



# PAKISTAN'S TRADE WITH ITS REGIONAL PARTNERS

INDIA, AFGHANISTAN & IRAN

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## ACKNOWLEDGEMENTS

**Team Leader:**

Samir S. Amir

**Lead Researcher:**

Salik Saeed

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For any queries or feedback regarding this report, please contact

**samir@pbc.org.pk** or **salik@pbc.org.pk**

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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 field works for carrying out research and raising awareness in regard to matters affecting businesses in Pakistan.

To acquire, collect, compile, analyze, publish and provide statistics, data analysis and other information relating to businesses of any kind, nature or description and on opportunities for such businesses within and outside Pakistan.

To promote and facilitate the integration of businesses in Pakistan into the World economy and to encourage in the development and growth of Pakistani multinationals.

To interact with governments in the economic development of Pakistan and to facilitate, foster and further the economic, social and human resource development of Pakistan.

## THE PBC'S MEMBER COMPANIES





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<b>APTTA</b>	Afghanistan-Pakistan Transit Trade Agreement
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>ATTA</b>	Afghan Transit Trade Agreement
<b>CAGR</b>	Compound Annual Growth Rate
<b>CEPEA</b>	Comprehensive Economic Partnership for East Asia
<b>CPEC</b>	China-Pakistan Economic Corridor
<b>D8</b>	Group of Eight Developing Countries
<b>ECO</b>	Economic Cooperation Organization
<b>EU</b>	European Union (28)
<b>FTA</b>	Free Trade Agreement
<b>GCC</b>	Gulf Cooperation Council
<b>HS</b>	Harmonized System of Tariff Nomenclature
<b>ITC</b>	International Trade Centre
<b>JCPOA</b>	Joint Comprehensive Plan of Action
<b>LNG</b>	Liquefied Natural Gas
<b>LPG</b>	Liquefied Petroleum Gas
<b>MERCOSUR</b>	Mercado Comun del Cono Sur (Southern Cone Common Market)

<b>MFN</b>	Most Favoured Nation
<b>n.e.s.</b>	Not Elsewhere Specified
<b>NTB</b>	Non-Tariff Barrier
<b>PTA</b>	Preferential Trade Agreement
<b>RCD</b>	Regional Cooperation for Development
<b>SAARC</b>	South Asian Association for Regional Cooperation
<b>SAFTA</b>	South Asian Free Trade Agreement
<b>UAE</b>	United Arab Emirates
<b>UK</b>	United Kingdom
<b>US / USA</b>	United States of America
<b>YoY</b>	Year on Year

## EXECUTIVE SUMMARY

The Islamic Republic of Pakistan (Pakistan) shares land borders with 4 countries; Afghanistan, China, India and Iran. Pakistan's trade with its non-Chinese regional partners has historically had a minimal share in its total trade. Although low, Pakistan's exports to its regional partners minus China have a relatively higher share at 7.42% in its total exports compared to a 6.42% import reliance on the three regional countries excluding China. While imports from non-Chinese regional partners have been increasing at a CAGR of 0.03 in the past decade, Pakistan's imports from the world have been growing in the same time period at a rate of 0.07. Compared to this, exports have reduced in the past decade. Exports to non-China regional partners peaked in 2011 at \$3.09 billion, they have since reduced to \$1.75 billion in 2018. Although Pakistan also shares border with China, this report does not cover the Pak-China trade trends. Pakistan has a Free Trade Agreement with China and is also economically integrated under the China-Pakistan Economic Corridor (CPEC). Therefore, owing to its dynamic nature, Pakistan-China trade is covered under a separate series issued by the Pakistan Business Council (PBC).

### INDIA

India is a huge economy with large trade volumes. As of 2018, India had a trade deficit of \$185 billion with exports amounting to \$323 billion and imports clocking in at \$508 billion, a historic high. While petroleum products and articles of jewellery and diamonds made up the biggest export items, crude oil and raw metals and unworked precious stones were the top imported items. India exports to a number of countries, however, the US is the single largest market followed by the United Arab Emirates and China. On the imports side, the top partner countries include China, USA and Saudi Arabia.

#### *Pakistan-India Trade*

Pakistan shares its longest land border with India, yet trade between the two countries is well below potential. Pakistan's imports from India have always been higher than its exports. As of 2018, Pakistan's imports from India stood at \$1.93 billion while exports were only \$0.38 billion resulting in a trade deficit of \$1.55 billion. Pakistan's primary exports to India include dates and cement. On the other hand, Pakistan imports cotton, cotton yarn and industrial chemicals & dyes from India. While current trade volumes with India are low, the potential is immense. As of 2018, Pakistan had an export

potential of \$1.59 billion for just the top 20 high potential items which comprised mainly of medical and surgical instruments, plates of plastic and articles of textiles. On the imports side, the top 20 high potential import items from India were worth \$7 billion. These high potential items comprised of electrical and mechanical appliances including cell phones, motor vehicles, hydrocarbons and items of steel and iron.

## AFGHANISTAN

Afghanistan's overall trade volumes have been on a decline since 2012. Afghanistan's total imports in 2018 amounted to \$5.67 billion while exports were worth \$1.08 billion leading to a trade deficit of \$4.59 billion, this incidentally was the lowest deficit in the last 10 years. Since Afghanistan's reported trade figures are incomplete, for purpose of this report, mirror data has been used for calculating Afghanistan's trade numbers. Afghanistan mainly exports agricultural products including grapes, figs, nuts and cotton along with bituminous coal. On the imports side, the country imports a variety of diversified products to meet local demand, Imports include automobiles, wheat and electrical energy. Afghanistan's main export partners are Pakistan and India which between them accounted for 86% of Afghanistan's exports in 2018. On the imports side, Iran, UAE and Pakistan are the top three import partners of Afghanistan.

### *Pakistan-Afghanistan Trade*

Afghanistan is a significant trading partner of Pakistan; however, the trade volumes between the two have been on a decline since 2011. As of 2018, Pakistan's exports to Afghanistan stood at \$1.35 billion while imports from Afghanistan were worth \$0.51 billion. This resulted in a trade surplus for Pakistan of \$0.84 billion. While sugar, petroleum products, wheat and rice are the top exports to Afghanistan, Pakistan imports grapes, apples, coal and cotton from Afghanistan. Pakistan's export potential beyond its existing exports is not a lot due to low import demand of Afghanistan. As of 2018, the untapped export potential for Pakistan to Afghanistan for its top 20 products was \$354 million which was mainly in petroleum products, medicaments and wheat. The import potential for Pakistan from Afghanistan for the top 20 potential imports amounted to \$56 million which is very low and only marginal as compared to its current imports from Afghanistan.

## IRAN

Iran's global trade has been negatively affected by U.S. sanctions. In 2018, exports stood at \$66.61 billion while imports amounted to \$41.05 billion. The trade surplus for Iran in 2018 was \$25.56 billion; its highest in the last 5 years. The main export of Iran is crude oil which earns as much as 68% of its export revenues. Imports are highly diverse. Iran imports maize, rice and other agricultural products, automobiles and other industrial products.

### *Pakistan-Iran Trade*

Trade between Pakistan and Iran is very limited with Pakistan's exports to Iran being a mere \$22.77 million while imports were worth \$373.97 million in 2018. Pakistan exports paper and paperboard, rice and stationary products to Iran while it imports LPG, other mineral fuels and electrical energy from Iran. The potential for trade between the two countries is immense with the top 20 high potential export items for Pakistan having a potential of \$1.91 billion. These high potential export items include rice, which alone has an export potential of \$1.2 billion, medical appliances and medicaments. On the import side, the top 20 items had an import potential of \$7.18 billion. Crude oil, other petroleum products and polyethylene are the items with the highest import potential from Iran.







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## INTRODUCTION

Pakistan has a 7,257-kilometre-long land border which it shares with four countries. On the eastern side of Pakistan lies India with which it shares its longest border of 3,190 kilometres. To the south-west of Pakistan is Iran with which it shares a 959-kilometre border. Afghanistan lies to the north-western side of Pakistan and Pakistan shares a 2,670-kilometre border with that country. China and Pakistan share a 523-kilometre-long border on the country's north-eastern side. Although Pakistan and China share a limited land border in a tough terrain, Pakistan shares the most cordial economic and political relations with China from amongst all its neighbours.

This report covers Pakistan's trade relations with three bordering countries: India, Afghanistan and Iran. Due to the extensive nature of Pakistan's relations with China, Pakistan's trade with China is studied under a different series which only focuses on China-Pakistan trade.

Bilateral trade relations between Pakistan and India, Pakistan and Afghanistan & Pakistan and Iran are the subject of this report with special emphasis on the potential for trade that exists between Pakistan and these three neighbouring states.

Because of non-reporting of trade data by Afghanistan and Iran to the International Trade Centre (ITC) as of May 2019 for 2017 and 2018, this report uses mirror data – that is the data reported by Afghanistan and Iran's trading partners for their bilateral trade with these two countries to examine trade patterns.









## SECTION 1

# PAKISTAN - TRADE OVERVIEW

## PAKISTAN'S TRADE TRENDS

The overall volume of Pakistan's trade has been rising at an increasing rate in the past few years; however, most of the incremental trade has been in the form of rising imports. Between 2009 and 2018, i.e. over the course of the last ten years, the country's imports have almost doubled from \$31.6 billion to \$60.3 billion. In the same time period, exports increased by a mere 35% from \$17.6 billion to \$23.7 billion. Pakistan has therefore been running an ever-increasing trade deficit which grew from \$14 billion in 2009 to \$36.6 billion in 2018.

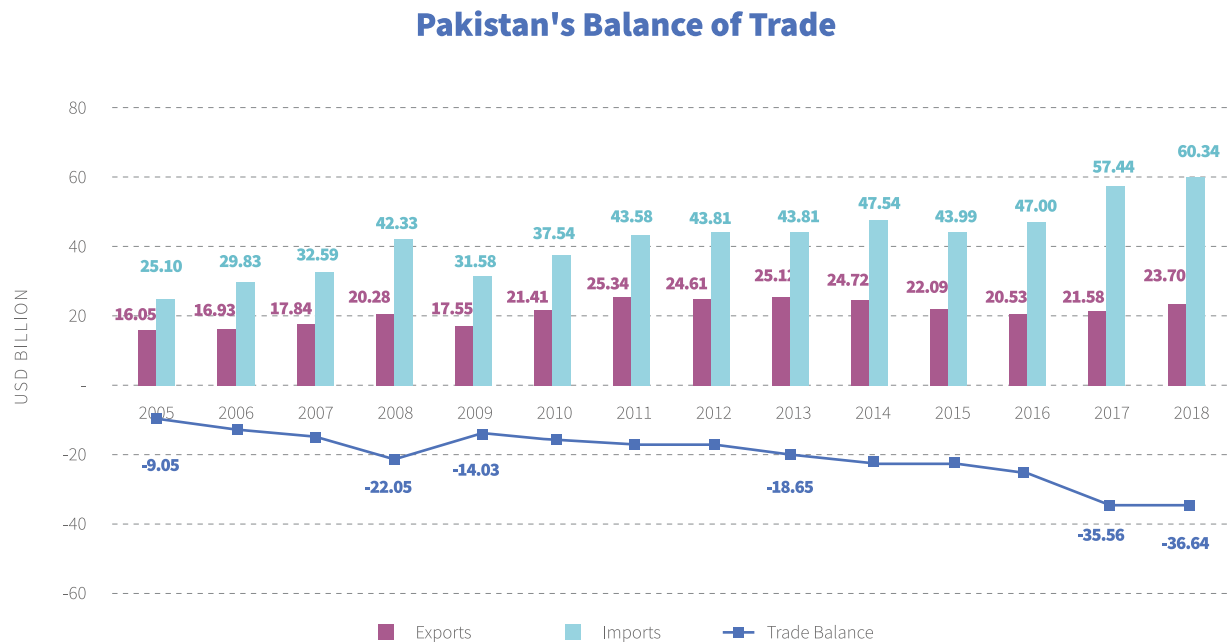


Figure 1: Pakistan's Balance of Trade (2005-2018)

## TRADE TRENDS: PRODUCTS

### Major Export Categories (HS-02)

The table below shows the top categories of Pakistan's exports at HS-02 level for the past five years along with the trends for each of these categories.

S. No.	HS-02 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	24,722,182,000	22,089,018,000	20,533,793,000	21,877,787,000	23,696,528,000		0.03
1	63	Other made-up textile articles; worn clothing; rags	3,906,465,000	3,759,721,000	3,803,987,000	3,955,808,000	4,052,212,000	17.10	0.04
2	52	Cotton	4,731,369,000	4,040,271,000	3,497,374,000	3,497,689,000	3,520,860,000	14.86	0.01
3	61	Articles of apparel and clothing accessories, knitted or crocheted	2,402,619,000	2,359,608,000	2,347,471,000	2,515,943,000	2,851,919,000	12.04	0.06
4	62	Articles of apparel and clothing accessories, not knitted or crocheted	1,984,656,000	2,127,462,000	2,253,021,000	2,465,340,000	2,586,610,000	10.92	0.09
5	10	Cereals	2,211,315,000	1,942,267,000	1,717,085,000	1,751,542,000	2,351,406,000	9.92	0.03
6	42	Articles of leather; saddlery and harness	742,028,000	687,621,000	644,930,000	631,953,000	662,659,000	2.80	0.02
7	17	Sugars and sugar confectionery	439,338,000	358,000,000	250,787,000	511,945,000	518,971,000	2.19	0.19
8	27	Mineral fuels, mineral oils and products	647,584,000	265,131,000	155,100,000	258,511,000	499,457,000	2.11	(0.04)
9	22	Beverages, spirits and vinegar	352,272,000	310,032,000	250,602,000	382,204,000	453,130,000	1.91	0.16
10	25	Salt; sulphur; earths and stone; plastering materials, lime and cement	694,237,000	507,567,000	448,064,000	385,540,000	445,377,000	1.88	(0.03)

Table 1: Major Export Categories (HS-02)



As evident from table 1, Pakistan's exports are overwhelmingly reliant on textile products and cotton. The top 4 categories of exports belong to the cotton and textile sectors. Other than these, edible items and raw materials along with leather goods constitute a major portion of the country's exports. Cumulatively, the top 10 categories of exports at HS-02 level contributed more than 3/4th to the country's exports in 2018.

While overall exports have fallen in \$ terms over the last 5 years, textile articles and garments have recorded an increase in the same period. On the other hand, cotton exports significantly reduced in the same time period from \$4.73 billion in 2014 to \$3.52 billion in 2018, a fall of 26%.

## Major Import Categories (HS-02)

The table below shows Pakistan's top 10 imports from the world at HS-02 level with their respective share in imports in 2018 and the 10-year Compound Annual Growth Rate (CAGR).

S. No.	HS-02 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	47,544,889,000	43,989,645,000	46,998,269,000	57,440,013,000	60,337,562,000		0.07
1	27	Mineral fuels, mineral oils and products	14,821,807,000	10,030,526,000	9,528,766,000	13,712,114,000	17,126,712,000	28.38	0.08
2	84	Machinery, mechanical appliances; parts thereof	3,927,057,000	4,068,682,000	5,831,518,000	6,863,137,000	6,283,270,000	10.41	0.08
3	85	Electrical machinery and equipment and parts thereof	3,346,273,000	3,801,815,000	4,431,285,000	4,745,358,000	4,341,738,000	7.20	0.06
4	72	Iron and steel	2,301,833,000	2,551,754,000	2,756,017,000	3,418,871,000	3,690,612,000	6.12	0.09
5	29	Organic chemicals	1,964,338,000	1,863,989,000	1,944,043,000	2,372,435,000	2,764,446,000	4.58	0.07

S. No.	HS-02 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
6	87	Vehicles other than railway	1,313,905,000	1,744,611,000	2,101,448,000	2,665,543,000	2,604,907,000	4.32	0.12
7	39	Plastics and articles thereof	1,952,119,000	1,933,164,000	1,938,113,000	2,296,468,000	2,499,738,000	4.14	0.09
8	15	Animal or vegetable fats and oils and products	2,150,336,000	1,853,374,000	1,928,036,000	2,370,258,000	2,126,352,000	3.52	0.05
9	12	Oil seeds and oleaginous fruits	780,735,000	784,899,000	1,047,858,000	1,399,201,000	1,463,140,000	2.42	0.14
10	52	Cotton	741,596,000	662,978,000	719,254,000	974,980,000	1,296,126,000	2.15	0.11

Table 2: Major Import Categories (HS-02)

As the table above shows, more than a quarter of Pakistan's imports are of fossil fuels. Other major imports include electrical appliances and machinery to meet industrial and domestic demand. Imports are highly diverse in nature ranging from automobile to edible items and iron and steel.

In 2018, the import of fossil fuels recorded the largest YoY increase primarily due to increased oil prices in the international markets. Imports of oil seeds have also been on a rise along with those of cotton. While oil seeds and its products are used in the cooking oil industry to meet domestic demand, cotton is used by the textile industry to cater for both local and international markets.

## Top Exported Products (HS-06)

In calendar 2018, Pakistan's total exports stood at \$23.70 billion. The top 25 exports at HS-06 level for the year with their respective 5-year trend and CAGR are shown in the table below:

S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	24,722,182,000	22,089,018,000	20,533,793,000	21,877,787,000	23,696,528,000		0.03
1	100630	Semi-milled or wholly milled rice	1,895,367,000	1,416,145,000	1,418,928,000	1,512,694,000	1,771,112,000	7.47	0.01
2	620322	Men's or boys' ensembles of cotton	231,750,000	199,452,000	708,808,000	1,291,728,000	1,532,130,000	6.47	0.65
3	630231	Bedlinen of cotton	792,525,000	744,958,000	773,306,000	810,930,000	860,178,000	3.63	0.03
4	630260	Toilet linen and kitchen linen, of terry towelling	776,389,000	820,804,000	777,086,000	805,010,000	789,350,000	3.33	0.03
5	520512	Single cotton yarn, of uncombed fibres, >= 85% cotton	1,185,230,000	1,017,987,000	810,976,000	811,873,000	787,152,000	3.32	0.04
6	630239	Bedlinen of textile materials	620,064,000	588,002,000	651,871,000	669,978,000	697,815,000	2.94	0.06
7	630210	Bedlinen, knitted or crocheted	683,989,000	654,701,000	606,930,000	665,344,000	692,625,000	2.92	0.03
8	520942	Denim, containing >= 85% cotton	445,676,000	447,171,000	461,848,000	482,494,000	501,157,000	2.11	0.11
9	630710	Floorcloths, dishcloths, dusters and similar cleaning cloths	392,749,000	396,831,000	384,886,000	407,123,000	438,864,000	1.85	0.07
10	220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	246,212,000	231,498,000	221,817,000	361,533,000	423,973,000	1.79	0.46
11	170199	Cane or beet sugar and chemically pure sucrose	289,210,000	230,133,000	123,078,000	342,901,000	401,185,000	1.69	2.09
12	901890	Instruments and appliances used in medical sciences, n.e.s.	319,526,000	332,642,000	326,028,000	360,575,000	372,969,000	1.57	0.05



S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
13	620342	Men's or boys' trousers, bib and brace overalls	664,530,000	762,156,000	543,874,000	410,423,000	350,264,000	1.48	(0.05)
14	610590	Men's or boys' shirts of textile materials	275,730,000	262,020,000	252,519,000	310,704,000	332,438,000	1.40	0.08
15	100119	Durum wheat	5,000	1,312,000	20,000	-	283,694,000	1.20	0.57
16	611090	Jerseys, pullovers, cardigans, waistcoats	121,092,000	129,804,000	151,086,000	195,778,000	264,713,000	1.12	0.28
17	270900	Petroleum oils, crude	222,906,000	175,653,000	76,992,000	114,476,000	261,028,000	1.10	0.04
18	420310	Articles of apparel, of leather or composition leather	378,656,000	320,981,000	297,991,000	275,584,000	259,022,000	1.09	(0.03)
19	520812	Plain woven fabrics of cotton, containing >= 85% cotton	240,084,000	214,956,000	183,873,000	213,201,000	253,077,000	1.07	0.15
20	610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	195,408,000	203,756,000	205,111,000	197,757,000	242,398,000	1.02	(0.01)
21	271019	Medium oils and preparations, of petroleum	422,940,000	86,002,000	76,859,000	142,866,000	236,972,000	1.00	(0.11)
22	610349	Men's or boys' trousers, bib and brace overalls	123,682,000	135,664,000	159,059,000	175,670,000	229,756,000	0.97	0.20
23	420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	210,557,000	201,507,000	187,615,000	196,402,000	219,624,000	0.93	0.08
24	611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	150,461,000	166,211,000	143,324,000	199,886,000	215,389,000	0.91	0.70
25	252329	Portland cement (excluding white, whether or not artificially coloured)	502,135,000	337,381,000	293,399,000	208,181,000	199,426,000	0.84	(0.07)

Table 3: Top Exported Products (HS-06)

Cumulatively, the top 25 export items listed above constituted more than 53% of the country's exports. Of the top 25 items, 15 belong to the textile category of which articles of home textiles and ensembles of cotton have an overwhelming share. While rice is the single largest export item, it is "Men's or boys' ensembles of cotton" which has recorded the largest growth in the past 5 years.

## Top Imported Products (HS-06)

Pakistan's top 25 imports at HS-06 level for 2018 are listed below:

S. No.	HS-06 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	47,544,889,000	43,989,645,000	46,998,269,000	57,440,013,000	60,337,562,000		0.07
1	270900	Petroleum oils, crude	5,609,124,000	3,022,858,000	1,983,027,000	3,135,388,000	4,899,418,000	8.12	0.05
2	271012	Light oils and preparations, of petroleum	2,291,332,000	2,182,835,000	2,217,539,000	3,010,655,000	3,690,066,000	6.12	0.16
3	271111	Natural gas, liquefied	-	356,082,000	849,824,000	1,676,310,000	3,287,137,000	5.45	5.46
4	271019	Medium oils and preparations	6,266,719,000	3,715,142,000	3,532,113,000	4,398,819,000	3,133,091,000	5.19	- 0.05
5	151190	Palm oil and its fractions	1,862,524,000	1,568,479,000	1,629,569,000	2,011,892,000	1,833,848,000	3.04	0.08
6	270112	Bituminous coal, non-agglomerated	463,000	-	214,765,000	914,223,000	1,222,703,000	2.03	1.35
7	520100	Cotton, neither carded nor combed	521,640,000	543,748,000	580,537,000	761,455,000	1,099,615,000	1.82	0.10
8	720449	Waste and scrap of iron or steel	560,427,000	563,673,000	571,115,000	866,802,000	949,430,000	1.57	0.15
9	120110	Soya bean seed, for sowing	6,506,000	247,967,000	383,443,000	745,079,000	935,007,000	1.55	2.46
10	851712	Telephones for cellular networks	643,116,000	749,985,000	707,648,000	760,264,000	839,406,000	1.39	0.18
11	310530	Diammonium hydrogen	477,718,000	619,441,000	472,960,000	647,877,000	827,100,000	1.37	0.10

S. No.	HS-06 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
12	720441	Turnings, shavings, chips, etc. of iron	302,193,000	414,966,000	426,134,000	543,373,000	586,109,000	0.97	0.07
13	090240	Black fermented tea and partly fermented tea	319,191,000	449,111,000	480,162,000	536,873,000	554,512,000	0.92	0.11
14	870321	Motor cars < 1000 cm <sup>3</sup>	283,222,000	345,865,000	402,110,000	575,188,000	540,787,000	0.90	0.19
15	390210	Polypropylene, in primary forms	458,381,000	412,096,000	384,894,000	466,093,000	540,031,000	0.90	0.08
16	890800	Vessels, etc. for breaking up	581,146,000	474,831,000	389,797,000	556,433,000	524,652,000	0.87	0.07
17	720839	Flat-rolled products of iron/non-alloy steel, width of >= 600 mm	153,831,000	148,014,000	260,790,000	347,492,000	469,982,000	0.78	0.93
18	300490	Medicaments for therapeutic or prophylactic purposes	279,618,000	283,661,000	318,475,000	368,135,000	431,486,000	0.72	0.07
19	120510	Low erucic acid rape or colza seeds	543,151,000	369,126,000	464,416,000	474,823,000	403,587,000	0.67	0.04
20	270119	Coal, whether or not pulverised, non-agglomerated	466,765,000	478,275,000	308,612,000	125,112,000	397,730,000	0.66	- 0.02
21	854140	Photosensitive semiconductor devices	205,562,000	445,391,000	493,703,000	656,553,000	391,894,000	0.65	0.75
22	290243	P-Xylene	349,339,000	265,846,000	257,497,000	271,768,000	363,289,000	0.60	0.02
23	390110	Polyethylene with a specific gravity of < 0.94	304,474,000	292,419,000	286,853,000	331,609,000	338,162,000	0.56	0.08
24	290531	Ethylene glycol	202,907,000	209,693,000	201,493,000	286,672,000	337,596,000	0.56	0.08
25	071320	Dried, shelled chickpeas	36,603,000	34,609,000	116,073,000	448,286,000	333,073,000	0.55	0.13

Table 4: Top Imported Products (HS-06)

Pakistan's imports have increased rapidly over the past 10 years, from \$31.58 billion in 2009 to \$60.34 billion in 2018. The main increase has been due to increased imports of fossil fuels including petroleum products, LNG and coal. Of these items, bituminous coal has witnessed a recent increase from 2016 onwards due to new coal-based power plants which are mostly reliant on imported coal. Other than that, soy bean seed import has also increased significantly to meet increasing domestic demand. Mobile phones are another item which has seen a tremendous increase over the past few years, which, along with other products, has led to an increase in the country's import bill.

## TRADE TRENDS: PARTNERS

### Major Export Partners

Pakistan's top 15 export markets are listed below along with their respective shares and growth trends.

S. No.	Export Destination	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
		2014	2015	2016	2017	2018		
	TOTAL	24,722,182,000	22,089,018,000	20,533,793,000	21,877,787,000	23,630,893,000		0.03
1	United States of America	3,646,509,000	3,661,588,000	3,429,743,000	3,560,301,000	3,802,500,000	16.09	0.02
2	China	2,252,900,000	1,934,926,000	1,590,858,000	1,508,080,000	1,818,069,000	7.69	0.07
3	United Kingdom	1,654,645,000	1,572,801,000	1,557,630,000	1,634,955,000	1,728,637,000	7.32	0.07
4	Afghanistan	1,879,143,000	1,722,216,000	1,369,768,000	1,390,081,000	1,347,934,000	5.70	-0.001
5	Germany	1,215,478,000	1,146,261,000	1,186,247,000	1,286,491,000	1,310,444,000	5.55	0.07
6	United Arab Emirates	1,324,075,000	899,030,000	784,747,000	869,050,000	983,575,000	4.16	-0.05
7	Netherlands	684,740,000	666,949,000	650,798,000	758,215,000	942,802,000	3.99	0.10
8	Spain	789,828,000	782,258,000	837,343,000	904,571,000	922,898,000	3.91	0.10
9	Bangladesh	687,641,000	700,567,000	656,160,000	646,404,000	783,825,000	3.32	0.09
10	Italy	767,190,000	618,159,000	667,285,000	703,343,000	771,593,000	3.27	0.04
11	Belgium	658,060,000	592,166,000	650,637,000	700,691,000	666,428,000	2.82	0.06
12	France	430,869,000	360,627,000	372,958,000	399,939,000	446,832,000	1.89	0.04
13	India	392,214,000	312,284,000	348,102,000	334,752,000	383,046,000	1.62	0.06
14	Sri Lanka	266,147,000	260,015,000	237,183,000	268,918,000	354,534,000	1.50	0.06
15	Saudi Arabia	509,698,000	431,307,000	380,435,000	334,510,000	316,322,000	1.34	-0.03

Table 5: Major Export Partners

Pakistan's export markets are very conventional in nature and highly concentrated in that a majority of exports are directed to the US, the EU, the GCC and regional countries, barring Iran. The US is the largest export destination for Pakistan's exports, while the EU as a whole is the largest export market. Exports to China have increased over the years and as of 2018, China had overtaken the UK as the second biggest export destination for Pakistani products.

## Major Import Partners

The top import partners for Pakistan are listed below:

S. No.	Import Source	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
		2014	2015	2016	2017	2018		
	TOTAL	47,544,889,000	43,989,645,000	46,998,269,000	57,440,013,000	60,162,862,000		0.07
1	China	9,588,418,000	11,019,005,000	13,680,153,000	15,383,398,000	14,544,687,000	24.18	0.16
2	United Arab Emirates	7,077,180,000	5,734,688,000	6,202,090,000	7,523,994,000	8,668,637,000	14.41	0.11
3	Saudi Arabia	4,417,354,000	3,006,751,000	1,843,133,000	2,730,371,000	3,242,349,000	5.39	- 0.01
4	United States of America	1,799,568,000	1,916,775,000	2,006,823,000	2,842,547,000	2,946,715,000	4.90	0.06
5	Indonesia	2,107,232,000	2,041,765,000	2,088,831,000	2,583,267,000	2,502,372,000	4.16	0.16
6	Qatar	180,898,000	319,313,000	774,256,000	1,608,305,000	2,386,183,000	3.97	0.34
7	Japan	1,752,971,000	1,725,910,000	1,961,395,000	2,293,951,000	2,273,024,000	3.78	0.07
8	India	2,104,804,000	1,669,286,000	1,644,388,000	1,696,136,000	1,928,465,000	3.21	0.07
9	Thailand	730,062,000	852,735,000	920,023,000	1,279,321,000	1,430,727,000	2.38	0.10
10	Kuwait	2,954,979,000	1,712,743,000	1,271,958,000	1,468,125,000	1,407,721,000	2.34	- 0.03
11	Germany	1,070,466,000	972,154,000	996,462,000	1,111,488,000	1,298,939,000	2.16	0.00
12	South Africa	440,051,000	483,352,000	505,154,000	1,043,858,000	1,237,857,000	2.06	0.19

S. No.	Export Destination	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
		2014	2015	2016	2017	2018		
13	Malaysia	1,280,078,000	910,959,000	944,632,000	1,101,005,000	1,159,948,000	1.93	- 0.04
14	Korea, Republic of	657,583,000	702,038,000	739,451,000	872,549,000	962,121,000	1.60	0.05
15	United Kingdom	599,716,000	610,551,000	623,119,000	766,015,000	865,231,000	1.44	0.01

**Table 6: Major Import Partners**

The table above depicts the dominance of China in Pakistan's imports. As of 2018, imports from China constituted more than 24% of Pakistan's global imports, and these have been rapidly increasing over the past 5 years. However, in the last year there was a slight fall in imports from China, primarily because of the imposition of Regulatory Duties and other measures to control the rising import bill.

Other than China, the GCC countries and Qatar are important import sources for Pakistan as Pakistan relies on these countries to meet its fuel import demand. Imports from Qatar have witnessed an exponential increase due to LNG imports from that country.

## PAKISTAN'S TRADE AGREEMENTS

### Pakistan's Bilateral Trade Agreements

The table below lists Pakistan's bilateral trade agreements which are already in place and effective. For each of the trade agreement partners, the trade balance that Pakistan had in the year of implementation is compared against the trade balance in 2018.

Trade Agreement Partner Country	Year of Implementation	Pakistan's Trade Balance (US\$ Million)		Pakistan's Exports (US\$ Million)		Pakistan's Imports (US\$ Million)	
		In the Year of Implementation	in 2018	In the Year of Implementation	in 2018	In the Year of Implementation	in 2018
Iran	2004	(168)	(351)	102	23	281	374
Sri Lanka	2005	94	250	154	355	59	105
China	2006	(2,408)	(12,727)	507	1,818	2,915	14,545
Mauritius	2007	35	11	36	19	1	9
Malaysia	2008	(1,556)	(1,002)	138	158	1,694	1,160
Indonesia	2013	(1,064)	(2,199)	144	303	1,208	2,502

**Table 7: Pakistan's Bilateral Trade Agreements**

As evident from the table, Pakistan's trade agreements have not helped the country reap gains in terms of increased exports. In the case of China, Pakistan's trade balance has further deteriorated since the signing of the FTA in 2006. From a trade deficit of \$2.4 billion in 2006, the deficit increased to \$12.7 billion in 2018. Similarly, for Indonesia, Pakistan's trade deficit has increased from \$1.1 billion in 2013 to \$2.2 billion in 2018.



Other than these bilateral free trade agreements and preferential trade agreements, Pakistan is a signatory to other multilateral trade agreements and investment treaties. These include:

1. South-Asian Free Trade Agreement (SAFTA)  
Year of Implementation: 2006  
Member Countries: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka
2. Preferential Trade Agreement – Group of Eight Developing Countries (PTA-D8)  
Year of Implementation: 2011
3. Member Countries: Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey  
Economic Cooperation Organization (ECO) Trade Agreement

Other than the aforementioned trade agreements in effect, there are various other bilateral and multilateral trade agreements at various stages of negotiation including:

1. Trade Preferential System of the Organization of the Islamic Conference
2. Pakistan – Gulf Cooperation Council Free Trade Agreement
3. Pakistan – Morocco Free Trade Agreement
4. Pakistan – Singapore Free Trade Agreement
5. Pakistan – Thailand Free Trade Agreement
6. Pakistan – Turkey Free Trade Agreement









SECTION 2

# PAKISTAN - REGIONAL TRADE



Due to a multitude of factors, Pakistan's trade with its regional partners is limited both in scale and scope. Except for China, Pakistan's trade with the other three bordering countries of India, Afghanistan and Iran represented at best 8.18% in 2009 in terms of Pakistan's global trade - the highest share since 2003.

Pakistan's trade balance with its regional partners has cumulatively been mostly negative in the last 10 years. In 2018, Pakistan recorded its highest ever deficit of \$1.06 billion, up from a deficit of \$0.69 billion in the previous year. Exports peaked in 2011 when they touched \$3.09 billion, but have since dropped by almost 77% to \$1.75 billion. While exports are on a downward trend since 2011, imports overall have been increasing, touching a historical high of \$2.81 billion in 2018. The figure below shows the trade balance that Pakistan has had with its regional partners:

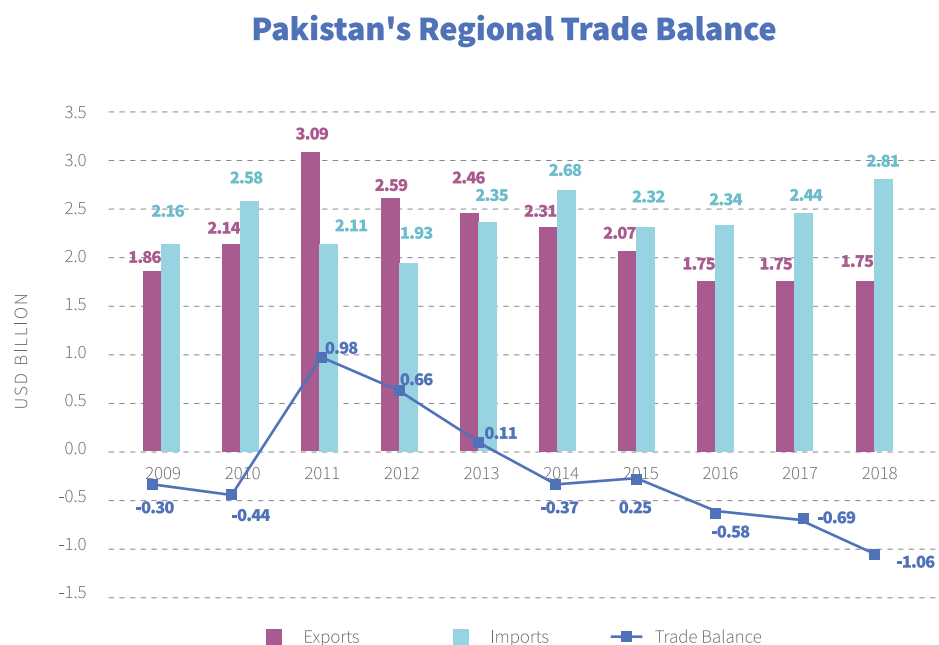


Figure 2: Pakistan's Trade Balance with its Regional Partners (2009-2018)

The share of Pakistan's trade with India, Afghanistan and Iran as a bloc has been on a decline for both imports as well as exports. Exports to regional partners has declined by a higher percentage as compared to the overall decline in Pakistan's global exports. On the import side, while imports from regional countries have increased, they have not increased at the pace at which Pakistan's global imports have increased, leading to a decline in the share of regional imports in total imports

### Share of Regional Trade in Pakistan's Global Trade

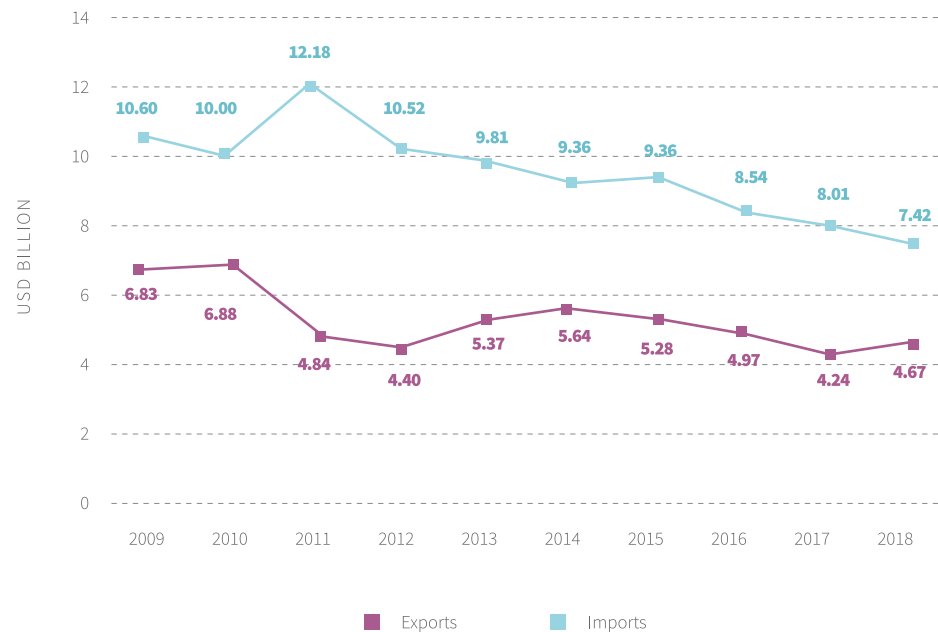


Figure 3: Share of Regional Trade in Pakistan's Global Trade (2009-2018)

As of 2018, the share of regional partners in Pakistan's imports was 4.67% against a share of 7.42% in Pakistan's exports.







## SECTION 3.1

# PAKISTAN – INDIA TRADE

## INDIA'S TRADE TRENDS

India's global trade has risen exponentially since the economic liberalization program initiated in the 1990s. Both imports and exports have witnessed an increasing share in global trade. Although India is one of the largest global exporters, it has always had a trade deficit, exports peaked in 2013 at \$336 billion while imports peaked in 2018 at \$508 billion. The trade deficit in 2018 was the highest in the last 6 years, amounting to almost \$185 billion.

The table below shows the trade account position of India for the last 10 years.

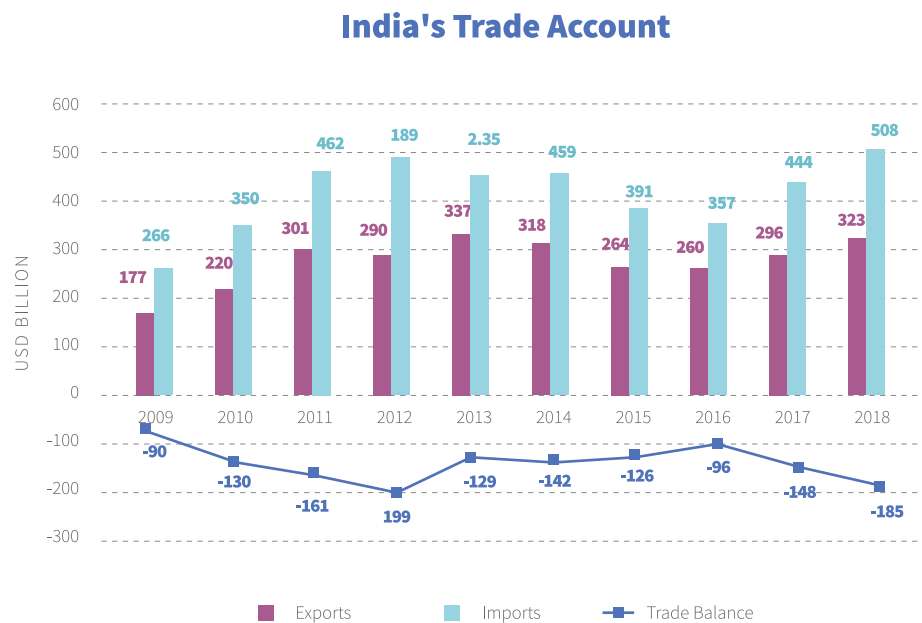


Figure 4: India's Balance of Trade (2009-2018)



## TRADE TRENDS: PRODUCTS

### Major Export Categories (HS-02)

The top 10 categories of products that were exported by India in 2018 are listed in the table below with their respective trade trends.

S. No.	HS-02 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	317,544,642,000	264,381,004,000	260,326,912,000	295,846,887,000	323,056,409,000		0.07
1	27	Mineral fuels, mineral oils and products	62,348,539,000	31,393,703,000	27,715,391,000	35,896,099,000	48,293,170,000	14.95	0.08
2	71	Natural or cultured pearls, precious or semi-precious stones	40,703,544,000	38,488,469,000	42,290,721,000	42,572,929,000	40,096,394,000	12.41	0.02
3	84	Machinery, mechanical appliances; parts	13,596,129,000	13,231,404,000	13,557,486,000	16,652,273,000	20,403,920,000	6.32	0.12
4	87	Vehicles, and parts and accessories	14,481,959,000	14,081,904,000	14,988,305,000	16,226,676,000	18,238,905,000	5.65	0.14
5	29	Organic chemicals	12,035,145,000	11,298,856,000	11,252,926,000	13,571,811,000	17,742,505,000	5.49	0.11
6	30	Pharmaceutical products	11,663,326,000	12,544,722,000	13,042,716,000	12,895,464,000	14,277,180,000	4.42	0.12
7	85	Electrical machinery and equipment and parts	9,002,330,000	7,935,913,000	8,217,870,000	8,800,641,000	11,787,951,000	3.65	0.02
8	72	Iron and steel	9,080,606,000	6,308,179,000	6,436,669,000	11,699,987,000	9,975,455,000	3.09	0.10
9	52	Cotton	8,883,916,000	7,470,346,000	6,262,460,000	6,897,880,000	8,130,128,000	2.52	0.11
10	62	Articles of apparel, not knitted or crocheted	9,055,716,000	9,349,941,000	9,051,089,000	8,984,765,000	8,126,006,000	2.52	0.03

Table 8: Major Export Categories (HS-02)

As evident from the trend in table 8, India's export basket is highly diversified. India is not a major oil producing country; however, refined petroleum products have been one of its top exports in the past decade. Other prominent export categories include low value-added products such as cotton and organic chemicals as well as high-value manufactured goods such as automobiles, machinery, and precious stones & its products.

## Major Import Categories (HS-02)

The table below shows the top 10 import categories for India at HS-02 level in 2018.

S. No.	HS-02 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	459,369,464,000	390,744,731,000	356,704,792,000	444,052,638,000	507,580,001,000		0.07
1	27	Mineral fuels, mineral oils and products	176,948,969,000	104,645,637,000	89,308,777,000	123,027,940,000	168,590,362,000	33.21	0.08
2	71	Natural or cultured pearls, precious or semi-precious stones	59,844,363,000	59,632,900,000	48,129,744,000	74,369,042,000	65,026,825,000	12.81	0.05
3	85	Electrical machinery and equipment and parts	31,923,374,000	35,925,676,000	37,005,267,000	46,858,131,000	52,399,600,000	10.32	0.09
4	84	Machinery, mechanical appliances; parts	31,193,506,000	32,047,180,000	32,515,742,000	36,001,877,000	43,231,921,000	8.52	0.07
5	29	Organic chemicals	18,238,883,000	15,917,583,000	14,767,091,000	17,971,083,000	22,578,514,000	4.45	0.11
6	39	Plastics and articles thereof	11,801,179,000	11,341,770,000	11,391,120,000	13,021,792,000	15,190,742,000	2.99	0.13
7	72	Iron and steel	11,293,135,000	11,708,054,000	8,713,651,000	9,968,446,000	11,968,529,000	2.36	0.04
8	15	Animal or vegetable fats and oils and products	10,643,657,000	10,481,043,000	10,491,259,000	11,875,842,000	10,164,899,000	2.00	0.08

S. No.	HS-02 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
9	90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	7,050,922,000	7,188,919,000	7,237,468,000	8,442,720,000	9,455,626,000	1.86	0.08
10	28	Inorganic chemicals; organic or inorganic compounds of precious metals	4,996,262,000	5,071,355,000	4,820,827,000	5,594,384,000	7,262,359,000	1.43	0.09

Table 9: Major Import Categories (HS-02)

Similar to exports, the top import category for India in 2018 was mineral fuels and products. The second biggest category was natural pearls and stones. These two categories cumulatively contributed close to 46% of the country's import bill in 2018. The top 10 import categories in 2018 cumulatively had a share of almost 80%, in total imports.

## Top Exported Products (HS-06)

The top 25 products which were exported in 2018 by India at HS-06 are listed below:

S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	317,544,642,000	264,381,004,000	260,326,912,000	295,846,887,000	323,056,409,000		0.07
1	271019	Medium oils and preparations, of petroleum	40,682,152,000	17,999,075,000	16,083,651,000	22,242,950,000	32,004,596,000	9.91	0.09
2	710239	Diamonds, worked, but not mounted or set	22,475,223,000	20,561,530,000	22,440,712,000	22,875,314,000	24,236,843,000	7.50	0.05
3	271012	Light oils and preparations, of petroleum	19,742,787,000	12,082,214,000	10,665,745,000	12,473,333,000	14,740,964,000	4.56	- 0.06
4	711319	Articles of jewellery and parts thereof	11,222,490,000	7,393,422,000	9,205,943,000	8,388,384,000	11,570,320,000	3.58	0.01
5	300490	Medicaments for therapeutic or prophylactic purposes	8,288,881,000	9,330,569,000	9,798,207,000	9,665,174,000	10,742,972,000	3.33	0.16
6	100630	Semi-milled or wholly milled rice	7,537,677,000	5,976,789,000	5,057,560,000	6,640,907,000	6,878,376,000	2.13	0.13
7	30617	Frozen shrimps and prawns	3,658,505,000	3,072,991,000	3,461,950,000	4,628,673,000	4,351,936,000	1.35	0.11
8	20230	Frozen, boneless meat of bovine animals	4,719,043,000	4,030,281,000	3,680,618,000	3,939,957,000	3,323,255,000	1.03	0.15
9	870322	Motor cars, between 1,000 cm and 1,500 cm <sup>3</sup>	3,236,803,000	2,953,331,000	3,396,125,000	3,475,644,000	3,266,227,000	1.01	0.06
10	841112	Turbojets of a thrust > 25 kN	32,446,000	109,274,000	97,336,000	1,543,486,000	3,174,199,000	0.98	1.06
11	760110	Aluminium, not alloyed, unwrought	1,126,817,000	1,331,385,000	1,447,136,000	2,211,115,000	3,047,733,000	0.94	0.23
12	870899	Parts and accessories, for tractors, motor vehicles	2,696,063,000	2,463,198,000	2,379,878,000	2,485,314,000	2,763,086,000	0.86	0.16
13	290243	P-Xylene	1,027,789,000	551,678,000	473,331,000	1,260,632,000	2,626,252,000	0.81	0.20

S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
14	520100	Cotton, neither carded nor combed	2,821,651,000	1,860,980,000	1,345,899,000	1,660,391,000	2,231,743,000	0.69	0.09
15	870323	Motor cars, between 1,500 cm <sup>3</sup> and 3,000 cm <sup>3</sup>	835,521,000	762,943,000	1,213,111,000	1,453,271,000	1,939,319,000	0.60	0.55
16	871120	Motorcycles, incl. mopeds	1,753,424,000	1,676,736,000	1,519,448,000	1,701,915,000	1,931,951,000	0.60	0.17
17	610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	1,827,709,000	1,779,061,000	1,732,492,000	1,712,366,000	1,786,019,000	0.55	0.00
18	880330	Parts of aeroplanes or helicopters, n.e.s.	1,250,788,000	1,033,543,000	1,660,229,000	1,963,704,000	1,637,624,000	0.51	0.09
19	870321	Motor cars, <1,000 cm <sup>3</sup>	1,199,772,000	1,225,846,000	1,244,997,000	1,139,508,000	1,531,293,000	0.47	0.08
20	710231	Non-industrial diamonds unworked or simply sawn	1,586,424,000	1,307,262,000	1,576,075,000	1,760,392,000	1,392,549,000	0.43	0.14
21	290220	Benzene	616,465,000	512,819,000	438,985,000	818,075,000	1,313,027,000	0.41	0.18
22	294200	Separate chemically defined organic compounds, n.e.s.	1,205,413,000	1,301,232,000	1,131,335,000	1,054,531,000	1,127,229,000	0.35	- 0.07
23	851712	Telephones for cellular networks	561,601,000	166,748,000	235,665,000	137,934,000	1,065,222,000	0.33	- 0.12
24	854511	Electrodes of graphite or other carbon, for electric furnaces	283,781,000	180,056,000	120,844,000	276,965,000	1,065,019,000	0.33	0.26
25	630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton	957,093,000	1,003,031,000	1,046,609,000	1,029,599,000	1,054,851,000	0.33	0.29

Table 10: Top Exported Products (HS-06)

India's export base is highly diversified. In its top 25 exports list, the product range comprises of a wide array of items including articles of jewellery, petroleum products, edibles, motor cars and articles of textiles.

## Top Imported Products (HS-06)

India's top 25 imports at HS-06 level are listed below:

S. No.	HS-06 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	459,369,464,000	390,744,731,000	356,704,792,000	444,052,638,000	507,580,001,000		0.07
1	270900	Petroleum oils, crude	135,826,203,000	72,321,670,000	60,869,089,000	82,028,331,000	114,508,179,000	22.56	0.07
2	710812	Gold, unwrought, for non-monetary purposes	30,435,287,000	34,665,414,000	22,803,622,000	36,065,838,000	31,668,284,000	6.24	0.04
3	270119	Coal, non-agglomerated	15,284,439,000	12,334,441,000	11,734,262,000	19,062,426,000	22,652,797,000	4.46	0.13
4	710231	Non-industrial diamonds unworked or simply sawn	17,392,104,000	13,561,007,000	16,455,729,000	19,450,079,000	16,765,276,000	3.30	0.12
5	271111	Natural gas, liquefied	9,888,690,000	7,128,742,000	5,425,468,000	7,208,340,000	10,865,350,000	2.14	0.18
6	710239	Diamonds, worked, but not mounted or set	4,211,932,000	2,822,534,000	2,453,636,000	7,799,884,000	9,832,882,000	1.94	0.01
7	851770	Parts of telephone sets, mobile phones	2,725,304,000	5,018,185,000	6,376,472,000	11,298,212,000	9,664,834,000	1.90	0.16
8	851762	Machines for the reception and transmission of voice, images	2,215,590,000	2,565,380,000	2,395,806,000	3,568,566,000	5,710,896,000	1.13	0.12
9	271019	Medium oils and preparations	3,272,372,000	2,064,900,000	2,233,720,000	3,115,880,000	4,608,610,000	0.91	0.04
10	271113	Butanes, liquefied	4,061,438,000	2,515,876,000	2,113,655,000	2,821,687,000	4,072,174,000	0.80	0.18
11	151110	Crude palm oil	5,319,597,000	4,571,715,000	3,666,907,000	4,579,103,000	4,005,053,000	0.79	0.04
12	854231	Electronic integrated circuits as processors and controllers	719,650,000	755,022,000	757,096,000	937,709,000	3,834,115,000	0.76	0.23
13	710691	Silver, incl. silver plated with gold or platinum, unwrought	4,035,356,000	3,935,354,000	1,636,722,000	2,807,921,000	3,573,829,000	0.70	0.24
14	271112	Propane, liquefied	2,802,452,000	1,766,256,000	1,299,116,000	2,002,885,000	3,374,031,000	0.66	0.29

S. No.	HS-06 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
15	847130	Data-processing machines, automatic, portable, weighing	2,268,960,000	2,600,868,000	2,269,009,000	2,807,234,000	3,179,649,000	0.63	0.19
16	854140	Photosensitive semiconductor devices	774,775,000	2,056,740,000	3,157,244,000	4,530,537,000	2,886,932,000	0.57	0.24
17	310530	Diammonium hydrogen orthophosphate	1,824,174,000	3,102,343,000	1,690,541,000	1,480,361,000	2,721,108,000	0.54	0.02
18	260300	Copper ores and concentrates	5,320,205,000	4,093,649,000	2,458,412,000	3,901,132,000	2,692,653,000	0.53	-0.01
19	841112	Turbojets of a thrust > 25 kN	536,645,000	645,939,000	804,485,000	2,024,165,000	2,573,685,000	0.51	0.57
20	760200	Waste and scrap, of aluminium	1,490,517,000	1,436,398,000	1,330,645,000	1,837,291,000	2,473,271,000	0.49	0.22
21	999999	Commodities not elsewhere specified	10,599,267,000	10,852,221,000	10,613,424,000	4,016,972,000	2,383,701,000	0.47	-0.09
22	150710	Crude soya-bean oil, whether or not degummed	1,984,771,000	2,696,848,000	3,012,702,000	2,751,096,000	2,264,291,000	0.45	0.14
23	851712	Telephones for cellular networks	7,433,805,000	6,949,614,000	4,071,855,000	3,411,917,000	2,229,974,000	0.44	-0.04
24	151211	Crude sunflower-seed or safflower oil	1,532,999,000	1,312,638,000	1,315,642,000	1,864,312,000	1,914,339,000	0.38	0.17
25	390410	Poly"vinyl chloride", in primary forms	174,935,000	366,534,000	472,916,000	1,089,692,000	1,861,918,000	0.37	0.42

Table 11: Top Imported Products (HS-06)

At HS-06 level, it can be seen that India's imports are predominantly composed of raw industrial inputs including crude oil and other mineral fuels, crude edible oils, chemicals in their primary forms and metals & alloys. Crude oil was the single largest import item in 2018. Almost \$115 billion worth of crude oil was imported by the country; however, as has already been covered under export trends, it exports refined oil to multiple countries including the UAE. Similarly, for jewellery, gold is the second biggest import and unworked diamonds are also imported in large quantities, resulting in exports of articles of jewellery and worked diamond of billions of dollars.

## TRADE TRENDS: PARTNERS

### Major Export Partners

The table below shows India's most important export destinations in 2018 along with their respective 10-year CAGR, contribution in India's exports and a 5-year trend:

S. No.	Export Destination	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
		2014	2015	2016	2017	2018		
	TOTAL	317,544,642,000	264,381,004,000	260,326,912,000	295,846,887,000	323,056,409,000		0.07
1	United States of America	42,684,740,000	40,312,703,000	41,992,468,000	46,059,047,000	51,601,533,000	15.97	0.12
2	United Arab Emirates	32,919,602,000	29,989,560,000	30,041,758,000	30,011,802,000	29,003,013,000	8.98	0.01
3	China	13,434,251,000	9,576,579,000	8,916,073,000	12,492,392,000	16,403,899,000	5.08	0.05
4	Hong Kong, China	13,412,018,000	12,146,940,000	13,209,853,000	15,016,199,000	13,207,947,000	4.09	0.07
5	Singapore	9,676,616,000	7,805,084,000	7,354,855,000	11,573,109,000	10,426,697,000	3.23	0.05
6	United Kingdom	9,665,339,000	8,891,195,000	8,565,159,000	8,961,521,000	9,780,043,000	3.03	0.05
7	Germany	7,745,249,000	7,023,455,000	7,178,091,000	8,241,383,000	8,969,871,000	2.78	0.05
8	Bangladesh	6,255,235,000	5,521,518,000	5,668,793,000	7,208,556,000	8,752,009,000	2.71	0.17
9	Netherlands	6,762,223,000	4,876,540,000	4,868,488,000	5,431,974,000	8,652,397,000	2.68	0.03
10	Nepal	4,193,418,000	3,195,122,000	4,526,221,000	5,517,766,000	7,292,200,000	2.26	0.21
11	Belgium	5,894,951,000	5,005,521,000	5,356,387,000	6,215,492,000	6,815,040,000	2.11	0.08
12	Viet Nam	6,526,524,000	5,357,213,000	5,957,677,000	8,119,827,000	6,708,219,000	2.08	0.16
13	Malaysia	4,642,233,000	4,892,061,000	4,188,651,000	5,535,809,000	6,515,283,000	2.02	0.07
14	Italy	5,445,669,000	4,228,521,000	4,464,177,000	5,653,822,000	5,532,434,000	1.71	0.06
15	Saudi Arabia	13,063,511,000	6,970,707,000	5,045,149,000	5,220,099,000	5,505,719,000	1.70	0.04

Table 12: Major Export Partners



As can be seen from table 12, the United States has historically been the largest export destination for Indian goods, and it still has a positive growth rate. China has also grown as an important export destination, and is the second largest market if aggregated along with Hong Kong. The most interesting country in the list is Nepal, which imported \$7.3 billion worth of Indian goods in 2018, clearly showing India's importance in Nepal's economy.

## Major Import Partners

The major import sourcing countries for India for 2018 are listed below:

S. No.	Import Source	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
		2014	2015	2016	2017	2018		
	TOTAL	459,369,464,000	390,744,731,000	356,704,792,000	444,052,638,000	507,580,001,000		0.07
1	China	58,230,546,000	61,604,427,000	60,483,103,000	71,971,173,000	73,738,222,000	14.53	0.10
2	United States of America	20,439,727,000	20,463,651,000	20,395,235,000	24,099,310,000	32,644,848,000	6.43	0.08
3	Saudi Arabia	32,703,510,000	21,353,105,000	18,460,869,000	21,062,814,000	28,362,106,000	5.59	0.08
4	United Arab Emirates	27,287,867,000	20,283,244,000	19,240,913,000	23,088,317,000	26,779,898,000	5.28	0.03
5	Iraq	16,070,332,000	11,300,277,000	9,974,378,000	15,309,425,000	23,060,996,000	4.54	0.17
6	Switzerland	21,133,061,000	21,113,151,000	14,855,314,000	20,392,606,000	18,028,068,000	3.55	0.07
7	Korea, Republic of	13,437,254,000	13,087,658,000	12,214,046,000	16,111,063,000	16,363,827,000	3.22	0.08
8	Indonesia	15,184,884,000	13,902,025,000	12,189,259,000	16,229,115,000	16,025,617,000	3.16	0.09
9	Hong Kong, China	6,144,852,000	5,958,814,000	7,119,319,000	11,003,582,000	15,898,830,000	3.13	0.13
10	Iran, Islamic Republic of	11,246,347,000	6,225,321,000	8,253,715,000	11,057,794,000	14,768,718,000	2.91	0.04
11	Singapore	7,069,417,000	7,395,998,000	6,719,479,000	7,223,071,000	14,325,963,000	2.82	0.10
12	Australia	9,934,691,000	9,411,865,000	8,730,657,000	14,318,879,000	14,135,116,000	2.78	0.02
13	Germany	12,706,867,000	11,829,031,000	11,499,371,000	12,671,251,000	13,855,552,000	2.73	0.03
14	Japan	9,963,998,000	9,635,158,000	9,808,531,000	10,471,041,000	12,530,800,000	2.47	0.07
15	Nigeria	15,663,352,000	10,233,803,000	7,407,498,000	8,339,501,000	11,166,999,000	2.20	0.08

Table 13: Major Import Partners

China is the single largest import source, as it is for most countries of the world, and it is followed by the USA and Saudi Arabia. The GCC countries are very important in India's import, as well as Iran. India is one of the few countries which continues to import Iranian oil despite sanctions placed by the US on Iran. Iraq is also an important import partner for India.

## INDIA'S TRADE AGREEMENTS

India has one of the highest numbers of trade agreements which are signed and in effect with countries from all over the world. These include:

- 1 India-Gulf Cooperation Council Free Trade Area
- 2 Afghanistan-India Preferential Trading Agreement
- 3 ASEAN-India Comprehensive Economic Cooperation Agreement
- 4 Asia-Pacific Trade Agreement
- 5 Bhutan-India Trade Agreement
- 6 India-Chile Preferential Trading Agreement
- 7 India-Japan Comprehensive Economic Partnership Agreement
- 8 India-Malaysia Comprehensive Economic Cooperation Agreement
- 9 India-MERCOSUR Preferential Trade Agreement
- 10 India-Singapore Comprehensive Economic Cooperation Agreement
- 11 India-Sri Lanka Free Trade Agreement
- 12 India - [Republic of] Korea Comprehensive Economic Partnership Agreement
- 13 Indo-Nepal Treaty of Trade
- 14 South Asian Free Trade Area
- 15 India-European Free Trade Association Free Trade Agreement *(Signed, but not yet in effect)*

There are other trade agreements that India has proposed or are at various stages of negotiation, including:

- 1 Bangladesh-India Free Trade Agreement *(Proposed/Under consultation and study)*
- 2 Comprehensive Economic Partnership for East Asia (CEPEA/ASEAN+6) *(Proposed/Under consultation and study)*
- 3 Georgia-India FTA *(Proposed/Under consultation and study)*
- 4 India-Colombia Preferential Trading Arrangement *(Proposed/Under consultation and study)*
- 5 India-Ecuador FTA *(Proposed/Under consultation and study)*
- 6 India-Iran Free Trade Agreement *(Proposed/Under consultation and study)*
- 7 India-People's Republic of China Regional Trading Agreement *(Proposed/Under consultation and study)*
- 8 India-Russian Federation Comprehensive Economic Cooperation Agreement *(Proposed/Under consultation and study)*
- 9 India-Taipei, China FTA *(Proposed/Under consultation and study)*
- 10 India-Turkey Free Trade Agreement *(Proposed/Under consultation and study)*
- 11 India-United Kingdom FTA *(Proposed/Under consultation and study)*
- 12 India-Uruguay Preferential Trading Arrangement *(Proposed/Under consultation and study)*
- 13 India-Venezuela Preferential Trading Arrangement *(Proposed/Under consultation and study)*
- 14 Australia-India Free Trade Agreement *(Negotiations launched)*
- 15 Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Area *(Negotiations launched)*
- 16 Eurasian Economic Union-India *(Negotiations launched)*
- 17 India-Canada Economic Partnership Agreement *(Negotiations launched)*
- 18 India-Egypt Preferential Trade Agreement *(Negotiations launched)*
- 19 India-European Union Free Trade Agreement *(Negotiations launched)*
- 20 India-Indonesia Comprehensive Economic Cooperation Arrangement *(Negotiations launched)*
- 21 India-Israel Free Trade Agreement *(Negotiations launched)*
- 22 India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement *(Negotiations launched)*
- 23 India-New Zealand Free Trade Agreement *(Negotiations launched)*
- 24 India-Peru Free Trade Agreement *(Negotiations launched)*
- 25 India-Southern African Customs Union Preferential Trade Agreement *(Negotiations launched)*
- 26 India-Thailand Free Trade Area *(Negotiations launched)*
- 27 Regional Comprehensive Economic Partnership *(Negotiations launched)*

## PAKISTAN - INDIA TRADE

# PAKISTAN - INDIA TRADE TIES

- Pakistan and India share a land border of 3,190 kilometres; however, relations between the two countries have even in the best of times not been very cordial.
- Pakistan and India are both members of the South Asian Association for Regional Cooperation (SAARC). Since 2006, the South Asian Free Trade Agreement (SAFTA) has been in place which is an FTA signed by SAARC members. However, due to the long withstanding rivalry between the two largest member states, the trade agreement has been ineffective in promoting trade activity in the region.
- India granted Most-Favoured Nation (MFN) status to Pakistan in 1996, to which Pakistan has never reciprocated. However, the country revoked the MFN status to Pakistan in the wake of the Pulwama Attack in February 2019 and which India claims was orchestrated from within Pakistan. As a result, India placed a flat 200% customs duty on all goods imported from Pakistan. Though, the impact of this will not be visible in the bilateral trade study in this chapter, but the future impact of this could be significant.
- India actively uses Non-Tariff Barriers (NTBs) as a means of protection against Pakistan's exports including frequent anti-dumping, local subsidies, technical barriers, etc.
- Trade between the two countries is thus limited, and far below the indicative potential.

## TRADE OVERVIEW

Pakistan and India, despite sharing a long border and being members of the South Asian Free Trade Agreement (SAFTA), do not have a very active trade relationship. In fact, Pakistan did more trade with Japan than with India in 2018. The limited trade that happens between the two countries, has always been in favour of India.

The figure below shows an overview of Pakistan-India bilateral trade in the last 10 years.

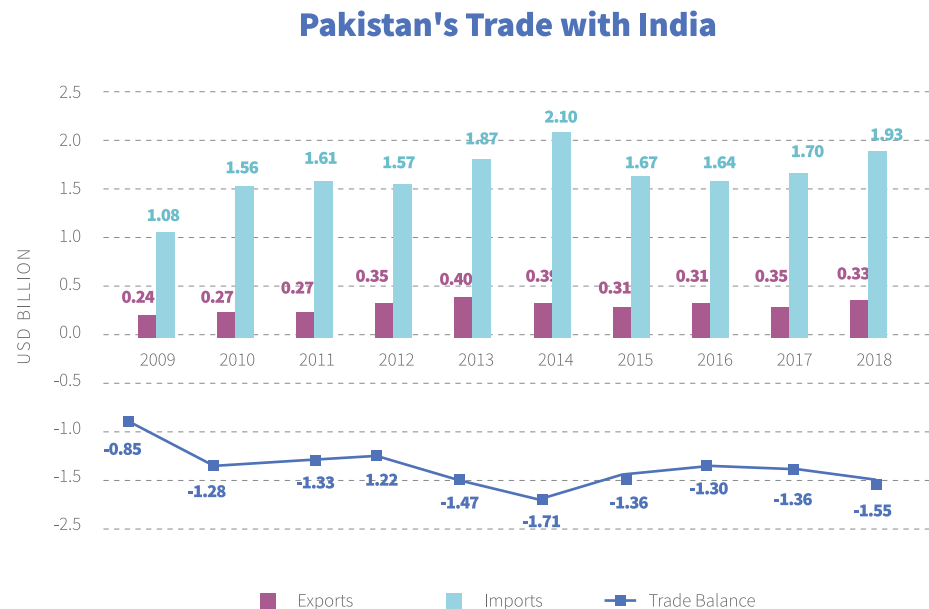


Figure 5: Pakistan's Balance of Trade with India (2009-2018)

Exports to India peaked in 2013 when they touched the historical high of \$403 million; however, they were significantly lower than imports in the same year of around \$1.87 billion. In 2018, the balance of trade between Pakistan and India stood at \$1.55 billion in favour of India with imports amounting to \$1.93 billion and exports standing at \$383 million.

## BILATERAL TRADE TRENDS: PRODUCTS

### Top Exported Products (HS-06)

The top exported products to India at HS-06 level are listed below

S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	392,214,000	312,284,000	348,102,000	334,752,000	383,046,000		0.06
1	080410	Fresh or dried dates	63,643,000	67,925,000	90,403,000	89,375,000	92,247,000	24.08	0.08
2	252329	Portland cement (excluding white)	35,908,000	36,906,000	73,307,000	65,294,000	62,129,000	16.22	0.13
3	170199	Cane or beet sugar and chemically pure sucrose, in solid form	-	-	-	8,187,000	23,110,000	6.03	0.65
4	252010	Gypsum; anhydrite	13,716,000	12,298,000	15,737,000	13,949,000	19,120,000	4.99	0.79
5	120740	Sesamum seeds, whether or not broken	12,362,000	582,000	218,000	699,000	14,131,000	3.69	0.15
6	410712	Grain splits leather "incl. parchment-dressed leather"	14,131,000	19,463,000	13,952,000	13,591,000	13,247,000	3.46	0.51
7	720421	Waste and scrap of stainless steel	13,485,000	7,186,000	8,075,000	11,106,000	13,022,000	3.40	1.14
8	283620	Disodium carbonate	8,987,000	8,697,000	10,427,000	5,866,000	11,459,000	2.99	0.10
9	901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	7,448,000	10,961,000	11,603,000	10,714,000	9,202,000	2.40	0.16
10	271019	Medium oils and preparations, of petroleum or bituminous minerals	7,864,000	549,000	12,245,000	14,381,000	7,833,000	2.04	-0.11

S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
11	740400	Waste and scrap, of copper	27,547,000	9,220,000	3,415,000	8,564,000	7,746,000	2.02	0.12
12	320415	Synthetic organic vat dyes, incl. those usable in that state as pigments	-	59,000	904,000	2,720,000	6,634,000	1.73	-
13	400400	Waste, parings and scrap of soft rubber and powders and granules	1,558,000	2,203,000	2,904,000	4,343,000	5,436,000	1.42	1.13
14	260600	Aluminium ores and concentrates	1,408,000	1,647,000	4,692,000	3,541,000	5,123,000	1.34	0.48
15	251910	Natural magnesium carbonate "magnesite"	775,000	2,292,000	1,389,000	1,806,000	4,809,000	1.26	1.18
16	521142	Denim, containing predominantly, but < 85% cotton by weight	1,798,000	1,084,000	1,099,000	2,074,000	4,376,000	1.14	0.70
17	391590	Waste, parings and scrap of plastics	308,000	92,000	31,000	1,203,000	4,215,000	1.10	0.64
18	252100	Limestone flux; limestone and other calcareous stone	377,000	535,000	929,000	1,286,000	4,184,000	1.09	0.78
19	250100	Salts, incl. table salt and denatured salt, and pure sodium chloride	1,497,000	1,633,000	2,285,000	2,871,000	3,934,000	1.03	0.16
20	121190	Plants, parts of plants, incl. seeds and fruits, used primarily in perfumery	1,839,000	2,899,000	2,960,000	2,117,000	3,871,000	1.01	-0.00
21	520932	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m <sup>2</sup>	1,432,000	1,327,000	1,087,000	1,096,000	3,528,000	0.92	-0.05
22	390410	Poly"vinyl chloride", in primary forms, not mixed with any other substances	12,366,000	8,689,000	1,216,000	425,000	3,480,000	0.91	0.10

S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
23	520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m <sup>2</sup>	10,842,000	14,142,000	10,152,000	5,113,000	3,349,000	0.8	-0.00
24	510320	Waste of wool or of fine animal hair, incl. yarn waste	5,394,000	3,161,000	3,631,000	2,649,000	2,780,000	0.73	0.26
25	901849	Instruments and appliances used in dental sciences, n.e.s.	2,243,000	2,595,000	2,871,000	997,000	1,914,000	0.50	0.17

**Table 14: Top Exported Products (HS-06)**

As much as a quarter of Pakistani exports to India are dates. Exports of dates to India have been continuously growing. The second most important item in Pakistan's export basket is Portland cement contributing 16% to exports in of 2018. Pakistan also exports denim fabric to India in significant quantities as well as wool and cotton; however, it does not export garments or value-added items from within the textile segment. All in all, the country's exports to India are predominantly goods in their primary form.



## Top Imported Products (HS-06)

Pakistan's top imports from India in 2018 at HS-06 are listed below with their respective trade trends:

S. No.	HS-06 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	2,104,804,000	1,669,286,000	1,644,388,000	1,696,136,000	1,928,465,000		0.07
1	520100	Cotton, neither carded nor combed	282,023,000	273,472,000	209,061,000	203,252,000	344,478,000	17.86	0.11
2	290243	P-Xylene	82,788,000	27,503,000	67,804,000	67,137,000	162,714,000	8.44	-0.03
3	390210	Polypropylene, in primary forms	114,177,000	84,627,000	76,011,000	66,112,000	76,050,000	3.94	0.10
4	320416	Synthetic organic reactive dyes; preparations	44,372,000	49,100,000	47,655,000	48,913,000	49,812,000	2.58	0.13
5	720230	Ferro-silico-manganese	17,858,000	16,876,000	22,037,000	40,603,000	43,986,000	2.28	0.14
6	300220	Vaccines for human medicine	16,008,000	8,659,000	18,677,000	32,452,000	42,933,000	2.23	0.32
7	520524	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight	3,338,000	1,681,000	16,475,000	46,579,000	41,100,000	2.13	0.63
8	844520	Textile spinning machines (excluding extruding and drawing or roving machines)	7,378,000	8,010,000	14,306,000	42,171,000	34,607,000	1.79	0.74
9	292142	Aniline derivatives and their salts	1,387,000	1,158,000	1,247,000	17,485,000	32,569,000	1.69	0.40
10	330290	Mixtures of odoriferous substances and mixtures	10,880,000	11,954,000	16,245,000	25,626,000	30,125,000	1.56	0.36
11	390110	Polyethylene with a specific gravity of < 0.94, in primary forms	6,201,000	4,808,000	4,371,000	14,204,000	26,773,000	1.39	0.40
12	120991	Vegetable seeds, for sowing	16,231,000	20,212,000	22,029,000	20,299,000	25,624,000	1.33	0.20

S. No.	HS-06 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
13	520513	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight	4,594,000	4,615,000	13,598,000	21,801,000	24,996,000	1.30	0.57
14	890800	Vessels and other floating structures for breaking up	62,648,000	39,363,000	91,040,000	63,093,000	24,478,000	1.27	-0.005
15	090240	Black fermented tea and partly fermented tea, whether or not flavoured	24,240,000	23,846,000	18,248,000	20,667,000	24,171,000	1.25	0.13
16	071320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	11,518,000	3,040,000	2,575,000	9,922,000	19,949,000	1.03	0.00
17	520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight	11,498,000	6,441,000	5,430,000	12,351,000	19,199,000	1.00	0.94
18	300490	Medicaments consisting of mixed or unmixed products for therapeutic purposes	20,744,000	10,504,000	9,568,000	16,291,000	18,862,000	0.98	0.30
19	290241	O-Xylene	20,765,000	14,832,000	15,295,000	18,040,000	18,785,000	0.97	0.01
20	293339	Heterocyclic compounds with nitrogen hetero-atom[s] only	11,904,000	12,689,000	19,116,000	14,940,000	18,240,000	0.95	0.10
21	400219	Styrene-butadiene rubber "SBR"; carboxylated styrene-butadiene rubber "XSBP"	6,998,000	13,906,000	8,688,000	11,658,000	15,930,000	0.83	1.17
22	401120	New pneumatic tyres, of rubber, of a kind used for buses and lorries	17,099,000	21,793,000	30,693,000	39,086,000	15,039,000	0.78	0.05
23	382499	Chemical products and preparations of the chemical or allied industries	-	-	-	18,083,000	14,297,000	0.74	-

S. No.	HS-06 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
24	380893	Herbicides, anti-sprouting products and plant-growth regulators	8,769,000	10,931,000	10,566,000	11,253,000	13,791,000	0.72	0.04
25	380891	Insecticides	5,924,000	9,614,000	6,099,000	10,113,000	13,049,000	0.68	0.08

Table 15: Top Imported Products (HS-06)

Pakistan’s imports from India essentially comprise of textile inputs including cotton, dyes, yarn, and edible items for example tea and chickpeas and various chemicals for multiple purposes.

## TRADE POTENTIAL

### Pakistan's Export Potential to India (HS-06)

The following table shows 20 products with the highest indicative export potential to India from Pakistan. The potential is calculated using the following formula:

Export Potential = Min (Home Country's Export to the World, Partner Country's Import from the World) – Home Country's Actual Exports to Partner

Pakistan's potential exports for just the top 20 products in 2018 was around \$1.59 billion.

S. No.	HS-06 Code	Description	Pakistan Exports to India (2018)	India's Imports from World (2018)	Pakistan's Exports to World (2018)	Pakistan's Potential Exports to India for 2018 (US\$)
1	901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	9,202,000	707,201,000	373,182,000	363,980,000
2	392190	Plates, sheets, film, foil and strip, of plastics, reinforced, laminated	-	114,508,179,000	262,067,000	262,067,000
3	620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	26,000	132,728,000	348,989,000	132,702,000
4	630319	Curtains, incl. drapes, and interior blinds, curtain or bed valances, knitted or crocheted	6,000	741,998,000	73,543,000	73,537,000
5	390769	Poly"ethylene terephthalate", in primary forms, having a viscosity number of < 78 ml/g	1,803,000	228,687,000	70,286,000	68,483,000
6	620113	Men's or boys' overcoats, raincoats, cloaks and similar articles, of man-made fibres	-	62,421,000	60,485,000	60,485,000
7	481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated	639,000	59,998,000	68,318,000	59,359,000
8	392410	Tableware and kitchenware, of plastics	18,000	55,372,000	100,307,000	55,354,000

S. No.	HS-06 Code	Description	Pakistan Exports to India (2018)	India's Imports from World (2018)	Pakistan's Exports to World (2018)	Pakistan's Potential Exports to India for 2018 (US\$)
9	390761	Poly"ethylene terephthalate", in primary forms, having a viscosity number of $\geq 78$ ml/g	15,000	52,552,000	132,994,000	52,537,000
10	120740	Sesamum seeds, whether or not broken	14,131,000	65,667,000	73,497,000	51,536,000
11	740400	Waste and scrap, of copper	7,746,000	895,402,000	57,826,000	50,080,000
12	550320	Staple fibres of polyesters, not carded, combed or otherwise processed for spinning	32,000	47,011,000	78,133,000	46,979,000
13	050690	Bones and horn-cores and their powder and waste, unworked, defatted	-	44,990,000	128,090,000	44,990,000
14	261000	Chromium ores and concentrates	637,000	44,002,000	69,509,000	43,365,000
15	700991	Glass mirrors, unframed	10,000	43,084,000	60,671,000	43,074,000
16	610339	Men's or boys' jackets and blazers of textile materials	201,000	42,291,000	242,703,000	42,090,000
17	151311	Crude coconut oil	-	70,009,000	41,446,000	41,446,000
18	630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	75,000	34,523,000	42,280,000	34,448,000
19	290722	Hydroquinone "quinol" and its salts	-	141,743,000	30,992,000	30,992,000
20	620343	Men's or boys' trousers, bib and brace overalls, breeches of synthetic fibres	32,000	29,988,000	157,263,000	29,956,000

Table 16: Pakistan's Export Potential to India (HS-06)

Of the top 20 goods at HS-06 level bearing highest export potential to India, 7 belong to the textiles sector; mostly in the value-added segment such as articles of apparel and home-textiles. Pakistan's garment exports to India in 2018 were negligible despite India's significant import demand, however, the potential is immense. Surgical or medical instruments and appliances have the single highest theoretical export potential to India amounting to as much as \$364 million. Pakistan's total exports to India in 2018 was \$383 million which shows the scale of opportunity that exists for Pakistan's exports to India if the two countries had normal trading relations.

## Pakistan's Import Potential from India (HS-06)

The import potential shows theoretically how much Pakistan could have diverted its imports to India based on current import levels and patterns. The formula for import potential is:

Import Potential = Min (Home Country's Import from the World, Partner Country's Export to the World) – Home Country's Actual Imports from Partner

The potential for the top 20 products in 2018 was in excess of \$7 billion.

S. No.	HS-06 Code	Description	Pakistan Imports to India (2018)	India's Exports to World (2018)	Pak's Import from World (2018)	Pakistan's Potential Imports from India for 2018
1	851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	-	1,065,222,000	833,074,000	833,074,000
2	520100	Cotton, neither carded nor combed	344,478,000	2,231,743,000	1,048,967,000	704,489,000
3	870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	-	1,531,293,000	542,106,000	542,106,000
4	090240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings ...	24,171,000	679,049,000	555,812,000	531,641,000
5	720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	-	825,573,000	465,926,000	465,926,000
6	390210	Polypropylene, in primary forms	76,050,000	864,435,000	539,138,000	463,088,000
7	300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	18,862,000	10,742,972,000	432,796,000	413,934,000
8	390110	Polyethylene with a specific gravity of < 0,94, in primary forms	26,773,000	791,613,000	336,950,000	310,177,000
9	390120	Polyethylene with a specific gravity of >= 0,94, in primary forms	5,525,000	369,903,000	298,870,000	293,345,000



S. No.	HS-06 Code	Description	Pakistan Imports to India (2018)	India's Exports to World (2018)	Pak's Import from World (2018)	Pakistan's Potential Imports from India for 2018
10	870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	-	3,266,227,000	291,880,000	291,880,000
11	290531	Ethylene glycol "ethanediol"	14,000	291,354,000	333,800,000	291,340,000
12	870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	-	1,939,319,000	266,725,000	266,725,000
13	851762	Machines for the reception, conversion and transmission or regeneration of voice, images or ...	-	627,997,000	242,742,000	242,742,000
14	271119	Gaseous hydrocarbons, liquefied, n.e.s. (excluding natural gas, propane, butane, ethylene, ...	-	246,509,000	224,547,000	224,547,000
15	071320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	19,949,000	239,189,000	334,453,000	219,240,000
16	300220	Vaccines for human medicine	42,933,000	667,697,000	247,600,000	204,667,000
17	290243	P-Xylene	162,714,000	2,626,252,000	365,516,000	202,802,000
18	540233	Textured filament yarn of polyester (excluding that put up for retail sale)	-	865,284,000	169,427,000	169,427,000
19	847989	Machines and mechanical appliances, n.e.s.	1,499,000	348,643,000	170,309,000	168,810,000
20	550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning	7,999,000	172,796,000	315,774,000	164,797,000

Table 17: Pakistan's Import Potential from India (HS-06)

Pakistan's highest import potential lies in electronic appliances, chemicals, steel products and automobiles. Cell phone has the largest import potential from India totalling \$833 million, however, Pakistan currently does not import cell phones from India. Similar is the case with import of steel and automobiles. India's steel and automobile industries are top-notch and they are one of the big global exporters of these two products. Pakistan is a net importer of both these products, yet it does not import the said items from India. What Pakistan does import from India is cotton; however, even here, the import potential is nearly double the current imports.









SECTION 3.2

# PAKISTAN – AFGHANISTAN TRADE

## AFGHANISTAN'S TRADE TRENDS

Afghanistan is an impoverished country with minimal economic activity. Imports meet most local demand. Primarily an agricultural country, Afghanistan lacks complex manufacturing industries whose development has been further stunted due to the ongoing decades-long war.

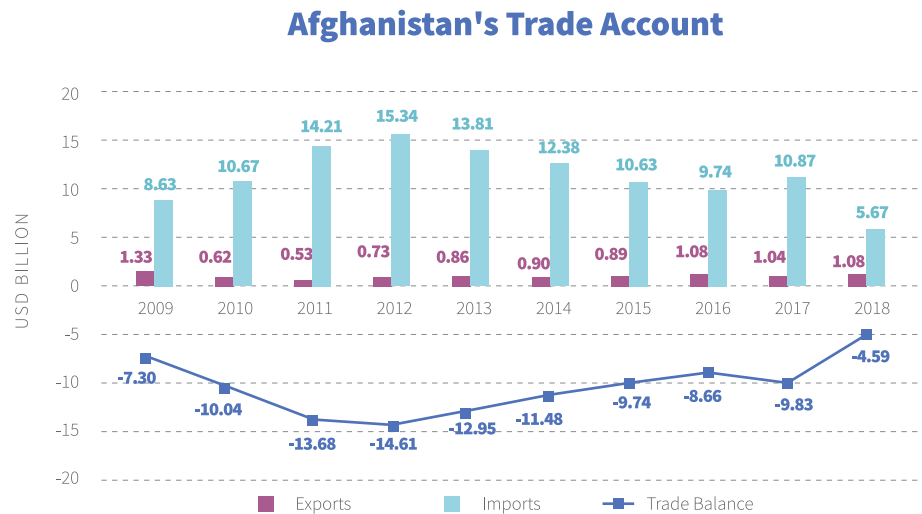


Figure 6: Afghanistan's Balance of Trade (2009-2018)

As evident from the figure above, imports by Afghanistan far exceed its exports leading to a perennial trade deficit. Exports peaked in 2009 at \$1.33 billion which have since reduced over the years. Imports, on the other hand, have been in multiples of its exports. However, in recent years, imports have reduced, leading to a narrowing of the country's trade account balance.



## TRADE TRENDS: PRODUCTS

### Major Export Categories (HS-02)

Afghanistan's exports at (HS-02) are shown in the table below:

S. No.	HS-02 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	904,045,000	891,003,000	1,076,000,000	1,045,000,000	1,082,000,000		-0.02
1	08	Edible fruit and nuts; peel of citrus fruit or melons	263,940,000	349,575,000	324,553,000	404,441,000	466,111,000	43.08	0.15
2	07	Edible vegetables and certain roots and tubers	39,412,000	94,621,000	71,587,000	86,116,000	120,751,000	11.16	0.17
3	13	Lac; gums, resins and other vegetable saps and extracts	67,087,000	70,491,000	70,887,000	102,527,000	103,496,000	9.57	0.17
4	27	Mineral fuels, mineral oils and products of their distillation;	88,654,000	65,173,000	60,364,000	68,954,000	98,149,000	9.07	0.40
5	52	Cotton	70,022,000	83,391,000	58,064,000	46,920,000	44,749,000	4.14	0.01
6	72	Iron and steel	84,858,000	30,492,000	27,425,000	39,931,000	43,843,000	4.05	-0.06
7	25	Salt; sulphur; earths, stone; plaster material, lime, cement	39,684,000	9,873,000	31,000,000	47,434,000	41,231,000	3.81	0.13
8	09	Coffee, tea, maté and spices	16,157,000	25,333,000	31,187,000	42,735,000	39,765,000	3.68	0.17
9	71	Natural or cultured pearls, precious stones	15,322,000	21,491,000	273,219,000	101,497,000	23,536,000	2.18	0.47
10	12	Oil seeds and oleaginous fruits; miscellaneous grains	38,522,000	52,577,000	41,329,000	28,666,000	17,635,000	1.63	-0.07

Table 1 8: Major Export Categories (HS-02)

Edible items in their raw form are the major exports of Afghanistan. Other than crops and edible items, iron and steel and natural or cultured pearls, precious stones also make a significant contribution to the country's exports. While overall exports have declined over the last 10 years, the exports of edible items have seen an increase.

## Major Import Categories (HS-02)

Afghanistan's imports for 2018 are categorized in the table below based on their HS-02 labels and their respective trends explained:

S. No.	HS-02 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	12,380,000,000	10,630,000,000	9,738,000,000	10,870,000,000	5,670,000,000		-0.05
1	87	Vehicles other than railway	618,719,000	408,263,000	755,286,000	1,194,511,000	892,891,000	15.75	-0.04
2	11	Products of the milling industry	477,490,000	606,921,000	573,913,000	434,188,000	410,822,000	7.25	0.02
3	85	Electrical machinery and equipment and parts	1,565,523,000	1,683,782,000	1,052,660,000	1,415,235,000	368,882,000	6.51	-0.06
4	27	Mineral fuels, mineral oils and products	1,693,732,000	1,313,665,000	994,565,000	858,330,000	348,599,000	6.15	-0.15
5	84	Machinery, mechanical appliances, parts	641,159,000	492,888,000	613,759,000	401,321,000	235,228,000	4.15	-0.07
6	17	Sugars and sugar confectionery	455,156,000	517,659,000	228,059,000	383,331,000	220,275,000	3.88	0.09
7	10	Cereals	124,560,000	176,342,000	176,796,000	204,934,000	218,980,000	3.86	-0.01
8	30	Pharmaceutical products	325,462,000	251,325,000	285,869,000	337,368,000	218,381,000	3.85	0.01
9	15	Animal or vegetable fats and oils and products	335,491,000	241,829,000	236,961,000	276,963,000	175,449,000	3.09	0.01
10	93	Arms and ammunition; parts and accessories	14,439,000	7,338,000	9,613,000	28,065,000	162,764,000	2.87	0.19

Table 19: Major Import Categories (HS-02)

Afghanistan's imports reduced to almost half YoY between 2017 & 2018. Vehicles are the single largest import category of Afghanistan constituting 15.75% of the country's import bill in 2018. While electrical machinery has historically been the second biggest import category, its imports fell from \$1.4 billion in 2017 to a mere \$369 million in 2018, pushing this category into third place. Products of milling industry became the second biggest import category for Afghanistan in 2018.

## Top Exported Products (HS-06)

The top 25 products that Afghanistan exported at HS-06 level are listed in the table below:

S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	904,045,000	891,003,000	1,075,992,000	1,044,552,000	1,081,564,000		- 0.02
1	080620	Dried grapes	66,358,000	69,480,000	70,323,000	86,055,000	115,372,000	10.67	0.16
2	080610	Fresh grapes	49,020,000	86,483,000	72,509,000	61,533,000	104,737,000	9.68	0.28
3	130190	Lac; natural gums, resins, gum-resins	65,922,000	70,300,000	70,766,000	102,211,000	103,472,000	9.57	0.18
4	080420	Fresh or dried figs	66,534,000	78,042,000	60,515,000	102,120,000	78,538,000	7.26	0.09
5	270119	Coal, whether or not pulverised	88,508,000	63,800,000	46,879,000	23,626,000	47,316,000	4.37	0.31
6	270112	Bituminous coal, whether or not pulverised	-	-	13,327,000	45,193,000	47,077,000	4.35	-
7	520100	Cotton, neither carded nor combed	69,939,000	83,186,000	58,035,000	46,280,000	39,705,000	3.67	- 0.003
8	720449	Waste and scrap of iron or steel	83,706,000	28,897,000	25,823,000	34,454,000	39,636,000	3.66	0.05
9	080252	Fresh or dried pistachios, shelled	17,670,000	29,998,000	25,521,000	32,984,000	36,398,000	3.37	0.83
10	252610	Natural steatite	35,151,000	4,006,000	25,778,000	43,312,000	32,872,000	3.04	0.33
11	070200	Tomatoes, fresh or chilled	6,077,000	21,196,000	17,160,000	25,444,000	30,244,000	2.80	0.73



S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
12	081310	Dried apricots	12,475,000	14,532,000	8,822,000	24,686,000	28,199,000	2.61	0.21
13	071333	Dried, shelled kidney beans	6,000	820,000	513,000	623,000	24,793,000	2.29	1.36
14	080810	Fresh apples	5,320,000	11,059,000	28,891,000	37,747,000	24,458,000	2.26	0.36
15	091020	Saffron	5,551,000	10,761,000	17,027,000	22,045,000	19,570,000	1.81	0.83
16	081090	Fresh tamarinds, cashew apples, jackfruit, lychees,	10,442,000	13,908,000	19,792,000	9,499,000	19,322,000	1.79	0.22
17	090961	Juniper berries and seeds of anise, badian, caraway	9,086,000	9,751,000	11,392,000	16,469,000	18,198,000	1.68	0.30
18	080212	Fresh or dried almonds, shelled	18,427,000	13,861,000	12,591,000	22,676,000	17,795,000	1.65	0.05
19	710391	Rubies, sapphires and emeralds, worked	924,000	8,623,000	18,169,000	5,784,000	15,943,000	1.47	1.13
20	071390	Dried, shelled leguminous vegetables	5,054,000	13,233,000	15,358,000	10,156,000	14,076,000	1.30	0.30
21	080290	Nuts, fresh or dried	556,000	1,090,000	399,000	132,000	13,545,000	1.25	0.69
22	070700	Cucumbers and gherkins, fresh or chilled	75,000	508,000	2,279,000	5,956,000	11,582,000	1.07	3.29
23	080910	Fresh apricots	6,588,000	8,643,000	1,400,000	10,424,000	11,381,000	1.05	0.27
24	070310	Fresh or chilled onions and shallots	11,993,000	37,029,000	8,436,000	12,893,000	10,204,000	0.94	-0.02
25	121190	Plants, parts of plants, incl. seeds and fruits	20,010,000	14,010,000	10,331,000	11,953,000	10,142,000	0.94	-0.01

Table 20: Top Exported Products (HS-06)

As many as 21 of the top 25 products exported by Afghanistan in 2018 belong to the category of agricultural produce with little to no value addition, these include fruits, vegetables, nuts, cotton and seeds. Other than that, bituminous minerals including coal and a few semi-precious stones like rubies rank as one the country's top exports. However, the export of coal has fallen in the last 5 years, from \$89 million in 2014 to \$47 million in 2018. Likewise, iron and steel scrap and waste exports have also significantly dropped in the same time period. On the other hand, exports of fruits and other edible items have picked up.

### Top Imported Products (HS-06)

Afghanistan's top imports at HS-06 level are listed in the table below:

S. No.	HS-06 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	12,383,407,000	10,628,354,000	9,737,785,000	10,873,309,000	5,669,904,000		-0.05
1	871000	Tanks and other armoured fighting vehicles	66,014,000	72,706,000	460,318,000	331,384,000	445,024,000	7.85	0.68
2	110100	Wheat or meslin flour	471,496,000	601,953,000	567,262,000	426,588,000	403,968,000	7.12	0.02
3	271019	Medium oils and preparations	731,891,000	414,089,000	308,213,000	293,701,000	232,358,000	4.10	-0.17
4	170199	Cane or beet sugar and chemically pure sucrose	327,607,000	413,975,000	118,006,000	246,808,000	190,166,000	3.35	0.21
5	930630	Cartridges for smooth-barrelled shotguns, revolvers and pistols	297,000	522,000	3,286,000	15,094,000	134,222,000	2.37	0.38
6	999999	Commodities not elsewhere specified	1,067,741,000	313,263,000	304,647,000	141,497,000	126,067,000	2.22	-0.14
7	151190	Palm oil and its fractions	132,508,000	119,389,000	94,963,000	133,392,000	100,516,000	1.77	0.11
8	252329	Portland cement	275,850,000	199,723,000	170,887,000	172,177,000	93,359,000	1.65	-0.07
9	870510	Crane lorries	1,006,000	73,000	29,000	2,480,000	90,110,000	1.59	0.23
10	240399	Chewing tobacco, snuff and other manufactured tobacco	33,861,000	40,120,000	39,613,000	51,196,000	89,050,000	1.57	0.24

S. No.	HS-06 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
11	100630	Semi-milled or wholly milled rice	43,925,000	40,399,000	53,101,000	41,634,000	85,788,000	1.51	-0.03
12	401120	New pneumatic tyres, of rubber, for buses and lorries	68,251,000	41,154,000	46,951,000	51,481,000	84,553,000	1.49	-0.01
13	870590	Special purpose motor vehicles	22,965,000	4,182,000	24,182,000	51,929,000	81,586,000	1.44	-0.16
14	300490	Medicaments for therapeutic or prophylactic purposes	91,343,000	82,504,000	101,242,000	133,791,000	80,500,000	1.42	-0.04
15	100199	Wheat and meslin	17,888,000	32,740,000	36,904,000	54,154,000	77,828,000	1.37	0.31
16	300220	Vaccines for human medicine	19,665,000	17,346,000	16,824,000	47,281,000	64,349,000	1.13	0.11
17	070190	Fresh or chilled potatoes	141,100,000	52,935,000	79,625,000	90,020,000	61,265,000	1.08	0.12
18	870323	Motor cars and other motor vehicles size >1500 cm <sup>3</sup>	56,168,000	73,791,000	38,990,000	69,513,000	60,626,000	1.07	0.07
19	100640	Broken rice	45,947,000	99,561,000	66,910,000	86,813,000	47,819,000	0.84	0.02
20	761410	Stranded wire, cables of aluminium, with steel core	5,853,000	12,686,000	7,030,000	23,758,000	43,910,000	0.77	0.61
21	551511	Woven fabrics containing < 85% polyester staple fibres	23,267,000	27,250,000	33,871,000	38,061,000	40,740,000	0.72	0.65
22	271600	Electrical energy	38,821,000	44,720,000	51,220,000	50,911,000	38,174,000	0.67	0.43
23	730890	Structures and parts of structures, of iron or steel	59,635,000	25,442,000	25,349,000	26,563,000	36,623,000	0.65	-0.03
24	620423	Women's or girls' ensembles of synthetic fibres	933,000	7,836,000	6,985,000	45,736,000	35,603,000	0.63	0.39
25	151620	Vegetable fats and oils and their fractions	117,694,000	61,203,000	54,494,000	45,488,000	35,117,000	0.62	-0.11

Table 21: Top Imported Products (HS-06)

Afghanistan's imports are highly diverse in nature. From energy to rice to garments, the country imports an array of products to meet its domestic demand. Tanks and other armoured vehicles are the single largest import by the country, the imports of these has grown rapidly over the past five years. This is followed by the import of wheat which is meant for domestic consumption.

## TRADE TRENDS: PARTNERS

### Major Export Partners

The table below shows Afghanistan's top 15 biggest export destinations in 2018.

S. No.	Export Destination	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
		2014	2015	2016	2017	2018		
	TOTAL	904,045,000	891,003,000	1,075,992,000	1,044,552,000	1,081,564,000		-0.02
1	Pakistan	392,166,000	390,401,000	369,898,000	414,872,000	508,361,000	47.00	0.17
2	India	243,721,000	317,720,000	282,294,000	413,137,000	420,165,000	38.85	0.15
3	United Arab Emirates	25,861,000	19,543,000	244,526,000	103,761,000	-	-	-
4	United States of America	72,810,000	24,494,000	34,476,000	14,698,000	30,118,000	2.78	-0.15
5	China	17,372,000	11,771,000	4,534,000	3,428,000	24,109,000	2.23	0.37
6	Iran, Islamic Republic of	14,865,000	26,072,000	21,642,000	20,398,000	-	-	-
7	Germany	29,771,000	7,730,000	13,262,000	10,035,000	13,583,000	1.26	0.07
8	Turkey	16,488,000	11,889,000	9,398,000	8,831,000	11,656,000	1.08	0.11
9	Iraq	18,109,000	17,021,000	11,185,000	-	-	-	-
10	France	4,898,000	6,950,000	11,020,000	8,336,000	9,146,000	0.85	0.12
11	Kazakhstan	3,171,000	1,964,000	2,530,000	2,010,000	4,171,000	0.39	0.15
12	Russian Federation	12,662,000	9,101,000	6,279,000	2,015,000	3,992,000	0.37	-0.14
13	Turkmenistan	5,609,000	915,000	1,755,000	-	-	-	-
14	United Kingdom	3,750,000	7,209,000	3,010,000	2,441,000	3,143,000	0.29	0.06
15	Jordan	2,707,000	2,565,000	1,525,000	3,438,000	3,959,000	0.37	0.12

Table 22: Major Export Partners

While Pakistan is the largest export market for Afghanistan, India is only marginally behind as the second biggest market. The two countries cumulatively accounted for almost 86% of Afghanistan's total exports in 2018.

## Major Import Partners

The top 15 import sources for Afghanistan are shown in the table below:

S. No.	Import Source	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
		2014	2015	2016	2017	2018		
	TOTAL	12,383,407,000	10,628,354,000	9,737,785,000	10,873,309,000	5,669,904,000		-0.05
1	Iran, Islamic Republic of	2,490,145,000	2,562,510,000	2,458,333,000	2,791,259,000	-	-	-
2	United Arab Emirates	2,717,666,000	2,175,131,000	1,596,611,000	2,593,063,000	-	-	-
3	Pakistan	1,879,143,000	1,722,216,000	1,369,768,000	1,390,081,000	1,347,934,000	23.77	-0.001
4	United States of America	792,389,000	478,851,000	912,724,000	941,428,000	1,233,901,000	21.76	-0.02
5	India	442,876,000	534,258,000	472,993,000	639,008,000	728,496,000	12.85	0.05
6	China	393,559,000	361,820,000	430,653,000	541,206,000	667,868,000	11.78	0.14
7	Kazakhstan	333,522,000	372,434,000	486,886,000	562,760,000	516,386,000	9.11	0.03
8	Uzbekistan	721,913,000	336,006,000	399,144,000	-	-	-	-
9	Turkmenistan	464,765,000	632,413,000	355,401,000	-	-	-	-
10	Turkey	186,185,000	161,634,000	145,591,000	172,300,000	145,565,000	2.57	-0.05
11	Russian Federation	407,602,000	148,013,000	184,161,000	204,634,000	118,693,000	2.09	-0.11
12	Malaysia	78,517,000	99,126,000	85,382,000	119,787,000	106,377,000	1.88	0.30
13	Japan	26,872,000	25,106,000	80,292,000	69,382,000	59,774,000	1.05	-0.07
14	Tajikistan	51,784,000	55,688,000	74,971,000	98,070,000	72,344,000	1.28	-
15	Kenya	117,988,000	146,903,000	105,253,000	30,413,000	-	-	-

Table 23: Major Import Partners

Iran and the UAE were the largest import partners for Afghanistan in 2017; however, both countries had not reported their trade statistics to ITC for 2018 as of May 2019. While Pakistan is the largest exporter to Afghanistan based on data reported to the ITC for 2018, its volume of \$1.35 billion is far below what Iran and UAE exported to Afghanistan in 2017.

## PAKISTAN - AFGHANISTAN TRADE

### PAKISTAN AFGHANISTAN TRADE TIES

- Afghanistan and Pakistan share a 2,670 km long land border called the Durand Line. The Durand Line has been disputed by the Afghans since 1947; however, it is accepted internationally.
- Afghanistan is a land-locked country which is heavily reliant on Pakistani ports for its international trade. Under the UN Convention, Pakistan signed the Afghan Transit Trade Agreement (ATTA) in 1965, this was later replaced by the Afghanistan-Pakistan Transit Trade Agreement (APTTA) in 2010.
- In principle, it has been agreed by the two parties to revise the agreement under the conventions of the International Transport of Goods (TIR).
- Extensive talks have been held between the two countries to sign a Preferential Trade Agreement (PTA). Although Pakistan is reported to have shared a draft of the PTA with commerce ministry counterparts in Afghanistan, the neighbouring country is yet to respond.
- Multiple infrastructural projects have been planned to facilitate the Pakistan Afghanistan trade including the Azakhel Dry Port and the Peshawar-Kabul motorway.
- While Pakistan is the biggest trading partner of Afghanistan, Iran and India have overtime increased trade with Afghanistan.



## TRADE OVERVIEW

Afghanistan and Pakistan have a sizeable bilateral trade volume which had an increasing trend till 2011, after 2011 trade between the two has shown a declining trend. Bilateral trade between Pakistan and Afghanistan for the last 10 years is shown in the figure below:

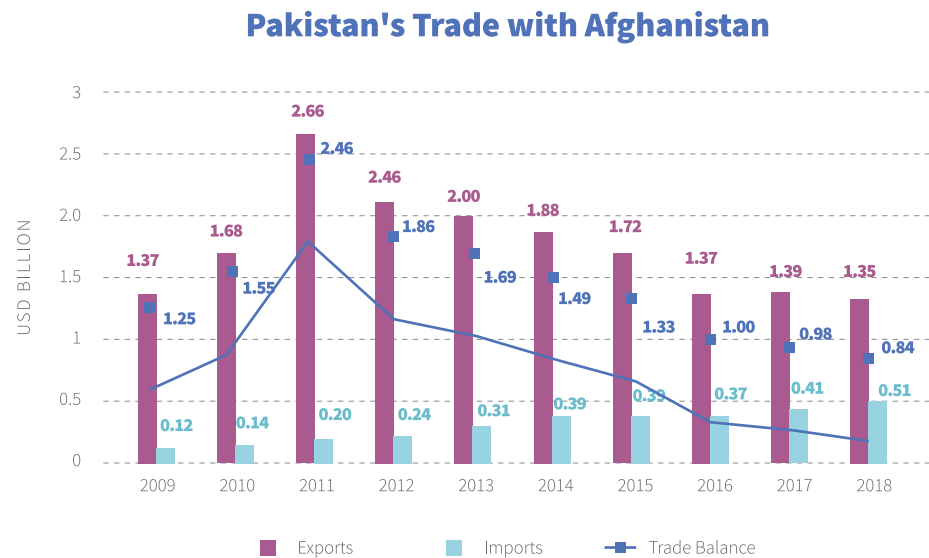


Figure 7: Pakistan's Balance of Trade with Afghanistan (2009-2018)

Afghanistan is one of the few major trading partners of Pakistan with which the country enjoys a favourable trade balance. Exports to Afghanistan far exceed imports. However, exports have been on a decline since they peaked in 2011 at \$2.66 billion. As of 2018, Pakistan's exports to the country stood at \$1.35 billion, recording a fall of 50% in the last 7 years. On the other hand, imports have been increasing YoY since 2003.

## BILATERAL TRADE TRENDS: PRODUCTS

### Top Exported Products (HS-06)

The top 25 exports to Afghanistan by Pakistan in 2018 at HS-06 level are listed in the table below along with their corresponding trends.

S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	1,879,143,000	1,722,216,000	1,369,768,000	1,390,081,000	1,347,934,000		-0.002
1	170199	Cane or beet sugar and chemically pure sucrose, in solid form	196,872,000	209,425,000	111,286,000	246,285,000	187,094,000	13.88	0.13
2	271019	Medium oils and preparations, of petroleum or bituminous minerals	106,830,000	53,615,000	60,801,000	92,996,000	164,621,000	12.21	-0.09
3	110100	Wheat or meslin flour	191,995,000	320,876,000	171,537,000	94,170,000	117,311,000	8.70	0.72
4	100630	Semi-milled or wholly milled rice, whether or not polished or glazed	43,541,000	38,939,000	52,629,000	37,767,000	83,672,000	6.21	-0.03
5	252329	Portland cement (excluding white, whether or not artificially coloured)	236,681,000	149,697,000	121,947,000	84,581,000	68,906,000	5.11	-0.08
6	070190	Fresh or chilled potatoes (excluding seed)	35,428,000	70,501,000	26,970,000	51,979,000	60,618,000	4.50	0.08
7	100640	Broken rice	45,942,000	99,554,000	66,867,000	86,491,000	47,695,000	3.54	0.02
8	151620	Vegetable fats and oils and their fractions, hydrogenated	115,114,000	59,530,000	50,906,000	39,607,000	35,080,000	2.60	-0.10
9	080529	Fresh or dried wilkings and similar citrus hybrids	-	-	-	31,774,000	33,195,000	2.46	-

S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
10	441193	Fibreboard of wood or other ligneous materials	32,588,000	30,010,000	30,686,000	30,448,000	29,272,000	2.17	0.17
11	080590	Fresh or dried citrus fruit (excluding oranges, lemons)	27,580,000	12,761,000	12,139,000	12,426,000	22,510,000	1.67	0.10
12	300490	Medicaments for therapeutic purposes, ...	21,393,000	17,994,000	13,034,000	12,808,000	22,482,000	1.67	-0.04
13	080390	Fresh or dried bananas (excluding plantains)	18,170,000	20,633,000	22,562,000	16,870,000	21,454,000	1.59	0.09
14	300439	Medicaments containing hormones or steroids	901,000	5,309,000	6,520,000	12,342,000	20,748,000	1.54	1.08
15	040120	Milk and cream of a fat content by weight of > 1% but <= 6%	36,294,000	33,327,000	27,599,000	29,150,000	20,589,000	1.53	0.03
16	070999	Fresh or chilled vegetables n.e.s.	24,422,000	30,085,000	30,186,000	26,634,000	17,624,000	1.31	0.19
17	070490	Fresh or chilled cabbages, kohlrabi, kale and similar edible brassicas	35,000	622,000	8,659,000	12,245,000	17,002,000	1.26	1.29
18	090240	Black fermented tea and partly fermented tea	6,524,000	1,206,000	1,259,000	1,422,000	16,277,000	1.21	0.29
19	850710	Lead-acid accumulators of a kind used for starting piston engine	16,243,000	19,861,000	18,141,000	15,611,000	15,821,000	1.17	0.14
20	392490	Household articles and toilet articles, of plastics	9,478,000	26,713,000	32,663,000	13,273,000	15,086,000	1.12	-0.08
21	630629	Tents of textile materials	13,145,000	825,000	1,960,000	1,234,000	12,403,000	0.92	0.26
22	170410	Chewing gum, whether or not sugar-coated	22,876,000	24,713,000	22,166,000	22,014,000	11,208,000	0.83	0.04

S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
23	170490	Sugar confectionery not containing cocoa, incl. white chocolate	26,410,000	13,970,000	21,285,000	44,345,000	11,089,000	0.82	0.06
24	320810	Paints and varnishes, incl. enamels and lacquers, based on polyesters	19,233,000	14,370,000	14,598,000	15,240,000	10,984,000	0.81	0.12
25	300339	Medicaments containing hormones or steroids	26,142,000	33,955,000	29,243,000	24,686,000	10,374,000	0.77	0.00

**Table 24: Top Exported products (HS-06)**

Pakistan's exports to Afghanistan are diverse and include products ranging from edibles to cement to medicines. The two countries share a land border of 2,670 kilometres and Pakistan is one of the leading suppliers of products to Afghanistan. Exports to Afghanistan have almost halved since their 2011 levels, primarily due to reduction in exports of petroleum products. In 2011, \$762 million worth of medium oils and preparations were exported to Afghanistan compared to less than \$165 million in 2018. Similar is the case with Portland Cement which has witnessed a significant fall in its exports, reducing to a quarter of its value of 2011.

## Top Imported Products (HS-06)

The top 25 products at HS-06 that Pakistan imported from Afghanistan are listed below along with their trends:

S. No.	HS-06 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	392,166,000	390,401,000	369,898,000	414,872,000	508,361,000		0.17
1	080610	Fresh grapes	48,932,000	86,401,000	71,551,000	60,731,000	103,696,000	20.40	0.28
2	270119	Coal, whether or not pulverised, non-agglomerated	88,508,000	63,796,000	46,065,000	23,626,000	47,316,000	9.31	0.31
3	270112	Bituminous coal, whether or not pulverised, non-agglomerated	-	-	11,182,000	45,193,000	47,077,000	9.26	-
4	720449	Waste and scrap of iron or steel	83,706,000	28,897,000	25,823,000	34,454,000	39,636,000	7.80	0.05
5	520100	Cotton, neither carded nor combed	69,558,000	83,186,000	57,812,000	46,280,000	39,053,000	7.68	-0.00
6	252610	Natural steatite, whether or not roughly trimmed or merely cut	35,146,000	3,990,000	25,748,000	43,158,000	32,266,000	6.35	0.33
7	070200	Tomatoes, fresh or chilled	6,067,000	21,173,000	16,492,000	25,428,000	30,240,000	5.95	0.73
8	071333	Dried, shelled kidney beans "Phaseolus vulgaris"	4,000	766,000	512,000	598,000	24,793,000	4.88	1.41
9	081090	Fresh tamarinds, cashew apples, jackfruit, lychees	9,786,000	13,159,000	18,062,000	9,322,000	18,774,000	3.69	0.29
10	080810	Fresh apples	3,872,000	8,877,000	26,179,000	35,281,000	18,638,000	3.67	0.32
11	071390	Dried, shelled leguminous vegetables, whether or not skinned or split	5,004,000	11,563,000	13,752,000	9,456,000	14,059,000	2.77	0.32
12	070700	Cucumbers and gherkins, fresh or chilled	52,000	505,000	2,279,000	5,953,000	11,524,000	2.27	1.20
13	080910	Fresh apricots	6,362,000	8,491,000	944,000	10,168,000	11,207,000	2.20	0.27

S. No.	HS-06 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
14	070310	Fresh or chilled onions and shallots	11,907,000	20,036,000	8,400,000	12,823,000	9,048,000	1.78	-0.04
15	071320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	-	249,000	36,000	421,000	8,494,000	1.67	0.61
16	071340	Dried, shelled lentils, whether or not skinned or split	1,108,000	5,843,000	4,208,000	1,829,000	7,097,000	1.40	0.19
17	251511	Marble and travertine, crude or roughly trimmed	2,654,000	3,704,000	323,000	52,000	6,753,000	1.33	0.63
18	720430	Waste and scrap of tinned iron or steel	-	31,000	776,000	5,232,000	3,785,000	0.74	0.35
19	081340	Dried peaches, pears, papaws "papayas", tamarinds and other fruits	464,000	553,000	306,000	207,000	3,450,000	0.68	0.58
20	410210	Raw skins of sheep or lambs, with wool on, fresh or salted, dried, limed, pickled	4,133,000	1,764,000	2,216,000	2,334,000	2,803,000	0.55	0.03
21	071339	Dried, shelled beans "Vigna and Phaseolus"	1,479,000	132,000	804,000	11,877,000	2,542,000	0.50	0.22
22	010410	Live sheep	-	-	-	-	2,492,000	0.49	-
23	854810	Waste and scrap of primary cells, batteries and electric accumulators	-	-	-	564,000	1,947,000	0.38	0.86
24	080620	Dried grapes	136,000	1,147,000	3,215,000	1,855,000	1,761,000	0.35	0.66
25	410150	Whole raw hides and skins of bovine "incl. buffalo" or equine animals	666,000	1,684,000	2,049,000	1,952,000	1,498,000	0.29	0.13

Table 25: Top Imported Products (HS-06)

Of the top 25 items, 14 belong to the edible category while the remaining are primarily products of the mining and quarrying industry such as marbles and coal. Although low in volume, imports are increasing. Products such as Kidney Beans are being imported into the country from Afghanistan in large quantities. In 2018, almost \$25 million worth of Kidney Beans were imported, compared to a mere \$4,000 import in 2014. Similar is the case with Cucumber import from Afghanistan. Grapes are the single largest import by Pakistan from Afghanistan, totalling \$104 million in 2018.



## TRADE POTENTIAL

### Pakistan's Export Potential to Afghanistan (HS-06)

The top 20 items with the highest export potential to Afghanistan are listed in the table below with their respective details for Afghanistan's demand and Pakistan's supply:

S. No.	HS-06 Code	Description	Pakistan Export to Afghanistan (2018)	Afghanistan's Import from World (2018)	Pakistan's Exports to World (2018)	Pakistan's Potential Exports to Afghanistan fo 2018 (US\$)
1	271019	Medium oils and preparations, of petroleum or bituminous minerals	164,621,000	232,358,000	235,930,000	67,737,000
2	300490	Medicaments for therapeutic or prophylactic purposes	22,482,000	80,500,000	73,543,000	51,061,000
3	100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	3,332,000	77,828,000	49,772,000	46,440,000
4	252329	Portland cement	68,906,000	93,359,000	199,252,000	24,453,000
5	630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	25,000	22,703,000	42,280,000	22,678,000
6	851712	Telephones for cellular networks	-	28,176,000	19,044,000	19,044,000
7	210690	Food preparations, n.e.s.	2,888,000	17,284,000	18,556,000	14,396,000
8	300420	Medicaments containing antibiotics	1,241,000	18,044,000	14,994,000	13,753,000
9	630140	Blankets and travelling rugs of synthetic fibres	213,000	11,506,000	15,301,000	11,293,000
10	730890	Structures and parts of structures, of iron or steel, n.e.s.	3,865,000	36,623,000	15,091,000	11,226,000
11	620193	Men's anoraks, windcheaters and similar articles, of man-made fibres	-	10,027,000	9,621,000	9,621,000
12	611090	Jerseys, pullovers and similar articles, of textile materials, knitted	-	8,185,000	268,434,000	8,185,000

S. No.	HS-06 Code	Description	Pakistan Export to Afghanistan (2018)	Afghanistan's Import from World (2018)	Pakistan's Exports to World (2018)	Pakistan's Potential Exports to Afghanistan for 2018 (US\$)
13	870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons	1,000	14,473,000	7,706,000	7,705,000
14	230230	Bran, sharps and other residues of wheat	105,000	8,918,000	7,481,000	7,376,000
15	880390	Parts of aircraft and spacecraft, n.e.s.	-	7,340,000	12,168,000	7,340,000
16	851770	Parts of telephone sets, telephones for cellular networks	-	9,056,000	6,817,000	6,817,000
17	880212	Helicopters of an unladen weight > 2000 kg	-	22,359,000	6,650,000	6,650,000
18	901890	Instruments and appliances used in medical sciences, n.e.s.	2,000	6,581,000	373,182,000	6,579,000
19	300410	Medicaments containing penicillins or derivatives	876,000	7,163,000	9,743,000	6,287,000
20	540752	Woven fabrics of yarn containing $\geq$ 85% by weight	-	22,889,000	5,675,000	5,675,000

Table 26: Pakistan's Export Potential to Afghanistan (HS-06)

Medium Oils has the largest export potential to Afghanistan, it is also the second largest current export to that country by Pakistan. Cumulatively, the top 20 potential exports have a total potential of \$354 million, which is over and above the existing \$269 million worth of exports for the same 20 items. Engineering goods and auto parts also have a sizeable potential to be exported to Afghanistan, which is currently not being exploited by Pakistani exporters.

## Pakistan's Import Potential from Afghanistan (HS-06)

The current imports from Afghanistan by Pakistan stand at \$508 million; however, there is potential for more imports. The top 20 items with highest import potential from Afghanistan for Pakistan are given in the table below:

S. No.	HS-06 Code	Description	Pakistan's Imports from Afghanistan (2018)	Afghanistan's Exports to World (2018)	Pakistan's Imports from World (2018)	Pakistan's Potential Imports from Afghanistan for 2018
1	121190	Plants used primarily in perfumery, in pharmacy	474,000	10,142,000	9,971,000	9,497,000
2	130190	Lac; natural gums, resins and other natural oleoresins	-	103,472,000	6,844,000	6,844,000
3	392310	Boxes and similar articles for the packaging of goods, of plastics	-	5,349,000	5,013,000	5,013,000
4	520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton	-	4,725,000	19,323,000	4,725,000
5	999999	Commodities not elsewhere specified	2,000	3,410,000	50,197,000	3,408,000
6	071339	Dried, shelled beans "Vigna and Phaseolus"	2,542,000	5,879,000	6,354,000	3,337,000
7	081340	Dried peaches, pears, papaws "papayas"	3,450,000	6,467,000	11,113,000	3,017,000
8	271012	Light oils and preparations, of petroleum	16,000	2,939,000	3,720,919,000	2,923,000
9	080211	Fresh or dried almonds in shell	728,000	3,177,000	3,887,000	2,449,000
10	090961	Juniper berries and seeds of anise, badian, caraway or fennel	-	18,198,000	2,186,000	2,186,000
11	880330	Parts of aeroplanes or helicopters, n.e.s.	-	1,931,000	9,460,000	1,931,000
12	840710	Spark-ignition reciprocating or rotary internal combustion piston engine, for aircraft	-	1,640,000	18,660,000	1,640,000
13	470329	Semi-bleached or bleached non-coniferous chemical wood pulp, soda or sulphate	-	1,480,000	57,225,000	1,480,000
14	410150	Whole raw hides and skins of bovine "incl. buffalo" or equine animals	1,498,000	3,308,000	2,678,000	1,180,000

S. No.	HS-06 Code	Description	Pakistan's Imports from Afghanistan (2018)	Afghanistan's Exports to World (2018)	Pakistan's Imports from World (2018)	Pakistan's Potential Imports from Afghanistan for 2018
15	200819	Nuts and other seeds, incl. mixtures, prepared or preserved	-	1,148,000	1,834,000	1,148,000
16	590900	Textile hosepiping and similar textile tubing	-	1,304,000	1,145,000	1,145,000
17	080610	Fresh grapes	103,696,000	104,737,000	105,297,000	1,041,000
18	080212	Fresh or dried almonds, shelled	24,000	17,795,000	1,063,000	1,039,000
19	080251	Fresh or dried pistachios, in shell	-	978,000	3,471,000	978,000
20	080252	Fresh or dried pistachios, shelled	-	36,398,000	975,000	975,000

Table 27: Pakistan's Import Potential from Afghanistan (HS-06)

Most of the potential for Pakistan's import from Afghanistan lies in edible items such as dry fruits, nuts and fruits. However, it is not just limited to that, there is a sizeable potential for Pakistan to import cotton from Afghanistan.









SECTION 3.3

# PAKISTAN – IRAN TRADE



## IRAN'S TRADE TRENDS

Iran currently has a positive trade balance in its trade with the world, however the trade balance has shrunk in recent years, as can be seen from the figure below.

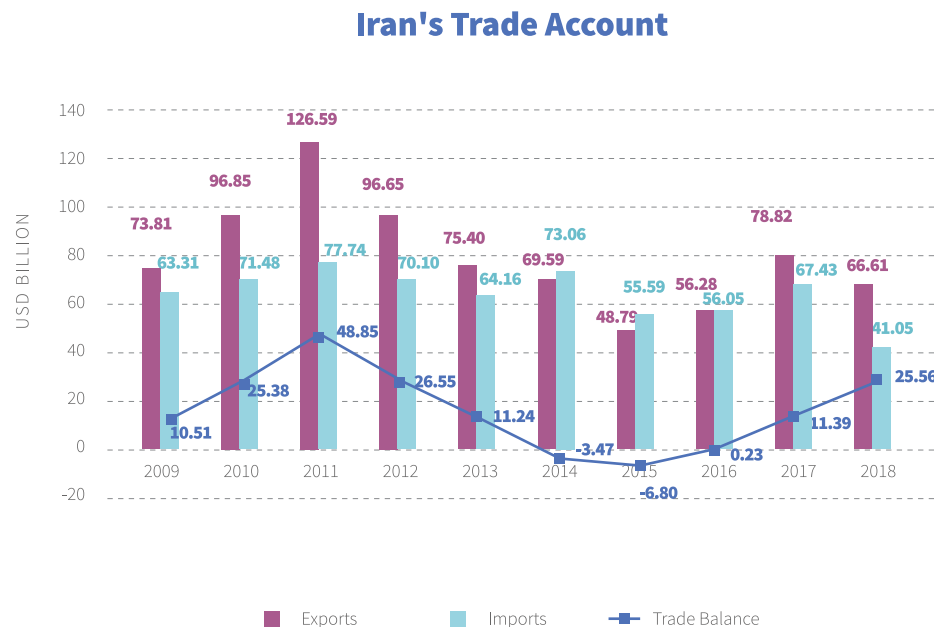


Figure 8: Iran's Balance of Trade (2009-2018)

In 2015, Iran signed a Joint Comprehensive Plan of Action (JCPOA) with P5+1 under which sanctions were to be phased out upon Iran taking concrete steps to dismantle and draw down on its nuclear plans. In light of this Agreement, from 2015 onwards exports began to rise, rising from \$48.79 billion in 2015 to \$66.61 billion in 2018. The United States officially withdrew from the JCPOA in May 2018, and has since lobbied with its allies to place Iran under economic sanctions, the effect of which would be visible in the current year and in the years to come.

## TRADE TRENDS: PRODUCTS

### Major Export Categories (HS-02)

The top 10 categories of Iran's global exports are shown in the table below. Each of the lines at HS-02 level are listed with their respective growth rates for the last decade and their respective shares in total exports as of 2018.

S. No.	HS-02 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	69,590,199,000	48,792,268,000	56,279,238,000	78,824,732,000	66,611,709,000		-0.01
1	27	Mineral fuels, mineral oils and products of their distillation	52,198,398,000	27,915,250,000	35,506,137,000	53,479,361,000	53,244,261,000	79.93	-0.01
2	39	Plastics and articles thereof	3,464,908,000	3,965,328,000	3,960,830,000	5,065,260,000	3,255,132,000	4.89	0.07
3	29	Organic chemicals	2,371,980,000	2,173,524,000	1,947,445,000	2,186,803,000	2,048,600,000	3.08	-0.02
4	26	Ores, slag and ash	2,185,957,000	1,141,186,000	1,604,088,000	2,211,170,000	1,776,912,000	2.67	0.05
5	72	Iron and steel	1,098,043,000	1,450,241,000	1,563,657,000	2,351,429,000	1,289,510,000	1.94	0.08
6	08	Edible fruit and nuts; peel of citrus fruit or melons	1,559,039,000	1,695,290,000	1,559,978,000	1,709,295,000	944,886,000	1.42	-0.04
7	31	Fertilisers	469,770,000	807,397,000	501,937,000	750,302,000	567,582,000	0.85	0.15
8	25	Salt; sulphur; earths and stone; plastering materials, lime and cement	948,707,000	1,106,561,000	722,006,000	907,608,000	489,602,000	0.74	-0.06
9	74	Copper and articles thereof	291,762,000	255,491,000	583,757,000	403,133,000	371,693,000	0.56	-0.06
10	28	Inorganic chemicals; organic or inorganic compounds of precious metals	497,077,000	516,598,000	327,389,000	405,839,000	353,679,000	0.53	0.04

Table 28: Major Export Categories (HS-02)

Mineral Fuels alone constituted almost 80% of Iran's export revenue in 2018. However, overall exports have declined YoY by around 15%. This was primarily due to a slight reduction in oil export revenues and a significant decline in non-oil exports. Plastics and its articles are the second most important category of exports which have had an increasing trend over the past decade, but whose exports reduced by almost 36% in 2018 over 2017.

## Major Import Categories (HS-02)

Iran's top 10 import categories at HS-02 are listed in the table below along with each of the category's corresponding import trend:

S. No.	HS-02 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	73,064,593,000	55,590,928,000	56,050,003,000	67,433,158,000	41,053,736,000		-0.05
1	84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	11,901,475,000	8,784,344,000	8,888,718,000	11,429,693,000	7,768,813,000	18.92	-0.05
2	87	Vehicles other than railway or tramway rolling stock, and parts and accessories	6,189,463,000	5,152,672,000	5,756,028,000	8,989,919,000	4,040,144,000	9.84	0.00
3	85	Electrical machinery and equipment and parts thereof; television, etc.	7,106,974,000	5,004,016,000	5,182,167,000	6,635,281,000	3,696,393,000	9.00	-0.03
4	10	Cereals	5,018,976,000	3,082,755,000	2,736,828,000	2,792,890,000	3,375,895,000	8.22	-0.00
5	90	Optical, photographic, measuring, checking, medical or surgical	1,722,175,000	1,572,412,000	1,856,113,000	2,163,807,000	1,483,391,000	3.61	-0.02
6	73	Articles of iron or steel	2,292,735,000	1,321,787,000	1,309,475,000	1,682,158,000	1,467,448,000	3.57	-0.07
7	39	Plastics and articles thereof	2,778,070,000	1,923,821,000	1,938,534,000	2,057,365,000	1,431,713,000	3.49	-0.04

S. No.	HS-02 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
8	12	Oil seeds and oleaginous fruits; miscellaneous grains	439,491,000	925,777,000	1,189,101,000	1,146,642,000	1,275,010,000	3.11	0.08
9	30	Pharmaceutical products	1,324,512,000	1,235,483,000	1,318,000,000	1,375,493,000	1,232,942,000	3.00	0.01
10	72	Iron and steel	3,138,983,000	2,687,270,000	1,862,061,000	2,154,723,000	1,032,232,000	2.51	-0.19

Table 29: Major Import Categories (HS-02)

Iran's imports are very diverse, ranging from machinery to fruits to iron & steel. While machinery makes up the biggest category of imports for the country, its imports have declined over the past decade, imports of machinery dropped from a high of \$11.90 billion in 2014 to \$7.77 billion in 2018.

## Top Exported Products (HS-06)

The top 25 exported products at HS-06 are listed in the table below:

S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	69,590,199,000	48,792,268,000	56,279,238,000	78,824,732,000	66,611,709,000		-0.01
1	270900	Petroleum oils and oils obtained from bituminous minerals, crude	41,261,081,000	20,545,665,000	28,941,272,000	43,218,104,000	45,669,058,000	68.56	-0.01
2	999999	Commodities not elsewhere specified	9,200,912,000	5,606,968,000	4,032,447,000	6,099,096,000	5,671,174,000	8.51	0.06
3	390120	Polyethylene with a specific gravity of >= 0,94, in primary forms	1,786,189,000	1,666,334,000	1,601,829,000	1,684,373,000	1,629,094,000	2.45	0.12
4	290511	Methanol "methyl alcohol"	1,171,041,000	1,163,479,000	1,007,232,000	1,303,504,000	1,549,274,000	2.33	0.11
5	260111	Non-agglomerated iron ores and concentrates	1,853,101,000	699,340,000	834,588,000	1,387,418,000	987,683,000	1.48	0.06
6	390110	Polyethylene with a specific gravity of < 0,94, in primary forms	1,005,943,000	872,213,000	856,155,000	1,180,397,000	939,180,000	1.41	0.06
7	720712	Semi-finished products of iron or non-alloy steel containing, by weight, < 0,25% of carbon, ...	24,963,000	26,919,000	230,480,000	602,269,000	673,042,000	1.01	0.58
8	310210	Urea, whether or not in aqueous solution	413,225,000	754,515,000	461,110,000	732,211,000	546,154,000	0.82	0.18
9	260300	Copper ores and concentrates	68,983,000	271,419,000	522,950,000	505,959,000	493,881,000	0.74	0.04
10	271019	Medium oils and preparations, of petroleum or bituminous minerals	739,567,000	420,652,000	1,073,223,000	1,838,291,000	445,536,000	0.67	-0.14
11	271112	Propane, liquefied	28,288,000	84,010,000	56,606,000	157,704,000	369,634,000	0.55	-0.09

S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
12	080251	Fresh or dried pistachios, in shell	827,246,000	754,627,000	635,412,000	531,568,000	362,427,000	0.54	-0.09
13	271320	Petroleum bitumen	549,221,000	345,595,000	272,081,000	548,762,000	291,186,000	0.44	0.07
14	281410	Anhydrous ammonia	385,440,000	349,829,000	190,976,000	245,396,000	273,802,000	0.41	0.03
15	290531	Ethylene glycol "ethanediol"	243,802,000	236,775,000	321,110,000	202,772,000	268,986,000	0.40	-0.04
16	271113	Butanes, liquefied (excluding of a purity of >= 95% of N-butane)	12,686,000	70,738,000	59,961,000	258,110,000	267,038,000	0.40	-0.06
17	760110	Aluminium, not alloyed, unwrought	180,156,000	149,131,000	162,096,000	300,659,000	259,979,000	0.39	-0.01
18	390140	Ethylene-alpha-olefins copolymers, having a specific gravity of < 0,94	-	-	-	178,848,000	244,394,000	0.37	-
19	271119	Gaseous hydrocarbons, liquefied, n.e.s.	35,801,000	69,285,000	50,518,000	70,407,000	243,240,000	0.37	-0.12
20	720720	Semi-finished products of iron or non-alloy steel, by weight >= 0,25% of carbon	7,000	1,241,000	37,798,000	166,343,000	210,892,000	0.32	1.78
21	790112	Unwrought zinc, not alloyed, containing by weight < 99,99% of zinc	130,213,000	121,250,000	137,101,000	360,786,000	201,888,000	0.30	0.27
22	740311	Copper, refined, in the form of cathodes and sections of cathodes	147,734,000	182,664,000	460,719,000	179,124,000	169,132,000	0.25	-0.10
23	250300	Sulphur of all kinds	213,076,000	210,612,000	98,651,000	143,078,000	162,496,000	0.24	0.07
24	080252	Fresh or dried pistachios, shelled	172,351,000	189,934,000	161,305,000	199,120,000	154,587,000	0.23	0.03
25	080410	Fresh or dried dates	100,709,000	133,404,000	132,340,000	190,405,000	142,326,000	0.21	0.07

Table 30: Top Exported Products (HS-06)

Close to 69% of Iran's exports are generated from a single commodity which is crude petroleum oil. Most of the other items on the list above are of low significance due to their minimal share in Iran's export basket. Around 8.5% of exports were unclassified.



## Top Imported Products (HS-06)

The top Imports of Iran from the world at HS-06 for the past 5 years are listed below:

S. No.	HS-06 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	73,064,593,000	55,590,928,000	56,050,003,000	67,433,158,000	41,053,736,000		-0.05
1	100590	Maize (excluding seed for sowing)	1,203,189,000	943,581,000	1,253,097,000	1,094,759,000	1,648,595,000	4.02	0.12
2	870323	Motor cars and other motor vehicles principally designed for passengers	2,702,959,000	2,079,956,000	2,516,729,000	4,108,783,000	1,372,796,000	3.34	0.05
3	100630	Semi-milled or wholly milled rice, whether or not polished or glazed	1,371,982,000	1,143,976,000	906,490,000	1,259,651,000	1,204,793,000	2.93	-0.00
4	120190	Soya beans, whether or not broken (excluding seed for sowing)	160,435,000	601,255,000	754,554,000	702,169,000	969,421,000	2.36	0.55
5	999999	Commodities not elsewhere specified	403,626,000	356,143,000	723,656,000	587,888,000	498,538,000	1.21	-0.10
6	100390	Barley (excluding seed for sowing)	410,158,000	283,289,000	220,210,000	393,423,000	477,036,000	1.16	0.07
7	870899	Parts and accessories, for tractors, motor vehicles for >10 people	412,666,000	675,954,000	600,388,000	836,459,000	468,548,000	1.14	0.001
8	870322	Motor cars and other motor vehicles principally designed for passengers	508,195,000	384,954,000	468,167,000	911,744,000	456,340,000	1.11	0.14
9	300490	Medicaments for therapeutic or prophylactic purposes	598,909,000	481,723,000	472,116,000	499,065,000	409,910,000	1.00	-0.03
10	230400	Oilcake and other solid residues, in the form of pellets	1,085,863,000	542,299,000	539,031,000	390,112,000	384,405,000	0.94	-0.04

S. No.	HS-06 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
11	730424	Casing and tubing, seamless, used for drilling for oil or gas, of stainless steel	1,444,000	71,000	117,000	29,765,000	383,976,000	0.94	0.12
12	841480	Air pumps, air or other gas compressors and ventilating	378,612,000	281,800,000	281,406,000	292,227,000	365,910,000	0.89	0.00
13	020230	Frozen, boneless meat of bovine animals	320,096,000	402,406,000	407,143,000	614,311,000	348,392,000	0.85	-0.02
14	151211	Crude sunflower-seed or safflower oil	272,525,000	175,776,000	301,889,000	325,518,000	346,477,000	0.84	0.02
15	854511	Electrodes of graphite or other carbon, for electric furnaces	93,960,000	45,808,000	37,293,000	115,212,000	328,732,000	0.80	0.20
16	841370	Centrifugal pumps, power-driven	189,094,000	167,617,000	213,961,000	242,246,000	303,688,000	0.74	0.09
17	848180	Appliances for pipes, boiler shells, tanks, vats or the like	416,976,000	296,925,000	290,053,000	315,579,000	298,387,000	0.73	-0.04
18	151190	Palm oil and its fractions, whether or not refined	570,449,000	261,009,000	252,615,000	358,690,000	291,874,000	0.71	-0.04
19	851712	Telephones for cellular networks	394,996,000	338,195,000	217,627,000	741,223,000	269,894,000	0.66	0.54
20	851762	Machines for the reception, conversion and transmission of voice, images or	627,328,000	350,876,000	389,210,000	471,842,000	220,583,000	0.54	0.02
21	870120	Road tractors for semi-trailers	402,054,000	217,512,000	122,509,000	318,630,000	199,523,000	0.49	-0.04
22	853710	Boards, cabinets and similar of apparatus for electric control	105,696,000	119,363,000	113,238,000	154,849,000	194,908,000	0.47	0.10
23	841960	Machinery for liquefying air or other gases	36,220,000	29,386,000	66,219,000	24,543,000	190,071,000	0.46	0.22
24	847989	Machines and mechanical appliances, n.e.s.	147,569,000	122,771,000	125,496,000	151,873,000	184,792,000	0.45	-0.03
25	841199	Parts of gas turbines, n.e.s.	115,806,000	174,392,000	124,940,000	197,471,000	183,854,000	0.45	-0.17

Table 31: Top Imported Products (HS-06)

Seven of the top 25 products in the list above belong to the edible category and include maize, rice, meat and palm oil. Iran imports significant quantities of agricultural products to meet domestic demand. Other than that, the country imports machinery and equipment for drilling and exploration activities in the country as crude oil is the main export of the country.

Import of consumer durables has been on a rise including those of automobiles, computers and mobile phones. The local industrial capacity of Iran is limited; therefore, the country is reliant on imports of consumer and industrial products.

## PAKISTAN - IRAN TRADE

### PAKISTAN - IRAN TRADE TIES

- Iran was the first country to officially recognize Pakistan in 1947.
- Iran and Pakistan, along with Turkey formed the Regional Cooperation for Development (RCD), which was later succeeded by the Economic Cooperation Organization (ECO) after the regime change in Iran. However, it has had little economic significance on any of the member states.
- Iran and Pakistan signed a Preferential Trade Agreement in 2006 after which Pakistan's trade with Iran was boosted. However, the increase was not sustained as it began to fall after 2008. As of 2018, the bilateral trade volume stood at \$396 million which is less than the trade volume in 2003.
- From 2006 onwards, India's trade volume with Iran has exponentially increased. Pakistan was the top supplier of rice to Iran; however, as of late, it has been replaced by India as the leading supplier.

## TRADE OVERVIEW

Iran had historically been a significant trade partner for Pakistan up until 2010, after 2010, the trade volume began to reduce. The bilateral trade trends between the two countries for the last 10 years are shown in the figure below:

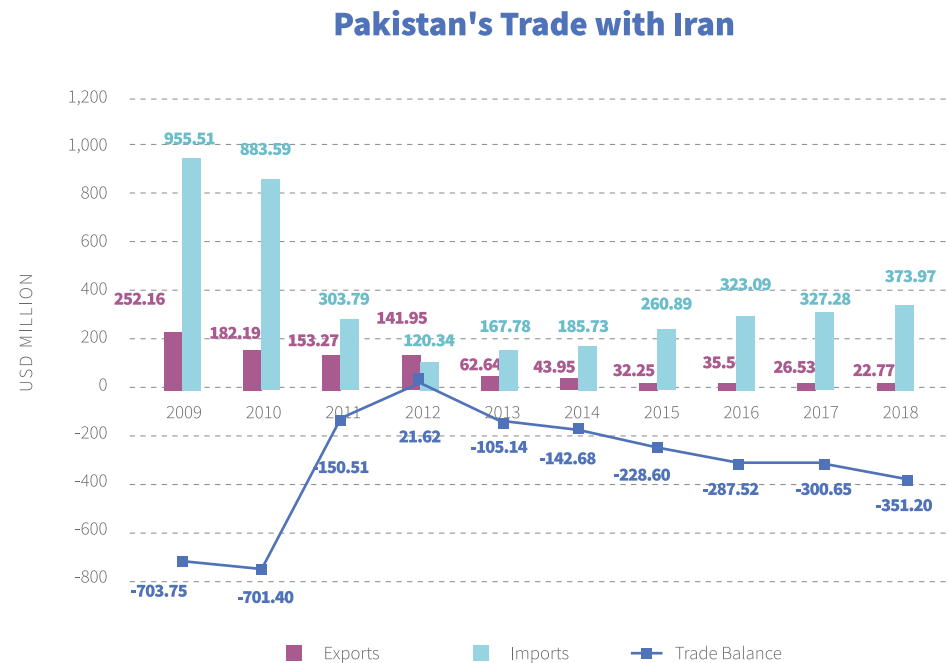


Figure 9: Pakistan's Balance of Trade with Iran (2009-2018)

Pakistan has had a trade deficit with Iran since 2003, exports peaked in 2008 at \$426 million and have been on a decline since then. As of 2018, exports to Iran stood at less than \$23 million. On the imports side, Pakistan has had a sizeable import reliance on Iran, however, this too has been decreasing in the past decade, primarily due to international conditionalities on doing business with Iran. From a peak of almost \$956 million in 2009, imports reduced to \$374 million in 2018.

## BILATERAL TRADE TRENDS: PRODUCTS

### Top Exported Products (HS-06)

Pakistan's exports to Iran totalled \$22.77 million in 2018. The breakup of exports at HS-06 level are shown in the table below along with the share of each product in the total exports for 2018 and the CAGR for the last 10 years.

S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	43,049,000	32,293,000	35,562,000	26,534,000	22,774,000		-0.23
1	481159	Paper and paperboard, surface-coloured, surface-decorated or printed	18,720,000	19,660,000	18,967,000	18,170,000	17,539,000	77.01	0.50
2	100630	Semi-milled or wholly milled rice, whether or not polished or glazed	5,811,000	2,926,000	8,342,000	2,720,000	1,178,000	5.17	-0.43
3	392350	Stoppers, lids, caps and other closures, of plastics	351,000	819,000	439,000	1,043,000	984,000	4.32	0.39
4	392010	Plates, sheets, film, foil and strip, of non-cellular polymers of ethylene	838,000	1,236,000	1,014,000	1,037,000	842,000	3.70	0.16
5	630629	Tents of textile materials (excluding of synthetic fibres, and umbrella and play tents)	-	-	1,653,000	-	555,000	2.44	0.26
6	901580	Instruments and appliances used in geodesy, topography, hydrography, oceanography, etc.	-	-	-	21,000	481,000	2.11	0.15
7	901890	Instruments and appliances used in medical, surgical or veterinary sciences	780,000	863,000	644,000	675,000	234,000	1.03	-0.16

S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
8	390110	Polyethylene with a specific gravity of < 0,94, in primary forms	47,000	58,000	119,000	101,000	233,000	1.02	0.49
9	890190	Vessels for the transport of goods and vessels for the transport of both persons and goods	690,000	434,000	-	552,000	214,000	0.94	-0.28
10	120740	Sesamum seeds, whether or not broken	6,000	37,000	45,000	124,000	99,000	0.43	-0.33
11	760711	Aluminium foil, not backed, rolled but not further worked, of thickness of <= 0,2 mm	-	-	-	-	87,000	0.38	-
12	050790	Tortoiseshell, whalebone and whalebone hair, horns, antlers, hooves, etc.	-	-	407,000	317,000	74,000	0.32	-0.09
13	630140	Blankets and travelling rugs of synthetic fibres	-	215,000	802,000	680,000	63,000	0.28	-0.01
14	840710	Spark-ignition reciprocating, rotary internal combustion piston engine, for aircraft	90,000	-	-	-	51,000	0.22	-
15	611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber	-	-	6,000	52,000	42,000	0.18	-
16	950662	Inflatable balls	51,000	42,000	65,000	46,000	19,000	0.08	-0.08
17	610349	Men's or boys' trousers, breeches and shorts of textile materials	-	-	-	-	14,000	0.06	0.12
18	760720	Aluminium foil, backed, of a thickness (excluding any backing) of <= 0,2 mm	19,000	37,000	44,000	13,000	9,000	0.04	0.37



S. No.	HS-06 Code	Description	Exports (US\$)					% Share in Exports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
19	420310	Articles of apparel, of leather or composition leather	-	-	-	-	9,000	0.04	-0.16
20	490199	Printed books, brochures and similar printed matter	-	-	-	3,000	8,000	0.04	0.03
21	950699	Articles and equipment for sport and outdoor games; swimming and paddling pools	1,000	20,000	26,000	-	7,000	0.03	0.02
22	610829	Women's or girls' briefs and panties of textile materials, knitted or crocheted	-	-	-	-	7,000	0.03	-
23	321410	Glaziers' putty, grafting putty, resin cements, and other mastics	-	-	-	-	6,000	0.03	-
24	731100	Containers of iron or steel, for compressed or liquefied gas	-	-	-	-	4,000	0.02	-0.02
25	420321	Specially designed gloves for use in sport, of leather or composition leather	2,000	133,000	35,000	64,000	4,000	0.02	-0.13

**Table 32: Top Exported Products (HS-06)**

More than three fourths of Pakistan's exports to Iran are generated by a single product i.e. coloured paper. Export diversification with Iran is minimal as the top 5 products at HS-02 level make up more than 97% of total exports. Paper (HS-06 481159) is the only product with a significant share having a positive growth rate in the past decade. Rice, once a sizeable export to Iran, and which amounted to \$361 million in 2008 dropped to a mere \$1.1 million in 2018. Iran imported rice from the world worth \$1.2 billion in 2018; however, this market has mostly been captured by India.

## Top Imported Products (HS-06)

Pakistan's top imports from Iran at HS-06 level for 2018 are shown in the table below. Along with the products, their respective 5-year import trend and their share and growth rates are given.

S. No.	HS-06 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
		TOTAL	185,731,000	260,894,000	323,086,000	327,180,000	373,972,000		-0.10
1	271119	Gaseous hydrocarbons, liquefied, n.e.s.	35,664,000	54,292,000	32,011,000	55,816,000	88,799,000	23.74	0.37
2	271012	Light oils and preparations, of petroleum which >= 90% by volume	-	109,000	12,176,000	44,685,000	49,837,000	13.33	-
3	271600	Electrical energy	-	16,718,000	101,537,000	33,099,000	40,459,000	10.82	-
4	271320	Petroleum bitumen	11,450,000	33,477,000	40,595,000	37,864,000	31,504,000	8.42	0.14
5	071320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	9,654,000	15,175,000	4,631,000	3,357,000	29,295,000	7.83	0.20
6	271019	Medium oils and preparations, of petroleum or bituminous minerals	6,572,000	10,490,000	5,617,000	13,947,000	28,881,000	7.72	0.49
7	690723	Ceramic flags and paving, hearth or wall tiles	-	-	-	24,268,000	28,081,000	7.51	-
8	080410	Fresh or dried dates	173,000	1,612,000	2,356,000	4,823,000	9,990,000	2.67	0.31
9	720449	Waste and scrap of iron or steel	17,627,000	11,759,000	9,262,000	7,121,000	5,898,000	1.58	-0.15
10	410221	Raw skins of sheep or lambs, without wool on, pickled, whether or not split	314,000	745,000	1,101,000	2,658,000	5,461,000	1.46	0.75
11	252329	Portland cement (excluding white, whether or not artificially coloured)	7,472,000	11,359,000	7,610,000	5,948,000	4,028,000	1.08	0.52

S. No.	HS-06 Code	Description	Imports (US\$)					% Share in Imports '18	CAGR ('09-'18)
			2014	2015	2016	2017	2018		
12	570330	Carpets and other floor coverings, of man-made textile materials	86,000	168,000	815,000	1,847,000	3,800,000	1.02	0.64
13	080251	Fresh or dried pistachios, in shell	860,000	3,209,000	4,299,000	4,399,000	3,470,000	0.93	0.23
14	252310	Cement clinkers	-	1,089,000	3,316,000	2,302,000	2,839,000	0.76	-
15	400219	Styrene-butadiene rubber "SBR"; carboxylated styrene-butadiene rubber XSBR	-	166,000	1,218,000	1,271,000	2,434,000	0.65	0.50
16	090921	Coriander seeds, neither crushed nor ground	3,524,000	2,613,000	1,864,000	1,699,000	2,376,000	0.64	0.20
17	701399	Glassware of a kind used for toilet, office, indoor decoration or similar purposes	563,000	1,507,000	2,759,000	3,382,000	2,175,000	0.58	0.23
18	720229	Ferro-silicon, containing by weight <= 55% silicon	369,000	628,000	947,000	1,332,000	2,042,000	0.55	0.65
19	391590	Waste, parings and scrap of plastics	1,085,000	469,000	523,000	2,768,000	2,031,000	0.54	0.25
20	271290	Paraffin wax, microcrystalline petroleum wax, slack wax, ozokerite, lignite wax	3,674,000	1,926,000	517,000	899,000	2,023,000	0.54	0.29 -
21	250300	Sulphur of all kinds	1,498,000	2,982,000	1,379,000	2,879,000	1,597,000	0.43	0.09
22	080610	Fresh grapes	1,049,000	1,124,000	1,688,000	857,000	1,544,000	0.41	0.64
23	280300	Carbon (carbon blacks and other forms of carbon, n.e.s.)	42,000	130,000	517,000	1,720,000	1,497,000	0.40	0.09
24	722790	Bars and rods of alloy steel other than stainless, hot-rolled, in irregularly wound coils	-	-	-	23,000	1,475,000	0.39	-
25	410210	Raw skins of sheep or lambs, with wool on, fresh or salted	12,760,000	8,474,000	11,552,000	4,904,000	1,323,000	0.35	-0.18

Table 34: Top Imported Products (HS-06)

The top 4 products at HS-06 level cumulatively constituted 56.31% of Pakistan's total imports from Iran in 2018, all four items are from the energy portfolio. While 3 of the four items are mineral fuels, Pakistan also imports electricity from Iran to power Gwadar and the surrounding areas which are not connected to the national grid and do not produce sufficient electric energy indigenously. Other than mineral fuels and plastering compounds, Iran also is a significant supplier of dried fruits, nuts, fruits and animal skins and other related products. Moreover, Pakistan also imports glassware and ceramic products from Iran and this has increased in the past few years.

## TRADE POTENTIAL

### Pakistan's Export Potential to Iran (HS-06)

The trade potential between Pakistan and Iran and Pakistan is immense. In the table below, the top 20 products with the highest export potential for Pakistan to export to Iran are listed based on actual exports in 2018.

S. No.	HS-06 Code	Description	Pakistan Exports to Iran (2018)	Iran's Import from World (2018)	Pakistan's Export to World (2018)	Pakistan's Potential Exports to Iran for 2018 (US\$)
1	100630	Semi-milled or wholly milled rice	1,178,000	1,204,793,000	1,757,847,000	1,203,615,000
2	901890	Instruments and appliances used in medical, surgical or veterinary sciences	234,000	111,622,000	373,182,000	111,388,000
3	300490	Medicaments for therapeutic or prophylactic purposes	-	409,910,000	73,543,000	73,543,000
4	300439	Medicaments containing hormones or steroids	-	61,475,000	60,485,000	60,485,000
5	481159	Paper and paperboard, surface-coloured or printed	17,539,000	72,262,000	68,318,000	50,779,000
6	630790	Made-up articles of textile materials, incl. dress patterns	-	42,055,000	42,280,000	42,055,000
7	120740	Sesamum seeds, whether or not broken	99,000	38,461,000	73,497,000	38,362,000
8	151620	Vegetable fats and oils and their fractions	-	42,232,000	35,223,000	35,223,000
9	390761	Poly"ethylene terephthalate", in primary forms	-	34,221,000	132,994,000	34,221,000
10	611020	Jerseys, pullovers, waistcoats and similar articles, of cotton	-	32,736,000	74,241,000	32,736,000
11	100199	Wheat and meslin	-	31,105,000	49,772,000	31,105,000
12	841199	Parts of gas turbines, n.e.s.	-	183,854,000	30,992,000	30,992,000
13	520812	Plain woven fabrics of cotton, containing >= 85% cotton by weight	-	26,563,000	252,975,000	26,563,000

S. No.	HS-06 Code	Description	Pakistan Exports to Iran (2018)	Iran's Import from World (2018)	Pakistan's Export to World (2018)	Pakistan's Potential Exports to Iran for 2018 (US\$)
14	721049	Flat-rolled products of iron or non-alloy steel, of a width of $\geq 600$ mm	-	67,339,000	23,795,000	23,795,000
15	080390	Fresh or dried bananas	-	92,062,000	21,470,000	21,470,000
16	520100	Cotton, neither carded nor combed	-	34,725,000	19,361,000	19,361,000
17	851712	Telephones for cellular networks	-	269,894,000	19,044,000	19,044,000
18	210690	Food preparations, n.e.s.	-	116,139,000	18,556,000	18,556,000
19	390769	Poly"ethylene terephthalate" having a viscosity number of $< 78$ ml/g	-	17,665,000	70,286,000	17,665,000
20	392490	Household articles and toilet articles, of plastics	-	18,727,000	17,567,000	17,567,000

Table 35: Pakistan's Export Potential to Iran (HS-06)

The export potential for the top 20 items from the table above is \$1.91 billion, this is against actual exports of Pakistan to Iran in 2018 of \$19.05 million for the same product lines. This shows the extent of the potential that exists for Pakistan to capitalize on. Rice alone holds an export potential of more than \$1.2 billion. Other than rice, textile items also hold sizeable potential for Pakistan, these are currently imported by Iran from China and India.



## Pakistan's Import Potential from Iran (HS-06)

Similar to the export potential, Pakistan has the capacity to import more from Iran. The top 20 items with highest potential to be imported from Iran are listed below:

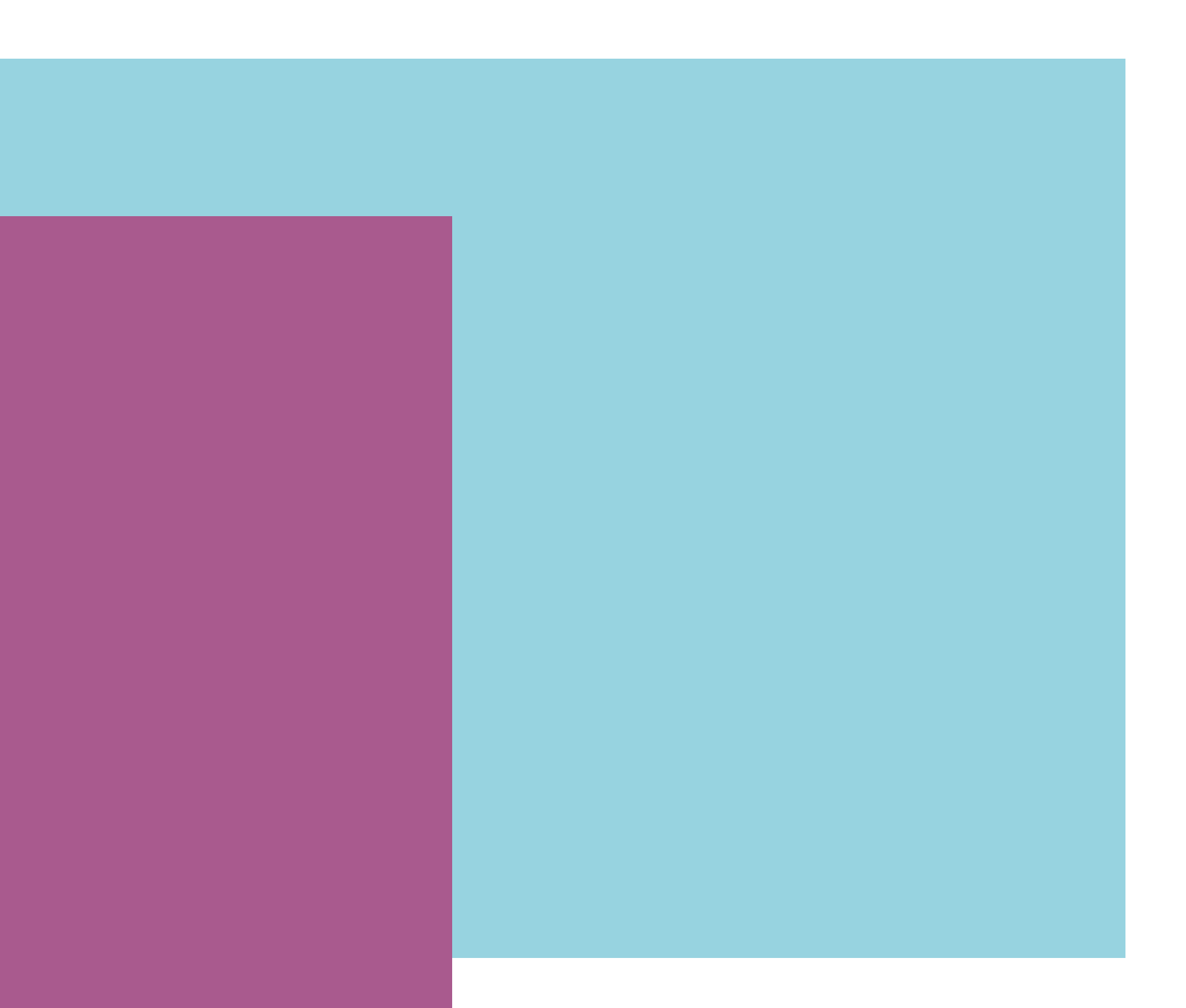
S. No.	HS-06 Code	Description	Pakistan's Imports from Iran (2018)	Iran's Exports to World (2018)	Pakistan's Imports from World (2018)	Pakistan's Potential Imports from Iran for 2018 (US\$)
1	270900	Petroleum oils, crude	-	45,669,058,000	4,903,910,000	4,903,910,000
2	271019	Medium oils and preparations, of petroleum or bituminous minerals	28,881,000	445,536,000	3,115,618,000	416,655,000
3	390110	Polyethylene with a specific gravity of < 0,94, in primary forms	-	939,180,000	336,950,000	336,950,000
4	390120	Polyethylene with a specific gravity of >= 0,94, in primary forms	104,000	1,629,094,000	298,870,000	298,766,000
5	290531	Ethylene glycol "ethanediol"	450,000	268,986,000	333,800,000	268,536,000
6	271119	Gaseous hydrocarbons, liquefied, n.e.s.	88,799,000	243,240,000	224,547,000	135,748,000
7	390210	Polypropylene, in primary forms	-	104,940,000	539,138,000	104,940,000
8	740311	Copper, refined, in the form of cathodes and sections of cathodes	-	169,132,000	100,724,000	100,724,000
9	271320	Petroleum bitumen	31,504,000	291,186,000	114,585,000	83,081,000
10	760110	Aluminium, not alloyed, unwrought	-	259,979,000	78,620,000	78,620,000
11	290250	Styrene	-	75,042,000	73,745,000	73,745,000
12	290511	Methanol "methyl alcohol"	297,000	1,549,274,000	61,545,000	61,248,000
13	290243	P-Xylene	-	61,242,000	365,516,000	61,242,000
14	999999	Commodities not elsewhere specified	33,000	5,671,174,000	50,197,000	50,164,000
15	310210	Urea, whether or not in aqueous solution	-	546,154,000	41,798,000	41,798,000

S. No.	HS-06 Code	Description	Pakistan's Imports from Iran (2018)	Iran's Exports to World (2018)	Pakistan's Imports from World (2018)	Pakistan's Potential Imports from Iran for 2018 (US\$)
16	740400	Waste and scrap, of copper	-	43,670,000	37,696,000	37,696,000
17	780110	Unwrought lead, refined	-	33,756,000	60,198,000	33,756,000
18	070200	Tomatoes, fresh or chilled	-	44,122,000	30,264,000	30,264,000
19	381700	Mixed alkylbenzenes and mixed alkyl naphthalenes	-	29,197,000	85,593,000	29,197,000
20	720839	Flat-rolled products of iron or non-alloy steel, of a width of $\geq 600$ mm, in coils	-	28,346,000	465,926,000	28,346,000

**Table 36: Pakistan's Import Potential from Iran (HS-06)**

From the table above of the 20 high-potential imports from Iran, the current import level in 2018 for these items stood at \$150.07 million while the potential amounted to \$7.18 billion. Other than petroleum products, chemicals, alloys, metals and minerals also hold significant import potential from Iran based on the current import pattern of Pakistan and Iran's capacity to export these items.







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

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**T - +92 21 3563 0528 - 29  
F - +92 21 3563 0530**

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