**Trade ties**

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Pakistan has been struggling with political and economic instability for decades, unable to chart a course towards long-term progress and prosperity for the country and its people.

In the face of the ongoing political turmoil, the current economic crisis in Pakistan is likely to increase to a level the emergent government might find extremely hard to cope with. The economy is already in shambles, owing to unprecedented rupee depreciation, dwindling reserves, rising international commodity costs, and growing current account and fiscal deficits.

A mounting challenge for the new government is to fix the trade imbalance. According to the latest data issued by the Pakistan Bureau of Statistics, the country’s trade deficit surged by 70 percent to an all-time high of $35.4 billion in the first nine months of the current fiscal year 2021-22 (July to March). This puts a strain on the State Bank’s foreign exchange reserves, which at present can only cover two months’ worth of import bills.

The EU and the UK are Pakistan’s largest trade partners. Pakistan exports approximately $9 billion worth of goods to these two regions, while its exports to the US are close to $6 billion. The US, EU, and the UK account for more than 50 percent of Pakistan’s exports.

Owing to Pakistan’s duty-free access to the EU on 91 percent of tariff lines under the GSP Plus pact, the EU became Pakistan’s most important trading partner, providing a lifeline to Pakistan’s exports.

However, earlier, former prime minister Imran Khan lashed out at the EU ambassador for asking Pakistan to condemn Russia for its invasion of Ukraine, and lately, the conspiracy letter gate scandal tainted the economic relationship with the EU and the US.

Pakistan must strive to restore and strengthen bilateral confidence with the EU to ensure continuity of GSP-Plus trade preferences beyond 2023. In addition, Pakistan has the opportunity to capitalize on the EU’s seven additional conventions which will help countries like Pakistan to apply for GSP-Plus status from 2024 to 2033. The new conventions are focused on improving accessibility for people with physical disabilities, preventing child labour, and protecting the environment.

Pakistan should aim to mature its trade ties with the US and Europe beyond politics. Pakistan’s diplomatic relationships should be based on shared interests with each country. There are several examples of countries whose economic links remain intact despite political or border conflicts. For instance, in 2021, overall trade between China and India stood at $125.66 billion, up 43.3 percent from the previous year. During this time, there have been numerous military and political scuffles between India and China over Ladakh. The Ladakh impasse had entirely halted cooperation on all fronts except trade at the time.

Remarkably, China has surpassed the US as India’s largest trading partner. Likewise, despite tariffs and a simmering regional conflict between the world’s two largest economies, trade between China and the US surged by 28.7 percent to $755.6 billion in 2021. Essentially, both countries have a great desire to engage and avoid outright conflict wherever possible. In other words, despite bitter economic and political disagreements, the economies and societies of China and the US remain inextricably connected.

Pakistan must learn political maturity and insight from these countries in order to avoid a chaotic situation. Politics, economy, and social well-being are all intertwined. These three elements must work together for any country to thrive.

Countries’ relations are commonly referred to as ‘ties’, and this may be a reasonable exposition option to describe Pakistan’s relationship with the United States and Europe – but only when the word is employed in an economic rather than an emotional sense.

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