



Country Report

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Contents

1. Executive Summary	4
2. Country Profile	5
3. Economic Overview	6
4. Trade Profile of Hong Kong	7
Exports of Hong Kong.....	8
Imports of Hong Kong	10
5. Pak-Hong Kong Bi-lateral trade	13
Pakistan’s Import from Hong Kong	14
Pakistan’s Export to Hong Kong	16
6. Potential Products for Hong-Kong	18
I. Grain splits leather "incl. parchment-dressed leather", of the portions, strips or sheets	20
Italy’s Export strategies.....	24
II. Instruments and appliances used in medical, surgical or veterinary sciences	26
Germany’s Export Strategies	28
III. Denim, containing \geq 85% cotton by weight and weighing > 200 g/m², made of yarn of different	30
China’s Export strategies.....	34
7. Trade promotion activities by Pakistan	37
8. Hong Kong’s trade policies	38
9. Demand and supply issues	39
I. Leather industry of Pakistan	39
II. Surgical instruments	40
III. Denim industry of Pakistan	40
10. Swot Analysis	41
I. Strengths	41

II. Weakness	41
III. Opportunity.....	42
IV. Threat.....	42
11. Recommendations.....	43
12. Sources.....	45

List of Figures

Figure 1 Hong Kong Trade trends 2013-2017.....	7
Figure 2 Yearly Export trend of Hong Kong (2013-2017).....	8
Figure 3 Major Export destination of Hong Kong.....	9
Figure 4 Yearly Import trend of Hong Kong (2013-2017).....	10
Figure 5 Sector-wise import trend of Hong Kong from 2013-2017.....	11
Figure 6 Major supplying markets in Hong Kong.....	11
Figure 7 Year-wise Pak- Hong Kong bilateral Trade analysis (2013 to 2017)	13
Figure 8 Year-wise Pakistan's import from Hong Kong (2013-2017).....	14
Figure 9 Year-wise Pakistan's export to Hong Kong (2013-2017)	16
Figure 10 Year-wise Hong Kong's import of grain slits leather	20
Figure 11 Percentage share of major suppliers of Grain split leather in Hong Kong - 2017	21
Figure 12 Year-wise Pakistan's export performance in Hong Kong for leather	23
Figure 13 Year-wise Italy's performance in Hong Kong for leather.....	25
Figure 14 Year-wise Hong Kong's import of instruments.....	27
Figure 15 Year-wise Hong Kong's import of denim	31
Figure 16 Percentage share of major suppliers of Denim in Hong Kong – 2017.....	31
Figure 17 year-wise Pakistan's export performance in Hong Kong for denim.....	33
Figure 18 year-wise China's export performance in Hong Kong for denim.....	34

List of Tables

Table 1 Economic Indicators from IMF database FTY 2017	6
Table 2 Commodity-wise export at HS-06 FTY 2017	9
Table 3 Commodity wise Import at HS- 06 FTY 2017	12
Table 4 Commodity-wise Pakistan's import from Hong Kong at HS-06 FTY 2017	15
Table 5 Commodity-wise Pakistan's export to Hong Kong at HS-06 FTY 2017	17
Table 6 Potential Products for Hong Kong's Market at HS -06 level	19
Table 7 Competitive analysis for Grain splits leather 410792	21
Table 8 Export of leather and Leather products from Pakistan during July- Jan 2017-2018	22
Table 9 Competitive analysis for surgical instruments 901890.....	27
Table 10 Competitive analysis for Denim containing > = 85% of cotton 520942.....	32
Table 11 Export of Denim fabric from Pakistan June-July 2017-18.....	32

Executive Summary

Introduction	<ul style="list-style-type: none"> • Situated on the southern coast of China • Known for sophisticated transport network, low corruption and efficient government
Economy	<ul style="list-style-type: none"> • Open and market driven economy • Moderate inflation, favourable labor market and expanding domestic demand
Trade profile of Hong Kong	<ul style="list-style-type: none"> • Hong Kong is experiencing trade deficit for past 5 years but the magnitude of deficit is amortizing on yearly basis.
Exports Of Hong Kong	<ul style="list-style-type: none"> • Total exports in 2017 were 549 billion • Mainly exports electrical machinery, precious stones and mechanical appliances
Imports of Hong Kong	<ul style="list-style-type: none"> • Total Imports in 2017 were 589 billion • Mainly imports electrical machinery, precious stones and medical instruments
Pak- Hong Kong Bilateral trade	<ul style="list-style-type: none"> • Pakistan has trade deficit with Hong Kong since 2014 and the magnitude of the deficit is swelling year on year basis • Pakistan imported goods worth USD 538 million in 2017 from Hong Kong • Pakistan exported goods worth USD 116 million in year 2017 to Hong Kong
Potential Products for Hong Kong's Market	<ul style="list-style-type: none"> • Leather - 410792 • Denim - 520942 • Surgical Instruments -901890
Needed Efforts	<ul style="list-style-type: none"> • Focus on the quality of leather • Reduction in cost of production for denim fabric • Product innovation for Surgical instruments • Investment promotion agreements with Hong Kong • E-marketing for Pakistani products • Technology sharing agreements with China to tap Hong Kong's market

Country's Snap shot

Official Name	<i>Hong Kong Special Administrative Region of China</i>
Population	7.471 million
Area (km sq.)	2,779 km ²
Official Language	Chinese
Administrative Divisions	18 districts
Neighbors	China
Sea ports	Hong Kong
Currency	

Country Profile

Hong Kong is situated on the southern coast of China, surrounded by South China sea on all sides except for its northern boundary.

Hong Kong became part of People's republic of China in 1997. Formally it was a colony of British Empire, she was ceded to the United Kingdom in 1842. After the end of the lease agreement she is now officially "*Hong Kong Special Administrative Region of China*" and enjoys autonomy in all matters except for foreign and defense policy. Due to its history, she is characterized as a hybrid of East and West.

Hong Kong's population is evenly distributed in with life expectancy of 80 years for males and 85.9 years for females which makes it 7th largest in the world.¹

Today Hong Kong is known for its skyscrapers building, sophisticated transport networks, little tolerance for corruption, high quality legal framework and fair Government integrity due to transparent practices. Efficiency of Government and business is highest in the Asia and second highest in the world for the fourth consecutive year according to the world competitiveness year book 2018.²

¹ [The World Factbook- CIA](#)

² International Institute for Management Development world Competitiveness yearbook 2018

Economic indicator

Indicator	Value-2017
GDP, Current prices	\$341.66 billion
GDP, PPP	\$454.91 billion
GDP, per capita	\$46,109.12
Total Investments, %of GDP	22.3 %
Inflation, CPI, index	104.525
Unemployment Rate	3.086 %
Employment, persons	3.833 million
Population	7.41 million
General Government Revenue, % GDP	22.629 %
General Government Expenditure	17.53 %
General Government Gross debt, % of GDP	0.055 %

Table 1 Economic Indicators from IMF database FTY 2017

Economic Overview

Hong Kong is an open and market driven economy but her reliance on foreign trade and investments has allowed global financial market volatility to affect its domestic economy.

Despite changes at political front, Hong Kong's economy continues to flourish, taking advantage of enhanced trade and financial links with Mainland China. The Gross domestic product (GDP) of the country has enhanced from USD 275 billion in 2013 to USD 341.66 billion in 2017.

The first quarter of 2018 has shown strongest growth rate of 4.6% since the second quarter of 2011³. The strong momentum of growth has been retained in the second quarter of 2018 as well. During which economy has expanded by 3.5% over the previous year⁴. IMF has also estimated that the economy will sustain its growth for the coming years and GDP will touch USD 364.78 billion in 2018.

As far as the market conditions are concerned, moderate inflation, favorable labor market and expanding domestic demand are striking conditions for year 2018. The recent Government is now concerned for sector diversification and focusing on areas of research and development, education and technological innovation to give further boost to its economy.⁵

³ [Trading Economics](#)

⁴ [Half yearly economic report- 2018](#)

⁵ [World Factbook- CIA](#)

Trade Profile of Hong Kong

Hong Kong is experiencing trade deficit for past 5 years but the magnitude of deficit is amortizing year on year basis and has reached to a value of USD 39 billion in 2017 from USD 86 billion in 2013.

Figure below shows the trends in trade volume over last five years.

Figure 1 Hong Kong Trade trends 2013-2017

Trade in services

Exports of services \$ 811 billion



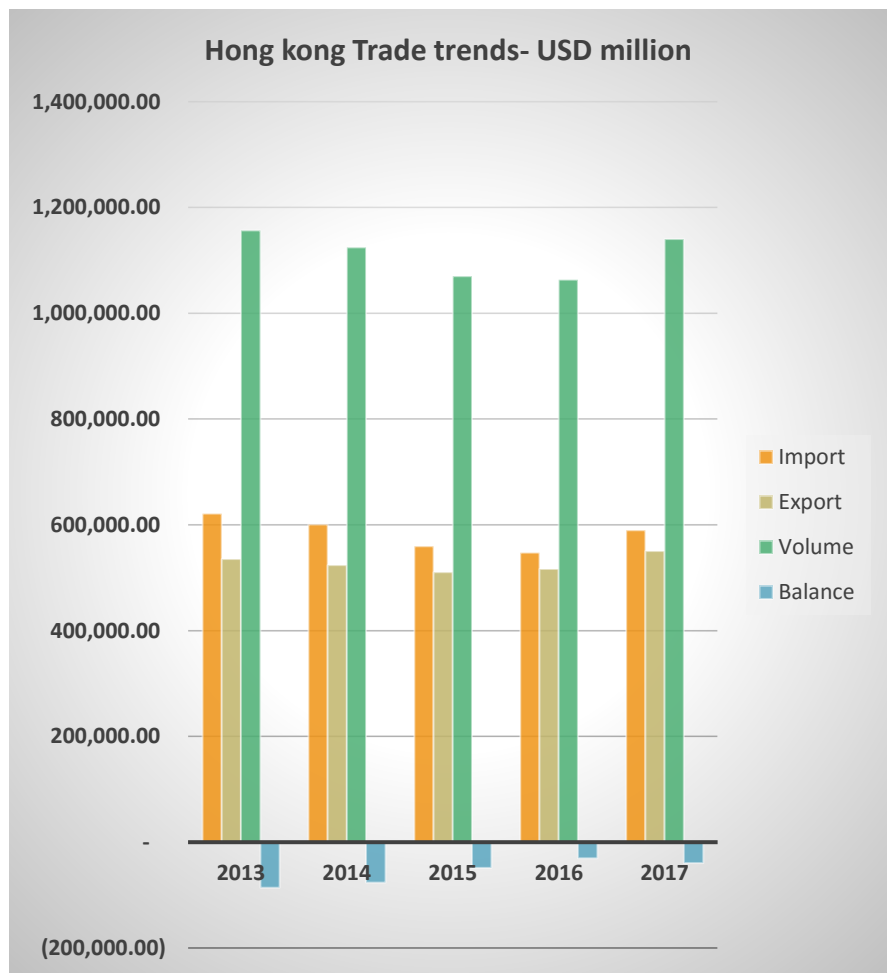
By Main component Group, % (2017)

- Travel 31.99 %
- Transport 29.14 %
- Other Services 19.58 %
- Financial services 19.29 %



By main Component Group, % (2017)

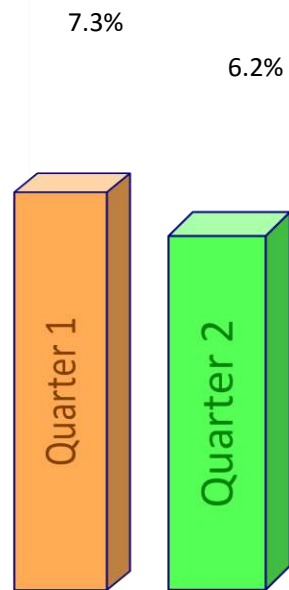
- Travel 32.95 %
- Other services 29.14 %
- Transport 22.61 %
- Manufacturing 19.29 %



Source: Trade map data

Export in 2018 (Q2)

Export's growth from preceding quarter



Exports of Hong Kong

Hong Kong is 6th largest exporter in world. As global economic growth weakened to its lowest level in 2016, Hong Kong's export to the world also fell from USD 535 billion in 2013 to USD 516 billion in 2016. But for year 2017 it regained momentum and a surge of about 6.5% from the previous year has been seen streaming the magnitude of exports by USD 33 billion from year 2016.

The main increase was toward China where the export figure elevated by USD 12 billion from USD 285 billion in 2016 to USD 297 billion in 2017. China is the main trading partner of Hong Kong, according to the trade map data, 55.31% of re-exports are of China origin while 54% of total exports were destined for China in 2017.

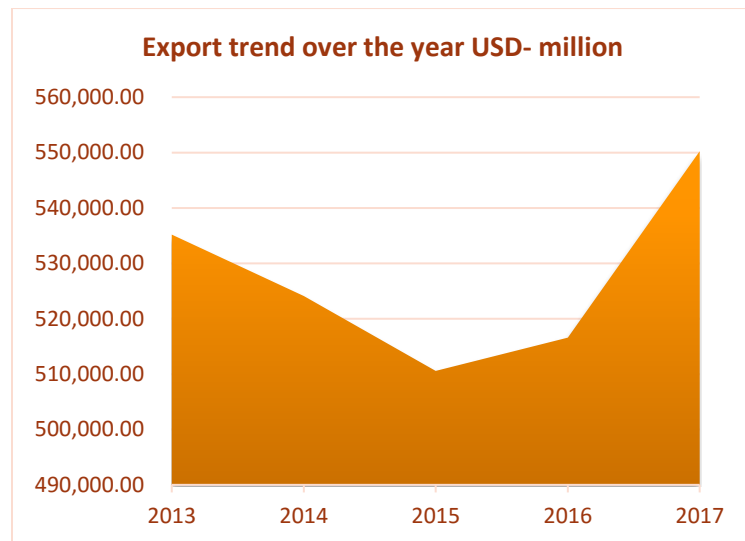


Figure 2 Yearly Export trend of Hong Kong (2013-2017)

Export destinations

% share in Exports

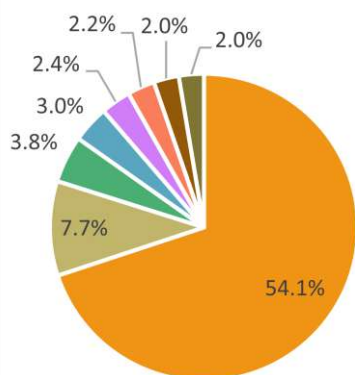


Figure 3 Major Export destination of Hong Kong

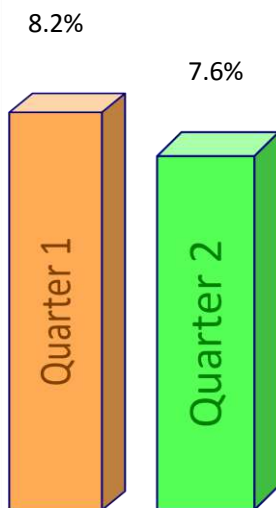
The main exportable items at HS-02 level are electrical machinery, precious stones and mechanical appliances whose exported value together constitutes 80% of the total export value in 2017. Table below shows the main commodities exported by Hong Kong at HS-06 level for year 2017.

HS Code	Product label	Value -2017 (USD million)	Growth 2016-2017 (% , p.a.)
710812	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excluding gold ...	52,178.56	-3
854239	Electronic integrated circuits (excluding such as processors, controllers, memories and amplifiers)	44,269.02	5
851770	Parts of telephone sets, telephones for cellular networks or for other wireless networks and ...	36,407.80	3
854231	Electronic integrated circuits as processors and controllers, whether or not combined with ...	32,998.48	14
854232	Electronic integrated circuits as memories	31,073.60	36
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	23,867.83	1
847330	Parts and accessories of automatic data-processing machines or for other machines of heading ...	22,022.76	18
851762	Machines for the reception, conversion and transmission or regeneration of voice, images or ...	14,601.06	-1
710239	Diamonds, worked, but not mounted or set (excluding industrial diamonds)	13,927.15	4

Table 2 Commodity-wise export at HS-06 FTY 2017

Import in 2018

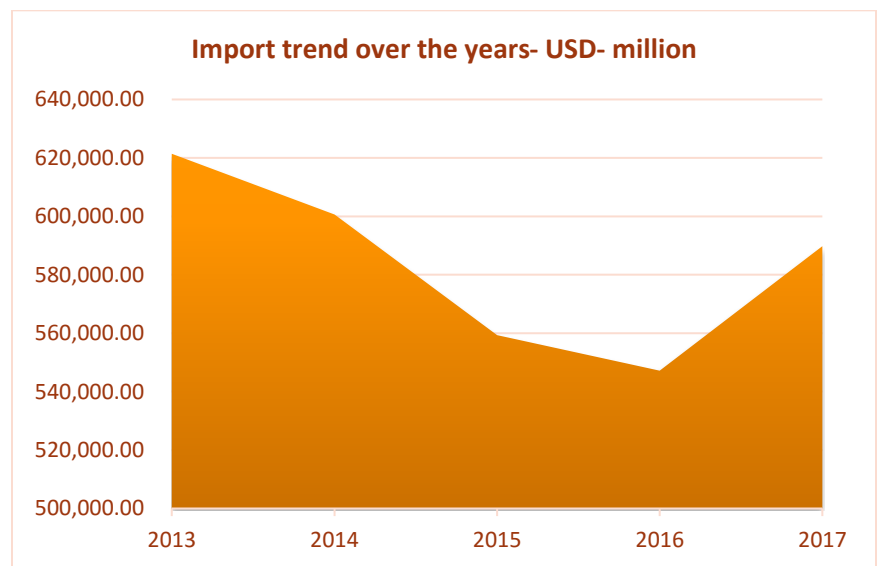
Import's growth from preceding quarter in real terms



Imports of Hong Kong

Hong Kong is 7th largest importer in the world and represents 3.3% of the world's total import in terms of value. Like exports of Hong Kong, imports also dropped from 2013 to 2016 and enhanced only in 2017 from the preceding year. Commodities worth of USD 589 billion has imported in 2017. The growing momentum has also penetrated for year 2018.

Figure 4 Yearly Import trend of Hong Kong (2013-2017)

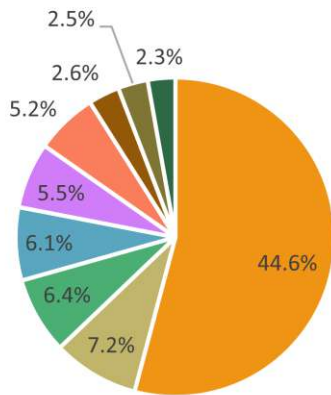


The highest sink in commodity value at HS 06 level was for gold (HS 06 - 710812) whose value fell from USD 96 billion in 2013 to USD 29 billion in 2017. The change was for USD 67.6 billion.

Major supplying markets for Hong Kong includes China, Taipei Chinese, Singapore and Japan. China held more than 45% share in Hong Kong's market. The country serves as an important entrepot for Chinese mainland who is also a leading investor of Hong Kong.

Supplying markets

Share in Imports



- China
- Taipei, Chinese
- Singapore
- Japan
- Korea, Republic of
- United States of America
- Switzerland

In 2016, investment from mainland amounted to USD 418 billion.⁶The major players in Hong Kong market are shown in figure.

Major import sectors are electrical machinery, precious stones, mechanical appliances and medical instruments whose import value together constitutes 77% of the total import of Hong Kong in 2017. All of the mentioned sectors showed increment in value from 2016 to 2017.

Figure below shows the main sectors import trend from 2013 till 2017.

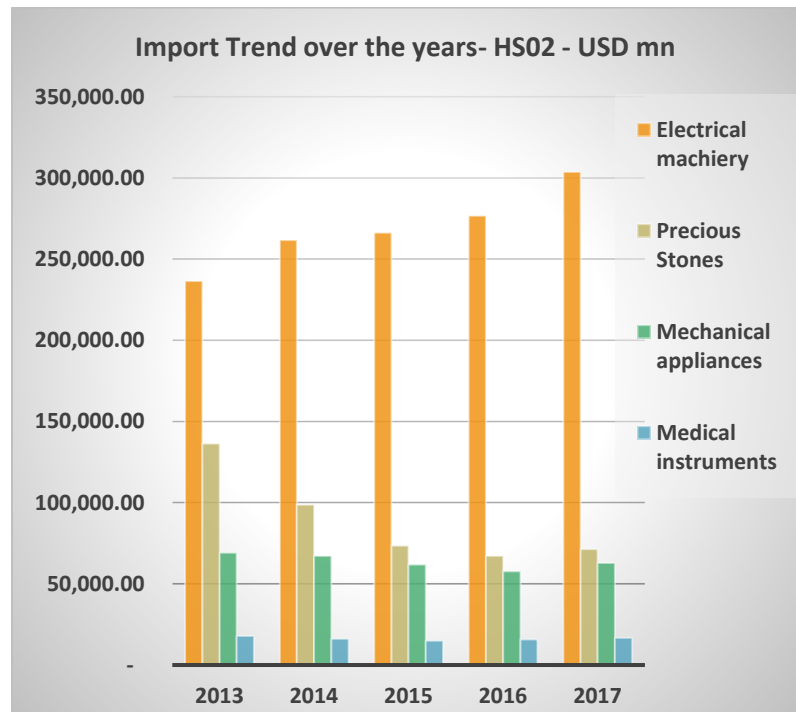


Figure 5 Sector-wise import trend of Hong Kong from 2013-2017

Figure 6 Major supplying markets in Hong Kong

⁶ HKTDC research

Major import sectors

- 85- Electrical machinery
- 71- Pearls, stones and metals
- 84- Mechanical appliances
- 27- Mineral fuels
- 39- Plastics and articles
- 91- Clocks and watches
- 02—Meat and edible meat

Table below shows the main commodities imported by Hong Kong at HS- 06 level for year 2017.

Table 3 Commodity wise Import at HS- 06 FTY 2017

HS Code	Product label	Value -2017 (USD million)	Growth 2016-2017 (%, p.a.)
854239	Electronic integrated circuits (excluding such as processors, controllers, memories and amplifiers)	49,644.26	4
854231	Electronic integrated circuits as processors and controllers, whether or not combined with ...	43,847.08	25
854232	Electronic integrated circuits as memories	42,201.40	40
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	35,950.32	4
851770	Parts of telephone sets, telephones for cellular networks or for other wireless networks and ...	29,928.75	-6
710812	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excluding gold ...)	29,350.04	-1
710239	Diamonds, worked, but not mounted or set (excluding industrial diamonds)	18,941.25	8
847330	Parts and accessories of automatic data-processing machines or for other machines of heading ...	18,793.98	32
711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not ...	9,562.44	5

Pak- HK trade in a glance (\$ Million)

Year	Pakistan's Export	Pakistan's Import
2013	407	384
2014	324	501
2015	243	486
2016	140	529
2017	116	538

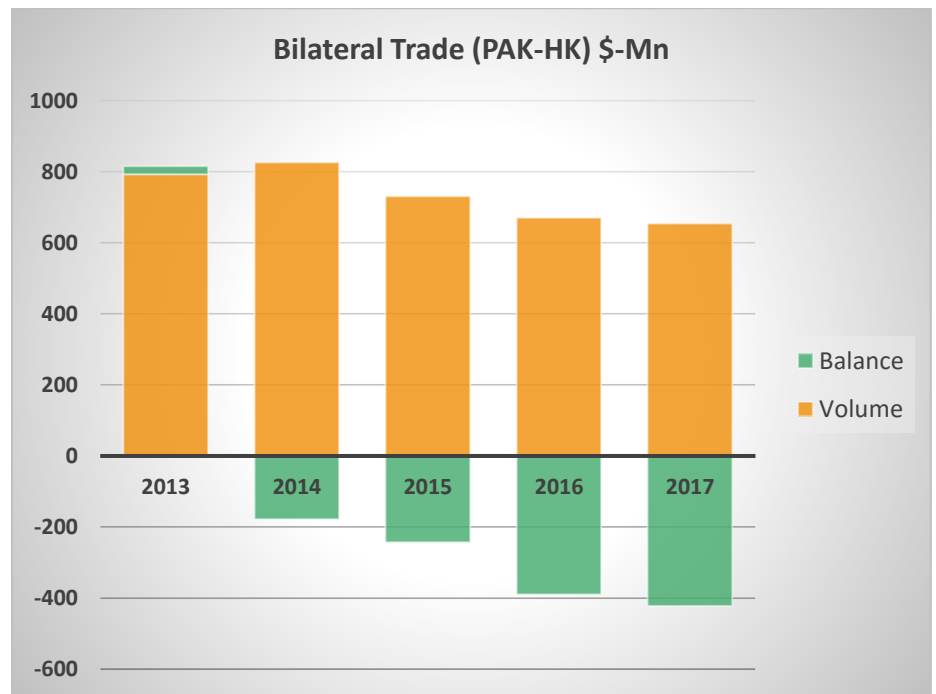
Pak-Hong Kong Bi-lateral trade

According to the trade map data of 2017, total trade volume of Pakistan with Hong Kong was USD 654 million which has reduced from USD 862 million in 2014.

Pakistan has trade deficit with Hong Kong since 2014 and the magnitude of the deficit is swelling year on year basis. Both declining exports and enhancing imports have equally contributed for the trade deficit with Hong Kong.

The figure below shows the trend of trade volume with trade deficit for last five years.

Figure 7 Year-wise Pak- Hong Kong bilateral Trade analysis (2013 to 2017)

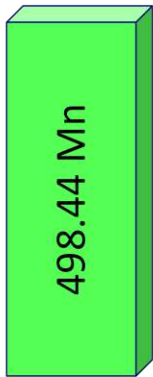


Pakistan's Import from Hong Kong

Pakistan's import from Hong Kong touched minimum value in year 2015 after which it maintained an upward momentum and reached the value of USD 538 million in 2017. During the last five years, the maximum growth in imports on year to year basis was of 30% in year 2014. The major increment was for *Optical media for the recording of sound or of other phenomena (HS06 852349)* and *Parts of telephone sets, telephones for cellular networks or for other wireless networks (HS06 851770)*

Pakistan is the 6th biggest importing partner of Hong Kong for Optical media. Government of Hong Kong, taking advantage of their improved technological advancement have improved the supply of the optical media in five years' time by more than USD 180 million in international market. At the same time Pakistan's demand for the product has escalated from USD 6 million in 2013 to USD 66 million in 2017. For parts of telephone sets, Hong Kong is the leading importer in international market and has exported 27% of the total export value of the product in 2017. Pakistan's demand for the product increased by two folds from year 2013 to 2014 for the same product.

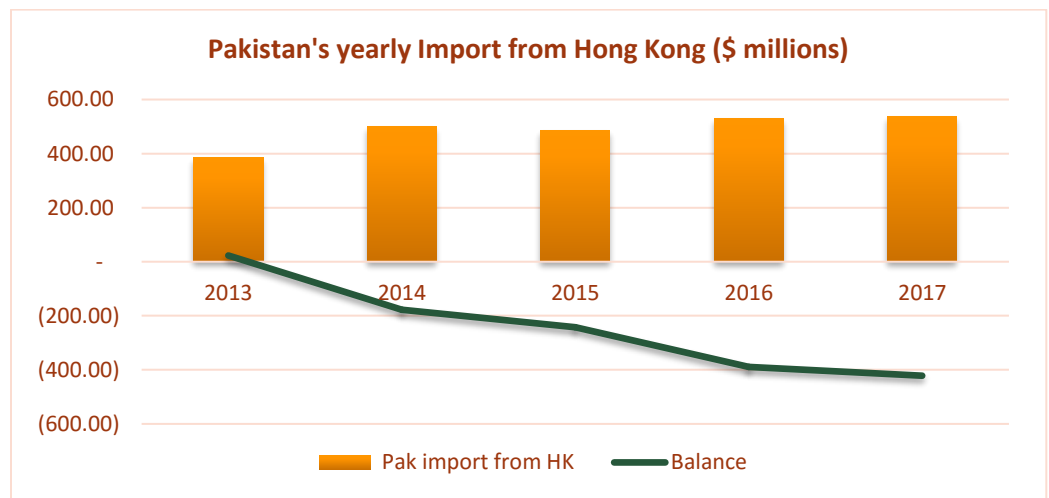
Jan- July 2018
Import



Jan- July 2017
Imports



Figure 8 Year-wise Pakistan's import from Hong Kong (2013-2017)



Major Imported Sectors

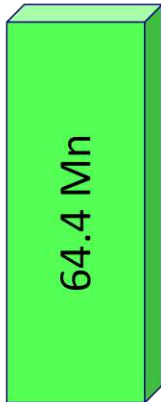
- Electric machinery
- Mechanical appliances
- Manufactured articles
- Edible fruits and nuts
- Optical or medical instruments
- Clocks and watches
- Paper and paper boards
- Special woven fabric
- Plastics and articles

At HS 06 level, the main commodities imported from Hong Kong are listed below

Table 4 Commodity-wise Pakistan's import from Hong Kong at HS-06 FTY 2017

HS Code	Product	import value \$-2017	Growth % (2016-17)	Tariff applied to HK
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	190.84	(20.32)	12
851762	Machines for the reception, conversion and transmission or regeneration of voice, images or ...	45.80	(3.83)	12
852351	Solid-state, non-volatile data storage devices for recording data from an external source [flash ...	44.07	127.83	3
851770	Parts of telephone sets, telephones for cellular networks or for other wireless networks and ...	23.91	(0.76)	11
852349	Optical media for the recording of sound or of other phenomena (excluding unrecorded and goods ...	15.22	1,795.02	11
482110	Paper or paperboard labels of all kinds, printed	10.14	6.12	17
851761	Base stations of apparatus for the transmission or reception of voice, images or other data	8.97	(64.53)	11
960622	Buttons of base metal, not covered with textile material (excluding press-fasteners, snap-fasteners, ...	8.63	(8.99)	20
847150	Processing units for automatic data-processing machines, whether or not containing in the same ...	8.24	43.40	3
910211	Wrist-watches, whether or not incorporating a stop-watch facility, electrically operated, with ...	7.99	7.90	3

Jan- July 2018 exports



Jan- July 2017 Exports

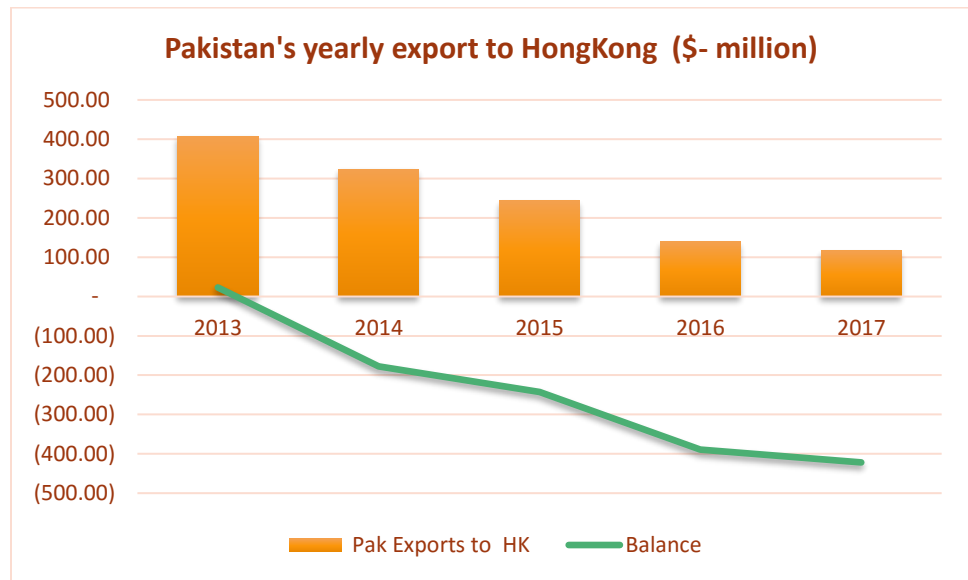


Pakistan's Export to Hong Kong

Pakistan's export to Hong Kong was maximum in year 2013. When it successfully exported commodities worth USD 407 million to Hong Kong. The value diluted from its peak to USD 116 million in year 2017. In five years', time Pakistan lost the momentum of exports by USD 290 million. The reduction in the value for year 2016 to 2017 was less than that experienced in year 2015 to 2016.

Product wise analysis at HS 06 level for year 2014 showed that the maximum fall in value was for single cotton yarn of both combined (HS 520522) and uncombined fibers (HS 520511). Though Pakistan has successfully maintained and improved its export of cotton yarn in international market it faced reduction in Hong Kong's market. Many manufacturing units had relocated to China because of the rising land and labor cost in Hong Kong. End of the tax benefit reduced the overall demand of cotton yarn in the country.

Figure 9 Year-wise Pakistan's exports export to Hong Kong (2013-2017)



At HS 06 level, the main commodities exported to Hong Kong are listed below;

Major exported sectors

- 52-Cotton
- 41-Raw hides and skins
- 91-Clocks and watches
- 62- Articles of clothing, knitted
- 03 -Fish and crustaceous
- 85- electrical machinery
- 61 -articles of clothing, knitted
- 10 -cereals
- 55 -man- made

Table 5 Commodity-wise Pakistan's export to Hong Kong at HS-06 FTY 2017

HS Code	Product	Value Exported- million	% Growth 2016-2017	Tariff faced
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	12.64	-15	0
520532	Multiple "folded" or cabled cotton yarn, of uncombed fibres, containing >= 85% cotton by weight ...	9.49	-28	0
410792	Grain splits leather "incl. parchment-dressed leather", of the portions, strips or sheets of ...	8.9	-32	0
411310	Leather further prepared after tanning or crusting "incl. parchment-dressed leather", of goats ...	7.72	-23	0
410712	Grain splits leather "incl. parchment-dressed leather", of the whole hides and skins of bovine ...	7.34	-29	0
520522	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear ...	6.14	-3.2	0
851770	Parts of telephone sets, telephones for cellular networks or for other wireless networks and ...	4.16	-76	0
910221	Wrist-watches, whether or not incorporating a stop-watch facility, with automatic winding (excluding ...	3.05	100	0
411200	Leather further prepared after tanning or crusting incl. parchment-dressed leather", of sheep ...	2.99	-10	0
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	2.97	41	0

Potential Products



Potential Products for Hong-Kong

In this report sectors/ commodities have been identified which could be improvised to enhance Pakistan's share in Hong Kong.

A 3 tier criteria has been set for identification of the potential commodities at HS 06 level. For potential product;

- 1) Pakistan's export to the world for the potential product should be more than USD 50 million.
- 2) Hong Kong's import from the world for the potential product should be more than USD 100 million.
- 3) Pakistan's current share in Hong Kong's market for the product should be less than 10%.

Products qualifying the above-mentioned criteria are considered potential for Pakistan.

According to the above-mentioned criteria 16 products have been identified which can be classified as from following sectors.

- Leather
- Garments of Cotton and Denim
- Rice
- Medical Instruments and Medicaments
- Wheat or meslin flour

Other than these sectors, some areas have also been identified using the same 3 tier criteria where Pakistan have not been performed yet in Hong Kong but Pakistan do have a prominent share in the international market.

- Footwears
- Sugar confectionary

Efforts could be made to enhance the market share for already existing products while new channels could be established to introduce the above mentioned yet ignored products to enhance export volume to Hong Kong.

Detail position of potential products has been mentioned in the Table below

Table 6 Potential Products for Hong Kong's Market at HS -06 level

HS code	Product	Pakistan's Export to world (\$ 000)	HK's import from world (\$ 000)	Pakistan's export to Hong Kong (\$000)	Pakistan's existing share in HK
410792	Grain splits leather "incl. parchment-dressed leather",	50,702	437,117	8,900.00	2.04
410712	Grain splits leather "incl. parchment-dressed leather", of the whole hides	114,395	416,619	7,337.00	1.76
620462	Women's or girls' trousers, bib and brace overalls of cotton	197,075	788,693	2,969.00	0.38
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m ² , made of yarn of different	482,494	196,310	2,945.00	1.50
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	410,423	509,023	1,791.00	0.35
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	197,757	736,897	659.00	0.13
610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets ...	168,344	229,157	510.00	0.29
100630	Semi-milled or wholly milled rice, whether or not polished	1,512,694	243,449	310.00	0.21
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear	275,584	135,922	287.00	0.23
901890	Instruments and appliances used in medical, surgical	360,575	486,313	256.00	0.06
521142	Denim, containing predominantly, but < 85% cotton by weight, mixed	50,788	150,543	220.00	0.17
300490	Medicaments consisting of mixed or unmixed products for therapeutic	70,786	1,523,585	57.00	0.01
110100	Wheat or meslin flour	97,026	105,704	35.00	0.05
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	106,416	231,289	19.00	0.02
640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather	68,991	1,304,494	8,900.00	0.00

Steps involved till split leather

- Preparing the hides
- Soaking
- Unhairing and liming
- Delimiting
- Pickling
- Tanning
- Basification
- Grading
- Splitting

Source:

<http://globalleatherintelligence.com/en/>



Grain splits leather "incl. parchment-dressed leather", of the portions, strips or sheets

The total annual worth of international export of leather and its products (Hs 41) has exceeded USD 17 trillion in 2017. Hong Kong is the third biggest importer of leather in the world followed by China and Italy. In 2017, Hong Kong imported USD 1.6 billion worth of leather from the world. The major suppliers to Hong Kong were Italy, China and India having a share of 19%, 16.4% and 11.8% respectively. Analysis at HS 06 revealed that "Grain splits leather "incl. parchment-dressed leather", of the portions, strips or sheets" was the most traded commodity under the class and accounted for 26% of the total leather imported by Hong Kong in 2017.⁷ World demand has improved in 2017 after a dip in 2016 but demand of grain splits leather is constantly reducing in Hong Kong, as shown in figure below.

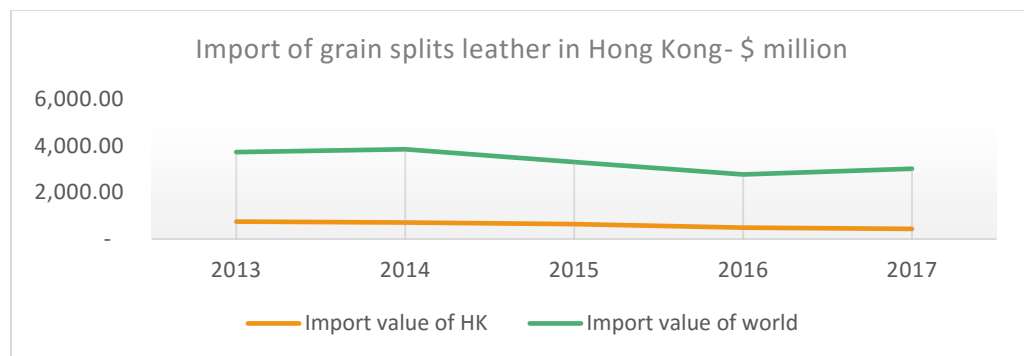


Figure 10 Year-wise Hong Kong's import of grain slits leather

⁷ ITC trade map

Suppliers' of leather in HK

Suppliers Value – 2017 \$ million

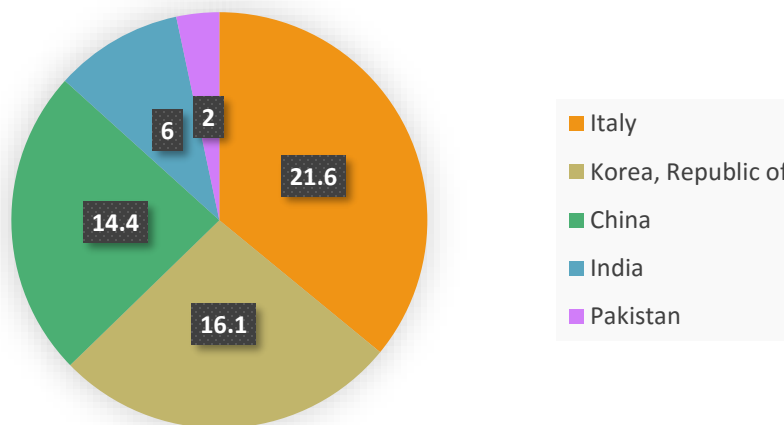
Italy	94.3
Korea	70.46
China	62.72
Thailand	41.13
Vietnam	31.94
India	26.44
Argentina	20.53
Brazil	15.96
Taipei Chinese	13.8
UK	13.3
Pakistan	8.9

Table 1 Export value of major suppliers of Grain split leather in Hong Kong -2017

Competitive analysis

The annual worth of split leather imported by Hong Kong in 2017, was USD 437 million contributed mainly by Italy, Korea and China.

Figure 11 Percentage share of major suppliers of Grain split leather in Hong Kong - 2017



The competitive analysis of three leading exporters together with Pakistan's regional competitor, is given below

Competitor	Value export- \$ Million	Unit Value \$/ tons	Quantity Exported	Tariff Faced	% Growth from 2016
Italy	94.38	26,859	3,514	0	-5
Korea	70.46	23,504	2,998	0	-13
China	62.72	21,021	2,984	0	0
India	26.44	25,377	1,042	0	-16
Pakistan	8.9	23,989	371	0	-32

Table 7 Competitive analysis for Grain splits leather 410792 (Source: Trade map)

Pakistan's Export to Hong Kong for 410792

Value - \$ million
July- June 2016-2017



Value- \$ million
July- June 2017-2018



Source: State bank of
Pakistan

Pakistan has well established leather industry as the basic raw material i.e. livestock is readily available. More than 800 tanneries produce finished leather for both exports as well as domestic consumption while for 25 tanneries are actively involved in leather exports. According to the trade map data for 2017, Pakistan was 17th biggest exporter of (HS 4107) *leather further prepared after tanning or crusting* in the world. While for Hong Kong, Pakistan was the 11th leading exporter for the same product.

For year 2017, Pakistan has successfully enhanced its share in world market, as shown in table below for period July-Jan 2017-2018. Comparison of the same period with last year showed an increment of 1.78% in overall export of leather and its articles.

Commodity	Value in 2017-2018 \$-000	% change in qty 2016- 2017	%Change in value2016-2017
Leather	188,888	59.25	-2.99
Leather apparels n Clothing	180,513	-4.70	-1.21
Leather Gloves	121,928	29.07	12.81
Leather Footwear	53,474	16.53	10.09
Total	551,503		+1.78

Table 8 Export of leather and Leather products from Pakistan during July- Jan 2017-2018

Source: Pakistan Bureau of Statistics

On the contrary, in Hong Kong's market, performance of Pakistani leather has reduced over the years. Reasons behind this short fall is the reduction in the overall demand of Hong Kong side by side the unit value and quantity from Pakistan has also reduced considerably during last five years.

PAKISTAN'S YEAR-WISE EXPORT PERFORMANCE IN HONG KONG FOR LEATHER

Year	2016	2017
Value- \$ million	13.1	8.9
Quantity, tons	502	371
Unit Value	26,012	23,989

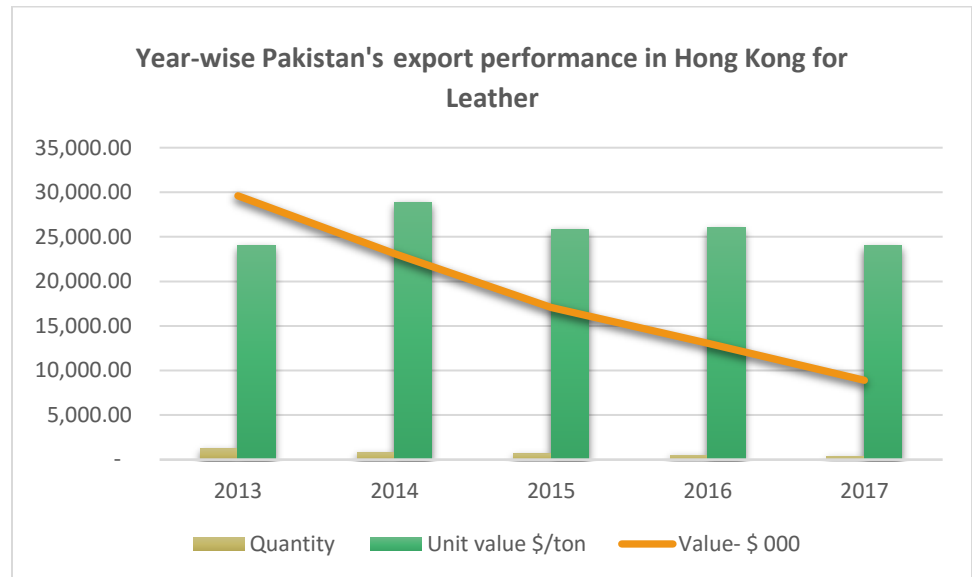


Figure 12 Year-wise Pakistan's export performance in Hong Kong for leather

Analysis based on figure above revealed that reducing unit price has never triggered Pakistan's share in the leather market of Hong Kong. While rise in the unit value of leather has resulted in the fall of the total imported quantity from Pakistan.

Though Pakistan is constantly reducing its unit value to penetrate in the market still the unit value charged for year 2017 is comparatively higher than China's unit price. On contrary, Italy and India both has supplied leather on comparatively high unit price yet successfully captured 21% and 6% of Hon Kong's market.

% Break up of sustainability cost

Cost	%
Waste water Management	63.1
Water consumption management	0.5
Protection of ecosystem	0.5
Social responsibility	0.6
Air emission	1
Energy efficiency	1.6
Certifications	2.9
Chemical management	3
Reach and product safety	7.5
Waste management	19.3

Italy's Export strategies

Despite price pressures, Italy has managed to retain its position as world's top exporter of leather due to its reputation of high quality and design. The value of raw hides and skins (HS 02 41) exported by Italy has improved by 2% from 2016 to 2017. Italy imports leather from various other countries but have a net positive trade balance for leather.

The quality of hides/skin is largely affected by the livestock management process, slaughtering expertise, preservation methods and grading techniques through which they are produced⁸. Italian leather guarantees the end user with the highest standards of safety requirements. Italian tanning industry has competitive advantage over its competitors due to its work for sustainability, safety and health at work place, compliance with international standards, highest standards of traceability of raw material and innovative designs. Investments have been made to digitalize and automate the processes. Automation has optimized the use of chemicals and pollutant load which ensures safety.

While sustainability and innovation are the key feathers of Italian leather industry the strength of its global leadership is due to the element of applied research in the industry. Tanneries carry out joint research, supported by universities like *Politecnico di Milano* and the universities Bologna, Milan, Pisa, Florence, Naples and Padua. As well as research institutes such as *CNR IRSA* and with hubs specialized in tanning field like *SSIP* and *Po.Te.Co*⁹

⁸ JCR-VIS Leather Industry – Sector update Oct 2017

⁹ <http://s.unic.it/5/files/assets/common/downloads/publication.pdf>

ITALY'S YEAR-WISE EXPORT PERFORMANCE IN HONG KONG FOR LEATHER

Year	2016	2017
Value- \$ million	99.7	94.4
Quantity, tons	3,239	3,514
Unit Value	30,788	26,859

Italy has also established an international certification body named as ICEC which certifies companies for their environment, ethical and social conduct, as well as for the quality of their product.

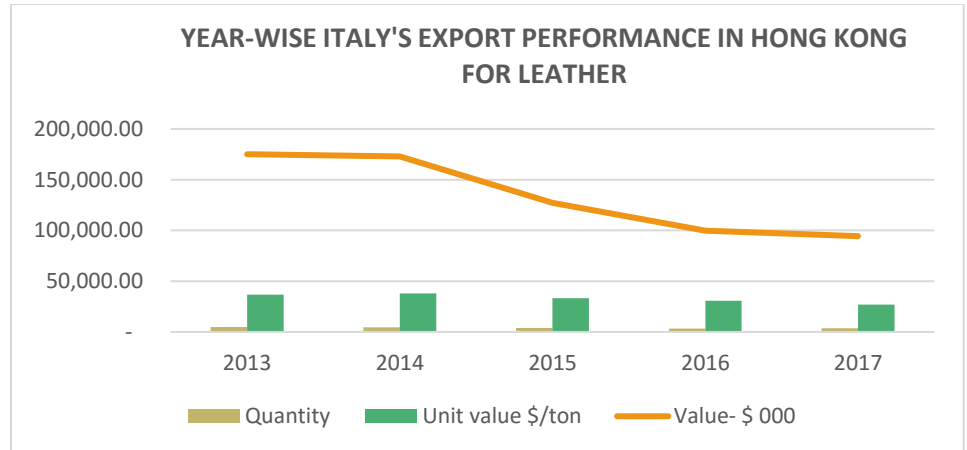


Figure 13 Year-wise Italy's performance in Hong Kong for leather

By virtue of the quality of the leather Italy has managed to retain her leading position in Hong Kong's market but she is constantly losing its share with the dilution of Hong Kong's demand. The fall can be observed for both quantities as well as the total value exported to Hong Kong. The impact of price reduction has negligible impact on market share of Italy except for year 2017, when a dip in price enabled her to export more in quantity.

What has worked for Italy in Hong Kong?

- ✓ Number of Italian residing in Hong Kong are increasing on year to year basis with average growth rate of 0.02%
- ✓ Commercial presence of Italy in Hong Kong.
- ✓ 160 Italian companies
- ✓ Hong Kong and Italy shares a Comprehensive Double Taxation agreement that has been effective from FY 2016/2017.
- ✓ Italy has a bilateral Investment treaty with Hong Kong since 1998.

Suppliers' of Surgical instruments in HK

Suppliers Value
2017 \$
million

China	119.91
United States of America	109.78
Germany	73.55
Japan	39.48
Singapore	33.02
Israel	13.22
Netherlands	9.63
Korea, Republic of	8.88
Turkey	7.72
United Kingdom	7.20
Pakistan	0.29



HS Code 901890

Instruments and appliances used in medical, surgical or veterinary sciences

The total annual worth of world's export of optical and medical instruments has exceeded USD 500 billion in 2017. Hong Kong is the 9th big importer of instruments in the world. According to the trade data of 2017, the imported value of the sector has enhanced by 7% from 2016 to 2017 when she imported instruments worth of USD 16 billion from the world.

Analysis at 06 level established that (HS code 901890) "**Instruments and appliances used in medical, surgical or veterinary sciences**" was the 8th major commodity under the class of instruments imported by Hong Kong. The product had a negative trade balance in 2017 showing that Hong Kong is also involved in the exports of instruments after some value addition work. The value of the import has increased by 9% since 2013 while 13 % from year 2016 to 2017.

Figure below shows the increasing trend in instrument's import in international market and compares the same with Hong Kong's domestic demand. World demand has improved in 2017 after a dip in 2015, Hong Kong follows the same trend for surgical instruments.

Percentage share of top suppliers in HK for surgical instruments

- China
- United States of America
- Germany
- Japan
- Rest

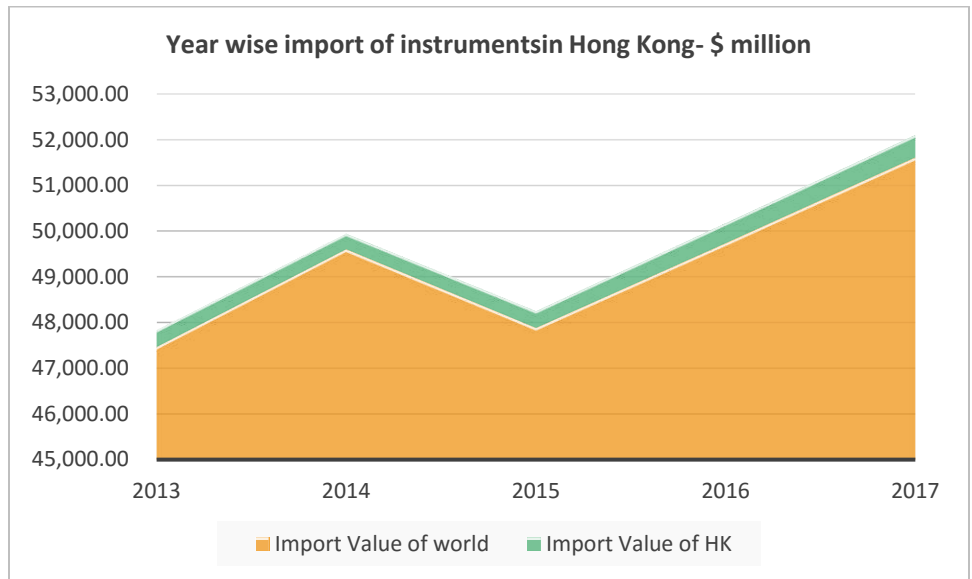
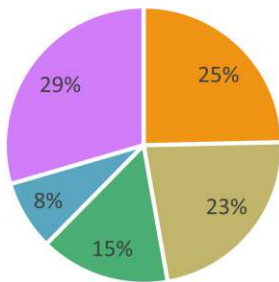


Figure 14 Year-wise Hong Kong's import of instruments

Competitive analysis

The annual worth of surgical instrument imported by Hong Kong in 2017, was USD 486 million contributed mainly by China, UAE and Germany. Competitive analysis of the leading exports and Pakistan’s regional competitor, India has shown below.

Table 9 Competitive analysis for surgical instruments 901890

Competitor	Value export- \$ Million	Tariff Faced	% Growth from 2016
China	119.91	0	2
United States of America	109.78	0	41
Germany	73.55	0	8
Japan	39.48	0	-21
India	13.22	0	-26

MARKETING INITIATIVES OF GERMANY FOR SURGICAL SECTOR

Event	Date	visitors
Medica	November 2017	50,000-200,000
International Dental show	March 2017	155132
CPhI Worldwide	October 2021	45,000
RehaCare International	September 2019	20,000-50,000
Medtec Europe	April 2018	6,000

Germany's Export Strategies

Germany is known as the world's center of surgical equipment. The sector got benefit from many social and economic factors. Germany's stable politics, high investment in business sophistication, ageing population, high health standards and high public health expenditure provides a smooth domestic platform for the sector to base international competitiveness for their product.

Quality of the raw material also creates value for the sector. High competitiveness of Germany's surgical instruments which allows for a strong export orientation is due to the sophisticated technical standards followed by the supportive industry, mainly steel. The provision of quality steel on time allows the surgical firms to complete their orders on due date and earns the reputation for timely delivery.

Germany has highest intensity of research and innovation in medical technology in Europe and third-largest in the world. Though 90% of the firms in Tuttlingen cluster are SMEs but they have dynamically updated their traditional product portfolios with technological advancement.

Production of surgical instruments requires a high degree of manual work. Therefore, companies from Tuttlingen outsource the shaping, which involves milling and grinding of the steel casting, to Sialkot.¹⁰

¹⁰<https://www.hhs.se/contentassets/f51b706e1d644e9fa6c4d232abd09e63/sse-tuttlingen-medical-instrument-cluster.pdf>

In order to promote competitiveness, German federal Government three large scale “*cluster development initiative*” namely;

- 1) Go- Cluster program¹¹
- 2) The leading-edge Cluster Competition¹²
- 3) Entrepreneurial Regional initiative¹³

The aim of the program was to support local cluster at national level, strong regional association for international competition and addressing international challenges. To keep connectivity between different actors within and outside the medical cluster Medical mountains have been organized. whose function involves lobbying, technology development through forums and R&D projects, promote education through cluster and work for internationalization of products through network event, partnership with other international clusters and hosting exhibition. Members are encouraged to participate in these exhibitions by offering discounts.

¹¹ . Clusterplaoorm Deutschland, [http://www.clusterplaoorm.de/CLUSTER/Navigation/DE/Bund/go-cluster/gocluster.html;jsessionid=EFD6B29A3111FCA636BDF570B6EC9B3\(18\)](http://www.clusterplaoorm.de/CLUSTER/Navigation/DE/Bund/go-cluster/gocluster.html;jsessionid=EFD6B29A3111FCA636BDF570B6EC9B3(18))

¹² Clusterplaoorm Deutschland, <http://www.clusterplaoorm.de/CLUSTER/Navigation/DE/Bund/SpitzenclusterWebbwerb/spitzenclusterwebbwerb.html;jsessionid=EFD6B29A3111FCA636BDF570B6EC9B3>

¹³ Clusterplaoorm Deutschland, <http://www.clusterplaoorm.de/CLUSTER/Navigation/DE/Bund/UnternehmenRegion/unternehmenregion.html;jsessionid=EFD6B29A3111FCA636BDF570B6EC9B3>

Flow Chart of denim production

Spinning



HS Code 520942

Bale Warping

Rope Dyeing

Long chain beaming

Sizing

Weaving

Finishing

Inspection and folding

Denim, containing $\geq 85\%$ cotton by weight and weighing $> 200 \text{ g/m}^2$, made of yarn of different ...

Cotton blended with other cellulose based fiber is used for most denim fabric.¹⁴ The flow chart of denim involving different manufacturing processes is shown for reference.¹⁵ Denim fabric is an intermediate product in the supply chain of denim market. Fabric brought by the manufactures processed further to be converted into denim-based garments.

The total annual worth of world's import of woven fabric has transcended to USD 7.1 billion in 2017. Hong Kong is the 5th leading importer of the woven fabric after Bangladesh, Vietnam, China and Turkey. Since 2013, world's demand for woven fabric is almost constant while Hong Kong's import in terms of value for woven fabric has reduced considerably and has reached to USD 340 million in 2017 from USD 708 million in 2013. The main suppliers to Hong Kong are China, Turkey, Italy and Japan.

Analysis at HS 06 level showed that "Denim, containing $\geq 85\%$ cotton by weight and weighing $> 200 \text{ g/m}^2$, made of yarn "was the most traded commodity under the class and accounted for 58% of the total woven fabric imported by Hong Kong in 2017.

¹⁴ <http://www.aaqct.org.ar/newsletters/img/denimclariant.pdf>

¹⁵ <http://textilelearner.blogspot.com/2012/07/process-flow-chart-of-denim.html>

Suppliers of denim in HK

Supplier	Value- \$ 2017 million
China	129.05
Turkey	30.80
Japan	9.07
Bahrain	6.61
Italy	5.53
Thailand	4.34
Taipei, Chinese	3.31
Pakistan	2.95

Figure below shows the varying trend of denim import in international market and compares the same with Hong Kong’s domestic demand. In 2017, Hong Kong contributed 7% and imported denim worth of USD 196 million. Though the quantum of import for woven fabric has reduced by 11% from 2016 to 2017, the reduction in denim was only 7%.

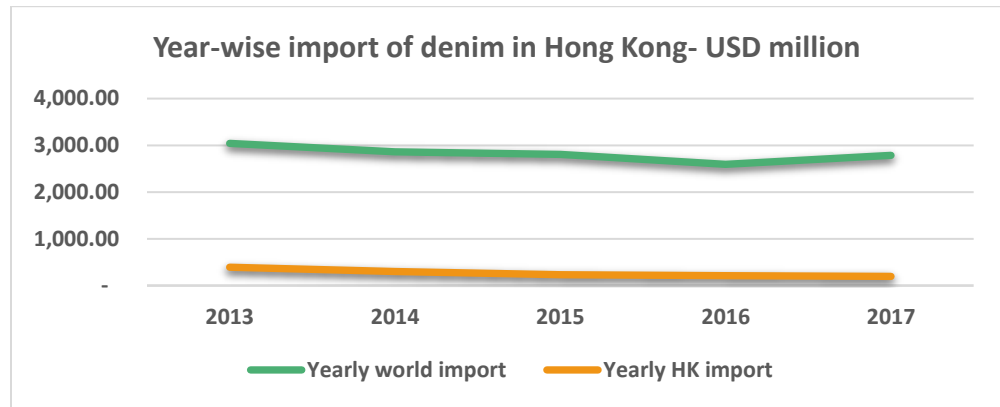


Figure 15 Year-wise Hong Kong's import of denim

Competitive analysis

The main suppliers of denim in Hong Kong’s market are China, Turkey and Japan. With China, positive trade balance existed for year 2017, this indicates Hong Kong’s capacity of value addition and re-exporting to China under the same tariff line. Figure below shows that Turkey, Japan and Italy were net exporters of denim in 2017.

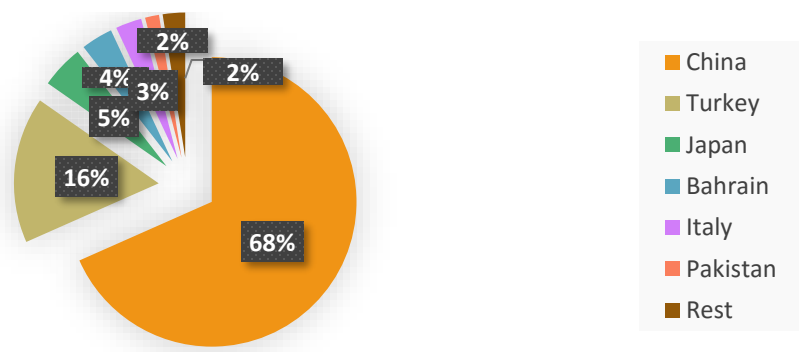


Figure 16 Percentage share of major suppliers of Denim in Hong Kong – 2017

Pakistan's Export to Hong Kong for 520942

Value - \$ million
June-July 2016-
2017



Value - \$ million
June-July 2017-
2018



Source: Pakistan
bureau of
statistics

The competitive analysis of four leading exporters and their comparison with Pakistan, is given below

Competitor	Value export- \$ Million	Unit Value \$/ tons	Quantity Exported tons	Tariff Faced	% Growth from 2016
China	129.05	5,076	25,425	0	-21
Turkey	30.80	13,576	2,269	0	170
Japan	9.07	14,196	639	0	-16
Italy	5.53	11,424	484	0	36
Pakistan	2.95	6,148	479	0	46

Table 10 Competitive analysis for Denim containing > = 85% of cotton 520942

Textile sector is the backbone of Pakistan's economy. Abundance of cotton fiber grown in Pakistan along with modern equipment and strong incentives have facilitated sector's growth in recent years.

Denim is the mainstay of textile industry which has seen progress due to setting up of shuttle-less machines adding to the fabric's production capacity of the country. Pakistan has emerged as the second big exporter of denim, after China, and has earned revenue of USD 940 million from international market in 2017. An increment of 20.43% in the total export from (June-July) 2016 to 2017 has observed.

HS code	Commodity	July- June 2016-2017		July – June 2017-2018	
		Quantity	000\$	Quantity	000\$
520942	Cotton Woven fab denim > 200G/SQM	362,922,989	433,566	434,333,936	522,135

Table 11 Export of Denim fabric from Pakistan June-July 2017-18

PAKISTAN'S YEAR-WISE EXPORT PERFORMANCE IN HONG KONG FOR DENIM

Year	2016	2017
Value- \$ million	2.0	2.9
Quantity, tons	300	479
Unit Value	6,713	6,148

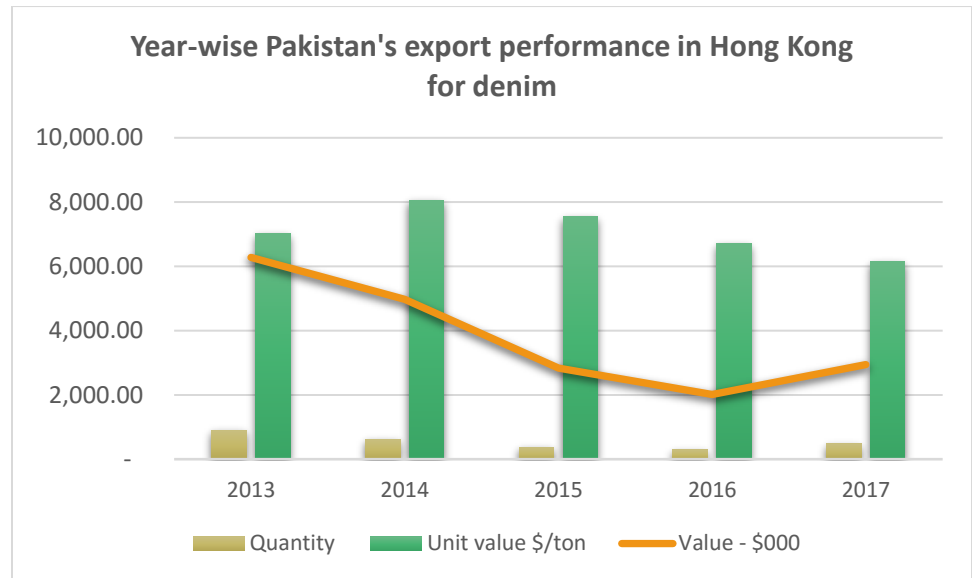


Figure 17 year-wise Pakistan’s export performance in Hong Kong for denim

Figure above showed that reducing unit price in 2017 has enhanced Pakistan’s share in the denim market of Hong Kong. While rise in the unit value of denim in prior years has resulted in the fall of the total imported quantity from Pakistan.

Pakistan has reduced its unit value to penetrate in the market after 2014. As the price charged was always higher than that offered by China, quantity exported by Pakistan kept low. It was only in 2017, when denim from Pakistan was only USD 1,072 higher than that charged by China, that Pakistan won 1.5% share in the Hong Kong. China and Turkey adopted different strategies of low cost and high quality to occupy 66% and 16% of the market.

CHINA'S YEAR-WISE EXPORT PERFORMANCE IN HONG KONG FOR DENIM

Year	2016	2017
Value- \$ million	164	129
Quantity 000	33	25
Unit Value \$000/ton	4.9	5.1

China's Export strategies

China has largest textile production and export industry in the world. Denim fabric is of no exception. Despite the increasing production cost (specially wage rate) China has managed to retain its leading position for denim fabric. She is focusing on both, the price and quality of cotton which is the basic raw material for denim.

Figure below shows year wise performance of Chinese denim in Hong Kong's market.



Figure 18 year-wise China's export performance in Hong Kong for denim

Figure above showed that from 2013 to 2017 China has maintained its export quantity for Hong Kong. The variation in value exported is due to the difference in unit price charged by China. Hong Kong has preferred Chinese denim even at higher unit price indicting that Chinese denim fabric is preferred by most denim manufacturers located in Hong Kong.

Wage and efficiency comparison

Variable	China	Pakistan
Wage. \$/month	220-2770	116
Product	All	Denim
Country operational efficiency	57%	44%
Technology	High	Medium
Raw material	All	Cotton

Source: Presentation by Technopak, 9 December 2013, International Textile and Clothing Conference, Lahore.

The Lahore Journal of Economics 21: SE (September 2016): pp. 211–236

Cotton production in China is more labor intensive compared to that of grains and oil seeds. Even with increasing wage rate in China, as reported by Technopak (International Textile and Clothing Conference), she charges the lowest cost for denim in international market. The same is true for Hong Kong's denim importers.

The strong cotton policies and import of high-quality Pima cotton from America (USDA report) has enabled China to encourage cotton growers and maintain the supply of quality cotton for denim industry.

China's agricultural policy aims for maintaining food security, improving the well-being of Chinese farmers and paves way for modernization of agricultural sector.

Highlights of China's agricultural policy for cotton

1. Direct subsidies for cotton farmers for planting superior cotton seeds
2. Transport subsidy given to cotton growers in Xinjian for transport cotton to eastern China where most of textile industry is located.
3. ICAC (2013) estimates annual expenditure on the superior variety subsidy and Xinjiang transportation subsidy at about \$150 million each, or a total of about 2 percent of the value of China's cotton crop
4. Subsidy given for machinery purchase to cotton harvesters.
5. Financing for traders and mills to purchase cotton from farmers is also subsidized through loans with preferential interest rates and conditions from the State-owned Agricultural Development Bank of China (ADBC).

Cotton Policy in China
Stephen MacDonald and Fred Gale and James Hansen
U.S. Department of Agriculture, Economic Research Service

Mainland China once known as low-cost manufacturing base now considers as a potential target market due to the increase in wealth of Chinese consumers.

Global Monitor™ research shows that affinity for jeans in China's market has increased from 39% to 63% from 2003 to 2016.

Cheap and quality cotton together with China's unparalleled production capacity has enabled her to charge lowest cost for denim. Moreover, China's denim industry is committed to improve basic research and development project and to enhance the technical innovations to better meet the demand of international customers.

Tax comparison has indicated that slowing economy is causing Chinese government to enhance its tax regime for foreign companies. On average the employer tax and benefits are 40% of the employee's salary¹⁶. This has compelled many U.S. brands to prefer Hong Kong¹⁷ for relocating their branches where opening a company is not only simple and fast but also close to the cheap denim provider. Trade map data has shown that in 2017 denim worth of USD 129 million has imported from China by Hong Kong and apparel worth USD 115 million has exported to China from Hong Kong under the same HS code.

What has worked for China in Hong Kong?

1. Hong Kong's largest trading partner since 1985
2. Tariff free treatment for all HK- origin goods since 2003 under Mainland and Hong Kong Closer Economic Partnership agreement
3. As at June 2017, there were 154 companies from Mainland with regional headquarters in Hong Kong.

(Source: ^{18 19})

¹⁶ <https://www.forbes.com/sites/danharris/2015/05/28/chinas-tax-authorities-want-you/#1fc11bb16b55>

¹⁷ Hong Kong has a simple taxation system (8.25% on profit up to HKD 2million and 16.5% on profit over HKD 2 million)

¹⁸ <https://www.tid.gov.hk/english/aboutus/publications/factsheet/china.html>

¹⁹ <https://journals.openedition.org/chinaperspectives/3002>

Trade promotion activities by Pakistan

HKTDC

Hong Kong Trade development Council is a state-owned trade promotion. In 2017, 500 fairs and promotional activities takes place in Hong Kong. KHTDC sponsored 350 of these.

Pakistan Hong Kong Trade and Investment Forum

The aim of the forum is to enhance collaboration for trade investment. First meeting held in Feb 2017 in which opportunities created by China Pakistan Economic Corridor (CPEC) under Road and Belt initiative was discussed.

Asia Pacific Leather Fair

This event is one of the largest leather related trade fair in Asia. Pakistan has organized two separate pavilions for the event. In 2018, nearly 46 exhibitors show cased their leather products in the event. The same is being planned for the coming year where participation will be increased to 50 exhibitors.



Trade control policy

Trade and Industry department and Custom and Excise department of Hong Kong are involved with licensing system and enforcement system. For more Info about Strategic Trade Control Policy ([Click here](#))

Mr. Abdul Qadir memon, Consul General inaugurating the Pakistan Pavilion in APLF'2018, HK) ²⁰

Participation of Pakistan at the HK Trade fairs

Fair	Date
Hong Kong Gems and Jewellery Fair	12-16 Sep 2018
Global Source Fashion Show	27-30 Oct 2018
Cosmoprof Asia	13-16 Nov 2018
Hong Kong Food Expo	16-20 Aug 2018
Hong Kong sea food Expo	4-6 Sep 2018
Hong Kong Mega show	22-25 Dec 2018
Asia pacific Leather Fair	15 Mar 2019
Asia Fruit Logistica	5-7 Sep 2018
Hong Kong international Home Textile and Furnishing Fair	20-23 April 2019

Source: Hong Kong's consul General annual business plan No.1 (6)/2013-HK

Hong Kong's trade policies

Hong Kong is heavily dependent on its trade. Easy policies have been set by the government. No Customs tariff is levied on import or export and Rules of Origin certificate is to facilitate local products only while imported goods do not require the certificate. But certain products have to meet control requirements regarding documentation like import/ export declaration is mandatory for both importers as well as exporters. Hong Kong has been endeavoring to sign Investment Promotion and Protection Agreements ("IPPAs" or "Investment Agreements" in short) with foreign economies in order to enhance two-way investment flows and boost economy. Till date Hong Kong has signed 20 IPPAs with foreign economies.²¹

²⁰ <http://www.pakistantanners.org/annualreport17/index.html#page/61>

²¹ <https://www.tid.gov.hk/english/ita/ippa/index.html>

Demand and supply issues

Leather industry of Pakistan²²

Government initiatives

1. Leather industry was exempt from sales tax according to the federal budget of 2016-2017.
 2. Export re-finance rate has been reduced from 3.5% to 3%.
 3. National institute of leather industry providing technical and scientific training to students as well as to the in-service technicians.
 4. Combined Effluent Treatment Plant (CETP) for Korangi Tannery Cluster to meet National Environmental Quality standards (NEQS) which is a mandatory international requirement
1. Spread of diseases among animals
 2. Poor storage facilities
 3. High utility and labor cost
 4. Scarcity of skilled labor
 5. Outdated machinery and infrastructure
 6. Low grade quality of hides and skin
 7. Delay in export rebates (as per industry claims more than Rs. 200b refunds are pending, which adversely affect the cashflows of exporting firms)
 8. Short comings in raw material supply due to land unavailability
 9. Downward trending consumption rate of animals by humans due to increase in obesity and food safety concerns
 10. Unchecked levels of Chromium III in tanning process²³
 11. Preference of other substitute (i.e. textiles, plastics and synthetic material) by consumers because of their economical prices, convenience and accessibility
 12. Increased demand for synthetic leather as a cheap alternative of pure leather

²² JCR- Vis – Leather industry – sector update Oct 2017

²³ Irregularities in tanning process and certain additives, with chromium III, can result in the formation of chromium VI

Surgical instruments

1. Pakistan has to approach international laboratories for quality testing to export its products.
2. Common facility center is lacking
3. Under DRAP rules following hurdles are being faced by surgical sector
 - I. *Requirement of export license for every product with validity of two years*
 - II. *Establishment License for every product is also mandatory*
 - III. *Specification checks by Custom Authorities*

Denim industry of Pakistan

1. Low quality of cotton crop in Pakistan resulted in increased reliance of denim manufacturers on imported cotton.
2. Small scale manufacturers face price competition due to lack of product innovation.
3. Increasing cost of sustainability results in rising cost of production.

Swot Analysis

Strengths

- ✓ Pakistan has an inherent advantage of being 4th largest producer of cotton.
- ✓ Pakistan has the advantage of comparatively low cost and cheap labor force.
- ✓ Sialkot cluster has emerged more than 100 years ago. Long history in has created specialized technical expertise in surgical sector.

Weakness

- ✓ International buyers are more conscious about environmental issues. Pakistani industry has little information about eco friendly processes and products.
- ✓ Pakistan lacks B2B marketplace for its exporters. The market place in India and China are IndiaMART and Alibaba. Alibaba also provides export financing feather for suppliers in a wholly integrated mechanism, which is borne by Alibaba not by a bank.
- ✓ The research and development efforts in Pakistan are comparatively less as compared to the other regional competitors.

Surgical sector of Pakistan is facing difficulties in terms of increasing cost of production and pressures in meeting dead line due to huge lead time in import of steel.²⁴

- Surgical instrument's export suffers loss due to the export of semi and un-finished products.²⁵
- No brand name developed for surgical sector yet.

²⁴ <http://trtapakistan.org/wp-content/uploads/2011/01/Sector-Report-Industrial-Products.pdf>

²⁵ Surgical instrument manufacturers association of Pakistan

Opportunity

- ✓ Top suppliers of leather such as China and India are diversifying into value added leather-based products leaving a room for Pakistan to enhance her exports of tanned leather to the potential buyers in Hong Kong.
- ✓ With increasing disposable income and inclination toward western fashion trends, demand for denim as a casual wear is increasing.
- ✓ People are now fed up with mass market products and prefer brands answering to their personality needs. Small manufacturers can win the market share through proper marketing efforts.
- ✓ China is interested to relocate Chinese textile industry to Pakistan due to the increasing cost of doing business and environmental challenges in China. The joint ventures would be benefiting the textile industry of Pakistan.²⁶

Threat

- ✓ Emerging regulations of Environmental as well as social compliance
- ✓ Evolution of E-commerce has increased accessibility thereby improved distribution channels as well as facilitated consumption.
- ✓ Financial constraints restrict the participation of Pakistani Exporters in International trade shows.
- ✓ Working conditions in Pakistan are not line with international standards of health and safety at work place.

²⁶ Tianjin Peoples Association for Friendship with Foreign Countries, Vice President Chen Weiming statement

Recommendations

Leather industry

1. Reforms and modern technology are needed with increased confidence among SMEs for growth.
2. Workers in tanning industry, mostly acquired their skills through on the job training. Efforts should be made to educate the workers professionally.
3. Maintaining the link between research and industry can also open new ways to address the increasing awareness and preference of international buyers about ecofriendly products and processes.
4. Visa requirements for leather industry businessmen who are regularly visiting China should be relaxed along with the exemption of such businessmen from the requirement of NOC from Chinese interior ministry.
5. Custom duty imposed on import of Tanning machineries should be removed to reduce the cost of doing business and enhance the competitiveness of the leather internationally.

Surgical Instruments

1. Innovation is the demand of the era as well as of the surgical sector. This innovation should be research based in order to cater the changing world's requirements.
2. German model of close liaison between sector and academia should be followed. Such linkage with Government support provides a secure environment conducive to the growth and sustainability.
3. Export ban should be imposed for semi and unfinished surgical parts from the country in order to support Pakistan's share in surgical instruments exports.
4. Steel mills should be linked with research and development institution to work for improved quality of steel which should be cost effective at the same time.
5. Brand development is the dire need of the time for surgical instruments. This cannot be done with Government support

Denim Industry

1. A zero- waste fashion model should be adopted.
2. Product diversification should be encouraged and innovative ideas of catering the rising trends in international markets should be cultivated. *Guess* together with *I, collect* has started recycling the wearable items as secondhand goods while unwearable items are being converted into new products like cleaning clothes or made into fibers for insulation purpose. The same model can be adopted by Pakistani manufacturers.
3. Brands like Levi Strauss are focusing more on “Smart denim”. Pakistani denim manufacturers should use technical innovations to make their product smart.

Hong Kong's Market

1. The consumers in Hong Kong prefer quality over quantity and price. Product manufacturing and marketing techniques should be set according to the tastes of the targeted audience.
2. The rising trend of E-commerce should be utilized as an easy way to access the free market like Hong Kong.
3. The tax regime and legislation for establishing company in Hong Kong is easier than that of China. Government should support businessmen for relaxed visa requirements. The resulted business interactions can buy enhanced contracts for Pakistani products.
4. As cost of production is increasing in China, Pakistan can enter into the agreements of technology sharing with China and form joint ventures to supply low-cost better-quality products to Hong Kong.
5. Government should arrange Investment promotion agreements with Hong Kong as done by Germany and Italy to protect investments made by investors in both countries.

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