



PROSPECTS OF PAK-CHINA COOPERATION IN AGRICULTURE

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



On November 4, 2020, a meeting of the Joint Working Group (JWG) on Socio-economic Development under China-Pakistan Economic Corridor (CPEC) framework was held through video link. Senior officials and representatives of the federal ministries and provincial governments and representatives of the Chinese embassy attended this meeting to review the progress of fast-track and priority areas. Some of the key areas which were focused on included agriculture, education, health, poverty alleviation and vocational training.¹

Among the priority areas, both countries have agreed to enhance cooperation in agriculture sector. Cooperation in agriculture sector is one of the seven pillars of CPEC's long-term plan. However, this cooperation formally started after the visit of Prime Minister Imran Khan to China in 2018. Later in May 2019, a comprehensive framework was signed for collaboration in major areas of agriculture between the two countries. These included storage of agricultural produce, livestock breeding, research and development in new and high yield variety of seeds along with pests and disease control.² Later on, Islamabad and Beijing signed an MoU for bilateral cooperation in agriculture during President Alvi's visit to China in March 2020. This led to the establishment of a joint working

¹ "2nd meeting of JWG on Socio-economic Development under CPEC Framework held," *The Nation*, November 5, 2020. <https://nation.com.pk/05-Nov-2020/2nd-meeting-of-jwg-on-socio-economic-development-under-cpec-framework-held>

² "Joint Statement of PM Imran Khan's China Visit: 'Strengthening strategic cooperative partnership,'" *The News International*, November 4, 2018. <https://www.thenews.com.pk/latest/389597-joint-statement-of-pm-imran-khans-china-visit>

group on agriculture under CPEC. Under this understanding, the areas focused for joint working include technology transfer, collaboration in research and development, enhancing agricultural trade, cooperation in agro-industry, livestock and dairy.

Speaking at a webinar organized in November under the guidance of Embassy of China in Pakistan, Chinese Ambassador to Pakistan, Ambassador Nong Rong said that the webinar is of great significance and timing as it focuses on seed industry, agricultural product processing and agricultural investment. He further said, “We will facilitate Pakistani exports of cherry, onion, potato and other agricultural products to China, actively promote construction of foot-and-mouth disease free zones and help Pakistan bring beef and mutton products into the Chinese market.”³

A study conducted by Ministry of Agriculture and Rural Affairs of China points out that Pak-Sino agricultural cooperation has potential in technology, product processing, trade, and infrastructure construction.⁴ While emphasizing the complementarity between natural endowments of both countries, this study points out that China has capability in areas like agricultural science and technology, mechanization, water conservancy engineering. Similarly, Pakistan is endowed with rich land, with per capita cultivated land area being twice that of China. Furthermore, Pakistan has huge manpower, with large percentage of them in younger age groups than China. Thus, both countries can improve trade in agriculture goods while complementing each other in the areas of interest.

China-Pakistan Trade Pattern

It is important to note that after China-Pakistan Free Trade Agreement (CPFTA) was signed in 2006, the trade pattern between both countries has shown an increasing trend; between 2003-2018, the volume of bilateral has grown from US\$2.2 billion to US\$ 15.6 billion. During this period, Pakistan’s exports to China increased from US\$ 0.4 billion to US\$ 2 billion, while imports from China increased from US\$ 1.8 billion to US\$ 14 billion, showing a trade deficit of US\$12 billion.⁵

While observing Pakistan-China trade in agriculture goods, the bilateral trade shows a surplus. In the list of exportable goods which Pakistan exports to China, agriculture takes the major share with cotton comprising a 71.2 percent share, while 18.1 percent are consumer goods, including fruits and

³ “We will facilitate Pakistani exports of agricultural products to China: Ambassador Nong,” *The News International*, November 22, 2020. <https://www.thenews.com.pk/print/747352-china-pakistan-need-effective-cooperation-in-agriculture-sector-fakhar>

⁴ “Pak-Sino cooperation with great potential in agri sector: Chinese study,” http://en.ce.cn/main/latest/202008/31/t20200831_35637643.shtml

⁵ International Trade Statistics, 2003-2020. <https://www.intracen.org/itc/market-info-tools/statistics-import-country-product/>

nuts and fish.⁶ Similarly, Pakistan's share of exports in China's total world import of agricultural goods is less than 2 percent.

Since the first CPFTA, Pakistan has been able to increase the exports of cotton to China, but has failed to take benefits of the concessions provided on goods like seafood and raw hides. According to a preliminary analysis of China-Pakistan Free Trade Agreement Phase 2, commissioned by Pakistan Business Council and Consortium for Development Policy Research (CDPR)⁷, numerous factors have impacted the overall trade performance between both countries. One of the major factors identified is the nature of trade concessions provided by both countries. No concession has been offered on Pakistan's major exports like rice, seafood, leather skin and hides. This has made it difficult for Pakistan to compete with major suppliers of these good to the Chinese market. Similarly, under the first CPFTA protocols, most of the Non-Barrier Tariffs (NBTs), which include safety and quality standards as per sanitary and phytosanitary (SPS) agreements on major Pakistani products like rice have also affected Pakistan's exports to China.

In order to address these shortcomings, China and Pakistan signed the protocol for second phase of CPFTA in April 2019, which became operational in January 2020. Under these protocols, Pakistan is able to gain better market access for major products in comparison to its top competitors, mainly the ASEAN countries. Among the goods listed in the priority list 1, seafood and garments have been given easy access to Chinese markets. This will help in improving Pakistan's trade deficit with China. Similarly, low tariff rates have been offered on meat and poultry in order to increase the exports of these goods. However, it is important to note that Pakistan has weak formal and consistent supply chain, as the entire meat industry works on informal sources. Thus, it is quite challenging to reap the benefits of these concessions in the absence of organized meat farming. Moreover, on rice, Pakistan still faces 15 percent higher tariff rates as compared to its competitors (mainly Vietnam). Similarly, the concessions offered are still low for many other agri-products like fruit pulps, jams, and unfrozen orange juice.⁸

Conclusion

Cooperation in agriculture sector under CPEC framework has huge potentials in enhancing the bilateral trade between Pakistan and China. It is therefore important to address the issues related to

⁶ International Trade Statistics, 2003-2020. <https://www.intracen.org/itc/market-info-tools/statistics-import-country-product/>

⁷ "China Pakistan Free Trade Agreement Phase 2 – A Preliminary Analysis", Pakistan Business Council reports, 2013-2019. <https://www.pbc.org.pk/research/preliminary-analysis-of-pak-china-fta-phase-ii/>

⁸ "China Pakistan Free Trade Agreement Phase 2 – A Preliminary Analysis," Pakistan Business Council reports, 2013-2019. <https://www.pbc.org.pk/research/preliminary-analysis-of-pak-china-fta-phase-ii/>

Pakistan's agricultural sector in order to achieve maximum gains from trade concessions provided under the free trade agreements.