



BILATERAL TRADE ANALYSIS OF SPAIN AND PAKISTAN

Country Report on Spain

Trade Development Authority of Pakistan
Ministry of Commerce
Government of Pakistan

ABSTRACT

This report includes thorough bilateral trade analysis of Pakistan & Spain and suggests potential exportable and trade scenario.

Arbab Murad Kasi
Country Report on Spain

Executive Summary

Spain is the world's fourteenth largest economy by nominal GDP and it is an attractive market with demanding consumers in Europe, it is the fourth largest economy in Eurozone. However, Pakistan and Spain enjoys cordial and long-lasting trade ties, there is a significant trade between the two countries, the trade volume between the two countries is \$1.1 billion for the year 2017 with a positive trade balance of \$695.6 million.

This study has identified six potential products at HS-06 digits, among these products four are from textile sector namely; men's or boy trouser, women's or girls trouser, T-shirts singlets and other vests of textile materials, whereas other potential product is a medical & surgical instrument and semi or wholly milled rice. These products are analysed on their competitor's strategies, average unit price in the market, ECI ranking and market share.

In this regard, a thorough comparative analysis of these products is carried out concerning Pakistan's competitors in Spanish market based on ECI ranking, export share, average unit price, export promotional strategies, tariff and non-tariff barriers.

Based on the analysis, this study recommends the following measures; Pakistan must ensure compliance to GSP plus obligation, export potential products that has high demand in the Spanish market, devise marketing strategies that harness potential benefits, provide incentives to the investor who desires to invest in mineral and textile sector that compliments Pakistan's export basket, and lastly it suggests facilitating exporter on quality certifications and technology adoption.

Acronyms

HS: Harmonized System

ECI: Export Competitiveness Index

SWOT: Strengths, Weaknesses, Opportunity, Threats

GDP: Gross Domestic Product

HDI: Human Development Index

USD: United States Dollar

UK: United Kingdom

USA: United States of America

YOY: Year on Year

IT: Information Technology

GSP: Generalized Scheme of Preference

EU: European Union

RMG: Ready Made Garments

UN: United Nations

LDC: Least Developing Country

TDAP: Trade Development Authority

MOC: Ministry of Commerce

CPEC: China Pakistan Economic Corridor

SEZs: Special Economic Zones

SME: Small & Medium enterprise

PSF: Polyester Staple Fibre

PF: Polyester Fibre

R&D: Research & Development

AUP: Average Unit Price

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1. Introduction

The purpose of this study is to identify and highlight trade opportunities in the Spanish market and to propose strategies for better and prosperous trade ties between Pakistan and Spain. In pursuance of this goal, the study has identified potentially exportable for Pakistan and it also discusses the competitor's strategies in Spanish market. Further, it highlights the bottlenecks that may hamper trade development.

The first section of the study provides an outline of the geographical and social landscape of Spain along with its economy overview; the focus has been on major economic indicators, its trade profile from 2013 onwards, major exports and imports trends from the world. The second section discusses the bilateral trade between Pakistan and Spain, its major imports and exports trends at HS 06 digit.

Further, in the third section, the study identifies the potential products at HS 06 digits which are then analyze for its ECI ranking, average unit price, market share, export promotion strategies concerning its competitors in the Spanish market.

The fourth section highlights the non-tariff barriers on the potential products identified for export to the same markets, while the fifth section explains the demand and supply-side issues that are prevailing between the two countries.

This section of the study discusses the trade promotional activities that are in the pipeline for the calendar year by the Trade Development Authority of Pakistan, along with highlighting the relevant trade shows that can be helpful for promoting the potential exportable identified in the study. This is followed by SWOT analysis of the bilateral trade between Pakistan and Spain.

Lastly, the study concludes with the recommendation and way forward for the prosperous bilateral trade.

1.1 Geography and social landscape

Key Social indicator

Official name: Kingdom of Spain

Federal Capital: Madrid

Government system: Monarchy, Parliamentary system, Constitutional monarchy, Unitary state

Head of state: President

Legal system: Civil Law system

Currency: Euro



Figure 1 Flag of Spain

1.2 Geographical Location

Spain is the fifth largest country in the world with an area of 505,955 square kilometres, it is located in the Iberian Peninsula, and there are approximately 12,500 square kilometres of islands, and 32 square kilometres accounts for the cities of Ceuta and Melilla, situated on the coast of Africa.

The Iberian Peninsula is situated in the extreme south-west of Europe and its only 14 kilometres away from the African continent, Spain is naturally endowed with great strategic value, as it lies at the location where on one side it is projecting into the Mediterranean, and on the other side it acts as an intersection for Africa and America.

A large part of the country is peninsular that explains the length of coastline, that runs along the Mediterranean Sea and the Atlantic Ocean.

Due to its geographical positioning, the climate of the country ranges from mild oceanic and wet in the north and mountainous areas, luxuriant green forest in the centre and dry in the Mediterranean.



Figure 2 Map of Spain

1.3 Bordering countries

Spain has a total land border of 1,192 miles that it shares with five countries such as Portugal, France, Andorra, and Gibraltar. The country also borders, the Atlantic Ocean, Bay of Biscay and the Mediterranean Sea.

Geographically Portugal borders Spain in the west, Andorra and France in the northeast, Gibraltar in the south and the autonomous cities of Melilla and Ceuta bordering Morocco in the south-east.

In terms of length, Portugal has the longest border with Spain, stretching 754 miles, while Gibraltar has the shortest with only 0.75 miles. The country has many border

crossing points on its international borders, and the province of Ourense has most of the crossing points in the country.

1.4 Natural Resources:

- Coal
- Lignite
- Iron Ore
- Copper
- Lead
- Zinc
- Uranium
- Tungsten
- Mercury
- Pyrites
- Magnesite
- Fluorspar
- Gypsum
- Sepiolite
- Kaolin
- Potash
- Hydropower
- Arable land

1.5 Demography

Population

Total Population: 48,958,159 (2018)

Population Growth Rate: 0.78 % (2018)

Urban Population: 79.8 % (2016)

Population distribution by Age

Table 1 Population distribution by age

| Distribution Age | % | Male | Female |
|--------------------------|------|------------|------------|
| 0-14 | 15.3 | 3,872,763 | 3,656,549 |
| 15-24 | 9.5 | 2,424,352 | 2,267,429 |
| 25-54 | 44.9 | 11,214,102 | 10,775,039 |
| 54-64 | 12.1 | 2,899,088 | 3,044,111 |
| 65 years and over | 17.9 | 3,763,989 | 5,040,737 |

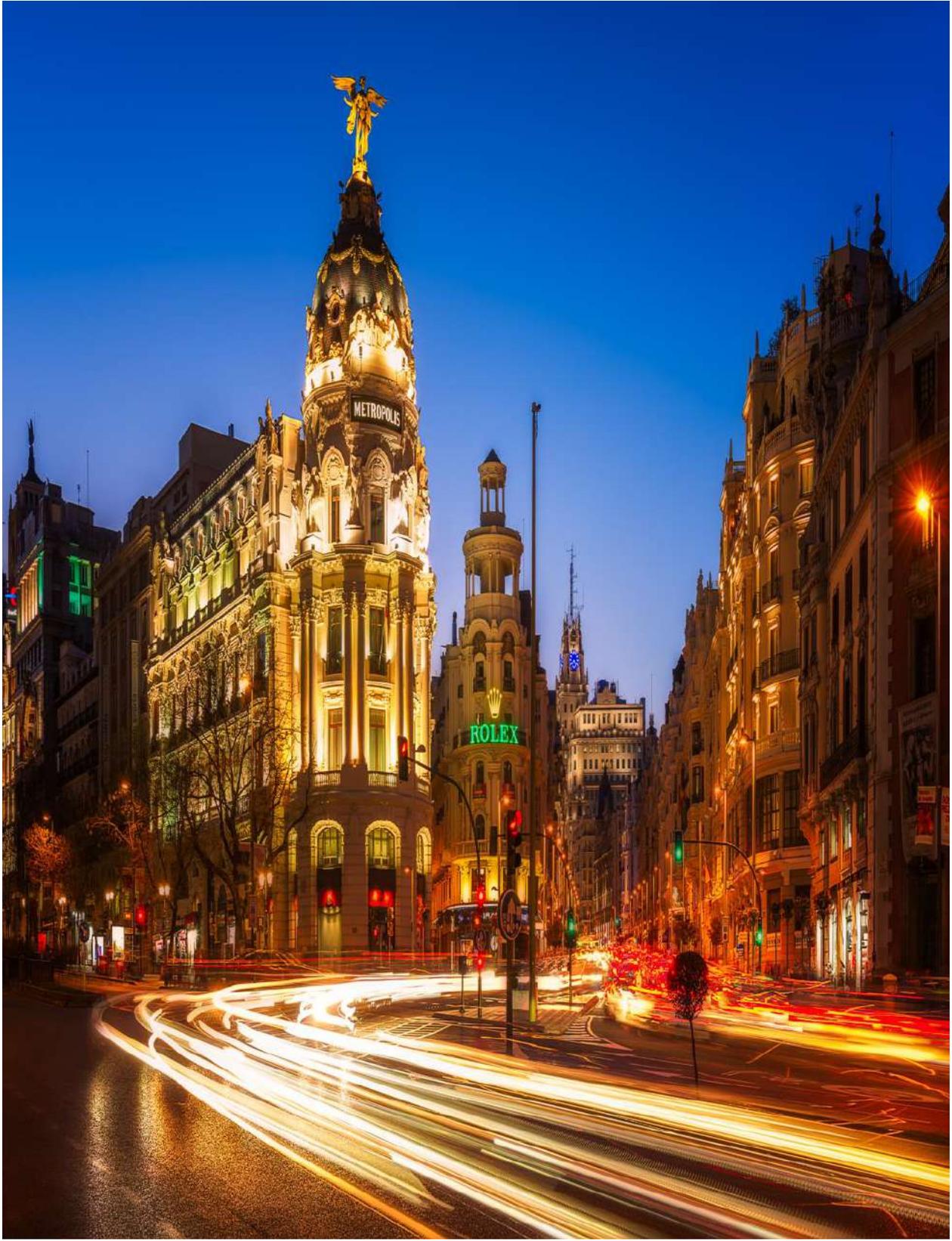


Figure 3 Madrid Metropolis building

2. Economic overview

Spain is the world fourteenth largest economy by nominal GDP, and it is one of the largest economies by purchasing power parity. It has a mixed capitalist economy, which is the fourth largest in Eurozone, based on nominal GDP.

In 2016, Spain was the fifteenth largest exporter and importer in the world, in term of human development it is listed 25th on UN HDI and according to “The Economist” it has world’s tenth highest quality of life.

In the financial crisis of 2008 the economy of Spain also plunged into recession, entering the country into negative macroeconomic performance, it lasted longer for Spain than to other major economies, the recession reversed the economic boom of the 2000s, leaving almost quarter of Spanish workforce unemployed, and in aggregated terms, the GDP contracted by 9% in the period of 2009-2013.

The economy started recovering by 2013-14, and the record trade deficit which had built up during these years were reversed, eventually, in 2015 the country GDP grew by 3.2 per cent.

It was the highest growth among the larger EU economies and in the span of two, the year 2014-15 the Spanish economy recovered almost 85 per cent of the GDP lost in that period of recession, which made some international analyst call it “ *The showcase for structural reform efforts*” referring to current Spanish recovery.

Subsequently, in 2016, the country recorded a strong GDP growth, which was twice as fast the Eurozone average and it remains the best performing GDP in Eurozone with a 3.1 per cent growth rate in 2017, the unemployment rate also decreased by 2.4 per cent.

However, the real unemployment is believed to be much lower than that, as there are millions of people working in the grey market, the underground economy makes Spanish economy 20 per cent bigger than its documented, and it moves 223.2 million USD annually.

However, the country after expanding at over 3 per cent for consecutively three years, the economy is expected to grow at a moderate pace in 2018 and 2019. The strong job creation and financial conditions will continue to support private domestic demand. The public debt remains high, but the gradual decline and continuous recovery will ultimately help it fall about GDP, though further

government intervention is required to ensure a significant decline by improving its fiscal positioning. Lastly, more effective policies are required for the re-skilling labour market to reduce unemployment and to achieve inclusive growth.¹

Table 2 Economic Indicators of Spain

| Indicators | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------------------------|----------|----------|----------|----------|----------|
| Population (Million) | 46.6 | 46.5 | 46.4 | 46.4 | 46.3 |
| Real GDP Growth Rate (%) | -1.7 | 1.4 | 3.4 | 3.3 | 3.1 |
| GDP Per Capita (USD) | 22,014 | 22,340 | 23,271 | 24,107 | 25,115 |
| Un Employment Rate (%) | 26.1 | 24.4 | 22.1 | 19.6 | 17.2 |
| Inflation (%) | 2.60 | 3.23 | 3.74 | 2.67 | 4.33 |
| Public debt (% of GDP) | 95.5 | 100 | 99.4 | 99 | 98.3 |
| GDP (US Billion) | 1,362.85 | 1,376.91 | 1,197.79 | 1,237.26 | 1,331.32 |
| Trade balance (USD Billion) | (21.303) | (32.328) | (27.144) | (20.762) | (31.299) |
| Current Account balance % of GDP | 1.5 | 1.1 | 1.1 | 1.9 | 1.9 |

Source: (World Bank, IMF)

2.1 Recent economic development

- After three years of outstanding growth, Spain's economy is projected towards a contraction this year.
- The weakening private consumption growth shows the inflationary pressures on households' real disposable income.
- The fading tourism industry, which has been the major source of employment growth and economic recovery.²

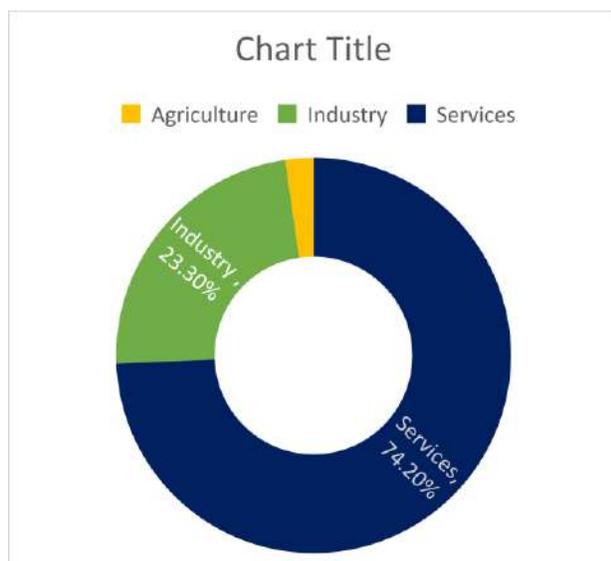
¹ OECD (Spain economic forecast summary)

² Focus Economics (Economic forecasts for world leading Economists)

2.3 Composition of GDP

The figure below depicts the share of each sector in GDP of Spain.

Figure 4 Share of Sectors in GDP



Industry

The manufacturing sector of Spain mainly includes manufacturing, energy production,

2.4 Spain's Trade overview

The following table exhibits the trade overview of Spain with the world.

Table 3 Spain international trade overview

| Spain-World | 2013 | 2014 | 2015 | 2016 | 2017 | CAGR |
|-------------------------|---------------|---------------|---------------|---------------|---------------|-------|
| Spain's Exports | 310.96 | 318.64 | 278.12 | 281.77 | 319.62 | 0.005 |
| Spain's Imports | 332.26 | 350.97 | 305.26 | 302.53 | 350.92 | 0.010 |
| Balance of Trade | -21.30 | -32.32 | -27.14 | -20.76 | -31.29 | 0.079 |
| Total Trade | 643.23 | 669.62 | 583.38 | 584.31 | 670.54 | 0.008 |

Source: ITC Trade Map

Value in USD Billion

mining and construction. In 2017, the industrial sector contributed 23.2% to the GDP, and It employed 19.5% of the labour force.

Service

The services sector of Spain is the major contributor with 74.2 per cent to the GDP, which mainly includes financial services, transportation, communication, government activities and real estate, and it employs 76.36 % of the labour force.

Agriculture

The agriculture sector of Spain contributes merely 2.6% to the GDP, which mainly includes farming, fishing and forestry, and it employs 4.14 per cent of the labour force.³

³ The statista portal (www.statista.com)

Spain is the 15th largest export economy in the world. In 2017, Spain exported \$319 billion worth of goods, and in the same period, it has imported \$350 billion worth of goods, which eventually resulted in a negative trade balance of \$31.29 billion.

The trade deficit has increased from \$21.3 billion in 2013 to \$31.29 billion in 2017; the major increase was recorded in 2013-14 when the economy of Spain was contracted due to the financial crises of 2008, as it lasted longer for Spain than other developed countries.

However, the overall trade volume has increased in 2017, due to the recovery in the economy and a record increase in the tourism industry in 2016. However, the trade deficit has significantly increased in 2016-17, which was due to the hike in oil prices international.

2.5 Major Exports

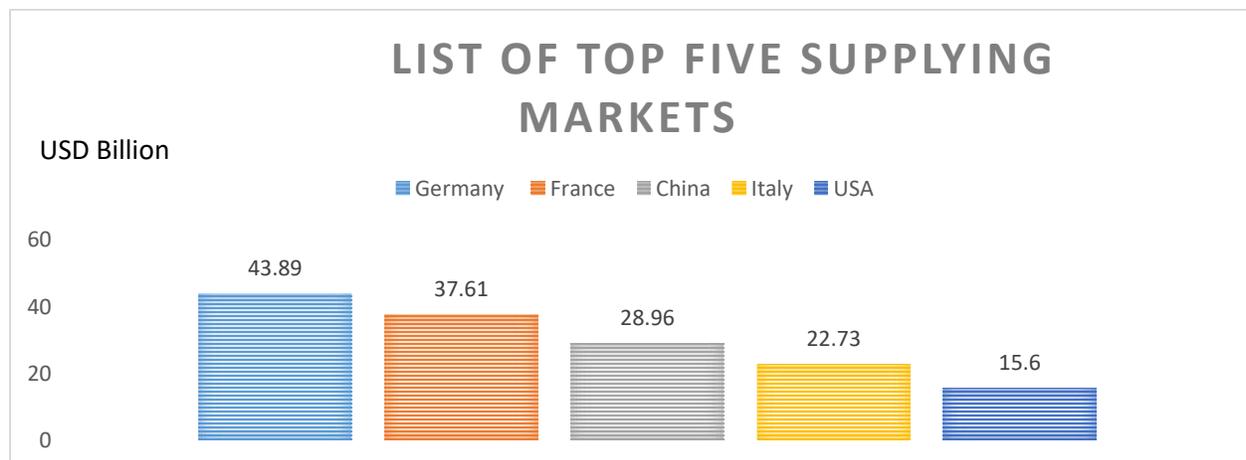
The top exports of the country using HS Code classification at 02 digits are vehicles (\$55.5 billion), machinery (\$23.9 billion), fuels & oils (\$17.6 billion), electrical machinery (\$16.6 billion), plastic & articles thereof (\$12.1 billion).

However, the top export destination of Spain are; France (\$46.9 billion), Germany (\$34.8 billion), Italy (\$25.1 billion), Portugal (\$22.3 billion), and (UK \$21.3 billion).

2.6 Major Imports

The major imports basket contains mineral fuels & oil \$45.5 billion, Vehicles \$43.9 billion, machinery \$33.3 billion, electric machinery \$25.8 and pharmaceutical \$13.9 billion.

Figure 5 List of top suppliers to Spain



Source: ITC Trade Map

The top five suppliers to Spanish markets are; Germany \$43.89 billion, France \$37.61, China \$28.96 billion, Italy \$22.73 and USA with US\$15.6 billion.

2.7 Spain Market Entry Strategy

There are following important factor that helps to understand the business culture, market structure, government regulation and value system of the country.

- Spain has 17 autonomous communities with different cultural identity and varying degree of autonomy, it has several regional markets and two big business hubs connecting them Madrid and Barcelona which makes up the market structure of Spain.
- Most of the distributors, agents, foreign subsidiaries, and government entities that make up the economic bloc operate in these two hubs of the country.
- The Spanish commercial procedures are similar to the rest of Western Europe, where the price and value remain important.
- The use of credit card to purchase consumer goods are widely accepted in big cities.
- There is high government regulation for investment in Spain, and however, the effort has been made to attract investment in the less developing region with fewer regulatory obstacles. Moreover, the government permits foreign investment of up to 100 per cent equity in Spain, except for some cases.
- The people of Spain (Spaniards) are more formal in doing business than American, hence, professionalism is recommended with formal attire.
- The businessmen prefer and value face to face meetings over other forms of business communication, and Spaniards believe in a personal relationship with suppliers.
- There is a possible language barrier in Spain as merely 30 per cent of the local manager are fluent in the English language.
- Spaniard buying habits are very conservative they prefer recognised brands, and large buying houses are more comfortable dealing with the established organisation.



Figure 6 Barcelona city, Spain

3. Bilateral Trade Analysis

Pakistan and Spain enjoy cordial and happy trade ties, and there is a significant trade between the two countries, over the years the trade volume has been showing an increasing trend. It has recorded a compound annual growth rate of 0.07 per cent throughout 2013-17.

However, in 2017 the trade volume has reached \$1.1 billion, which is an all-time high bilateral trade between the two countries and the trade volume is expected to grow in the coming years.

3.1 Spain's Trade with Pakistan

The following table depicts the bilateral trade between Pakistan and Spain for the year 2013 to 2017.

Figure 7 Pakistan-Spain bilateral trade

| Pak-Spain Trade | 2013 | 2014 | 2015 | 2016 | 2017 | CAGR |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Pakistan Exports | 602.47 | 789.82 | 782.25 | 837.34 | 904.57 | 0.084 |
| Pakistan Imports | 177.56 | 147.12 | 203.25 | 252.72 | 208,91 | 0.033 |
| Trade Balance | 424.90 | 642.70 | 579.00 | 584.61 | 695.65 | 0.103 |
| Total trade volume | 780.04 | 936.94 | 985.51 | 1,090.069 | 1,113.49 | 0.073 |

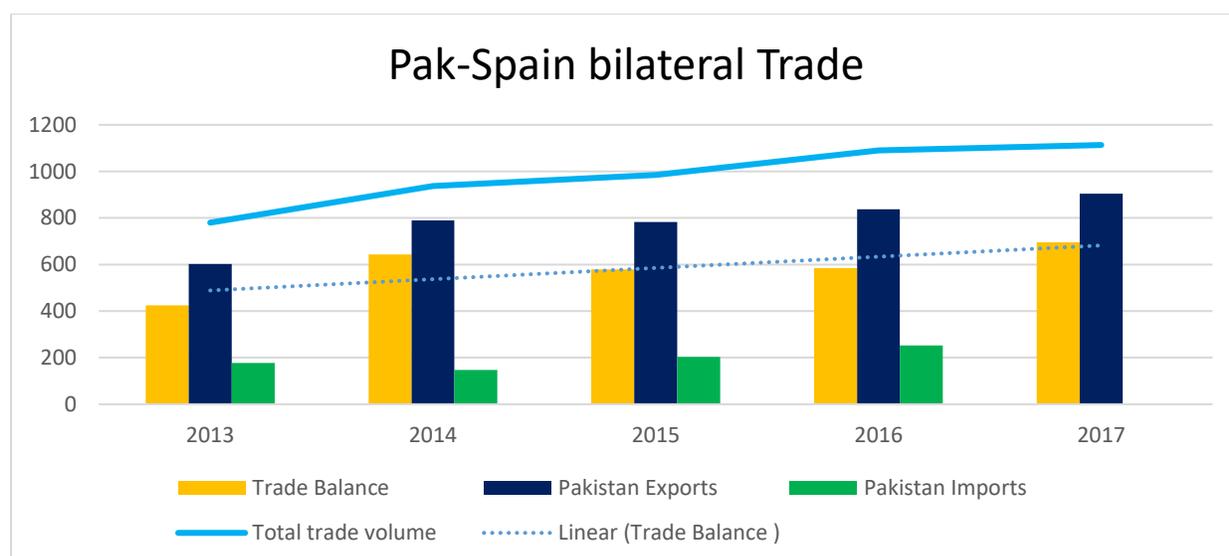
Source: ITC Trade Map

Value in USD million

Pakistan's exports to Spain has recorded a compound annual growth of 0.08 per cent throughout 2013-17, and in the same period, its imports from Spain has also recorded an increase of 0.03 per cent.

Eventually, the trade balance has resulted in surplus with \$695.5 million in 2017, which were \$424.9 million in the years 2013, recording a compound annual growth of 0.1 per cent, which signifies that Pakistan's exports to Spain over the years are increasing. Hence, the upward trajectory of bilateral trade between Pakistan and Spain is heavily tilted in favour of Pakistan.

Figure 8 Pakistan-Spain bilateral trade (2013-17)



Source: ITC Trade Map

Value in USD million

3.2 Trade Trend of Pakistan & Spain

Following is the list of top 15 items, that Pakistan is exporting to Spain in the fiscal year 2017-18 and 2016-17 at HS 08 digit along with its quantity.

Table 4 Pakistan's top exports to Spain at Hs-08 (2017-18)

| EXPORT FROM PAKISTAN TO SPAIN | | | | | | | | |
|-------------------------------|-----------------------------------|------|-------------------|---------|-------------------|---------|----------|--------|
| H.S.# | COUNTRY BY COMMODITIES | UNIT | JULY-JUNE 2017-18 | | JULY-JUNE 2016-17 | | | var % |
| | | | QTY. | 000.\$ | QTY. | 000.\$ | var | |
| 62032200 | ENSEMBLE MEN/BOY COT NOT KNIT | DOZ | 3,205,040 | 232,331 | 1,598,372 | 136,172 | 96,160 | 70.62 |
| 62034200 | OTH TROU BIB M/BOYS COTTON N/KNIT | DOZ | 865,798 | 62,444 | 829,260 | 68,251 | (5,807) | -8.51 |
| 63026010 | TOWELS OF COTTON MILL-MADE | KG | 7,434,036 | 31,395 | 6,036,561 | 25,873 | 5,522 | 21.34 |
| 61034900 | TROUSERS,ETC.MEN/BOYS TEX MAT | DOZ | 574,154 | 29,665 | 551,342 | 22,721 | 6,944 | 30.56 |
| 42031010 | JACKETS, LEATHER/COMP-LEATHER | DOZ | 40,747 | 25,308 | 50,830 | 35,550 | (10,242) | -28.81 |
| 22071000 | UNDENATURED ETHYL ALCOHOL O/SPR | LTR | 45,640,065 | 24,454 | 17,894,805 | 10,211 | 14,243 | 139.48 |
| 61109000 | JERSEY, ETC. OTH TEXT. MATERIAL | DOZ | 395,526 | 22,361 | 194,887 | 11,625 | 10,736 | 92.35 |
| 10063010 | RICE BASMATI | MT | 20,023 | 20,438 | 6,536 | 6,112 | 14,326 | 234.38 |
| 63023910 | BED SHEETS OTH TEX MAT HANDLOOM | KG | 3,646,431 | 19,453 | 2,786,801 | 14,757 | 4,696 | 31.82 |
| 63023990 | BED LINEN OTH TEX MAT NOT/KNIT | KG | 3,313,481 | 17,625 | 3,762,386 | 20,146 | (2,521) | -12.51 |
| 61059000 | MEN/BOYS SHIRTS O/TEXTILE K/CR | DOZ | 322,993 | 17,574 | 223,090 | 11,818 | 5,756 | 48.70 |

| | | | | | | | | |
|----------|--------------------------------|-----|------------|--------|------------|--------|----------|--------|
| 62046290 | OTH TROUSER W/GRL COTT N-KNIT | DOZ | 221,952 | 15,213 | 538,428 | 44,123 | (28,910) | -65.52 |
| 63023110 | BED SHEETS OF COTTON MILL-MADE | KG | 2,384,806 | 14,082 | 1,612,690 | 8,908 | 5,174 | 58.08 |
| 52102100 | W-FAB COT MIX-MMF WT 200G/SQM | SQM | 16,427,010 | 13,963 | 17,645,972 | 15,246 | (1,283) | -8.42 |
| 61051000 | SHIRTS MEN/BOYS COTT KNIT/CRO | DOZ | 224,320 | 13,550 | 272,989 | 15,561 | (2,011) | -12.92 |

Source: Pakistan Bureau of Statistics

Value in USD million

The above table shows that Pakistan's major exports to Spain are cotton and textile products, among the top 15 products, 12 are from the textile sector.

Among these products men or boys, ensembles of cotton are the top exporting product to Spain in the year 2017-18, whose exports have increased significantly by 70.62 per cent on YOY bases, between these top 12 items of textile sector, the exports of five items has decreased on YOY bases.

Other products are leather jackets, undenatured ethyl, and rice basmati, among them rice exports have recorded a significant increase of 234 per cent on year on year bases.

Table 5 Top exports from Pakistan to Spain at HS-06 (2016-17)

| Product code | Product label | Pak-Exp 2016 USD Million | Pak-Exp 2017 USD Million | AAGR 2016/17 | Tariff lines | Spain import 2017 % |
|--------------|---|--------------------------|--------------------------|--------------|--------------|---------------------|
| 'TOTAL | All products | 837,343 | 904,571 | 7.43 | | |
| '620342 | Men's or boys' ensembles of cotton | 74,101 | 211,115 | 64.9 | 0 | |
| '620322 | Men's or boys' trousers, bib and brace overalls | 101,300 | 58,044 | -74.52 | 0 | 4.54 |
| '630239 | Bedlinen of textile materials | 44,688 | 45,874 | 2.58 | 0 | |
| '420310 | Articles of apparel, of leather or composition leather | 43,950 | 33,949 | -29.45 | 0 | 19.11 |
| '630260 | Toilet linen and kitchen linen | 23,831 | 30,095 | 20.81 | 0 | 22.81 |
| '630231 | Bedlinen of cotton | 26,040 | 27,391 | 4.9 | 0 | 36.23 |
| '610349 | Men's or boys' trousers, bib and brace overalls | 22,275 | 26,885 | 17.14 | 0 | |
| '630210 | Bedlinen knitted or crocheted | 23,852 | 25,872 | 7.8 | 0 | |
| '100630 | Semi-milled or wholly milled rice | 9,161 | 21,116 | 56.61 | 18 | 42 |
| '220710 | Undenatured ethyl alcohol, of actual alcoholic strength | 14,817 | 20,585 | 28 | 3 | 27.1 |
| '611090 | Jerseys, pullovers, cardigans, waistcoats | 8,259 | 19,944 | 58.58 | 0 | 38 |
| '620462 | Women's or girls' trousers, bib and brace overalls, | 79,477 | 16,294 | -387.7 | 0 | 1.1 |
| '610590 | Men's or boys' shirts of textile materials knitted or crocheted | 11,216 | 15,580 | 28 | 0 | 5.69 |
| '610510 | Men's or boys' shirts of cotton knitted or crocheted | 13,238 | 14,367 | 7.85 | 0 | 8.49 |
| '521021 | Plain woven fabrics of cotton, containing predominantly, | 15,034 | 14,032 | -7.14 | 0 | 17.22 |

Source: ITC Trade Map

Value in USD million

The above table shows the list of top 15 products that Pakistan are exporting to Spain at HS-06 digit in the year 2016-17 with its average annual growth, tariff duties and market share.

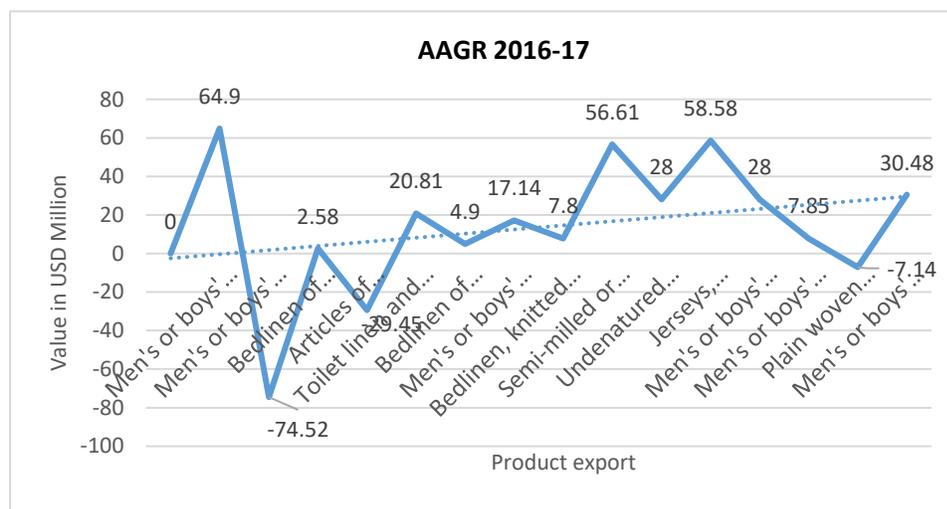


Figure 9 Major exports average annual growth rate

Figure 9 on average annual growth rate also depicts that Men's or boys' ensembles of cotton is the top exporting product to this market, Among other product semi or wholly milled rice and undenatured

ethyl alcohol are the only product other than textile that is recording an average annual growth of 56.62 and 28 per cent respectively in the year 2016-17.

4. Methodology for Potential Product

The exportable that are considered as potential in Spanish markets are identified on three-tier criteria, i.e;

Firstly, If Pakistan's exports of a particular product to the world is greater than \$100 million and Spanish imports of the same product from the world is greater than \$50 million, than that product quality for analysis.

In the second stage, these products are filtered as potential on the criteria of market share. Thus, products that are having less than 10% of market share in the total import of Spain from the world are filtered as a potential product, whereas those products that don't qualify this criterion are not incorporated in the study.

Thirdly, the rule of thumb is employed to further scrutinised the product, so that the product in which Pakistan's has enough exports, means a comparative advantage, and at the same time there is also enough demand of that product in the markets of Spain, then those products are selected for further analysis.

4.1 Potential item for Spanish markets

The study incorporates the list of potential items that are further exportable in the Spanish market, along with highlighting some new products that have the export potential for the Spanish market.

Following is the table that highlight potential items for Spanish Markets:

Table 6 List of potential products with less than 10% market share in total Spanish imports

| Hs Code | Code Description | Pak Exports Spain 2017 | Spain Imports World | Pak Exports World | % share in world Imp Spain |
|---------|---|------------------------|---------------------|-------------------|----------------------------|
| '620342 | Men's or boys' trousers, bib and brace | 58,044 | 1,277,208 | 410,423 | 4.54 |
| '620462 | Women's or girls' trousers, bib and brace | 16,294 | 1,472,987 | 197,075 | 1.11 |
| '610510 | Men's or boys' shirts of cotton knitted or crocheted | 14,367 | 273,652 | 168,344 | 5.25 |
| '611595 | Full-length or knee-length stockings, | 6,334 | 156,832 | 199,886 | 4.04 |
| '610910 | T-shirts, singlets and other vests of cotton. | 5,054 | 1,246,788 | 197,757 | 0.41 |
| '640399 | Footwear with outer soles of rubber, plastics or composition leather | 4,727 | 716,844 | 68,991 | 0.66 |
| '610990 | T-shirts, singlets and other vests of textile materials, | 2,719 | 653,580 | 106,416 | 0.42 |
| '901890 | Instruments and appliances used in medical, surgical or veterinary sciences | 1,914 | 999,842 | 360,575 | 0.19 |
| '940490 | Articles of bedding and similar furnishing fitted | 967 | 163,656 | 79,551 | 0.59 |
| '100630 | Semi-milled or wholly milled rice, | 1,621 | 50,252 | 1,512,694 | - |

Source: ITC Trade map

Value in USD million

Table 7 List of Potential Products with more than 10% market share in Spanish imports

| Hs Code | Product description | Pak Exp Spain 2017 | Spain Imp World | Pak Exp World | % share in world Imp Spain |
|---------|---|--------------------|-----------------|---------------|----------------------------|
| '420310 | Articles of apparel, of leather or composition leather | 33,949 | 177,561 | 275,584 | 19.12 |
| '630260 | Toilet linen and kitchen linen | 30,095 | 131,872 | 805,010 | 22.82 |
| '630231 | Bedlinen of cotton | 27,391 | 75,591 | 810,930 | 36.24 |
| '220710 | Undenatured ethyl alcohol, | 20,585 | 75,897 | 361,533 | 27.12 |
| '611090 | Jerseys, pullovers, cardigans, waistcoats | 19,944 | 52,389 | 195,778 | 38.07 |
| '610469 | Women's or girls' trousers, bib and brace overalls, | 12,492 | 81,451 | 59,012 | 15.34 |
| '410712 | Grain splits leather of the whole hides and skins of bovine | 6,752 | 54,175 | 114,395 | 12.46 |
| '410792 | Grain splits leather of the portions, strips or sheets of. | 5,150 | 51,321 | 50,702 | 10.03 |

Source: ITC Trade map

Value in USD million

4.2 Pakistan's Export Potential to Spain

The following five product has been identified as a potential exportable in the Spanish market at HS-06 digit from the data on trade map for the year 2017.

4.3 Potential Products filtered for analysis

Following is the list of potential products filtered for analysis.

Table 8 List of Potential Products Proposed for exports to Spain

| Hs Code | Product description | Pak Exp Spain 2017 | Spain Imp World | Pak Exp World | % share in world Imp Spain |
|---------|---|--------------------|-----------------|---------------|----------------------------|
| '620342 | Men's or boys' trousers, bib and brace | 58,044 | 1,277,208 | 410,423 | 4.54 |
| '620462 | Women's or girls' trousers, bib and brace | 16,294 | 1,472,987 | 197,075 | 1.11 |
| '610910 | T-shirts, singlets and other vests of cotton. | 5,054 | 1,246,788 | 197,757 | 0.41 |
| '610990 | T-shirts, singlets and other vests of textile materials, | 2,719 | 653,580 | 106,416 | 0.42 |
| '901890 | Instruments and appliances used in medical, surgical or veterinary sciences | 1,914 | 999,842 | 360,575 | 0.19 |

Source: ITC Trade Map

Value in USD million

4.4 Men's or boys' trousers, bib and brace

Men's or boys' trouser has world exports share of 0.15 pc with an export value of \$26.5 billion in the year 2017; its top exporting country is Bangladesh with 20.6 pc share in the world market followed by China with 20.4 pc export share.

Table 9 620342 Competitors ECI ranking, average unit price and Exports

| Countries | 2013 Imported value USD million | 2017 Imported value USD million | Avg. Tariff rate (%) | ECI Ranking | | Unit value USD |
|------------------------------|---------------------------------|---------------------------------|----------------------|-------------|----------|----------------|
| | | | | 2013 | 2017 | |
| Bangladesh | 213,135 | 314,549 | 0 | 3 | 1 | 14,966 |
| Pakistan | 74,691 | 212,550 | 0 | 9 | 5 | 13,641 |
| Turkey | 169,998 | 203,573 | 0 | 2 | 3 | 22,082 |
| Morocco | 111,701 | 129,960 | 0 | 1 | 2 | 19,519 |
| China | 96,150 | 68,364 | 12 | 10 | 11 | 13,958 |
| Italy | 54,135 | 58,302 | 0 | 8 | 7 | 58,585 |
| Total record of competitors | 719,810 | 987,298 | | | | |
| Others | 285,275 | 289,910 | | | | |
| The total value of the world | 1,005,085 | 1,277,208 | | | | |

Source: ITC Trade Map

Pakistan exports \$410.4 million worth of this product to the world, its top importing country is the United States, in term of value Spain imports \$1.2 billion of this item in 2017, Pakistan’s exports to Spain has recorded an average annual growth of 64.9 pc in 2016-17, and its export has increased by cumulative annual growth of 0.22 pc over the period of 2013-17.

Spain’s import of this product has increased over the years from \$1 billion in 2013 to \$1.2 billion in 2017, which shows an increasing trend, the major share of the market has been captured by Bangladesh with \$314.5 million worth of exports to Spain and its exports have increased by a cumulative annual growth of 0.08 pc over the year 2013-17.

Turkey and Morocco are two suppling countries in the market with a major share of \$203.5 million and \$129.9 million respectively.

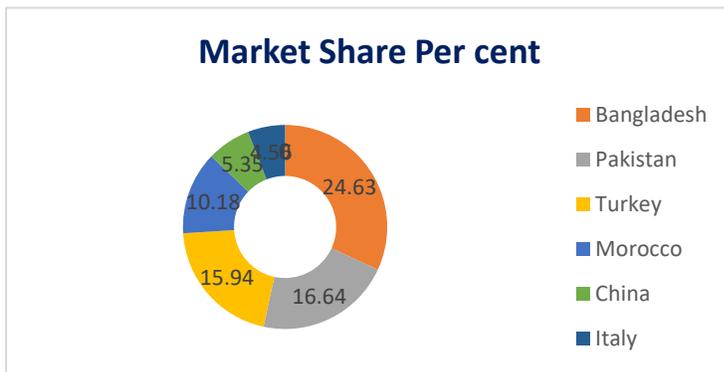


Figure 11 620342 Competitors market share

Pakistan offers a lowest average unit price of USD 13,641 in the market. In term of pricing strategy Pakistan has a comparative advantage, and China is the only country that beat Pakistan on this ground as it is the second lowest price offering country, but its exports have decreased by 28.8 pc over the

year 2013-17.

On export competitiveness index Bangladesh and Pakistan have improved in their ranking in the last five years, whereas, Turkey and Morocco have lost its competitiveness in the market in the same period, which indicates that Bangladesh seems to be a potential competitor in the market with top suppliers.

But as our average unit price is lowest in the market which gives Pakistan an opportunity to expand its market by exploiting pricing strategy, which also seems to be working for its suppliers in the market from last five years.

4.5 Women's or girls' trousers, bib and brace

Women's or girls' trouser has world exports share of 0.12 pc with an exports value of \$22.1 billion in the year 2017; its top exporting country is China with 32.4 pc share in the world market followed by Bangladesh with 14.1 pc export share.

Table 10 620462 Competitors ECI ranking, average unit price & Exports

| Countries | 2013 Imported value USD million | 2017 Imported value USD million | Avg. Tariff rate (%) | ECI Ranking | | Unit value USD |
|------------------------------|---------------------------------|---------------------------------|----------------------|-------------|------|----------------|
| | | | | 2013 | 2017 | |
| Bangladesh | 223,637 | 372,807 | 0 | 3 | 3 | 17,137 |
| Turkey | 372,807 | 342,405 | 0 | 2 | 2 | 26,784 |
| Cambodia | 43,747 | 147,626 | 0 | 6 | 1 | 18,089 |
| Pakistan | 85,224 | 142,972 | 0 | 8 | 5 | 15,732 |
| Morocco | 150,458 | 122,754 | 0 | 1 | 4 | 26,057 |
| China | 181,999 | 112,234 | 12 | 5 | 7 | 18,202 |
| Total record of competitors | 1,057,872 | 1,240,798 | | | | |
| Others | 62,849 | 232,189 | | | | |
| The total value of the world | 1,120,721 | 1,472,987 | | | | |

Source: ITC Trade Map

Pakistan exports \$197 million worth of this product to the world, its exports have decreased by the compound annual growth of negative 0.16 pc, its top importing country in the world is the United States, in term of value Spain imports \$1.4 billion worth of this item in 2017.

Pakistan's exports \$142.9 million worth of this item to Spain and its exports have recorded an average annual growth of 0.10 pc throughout 2013-17.

Bangladesh is the top supplier in this market with \$372.8 million worth of exports in 2017; it exports have increased with the annual compound growth of 0.10 pc, Turkey and Cambodia are other major supplies with \$342 million and \$147.6 million worth of exports respectively. The exports of Cambodia have increased multifold from \$43.7 million in 2013 to \$142.9 million in 2017, whereas, in the same period the supplies of Turkey have decreased by almost \$30 million.

Market share Per cent

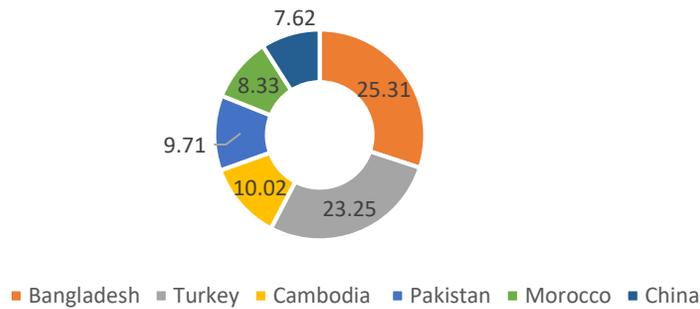


Figure 12 620462 Competitors market share

However, Bangladesh, Cambodia and Pakistan are three competitors whose supplies have increase over the last five years in the Spanish market. But in term of value Turkey is a second biggest supplier in the market, which indicates that Pakistan must compete not only with

Bangladesh and Cambodia but also Turkey to capture more market share.

In term of average unit price, Pakistan offers the lowest AUP in the market, followed by Bangladesh and Cambodia respectively. However, if we look at the export competitiveness index, of Bangladesh and Turkey, they have retained their positionings, whereas Cambodia and Pakistan have improved their competitiveness over the years. So, it can be argued that Pakistan needs to market its competitive AUP properly, to attract more buyer in the Spanish markets.

4.6 T-shirts, singlets and other vests of cotton

T-shirts, singlets and other vests of cotton have world export share of 0.15pc with an exports value \$27.6 billion in the year 2017; its top exporting country is Bangladesh with a 19.1pc share in the world market followed by China with 14.4 pc export share.

Table 11 610910 Competitors ECI ranking, average unit price & Exports

| Countries | 2013 Imported value USD million | 2017 Imported value USD million | Avg. Tariff rate (%) | ECI Ranking | | Unit value USD |
|------------------------------|---------------------------------|---------------------------------|----------------------|-------------|------|----------------|
| | | | | 2013 | 2017 | |
| Bangladesh | 332,814 | 473,814 | 0 | 2 | 2 | 11,855 |
| Turkey | 121,266 | 170,625 | 0 | 3 | 3 | 23,319 |
| Portugal | 190,180 | 120,370 | 0 | 1 | 1 | 23,055 |
| India | 71,969 | 104,554 | 9.6 | 4 | 6 | 23,055 |
| China | 68,648 | 45,446 | 12 | 5 | 12 | 19,563 |
| Pakistan | 2,875 | 11,927 | 0 | 23 | 20 | 14,216 |
| Total record of competitors | 787,752 | 785,736 | | | | |
| Others | 254,731 | 461,052 | | | | |
| The total value of the world | 1,042,483 | 1,246,788 | | | | |

Source: ITC Trade Map

Spain imports \$1.2 billion worth of this item and its imports have increased over the years from \$1 billion to \$1.2 billion from 2013-17. Pakistan exports to Spain is mere \$11.9 million in 2017 which was only \$2 million in 2013, however, its exports have increased by cumulative annual growth rate of 0.32 pc.

Bangladesh is also a top supplier to Spanish market with \$473.8 million worth of export, its exports have increased with a cumulative annual growth rate of 0.07pc over the year 2013-17, the second biggest supplier to the Spanish market is Turkey with \$170.6 million worth of exports, its suppliers have also increased by almost \$50 million in the same period.

Other major supplier of this product to Spanish market are Portugal, India, China and Pakistan. However, export of Portugal and China has decreased in this period, whereas, Indian exports have recorded a significant increase.

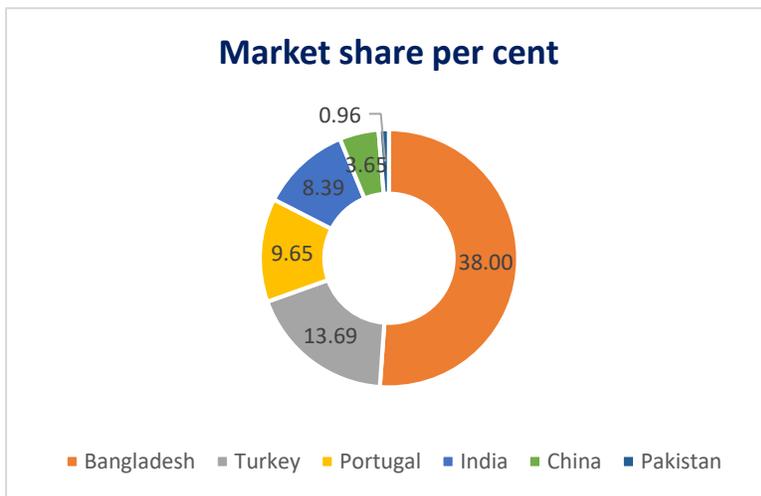


Figure 13 610910 Competitors market share

Among competitors, India and China face high tariffs duties of 9.6 & 12 pc respectively, whereas, other suppliers face no tariff duties in the Spanish market. Pakistan enjoys GSP plus status granted by European Union that provide them duty-free access to European markets. But still, Pakistan has comparatively very low export of

this product to the Spanish market. In term of average unit price Bangladesh offers the lowest AUP in the market and its pricing strategy seem to be paying off but at the same Pakistan which offer second lowest AUP has sheer \$11 million exports which are comparatively very low.

Hence, it can be concluded that either Pakistani exporter are not properly marketing its product or there is no proper mechanism for engaging buyers in the market who can benefit from our compatible products.

4.7 T-shirts, singlets and other vests of textile materials

T-shirts, singlets and other vest of textile materials have a world export of 0.07pc with an export value of \$16.2 billion in the year 2017; its top exporting country is China with 30 pc share in the world market followed by Turkey with 8.7 pc export share.

Table 12 610990 competitors ECI ranking, average unit price & Exports

| Countries | 2013 Imported value USD million | 2017 Imported value USD million | Avg. Tariff rate (%) | ECI Ranking | | Unit value USD |
|------------------------------|---------------------------------|---------------------------------|----------------------|-------------|------|----------------|
| | | | | 2013 | 2017 | |
| Turkey | 104,660 | 107,667 | 0 | 2 | 2 | 25,132 |
| China | 81,365 | 99,904 | 12 | 3 | 3 | 19,168 |
| Bangladesh | 29,904 | 73,886 | 0 | 6 | 6 | 14,663 |
| Morocco | 55,065 | 62,050 | 0 | 4 | 5 | 23,985 |
| India | 18,851 | 37,432 | 9.6 | 9 | 9 | 19,847 |
| Pakistan | 961 | 1,740 | 0 | 24 | 25 | 13,282 |
| Total record of competitors | 290,806 | 382,679 | | | | |
| Others | 281,368 | 270,901 | | | | |
| The total value of the world | 572,174 | 653,580 | | | | |

Source: ITC Trade Map

Spain imports \$653.5 billion worth of this item and its imports have increased over the years from \$572.1 million to \$653.5 million from 2013-17, Pakistan's export to Spain is only \$1.7 million, it has no sufficient exports to Spanish markets, and over the years its exports have not increase adequately.

Turkey is a top supplier of this product in Spanish market with \$107.6 million worth of exports, its export has not increased significantly over the year 2013-17, but it has sustained its supplies for all these years and remain the top exporter.

China, on the other hand, is the second biggest supplier of this product to Spain, and its export has comparatively increased from \$81.3 million to \$99.9 million from 2013 to 2017, and there are high tariff duties of 12 pc on China in this market.

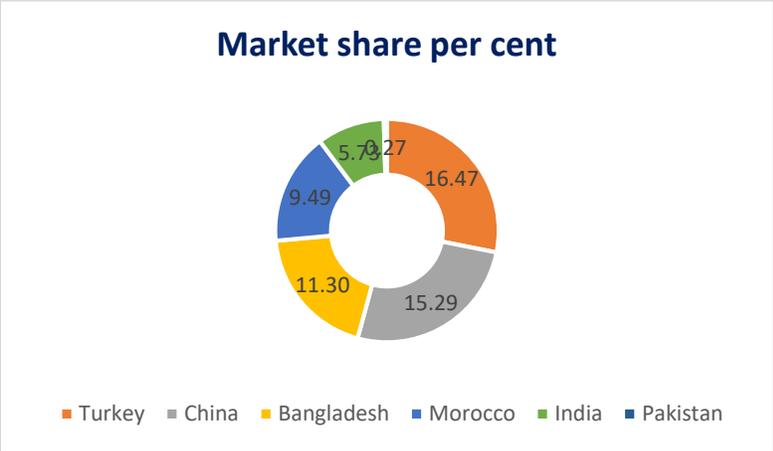


Figure 14 610990 Competitors market share

Other major suppliers of this product to Spain are Bangladesh, Morocco and India. However, export of Bangladesh and India have recorded a significant increase over this period, but India faces high tariff duties of 9.6 pc in this market.

In terms of average unit price, Pakistan offers the lowest price

which has not been fully capitalised by the exporter, as there is always a price driven consumer in every market the price effect should be utilised by introducing a proper pricing strategy.

Moreover, Turkey has a geographical advantage over other players in the market, and there are no tariff duties for them, Pakistan should take advantage of the GSP plus status granted to them by the European Union.

4.8 Competitors strategy for Textile sector potential products

Following are the competitors for the textile sector in the Spanish market and below are the strategies benefiting them.

4.8.1 Factor benefiting Bangladesh in the Spanish market

Bangladesh is the world top supplier of this product with \$5.4 billion export. In the Spanish market, it exports \$314.5 million worth of this item. It is a global leader in readymade garments (RMG).

The textile industry of Bangladesh has been subsidies by cash incentives, bonded warehousing and duty drawback facilities. The bonded warehouse facility means that any input that the export-oriented industry is importing, either raw material or packaging material will be tax free and duty-free, whereas drawback duty is a government refund scheme of taxes and duties paid on raw material/input used for manufacturing of export goods and services.

Moreover, Bangladesh benefits from the high unskilled and semi-skilled women population that are a source of cheap labour in the RMG sector, and it also enjoys LCD status that benefits the

export-oriented industry with zero tariff duties on all exports to European union except arms. However, there is a significant number of non-tariff barriers for Bangladesh in the Spanish market.

4.8.2 Factor benefiting Turkey in the Spanish market

Turkey's textile and clothing are among the best performing sector of its economy, accounting 7% of the GDP, it is world's 8th cotton producing country and some 56,000 companies are operating in this sector. The country ranked 3rd in organic cotton production; which means that there is high quality raw material available in Turkey.

Moreover, Turkish clothing and textile industry have moved on to new designs, quality labelling and fashion style to target quality demanding customers, for this purpose the government has launched "Turquality", a program design to provide a strategic position in marketing and quality upgrading over its competitors. In the Spanish market, Turkey has the comparative advantage of its geography, and as being a European union custom member, there is a less technical barrier for Turkey in European countries.

4.8.3 Factor benefiting China in the Spanish market

The textile industry of China is largest in the world in term of production and exports, it employs nearly 28 million people, and its exports have crossed \$267 billion in the years 2016, China is the biggest supplier to European Union.

However, Chinese strategy is multipronged, it has investments in distribution and acquisition of foreign brands and businesses, but due to a sharp increase in labour cost and wages, China is relocating its production units to low-cost neighbouring countries which have a preferential trade agreement with Europe such as Cambodia, Myanmar and Vietnam.

Moreover, to remain relevant and competitive China is heavily investing in R&D and integration of new technologies for product development and marketing.

4.8.4 Factor benefiting India in the Spanish market

Indian textile sector is one of the largest contributors to its exports with approximately 13 per cent of its total exports; it contributes around 2 per cent of India's GDP and ten per cent of its manufacturing production. Currently, its estimated worth is \$120 billion and expected to reach \$230 billion by 2020.

The textile industry of the country has attracted US \$2.55 billion in FDI in the last decade some major investors are Future Group, Raymond and Max Fashion. All these investors are planning to open stores and outlet throughout the country.

The government of India has introduced many initiatives for textile industry such as, to allow 100 pc FDI under “the Automatic route” without any regularity barriers, further its encouraging entrepreneurs to invest in knitwear for this purpose it has increased bank funding from \$20.4 billion to \$36.6 billion.

Moreover, in union budget 2017-18 the government of India have allotted \$330 million for upgrading labour skills, some of the initiatives taken by India are as under:

- The Government has announced a package to improve the status of power loom sector, which include social welfare schemes, cluster development, up-gradation of obsolete looms and insurance cover, along with tax benefits and marketing support.
- MOU signed in Vibrant Gujarat summit 2017, for investment worth of \$1.3 billion in areas such as textile processing, textile park, machinery and carpet development
- A first-ever apparel & Garment making centre was inaugurated in Meghalaya to create employment opportunities in the region.
- Announcement of a labour-friendly reform aimed at generating jobs in the apparel and made-up sector to increase textile exports to \$32 billion in the next three years with an investment of \$12 billion.

Moreover, India also enjoys standard GSP status in this market which provides them preferential tariff rates.

4.9 Instruments and appliances used in medical, surgical or veterinary sciences

The medical and surgical instrument has a world export of 0.28 pc with an export value of \$50.4 billion in the year 2017, its top exporting country is the United States with 24.4 pc share in the world market followed by Germany with 12.1 pc export share.

Table 13 901890 competitors ECI ranking, average unit price & Exports

| Countries | 2013 Imported value USD million | 2017 Imported value USD million | Avg. Tariff rate (%) | ECI Ranking | | Unit value USD |
|------------------------------|---------------------------------|---------------------------------|----------------------|-------------|------|----------------|
| | | | | 2013 | 2017 | |
| USA | 216,173 | 216,458 | 0 | 2 | 3 | 148,259 |
| Germany | 165,657 | 176,883 | 0 | 3 | 2 | 43,343 |
| Mexico | 76,107 | 95,014 | 0 | 8 | 5 | 136,514 |
| Netherlands | 55,905 | 86,438 | 0 | 5 | 4 | 76,023 |
| Belgium | 59,779 | 85,647 | 0 | 4 | 1 | 106,659 |
| Pakistan | 0.272 | 0.371 | 0 | 35 | 38 | 33,727 |
| Total record of competitors | 719,810 | 987,298 | | | | |
| Others | 285,275 | 289,910 | | | | |
| The total value of the world | 992,974 | 999,842 | | | | |

Source: ITC Trade Map

Spain imports \$999.8 million worth of this item and its import has shown a mix trends over the years, but there is a cumulative annual growth of mere 0.001 pc, Pakistan export to Spanish market is only \$0.371 million which is only 0.03 pc of its total imports of \$999.84 million in 2017.

The United States is a top supplier of this product in Spanish market with \$216.4 million worth of exports which has not increased significantly over the years 2013-17, but it has sustained its supplies to the Spanish market and remained a top exporter.

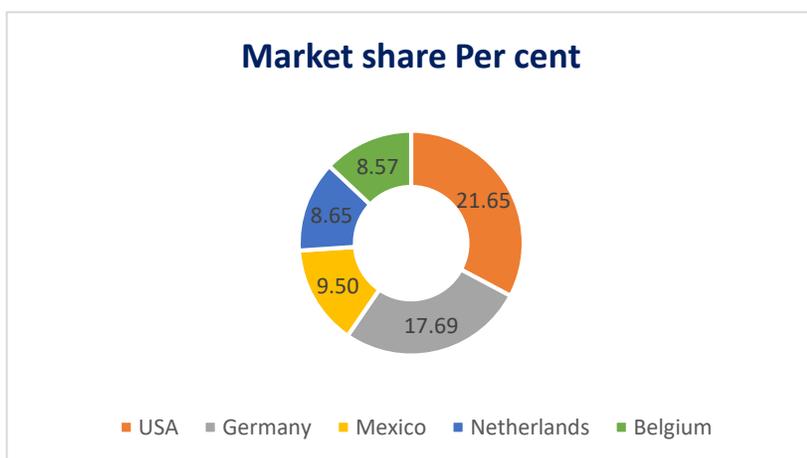


Figure 15 901890 Competitors market share

Germany is the second biggest supplier of this product, and its export has increased from \$165.6 million to \$176.8 million from 2013 to 2017, other major suppliers are Mexico, Netherland and Belgium, there are zero tariff rates for all suppliers in the Spanish market.

In term of average unit price, Pakistan offers the lowest price in the market though it has not yet capitalised the pricing strategy which is evident from its export figures.

However, United States offers the highest average unit prices in the market, but still, it is the top suppliers of this product which indicates that there is demand for the high value-added product in the Spanish market. In term of pricing Germany is very competitive in surgical and medical instruments.

Moreover, there are high non-tariff and certification issues in the European market which are the main bottleneck for Pakistani exporter in the Spanish market.

4.9.1 Competitors strategy for Medical & Surgical instruments potential products

Following are the competitors for surgical goods in the Spanish market and below mention are their strategies in the market.

4.9.2 Factor benefiting Germany in the Spanish market

Germany is the world second-biggest supplier of this product with \$6.14 billion worth of exports, and at the same time it's also the second biggest importer of this product with \$3.83 billion, its export strategy is to sell value-added products.

In the market of Spain, there is no significant non-tariff barrier for Germany as being part of the European Union it enjoys free trade flow into Spain.

There is a high number of SMEs in Germany that work for its medical and surgical instrument industry. However, Germany exports branded products and one of its major surgical brand is Braun, whereas, Its strategy is to import non-branded low-value product from the developing world for the purpose to re-exporter it with some value addition on its brand name in the world.

4.9.3 Factor benefiting the USA in the Spanish market

The United States of America is the world biggest supplier of this product with \$12.3 billion worth of exports, and it's also the world biggest importer with \$10.2 billion worth of imports.

The US exports of value-added and innovative products are the major reason for its high exports to this market; additionally, in this US has a technological advantage over another supplier in the market because of its extensive R&D sector.

There is no significant non-tariff barrier for the USA, and therefore it's the main supplier in the market with \$216.4 million worth of exports.

The renowned company and brands for this product are Baxter International, Boston Scientific, Johnson & Johnson, and Stryker. Reports indicate that nearly 26 per cent of the medical instrument is imported from the USA to Spain. ⁴

4.10 Semi-milled or wholly- milled rice

Semi or wholly milled rice is one of the potential items that Pakistan is already exporting to the world in bulk. Pakistan exports US\$ 1.51 billion worth of this item to the world whereas, in the Spanish market its exports are mere US\$1.62 million or 3.22% per cent.

On the other hand, semi or wholly milled rice exports account for 86.6% of Pakistan’s total exports to the world. Moreover, it raises researcher concern to seek bottleneck and proper marketing solution for this product to increase its exports in Spanish markets.

Table 14 100630 Competitors Market share, average unit price & Exports

| Countries | Imported value in 2016 USD Million | Imported value in 2017 USD Million | AUP (USD) | Share imports (%) | Average Tariffs |
|-----------|------------------------------------|------------------------------------|-----------|-------------------|-----------------|
| World | 46,448 | 50,252 | | | |
| Thailand | 16,746 | 17,199 | 600 | 34.2 | 18.4 |
| Italy | 6,282 | 9,404 | 821 | 18.7 | 0 |
| France | 4,126 | 4,750 | 1,271 | 9.5 | 0 |
| India | 3,610 | 3,639 | 783 | 7.2 | 18.4 |
| Cambodia | 3,977 | 3,479 | 572 | 6.9 | 0 |
| Myanmar | 4,138 | 2,687 | 456 | 5.3 | 0 |
| Pakistan | 653 | 1,621 | 1,101 | 3.2 | 18.4 |

Source: ITC Trade Map

There are five leading competitors in the Spanish market, among them two are also the world’s top suppliers like India and Thailand. Other competitors are Italy, Myanmar, and Cambodia, in which two are least developing country, and one is EU member state and along with a top rice producer in Europe union.

4.10.1 Competitors marketing strategy in the Spanish market for rice

There are five leading competitors in the Spanish market for rice, and each one of them has its product-specific marketing strategy. Among competitors Thailand is the top supplier in Spanish markets, therefore the study priorities analysing it first.

⁴ UK Trade & Investment (Hospital & healthcare equipment market in Spain)

4.10.2 Factors benefiting Thailand in the Spanish market

Thailand has a robust marketing strategy for rice exports in the Spanish market, a well-planned strategy to communicate its product-specific slogan of “Taste of Thai Rice.” Under the umbrella of this slogan, it is promoting different varieties of rice; the following are some of their major marketing strategies:

1: To promote Thai Rice-berry rice in Spain its international trade promotion office in Madrid have joined with “El Corte Ingles” the biggest department store group in Europe to host a health food festival.

Looking at the consumer's preference in the target market, who is very health conscious, a famous nutritionists were invited in the opening ceremony to advise participant on how to prepare healthy food using Thai rice and where Spanish chefs also demonstrate cooking difference menus with Thai rice.

As a marketing strategy to introduce its products, it served free Thai Rice berry rice-based menus at cafeterias in top departmental stores across the country.

Looking at the strong demand for Halal products in Spain due to its significant Muslim population. The Royal Thai embassy promoted Thai companies specialised in Halal products to exhibit its cereal products which were all certified Halal in different exhibitions, especially Jasmine rice.

Moreover, Thailand promotes its main rice brand “Thai Jasmine Rice” (Hom Mali or Thai fragrant rice) throughout the country by employing different marketing tool.

It also highlights its cultivation region, its climate, soil and seasonal rains that create ideal growing conditions for delicate rice that is distinctly aromatic with a tender texture.

Thailand uses e-commerce firms for selling its Jasmine rice online. Further, it has joined hands with Alibaba and DHL which offers e-commerce expertise and logistics service to local farmers at free of cost initially.

Moreover, it has adopted a competitive pricing strategy of low cost, as its average unit price is lowest in the Spanish market. Further it also adopted modern rice packaging techniques.

Lastly, by looking at the health consciousness in the Spanish people, Thailand started exporting organic jasmine rice for the increasing niche market in Spain, as the preference for organic foods is expanding with 6% in EU.

4.10.3 Factors benefiting India in the Spanish market

India as such is not a significant market supplier in Spain, although it is the top exporter of rice in the world. Currently, there is a ban on import of Indian basmati rice in European Union (EU) imposed in 2017.

EU demand reduction of the Tricyclazole level by 100-fold, which is not possible for the Indian farmer to bring down the required pesticide level to nearly zero suddenly, the Maximum Residue Limit (MRL) level to 0.01 mg per kg.

Hence, it is an excellent opportunity for the Pakistani rice exporters to capture the share of India in EU market as India and Pakistan are the only significant cultivators of basmati rice in the world and especially when the demand for other varieties of rice are increasing in European countries, especially in Spain.

4.10.4 Factors benefiting Myanmar and Cambodia in the Spanish market

These are two least developing countries competing in rice exports in Spanish markets while enjoying LDC status in EU with duty-free tariff exports. However, it is facing intense competition from other exporters in the market and demand for the higher quality rice has put pressure on Myanmar and Cambodian rice sector which focuses on low-quality export markets. Furthermore, the milling sector also operates with obsolete processing units that causes about 15-20 per cent losses in quality and quantity during the milling.

4.10.5 Factors benefiting Italy in the Spanish market

Italian exports to Spain have a natural advantage of geographical proximity with zero tariff rate on exports within Eurozone, additional, Italy produce 51% of japonica rice which is a traditional rice in Europe and part of Mediterranean dietary, that mostly is used in traditional foods such as paella or risotto because of its absorption characteristics which makes it more suitable than Indica rice. Moreover, Italy as a developed country has a technological advantage over other competitors; its packaging, and marketing strategies are more sophisticated and technological equipped. However, as it offers a specific rice variety which is indigenous and traditional in European culture, consequently Italy does not directly compete Pakistani basmati rice but rather owns a niche market.

5. Non-Tariff Barriers for the Potential product in Spanish Market

The following table depicts the non-tariff barriers for the potential product identified in this study for the Spanish market.

Table 15 Non-tariff barriers for potential products in the Spanish market

| Hs Code | Product label | Non- Tariff Barriers |
|--------------------------------------|---|--|
| 620342 620462 610910 610990 | Textile Products | <ol style="list-style-type: none"> 1. Prohibition for TBT reasons 2. Labelling requirements 3. Marking requirements 4. Product quality or performance requirement 5. Testing requirement 6. Certification requirement 7. Inspection requirement |
| 901890 | Instruments and appliances used in medical, surgical or veterinary sciences | <ol style="list-style-type: none"> 1. Registration requirement for TBT reasons 2. Restricted use of certain substances 3. Labelling requirements 4. Packaging requirements 5. Production or Post-Production requirements not elsewhere specified. 6. Product quality or performance requirement 7. Conformity assessment related to TBT 8. Testing requirement 9. Certification requirement 10. Inspection requirement 11. Import monitoring and surveillance requirements and other automatic licensing measures |
| 100630 | Semi-milled or wholly milled rice | <ol style="list-style-type: none"> 1. Geographical restrictions on eligibility 2. Systems Approach 3 Special Authorization requirement for SPS reasons 4. Registration requirements for importers 5. Prohibitions/restrictions of imports for SPS reasons not elsewhere specified. 6. Tolerance limits for residues of or contamination by certain (non-microbiological) substances 7. Restricted use of certain substances in foods and feeds and their contact materials 8. Marking requirements 9. Packaging requirements 10. Traceability requirements 11. Origin of materials and parts 12. Processing history 13. Distribution and location of products after delivery 14. Authorisation requirement for TBT reasons 15. Labelling requirements 16. Non-automatic import licensing procedures other than authorisations for SPS or TBT reasons 17. Advance import deposit |

Source: ITC Trade Map

6. General Supply side issues of the bilateral trade

On the supply side of the business environment, the study incorporates few indicators that measure the business environment of the country, such as Ease of doing business and, Global competitiveness indicator.

6.1 Ease of Doing Business

Ease of doing business measure the different aspect of “*business regulation and their implication for firm establishment and operation.*” It measures the areas that are under the control of policy maker, bureaucrats, and legislatures, as government throughout the world recognise the impact of economic and political decision on business.

The 11 indicators of Doing Business measure the quality and effectiveness of business regulation and many research findings have also substantiated the economic relevance of business regulation. Eventually, it is argued that high start-up cost results in overall lower productivity. Pakistan ranks 147 on ease of doing business amount 190 economies, its ranking has deteriorated from 144 in the year 2017 to 147 in 2018, and its overall average rank from 2014 to 2018 is 137, which shows that the overall business environment in Pakistan is not very encouraging.

6.2 Global Competitiveness Index

The *Global Competitiveness Index* is a yearly report published by *World Economic Forum*, developed by “Xavier Sala-i-Martin and Elsa V. Artadi” which integrates the macro and micro aspects of competitiveness into a single index. It measures the *national competitiveness, defined by a set of institutions, policies, and factors that determine the level of productivity.*

The Competitiveness index shows that Pakistan’s rank deteriorated over the period from 123 in the year 2012-13 to 155 in 2017-18, whereas, the ranks of regional competitors such as China, India, Bangladesh, and Vietnam have improved in the same period, and so did their exports during the same years.

The analysis reveals that competitiveness has a direct and substantial effect on growth in exports, however, other factors are equally important.

Countries that produce high value-added and sophisticated products have excelled better in the international arena, so it is suggested that Pakistan not only needs to improve its competitiveness but it also needs to work on its product sophistication and value addition.

6.3 Potential Product Specific supply-side issue

This section discusses the supply-side issue of potential products that the study highlights for the Spanish market.

6.3.1 Textile Sector issues

In the textile sector minimal or low value-added product dominate the exports, it constitutes over 60% of the total exports of the country. The major exports of this sector are cotton cloth, cotton yarn, bed sheets and knitwear.

Over the last five years, the export composition has not undergone through any major changes except a minimal improvement in the share of readymade garments, knitwear, cotton yarn and art silk and synthetic textile in fiscal year 2017-18 as compared to in fiscal year 2016-17 leaving significant upside potential untapped.

Moreover, Pakistan's product mix of natural to synthetic fibre (80:20) does not correspond to the international standards which demand the ratio of (60:40), due to the reason that the higher percentage of synthetic fibre enhance flexibility/ comfortability in garments.

Further, there are high customs duties on Polyester staple fibre (PSF) and Polyester fibre (PF) 16% and 11% respectively, that Pakistan import as a raw material for its textile-based exports in order to meet the international standard and demand.

Additionally, the lack of proper infrastructure facilities has also hindered the growth of the textile sector, like previously a country-wide energy crisis had adversely affected the textile sector, which led to the closure and transfer of textile units to Bangladesh, Turkey, and other countries.

Lastly, the facilities installed require up-gradation, but there is a dearth of investment as neither local bodies nor foreigners are willing to invest in Pakistan textile sector.

6.3.2 Medical & Surgical industry

The surgical industry of Pakistan is one of the oldest industries, dating back to 1940s, it is one of the important export-oriented industries in Pakistan that faces a problem of inadequate value addition and branding, due to which it cannot participate directly in business tenders international and lacks the bargaining power to business deals. Whereas, the international distributors and traders have exploited this weakness of the country.

The surgical industry of Pakistan should be, well equipped with advanced technology and skilled labour to meet the modern-day business requirement and changing scientific development in the medical industry.

Moreover, the industry faces an increasing cost of raw material coupled with the lack of indigenously available raw material, concerning this, the government should provide support to the surgical industry by imposing high tariffs on the export of raw material and unfinished good without any value addition.

Lastly, the government must provide subsidies on the import of scrap for an export-oriented industry that pledges to export value-added surgical products to retain these tax exemption.

6.4 Demand side issue of the bilateral trade

The kingdom of Spain is a modern capitalist economy with an attractive geographical location and climate. It is one of the powerful world economies and the fourth biggest in Eurozone. Its economy has started growing steadily since 2015. Spain ranks 32 on “Ease of doing” business but “Starting a business” ranked at 85.

It is an attractive market with strong domestic demand due to this reason it attracts high foreign investments, and the foreign investors need to go through a long procedure of registration which the expertise considers quite daunting for international businesses.

Moreover, there are high bureaucratic obstacles which make the business complicated with unusual registration requirements, in addition to that bribery and corruption are very usual in the country.

However, there is a certain trait and complication that exporters must champion while doing business in Spanish market such as:

- The people of Spain (Spaniards) are more formal in doing business than American, professionalism is valued with formal attire in business deals.
- The businessmen prefer and value face to face meetings over other forms of business communication, and Spaniards believe in a personal relationship with suppliers.
- There is a possible language barrier in Spain as merely 30 per cent of the local managers are fluent in the English language.
- Spaniard buying habits are very conservative they prefer recognised brands, and large buying houses are more comfortable dealing with large and established organisations.

Hence, the exporters are advised to adapt to the business environment of Spain and hire the services of experienced commercial lawyers to help them avoid unnecessary expenses and to evaluate your business prospects.

7. SWOT analysis of the bilateral trade between Pakistan and Spain

This section sheds some light on the strengths, weaknesses, threats and opportunities of the bilateral trade based on the political and socio-economic indicators that influence trade activities.

7.1 Strength of the bilateral trade

- The cordial political relations between Pakistan and Spain that can be transformed into a growing economic and trade relationship.
- The growing bilateral trade relationship between Pakistan and Spain and its positive trade balance that favours Pakistan.
- Spain is Pakistan's sixth top export destination in the world and third in the European Union.
- Pakistani exporters benefiting from the GSP Plus status granted to Pakistan that provides free access to over 6300+ tariff lines and its utilisation rate of 96 per cent are evident to its success.
- Currency devaluation that gives Pakistan a competitive edge over others in terms of imports from Pakistan.

7.2 Weakness of the bilateral trade

- Pakistan has not progressed on products diversification required by GSP + agreements, and its exports basket mainly contains textile products.

- The European commission's grave concern on the compliance of GSP plus obligation, such as capital punishment and terror financing.⁵
- The lack of foreign direct investment in the country due to economic and political uncertainties.
- Further, the exporter's ignorance of quality certifications and conformity to international standards.
- High import duties on the raw material of Pakistan major potential export product, such as textile, leather and surgical instruments.

7.3 Opportunities for the bilateral trade

- There is a high potential for enhancing cooperation between Pakistan and Spain in small and medium enterprises (SMEs).
- In terms of product diversification, there is great potential for information technology (IT), and marbles exports in Spain.
- The 0.12 million Pakistani expatriates in Spain could act as a bridge for improving trade relationships.
- Spain has the world 2nd largest tourism industry, and in 2016 a record-breaking 75 million tourists visited Spain which is more than its population. Hence, it can be an opportunity for Pakistan to learn from their experience to revive the tourism industry in the country.
- Under the China Pakistan economic corridor (CPEC) many Special economic zones (SEZs) would be set up in which Pakistan can propose joint venture and investment opportunities to Spain.
- Moreover, Pakistan's Surgical, leather, sports goods and fruits could find a good market in Spain.
- Pakistan's reserves of natural resources such as minerals, marbles and granite can use Spanish technology and machinery for producing value-added products.
- India and China are graduating out from textile sector in GSP standard in EU that creates expansion opportunity.
- The ban on import of Indian basmati rice in European Union March 2018.

⁵ European commission "Report on the Generalized Scheme of Preferences during the period 2016 – 2017"

7.4 Threat of bilateral trade

- Bangladesh LDC status in European Union and expanding RMG sector as a competitor in the market.
- Turkey geographical proximity and EU customs union membership that allows them free access to market so as a competitor with such advantage is seen as a threat.
- The proposal of withdrawal of GSP benefits by Italian senate on the alleged terror financing charges in EU and its parliament on the charges of non-compliance with UN conventions, Dec 2017.

8. Trade promotional activities

There is only one trade fair in which Pakistani exporter participate through TDAP in the calendar year 2018 for Spain.

Table 16 Trade promotional initiative in Spain

| S: No | Details of Event | Dates | Products |
|-------|------------------------------|------------|----------|
| 1 | Mobile World Congress, Spain | March 2018 | IT |

9. Conclusion and Recommendation

Spain is an attractive market for Pakistani products, and there is a significant untapped potential which Pakistan can exploit to expand its bilateral trade volume. This study identifies six potential items at 06 digits that can be further exported to increase their market share.

Among these products four are from textile sector namely; men's or boy trouser, women's or girls trouser, T-shirts singlets and other vests of textile materials. Other potential products are medical & surgical instrument and semi or wholly milled rice. These products are analysed on their competitor's strategies, average unit price in the market, ECI ranking and market share.

The study recommends the following initiatives on the bilateral trade.

- Pakistan should progress on products diversification required by GSP + agreements, and its exports basket must include IT and marble product that has high demand in the Spanish market.

- The government must address the grave concerns of compliance on GSP plus obligation highlighted by European commission assessment report on Pakistan 2016-17, such as capital punishment, racial discrimination and minority rights etc.
- The government must devise an investor-friendly policy to attract foreign direct investment in textile, mineral, IT and surgical industry for upgrading obsolete manufacturing industries to meet the changing market demand international.
- The government must facilitate exporter on quality certifications in the textile industry such as chemical certification, Eco-certification, Green leaf mark for consumer goods and WRAP certification, to meet international standards. ⁶
- Further, the government should devise a strategy to facilitate exporter on the import of raw material through incentives or duty drawbacks schemes.
- Presently there is only one exhibition in Spain on the IT sector in which Pakistan is participating; this study suggests that Pakistan must participate in textile, mineral and surgical relate international exhibitions in Spain.
- TDAP must arrange a single country exhibition in which different Pakistani products can be exhibited to further benefit from the potential Spanish market.
- Lastly, the government must promote e-commerce business models and also adapt marketing strategies that employ new technologies, software and programs that are being used internationally such as artificial intelligence (IA) based on big data advanced analytics to identified potential markets and consumers.

Moreover, it also proposes product specific measure for country offices, trade bodies, associations, MOC and TDAP.

Hence, the study advice, that exporters must be facilitated through export incentives, subsidies and customs duty relaxations. Moreover it suggested providing duty drawback scheme on raw material for an export-oriented industry that pledges to export value-added products to retain these subsidies.

It further stresses upon the adoption of modern packaging techniques, use of e-commerce business models and modern technology that helps to produce and market

Intertektotal quality Assured. Textile certification⁶
<http://www.intertek.com/textiles/certification/>

sophisticated products that provide a competitive advantage through exporting value-added product in the Spanish market.

10. Appendix

Table 17 Product increase and decrease statistics June-July (2017-18)

| | | | | VALUE IN 000 \$ | | | |
|-----------------------------|---------|---------|--------|--------------------------|---------|---------|----------|
| PRODUCT | | | | PRODUCT | | | |
| INCREASE | | | | DECREASE | | | |
| JULY-JUNE | | | | JULY-JUNE | | | |
| | 2017-18 | 2016-17 | VAR. | | 2017-18 | 2016-17 | VAR. |
| READY MADE GARMENTS | 348,204 | 282,514 | 65,690 | APPAREL & CLOTHING | 26,864 | 37,073 | (10,209) |
| KNITWEARS | 202,811 | 181,745 | 21,066 | RICE OTHER VARIETIES | 6,242 | 10,132 | (3,890) |
| OTHER CHEMICAL | 26,395 | 10,763 | 15,632 | COTTON CLOTH | 85,955 | 86,932 | (977) |
| RICE BASMATI | 20,410 | 6,110 | 14,300 | COTTON THREAD | 47 | 886 | (839) |
| BEDWEAR | 107,915 | 97,921 | 9,994 | WOL. CARPETS & RUGS | 1,250 | 1,885 | (635) |
| TOWELS | 32,590 | 26,741 | 5,849 | OIL SEEDS NUTS& KERNALS | 24 | 341 | (317) |
| PLASTIC MATERIALS | 3,325 | 356 | 2,969 | GUAR AND GUAR PRODUCTS | 716 | 1,008 | (292) |
| FRUIT & VEGET. JUICES | 2,235 | 87 | 2,148 | RUBBER MANUFACTURES | 204 | 443 | (239) |
| LEATHER | 18,777 | 17,153 | 1,624 | AUTO PARTS | 971 | 1,190 | (219) |
| FISH & FISH PREP. | 2,297 | 767 | 1,530 | WASTE MATERIAL OF TEX. | 115 | 214 | (99) |
| LEATHER GLOVES | 7,709 | 6,180 | 1,529 | COTTON BAGS/SACKS | 10 | 82 | (72) |
| CRUDE ANIMAL MATERIAL | 2,652 | 1,367 | 1,285 | TENTS & OTH.CANVAS GOODS | 82 | 141 | (59) |
| OTHER (SPORTS) | 3,373 | 2,156 | 1,217 | PHARMAUCAUTICAL PROD. | - | 34 | (34) |
| FOOTBALLS COMPLETEE | 6,391 | 5,489 | 902 | CANVAS FOOTWEAR | 3 | 37 | (34) |
| LEATHER FOOTWEAR | 5,187 | 4,403 | 784 | TEXTILE FOR MACHINERY | 24 | 56 | (32) |
| TULE, LACE, EMBROID. ETC | 1,018 | 308 | 710 | OTH.ELECTRICAL MACHINERY | 17 | 47 | (30) |
| GLOVES (SPORTS) | 4,710 | 4,181 | 529 | SPICES(INCL. CHILLIES) | 69 | 96 | (27) |
| HOUSE-HOLD EQUIPMENT | 1,853 | 1,360 | 493 | FURNITURE | 6 | 32 | (26) |
| CUTLERY | 2,092 | 1,726 | 366 | YARN OTH.THAN C. YARN | 34 | 57 | (23) |
| SURGICAL GOODS, MEDICAL | 1,964 | 1,692 | 272 | PARTS OF FOOTWEAR | - | 11 | (11) |
| FRUITS | 457 | 211 | 246 | OTHER FOOTWEAR | 24 | 34 | (10) |
| MARBLES AND STONES | 179 | 2 | 177 | PREC./SEMI-PREC. STONE | 7 | 11 | (4) |
| TEX.MADE UPS (EXC.T.& BED). | 5,887 | 5,727 | 160 | | | | |
| OTHER MACHINERY | 126 | 6 | 120 | | | | |
| COTTON WASTE | 608 | 497 | 111 | | | | |
| VEGETABLES | 239 | 130 | 109 | | | | |
| ART SILK & SYNTHETIC TEX. | 3,981 | 3,886 | 95 | | | | |

| | | | | | | | |
|-----------------------------|----------------|----------------|-----------------|--------------|----------------|----------------|-----------------|
| KNITTED OR CROCHET. FABRICS | 116 | 26 | 90 | | | | |
| OTH. LEATHER MANUF. | 433 | 354 | 79 | | | | |
| COTTON YARN | 5,586 | 5,537 | 49 | | | | |
| HANDICRAFTS | 91 | 46 | 45 | | | | |
| MACHINERY SPECIALIZED | 138 | 102 | 36 | | | | |
| ARTICLES OF PLASTIC | 61 | 40 | 21 | | | | |
| BOOKS & PRINTED MATTERS | 16 | 1 | 15 | | | | |
| JEWELLERY | 11 | 2 | 9 | | | | |
| ONYX MANUFACTURED | 18 | 12 | 6 | | | | |
| PAPER & PAPERBOARD | 4 | 1 | 3 | | | | |
| TEX. FABRICS WOVEN(OTHER | 3 | - | 3 | | | | |
| OTHER COMMODITIES | 9,850 | 6,307 | 3,543 | | | | |
| | | | | | | | |
| | | | | | | | |
| TOTAL | 829,712 | 675,906 | 153,806 | TOTAL | 122,664 | 140,742 | (18,078) |
| | 122,664 | 140,742 | (18,078) | | | | |
| | 952,376 | 816,648 | 135,728 | | | | |

Source: Pakistan Bureau of Statistics

Table 18 Major Imports into Pakistan from Spain July-June (2017-18)

| IMPORT INTO PAKISTAN FROM SPAIN | | | | | | | | |
|---------------------------------|--------------------------------|------|-------------------|--------|-------------------|--------|-------|--------|
| H.S.# | COUNTRY BY COMMODITIES | UNIT | JULY-JUNE 2017-18 | | JULY-JUNE 2016-17 | | | var % |
| | | | QTY. | 000.\$ | QTY. | 000.\$ | var | |
| 30049099 | OTH MEDICAMENT CONTA VITAMINS | KG | 345,826 | 12,409 | 271,403 | 11,163 | 1,246 | 11.16 |
| 32074010 | GLASS FRIT | KG | 13,495,894 | 7,376 | 7,470,672 | 4,072 | 3,304 | 81.16 |
| 15099000 | OTH OLIVE OIL & ITS FRACTIONS | KG | 1,870,225 | 6,783 | 2,204,706 | 6,556 | 227 | 3.47 |
| 69072219 | OTH FLAGS,PAV WAT AB >0.5%<10% | KG | 1,682,365 | 5,923 | - | - | 5,923 | |
| 72044940 | WASTE/SCRAP AUTO PARTS IN PRES | MT | 14,365 | 5,793 | 12,398 | 5,843 | (51) | -0.87 |
| 76020090 | OTH W/SCRAP OF ALUMINIUM | MT | 12,328 | 4,979 | 7,260 | 3,615 | 1,364 | 37.72 |
| 63090000 | WORN CLOTHING&OTH WORN ARTICLE | KG | 12,429,836 | 4,434 | 9,128,029 | 3,076 | 1,358 | 44.13 |
| 69072119 | OTH FLAGS,PAVING WAT AB 0.5% | KG | 947,385 | 4,104 | - | - | 4,104 | |
| 79011100 | ZINC NOT ALLOYED WT= />99.99% | KG | 1,156,588 | 3,397 | 482,353 | 1,586 | 1,811 | 114.23 |
| 84518090 | OTH DRYING,IRONINGMACH | NO | 65 | 3,164 | 11 | 1,460 | 1,704 | 116.69 |

| | | | | | | | | |
|----------|--------------------------------|----|-----------|-------|-----------|--------|----------|--------|
| 84797100 | PASSE BOARD BRIDGE.AIRPORT USE | NO | 22 | 3,010 | 197 | 27,527 | (24,518) | -89.07 |
| 29333990 | OTH COMP UNFUSE PYRIDINE RING | KG | 97,995 | 2,931 | 71,642 | 2,587 | 344 | 13.29 |
| 34039110 | FAT LIQUOURS | KG | 1,471,408 | 2,849 | 1,037,169 | 2,622 | 228 | 8.68 |
| 90230000 | APPA DESIGNED F-DEMANSTRATION | KG | 89,708 | 2,844 | 32,471 | 879 | 1,964 | 223.43 |
| 39095000 | POLYURETHANES | KG | 739,391 | 2,808 | 784,582 | 2,221 | 588 | 26.46 |
| 29025000 | STYRENE | KG | 2,100,000 | 2,768 | - | - | 2,768 | |

Source: Pakistan Bureau of Statistics