



## **COUNTRY REPORT ON FRANCE**

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## **Executive Summary**

France is the sixth largest economy of the world and third biggest of the European Union. It is a net importer. As the growth of imports outpaced exports, the trade deficit has inclined to \$89 billion in 2017. Germany is its biggest trade partner with the trade volume of \$174 billion between both countries. It favors neighboring countries for bilateral trade. France, being an advanced economy, imports hi-tech products like parts of aeroplanes, motorcars and turbojets while top exports include aeroplanes, medicaments, motorcars and beauty products.

France is Pakistan's 13<sup>th</sup> export destination in terms of value while Pakistan is its 67<sup>th</sup> export destination. However, the bilateral trade between both partners crossed \$1 billion in 2017. The dominant share in the growth of trade volume came from Pakistan's imports which grew at the rate of 14%. Since 2015 Pakistan has a trade deficit with France which is due to an increase in the imports of gas turbines and its parts. Except for petroleum, Pakistan does not supply substantial quantity to the world regarding any of the top 15 imported (HS-6 level) items of France.

On the other hand, textile products, surgical instruments, sugar and leather articles are the products from the top 15 exports (HS-6 level) of Pakistan which France also imports in substantial quantity from the world. GSP-Plus status gives access to Pakistan in Europe over 6600 products at zero per cent tariff. Nonetheless, Pakistan's exports to France are limited to textile products only. Bangladesh is the leading competitor in textile and challenges Pakistan on price because of its low cost and Everything But Arms (EBA) status.

Potential products for the French market include men's or boys' trousers, articles of leather, medical instruments, medicaments, and footwear. Non-tariff barriers are high in France, complex safety standards for the imports of goods are rigorously applied which complicate access to the market.

France is a high-income economy, where quality of the product matters more than the price. Consumers like branded and well-made products. Pakistani exporters can earn high-profit margins, but it is only possible if they work on conceptualization as intellectual creation has more value than physical labor. The untapped potential in medicaments and medical instruments can be captured if Pakistani exporters manage to get required certifications and accreditations, especially from Food and Drug Administration (FDA) America. To meet high-cost exporters can be provided with easy and affordable access to capital. Establishment of dedicated exports labs can be a step forward for the promotion of exports.

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## Introduction

France is located on the western edge of Europe, bordered by Belgium, Luxembourg, Germany, Switzerland, Monaco, Andorra, and Spain. It is sharing the sea border with the UK. The country has become the sixth largest economy of the world and third largest of the European Union with \$2.5 Trillion GDP after Germany and UK. It is the primary destination of tourists and leads the world by attracting more than 83 million visitors annually. France is among the great powers of the world, being one of the five permanent members of the United Nation Security Council (UNSC). It is also the member of G7, North Atlantic Treaty Organization (NATO), Organization for Economic Cooperation and Development (OECD) and World Trade Organization WTO.

France is considered as the advanced nations in the world and enjoys high ranking in human development, health and education. Its Population growth rate is higher as compared to other European countries which makes it the third most populous country in Europe with the population of 64.8 million. France experienced stagnant economic growth in 2014 and 2015 afterwards the economy started picking up and reached 1.8% in 2017. The services sector is the most significant sector of the economy with the contribution of 70% in the nation's GDP. After a steep fall of \$6,700 from \$44,750 in 2015, GDP per capita is consistently increasing and bounced back to \$39,870 in 2017. The high-income level makes France the home of a third highest number of millionaires in Europe after the UK and Germany. The serious challenge to the economy is the unemployment rate which is considerably high at 9.4% and even higher among young people.

### Economic Indicators

	2013	2014	2015	2016	2017
<b>Population (Millions)</b>	63.70	64.03	64.30	64.56	64.80
<b>GDP Growth Rate</b>	0.6%	0.9%	1.1%	1.2 %	1.8%
<b>Per Capita Income</b>	\$44,100	\$44,570	\$37,870	\$38,210	\$39,870
<b>Unemployment Rate</b>	10.3%	10.3%	10.4%	10.0%	9.4%
<b>Inflation Rate</b>	1%	0.6%	0.1%	0.3%	1.2%
<b>FDI(\$ Billion)</b>	31.5	5.8	43.9	35.4	50.9

*Table 1 Economic Indicators / Data Source IMF & World Bank*

The foreign relations between Pakistan and France entrenched in 1951. It was the first non-muslim state to recognise Pakistan. France has made \$1.4 billion investment in Pakistan till now. The first import-export treaty between both countries concluded in 1966. France had also been a major foreign supplier of arm forces of Pakistan during the cold war and considered Pakistan as “state deserving attention”. Currently, Pakistan ranked at 57<sup>th</sup> position as import partner of France.

The bilateral trade between the pair grew at the rate of 7% in the last five years and crossed \$1 billion in 2017, but still, the trade volume is low. The dominant share in the growth of total trade comes from Pakistan’s imports which grew at 14%, on the other hand, no compound annual growth seen in exports which hover around \$400 million during the last five years. The primary reasons for low exports include the inability of Pakistan to supply top demanded products of France. Leading imports of France comprises of high tech products like machines, parts of aeroplanes, motor cars and other value-added products while Pakistan has limited exports basket which mainly consists of textile and agricultural products. Even in textile products, Pakistan faces severe competition from Bangladesh in the French market. Moreover, as compared to other European countries France has stringent policies on the quality of the imports. Complex safety standards are involved and they are rigorously applied which makes it complicated to access the market.

**Trade profile of France:**

The table underneath describes the trade of France with the world in the past three years with the Compound Annual Growth Rate (CAGR). It can be seen that France is a net importer with a negative trade balance which is growing on the yearly basis. The widened trade deficit is due to the growth of imports which outpaced the exports. According to customs officials of France, the sale of aircraft and satellite has fallen to lowest level since 2014 due to production difficulties which also contributed to trade deficit.

Trade-World (USD Billion)	2015	2016	2017	CAGR
France Exports	495	489	523	2%
France Imports	564	560	612	3%
Trade Balance	-69	-71	-89	9%

Table 2 Trade profile of France| Data Source: Trade Map

Figure 1 shows the top five exporters to France. Germany is the leading exports with \$96.8 billion while China is the 2<sup>nd</sup> largest exporter to France with the exports of \$55.5 billion. As France is the member of the European Union, most of the imports of France are coming from the same bloc.

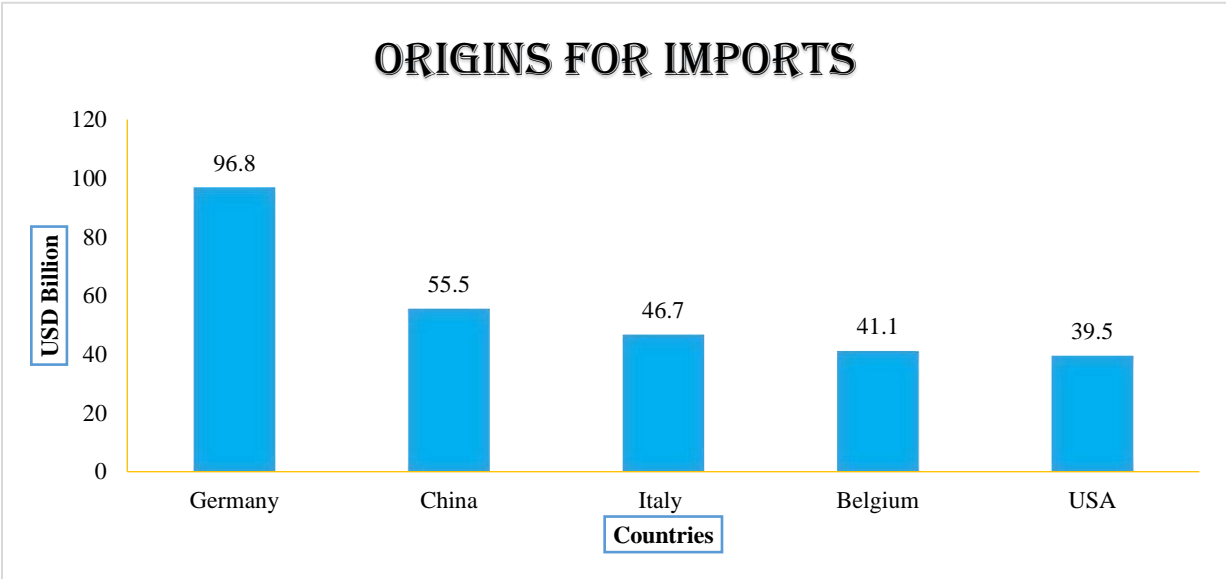


Figure 1 Imports Origin of France| Data Source: Trade Map

Figure 2 specifies the details of the market share of top exporters to France. Data shows that 46% of imports in France comes from top five origins. Germany has the highest market share of 16% and the reason is that Germany’s supply match with the demand of France as Germany produces high tech and value-added products with superior quality which are the major imports of France. Secondly, Germany is the neighboring country to France and face comparatively low transportation cost for its exports. China has the second highest share of 9% in France while other neighboring countries Italy and Belgium grabbed the market share of 8% and 9% respectively.

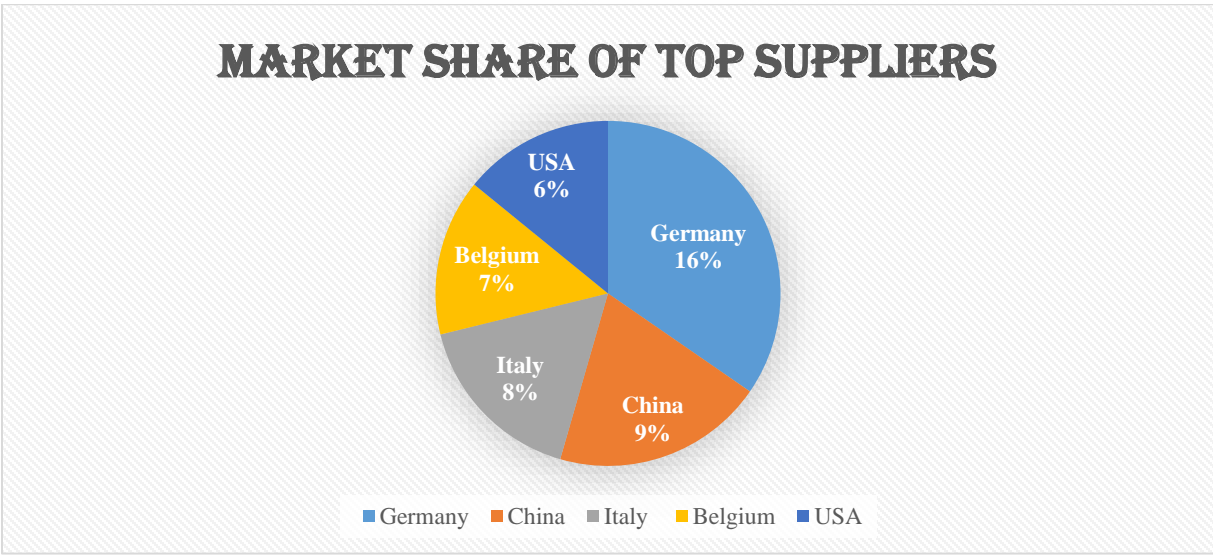


Figure 2 Market share of top Suppliers| Data Source: Trade Map

Germany is also the leading export destination of France. Total exports of France to Germany is over \$77 billion in 2017. Bilateral trade between both countries is \$174 billion. Spain and Italy are in the second and third place among the top importer of French products. Majority of the exports of France are to the neighboring countries. Pakistan is the 67<sup>th</sup> export destination of France.

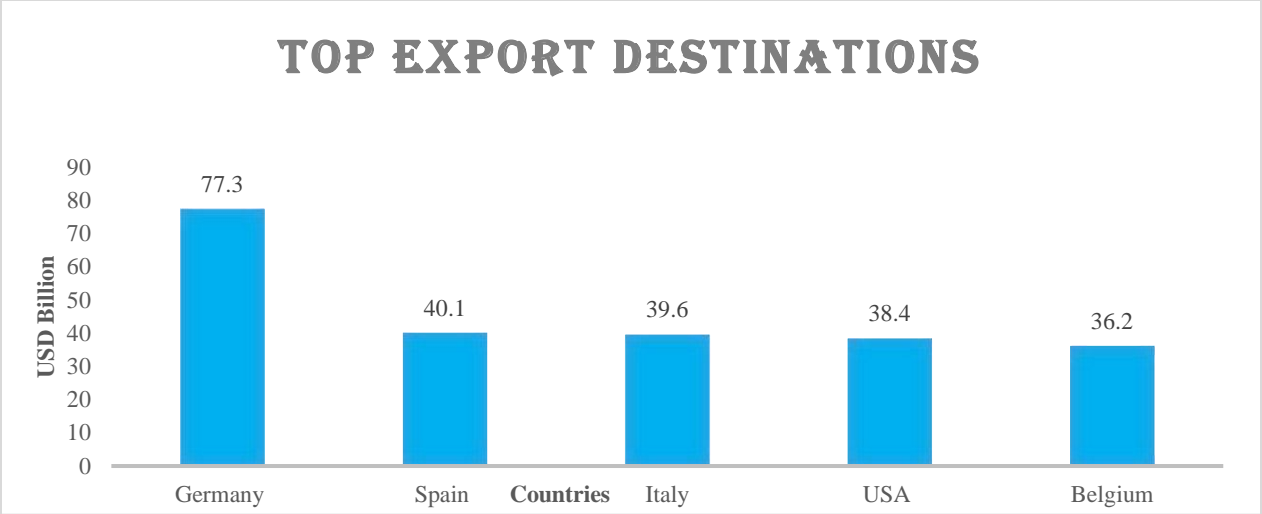


Figure 3 Top export destinations| Data Source: Trade Map

France is technologically advance country. Its major exports include high tech products. According to trade map data, the top exports of France at the HS-6 level are the aeroplanes (\$40.2 billion), medicaments (\$14.8 billion), motorcars (\$8.6 billion), turbojets (\$6.9 Billion) and beauty products (\$6.8 Billion). Germany and China are the top buyers of the aeroplanes. Its top destinations for the exports of medicaments are Germany and Switzerland. Substantial exports of motor cars go to Italy and Spain. Major buyers of turbojets are USA and Germany whereas top destinations for beauty and make-up products are USA and Singapore.

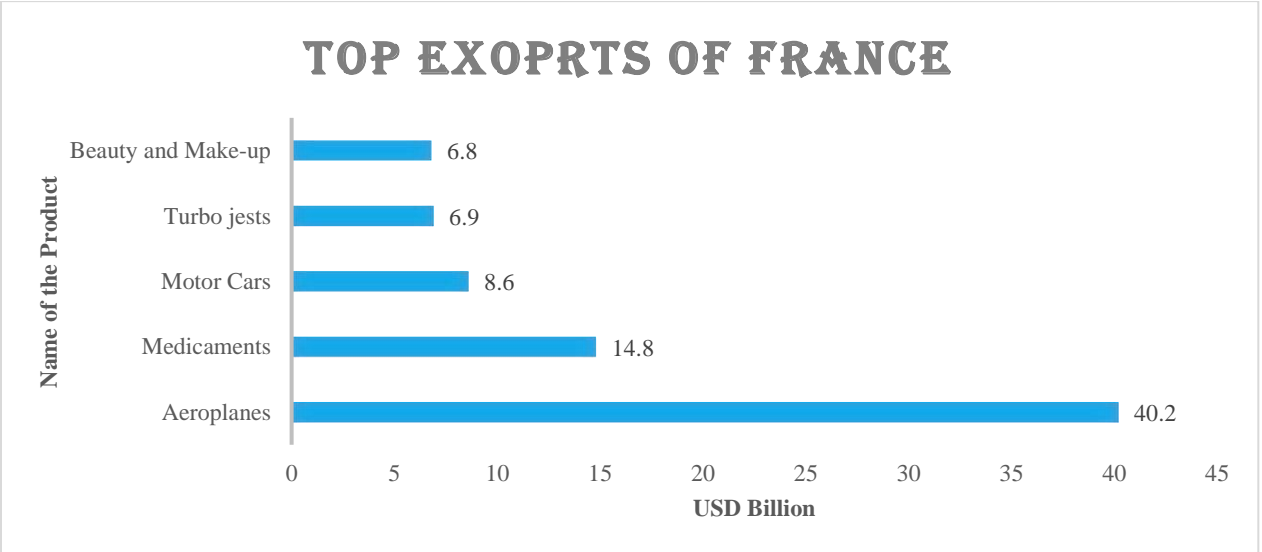


Figure 4 Top exports of France| Source: Trade Map



Figure 5 shows the top five imports by France at HS-6 level in 2017. Petroleum is the top import of France with \$23 billion. According to World Factbook, France is the 12<sup>th</sup> biggest importer of crude oil in the world. Other hefty imports of France include parts of aeroplanes (\$15.5 billion), medium oil (\$15.4 billion), motor cars (\$12.6 billion) and turbojets (\$11.5 billion). France is importing parts of aeroplanes in large value because aeroplanes are its top export. Motorcars are also among the top exports of France. Top supplier of petroleum to France are Russia and Kazakhstan. The Germany and USA export parts of aeroplanes to France. France buys a significant chunk of medium oil from Russia and USA. The large quantity of motor cars and turbojets is supplied by Germany and UK respectively.

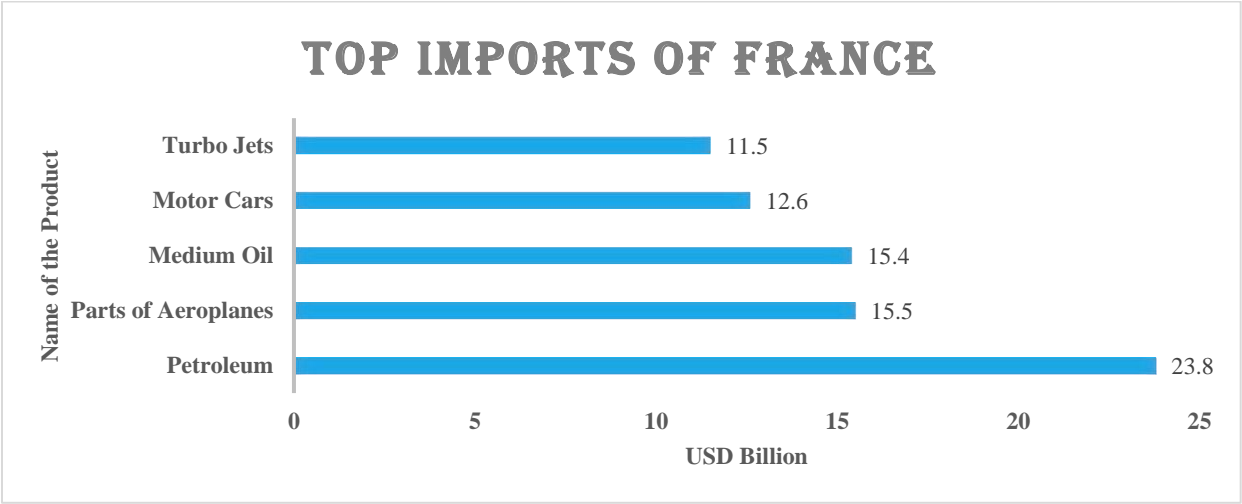


Figure 5 Top imports of France| Data Source: Trade Map

## Pak-France Bilateral Trade Overview:

The graph below summarizes the bilateral trade between Pakistan and France. It can be observed that trade volume between them is very low. France is Pakistan's 13<sup>th</sup> export destination while Pakistan is its 67<sup>th</sup> export destination. As Pakistan's total export is only \$23 billion so export to its 13<sup>th</sup> top destination is also very low, i.e. only \$400 million. Pakistan had a trade surplus with France in 2013 and 2014 afterwards trade balance of Pakistan is negative. The fundamental reason for increasing trade deficit is the increase in the imports of gas turbines and its parts which showed an increment of \$200 million in 2017.

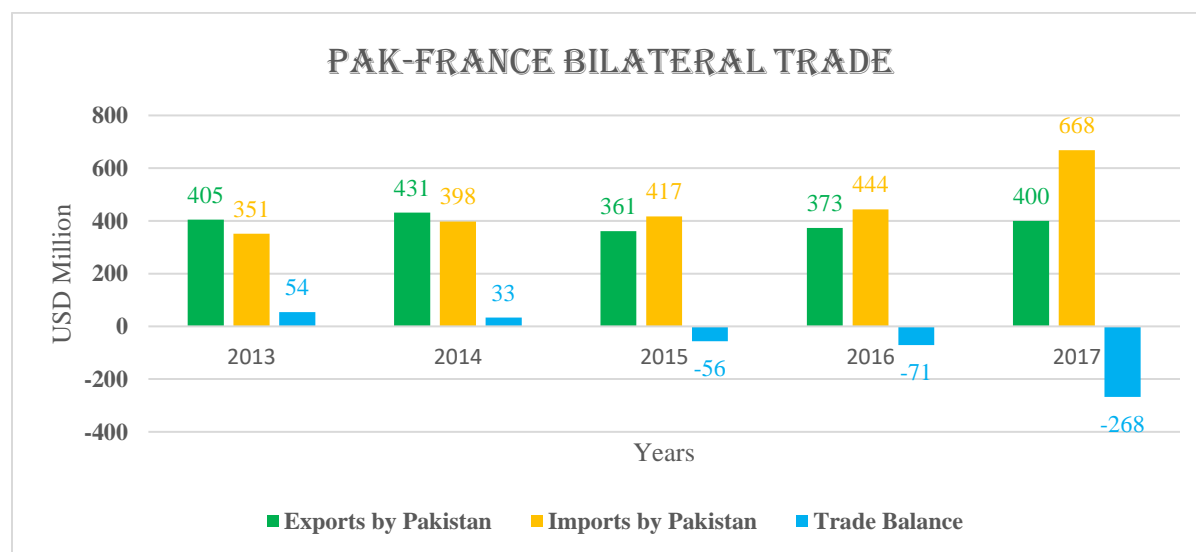


Figure 6 PAK-FRANCE Bilateral Trade| Data Source: Trade Map

Market share of Pakistan's exports in France is trivial. France is a massive economy its total imports are \$611 billion while Pakistan's exports are only \$23 billion. France is technologically very advanced country, its imports mainly aeroplanes, heavy machinery and value-added products which Pakistan is unable to export. Pakistan's industry is not mature enough to supply hi-tech products to France.

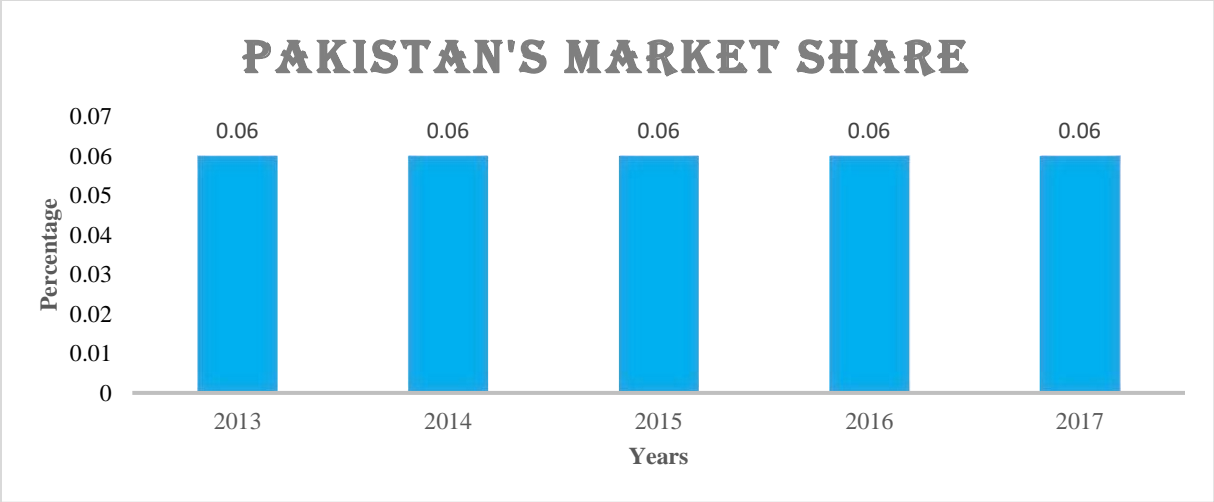


Figure 7 Pakistan's Market Share| Data Source: Trade Map

**Top 15 Imports (HS-6 Level) of France from the world:**

The following table depicts the top 15 imports of France at HS-6 level, their growth rate, Pakistan’s export value of the same product to the world and top three supplying markets for that particular product to France. France is a gigantic economy with total imports of \$612 billion. Petroleum is the top imported item of France with the value of \$23.8 billion. Other top-notch imports are parts of aeroplanes, motor cars and, medicaments. France is a big exporter of Aeroplanes to the world that’s why it imports great quantity of parts of aeroplanes which is over \$15 billion. However, in 2017 imports of parts of aeroplanes showed a decline of 23% which is associated with the production difficulties of aeroplanes. Imports of petroleum products increased by 33% which is due to economic growth. France is also the 12<sup>th</sup> biggest importer of crude oil in the world. Import of turbojets showed the highest increase of 223% among top 15 imports.

The table also shows us Pakistan’s export value of the items which are the top imports of France and it is noticed that the value is very low. Except for petroleum products, Pakistan does not supply considerable value to the world of the products which are top imports of France.

By looking at the top three suppliers of top fifteen products it is found that out of fifteen products Germany is present among the top three suppliers in nine products.

Sr #	HS Code	Name of the Product	Value \$ Million (2017)	Growth rate 2016-17	Pak Export to World \$ Million	Supplying Markets to France	
						Country	\$ Mil
1	270900	Petroleum oils	23,826	33%	114	Russia	3,950
						Kazakhstan	3,688
						S. Arabia	2,598
2	880330	Parts of aeroplanes	15,521	-23%	2	Germany	7,623
						USA	6,912
						UK	1,138
3	271019	Medium oils and preparations, of petroleum	15,434	16%	142	Russia	2,261
						USA	2,014
						S. Arabia	1,773
4	870332	Motorcars and other motor vehicles	12,654	3%	0.024	Germany	4,709
						Spain	2,196
						UK	834
5	841112	Turbojets of a thrust	11,545	223%	0	UK	8,096
						USA	2,682
						Germany	539
6	300490	Medicaments	11,249	-8%	70	USA	1,935
						Germany	1,572
						Ireland	1,563
7	271121	Natural gas in gaseous state	8,987	15%	0	Belgium	7,266
						Germany	1,705
						Switzerland	14
8	870322	Motorcars and other motor vehicles for the transport of persons	6,905	25%	0.016	Spain	1,862
						Germany	1,236
						Slovakia	989
9	880240	Aeroplanes and other powered aircraft	6,761	-40%	1.1	Germany	3,967
						USA	1,638
						Italy	412
10	851712	Telephones for cellular networks	6,730	10%	31	China	4,725
						Vietnam	1,603
						Korea	45
11	841191	Parts of turbojets or turbopropellers,	6,511	13%	0.005	USA	4,310
						Belgium	288
						China	274
12	847130	Data-processing machines	4,598	16%	1.3	China	3,059
						Netherland	1,009
						Ireland	220
13	851762	Machines for the reception, conversion and transmission	4,558	21%	0.713	China	1,423
						Mexico	396
						USA	395
14	870323	Motorcars and other motor vehicles for the transport of persons	4,447	-4%	0.035	Germany	1,195
						Japan	624
						Spain	506
15	870421	Motor vehicles for the transport of goods	4,407	13%	0	Italy	1,288
						Spain	1,066
						Germany	820

Table 3 Top 15 imports of France| Data Source: Trade Map

### **Top 15 Exports (HS-6 Level) of Pakistan to the world:**

The following table outlines the top fifteen exports of Pakistan at HS-6 level, the value of import of the corresponding commodity by France from the world, exported value of the product to France by Pakistan and top three supplying markets of that product to France. The data gives us a perception that how much Pakistan is exporting to France from its top exports and how much potential is in France for the top exports of Pakistan. Semi-milled or wholly milled rice is the top export of Pakistan with the value of \$1.5 billion. France also imports rice in substantial quantity, but Pakistan is exporting rice to France only for worth \$11 million. Italy is the major exporter of rice to France with 30% market share. Bedlinen is also the dominant export of Pakistan, and it has already a substantial market share of 37% in the French market.

It can be filtered from the table that among top 15 exports of Pakistan textile, surgical instruments, sugar and leather products are matched with the demand of France. For textile related products Pakistan is among top suppliers to France. For the rest of the products, most of the demand of France is fulfilled by European Union countries especially from Germany.

Rank	HS Code	Name of the Product	Pak Export to World \$ Million	France Import from the world \$ Million	Pak Export to France \$ Million	Top Supplying Market to France \$ Million	
1	100630	Semi-milled or wholly milled rice	1,512	330	11	Italy	98
						Spain	52
						Cambodia	51
2	620322	Men's or boys' ensembles of cotton	1,291	11	0.28	Tunisia	7.5
						China	1.2
						India	0.31
3	520512	Single cotton yarn, of uncombed fibres	811	4.5	0.22	Belgium	1.8
						Turkey	1.2
						Spain	0.35
4	630231	Bedlinen of cotton	810	263	97	Pakistan	97
						Portugal	25
						Switzerland	24
5	630260	Toilet linen and kitchen linen	805	225	34	Turkey	69
						Portugal	42
						Pakistan	34
6	630239	Bedlinen of textile materials	670	24	2.6	Tunisia	5
						Lithuania	4
						China	3.6
7	630210	Bedlinen, knitted or crocheted	665	43	14	Pakistan	14
						Spain	7
						China	4
8	520942	Denim, containing	482	31	0.03	Japan	0.83
						Italy	0.53
						Spain	0.35
9	620342	Men's or boys' trousers	410	1,369	137	Bangladesh	390
						China	159
						Pakistan	137
10	630710	Footcloths, dishcloths	407	91	3.8	China	29
						Netherland	13
						Germany	12
11	220710	Undenatured ethyl alcohol	362	182	5.3	Belgium	39
						UK	26
						Italy	21
12	901890	Instruments and appliances used in medical, surgical	361	1,833	14	US	446
						Germany	305
						Switzerland	146
13	170199	Cane or beet sugar	343	201	0	Germany	40
						Spain	34
						Belgium	29
14	610590	Men's or boys' shirts of textile materials	311	23	0.585	Italy	9
						Portugal	4
						Netherland	2
15	420310	Articles of apparel, of leather	276	270	32	Italy	85
						India	62
						Pakistan	32

Table 4 Top exports of Pakistan/ Data Source: Trade Map

### **Top 15 exports of Pakistan to France at HS-6 level:**

The following table encapsulates the top exports of Pakistan to France in 2017, its growth rate, the market share and tariff faced by Pakistan. Except for medical instruments and rice all products belong to the textile sector. Bedlinen is the top export of Pakistan to France and showed a yearly growth rate of 23% while cotton waste and spark-ignition reciprocating show the growth rate of 143% and 236% respectively. Exports of medical instrument showed a decline of 15% in 2017. The decline is due to the competition coming from Germany and Netherland whose exports increased massively. France imposed strict measures for the import of medical instruments and certification is also very costly. Additionally, it is also challenging for Pakistani exporters to match the quality of medical instruments with Germany, USA and Netherland who are the top suppliers in France.

Women's or girls' trousers also show a drop of 33% in 2017. Pakistan's export to the world has also declined for this product from \$361 million to \$196 million. Pakistan faces tough competition from Bangladesh in the European market who enjoys Everything But Arms status from European Union. The status gives it the right to export a high number of products at 0% tariff without any quota in European Union countries. Bangladesh also has the edge over Pakistan concerning the cost of production due to labor rates and energy prices.

For bed linen, knitted or crocheted, bedlinen of textile material, men's or boys' shirt Pakistan has a very high market share of over 70%. Due to GSP plus status, Pakistan faced 0% Tariff rate on all of its exports except Rice. The tariff rate on rice is 18%.

Sr #	HS Code	Name of the Product	Value USD Million (2017)	Growth Rate 2016-2017	Market share of Pakistan	Tariff faced by Pakistan
1	630231	Bedlinen of cotton	52.114	23%	20%	0%
2	630210	Bedlinen, knitted or crocheted	32.898	23%	77%	0%
3	620342	Men's or boys' trousers, bib and brace overalls	25.49	1%	2%	0%
4	620322	Men's or boys' ensembles of cotton	23.992	13%	---	0a %
5	420310	Articles of apparel, of leather or composition leather	32.153	3%	8%	0%
6	630239	Bedlinen of textile materials	17.344	11%	71%	0%
7	610590	Men's or boys' shirts of textile materials	16.447	1%	73%	0%
8	630260	Toilet linen and kitchen linen,	15.545	20%	7%	0%
9	901890	Instruments and appliances used in medical	12.193	-15%	1%	0%
10	520299	Cotton waste	11.398	143%	38%	0%
11	420329	Gloves, mittens and mitts, of leather or composition leather	9.401	13%	11%	0%
12	630710	Floorcloths, dishcloths, dusters	8.819	-19%	10%	0%
13	100630	Semi-milled or wholly milled rice	8.521	56%	3%	18%
14	840710	Spark-ignition reciprocating	7.301	236%	48%	0%
15	620462	Women's or girls' trousers, bib and brace	6.418	-33%	1%	0%

Table 5 Top Exports of Pakistan to France| Data Source: Trade Map



## Potential Products:

Potential products are identified at the HS-6 level which is determined on the basis of the supply side of Pakistan and demand side of France. A criterion has been developed for the products to be selected as potential items. According to this criteria, a product has to fulfil three conditions. Firstly, its export to the world by Pakistan should be higher than \$50 million, second its import from the world by France should be higher than \$50 million and finally, Pakistan's market share for that product in France should be less than 10%. The products are extracted by using the bilateral trade data of the year 2017 between Pakistan and France. The following five products are the potential items for the French market.

Sr#	HS Code	Name of the Product	France Import from World \$ Million	Pakistan's Export to World \$ Million	Market Share of Pak in France	Tariff Rate faced by Pakistan
1	620342	Men's or boys' trousers, bib and brace overalls	1,368	410	2%	0%
2	420310	Articles of apparel, of leather or composition leather	270	276	8%	0%
3	901890	Instruments and appliances used in medical, surgical or veterinary	1,833	361	1%	0%
4	300490	Medicaments consisting of mixed or unmixed	11,249	70	0%	0%
5	640399	Footwear with outer soles of rubber, plastics or Leather	1,857	69	0%	0%

Table 6 Potential Products/ Data Source: Trade Map

**Analysis of Potential Products:**

Competitor analysis has been carried out to analyse potential products. The variables which are considered for the analysis include, the export value of competitors, their market share, one-year growth rate, average unit price, tariff faced by competitors, the ranking of competitors in the world for the export of that particular product and export competitive index (ECI).

The ECI has been calculated by the two variables, i.e., trade indicator and capacity indicator. Trade indicator is the ratio of country's export of specific product to world's export of that product while the capacity indicator is the ratio of country's export of particular product to the population of that country. The capacity indicator tells us per capita export value of the particular product. Average of trade indicator and the capacity indicator makes the export competitive index. Export Competitive Index ranks countries with the highest value listed at the top. The ranking of the nations for a specific product is compared with 2013 to monitor if there is any improvement or deterioration in the country's position.

### 620342-Men's or boys' trousers:

Men's or boys' trousers is selected as a potential product in France. Total import of the product by France is greater than \$1.3 billion while Pakistan's export to the world is \$410 million. Bangladesh is the top exporter to France with the highest market share and export value of \$390 million. China and Pakistan are at the second and third place with the export of \$160 million and \$137 million respectively.

Market share of Pakistan is only 10%. Bangladesh is also the top exporter of this product to the world while Pakistan ranks 15 in the world for the export of Men's or boys' trousers. Except for China, all the top exporters enjoy 0% tariff rates in France.

Pakistan is granted GSP plus status by the European Union, under this status, it can also export to European countries at 0% tariff rate but under a defined quota and defined product lines.

Rank	Suppliers	Value \$ million 2017	Market Share in France	Tariff faced by suppliers	Ranking in world exports
1	Bangladesh	390	28%	0%	1
2	China	160	11%	12%	2
3	Pakistan	137	10%	0%	15
4	Tunisia	99	7%	0%	10
5	Turkey	98	7%	0%	6

Table 7 Men's or boys' trousers/ Source: Trade Map

The average unit price earned by Bangladesh and Pakistan are the lowest among other competitors. It is due to the low production cost which enables countries to sell their products at a low price to remain competitive in the market. Low quality can also be one of the reason to earn low price in the French market as compared to other suppliers. The AUP charged by Turkey is the highest in the list.

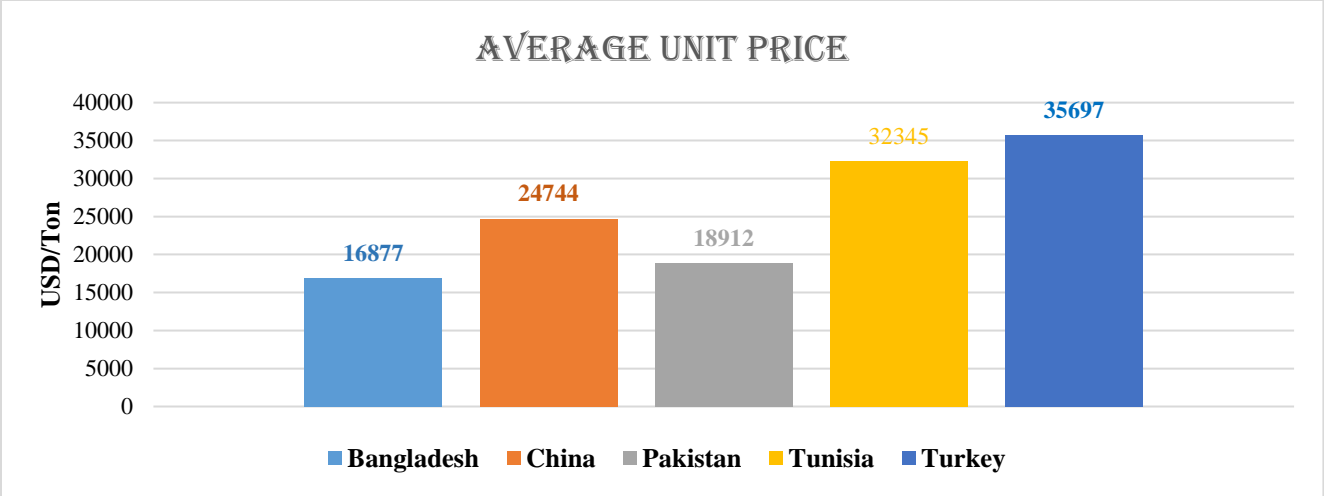


Figure 8 Men's or boys' trousers| Source: Trade Map

Pakistan is the only country whose yearly growth rate of export of the item increased. Textile is the leading export contributor sector of Pakistan due to the improved power supply, and Prime Minister Export Package overall export of the product also increased. Exports of both top suppliers China and Bangladesh decreased in 2017.

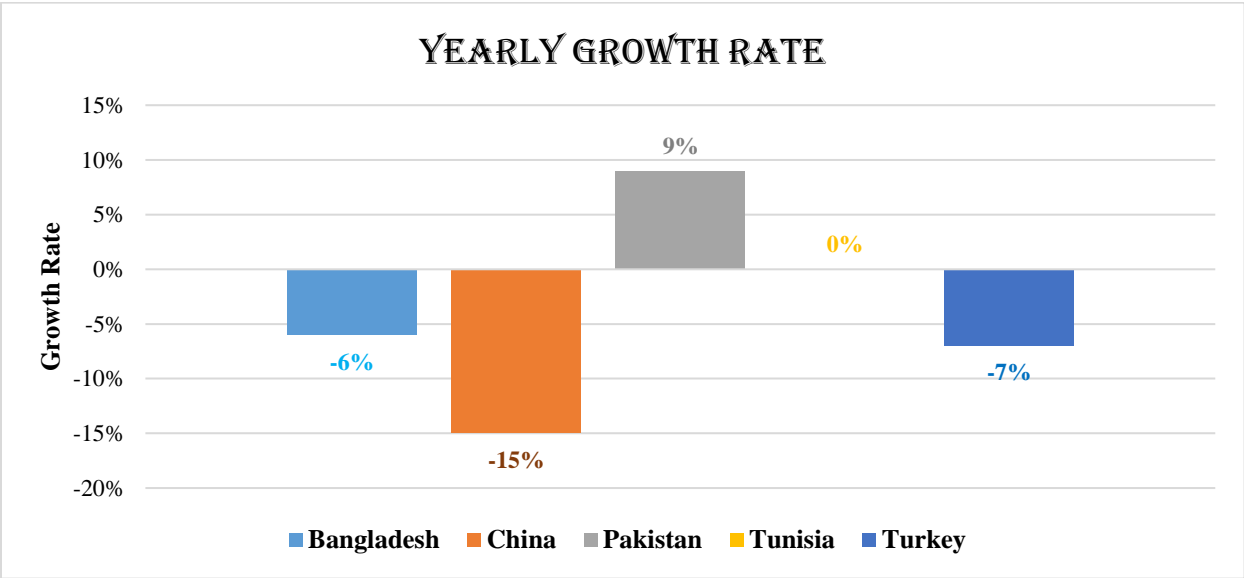


Figure 9 Men's or boys' trousers| Source: Trade Map

Rankings of top suppliers to France are compared on the basis of export competitiveness. Bangladesh's ranking is improved from 2<sup>nd</sup> to 1<sup>st</sup> in 2017. Pakistan has improved its competitiveness ranking from 6<sup>th</sup> to 3<sup>rd</sup>. Tunisia's ranking stayed the same while Turkey lost its

position from 3<sup>rd</sup> to 5<sup>th</sup> place in 2017. The ECI shows high ranking when the overall export of that product to the world increases.

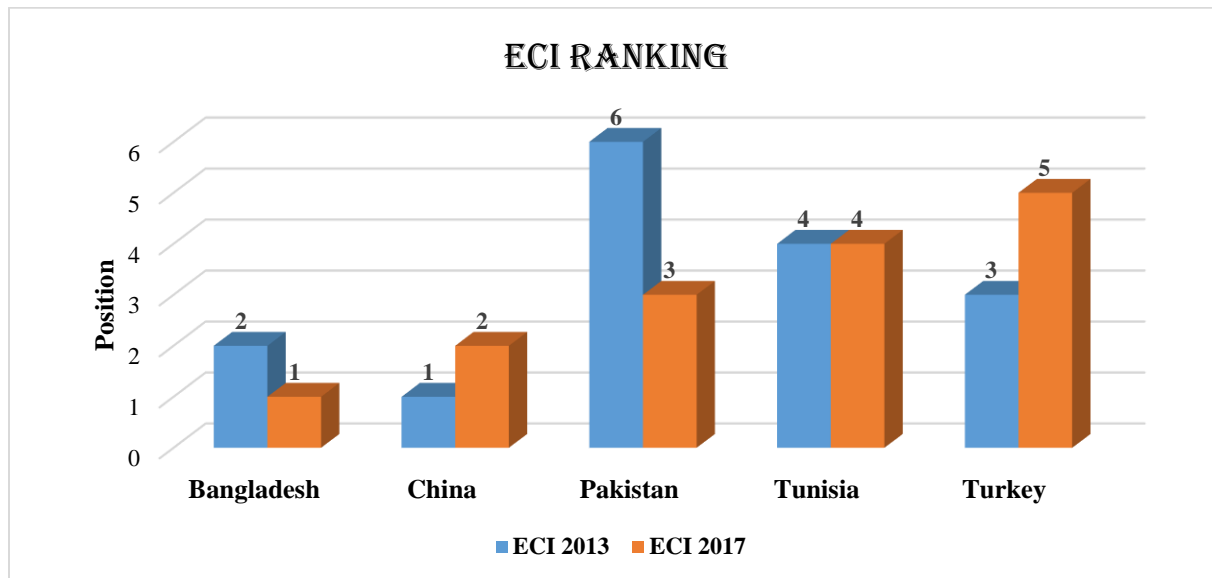


Figure 10 Men's or boys' trousers| Source: Trade Map

### Why Bangladesh is competitive:

Being the least developed country, Bangladesh enjoys Everything But Arms (EBA) status from the European Union. It can export its product without any quota to European Union countries, about 80% of the total exports of Bangladesh is from the textile sector. Textile is a labor-intensive industry and labor and power is comparatively very cheap in Bangladesh which makes its product highly competitive in international markets.

### Why China is competitive:

China is the biggest exporter of textile products in the world. China enjoys the economy of scale. China's product is competitive due to productive labor and advanced technology in the textile sector. The textile industry in China received FDI of \$2.9 Billion in 2005 which improved the efficiency and quality.

### **Non-Tariff Barriers:**

There are seven non-tariff requirements for Men's or Boys' trouser that needs to be fulfilled by the exporter. There are no special requirements for Pakistani exporters. The following requirements should be fulfilled by all the suppliers.

**Prohibition for TBT reasons:** Import of hazardous substances is prohibited which includes explosive and certain toxic substances.

**Labelling requirements:** Product need to carry a label indicating its size, weight and special directions to use. Labelling includes written or graphical communication.

**Marking requirements:** information should be provided regarding the transport and packaging of goods. For example storage or handling conditions regarding the type of product. Such as "FRAGILE" must be marked on the container.

**Product quality or performance requirement:** Product should satisfy the standard of performance and quality set by the French authorities

**Testing requirement:** Products are to be tested on given standards and regulations on the sampling basis.

**Certification requirement:** Exporter need to get the certificate of conformity with the given regulation.

**Inspection requirement:** Textile and clothing must be inspected for size and material used before the entry is allowed.

#### 420310-Articles of apparel, of leather or composition leather:

The leather sector has a lot of export potential to France. Pakistan's exports of articles of leather to the world are \$276 million while France's imports of the same product from the world are \$270 million. Currently, Pakistan is exporting only \$32 million worth of leather to France with 8% market share which shows its considerable untapped potential in the French market. Italy and India are the top exporters of leather product to France with the export value of \$85 million and \$62 million respectively. Italy has captured a nearly one-third market of articles of leather in France whereas India captures one fifth. Among top five competitors, only China has a disadvantage over tariff all other suppliers face 0% tariff rate because Italy is the member of the European Union, Pakistan carries GSP-Plus status, India bears GSP status, and Turkey adopted EU's Common External Tariff (CET). India is the world's top exporter of articles of leather while Pakistan and Italy are at second and third place.

Rank	Suppliers	Value \$ million 2017	Market Share in France	Tariff faced by suppliers	Ranking in world's exports
1	Italy	85	31%	0%	2
2	India	62	23%	0%	1
3	Pakistan	32	12%	0%	3
4	Turkey	29	11%	0%	9
5	China	13	5%	4%	4

Table 8 Articles of leather apparel| Data source: Trade Map

Italy is earning the highest average unit price from France. It is due to the quality of the product additionally the cost of production is also high in Italy. Pakistan is charging the lowest price but still have the low market share. France is the high-income economy consumers like quality and branded products which Pakistan lacks to deliver. India's AUP is the third highest among the five top suppliers.

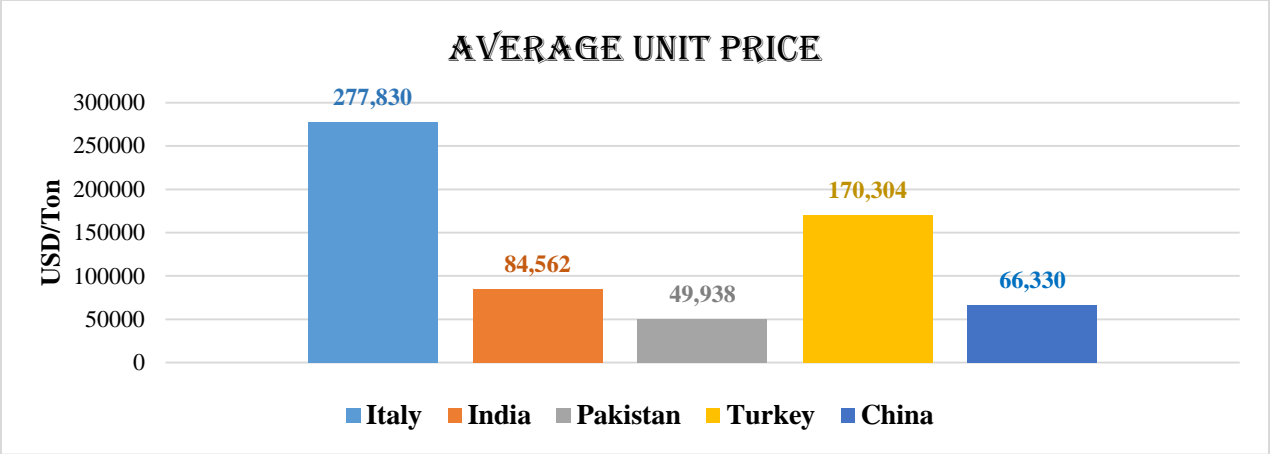


Figure 11 Articles of leather apparel/ Data source: Trade Map

Pakistan’s export of article of leather shows an uptick of 3% which is just dollar one million it does not reflect any improvement in the competitiveness of the product. Over a more extended period Pakistan’s exports of the leather articles have declined in France. Italy shows a higher increment of 5%. On the contrary, China’s exports have declined by 15% which is due to an overall negative trend in China’s exports of the leather articles to the world since 2013.

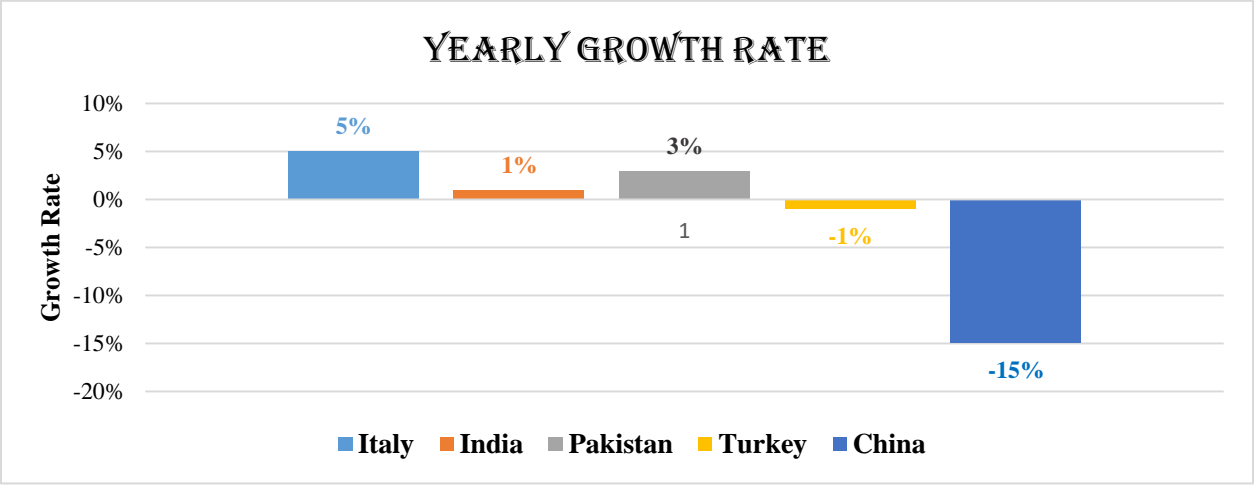


Figure 12 Articles of leather apparel/ Data source: Trade Map

Italy improved its export competitiveness ranking by pushing India to second place. Ranking of Pakistan, Turkey, and China remained unchanged at third, fourth and fifth place respectively.



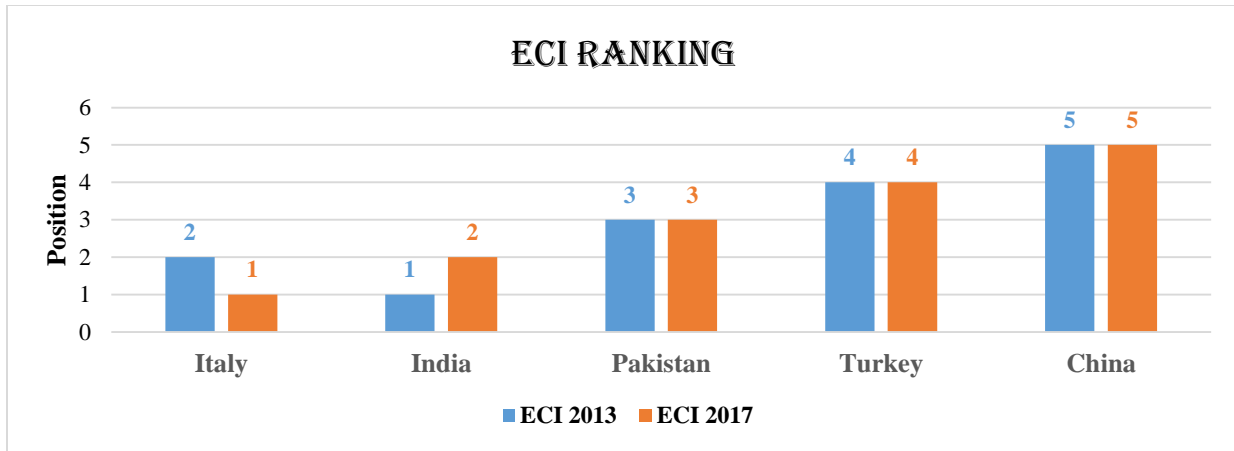


Figure 13 Articles of leather apparel| Data source: Trade Map

### Why is Italy competitive?

Italy is considered one of the global leaders in product design, quality, innovation, technological development and social/environmental commitment. Italy sells value-added products with globally recognized brand names. There are many world's famous brands which belong to Italy such as Alviero Martini, Chicca Borse, Furla, Ganza Design which are from Italy.

### Why is India competitive?

India accounts for 12.93% of the world's leather production of hides or skins. India is the second largest producer of leather garments in the world. Indian exports of leather are projected to reach \$9.0 billion by 2020, from the present level of \$5.85 billion. India has comparative advantages concerning the cost of production and labor costs as compared to other suppliers. Indian leather industry has one of the youngest and most productive workforce, with 55% workforce below the age of 35. The entire leather product sector of India is de-licensed which facilitates expansion on modern lines with state-of-the-art machinery and equipment.

**Non-Tariff Barriers:**

There are four non-tariff requirements for articles or apparel of leather which needs to be fulfilled by the exporter. There are no special requirements for Pakistani exporters. All the suppliers should fulfil the following requirements.

**Prohibition for TBT reasons:** import of hazardous substances is prohibited which includes explosive and certain toxic substances.

**Product quality or performance requirement:** Product should satisfy the standard of quality and performance set by France.

**Certification requirement:** France requires certification of conformity with the given regulation.

**Inspection requirement:** There is the requirement of inspection which can be carried out by the private or public entity, it does not include laboratory testing. Products are inspected for size and material.

### **901890-Instruments and appliances used in medical, surgical:**

In 2017, the import of medical devices by France is more than \$1.8 billion, and export of this product by Pakistan is \$364 million. Currently, Pakistan is at 22<sup>nd</sup> place in the list of the suppliers of medical instruments to France. The low market share of Pakistan indicates its potential in France.

USA and Germany have collectively captured 41% of market share in the French market of the medical instrument. They are the top exporter of this product to the world as well. Pakistan is at 25<sup>th</sup> position in the exports of the medical instrument. All the suppliers face zero per cent tariff rates.

<b>Rank</b>	<b>Suppliers</b>	<b>Value \$ Million</b>	<b>Market Share in France</b>	<b>Tariff faced by suppliers</b>	<b>Ranking in world exports</b>
1	USA	446	24%	0%	1
2	Germany	304	17%	0%	2
3	Switzerland	146	8%	0%	7
4	Mexico	118	6%	0%	5
5	Japan	114	6%	0%	11
22	Pakistan	13	1%	0%	25

*Table 9 Instruments and appliances used in medical| Data Source: Trade Map*

There is a substantial difference in the Average Unit Price (AUP) of the suppliers. Pakistan's AUP is considerably low. The difference is due to the fact that there is an immense difference between the type and quality of the medical instruments, Pakistan is exporting basic instruments to France while USA and Germany are delivering advanced instruments like electro-medical instruments.

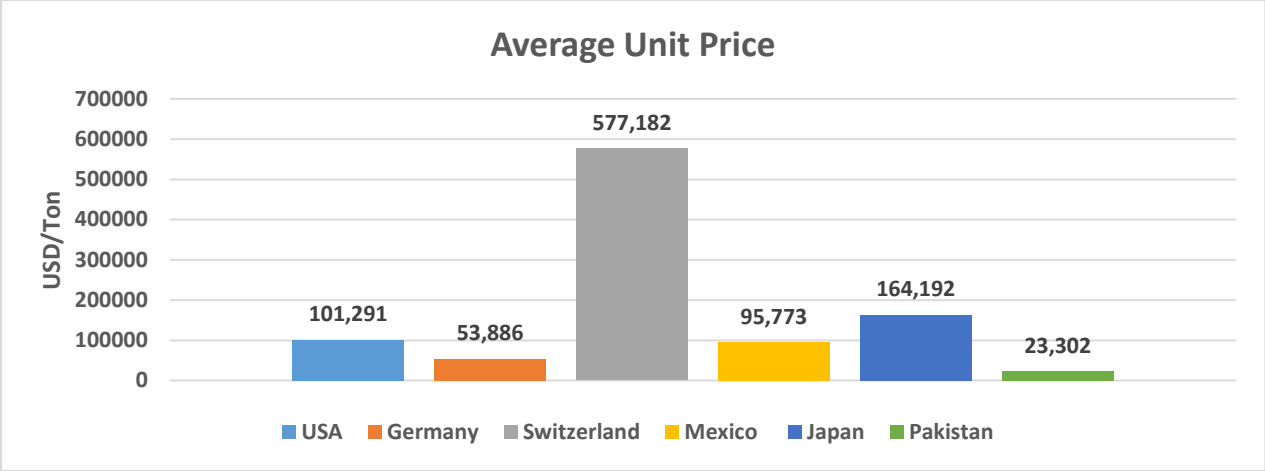


Figure 14 Instruments and appliances used in medical| Data Source: Trade Map

Pakistan’s exports of medical instruments to France has declined by 5% in 2017. Exporters have to face strict standard for the exports of medical instruments in France. The certification is also very costly. On the other hand, Germany is a neighboring country and produce high-quality medical instruments. Germany imports medical instruments from Pakistan and sells them around the world, including France by value adding and giving the brand name.

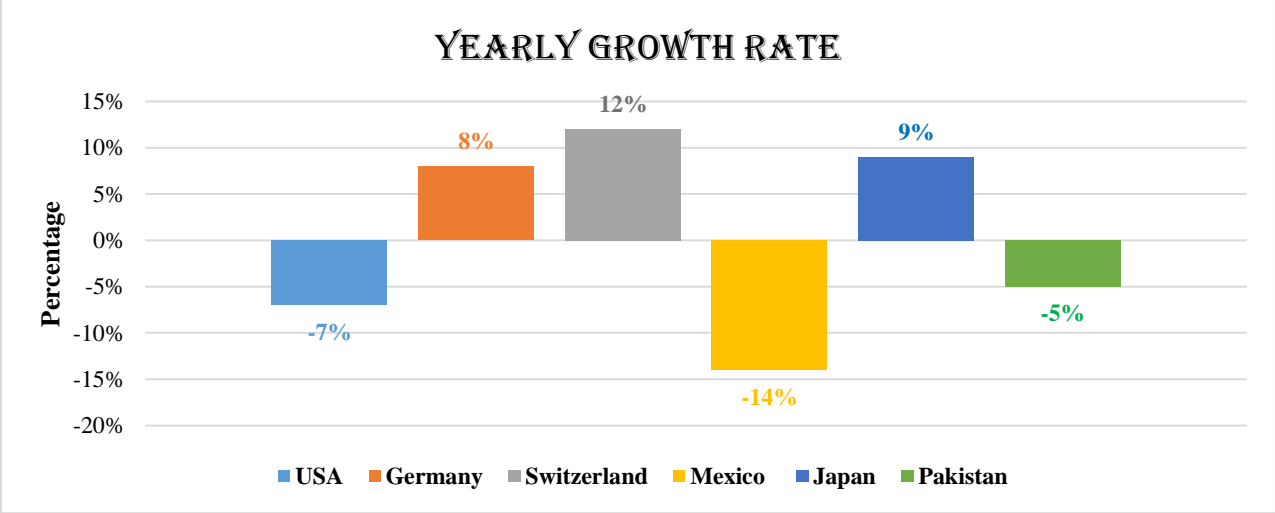


Figure 15 Instruments and appliances used in medical| Data Source: Trade Map

Germany and USA have maintained their export competitive ranking to on first and second place while Pakistan’s ranking is lowered from 20<sup>th</sup> to 21<sup>st</sup> position.

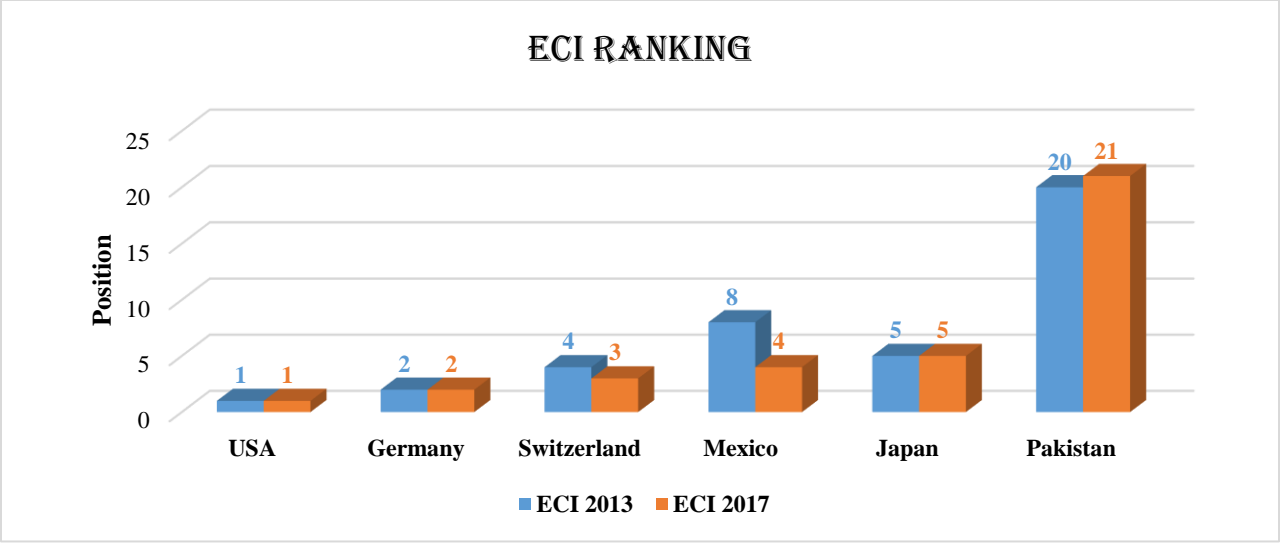


Figure 16 Instruments and appliances used in medical| Data Source: Trade Map

**Why is the USA competitive?**

The USA has facilitated the industry by providing easy access to capital. Modern technology is being used with the help of experts to manufacture high quality and value-added instruments. There is a lot of technical research and development undertaken by the American companies, and they are in contact with key markets. Due to the use of efficient technology and being the top exporter of the product in the world, American manufacturers enjoy the benefits of economies of scale.

**Why is Germany Competitive?**

"Made in Germany" medical technology is highly valued globally. Most of the revenue from the exports of medical instruments comes from Europe. Many institutions like the German Joint Federal Committee (JFC), TÜV and DEKRA are responsible for ensuring the safety and reliability of medical technology products and services produced in Germany. It is a common practice to implement essential industry norms like ISO 13485 (regulation of quality management systems) and ISO 14155 (clinical evaluation of medical technology). Germany is home to a network of more than 30 specialized cluster focusing on medical technology, which aims to achieve continuous innovation in research and development as well as in manufacturing by connecting companies, hospitals, universities, and other research institutions.

## **Non-tariff Barriers:**

There are ten non-tariff requirements for the export of medical instruments. There is no special precondition for Pakistani exporters. All the suppliers should fulfil the following conditions.

**Registration requirement for importers:** Importer of medical instrument needs to get register by fulfilling certain requirements and paying the registration fee.

**Restricted use of certain substances:** The use of substances which are risky for the environment is prohibited.

**Labelling requirements:** Product need to carry the label indicating its size, weight and particular directions to use. Labelling includes written or graphical communication.

**Packaging requirements:** Packaging requirements should define the mode that in which products must be or cannot be packed.

**Product quality or performance requirement:** Product should satisfy the standard of quality and performance set by France.

**Conformity assessment related to TBT:** requirement for the verification of conformity with TBT. It includes sampling, testing and inspection.

**Testing requirement:** Product needs to be tested against given standards

**Certification requirement:** Certification of conformity with the given regulation may be issued in exporting or importing country.

**Inspection requirement:** There is a requirement of inspection which can be carried out by the private or public entity, it does not include laboratory testing. Products are inspected for size and material.

**Import monitoring and surveillance requirements:** This is an administrative measure which aims to monitor import value and volume of specified product.

### **300490-Medicaments consisting of mixed or unmixed products for therapeutic:**

France is a big importer of medicaments, importing more than \$11 billion worth of this product. Pakistan's export of this particular product is \$70 million. USA and Germany are the top suppliers of medicaments to France with the value of \$1.9 billion and \$1.8 billion respectively. Pakistan stands at a very low position of 57<sup>th</sup> as the supplier of medicaments to France.

Germany is also the top exporter of medicaments to the world while Switzerland stands the second major exporter to the world. However, it has only 12% market share in France. Pakistan's market share is almost zero per cent in France. Overall Pakistan ranks at 69<sup>th</sup> position regarding the exports of medicaments to the world. France is a developed country and imposes the condition on the majority of the pharmaceutical products that lab must be approved by Food and Drug Administration (FDA). It costs around \$300 million to set up a lab according to FDA standards. In Pakistan, there is no single lab which is approved by the FDA. That's why Pakistan finds it hard to sell products in developed countries or where there are specific requirements for the quality of the product. Research and development are costly in the pharmaceutical sector. Cost of developing a new drug is increasing drastically. These are the major reasons of negligible pharma exports by Pakistan not only to France but all developed countries. Majority of the Pakistani products are being sold in the least developed countries. Low market share indicates high potential provided that Pakistan can improve the quality of the products and fulfil the conditions to obtain required certifications.

France imposes zero per cent tariff on all the suppliers of medicaments.

<b>Rank</b>	<b>Suppliers</b>	<b>Value \$Million 2017</b>	<b>Market Share in France</b>	<b>Tariff faced by suppliers</b>	<b>Ranking in world exports</b>
1	USA	1,997	17%	0%	4
2	Germany	1,797	15%	0%	1
3	Ireland	1,567	13%	0%	8
4	Switzerland	1,431	12%	0%	2
5	Italy	619	5%	0%	9

57	Pakistan	0.24	0.1%	0%	69
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Table 10 Medicaments | Data Source: Trade Map

Figure 17 Medicaments | Data Source: Trade Map

USA and Switzerland are earning the highest AUP among top suppliers. France is charging zero. Pakistan is earning the lowest price in France. The lowest AUP of Pakistan does not reflect the competitiveness of the product. However, it means that due to lack of research and development, and absence of quality labs, Pakistan is unable to earn a reasonable price. The USA is the highest price earners because there is massive research in their pharmaceutical sector and newly developed medicines earn very high price in the market. The AUP also depends on the type of medicine which suppliers are exporting to France.

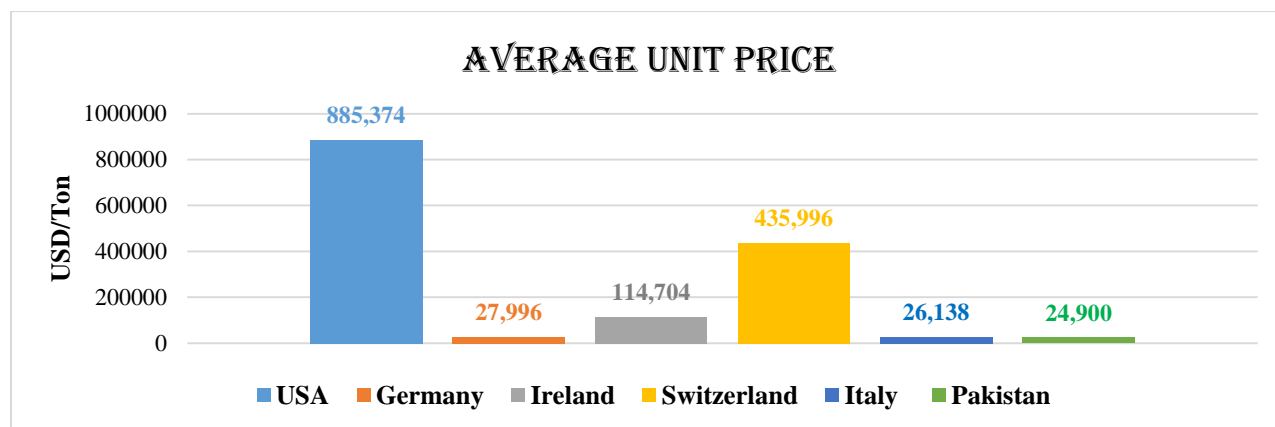
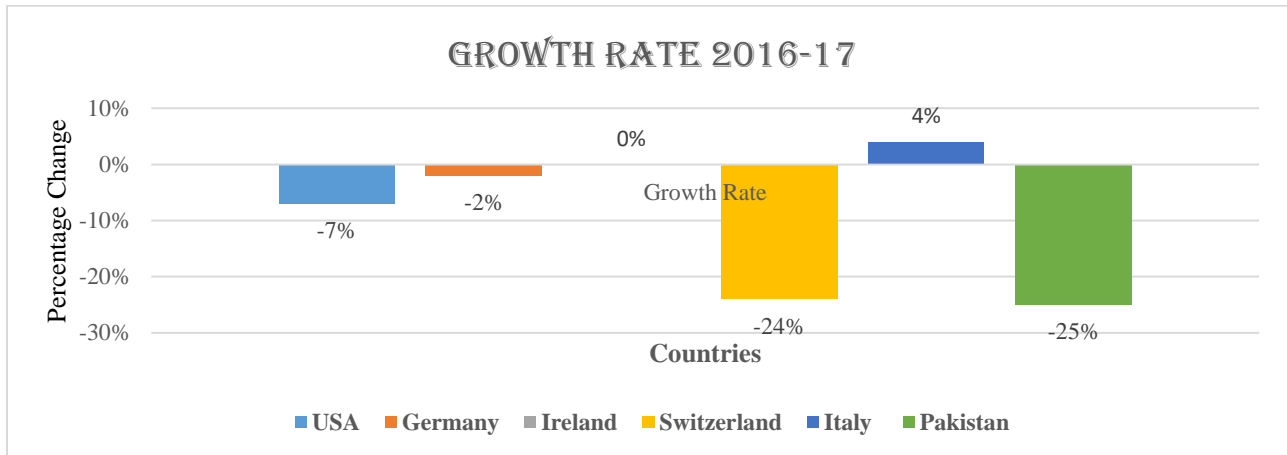


Figure 18 Medicaments | Data Source: Trade Map

Except for Italy, all the suppliers experienced a decline in their exports of medicaments to France. Pakistan faced the highest decline of 25% as compared to other exporters. The essential reason of



decline is that there is almost \$1 billion decline in the imports of medicaments by France so there is an overall drop in the market demand.



Pakistan’s position for export competitiveness has dropped from 51<sup>st</sup> to 53<sup>rd</sup> while the ranking of Germany and the USA remained unchanged. ECI depends upon total exports of the product by the particular country. A country which has high total exports of particular product ranks higher on Export Competitive Index.

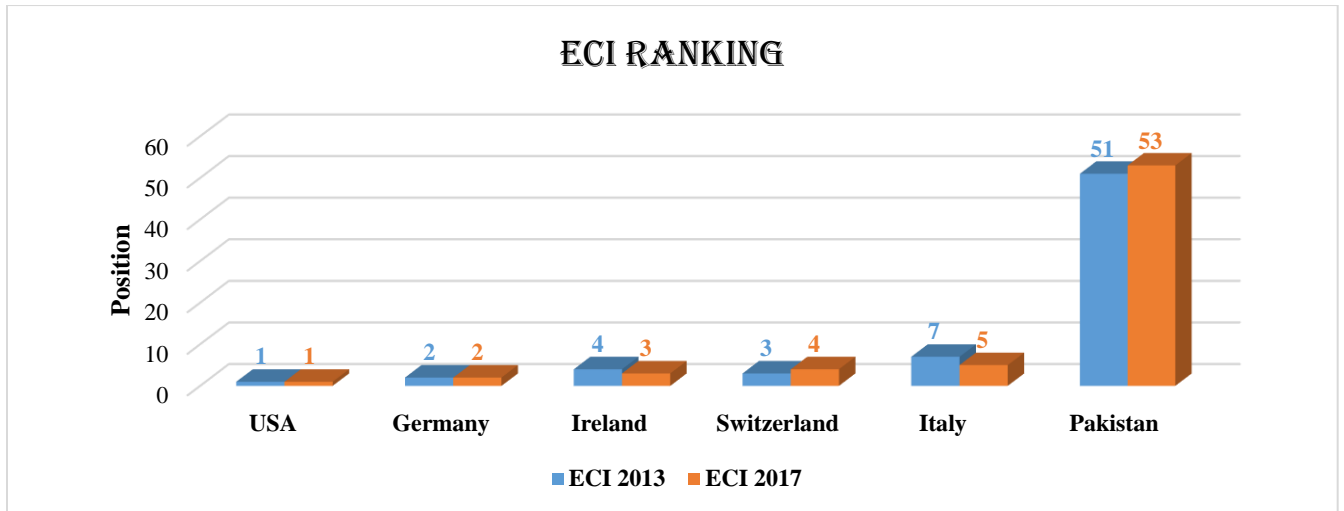


Figure 19 Medicaments | Data Source: Trade Map

### Why is the USA competitive?

Many of the top global companies like Merck, Pfizer and Johnson and Johnson are from the United States. The US embraces more than 45% of the global pharmaceutical market. The USA has always been a pioneer in research and development. More than \$60 billion are spent on research

and development in the pharmaceutical sector. Quality of pharmaceutical products delivered by the USA is considered as excellent. Food and Drug Administration gives certification on the quality of the product.

### **Why is Germany Competitive?**

Germany is the second top exporter of medicaments consisting of mixed or unmixed products. German products are popular globally due to the constant increase in quality in development and production. Germany spent EUR 5.4 billion on research and development in the pharmaceutical sector which is equal to 13.2% of revenue. In the pharma industry, 20% workforce is working in research and development. Germany has developed some popular products like Aspirin and Betaferon.

### **Non-tariff Barriers:**

There are seven non-tariff requirements for the exports of medicaments. There is no special precondition for Pakistani exporters. All the suppliers should fulfil the following requirements.

**Prohibition for TBT reasons:** Import of hazardous substances is prohibited which includes explosive and certain toxic substances.

**Authorization requirement for TBT reasons:** Importer should receive authorization, permit or approval from the authority to import of drug, waste and scraps.

**Registration requirement for importers:** Importer needs to be registered for the imports of sensitive products like medicine, drugs, explosives and cigarette etc.

**Labelling requirements:** Product need to carry a label indicating its size, weight and special directions to use. Labelling includes written or graphical communication.

**Packaging requirements:** Packaging requirements should define the mode that in which products must be or cannot be packed.

**Product registration requirement:** only the registered medicines and drugs may be imported in France.

**Testing requirement:** Product needs to be tested against given standards.

### **640399-Footwear with outer soles of rubber, plastics or composition leather:**

France is the biggest importer of Footwear; its total imports reached \$1.8 billion in 2017. On the other hand, Pakistan exported \$69 million worth of footwear to the world. However, total export to France is only \$4 million with 0.2% market share. Pakistan positioned at the 26<sup>th</sup> supplier of footwear to France. Low market share shows that the Pakistani exporters do not exploit the French market and there is the existence of enormous potential. Italy has captured 25% of market share with \$467 million in exports, Vietnam is the second top supplier in this market. Portugal's exports are also higher than \$200 million.

China is the top exporter of the world in the world but has captured only 10% market share in France because China is facing tariff rate which is higher compared to other top suppliers. Pakistan being the holder of GSP-Plus status and Italy and Portugal being the member of EU face zero per cent tariff rate. Pakistan is carrying 34<sup>th</sup> position in the list of top exporter of this product to the world.

<b>Rank</b>	<b>Countries</b>	<b>Value \$million</b>	<b>Market Share in France</b>	<b>Tariff faced by suppliers</b>	<b>Ranking in world exports</b>
1	Italy	467	25%	0%	3
2	Viet Nam	227	12%	4.2%	2
3	Portugal	203	11%	0%	9
4	China	183	10%	7.7%	1
5	Indonesia	126	10%	4.2%	7
26	Pakistan	4	0.2%	0%	34

*Table 11Footwear | Data Source: Trade Map*

Italy is earning the highest Average Unit Price in France which is because of the quality of its products and brand value. Pakistan's footwear is much competitive in terms of the price, most of the shoes are available at a very economical price. One thing which exporters need to understand is the higher level of income of the French population; price is not a significant concern for them. The consumers like branded, high quality and well-made products that's why Italy is earning higher value in the market.

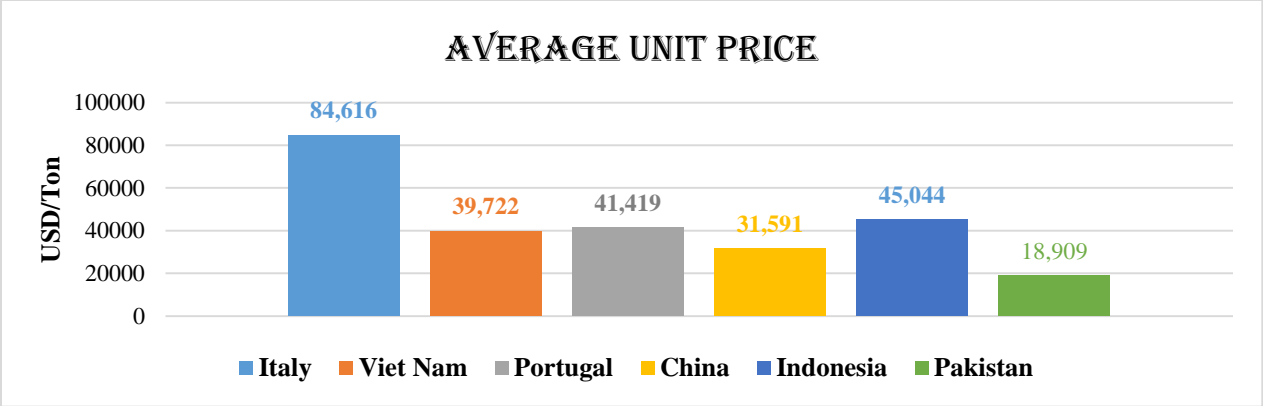


Figure 20 Footwear | Data Source: Trade Map

There is the highest increase of 55% in the exports of Italian footwear whereas Pakistan’s exports decline by 16% which was already low. Pakistan’s exports to the world also decreased for this product.

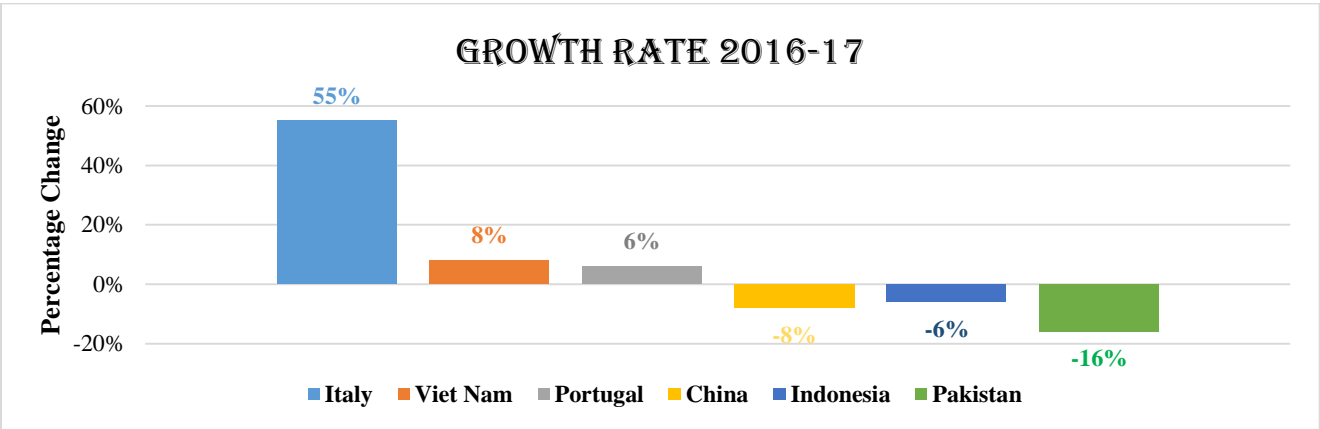


Figure 21 Footwear | Data Source: Trade Map

Vietnam has improved its ranking regarding export competitiveness, Italy’s ranking is unchanged, and Pakistan has lost its ranking to 24<sup>th</sup> position from 23<sup>rd</sup> because of decline in total exports of footwear.

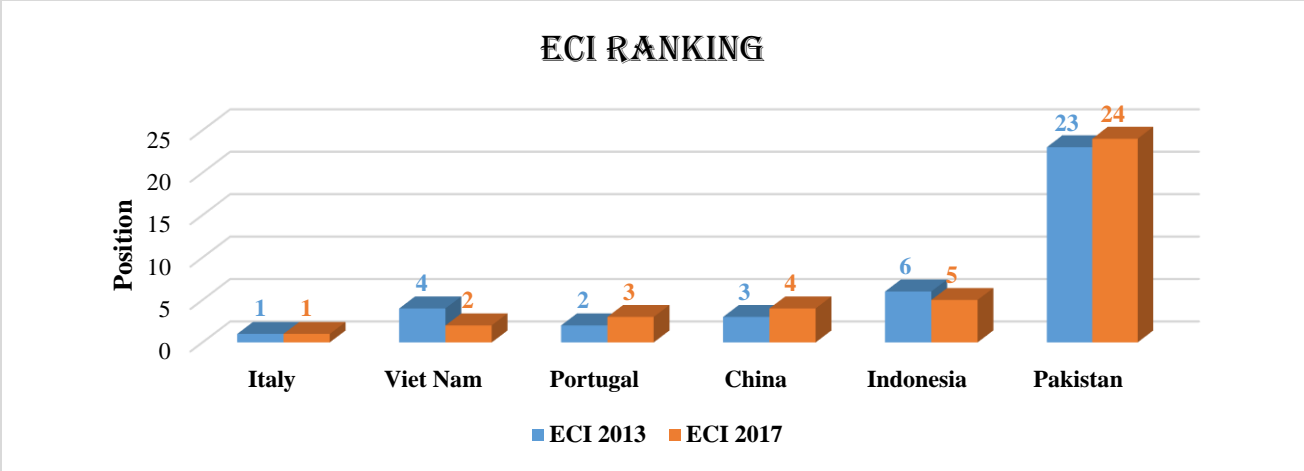


Figure 22 Footwear | Data Source: Trade Map

**Why is Italy Competitive?**

Italy is the leading shoemaking country in the European Union and is well known for luxury shoes. There are more than 4,800 shoemaking companies in Italy. The prominent position of the Italian shoe industry globally is due to the sector's excellent level of competitiveness based on the higher quality of the product and an eminent capacity for innovation. The characteristics that differentiate Italian production in the footwear sector are artistic talent, the novelty of traditional manufacturing methods and skilled labor.

**Why is Vietnam competitive?**

Leather footwear is the key industry in Vietnam. Vietnam is reported as a top second exporter of footwear in the world with 90% of output is being exported. Footwear enterprises in Vietnam focus more on brand promotion to sell their products in international markets. Most of the Vietnamese companies are investing in machines with modern technology to automate many production stages to increase productivity, improve quality and save time and money.

## **Non-tariff Barriers:**

**Prohibition for TBT reasons:** Import of hazardous substances is prohibited which includes explosive and certain toxic substances.

**Labelling requirements:** Product need to carry a label indicating its size, weight and special directions to use. Labelling includes written or graphical communication.

**Product quality or performance requirement:** Product should satisfy the standard of quality and performance set by France.

**Certification Requirement:** Certification of conformity with the given regulation is required it which may be issued in exporting or importing country.

**Inspection requirement:** There is a requirement of inspection which can be carried out by the private or public entity, it does not include laboratory testing. Products are inspected for size and material.

## **Issues faced by Pakistan:**

Pakistan faces different demand side and supply side issues in France which are discussed below.

### **Demand Side Issues:**

- Pakistan's major exports to France are concentrated only in the textile sector, where Pakistan face fierce competition from Bangladesh. Being a least developed country, Bangladesh enjoys the status of Everything But Arms (EBA), which entitles it to export everything to Europe excluding arms, without any quota limits at zero per cent tariff rate. On the other hand, Pakistan has to face quota restrictions and comparatively have limited product basket.
- Non-tariff barriers are high in France, complex safety standards for the imports of goods are rigorously applied which complicate access to the market. Some products are likely to be retested to ensure the health and safety.
- France is an advanced economy as compared to Pakistan. Leading products imported by France include value-added products, machinery and hi-tech products which Pakistan does not export usually. So there is an imbalance between demand and supply.
- Many French suppliers exercise substantial control over retail networks, with well-organized buying offices that have put in place very inflexible selection processes for new suppliers and products. High retail mark-ups coupled with innovative and creative marketing approaches are preconditions to enter the French market.
- French B2C commerce of products and services is one of the largest markets in the world, ranking second in Europe and fifth in the world regarding online consumption in 2017. Over 20% of French companies make purchases electronically. This market was estimated at \$490 billion in 2016 and is expected to grow significantly in the upcoming years. In Pakistan, the electronic trading system is not common and advanced enough that it can facilitate exporters to compete in the French market.

### Supply-side Issues:

- Pakistan is a large manufacturer of medical and surgical instruments. However, due to the lack of certification, branding and marketing, Pakistan is unable to attract customers in France. Germany is the largest exporter of medical instruments to France, but most of the imports of medical devices by Germany is from Pakistan. Germany resale the medical instruments at high prices by obtaining certifications and giving brand names.
- France is a huge market for the export of medicaments, but there are stringent requirements which exporter needs to meet. Majority of pharma products should be approved by the Food and Drug Administration (FDA) America to export to France. However, in Pakistan, not a single lab is approved by FDA. To comply with the FDA standards, high level of investment is required. Importers also need to register and take authorization for the import of medicaments.
- Pakistan's top exports to the world are from the textile sector which is cotton based. However, in France there is more demand for synthetic fiber instead of cotton made products, which Pakistan lacks to supply.
- Cost of labor and power is high in Pakistan as compared to Bangladesh which is its biggest competitor in France; therefore Pakistan's textile products remain less competitive in the French market.

### Trade Initiatives by TDAP:

Trade development authority of Pakistan played a vibrant role in the promotion of exports of Pakistan. The following exhibitions are organized in France during 2017- 18.

Sr #	Name of the Event	Date	Product
1	Premier Vision, Paris, France	September 2017	Leather & its product
2	Texworld, Paris, France	September 2017	Textile & its products
3	EXPO Protection, Paris, France	September, 2018	Leather and Protective gears
4	SIAL Paris, France	October, 2018	Food Items



## SWOT Analysis

### Strengths:

- Pakistan is granted GSP-Plus status to export its products to the European Union. The status offers duty-free access to European markets which gives Pakistan the competitive advantage.
- Recent ongoing devaluation of currency is making Pakistan's exports competitive because it is getting cheaper for French consumers to buy the products.
- The size of the French market is huge for medical instruments. Pakistan manufactures good quality of medical instruments, and around 50% of exports of Pakistan is to Europe. Big market and high growth rate of the population as compared to other European countries show increasing demand for healthcare needs in France.

### Weaknesses:

- Top imports of France comprise of machinery, aeroplanes, and motorcars which Pakistan does not have the capacity to export.
- The basket of Pakistan's exports to France is very limited we are mainly exporting textile products only.
- There is a strong demand for Pharmaceutical products in France but due to lack of certification and non-existence of FDA approved drug labs France does not import medicaments from Pakistan.
- As Pakistan's top exports to France are from textile sector, Pakistan face tough competition from Bangladesh because of its LDC status, Bangladesh is given Everything But Arms (EBA) status and enjoy duty-free access on all products except arms. Pakistan also has given GSP plus status, but Pakistan's duty-free export basket is limited as compared to Bangladesh and there are quota restrictions as well.
- Due to the lack of innovation, which is the result of the non-existence of research and development culture in Pakistan, it is getting difficult to remain competitive in international markets.

### **Opportunities:**

- Due to GSP plus status, Pakistan faces zero per cent tariff rates on six thousand plus products. It is an opportunity for Pakistan to increase its exports to France by expanding the base of the exported items.
- France is a massive and diversified market whose imports are growing consistently. Growing imports of France indicates the high potential for Pakistani exporters.
- Due to high per capita income, France offers an ideal opportunity to Pakistani exporters to earn high average unit price.
- For most of the potential products except for the textile sector, major competitors of Pakistan are Germany, USA and other European countries. The cost of production is high in those countries. By improving the quality of products Pakistan have an opportunity to get competitive edge regarding price.

### **Threats:**

- Presence of Bangladesh in the French market as a supplier of Textile products is threatening for Pakistan. Moreover, Bangladesh has Everything But Arms (EBA) status as well which gives access to European markets with zero per cent tariff rate. Due to the low cost of production, Bangladeshi products are more competitive in France.
- The competition which Pakistan has to face in the French market is from developed countries like the USA and Germany. These countries supply very high-quality products in France. If Pakistan does not improve the quality of its products, it may lose its existing market share.
- Pakistan may face barriers to trade with Europe due to inclusion in Finance Action Task Force (FATF) list. In addition to that Pakistan has to fulfil specific requirements for the continuation of GSP plus status. Noncompliance of requirements may put GSP-plus status in danger.

## **Conclusion and Recommendations:**

Bilateral trade between Pakistan and France can be enhanced. It will, however, take time, investment and combined effort on the part of many people like industry and policymakers. France is a very attractive market, because of its size as its imports are more than \$613 billion in 2017. However, apart from oil major imports of France include high-tech and capital-intensive products which currently are out of the scope of Pakistan. Nonetheless, there are some items identified at the HS-6 level which Pakistan can export, and France also has substantial demand for them. The imports of men's or boys' trousers, medical instruments, medicaments and footwear by France is larger than \$1 billion. Moreover, the current market share of Pakistan concerning these products is also meager which reveals high untapped potential. Notwithstanding, penetration in the French market is not easy because of strict requirements and high competition which is based on quality and innovation. The following measures can help in the promotion of Pakistan's exports.

- Textile and rice are the top exported items of Pakistan to France which is not among high-value products. If Pakistan wants to increase exports to France with high-profit margins it should work on conceptualization and design, as well as product research and development as intellectual creation has more value than physical labor.
- There is a huge demand for medicaments in France, but the pharmaceutical sector is highly regulated. On the other hand, no drug lab in Pakistan is accredited by the USA Food and Drug Administration which makes it difficult to export medicaments to France. It is very costly to set up a lab according to FDA standards. The government of Pakistan should help the pharmaceutical sector by providing easy and cheap access to capital. Manufacturing units can be established in Pakistan entirely dedicated to exports.
- In order to penetrate in the French market for the export of footwear Pakistan needs to improve the quality of its product to compete with Italy and Vietnam. Training institutions can be established to improve the skill of labor. Collaboration between industry and research institutions can improve the quality of the product. Furthermore, special favors can be granted in the form of rebates and subsidies to enhance the exports.

- Pakistan produces good quality medical instruments but is unable to export it at high margins. The reason is that certification of some electro-medical instruments is very costly and Pakistani products lack marketing and branding. Germany is the second top exporter of medical instruments to France and imports medical instruments from Pakistan. By giving the brand name and certification it sells medical instruments in France at a high price. The government of Pakistan can facilitate the exporters in the certification process and market their products in France then Pakistan can capture the French market.