:

1) Raw Materials or Unprocessed Goods Constitute the Bulk of Exports

Other than a few fully-finished textile goods like towels and bedsheets which are used in Malaysia's hospitality sector, men's apparels, and surgical instruments, all of Pakistan's exports consist of either agricultural goods or raw materials for industrial use. This again poses a problem of low export of value-added goods that is then reflected in the low export values.

2) Tariff Concessions have Worked in Pakistan's Favor

22 out of the top 24 exports have zero tariffs and 10 out of the 24 got their tariffs reduced as a result of the FTA or negotiations that took place after the FTA was signed. This is an indication that policy making was in the right direction for Malaysia's case. Even better are the concessions on multiple ready-made apparel and home textiles which were all cut from 20 percent to zero. In 2024 these accounted for 5.77 percent of Pakistan's exports and have potential to increase since Malaysia is not an ASEAN member with a stronghold in the textile sector. But these concessions still remain heavily underutilized. Removing cereals, vegetables and mineral fuels, Pakistan's exports shrink to only 142 million USD which is concerning and suggests that an alternate route for export-led growth should be taken.

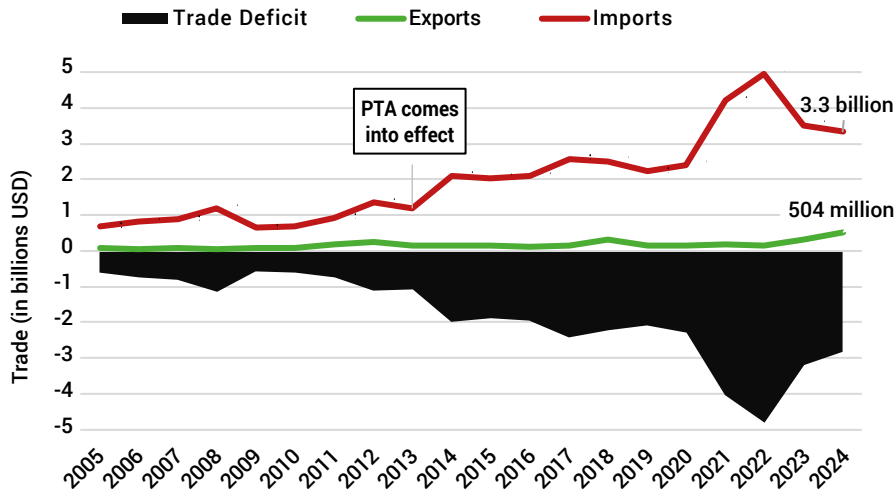
An Insight into Malaysia's Halal Meat Market

Bovine meat imports are worth 670 million USD in Malaysia, the largest segment of which is boneless buffalo meat, coming primarily from India at prices under \$4 per kg which Pakistan is unable to compete with (the price offered for cow-boneless in Malaysian market is \$6-7.5 and for cow bone-in its \$7-11). Bone-in meat fetches a higher price than boneless meat in the Malaysian market but Pakistan cannot export it due to it still being on stage 2 of Foot-and-Mouth Disease (FMD) whereas competitors like Australia and New Zealand are disease-free (India also cannot export but still has better disease control being in stage 4). Pakistan only exported 38,000 USD worth of boneless bovine meat to Malaysia in 2024 and on a broader level, of a 3 trillion USD global Halal food market it has a sliver of only 0.25 percent share. Although MoUs on halal certification have been signed, and the target of 200 million USD in halal meat exports over the coming years has been set, achieving results will depend on how well disease control measures are implemented along with the cold-processing infrastructure. But in the long-run, reducing the costs of animal feed, improving cattle genetics for better weight gain and reducing early culling practices will ultimately make prices more competitive.

3.4 Pakistan and Indonesia: A PTA that Leaves More to be Desired

Indonesia is Pakistan's largest trading partner in South East Asia with trade amounting to 3.8 billion in 2024. Both countries signed a Comprehensive Economic Partnership Agreement (CEPA) in 2005 followed by a Preferential Trade Agreement (PTA) in 2012 that came into effect the next year. A PTA provides tariff concessions on a limited number of goods as compared to an FTA where almost all goods, except those on the sensitive or exclusion list, have zero or very low tariffs. As of 2024, 13 percent of the tariff lines offered by Indonesia and 29.7 percent from Pakistan have zero tariffs.

Figure 26: Pakistan's Glaring Trade Deficit with Indonesia



Source: ITC Trade Map. Note: Pakistan's reported values are used throughout this section

Given the religious and cultural similarities and the large market sizes, the PTA was signed with an enthusiasm of being converted into a full FTA. However, the former has failed to materialize for Pakistan with exports to Indonesia barely increasing following 2013, and the largest growth coming only between 2022-2024 where it jumped from 155 to 504 million that too due to rice shortages in Indonesia. Meanwhile imports have ballooned leaving Pakistan with a deficit of 2.8 billion in 2024. Hence on paper trade with Indonesia is large but only 13 percent of it constitutes Pakistan's exports. The top 24 exports are listed in the table below:

Pakistan's exports to Malaysia and Indonesia in 2024 were almost the same but with the latter it has a trade deficit that is more than 6 times larger than Malaysia's, primarily driven by substantial quantities of palm oil.

Table 10: Pakistan's Top 24 Exports to Indonesia in 2024

Product code	Product label	Exports 2024 (in millions USD)	Share in Total Exports	CAGR		Tariff Rate	
				Since the PTA (2013)	Since the PTA review (2018)	Before PTA (2011)	Current (2025)
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	388.5	76.98%	39.60%	21.51%	9.25%	4.01%
100640	Broken rice	20.0	3.97%	0.05%	-0.87%	16.18%	0.00%
240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	11.7	2.32%	22.58%	34.17%	5.00%	4.17%
220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	8.3	1.65%	15.95%	-	30.00%	0.00%
520932	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m ² , in three-thread ...	6.4	1.27%	-6.41%	-6.06%	10.00%	10.00%
251020	Natural calcium phosphates and natural aluminium calcium phosphates, natural and phosphatic ...	4.9	0.96%	-	-	0.00%	0.00%

Product code	Product label	Exports 2024 (in millions USD)	Share in Total Exports	CAGR		Tariff Rate	
				Since the PTA (2013)	Since the PTA review (2018)	Before PTA (2011)	Current (2025)
080521	Fresh or dried mandarins incl. tangerines and satsumas (excl. clementines)	4.4	0.88%	-	-8.16%	20.00%	0.00%
030353	Frozen sardines "Sardina pilchardus, Sardinops spp.", sardinella "Sardinella spp.", brisling ...	4.1	0.82%	36.36%	25.35%	5.00%	5.00%
411310	Leather further prepared after tanning or crusting "incl. parchment-dressed leather", of goats ...	3.8	0.76%	3.71%	3.23%	0.00%	0.00%
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m ² , made of yarn of different colours	3.8	0.75%	36.95%	18.36%	10.00%	0.00%
100590	Maize (excl. seed for sowing)	3.4	0.68%	-3.20%	-	5.00%	5.00%
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	2.7	0.53%	15.05%	7.49%	5.00%	6.00%
080529	Fresh or dried wilkings and similar citrus hybrids	2.7	0.53%	-	-19.63%	20.00%	0.00%
410712	Grain splits leather "incl. parchment-dressed leather", of the portions, strips or sheets of ...	2.4	0.48%	3.90%	-1.43%	0.00%	0.00%
400400	Waste, parings and scrap of soft rubber and powders and granules obtained therefrom	2.0	0.39%	25.42%	25.05%	5.00%	5.00%
350510	Dextrins and other modified starches, e.g. pregelatinised or esterified starches	1.5	0.29%	-	5.50%	5.00%	5.00%
520939	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m ² , dyed (excl. ...	1.4	0.29%	2.24%	9.72%	10.00%	10.00%
620322	Men's or boys' ensembles of cotton (excl. knitted or crocheted, ski ensembles and swimwear)	1.4	0.28%	36.58%	13.29%	15.00%	23.75%
701090	Carboys, bottles, flasks, jars, pots, phials and other containers, of glass, of a kind used ...	1.4	0.28%	33.55%	28.41%	5.00%	5.00%
160510	Crab, prepared or preserved (excl. smoked)	1.1	0.23%	-	-	5.00%	15.00%
551511	Woven fabrics containing predominantly, but < 85% polyester staple fibres by weight, mixed principally or solely with viscose staple fibres	1.1	0.22%	-	-	10.00%	10.00%
240110	Tobacco, unstemmed or unstripped	1.1	0.21%	24.69%	-	5.00%	4.00%
551412	Woven fabrics containing predominantly, but < 85% polyester staple fibres by weight, mixed principally or solely with cotton and weighing > 170 g/m ² , in three-thread or four-thread twill, incl. cross twill, unbleached or bleached	1.0	0.20%	-	-	10.00%	5.00%
410792	Grain splits leather "incl. parchment-dressed leather", of the portions, strips or sheets of hides and skins of bovine "incl. buffalo" or equine animals, further prepared after tanning or crusting, without hair on (excl. chamois leather, patent leather and patent laminated leather, and metallised leather)	1.0	0.20%	-4.20%	-8.81%	0.00%	0.00%

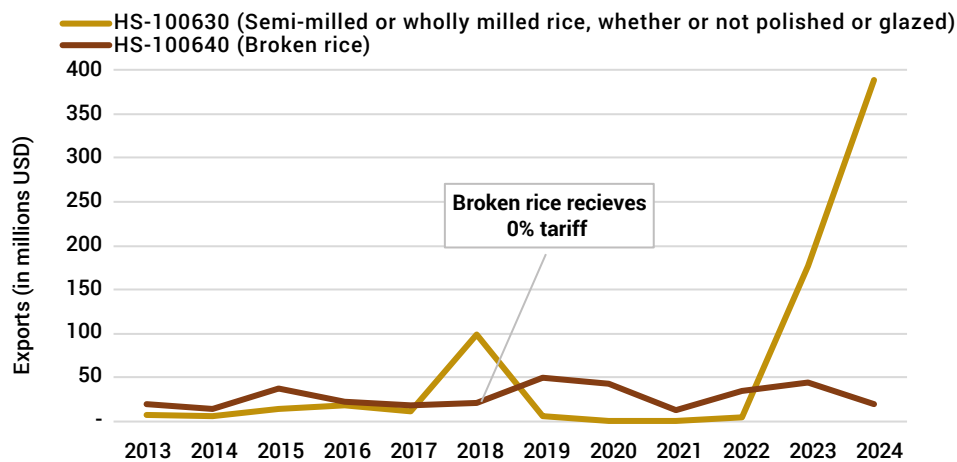
Source: ITC Trade Map, ITC MacMap, Author's calculations. Notes: CAGR for goods with zero exports in either years cannot be calculated. Tariffs shaded in green means they were reduced in any period following the PTA or are zero, yellow means they remained the same, and red means they increased. The average tariff rate is mentioned for goods with more than one tariff lines at the 6-digit level.

Key Takeaways:

1) Rice Exports are Pulling all the Weight

Almost 81 percent of the entire export base hinges on rice which is problematic not just because it's a low value-added product but because of the erratic nature of the crop. Its export is purely dependent on how well the harvest has been in Indonesia; if it has been below the target due to weather disruptions then Indonesia imports it, otherwise imports remain low. The figure below shows how exports have been inconsistent with sluggish growth and a sudden sharp boost in the last two years. Tariffs play no role over here because the same rate of 4.01 percent is applied to competitors like Thailand and Vietnam.

Figure 27: Pakistan's Rice Exports to Indonesia since the PTA

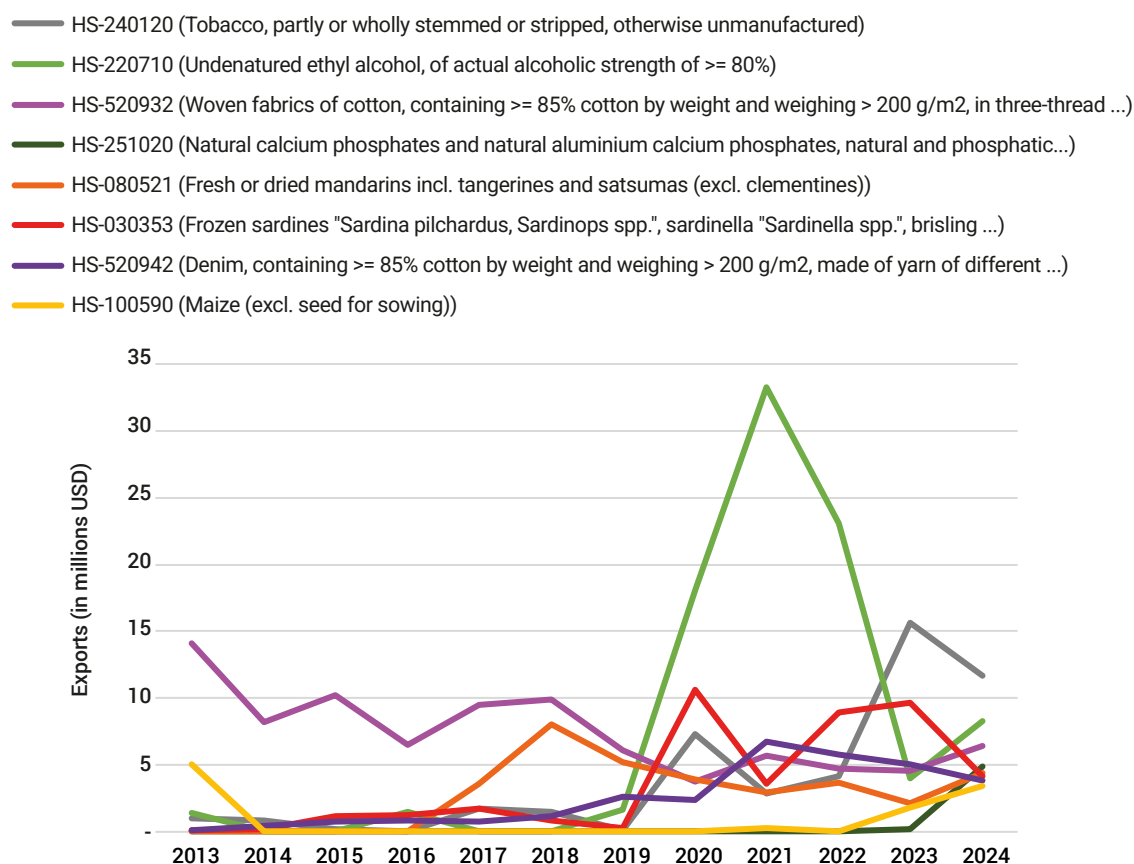


Source: ITC Trade Map

2) The Growth in Rest of the Top Exports hasn't been Maintained

The 2018 PTA review also lifted the quota on kinnow exports to Indonesia and it was expected to increase by 60,000 tons. However, as the figure below shows exports faltered afterwards with a CAGR of -8.16 percent, despite having a zero tariff. Similarly, the review offered a zero rate on the export of mangoes but Pakistan failed to capitalize and has exported none to Indonesia since.

Figure 28: The Inconsistency in Pakistan's Top Exports to Indonesia



Source: ITC Trade Map

Other products like ethyl alcohol and frozen sardines have also experienced sharp increases followed by drops that shows how a clear plan is missing on not just increasing but even maintaining a certain level of exports. One possible reason stems from supply-side issues; the main one being not having the relevant certifications to meet SPS standards especially for fruits like kinnow.

3) There Exists a Mismatch of Tariff Concessions

Out of the top 24 exports, only 9 have received tariff concessions during or in a period after the PTA and only 9 of them have zero-tariffs. This exposes a flaw in policy making where preferential treatment is not maximised for the right set of Pakistan's exports. Higher concessions should have been negotiated for seafood items like HS-030353 (**Frozen sardines "Sardina pilchardus, Sardinops spp.", sardinella "Sardinella spp.", brisling ...**) for which tariffs have remained constant at 5 percent, and HS-160510 (**Crab, prepared or preserved (excl. smoked)**) for which it has actually increased to 15 percent. Looking as a whole at the seafood exports (HS-03), out of the 396 tariff lines, only 9 percent have a zero tariff.

In the case of textiles however there was no mismatch and the 2018 PTA review gave Pakistan huge tariff concessions on a number of garment and home textile tariff lines in which Pakistan has massive global exports. However as the table below shows these have also failed to materialize with dwindling exports.

One explanation for this is the intense competition from China. Just logistically speaking, China's position in the east makes shipping costs considerably lower than that of Pakistan's. It is further compounded by the undocumented textile trade that enters Indonesia illegally, filling the demand gap.

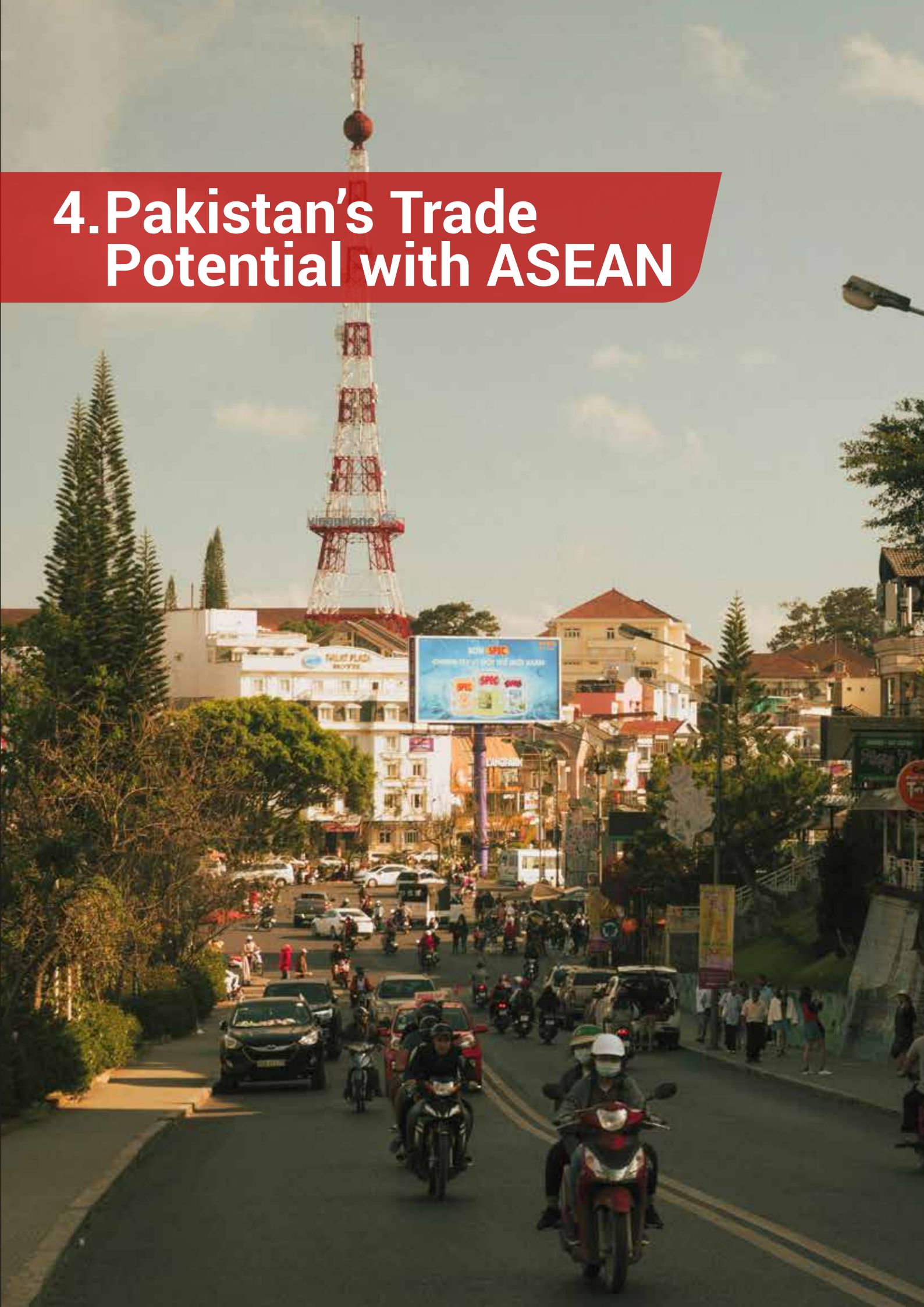
Table 11: The Impact of the 2018 PTA Concessions on Textile Exports to Indonesia

Product Code at HS-08	Product label	MFN rate	Offer to Pakistan	Pakistan's Exports to Indonesia Following the Concessions (in thousands USD)							Pakistan's World Exports in 2024
				2018	2019	2020	2021	2022	2023	2024	
Cotton Exports											
52051200	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear . . .	7.50%	0%	794	555	322	3,068	3,099	1,121	271	335,596
52052300	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear . . .	7.50%	0%	52	50	23	207	970	181	964	10,503
52094200	Denim, containing >= 85% cotton by weight and weighing > 200 g/m ² , made of yarn of different . . .	10%	0%	1,164	2,572	2,362	6,773	5,761	5,068	3,788	508,805
52114200	Denim, containing predominantly, but < 85% cotton by weight, mixed principally or solely with . . .	10%	0%	265	1,886	670	611	372	933	503	118,522
Apparel and Home Textile Exports											
61102000	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted . . .	25%	0%	74	87	66	60	60	62	44	87,194
62046200	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excl. knitted or crocheted, panties and swimwear)	25%	0%	0	32	6	0	74	0	12	212,840
63021000	Bedlinen, knitted or crocheted	25%	0%	57	24	0	0	0	0	0	516,498
63026000	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excl. floorcloths, polishing cloths, dishcloths and dusters)	25%	0%	0	31	24	15	0	0	11	1,085,441

Source: ITC Trade Map, Pakistan Ministry of Commerce

Concessions were also granted on some HS-52 (**Cotton**) goods and they have yielded relatively promising results. More can be negotiated as they're intermediate goods with high possibilities of value-addition. Currently HS-520932 (**Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m², in three-thread ...**) and HS-520939 (**Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m², dyed (excl. ...)**) have unchanged tariffs of 10 percent since the PTA was signed and contribute to only 1.5 percent of Pakistan's exports.

4. Pakistan's Trade Potential with ASEAN



4. Pakistan's Trade Potential with ASEAN

4.1 Setting the Framework for Maximizing Exports

1) The Export Product Dynamics Matrix

To identify the products which should be pushed given the ASEAN market dynamics, we will take inspiration from the infamous Growth-Share matrix created by the Boston Consulting Group (BCG) in 1970.

Figure 29: The BCG Matrix

		THE MATRIX Market Share	
		HIGH	LOW
Growth	HIGH	★ STAR	? QUESTION MARK
	LOW	\$ CASH COW	X PET

Source: Boston Consulting Group

The matrix is constructed on the basis of two aspects: a firm's **market share** and product **growth rate**. The former is an indicator of competitiveness, leadership and cost advantage through scale while the latter shows the promise of high returns and the ease of establishment¹⁹. Based on this, products are placed into the four quadrants with the ideal being stars (high share, high growth) and least desirable being pets (low share, low growth).

Nabi and Luthria (2002) amended this for the context of trade by labelling a country's exports with a growing market share as **competitive** and a growing product market in world trade as **dynamic**. Based on the same principles as the BCG matrix, rising market shares were considered a sign of higher global integration, while a growing product market indicated the ease of returns. The Export Product Dynamics (EPD) matrix is shown in the figure below.

Figure 30: The Export Product Dynamics Matrix

Share of a Country's Exports in World Trade	Share of Product in World Trade	
	Falling (Stagnant)	Rising (Dynamic)
Rising (competitive)	Falling Stars	Rising Stars
Falling (non-competitive)	Retreat	Lost Opportunity

Source: Nabi and Luthria (2002)

¹⁹BCG Classics Revisited: The Growth Share Matrix., Esterhuizen, D. (2006)

- **Rising Stars** are the most desirable as it shows that a country is gaining market share for a product that is also high in demand. They are an indicator for positive future growth.
- **Lost Opportunity (question marks)** are a point of concern as it shows a country is losing market share in a high-growth product. These need to be urgently converted into rising stars through investment and policy support.
- **Falling Stars (cash cows)** are somewhat better because a country has a high market share albeit in a product with low demand.
- **Retreat (pets)** are the least desirable with low product demand and low market share.

This mechanism will allow us to identify how well exports are performing in ASEAN and which ones should be pushed for concessions as part of a possible FTA. Some important details to note regarding the version of our matrix are:

1. The matrix will have ASEAN's global imports of a product on the x-axis and Pakistan's export of that particular product to ASEAN on the y-axis²⁰. The former acts as an indicator of demand under the fair assumption that ASEAN would actively import products in large quantities that are also growing in demand. The latter is parallel to high market share i.e. the products that Pakistan is exporting in high value are also the ones Pakistan has a high market share in based on the theory of comparative advantage.
2. A three-year average of both ASEAN's imports and Pakistan's exports are taken to avoid any fluctuations
3. To avoid possibilities of scale manipulation the dividing point for each quadrant is taken as an average of the export/import of the group, removing outliers. This is specified in literature by Nabi and Luthria (2002) who concluded that an "export product is considered "dynamic" in world trade if its market share is growing faster **than the average for all products**".
4. All products with an export value of more than 5 million USD and an export potential of more than 50 million USD in 2024 were chosen for 'current export' analysis. Others will be identified in the potential exports section. Export potential is calculated by the formula below and proves helpful for judging a theoretical gap in exports.

Export Potential of Good x

= MIN (Pakistan's Export of Good x to the world, ASEAN's Import of Good x from the world)
– Pakistan's current export of Good x to ASEAN

2) Bilateral Revealed Comparative Advantage (BRCA)

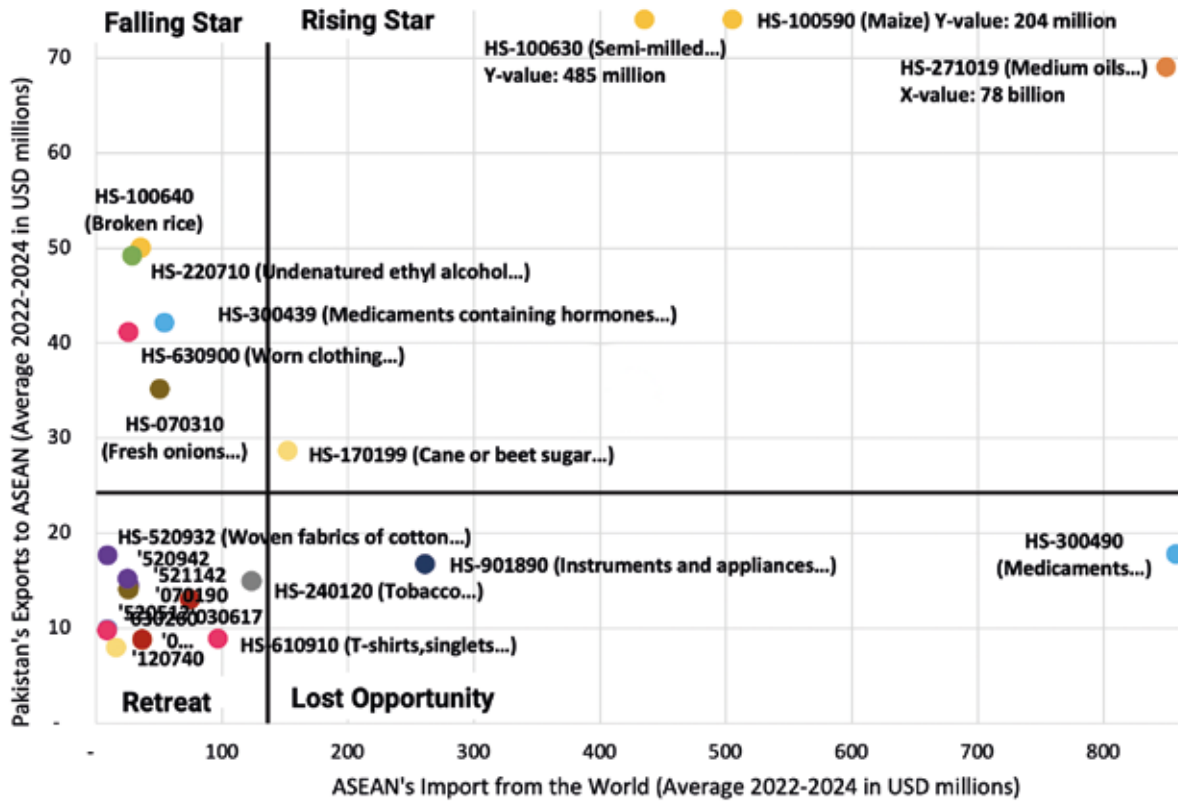
RCA is widely used to judge how strong the position of a country is in a market by taking the ratio of a country's share in exports of a good to that market, relative to its total exports and the share of the world's export of that good to that market relative to the world's total exports. An RCA greater than 1 signals a comparative advantage while less than 1 shows a comparative disadvantage.

$$BRCA \text{ of Good } x \text{ in ASEAN} = \left(\frac{\text{Pakistan's Export of Good } x \text{ to ASEAN}}{\text{Pakistan's Total Exports to ASEAN}} \right) \left(\frac{\text{The World's Total Exports to ASEAN}}{\text{The World's Export of Good } x \text{ to ASEAN}} \right)$$

²⁰The EPD matrix has been used in literature by Yulhar and Darwanto (2019), Prasetyani et al. (2020) and Ikasari (2024) for the competitiveness of different Indonesian commodity exports in multiple countries. They employed the growth rate of market share and growth rate of a country's total export share on the axes. Since our analysis is based on ASEAN as a whole rather than separate countries, the total export share would remain constant for all products, and thus we've simplified it to the above.

4.2 The Competitiveness of Pakistan's Current Exports

Figure 31: EPD Matrix for Pakistan's Current Exports to ASEAN



Source: ITC Trade Map, Author's Calculations

Table 12: The State of Pakistan's Current Exports to ASEAN in 2024: Rising Stars, Falling Stars, Lost Opportunities and Retreat Exports

HS-code	Product label	PAK Exports (in millions USD)	ASEAN market size (in millions USD)	Pak market share	CAGR of ASEAN's World Imports (2022-2024)	BRCA	Top 3 competitors' market share	Top 3 Potential Export Destinations in ASEAN		
								Global Market Share	MFN Tariff	Tariff for PAK
Rising Stars										
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	194.2	73,777.2	0.3%	-5.4%	2	Malaysia (16%) Singapore (14%) South Korea (12%)	Singapore (44%) Malaysia (18%) Indonesia (10%)	0.00% 0.29% 1.47%	0.00% 0.00% 1.47%
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	781.1	6,325.7	12.3%	41.2%	103	Vietnam (47%) Thailand (22%) Pakistan (12.3%)	Indonesia (39%) Philippines (36%) Malaysia (17%)	4.01% 35.00% 40.00%	4.01% 35.00% 0.00%*
100590	Maize (excl. seed for sowing)	183.5	5,245.3	3.5%	0.2%	29	Argentina (47%) Brazil (30%) Myanmar (12%)	Vietnam (57%) Malaysia (12%) Thailand (11%)	11.33% 0.00% 43.40%	11.33%* 0.00% 43.40%
170199	Cane or beet sugar and chemically pure sucrose, in solid form (excl. cane and beet sugar containing ...)	66.6	1,396.4	4.8%	-3.5%	40	Thailand (49%) India (11%) Indonesia (9%)	Vietnam (19%) Laos (15%) Thailand (14%)	85.00% 10.00% 94.00%	85.00% 10.00% 94.00%
Lost Opportunity (Question Marks)										
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	17.8	8,704.5	0.2%	0.9%	2	Germany (13%) India (12%) United States (11%)	Vietnam (26%) Thailand (18%) Singapore (17%)	2.54% 7.93% 0.00%	2.54% 7.93% 0.00%
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	16.8	2,794.5	0.6%	5.0%	5	United States (22%) China (13%) Germany (10%)	Singapore (39%) Malaysia (15%) Indonesia (15%)	0.00% 0.00% 6.00%	0.00% 0.00% 6.00%
Falling Stars (Cash Cows)										
100640	Broken rice	54.6	490.4	11.1%	18.7%	93	Vietnam (26%) Myanmar (21%) India (21%)	Indonesia (56%) Philippines (33%) Vietnam (7%)	6.83% 35.00% 40.00%	0.00% 35.00% 40.00%
220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	38.2	242.0	15.8%	-10.9%	132	United States (19%) Indonesia (18%) Australia (17%)	Philippines (68%) Singapore (23%) Thailand (4%)	10.00% 0.00% 142.57%	10.00% 0.00% 142.57%
300439	Medicaments containing hormones or steroids used as hormones but not antibiotics, put up in ...	42.4	642.1	6.6%	10.9%	55	Germany (20%) Denmark (19%) Italy (10%)	Thailand (26%) Singapore (24%) Vietnam (22%)	10.00% 0.00% 0.00%	10.00% 0.00% 0.00%
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	41.9	268.9	15.6%	2.7%	130	Japan (35%) South Korea (19%) China (14%)	Malaysia (46%) Thailand (22%) Cambodia (19%)	0.00% 30.00% 7.00%	0.00% 30.00% 7.00%
070310	Fresh or chilled onions and shallots	59.2	543.2	10.9%	4.6%	91	China (38%) India (18%) Pakistan (10.9%)	Malaysia (60%) Singapore (11%) Indonesia (9%)	0.00% 0.00% 6.25%	0.00% 0.00% 6.25%
Retreat (Pets)										
520932	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m², in three-thread ...	12.5	92.0	13.6%	0.4%	113	China (52%) Pakistan (13.6%) Thailand (12%)	Vietnam (49%) Indonesia (35%) Thailand (13%)	12.00% 10.00% 30.00%	12.00% 10.00% 30.00%
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m², made of yarn of different ...	17.4	273.5	6.4%	1.5%	53	China (72%) Pakistan (6.4%) Vietnam (5%)	Vietnam (50%) Cambodia (37%) Indonesia (9%)	12.00% 7.00% 10.00%	12.00% 7.00% 0.00%
521142	Denim, containing predominantly, but < 85% cotton by weight, mixed principally or solely with ...	19.3	267.4	7.2%	-1.4%	60	China (79%) Vietnam (12%) Pakistan (7.2%)	Cambodia (49%) Vietnam (40%) Indonesia (8%)	7.00% 12.00% 10.00%	7.00% 12.00% 0.00%

HS-code	Product label	PAK Exports (in millions USD)	ASEAN market size (in millions USD)	Pak market share	CAGR of ASEAN's World Imports (2022-2024)	BRCA	Top 3 competitors' market share	Top 3 Potential Export Destinations in ASEAN		
								Market Share	MFN Tariff	Tariff for PAK
240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	21.0	1,429.5	1.5%	8.2%	12	Brazil (24%) China (16%) India (12%)	Indonesia (58%) Vietnam (23%) Philippines (13%)	5.00% 68.33% 7.00%	4.17% 68.33% 7.00%
070190	Fresh or chilled potatoes (excl. seed)	9.8	257.8	3.8%	-0.9%	32	China (50%) Germany (11%) India (10%)	Malaysia (39%) Vietnam (15%) Indonesia (14%)	0.00% 20.00% 20.00%	0.00% 20.00% 20.00%
030617	Frozen shrimps and prawns, even smoked, whether in shell or not, incl. shrimps and prawns in ...	10.3	585.9	1.8%	-13.2%	15	India (45%) Ecuador (12%) Argentina (11%)	Vietnam (53%) Malaysia (18%) Singapore (14%)	10.29% 0.00% 0.00%	10.29% 0.00% 0.00%
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	10.8	69.8	15.5%	-14.6%	129	India (33%) Vietnam (32%) Pakistan (15.5%)	Vietnam (38%) Thailand (30%) Indonesia (28%)	5.00% 5.00% 7.50%	5.00% 5.00% 0.00%
030389	Frozen fish, n.e.s.	8.4	319.5	2.6%	-7.8%	22	China (27%) Japan (14%) Indonesia (8%)	Vietnam (35%) Malaysia (26%) Thailand (17%)	15.00% 0.00% 0.77%	15.00% 0.00% 0.77%
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	8.6	1,036.3	0.8%	2.3%	7	China (29%) Singapore (20%) Vietnam (12%)	Malaysia (38%) Singapore (20%) Thailand (17%)	0.00% 0.00% 30.00%	0.00% 0.00% 30.00%
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excl. ...	8.8	96.3	9.1%	3.9%	76	China (72%) India (9%) Vietnam (6%)	Thailand (35%) Malaysia (28%) Singapore (17%)	30.00% 0.00% 0.00%	30.00% 0.00% 0.00%
120740	Sesamum seeds, whether or not broken	5.9	178.4	3.3%	7.3%	27	India (36%) Nigeria (27%) Brazil (15%)	Vietnam (60%) Indonesia (12%) Thailand (10%)	5.00% 5.00% 20.00%	5.00% 5.00% 20.00%

Source: ITC Trade Map, ITC Mac Map, Author's Calculations. *Due to the tax exemption given to Malaysia's sole rice importer, Bernas, no tariffs are applicable on any exporting country

Notes on Table 12:

1. Almost all export values are either under-reported or over-reported by Pakistan when compared with ASEAN's figures, with both cases occurring in equal proportions. For uniformity's sake, Pakistan's reported values are used throughout this report.
2. All ASEAN members and countries with an ongoing FTA with ASEAN are coded in red in the main competitors list. In many cases where ASEAN members are the suppliers and consumers alike there's an explanation of re-imports.
3. Tariff rates set by ASEAN members are mentioned for the latest year available. For Vietnam, Malaysia, Indonesia and Singapore that is 2025, for Philippines, Myanmar and Brunei its 2024, For Thailand and Laos it's 2021.
4. Tariff rates are reported for products at the HS-06 level to maintain uniformity throughout the report. For goods with more than one tariff lines at the 6-digit level, the average tariff rates are listed. *For example, the specific line of maize, HS-1005909900 (**Maize (excl. seed for sowing): Other: Other**) exported to Vietnam has a tariff rate of only 2 percent.
5. Tariff rates less than or equal to five percent are shaded in green and rates above 20 percent are shaded in red.
6. BRCA values below 1 and negative CAGRs are shaded in red.

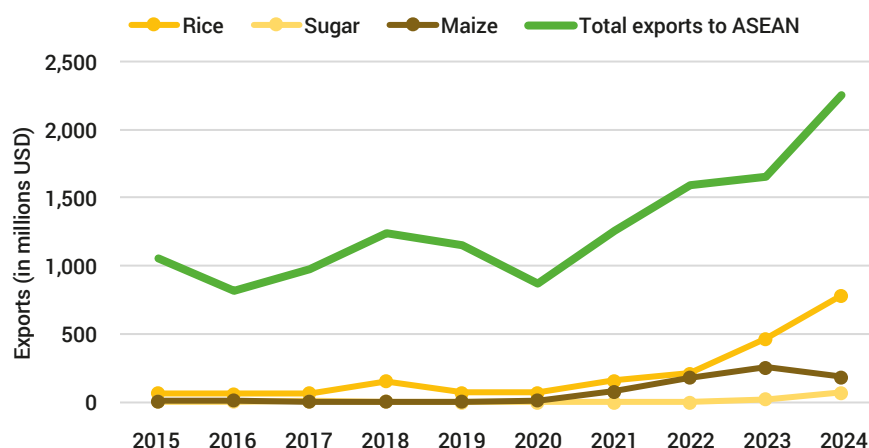
Key Takeaways and Policy Recommendations:

1. The Pitfalls in Prioritizing Crop Exports

Three out of the four lines in the rising stars section are the important crops of HS-100630 (*Semi-milled or wholly milled rice, whether or not polished or glazed*), HS-100590 (*Maize (excl. seed for sowing)*) and HS-170199 (*Cane or beet sugar and chemically pure sucrose, in solid form (excl. cane and beet sugar containing ...)*) that comprised 46 percent of Pakistan's exports in 2024. This share is problematic even beyond the diversification argument because of changing demand-side and supply-side factors.

Indonesia and the Philippines are the largest and second largest importers of rice in ASEAN respectively and both of them have taken a protectionist turn with regards to rice. The Philippines placed a 60-day import suspension in September 2025 to help raise the price of local paddy rice which had dropped following the influx of cheap imports, and the ban is expected to be extended. Indonesia would also stop importing rice for the first time in decades, gaining self-sufficiency due to a favourable rainy season, strategic harvesting measures and growing reserves²¹.

Figure 32: The Recent Dependency on Crop Exports to ASEAN



Source: ITC Trade Map

The loss from this would automatically mean a drop in Pakistan's exports in the coming years as rice exports to the two countries alone accounted for nearly a quarter of Pakistan's export value to ASEAN in 2024. In fact, rice exports are already down 42 percent YoY in the first quarter of FY 26. Indonesia only imported rice from 2022-2024 due to climate-caused crop damage which explains the sudden jump. Thus, relying on crops as shortage-fillers in other countries if they should suffer weather disruptions should clearly not be the *leading* export strategy because it is not sustainable.

Not to mention, the supply-side offers its own problems putting the credibility of Pakistan as an agriculture forex earner at question²². The growth in important crops (wheat, rice, sugar, cotton) declined from 17.09 percent in FY 24 to -13.49 percent in FY 25 (July-March)²³ due to climate shocks along with rising input costs and structural inefficiencies. If it doesn't adapt quickly then soon there wouldn't be a surplus for Pakistan to export at all.

²¹"Indonesia Seeks to End Rice Imports This Year as Output Jumps."

²²Ahmed, "Pakistan S Self Inflicted Agricultural Decay," September 23, 2025.

²³Pakistan Economic Survey 2024-2025

2. Lost Opportunities: The Way Forward in Pharmaceuticals and Surgical Instruments Categories

- ASEAN's pharmaceutical market is projected to reach 63.5 billion USD by 2029²⁴ with a rising demand for cost-effective generic as well as 'branded generic' medications. The two tariff lines that Pakistan exports are HS-300490 (**Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...**) and HS-300439 (**Medicaments containing hormones or steroids used as hormones but not antibiotics, put up in ...**) both of which have India and European countries as the main suppliers given their innovative edge because of their firms.

These two lines are also Pakistan's dominant exports to the smaller ASEAN members. Combined they formed 85 percent of Myanmar, 76 percent of Laos and 38 percent of the exports to Cambodia in 2024. But overall Pakistan's market share is very low for both lines and given the growing nature of the market, and with tariffs less than 10 percent from the top three consumers, a lot of potential is still left to be realized.

Obtaining ASEAN-specific certifications for pharmaceutical exports such as the Good Manufacturing Practice (GMP) and Certificate of Pharmaceutical Product (CPP) are key steps in expanding exports. Pakistani firms are in the right direction as eight of them have achieved the World Health Organization (WHO) pre-qualification and the Pharmaceutical Inspection Co-operation Scheme (PICS) compliant status with Pakistan's global exports reaching a record high of 457 million USD in FY 25²⁵.

- Staying in the healthcare sector, HS-901890 (**Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.**) has historically been a specialization for Pakistan's exports but again ASEAN has remained an untapped market. This is because the surgical industry in Sialkot operates through an Original Equipment Manufacturer (OEM) model where instruments are made to order, and then exported to countries like Germany and the US that brands and distributes them to other countries. Pakistan already has zero tariffs from **Singapore** and **Malaysia** that are the first and third largest consumers respectively. In house-branding, exhibitions and marketing would improve global recognition to penetrate the region further.

3. Converting the Retreat Section into Cash Cows:

- **Intermediate Cotton Exports: Making the Most of Pakistan's Comparative Advantage**

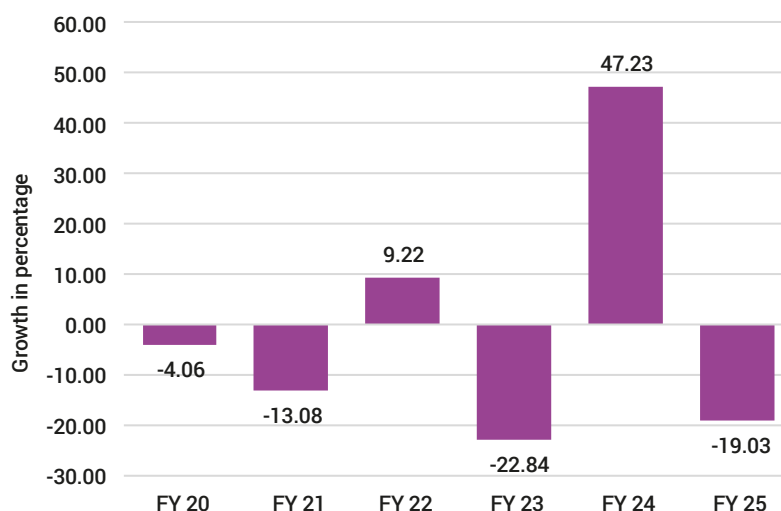
Pakistan is in the top three suppliers to ASEAN for all four intermediate cotton lines -HS-520932 (**Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m², in three-thread ...**), HS-520942 (**Denim, containing >= 85% cotton by weight and weighing > 200 g/m², made of yarn of different ...**), HS-521142 (**Denim, containing predominantly, but < 85% cotton by weight, mixed principally or solely with ...**) and HS-520512 (**Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...**)- even though their import market size is smaller relative to other top exports. If Pakistan can increase its market share, it could convert these into cash cows which is probable considering its BRCA in these products are some of the highest amongst all. Not to mention that demand is expected to stay stable as the main importers, **Vietnam** and **Cambodia**, source majority of their cotton externally and are dependant on imports for their textile value chains. In Vietnam, the domestic supplies fulfill less than 2 percent of the total cotton needs, whereas Cambodia is reliant on China for 60 percent of its imported fabric²⁶.

²⁴Source of Asia, "US – ASEAN Business Opportunities in the Pharmaceutical Industry."

²⁵Rauf, "Operation Pharma," October 22, 2025.

²⁶"Garment Industry in CLMV Economies."

Figure 33: The Volatility in Cotton Ginning Over the Years



Source: Pakistan Economic Survey

However supply-side issues have plagued the industry for too long raising questions on Pakistan's capacity to export for its most valued sector. Outdated ginning techniques that damage fibres and leave impurities have reduced the appeal of Pakistani cotton, more than 90 percent of which cannot be used for high-end value-added products²⁷. Unpredictable rainfall and pest outbreaks have led to a reduced yield with the growth for cotton ginning falling by 19.03 percent in FY 25, and cotton bales availability reducing by 3.14 million. In general cotton ginning has exhibited great volatility which has concerning repercussions for the local textile chain.

- **Realizing the Gaps in Seafood Lines:**

The two seafood lines in the retreat section, HS-030617 "**Frozen shrimps and prawns...**" and HS-030389 "**Frozen Fish n.e.s**" have a combined import market size of over 900 million USD, of which Pakistan only exports 18.7 million USD despite having a BRCA of greater than 1 in both.

The potential does exist as the former has Ecuador and Argentina as the second and third largest suppliers -both of which do not have any FTA with ASEAN- making Pakistan's entry easier aided by the shorter shipping distance. Pakistan also has zero tariffs from **Malaysia** and **Singapore** which are the second and third largest consumers respectively. HS-030389 "**Frozen Fish n.e.s**" do have competitors with an FTA but Pakistan has zero tariffs from **Malaysia** and a very low rate of 0.77% from **Thailand**.

- **Caution with Other Agriculture Lines**

HS-240120 (**Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured**) is a massive, growing import market in ASEAN worth 1.4 billion USD in 2024 and a three-year CAGR of 8.2 percent. However, its cultivation area and production have remained unchanged in the last two years with 55,000 hectares and 186,000 tons respectively. Amongst its top 3 consumers, Pakistan already has tariffs under 7 percent from **Indonesia** and the **Philippines**, but must negotiate a lower rate from Vietnam which has a 23 percent global import share but has applied a staggering 68.33 percent tariff to Pakistan.

²⁷Mahmood, "Bangladesh and Pakistan: A Lesson from the Cotton Economy."

Amongst vegetables, HS-070310 (**Fresh or chilled onions and shallots**) from the falling stars section and HS-070190 (**Fresh or chilled potatoes (excl. seed)**) also have a combined import market of more than 800 million USD. For the latter, Pakistan must get better concessions from Indonesia and Vietnam which currently stand at 20 percent, to compete with both India and China that have an ongoing FTA. On the supply side both vegetables saw an impressive YoY growth in production of 15.9 percent in onions and 11.5 percent for potatoes in FY 25 (July-March). The recent closure of the Afghan border has also left an enormous surplus of potatoes²⁸ and SPS certifications need to be acquired fast to reroute those exports to potential ASEAN countries.

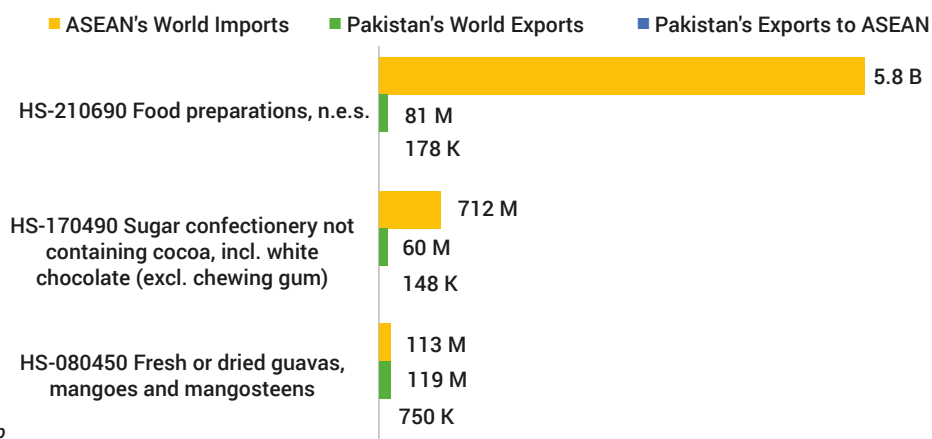
HS-120740 (**Sesamum seeds, whether or not broken**) has very strong export prospects for Pakistan as its a growing market with a three-year CAGR of 7.3 percent, a BRCA value of 27 and has Nigeria and Brazil as its second and third largest suppliers, both of which do not have an FTA and are geographically much further. On the supply side, Pakistan has reported an even stronger three-year production CAGR of 42.1 percent, increasing its cultivation area as well.

The caution lies in keeping the supply intact given climate change disruptions. Already in the first quarter of FY 26, torrential floods caused vegetable and tobacco exports to decline by 41 and 48 percent YoY respectively, which isn't a good sign unless Pakistan recovers quickly.

4.3 Potential New Exports to ASEAN

The lines in the extensive margin are identified through the export potential formula which in this scenario is a useful indicator that considers the exporter's supply limits as well as the demand by the importer. A floor is set on Pakistan's export potential being greater than 50 million USD and exports being at least 100,000 USD in 2024 because it displays some level of market presence which is easier to penetrate than starting from zero. The potential exports have been divided between agriculture/processed food lines, garments/apparel lines and miscellaneous lines.

Figure 34: Potential Agriculture/Processed Food Lines: The Gap between Pakistan's Global Exports and their ASEAN Market Size in 2024



Source: ITC Trade Map

HS-080450 (**Fresh or dried guavas, mangoes and mangosteens**) is the most desirable potential export given a strong CAGR of 7.2 percent and a high BRCA. Pakistani mangoes are also more prized so having ASEAN members and China as competitors is not a big hurdle. However, tariff concessions must be negotiated from both Vietnam and Malaysia and the concern for meeting SPS standards still remains. The same stands for sugar confectionery and other processed foods like sauces, ketchups and syrups which have to be registered with the relevant food authorities before they can be exported. Pakistan is already the biggest supplier of gelatine to Malaysia and it has a lot of potential to penetrate the halal trade market through grocery items and with other Muslim-majority countries as well, especially if products like condiments can be customized based on consumer tastes.

²⁸Ahmad and Wattoo, "Potato glut – Pakistan's export wake-up call"

Table 13: Potential Agriculture/Processed Food Lines for Export to ASEAN

HS-code	Product label	PAK Exports 2024 (in millions USD)	ASEAN market size 2024 (in millions USD)	CAGR of ASEAN's Imports (2022-2024)	BRCA	Top 3 competitors' market share	Top 3 Potential Export Destinations in ASEAN		
							Global Market Share	MFN Tariff	Tariff for PAK
080450	Fresh or dried guavas, mangoes and mangosteens	0.75	113.5	7.2%	5.5	Cambodia (36%) Thailand (32%) China (10%)	Vietnam (40%) Singapore (23%) Malaysia (21%)	25.00% 0.00% 12.74%	25.00% 0.00% 2.50%*
170490	Sugar confectionery not containing cocoa, incl. white chocolate (excl. chewing gum)	0.15	712.5	5.7%	0.17	China (46%) Indonesia (13%) Vietnam (7%)	Thailand (20%) Philippines (19%) Indonesia (17%)	20.00% 13.75% 18.75%	20.00% 13.75% 18.75%
210690	Food preparations, n.e.s.	0.18	5,840.2	-0.9%	0.03	Singapore (27%) United States (13%) China (11%)	Philippines (19%) Vietnam (19%) Malaysia (17%)	6.16% 15.35% 12.74%	6.16% 15.35% 0.00%

Source: ITC Trade Map, ITC Mac Map, Author's Calculations. The same notes for Table 12 apply. *For Malaysia the tariff on the specific fresh mangoes tariff line is 5 percent- the preferential rate, reduced from 7.40 percent-the MFN rate

Figure 35: Potential Ready-Made Textiles/Apparel Lines: The Gap between Pakistan's Global Exports and their ASEAN Market Size in 2024



Source: ITC Trade Map

Apparel exports are a huge missed opportunity, for half the lines above, Pakistan's global exports actually outstrip ASEAN's global imports. But understanding the preferences of the ASEAN garment market is very important. Unlike the EU where 100 percent cotton garments can fetch high prices, South East Asian markets are very price conscious, with a low cost of living because of which they also prefer low-cost and medium-quality garments. The second important aspect is customization of apparel like T-shirts and trousers with regards to design and stitching and also wearability so that they are iron-free and wrinkle-free which results from using synthetic fibres. China has dominated ASEAN's textile markets with regards to both aspects, and floods it with cheap, fast fashion to which other inter-ASEAN textile strongholds like Vietnam and Cambodia have to compete with. Not to mention countries like Malaysia have international outlets such as Zara and H&M which sell branded apparel which is not very expensive either.

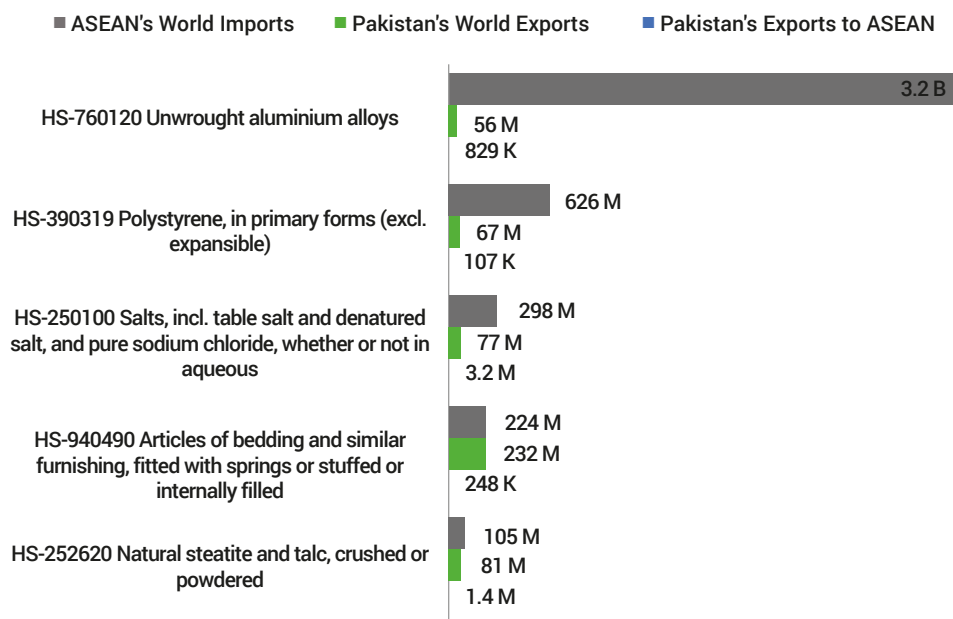
Table 14: Potential Ready-Made Textiles/Apparel Lines for Export to ASEAN

HS-code	Product label	PAK Exports 2024 (in millions USD)	ASEAN market size 2024 (in millions USD)	CAGR of ASEAN's World Imports (2022-2024)	BRCA	Top 3 competitors' market share	Top 3 Potential Export Destinations in ASEAN		
							Global Market Share	MFN Tariff	Tariff for PAK
610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or ...	1.1	58.0	-8.1%	15.65	China (36%) Bangladesh (11%) Cambodia (9%)	Singapore (26%) Malaysia (22%) Thailand (19%)	0.00% 0.00% 30.00%	0.00% 0.00% 30.00%
610343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres, knitted ...	0.1	68.2	2.3%	1.42	China (34%) Vietnam (24%) Cambodia (9%)	Malaysia (23%) Thailand (22%) Singapore (19%)	0.00% 30.00% 0.00%	0.00% 30.00% 0.00%
610510	Men's or boys' shirts of cotton, knitted or crocheted (excl. nightshirts, T-shirts, singlets ...)	1.2	186.3	5.9%	5.17	China (39%) Vietnam (19%) Bangladesh (8%)	Singapore (29%) Malaysia (27%) Thailand (21%)	0.00% 0.00% 30.00%	0.00% 0.00% 30.00%
610520	Men's or boys' shirts of man-made fibres, knitted or crocheted (excl. nightshirts, T-shirts, ...)	0.1	63.8	12.9%	1.87	China (38%) Vietnam (18%) Indonesia (9%)	Singapore (29%) Thailand (19%) Malaysia (18%)	0.00% 30.00% 0.00%	0.00% 30.00% 0.00%
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excl. cotton)	1.5	389.5	12.5%	3.13	Singapore (32%) China (28%) Vietnam (13%)	Malaysia (48%) Singapore (21%) Thailand (14%)	0.00% 0.00% 30.00%	0.00% 0.00% 30.00%
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	0.7	267.3	5.4%	2.31	China (28%) Italy (17%) Vietnam (11%)	Singapore (33%) Malaysia (23%) Thailand (19%)	0.00% 0.00% 30.00%	0.00% 0.00% 30.00%
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted ...	1.4	59.5	9.0%	19.42	China (49%) Italy (20%) Turkey (3%)	Singapore (39%) Malaysia (19%) Thailand (18%)	0.00% 0.00% 30.00%	0.00% 0.00% 30.00%
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	1.8	68.4	14.5%	22.29	China (70%) Vietnam (12%) Turkey (3%)	Malaysia (34%) Philippines (19%) Thailand (15%)	0.00% 15.00% 30.00%	0.00% 15.00% 30.00%
611610	Gloves, mittens and mitts, impregnated, coated, covered or laminated with plastics or rubber, ...	3.2	57.7	-3.3%	46.12	China (68%) Vietnam (6%) South Korea (5%)	Thailand (30%) Malaysia (17%) Vietnam (17%)	30.00% 0.00% 20.00%	30.00% 0.00% 20.00%
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excl. knitted ...)	4.6	319.5	-2.8%	11.8	China (30%) Bangladesh (20%) Vietnam (11%)	Singapore (31%) Thailand (20%) Malaysia (19%)	0.00% 30.00% 0.00%	0.00% 30.00% 0.00%
620349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials (excl. ...)	0.6	77.3	2.3%	6.8	China (57%) Bangladesh (8%) Italy (6%)	Malaysia (43%) Thailand (21%) Singapore (21%)	0.00% 30.00% 0.00%	0.00% 30.00% 0.00%
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excl. knitted ...)	0.3	233.8	0.8%	1.08	China (32%) Bangladesh (18%) Cambodia (12%)	Singapore (32%) Thailand (22%) Malaysia (16%)	0.00% 30.00% 0.00%	0.00% 30.00% 0.00%
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	0.4	91.8	3.3%	3.93	China (64%) Thailand (8%) Japan (7%)	Thailand (26%) Vietnam (22%) Malaysia (16%)	30.00% 12.00% 20.00%	30.00% 12.00% 0.00%
640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather ...	2.0	618.1	10.5%	2.7	Italy (32%) Vietnam (24%) China (20%)	Singapore (34%) Thailand (18%) Malaysia (17%)	0.00% 30.00% 0.00%	0.00% 30.00% 0.00%

Source: ITC Trade Map, ITC Mac Map, Author's Calculations. The same notes for Table 12 apply

At the end of the day, Pakistan's success in this market will depend on price competition and customization. Pakistan's garment industry is currently in disarray with inflationary pressure resulting from rising labour costs, energy costs and inadequate government policies such as removing the duty-free access on raw materials like yarn and fabric under the Export Facilitation Scheme (EFS). Competition might get worse as the US's reciprocal tariffs on China (30%), India (50%) and Bangladesh (20%) might mean that these textile competitors would also seek alternate markets like ASEAN. Bangladesh, -a non-FTA partner- has already made better inroads than Pakistan and is amongst the top three suppliers in 5/14 lines above. Pakistan does have zero tariffs from two main markets of Malaysia and Singapore but stumbles on a large 30 percent rate from Thailand and a 15 percent rate from the Philippines. But the benefits in any concessions obtained will be cancelled out by the high costs of production and Pakistan will be back to square one, without any edge.

Figure 36: Potential Miscellaneous Lines: The Gap between Pakistan's Global Exports and their ASEAN Market Size in 2024



Source: ITC Trade Map

Amongst these lines, HS-760120 (**Unwrought aluminium alloys**) has the largest import market of 3.2 billion USD with a steady CAGR of 4.9 percent. Although Pakistan does not have a BRCA of greater than 1, it does have zero tariffs from **Malaysia** and **Thailand**, and a low rate of 3 percent from **Vietnam**. Moreover, other than Malaysia (possibly due to re-imports), none of the top three competitors have an ongoing FTA or a very large market share.

Table 15: Potential Miscellaneous Lines for Export to ASEAN

HS-code	Product label	PAK Exports 2024 (in millions USD)	ASEAN market size 2024 (in millions USD)	CAGR of ASEAN's World Imports (2022-2024)	BRCA	Top 3 competitors' market share	Top 3 Potential Export Destinations in ASEAN		
							Global Market Share	MFN Tariff	Tariff for PAK
250100	Salts, incl. table salt and denatured salt, and pure sodium chloride, whether or not in aqueous ...	3.17	298.20	-2.7%	8.85	Australia (51%) India (20%) China (10%)	Indonesia (42%) Malaysia (17%) Vietnam (14%)	7.50% 0.00% 41.67%	7.50% 0.00% 41.67%
252620	Natural steatite and talc, crushed or powdered	1.4	105.0	-3.6%	11.01	China (67%) India (8%) South Korea (6%)	Thailand (37%) Indonesia (25%) Vietnam (13%)	0.00% 5.00% 1.50%	0.00% 5.00% 1.50%
390319	Polystyrene, in primary forms (excl. expansible)	0.1	626.1	-4.1%	0.14	South Korea (17%) China (16%) Taipei (13%)	Vietnam (37%) Malaysia (24%) Indonesia (16%)	5.00% 0.00% 10.00%	5.00% 0.00% 10.00%
760120	Unwrought aluminium alloys	0.8	3,241.5	4.9%	0.21	UAE (16%) United States (15%) Malaysia (12%)	Malaysia (42%) Thailand (23%) Vietnam (19%)	0.00% 0.00% 3.00%	0.00% 0.00% 3.00%
940490	Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled ...	0.2	224.6	2.5%	0.92	China (79%) Malaysia (3%) Norway (2%)	Singapore (25%) Thailand (22%) Malaysia (18%)	0.00% 20.00% 20.00%	0.00% 20.00% 10.00%

Source: ITC Trade Map, ITC Mac Map, Author's Calculations. The same notes for Table 12 apply

HS-252620 (**Natural steatite and talc, crushed or powdered**) has the highest BRCA, a zero-tariff from Thailand and a low rate of 1.50 percent from Vietnam. HS-940490 (**Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled ...**) is where Pakistan has the highest global exports, even larger than ASEAN's global imports but lower concessions are still required from Thailand and Malaysia to compete with China which has a 79 percent share.

4.4 Pakistan's Imports from ASEAN

ASEAN is Pakistan's third largest import partner after the GCC countries and China with imports in 2024 standing at 6.8 billion USD. The table below breaks down the top 24 imports in 2024 which accounted for 77 percent of imports from ASEAN.

Table 16: Pakistan's Top 24 Imports from ASEAN in 2024 by Category

HS-code	Product label	PAK Imports 2024 (in millions USD)	Share in Total Imports	CAGR of Imports (2022-2024)	Share of ASEAN in Imports	Top 3 Global Suppliers to Pakistan		
						Share	MFN Tariff	Tariff by PAK (2025)
Agriculture/Prepared Food								
151190	Palm oil and its fractions, whether or not refined (excl. chemically modified and crude)	2,918.3	42.83%	-8.36%	100.00%	Indonesia (88.4%) Malaysia (11.4%) Singapore (0.1%)	3.25% 3.25% 3.25%	2.76% 2.76% 3.25%
071390	Dried, shelled leguminous vegetables, whether or not skinned or split (excl. peas, chickpeas, ...)	95.4	1.40%	23.14%	93.02%	Myanmar (89.7%) Afghanistan (6.6%) Thailand (3.3%)	0.00% 0.00% 0.00%	0.00% 0.00% 0.00%
180500	Cocoa powder, not containing added sugar or other sweetening matter	40.8	0.60%	22.69%	96.05%	Malaysia (64.7%) Indonesia (26.9%) Cambodia (3.4%)	5.00% 5.00% 5.00%	0.00% 0.00% 5.00%
091011	Ginger, neither crushed nor ground	35.0	0.51%	-3.57%	62.32%	Thailand (61.6%) China (37.5%) Myanmar (0.4%)	15.00% 15.00% 15.00%	15.00% 3.80% 15.00%
100510	Maize seed for sowing	33.3	0.49%	-6.25%	49.63%	Thailand (49.6%) United States (47.9%) Türkiye (1.4%)	0.00% 0.00% 0.00%	0.00% 0.00% 0.00%

HS-code	Product label	PAK Imports 2024 (in millions USD)	Share in Total Imports	CAGR of Imports (2022-2024)	Share of ASEAN in Imports	Top 3 Global Suppliers to Pakistan		
						Share	MFN Tariff	Tariff by PAK (2025)
Mineral Fuels								
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. ...	1,027.1	15.07%	33.2%	23.4%	UAE (49.2%) Oman (20.6%) Singapore (19.6%)	4.17% 4.17% 4.17%	4.17% 4.17% 4.17%
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	60.9	0.89%	-21.8%	3.2%	Kuwait (78.3%) Bahrain (5.7%) South Korea (4.5%)	10.21% 10.21% 10.21%	10.21% 10.21% 10.21%
270210	Lignite, whether or not pulverised, non-agglomerated (excl. jet)	54.8	0.80%	-34.7%	100.0%	Indonesia (100%)	5.00%	5.00%
270112	Bituminous coal, whether or not pulverised, non-agglomerated	37.3	0.55%	-43.7%	6.4%	South Africa (69.1%) Tanzania (11.6%) United States (7.3%) 4. Indonesia (6.4%)	5.00% 5.00% 5.00% 5.00%	5.00% 5.00% 5.00% 5.00%
271111	Natural gas, liquefied	32.1	0.47%	-24.4%	0.8%	Qatar (88.2%) Nigeria (8.8%) United States (1.5%) 4. Indonesia (0.8%)	5.00% 5.00% 5.00% 5.00%	5.00% 5.00% 5.00% 5.00%
Chemicals/Rubber								
400122	Technically specified natural rubber "TSNR"	63.2	0.93%	12.1%	63.7%	Malaysia (35%) Ivory Coast (33.1%) Thailand (23.5%)	0.00% 0.00% 0.00%	0.00% 0.00% 0.00%
330290	Mixtures of odoriferous substances and mixtures, incl. alcoholic solutions, based on one or ...	60.2	0.88%	6.6%	67.8%	Singapore (46.5%) Indonesia (20.4%) France (6.7%)	5.00% 5.00% 5.00%	5.00% 2.50% 5.00%
291736	Terephthalic acid and its salts	56.0	0.82%	-24.6%	55.2%	Thailand (55.2%) China (44.8%)	2.50% 2.50%	2.50%* 2.50%
381121	Prepared additives for oil lubricants containing petroleum oil or bituminous mineral oil	36.3	0.53%	-8.9%	59.6%	Singapore (59.6%) Belgium (10.8%) China (9.8%)	0.00% 0.00% 0.00%	0.00% 0.00% 0.00%
290121	Ethylene	35.2	0.52%	-1.1%	41.1%	United States (38%) Malaysia (29.3%) South Korea (15.2%)	0.00% 0.00% 0.00%	0.00% 0.00% 0.00%
Motor Vehicles								
870322	Motor cars and other motor vehicles principally designed for the transport of <10 persons, incl. station wagons and racing cars, with only spark-ignition internal combustion reciprocating piston engine of a cylinder capacity > 1.000 cm³ but <= 1.500 cm³ (excl. vehicles for travelling on snow and other specially designed vehicles of subheading 8703.10)	73.8	1.08%	-29.1%	26.0%	China (40%) Japan (29.9%) Thailand (17.3%)	60.00% 60.00% 60.00%	60.00% 60.00% 60.00%
870421	Motor vehicles for the transport of goods, with only compression-ignition internal combustion ...	49.6	0.73%	-30.7%	59.0%	Thailand (56.3%) South Korea (24.4%) Japan (13.2%)	60.00% 60.00% 60.00%	60.00% 60.00% 60.00%
870340	Motor cars and other motor vehicles principally designed for the transport of <10 persons, incl. station wagons and racing cars, with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion (excl. vehicles for travelling on snow, other specially designed vehicles of subheading 8703.10 and plug-in hybrids)	33.9	0.50%	205.3%	11.9%	China (49.3%) South Korea (19.4%) Japan (18.25%) 4. Thailand (11%)	72.31% 72.31% 72.31% 72.31%	72.31% 72.31% 72.31% 72.31%

HS-code	Product label	PAK Imports 2024 (in millions USD)	Share in Total Imports	CAGR of Imports (2022-2024)	Share of ASEAN in Imports	Top 3 Global Suppliers to Pakistan		
						Share	MFN Tariff	Tariff by PAK (2025)
Motor Vehicles								
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	33.3	0.49%	-26.5%	52.6%	Thailand (46.5%) Japan (21.5%) China (17.6%)	35.00% 35.00% 35.00%	35.00% 35.00% 33.83%
870323	Motor cars and other motor vehicles principally designed for the transport of <10 persons, incl. station wagons and racing cars, with only spark-ignition internal combustion reciprocating piston engine of a cylinder capacity > 1.500 cm ³ but <= 3.000 cm ³ (excl. vehicles for travelling on snow and other specially designed vehicles of subheading 8703.10)	28.0	0.41%	-37.3%	15.3%	South Korea (51.9%) Japan (26.3%) Thailand (13.4%)	87.50% 87.50% 87.50%	87.50% 87.50% 87.50%
Staple Fibres								
550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning	152.0	2.23%	-0.2%	76.6%	Indonesia (57.1%) China (20.3%) Thailand (19.2%)	0.00% 0.00% 0.00%	0.00% 0.00% 0.00%
550320	Staple fibres of polyesters, not carded, combed or otherwise processed for spinning	71.1	1.04%	19.0%	56.8%	Indonesia (36.5%) China (34.7%) Thailand (20%)	5.00% 5.00% 5.00%	5.00% 5.00% 5.00%
Others								
851713	Smartphones for wireless networks	184.7	2.71%	45.8%	10.6%	China (89.1%) Vietnam (9.6%) Singapore (1%)	0.35% 0.35% 0.35%	0.00% 0.35% 0.35%
480269	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, ...	33.0	0.48%	9.8%	86.5%	Indonesia (71.9%) Thailand (14.6%) China (7.1%)	7.50% 7.50% 7.50%	7.50% 7.50% 7.50%

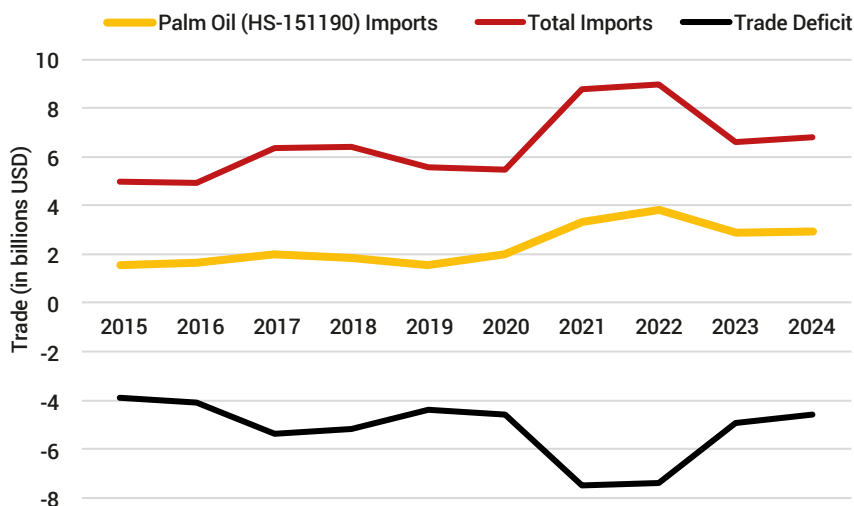
Source: ITC Trade Map, ITC Mac Map, Author's Calculations. Note: Products in which ASEAN has more than a 50 percent share are highlighted in red. Tariffs that are less than or equal to 5 percent are highlighted in green. ASEAN members amongst top suppliers are coloured in red. *The tariff on the specific HS-29173610 (Terephthalic acid and its salts: Pure terephthalic acid (pta)) is 5 percent, reduced from 16 percent in 2024.

Key Takeaways:

1) The Conundrum of Palm Oil Imports:

Pakistan is the world's second largest importer of HS-151190 (**Palm oil and its fractions, whether or not refined (excl. chemically modified and crude)**) which is also its biggest import from ASEAN with 42.8 percent of the share in 2024.

Figure 37: Correlation of Palm Oil Imports and the Trade Deficit



Source: ITC Trade Map

Palm oil is locally refined to produce edibles like cooking oil, ghee and confectionery items and is also used for other industries like cosmetics, soap and pharmaceuticals. The demand is only expected to rise given a growing population and that local oilseed production is nowhere near enough to sustain it with 90 percent of edible oil needs being met by imports²⁹. In the short-run curbing these imports through import substitution is not feasible³⁰ but in the long-run more consistent efforts at palm plantation and alternatives like soybean crops would become key in guaranteeing food security. Pakistan also has to be wary of Indonesia's B35 rule which calls for a mandatory 35 percent palm oil blend in biodiesel which could be further increased to 40 and 50 percent in the future to reduce its energy imports. If this happens then global supply will go down and prices will increase which will add to the import burden.

2) Thailand and the New Automobile Tariffs.

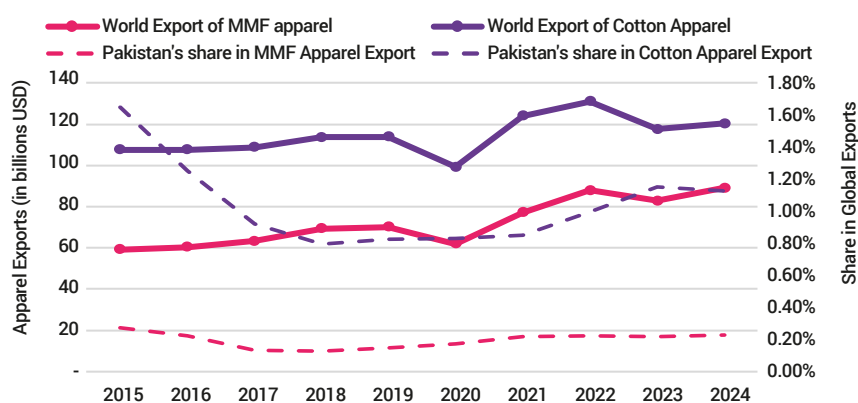
The federal budget 25-26 reversed the protectionist support given to local automobile manufacturers for decades by lowering the average tariff rate on Completely Built Units (CBUs) from 20 to 15 percent over the next five years³¹. For used-cars, imports will start with a 40 percent surcharge and will decrease by 10 percent each year till it reaches zero in FY 2030.

This has huge implications for Thailand which is a top exporter of vehicles to Pakistan alongside China, Japan and South Korea. ASEAN accounts for more than half of the sector's imports for the lines HS-870421 (**Motor vehicles for the transport of goods, with only compression-ignition internal combustion piston engine "diesel or semi-diesel"...**) and HS-870899 (**Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...**). For Thailand, this new 'free trade' outlook might open up Pakistan as an emerging market which currently stands at 34th in its exports of the entire HS-87 (Vehicles other than railway or tramway rolling stock, and parts and accessories thereof) category and was previously shielded by heavy tariffs.

3) The Case of Man-Made Fibres

The textile industry is evolving from cotton-based exports to synthetic fibres like polyester and rayon which is preferred in high-end categories like athleisure due to its resistance to moisture and anti-bacterial properties. Unfortunately, Pakistan's historical protectionist stance towards Man-Made Fibres (MMF) has left it in no man's land when it comes to the export of MMF apparels.

Figure 38: Pakistan's Losing Position in Man-Made Fibre Apparels



Source: ITC Trade Map. Man-made fibre apparel exports are defined as the sum of the codes HS 610343,610468, 610520,610620, 620140,620240, 620343, 620463, 620530,620640, 620722, 620892, 620930, 621133. The same goods but in cotton lines are used for cotton apparels.

By 2024, Pakistan still had a 16 percent tariff on HS-29173610 (**Terephthalic acid and its salts: pure terephthalic acid (pta)**) which is the main input for manufacturing polyester fibres and 11 percent on HS-550320 (**Staple fibres of polyesters, not carded, combed or otherwise processed for spinning**) which placed the local manufacturers for both goods in a position to monopolize and become complacent using outdated technologies³². The result was a high cost of production and even higher prices which made the textile sector reluctant to invest in MMF lines. Tariffs have now been reduced in 2025, which gives garment manufacturers the opportunity to extend into the growing MMF apparel market.

²⁹Khan, "Speakers Call for Producing Local Palm Oil."

³⁰Palm oil generally trades below sunflower and soybean oil and even if cultivated locally, sunflower, canola and sesame seeds have a lower yield per hectare of oil and protein.

"Pakistan's Rising Palm & Soybean Imports: Understanding the Drivers and Challenges to Domestic Oilseed Production."

³¹"Impact of Tariff Reduction on Automobile Industry." ³²Mubasal, "Why Pakistan Lags in Man Made Fibre Exports."

5. Non-Tariff Barriers



5. Non-Tariff Barriers

Non-tariff measures as defined by UNCTAD are “policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both”. They are further classified by letter into the following technical measures:

- A. Sanitary and phytosanitary measures:** These are measures to protect human, plant and animal life from any toxins, diseases or contaminants where applicable and to protect the biodiversity of a country from any incoming pests.
- B. Technical barriers to trade:** sets out product specific regulations such as those relating to the production process, compliance as well as conformity-assessment procedure. It includes requirements such as packaging, labelling, certification, inspection and testing.
- C. Pre-shipment inspection and other formalities:** procedures relating to customs and shipment requirements such as passing through a specific port and no third country stops.

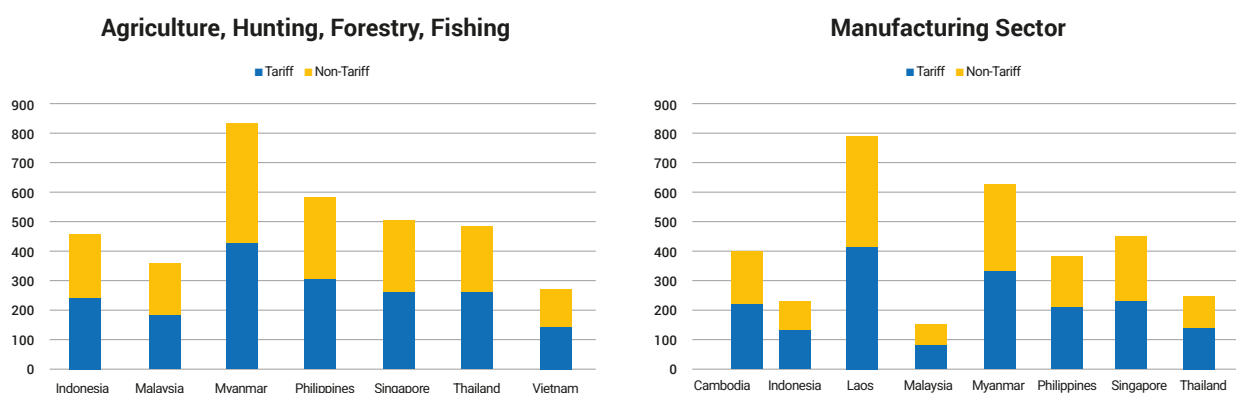
Some non-technical measures include:

- E. Non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including the technical measures above**
- F. Price-control measures, including additional taxes and charges**
- G. Finance measures**
- P. Export-related measures:** contrary to the above measures, these are applied to exported goods by the government of the exporting country.

Obtaining Tariff Concessions is Only the First Half of a Successful Export Deal and they become Null and Void if the Relevant Non-Tariff Measures are Not Met.

The figure below shows non-tariff costs that accounts everything from transport costs to those occurring due to differences in languages, currencies and compliance in export/import procedures and are almost the same as the tariff-costs in both sectors shown below. The agriculture sector also has higher trade costs for every single member.

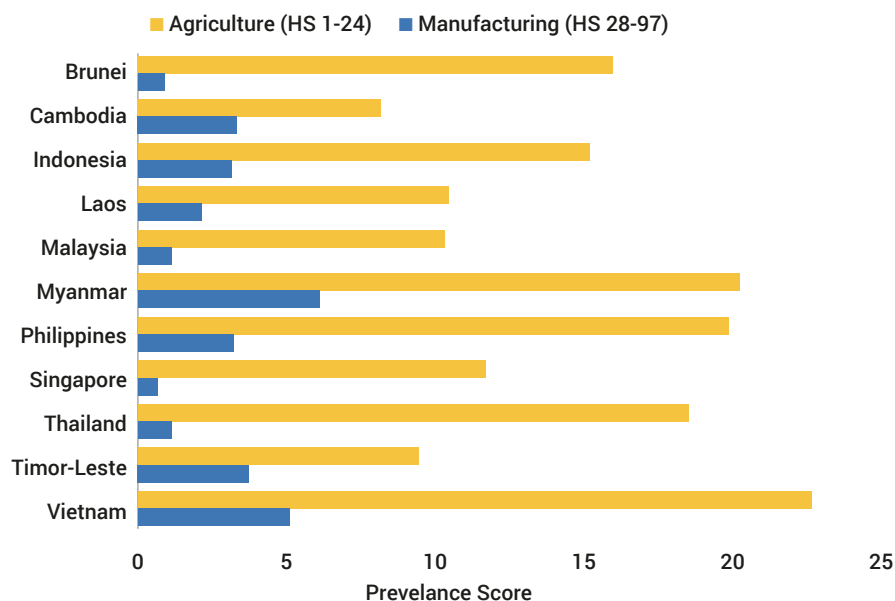
Figure 39: Split of Pakistan's Trade Costs with ASEAN in 2023



Source: World Bank ESCAP. Note: 2023 data is unavailable for ASEAN members not mentioned.

Although the technical measures above may increase trade costs and be more time consuming through documentation and certification approvals, they cannot be disposed off because of safety concerns. For example, food labelling for allergens (A31) and registration of medicines (B81) are essential in protecting human health. Hence, it's very important to note that a country imposing a high number of NTBs is not necessarily harmful for trade if they belong to the technical categories. A good measure for the intensity of NTBs is the Prevalence Score which counts the number of NTBs applied to a particular tariff line.

Figure 40: Prevalence Score of NTBs in ASEAN



Source: UNCTAD

Agriculture goods across ASEAN are considerably more regulated as compared to manufactured goods with any single agri-food on average having 15 NTBs applied to it. Vietnam is the strictest with an average of 23 NTBs applied on any single agri-food. This is unsurprising given the implications for human consumption and health, but is important for Pakistan given how its major exports to ASEAN do consist of agriculture goods.

Another indicator for NTBs is the coverage ratio which measures the share of trade that is affected by at least one NTB. For all ASEAN members the coverage ratio for agricultural trade is almost 100 percent, which means that all agricultural trade is affected by NTBs, again an expected result given the prevalence scores. It is important to approach NTBs as measures that should be harmonized rather than eliminated. One way of doing that is by incorporating it into domestic regulations then the 'regulatory overlap' would automatically cancel out any additional costs because they are already practiced at home.

The table in the annex mentions NTBs applied on specific products, by the ASEAN members importing the product, as well as if Pakistan already conforms to it as a part of its domestic export-related measures. The list is not exhaustive by any means and some NTBs hold for multiple countries other than the ones mentioned.

6. Trade in Services

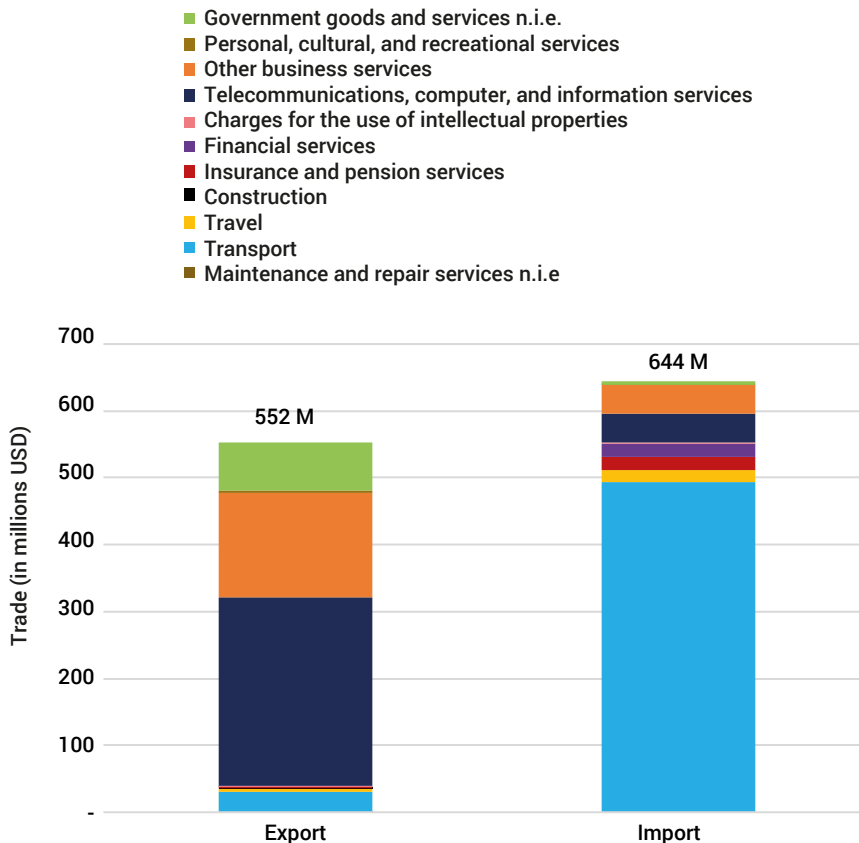


6. Trade in Services

6.1 An Overview of Trade in Services

The export of services to ASEAN amounted to 552 million USD, contributing 20 percent of all exports to ASEAN in FY 24. Due to this, the importance of the services sector cannot be neglected and boosting it can become key in expanding trade with ASEAN

Figure 41: Breakdown of Pakistan's Trade in Services with ASEAN for FY 24



Source: State Bank of Pakistan

Telecommunications, computer and information services, government goods and services (which includes embassies and consulates, military units and agencies and others) other business services (which includes research and development, professional and management consulting and technical, trade-related or other services) are the three biggest exports totalling to 93 percent of the services export base.

Transport services which include sea, land and air routes as well as postal courier services is the overwhelming major import from ASEAN. Due to the geographical distance, only air and maritime channels are utilized with the Port of Singapore, Port Klang in Malaysia and the port city of Laem Chabang in Thailand being the major destinations. Pakistan does not have any direct shipping lines to Vietnam and the Philippines so cargo is routed through Indonesia and Singapore, making the shipping time even longer. For air freight and personal travel, only Malaysia and Thailand have direct flights from Pakistan. This is again problematic for shipping perishable food items like fruits and fresh seafood to the remaining ASEAN members.

Table 17: Pakistan's Trade in Services with ASEAN for FY 24

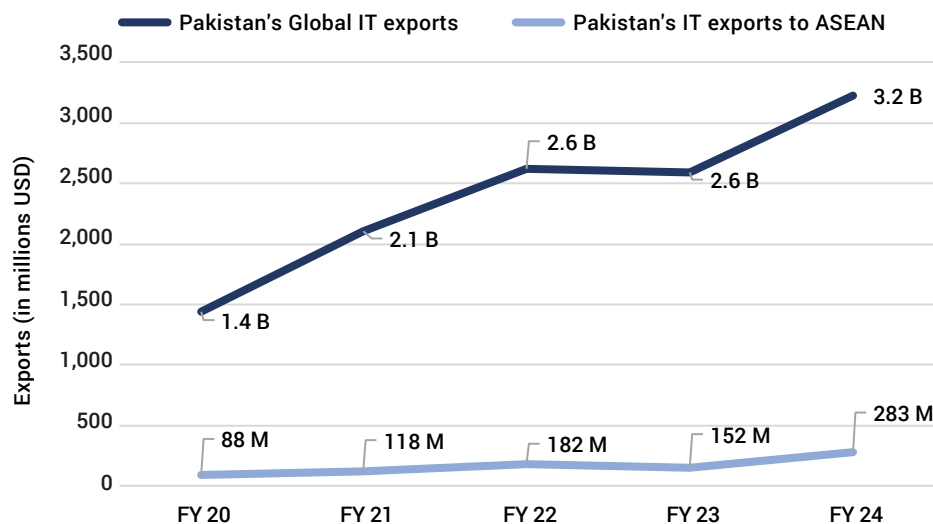
Service Categories (BPM6 classification)	PAK Exports to ASEAN (in millions USD)	Share in ASEAN Service Exports	CAGR of Exports (2022-2024)	PAK Exports to World (in millions USD)	Share of ASEAN in Pakistan's Service Exports	PAK Imports from ASEAN (in millions USD)
Maintenance and repair services n.i.e	0.18	0.03%	-43.45%	6.04	2.97%	-
Transport	31.35	5.68%	5.46%	767.40	4.08%	494.24
Travel	4.77	0.86%	86.39%	758.06	0.63%	16.61
Construction	0.36	0.06%	48.96%	49.96	0.71%	-
Insurance and pension services	1.90	0.34%	-28.43%	72.96	2.60%	20.91
Financial services	0.28	0.05%	-53.44%	51.95	0.53%	18.39
Charges for the use of intellectual properties	0.22	0.04%	2.72%	9.29	2.37%	3.14
Telecommunications, computer, and information services	282.54	51.17%	15.84%	3,223.24	8.77%	41.90
Other business services	156.38	28.32%	-8.36%	1,551.51	10.08%	42.91
Personal, cultural, and recreational services	1.94	0.35%	11.47%	22.52	8.59%	0.01
Government goods and services n.i.e.	72.22	13.08%	-3.87%	1,174.33	6.15%	5.77
All Services	552.12	100.00%	3.06%	7,687.26	7.18%	643.88

Source: State Bank of Pakistan, Author's Calculations

6.2 The Way Forward in IT Exports

While Pakistan has excelled in IT exports to the western markets, the east still remains in the background with only 8.7 percent of Pakistan's global IT export share in 2024, despite having large untapped potential

Figure 42: Pakistan's IT Exports to ASEAN Over the Years



Source: State Bank of Pakistan

Given how semiconductor manufacturing is a huge industry in ASEAN countries like Malaysia and constitute a large part of their exports, Pakistan has the potential to export software designs for semiconductors. These can be developed in Pakistan and tested in the laboratories of ASEAN countries since Pakistan still lags behind in setting up that level of capital-intensive environment. India currently exports 3 billion USD worth of semi-conductor software designs and Pakistan should follow that path besides the usual webpage design exports, given that it does have the human-capital infrastructure to penetrate this market.

Collaborations between National Electronics Complex of Pakistan (NECOP) and the relevant semiconductor stakeholder associations in ASEAN countries should be facilitated through exhibitions and networking events to better understand the demands of the market and the gaps that Pakistan could fill. Moreover, NTBs should be lowered even in services exports for example by making visa procedures simplified for easy movement of skilled IT or other professionals.

6.3 A Glance at Tourisms Potential

In addition to its stunning natural landscapes in the north and rich Mughal architecture in Punjab, Pakistan holds immense religious and heritage tourism potential for the Buddhist majority countries of ASEAN. Buddhist monks and missionaries are said to have travelled through routes across Khyber Pakhtunkhwa and Punjab which have become present day Karakoram and Indus highways and is from where Buddhism spread to South-East Asian countries. Some key sites include:

1. Taxila

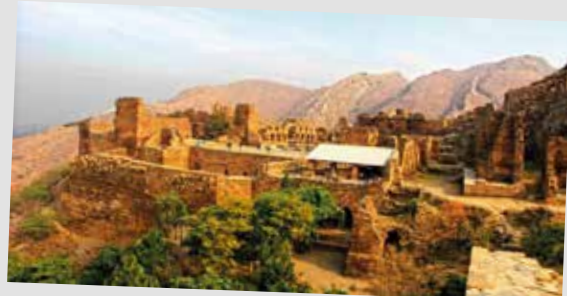
One of the most famous sites in Pakistan for the archaeological remains of Buddhist monasteries and stupas. It was a centre of learning for the Gandhara civilization, a hub for Silk Road stopovers and is one of the six UNESCO World Heritage sites in the country.



Source: Taxila Museum

2. Takht-i-Bahi

Located in the Mardan district, it is also a UNESCO World Heritage site and one of the most complete, well-constructed Buddhist monasteries in Pakistan, showcasing their complex architecture.



Source: Dawn

In FY 24, ASEAN only spent 4.7 million USD for travel³³ in Pakistan, as compared to Pakistan which spent 16.6 million USD in ASEAN- almost 3.5 times more. If tourism bodies effectively promote these heritage sites alongside already popular destinations of Hunza and Skardu, Pakistan could get a large inflow of tourists from countries like Myanmar, Cambodia, Laos and Thailand which not only contributes to GDP but also have a trickle-down effect. It will also foster deep people-to-people connections and pave the way for future collaborations.

3. Buddhist Rock Edicts

Out of the fourteen major rock inscriptions by the Mauryan emperor, Ashoka, two of them are found in Mansehra and Shahbazgarhi, in the Khyber-Pakhtunkhwa province. They are the earliest evidence of writing in South Asia



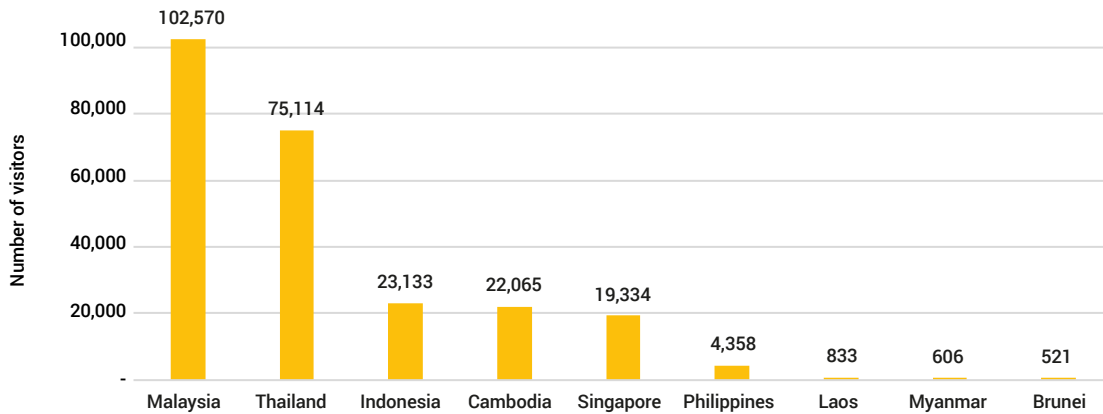
Source: The Friday Times

However, challenges still prevail such as negative perceptions of the country and a general preference in visiting neighbouring ASEAN countries. Travel and tour companies in ASEAN should be invited on special yearly occasions or otherwise to bridge the knowledge gap and so that they could include Pakistan as a part of their tourism packages.

³³Travel as defined in the BPM6 includes both business and personal travel, the latter is broken down into further health-related, education-related and other personal travel. Also included are accommodation, local transport, food-serving and other services related to travel.

On Pakistan's side, nearly 250,000 Pakistanis visited ASEAN member countries in 2024 for either business or personal travel. Malaysia has had the highest number of visitors given its huge Pakistani diaspora. It has also become a very popular choice for higher education for students due to low-cost of living, shorter distance compared to Europe and the US, and easy access to halal food. Engineering and tech disciplines are more popular given their linkages to the highly industrialized and innovative domestic firms.

Figure 43: Pakistani Visitor Arrivals in ASEAN for 2024



Source: ASEAN Stats

The South East Asian region in general falls as a more affordable option, and compared to North America and Europe, has an easier visa application process and is closer in proximity which reduces flight costs. It is a hotspot for tropical weather, pristine beaches and Singapore particularly is a marvel of modern infrastructure. Cambodia has the highest number of visitors from CLMV given the famous Angkor Wat temple which is the world's largest religious monument and a UNESCO world heritage site.



The Changi Airport in Singapore, Source: The Financial Times



Angkor Wat, Source: National Geographic

Tourism to ASEAN countries other than Malaysia and Thailand are sparse given no direct flights and a general lack of awareness towards the far east countries like Vietnam and the Philippines. Since most South East Asian countries offer the same experiences in terms of beaches and night markets, Pakistani tourists simply prefer the first two. Visa issues to Vietnam prevail given concerns of over-staying.

Stakeholder Inputs



Stakeholder Inputs

Agriculture Exports

- Pakistan's rice exports to Indonesia are totally reliant on their weather conditions and harvest; if any major disruptions occur then despite their intention to halt imports from this year onwards, Indonesia will have to inevitably import rice as its a staple food. As a result, rice exports will have the tendency to remain erratic. The general 5 percent broken rice is exported to Indonesia.
- Malaysia on the other hand imports low-value agriculture goods like rice and does so from a basket of suppliers which includes India, Vietnam and Thailand to ensure food security. The country has a sole importer of rice, Bernas which has a tax exemption from the government and hence no import duty is levied on any of the exporters either. Pakistan mostly exports white rice, 5 percent broken and has been Malaysia's biggest supplier from January to October of 2025.
- Pakistan mostly exports Irri-6 rice to the Philippines and has requested a quota which is similar to what the Philippines gives to India and Vietnam. A quota provides more stability which is needed at this moment as Pakistan's rice exports are expected to reduce by 50 percent this year due to an import ban. Philippines' tariffs on rice also fluctuate based on demand.
- The maize exported to Vietnam is for **animal feed only**. The necessary SPS standards have not been invested in to make it fit for human consumption. The bulk of maize exported to Malaysia is for animal feed as well.
- Fruits like mangoes, mandarins, kinnow, strawberries and guavas that are not produced in Vietnam have a potential for export from Pakistan's side and relevant dossiers are in process for their export approval. An MRA (Mutual Recognition Agreement) would be very beneficial for the harmonization of SPS standards.
- Pakistan's export of oranges to the Philippines is hugely impacted by competition from Australia and China which have a zero-tariff rate whereas Pakistan is still on the MFN rate. If competitive rates are negotiated then there is a huge potential given that the season in Pakistan is from December to February and the local season in the Philippines is from June to August providing no clash of interests.

Textile Exports

- Competition with China is the biggest hurdle to textile exports, even beyond tariff and non-tariff barriers. It's better located on the east to have a shorter shipping distance and thus lower logistics costs. The problem is exacerbated by the huge volumes of undocumented textile goods, that is dumped by China which has led to the closure of Indonesian factories and as a result many safeguard regulations have been introduced. One of them has been in relation to the tariff line HS-5209 from which Pakistan has been **excluded** but China is included.
- Pakistan's towels and bedsheets are mainly used in Malaysia's hospitality sector but it is not a market for 100 percent cotton premium products. The general preference for both home textiles and garments is low-cost and medium quality, made with polyester so it's easy to wear. Competition with Bangladesh, Vietnam and Cambodia will largely depend on keeping prices low and the ability to customize.
- Supply chain issues in cotton relating to both its quality and quantity has been a big hurdle. Most of the cotton that arrives in Vietnam is wastage cotton.
- Pakistan's home textiles like towels and bed linen have become uncompetitive in the Philippines, in large part due to tariff constraints. A large information gap exists between the exporters and the importers both of whom are unaware of the trade potential.

Other Exports

- Three-wheeler rickshaws have a huge demand and market in the Philippines. The first consignment has reached and assembly is currently being undertaken.
- Surgical goods have also received a very good response via exhibitions in the Philippines; however, exposure still remains low.
- For the bovine meat market in Malaysia, boneless buffalo meat has the highest share and is dominated by exports from India. Prices for bone-in meat are higher compared to boneless but Pakistan cannot export it due to prevalence of FMD.
- Joint ventures between Pakistan and Vietnam, especially in the food sector is one way to boost ties and can be very helpful given Vietnam's strengths in marketing and technology.

Trade Logistics:

- On smaller orders of rice (3,000-5,000 tons), obtaining a smaller shipping vessel often becomes difficult.
- Pakistan does not have any direct shipping lines with Vietnam. Consignments take 30-35 days to reach, making stops at Malaysia and Singapore first before reaching the Haiphong port. This increases the moisture content in maize by 4 to 5 percent which is worsened by the fact that containers are often not lined properly.
- There are also no direct shipping lines with the Philippines and containers have to go through either Malaysia, Singapore or Thailand (exceptions are made for rice exports when they are in high demand). This has a negative impact on the export of fruits like oranges which start to lose their colour and freshness.
- Trade efficiency is the best with Malaysia as the containers that are sent for palm oil imports are returned with Pakistan's exports to ensure they do not come back empty. Freight cost can be as low as under 300 USD per 20 feet container. But still increasing more direct flights and air cargo to Malaysia will have a positive impact on trade.

Non-Tariff Barriers:

- Indonesia's TKDN (local content requirements) are very tightly controlled and often hinder in the export of goods that cannot meet these terms.
- An MRA is being pushed in the Vietnam PTA to help navigate the non-tariff barriers and make the approval of relevant dossiers easier.
- Compliance with the host country's registration requirements and increasing export capacity are vital for an effective PTA.
- Issues of high moisture content, aflatoxin and khapra beetle in consignments of maize do arise and risk Pakistan's future shipments being banned. One reason for this occurring is the mixing of corn crops from different fields which exposes the safe yields with the contaminated ones.
- Out of 1 to 5, with 1 being the easiest access and 5 being the most difficult, Pakistani products are ranked Grade-5 in Vietnam. Pakistani companies/exporters often do not inquire about the legal proceedings which falls in line with basic requirements of doing business in Vietnam.
- Some practices of short-shipments in rice i.e. shipping less weight than is committed as well as a higher content of broken rice are reported and must be monitored.
- Malaysia has a strict regulatory regime and country-access applications are required for many products before they can be exported.

- The registration process of new medicines in the Philippines has become very lengthy and expensive, it now requires both the GMP and WHO certifications and the exports coming in at the moment were those registered 10 years ago. Cooperation between the Philippines' Food and Drug Authority (FDA) and the Drug Regulatory Authority of Pakistan (DRAP) is needed for harmonization of standards as the Philippines is Pakistan's third largest market for pharmaceutical exports.

Trade in Services:

- Pakistan and Indonesia are at a very comparable level on the IT sector while Vietnam is ahead. They do appreciate Pakistan's presence in western markets which they do not have.
- Pakistani travellers prefer Thailand and Malaysia due to direct flights which are cost-friendly offering the same scenery, night markets and beaches as those ASEAN countries with no direct flights.
- Perception issues also play a role from both sides where Pakistan is viewed as unsafe and in Pakistan's case there's a general lack of awareness towards Vietnam and Philippines as compared to Malaysia and Thailand which are very well-established tourism markets.
- One method of increasing tourism to Pakistan by Muslim-majority ASEAN countries could be by incorporating Pakistan as a stop or connecting destination in Hajj/umrah packages.
- The Philippines has a very well-established network in Business Process Outsourcing (BPO) exports to the world and is the largest one after India, and Pakistan must take advantage of this sector.
- Semiconductor software designs should be targeted by Pakistan as a potential IT sector export to Malaysia given its demand.

Policy Recommendations



Policy Recommendations

■ Obliging with the SPS Standards of Rice and Maize

Cases of the khapra beetle, aflatoxin and high moisture content in maize consignments damage the credibility of Pakistani produce. Steps at fumigation, keeping crops in dry and cool godowns and properly lining containers to prevent moisture during sea voyages must be taken. If it is possible then direct shipping lines to Vietnam and the Philippines must be explored especially given that a PTA with Vietnam is in the process of negotiation. For maize, it must be ensured that the quality of the yields remain the same and that the contaminated yields are not mixed with the high-quality ones in godowns. If additional health certifications are invested in then the same corn for animal feed could be approved safe for human consumption as well and could compete with other global suppliers. For rice, the shipped weight and ensuring that broken rice does not exceed 5 percent must be monitored by the relevant authorities.

■ Surpassing the Technical Barriers of Pharmaceutical Exports

ASEAN's market size for the two pharmaceutical tariff lines comes to 9.34 billion USD which is only expected to grow given the popularity of low-cost generic medicines, but Pakistan faces the cost of high technical barriers to trade. Collaboration amongst DRAP and local regulation authorities such as the Philippines' FDA should be done to reduce waiting, booking and inspection periods for the registration of new medicines. Private firms should also educate themselves on the country-specific legal proceedings of doing business in a sensitive sector like pharmaceuticals instead of trying to find loopholes for export.

■ Reviving Textiles

A top-down approach is needed to revive the entire value chain of the country's most valued sector starting with cotton production. Ensuring a stable output by preventing pest outbreaks and minimizing losses from weather adversities would automatically lead to more cotton for the ginning process. Investing in high-speed rollers over double-rollers and saw ginning machines preserves the fibre length and strength, increasing its global appeal.

The EFS scheme has been highly controversial for this sector and in simple terms applying duties to basic raw materials like yarn and fabric goes beyond the ideals required for Pakistan's participation in global value chains. Not to mention SMEs cannot buy these inputs in bulk and hence cannot distribute the cost of duties and hence face the largest burden. Similarly, the high energy costs need to be brought down so Pakistani textiles can at least be price-competitive in a market that is flooded by low-cost Chinese apparel.

Pakistan needs to have a larger share in MMF apparels that are becoming increasingly popular. The relevant tariffs have been reduced in 2025, so garment manufacturers must be encouraged to invest in the export of MMF apparel.

■ Exploring Software Designs for Semiconductors

Given the demand for semiconductor software designs in Malaysia and other ASEAN countries with established semiconductor industries, Pakistan must take advantage of this opportunity given its human-capital expertise in the field. Collaboration and networking events between NECOP and the relevant stakeholders in ASEAN countries must be facilitated to penetrate this segment.

■ Marketing Surgical Goods

Surgical instruments form a 2.8 billion USD ASEAN market and Pakistani displays have performed very well in global exhibitions. With continued appearances at expo-fairs and industry specific exhibitions along with capable marketing, branding and packaging they will have greater success at global recognition.

■ Investing in Kinnow Exports as Forex Earners

Concessions on the same level as Australia and China (which currently stand at zero percent compared to Pakistan's MFN rate of 9 percent) must be negotiated to revive kinnow exports to the Philippines. For their transport, an air cargo route must be opened as these are perishable goods and the long/indirect sea route to the far east countries like the Philippines and Vietnam may lead to their discolouration and loss of freshness. To open their export to other ASEAN members, MRAs should be pushed to make the dossier approval/certification of SPS standards easier, not just for kinnow but for other fruit like mangoes that may be exported in the future.

■ Opportunities in Heritage Tourism

Potential for heritage tourism should be explored given Buddhist heritage sites in Taxila and Khyber-Pakhtunkhwa. Travel and tour companies from ASEAN should be invited to bridge the knowledge gap so they could include Pakistan as a stop in their travel packages.

■ Maintaining Vegetable Exports

Pakistan experienced strong growth in potato and onion harvests in FY 25 and efforts must be undertaken to keep the supply chains intact even if weather anomalies like torrential floods occur as they did in the first quarter of FY 26. The closure of the Afghan border has left a huge surplus of potatoes which could be directed to Malaysia, Indonesia and Vietnam. Indonesia has currently applied a 20 percent tariff on potato imports and this must be reviewed in any upcoming PTA review.

■ Planning for Local Oilseed Production

In the long-run Pakistan has no choice other than to cultivate oilseeds locally and pilot projects for this initiative should start now. Demand is not going to decrease with the continuing population boom and importing it for the foreseeable future would continue to hurt the balance of trade and would become worse if Indonesia applies an export tax or ramps up its B35 program to B40 or B50 levels. The only global suppliers are Indonesia and Malaysia; both offer the same tariff rate so there is no option for supplier diversification either.

■ Boosting Tobacco Exports from the Supply Side

Tobacco's cultivation area and production have remained constant at 55,000 hectares and 186,000 tons for the past two years. It continues to be a strong import for ASEAN but Pakistan only constitutes 1.5 percent of the 1.4 billion USD ASEAN market. Hence on the supply side cultivation area and yield should be increased.

Annexure



Annexure

Table 18: List of Interviewees

Interviewee	Designation
Ms. Faiza Shafqat	Trade and Investment Attache, Embassy of Pakistan, Hanoi-Vietnam
Ms Fareeha Khan	Trade and Investment Counsellor, Embassy of Pakistan, Manila-Philippines
Mr. Muhammad Naseem Rashed	Trade and Investment Minister, Embassy of Pakistan, Jakarta-Indonesia
Ms. Tahira Javed	Trade and Investment Counsellor, High Commission for Pakistan, Kuala Lumpur- Malaysia

Table 19: Examples of Non-Tariff Barriers Applied by ASEAN Members

Measure	UNCTAD code	Description	Affected Products	Country and Issuing Agency	Does PAK conform to it?
Treatments to eliminate plants and animal pests or disease-causing organisms in the final product n.e.s. or prohibition of treatment	A59	Prohibition of import of plant etc. except under permit - Plants which are exempted under regulation 4(1), (a), (b) and (c) of Plant Quarantine Regulations (1981) and imported from countries where the khapra beetle is found , as contained in the Ninth Schedule, shall be treated by the exporting countries according to the dosage rates to be determined by the Director and such a consignment of plants shall be accompanied by a phytosanitary certificate	Plants where the khapra beetle is found notably, rice, maize, sesame, in gunny sacks	Ministry of Agriculture and Agro-Based Industry, Malaysia	Yes, P163 issues a certificate if the plant or plant material upon inspection are found to be free from plant diseases and injurious insects
Storage and transport conditions	A64	As per Fish Marketing Regulations (2010), any person who transports fish shall ensure that:- (a) wet fish, thawed fish and processed fish are maintained at a temperature approaching that of melting ice; (b) frozen fish is stored at a temperature below minus 18°C ; (c) frozen fish in brine that is intended to be processed as canned food is kept at a temperature below minus 9°C ; or (d) living fish to be kept at a temperature and in a manner that does not affect of its living.	Fish	Department of Fisheries, Malaysia	No official record
Testing requirements	A82	Animals/animal products on the List of terrestrial animals and products thereof subject to hazard analysis before importing into Vietnam shall undergo the hazard analysis	Animal/animal products	National Assembly, Vietnam	Yes. Under the Pakistan Animal Quarantine (import and Export of Animals and Animal Products) Rules (1980) and P163, no animal or animal product shall be exported unless it is accompanied by a health certificate

Measure	UNCTAD code	Description	Affected Products	Country and Issuing Agency	Does PAK conform to it?
Tolerance limits for residues of or contamination by certain substances	B21	The commodity shall not contain chemical residues in excess of the maximum limits recommended by the joint FAO-WHO Codex Alimentarius Commission. In the case of shelled corn and corn grits, aflatoxin content shall not exceed the maximum level recommended by the FAO-WHO Codex Alimentarius Commission which is 20 ppb for human food and 50 ppb for animal feeds .	Rice and corn	National Food Authority, Philippines	No official record
Labelling requirements	B31	Medicines shall be appropriately packaged according to the defined conditions: - On the outer box or bottle shall appear the name of the medicine, its international name, level - excipients - quality of treatment (indication), contraindication (contre- indication), dosage and usage ... label (vignette), stating value of AMM, expiry date ... etc. ; - There shall be a description of the medicines inside (Notice ou prospectus); - On the strip or bottle or tube of the medicine, there shall be additional specifications of the lot number and expiry date; Unofficial Translation ' by JICA HRD - For a medicine comprising a poisonous substance, there shall be a special label and note: "sale with prescription".	Pharmaceuticals	Ministry of Health, Cambodia	Yes, P6 and as per The Drugs (Labelling and Packing) Rules, 1986, exported drugs have to follow labelling and packaging requirements.
Packaging requirements	B33	As per the Grains Business Regulations packaging and labelling requirements are specified, including type of sack or bag and weight based on moisture content, colour code for sack and label according to grade of rice, contents of label ; NFA (National Food Authority) empty sacks standard specifications for its procurement, palay milling and corn milling operations, and disallowing the use of phrases such as "when packed" or "as packed" following the words "net weight" .	Paddy rice, milled rice, shelled corn, corn grits	National Food Authority, Philippines	No official record
Product-quality, safety or -performance requirement	B7	As per Food Regulations 1985 (amended April 2017), lean meat shall be meat from which the overlying fat has been removed. It shall not contain more than 15 per cent of total fat . Chilled meat shall be meat that has been maintained in a wholesome condition at a temperature between minus 1°C to 10°C and includes frozen meat that has been thawed at a temperature of not more than 10°C .	Meat	Ministry of Health, Malaysia	No official record
Product-quality, safety or -performance requirement	B7	Milled rice shall not contain more than 14 per cent of water calculated on wet basis as per Food Regulations 1985 (amended April 2017)	Milled rice	Ministry of Health, Malaysia, Ministry of	No official record

Measure	UNCTAD code	Description	Affected Products	Country and Issuing Agency	Does PAK conform to it?
Product registration/ approval requirement	B81	As per Prakas no.364, the creation of visas for and registration of medicines aims to control the production, import, export and trading of medicines in the Kingdom of Cambodia in order to ensure the quality of medicines and the production rights of manufacturers.	Pharmaceuticals	Health, Cambodia	Under P33, the Drugs Act (1976) prohibits the export of drugs without licencing and an No Objection Certificate (NOC) must be issued
Testing requirements	B82	Compliance approval - The certification process for a compliance approval may involve paper evaluation, laboratory or field tests or a combination of them. Special approval - The certification process for a special approval shall be specified by the Commission or a registered certifying agency, as the case may be.	Surgical devices/ equipment	Malaysian Communications and Multimedia Commission	Under the Export Policy Order (2013) and P163, the export of surgical instruments is subject to certification issued
Certification requirement	B83	The report and certificate of conformity assessment shall be submitted as one of the requirements for registration of medical devices and licencing for establishment as per the Medical Device Regulations (2012)	Surgical devices/ equipment	Ministry of Health, Malaysia,	Under the Export Policy Order (2013) and P163, the export of surgical instruments is subject to certification issued
Certification requirement	B83	The granting of import permission of aquatic animals and aquatic animal products shall be executed only when a catch certificate or any other document is presented proving that such aquatic animals and aquatic animal products are obtained from a lawful fishing operation.	Fish	Department of Fisheries, Thailand	Yes, P163 issues certificates of quality and origin for fish and fishery products.
Requirement to pass through specified port of customs	C3	Imports and exports of aquatic animals listed with the notification need to pass through specified Fish Inspection Office stated in the license.	Fish	Department of Fisheries, Thailand	Not applicable on export side
Advance Import Deposit	G11	All rice to be imported under the 2017 MAV (Minimum Access Volume) Rice Importation Program shall be levied with 35% tariff to be paid in advance with the Land Bank of the Philippines.	Milled rice, broken rice	National Food Authority, Philippines	Not applicable on export side

Source: UNCTAD TRAINS database

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