

Report: TDAP- Trade Region

Series: 02/2021

Trade Potential of Latin American countries: Chile, Argentina and Brazil

Researcher Name: Mahendar Kumar

Research Editor: Mr. Salman Raza

Research Head: Dr. Khalid Mustafa



Research Wing

Trade Development Authority of Pakistan.

July- December, 2021.



Trade Potential of Latin American countries: Chile, Argentina and Brazil

Disclaimer

The findings, interpretations, conclusions and recommendations expressed do not necessarily reflect the views of the Board of Directors, Chief Executive, and Secretary of the Trade Development Authority of Pakistan. Any conclusion based on the data from World trade organization(WTO), Trade Statistics of PRAL and Trade Map (ITC) are the responsibility of the author and do not necessarily reflect the opinion of the organizations. Although every effort has been made to cross-check and verify the authenticity of the data. Trade Development Authority of Pakistan (TDAP), or the author(s), do not guarantee the data included in this work. All data and statistics used are correct as of November 2021 and may be subject to change. The report is published for the awareness of the exporters of Pakistan. Individuals outside the organization are not allowed to publish the reported analysis without prior permission of the Authority. For any queries or feedback regarding this publication, please contact at mahendar.kumar@tdap.gov.pk



Contents

Disclaimer.....	I
Contents	II
List of Figures	V
List of Tables	VI
Harmonized System Codes (HS codes) Description	VII
Acronyms.....	VIII
Executive Summary.....	IX
Chapter No.1.....	1
1.1 Introduction	1
1.2 Overview of Latin America.....	3
1.3 Overview of Chile	3
1.4 Overview of Argentina.....	4
1.5 Overview of Brazil	5
Chapter 2.....	6
2.1 Relationship between Pakistan and Chile.....	6
2.1.1 Current Trade with Chile.....	7
2.1.2 Pakistan’s Exports to Chile	7
2.1.3 Pakistan’s Imports from Chile.....	8
2.2 Relationship between Pakistan and Argentina	9
2.2.1 Current Trade with Argentina	10
2.2.2 Pakistan’s exports to Argentina.....	11
2.2.3 Pakistan Imports from Argentina	12
2.3 Relationship between Brazil and Pakistan.....	13
2.3.1 Current trade with Brazil	13
2.3.2 Pakistan Exports to Brazil	14
2.3.3 Pakistan’s Imports from Brazil.....	14



Chapter No. 3.....	17
3.1 Pakistan’s Trade Potential with Chile.....	17
3.2 Exports Potential.....	17
3.2.1 HS.6302: Bed Linen	17
3.2.2 HS.9018: Medical Instruments and Appliances.....	17
3.2.3 Three approaches to reach exports’ potential	18
3.2.4 Advolrem Benefit	18
3.2.5 Reduction in Freight Cost.....	19
3.2.6 Domestic Challenge	20
3.3 Imports Potential.....	21
3.3.1 HS.4703. Pulp of Wood	21
3.3.2 HS.2810. Oxides of Boron	21
3.4 Pakistan Trade Potential with Argentina	23
3.4.1 Exports Potential	23
3.4.2 HS.9506: Articles and equipment for general physical exercise,.....	25
3.4.3 HS.5513: Woven Fabrics of Synthetic Staple Fibres	25
3.4.4 Two approaches to reach exports’ potential.....	26
3.4.5 Advolrem Benefit.....	26
3.4.6 Domestic Challenge	27
3.5 Imports Potential.....	27
3.5.1 HS5201: Cotton (Neither carded nor combed).....	27
3.5.2 HS.0713: Dried leguminous vegetables, shelled.....	28
3.5 Pakistan Trade Potential with Brazil	29
3.6 Exports Potential.....	29
3.6.1 HS.6302: Bed Linen	29
3.6.2 HS.9018: Medical Instruments and Appliances	29
3.6.3 Two approaches to reach exports’ potential.....	30
3.6.4 Advolrem Benefit.....	30
3.6.5 Domestic Challenge	31
3.7 Imports from Brazil	32



Trade Potential of Latin American countries: Chile, Argentina and Brazil

3.7.1 HS.1701-Cane or Beet Sugar	32
3.7.2 HS.2902- Cyclic Hydrocarbons	32
3.8 Total Trade Gap.....	34
Chapter No. 4.....	35
4.1 Conclusion.....	35
4.2 Policy Recommendations	36
References	37



List of Figures

Figure 1	8
Figure 2	8
Figure 3	11
Figure 4	12
Figure 5	15
Figure 6	15
Figure 7	19
Figure 8	19
Figure 9	20
Figure 10	23
Figure 11	24
Figure 12	24
Figure 13:	26
Figure 14	31



List of Tables

Table 1: Imports and Exports between two countries	7
Table 2: Major exporting tariff lines	8
Table 3: Major importing tariff lines	9
Table 4: Imports and Exports between two countries	11
Table 5: Major Exporting Tariff Lines	12
Table 6: Major Importing Tariff Lines	12
Table 7: Imports and Exports between two countries	14
Table 8: Major Exporting Tariff Lines	15
Table 9: Major Importing Tariff Lines	16
Table 10: Price comparison on HS.6302	17
Table 11: Price comparison on HS.9018	18
Table 12: Price Comparison on HS.4703	21
Table 13: Price Comparison on HS.2810	21
Table 14: Price Comparison on HS.9506	25
Table 15: Price Comparison on HS.9506	25
Table 16: Price Comparison on HS.9506	27
Table 17: Price Comparison on HS.9506	28
Table 18: Price comparison on HS.6302	29
Table 19: Price comparison on HS.9018	30
Table 20: Price Comparison on HS.1701	32
Table 21: Price Comparison on HS.2902	32



Trade Potential of Latin American countries: Chile, Argentina and Brazil

Harmonized System Codes (HS codes) Description

HS. 6302	Bed Linen, Table Linen, Toilet Linen And Kitchen Linen
HS. 6105	Men's or boys' shirts, knitted or crocheted
HS. 6203	Men's or boys' suits, ensembles, jackets, blazers, trousers bib and brace overalls, breeches and shorts
HS. 9018	Instruments And Appliances used in Medical, Surgical, Dental Or Veterinary Sciences
HS. 4703	Chemical wood pulp, soda or sulphate, other than dissolving grades
HS.1209	Seeds, fruit and spores, of a kind used for sowing
HS. 2810	Oxides Of Boron;Boric Acids (Inorganic Acids And Inorganic Oxygen Compounds of Non-Metals)
HS. 1302	Vegetable Saps And Extracts; Pectic Substances, Pectinates and Pectates
HS. 5513	Woven Fabrics of Synthetic Staple Fibres, Containing less than 85% by Weight of Such Fibres
HS. 5208	Woven Fabrics of Cotton, Containing 85% Or more by Weight Of Cotton
HS. 9506	Articles and Equipment for General Physical Exercise, Gymnastics, Athletics, Other Sports
HS. 3907	Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallylesters
HS. 1507	Soya-bean oil and its fractions, whether or not refined, but not chemically modified
HS. 5201	Cotton, not carded or combed
HS. 1001	Wheat and meslin
HS. 7304	Tubes, pipes and hollow profiles, seamless, of iron or steel (excluding products of cast iron)
HS. 6116	Gloves, mittens and mitts, knitted or crocheted
HS. 1201	Soya beans, whether or not broken, of seed quality
HS. 7204	Ferrous waste and scrap; remelting scrap ingots of iron or steel
HS. 1704	Sugar confectionery (including white chocolate), not containing cocoa



Trade Potential of Latin American countries: Chile, Argentina and Brazil

Acronyms

HS Code: Harmonized system code

GDP: Gross Domestic Product

Per capita: Per person

WTO: World Trade Organization

Weboc: Web-based computerized clearance system

OEC: The Observatory of Economic Complexity

PSF: Polyester Staple Fiber

TAO: Tariff analysis online facility



Executive Summary

In Latin America, Pakistan conducts the majority of its trade with Chile, Argentina, and Brazil. These countries' total exports are \$ 200 million, while their total imports are \$1454 million. Pakistan has a huge potential for commerce with these nations; nevertheless, high freight costs, unfair Advolrem taxation, and a large number of trade agreements between these countries and other countries are the main barriers to trade in these countries. As a result, there is a need to abolish these trade barriers in these countries. The purpose of this study is to examine the aforementioned issue and the prospects for trade in these countries.

Bed linen, articles of clothing, men's or boys' outfits, and instruments and appliances are Pakistan's top exports to Chile. Wood pulp and inorganic chemicals are Pakistan's main imports from Chile. Pakistan's main exports to Argentina are man-made staple fibers, cotton woven fabrics, and sports and toys manufacturing, whilst Argentina's main imports are animal or vegetable fats, cotton, cereals, and iron and steel goods. Instruments and appliances, bed linen, pieces of clothing, and cotton are Pakistan's top exports to Brazil. Oil seeds and oleaginous fruits, cotton, iron and steel, and sugar confectionary are Pakistan's primary imports from Brazil. Following that, the trade potential with each country was examined separately, and it was discovered that Pakistan has the potential to boost its exports to Chile by \$140 million, Argentina by \$65 million, and Brazil by more than \$180 million.

Pakistan can most probably realize that trade potential through signing a preferential trade deal with Chile and resolving local concerns, particularly those linked to the textile sector. Similarly, by purchasing more from Chile, Pakistan might save \$8 million on its import costs. Furthermore, if a trade deal is formed between the Pakistan and Argentina, Pakistan could possibly save more than \$220 million in import expenses by purchasing more from Argentina. Similarly, Pakistan can save more than \$90 million in import expenses by importing more from Brazil, if Pakistan enters into any preferential trade agreement with Brazil. Finally, it was discovered that negotiating any preferential trade agreement with any of three countries and tackling domestic obstacles, particularly in the manufacturing of textiles and medical devices, Pakistan may be able to increase its exports to more than \$390 million from just \$200 million however, it can also possibly be achieved by keeping the current tariff regime in place but, it can be enhanced through signing any future trade deal with individual country.



Chapter No.1

1.1 Introduction

The Latin American region can be considered one of the biggest regions in the world as, it includes 21 countries including Columbia, Venezuela, Guatemala, Brazil and etc. The reason for choosing three countries (Chile, Argentina and Brazil) from the twenty one countries is that, the major trade has been conducted with these countries and there is a trade potential untapped in those three countries along with enhanced diplomatic relationship with these countries. The bilateral trade between Pakistan and Chile is \$106 million, while the trade between Argentina and Pakistan is \$194 million while, the trade between Brazil and Pakistan is \$1,354 million. The issues found in this report that poses a challenge for the enhancement of trade with these three countries including higher freight cost, unequal Advolrem tax and domestic capacity of manufacturing industries like textiles, medical and surgical instruments.

Latin American region is the region where multiple economic development strategies were used and it was the only region which used import substitution policy longer than any their neighboring regions. The Latin American key exports mainly remained minerals and agricultural products after the Second World War until the late 1980s. The trade equation started to switch from agriculture to manufacturing after the trade liberalization policy adopted by most of the countries in Latin America due to the adoption of Washington consensus in 1990s. This can be exemplified from the contribution of manufacturing activities in the overall exports of Latin America from 1980 to 2006. The contribution of primary commodities in the overall exports was almost 80% in 1980s and this reduced to less than 40% in 2006. Similarly, the contribution of medium level manufacturing in the overall exports was only 3.8% and this increased to more than 25% in 2006. This shows that, the Latin American countries have now switched from import substitution policy to export promotion policy (Cuadrado-Roura & Aroca, 2013).

However, Latin America can be considered in a middle between underdeveloped and developed regions as, there are two gaps persist in region in the form of productivity gap with industrialized nations and internal gap across multiple industries in the region. Hence, Latin America is trapped and it is not able to move closer to the development of industrialized nations nor is able to reduce the inter-industrial gap in order to create the space for large private corporations to emerge and develop the regional economy at the end as most of the businesses in Latin America are small and medium enterprises (Armony, 2012).



Trade Potential of Latin American countries: Chile, Argentina and Brazil

Latin American economies were not as connected until 2000 as, most of the countries had not adopted the export promotion policy until that time. But afterwards, Asian economies and Latin American economies started to do trade and enhance the trade through signing FTAs (free trade agreements). There were no FTAs signed between Latin America and Asia until 2000 but, it reached to 20 until 2012. The most trade conducted in that period between Latin America and Asia were with China and India. However, the population density of Latin America is just 9% of the global population but, Latin America contribution in world output is just 5.7 % (Medalla & Balboa, 2010). The trade enhanced between the two regions is based on the comparative advantage theory suggested by Ricardo (1817). Latin America is considered as rich in natural resources and agriculture while, Asia is filled with low cost labor and capital intensive technology. Hence, the two regions can enhance the trade due to difference in resource endowment (Wignaraja et al., 2012).

Among the other countries, Chile has signed the most RTAs in the region. The key exporting countries in Latin America are Brazil, Argentina, Chile and Peru. The main exporting items are petroleum products, natural gas, raw materials (e.g. copper ores), soya beans, automobiles, digital process units and agricultural products. The main exporting and importing partners of Latin America are United States of America, China, Brazil, Canada, Germany and Japan. The main importing items are machinery, vehicles and its parts, chemicals and pharmaceuticals, paper and paperboard, textile products, and others (WITS, 2019). It is also evident that, Pakistan and Latin American countries are endowed with different natural and other resources, hence, the trade between Pakistan and individual Latin American country can be enhanced in the future. Therefore, this topic has been selected in order to explore the trade potential of Pakistan with individual Latin American country by particularly focusing on Chile, Argentina and Brazil.

Pakistan has a chance to increase its exports by \$140 million to Chile, \$65 million to Argentina and more than \$180 million to Brazil. In addition to that, Pakistan can save more than \$220 million in import bill by importing more from Argentina provided that, if any trade agreement is signed between two countries. In the similar vein, Pakistan can also save more than \$90 million in import bill by importing more from Brazil, provided that, Pakistan may sign any preferential trade agreement with Brazil. In the conclusion, it was found that, Pakistan can increase its exports to more than \$390 million from just \$200 million by signing preferential trade agreement with each country and through addressing domestic challenges especially in the manufacturing of textiles and medical devices.



Trade Potential of Latin American countries: Chile, Argentina and Brazil

1.2 Overview of Latin America

Latin America has the GDP (current US) of 4.83 trillion which is slightly less than 1.5 trillion dollars in 2014(6.42) with more than 650 million population until 2020(World Bank Dataset, 2000). Latin America is considered one of the largest countries including South America, Central America and other countries. Hence, this promotes the trade inside the region as, most of the countries have made regional trade agreements with each other including the famous regional trade of MERCOSUR (Brazil, Argentina, Paraguay, and Uruguay), MERCOSUR-EFTA (European Free Trade association) and others (SICE, 2021).

Among the other countries, Chile has signed the most RTAs in the region. The key exporting countries in Latin America are Brazil, Argentina, Chile and Peru. The main exporting items are petroleum products, natural gas, raw materials (e.g. copper ores), soya beans, automobiles, digital process units and agricultural products. The main exporting and importing partners of Latin America are United States of America, China, Brazil, Canada, Germany and Japan. The main importing items are machinery, vehicles and its parts, chemicals and pharmaceuticals, paper and paperboard, textile products, and others (WITS, 2019).

Latin American region is the region where multiple economic development strategies were used and it was the only region which used import substitution policy longer than any their neighboring regions. The Latin American key exports mainly remained minerals and agricultural products after the Second World War until the late 1980s. The trade equation started to switch from agriculture to manufacturing after the trade liberalization policy adopted by most of the countries in Latin America due to the adoption of Washington consensus in 1990s. This can be exemplified from the contribution of manufacturing activities in the overall exports of Latin America from 1980 to 2006. The contribution of primary commodities in the overall exports was almost 80% in 1980s and this reduced to less than 40% in 2006. Similarly, the contribution of medium level manufacturing in the overall exports was only 3.8% and this increased to more than 25% in 2006. This shows that, the Latin American countries have now switched from import substitution policy to export promotion policy (Cuadrado-Roura & Aroca, 2013).

Hence, the three countries including Chile, Argentina and Brazil are chosen because of their core importance in the Latin American region.

1.3 Overview of Chile

Chile can be considered one of the unique countries in Latin America, which adopted the export promotion policy more intensively than any other country. Its GDP reached to the highest in 2018 with 297 billion dollars



Trade Potential of Latin American countries: Chile, Argentina and Brazil

and slightly decreased afterwards ending with 279 billion dollars in 2019. Chile had enjoyed rapid industrialization and its growth trajectory remained upward after 2002 as its GDP increased from just 69 billion dollars in 2002 to 297 billion dollars in 2018. Chile has a population of 19.3 million with inflation rate of 8% and discount rate of 3.12 percent with current account deficit of \$10.45 billion in 2019. Chile GDP per capita (current US\$) has changed from more than \$4k in 2002 to more than \$14k in 2019(World Bank Dataset, 2019).

Chile is mainly dependent upon its natural resources including its reserves for copper and metal. Hence, mining is considered the only leading industry of Chile and hence, it contributes heavily in exports of the country along with agro-industry including winery, fruit, fishmeal, and forestry-related products. Chile economic development can't be considered as a singular economic growth plan as, its economy is heavily dependent upon natural endowments hence, it also faces the resource curse phenomenon in one way or another (Schmidt-Hebbel, 2006).

Chile stood at 41st position in world economy with economic complexity position of 77. Chile main exports are copper, refined copper and Chemical Wood Pulp. Its main exporting destinations are China, USA, Japan, South Korea and Brazil. The exports of Chile has increased tremendously from just \$23 billion dollars in 2002 to \$88 billion dollars in 2019. Similarly, its imports has also jumped from \$24B to \$101B in 2019(OEC, 2019).

1.4 Overview of Argentina

Argentina's economic size has been increased dramatically from 97 billion dollars in 2002 to 643 billion dollars in 2017 with population increasing from 36 million in 2000 to 45 million in 2020. However, the country's economic size was 268 billion dollars in 2001. The total exports of Argentina was \$85.62 billion dollars while imports were \$90.44 billion dollars in 2019. Hence, the current account deficit of Argentina in 2019 was \$3.99 billion dollars. The GDP per capita (current US\$) has been changed from more than \$2k in 2002 to almost \$10k in 2019(World Bank Dataset, 2019).

Argentina is basically an agro-based economy hence, its main export products are Soya bean, Wheat, Gold, Delivery trucks and Cars. Hence, it's manufacturing value added (%) to GDP has been reduced from 22% in 2003 to 13% in 2019. Similarly, the export contribution in GDP has also been reduced from 28 percent in 2002 to 17 percent in 2019(WITS, 2019). However, the two major reasons impeded the growth of Argentina including political instability and international shocks, both contributed heavily and disrupted the economic growth cycle of Argentina. The Argentina also had the rich natural resources especially in the agricultural sector as it is the third largest exporter of Soya beans in the world after Brazil and USA (Licetti et al., 2018).



Trade Potential of Latin American countries: Chile, Argentina and Brazil

The main exporting destinations are Brazil, China, USA, Chile and Vietnam. The main exporting products are Soybean Meal (8.8B) and Soybean Oil (3.38B). The main importing products were Cars, Refined Petroleum, Vehicle Parts, Petroleum Gas and Soybeans (\$1.38B). The main importing countries were Brazil, China, USA, Germany and Paraguay (OEC, 2019).

1.5 Overview of Brazil

The GDP (current US\$) has been increased tremendously after 2000 as, it was just \$655 billion in 2000 and reached to \$2.6 trillion in 2011 but, again crumbled to \$1.878 trillion in 2019, however, it is among the top 10 economies in the world as per GDP(current US\$). The population of Brazil has been increased from 201 million in 2013 to 212 million in 2020(World Bank Dataset, 2020). Brazil has been the top exporter of Soya beans in the world as it exported more than \$26 billion worth of Soya beans to the world. The second most important exporting product is crude petroleum, amounting more than \$24 billion dollars to the world and the third most important is iron ore, amounting \$23 billion dollars to the world (OEC, 2019). The total exports of Brazil was \$285 billion while, its imports were \$351 billion with the trade deficit of \$65 billion in 2019. The GDP per capita (current US\$) has been changed from more than \$2k in 2002 to almost \$10k in 2019(WITS, 2019).

Brazil started with the import substitution policy after 1930s and the policy was aggressively implemented until 1988, when government switched to export promotion policy with respect to Washington consensus. However, it is interesting to visualize that, Soya beans production was just 1 million tons in 1970 and that increased to 117 million tons in 2017 by increasing just the 76% of the actual area being used in 1970. This shows that, the production efficiency of soya beans by using latest technology has been increased significantly. It is also observed that, production of Soya beans also encouraged the production of other crops like Maize. It can also be said with certainty that, Soya beans successful cultivation played a key role in the economic development of country by encouraging the farmers to cultivate more agricultural products and that contributed in the export equation of the country positively. Brazil has also been considered among the top 10 oil exporting countries in the world (Adewale, 2012).

Brazil major exports are Soybeans, Crude Petroleum, Iron Ore, Corn and Sulfate Chemical Wood pulp to three major countries including USA, China and Argentina. However, the Brazil main imports are basically Refined Petroleum, Vehicle Parts, Crude Petroleum, Integrated Circuits and Pesticides. The main importing countries are China, USA, Germany and Argentina (OEC, 2019). After introducing individual countries, the trade relationship between each country and Pakistan will be discussed in the next chapter.



Chapter 2

2.1 Relationship between Pakistan and Chile

It has been observed that after 1950s, political and economic relationships are intertwined and they influence on each other in one way or another. Pakistan diplomatic relationship started in 1989 when Chile placed its first resident mission in Pakistan. The diplomatic relationship since improved until 2010, while Chile unilaterally closed its embassy in Islamabad. In the similar vein, Pakistan closed its embassy in Chile in 2014 however, it remained open from 2008 to 2014. Now, Pakistan maintains its economic and diplomatic relationships with Chile through its embassy in Argentine, while Chile does the same through its embassy in UAE. The economic relationship also improved with the diplomatic relationship between the two countries from 2008 to 2014 (Embassy of Pakistan in Argentina, 2015).

Hence, the exports of Pakistan to Chile crossed \$75 million in 2014 and reached to the highest \$86 million in 2013. But, after the closure of embassies by both countries, the exports of Pakistan to Chile has been decreasing and reached to the lowest \$53 million in 2020, after 2009. The economic relationships are developed between the both countries due to the fulfillment of domestic demand of multiple primary and secondary products. However, the both countries are also almost similar in their GDP (Table 1). But, Chile has categorized by World Bank as emerging high income economy, while Pakistan is still trapped into emerging lower-middle income category due to difference in population size and hence GDP per capita (World Bank Dataset, 2020).

Pakistan's main exports to world are House Linens, Rice, Non-Knit Men's Suits, Non-Retail Pure Cotton Yarn and Non-Knit Women's Suits. The major imports of Pakistan to the world are Refined Petroleum, Crude Petroleum, Petroleum Gas, Palm Oil, and Scrap Iron.

Chile's main exports to the world are Copper, Refined Copper and Chemical Wood Pulp. Chile main imports from the world are Refined Petroleum, Crude Petroleum, Cars, Broadcasting Equipment and Delivery Trucks. Pakistan exports to Chile are mainly House Linens as similar to the world exports and Chile main exports to Pakistan is Chemical Wood Pulp and it is one of main exports of Chile (OEC, 2019).



2.1.1 Current Trade with Chile

Pakistan's export value to Chile is \$78 million in 2020 and imports' value is \$28 million in 2020. The key tariff lines on which most of the exports has been done including HS.6302 (Bed Linen), HS.6105 (Men's or boys 'shirts), HS.6203 (Men's or boys' suits, ensembles) and HS.9018 (Instruments and appliances). While, Pakistan imports from Chile has been done on mainly HS.4703 (Chemical wood pulp), HS.1209 (Seeds, fruit & spores), HS.2810 (Oxides of Boron) and HS.1302 (Vegetables Saps and Extracts) (Table 2 & 3).

Table 1

Imports and Exports between two countries

Pakistan Trade with Chile in 2020			
Major Exports	Total Value	Major Imports	Total Value
1. Bed Linen- HS.6302	\$17 million	1.Pulp of wood- HS.4703	\$15.6 million
2. Articles of Apparel- HS.6105	\$1.1 million	2.Oil seeds- HS.1209	\$1.6 million
3. Men's or boy's suits - HS.6203	\$3.7 million	3.Inorganic chemicals- HS.2810	\$0.33 million
4. Instruments and appliances- HS.9018	\$1.4 million	4.Lac, Gums and Resins- HS.1302	\$0.54 million

Source: Trade Map

2.1.2 Pakistan's Exports to Chile

It has been observed that, Pakistan's exports to Chile has been decreased from \$86 million in 2013 to \$78 million, even the exports in 2020 has been increased \$22 million from \$56 million in 2019(Fig 1). Moreover, the major exports has been decreased on HS.6302 as it was \$24 million in 2015 and \$17 million in 2020(Table 3).

Figure 1

Trend of Pakistan Exports to Chile



Source: Trade Map

Table 2

Major exporting tariff lines

Tariff Line	Years					
	2015	2016	2017	2018	2019	2020
HS.6302	\$24.6m	\$28.6m	\$24.8m	\$28.06m	\$20.68m	\$17.06m
HS.6105	\$1.25m	\$0.65m	\$0.35m	\$0.25m	\$0.36m	\$1.12m
HS.6116	\$0.936m	\$0.781m	\$1.17m	\$1.20m	\$1.17m	\$0.776m
HS.9018	\$1.57m	\$1.54m	\$1.80m	\$2.13m	\$1.75m	\$1.46m

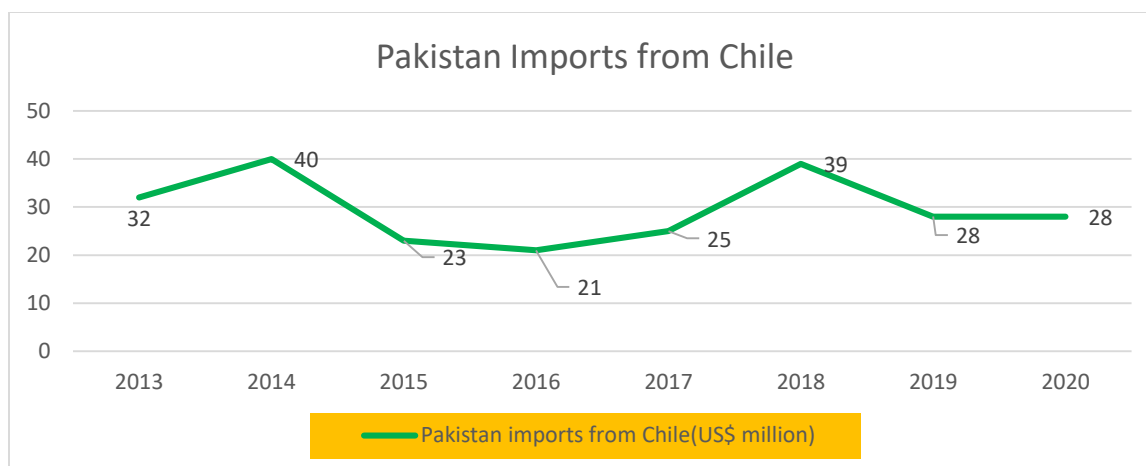
Source: Trade Map

2.1.3 Pakistan's Imports from Chile

Pakistan's imports have also reduced from \$32 million in 2013 to \$28 million in 2020 (Fig 2). Moreover, the major decrease is observed on HS.4703 and major increase is observed on HS.1201 (Table 3).

Figure 2

Trend of Pakistan Imports from Chile



Source: Trade Map

Table 3

Major importing tariff lines

Tariff Line	Years					
	2015	2016	2017	2018	2019	2020
HS.4703	\$17.3m	\$15.9m	\$20.9m	\$32.8m	\$19.4m	\$15.6m
HS.1209	\$0.58m	\$1.51m	\$0.61m	\$1.60m	\$1.50m	\$1.66m
HS.2810	\$0.22m	\$0.42m	\$0.26m	\$0.25m	\$0.47m	\$0.33m
HS.1302	0	0	0	0	\$0.14m	\$0.54m

Source: Trade Map

2.2 Relationship between Pakistan and Argentina

The relationship between Argentina and Pakistan is as old as the establishment of Pakistan because, both countries started the diplomatic relationship in October 1951. Argentina was also the country that supported the resolution of self-determination submitted by Pakistan in UN General Assembly. Pakistan and Argentina have close relationship with each other from last 70 years.

This can be exemplified through establishing a significant landmark called “Plaza de Pakistan’s” on the occasion of completing 60 years of diplomatic and economic relationship back in 2012. The plaza was inaugurated between July 09, 2012-an independence day of Argentina and August 14th, 2012(Business Recorder, 2012)



Trade Potential of Latin American countries: Chile, Argentina and Brazil

The first bilateral trade and cooperation agreement between two countries was signed on 19th July 2002 and both countries awarded MFN (most-favored nation) status to each other on the same date as well. Pakistan has direct diplomatic relationship with Argentina through its embassy in Buenos Aires, Argentina (Tribune, 2013). The good diplomatic relationship is also reflected in trade relationship as, the trade between two countries have increased from just \$13 million in 2003 to \$37 million in 2020. The imports has also risen from \$43 million in 2003 to \$157 million in 2020. However, there is a considerable difference in their GDP and GDP per capita and also in the domain of population size (Table 5).

Pakistan main exports to world are House Linens, Rice, Non-Knit Men's Suits, Non-Retail Pure Cotton Yarn and Non-Knit Women's Suits. The major imports of Pakistan to the world are Refined Petroleum, Crude Petroleum, Petroleum Gas, Palm Oil, and Scrap Iron.

The main exporting products of Argentina are Soybean Meal, Soybean Oil, Corn and Delivery trucks. However, the main importing products are Cars, Refined Petroleum, Vehicle Parts and Petroleum Gas. The main exporting products from Pakistan to Argentina are man-made staple fibres, Woven fabrics of cotton, Articles and equipment for general physical exercise, gymnastics, athletics and other sports and Plastics and articles. The main importing products from Argentina are Animal or vegetable fats, Cotton, Cereals, and Articles of iron and steel. Moreover, Pakistan mainly exports man-made staple fiber to the world and the similar kind of product is also exported to Argentina as well (OEC, 2019).

2.2.1 Current Trade with Argentina

Pakistan's exports' value to Argentina is \$37 million in 2020 and imports' value is \$157 million in 2020. The key tariff lines on which most of the exports has been done including HS.5513 (Woven Fabrics), HS.5208 (Woven Fabrics of Cotton), HS.9506 (Sports Manufacturing) and HS.3907 (Polyacetals). While, Pakistan imports from Chile has been done on mainly HS.1507 (Soybean Oil), HS.5201 (Cotton), HS.1001 (Wheat & Meslin) and HS.7304 (Tubes, pipes) (Table 6).

Table 4
Imports and Exports between two countries

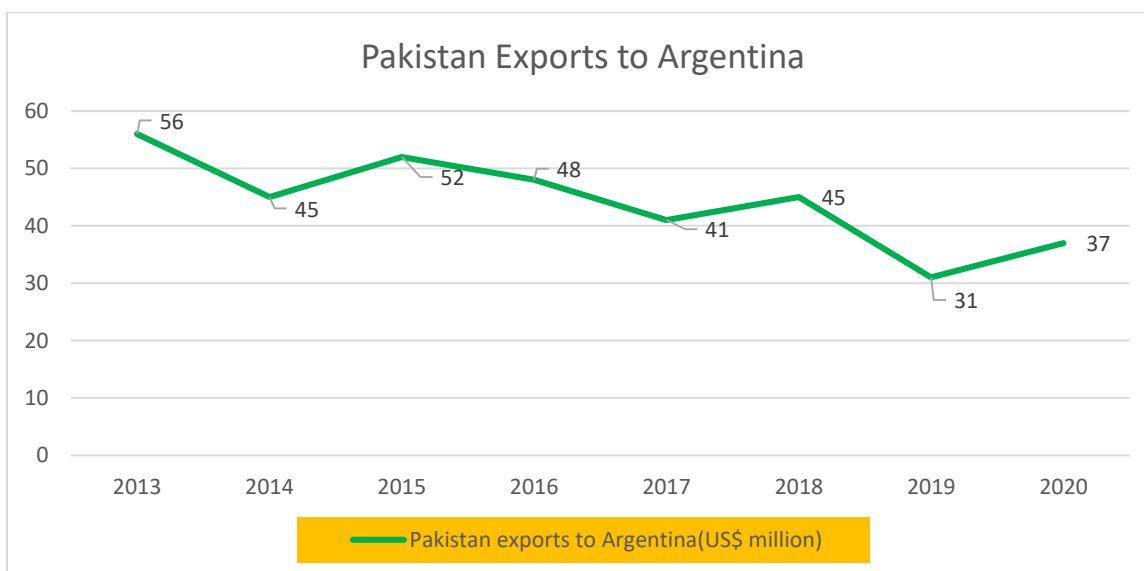
Pakistan Trade with Argentina in 2020			
Major Exports	Total Value	Major Imports	Total Value
1. Man-made staple fibres- HS.5513	\$8 million	1. Animal or Vegetable Fats- HS.1507	\$34 million
2. Woven fabrics of cotton- HS.5208	\$3.7 million	2. Cotton- HS.5201	\$42 million
3. Sports and Toys Manufacturing- HS.9506	\$4.9 million	3. Cereals- HS.1001	\$17 million
4. Plastics and articles- HS.3907	\$1.9 million	4. Articles of Iron and Steel- HS.7304	\$4 million

Source: Trade Map, Weboc Data

2.2.2 Pakistan’s exports to Argentina

It has been observed that, Pakistan exports to Argentina has been decreased from \$56 million in 2013 to \$37 million, even the exports in 2020 has been increased \$6 million from \$31 million in 2019 (Fig 2). Moreover, the major exports has been decreased on HS.5513 as it was \$20 million in 2015 and \$8 million in 2020 (Table 7).

Figure 3
Trend of Pakistan Exports to Argentina



Source: World Bank Database (2021)

Table 5
Major Exporting Tariff Lines

Tariff Line	Years					
	2015	2016	2017	2018	2019	2020
HS.5513	\$20.7m	\$10.7m	\$9.94m	\$11.4m	\$9.14m	\$8.04m
HS.5208	\$5.2m	\$7.29m	\$4.15m	\$5.73m	\$2.59m	\$3.71m
HS.9506	\$5.33m	\$8.76m	\$6.05m	\$5.49m	\$3.82m	\$4.91m
HS.3907	0	\$0.42m	\$1.63m	\$2.49m	\$2m	\$1.90m

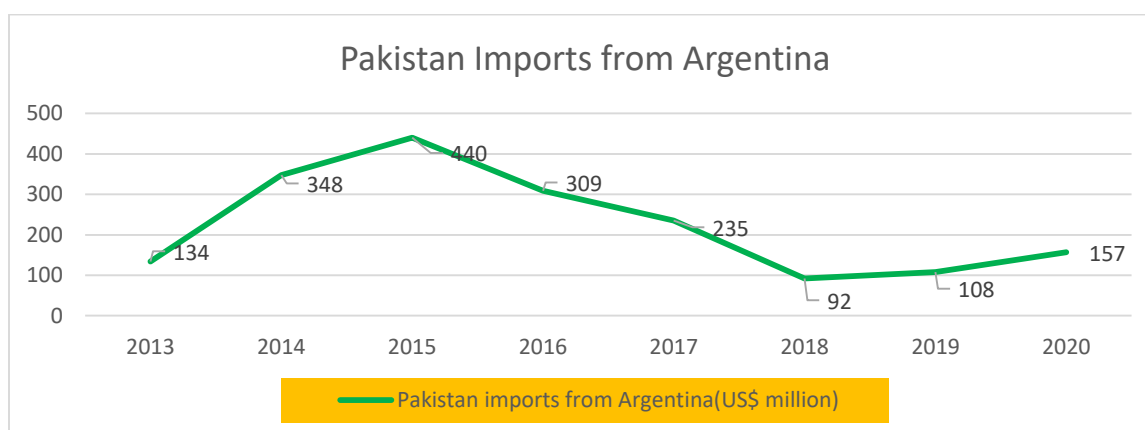
Source: Trade Map

2.2.3 Pakistan Imports from Argentina

Pakistan imports from Argentina has although increased from \$134 million in 2013 to \$157 million in 2020(Fig 2). Moreover, the major increase is observed on HS.5201 and HS.1001 (Table 3).

Figure 4

Trend of Pakistan Imports from Argentina



Source: World Bank Database (2021)

Table 6
Major Importing Tariff Lines

Tariff Line	Years					
	2015	2016	2017	2018	2019	2020
HS.1507	\$55.3m	\$107.5m	\$97.6m	\$37.6m	\$60.3m	\$34.07m
HS.5201	0	0	\$0.17m	\$10.4m	\$18.2m	\$42.03m
HS.1001	0	0	0	0	0	\$17.29m
HS.7304	1.3m	7.5m	1.04m	4.56m	\$6.14m	\$4.4m

Source: Trade Map



Trade Potential of Latin American countries: Chile, Argentina and Brazil

2.3 Relationship between Brazil and Pakistan

The bilateral relationship started between two countries in 1951 when Pakistan opened its first embassy in Latin America at Rio de Janeiro, Brazil. Brazil also did the same in one year later. The diplomatic relationship enhanced with the bilateral trade and cooperation agreement in 1982. Since then, Brazil became the key trading partner of Pakistan in Latin America. Pakistan-Brazil chamber of commerce has also established in Brazil in order to improve trade between two countries. Brazil is supporting Pakistan especially in the agriculture sector as Brazil uses the most-advanced technologies in the agricultural sector (ICCI, 2016).

This can be exemplified through the sale of 100 MAR-1 anti-radiation missiles to Pakistan by Brazil in 2009 despite of Indian pressure. The missiles sold to Pakistan became the key instrument to monitor and obstruct the radio communication if needed. The missiles became the key arsenal in Pakistan defense against the enemy countries (Brasilia, 2008).

The trade relationship is also improved with the diplomatic relationship between two countries as, exports between two countries has increased from just \$4 million in 2003 to \$85 million in 2020, similarly, the imports has also risen from just \$25 million in 2003 to 1.2 billion in 2020 (World bank dataset, 2020). However, there is a huge difference between GDP and GDP per capita of both countries but, the population size of both countries is almost similar.

Pakistan main exports to world are House Linens, Rice, Non-Knit Men's Suits, Non-Retail Pure Cotton Yarn and Non-Knit Women's Suits. The major imports of Pakistan to the world are Refined Petroleum, Crude Petroleum, Petroleum Gas, Palm Oil, and Scrap Iron.

Brazil major exports to the world are items are Soybeans, Crude Petroleum, Iron Ore, Corn and Sulfate Chemical Wood pulp. However, the Brazil main imports were basically Refined Petroleum, Vehicle Parts, Crude Petroleum, Integrated Circuits and Pesticides. However, Pakistan main exports to Brazil are Articles of apparel, Woven fabrics of cotton, medical instruments and appliances and textile articles. Pakistan main imports from Brazil are Oil seeds and oleaginous fruits, cotton, Iron and Steel and sugar confectionary. Pakistan major exports to the world is House linen and the similar kind of product is also exported to Brazil as well.

2.3.1 Current trade with Brazil

Pakistan's exports' value to Brazil is \$85 million in 2020 and imports' value is \$1,269 million in 2020. The key tariff lines on which most of the exports has been done including HS.9018 (Instruments and appliances), HS.6302 (Bed Linen), HS.6116 (Gloves, Mittens) and HS.5208 (Woven fabrics of Cotton). While, Pakistan



Trade Potential of Latin American countries: Chile, Argentina and Brazil

imports from Brazil has been done on mainly HS.1201, HS.5201 (Cotton), HS.7204 (Ferrous waste and scrap) and HS.1704 (Sugar Confectionary) (Table 10).

Table 7
Imports and Exports between two countries

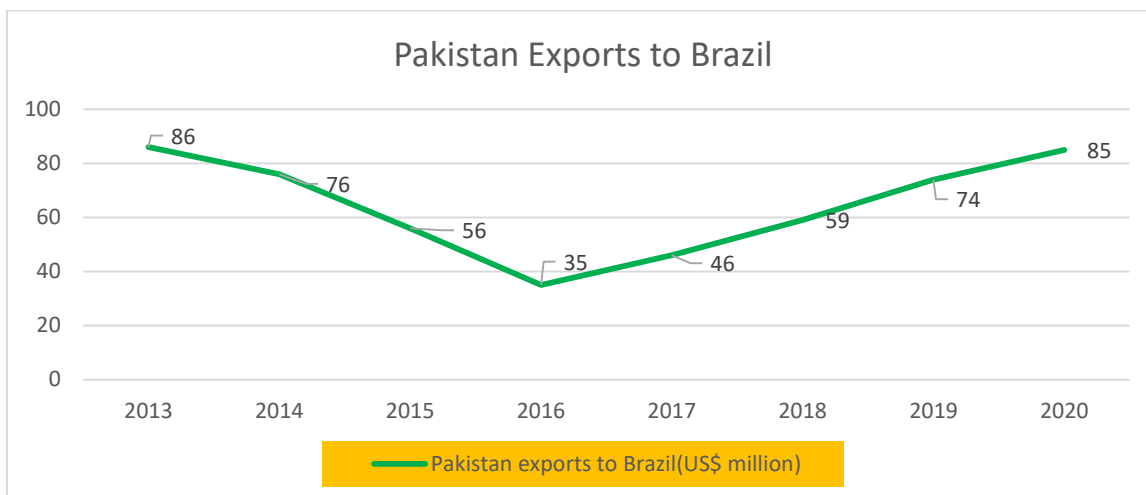
Pakistan Trade with Brazil in 2020			
Major Exports	Total Value	Major Imports	Total Value
1. Medical instruments and appliances- HS.9018	\$7.7 million	1. Oil Seeds and Oleaginous Fruits- HS.1201	\$744.8 million
2. Bed Linen- HS.6302	\$8 million	2. Cotton- HS.5201	\$327 million
3. Articles of Apparel- HS.6116	\$3.3 million	3. Iron and Steel- HS.7204	\$31.4 million
4. Woven fabrics of Cotton- HS.5208	\$10 million	4. Sugar confectionary- HS.1704	\$0.028 million

Source: Trade map

2.3.2 Pakistan Exports to Brazil

It has been observed that, Pakistan exports to Brazil has been slightly decreased from \$86 million in 2013 to \$85 million, but the exports in 2020 has been increased \$11 million from \$74 million in 2019(Fig 5). Moreover, the major exports has been increased on HS.6302 as it was \$1.3 million in 2015 and \$10 million in 2020(Table 3).

Figure 5
Trend of Pakistan Exports to Brazil



Source: World Bank Database (2021)

Table 8
Major Exporting Tariff Lines

Tariff Line	Years					
	2015	2016	2017	2018	2019	2020
HS.5208	\$1.3m	\$1.35m	\$4.8m	\$4.2m	\$6.7m	\$10m
HS.9018	\$7.8m	\$6.7m	\$9.1m	\$9.8m	\$12.5m	\$7.7m
HS.6302	\$11.08m	\$1.49m	\$2.69m	\$8.01m	\$7.41m	\$8m
HS.6116	\$1.99	\$0.87m	\$2.38m	\$1.81m	\$2.91m	\$3.3m

Source: Trade Map

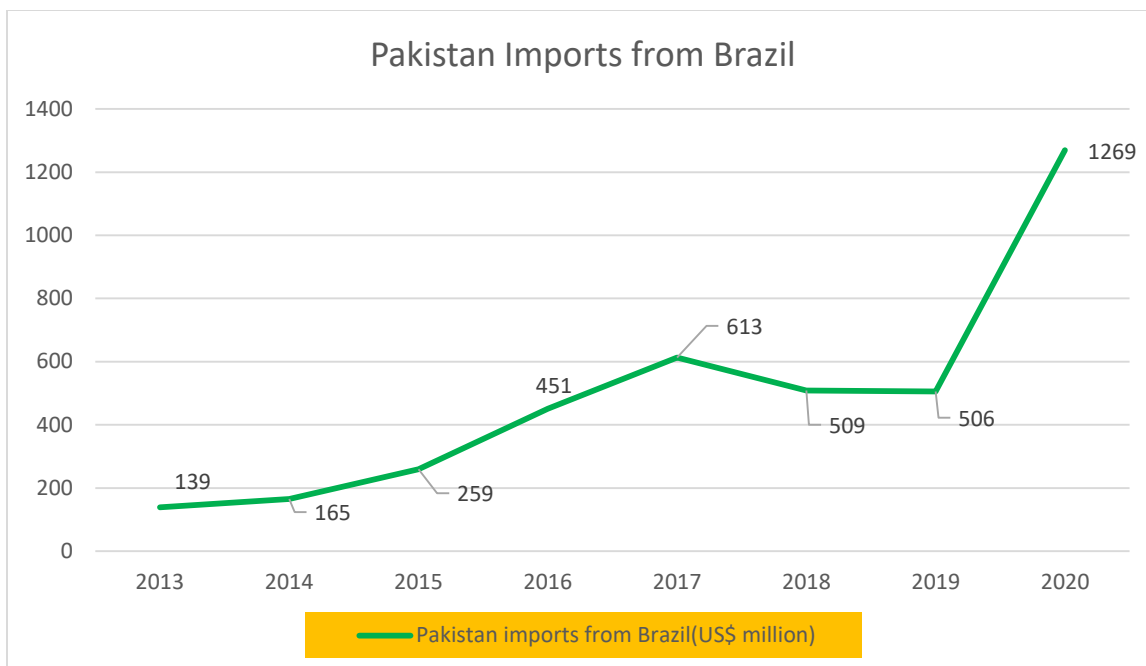
2.3.3 Pakistan's Imports from Brazil

Pakistan imports has also increased just from \$139 million in 2013 to \$1,269 million in 2020(Fig 10).

Moreover, the major increase is observed on HS.5201 and HS.1201 (Table 3).

Figure 6
Trend of Pakistan Imports from Brazil

Trade Potential of Latin American countries: Chile, Argentina and Brazil



Source: World Bank Database (2021)

Table 9
Major Importing Tariff Lines

Tariff Line	Years					
	2015	2016	2017	2018	2019	2020
HS.1201	\$52.79m	\$203.90m	\$394.12m	\$267.90m	\$296.73m	\$744.8m
HS.5201	\$25.84m	\$91.15m	\$22.83m	\$56.35m	\$34.42m	\$327m
HS.7204	\$26.34m	\$24.47m	\$32.45m	\$14.65m	\$23.41m	\$31.4m
HS.1704	0	0	0	0.09m	0	\$0.028m

Source: Trade Map



Chapter No. 3

3.1 Pakistan's Trade Potential with Chile

3.2 Exports Potential

3.2.1 HS.6302: Bed Linen

Pakistan is currently exporting more than \$3 billion dollars to the world on this tariff line but just \$17 million to Chile. Hence, Pakistan has the potential to increase the exports to more than \$25 million. Pakistan can reach to that potential as Pakistan price per unit is lower than the most trading partners as shown in the below Table 13.

Table 10

Price comparison on HS.6302

HS Code. 6302					
HS Code. 6302.2210					
Pakistan- 2nd	China	Mexico	Canada	European Union	United States of America
6.211- 42%	4.929	8.769	53.088	19.683	13.526
HS code. 6302.6010					
Pakistan- 3rd	China	European Union	India	Turkey	Brazil
5.471- 16%	7.989	17.888	6.576	3.502	10.263

3.2.2 HS.9018: Medical Instruments and Appliances

Pakistan is currently exporting more than \$362 million dollars to the world on this tariff line but just \$1.4 million to Chile. Hence, Pakistan has the potential to increase the exports to more than \$60 million. Pakistan can reach to that potential as Pakistan price per unit is lower than the most trading partners as shown in the below Table 14.



Table 11
Price comparison on HS.9018

HS Code. 9018					
HS Code. 9018.4900					
Pakistan	European Union	USA	Brazil	China	Japan
7.074- 4%	1.721	6.828	6.269	1.493	74.719
HS code. 9018.9090					
Pakistan	USA	European Union	Mexico	China	Japan
6.641- 0.33%	1.616	1.511	4.888	0.568	9.133

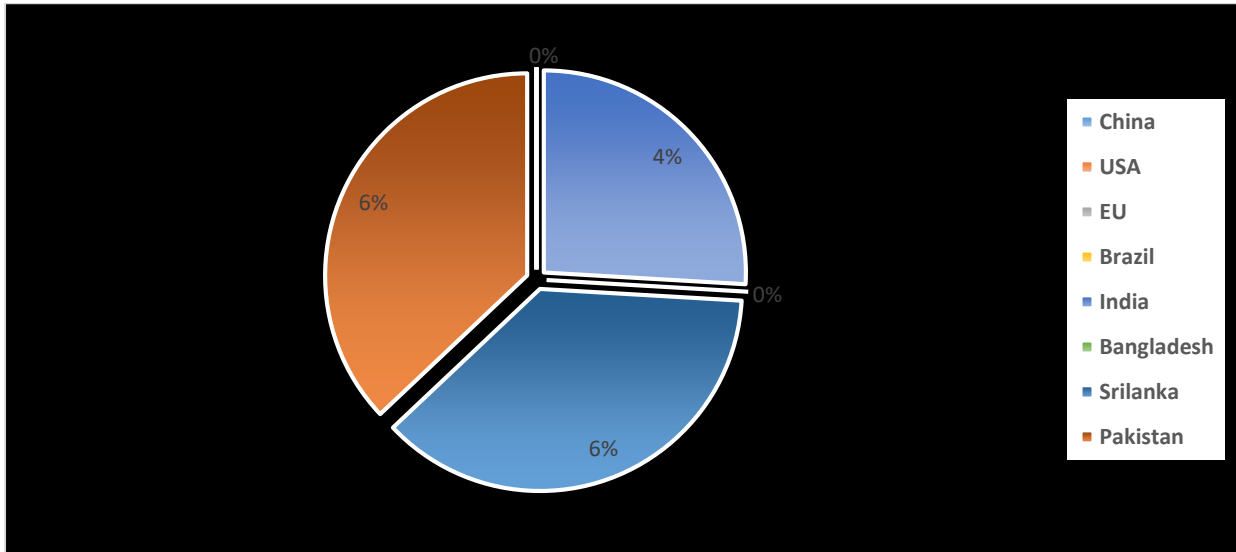
Source: WTO (tao)

3.2.3 Three approaches to reach exports' potential

3.2.4 Advolrem Benefit

Pakistan is facing the highest Advolrem in Chile because, Pakistan has no trade agreement with Chile (Table 15). Hence, if Pakistan sign any kind of preferential agreement with Chile, then Pakistan has the chance to reach to the trade potential as mentioned earlier. The tariff faced by Pakistan is 6% as compared to 4% by India and 0% by all other trading partners of Chile.

Figure 7
Advolrem Comparison

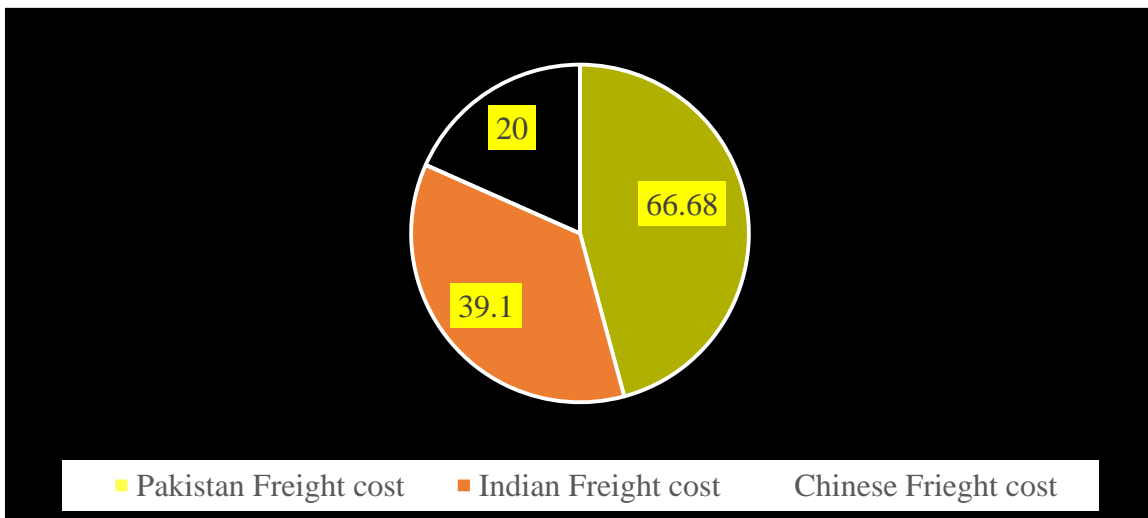


Source: WTO online tariff facility

3.2.5 Reduction in Freight Cost

Pakistan has the highest freight cost of \$49.9 per kg as compared to \$36.1 per kg by India and \$20 kg by China. So, Pakistan can try to reduce the freight cost in order to reach to the trade potential with Chile.

Figure 8
Freight Comparison



Source: Ref 23, 24, 25

3.2.6 Domestic Challenge

The last approach is the domestic challenge especially on the tariff line HS.6302 that relates with the textile sector. In the textile sector, the largest cost comprises of the direct raw material because it is 68% of total manufacturing cost. As, the local cotton production is decreasing, most of the cotton used in the textile products is imported. Hence, the duties imposed on the raw material poses a greater challenge to make textile products competitive in the international market. As 7% duty is imposed on imports of PSF (polyester fiber), the most commonly used man-made fiber. Similarly, exporters are paying 11 percent customs duty, as well as 5 percent regulatory duty, on the import of filament yarn (Fig 16). Hence, the reduction in duty can pave the path towards reaching the trade potential with Chile on HS.6302 (PCRA, 2020).

Figure 9

Tariff on raw materials of textile

PCT Code	Description	Additional Custom Duty		Custom Duty		Regulatory Duty		Total	
		FY20	FY19	FY20	FY19	FY20	FY19	FY20	FY19
52.01	Cotton, not carded or combed	0%	0%	0%	3%	3%	0%	3%	3%
52.03	Cotton, carded or combed	0%	0%	0%	3%	3%	0%	3%	3%
52.04	Cotton sewing thread, whether or not put up for retail sale	4%	0%	16%	16%	0%	0%	20%	16%
52.05	Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not put up for retail sale	2%	0%	11%	11%	5%	5%	18%	16%
52.06	Cotton yarn (other than sewing thread), containing less than 85% by weight of cotton, not put up for retail sale	2%	0%	11%	11%	5%	5%	18%	16%
52.07	Cotton Yarn (other than sewing thread) put up for retail sale	2%	0%	11%	11%	5%	5%	18%	16%
52.08	Woven fabric of cotton, containing 85% or more by weight of cotton, weighing not more than 200g/m ²	7%	0%	20%	20%	10%	10%	37%	30%
52.09	Woven fabric of cotton, containing 85% or more by weight of cotton, weighing more than 200g/m ²	7%	0%	20%	20%	10%	10%	37%	30%
52.10	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing not more than 200g/m ²	4%	0%	16%	16%	10%	10%	30%	26%
52.11	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200g/m ²	4%	0%	16%	16%	10%	10%	30%	26%
52.12	Other woven fabrics of cotton	7%	0%	20%	20%	10%	10%	37%	30%
61.01-61.17	Knitted or crocheted clothing articles and accessories	7%	0%	20%	20%	10%	0%	37%	20%
62.01-62.17	Clothing articles and accessories (other than knitted and crocheted)	7%	0%	20%	20%	10%	5%	37%	25%
63.01-63.07	Other made up articles (including blankets, bedsheets, towels etc.)	7%	0%	20%	20%	10%	5%	37%	25%



Trade Potential of Latin American countries: Chile, Argentina and Brazil

Source: PCRA report (The Pakistan Credit Rating Agency Limited)-2020

3.3 Imports Potential

Pakistan can increase its imports on just two tariff lines in order to save more than \$8 million in the import bill of Pakistan.

3.3.1 HS.4703. Pulp of Wood

Table 12

Price Comparison on HS.4703

Country	Unit Value(\$)	Quantity(Ton)	Total Amount('000)	Difference('000)
Chile	531	29,374	15,632	0
Canada	573	5,946	3,409	3,157
USA	611	73,097	44,642	38,814
Sweden	598	19,822	11,844	105,254
Finland	569	5,788	3,295	3,073
Total	2,882	134,027	78,822	55,570

Source: Trade Map

Total impact on Import Bill: \$78.822- \$71.202= \$7.620(million)

Unit value being offered by Chile is much lower than other trading partners including Canada, USA and Sweden, hence, Pakistan can save 7.6 million dollars on HS.4703 by importing more from Chile than other trading partners.

3.3.2 HS.2810. Oxides of Boron

Table 13

Price Comparison on HS.2810

Country	Unit Value(\$)	Quantity(Ton)	Total Amount('000)	Difference('000)
Chile	778	428	333	0
USA	791	636	503	391
China	2,390	123	294	228
UK	907	19	32	24
Germany	636	22	24	18
Total	5,502	1,228	1,186	663

Source: Trade Map



Trade Potential of Latin American countries: Chile, Argentina and Brazil

Total impact on Import Bill: $\$1,186 - \$996 = \$190,000$

Unit value being offered by Chile is much lower than other trading partners including USA, China and UK, hence, Pakistan can save 0.19 million dollars on HS.2810 by importing more from Chile than other trading partners.

3.4 Pakistan Trade Potential with Argentina

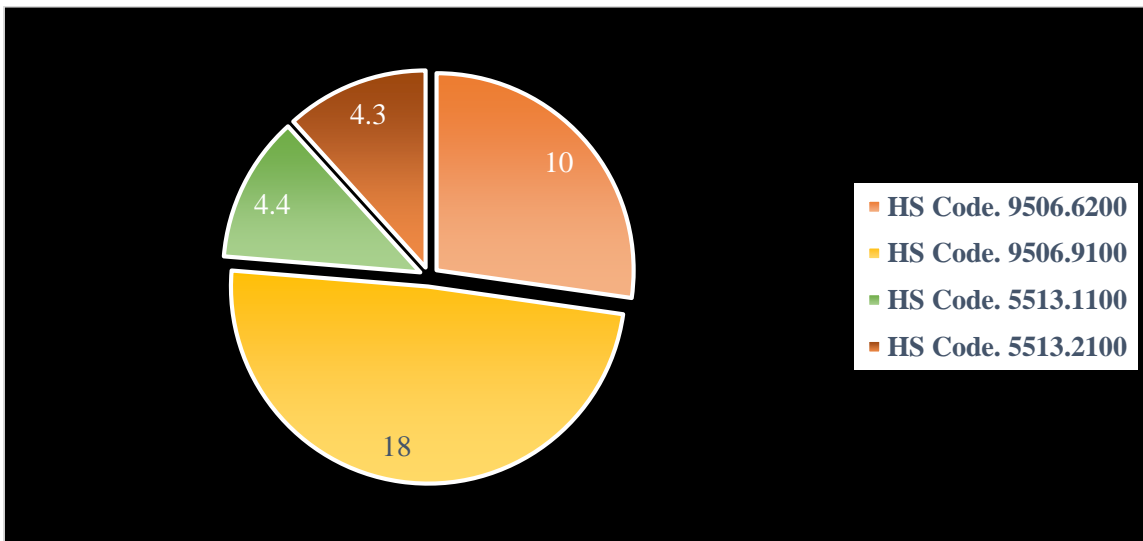
3.4.1 Exports Potential

It has been found that, Pakistan has the exports' trade potential on below two tariff lines and those can also be further divided into four tariff lines (Fig 17). Although, the total market size that may be captured on two tariff lines amounts to more than \$65 million (Fig 18). However, Pakistan exports on the existing two tariff lines is very small as this can be seen in Fig 19.

1. HS.9506
2. HS.5513

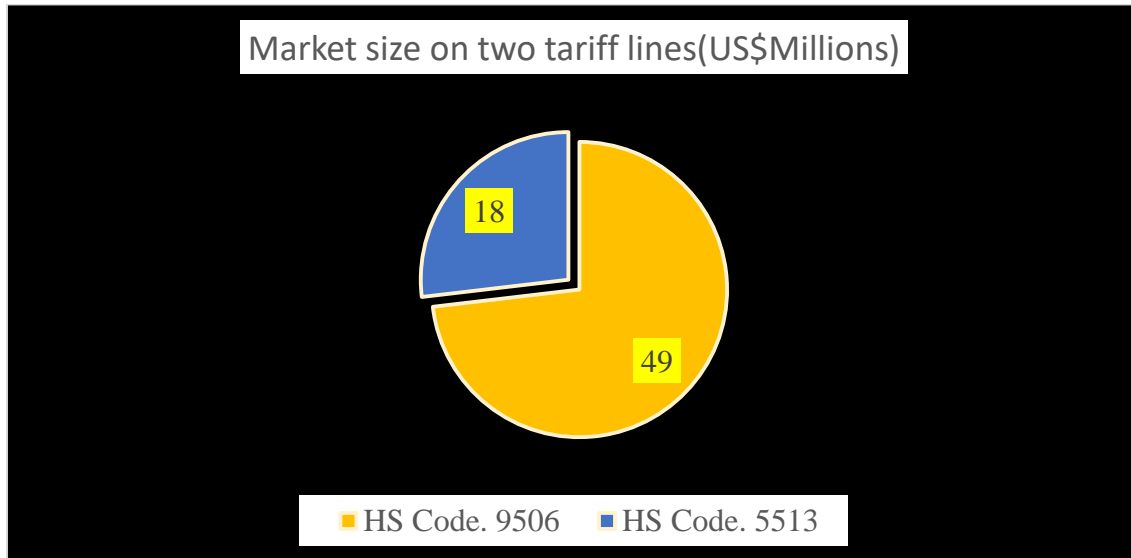
Figure 10

Trade potential on four tariff lines



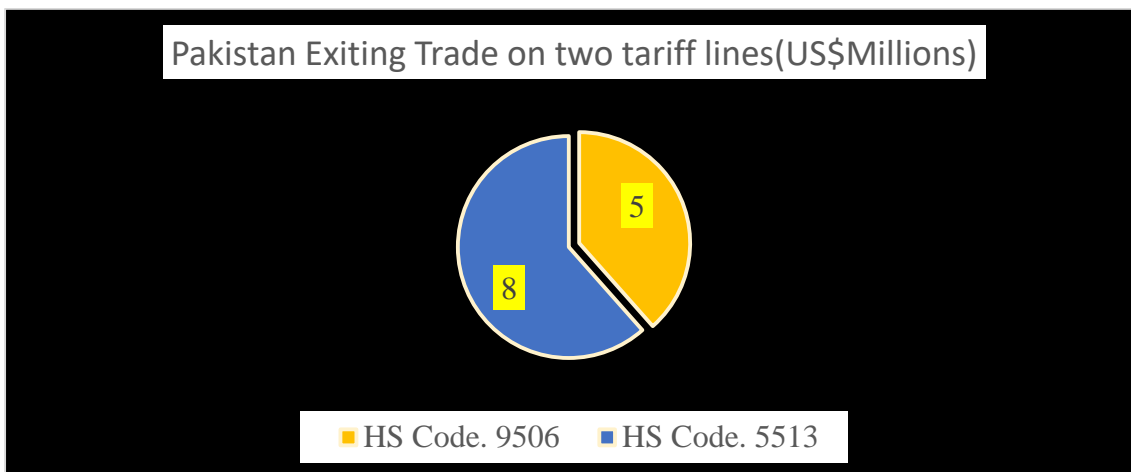
Source: WTO(tao)

Figure 11
Total market size on tariff lines



Source: WTO (tao)

Figure 12
Current trade on tariff lines



Source: WTO(tao), Trade map



Trade Potential of Latin American countries: Chile, Argentina and Brazil

3.4.2 HS.9506: Articles and equipment for general physical exercise, gymnastics, athletics, other sports

Pakistan is currently exporting more than \$177 million dollars to the world on this tariff line but just \$5 million to Argentina. Hence, Pakistan has the potential to increase the exports to more than \$170 million. Pakistan can reach to that potential as Pakistan price per unit is lower than the most trading partners as shown in the below Table 18.

Table 14

Price Comparison on HS.9506

HS Code. 9506					
HS Code. 9506.6200					
Pakistan-2nd	China	Vietnam	India	Thailand	Brazil
9.936- 27%	6.354	14.576	11.587	13.447	20.977
HS code. 9506.9100					
Pakistan	China	USA	European Union	Chinese Taipei	Brazil
13.053- 0.04%	2.541	13.504	12.895	7.353	9.610

Source: WTO(tao)

3.4.3 HS.5513: Woven Fabrics of Synthetic Staple Fibres

Pakistan is currently exporting more than \$153 million dollars to the world on this tariff line but just \$8 million to Argentina. Hence, Pakistan has the potential to increase the exports to more than \$140 million. Pakistan can reach to that potential as Pakistan price per unit is lower than the most trading partners as shown in the below Table 19.

Table 15

Price Comparison on HS.9506

HS Code. 5513					
HS Code. 5513.2100					
Pakistan-Ist	China	Brazil	Indonesia	Thailand	European Union
5.077- 60%	6.571	6.353	7.118	8.417	6.106
HS code. 5513.1100					
Pakistan- Ist	China	Brazil	European Union	Indonesia	
4.901- 43%	4.676	6.300	6.277	6.489	

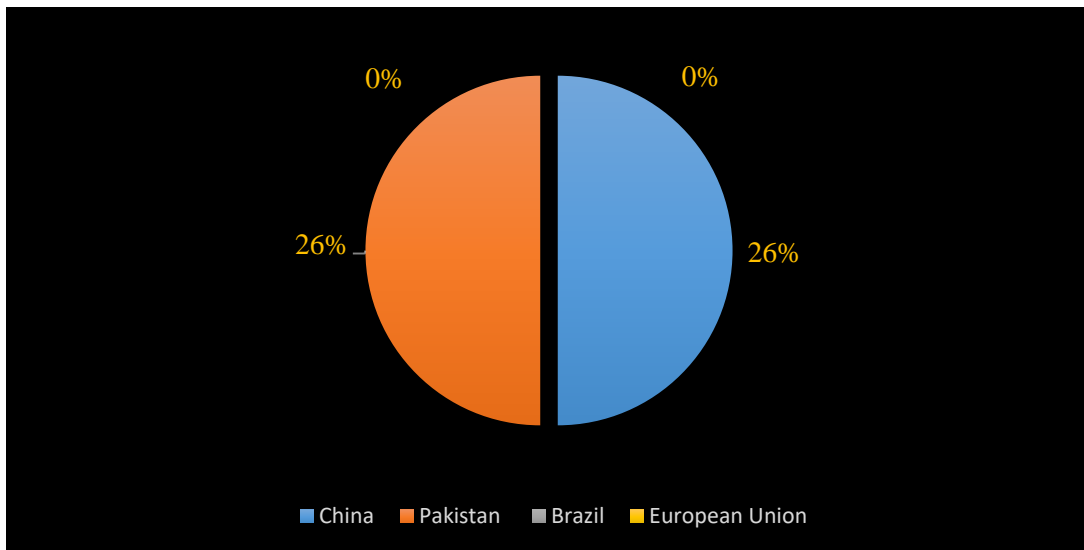
Source: WTO (tao)

3.4.4 Two approaches to reach exports' potential

3.4.5 Advolrem Benefit

Pakistan is facing the highest Advolrem in Argentina because, Pakistan has no trade agreement with Argentina (Table 20). Hence, if Pakistan sign any kind of preferential agreement with the Argentina, then Pakistan has the chance to reach to the trade potential as mentioned earlier. The tariff faced by Pakistan is 26% as compared to 0% by China, European Union (EU) and Brazil (Fig 20).

Figure 13: Advolrem Comparison



Source: TAO(WTO)



Trade Potential of Latin American countries: Chile, Argentina and Brazil

3.4.6 Domestic Challenge

There are two domestic challenges faced by sports manufacturing industry in order to reach to the exports potential in Argentina. First, the 40% manufacturing units are closed as, there are currently 2500 manufacturing establishments in Pakistan and out of 2500, 1500 are operational. Out of those 1500, some 400 firms are involved in manufacturing of inflatable balls, while an equal number of firms produce gloves and other protective gear. The rest 700 units are associated with other sports goods like wooden items, leather balls, composite-based items and gymnastic tools, etc. Hence, more manufacturing units should be opened in order to increase the exports of these products to the world. Moreover, second challenge is heavy duty on raw materials of sports goods especially Latex and artificial leather. The import duty on artificial leather is 11% and Latex is 3 % (SMEDA report, 2018). Hence, the two issues should be addressed in order to reach to the exports potential of more than \$65 million dollars in Argentina.

3.5 Imports Potential

3.5.1 HS5201: Cotton (Neither carded nor combed)

Table16

Price Comparison on HS.9506

Country	Unit Value	Quantity(Ton)	Total Amount('000)	Difference('000)
Argentina	1,411	29,785	42,030	0
USA	1,630	338,559	551,896	477,706
Brazil	1,546	176,167	272,286	248,571
Afghanistan	1,787	65,566	117,135	92,513
Tanzania	1,555	55,075	85,667	77,710
Mexico	1,533	39,460	60,506	55,678
Ivory Coast	1,496	26,879	40,223	37,926
Egypt	2,299	16,535	38,019	23,330
Total	13,257	748,026	1,207,762	1,013,438

Source: Trade Map



Trade Potential of Latin American countries: Chile, Argentina and Brazil

Total impact on Import Bill: \$1,207.762- \$1,013.438= \$194.324(million).

Unit value being offered by Argentina is much lower than other trading partners including USA, Brazil and Afghanistan, hence, Pakistan can save more than \$190 million dollars on HS.9506 by importing more from Argentina than other trading partners.

3.5.2 HS.0713: Dried leguminous vegetables, shelled

Table 17

Price Comparison on HS.9506

Country	Unit Value	Quantity	Total Amount('000)	Difference('000)
Argentina	575	49,704	28,585	0
Montenegro	829	41,073	34,046	23,616
Vietnam	762	30,025	22,877	17,264
Tanzania	695	33,149	23,032	19,060
Ethiopia	804	26,817	21,561	15,419
Kenya	881	19,642	17,304	11,294
Total	4,546	159,378	147,405	86,653

Source: Trade map

Total impact on Import Bill: \$147.405—\$115.238= \$32,167

Unit value being offered by Argentina is much lower than other trading partners including Montenegro, Vietnam and Tanzania, hence, Pakistan can save more than \$30 million dollars on HS.1703 by importing more from Argentina than other trading partners.



Trade Potential of Latin American countries: Chile, Argentina and Brazil

3.6 Pakistan Trade Potential with Brazil

3.7 Exports Potential

3.7.1 HS.6302: Bed Linen

Pakistan is currently exporting more than \$3 billion dollars to the world on this tariff line but just \$8 million to Brazil. Hence, Pakistan has the potential to increase the exports to more than \$18 million. Pakistan can reach to that potential as Pakistan price per unit is lower than the most trading partners as shown in the below Table 13.

Table 18

Price comparison on HS.6302

HS Code. 6302					
HS Code. 6302.2100					
Pakistan- Ist	China	European Union	Uruguay	India	Paraguay
7.043- 70%	8.215	15.576	7.525	7.805	14.735
HS code. 6302.3100					
Pakistan- 3rd	China	India	Paraguay	European Union	Turkey
9.635- 12%	10.336	7.356	17.751	16.082	21.236

Source: Trade map

3.7.2 HS.9018: Medical Instruments and Appliances

Pakistan is currently exporting more than \$362 million dollars to the world on this tariff line but just \$7.7 million to Chile. Hence, Pakistan has the potential to increase the exports to more than \$145 million. Pakistan can reach to that potential as Pakistan price per unit is lower than the most trading partners as shown in the below Table 14.



Table 19
Price comparison on HS.9018

HS Code. 9018					
HS Code. 9018.9095					
Pakistan	Puerto Rico	USA	China	Mexico	European Union
186.064 0.11%	285.252	229.264	162.958	581.592	253.790
HS code. 9018.1980					
Pakistan	USA	China	European Union	Japan	Korea
102.342 0.02%	683.177	164.265	386.683	242.549	173.684

Source: Trade map

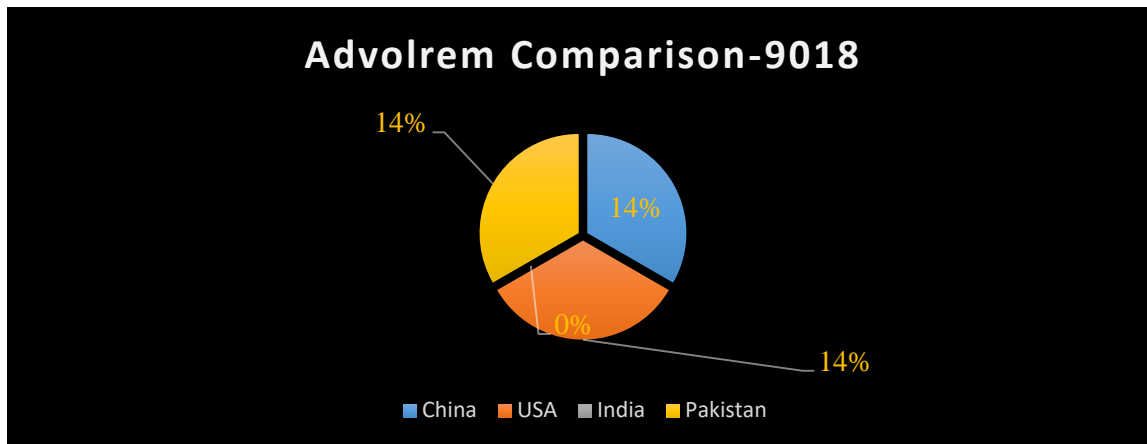
3.7.3 Two approaches to reach exports' potential

3.7.4 Advolrem Benefit

Pakistan is facing the highest Advolrem in Brazil because, Pakistan has no trade agreement with Brazil (Table 24). Hence, if Pakistan sign any kind of preferential agreement with Brazil, then Pakistan has the chance to reach to the trade potential as mentioned earlier. The tariff faced by Pakistan is 14% as compared to 0% by China, USA and India (Fig 24).

Figure 14

Advolrem Comparison



Source: TAO(WTO)

3.7.5 Domestic Challenge

Pakistan is engaged in exporting medical devices and equipment to the world since 1990s and its exports has been increasing till this day. The growth of 7% is observed under the HS.9018 in the year 2019-20. This is also evident that, more than 95% of country’s export is under HS Code 9018 which covers instruments and appliances used in medical, surgical, dental or veterinary sciences, including scintigraphic apparatus, other electro-medical apparatus, sight-testing instruments & Neuro Endovascular Surgery (NES). There are two challenges mainly faced by the medical instruments industry including the underrated raw material and the outdated manufacturing process.

There are two raw materials used in the industry including American Iron and Steel Institute (AISI) 410 and AISI 420, these are two forms of magnetic steel used in the surgical manufacturing industry. The third category of raw material is die steel, which is normally imported at very high costs. The local industry in order to cut costs uses some substitutes of die steel, which is not of the same quality as international die steel. Hence, the degradation in raw materials impact on the quality of final products. The second challenge occurs in the manufacturing process, which is not adequate and it is due to an absence of physical testing and metallographic checks (Hamrick & Bamber, 2019). Those two challenges result in lower quality of stainless steel, which is the main ingredient of medical devices and equipment. Hence, the domestic issues must be addressed in order to provide the chance of increasing the exports to Brazil and reaching the maximum potential of more than \$180 million dollars.



Trade Potential of Latin American countries: Chile, Argentina and Brazil

3.8 Imports from Brazil

3.8.1 HS.1701-Cane or Beet Sugar

Table 20

Price Comparison on HS.1701

Country	Unit Value(\$)	Quantity(Ton)	Total Amount('000)	Difference('000)
Brazil	468	25,147	11,772	0
Egypt	482	50,160	24,186	23,474
Saudi Arabia	483	9,495	4,586	4,443
Malaysia	535	1,726	924	8,077
UK	592	1,163	688	5,442
Germany	594	890	529	4,165
Total	2,560	85,691	42,156	29,687

Source: Trade Map

Total impact on Import Bill: \$42.156-\$29.687= 12.469(million)

Unit value being offered by Brazil is much lower than other trading partners including Egypt, Saudi Arabia and Malaysia, hence, Pakistan can save more than \$12 million dollars on HS.1701 by importing more from Brazil than other trading partners.

3.8.2 HS.2902- Cyclic Hydrocarbons

Table 21

Price Comparison on HS.2902

Country	Unit Value(\$)	Quantity(Ton)	Total Amount('000)	Difference('000)
Brazil	685	2,474	1,695	0
Saudi Arabia	705	96,094	138,312	65,824
Kuwait	689	94,365	64,978	64,640
USA	935	25,816	24,130	17,683
Korea	774	11,348	8,787	7,773
Spain	813	9,988	8,117	6,841
Total	3,788	237,611	244,324	162,763

Source: Trade Map

Total Impact on Import Bill: \$244.324 – \$164.458=79.866(million)



Trade Potential of Latin American countries: Chile, Argentina and Brazil

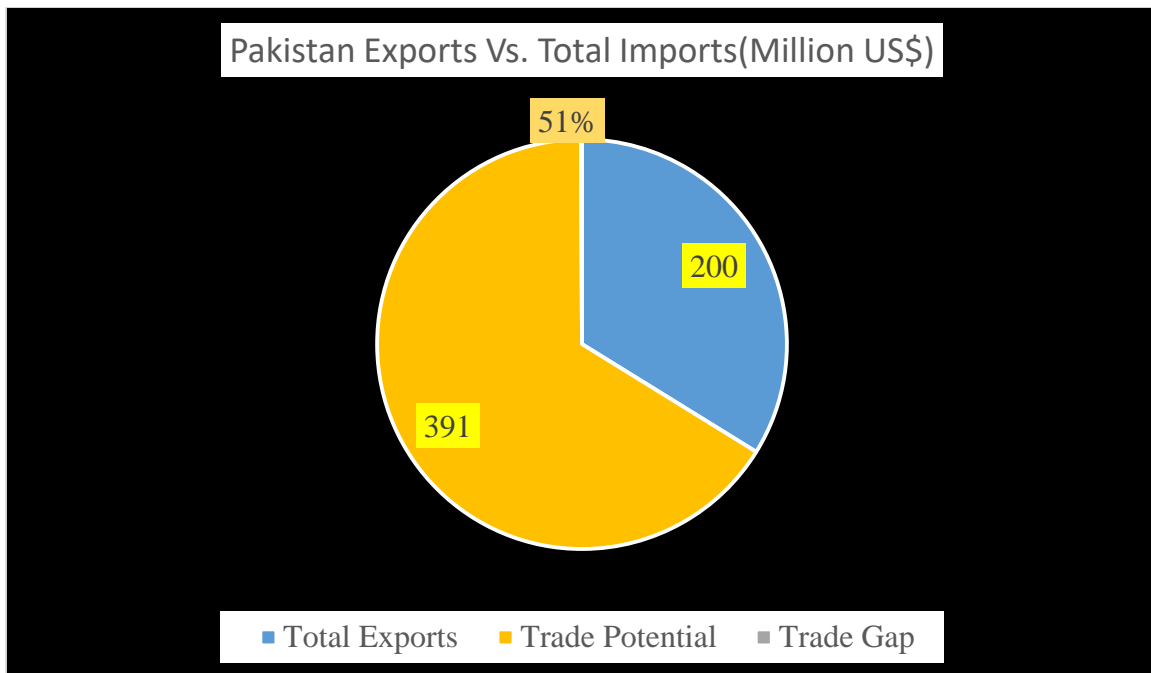
Unit value being offered by Brazil is much lower than other trading partners including Egypt, Saudi Arabia and Malaysia, hence, Pakistan can save more than \$12 million dollars on HS.1701 by importing more from Brazil than other trading partners.

3.9 Total Trade Gap

It has been found from the previous data that, Pakistan total exports to three countries is just \$200 million dollars but, it can be increased to \$391 million dollars with an increase of 51%, if the domestic issues are addressed and other approaches are also followed.

Fig 25

Total Trade Gap in three countries



Source: WTO (tao)



Chapter No. 4

4.1 Conclusion

Pakistan has good diplomatic relationships with all three countries including Chile, Argentina and Brazil. Although, the trade with Argentina and Brazil is increasing but, it is somehow decreasing with Chile because of indirect diplomatic relationship with Chile through Argentina. The trade of Pakistan with all three countries is although higher as compared to other countries in the region like Guatemala and Paraguay. The bilateral trade between Pakistan and Chile is \$106 million, while the trade between Argentina and Pakistan is \$194 million while, the trade between Brazil and Pakistan is \$1,354 million. However, Pakistan can increase its bilateral trade with these countries provided that, it addresses the issues like higher freight cost, unequal Advolrem tax and capacity enhancement of domestic industries like textiles, medical and surgical instruments.

Pakistan has the trade potential with Chile and it amounts to more than \$140 million and it can be achieved through exporting more on four tariff lines including HS.6302, HS.9018, HS.6105 and HS.6116. Although, three approaches are possible and those can be used to increase exports and that includes Advolrem reduction through any future trade agreement, reduction in freight costs through government subsidy and finally addressing domestic manufacturing issues on HS.6302. Pakistan can also save almost \$8 million in overall import bill, by importing more from Chile.

Moreover, Pakistan has trade potential of more than \$65 million dollars with Argentina and that can be realized on two tariff lines including HS.9506 and HS.5513. However, there are two approaches those can be used to increase the exports including signing any trade agreement with Argentina for reduction of Advolrem and second, addressing the domestic manufacturing issues on HS.5513. Similarly, Pakistan can save \$226 million in the overall import bill, by importing more from Argentina as well. Finally, Pakistan's trade potential of slightly more than \$180 million with Brazil, and that can be achieved through exporting more on two tariff lines including HS.6302 and HS.9018. Pakistan can also save \$91 million in the overall import bill with Brazil. Subsequently, Pakistan has a trade potential of \$191 million with these three Latin American countries and that can be achieved even though keeping the current tariff regime in place but, it can be enhanced through signing any trade agreement with individual country.



4.2 Policy Recommendations

1. Pakistan can double its exports to Chile by exporting more on existing tariff lines including HS.6302, HS.9018, HS.6116 and HS.6105.
2. Pakistan can get the level playing field in Chile by signing any kind of trade agreement with Chile
3. Pakistan can increase its exports to more than double to Brazil by exporting more on just two existing tariff lines including HS.9018 and HS.6302
4. Pakistan can increase exports and can make it to almost double, from 37 million dollars to 67 million dollars, to Argentina by exporting more on HS.9506 and HS.5513
5. Pakistan can save more than 7 million dollars by importing more from Chile on HS.4703
6. Pakistan can save more than 12 million dollars by importing more from Brazil on HS.1701
7. Pakistan can also save more than 79 million dollars by importing more from Brazil on HS. 2902
8. Pakistan can save more than 194 million dollars on HS.5201 and more than 32 million dollars on HS.0713 by importing more from Argentina than other countries
9. Collectively, Pakistan can save more than 300 million dollars in imports and increase its exports to more than 190 million dollars from three countries
10. Pakistan is already leading in textiles and medical instruments category in South American countries so, Pakistan can increase its exports by establishing more manufacturing units related to those products.



References

- Adewale, A. R. (2012). Does import substitution industrialization strategy hurt growth? New evidence. *African and Asian studies*, 288-314.
- Aramex. (2021). *Pakistan to Chile Rate Calculator*. Retrieved from Aramex: <https://www.aramex.com/us/en/ship/check-shipping-rates>
- Argentina, E. o. (2019). *An Overview of Pak-Chile Relations*. Retrieved from pakistaninargentina: <https://pakistaninargentina.org/accredited-countries/chile/an-overview-of-pak-chile->
- Brasilia.P. (2008). *Brazil to sell 100 missiles to Pakistan*. Retrieved from thedailystar: <https://www.thedailystar.net/news-detail-66037>
- Chief, P. (2021). *Send a Courier to Chile From India*. Retrieved from Parcelchief: <https://www.parcelchief.in/courier-to/chile/>
- China, M. i. (2021). *Shipping To Chile from China*. Retrieved from MadeinChina: <https://www.made-in-china.com/products-search/hot-china->
- Cuadrado-Roura, J. R. (2013). *Regional problems and policies in Latin*. Springer Berlin Heidelberg.
- Dataset, W. B. (2019). *Argentina*. Retrieved from World Bank: <https://data.worldbank.org/country/argentina>
- Dataset, W. B. (2020). *Brazil*. Retrieved from World Bank: <https://data.worldbank.org/country/BR>
- Dataset, W. B. (2020). *Chile*. Retrieved from World Bank: <https://data.worldbank.org/country/chile>
- Dataset, W. B. (2020). *Latin American Region*. Retrieved from World Bank: <https://www.worldbank.org/en/region/lac>
- Dataset, W. B. (n.d.). *World Bank*. Retrieved from Latin American Region: <https://www.worldbank.org/en/region/lac>
- Hamrick, D. &. (2019). *Pakistan in the Medical Device Global Value Chain*. Duke University.
- ICCI. (2016). *Brazil-Pakistan Chamber of Commerce and Industry to focus on promoting*. Retrieved from ICCI: <https://asianetpakistan.com/brazil-pakistan-chamber-of-commerce-and-industry-to-focus-on-promoting-pakistan-brazil-bilateral-trade/>
- Licetti, M. M. (2018). *Strengthening Argentina's Integration*. World Bank.
- OEC. (2019). *Argentina*. Retrieved from OEC: <https://oec.world/en/profile/country/arg>
- OEC. (2019). *Brazil*. Retrieved from OEC: <https://oec.world/en/profile/country/bra>
- OEC. (2019). *Chile*. Retrieved from OEC: <https://oec.world/en/profile/country/chl>