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Enhancing Regional Integration and Economic Growth through enhanced Kyrgyzstan-Pakistan Trade: Trade Environment, Infrastructure and Potential

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Introduction

REGIONAL INTEGRATION is seen to be source of economic value and less dependency on traditional markets (and sources of inputs)

Integration can be measured through:

- Trade and investment
- Monetary and financial links
- Regional infrastructure and connectivity
- Participation in regional value chains
- Institutional and social integration
- Free movement of people and labour

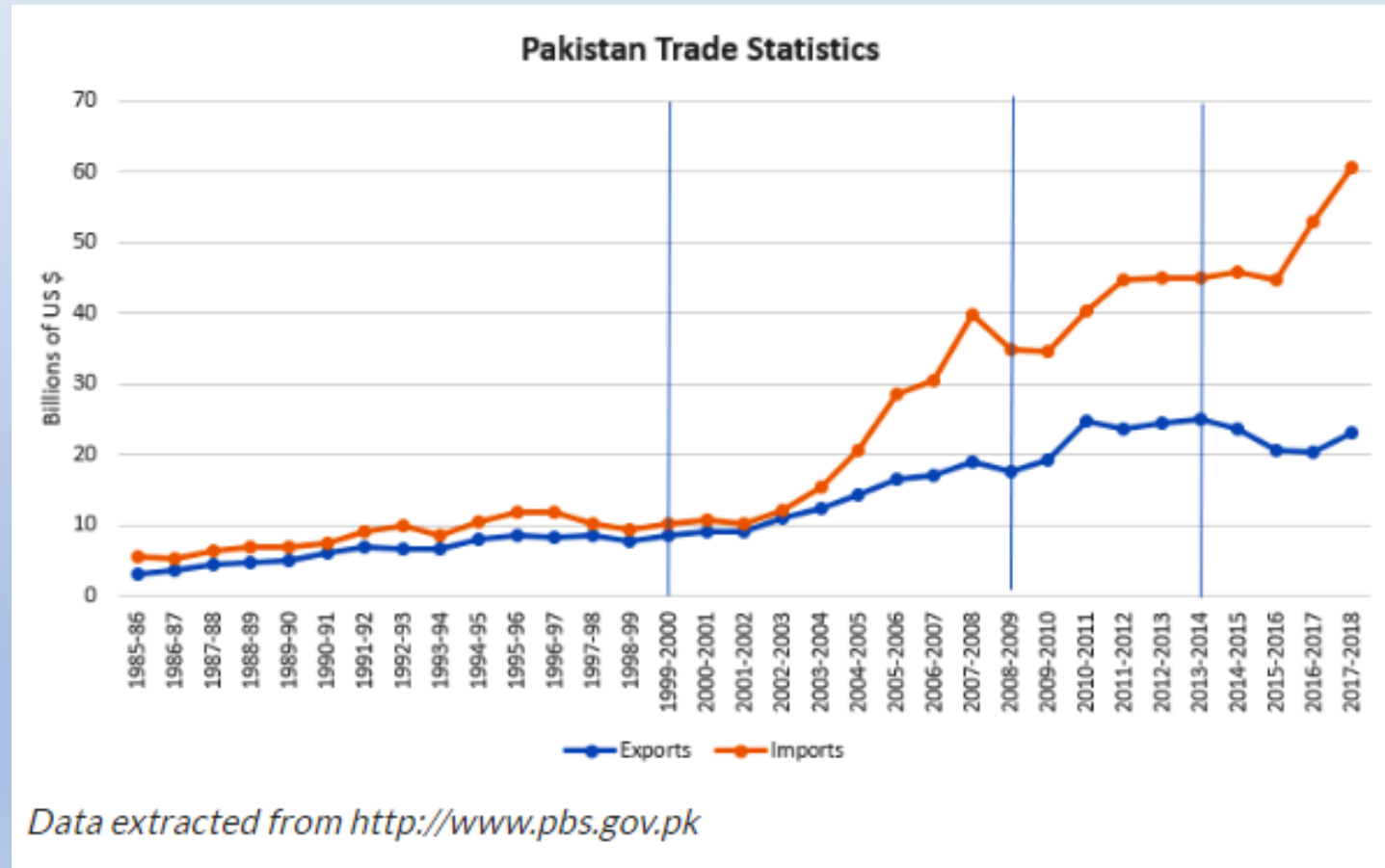
Pakistan-Trade Reforms

- 1960s-1970s:
 - **Import Substitution**
 - Focus on increasing local production
- 1980s:
 - **Shifting focus to exports**
 - Negative list system to restrict imports
 - Income tax concession on export earnings
- 1990s:
 - **Dramatic trade liberalization**
 - Removing trade barriers
 - Max level of tariffs falls to 45% from 225% over 10 years



Pakistan-Trade Reforms

- Early 2000s:
 - Nearly all traditional import quotas are eliminated
 - **Customs procedures improved**
- 2007-2009:
 - Financial crisis aftermath
 - Exports falls
- 2009-2012:
 - Focus export-led growth
 - **Trade agreements** with China, Malaysia & Sri-Lanka



Pakistan-Trade Reforms

- 2012-2015:
 - Sole focus on exports
 - Export Import Bank was established
 - **Expanding trade relations with China, Iran & Afghanistan**
- 2015-2018:
 - **Grants to increase innovation** given to leather, pharmaceutical and fishing sectors
 - Revival of trade agreement between Kyrgyz Republic, Kazakhstan, China & Pakistan (QTTA)
 - One-window operation- **trade facilitation**



Kyrgyzstan

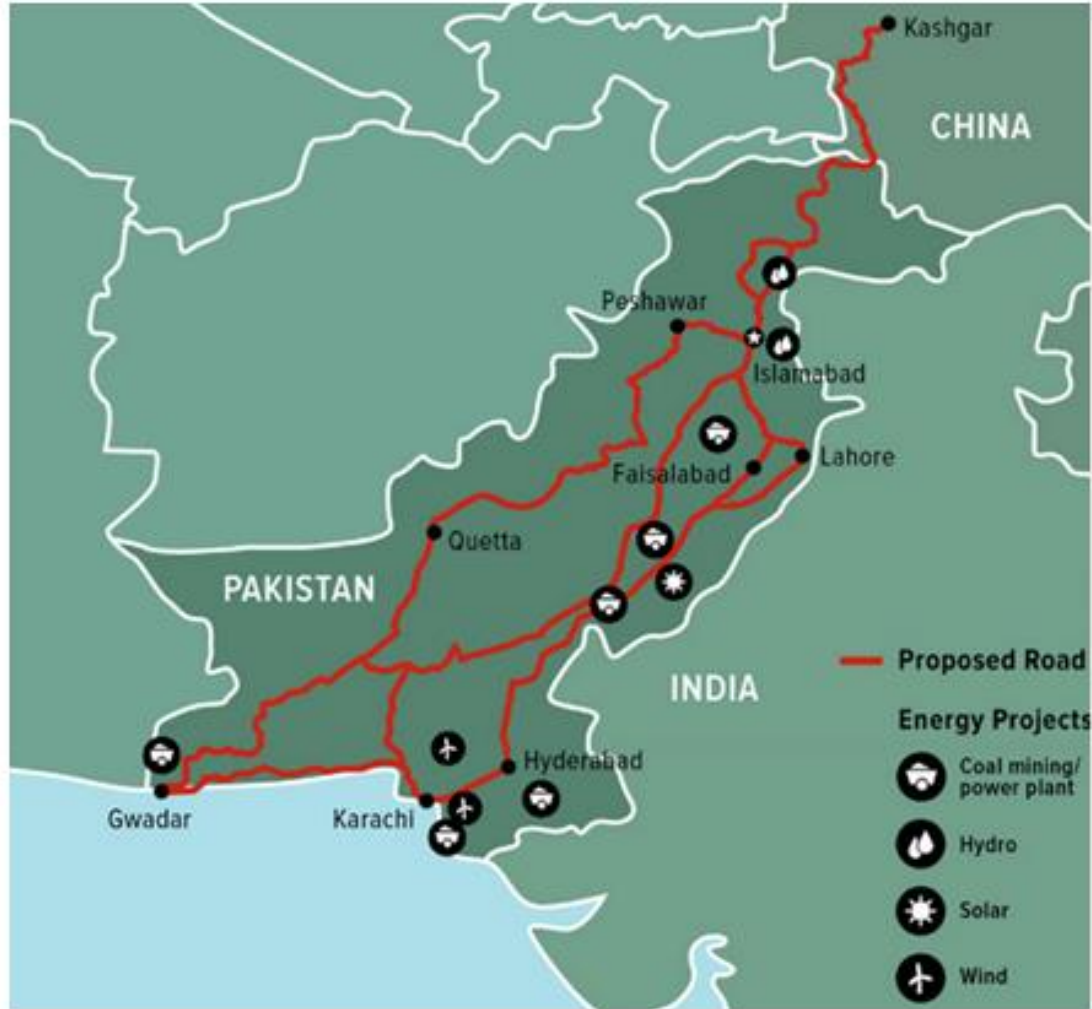
- Landlocked (access to ports and new markets important)
- Energy trade is lucrative
- Possesses substantial Agri and food industries
- Comparatively liberal regulatory and economic climate than its neighbors

Opportunities

- Pakistan is a large market of 210 million people
- Pivotal geostrategic location
- Road Infrastructure
- Ease of doing business has considerably improved: One-window operations
- Offers a key land-sea route from Central Asia and China into the Gulf Region, Africa and East Asia



TRADE ROUTES: CPEC



The Proposed \$46-Billion China Pakistan Economic Corridor (Source: Wall Street Journal Investors)



The China-Pakistan Economic Corridor (CPEC) links the Pakistani southern seaports of Karachi and Gwadar to Kashgar in China through three routes covering roads, power plants, special economic zones and related infrastructure

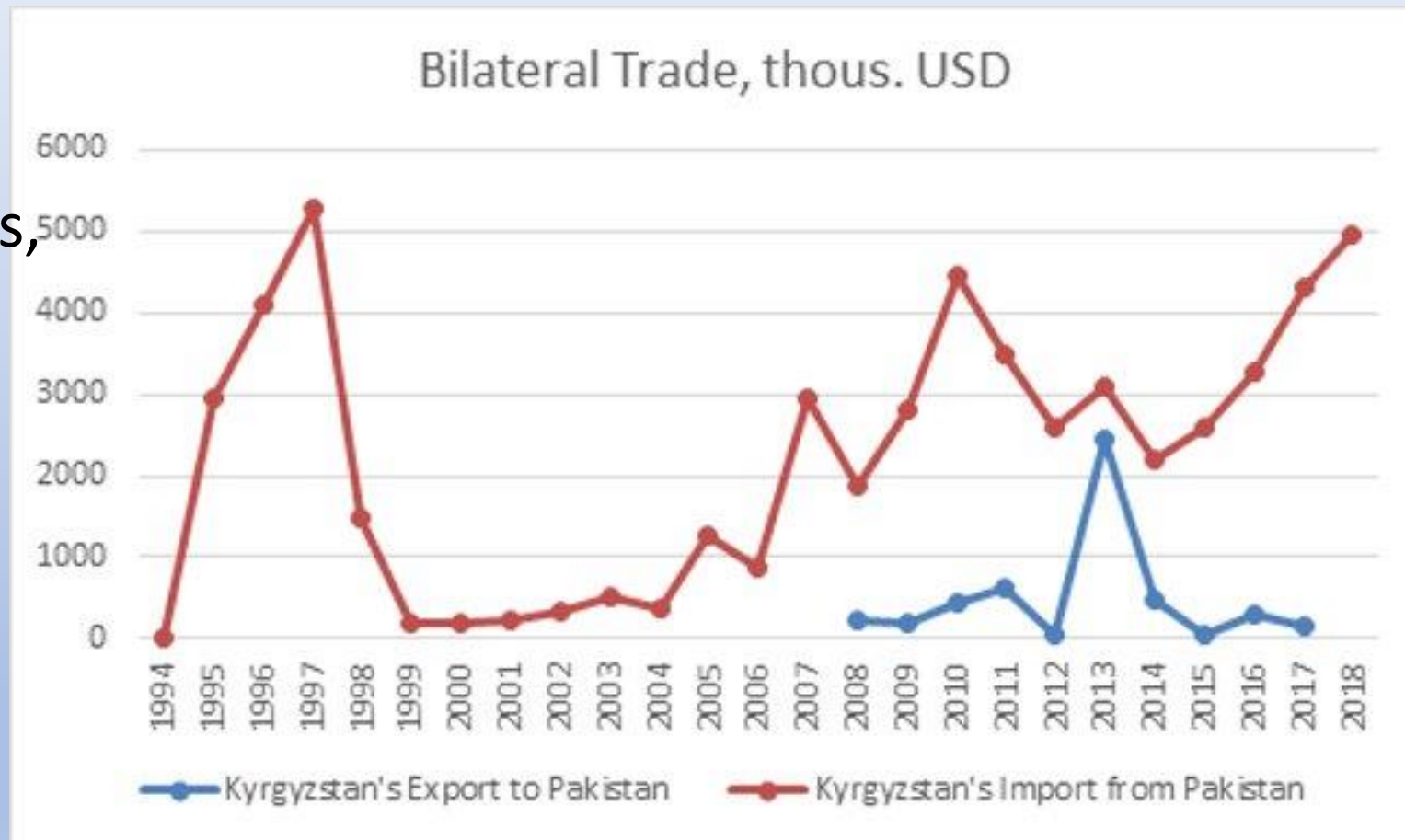
QTTA Agreement

- Quadrilateral Traffic in Transit Agreement (QTTA) between Pakistan, China, Kyrgyzstan, Kazakhstan and Tajikistan to construct a transit route to allow Pakistan to access CARS
- CARs to access Pakistani ports

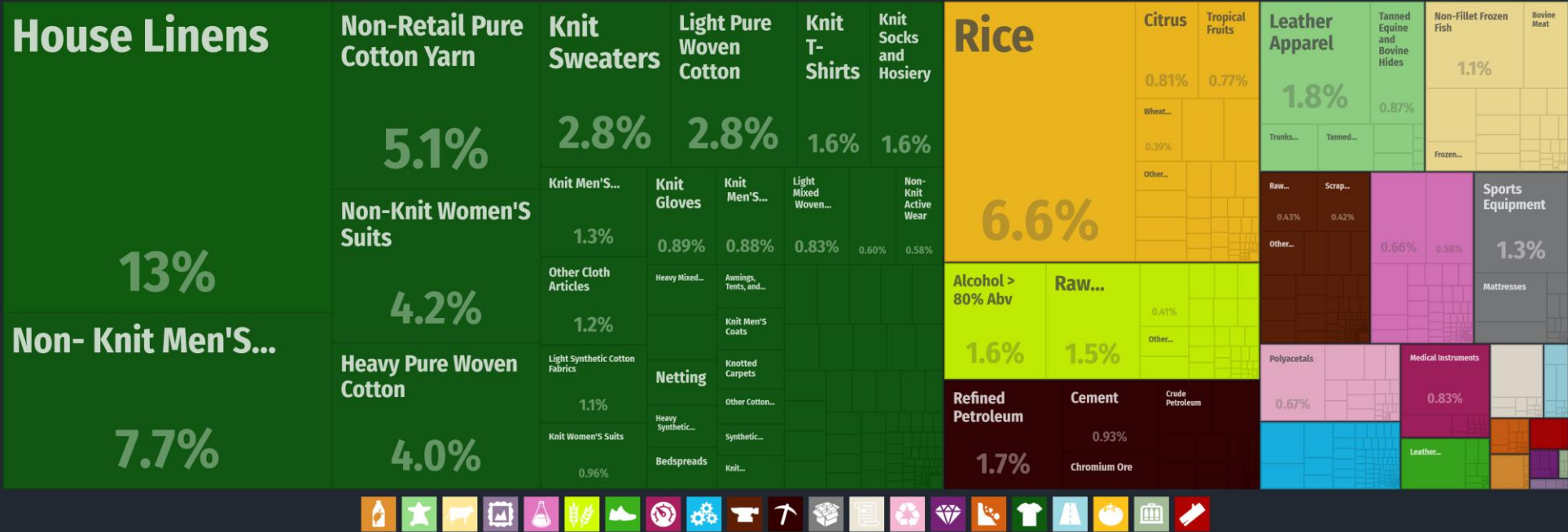


Central Asian Country	Exports to Pakistan (in USD)	Imports from Pakistan (in USD)
Kazakhstan	36.8 million	0.36 million
Kyrgyzstan	0.4 million	4.96 million
Turkmenistan	3.3 million	1.9 million
Tajikistan	6.6 million	5.1 million
Uzbekistan	3.4 million	0.27 million
Total	50.5 million	12.59 million

- Pakistan's major exports to Kyrgyzstan: Consumer goods, Chemicals, Intermediate goods, Transportation
- Kyrgyzstan's major exports to Pakistan: Consumer goods, Machinery & Electric, Hides & Skins, Fuels



TOTAL: \$24.8B



TOTAL: \$1.92B

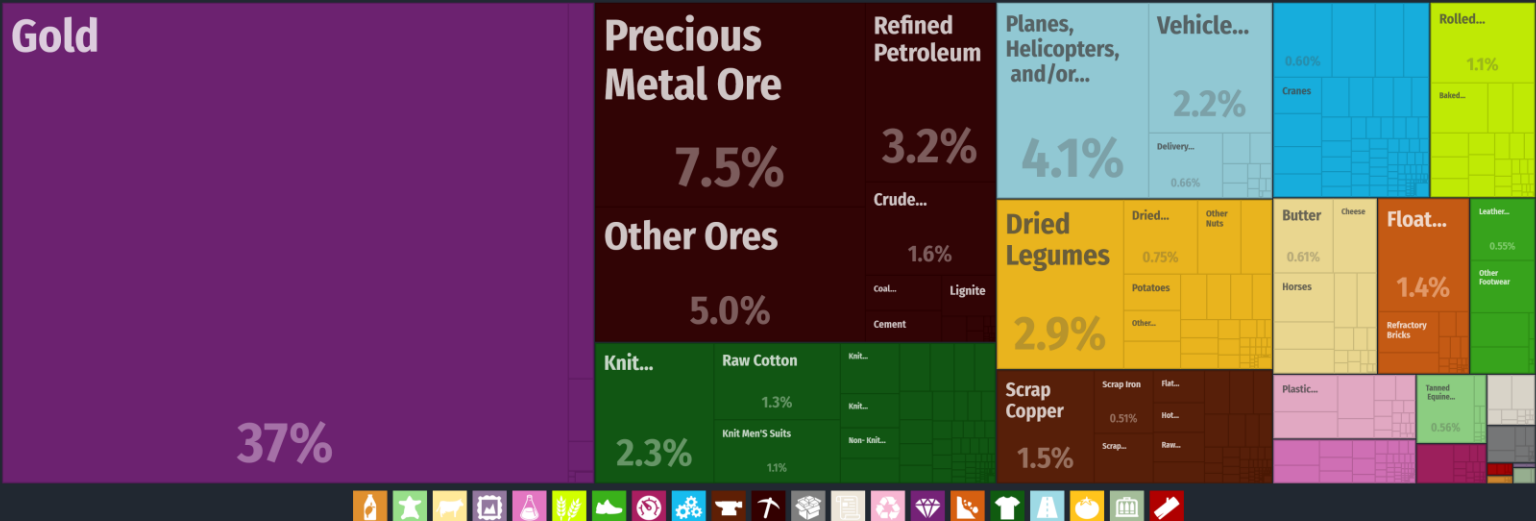


Figure 1
CAREC with CAREC, 2016

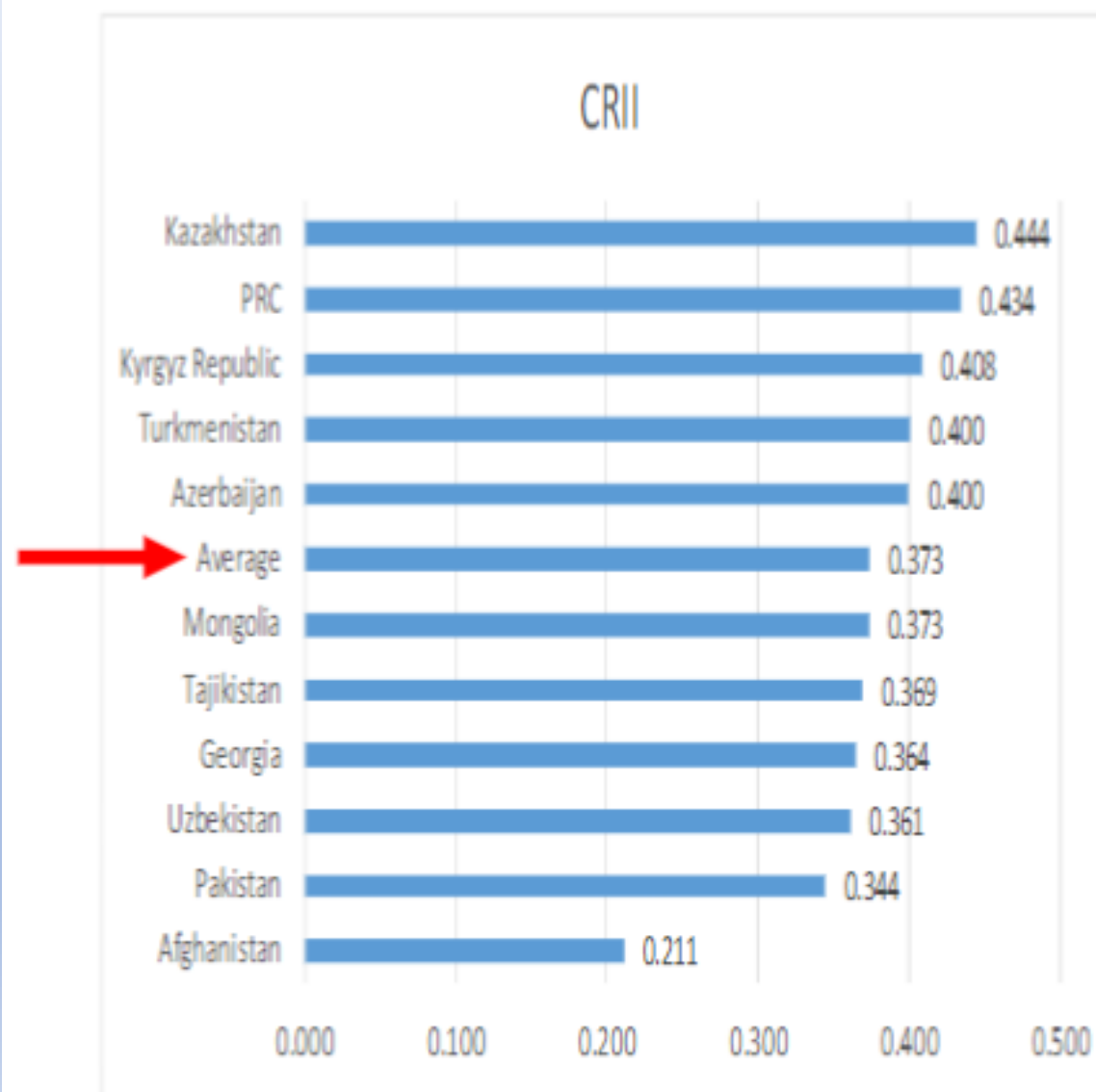
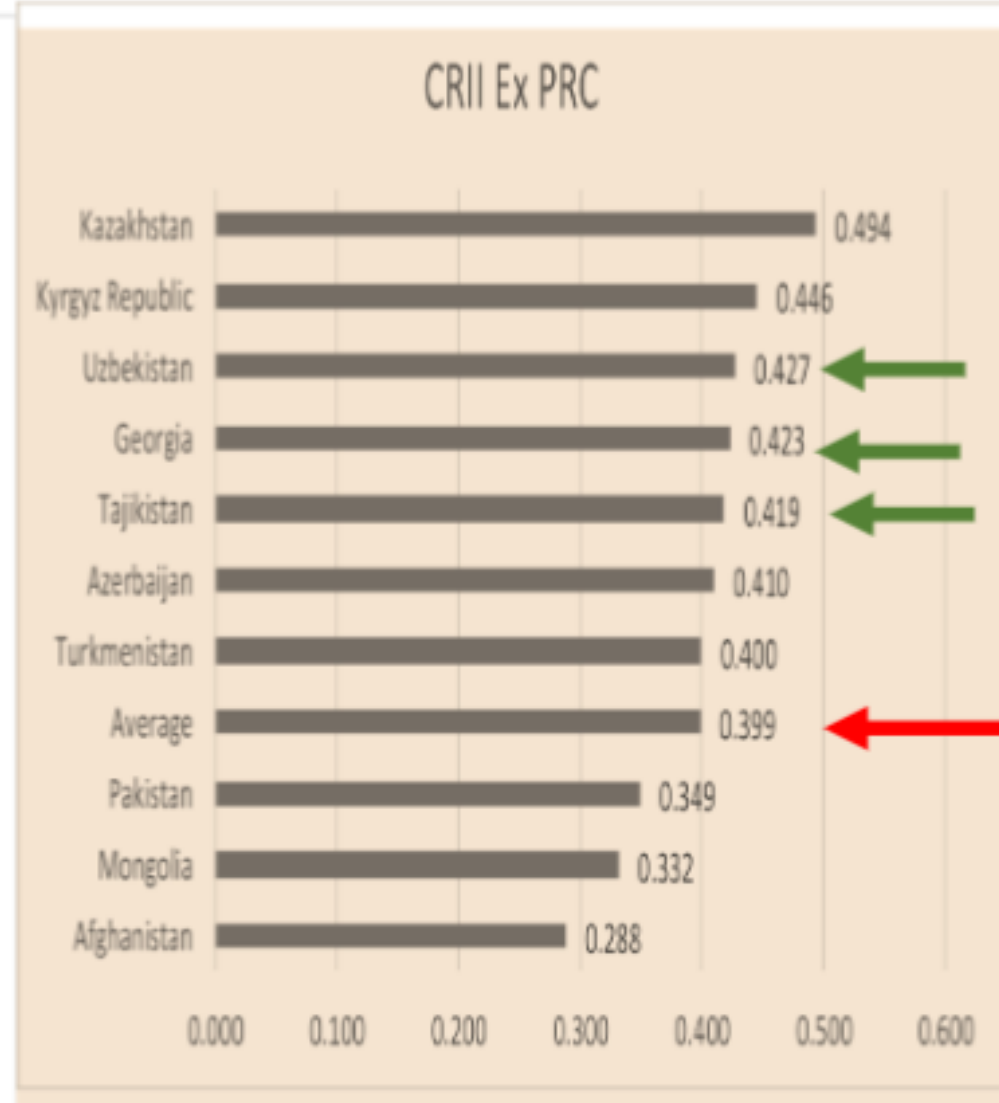


Figure 2
CAREC ex PRC,m 2016



Constraints - Pakistan

- Lack of regional integration
- Unstable ties with neighboring India
- Heavy reliance on current trade partners including China
- On the lookout for new trade partners amongst developing countries



Recommendations

- Formal enhancement of trade ties at government level-**bilateral trade agreement**
- Expansion of the scope and remit of the Quadrilateral Trade Agreement (QTTA), reducing duties on goods where destination is either Pakistan or Kyrgyzstan
- Trade facilitation/ information dissemination to business communities and traders regarding business opportunities, packaging and customs for value-added trade
- Capacity building of associated industry stakeholders (producers, traders, logistics firms)