

# Pakistan's Free Trade Agreements and their impact on the garment sector

The global economy is once again going through a crisis and as a result Pakistan's exports are also expected to take a hit because USA and the EU are its largest trading partners. It can be expected that these economies will remain in recession for the next 2-3 years and Pakistan needs to diversity its export destinations in order to minimize the effects of recession in the EU and USA. While, demand is expected to go down considerably it is also expected that protectionist policies will be implemented, especially in the US to stem their unemployment rate.

## **Garment exports to the EU & USA:**

30% and 58% of Pakistan's total woven garments are exported to USA and EU-27 respectively. While, 63% of knit garments are exported to USA and 29% to the EU-27. Overall, EU and the USA account for 91% of Pakistan's total garment exports.

### ***Pakistan's exports of woven garments to EU and USA***

Importers	Exported value in 2008	Exported value in 2009	Exported value in 2010
Total Exports to World	1,361,171	1,206,499	1,461,643
United States of America	470,904	386,189	435,268
EU-27	729,398	668,475	859,684

*All figures in USD 000*

### ***Pakistan's exports of knit garments to EU and USA***

Importers	Exported value in 2008	Exported value in 2009	Exported value in 2010
Total Exports to World	1,888,467	1,680,773	1,982,423
United States of America	1,166,899	1,038,702	1,238,550
EU-27	569,690	497,859	580,854

*All figures in USD 000*

## **FTA with China:**

Although, Pakistan has an FTA with China but exports of woven and knit garments still have an average import duty rates ranging from 12-16%. PRGMEA has already requested the government to bring Pakistan's garment exports under duty-free regime with China.

### ***China's imports of woven and knit garments from the world***

Exporters	Imported value in 2008	Imported value in 2009	Imported value in 2010
World – Woven	1,221,966	1,018,575	1,418,275
World – Kints	853,704	633,170	815,177

*All figures in USD 000*

### **MFN with India:**

India has recently signed a treaty with Bangladesh under which 46 textile and garment items have been allowed duty-free access in the Indian market. According to news reports, “India has US\$ 3 billion apparel market size which Bangladesh can easily capture a large portion because of this treaty”. As Pakistan shares its borders with India just as Bangladesh, Pakistan should also look to have a similar treaty with India which can open the possibility of a real economic union between the eight states of South Asia. Pakistan’s garment exports to India currently have an import duty of about 10%.

### ***India's imports of woven and knit garments from the world***

Exporters	Imported value in 2007	Imported value in 2008	Imported value in 2009
World – Woven	67,238	87,408	67,376
World – Kints	33,248	50,302	45,427

*All figures in USD 000*

### **FTA with Malaysia & Sri Lanka:**

Although Pakistan has signed FTA’s with Malaysia and Sri Lanka but as the quantum of garment imports is not significant, these markets will not provide any sizeable replacement for EU and US markets. As Sri Lanka has a strong garment manufacturing industry of its own and raw material exports such yarn and fabrics will increase because of FTA.

### ***Malaysia's imports of woven and knit garments from the world***

Exporters	Imported value in 2008	Imported value in 2009	Imported value in 2010
World – Woven	235,850	153,978	174,237
World – Kints	180,910	119,467	135,362

*All figures in USD 000*

### ***Sri Lanka's imports of woven and knit garments from the world***

Exporters	Imported value in 2008	Imported value in 2009	Imported value in 2010
World – Woven	34,922	41,975	47,765
World – Kints	44,919	34,654	40,586

*All figures in USD 000*

### **FTA with ASEAN:**

ASEAN is currently the fastest growing trading block in the world and it is imperative that Pakistan should either seek membership of this block or negotiate an FTA in order to get a foothold in this significant economic activity zone.

#### ***ASEAN's imports of woven and knit garments from the world***

Importers	Imported value in 2008	Imported value in 2009	Imported value in 2010
World - Woven	178,922,628	157,693,883	166,057,820
World - Kints	165,201,294	152,276,107	168,212,961

*All figures in USD 000, Aggregated data*