



# BILATERAL TRADE ANALYSIS OF ITALY AND PAKISTAN

Country Report on Italy

## ABSTRACT

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

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Country Report on Italy

### **Executive summary**

There is an untapped potential of approximately \$311 million in Italian market, which Pakistan can adventure to expand its bilateral trade volume of \$1.5 billion to around \$2 billion in the coming years.

In this regard, the study identifies six potential items at HS 06 level that are further exportable in their trade volume, along with its competitor's analysis and their pricing strategy in the market.

Among these potential products, four are from textile sector namely bedlinen of cotton, men's and boy's trouser, women's and girls' trouser, knee-lengthen stockings and others are instruments and appliances used in medical science and articles of apparel of leather or composition leather.

The study proposes that if the international standards are complied with appropriate marketing and pricing strategies, these products have potential to expand manifold, and it also advices country offices, relevant trade bodies, associations, MOC and TDAP for pertinent initiative regarding raw material availability, R&D, and customs duty relaxations.

## List of Acronyms

GSP: General scheme of preference

MFN: Most Favorite Nation

EU: European Union

SME: Small Medium Enterprise

R&D: Research and Development

SIMAP: Surgical Instrument Manufacturing Association of Pakistan

SVHC: Substance of Very High Concern

BPR: Biocidal Product

CEN: European Committee for Standardization

PPE: Personal Protective Equipment

PCP: Pentachlorophenol

DME: Dimethyl Fumarate

REACH Registration, Evaluation and Authorization and Restriction of Chemical.

CE: French acronym “Conformity Europeenne.”

EEA: European Economic Area

RAPEX: Rapid Alert System for dangerous Non-Food Products

GPSP: General Product Safety Directive

TBT: Trade Barrier for Trade

USD: United State Dollar

CAGR: Cumulative Annual Growth Rate

ITC: International Trade Center

PTA: Pakistan Tanner Association

APTMI: All Pakistan Textile Mills Association

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## Introduction

Italy is the 3<sup>rd</sup> biggest economy in Eurozone and the 9<sup>th</sup> largest in the world with the annual GDP of \$2.834 trillion. Its economic structure relies mainly on services and manufacturing sector. The services sector accounts for almost three-quarters of total GDP and employs around 65% of the country's total employed labor force. Within the service sector, the most significant contributors are the wholesale, retail sales and transportation sectors.

Industry accounts for a quarter of Italy's total production and employs around 30% of the total workforce. Manufacturing is the essential sub-sector within the industry sector, which specializes in producing high-quality goods, mainly run by small and medium sized enterprises and most of them are family-owned enterprises. However, Agriculture contributes the remaining share of total GDP, and it employs around 4.0% of the total workforce. <sup>1</sup>

Moreover, Italy has a highly-industrialized and developed northern region, where approximately 75% of the nation's wealth is produced. On the contrary, there is a less developed more agriculture-dependent southern part with high unemployment due to which Italy's regional disparities are renowned throughout the world.

The GDP per capita in Italy over the period of 5 years has shown a decline of 3.6 % from 2012 to 2014, and a recovery of 1.9 % in 2015-16 respectively. Italy's economic performance since it joined the Eurozone has been dismal. Thus, GDP per capita of Italy is now lower than it was at the start of the Eurozone in 1999, meaning that the Italian population as a whole is far more poorer than the country joined the Eurozone.

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<sup>1</sup> OECD.org

**Table 1: Key Economic indicator of Italy**

Indicators	2013	2014	2015	2016	2017
Real GDP Growth Rate (%)	-1.80	-0.30	0.80	0.80	0.90
GDP Per Capita (USD)	27,162	26,879	26,698	27,048	27,363
Un Employment Rate (%)	12.10	12.60	11.90	11.50	11.20
Inflation (%)	1.2	0.20	0.10	-0.10	0.50
Public debt (% of GDP)	129	132.5	132.7	133.2	133.4
Consumer Price Inflation Annual	1.2	0.2	0.1	-0.1	1.4
Trade balance (USD Billion)	38.7	55.4	46	56.9	54.1
Current Account balance % of GDP	1	1.9	1.4	2.6	2.7

Source: CIA World Factbook

Italy, after a long period of recession seems to be recovering due to its structural reforms and low commodity pricing. Further it has also improved the labor market with the intervention of social security and the jobs act, resultantly it has slightly raised employment.

However, the recovery remains weak and stagnant, and the productivity continued to decline. Hence, the revival of the banking sector is crucial for private investment in infrastructure and to raise productivity. The recent government interventions and its structural reforms have put the economy back on track, and it has shown some progress on tackling the structural impediments to growth.

The inefficiency of public administration and weak judicial system makes it difficult for the business community to advance in Italy. Where the existing capital and labor resources are a trap in low productivity firm that keeps the wages and well-being down.

Moreover, the new start-ups and SMEs are the ones who suffers the most from this weak banking and equity financing system that curb the income channels. Therefore, it is imperative for the country to improve its public administration efficiency and provide a favorable environment for the business community and workers to progress, in the meanwhile devise a policy that helps reduce poverty and deliver inclusive and sustainable economic growth.

Moreover, changes in the fiscal policy mix are required to improve investment and productivity and to achieve higher GDP growth, as prolonged low productivity and weak economic growth has battered the social inclusion, hence, demanding a resolve to raise employment, especially among women and youth. However, due to the inclusion of structural reform recovery is underway, a modest positive change has been noticed from 2016 to 2017 due to these initiatives of Jobs Act, exemption in social security and the accommodative monetary and fiscal policies, which has also raised employment rate in the country.

### Italy Trade Structure

Against the background of weak domestic demand, the external sector's performance is essential for the Italian economy. One of the most significant pillars of the economy is the production of high-quality products such as; machinery, textiles products, industrial designs, alimentary and furniture sectors. These products contribute considerably to the country's exports. However, as a country Italy is poor in national resources, its energy and manufacturing sectors are highly dependent on imports that makes its external position vulnerable to changes in import prices such as fuel.

### Trade profile of Italy in figures

Table 2: Italy's trade with world

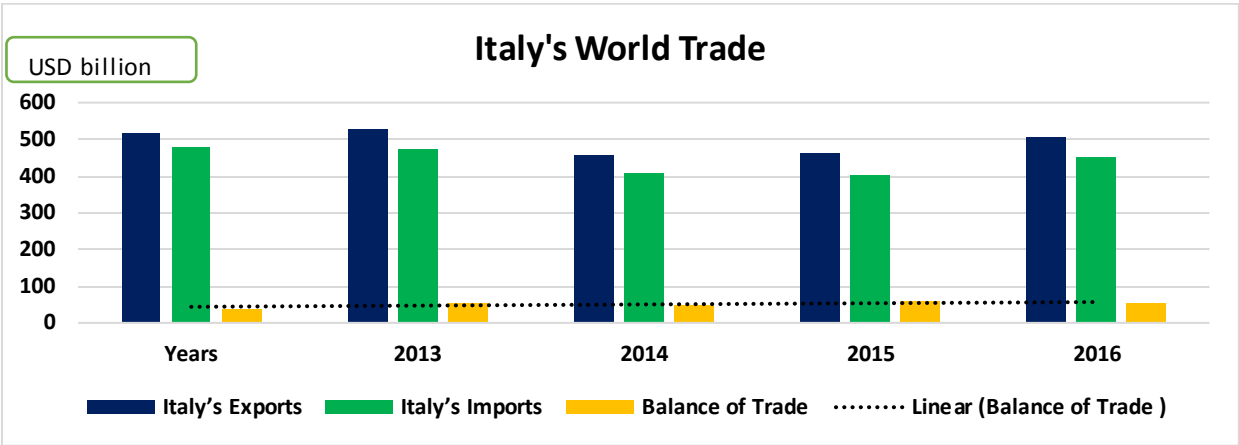
USD billions

ITALY-World	2013	2014	2015	2016	2017	CAGR
Italy's Exports	518	529.5	456.5	461.5	506.5	-0.005
Italy's Imports	479.5	474	410.9	404.5	452.2	-0.01
<b>Balance of Trade</b>	<b>38.7</b>	<b>55.4</b>	<b>46</b>	<b>56.9</b>	<b>54.1</b>	0.08
Total Trade	997.4	1,003.6	867.9	866.1	958.5	-0.009

Source: ITC Trade Map.



### Graph 1: Italy's World Trade



Italy's trade volumes have increased significantly after the country joined the Eurozone. Despite the growing global competition in 2017, Italy ranked as the world's 8th largest export economy in the world, due to its significant numbers of exports of \$506 billion and imports of \$452 billion, with a positive trade balance of \$54.1 billion.

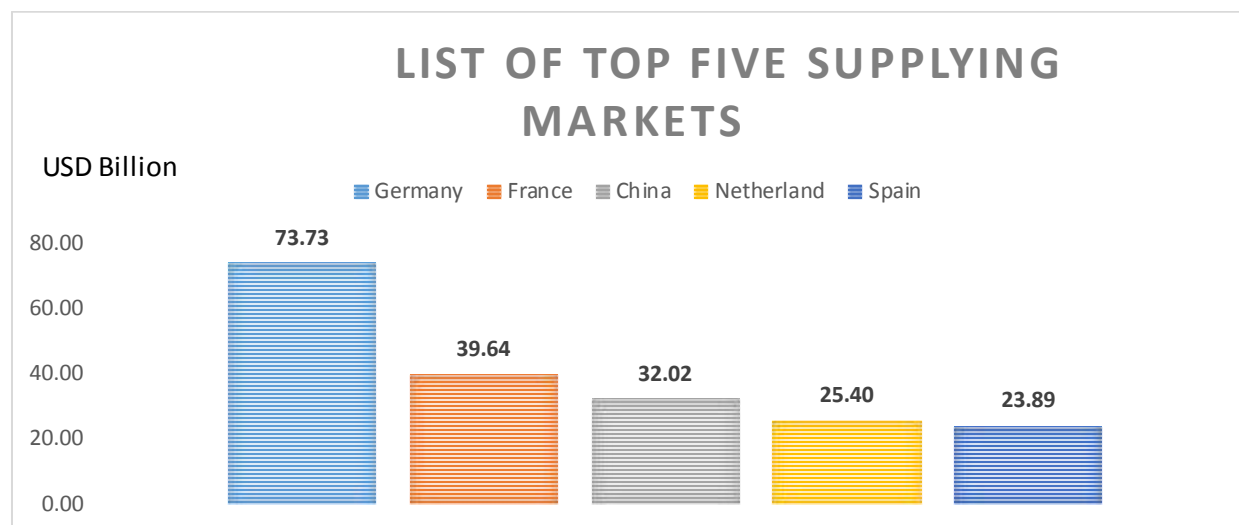
By means of using the HS (Harmonized System) classification. Its top import items are Cars (\$31.4 billion), Crude Petroleum (\$28.6 billion), Packaged Medicaments (\$15.2 billion), Unspecified (\$13.7 billion) and Petroleum Gas (\$12.1 billion). Whereas the top exports items are Packaged Medicaments (\$24.2 billion), Cars (\$17.1 billion), Vehicle Parts (\$14.5 billion), Unspecified (\$14.4 billion) and Refined Petroleum (\$11.4 billion).

The top export destinations of Italy are Germany (\$58.3 billion), France (\$48.6 billion), the United States (\$40.9 billion), the United Kingdom (\$24.9 billion) and Spain (\$23.2 billion). The top import origins are Germany (\$67.2 billion), France (\$35.7 billion), China (\$26.4 billion), Spain (\$22.5 billion) and Belgium (\$20.8 billion).<sup>2</sup>

Italy borders with Switzerland, Austria, France, Slovenia, Vatican City and San Marino by land and Libya, Algeria, Tunisia, Spain, Albania, Greece, Malta, Croatia and Montenegro by sea.

<sup>2</sup> Oec

## Graph 2: Key supplies markets



### Bilateral Trade Analysis:

Despite all the odds, Italy is a notable economy for Pakistan regarding exports. It has always followed Pakistani market with keen interest, and in the last decades, it has gradually increased its positioning.

Italy has become one of the top ten global trading partners of Pakistan and the third amongst the EU member states with a growing trade volume amounting to \$1.56 billion in 2016-17.

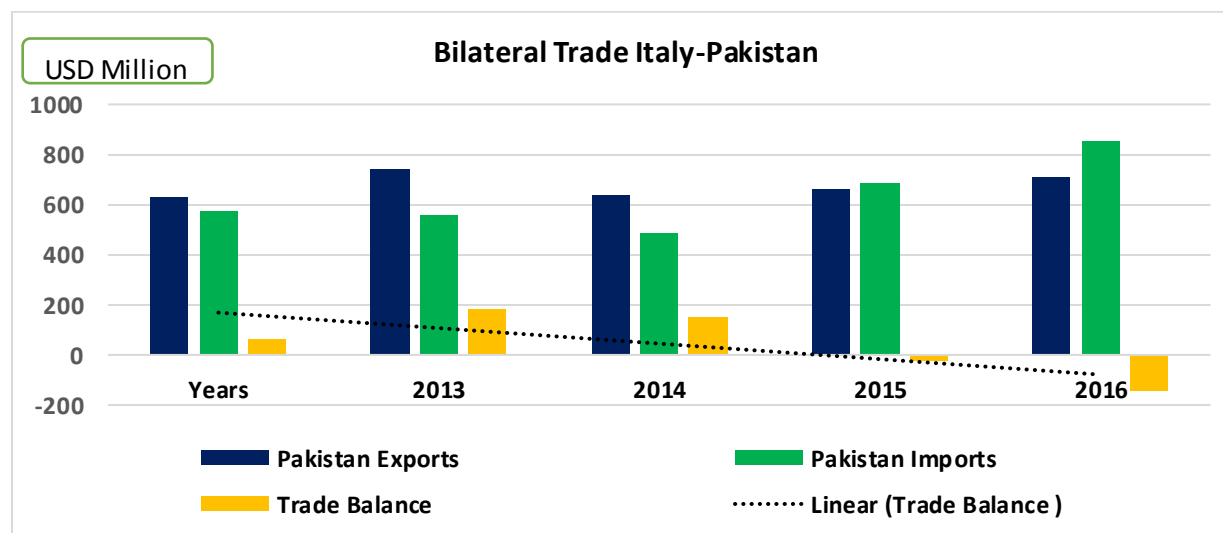
**Table 3: Bilateral trade between Pakistan & Italy**

USD Million

Pak-Italy Trade	2013	2014	2015	2016	2017	CAGR
Pakistan Exports	632.91	739.89	641.31	663.30	708.81	0.02
Pakistan Imports	571.32	559.39	488.29	688.07	854.10	0.10
Trade Balance	61.59	180.49	153.02	-24.77	-145.29	---
Total trade volume	1,204.23	1,299.28	1,129.61	1,351.38	1,562.91	0.06

Source: ITC Trade Map.

**Graph 3. Bilateral trade between Pakistan & Italy**



### Imports from Italy

Pakistan's top imports from Italy includes products like heavy machinery such as power generating machinery, precision apparatus, metalworking machinery, transport equipment's and electrical machinery.

Further, it imports iron and steel, telecommunication equipment's, waste and scrap of copper and aluminum, surgical instrument, defense equipment, mineral fuels and dyes for tanning paints. Moreover, a considerable amount of arms are being imported by Pakistan from Italy.

**Table 4: Trade with Pakistan, ranking and market share**

Bilateral Trade	2013	2014	2015	2016	2017
Pak's Export to Italy(USD Million)	632.92	739.89	641.32	663.3	708.81
Market share (%)	0.11	0.1	0.1	0.14	0.0001
Ranking	78	79	79	69	65
Pak's Imports from Italy (USD million)	571.3	559.3	488.2	688.1	854.1
Market share (%)	0.11	0.1	0.1	0.14	0.16
Ranking of Pakistan	79	81	80	70	66

Source: ITC Trade Map.

The trade ties between Italy and Pakistan are indicating good signs, as the trade volume between the two countries has surpassed \$1.5 billion in the year 2017.

Although the trade balance turned into negative in the year 2016-17, an increase of 29 and 19% were recorded respectively in the imports bills which are due to the import of heavy machinery. However, in the long run the import of automotive and machinery that are capital goods that strengthen the manufacturing industry as there is direct relationship between technological advancement and growth.

### Potential Trade Scenario

Following are the list of top 15 items Pakistan is exporting to Italy.

**Table 5: List of top 15 items Pakistan exporting to Italy**

Product code	Product label	Pak-Exp 2016 USD Million	Pak-Exp 2017 USD Million	AAGR 2016/17	Tariff lines	Italy import 2017 %
'TOTAL	All products	663.30	708.81	6.86		
'630231	Bedlinen of cotton	49.67	61.22	23.24	0	51.57
'620342	Men's or boys' trousers	47.11	50.16	6.46	0	5.32
'520812	Plain woven fabrics of cotton	29.79	34.11	14.49	0	32.89
'410712	Grain splits leather	28.08	27.01	-3.81	0	9.05
'630260	Toilet linen and kitchen linen	23.58	25.68	8.91	0	21.38
'630221	Printed bedlinen of cotton	19.85	21.34	7.54	0	30.05
'620462	Women's or girls' trousers	16.75	17.00	1.5	0	2.99
'520819	Woven fabrics of cotton	16.31	15.37	-5.75	0	28.90
'640399	Footwear with outer soles of rubber	10.30	14.13	37.14	0	1.09
'100620	Husked or brown rice	11.16	13.97	25.21	3	20.05

'252620	Natural steatite and talc	4.12	13.25	221.63	0	36.63
'611020	Jerseys, pullovers, cardigans, waistcoats	11.75	13.21	12.46	0	1.69
'520942	Denim	11.40	12.42	8.9	0	15.26
'220710	Undenatured ethyl alcohol	13.03	11.51	-11.67	0	9.71
'411310	Leather further prepared after tanning or crusting	12.14	11.31	-6.87	0	31.26

Source: ITC Trade Map.

Among the top 15 potential items that Pakistan is exporting to Italy, nine are from textile sector, three are leather items, one item is from agro sector, and the remaining two are from other sectors.

These 15 items account to 48.2 % of Pakistan total exports to Italy, whereas the textile sector solely accounts for 73.3 % of the top 15 potential items and 35.34% of total exports to Italy in the year 2017.

#### **Analysis of the potential items with tariffs**

The exportable that are considered as potential in Italian markets are identified on the criteria set as: First, If Pakistan's exports of that particular product to the world is greater than \$100 million and Italy's imports of the same product from the world is also greater than \$100 million, than the product qualify to go through the next stage.

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 Italy from the world are filtered as a potential product, whereas that product who does qualify the criteria are set aside.

Thirdly, the rule of thumb is employed to further scrutinized the product, so that the product in which Pakistan's has sufficient exports, mean a comparative advantage and at the same time there is also a sufficient demand of that product in the markets of Italy are identified as potential products for further analysis.

**Table 6: List of potential products selected for analysis**

USD million

Hs Code	Product label	Pak Exp to Italy 2016	Pak Exp to world 2016	Italy Imp from world 2016	% of Italy Import world	Tariffs
'630231	Bedlinen of cotton	49.67	773.3	108.77	45.67	0
'620462	Women's or girls' trousers.	16.75	366.22	551.9	3.03	0
'620342	Men's or boys' trousers,	47.11	543.87	999.28	4.71	0
'611595	Full-length or knee-length stockings,	1.52	143.32	188.72	0.8	0
'901890	Instruments and appliances used in medical Science	2.1	326.02	1,351.86	0.15	0
'420310	Articles of apparel, of leather or composition leather.	6.89	297.99	202.4	3.4	0

### Analysis of the potential products in Italy's markets

**Table 7: Potential Product Bedlinen of cotton**

Countries	2013 USD million	2017 USD million	Avg. Tariff rate (%)	ECI Ranking		Unit value USD
				2013	2017	
Moldova	14.92	15.29	0	1	1	6,010
Pakistan	26.28	61.22	0	2	2	5,364
India	3.27	6.99	9.6	8	4	6,043
China	2.11	5.00	12	11	6	9,804
Bangladesh	0.855	3.57	0	12	10	6,898
Total 5 records	<b>47.46</b>	<b>92.08</b>				
Others	41.60	26.61				
The total value of the world	89.06	118.69				

Source: ITC Trade map.

Bedlinen of cotton is one of the top products that Pakistan is exporting to EU, it is the only product that the researcher has incorporated even when its not fulfilling the second criteria of potential product which is less than 10% of market share in the partner country.

It is also a product in which Pakistan has an absolute advantage over its competitors, and due to that reason it has captured 51% of Italy's market in the year 2017. Over the period of 5 years its exports have increase multifold, its cumulative annual growth rate from the years 2013-17 is 12.6%, and its exports have increased 18.87 % in the year 2016-17.

Italy is the sixth biggest importer of Pakistani bedlinen of cotton in the world whereas USA top the list, while Germany, Netherlands, United Kingdom, and Belgium in EU are ahead of Italy in terms of value.

Pakistan's bedlinen of cotton ranks 2<sup>nd</sup> on the Export Competitive Index in the world both in the year 2013 and 2017, only second to Moldova, although Pakistan has captured the major share of Italy market, and its competitors in the market are China, India, Bangladesh, and Moldova.

The unit price of Pakistani bedlinen is lowest among the competitors, which gives it a competitive edge especially when the country enjoys preferential treatment of GSP Plus status in EU markets, due to which there are zero tariff lines on its exports.

While China and India have high tariff duties 12 % and 9.6% respectively, however there ECI ranking is improving over the years, along with Bangladesh which also has zero tariff duties on everything but arms because of their LDC status but yet it hasn't captured a notable market share.

Therefore, Moldova is considered as a close competitor in Italy market, which has a geographical edge over Pakistan, with less non-tariff barriers, and a good foreign relationship with Italy, as Italy was one of the first countries to recognized Moldova in the year 1992.

However, the unit price of Pakistan's bedlinen has a competitive edge due to which Italy is the biggest importer of Pakistani bedlinen. Hence, the researcher asserts that its market share may further increase due to the increasing trend over the years.

**Table 08: Potential Product Women's or girls' trousers, bib and brace**

Countries	2013 USD Million	2017 USD Million	Avg. Tariff rate (%)	ECI Ranking		Unit price USD
				2013	2017	
Bangladesh	77.28	95.67	0	5	2	16,396
China	50.62	47.68	12	3	6	25,342
India	4.80	5.11	9.6	19	27	33,780
Pakistan	17.52	17.00	0	14	20	18,153
Vietnam	2.29	0.652	9.6	27	36	28,708
Total 5 records	<b>137.68</b>	<b>151.93</b>				
Others	584.93	416.54				
The total value of the world	722.61	568.47				

Source: ITC Trade map.

Women's or girls trousers, bib, and brace has a world export share of 0.15%, with an export value of \$25.4 billion in 2016. Top exporting country for this product is China with 37% share in world market followed by Bangladesh with 14% export share.

Pakistan exports \$593.1 million worth of women's or girls trouser to the world; its top importing country is the United States. In term of value, Italy is the 12<sup>th</sup> biggest importer of this item in the world, with \$568.4 million imports in the years 2017.

Pakistan's exports to Italy have recorded a decline of 0.02% in 2016-17, the export of this item from 2013-17 shows a mixed trend as in 2014 the export share in term of value reached \$22 million, but in the next year in 2015 it decreases by 16 % and reached \$18 million.

However, in the same year, the export share of China and India also decreased, while the export share regarding the value of Bangladesh increased, which shows that Bangladesh is expanding and capturing more market share in Italy. Its export competitiveness has also improved in the same period from 4<sup>th</sup> to 2<sup>nd</sup>.

China, India, Vietnam, and Pakistan who are competitors in this market have recorded a weakening position on the ECI indicator. However, on the price competitive strategy, Bangladesh have outshined all its competitors as it's per unit value is lower amongst all others, i.e. US \$16,396 compare to Pakistan US \$18,153. Moreover, due to its LDC status, it enjoys tariff-free access to



EU markets. However, Pakistan is the closest competitor in Italian market as it also exports on GSP Plus status facing zero tariffs on its textile products.

While all other competitors are facing high tariff duties such as 12% for China, 9.6 % for both India and Vietnam. Hence, Pakistan can compete with Bangladesh for more market share, if it works on pricing strategy by decreases its unit price, it is thus asserted that the share of Pakistan ought to increase in the coming year due to current devaluation of its currency, which will improve the Pakistani product competitive in term of unit price.

**Table 09: Potential Product Men's or boys' trousers, bib and brace overalls,**

Countries	2013 USD million	2017 USD million	Avg. Tariff rate (%)	ECI Ranking		Unit price USD
				2013	2017	
Pakistan	28.83	50.16	0	17	12	15,565
China	130.91	67.92	12	5	7	20,715
Bangladesh	171.79	210.78	0	2	3	14,808
India	20.42	14.59	9.6	18	22	21,362
Turkey	57.93	23.25	9.6	7	16	22,400
Total 5 records	<b>354.42</b>	<b>345.11</b>				
Others	368.18	223.36				
The total value of the world	722.61	568.47				

Source: ITC Trade map.

Men's or boys' trousers, bib and brace has a world export share of 0.14%, with an export value of \$23.7 billion in 2016, its top exporting country is China with 24.3% share in world market followed by Bangladesh with its 22% of export share.

Pakistan exports \$543.8 million worth of Men's or boys trouser to the world and ranks 11<sup>th</sup>; its top importing country is the United States, in terms of value, Italy is the 6<sup>th</sup> biggest importer of this product in the world with 942.6 Million USD imports in the year 2017. Pakistan's export to Italy have recorded a cumulative annual growth of 11 % over the period of 2013-17. In terms of value, its export has increased from \$28 million in 2013 to \$50 million in 2017.

The competitor of Pakistan in this market is Bangladesh, China, India, and Turkey, in terms of export share, Bangladesh exports have increased with CAGR of 13% over the same period.

China has lost its market share of \$62.9 million, and Turkey has also lost a share of \$34.6 million. Likewise, India has lost share of \$5.8 million in the same market over the year 2013-17.

The trend shows that Bangladesh is the only competitor whose share is increasing in Italy and its ECI ranking is better than all players in the market.

Although Pakistan is the only country amongst competitors whose ECI has improved over the period from the rank 17<sup>th</sup> to 12<sup>th</sup> and its market share is also increasing. The unit price strategy of Bangladesh is very competitive, as its unit price is \$14,808 thousand lowest in market comparable to Pakistan's \$15,565 thousand.

Both Pakistan and Bangladesh are facing zero tariff lines. As a result, it can be asserted that men's and boy's trouser is a potential items for export to Italian market, especially when others are losing its market share.

**Table 10: Potential Product Instrument and Appliance used in medical-surgical Sciences**

Countries	2013 USD million	2017 USD million	Avg. Tariff rate (%)	ECI Ranking		Unit Price USD
				2013	2017	
Pakistan	267	2.8	0	30	39	32,813
China	50.62	47.68	0	9	10	12,956
Turkey	0.74	4.53	0	41	33	25,421
Singapore	8.56	6.48	0	16	20	27,057
India	4.8	5.11	0	26	36	30,254
Total 4 records	<b>313.57</b>	<b>515,520</b>				
Others	1,066.29	1,050.81				
Total value of world	1,379.86	1,566.33				

Source: ITC Trade map.

Instrument and appliance used in medical, surgical and veterinary sciences have a world export share of 0.29%, with an export value of \$ 47.9 billion in 2016. Its top exporting country is the USA with 25.7% share in world market followed by Germany with its 11.9% of export share.

Pakistan exports \$326 million worth of surgical instruments to the world and ranks 25<sup>th</sup>, its top import destination is also the United States. In terms of value, Italy is 11<sup>th</sup> biggest importer of this product in the world, with \$1.5 billions imports in the year 2017.

Pakistan's export to Italy has recorded a cumulative annual growth of 2.3% over the period of 2013-17, in term of value its export has increased from \$2.6 million in 2013 to \$2.8 million in the year 2017.

The competitor of Pakistan in the surgical instrument market of Italy is China, India, Singapore, and Turkey, Among the competitors China is the biggest exporter to Italy with \$47.6 million worth of exports in the year 2016.

Singapore is second in term of export value with \$6.8 million, there is zero tariff barrier for all surgical item imported to Italy, It is due to the reason that Italy imports this item and add value to it for re-exporting, as Italy itself is 12<sup>th</sup> biggest exporter of surgical items in the world with more than USD 1 billion worth of exports.

Turkey is the only country among competitors whose export competitive index has improved over the years, whereas all the competitor including Pakistan are losing its competitiveness in the market.

Moreover, Turkey has a geographical edge over other players in the market, and that's the reason that its exports have increased multifold from \$0.74 million to \$4.5 million over the year 2013-17. In terms of pricing strategy China is leading the market with the competitive unit price of \$12,926 thousand, lowest among all its competitors. China also has a better ECI ranking among the competitors for surgical instruments.

**Table 11: Potential Product Articles of Apparel of leather or composition leather**

Countries	2013 USD million	2017 USD million	Avg. Tariff rate (%)	ECI Ranking		Unit price USD
				2013	2017	
India	63.94	51.90	0	2	2	92,606
Turkey	20.37	14.56	0	6	10	194,424
Vietnam	8.13	14.51	0	11	11	40,114
China	14.69	7.89	4	9	18	76,154
Pakistan	7.09	7.50	0	15	17	38,300
<b>Total 5 records</b>	<b>114.24</b>	<b>96.38</b>				
<b>Others</b>	106.09	111.10				
<b>The total value of the world</b>	220.33	207.49				

Source: ITC Trade Map.

Articles of apparel of leather or composition leather has a world export share of 0.01%, with an export value of \$3.1 billion in 2016. Its top exporting country is India with 17.4 % share in the world market, followed by Italy with its 16.8% of export share, Pakistan ranks 3<sup>rd</sup> in world exports of Apparel of leather with \$297.9 million worth of exports. Its top importing country is the United States, In term of value, Italy is 5<sup>th</sup> biggest importer of this product in the world with \$207.4 million imports in the year 2017.

Pakistan's export to Italy has recorded a cumulative annual growth of 3.5% over the period of 2013-17, in term of value its export has increased from \$7 million in 2013 to \$7.5 million in the year 2017. The competitor of Pakistan in the market of Italy is India, Vietnam, China, and Turkey, among these competitors India is the biggest exporter to Italy with \$51.9 million worth of exports in the year 2017.

Turkey is second in number, in term of export value, with \$14.5 million; there is zero tariff barrier for all competitor except for China which pays 4% tariff duties on leather item imported by Italy.

India is the only country among competitors whose export competitive index has sustained over the years, whereas all the competitor along with Pakistan are losing their competitiveness in the market. Moreover, Turkey has a geographical edge over other players in the market and that is the reason that its exports are second highest though its export share decreased by 28.5% over the period 2013-17.

Regarding pricing strategy, Pakistan has a comparative advantage as its unit price of \$38,300 thousand, which is lowest among all its competitors. But in terms of ECI ranking Pakistan is at weakening position as compare to its competitors.

On the other hand India's unit price is second highest in term of value which is \$92,606 thousand but still due to its ECI ranking which is lowest amongst all competitors, India has become the biggest exporter of this product in the world.

Similarly, in term of pricing Turkey's unit price is highest among all competitors, still it is the second biggest exporter of apparel of leather to Italy. This proves that the unit price alone is not sufficient indicator to capture a market share; geographical proximity, ECI and other variables are equally important.

In the same context if we look at Vietnam, which has shown a remarkable increase of 49.3% over the period 2013-17, in term of value its export share has increased from \$8 million to \$14 million and its export competitiveness index ranking is better than Pakistan and China, hence, it also second the argument asserted above about the importance of other variables.

Hence, If Pakistan works upon its competitiveness and bargains its pricing strategy with Italian importer it could also increase its share in Italian market, especially when its unit price is lowest in the market and the product it is exporting is of world quality.

**Table 12: Potential Product Full-length or knee-length stockings, socks and other hosiery**

Countries	2013 USD million	2017 USD million	Avg.	ECI Ranking		Unit price USD
			Tariff rate (%)	2013	2017	
China	35,064	48,380	12	2	2	11,414
Turkey	26,917	27,373	0	3	3	14,517
Pakistan	828	2,024	0	19	14	10,086
India	2,026	1,369	9.6	13	19	13,531
Srilanka	883	1,212	9.6	16	18	12,568
<b>Total 5 records</b>	65,718	80,358				
<b>Others</b>	96,598	120,093				
<b>Total value of world</b>	162,316	200,451				

Source: ITC Trade Map.

Full-length or knee-length stockings has a world export share of 0.07%, with an export value of \$12.3 billion in 2016. Its top exporting country is China with 16.9 % share in the world market, followed by Turkey with 5.1% of export share. Pakistan ranks 6<sup>th</sup> in world exports of knee-length stockings with \$143.3 million worth of exports. Top importing country for this product is the United States. In term of value, Italy is 7<sup>th</sup> biggest importer of this product in the world, with \$200.4 million imports in the year 2017.

Pakistan's export to Italy have recorded a cumulative annual growth of 4.8 % over the period of 2013-17, in term of value its export has increased from \$0.828 Million in 2013 to \$2 million in the year 2017.

The competitor of Pakistan in the knee-length stockings market of Italy is India, Srilanka, China, and Turkey. Among the competitors China is the biggest exporter to Italy with \$ 48.3 million worth

of exports in the year 2017. Turkey stands second in term of export value with \$27.3 million, though there is zero tariff barrier for Pakistan and Turkey.

However, there are 9.6% tariffs for both India and Srilanka. Uptill now China faces the highest tariff rates of 12%, but still it has captured the 24.1% of market share, which is due to its sustainable Export Copetitiveness Index ranking of 2<sup>nd</sup> over the years and demand driven policy it pursue.

Regarding pricing strategy, Pakistan is having a competitive unit price of \$10,086 thousand, lowest among all its competitors. Its ECI ranking has also improved over the year and so has its market share by 59%. However, China also has a competitive unit price of \$11,414 thousand, but Pakistan is the only competitor whose ECI have improved along with its market share over the period. Hence, it is suggested that knee-length stocking is one of the potential product that Pakistan can bargain on grounds of pricing strategy with Italian importer and to increase its export to Italy.

### Non- Tariff Barrier of the Potential Products in Italy’s markets<sup>3</sup>

Following are the non-tariff measure regarding the potential items in EU and Italy’s markets

**Table 13: Potential Products and there Non- Tariff Barriers in EU and Italy’s Market**

Product Code	Product Label	Non-tariff Barriers
630231	Bedlinen of cotton	<ul style="list-style-type: none"> <li>(1) Labeling requirements - (TBT)</li> <li>(2) Marking requirements - (TBT)</li> <li>(3) Product quality or performance requirement - (TBT)</li> <li>(4) Testing requirement - (TBT)</li> </ul>
620342	Men’s and Boys' trouser	<ul style="list-style-type: none"> <li>(1) Prohibition for TBT reasons - (TBT)</li> <li>(2) Labelling requirements - (TBT)</li> <li>(3) Marking requirements - (TBT)</li> <li>(4) Product quality or performance requirement - (TBT)</li> <li>(5) Testing requirement - (TBT)</li> <li>(6) Certification requirement - (TBT)</li> <li>(7) Inspection requirement - (TBT)</li> </ul>

<sup>3</sup> ITC macmap.org

620462	Women's and girls Trousers	<ul style="list-style-type: none"> <li>(1) Prohibition for TBT reasons - (TBT)</li> <li>(2) Labelling requirements - (TBT)</li> <li>(3) Marking requirements - (TBT)</li> <li>(4) Product quality or performance requirement - (TBT)</li> <li>(5) Testing requirement - (TBT)</li> <li>(6) Certification requirement - (TBT)</li> <li>(7) Inspection requirement - (TBT)</li> </ul>
611595	Knee-length stockings	<ul style="list-style-type: none"> <li>1) Labelling requirements - (TBT)</li> <li>(2) Marking requirements - (TBT)</li> <li>(3) Product quality or performance requirement - (TBT)</li> <li>(4) Testing requirement - (TBT)</li> <li>(5) Certification requirement - (TBT)</li> <li>(6) Inspection requirement - (TBT)</li> </ul>
420310	Article of apparel of leather	<ul style="list-style-type: none"> <li>(1) Prohibition for TBT reasons - (TBT)</li> <li>(2) Product quality or performance requirement - (TBT)</li> <li>(3) Certification requirement - (TBT)</li> <li>(4) Inspection requirement - (TBT)</li> </ul>
901890	instrument an appliance used in medical surgical	<ul style="list-style-type: none"> <li>(1) Registration requirement for importers for TBT reasons - (TBT)</li> <li>(2) Restricted use of certain substances - (TBT)</li> <li>(3) Labelling requirements - (TBT)</li> <li>(4) Packaging requirements - (TBT)</li> <li>(5) Production or Post-Production requirements not elsewhere specified. - (TBT)</li> <li>(6) Product quality or performance requirement - (TBT)</li> <li>(7) Conformity assessment related to TBT - (TBT)</li> <li>(8) Testing requirement - (TBT)</li> <li>(9) Certification requirement - (TBT)</li> <li>(10) Inspection requirement - (TBT)</li> <li>(11) Import monitoring and surveillance requirements and other automatic licensing measures - (C)</li> </ul>

## **Additional Requirement on non-tariff barriers standards<sup>4</sup>**

EU legislation harmonizes mandatory requirements for product safety throughout European Economic Area (EEA), covering all 28 EU member states and including Iceland, Liechtenstein, and Norway. With appropriate certification, goods travel freely within the EEA.

The specific EU technical legislation doesn't regulate products, they are subject to the EU's General Product Safety Directive (GPSD), as well as to possible additional national (i.e., specific EU member country) requirements.

The following are the main regulations that may apply to textiles, apparel, and footwear:

- General Product Safety Directive (GPSD)
- CE Marking
- REACH (Registration, Evaluation, Authorization, and Restriction of Chemical)
- Personal Protective Equipment (PPE)
- Biocidal Products Regulation (BPR)
- European Labeling Directives.

### **General Product Safety Directive (GPSD) - 2001/95/EC**

The GPSD is intended to ensure a high level of product safety throughout the EU for consumer products that are not covered by specific sector legislation. The Directive provides a generic definition of a safe product. In addition to the basic requirement to place only safe products on the market, manufacturers must inform consumers of the risks associated with the products they supply. Manufacturers also must take appropriate measures to prevent such risks and be able to trace dangerous products.

### **Rapid Alert System for dangerous non-food products (RAPEX)**

The GPSD provides for an alert system between the Member States and the Commission. The RAPEX system ensures that the relevant authorities are rapidly informed of dangerous products. In the case of serious product risks, temporary decisions can be taken on Community-wide

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<sup>4</sup> OTEXA) Market Reports Textiles, Apparel, European Union



measures. Under certain conditions, the Commission may adopt a formal Decision requiring the Member States to ban the marketing of a product posing a serious risk, to recall it from consumers or to withdraw it from the market.

### **CE Marking**

Products sold in the EEA must have a CE marking whenever they are covered by specific product legislation. The CE marking (an acronym for the French "Conformite Europeenne") certifies that a product has met EU health, safety, and environmental requirements, which ensure consumer safety.

The CE marking legislation offers manufacturers some choices and requires decisions to determine which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards. Products manufactured to standards adopted by CEN, CENELEC or ETSI, and referenced in the EU Official Journal as harmonized standards, are presumed to conform to the requirements of EU Directives.

Manufacturers of such products may apply the CE marking and issue a declaration of conformity, which will allow the product to circulate freely within the EEA. Manufacturers can choose not to use the harmonized EU standards but then must demonstrate that the product meets the essential safety and performance requirements.<sup>5</sup>

### **Registration, Evaluation and Authorization and Restriction of Chemicals (REACH)**

It is the system for controlling chemicals in the EU. Under REACH, registration is required on all chemicals manufactured or imported into the EU in volumes above one metric ton per year. Information on a chemical's properties uses, and handling is part of the registration process.

Manufacturers or importers of articles containing more than 0.1% by weight of any substance requiring authorization must provide their customers with adequate information on the safe use and disposal of the article, including the relevant names of the substances of very high concern (SVHC). Manufacturers and retailers must be prepared to answer consumers' questions regarding

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<sup>5</sup> Export.gov

the presence of SVHC in articles and provide sufficient information to allow safe use of these articles.

Restricted chemicals & dangerous substances REACH, affecting textile, apparel, and footwear products include Lead, Cadmium, Azo Colorants (Dyes & Pigments), Dimethyl Fumarate (DMF), Nickel, Polycyclic Aromatic Hydrocarbons (PAHs), Pentachlorophenol (PCP) and Chromium.

### **Personal Protective Equipment (PPE)**

The PPE Directive covers clothing and footwear designed to be worn by individuals for protection against health and safety hazards. It is intended to ensure that any personal protective equipment placed on the EU market meets its intended purpose. All products that come under the scope of the Directive and are placed on the market in an EU country must be CE marked.

The PPE Directive does not define how particular types of the product must be tested. It only includes health & safety requirements that need to be taken into account. However, the European Commission has mandated the development of various product safety standards via the European Standards agency CEN (Committee European de Normalization). A manufacturer can use any technical specification, as long as it can be shown to satisfy the relevant PPE Directive essential safety requirements. However, if a European harmonized standard is available, a sound technical argument must be provided for not using it.

### **Biocidal Products Regulation.**

Whenever biocidal products are added to textiles, apparel, or footwear to give them specific properties (e.g., repel insects or avoid allergens) the provisions of the Biocidal Products Regulation (BPR) must be followed.

#### **The BPR requires treated articles to be labeled when:**

1. There is a claim that the treated article has biocidal properties.
2. Conditions of the approval of the active substance used to treat the article require specific labeling provisions to protect public health or the environment.

**Fiber content labeling:** EU regulations require that textile products be labeled to show fiber content as specified in Regulation.

**Fur and Leather content labeling:** Any use of animal-derived materials (i.e., real fur and leather) ought to be mentioned on apparel labels.

**Care labeling:**

Care labeling provides information on recommended methods for cleaning textile and apparel products, i.e., washing, bleaching, ironing, dry cleaning and tumble drying. There is no harmonized EU legislation on care labeling, although some EU member countries may require care labels on products sold in their markets. Nevertheless, care labeling recommends the manufacturer that it can be held liable under the EU Product Liability Directive if a problem occurs.

**Country of Origin labeling:**

There is no EU-wide legislation on country of origin labeling for textile and apparel products, although some member countries may require the origin to be listed on the label.

**Size labeling:** Standard EN 13402 was developed for labeling clothes sizes, based on body dimensions and measured in centimeters. Although EN 13402 was supposed to replace many older national sizing systems, the standard reportedly has not been fully accepted in all EU member states.

**European Ecolabel:**

The ecolabel is officially endorsed by the EU and can be placed on a range of products that meet high standards of environmental awareness, which are sold across the EU. Participation in the ecolabel scheme is voluntary. While not required, companies may consider this label to improve consumer perception of the product.

In the case of textiles, the label is awarded to products if: substances with harmful effects on the aquatic environment and air have been limited during fiber production.

The risk of allergic reactions has been reduced; the product does not shrink more than conventional products, the product is as color resistant against washing, drying friction and light exposure as conventional products.

For a product made outside the European Community, an application must be submitted to the designated authorities of the Member States in which the product is to be or has been placed on the market. Applications for the award of an Eco-label are subject to payment of a fee. Also, there is an annual fee for the use of the label.

### **The demand-side issue of Pakistan exports to Italy**

The commercial counselor suggests that to improve the existing level of exports to Italy, Pakistan needs to increase its presence in relevant trade fairs through:

- Diversifying the products range from traditional to nontraditional.
- Employing better marketing/communication tools to increase country visibility such as better catalogs, and brochures.
- Submitting an on-time application for business visas to the Italian Embassy with all required documents to avoid visa refusals and thus empty booths and allied problems during the fair.
- There is a dire need for compliance with international standards and demand in the market.
- Pakistan may consider bringing some companies capable of manufacturing kids shoes and khusa etc. as they are in demand.
- Moreover, the CC also suggest that Pakistan should have a permanent stall of marble and leather in commercial consulate to promote its exports.

### **The supply-side issues of exporting country Pakistan**

On the supply side of the business environment, we look at the different indicators that measure the business environment of the country. Among these are Global Competitiveness Indicator that measures the macro and micro aspect of competitiveness into a single index.

The following table compares the Global Competitiveness Index of Pakistan with its regional competitors in the market of Italy.

**Table 14: Global Competitiveness Index**

Years	Pakistan	China	India	Bangladesh	Vietnam
2012-13	124	29	59	118	75
2013-14	133	29	60	110	70
2014-15	129	28	71	109	68
2016-17	126	28	55	107	56
2017-18	155	27	40	99	55

Source: World Economic Forum.

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 GCI ranking of regional competitors such as China, India, Bangladesh, and Vietnam have improved throughout these years, along with their exports.

The analysis reveals that the competitiveness has a direct and substantial effect on growth in exports of these countries. Moreover, these countries were also able to produce high value-added and sophisticated products that the market demanded.

So it can be concluded that Pakistan not only needs to improve its competitiveness but also it needs to work on its product sophistication and value addition. <sup>6</sup>

### **Potential product specific supply side issues.**

#### **1. The article of Apparel of Leather**

The article of apparel of leather and leather merchandises are the most significant and the third most dynamic industrial sector in Pakistan after cotton, textile, and rice. The leather industry of Pakistan comprises approximately 800 small, medium, and large industrial units and tanneries.

However, for the last five years, statistics for exports of leather goods depict a grave situation. Pakistan is drastically losing its exports share in the traditional leather market to other regional states. Common reasons quoted by the supplier, industrialists, factory-owners and the government are; increase in the cost of production, failure of domestic industries to comply with environmental

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<sup>6</sup> NTC Reports: Reasons of decline in Pakistan Exports.

standards and decline in the supply of leather as raw material. For the last five years, Pakistan had an export of \$1.2 billion in the leather sector.

However, two things make the situation sore. Firstly, overtime leather exports are exhibiting a declining trend. As per PTA official data, the leather and leather products exports recorded a fall of 6.76 % to \$0.757 billion in 2016-17 from \$0.812 billion in 2015-16. Export of leather apparel and cloths declined by 8.95 %, gloves by 5.38 %, footwear by 6.35% during 2016-17 as compared to 2015-16.

Secondly, the share of neighboring countries and competitors in the global leather market is increasing, and they are achieving double-digit growth. China's leather export rise by 20%, India's by 63% and Bangladesh's 100%. Pakistan's share of 0.5 percent in the global market for leather is insignificant compared to China's 19 percent, Italy's 9 percent, Vietnam's 4 percent and India's 2.5 percent.

## **2. Instrument and appliance used in medical and surgical sciences**

The surgical sector, according to the exporter, is facing several problems. These range from marketing to adoption of new technology. Marketing is a basic problem owing to the failure in developing local brands. However, energy supply is another major handicap.

Neither industrialists nor the government allocates funds for R&D to innovate new products to stay updated with changing patterns in medical sciences. There is no training institute to train human resource. As 95pc of the surgical industry operates in the SME sector, there is a need for a common facility center to reduce the cost of production.

Sialkot's position as a leading exporter of surgical instruments may also come under threat from upcoming competition from China and Mexico. These countries have not only cheap labor but also use superior technologically for innovation and better materials for manufacturing.

Moreover, this industry requires scrap as a raw material, which if imported is facing huge custom duty of 7%, In this regard the Surgical Instruments Manufacturers Association of Pakistan (SIMAP) have urged the government to abolish custom duty on raw material, and it has also shown concerns over the exports of scrap from Pakistan as it weekend the local industry.

### 3. Textile Sector supply-side issues

In textile sector, minimal and low value-added products dominate exports, constituting over 60% of the exported value. Cotton cloth, cotton yarn, bed sheets and knitwear remain major export generators. Over the last five years, the composition has not undergone any major change except minimal improvement in the share of readymade garments i.e. 18% in FY16 compared to 13% in FY11 leaving significant upside potential untapped.

Whereas, Pakistan's product mix of natural to synthetic fiber (80:20) does not correspond to the international standards (60:40). The latter enhances the usability of raw material as synthetic fiber offers greater flexibility as compare to natural fiber. There are 16% and 11% customs duties respectively, on Polyester staple fiber and polyester fiber that Pakistan import as a raw material for its textile-based exports which is an international standard requirement to catch up with the international demand.<sup>7</sup>

Moreover, lack of developed infrastructure facilities has hindered the growth of textile sector. The country-wide energy crisis has adversely affected the textile sector and led to closure and transfer of units to Bangladesh, Turkey, and other countries. The facilities installed require up-gradation, but the sector is facing a dearth of investment as neither local bodies nor foreigners are willing to invest.

#### **Existence of International Brands in Italy**

There are very few Pakistani brands that exist in Italy, One of these brands is "Linit" which is very well-known throughout Italy, Linit manufactures products of linen, and it offers special sizes, colors and models according to the individual order, it also offers personalized embroidery, print or logo for the customer on all types of products. Other is Afroze Textile Industries Private Limited, which is a renowned home textile sector, established in 1973 by a man named Mahboob Alam and started trading export quality products.

#### **Top ten Exporting Companies to Italy**

Following is the list of top ten exporting companies of Pakistan to Italy concerning the potential product identified.

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<sup>7</sup> (1st schedule of Pakistan custom tariff, 2017-18)

**Table 15: Top ten Potential Product specific exporters**

1	EPCT (shoes)	6	Dada Enterprises (Pvt) Ltd., Lahore (leather)
2	SHAFI LIFESTYLE (shoes)	7	Hala Industries Faisalabad (textile)
3	Sheikh of Sialkot (Pvt) Ltd.(Leather)	8	Faisal Mustafa Textiles Faisalabad
4	Leader Tanneries, Kasur (leather)	9	Executive Apparel, Lahore,
5	Gulf Leather Works (Pvt) Ltd, Karachi	10	Balitex , Rajput Enterprises (textile)

### Market Initiatives by TDAP

Following are the planned marketing initiative calendar for Italy by TDAP in the year 2018.

S:No	Details of Event	Dates	Products
1	Expo Riva Schuh, Italy	January 2018	Footwear
2	Cosmoprof, Italy	April 2018	Beauty & cosmetic products
3	Safety & Health EXPO, UK	June 2018	Healthcare
4	EICMA MOTO, Milan, Italy,	November 2018	Gloves / Auto parts
5	EIMA Bologna, Italy	November 2018	Auto technology

### SWOT Analysis

The SWOT analysis of the bilateral trade between Italy-Pakistan are the following factors: Tariff and Non-tariff barriers and the other socio-economic indicators that influence bilateral trade activities.

### Strengths of the bilateral trade

The strengths of bilateral trade between Italy and Pakistan are following:

- The increasing bilateral trade volume of \$1.5 billion as of Dec 2017.
- Italy accounted for 10% of total EU imports from Pakistan in 2016.
- The GSP plus utilization rate of 96%, which mean that Pakistani exporter is benefiting from the GSP Plus status granted to Pakistan.



- The GSP Plus status granted to Pakistan on February 2014, which has provided free access to over 6300+ tariff lines and Pakistan exports to the EU have been subjected to 20% less duty than the normal MFN duties.
- Pakistan major export products such as bedlinen of cotton and plain woven fabrics of cotton accounts for 51% and 32% respectively in Italy's total imports from the world.
- Italy has agreed to grant duty-free access to Pakistani products in order to stimulate an impressive growth in bilateral trade in Oct 2017.
- Around 90 percent of Pakistan's exports to Italy is textile and leather related products. Whereas, half of Italy's exports to Pakistan fall in the category of machinery and equipment (Capital goods) which in the long run improve the productivity of the country.

#### **Weaknesses of the bilateral Trade**

- Pakistan has not progressed on products diversification required by GSP + agreements.
- There is lack of modern technology and human resource development in our textile, leather and surgical industries.
- The exporter's ignorance on quality certifications and conformity to international standards.
- Raw material issues of Pakistan's major exporting and potential product to Italy. Such as textile, leather and surgical instruments.
- The lack of foreign direct investment due to the economic instability and political uncertainties.
- The understaffed commercial consulates due to cumbersome bureaucratic culture.
- The grave concerns of Compliance on GSP Plus obligation, such as capital punishment.

#### **Opportunities for the bilateral Trade**

- Pakistan to take advantage of Italy's technological advancement, as Italy's per meter value addition in textile is highest in the world.
- The Italian investors and businessmen are showing interest in fashion and marble sectors of Pakistan.

- The modern technological infrastructure of Italy that can help Pakistan strengthen its poor and outdated infrastructure.
- The high level of internationalization and entrepreneurship, which has an opportunity for Pakistani businessmen to take advantage from it.
- The strong manufacturing and innovation capability in several areas, which has an opportunity for Pakistani businessmen who lacked behind on innovative front in the international arena.
- Italy hosts many trade exhibitions with global appeal, which is an opportunity for marketing Pakistani products to attract buying houses of the world.
- Italy is one of the world's top 5th tourist destinations, presence of Pakistani brands in their market can help promote made in Pakistan culture, through proper marketing strategies. For example promoting products under "Emerging Pakistan" brand on Millan airport or hiring a duty-free shop for Pakistani products on their busiest airports.
- Italy possesses countless opportunities for exporters and companies. Such as around 60 million demanding and sophisticated consumers, a favorable geographical position in the center of the Mediterranean Sea, and an extensive infrastructure network, facilities, and support for foreign companies.

### **The threat for the bilateral Trade**

- 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.
- The political uncertainty and economic instability in Italy are one of the weaknesses of our bilateral trade.

### **Conclusion and Recommendation**

The study concludes that the textile sector of Pakistan whose product mix of natural to synthetic fiber i.e. (80:20) doesn't correspond to the international standards of (60:40) as the later demand more usage of raw material as synthetic fiber. Subsequently, when the industry imports these man made fiber there are 16 and 11 percent customs duties respectively on Polythene staple fiber (PSF) and Polyethylene fiber (PF) thus, the researcher proposes to either decrease or subside these

customs duties to support the textile industry in order to comply with the international standard in the exports of textile products.

Similarly, in the surgical industry, there is a severe issue of raw material for manufacturing as the raw material locally available are exported to other countries. On the other hand, there is a high tariff on import of scrap as a raw material that in turns increases the cost of production. Moreover, the surgical instrument manufacturing firms Pakistan do not have a proper marketing presence in foreign countries to allow direct sales to end users in these countries.

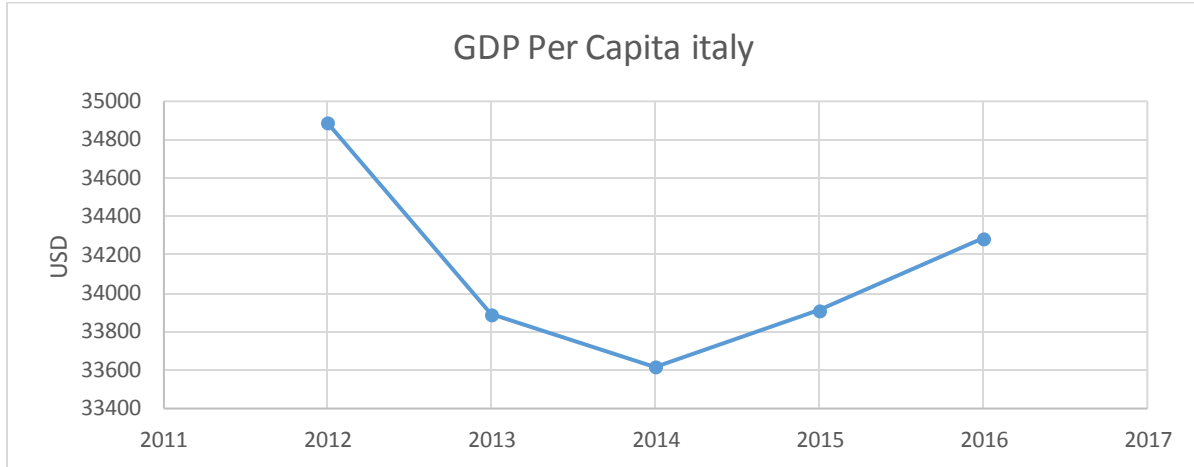
Lastly, the leather industry is also facing many challenges, most importantly is the issue of supplies as raw hides and skins produced in the country are not sufficient to fulfill the requirement of the tanning industry. The demand and supply gap is widening which increases the cost of production. Further the industry has shown no progress to comply with the international environmental standards.

Thus, the study suggests the country offices, MOC and TDAP to devise a policy in collaboration with the trade associations to comply with the international standards and demand. Further, it also proposes to strategize a comprehensive marketing and promotional strategy for these items in international markets.

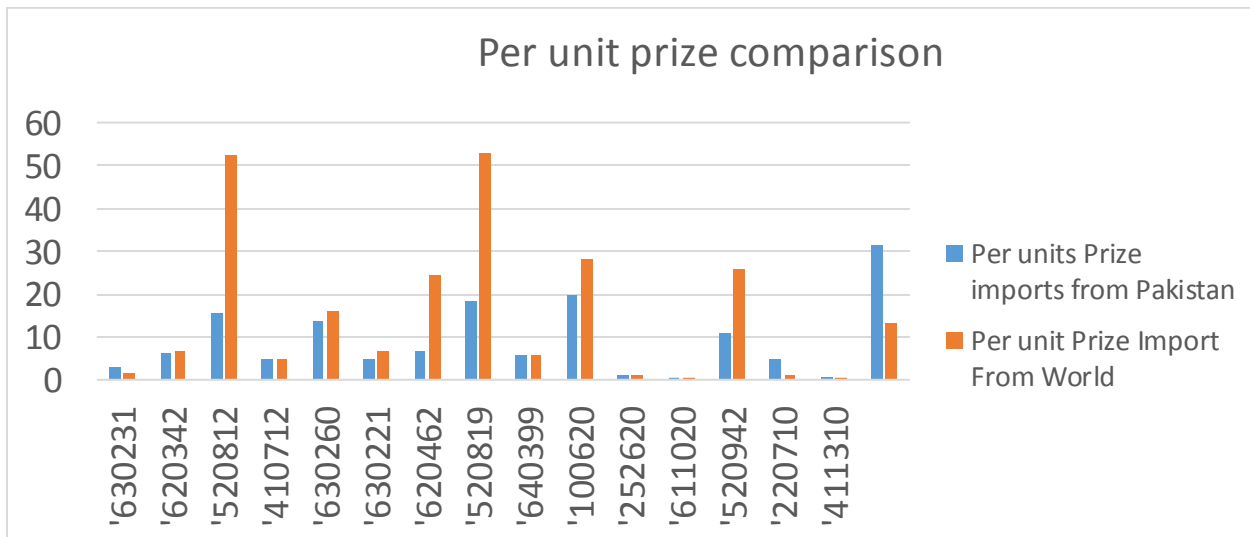
Lastly the study suggests to introduce made in Pakistan brands in these sectors, to adventure the full potential of these products in the market of Italy.

Appendix

**Grape 04: GDP Per Capita of Italy**



**Graph 05: Unit prize comparison of top 15 products that Pakistan export to Italy**



**Table 17: All potential products identified in the study**

Hs Code	Product label	Pak Exp to Italy 2016	Pak Exp to world 2016	Italy Imp from world 2016	% of Italy Import world	Tariffs
'630231	Bedlinen of cotton	49,677	773,306	108,770	45.67	0
'620342	Men's or boys' trousers,	47,115	543,874	999,282	4.71	0
'520812	Plain woven fabrics of cotton,	29,796	183,873	100,354	29.69	0
'410712	Grain splits leather "incl. parchment-dressed leather", of the whole hides and skins of bovine	28,081	115,989	293,955	9.55	0
'630260	Toilet linen and kitchen linen.	23,585	777,086	130,658	18.05	0
'620462	Women's or girls' trousers.	16,755	366,222	551,906	3.03	0
'220710	Undenatured ethyl alcohol.	13,032	221,817	124,908	10.43	0
'420310	Articles of apparel, of leather or composition leather.	6,894	297,991	202,404	3.4	0
'610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	3,698	205,111	989,591	0.37	0
'901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	2,100	326,028	1,351,864	0.15	0
'611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	1,523	143,324	188,721	0.8	0
'610510	Men's or boys' shirts of cotton, knitted or crocheted.	654	209,890	304,911	0.21	0
'020110	Carcasses or half-carcasses of bovine animals, fresh or chilled	-	125,737	327,424	0	0

'390760	Poly"ethylene terephthalate", in primary forms	11,639	135,835	448,647	2.59	0
'170199	Cane or beet sugar and chemically pure sucrose, in solid form.	-	123,078	691,824	0	0

## Non- Tariff Barrier Specification

### Labeling Requirement.

This requirement is to measure and regulate the kind color and size of printing on packages and labels and defines the information that should be provided to the consumers. It may include a requirement on the official languages to be used as well as technical information on that product such as voltage, information to the consumers are providing regarding components, instruction on use, safety and security advice. i.e., Refrigerators need to carry a label indicating its size, weight as well as electricity consumption level.

### Marking Requirements

This requirement is to measures defining the information for transport and customs that the transport/distribution packaging of goods should carry for example handling or storage conditions according to type of product, typically signs such as ""FRAGILE"" or ""THIS SIDE ".UP"" etc. must be marked on the transport container.

### Product Quality of Performance Requirement.

This requirement is for conditions to be satisfied regarding performance (e.g., durability, hardness) or quality (e.g., the content of defined ingredients) Example: Door must resist certain minimum high temperature.

### Testing Requirements.

It is a requirement for products to be tested against a given regulation, such as performance level: It includes sampling requirement. Example: A testing on a sample of motor vehicle imports is required against the required safety compliance and its equipment, etc.

### **Prohibition for TBT reasons - (TBT)**

Imports are prohibited for hazardous substances including explosives, certain toxic substances covered by the Basel Convention such as aerosol sprays containing CFCs, a range of HCFCs and BFCs, halons, methyl chloroform and carbon tetrachloride.

### **Certification requirement (TBT)**

Certification of conformity with a given regulation: required by the importing country but may be issued in the exporting or the importing country Example: Certificate of conformity for electrical products is required.

### **Inspection requirement - (TBT)**

The requirement for product inspection in the importing country: may be performed by public or private entities. It is similar to testing, but it does not include laboratory testing. Example: Textile and clothing imports must be inspected for size and materials used before entry is allowed.

### **Registration requirement for importers for TBT reasons - (TBT)**

The requirement that importers should be registered to import certain products: To register, importers need to comply with certain requirements, documentation and registration fees. It also includes the registration of establishments producing certain products. Example: Importers of "sensitive product" such as medicines, drugs, explosives, firearms, alcohol, cigarettes, game machines, etc. may be required to be registered in the importing country.

### **Restricted use of certain substances - (TBT)**

Restriction on the use of certain substances as components or material to prevent the risks arising from their use: Example: a) Restricted use of solvents in paints; b) the maximum level of lead allowed in consumer paint.

### **Conformity assessment related to TBT - (TBT)**

The requirement for verification that a given TBT requirement has been met: it could be achieved by one or combined forms of inspection and approval procedure, including procedures for

sampling, testing, and inspection, evaluation, verification and assurance of conformity, accreditation, and approval, etc.

**Import monitoring and surveillance requirements and other automatic licensing measures**

Administrative measures which seek to monitor the import value or volume of specified products.  
Example: Automatic import license is required as an administrative procedure for textile and apparel before importation.