

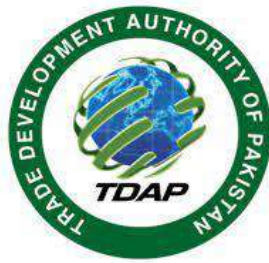
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Exploring Pakistan's Trade Potential in the African Region

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Contents

Disclaimer	i
List of Tables	iv
List of Figures	v
List of Acronyms	vi
Executive Summary	vii
Chapter 1: Introduction	1
1.1. Objectives of the study	1
1.2. Significance of the study	1
1.3. Organization of the study	2
1.4. African Economic Outlook-The Big Picture.....	2
1.5. Trade Profile of African region	4
Chapter 2: Pakistan-Africa Bilateral Trade Overview	6
2.1. Africa’s Imports from Pakistan	6
2.2. Africa’s Exports to Pakistan.....	6
Chapter 3: Top trading economies of Africa	7
Nigeria.....	9
3.1. Trade and Economic Profile of Nigeria.....	9
3.2. Existing Trade between Pakistan and Nigeria.....	11
South Africa	18
Trade and Economic Profile of South Africa.....	18
Existing products produced and exported by Pakistan which can be exported to South Africa	20
Products produced in Pakistan but not exported to South Africa.....	20
Potential products that Pakistan can target in Africa (Scope for product diversification.....	21



Egypt	22
Egypt’s Trade and Economic Profile.....	23
Existing products produced and exported by Pakistan which can be exported to.....	24
Potential for product diversification	25
Chapter 4: Potential of Trade Diversion- a Case of diverting rice exports from China to Africa	28
Import Trend of Africa.....	30
Market Preference Analysis	31
Types of Rice in Pakistan.....	32
Case for trade diversion.....	32
Freight Cost Analysis of exporting to African Countries	33
Freight Cost	34
Dip in Pakistani Exports to Kenya	34
Delivery of Shipments	35
Non-Tariff measures.....	35
Lack of participation in high-value addition stages.....	36
Chapter 5: Potential of exporting tractors to Africa.....	37
Chapter 6: Conclusion.....	41
Chapter 7: Policy Recommendations.....	42
References.....	43
Annexures	44



List of Tables

Table 1: Economic profile of top performing African economies.....	8
Table 2: Nigeria's imports from World	12
Table 3: Market Analysis.....	14
Table 4: Freight Cost and Tariff Analysis	15
Table 5: Organic Soaps	15
Table 6: Products that can be imported from Nigeria.....	16
Table 7: Product Diversification.....	17
Table 8: Tariff analysis of competitors	20
Table 9: Tariff Analysis	21
Table 10: Product Competitive Analysis	24
Table 11: Analysis of export potential of Sesamum seeds	25
Table 12: Analysis of export potential of Maize	26
Table 13: Analysis of export potential of Bovine Meat.....	27
Table 14: Pakistan's global exports of rice.....	28
Table 15: Tariff & Price Analysis.....	29
Table 16: Import trend of Africa.....	30
Table 17: Market preferences	31
Table 18: Africa's imports of tractors from the world.....	37
Table 19: Pakistan's Exports to Africa	39
Table 20: Africa's Imports of tractors from world	39



List of Figures

Figure 1 : GDP Growth Rate of Africa (2016-2020)	3
Figure 2 : Import Profile of Africa	5
Figure 3 : Export Profile of Africa (Source: ITC, Trade Map)	5
Figure 4 : Graph showing the export trend of tractors	38



List of Acronyms

CET	Common External Tariff
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
ECOWAS	Economic Community of West African States
SACU	Southern Africa Customs Union
SADC	Southern Africa Development Community
UNCTAD	United Nations Conference on Trade and Development
UN TRAINS	United Nations Trade Analysis Information System



Executive Summary

In the last 5 years, the trade balance of Pakistan and Africa has remained favourable. The average bilateral trade from 2015-2020 has been USD 3.8 billion. Africa is being termed as the “Continent of the future” by trade experts. This is because the African continent shows a lot of promise in terms of its economic potential, investment opportunities, natural resources and a burgeoning youth population. Pakistan's trade ties with Africa have involved a major reset post the launch of Pakistan's Look Africa policy initiative. The government's initiative to diversify its geographical export base led to an increase in bilateral trade post-2017. This research work is focused on three African countries: Nigeria, Egypt and South Africa. These three economies have been chosen based on the size of GDP, growth rate and population. Egypt, South Africa and Nigeria collectively contribute 78% to Africa's GDP.

The primary objective of this research work is to explore the scope and potential of products that can be exported to these countries. An in-depth analysis has been conducted for products that have a high margin of potential.

The findings of this study show that products such as tractors, false beards, man-made fibres and cereals show a lot of potential. Nigeria is on its path to agricultural transformation. The export of tractors makes a promising export diversification case for Nigeria. Pakistan's current exports to Nigeria are concentrated mainly in the textile sector. A diversification from textiles to machinery will help Pakistan enhance its export revenue. South Africa, the second largest GDP contributor to the African economy is one of the largest importers of semi-milled rice in Africa. However, Pakistan's rice exports to South Africa mostly hover around USD 5-7 million due to South Africa's demand for par-boiled rice. Upon investigation, it came to light that Pakistan cannot export par-boiled rice to South Africa owing to a lack of processing units and a high import tariff on inputs. Egypt is the third country of focus. The potential products that can be exported to Egypt include sesame seeds, bovine meat, maize, surgical instruments, polystyrene in primary form and denim.

The last section of the report includes a few recommendations such as working on opening banking channels, strengthening diplomatic relations, conduction of country-specific exhibitions and negotiating tariff lines with the individual countries.



Chapter 1: Introduction

1.1. Objectives of the study

This study aims to attain the following objectives:

- a. To review Africa's global trading patterns
- b. To undertake an in-depth analysis of Pakistan and Africa's Bilateral trade analysis
- c. To explore the potential markets in Africa
- d. To undertake competitor's analysis
- e. To ascertain whether Pakistan needs to have an agreement with the individual countries or regional economic unions
- f. To recommend strategies for enhancement of trade between Pakistan and top destined economies.

1.2. Significance of the study

Pakistan's poor export performance is attributed to its over-reliance on traditional markets and products. The over-reliance on markets like the US, Europe and Middle-East exposes Pakistan to product-specific adverse shocks. According to UN COMTRADE, Pakistan's top trading partners from the last five years include the US, UK, China, Saudi Arabia and Qatar (International Trade Centre, 2021). However, in the wake of changing global scenario, the Government of Pakistan has started to focus on non-traditional markets such as Africa. The "Look Africa Policy" of the Ministry of Commerce is reflective of Government's shifting policy focus. The African continent holds a lot of promise for the future owing to its growth potential, abundant natural resources, lucrative investment opportunities, and an ever-increasing youth population. Despite Pakistan's friendly relations with African countries, the trade ties between the two paint a grim picture.

The emerging economies such as Bangladesh, India, Vietnam, Thailand and Malaysia pursued an export and market diversification strategy. Pakistan should also traverse on a similar path by transitioning from traditional markets to structured and non-traditional markets.



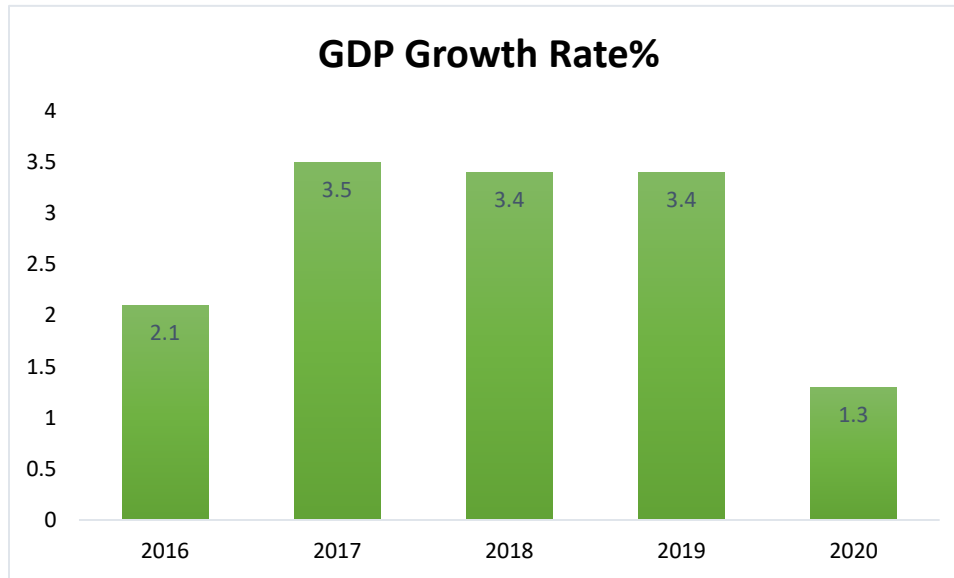
The trade development Authority of Pakistan is actively involved in promoting local exports in new geographies like Africa. This research work will aid in expanding Pakistan's geographic basket for markets.

1.3. Organization of the study

The study is divided into various chapters, with each chapter containing a detailed analysis. Chapter 1 contains an introduction. Chapter 2 throws light on Africa's economic and trade profile. While Chapter 3 discusses Nigeria followed by a discussion on South Africa and Egypt in the subsequent chapters. The last two chapters discuss cases of rice and tractors. Lastly, there are a few policy recommendations.

1.4. African Economic Outlook-The Big Picture

The economic growth of the African continent shows a promising trend. According to African Development Bank's projections, the growth reached an estimated 3.4% in 2019 and 2018 respectively (African Development Bank Group, 2020). The continent is witnessing a surge in growth and development indicators. In 2016, the region experienced an estimated growth of 2.1%. A 1.4 percentage point improvement in terms of growth indicators was shown in 2017 (African Development Bank Group, 2019). Although the growth patterns of the region are on the rise in recent years. However, the growth trends continue to be uneven across the continent's sub-regions. The Covid-19 pandemic had increased the sub-regional inequalities, plunging the fragile states to the brink of a financial recession. Due to the ravages of a global pandemic, the real GDP of the African region slid by 2.1%. According to the African Development Bank's recent assessments, the real GDP in Africa will recover in 2021. It is projected to grow by 3.4% (African Development Bank Group, 2021).

Figure 1 : GDP Growth Rate of Africa (2016-2020)

Source: African Economic Outlook

The economy of the region continues to hinge on the continent's Big 5, namely Algeria, Egypt, Morocco, Nigeria and South Africa. Although the World Bank projections show an unequal trend in terms of sub-regional growth, however in the light of recent estimates, it is evident that the growth will be more equally distributed in the upcoming years (African Development Bank Group, 2020) The East African sub-region is rapidly advancing. With an estimated GDP growth of 5.7 per cent, East Africa posted the highest increase in GDP growth. North Africa with an annual growth of 4.9% was the second-fastest bloc in the region after East Africa. The economies of the remaining sub-regions such as West Africa, Central Africa and Southern Africa grew by 3.3, 2.2 and 1.2 percentage points respectively (African Development Bank Group, 2019).

Africa's economic growth in recent years has gradually been rebalancing. The region has undergone a major economic shift. Before 2015, as per a report of the African Development Bank, the region's economy relied intensely on the contribution of consumption to real GDP. The contribution of consumption to GDP growth weakened post-2015 from 55 per cent in 2015 to 48 per cent in 2018. However, the contribution of investment to real GDP increased significantly from a meagre 14% to a whopping 48% in 2018. The net exports also started posting positive growth in 2014 (African Development Bank Group, 2019).



Although this rebalancing trend was the highlight of the post-2015 economic scenario of the region, however, the top-performing economies still relied heavily on consumption as an engine of growth. As far as inflationary pressures are concerned, Africa's inflation rate showed a downward trend from 12.6 per cent in 2017 to 10.9 per cent in 2018. It was projected in 2019 that inflationary pressures will ease further in 2020 to 8.1%. However, Covid19 dashed these projections. The average headline inflation remained stable at 10.4% due to counterbalancing forces. Nonetheless, core inflation rose to significant degrees in a few regions of the continent like Southern Africa and West Africa (African Development Bank Group, 2020).

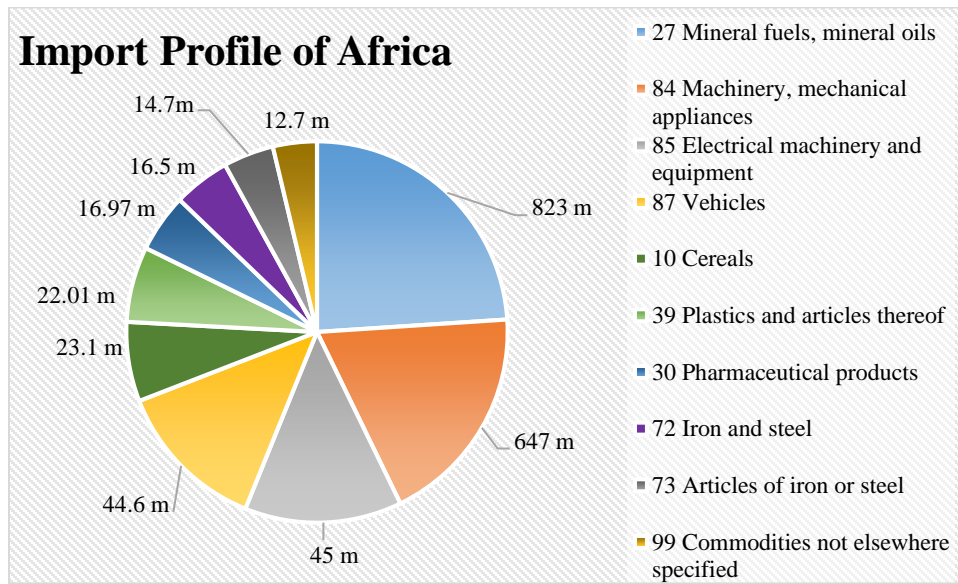
1.5. Trade Profile of African region

In 2019, as per UNCTAD's yearly statistics roundup, the African region's exports decreased from USD 561 billion in 2014 to USD 470 billion in 2019 showing a negative annual growth rate of 3.8%. The import bill of the region also showed a slump. It decreased from USD 643 billion in 2014 to USD 580 billion. The region is in a perpetual trade deficit. In 2019, the trade deficit widened to USD 110 billion (United Nations Conference on Trade & Development, 2020).

Africa's import profile consists of products such as mineral fuels, machinery, electrical machinery and equipment, vehicles, cereals and plastics. The largest import of the region is mineral fuels. At the HS-2 digit level, it imports products worth USD 59 billion. The largest import product includes mineral fuels, mineral oils and products of their distillation. The second-largest importable commodities include machinery, mechanical appliances, nuclear reactors and boilers. There is a mismatch between Africa's top importing commodities and Pakistan's top exports (International Trade Centre, 2021).



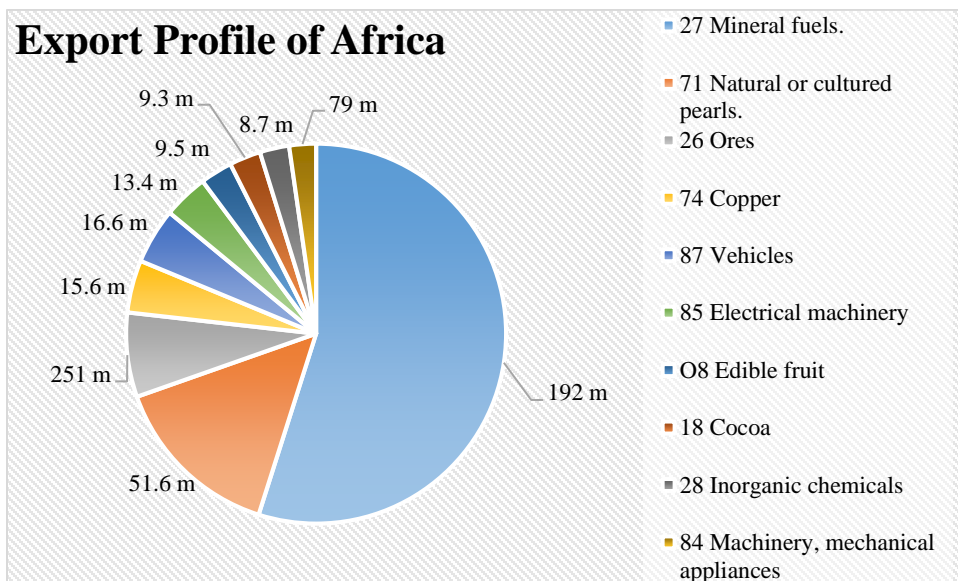
Figure 2 : Import Profile of Africa



Source: Trade Map, ITC

Africa, being the mineral storehouse of the world, exports mineral fuels, cultured pearls, ores, copper, vehicles and electrical machinery. Other commodities exported by Africa include agricultural products such as edible fruits and cocoa (International Trade Centre, 2021).

Figure 3 : Export Profile of Africa (Source: ITC, Trade Map)





Chapter 2: Pakistan-Africa Bilateral Trade Overview

2.1. Africa's Imports from Pakistan

Africa's major imports from Pakistan include cereals, made-up textile articles, cotton, salt, precious stones, pharmaceutical products and man-made staple fibres. In the last three years, the average imports of Africa from Pakistan were worth USD 1.5 billion. Among the top imported products, cereals constitute the major chunk of Pakistan's African export basket. Pakistan exported cereals worth USD 642 million in 2020. In comparison to 2019, a dip came in Pakistan's exports of cereals. The cereal export plunged from USD 719 million in 2019 to USD 642 million in 2020 partly due to Covid related lockdowns. The second most exported product from Pakistan to Africa include made-up textile articles. The data of the last three years show a declining trend in exports of made-up articles (International Trade Centre, 2021).

The other products which show a dip in exported value are cotton, man-made staple fibres, beverages and articles of apparel ([See Appendix A](#)).

2.2. Africa's Exports to Pakistan

Pakistan imported products worth USD 2.25 billion in 2020 from the African region. These products include mineral fuels, mineral oils, coffee, inorganic chemicals, fertilizers and edible fruits and vegetables. Pakistan imported mineral fuels worth USD 1.3 billion from Africa (International Trade Centre, 2021). The second most imported product from Africa is Coffee and tea. Pakistan imported USD 547 million of coffee and tea in 2020. For details of other imported products see [Appendix B](#).



Chapter 3: Top trading economies of Africa

Based on Real GDP, projected GDP growth and annual GDP growth, there are 10 top-performing African economies with trade volume worth more than 100 billion dollars. According to the World Bank's growth projections, the following are the top-performing economies of Africa (World Bank, 2021).

1. Nigeria
2. South Africa
3. Egypt
4. Algeria
5. Morocco
6. Ethiopia
7. Kenya
8. Ghana
9. Tanzania
10. Ivory Coast

For the purpose of this research, the first three economies will be prioritized. The rationale behind incorporating only the top three economies is that these countries are major GDP contributors of their respective trading blocs. Nigeria is a part of the ECOWAS trading bloc, while South Africa and Egypt are part of SACU and COMESA respectively. Additionally, South Africa is also a part of South-African Development Community. These economies are also part of Pakistan's Look Africa Initiative. The trade profile of these countries will be analyzed in detail for determining trade potential.

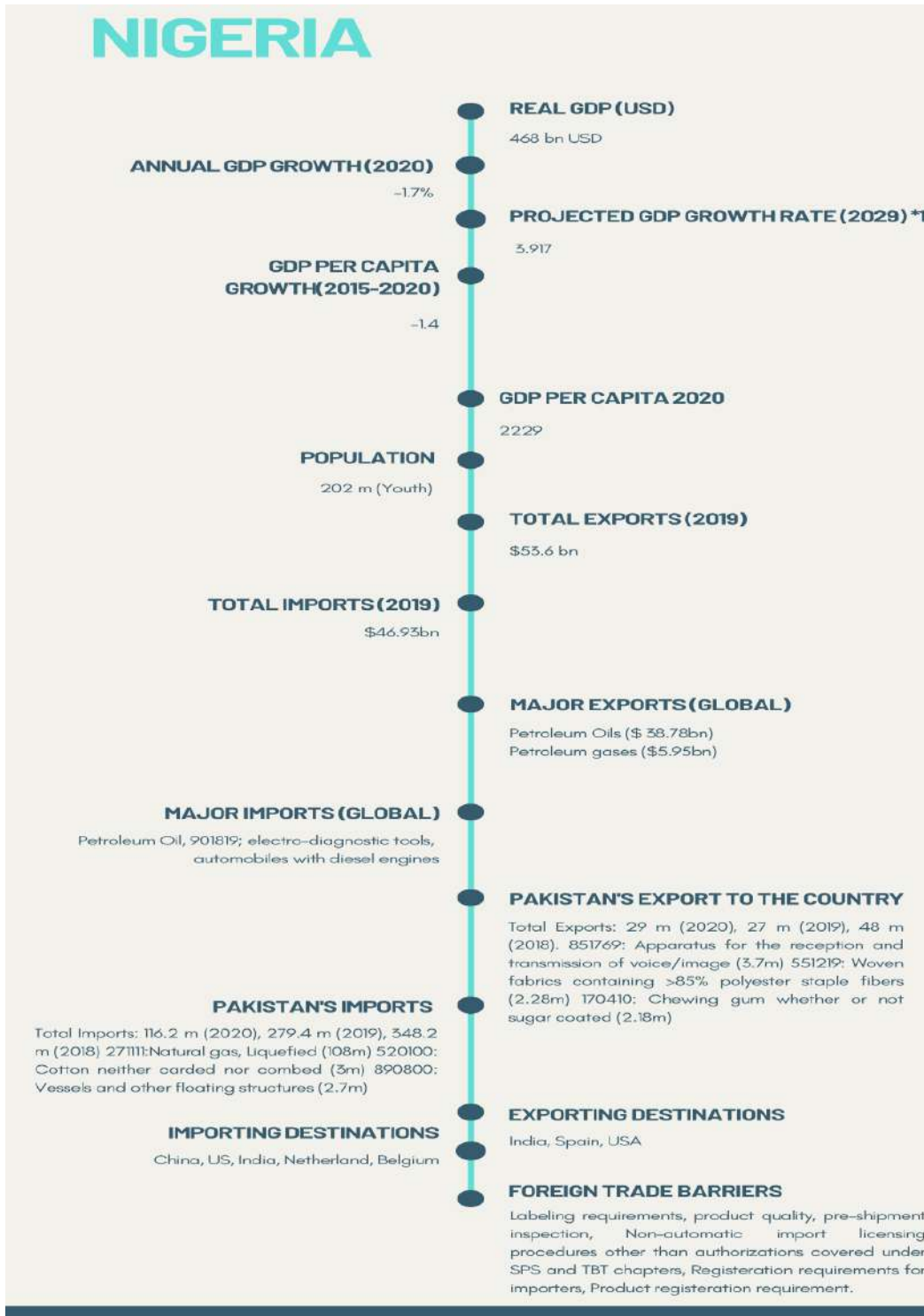
Table 1: Economic profile of top performing African economies

Country Name	Real GDP (Avg 5 years) (USD)	Annual GDP Growth (2020)	Projected GDP Growth Rate (2029)	GDP Per Capita Growth(2015-2020)	GDP Per Capita 2020	Population
Nigeria	468 billion	-1.7%	3.917	-1.4	\$2,229	202 million
South Africa	400 billion	-6.96%	3	2.4	\$6,001	58.6 million
Egypt	394 billion	3.57%	6.05%	6.40%	\$3,019	100.3 million
Algeria	191 billion	-5.50%	2.635%	0.00%	\$3,917	43.85 million
Morocco	117 billion	-8.24%	4.04%	1.80%	\$3,126	36.91 million
Ethiopia	107 billion	6.5%	5.080%	9.40%	\$850	114.6 million
Kenya	64 billion	-0.307%	5.2	3.1	\$1,816	52.6 million
Ghana	57.1 billion	0.414%	3.648	2.90%	\$2,210	30.4 million
Tanzania	56.9 billion	2.04%	5.89%	3.10%	\$1,085	58 million
Ivory Coast	44.4 billion	-0.7%	2.95	4.61	\$2,276	25.7 million
Senegal	25.1 billion	0.87%	3.69%	3.20%	\$1,430	16.3 million
Rwanda	10.9 billion	-3.35%	7.50%	5%	\$820.03	12.95 million

Source: World Bank Open Data Source

Nigeria

3.1. Trade and Economic Profile of Nigeria



Source: World Bank, UN COMTRADE, UN TRAINS, ITC



Nigeria is the second-most populous country in the African region. It is part of the ECOWAS trading bloc. Due to covid'19, the annual GDP for the year 2020 dipped to -1.7%. However, the country is fast recovering itself from the economic shock posed by Covid related dispersions. As per World Bank's projections, the real GDP of Nigeria is set to grow by 3.9% in 2029. Nigeria has one of the highest ratios of young people (World Bank, 2021).

The net exports of the country are worth USD 53.6 billion while the net imports are worth USD 46.93 billion. The major trading partners of Nigeria include China, US, India, Spain, Netherlands and Belgium (International Trade Centre, 2021).

Pakistan is in a trade deficit with Nigeria. It has a trade deficit of USD 87.2 million. Pakistan exports only 29 million worth of goods to Nigeria which mainly include Apparatus for the reception/transmission of voice/ images, woven fabrics containing more than 85% polyester and chewing gum. While on the other hand, Pakistan imports 116 million worth of goods from Nigeria. The major import commodities include Liquefied natural gas, cotton, vessels and other floating structures (International Trade Centre, 2021).



3.2. Existing Trade between Pakistan and Nigeria

Existing products produced and exported by Pakistan which can be exported to Nigeria

The products which have the potential to be exported to Nigeria include Apparatus for transmission/reception of voice, image or other data. Pakistan exported USD 3.7 million worth of transmission apparatus to Nigeria. In 2020, it exported 196,000 units of transmission apparatus. At \$64 per unit price, Pakistan exports transmission apparatus worth USD 12.6 million worldwide. The equivalent ad valorem tariff stipulated by Nigeria on Pakistan is 10%. Pakistan only exports 107 units to Nigeria. Nigeria offers a very high unit price for this product. Instead of exporting traditional products such as textiles and cereals, Pakistan should invest in the brand development of non-traditional products like transmission apparatus, tractors and surgical instruments (UN COMTRADE, 2021).

Other products with the potential to be exported to Nigeria include Woven fabrics, chewing gum, sugar confectionary, medicaments, tractors, undenatured ethyl alcohol and surgical appliances. Among these potential products, Pakistan has a lot of potential for exporting tractors to the African market ([See Appendix C](#)). The case of exporting tractors to Africa will be explained in the later section.

Nigeria yearly imports 37,000 tractors (HS Code: 8701 except tractors under heading 8709). However, according to a tractor deficiency assessment survey, Nigeria needs 70,000 more tractors to meet up farm mechanization (Ibiroga, 2020).

The table below shows Nigeria's imports from the world and the per-unit price at which it imports from the World. Nigeria imports transmission apparatus worth USD 16.3 million from around the world at a unit price of USD 19,064 per ton. While it imports at USD 35,000 per ton from Pakistan. There exists a major price difference.

Table 2: Nigeria's imports from World

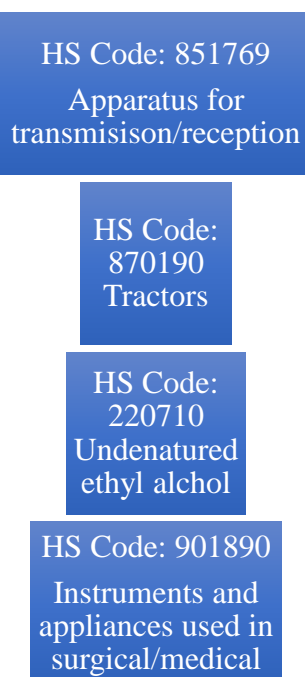
HS Code	Product Label	Nigeria's Imports from World			Pakistan's Potential
		Value	Qty	Unit Value	
851769	Apparatus for transmission/reception of voice, image or other data	\$16.3 m	855 tons	\$ 19,064/ton	Yes (Price rationalization needed, Price difference= \$15,936 tons)
551219	Woven fabrics containing >=85% polyester staple fibres by weight, dyed, made of different	\$84,000	165 tons	\$509/ton (Huge price diff)	No (Nigeria imports meagre amount)
170410	Chewing gum, whether or not sugar-coated	\$3.1 m	1,606 tons	\$1,938/ton	No (Nigeria's imports for this product are less.
170490	Sugar confectionery not containing cocoa incl white chocolate (excl chewing gum)	\$5.9m	9,183 tons	\$645/ton	No because of Pakistan's high production cost
300420	Medicaments containing antibiotics, put up in measured doses "incl those in the form of transdermal".	\$79.1m	11,272	\$7,018	No until production capacity is not increased.



870190	Tractors (excl those of heading 8709, pedestrian controlled tractors, road tractors for)	\$64.9m	18,576	\$3,499	Yes but major price difference.
220710	Undenatured Ethyl Alcohol	\$56.7m	33,757 tons	\$766/ton	Yes
901890	Instruments and appliances used in medical, surgical or veterinary sciences	\$159m			Yes

Source: Trade Map, ITC

4 existing products are already being exported to Nigeria. These products also demonstrate strong potential for Pakistan to raise its export revenue. These products include transmission apparatus, undenatured ethyl alcohol, tractors and surgical instruments.



Potential Product 01: Apparatus for transmission/reception of voice/image or other data

The supplying markets for Nigeria for this product include China, Romania and USA. China offers Nigeria the lowest unit price that is USD 22,960 per unit. The non-tariff measures that Pakistan are required to comply with include: conformity assessment and verification procedure and technical barriers such as determining proper functionality of electrical equipment, mention of the date of manufacturing and warranty (International Trade Centre, 2021).

Table 3: Market Analysis

Supplying markets for Nigeria	Tariff faced by other suppliers (Rate)	Unit Price (USD)	Freight Cost faced by Pakistan (USD)	NTMs
China (\$8.5m), Romania (\$1.3m), USA (\$1.3m).	10%	China: \$22,960/unit Romania: \$452,333/unit USA: 220,833/unit	\$18,700 (Difference b/w value of Pakistan's export and Nigerian import)	<ul style="list-style-type: none"> ➤ Conformity assessment and verification procedure. ➤ TBT measures: All Electrical equipment needs to be functional. Date of manufacturing and warranty indicated. ➤ Waste and near-end products not accepted ➤ Registration of importing authority

Source: ITC, Trade Map

Potential product 02: HS Code: 870190 (Tractors)

Nigeria imports USD 29.4 million worth of tractors from China. Other countries from which Nigeria imports tractors are India and Brazil. China offers the lowest unit price to Nigeria that is

USD 2,184. The average tariff stipulated by Nigeria on other suppliers is 12%. This case is analyzed in detail in the upcoming section.

Table 4: Freight Cost and Tariff Analysis

Supplying markets for Nigeria	Tariff faced by other suppliers (Rate)	Unit Price (USD)	Freight Cost faced by Pakistan (USD)	NTMs
China (\$29.4m), India (\$9.7m), Brazil (\$6.3m).	12%	China (\$2,184), India (\$5,872), Brazil (9,070).	\$14,788/unit (Total distance b/w Lagos port to Karachi port= 7,394 miles. Total shipment cost= \$2/\$3 per mile)	Conformity assessment and verification procedures.

Source: Market Access Map, ITC

Products produced in Pakistan but not exported to Nigeria

Pakistan produces organic soaps. Nigeria's total import of organic soap includes USD 16 million. The average tariff stipulated by Nigerian customs on organic soaps is 30%.

Table 5: Organic Soaps

HS Code	Product	Nigeria's Imports (USD)	Pakistan's Exports (USD)	Avg Tariff applied by Nigeria
3401	Organic Soap	\$16m	\$23m	30%

Source: ITC, Trade Map

Products that can be imported in Pakistan

The top three imports of Pakistan from Nigeria include: Natural gas (271111), Cotton neither carded nor combed (520100), Vessels and other floating structures (890800).

Table 6: Products that can be imported from Nigeria

HS Code	Top Pakistan's Imports from Nigeria	Pakistan's Imports from Nigeria (USD)	Pakistan's Imports from World (USD)	Supplying markets for Pakistan for this product	Tariff Applied by Pakistan	Per unit price offered by Nigeria (USD)	Per unit price offered by other markets
271111	Natural gas	\$ 108m	\$2.1 bn	Qatar (\$1.3 bn) USA (\$153 m) Egypt (\$128m)	3%	\$278/ton	Qatar: \$308 Egypt: \$339/ton USA: \$298/ton
520100	Cotton neither carded nor combed	\$ 3m	\$1.3 bn				
890800	Vessels and other floating structures	\$2 m	\$221 m				

Source: Trade Map, ITC

Natural Gas

Pakistan imports natural gas worth USD 2.1 billion (International Trade Centre, 2021). However, it imports only a meagre amount from Nigeria. The country holds Africa's largest proven natural gas reserves. Out of Pakistan's total natural gas imports, 60% of the natural gas imports are from Qatar. The rest of the quantity is imported from USA and Egypt.

Despite Nigeria offering Pakistan a low per-unit price, Pakistan depends on Qatar for fulfilling the domestic demand. It offers a per-unit price of USD 278 per ton. However, this price is still more than what Nigeria offers to India. Since natural gas is an important fuel that cannot be substituted through local production. Therefore, Pakistan will continue to import Natural gas. However, Pakistan can increase the quantity of natural gas from a non-traditional market such as Nigeria. If Pakistan increases Natural gas imports from Nigeria by 30% as compared to Egypt and Qatar, the import bill will reduce significantly. If we reduce the quantity of natural gas imported from Egypt by 30%, then Pakistan's import bill will reduce by USD 7m. If the same 30% rule applies to Qatar, then a reduction of USD 2 million in import bills is evident.

Potential products that Pakistan can target in Africa (Scope for product diversification)

The potential products that can be targeted in South Africa include false beards, eyebrows and lashes. Nigeria imports false beards worth USD 264.1 million. The Tariff applied by Nigeria to Pakistan is 20%. The non-tariff measures faced by exporters include pre-shipment inspection and conformity assessment.

Table 7: Product Diversification

HS Code	Product Label	Import Value (Nigeria) (USD)	Tariff Applied by Nigeria on Pakistan (Rate)	Competitors (USD)	Tariff applied on the competitor (Rate)	Non-tariff measures
670490	False beards, eyebrows and lashes	\$ 264.1 m	20%	China (\$ 228 million)	20%	1
				USA (\$ 10k million)		C100: Pre-shipment inspection. SON (Standard Organization of Nigeria) conformity assessment program).
581092	Embroidery of man-made fibres on a textile base	\$ 107.3 million	20%	Malaysia, South Africa, Singapore	20%	1 Pre-shipment inspection
3401	Organic Soaps	\$16 m				

Source: ITC, Trade Map



South Africa

Trade and Economic Profile of South Africa

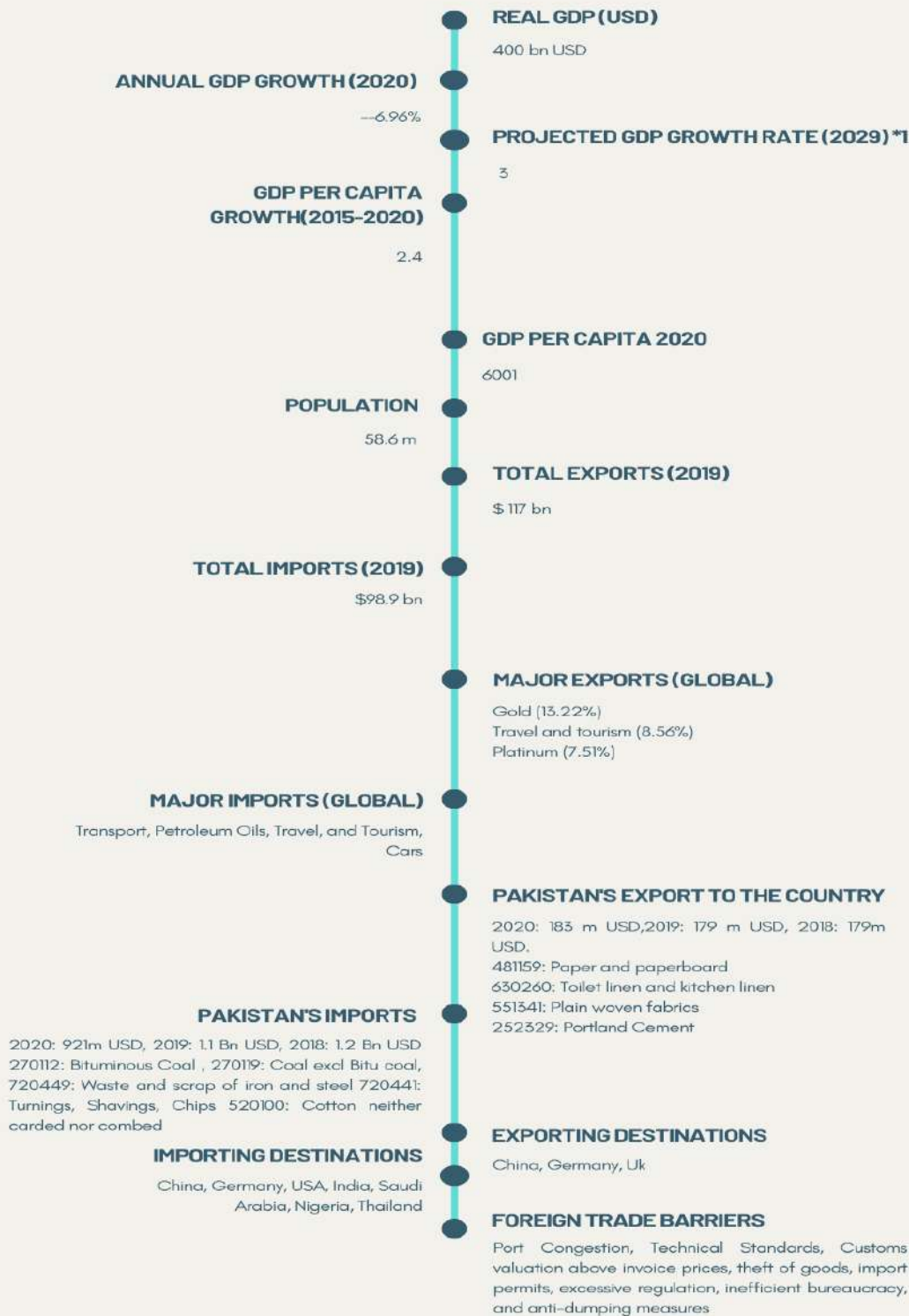
South Africa is the second-largest economy Africa with real GDP worth USD 400 billion. The GDP per capita growth for the period of 5 years (2015-2020) is 2.4%.

South Africa's total exports are worth USD 117 billion with top exports including commodities such as Gold, travel and tourism and platinum. The major imports of South Africa include petroleum oils etc. Pakistan and South Africa have a bilateral trade of USD 1.1 billion. Pakistan is in a trade deficit with South Africa. The trade deficit reduced marginally in 2020. The major export destinations of South Africa include China, Germany and UK. However, the major import destinations include China, Germany, US, India, Saudi Arabia, Nigeria and Thailand.

The common non-tariff measures faced by exporters in South Africa include port congestion, technical standards, customs valuation above invoice prices, theft of goods, import permits, excessive regulation, inefficient bureaucracy and anti-dumping measures. Pakistan's Portland cement faced anti-dumping duty by South Africa. Resultantly, Pakistan's exports of Portland cement declined significantly.



TRADE PROFILE OF SOUTH AFRICA



Existing products produced and exported by Pakistan which can be exported to South Africa

The potential products for the South African market include paper and paper board, surface coloured and surface decorated. Pakistan exports 8,398 tons of paper and paper board products worth USD 18.2 million. The per-unit value of paper and paper board surface products is USD 2,178. However, Pakistan exports 13,473 tons of paper and paper board products to the world. If Pakistan expands its production capacity, then there is a potential of exporting this product to South Africa. South Africa only applies 2% tariff on this product. Pakistan faces competition from Brazil and India, the other two largest suppliers of paper and paper-board products to South Africa (See [Appendix D](#) for further details)

Another product with export potential is semi-milled/wholly milled rice. South Africa imports semi-milled rice worth USD 526 million ([See Appendix E](#)). Pakistan exports a major chunk of its total rice exports to China. A case has been discussed below regarding creating trade opportunities and market diversion.

Products produced in Pakistan but not exported to South Africa

The table below depicts various products and the tariff applied by South Africa on particular products that are of Pakistan's concern. This table also shows details about Pakistan's competitors in the South African market.

Table 8: Tariff analysis of competitors

HS Code	Product Label	Import Value (South Africa) (USD)	Tariff Applied by South Africa	Competitors (USD)	Tariff applied on competitors (Rate)
481159	Paper & paperboard, surface coloured	\$ 104 million	1.70%	Brazil(27m USD), Pakistan (18 m), India (9)	1.70%
100630	Semi-milled/wholly milled rice	\$ 526 million	0%	Thailand (332 m), India (147 m), Brazil (25 m), Pakistan (8 m)	0%

721049	Flat-rolled products of non-alloy steel	\$ 64 million	10%	China (16 m), France (14), Germany, Japan, Pakistan (5 m)	China: 10% France & Germany (0%), Japan & Pakistan (1050)
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Source: Trade Map, ITC

Potential products that Pakistan can target in Africa (Scope for product diversification)

Pakistan should shift from traditional products and start diversifying its potential in the non-traditional domain. Some of the products that are in high demand in the South African market include Telephone sets, apparatus for transmission of voice/image, data processing machines and false beards etc.

Table 9: Tariff Analysis

HS Code	Product Label	Import Value (South Africa) (USD)	Tariff Applied by Nigeria on Pakistan (Rate)	Competitors	Tariff applied on competitors (Rate)
160414	Prepared or preserved Tunas	\$ 40.4 million	13%	Thailand, China, Spain, Indonesia	13% avg except Spain (0%)
851762+ 851712	Telephone sets and other voice/image transmission apparatus	\$ 2.4 billion	0%	China, Vietnam, India, Taipei, Mexico, Malaysia	0%
847130	Data processing machine	\$ 1 billion	0%	China, Vietnam, UK, USA, Taipei, Hong Kong	0%
670490	False beards, eyebrows and lashes	\$ 152.4 million	20%	Mozambique(90% share), China, Indonesia	20% except Mozambique

Source: ITC, Trade Map



Egypt

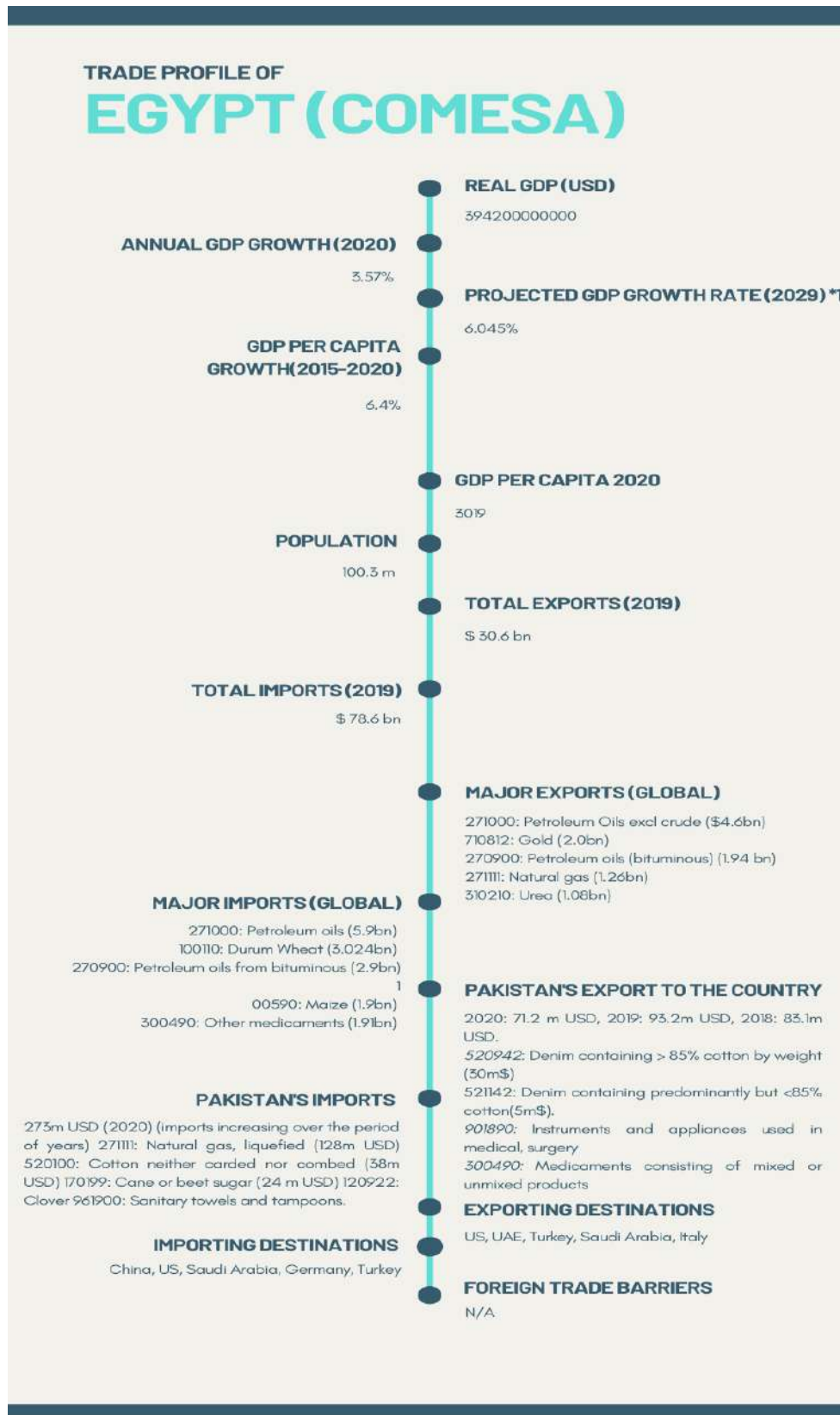
The real GDP of Egypt is USD 394 billion. It is one of the most populated regions of Africa housing above 100 million people. Egypt like Pakistan is in a trade deficit. The net imports of Egypt hover around USD 78.6 billion. While net exports in 2020 were USD 30.6 billion. The major exports include petroleum oils and crude, gold and natural gas. While its major imports include Petroleum oils, Durum wheat, Petroleum oils from bituminous, maize and other medicaments¹.

A look at Egypt and Pakistan's bilateral trade shows that in 2020, Pakistan exported products worth USD 72.1 million to Egypt. The top commodities exported to Egypt include denim, surgical instruments and medicaments. However, it imported goods worth USD 273 million which include natural gas in liquefied form, cotton, cane/beet sugar and sanitary towels.

¹ ITC, Trade Map



Egypt's Trade and Economic Profile



Existing products produced and exported by Pakistan which can be exported to Egypt

The products which have a lot of potential for the Egyptian market are surgical instruments, polystyrene in primary form, cereals such as rice, maize, Sesamum seeds, bovine meat and flat-rolled products, and denim.

Egypt imports surgical instruments worth USD 141 million from Germany, the USA, China and Mexico. Pakistan has the potential to export this product to Egypt. Currently, Pakistan's exports of this product are valued at USD 1.3 million. However, it exports surgical instruments worth USD 361 million to the rest of the world. The average tariff applied by Egypt on this product is 5%. Germany does not face a 5% tariff. Egypt has granted duty-free access to Germany.

Other products which have export potential include Denim. Pakistan exports denim worth USD 388 million. However, a minuscule amount of this value is earned by exporting denim to Egypt. Egypt on average applies a 10% tariff on the import of denim. Other potential products with export potential include polystyrene in primary form.

Table 10: Product Competitive Analysis

HS Code	Product label	Egypt's Imports (USD)	Pakistan Global exports of the product (USD)	Pakistan's existing export of this product to Egypt (USD)	Tariff Applied by Egypt on Pakistan (Rate)	Competitors	Tariff applied on competitors (Rate)
901890	Instruments and appliances used in medical, surgical or veterinary sciences	141 million USD	\$ 361 m	\$ 1.3 m	5%	Germany, USA, China, Mexico	Germany (0%), rest (5%)
390319	Polystyrene in primary form	43 million USD (Dip in imports)	\$ 42 m	\$ 1.1 m	0%	Taipei, Korea, Belgium, KSA	0%
721049	Flat-rolled products of iron or non-alloy steel	112 million USD	\$ 40.6 m	\$ 717 m	5%	Korea, China, Turkey, UAE, Italy	Korea & China (5%), rest (0%)
520942	Denim containing > = 85% cotton by weight	99 million USD	\$ 388.2 m	\$ 13.03 m	10%	China, India, Turkey, Pakistan, Bangladesh	All 10% except Turkey (0%)

Source: ITC, Trade Map

Potential for product diversification

Traditionally Pakistan's exports to Egypt are mostly confined to denim and surgical instruments. However, it faces numerous tariff and non-tariff barriers while exporting these products. If Pakistan has to tap the potential of the Egyptian market, then it is essential to diversify its export basket. The products which Pakistan can export to this market include Sesamum seeds, Maize and Bovine meat.

HS Code: Product 01 (120740) Sesamum Seeds

Egypt currently exports Sesamum seeds worth USD 88.8 million from Sudan and India at USD 1,978/ton. As, the local demand for this grain has increased, so this product now comes under zero-rated regime. Pakistan has the domestic capacity to increase its supply. It currently exports Sesamum seeds worth USD 40 billion mostly to China and Kazakhstan at almost half price.

Table 11: Analysis of the export potential of Sesamum seeds

Value exported by Pakistan in 2020	Value imported by Egypt in 2020	Current export destinations of Pakistan	Per Unit price	Tariff applied by Egypt	Non-Tariff Measures
USD 39.6 million On average (2016-2020), exported value has been USD 45.9 million. In 2018, exported value surged to USD 73.9 million.	USD 88.8 million	China	\$ 1,192	0%	27 NTMs Related to SPS, TBT, and certification requirements ² .
		Kazakhstan	\$1, 092		
		Taipei	\$1, 231		
		Korea	\$ 1, 249		
		Japan	\$ 1, 288		

² Special authorization requirements for SPS reasons, registration requirements, labelling & packaging requirement, consumption taxes, testing, inspection and certification requirement.

Source: ITC, Trade Map

Suppliers of this products for Egypt	Price Unit Analysis
Sudan	\$ 1,978/ton
India	\$ 1,978/ton
CHAD	\$ 1,978/ton

Product 02: (100590) Maize

Maize is yet another potential product offering massive product diversification potential. Egypt imports Maize worth USD 1.8 billion from Argentina, Ukraine and Brazil at \$221/ton. It does not apply any tariff on the import of this product.

Table 12: Analysis of the export potential of Maize

Value exported by Pakistan in 2020	Value imported by Egypt in 2020	Current export destinations of Pakistan	Per Unit price	Tariff applied by Egypt	Non-Tariff Measures
USD 11.8 million	USD 1.8 billion	Vietnam	\$ 194/ton	0%	N/A
		Malaysia	\$ 223/ton		

Suppliers of this products for Egypt	Price Unit Analysis
Argentina	\$221/ton
Ukraine	\$221/ton
Brazil	\$221/ton

Source: ITC, Trade Map

Product 03: Bovine Meat

The last potential product that can be exported to Egypt includes Bovine meat whether Chilled/frozen in the form of carcasses or boneless. Pakistan currently exports total Bovine meat of worth USD 52 million. Pakistan's exports in the frozen meat category are low as compared to chilled. The global demand for frozen meat is increasing. If Pakistan has to increase its export base in this category, then it should increase its focus on rearing livestock for meat purposes instead of only producing milk.

Table 13: Analysis of the export potential of Bovine Meat

Value exported by Pakistan in 2020	Value imported by Egypt in 2020	Current export destinations of Pakistan	Per Unit price	Tariff applied by Egypt	Non-Tariff Measures
USD 52 billion	USD 1.2 billion	GCC countries	N/A	0%	N/A

Suppliers of this products for Egypt	Price Unit Analysis
Brazil	\$5,089/ton
India	\$5,089/ton
Paraguay	\$5,089/ton

Source: ITC, Trade Map

Chapter 4: Potential of Trade Diversion- a Case of diverting rice exports from China to Africa

Rice is Pakistan's one of the largest exportable products. It earns USD 1.5 billion in terms of value from the export of rice. Pakistan primarily exports two main varieties of rice: one is basmati rice and the other is the non-basmati variant. Pakistan annually produces 7.4m tons of rice, out of which over 4 million tons are exported. The rest 3.4 million tons are consumed locally. However, Pakistan exports of Basmati rice have remained subdued in the current fiscal year due to lower prices offered by India and a global increase in freight prices. China is Pakistan's top exporting destination for its non-basmati varieties. Pakistan's non-basmati variety (1006390) is also high in demand in Africa. This case will analyze how Pakistan can divert a certain percentage of its current rice exports from China to Africa.



The African rice market is dominated by India. The biggest buyers of Indian non-basmati rice in the World are African countries. Africa as a market accounted for 54 per cent of India's \$4.796 billion non-basmati rice shipments during 2020-21. African countries imported rice valued at \$2.599 billion during 2020-21 and Benin was the largest importer valued at \$443 million (Trade Map, *International Trade Centre*)

Table 14: Pakistan's global exports of rice

HS Code	Product Label	Exported Value in 2018	Exported Value in 2019	Exported Value in 2020
10063090	Semi-milled/wholly milled whether or not polished or glazed	USD 1.14 bn	USD 1.023 bn	USD 1 bn
10063010	Basmati	USD 613B m	USD 771 m	USD 550m

Source: ITC, Trade Map

The top markets for Pakistani rice in the world include China, Kenya, UAE, Afghanistan, Saudi Arabia, Mozambique, Oman, Malaysia, Benin and Somalia. The table shows per unit price and tariff applied by the importing countries (Trade Map, *International Trade Centre*).

Table 15: Tariff & Price Analysis

Pakistan's exports to world	Exporting Destinations for Pakistani rice (USD)	Price at which Pakistan exports to other countries (USD)	Tariff applied by other importing countries	Pakistan's exports to Africa (USD)	Tariff applied by African Countries
\$1.5 bn	China : \$193m	\$429/ton	65%	Total: \$497m	
	Kenya: \$155m	\$445/ton	35%	Kenya: \$155m	35%
	UAE: \$142m	\$781/ton	0%	Mozambique: \$75m	7.5%
	Afghanistan: \$112m	\$429/ton	2.5%	Benin: \$55m	76.8%
	Saudi Arabia: \$95m	\$762/ton	0%	Somalia: \$47m	
	Mozambique: \$75.3m	\$404/ton	7.5%	Tanzania: \$40.9m	
	Oman: \$950/ton	\$950/ton	0%	Ghana: \$20.6m	20%
	Malaysia	\$476/ton	40%		
	Benin	\$432/ton	10%		
	Somalia	\$602/ton			

Source: ITC, Trade Map

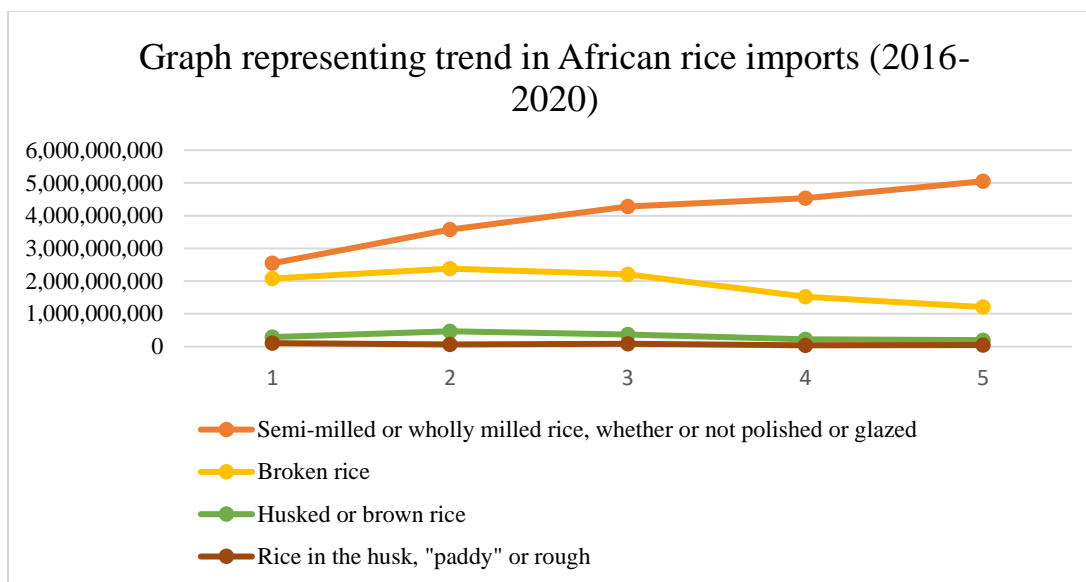
Import Trend of Africa

A glimpse at the import trend of Africa indicates that semi-milled rice (HS Code: 100630) is the most imported variety of rice in Africa followed by broken and brown rice. In 2020, Africa imported rice worth USD 7 billion. Although the staple crop of the region is Maize. However, the reliance on rice as the second important food crop increases the import bill. The table below shows that in 2020 alone, the net rice imports of the region stood at USD 7 billion.

Table 16: Import trend of Africa

HS Code	Product label	2016 (USD)	2017 (USD)	2018 (USD)	2019 (USD)	2020 (USD)
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	2.5 billion	3.5 billion	4.3 billion	4.5 billion	5.05 billion
100640	Broken rice	2.0 billion	2.3 billion	2.2 billion	1.5 billion	1.2 billion
100620	Husked or brown rice	294 million	466 million	371 million	223 million	197 million
100610	Rice in the husk, "paddy" or rough	104 million	60.6 million	82 million	38 million	48 million

Source: ITC, Trade Map



Market Preference Analysis

The preference for rice is not the same in the entire region. The Benin which is the largest importer of rice in Africa prefers white rice. Similarly, Cape Verde which is also part of West Africa prefers white rice. Ghana, which borders Benin, also have a preference for white rice. In the East African community, mostly IRRI-6 is preferred. Kenya, one of the biggest importers of Pakistani rice prefers IRRI-6. South Africa, also one of the biggest markets prefer par-boiled rice (Trade Map, *International Trade Centre*).

Table 17: Market preferences

S/No	Country	Preference
1	Benin	White Rice
2	Cape Verde	White Rice
3	Cote' de Ivoire	Broken Rice, 2% market share of aromatic rice
4	Gambia	Broken
5	Ghana	White and Aromatic Rice
6	Guinea	25% Parboiled + 100% Broken
7	Guinea-Bissau	Broken Rice
8	Nigeria	Northern Nigeria (Rice Flour), South (Parboiled rice)
9	South Africa	Parboiled rice

Source: Sight and Life Foundation

Types of Rice in Pakistan

There are various kinds of rice in the world such as Indica, Aromatic, Japonica and Glutinous. In Pakistan, the major kinds of rice include Indica (Pakistan's IRRI) and Aromatic rice (Jasmine and Basmati) (Trade Map, *International Trade Centre*)

Indica	Aromatic	Japonica	Glutinous
Grown in tropical and sub-tropical regions and accounts for approx. ~75% of the global rice trade. (Pakistan's IRRI rice belongs to this category).	(Jasmine & Basmati): Grown majorly in Thailand, Vietnam, India and Pakistan. It accounts for ~16%-18% of the World Rice Trade.	Grown in regions with cooler climates and accounts for ~5%-6% of global trade	Majorly grown in Southeast Asia, and contributes to the remaining share of world trade.

Case for trade diversion

The proposed case is that instead of exporting rice to China, Pakistan may divert a chunk of its rice exports from China to South Africa.

An in-depth interview with a leading rice exporter³ was conducted to understand the prospects of this proposition. South Africa being one of the targeted countries is analyzed in depth.

According to Shanghai Freight Index, the Average Cost of 40ft container before Covid = \$950-\$1100⁴. Now, the average cost of a 40ft container is \$3600-\$4000⁵. This freight cost is not going to come down till 2023. Let's take an average of current freight cost i.e \$3800.

The average Unit price at which Pakistan exports its rice to China= is \$429/ton⁶. Pakistan exports 0.3 million tons of rice to China. Among China's top supplying markets for rice, Pakistan exports rice at one of the lowest prices after Myanmar. Pakistani rice faces the highest tariff in the Chinese market. Myanmar is China's largest rice importing market followed by Vietnam, Thailand and Cambodia (Trade Map, *International Trade Centre*)

Freight Cost faced by Pakistani exporters is \$33- \$43m.

³ Interview was conducted with ex-Chairman REAP. He is currently heading African committee in REAP.

⁴ Shanghai Freight Index

⁵ Shanghai Freight Index

⁶ Trade Map, *ITC*



Cost of one container= \$3500-\$4000⁷

A 40ft container on average can be loaded to a maximum of 27 tons.

For exporting 0.3 million tons of rice, 11,320 containers are required. Resultantly when we multiply average container cost with the no of containers, total freight cost is obtained.

Per Unit Freight Cost= Total Freight Cost/ No. of units shipped= \$143/ton

Average Tariff Stipulated by China= 65%

Per Unit price of 1 ton rice in Chinese market= Per Unit Cost + Tariff + Per Unit Freight Cost

$$= \$429+ \$278 + \$14$$

$$= \$850/\text{ton}$$

Freight Cost Analysis of exporting to African Countries

1. South Africa

Average Unit Price= \$526/ton⁸

Average Freight Cost= \$115/ton

Per Unit price of 1 ton rice in South African market= \$526+ \$115+ 0 (Tariff)

$$= \$641/\text{Ton}$$

2. Kenya

Average Unit Price= \$445/ton⁹

Average Freight Cost= \$115/ton

Per Unit price of 1 ton rice in Kenyan market= \$445+\$115+ \$155

$$= \$715/\text{Ton}$$

⁷ Freight rates jump up to 700%. *Express Tribune*. Accessed from <https://tribune.com.pk/story/2289594/freight-rates-jump-up-to-700>

⁸ Trade Map. *ITC*

⁹ Trade Map, *ITC*



Profit Margin if Pakistan diverts 20% of its rice exports to African Market:

20% of 0.3 million= 60,000 Tons

Per unit price of 1 ton of rice in South African Market (adjusted for tariff and freight cost) = \$641/ton

If Pakistan exports additional 60,000 tons to South Africa = USD 38.4 million

After the conclusion of a discussion with the African exporter, it came to light that the demand of the South-African market in comparison to Pakistan's capacity is entirely different. As mentioned earlier, South Africa's demand is parboiled rice. However, a discussion with an exporter revealed that Pakistan cannot export parboiled rice to South Africa because 40% of the South African parboiled market is captured by India. Pakistan's local production of parboiled rice is meagre 1 million tons. Such a low level of production is not enough to meet local needs. The per-unit cost of Parboiled rice is high as compared to other rice varieties due to the high processing cost. The cost of a parboiled unit is high because machinery is not available locally. There is only one processing unit for the manufacturing of the parboiled plant. The tariff on inputs that are required for manufacturing machinery is high due to which the cost of production increases. This makes Pakistani parboiled less competitive in the Indian market.

A lot of other themes came under discussion such as non-tariff measures, the slump in Pakistan's exports to Kenya is due to freight cost and delivery of shipments.

Freight Cost

Furthermore, the discussion with the ex-chairman REAP revealed that increasing freight cost, lack of availability of vessels and bags for transportation make Pakistani rice expensive in the African market. The freight cost of Pakistani and Indian rice is not comparable. Pakistan faces high freight costs as compared to India. India uses Iranian vessels for its shipments.

Dip in Pakistani Exports to Kenya

A dip has been seen in Pakistan's rice exports to Kenya from the past three years. The major cause of the slump in rice exports as per the exporters is largely due to India's gimmick of strategically dropping prices and zero % tariff on rice exports from Tanzania. As per the leading exporter of Pakistani IRRI rice to Kenya, Pakistan's rice is in high demand in Kenya. The Tanzanian rice is



hard as compared to Pakistan's soft and sticky rice which is preferred among the Kenyan consumer base. The reason for the major decline in Pakistan's rice exports to the Kenyan market is due to the withdrawal of preferential access. In 2013, Pakistan although faced a 35% tariff but other countries such as Tanzania and India faced a 75% tariff. However, the situation changed over the years. Now, Kenya has stipulated a 35% tariff on other countries as well. Additionally, it has established import quotas. The East African Community (EAC) in 2015, has revised the common external tariff (CET) to 75% ad valorem or \$345 per ton whichever is higher. However, Kenya has been granted special concessions on account of low local and regional production. It applies a tariff of 35% ad valorem or \$200/ton whichever is higher on imports outside the East African Committee.

It is important to establish diplomatic relations with the respective African countries. A discussion with a Kenyan exporter revealed that exporters face significant diplomatic hurdles such as delays in the visa process. Such kind of hurdles impedes exports. Despite Kenya hosting Pakistan-Africa's first trade development conference, the diplomatic relations between Kenya and Pakistan are far from good according to claims made by the exporter. According to Africa News, Kenya has suspended visa-free transit with Pakistan. The move came at the backdrop of a viral social media video showing Pakistani nationals crowding residential areas across the capital Nairobi.

Delivery of Shipments

The discussion with the ex-Chairman REAP revealed that Pakistan's delivery of shipments is relatively swift as compared to India. On average, India's exporters take 30 days for delivery of a single shipment while Pakistan's shipments reach the destination in 5 days. Pakistan faces numerous logistics challenges such as a lack of availability of vessels, bags and containers.

Non-Tariff measures

Non-tariff measures include sanitary and phytosanitary requirements, pre-shipment inspections, import quotas and various others. Khapra beetle also called cabinet beetle is the most destructive pest of grain products and seeds. The presence of this pest in rice has caused tremendous losses to Pakistan's exports. The countries having Khapra beetle are required to accompany a Phytosanitary



certificate¹⁰. The rice exporters in Kenya face loss in export value owing to their failure to comply with the country's Phytosanitary requirements.

It is difficult to control the beetle's infestation because this pest can survive without food for longer periods. Additionally, its resistance to many insecticides makes it lethal for Pakistan's rice exports. During 2011-2014, Pakistan's rice exports to countries such as US and Mexico were rejected due to Khapra Beetle's infestation¹¹.

Lack of participation in high-value addition stages

A lot of rice bran is required for exporting processed products. Pakistan produces a low quantity of rice bran as compared to India. It produces 110 million tons of rice bran annually which hardly fulfils local consumption needs. Most of the rice bran is consumed locally for feeding cattle.

¹⁰ Market Access Map, *ITC*

¹¹ *Khapra beetle infestation affects Pakistan's rice exports*, Rice Today, July (2019).
<https://ricetoday.irri.org/khapra-beetle-infestation-affects-pakistans-rice-export/>

Chapter 5: Potential of exporting tractors to Africa

Africa is the mineral powerhouse of the world. However, the aggravated dependency on non-renewable resources has caused a policy shift among African policymakers. Africa is the future agricultural base of the world. Agriculture is one of the most important sectors of the African economy. It accounts for 14% of the GDP of sub-Saharan Africa and employs a major chunk of the population¹².



The renewed focus on agriculture has led to an increased demand for agricultural equipment such as tractors. The Pakistani tractors are high in demand in Africa. The table below shows that road tractors for semi-trailers are high in demand in Africa. It imports road tractors (HS Code: 870120) worth USD 1.4 billion from the world. The second most demanded tractor after road tractors is a tractor with an engine power greater than 37 KW but less than equal to 75 KW. The other tractors that are in high demand are tractors with an engine power of greater than 130 KW¹³.

The various kinds of tractors that are high in demand in Africa are listed in the table as per the order of their net import values.

Table 18: Africa's imports of tractors from the world

HS code	Product Label	Africa's Imports from World (USD) (2020)
870120	Road tractors for semi-trailers	1.4 bn
870193	Tractors of an engine power > 37 KW but <= 75KW	245 m
870195	Tractors of an engine power > 130 KW	139 m
870190	Tractors (excl those of heading 8709, pedestrian controlled tractors)	135 m
870194	Tractors of an engine power > 75 KW but <= 130 KW	119 m ¹⁴

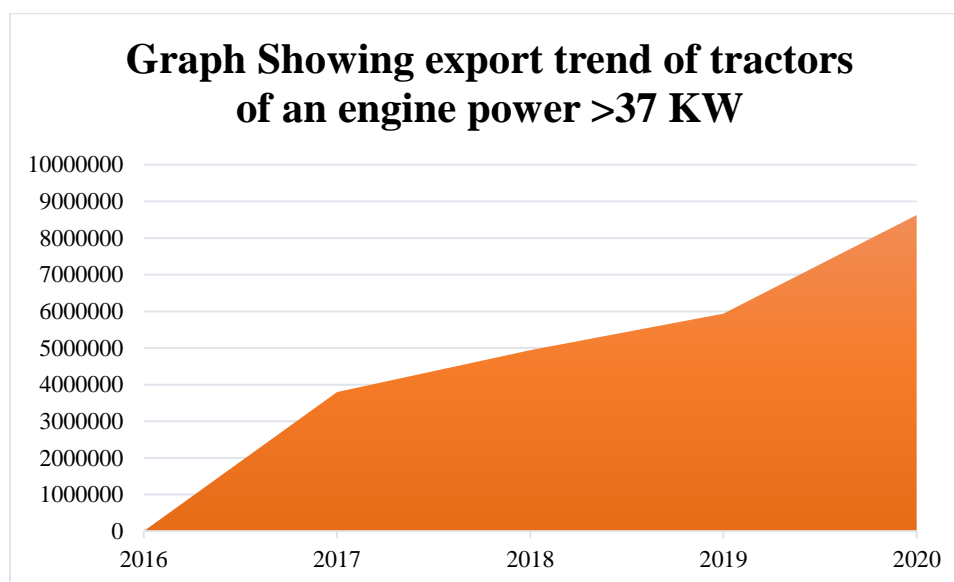
¹² UNCTAD

¹³ UN COMTRADE

¹⁴ UN COMTRADE

Source: ITC, Trade Map

Among the various kinds of tractors that are high in demand in Africa, Pakistan supplies tractors of an engine power greater than 37 kW but less than equal to 75 kW. In 2020, Pakistan supplied tractors worth USD 8.6 million to Africa. This figure jumped from USD 5.9 million in 2019. In 2018, the net export value of tractors stood at USD 4.9 million. While, in 2017, Pakistan's net value of tractor exports to Africa remained a meagre 3.7 million. The graph below shows a steep increase in Pakistan's exports of tractors (870193) to Africa.

Figure 4 : Graph showing the export trend of tractors

Source: ITC, Trade Map

The second most exported tractor to the African market is a tractor with an engine power greater than 18 kW. The net export value of this tractor in 2020 was USD 5.8 million. A look at five years past data indicate an upward trend in Pakistan's exports of tractors of an engine power greater than 18 KW. Similarly, Africa's top imported road tractors are also exported by Pakistan. Over the years, an encouraging trend is seen in the export of road tractors to Africa.

Table 19: Pakistan's Exports to Africa

HS Code	Product Label	Pakistan's Exports to Africa (USD)
870193	Tractors of an engine power > 37 KW but <= 75KW	8.6 m
870192	Tractors of an engine power > 18 KW but <= 37KW	5.8 m
870120	Road tractors for semi-trailers	5.8 m

Source: ITC, Trade Map

Table 20: Africa's Imports of tractors from world

HS code	Product Label	Africa's Imports from World (USD)
870120	Road tractors for semi-trailers	1.4 bn
870193	Tractors of an engine power > 37 KW but <= 75KW	245 m
870195	Tractors of an engine power > 130 KW	139 m
870190	Tractors (excl those of heading 8709, pedestrian controlled tractors)	135 m
870194	Tractors of an engine power > 75 KW but <= 130 KW	119 m

Source: Trade Map (ITC)

Pakistan is also a net importer of tractors to fulfil domestic demand. It imports 7,211 units of tractors on average from the world. The top countries from which Pakistan imports include: Japan, Belarus and China¹⁵. The agricultural machinery and equipment industry shows a lot of potential. It is the most promising industry in Pakistan. The local production of tractors grew significantly over the years. According to the Economic Survey of Pakistan, the total production of tractors was

¹⁵ Trade Map, ITC



36, 653 as compared to 23,266 units last year. A 57.7 per cent increase in production from last year is evident from this year's data. Due to the better liquidity position of farmers, the production rate has shown a steep hike. The two leading tractor manufacturers Millat and Ghazi tractors contribute 86.1% to total production. On average Ghazi, tractors are priced between PKR 0.9 million to 19 million. The average price of Millat tractors also lies between 0.9 million to 21 million¹⁶.

This industry looks promising and has a lot of export potential for a region like Africa where Agriculture is the largest source of sustenance for the people. As Africa's population continues to increase, the demand for food production will also rise. Additionally, the region has 60% of the world's uncultivated arable land. This shows that Pakistan needs to diversify its product base in Africa. Investment in this sector will help Pakistan reap substantial gains.

¹⁶ Agriculture, *Pakistan's Economic Survey 2020-2021*, Ministry of Finance. Government of Pakistan.



Chapter 6: Conclusion

The study analyzed Pakistan's existing and potential trade with three major African economies. The countries of focus include Nigeria, South Africa and Egypt. The primary focus of the research was to identify potential products that can be exported to these countries. This research work reviewed Africa's global trading patterns. The bilateral trading ties between Pakistan and Africa have been analyzed.

The findings of the research reveal that Africa is a lucrative trading market. According to a Bloomberg report, 7 out of 100 fastest-growing economies lie in the African region. The region is home to 1.3 billion people. Almost 60% of the African population is under the age of 25 making Africa the world's youngest population. Such a high number of young people provide an opportunity for the continent's growth. Realizing the growth potential of the region, India and China have started making deep inroads into Africa. In the wake of changing global scenario, the Government of Pakistan has increased its focus on the region.

Africa is an untapped market for Pakistan's exports. The products such as tractors, transmission apparatus, surgical instruments and non-Basmati rice hold immense export potential. The major competitors of Pakistan in Africa include India and China. The two countries have capitalized a major chunk of the market. However, despite their penetration in the market, Pakistani products are in huge demand in Africa. The discussion with ex-Chairman REAP revealed that Pakistani IRRI rice is in huge demand as its non-sticky and tastes better than its Indian counterpart. However, due to the low price offered by India, the exports of IRRI-6 to Kenya have plummeted.

Concluding, Africa should be Pakistan's primary focus for export market diversification. Although the current trade volume between Pakistan and Africa is low. However, if Pakistan focuses on brand development and pursues market-friendly policies, the bilateral trade between Africa and Pakistan has the potential to increase.



Chapter 7: Policy Recommendations

- The study proposes trade negotiations with Africa's top economies. Pakistan needs to send fact-finding missions to these economies for exploring business opportunities.
- The study also suggests that the government should increase Pakistan's diplomatic presence and trade missions in these African countries to ensure a more profound representation, cooperation on regional and global issues and most importantly, an opportunity to closely interact and establish relations with local communities. The discussion with the exporter revealed that lack of diplomatic engagement with Africa hurt Pakistan's export base and deflects market share towards India.
- Pakistan needs to make sincere efforts in terms of reducing non-tariff measures. One of the biggest NTMs that stalled the shipment of Pakistani rice to Kenya is the Khapra beetle infestation. Thus, it is important to take measures for saving crops from infestation.
- India uses Iranian vessels for the transportation of shipments. Pakistan should also actively look for measures to start trade negotiations with Iran.
- The markets such as electric fans and tractors show a lot of promise. They provide both product and market diversification for Pakistan's export basket.
- The Ministry of commerce needs to start negotiations with the regional trading blocs such as SACU, EAC, ECOWAS and COMESA.
- It is essential to seek input from exporters as they have better knowledge of ongoing realities.



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Annexures

Appendix A: Africa's Imports from Pakistan

Product label	Africa's Imports from Pakistan		
	Value in 2018 (USD)	Value in 2019 (USD)	Value in 2020 (USD)
All products with HS Codes	1.7 billion	1.6 billion	1.4 billion
Cereals (10)	657 million	719 million	642 million
Other made-up textile articles; sets; worn clothing and worn textile articles; rags (63)	193 million	171 million	164 million
Cotton (52)	179 million	158 million	113 million
Salt; sulphur; earths and stone; plastering materials, lime and cement (25)	74 million	65 million	65 million
Pharmaceutical products (30)	48.1 million	32.4 million	47.7 million
Man-made staple fibres (55)	74.2 million	80.7 million	41.2 million
Beverages, spirits and vinegar (22)	41.4 million	54.8 million	32.3 million
Articles of apparel and clothing accessories, not knitted or crocheted (62)	15.5 million	16.3 million	22.2 million
Paper and paperboard; articles of paper pulp, of paper or of paperboard (48)	10.1 million	12.4 million	21.7 million
Vehicles other than railway or tramway rolling stock, and parts and accessories thereof (87)	21.4 million	25.8 million	21.0 million

Source: ITC, Trade Map

Appendix B: Africa's exports to Pakistan

Product label	Africa's exports to Pakistan		
	Value in 2018 (USD)	Value in 2019 (USD)	Value in 2020 (USD)
All products and HS Codes	2.7 billion	2.4 billion	2.2 billion
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ... (27)	1.2 billion	1.3 billion	895 million
Coffee, tea, maté and spices (09)	625 million	494 million	547 million
Cotton (52)	112 million	121 million	218 million
Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, ... (28)	232 million	266 million	207 million
Fertilizers (31)	94.0 million	86.1 million	98.5 million
Edible vegetables and certain roots and tubers (07)	71.7 million	91.2 million	51.7 million
Salt; sulphur; earths and stone; plastering materials, lime and cement (25)	32.8 million	21.9 million	32.7 million
Iron and steel (72)	93.4 million	39.3 million	28.8 million
Sugars and sugar confectionery (17)	81,000	61,000	22.4 million



Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal ... (12)	22.55 million	13 million	17.2 million
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Source: ITC, Trade Map

Appendix C: Pakistan's exports to Nigeria

HS Code	Product Label	Pakistan's Exports to Nigeria			Equivalent ad valorem Tariff faced by Pakistan	Pakistan's exports to the world		
		Value (USD)	Qty (Tons)	Unit Value (USD)		Value (USD)	Qty (Tons)	Unit Value (USD)
851769	Transmission/ Reception apparatus	\$3.7m	107 tons	\$35,000	10%	\$12.6 m	196,600	\$64
551219	Woven fabrics containing $\geq 85\%$ polyester staple fibers by weight, dyed, made of different	\$2.2m	100 tons	\$20,764	20%	\$29.2 m		
170410	Chewing gum, whether or not sugar coated	\$2.1 m	1,338 tons	\$ 1,636	35%	\$34m	\$18,019	\$1,911

170490	Sugar confectionery not containing cocoa incl white chocolate (excl chewing gum)	\$1.9m	1,429 tons	\$1,352/ton	35%	\$29.4m	\$14,601 tons	\$2,020/ton
300420	Medicaments containing antibiotics, put up in measured doses "incl those in the form of transdermal".	\$1.8m	245	\$7,735	0%	\$16.4m	\$1,641	\$10,713
870190	Tractors (excl those of heading 8709, pedestrian controlled tractors, road tractors for)	\$1.1m	126	\$9,389	12%	\$25.8m	2,715	\$9,520
220710	Undenatured Ethyl Alcohol	\$841,000	1,098 tons	\$766	13%	\$332m	446,000 tons	680/ton



901890	Instruments and appliances used in medical, surgical or veterinary sciences	\$0.18m			5%	\$42.7m		
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Source: ITC, Trade Map

Appendix D: Competitor Analysis

HS Code	Product label	South Africa's Imports (USD)	Pakistan Global exports of the product (USD)	Pakistan's existing export of this product to South Africa (USD)	Tariff Applied by South Africa on Pakistan (Rate)	Competitors (USD)	Tariff applied on competitors (Rate)
481159	Paper and Paper-board, surface-coloured, surface-decorated	\$ 104 m	\$ 30 m	\$ 18.2 m	1.7%	Brazil (\$ 27 m), Pakistan (\$ 18m), India (\$9 m)	1.7%
100630	Semi-milled/wholly milled rice	\$ 526 m	\$ 1.53 bn	\$ 7 m	0%	Thailand (\$ 332 m), India (\$ 147 m), Brazil (\$ 25m)	0%
300490	Medicaments consisting of mixed or unmixed product	\$ 1.47 bn	\$ 105.6 m	\$ 5.05 m	0%	India (\$ 557 m), Germany (\$145 m), France (104 m)	0%
901890	Instruments and appliances used in medical, surgical or veterinary sciences	\$ 330.1 m	\$ 361.2 m	\$ 4.02 m	0%	USA (89.2 m), China (48.9 m), Germany (32.5 m)	0%
620342	Men's or boy's trousers, bib and brace overalls, breeches	\$ 191.7 m	\$ 327.1 m	\$ 1.2 m	45%	China (\$ 58.1 m), Mauritius (\$ 45.2 m), Eswatini (\$ 34.5 m)	China: 45%, Mauritius, Eswatini (0%)
640399	Footwear with outer soles of rubber, plastics or composition of leather	\$ 107.4 m	\$ 79.4 m	\$ 1.1 m	30%	China (\$33 m), Viet nam (\$27.4 m), Italy (\$ 15.7 m)	30%

Source: ITC, Trade Map

Appendix E: Unit and Tariff Analysis of Potential Products

HS Code	Product Label	Pakistan's Exports to South Africa			Equivalent ad valorem Tariff faced by Pakistan	Pakistan's exports to the world		
		Value (USD)	Qty (Ton)	Unit Value (USD)		Value (USD)	Qty (Ton)	Unit Value (USD)
481159	Paper and paper board, surface colored, surface-decorated.	\$18.2m	8,398 tons	\$2,178/unit	1.7%	\$30m	13,473 tons	\$2,255/ton
100630	Semi-milled/wholly milled rice	\$7m	13,012 tons	\$660/unit	0%			

Source: ITC, Trade Map