



ISSUE BRIEF

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PAKISTAN'S ECONOMIC OUTREACH TO AFRICA: MAPPING POTENTIAL PRODUCTS

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April 12, 2019

(Views expressed in the brief are those of the author, and do not represent those of ISSI)



In short to medium term, Pakistan needs to identify new markets for its exports, and in this regard African continent hosting more than 1.2 billion population and with a \$500 billion import bill is a lucrative market. For the period July 2018, trade between Pakistan and Africa stood at US\$ 3.6 billion with Pakistan's export volume of \$ 1.4 billion and imports volume of \$ 2.2 billion from Africa.¹

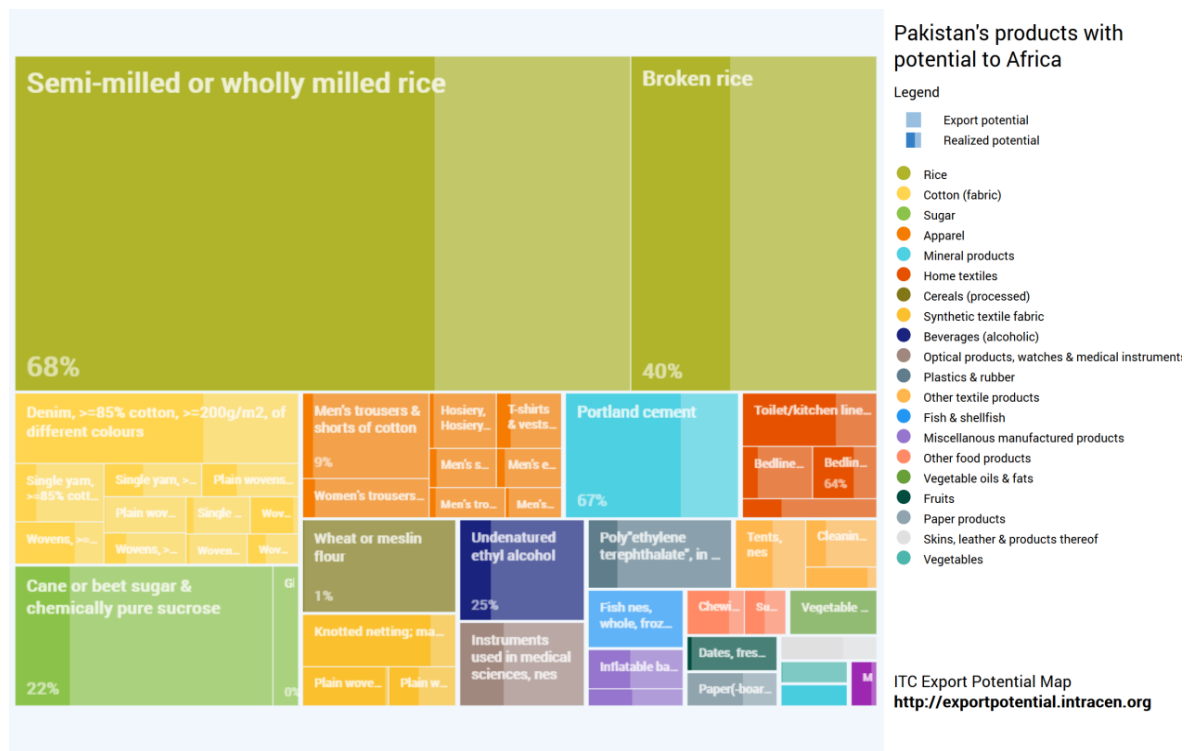
Pakistan aims to increase its trade with Africa to \$5 billion in next five years under its ambitious "Look Africa" Policy.² For this purpose, Pakistan needs to undertake export diversification and also realize its export potential by exploring new markets and products.

The following info graph charts the potential export products and their respective percentage of the total exports to Africa in darker colour shade, the lighter shade represents the trade potential which is close to \$1 billion in existing products and markets.³ For example, semi-milled or wholly milled rice constitute the majority share of Pakistan's potential exports to Africa, capping \$511.2 million export bill, whereas the untapped potential estimates around \$181.5 million. Similarly, in other products as listed below, Africa is importing way more than what Pakistan is contributing to that share. Therefore, Pakistan has a low-laying opportunity of maximizing this share of African imports and capturing this market for its existing products being exported to Africa.

¹ <https://fp.brecorder.com/2018/07/20180720392463/>

² <http://icci.com.pk/highlights/detailHigh/1032>

³ <https://exportpotential.intracen.org/#/products/diversification?fromMarker=i&exporter=586&toMarker=re&market=1&whatMarker=k>



Pakistan needs to prioritize diplomatic and economic outreach, negotiating better terms and trade agreements, reducing cost of business and government subsidies to exporters. However, Pakistan's diplomatic and economic outreach is not matching its potential and renewed commitment under its Look Africa Policy. There is a need to undertake a cost-benefit analysis by policymakers so that new diplomatic and economic investments can be committed to Africa.

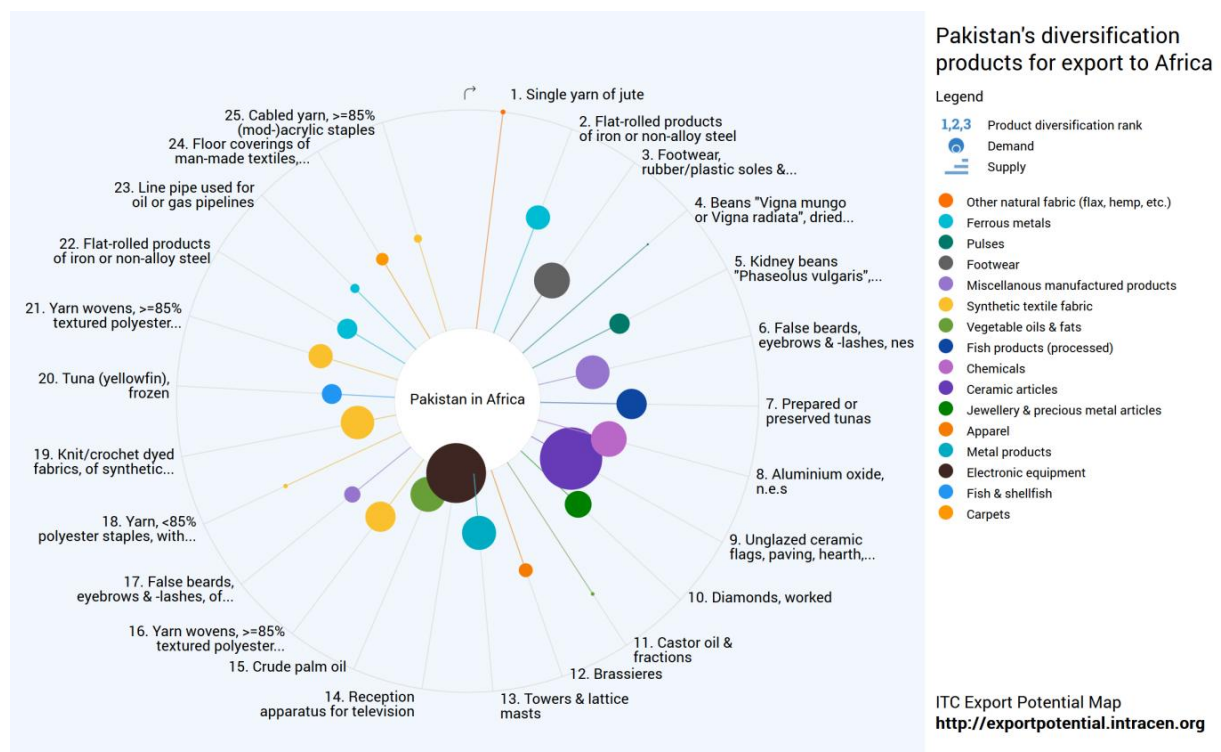
Besides existing industries and products, Pakistan has a huge potential in other products and their emerging markets in Africa. Pakistan also has a leading defense production industry that is a new market for many African countries willing to buy JF-17 Thunder planes and Mashaq trainer planes, armoured vehicles, small arms and drones, especially in the context of recently ratified African Continent Free Trade Agreement (AfCFTA) by 44 African countries. If successfully implemented, the AfCFTA could generate a combined consumer and business spending of \$6.7 trillion by 2030.⁴ Pakistan can leverage growing inter-African trade to increase its share of global trade and develop an industrialized export base at home.

In this regard, Pakistan's best options for export diversification in Africa are single yarn of jute, flat-rolled products of iron or non-alloy steel and footwear, cement and construction industry, rubber/plastic soles & uppers, fisheries and agro-based industry. Pakistan finds single yarn of jute

⁴ <https://oecd-development-matters.org/2018/10/22/how-can-the-new-african-free-trade-agreement-unlock-africas-potential/>

easiest to reach. Unglazed ceramic flags, paving, hearth, wall tiles, mosaic cubes & the likes are the products that face the strongest demand potential in Africa.⁵

The following info chart provides a snapshot of potential export diversification products in Africa. Pakistan has an export base for these products and Africa is importing them from other sources, therefore, Pakistan should diversify to add new products to its existing portfolio.



For this purpose, there is a need to expand Pakistan's export base through structural reforms. We should identify new products and work on increasing the exports of our existing products by capturing a larger share. Pakistan should create commonalities of trade and also indulge, wherever it works, in a barter system which will be mutually beneficial to both trading partners.

The product space is a network connecting products that are likely to be co-exported and can be used to predict the evolution of a country's export structure. The economy of Pakistan has an Economic Complexity Index (ECI) of -0.86 making it the 98th most complex country. Pakistan exports 210 products with revealed comparative advantage (meaning that its share of global exports is larger than what would be expected from the size of its export economy and from the size of a product's global market).⁶ Product diversification, therefore, is very low in Pakistan and most of our exports are concentrated in a few products. Besides product diversification, as mentioned earlier,

⁵ <https://exportpotential.intracen.org/#/products/diversification?fromMarker=i&exporter=586&toMarker=re&market=1&whatMarker=k>

⁶ <https://atlas.media.mit.edu/en/profile/country/pak/>

Pakistan needs to orient towards market diversification where Africa opens new opportunities for Pakistan. Therefore, both elements of product diversification and market diversification must come hand in glove under Pakistan's Look Africa policy.

On the African continent, Pakistan has preferential trade agreement with Mauritius only.⁷ There is a dire need to not only conduct new agreements but also to revisit the existing ones. Pakistan's existing Strategic Trade Policy Framework needs revisions, as it has failed to achieve the \$35 billion export target and increase regional trade.⁸ The document also stresses product sophistication and argues that inefficient technologies is a major hurdle for selected sectors, i.e., home appliances, sports goods, rice and cutlery. Leather, pharmaceutical, fisheries and surgical instruments are sectors with higher export potential, and in order to tap their potential, new facilities need to be established. However, we can see that despite some positive measures suggested in the Strategic Trade Policy Framework document, Pakistan has still failed to implement these and is struggling with major export hurdles and trade deficits.

Given the current economic situation, Pakistan needs to prioritize its policy options. Africa is a continent with rising economic cloud and emerging growth. Unfortunately, Africa has not received the priority it deserves. Some countries including our neighbor India, have captured the growing space in Africa for their goods and services. Pakistan needs to rebrand its goods and services, negotiate new agreements and push diplomatic circles for greater share of global trade and especially trade with African countries.

⁷ <http://www.commerce.gov.pk/about-us/trade-agreements/>

⁸ <http://www.commerce.gov.pk/strategic-trade-policy-framework/>