



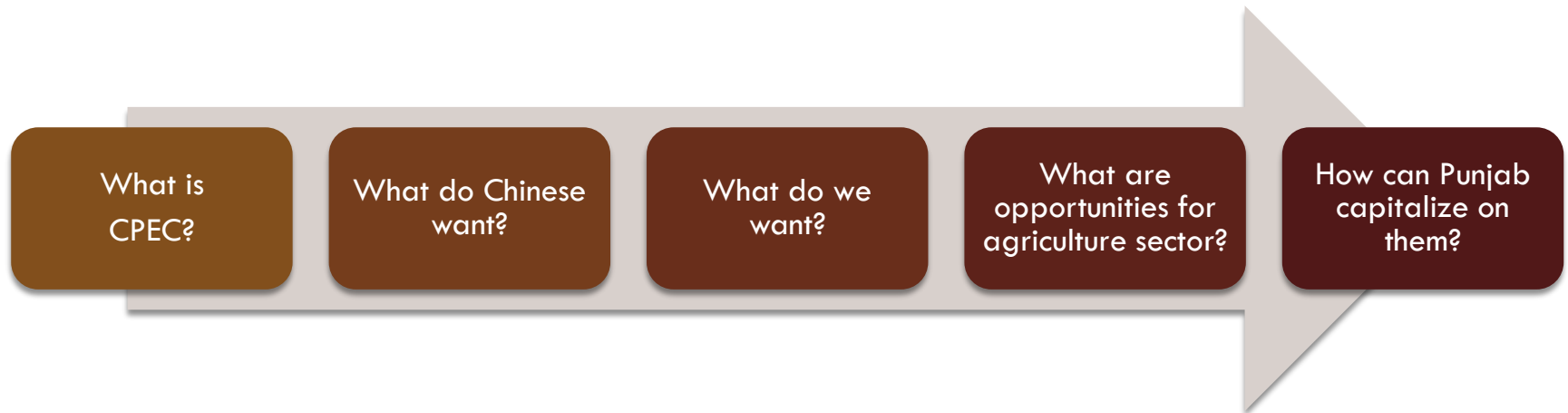
## GEARING UP FOR CPEC (2016-17)

### AGRICULTURE SECTOR OF PUNJAB

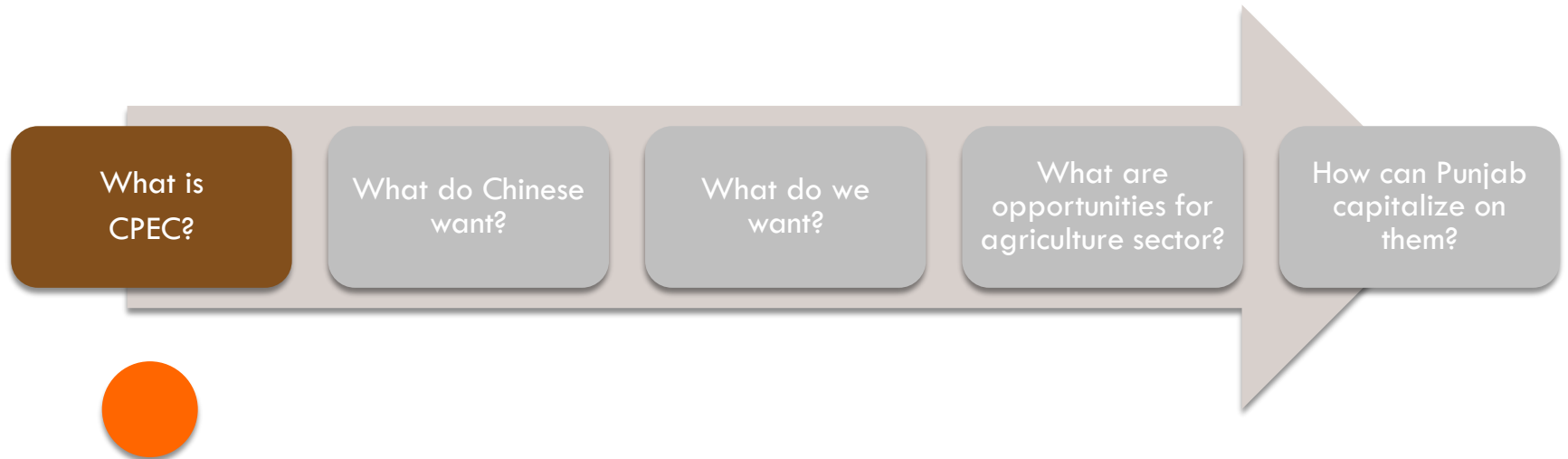
22<sup>nd</sup> January 2019

# What are we discussing today?

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# What are we discussing today?



# ONE BELT ONE ROAD

**Creation of an economic land belt that includes countries on the original Silk Road through Central Asia, West Asia, the Middle East and Europe**

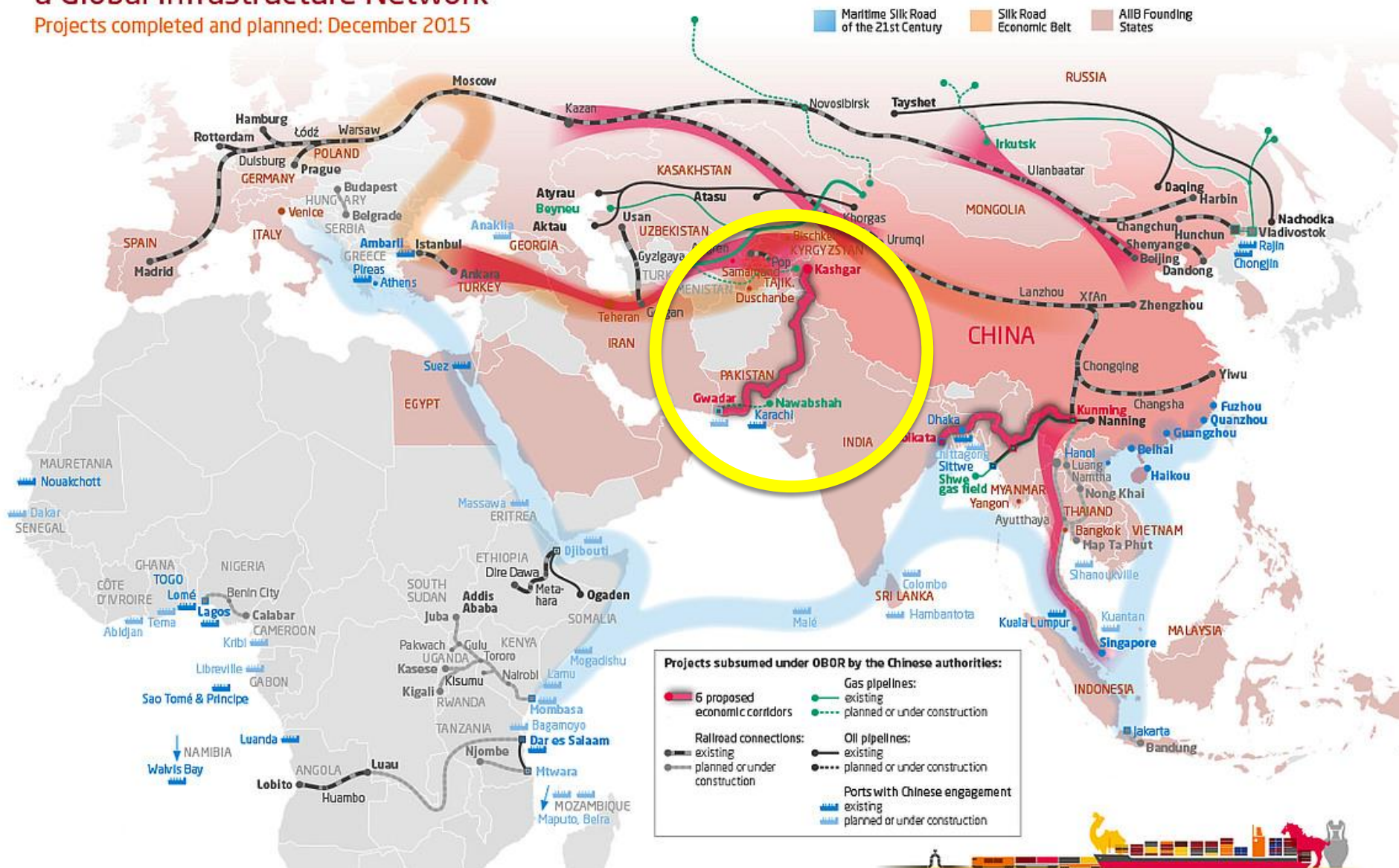


**Creation of a maritime road that links China's port facilities with the African coast, pushing up through the Suez Canal into the Mediterranean**

## MERICS China Mapping

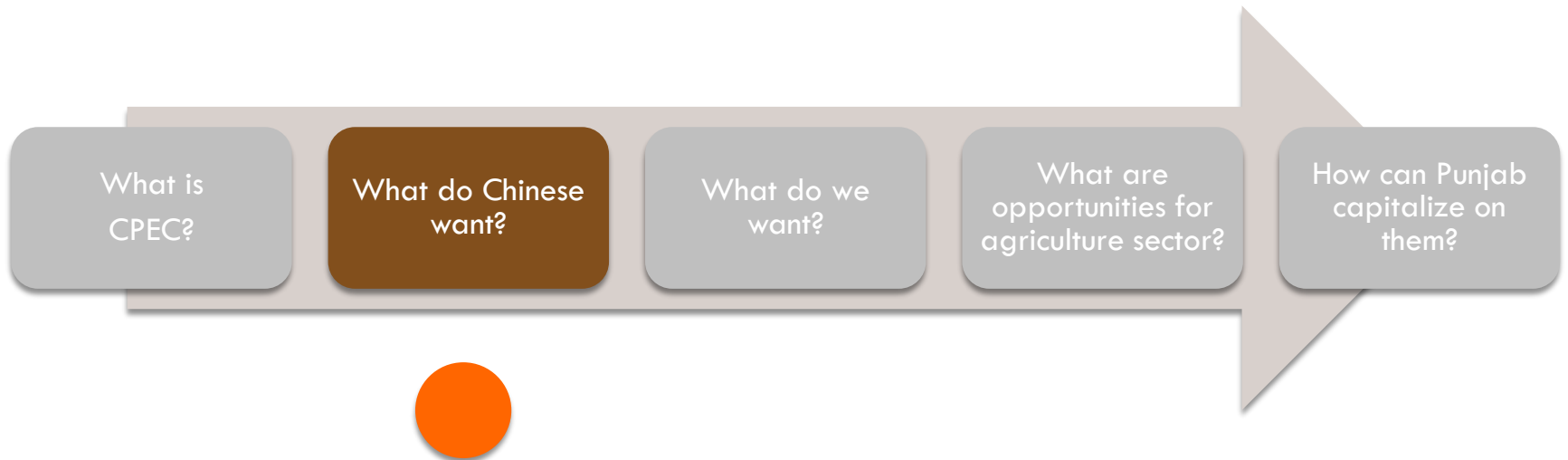
# One Belt, One Road: With the Silk Road Initiative, China Aims to Build a Global Infrastructure Network

Projects completed and planned: December 2015



# What are we discussing today?

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# What does China want – Overriding objectives

## BRI

- Look for new growth drivers
- Capitalize on China's domestic over capacity
- Direct Chinese capital for regional infrastructure
- Improve trade and relations with ASEAN, Central Asian and European countries

**SREB**

**MSR**

**CMREC**

**NELB**

**CCWAEC**

**CICPEC**

**CPEC**

**BCIMEC**



**Critical for Kashgar (Xinjiang)**

# Chinese objectives within agriculture sector through CPEC

**China** - experience, technology and financing

**Pakistan** - favorable resources, labor force and market opportunities



Technical cooperation and exchange



Investment in upstream and downstream industries



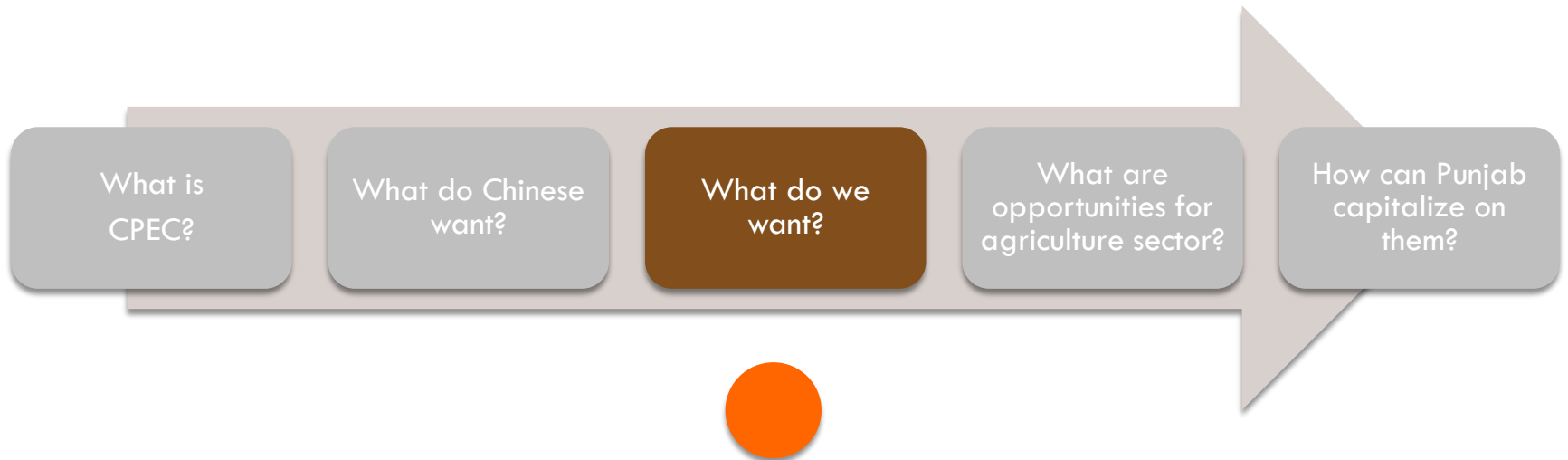
High grade cotton to secure textile value chains

Xinjiang Production and Construction Corps' (Bingtuan) - an economic and paramilitary organization in the Xinjiang Uyghur Autonomous Region

*"agricultural production is large-scale, its degree of mechanization and technological content is high, and water conservancy and other facilities are solid"*

# What are we discussing today?

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# What does Punjab want – Overriding objectives



**ENHANCED PRODUCTIVITY**

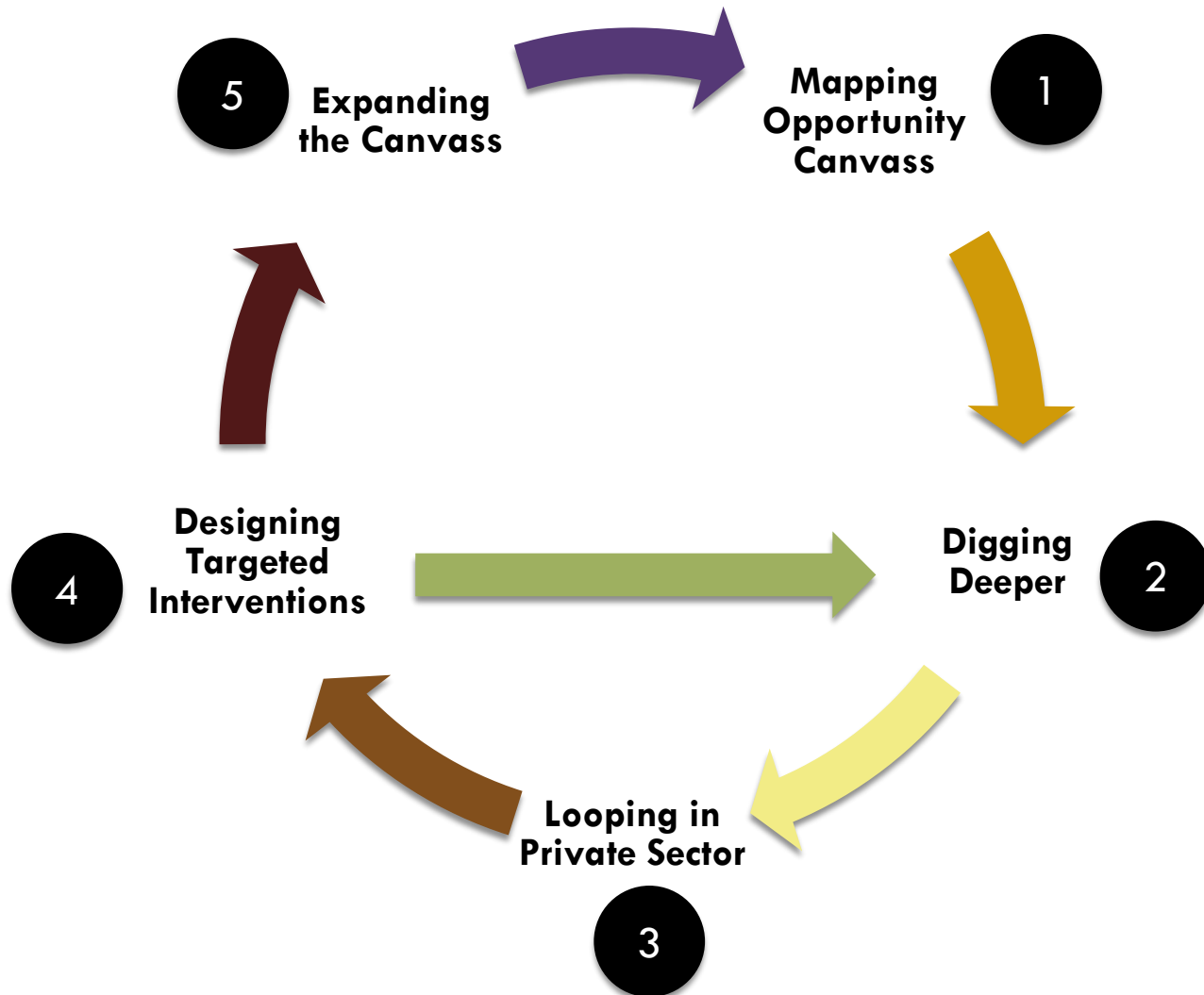
**FARMER-CENTRIC SERVICE DELIVERY**

**PRIVATE SECTOR-LED GROWTH**

# Instruments to achieve these objectives

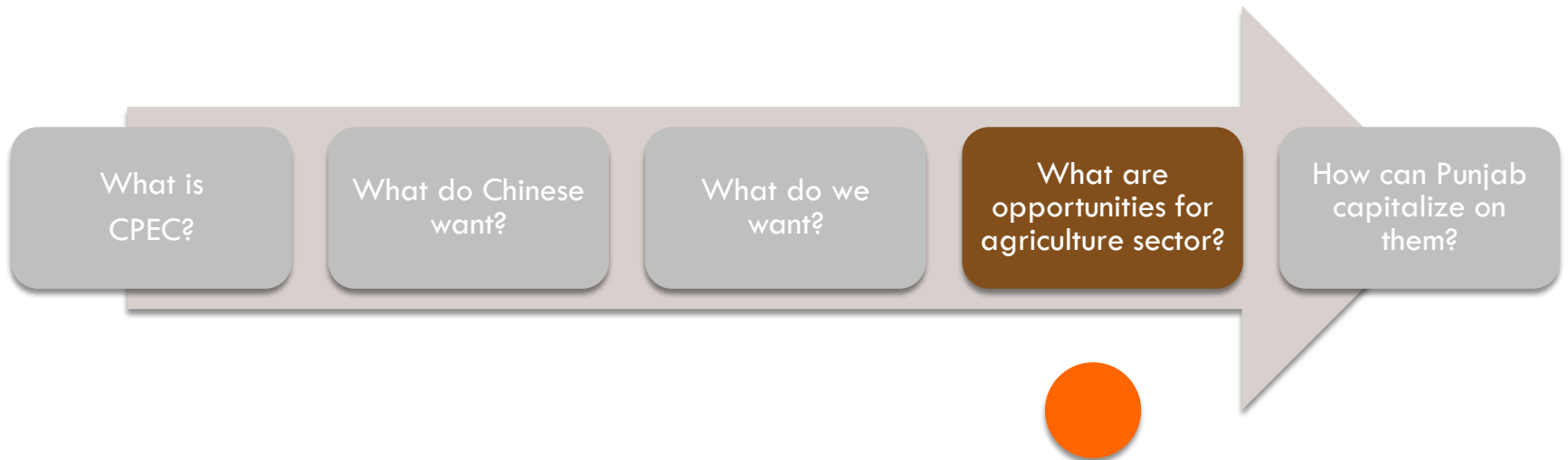
1	2	3	4
<b>Wider Access to Requisite Inputs and Knowledge</b>	<b>Efficient Access to Market</b>	<b>Promoting New Investment and Access to Finance</b>	<b>Improving Quality Standards</b>

# How to approach CPEC?



# What are we discussing today?

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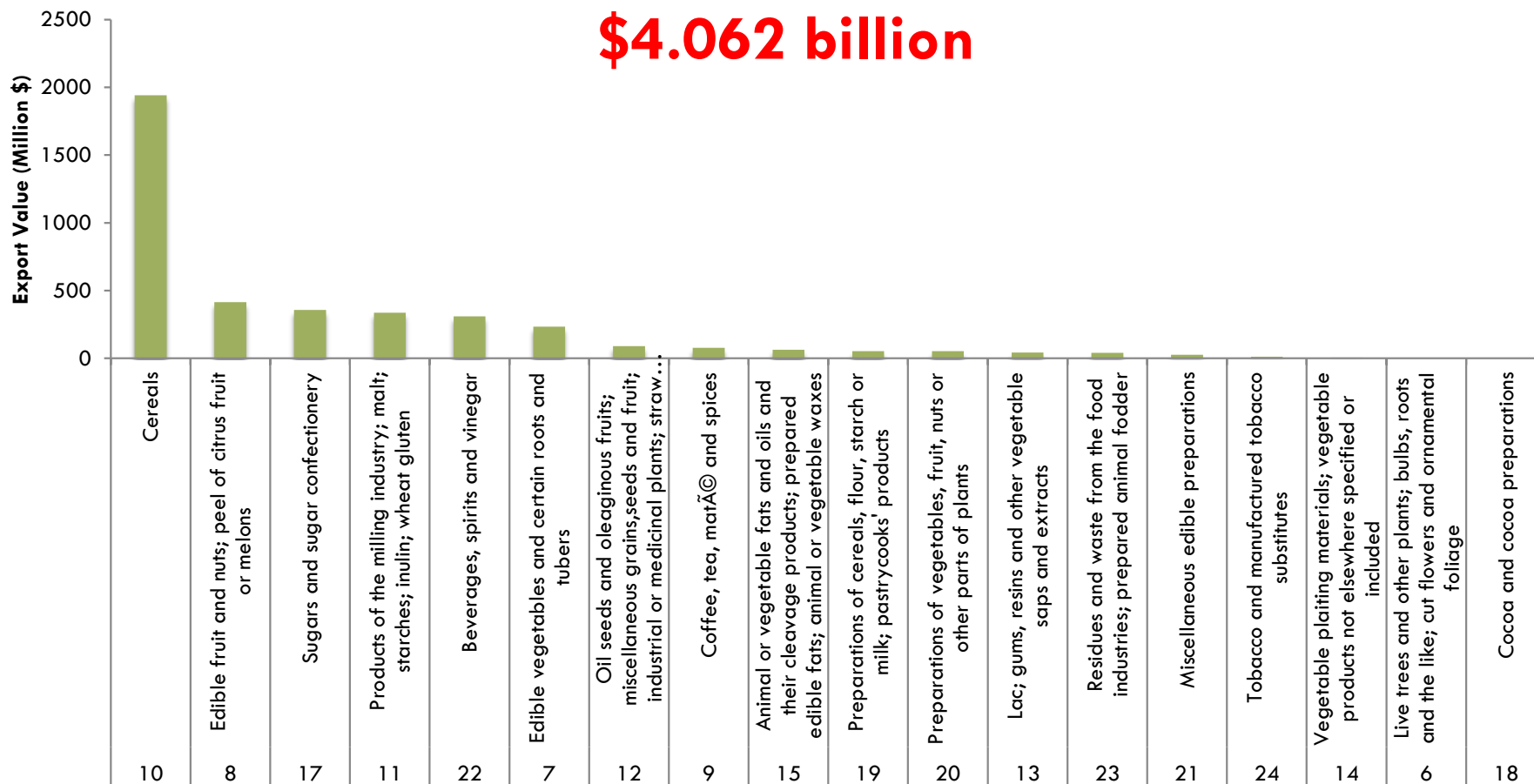
# Opportunity?

## Paradigm Shift

- 1.3 billion people - Rising incomes, consumption, urbanization
- \$1 trillion of food consumption in China every year - Another \$500 billion in 10 years
- 2012 – China surpassed USA to become the world's largest importer of agri products
- Sales of packaged food almost quadrupled in the last 15 years
- Multinationals with long-term China plans

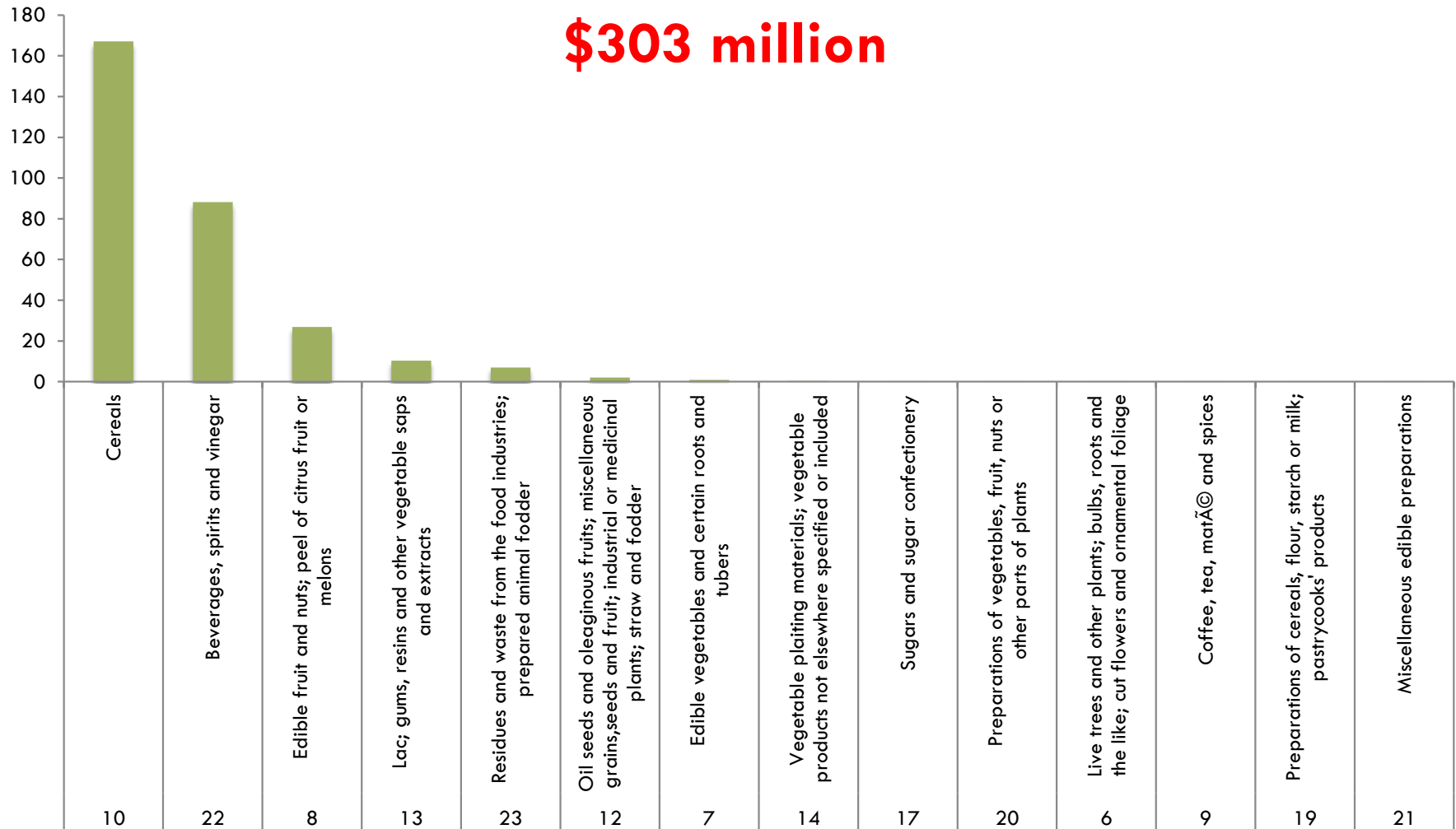
# Pakistan's exports to the world in 2015

(HS codes up to HS24 - agricultural and agro-processed excluding cotton and livestock-related products)



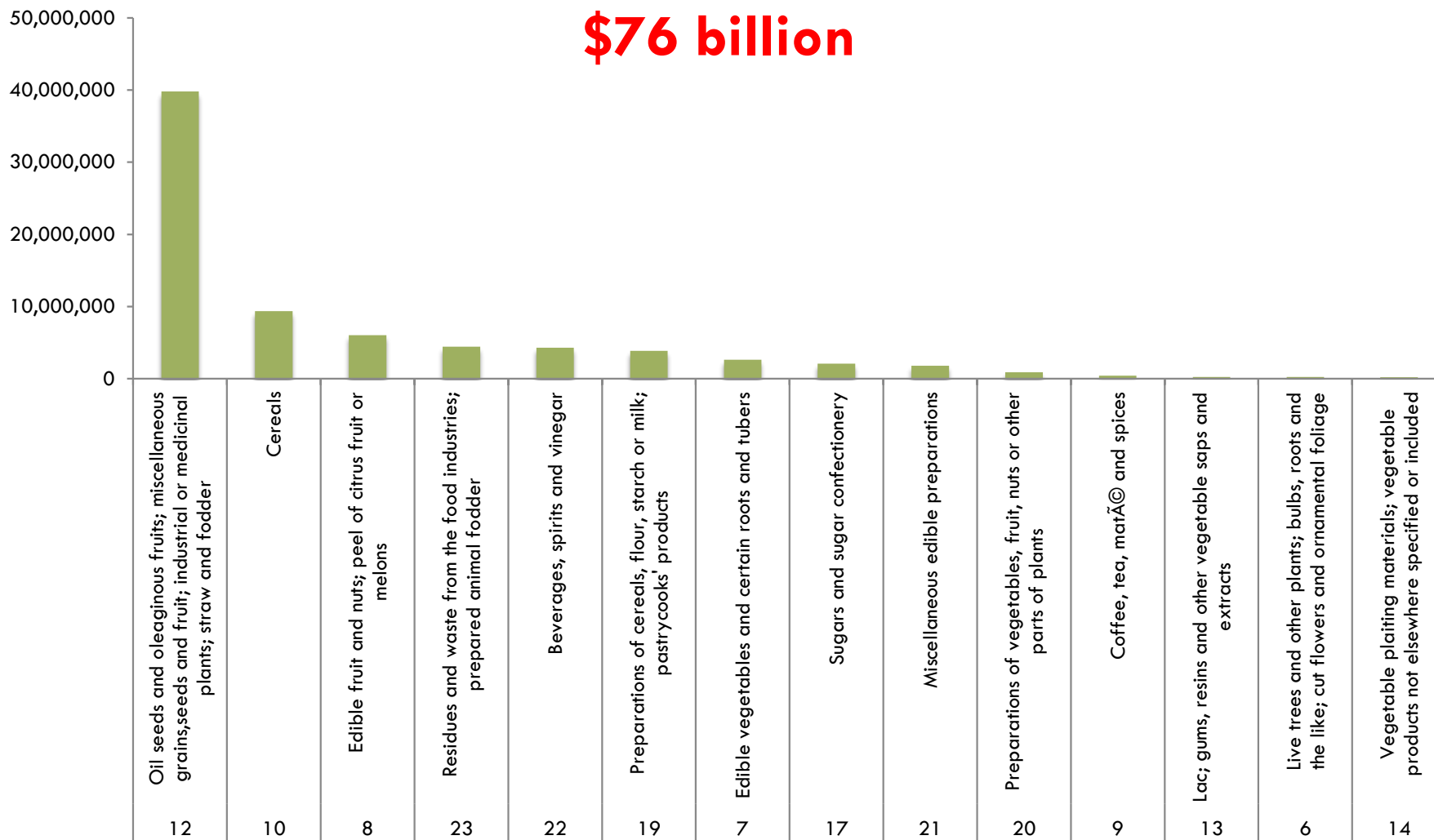
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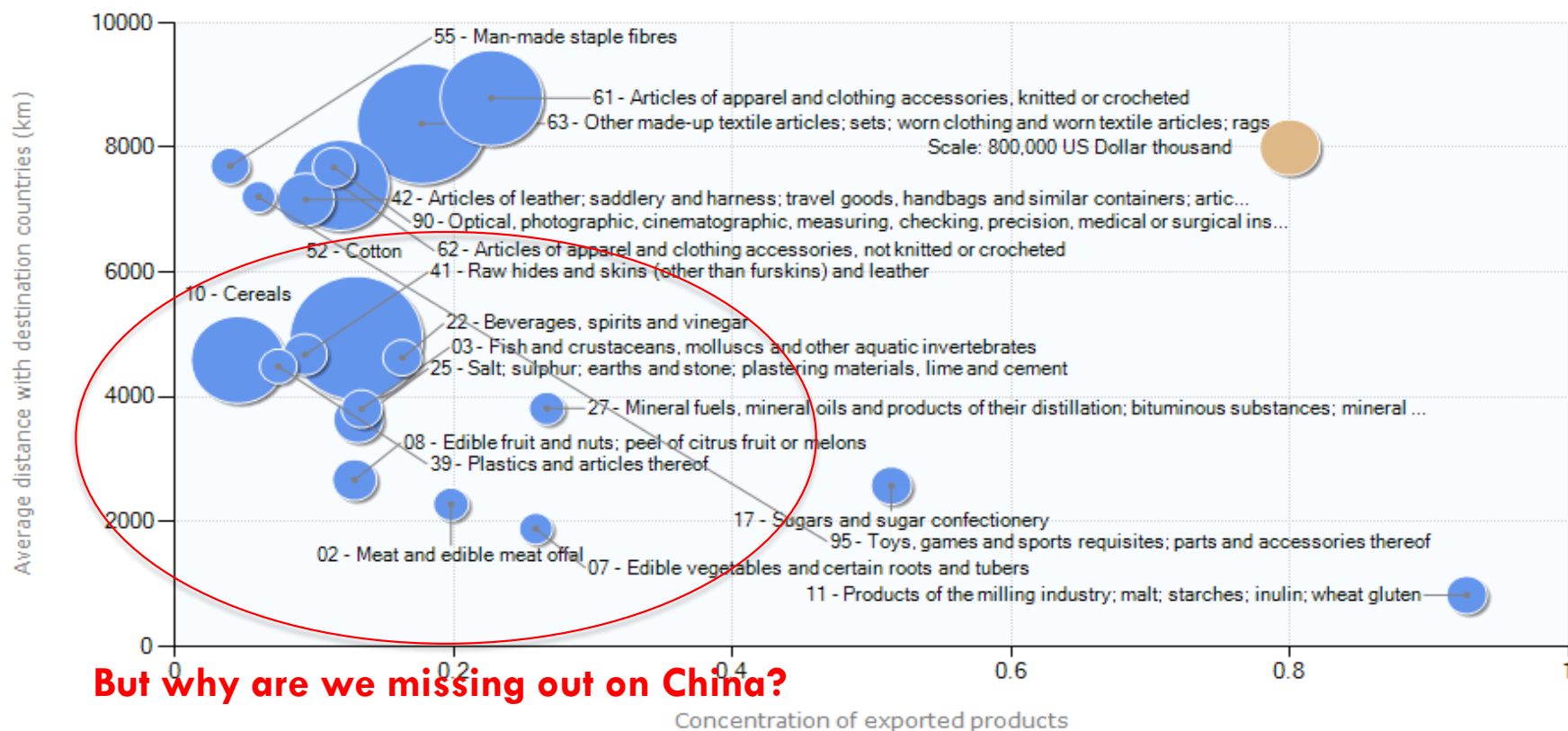
# China's total imports in 2015

(HS codes up to HS24 - agricultural and agro-processed excluding cotton and livestock-related products – only those with Pakistan's exports to China)



# Distances matter for us too!

Concentration and average distance with destination countries  
for products exported by Pakistan in 2015



# Mapping the opportunity canvass

	China	Russia	Mongolia	STANs
Crops and Sugar				
Fruits				
Vegetables				
Others				



Zoom in to find prospective opportunities

# Zooming in!



Crops &  
Sugar



Fruits

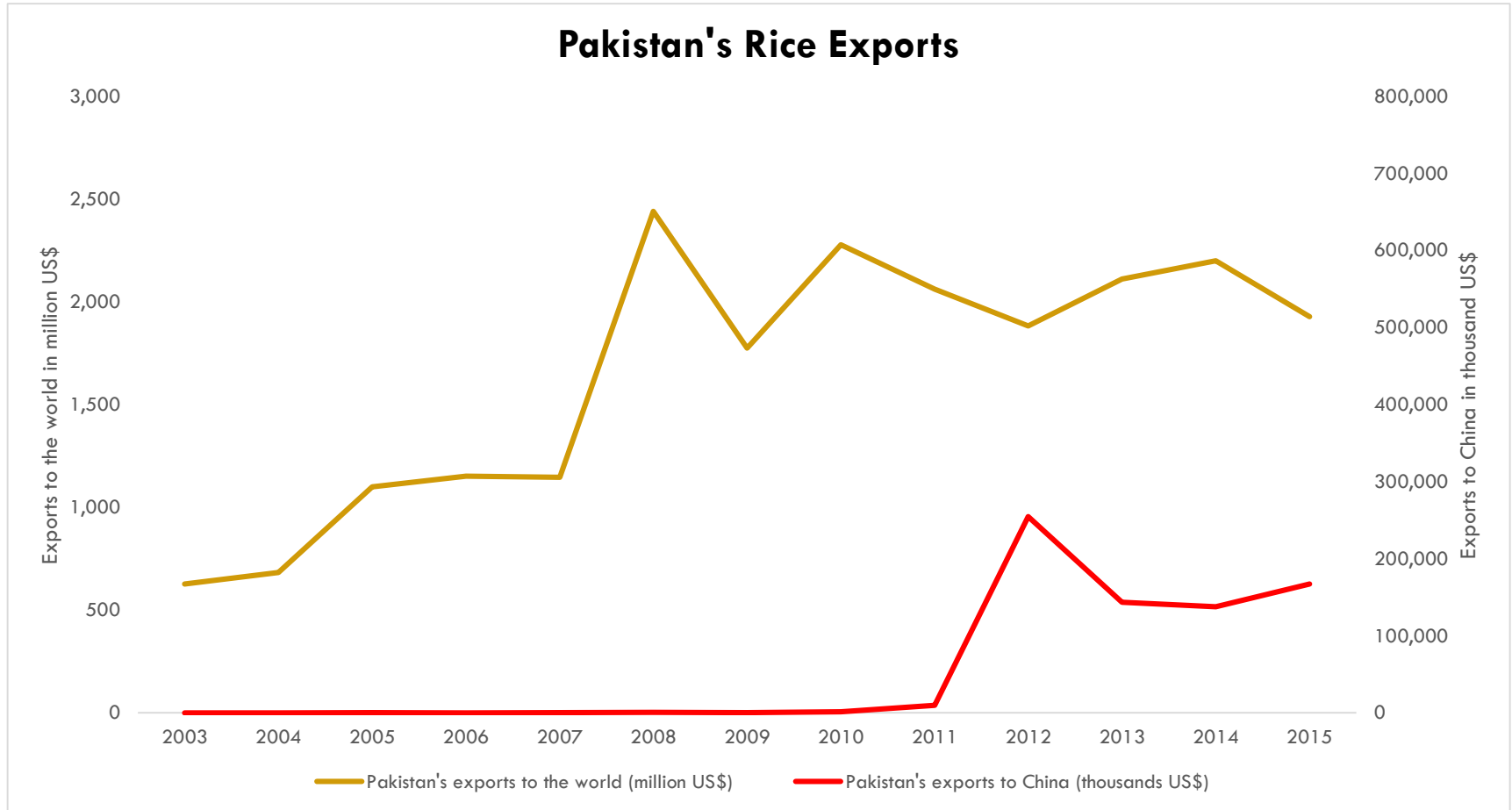


Vegetable

# Zooming in on crops and sugar!

Commodity Code	Commodity	Trade Value (US\$)
1006	Rice	1,927,200,362
1701	Cane or beet sugar	234,355,718
5201	Cotton (not carded or combed)	105,593,504

# Story of Rice!

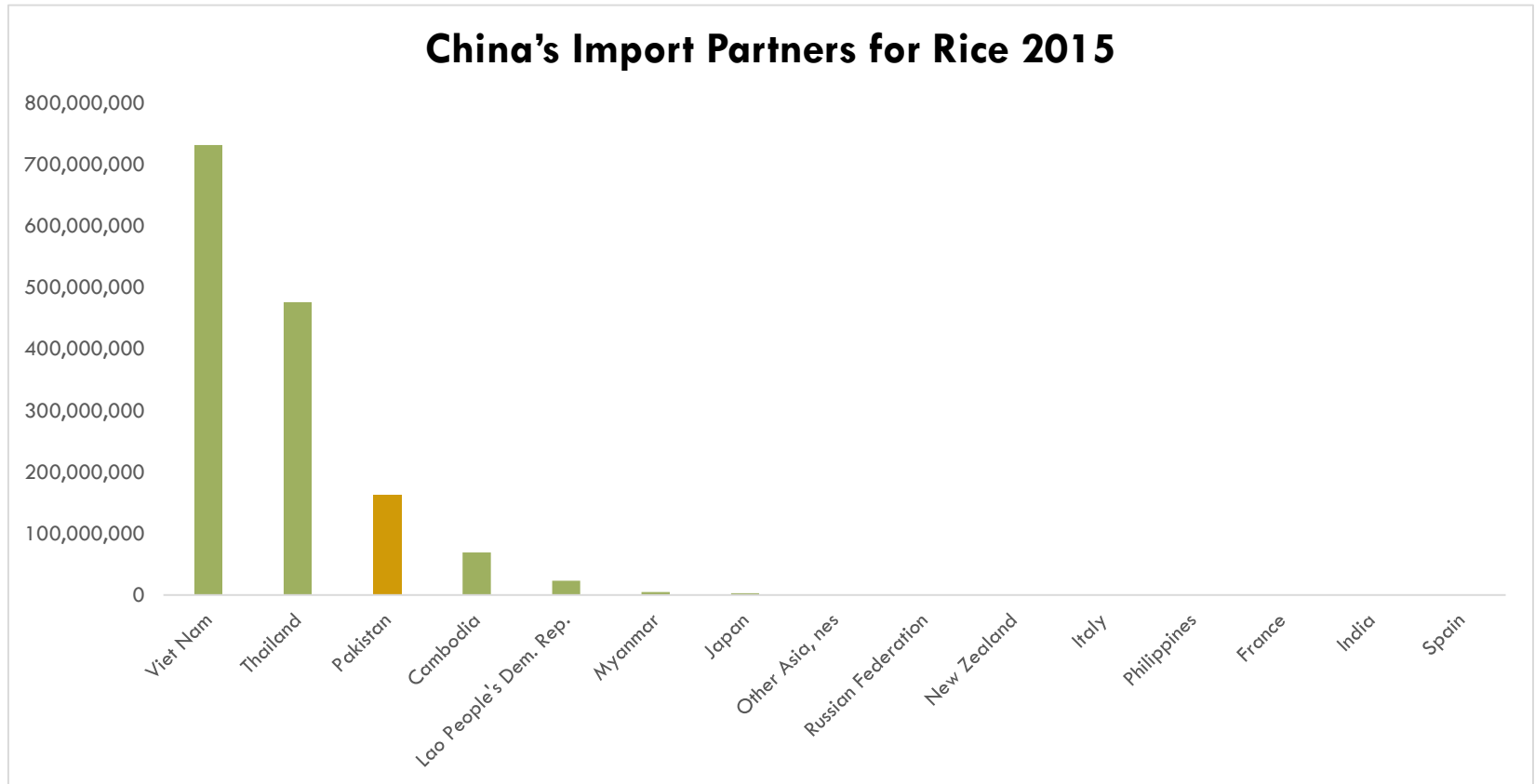


# Story of Rice!



**Pakistan's total rice exports in 2015: \$1.92 billion**

# Story of Rice!



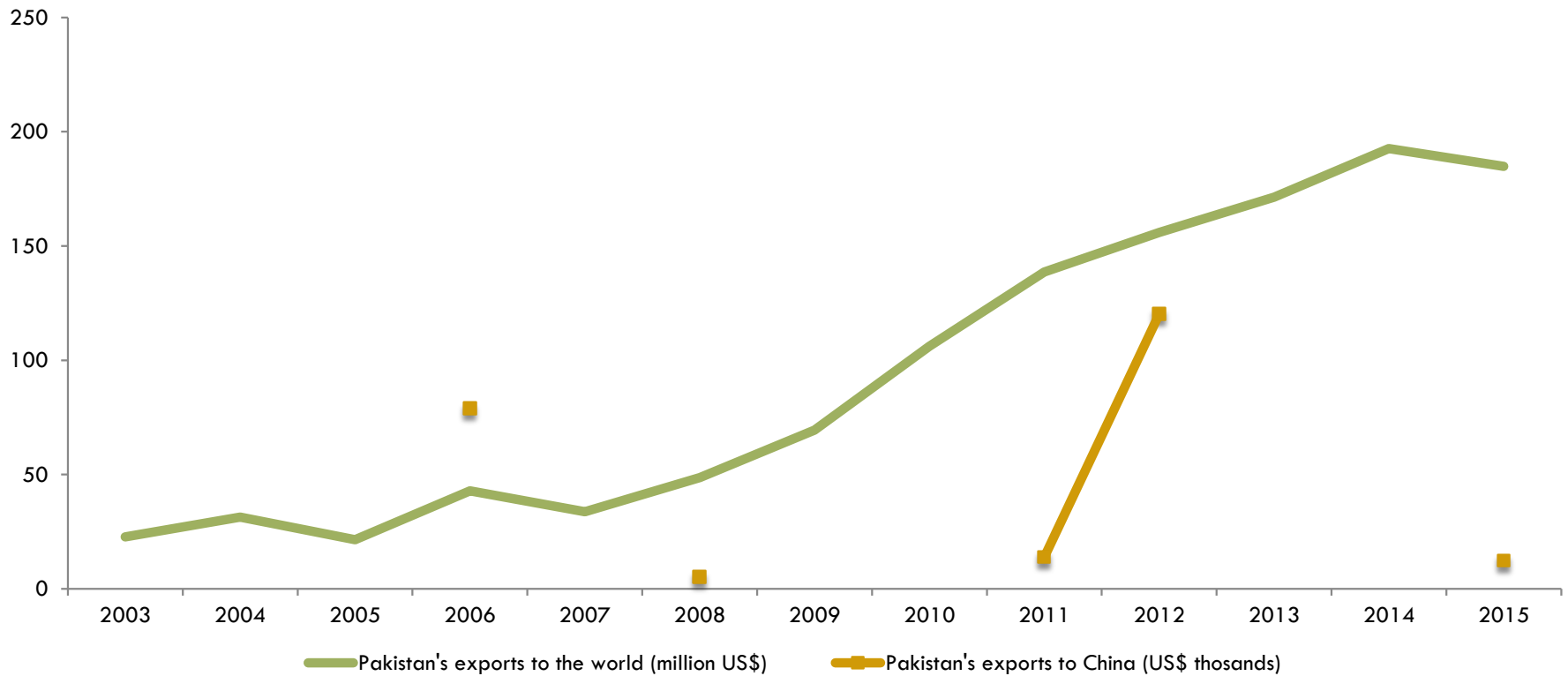
**China's total rice imports in 2015: \$1.4 billion**

# RICE - What is happening?

- Pakistan one of the top five world exporters of rice - \$1.9 billion in 2016 represented 5% of global rice exports
  - ▣ Rice exports to China accounted for only 8% of this
- China imported \$1.4 billion rice
  - ▣ Pakistan's share 11%; Rest Vietnam and Thailand
- Non-favourable tariffs
  - ▣ China maintains a special low tariff of 1% on import of a quota but beyond this quota, rice imports are subject to a tariff of 65%
  - ▣ Asean countries enjoy preferential tariffs as a part of Asean-China FTA — 20% on non-basmati and broken rice and 50% on tariff in basmati rice
  - ▣ In case of Pakistan, no preferential tariff is applicable on any rice category

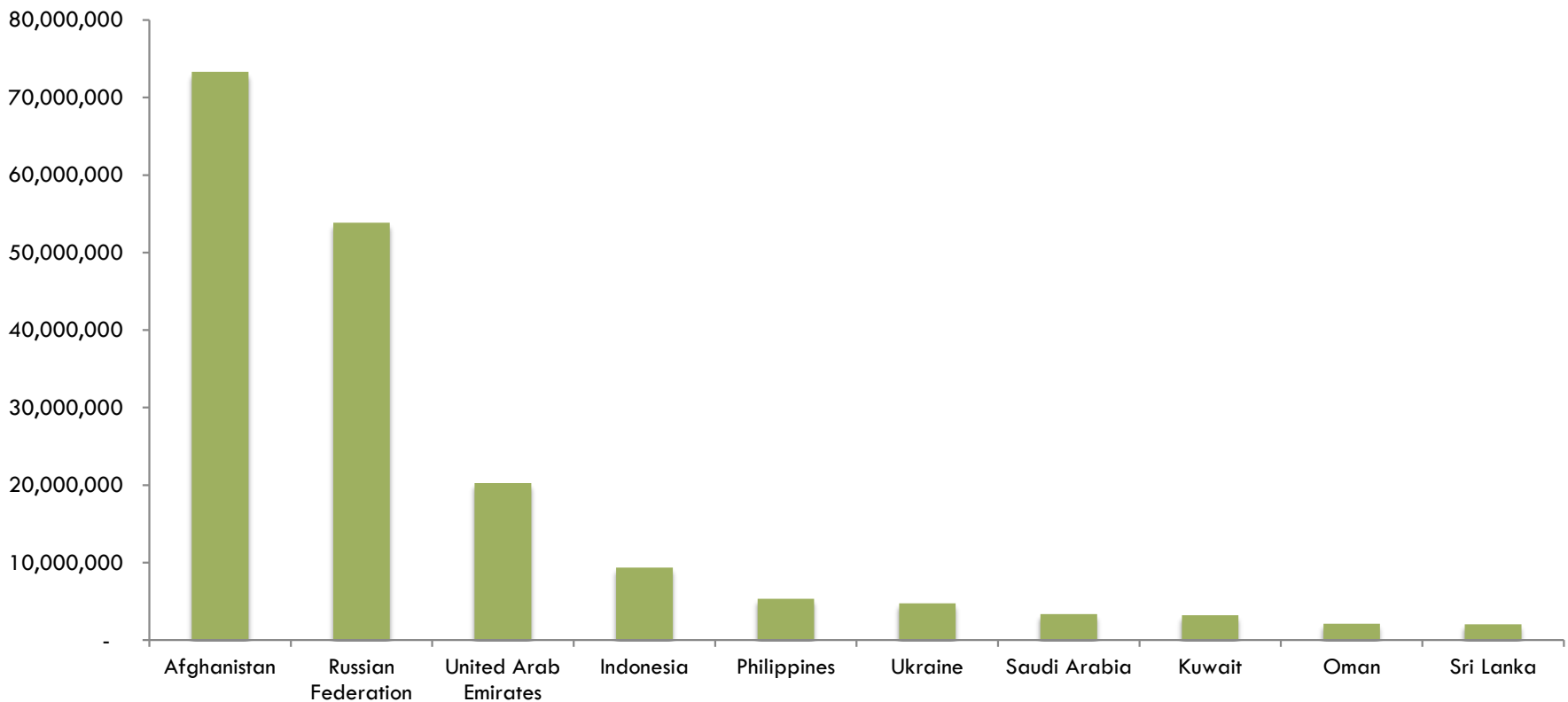
# Story of Citrus!

## Pakistan's Citrus Exports



# Story of Citrus!

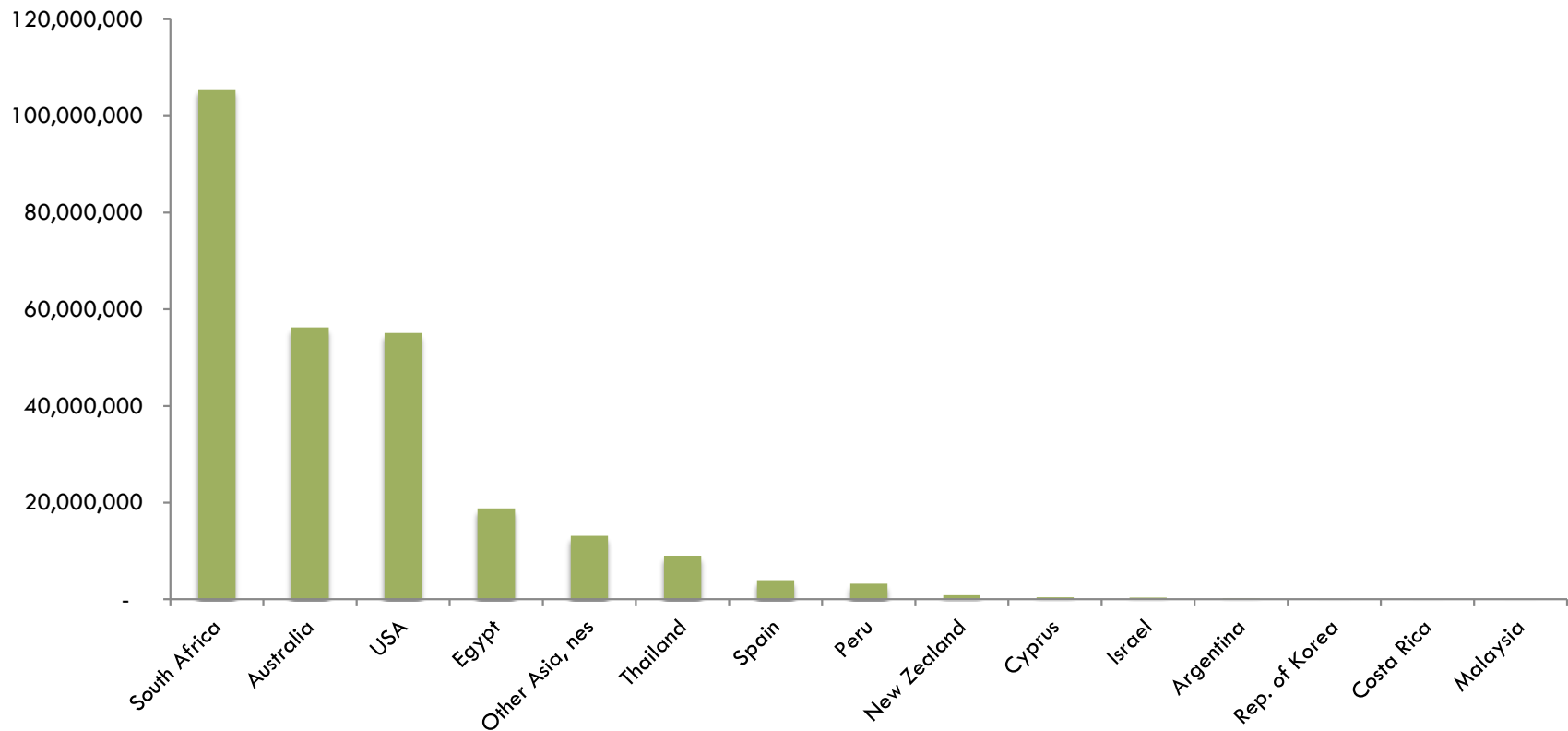
**Pakistan's Top 10 Export Partners for Citrus**



**Pakistan's total citrus exports in 2015: \$185 million**

# Story of Citrus!

**China's Import Partners for Citrus 2015**



**China's total citrus imports in 2015: \$267 million**

# Are China's fruit imports aligned with our exports?

Commodity Code	Commodity	Pakistan's Exports (\$)	China's Imports (\$)
'0805	Citrus fruit, fresh or dried	184,793,000	266,894,000
'0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried	124,676,000	408,425,000
'0803	Bananas, incl. plantains, fresh or dried	20,647,000	772,943,000
'0810	Fresh strawberries, raspberries, blackberries, back, white or red currants, gooseberries and ...	12,133,000	2,001,361,000
'0802	Other nuts, fresh or dried, whether or not shelled or peeled (excluding coconuts, Brazil nuts ...	2,325,000	576,478,000
'0806	Grapes, fresh or dried	822,000	637,007,000
'0809	Apricots, cherries, peaches incl. nectarines, plums and sloes, fresh	314,000	777,189,000
'0801	Coconuts, Brazil nuts and cashew nuts, fresh or dried, whether or not shelled or peeled	205,000	180,709,000
'0808	Apples, pears and quinces, fresh	163,000	576,478,000

# CITRUS - What is happening?

- Pakistan has Category 1 status on the FTA for citrus, meaning there is no tariff applied.
- Popular citrus fruit imports in China are not amongst the popular citrus exports of Pakistan
- Non-tariff barriers have kept the exports from Pakistan low, such as port of entry and quarantine/SPS requirements

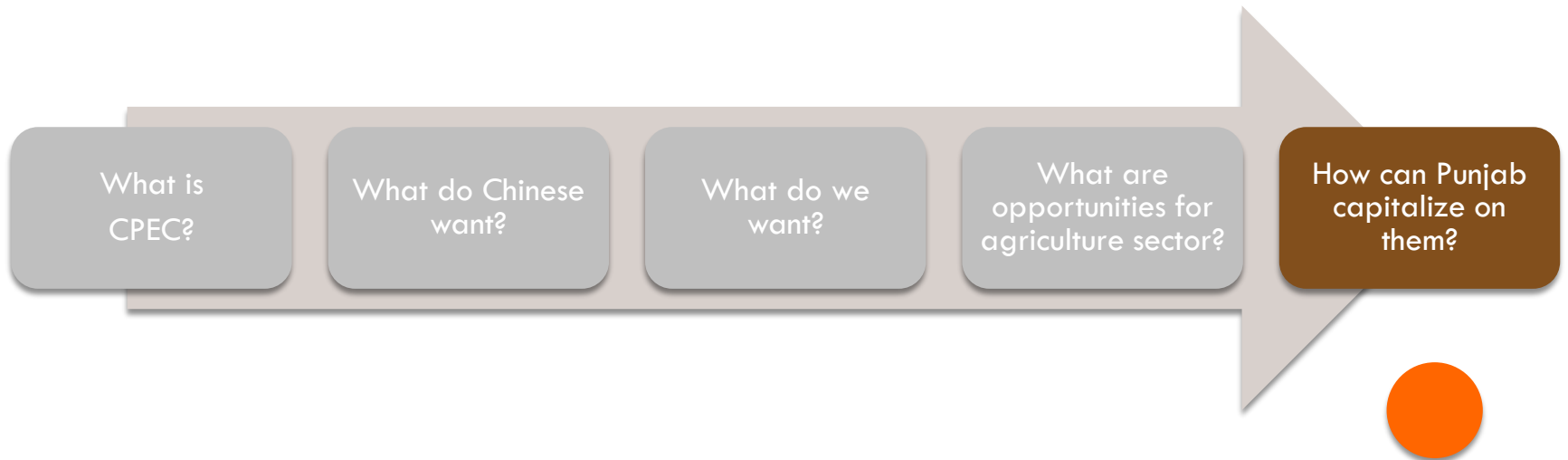
# Digging deeper!

## Possible reasons we missing out on these opportunities

- Tariff measures:
  - ▣ Negotiation of FTA should ensure that the tariffs faced by Pakistan are at least at par with those in other countries such as ASEAN
- Non-tariff measures:
  - ▣ Technical measures such as high sanitary and phytosanitary (SPS) requirements compared to other export markets
  - ▣ Lack of mutual recognition of standards and certificates
  - ▣ Testing in China is considered to be time-consuming and complex
  - ▣ Physical access barriers – restrictions on ports?
- Other reason
  - ▣ Competitiveness, capacity, quality, etc. – Role of Agriculture Department and Development Partners

# What are we discussing today?

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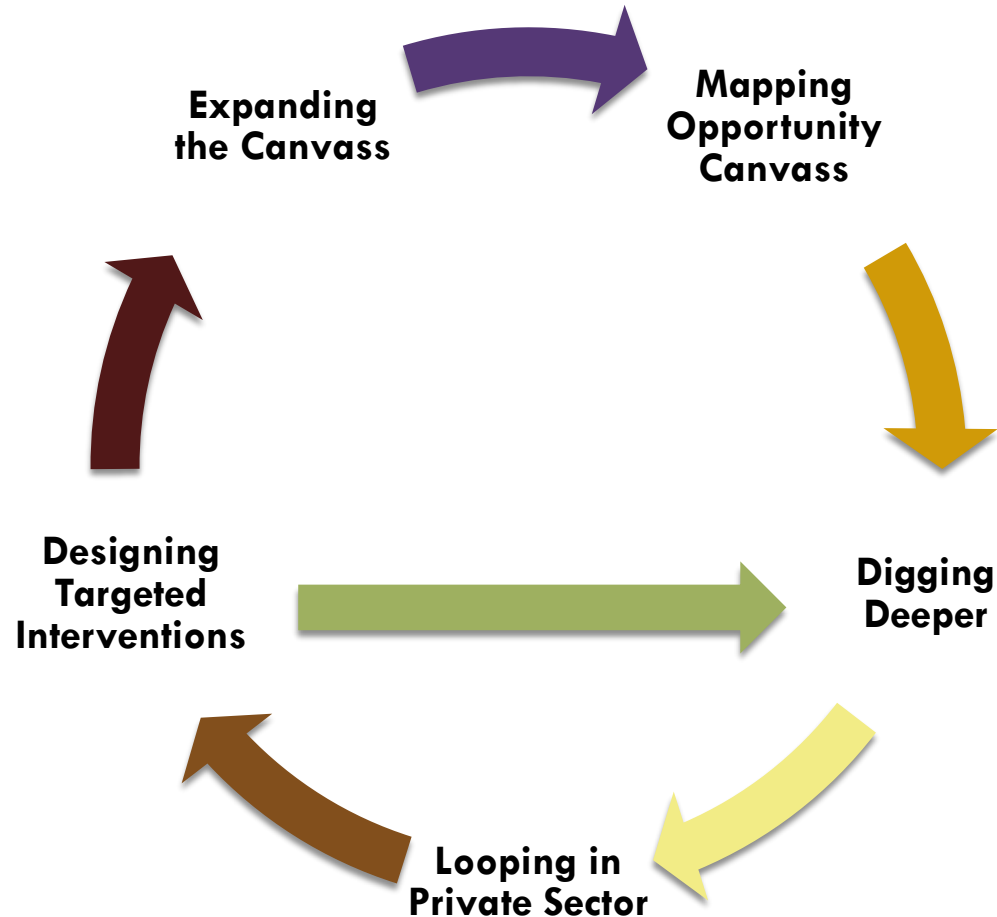


# How can Punjab leverage these opportunities?

## CPEC Readiness

- Aligning public investments
- Designing new interventions
  - ▣ Informed through evidence
  - ▣ Advocacy for tariff and non-tariff barriers
  - ▣ Addressing market failures
  - ▣ Incentivize exports
  - ▣ Other options?
- Institutionalizing public-private interface
- Investor fora
- CPEC agribusiness roadshows
- Solidify Chinese commitments in up gradation

# Institutionalizing this approach!



# Beyond CPEC – Going Forward

	China	Russia	Mongolia	STANs
Crops and Sugar				
Fruits				
Vegetables				
Others				



Products with little or no exports



Newer markets (north and south)



Leapfrogging newer product categories in growing segments



THANK YOU

International Growth Centre