



ABSTRACT

This report includes bilateral trade analysis of Pakistan & Bahrain and it comprises suggestion on potential trade scenario.

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Country Report
on Kingdom of
Bahrain

BILATERAL TRADE ANALYSIS OF BAHRAIN AND PAKISTAN

Country Report on Kingdom of Bahrain

Trade Development Authority of Pakistan
Ministry of Commerce
Government of Pakistan

Executive Summary

Bahrain is an open economy, and according to the index of economic freedom, it is the 50th freest economy of the world in 2018. It is an attractive market with demanding consumers in GCC. However, Pakistan and Bahrain enjoy cordial trade ties, presently there is no significant trade between the two countries, the trade volume between the two countries is \$140.1 million for the year 2017 with a negative trade balance of \$55.2 million.

This study has identified four potential products at HS-06 digits; all these products are all from the different export sector of the economy namely; surgical instrument and appliances, T-shirts singlets and other vests of textile materials, medicaments consisting of mixed or unmixed products and cane or beet sugar. These products are analysed on their competitor's strategies, pricing effects and export competitiveness index (ECI) ranking and relative market share.

In this regard, a thorough comparative analysis of these products is carried out concerning Pakistan's competitors in the Bahraini market based on their export promotional strategies, tariff and non-tariff barriers.

Based on the analysis, this study recommends following measures for increasing bilateral trade such as Pakistan must exploit its geographical proximity with Bahrain by exporting perishable goods, and it also stresses for the export of potential products that have high demand in the Bahraini market, along with devising better marketing strategies that harness potential benefits.

Further, the study advices to provide incentives to the investor that desires to invest in the halal food industry and lastly, it suggests facilitating exporter on quality certifications and technology adoption.

Acronyms

HS: Harmonized System

ECI: Export Competitiveness Index

SWOT: Strengths, Weaknesses, Opportunity, Threats

GDP: Gross Domestic Product

GCC: Gulf cooperation council

FTA: Free trade agreement

IMF: International Monetary Fund

FDI: Foreign Direct Investment

USD: United States Dollar

GCI: Global competitive index

UK: United Kingdom

USA: United States of America

YOY: Year on Year

IT: Information Technology

RMG: Ready Made Garments

TDAP: Trade Development Authority

MOC: Ministry of Commence

CPEC: China Pakistan Economic Corridor

SEZs: Special Economic Zones

PSF: Polyester staple fibre

PF: polyester fibre

R&D: Research & Development

AUP: Average Unit Price

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Introduction

The purpose of this study is to identify and highlight trade opportunities in the Bahrain market and to propose strategies for strong trade ties between the two countries. In pursuance of that, the study has identified potentially exportable for Pakistan, and it also discusses the competitor's strategies that favor them in the Bahraini market. Further, it highlights the bottlenecks that may hamper trade development.

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

Further, in the third section, the study identifies the potential products at HS 06 digits which are then analysed for its export competitiveness index (ECI) ranking, average unit price and its price effect, market share, export promotion strategies concerning competitors in the Bahraini market.

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

This section of the study discusses the trade promotional activities and suggestion for trade exhibition for the calendar year 2019 by the Trade Development Authority of Pakistan, along with highlighting the relevant trade shows that can be helpful for promoting the potential exportable identified in the study, followed by SWOT analysis of the bilateral trade between Pakistan and Spain.

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

1.1 Geographical and social landscape

The kingdom of Bahrain consists of 37 islands and out of that 33 of them lies in the Persian Gulf, off the north shore of Arabian Peninsula, these island accounts for 83 pc of total land. However, the entire area of the country is about 780 sq kilometres. The island is position in a very strategic location surrounded by several large petroleum fields of the Middle East and at the centre of significant trade route amid the Persian Gulf's shipping lanes.

1.2 Key Social indicators

Official name: Kingdom of Bahrain

Federal Capital: Manama

Government system: Constitutional Monarchy

Head of state: King

Legal system: Customary tribal law

Currency: Bahraini Dinar



Figure 1 flag of Bahrain

1.3 Bordering Countries

Bahrain is situated in the Arabian Gulf also know as the Persian Gulf, to the east of Saudi Arabia and north of Qatar. This island state is connected to Saudi Arabia by the King Fahd Causeway. The kingdom also shares maritime borders with Iran, Qatar, and Saudi Arabia.

1.4 Natural Resources of Bahrain

The natural resources of Bahrain are: oil, Natural Gas, Fish and Pearls



Figure 2 Map of Bahrain

1.5 Demography

Population:

Total Population: 1,588,878

Population Growth Rate: 4.6%

Urban Population: 88.9% of total population (2017)

Table 1 Population distribution by age

Distribution Age	Percentage	Male	Female
0-14	19.76	151,344	145,317
15-64	77.70	779,715	386,585
65 years and over	2.54	20,253	17,902

1.6 Market Entry Strategy

Following are the market entry strategies for Bahraini market:

- Bahrain is the only country in GCC member states that permits 100 per cent ownership to businesses or branch office without a bond of a local partner.
- There is no tax on personal income, capital gains, corporate income, withholding and inheritance in Bahrain.
- In Bahrain, there is no restriction on repatriation of profit, dividends and capital.
- Bahrain is the 50th freest economy according to the heritage foundation ranking of in 2018 “Index of Economic freedom”.
- Bahrain ranked sixty-six out of one hundred ninety countries on world bank “Ease of doing business 2017” report.

1.7 Business Culture

The following points try to provide an overview of the business culture in Bahrain.

- The standard business attire for meetings in Bahrain are dark suit and tie, for evening function and dinner casual slacks and short sleeve are recommended and wearing shorts in public should be avoided.
- The standard business attire for women is long skirts with an optional head scarf.
- It is important to mention the gender before visiting for a business appointment.
- The introductory talks often center on wellbeing and health of a person but never about female relatives or wife.
- It is very usually to receive several delegations at once for Bahraini businessmen and simultaneously discussing the various matter with all of them.
- It is Bahraini custom to offer coffee, soft drinks and tea more than once, except in the holy month of Ramadan. ¹

¹ www.Expatarrivals.com



Figure 3 Manama skylines

Economic overview

Bahrain is an open economy and according to the “Index of Economic Freedom,” it is the 50th freest economy of the world in 2018. The currency of Bahrain is the second highest valued currency in the world. It has invested heavily in banking and tourism sector in the last few decades, and the capital of country Manama is home to some large financial structures.

In 2008, Bahrain was named as the fastest growing financial centre of the world by the “Global Financial Centres Index”. It is believed that the country financial sectors mainly Islamic banking have benefitted from the regional boom resulted in the high demand for oil. The world bank recognises Bahrain as the high-income country. However, the state has been facing severe political unrest since Arab spring 2011, driven by the majority Shia community.

Additionally, the economic setback that has been recorded due to the lower oil prices had further reconciled revenue constraints and generated a budget deficit of approximately \$4 billion in the year 2016. Moreover, Bahrain has few options and meager foreign assets to cover this deficit, and further, it has constrained borrow ability as three leading US credit agencies downgraded Bahrain sovereignty debt rating to junk status in 2017, however improving oil prices in 2018, have ameliorate its credit rating and government ability to address fiscal challenges.²

Further, Bahrain faces a long-term challenge of regional competitiveness in different industries such as finance and tourism. While seeing its heavy reliance on oil exports that comprises 86 per cent of its budget revenue, diversification plan of the economy has been planned, in that regards effort are taken by building communication and transportation

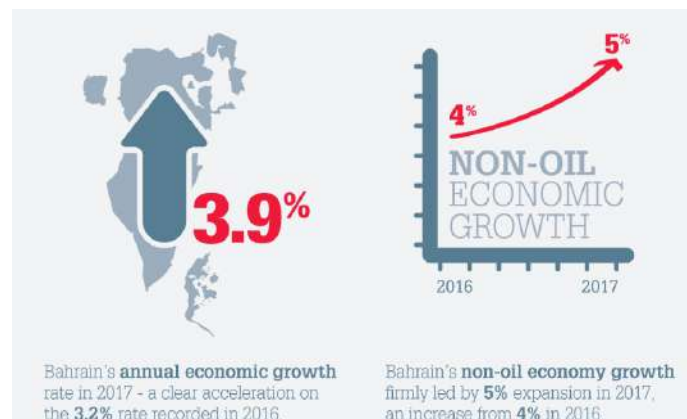


Figure 4 Annual economic growth

facilities for multinational business, signed Free trade agreement (FTA) with the USA.

² Focus Economics (Economic forecasts for world leading Economists)

Moreover, hotel and restaurants sector expanding by 9.5% in 2017 and Bahrain attracted a foreign direct investment of Bahraini Dinar of 276 million an increase of 161 per cent from 2016, which is expected to generate 2,800 jobs over three years.

Lastly, the production of aluminium is the second biggest export of Bahrain after oil; thereby it's seeking new avenues of natural gas supplies to support its expanding petrochemical and aluminium industries.

Table 2 Major Economic indicators of Bahrain

Indicators	2013	2014	2015	2016	2017
Population (million)	1.3	1.3	1.4	1.4	1.5
Real GDP Growth Rate (%)	5.4	4.4	2.9	3.2	3.9
GDP Per Capita (USD)	25,900	25,319	22,658	22,498	24,232
Unemployment Rate (%)	4.4	3.8	3.4	3.7	3.6
Inflation (%)	3.2	2.7	1.8	2.8	1.4
Public debt (% of GDP)	41.3	42	60.3	72.1	79.8
GDP (US Billion)	32.5	33.3	31.1	32.1	35.2
Trade balance (USD Billion)	4.3	3.7	0.8	-1.85	-1.92
Current Account balance % of GDP	2.4	1.5	-0.8	-1.5	-1.4

Source: (World Bank, IMF)

2.1 Recent Economic Development

- The IMF “World Economic Outlook” forecasted Bahrain’s economy to continue to be the fastest growing economy of GCC in 2018.
- The FDI inflows in the country rose by 138 per cent in the first three quarters compared to the same period last years, surpassing 2017 record figure of \$ 733 million.³

³ Bahrain is the fastest growing economy in GCC, www.gulf-insider.com, 3, March 2018.

2.2 Composition of GDP

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

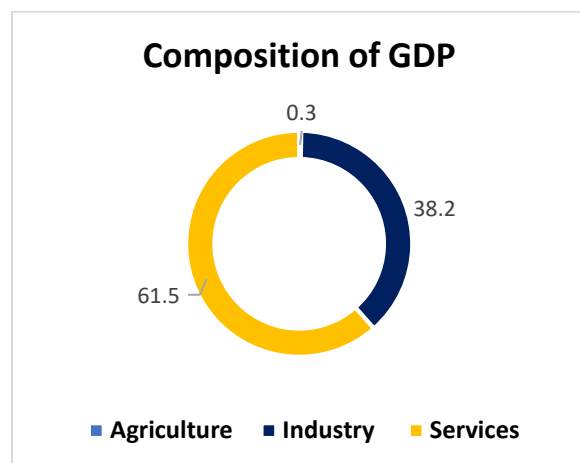


Figure 5 Share of sectors in GDP

Industry

The manufacturing sector of Bahrain mainly includes mining, manufacturing, energy production, and construction. In 2017, the

industrial sector contributed 38.2% to the GDP, and It employed per cent of the labour force.

Service

The services sector of Bahrain is the major contributor with 61.5 per cent to the GDP, which mainly includes, transportation, financial activities, communication, government activities and other private activities that do not produce material goods, and it employs 67 per cent of the labour force.

Agriculture

The agriculture sector of Bahrain contributes negligibly 0.3% to the GDP, which mainly includes fishing, forestry and farming and it employs merely 1 per cent of the labour force.⁴

2.3 Bahrain's Trade overview

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

Table 3 Bahrain International Trade overview

Bahrain-World	2013	2014	2015	2016	2017	CAGR
Bahrain's Exports	20.03	23.74	16.68	12.89	7.60	-0.17
Bahrain's Imports	18.61	20.07	16.37	14.74	9.52	-0.12
Balance of Trade	1.41	3.67	0.30	-1.85	-1.92	-2.06
Total Trade	38.65	43.81	33.06	27.64	17.13	-0.15

Source: ITC Trade Map

Value in USD Billion

⁴ CIA World Factbook

Bahrain is the 79th largest export economy in the world. In 2017, Bahrain exported \$7.60 billion worth of goods, and in the same period it has imported \$9.52 billion worth of products, which has eventually resulted in a negative trade balance of \$1.9 billion.

The trade balance has shifted from positive \$1.41 billion in 2013 to negative \$1.92 billion in 2017; the major deficit was recorded in 2015-16 when the economy of Bahrain was contracted due to the slumping oil prices internationally, which has sharply reduce exports income as oil is the major exports of the country.

However, the overall trade volume has been shrinking, this narrowing in the economy is due to the severe political unrest in the country, which is mainly driven by the majority Shia community since Arab spring 2011.

Additionally, the economic setback that has been recorded due to the lower oil prices had further reconciled revenue constraints and generated a budget deficit of approximately \$4 billion in the year 2016.

2.4 Major Exports

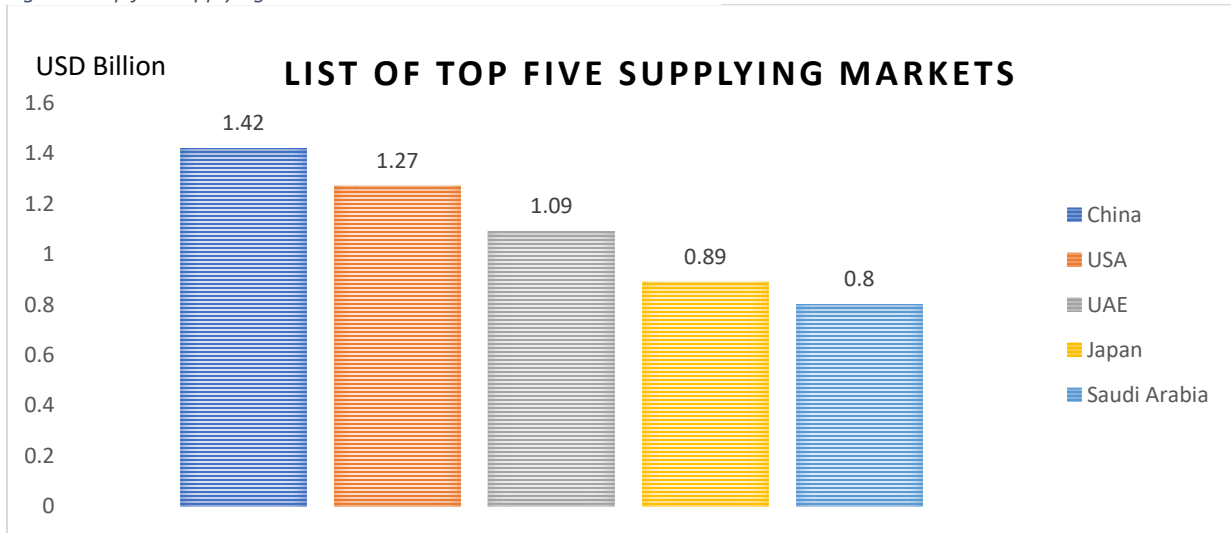
The top exports of the country using HS Code classification at 02 digits are Mineral fuels of (\$4 billion), aluminum & articles (\$2.3 billion), natural or cultured pearls (\$418 million), ores, slag & ash (\$358.7 million), and plastic & articles of iron & steel of (\$354.2 million).

However, the top export destination of the country is; Saudi Arabia \$2.3 billion, the United Arab Emirates \$2.2 billion, the USA \$1.4 billion, Japan \$1.1 billion, Qatar \$611.9 million.

2.5 Major Imports

The major imports basket of the country contains machinery of (\$1.7 billion), natural or cultured pearls (\$1.23 billion), electrical machinery (\$1.21 billion), vehicles (\$1.18) and ships & boats of (\$485.8 million).

Figure 6 Top five supplying markets



Source: ITC Trade Map

The figure 6 show the top five supplying markets to Bahrain such as; China \$1.42 billion top the list followed by the USA with \$1.27 billion, and then it goes on in following order United Arab Emirates \$1.09 billion, Japan \$0.89 billion and Saudi Arabia with \$0.80 billion.



Figure 7 Hotel Bahrain Bay

Bilateral Trade analysis

Pakistan and Bahrain enjoy cordial and strong trade ties, however, currently there is no significant trade between the two countries and the trade volume has been gradually decreasing, it has recorded an average growth rate decline of 0.02 per cent throughout last five years.

However, in 2017 the trade volume has been recorded as \$140.1 million, which exhibits a decline in the bilateral trade between the two countries over the years. Nonetheless the trade volume is expected to grow in the coming years due to the increasing demand and expanding economic growth in the partner countries.

3.1 Bahrain's Trade with Pakistan

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

Table 4 Pakistan-Bahrain bilateral trade overview (2013-17)

Pak-Bahrain Trade	2013	2014	2015	2016	2017	CAGR
Pakistan Exports	94,168	82,245	69,190	63,271	42,455	-0.14
Pakistan Imports	68,810	111,798	28,290	85,149	97,707	0.07
Trade Balance	25,358	-29,553	40,900	-21,878	-55,252	-2.16
Total trade volume	162,978	194,043	97,480	148,420	140,162	-0.02

Source: ITC Trade Map

Value in USD Billion

Pakistan's exports to Bahrain has recorded a compound annual growth decline of 0.14 per cent throughout 2013-17, and in the same period, its imports have recorded an increase of 0.07 per cent.

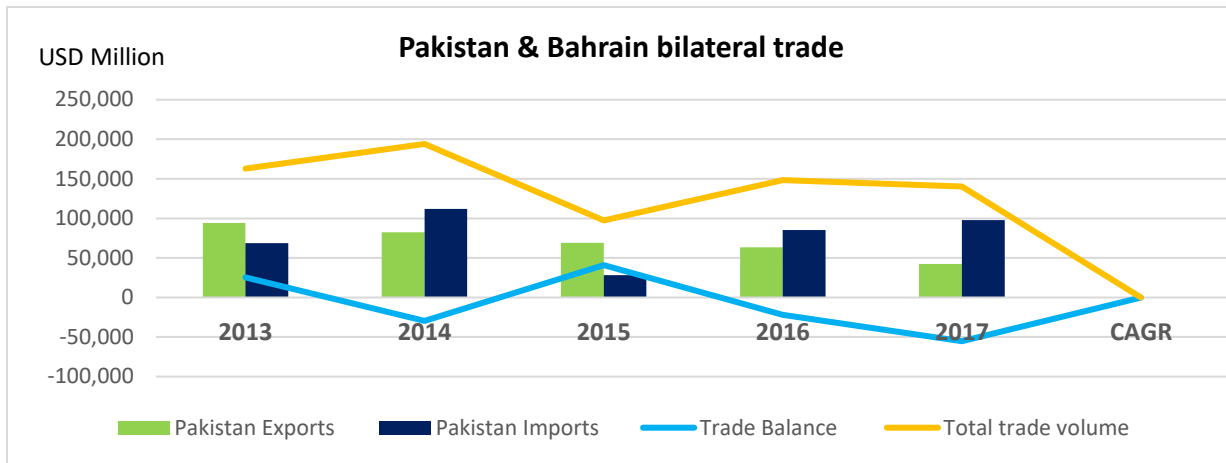


Figure 8 Pakistan-Bahrain bilateral trade (2013-7)

The reason for the decline in exports of Pakistan can be seen in the backdrop of Bahrain overall striking imports and contracting of the economy.

However, the import bill of Pakistan has been increasing since 2015 and recording a huge percentage change of 245 per cent from \$28.2 million in 2015 to \$97.7 million resulting in a trade deficit of \$55.2 million in the year 2017.

Which is due to the increasing oil prices in the international market as oil and fuels have been the major imports from Bahrain, the situation has been further worsened when coupled with the devaluation of our currency.

3.2 Trade Trend of Pakistan & Bahrain

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

Export from Pakistan to Bahrain								
H.S.#	COUNTRY BY COMMODITIES	UNIT	JULY-JUNE 2017-18		JULY-JUNE 2016-17			
		QTY.	QTY.	000.\$	QTY.	000.\$	var	var %
2011000	CARCASSES BOV ANIMAL FRE/CHILL	KG	2,315,723	9,110	1,582,782	6,042	3,068	33.68
10063090	RICE OTHER VARIETIES	MT	11,313	6,577	13,552	7,013	(435)	(6.62)
52051200	S-COT.YARN UCF.D-232.56-714.29	KG	2,045,701	5,710	1,245,972	3,521	2,190	38.35
10063010	RICE BASMATI	MT	5,216	5,243	7,301	6,693	(1,450)	(27.65)
2045000	MEAT OF GOATS FRESH/CHILL/FROZ	KG	505,389	3,033	48,923	315	2,718	89.62
54023300	FILAMENTS YARN OF POLYESTERS	KG	830,130	2,977	663,574	2,311	666	22.38
52051100	SIN.COT.YAR.U.COM.FIB.D-714.29	KG	858,076	2,287	538,057	1,403	884	38.66
32151990	OTH PRINTING INK.EXCL. BLACK	KG	460,691	1,458	538,894	1,766	(309)	(21.19)
7019000	POTATOES, FRESH OR CHILLED	KG	8,182,386	1,191	8,912,361	1,509	(319)	(26.75)
2021000	CARCASSES OF BOVIN ANIMAL FROZ	KG	343,680	1,179	44,238	190	988	83.86
52052200	S/C YARN LF.DX.232.56-714.29	KG	320,951	1,068	227,225	761	306	28.71
3061700	OTHER SHRIMPS & PRAWNS FROZEN	KG	165,905	943	222,253	1,310	(368)	(38.99)
12130000	CEREAL STRAW & HUSKS, IN PELLET	KG	5,566,887	567	4,268,332	468	99	17.43
7031000	ONIONS AND SHALLOTS	KG	1,331,321	406	1,886,379	328	78	19.21
39239090	OTH ARTI FOR CONVEYAN OF GOODS	KG	125,979	379	96,199	473	(95)	(25.09)

Table 5 Export from Pakistan to Bahrain

Source: Pakistan Bureau of Statistics

The table 5 shows that Pakistan's major exports to Bahrain are Carcasses, cotton yarn, rice, meat and filaments yarn of polyesters, among the top 15 products, somewhat mixed and diversified products are exported.

Among these product carcasses, the bovine animal is the top exporting product to Bahrain in the year 2017-18, whose exports have increased significantly by 33.68 per cent on YOY bases. However the exports of semi or wholly milled rice has declined by 27.65 per cent in the year 2017-18 with respect to 2016-17.

Other products such as frozen shrimps & prawns and potatoes, fresh or chilled have also significantly declined on YOY bases.

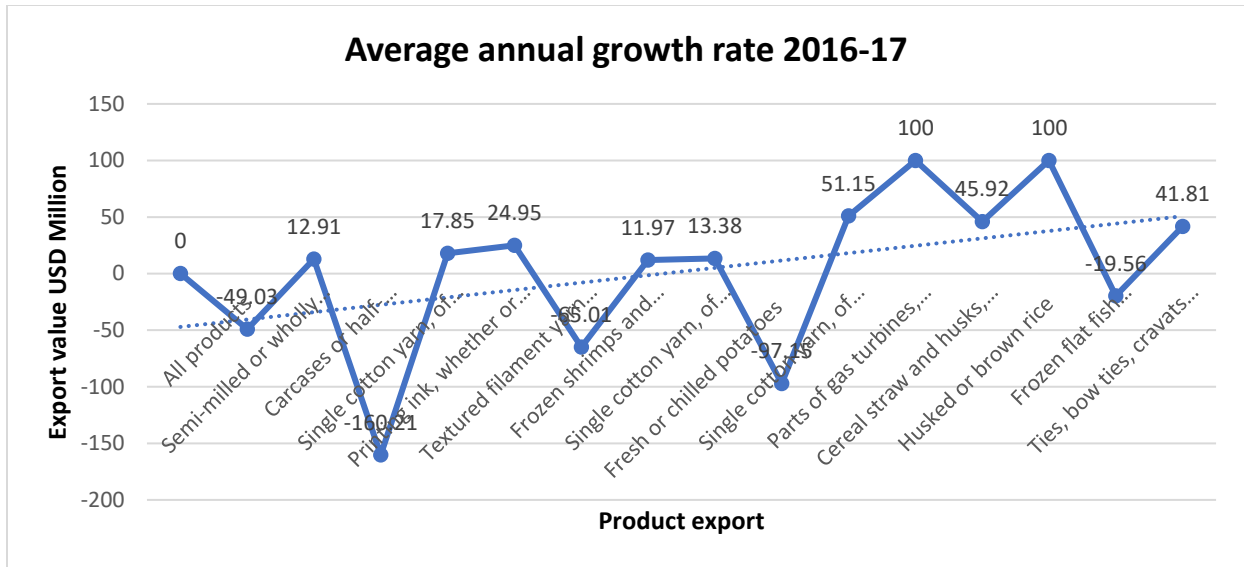


Figure 9 Average annual growth rate (2016-17)

Source: ITC Trade Map

This figure 9 above on average annual growth rate depicts the fluctuation in exports of products in the year 2016-17 at HS code 06, whereas the above exports figures were based on the exports in the years 2017-18 at HS 08.

This analysis based on the other set of data collected from trade map highlights that semi-milled rice was the top exporting product in the year 2017, whose exports have substantially increased by 12.9 per cent on year to year bases from 2016 to 2017 and it also reflects that carcasses of bovine animals exports were decreasing in the same period showing an average annual decline of 160.2 per cent on an average.

Among other product, fresh or chilled potatoes and filament yarn of polyester are products that have recorded a significant decline in exports, whereas husked or brown rice and parts of gas turbines were added to the export basket in the year 2017.

Methodology for Potential Product

The exportable that are considered as potential in Bahraini markets are identified on three-tier criteria, such as;

Firstly, If Pakistan's exports of a particular product to the world is greater than \$50 million and Bahrain imports of the same product from the world is higher than \$10 million, than that product quality for analysis.

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

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

4.1 List of Potential Products for Bahraini market

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

Table 6 List of the potential products

Product code	Product label	Bahrain's imports world 2017	Pak Exports to Bahrain 2017	Pakistan's exports to world 2017	% of Bahrain's imports
'100630	Semi-milled or wholly milled rice	57,857	13,373	1,512,694	23.11
'901890	Instruments and appliances used in medical, surgical	20,513	282	360,575	1.37
'610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	11,083	23	197,757	0.21
'300490	Medicaments consisting of mixed or unmixed products for therapeutic or	81,039	21	70,786	0.03
'170199	Cane or beet sugar and chemically pure sucrose, in solid form	28,542	-	342,901	-
'271019	Medium oils and preparations, of petroleum	56,882	-	142,866	-
'520100	Cotton, neither carded nor combed	18,525	-	60,949	-

Source: ITC Trade Map

Value in USD Million

4.2 Pakistan's exports potential to Bahrain

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

4.3 Potential products filtered for analysis

Following are the list of potential products filtered for analysis.

Table 7 list of potential products selected for analysis

Product code	Product label	Bahrain's imports world 2017	Pak Exports to Bahrain 2017	Pakistan's exports to world 2017	% of Bahrain's imports
'901890	Instruments and appliances used in medical, surgical or veterinary sciences	20,513	282	360,575	1.37
'610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	11,083	23	197,757	0.21
'300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	81,039	21	70,786	0.03
'170199	Cane or beet sugar and chemically pure sucrose, in solid form	28,542	-	342,901	-

Source: ITC Trade Map

Value in USD Billion

4.4 Instruments and appliances used in medical, surgical or veterinary sciences (901890)

The medical and surgical instrument has a world exports share of 0.28 per cent with an export value of \$50.3 billion in the years 2017, its top exporting country is the USA with 24.5 per cent share in the world market followed by Germany with 12.2 per cent export share.

Table 8 901890 Competitors different variables statistics

Countries	2013 USD million	2017 USD million	Avg. Tariff rate (%)	ECI Ranking		Unit value USD
				2013	2017	
USA	9,042	6,992	0	4	2	
Germany	3,931	3,239	0	1	4	87,541
Belgium	615	3232		5	1	
Netherlands	2573	2797		2	3	
UK	1,950	757	0	3	6	51,200
Pakistan	0.039	0.282	0	26	13	
Total record of competitors	7,702	14,303				
Others	12,725	6,210				
The total value of the world	20,427	20,513				

Pakistan exports \$360 million worth of this product to the world, its top importing country is also the USA with \$10.2 billion worth of imports, in terms of value Bahrain imported \$20.5 million worth of this item in 2017, Pakistan’s exports to Bahrain is mere \$0.2 million, however, its exports has recorded a significant increase over the period of 2013-17.

Bahrain imports of this product have remained the same over the years, the dominant share of the market has been captured by the USA with \$6.9 million worth of exports, whereas previously its exports were \$9 million which shows a significant decline in its exports to this market.

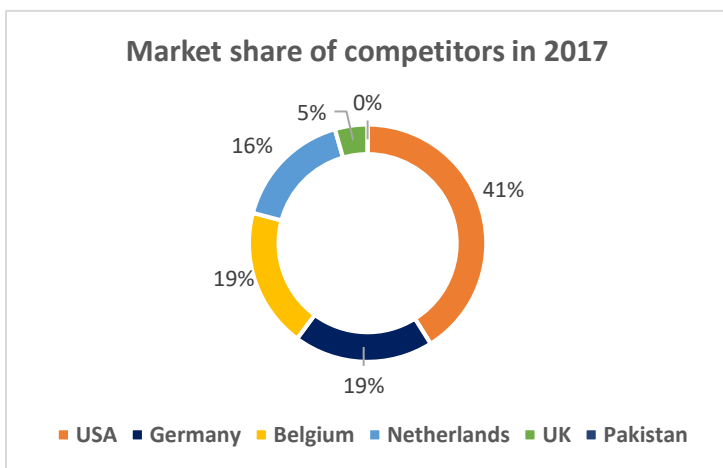


Figure 10 competitors market share 901890

Other major suppliers to this market are Germany, Belgium and Netherland. Among them, Germany supplies over the years have also decreased by 17.6 per cent. However, this share has been captured by Belgium and the Netherlands; a significant increase has been recorded by Belgium whose percentage increased from \$0.6 million to \$3.2 million throughout 2013-17.

The UK is another supplier who has lost its share in the market by 61.1 per cent in the same period. On export competitiveness index Belgium, USA and Pakistan have improved its ranking whereas, Germany, Netherlands and UK have lost its competitiveness in the same period, which indicates that Belgium is an emerging competitor along with USA and Germany who are the top two suppliers in the market.

There are zero tariff duties for all the suppliers in the markets, and the data on the average unit price for all competitors are not available, due to this limitation nothing can be asserted regarding their comparative advantage, in available data UK offers comparatively low average unit price in the market.

Lastly, Pakistan's export competitiveness has improved significantly from 24 in 2013 to 13 in 2017, which indicates that there is a potential for Pakistan to expand in this market in future.

4.6 Competitors strategies for the surgical instrument in the Bahrain market

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

4.6.1 Factors benefiting the USA in the Bahrain market

The United States of America is the world biggest supplier of this product with \$12.3 billion worth of exports, and it's also the world biggest importer with \$10.2 billion value of imports. The US exports of value-added and innovative products are the primary reason for its high exports to this market. Additionally, with this USA has a technological advantage over other supplier in the market because of its extensive R&D activities.

However, there is no significant non-tariff barrier for the USA, and therefore it's the leading supplier in the market with \$216.4 million worth of exports. The renowned companies and brands for this product are Baxter International, Boston Scientific, Johnson & Johnson, and Stryker. Further, the statistics indicate that nearly 34 per cent of the medical instrument is imported from the USA to Bahrain.

4.6.2 Factors benefiting Germany in the Bahrain market

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

There is a high number of SMEs in Germany that work for its medical and surgical instrument industry. However, Germany exports branded products, and some of its major surgical brand are; Abbott, Alcon, Allergan, Axis-Shield, Baxter, Bayer, B. Braun, BD, Biomet, Boehringer Ingelheim, and CareFusion.

whereas, Its strategy is to import non-branded low-value product from the developing world for the purpose to re-export it with some value addition on its brand name to the world.

Further, Aid for Trade (AFT) an initiative of WTO for capacity building and facilitation has benefited the surgical industry of Germany considerably because of its effort in its implementation and spending of approximately USD 3.7 billion.

Additionally, the export credit guarantees scheme has also benefitted the country in term of trade with 153 countries as an effective instrument; it has provided \$8,95 billion of credit in the last quarter of 2017 to protect its export transaction in high risk markets against defaults.

4.7 T-shirts, singlets and other vests of cotton, knitted or crocheted (610910)

T-shirts, singlets and other vests of cotton have world export share of 0.15 per cent with an export value of \$27.9 billion in the year 2017; its top exporting country is Bangladesh with 18.7 per cent share in the world market followed by China with 14.2 per cent export share.

Table 9 610910 Competitors different variables statistics

Countries	2013 USD million	2017 USD million	Avg. Tariff rate (%)	ECI Ranking		Unit value USD
				2013	2017	
India	4,425	1,718	5	3	5	1.62*
China	5,682	1,237	5	5	7	16,716
Italy	494	1,620	5	6	3	101,250
Turkey	455	1,000	5	7	6	18,519
Pakistan	0.017	0.023	5	21	24	2.68*
Total record of competitors	9,084	4,045				
Others	10,193	995,797				
The total value of the world	20,184	11,084				

Pakistan exports \$197.7 million worth of this product to the world. Its top importing country is the USA with \$3.9 billion worth of imports, in term of value Bahrain imported \$11 million worth of this item in 2017, Pakistan's export to Bahrain is mere \$0.02 million. However, its exports have not recorded any significant increase throughout 2013-17.

Bahrain imports of this product have decreased by 45 per cent over the years, the dominant share of this market has been captured by India with \$1.7 million worth of exports, whereas its exports have recorded a significant decline from \$4.4 million to mere \$1.7 million exports to the market. Other major suppliers to the Bahrain market are China, Italy and Turkey. Among these suppliers the share of China has been significantly declined over the years from \$5.6 million in

2013 to \$1.7 million in 2017, however, this share has been captured by Italy and Turkey, whose exports to Bahrain has increased multifold in this period.

On export competitiveness index the top two suppliers, India and China are losing its positioning whereas Italy and Turkey have improved its ranking over these years, Pakistan, on the other hand, is also losing its ECI ranking in these years.



Figure 11 competitors market share 610910

If we compare the average unit price,

we see a significant variation in costs of a developed and developing country, Italy is offering the highest AUP because of value-added and branding products. On the contrary China and India that are providing cheap products top the list of suppliers, the data for AUP was available in two formats “Prices for tones and units”.

Due to the limitation of data, the unit price of India and Pakistan are compared that are highlighted with the asterisk sign, which shows that India offers the lowest price. Hence, it's recommended that Pakistan must capitalise its geographical proximity and also devise pricing strategy that seems to be working for other competitors in the market.

4.8 Competitors strategies for the Textile sector in the Bahrain market

Following are the competitors for T-shirt singlet in the Bahrain market and below mentions are their strategies in the market.

4.8.1 Factors benefiting India in the Bahrain market

Indian textile sector is one of the most significant contributors to its exports with approximately 13 per cent of its total exports; it accounts around 2 per cent of India’s GDP and 10

per cent of its manufacturing production. Currently, its estimated worth is \$39.2 in the year 2017-18. Billion.⁵

The textile industry of the country has attracted US \$2.55 billion in FDI in the last decade some major investors are Future Group, Raymond and Max Fashion. All these investors are planning to open stores and outlet throughout the country. The government of India has introduced many initiatives for textile industry such as, to allow 100 per cent FDI under “the Automatic route” without any regularity barriers, further its encouraging entrepreneurs to invest in knitwear for this purpose, it has increased bank funding from \$20.4 billion to \$36.6 billion.

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

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

4.8.2 Factor benefiting China in the Bahrain market

The textile industry of China is the largest in the world in term of production and exports, its exports have crossed \$257.3 billion in the years 2017. ⁶

However, Chinese strategy is multipronged, its investments are in distribution and acquisition of foreign brands and businesses, but due to a sharp increase in labour cost and wages,

⁵ <https://www.indiatoday.in/education-today/gk-current-affairs/story/textile-industry-in-india-latest-facts-figures-government-schemes-1353406-2018-10-01>

⁶ ITC Trade Map

China is relocating its production unit to low-cost neighbouring countries, which have a preferential trade agreement with Europe such as Cambodia, Myanmar and Vietnam.

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

4.8.3 Factors benefiting Turkey in the Bahrain market

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

Moreover, Turkish clothing and textile industry have moved on to new designs, quality labelling and fashion style to target quality demanding customers, for this purpose the government has launched “Turquality”, a program design to provide a strategic position in marketing and quality upgrading over its competitors.

4.9 Medicaments consisting of mixed or unmixed products 300490

Medicaments consisting of mixed or unmixed products has world export share of 1.4 per cent with an export value of \$257.1 billion in the year 2017, its top exporting country is Germany with 16.4 per cent share in the world market followed by Switzerland with 14 per cent export share.

Table 10 300490 Competitors different variables statistics

Countries	2013 USD million	2017 USD million	Avg. Tariff rate (%)	ECI Ranking		Unit value USD
				2013	2017	
France	23,023	5,430	0			90,500
USA	9,870	1,014	0	14	15	67,600
Ireland	11,195	10,324	0	4	8	573,556
Germany	20,981	10,435	0	3	5	16,995
UK	14,175	2,943	0	10	9	60,061
Pakistan	0.011	0.021	0	24	26	21,000
Total record of competitors	56,232	30,167				
Others	90,416	50,914				
The total value of the world	146,648	81,081				

Pakistan exports \$70.7 million worth of this product to the world, its top importing country is the USA with \$50.4 billion worth of imports, in term of value Bahrain imported \$81 million worth of this item in 2017, whereas Pakistan export to Bahrain are mere \$0.02 million, however, its exports have recorded a slight increase over the period of 2013-17.

Bahrain imports of this product have decreased significantly from \$146 million to only \$81 million in 2017, the dominant share of the market has been captured by Ireland and Germany, whereas France, UK and USA, which used to be the primary supplier to the Bahrain market in the year 2013 have lost their significant market share in 2017.

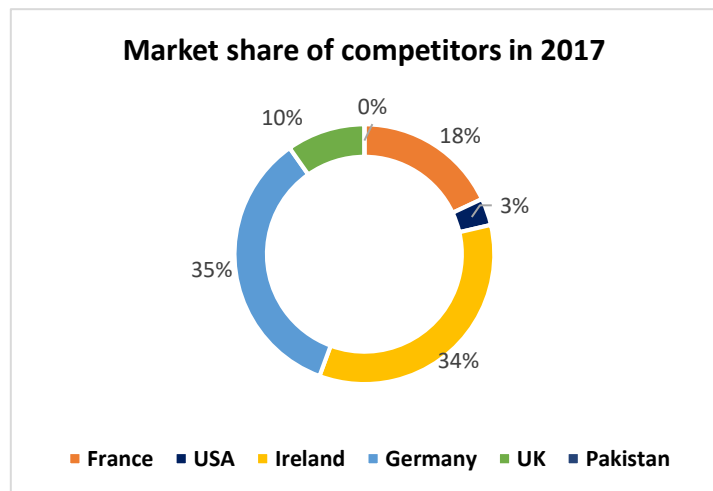


Figure 12 Competitors market share 300490

However, the over-all imports of this product have drained in these years. The data shows mixed market trends and the competitors in these markets are all from developed countries which offer value-added products.

Moreover, there is a high variation in the average unit price of this product which again indicates that there are different varieties of this product which can be further analyzed on HS 08 digits, still, there is zero tariff duties for this product in Bahrain market and a significant number of non-tariff barriers on import of this product to Bahrain market.

Additionally, on the export competitiveness index, the ranking of all major players is deteriorating except the UK, but its supplies are also shrinking with the shrinking demand in the market. However, it's an import market with high demand for this product which Pakistan can exploit with proper strategy and quality product due to the geographical proximity that gives it a comparative edge over other players in the market.

4.10 Competitors strategies for the pharmaceutical industry in the Bahrain market

Following are the competitors for medicaments consisting of mixed or unmixed products in the Bahraini market and below mentions are their strategy in the market.

4.10.1 Factors benefiting Germany in the Bahrain market

Germany is the world's top supplier of this product with \$52.7 billion worth of exports, and at the same time it's also the second biggest importer of this product with \$26 billion, its export strategy is to sell advanced research based products.

There is a high number of SMEs in Germany that work for its medical and surgical instrument industry. However, Germany exports branded products, and some of its major pharmaceutical brands are Aspirin and Betaferon.

The country spends EUR 5.4 billion on research and development in the pharmaceutical sector which is equal to 13.2 per cent of pharma revenue, and nearly 20 per cent of its workforce is employed in research and development.

4.10.2 Factors benefiting the USA in the Bahrain market

The USA is the world's 4th biggest supplier of this product with \$17.1 billion worth of exports, and at the same time it's also the top importer of this product with \$50.4 billion, its strategy is to export highly advance research based products, and nearly \$60 billion are spent on research and development annually in the pharmaceutical sector.

The US Food and Drug Authority (FDA) is first in the world to consistently identify and act upon safety signals for medical device and pharmaceutical drugs, it releases new plan to advance plant and animal biotechnology innovation and it also provide certification on the quaiity of the product that ultimately gives the US an edge over other competitors.

Moreover, there is a free trade agreement between the two countries since 2006 that favour the USA in a different sector of Bahraini market from health care to engineering service.

4.11 Cane or beet sugar and chemically pure sucrose, in solid form (170199)

Cane or beet sugar has world export share of 0.08 per cent with an export value of \$14.3 billion in the year 2017; its top exporting country is Brazil with 16.4 per cent share in the world market followed by Thailand with 10.2 per cent export share.

Table 11 170199 Competitors different variables statistics

Countries	2013 USD million	2017 USD million	Avg. Tariff rate (%)	ECI Ranking		Unit value USD
				2013	2017	
Saudi Arabia	21,461	15,048	0	1	1	601
India	4,130	6,268	0	3	2	487
Netherlands	4,944	1,907	0	4	3	488
Morocco	0	1,885	0	14	4	539
Germany	2,794	1,251	0	7	7	539
Pakistan	0.613	0	0	9	18	
Total record of competitors	23,838	24,474				
Others	26,734	4,068				
The total value of the world	50,572	28,542				

Pakistan exports \$342.2 million worth of this product to the world, its top importing country is Myanmar with \$833.1 million worth of imports, in term of value Bahrain imported \$28.5 million worth of this item in 2017, whereas Pakistan export to Bahrain are zero in the year 2017, whereas in 2013 it was \$0.6 million, which means Pakistan has lost a complete market share.

Bahrain imports of this product have decreased significantly by 43.4 per cent over the years, Saudi Arabia has captured the major share of this market with \$15 million worth of exports. However, its exports also decrease with the decreasing trend of Bahrain imports throughout the 2013-17. Other major suppliers to this

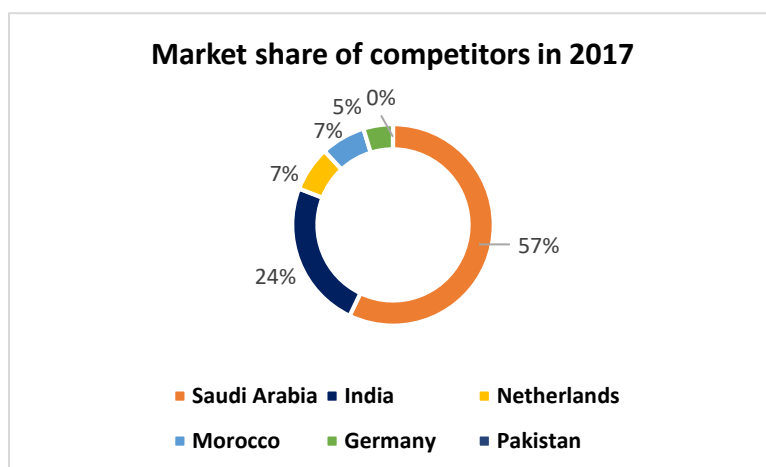


Figure 13 Competitors market share 170199

market are India, Netherlands and Germany, among these suppliers the share of India has been

showing an increasing trending, as its exports increased by 51.7 per cent in these years, whereas, the exports of Netherlands and Germany have decreased in the same period.

Moreover, Morocco is an emerging supplier in the market, who has captured a good market share of this product, whereas, in 2013 it had no supplies and now its exporting \$1.8 million worth of this product.

In terms of export competitiveness index ECI ranking, Saudi Arabia has remained on top by sustaining its competitiveness ranking over the years, whereas India and Netherlands have improved its ranking by one group. However, Morocco has recorded a significant improvement from 14th to 4th rank in these years.

Additionally, Saudi Arabia is offering the highest average unit price in the market but still, it's the top suppliers, the data shows that there is no significant variation in the AUP of all suppliers but a small margin of difference. However, Morocco and Germany offer the same AUP, whereas India and the Netherlands provide the second highest AUP in the market.

The statistics show that Pakistan has a possible opportunity in this market as being one of the major suppliers of this product in the world and with the geographical proximity it naturally which can be exploited to capture some market share with appropriate pricing and marketing strategies.

4.12 Competitors strategies for the sugar industry in the Bahraini market

Following are the competitors for Cane or beet sugar in the Bahraini market and below mentions are their strategy in the market.

4.12.1 Factors benefitting Saudi Arabia in the Bahraini market

Saudi Arabia is not a major exporter of this product it merely exports \$112.8 million worth of exports in 2017, and at the same time it's imported exceeds its exports with \$307 million. Saudi Arabia is capitalizing its geographical proximity in the Bahraini market which can be captured by Pakistan by adoption the same strategy as being the 7th biggest producer of this product.

4.12.2 Factors benefitting India in the Bahraini market

India is the world's 4th biggest exporter of this product with \$882.8 million worth of exports in 2017, and at the same time, it's has become the world's biggest producer surpassing Brazil after a long 15 years.

According to the Indian sugar mills association, the sugar crop production in 2018-19 will remain around 350-355 lakh tones which is about 28-33 lakh tones higher than the previous year. The estimated land under sugar cultivation was around 54.35 lakh hectares. Uttar Pradesh is the leading state for Sugar production in India. Following are the promotional strategies that give India a competitive edge.

- India provides supportive prices for the farming community, e.g. Rs. Two hundred fifty-five per 100 kg.
- The government of India provides a subsidy to millers to pay arrears to growers.
- Indian Government provides a loan to millers for modernization, Research & Development, Ethanol & Co-generation.
- In India, State Government set cane prices, which are normally higher 30-50% than the federal cane Prices.

5. The non-tariff barrier in the Bahrain market for Pakistan

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

Table 12 Non-tariff barriers of potential products in the Bahraini market

Hs Code	Product label	Non- Tariff Barriers
901890	Instruments and appliances used in medical, surgical or veterinary sciences	<ol style="list-style-type: none"> 1. Prohibition of TBT Reasons 2. Prohibition for political reasons (Embargo) ⁷ 3. Labelling requirement 4. Product quality and performance requirement 5. Price control measure 6. Temporary prohibition, including suspension of issuance of a license 7. Custom surcharge 8. Internal tax and charges levied on imports 9. Testing Requirement 10. Certification Requirement 11. Inspection Requirement 12. Customs inspection, processing and servicing fees
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	<ol style="list-style-type: none"> 1. Prohibition for political reasons 2. Labelling requirements 3. Product quality or Performance requirement 4. Price control Measure 5. Temporary prohibition, including suspension of issuance of a license 6. Custom surcharge 7. Internal tax and charges levied on imports 8. Merchandise handling or storing fee 9. Tax on transport facilities
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes	<ol style="list-style-type: none"> 1. Labelling Requirement 2. Product quality or Performance requirement 3. Price control Measure 4. Temporary prohibition, including suspension of issuance of a license 5. Custom surcharge 6. Internal tax and charges levied on imports 7. Certification requirement 8. Inspection Requirement 9. Customs inspection, processing and servicing fees 10. Merchandise handling or storing fee 11. Stamp Tax 12. Import license fee 13. Tax on transport facilities
170199	Cane or beet sugar and chemically pure sucrose, in solid form (excluding cane and beet sugar)	<ol style="list-style-type: none"> 1. Customs inspection, processing and services fees 2. Merchandise handling or storing fees 3. Stamp Tax 4. Import license fee 5. Tax on transport facilities 6. Product quality or Performance requirement 7. Testing requirement 8. Certification requirement 9. Inspection requirement 10. Customs inspection, processing and servicing fees

Source: ITC Trade Map

⁷ Prohibition of imports from a country or group of countries, applied for political reasons: Example: Imports of all goods from Country A are prohibited in retaliation to that country's testing of nuclear bombs
Prohibition to import and to export all kind of products from and to Israel because of the boycott

General Supply side issues of the bilateral trade

For the supply side of the business environment, we look at the different indicators that measure the business environment of the country, such as; Ease of doing business and, Global competitiveness indicator.

6.1 Ease of Doing Business

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

The eleven indicators of Doing Business measure the quality and effectiveness of business regulation and many research findings have also substantiated the economic relevance of business regulation. Eventually, it is argued that high start-up cost results in overall lower productivity.

Pakistan ranks 136 on ease of doing business amount 190 economies, its ranking has improved from 147 in the year 2017 to 136 in 2018, and its overall average rank from 2014 to 2018 is 135, which shows that the overall business environment in Pakistan is improving, but it's not very encouraging.

6.2 Global Competitiveness Index

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

The Competitiveness index shows that Pakistan's ranking deteriorated over the period from 106 in the year 2017 to 107 in 2018-19, whereas, the ranks of regional competitors such as China, India, Bangladesh, and Vietnam have improved over the years, and so is their exports during the same period.

The analysis reveals that the competitiveness has a direct and considerable effect on growth in exports, however, there are other factors equally important, such as countries that are producing innovative and quality products have recorded a better trade flows in the international arena.

So, it is suggested that Pakistan not only needs to improve its competitiveness, but it also needs to work on its product sophistication and value addition.

6.3 Potential Product Specific supply-side issue

6.3.1 The sugar industry issues

The sugar industry is the second largest agro-based industry in Pakistan after textile. Pakistan is an important cane producing country in the world with fifth acreage ranking and 9th regarding sugar production. It roughly employ over 1.5 million people in the country and it constitutes 4.2 per cent of the manufacturing sector in Pakistan.⁸

Over the time there has been a great rift between the sugar mill owners and farmers, the sugar mill associate is alleged of safeguarding the interest of mill owner while exploiting the grower, whereas, the government fixed price per 40kg has also been not ensured by mill owner and said to be paying lower prices.

On the other hand, the mill owner claims that due to the price hike of raw material their profit margins decrease, as the unit prices cannot be increased significantly due to price-sensitive nature of consumers who can instantly switch to cheaper, unbranded and low-quality alternatives.

However, due to the steep fall of prices in the global market, the sugar industry urges the government to restore the export subsidies, like the level of export subsidy of 2015-16, which was 124 USD per ton equivalent to Rs13000, as “the mills are not about to export at the current international price”. The sugar association also pegs that the crop production is expected to reach a record of 8 million ton this year, whereas the local demand is of 5 million ton, hence, without support from the exports revenue the mill owner will struggle to pay the grower.

Lastly, recently the Economic Coordination Committee has approved the enhancement of sugar export quota from 1,00,000 to 11,00,000 tons and its release fund of Rs2 billion for the outstanding claims of previous years,⁹ which will help the industry to overcome some to their issues.

⁸ Overview of Sugar industry in Pakistan June 2013. *Research & Development department* (The Lahore Chamber of commerce & industry)

⁹ <http://www.customstoday.com.pk/ecc-approves-enhancement-in-sugar-export-quota>

6.3.2 Textile Sector issues

The textile industry of Pakistan constitutes over 60% of the total exports, however, its dominated by minimal or low-quality products. The major export product of this sector is cotton cloth, cotton yarn, bed sheets and knitwear.

Over the last five years, the export composition has not undergone through any major change except minimal improvement in the share of readymade garments at, 18% in FY16 compared to 13% in FY11 leaving significant upside potential untapped.

Moreover, Pakistan's product mix of natural to synthetic fiber (80:20) does not correspond to the international standards which are (60:40). As the usage of manmade fiber enhance the flexibility opposed to natural fiber, further there are high customs duties on Polyester staple fiber (PSF) and polyester fiber (PF) 16% and 11% respectively in 2018, that Pakistan import as a raw material for its textile-based exports in order to meet the international standard and demand.

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

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

6.3.3 Surgical Instruments industrial issues

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

The surgical industry of Pakistan needs to be well equipped with advanced technology and skilled labor to meet the contemporary business requirement and changing scientific development in the medical industry.

Moreover, the industry was previously facing high customs tariffs on raw material which is now being reduced 3 percent to support the industry. Further, the government should impose high tariffs on the exports of raw material (scraps) which should rather be used domestically so that the value-added product can be exported.

Additionally, it is also suggested that the government may provide subsidies or incentives on the import of scrap for an export-oriented industry that must be bound to export branded and value-added surgical products to retain tax exemption.

Feedback of Industry

The feedback collected from surgical industry highlight the bottleneck of accreditation to comply with the international standards as currently Sialkot material testing laboratory (SIMTEL) are provided with these services which are not accredited but reports are that there is a Pakistani firm named ASTOLA which are in the process of registration for accreditation from FDA USA.

Currently, Pakistani exports take the services of international laboratories for quality testing of their products. Moreover, the issues of facilitation center have been highlighted by the association (SIMAP) which has not been addressed since 2011.

Lastly, the industry stressed upon the difficulties and coordination problem that has occurred after 18th constitutional amendments for MNCs and business as they have to go through the tiresome process of DRAP regulation between federal and provincial government.

6.3.4 Medicaments or pharma industry

The biggest supply-side issue faced by the Pharma industry was the complete prices freezing of essential and non-essential pharmaceutical products set by the government since 2001, which didn't allow the industry to increase its prices overtime, even after the cost of production were increasing drastically, making it difficult for the industry to survive.

On the other hand, the growing menace of counterfeit products has become a serious problem for the established pharmaceutical companies in Pakistan.

While Pakistan struggled in its exports and needed to review its drug pricing mechanism, like all other regional competitors, the majority of the developing countries regulated drug prices

to safeguard the interest of the consumers, and their regulations are transparent. Whereas, in Pakistan, the regulatory regime was extremely oppressive.

Pricing undoubtedly is the most burning issue with the Drug Regulatory Authority of Pakistan (DRAP) whereas, neighboring countries such as, India and China who has liberalized their drug pricing, and it has resulted in benefitted the domestic consumers and accelerated their exports.

However, recently the price freezing policy has been revised by the authority in the third quarter of 2018, in which the prices are increased and linked with the consumer price index (CPI), that ensure the maximum retail price MRP would only be increased by 70 percent of CPI.

Additionally, unnecessary delays in the approval and import of new molecules further increases the problem, which often takes several years, while depriving the industry of the potential benefits of the latest remedy.

7. The demand side issue of the bilateral trade

Bahrain has an open economy and according to the “Index of Economic Freedom,” it is the 50th freest economy of the world in 2018. The world bank recognises Bahrain as the high-income country. However, the state has been facing severe political unrest since Arab spring 2011, driven by the majority Shia community.

The people of Bahrain whether belonging from the upper or middle class always prefer buying more of a branded product and their high purchasing power compliment their this habit. Whereas the majority of the expat’s makeup the middle class, which plays a vital role in the consumer market, their role in the market are very crucial, and most of the expats are from Pakistan, India, Bangladesh, UK, USA \$ Philippines.

Further, there is high demand for halal meat and meat products as an expat, and Arab population consume a lot of meat, and therefore the food businesses generate high income, as a Muslim the consumers prefer halal certified meat products with properly authorized stamps.

Additionally, the consumers in Bahrain are well educated and health conscious, a product with quality certification and brands are preferred.

In the meanwhile, Bahrain has recorded a non-oil growth of 5 percent, due to booming tourism industry while expanding the demand for hoteling and restaurant sectors, though products favoring these businesses will be in high demand in coming days.

Lastly, due to the high life expectancy rate, the population of old age people are increasing which would ultimately increase the demand for medicaments and a surgical instrument in the country.

8. SWOT Analysis of the bilateral trade

This section shed some light on the strength, weaknesses, threat and opportunities of the bilateral trade based on the political and socio-economic indicators that influence trade activities.

Strengthens of Pakistan-Bahrain relationship

- The cordial and brotherly relationship of both the countries having the same faith and identical social and cultural fabric offers an enormous trading opportunity between Bahrain and Pakistan.
- The geographical proximity between both the countries is seen as a strength in term of international trade.
- The presence of large number of Pakistani diaspora and their service in Bahraini paramilitary forces and Pakistan military support in time of need with Bahraini brother further highlight the strengths of their relationship.

The weakness of the bilateral trade

- There has no proper marketing strategy for the Bahraini market, as currently there is no participation of Pakistani exporter in international trade exhibition in Bahrain.
- The quality assurance of Pakistani product is one of the major hurdles.
- The devaluation of Pakistani currency is also seen a hurdle for our exports basket as our potential products are heavily relying on imports of raw material. Like for examples, Pakistan imports 95 percent of biomolecules for the pharma industry, steel and iron scraps for surgical instruments and manmade fiber for the textile industry.

Opportunities for the bilateral trade

- Due to geographical proximity between Bahrain and Pakistan, the transportation cost and shipping time reduces which provides an opportunity for trading perishable goods to Bahrain.
- The halal food products have a significant potential in Bahraini markets. Therefore, the poultry and meat exporter of Pakistan can benefit from this opportunity by improving supply chain management and adopting a proper marketing strategy.
- The investment opportunities for the Bahraini businessmen in the special economic zone (SEZ) establishing as part of CPEC projects in Pakistan.
- The high purchasing power of Bahraini consumers provides an opportunity for Pakistani traders to export value added, innovative and modern quality products that can earn a greater share in the Bahraini market.

Threats of Bilateral trade between Pakistan and Bahrain

- The political instability in Bahrain remains a major concern for investor and trader which is not ending anytime sooner due to its Shia majority protesting for social reforms and question sectarian discrimination in housing and employment against the ruling Al Khalifa royal family.
- The potential contagious regional instability in neighboring Iraq, Iran and Syria is one of the major threats for Bahrain.

8. Trade promotional activities

There is no trade fair in which Pakistani exporter are participating through TDAP in the calendar year 2018 for Bahrain. However, there are many trade exhibitions in Bahrain in which Pakistan should participate in showcasing their potential products. Like Gulf international industry fair

9. Conclusion & Recommendation

Bahrain is an attractive market for Pakistani products, and there is a significant untapped potential which Pakistan can exploit to expand its bilateral trade volume, this study identifies four potential items at 06 digits that can be further exported to increase market share in the desired country.

These products are all from the different export sector of the economy namely; surgical instrument and appliances, T-shirts singlets and other vests of textile materials, medicaments consisting of mixed or unmixed products and cane or beet sugar. This study analysed all these products on their competitor's strategies, pricing effects and export competitiveness index (ECI) ranking and comparative market share.

The study recommends the following initiative on bilateral trade:

- Pakistan should exploit its geographical proximity with Bahrain by exporting potential products that have a greater demand in that market along with perishable and halal food items.
- Looking at the high purchasing power of the partner counter that drives consumer preference towards value added and branded products, concerning that it is suggested that products with premium quality should be exported.
- Pakistan needs to formulate a well-planned out marketing strategy for this market to promote its potential products and it also needs to participate in international trade exhibitions that take place in Bahrain, as presently there is no participation in those exhibitions. E.g. Hospitality & Restaurant Expo and Gulf construction Expo.
- The high number of Pakistani diasporas in Bahrain can be used as a bridge to improve bilateral trade volume specially in the emerging industries of the country such as tourism and restaurant business.
- Provide incentives to the investor that desires to invest in halal food that will compliment Pakistan's export basket.
- Currently, there is no trade agreement between the two countries, whereas, Bahrain only has PTA with Singapore and FTA with USA, though it is suggested that preferential trade agreement can be beneficial in the long run for bilateral trade.
- Pakistan should device a knowledge sharing mechanism with Bahrain so, that it can benefit from its well-established financial system.
- Further, the government should devise product specific strategy to facilitate exporter in terms of incentives, subsidies and duty drawbacks schemes to gain comparative advantage over our competitors.

- TDAP must arrange a single country exhibition in which different Pakistani products can be exhibits to further benefit from the potential Bahraini market.
- Lastly, the government must promote e-commerce business models and also adapt marketing strategies that employ new technologies, software and programs that are being used internationally such as artificial intelligence (IA) based on big data advanced analytics to identified potential markets and consumers.

Moreover, the study also proposes a product specific measure for the country offices and trade bodies. It also argues for providing a duty drawback scheme on raw material for an export-oriented industry that pledges to export value-added products to retain these subsidies.

Further, it stresses the adoption of modern packaging techniques, use of e-commerce business models and adapts technology that helps to produce and market sophisticated products that provide a competitive advantage.

Appendix

Table 13 Import into Pakistan from Bahrain

Import into Pakistan from Bahrain							
COUNTRY BY COMMODITIES	UNIT	JULY-JUNE 2017-18		JULY-JUNE 2016-17			
	QTY.	QTY.	000.\$	QTY.	000.\$	var	var %
HIGH-SPEED DIESEL OIL	MT	60,320	28,852	90,907	35,805	(6,953)	(24.10)
PETROLEUM BITUMEN	MT	38,738	17,997	-	-	17,997	100.00
OTH WASTE AND SCRAP	MT	53,591	13,746	35,558	7,887	5,860	42.63
TURNING, SHAVING, MILLING WASTE	MT	29,420	8,822	17,804	4,218	4,605	52.20
ALUMINIUM ALLOYS	KG	2,764,564	6,352	2,583,886	5,141	1,211	19.07
ALUMINIUM, NOT ALLOYED	KG	2,880,405	6,205	3,907,730	7,480	(1,275)	(20.55)
VESSELS&F-STRU FOR BREAKING UP	NO	1	2,290	2	5,049	(2,759)	(120.46)
OTH RE-ROLLABLE WASTE /SCRAP	MT	6,175	1,410	2,429	569	841	59.63
OTHER FLAVORS FOR DRINK INDUST	KG	64,417	1,208	46,181	907	301	24.89
WASTE/SCRAP TINNED IRON/STL	MT	3,293	969	3,832	676	294	30.29
OTHER,FOOD PREPARATIONS	KG	239,277	893	202,926	762	130	14.61
OTH W/SCRAP OF ALUMINIUM	MT	2,034	856	1,443	662	195	22.73
OTHER COTTON WASTE	MT	1,703	840	1,367	561	279	33.19
OTH PLATE,SHEET,FILM,FOILSTRIP	KG	141,756	712	77,917	537	175	24.62
PREPARED ADDITIVES FOR CEMENT	KG	156,383	639	71,593	387	253	39.52
WASTE/SCRAP AUTO PARTS IN PRES	MT	1,448	524	1,029	331	193	36.89

Table 14 List of potential products at Hs 06

Product code	Product label	Pak-Exp 2016 USD Million	Pak-Exp 2017 USD Million	AAGR 2016/17	Tariff lines	Bahrain import 2017 %
'TOTAL	All products	63,271	42,455	-49.03		
'100630	Semi-milled or wholly milled rice, whether or not polished or glazed	11,647	13,373	12.91	0	299.5744
'020110	Carcases or half-carcases of bovine animals, fresh or chilled	10,307	3,961	-160.21	0	113.3009
'520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear	2,862	3,484	17.85	5	122.6761
'321519	Printing ink, whether or not concentrated or solid (excluding black ink)	1,558	2,076	24.95	5	96.28942
'540233	Textured filament yarn of polyester (excluding that put up for retail sale)	2,924	1,772	-65.01	5	33.5479
'030617	Frozen shrimps and prawns, even smoked, whether in the shell or not, incl. shrimps and prawns in	1,199	1,362	11.97	0	107.498
'520511	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear	900	1,039	13.38	5	16.10104
'070190	Fresh or chilled potatoes (excluding seed)	2,007	1,018	-97.15	0	137.7537
'520522	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear	361	739	51.15	5	0.458972
'841199	Parts of gas turbines,	-	673	100.00	5	102.5915
'121300	Cereal straw and husks, unprepared, whether or not chopped, ground, pressed or in the form	318	588	45.92	0	61.44201
'100620	Husked or brown rice	-	510	100.00	0	100.5917
'030339	Frozen flat fish "Pleuronectidae, Bothidae, Cynoglossidae, Soleidae, Scophthalmidae and Citharidae.	593	496	-19.56	5	103.5491
'611780	Ties, bow ties, cravats and other made-up clothing accessories, knitted or crocheted,	206	354	41.81	5	17.68232

