# **RECORD NOTE OF THE WEBINAR ON NEW MARKETS IN AFRICA AND CENTRAL ASIA AND POTENTIAL OF ALREADY EXISTING MARKETS (December 30, 2021)**

| **Date** | December 30, 2021 |
| --- | --- |
| **Time** | 3:00 PM |
| **Venue** | TDAP Faisalabad |

|  |
| --- |
| 1. Meetings Objective(s): |
| To apprise the exporters about the tariff structure and market conditions in Africa and Central Asia, and to highlight potential competitors and successful market entry strategies for exporters of Textile Products, Chemical and Pharmaceutical Sectors. |
| 2. Background: |
| That Africa and Central Asia are the markets of future is a remark without exaggeration. Keeping in view the huge trade potential that exists between Pakistan and the African countries, the Ministry of Commerce has also devised its “Look Africa Policy” to promote trade in that region. That said, much needs to be done to tap this potential. Quite similarly, trade linkages with Central Asian states also need to be explored. This webinar was an effort to explore opportunities for textile, pharmaceutical and chemical sector exporters in Africa and Central Asia. |

|  |  |
| --- | --- |
| 3. Discussion | Input By: |
| The welcome remarks were delivered by the Director of the office who expressed his gratitude towards worthy speakers for joining this session. He underscored the fact that Africa and Central Asia hold a great potential for Pakistani manufacturers. However, an irresistible urge amongst the business community to play safe didn’t allow our exporters to tap these unconventional markets. Thankfully, with the efforts of Ministry and given the current scenario post pandemic, Pakistan is prioritizing these neighbouring markets which is a welcoming change. | Mr. Allah Dad Tarar |
| A USD 90 Billion economy, Kenya is a very attractive market, especially for new entrants. With its robust banking channels, it offers a congenial business environment to exporters.  Kenya is part of East African Community (EAC). Therefore, it follows the same tariff regime as applicable in other EAC members i.e., EAC 2017. Custom duties are high on Pharmaceutical products. Similarly, in the chemical sector, we face a huge competition from Egypt. Egypt faces lesser duties vis-a vis Pakistani products which makes our chemical sector uncompetitive. Again in case of Textile sector, Egypt is at an advantage because of a minimal 5% duty in comparison with 25-40% on Pakistani Textile products. However, there is huge scope for textile especially Bed Linen in Kenya. An additional VAT is applied on all products except rice.  The NTBs do pose a challenge to the exporters. Kenya Bureau of Standards Certification is necessary for manufacturing sector including engineering and textile products. Certification requirements for Pharmaceuticals are especially stringent. Manufacturers are required to have a Good Manufacturing Practice Certificate and Product Registration Certificate.  Cash against documents is the most acceptable method of trade in Kenya. | Mr. L.D. Khan, Trade and Investment Counsellor, Kenya |
| In pharmaceutical sector, the total exports of Algeria are USD 1.4 Billion. Local production meets 65-70% of the total demand of the country. The rest is mostly imported from European countries especially France, Germany and Belgium (80%). Pakistan used to have a sizeable export share in Pharmaceutical imports of Algeria with USD 5 million imports back in 2021-15. However, due to lack of interest we have lost our share considerably to our competitors. In the previous year, our exports were just around USD 150,000 which mostly included bandages, orthopedic support and herbal medicine. There is 5% duty on Pharmaceuticals along with 19% VAT. The country GMP and ISO certification. SIPHAL and MAGHRIB PHARMA are the two largest exhibitions of this sector in Algeria.  There is huge potential for textile exports to Algeria. The country imports around USD 1.8-2 billion annually. The local industry meets just 20% of the demand. There is great preference for wrinkle free cloth. For Pakistan, China, India and Turkey—the four major players in textile—the duty applicable is 30%. The European Union enjoys not only preferential system but also proximity advantage. TexStyle is the largest textile exhibition is Algeria.  Total imports in the Chemical sector are around 790 million which mostly include varnishes, paints and resins. Construction sector is booming and, therefore, demand for construction related chemicals is very high.  Joint ventures are the most successful mode of entry in the Algerian market be it any product. India and China have opened their chain stores in Algeria to get a foothold in this market. This also helps them cut their costs and provides a duty free access to Europe as well. Cash against documents is the preferred method for trade. | Mr. Qazafi Rind, Trade and Investment Counsellor Algeria |
| Senegal lies on the West coast of Africa and offers passage to neighbouring landlocked countries such as Guinea Bissau for trade purposes. France is the most important trade partner in addition to Netherlands, China and Nigeria. Pakistan’s share in the imports of Senegal is just 0.61% most of which takes place via indirect routes such as Dubai. China and India are importing raw materials from here including phosphate and gold.  The country is part of ECOWAS common external tariff. %. A major non-tariff barrier is the requirement of PSI certificate from COTECNA only. LC also has to be approved by COTECNA, therefore Cash Against Goods is the preferred method of trade.  Top imports of Senegal include mineral fuels, food imports, machinery and mechanical appliances and pharmaceuticals. Construction sector is booming and thus, there is high demand for construction related chemicals. 100% broken rice is very famous here. Pakistani rice is very high in demand. Textile especially used cloth has a lot of potential in terms of exports. 100% cotton is preferred here. Furthermore, sportswear is high in demand. There is 20% tariff on textile products.  Direct import of pharmaceuticals is not possible. Distributors are France-based so the products go to France first before being imported here. There is 5% tariff on pharmaceuticals in Senegal.  To successfully capture, the Senegalese market, the exporters must have ground presence in that country. Physical presence may also help the exporter to launch the products in the neighboring countries including Mali and Mauritania. | Mr. Shoaib Anwar, Trade and Investment Attaché, Senegal |
| Tajikistan is a very small country of just 9 million people with a GDP of just 7.6 Billion USD. The total bilateral trade between Pakistan and Tajikistan is around 25-26 Million USD out of which Pakistan’s exports are just 10.3 Million. Our top export to Tajikistan a few years ago was sugar accounting for more than 60% of our total exports. However, this has changed now in the wake of sugar crisis in Pakistan. Other top exports include fruits, vegetables, pharmaceuticals and cereals. Our top imports from Tajikistan are cotton and cotton yarn, aluminum products, mineral fuels and bituminous substances.  Pharmaceutical sector holds a lot of potential for Pakistani exporters because this sector is not regulated. Therefore, profit margins are high. Total imports in this sector are around 55-70 Million USD. Pakistan’s share is around 3.7%. Main competitors are India, Russia and EU. There are some technical barriers to import, however. A company has to get registered, obtain a licence, register the product, obtain permission for import of medicine and obtain import declaration of customs service. This process takes 3-4 months but may stretch to 1 year.  In case of Textile sector, Pakistan can export finished products to Tajiksitan. Our top competitors are Turkey, China and Uzbekistan.  Tajikistan follows the custom schedule of CISFTA. There is an additional Value Added Tax of 18%.  Successful market entry strategy is to set up a representative office in the country. Furthermore, exporters should participate in local exhibitions and tenders. Leading distributors should be engaged for effective distribution and marketing. Turkey has opened brands here.  Instead of LC, Cash against payment is preferred. | Mr. Rashid Imtiaz, Trade and Investment Attache Tajikistan |

|  |
| --- |
| 4. Conclusion |
| Towards the end of the meeting, a Question and Answer session was held in which a very productive discussion on the challenges faced by the exporters were highlighted. Contact details of exporters were exchanges with Trade Missions for future communication. |

|  |  |  |  |
| --- | --- | --- | --- |
| 5. List of Participants: | | | |
| **Speakers** | 1. Mr. Qazafi Rind, Trade and Investment Counsellor, Algeria 2. Mr. L.D. Khan, Trade and Investment Counsellor, Kenya 3. Mr. Shoaib Anwar, Trade and Investment Attaché, Senegal 4. Mr. Rashid Imtiaz, Trade and Investment Attaché, Tajikistan | **TDAP** | Mr. Allah Dad Tarar (Director, TDAP)  Ms. Kashmala Javaid  (AD, TDAP) |