



web: www.issi.org.pk
phone: +92-51-9204423, 24
fax: +92-51-9204658

Report – Policy Dialogue

“Comprehensive Economic Partnership: East Asia and Pakistan”

July 27, 2022



Rapporteurs: Muhammad Iqbal, RA & Ramsha Qamar, Intern

Edited by: Dr Talat Shabbir

The Dialogue was moderated by Dr. Talat Shabbir, Director CPSC. In his opening remarks, he underscored Pakistan's close partnerships with East Asian nations via its "Vision East Asia". He said, it was a recognition of East Asia's strategic significance, coupled with the region's economic prowess that makes it an attractive site for regional and global powers. He highlighted Pakistan and South Korea relations, which were established in 1968 at the consular level, upgraded to the Ambassadorial level in 1983. Since then, relations have progressed exponentially. High-level exchanges and support to each other at international forums has been the hallmark of bilateral engagement. Pakistan-South Korea relations grew rapidly with special focus on trade and economic relations. The bilateral trade between the two countries reached at an all-time high at USD 1.8 billion in 2021.

In this context, Dr. Shabbir stated, the seminar was an effort to highlight Pakistan's need to reinvigorate its political and economic linkages with the East Asian region and ASEAN nations, particularly with the Republic of Korea. He added that the dialogue focuses on Pakistan's interest in East Asia and ASEAN through the prism of 'geo-economics' and 'economic security' in line with the policy direction of the National Security Policy (NSP).

In his opening remarks, **Ambassador Aizaz Ahmed Chaudhary, DG ISSI**, welcomed Ambassador Suh Sang Pyo, Ambassador of Republic of Korea, for exploring the economic partnership between Pakistan and South Korea, and broadly with East Asia. He elaborated that the Republic of Korea has focused on developing many of its industries and today exports its diverse products, such as Hyundai cars and Samsung electronics, to multiple nations across the globe, including Pakistan due to which it is ranked amongst the top twenty economies of the world. There is a lesson Pakistan can learn from Republic of Korea that how a nation can enhance its industrial production and shifts to an export based economy.

Amb. Chaudhry underlined that the progress made by the Republic of Korea is part of the high economic development seen in across East Asia, including China, Japan, Vietnam, Malaysia, and Singapore. These countries are true Asian economic tigers. Therefore, Pakistan's close engagement with East-Asia is a important for Pakistan's own national development. Pakistan has also been a partner of ASEAN for multiple years which has assisted in developing good ties between the Republic of Korea and Pakistan.

Ambassador Suh Sang Pyo, Ambassador of the Republic of Korea, in his welcome remarks shed light on the significance of developing strong economic ties between Pakistan and East-Asia. He underscored that there will be many opportunities for the two sides to flourish together. Ambassador Suh Sang Pyo commented that East Asia supports Pakistan's trade and has aided multiple times through the years. He added that people-to-people exchanges would be a good opportunity to expand the partnership between Pakistan and East-Asia. Amb. Pyo further highlighted that he holds great appreciation towards ISSI as they have great expertise in organizing joint communications. He added that the Republic of Korea has good relations in trade with Pakistan and looks forward for expanding these relations further between both the countries.

In her keynote address, **Ambassador Mumtaz Zahra Baloch, Additional Secretary, Ministry of Foreign Affairs Pakistan**, briefed the seminar participants on the impact of evolving global situation on many developing countries, including Pakistan. She said that countries across the world, especially those highly dependent on their exports, were facing new challenges, particularly countries in the developing world, due to the outbreak of COVID-19 pandemic and some recent developments at global stage, including Russia-Ukraine conflict, disruption in global supply chain and the consequent commodities super cycle. She underlined that the conflict between Russia and Ukraine have contributed to global inflation and shortage of essential commodities at the same time. She underscored that this conflict has been posing difficulties for many countries as Russia and Ukraine are vast economies that the developing countries depending on their exports of essential items such as wheat.

While focusing on Pakistan and Republic of Korea relations, she said, there were some important lessons that Pakistan can learn from the experience of developed and prospering nations. She mentioned there is no better example for Pakistan than Republic of Korea that perform an economic miracle from the ashes of Korean War and became, an export led, world leading economy. Korea's trade liberalization and investment in human resources are good models, one can take lesson from it. She suggested Pakistan ought to follow this model of development and bring about transformational changes in national economic policies. She suggested that both sides need to conduct a joint study that demonstrates that conclusion of free trade agreement between Pakistan and Republic of Korea would be mutually beneficial since both economies are

complementary to each other. Based on such a study, both sides can focus on developing a comprehensive trade agreement that would be beneficial for both countries. In the absence of such comprehensive trade agreement, getting access to Korean market or to other markets in East Asia would remain a challenge for Pakistani exporters.

Dr. Neelum Nigar, Director CSP, stated that over the decades, Pakistan has emphasized the need to establish ties with East Asia, in particular, ASEAN. Despite change in government, successive Pakistani government have rightly expressed their desire to boost relations with the East Asia. The intention of Pakistan seeking a Full Dialogue Partnership (FDP) with ASEAN has been specifically mentioned by Pakistani leaders. Pakistan has ‘Vision East Asia Policy’ also, with an aim to strengthen partnership with East Asian countries in all spheres. This policy underscores Pakistan’s recognition of ASEAN’s vast economic potential and centrality in the regional architecture. Between 2004-2013 Pakistan’s trade with the ASEAN tripled to US\$ 6.6 billion from around US\$ 2.2 billion with US\$ 792 million being Pakistan’s exports and US\$ 5.8 billion Pakistan’s imports. Trade, however, remains imbalanced. She further added that in terms of trade and investment, ASEAN provides the country with a promising incentive to fill the gaps and focus on connectivity. The combined GDP of only the ASEAN countries is over USD 3 trillion and tapping into one of the fastest-growing markets would prove beneficial for Pakistan in reaching diverse markets.

Dr. Nigar underscored that Pakistan and South Korea FTA is a vital part of a series of trade agreements all stemming out of Vision East Asia. A free trade agreement with Republic of Korea would be significant for Pakistan because Korea is swiftly industrializing with comparatively higher economic growth and has accomplished rapid technological advancement in the region. Pakistan is a semi-industrialized country which relies primarily on its agricultural and manufacturing sector for exports, while its major imports are heavy manufacturing and petroleum products. Therefore, Pak-Korea FTA via Trade liberalization will have positive effects on both the countries.

Dr. Nigar further added that complete removal of bilateral tariffs across the board is highly unlikely, so Pakistan should negotiate for lower or at least similar tariff rates that are granted to its competitors by Korea to acquire grounds of non-discriminatory competition for its exporters.

It is not obligatory to make a long list of export goods in the form of a product line offer list instead Pakistan should include those sectors and its major articles in which it has significant potential to trade, such as processed food, textile articles, beverages, raw hides and leather, and extraction etc. Moreover, modern technology and manufacturing techniques need to be adopted in the domestic market to surge efficient resource allocation, production, and exports to mitigate the overall trade balance. Furthermore, those sectors which are performing well should be provided suitable protection from foreign competition to support it. Imports related to such sectors should be discouraged rigorously, which will ultimately result in the domestic industry's development over the time. Pakistan must try to eradicate its own supply-side constraints.

Mr. Muhammad Naseer, DG Trade Development Authority of Pakistan (TDAP), highlighted that signing of the Regional Comprehensive Economic Partnership (RCEP) has ushered a new era of trade and economic cooperation for East Asia. He stated that products and services are now able to move freely within this bloc, thus, making countries more integrated.

Mr. Muhammad Naseer underscored that as the regional comprehensive integration is converting the entire bloc into a global industrialization hub, Pakistan should also look for the prospects to gain the maximum out of this partnership. He added that China is the largest trading partner of Pakistan among all Asian countries and with the remarkable step of the Belt and Road Initiative (BRI), China has further strengthened its economic ties with Pakistan. The establishment of Special Economic Zones (SEZs) has not only resulted in technology transfer but has also promised industrial upgradation. Mr. Naseer explained that like China, Pakistan also feels that the Republic of Korea has an important role to play in regional integration. He added that bilateral trade with Korea can be further strengthened by signing the Framework Agreement as it will help in achieving sustainable economic growth for Pakistan. Economic relationships of Pakistan with Japan are also growing.

In terms of trade promotion, Mr. Naseer added, the TDAP proactively organizes trade fairs, exhibitions, delegations, and trainings to promote B2B and G2G linkages with East Asian nations. These trade promotional activities are incorporated in annual business plan which stretches over the entire fiscal year. For example, the 7th China-Eurasia Expo and China-ASEAN Expo are two major upcoming events organized by China in which Pakistan is also

participating. Similarly, Japan Fashion World is a regular event in which TDAP participates. Moreover, an exhibition for surgical and leather goods is planned by TDAP for trade promotion of these products in Japan. In addition to trade fairs and exhibitions, TDAP is organizing B2B webinars to link suppliers with buyers of East Asia.

Mr. Naseer concluded that Pakistan had been in close collaboration with the East Asian nations and desires to further strengthen relations, especially in economic fields. Pakistan needs to benefit from the trade and investment opportunities offered by the entire bloc. However, a more comprehensive economic partnership was the need of the hour, especially in the post-pandemic world, where industries had been severely affected. A new approach to regional integration was the need of the hour for sustainable economic growth of the region.

Mr. Kim Sung Jae, DG (Korea Trade and Investment Promotion Agency, KOTRA) stated that the KOTRA was Korea's national trade and investment promotion organization responsible for overlooking trade and investment with other countries. Its primary objective was to increase bilateral trade and investment with other countries. Mr Kim Sung Jae shared trading data about volume of trade between Pakistan and South Korea. While he admitted that it was low compared to the trading volumes between Korea and countries like China and Japan, however, the trend from 2000s to 2010s has been positive and has observed an exponential increase in bilateral trade between Pakistan and Korea, with the main exports from Pakistan being cotton, lead, clothing accessories, earth salts, fish, oil seeds, ores, leather, medical equipment, and clothing. The exports from Korea to Pakistan increased from 579m USD (0.2%) in the 2000s to 851m USD (0.2%) during the 2010s, whereas, exports from Pakistan to Korea increased from 202m USD (1.2%) in the 2000s to 333m USD (1.4%) in the 2010s.

However, Mr. Kim Sung Jae remained optimistic about bilateral trade between Pakistan and Korea and mentioned that Pakistani exports could be further improved by promoting production and investment in small-medium sized companies. He presented data displaying the value creation in Pakistan's manufacturing section. Showcasing data from United Nation's Industry Development Organization, he compared the value of manufactured goods produced in both Pakistan and South Korea. Through the data presented at the conference, he highlighted and

supported his claim that still there was a room for Pakistan's manufacturing sector to improve its value creation and thus, increase its exports.

While focusing on KOTRA support to the small and medium industry, Mr. Jae presented a case-study of a Pakistani small-medium sized company producing a pilot project of an electric rickshaw as a result of support from KOTRA by utilizing Korean technology. Mr. Jae expressed optimism and held the e-rickshaw project in high esteem and mentioned how this could be used by other countries to introduce e-rickshaws in their countries and thus creating a pathway for not only technological exports from Pakistan but also cultural. He ended his presentation by expressing hope for more collaborations between Pakistani and Korean companies to boost bilateral relations along with trade and investment.

Mr. Chang Yong Il, Managing Director of Samsung Pakistan highlighted that Pakistan is a viable investment market for Korean enterprises. He emphasized on the significance of Pakistan's potential in the global market as well. He underlined that Pakistan must realize the importance of investment in order to become a profitable market in the future. In this regard, he elaborated on the labor opportunities available in Pakistan.

Furthermore, he mentioned the gaps in Pakistan's planning process. He stated that economic cooperation could only be accomplished by meticulous planning. Besides, he recommended that in order to attract foreign investors, Pakistan's government must create long-term goals free of political impediments.

Mr. Zhonglei Mou, Chief Operating Officer of Hyundai Nishat, underlined Pakistan as the potential automobile market. He emphasized that Pakistan, in order to become the part of global supply chain, needs to invest in human resources. He further expressed concern regarding the uncertainty surrounding Pakistani market. He stated that Pakistan's internal policies were the most significant obstacle to FDI entering Pakistan and affecting the sustainability of the supply-chain.

He underscored that Pakistan need to work on "Public Key Infrastructure" (PKI) as well as political situation. In terms of investment possibilities, Mr. Mou stressed that Pakistan requires stable policies regarding Korea. Furthermore, he underlined the importance of producing skilled

labors in Pakistan through education that focuses on innovation, research, and development. He asserted that in order to achieve sustainable economic cooperation education is the key to generate the demand.

Mr. Jamil Ahmad Qureshi, DG, Board of Investment (BOI) underlined that despite the issues in the country, China, Japan and Korea had invested in different sectors of Pakistan such as power sector, communication, mining, transport, chemicals and electronics. However, Pakistan needs to focus more on export-oriented industry. It needs to take advantage from the East Asian nations, especially in the sector like IT, meat processing, vegetables, seafood, rice, and textiles. He emphasized that the IT industry, which generates USD 2 billion with an average annual growth of 30% and has potential to contribute much more to the overall economy. He highlighted that the Economic Coordination Committee (ECC) of cabinet has approved the mobile device manufacturing policy to promote local manufacturing as local manufacturing added more than 14 million mobile devices during the first six months of 2022. While discussing policies for investors, he stated foreign companies can own up to 100% shares in locally incorporated and un-incorporated firms. He mentioned that laws related to SEZs allows the creation of industrial clusters with supporting infrastructure and investor facilitation services to increase productivity and lower the cost of doing business.

He highlighted that all FDI investments are fully protected under the law by the government. He also underscored that BOI facilitates international investors by developing an online database of projects and online incentive catalysts that is easily accessible. He concluded by stating that “On behalf of BOI I assure possible support to explore investment opportunities in Pakistan”.

Ms. Huma Fakhar, CEO, and founder of MAP Services Group, shared her experience as an exporter. She stated that “as an exporter I can relate that we have the capacity, we have strength, but we need the market”. She underlined that bringing the investment in Pakistan is difficult because of the political situation, trade openness and whenever investment comes in Pakistan is mostly used to make use of demographic dividend. She highlighted that the country prospers when investment comes to the support of export industry.

While discussing India and Bangladesh, she stated the major reason that Pakistan has fallen behind is that they have received investments in exports. Further, she added that “investment that

comes in is not only just for the domestic but it takes the second step and gives us the chance for export”. While emphasizing on cooperation, she explained how motorways help in connectivity that allows cooperation, and starting from infrastructure is a great start. In addition to that, she said that in the last few years, Pakistan’s IT exports jumped to USD 2billion and this jump has come into service and technology centre, and Korea is one of the best-case studies and successful stories on the technology side. In her concluding remarks she said, despite nationalism, terrorism, the Afghan war and travel issues, Pakistan’s purchasing of modern technology has grown tremendously. Free movement plays a significant role in cultural integration as K-pop and coke studio are doing good to integrate the youth culturally.

Mr. Aftab ur Rehman Rana, Managing Director of Pakistan Tourism Development Corporation (PTDC) underscored the importance tourism plays in connecting people from around the globe. He highlighted that Pakistan has a diverse landscape ranging from mountains to sandy beaches with a nine-thousand-year-old rich history that can potentially attract people from all over the world.

Mr. Aftab commented that the relationship between the Republic of Korea and Pakistan is very historical as it is based on the Buddhist religion. There have also been attempts made to reconnect many Koreans to the Buddhist heritage sites present in Pakistan over the years. He also spoke of the attraction adventurous tourist activities present in Pakistan such as mountain climbing in the three of the largest mountain ranges of the world. However, post 9/11 much of the international travel to Pakistan slowed down significantly. Nonetheless, Mr. Aftab added that recently the situation of Pakistan has drastically improved which calls for an increase in tourism as well.

Mr. Aftab also added that exchange programmes between Korea and Pakistan can help to advance the tourist industry in both countries. The information on Pakistan’s tourist sites available in Korean language can also assist in bridging the gap between the two sides. He also commented that Pakistan is developing a ten-year national tourism strategy and working on improving the infrastructure by planning and working on new projects including highways, hotels, and advanced transportation. He concluded by adding that Pakistan’s tourism is on the verge of taking off as new and creative ideas are being presented to launch the promotion of

tourism in Pakistan which will surely attract more foreign travellers. Mr. Aftab also requested Ambassador Suh SangPyo to help develop tourism in Pakistan so that the ties between the two states can grow stronger.

Dr. Nadeem Omar Tarar, Gandhara Chair in Cultural Studies, Wah University, underlined that the presence of many historical Buddhist heritage sites in Pakistan play a crucial role in bring the people of two states together. He depicted how the Gandhara civilisation plays major role in doing this as it can develop into religious tourism which is of great importance to both countries. Many Monks have travelled through Pakistan and its Buddhists sites as they hold great significance for them.

Dr. Nadeem concluded by stating that these Buddhist sites needed to be persevered and protected as they carry great meaning to many around the world. He further added that this can be achieved through advancing cultural diplomacy which will also allow the friendship between the Republic of Korea and Pakistan to grow.