



KCCI - Country Wrap: UK (Mar.'18)



Brief overview of UK

The United Kingdom of Great Britain and Northern Ireland is commonly known as the United Kingdom (UK) and Britain. The country includes the island of Great Britain, the north-eastern part of the island of Ireland and many smaller islands. It comprises of four countries namely England, Scotland, Wales and Northern Ireland. The UK's form of government is a constitutional monarchy with a parliamentary system and its capital city is London. On the basis of nominal Gross Domestic Product (GDP), its economy is the fifth largest in the whole world. The recessionary pressures after 2008 debilitated its economy eliciting widespread variations however economic picture since 2013 has shown recovery. Almost all the sectors have posted increase.

Britain's Trade Partners

The major export partners are Germany, US, Netherlands, France, Switzerland, Ireland and Belgium. While it imports from Germany, China, Netherlands, US, France, Belgium and Norway.

Quitting EU would undermine UK's economic revival

Since inception of European Union (EU), UK has remained its crucial member. Although, Eurozone crisis severely hurt the European economies, but United Kingdom and economies alike have been noticing advantages that came along it. However, as debate over leaving EU to remain safe from economic disparities raged over the passage of time, it made Britain to leave EU from its political and economic partnership after a referendum took place on Jun. 23, 2016. The UK is scheduled to officially leave EU on Mar. 29, 2019. There was a possible chance that leaving EU would result in a decline in flow of foreign investment and trade enjoyed by the UK due to its membership in EU. It was also predicted that the Kingdom's economy would face immediate downfall after "Brexit" however it progressed around 1.8% in 2016 and is showing the similar pace in 2017. At present, the government of the UK is making all out efforts to revive its economy, opening up energy markets while making e-commerce borderless.

Pakistan & UK: Bilateral Trade Linkages

The bilateral trade linkages between Pakistan and the United Kingdom are deep rooted and have provided space to both of the countries to collaborate in different sectors of the economy. Around 60 British companies have invested in Pakistan and the volume of trade with Pakistan has inched higher. During 2017, exports volume of Pakistan to UK dropped to \$ 1,533.42Mn from \$ 1,574.71Mn in 2016 while Pakistan's import from UK was recorded at \$ 880.84Mn from \$ 843.64Mn in 2016. Since UK would not be the part of EU any longer due to Brexit, the benefits extended to UK importers on tariffs under GSP Plus scheme would be ended.

Close coordination between Pakistan and Britain

In order to promote trade and business cooperation, the Pakistan Britain Trade & Investment Forum (PBTIF) was established on May 8, 2003. Its mission was to give momentum to the investment and commercial relationship of Pakistan and the UK by addressing operational and policy issues while enhancing bilateral trade activities at the same time. The United Kingdom-Pakistan Chamber of Commerce & Industry (UKPCCI) is another important joint venture of Pakistan and the United Kingdom that was established 30 years ago by a group of businessmen. The Chamber has been contributing in the enhancement of bilateral trade between the two countries by arranging training and networking events to facilitate the businessmen of both sides. The Chamber also provides logistic support to the businessmen of UK and help support in opening bank accounts, company registration and other such services.

Moreover, various Memorandums of Understanding (MoUs) have been signed between the governments of Pakistan and United Kingdom during the year 2012. These MoUs were signed by Port Qasim Authority (PQA), Karachi Port Trust (KPT), Karachi Metropolitan Corporation (KMC) and Karachi Water and Sewerage Board (KWSB) with UK companies. These MoUs aimed at attracting investment worth of \$ 775Mn in the water supply project which would supply 97Mn gallons of clean water to the citizens of Karachi city.

Potentials to enhance Bilateral Trade between Pakistan & UK

- **UK favoring GSP plus Status to Pakistan:** Being a gateway to the European Union (EU) and having strong voice at the EU table, UK's support for the developing countries to avail EU's tax relief packages is highly regarded. The EU countries have the lion's share in Pakistani exports and reduction in duties on Pakistani exports through EU's GSP Plus status would add up to the Pakistan's trade volume. In the past, UK also backed EU to provide Autonomous Trade Preference to Pakistan. UK's support to Pakistan would greatly influence in keeping GSP plus status intact. However, it is important to remember that as UK would exit the bloc, EU's share would be reduced to 24% from 31%.

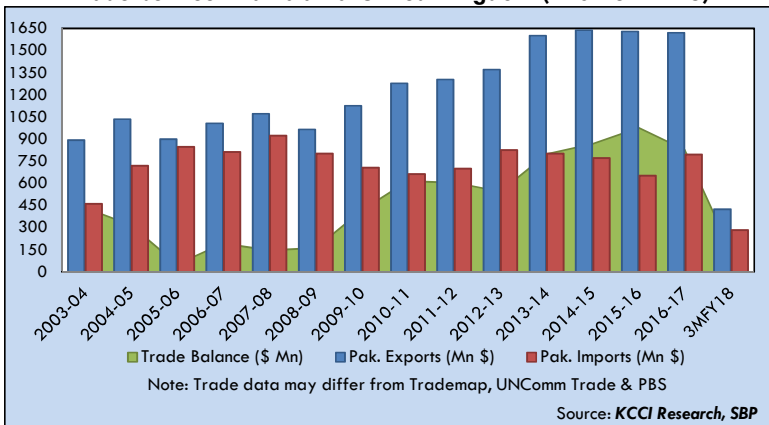
- **Impact of Brexit on Pakistan's trade** can be neutralized if government works on securing a similar tariff concession deal with UK enabling it to secure its market access after Brexit.

Economic Indicators

Indicators	Unit	2015	2016	Change
GDP (PPP)	\$ Bn	2,737	2,788	1.86%
GDP per Capita	\$	42,000	42,500	1.19%
GDP growth	%	2.20	1.80	-0.40%
Forex Reserves	\$ Bn	107.70	129.60	20.33%
External Debt	\$ Bn	8,642	8,126	-5.97%
Exports of Goods	\$ Bn	436.20	412.10	-5.52%
Imports of Goods	\$ Bn	627.70	581.60	-7.34%
Trade Balance	\$ Bn	-191.50	-169.50	11.49%
Current Account	\$ Bn	-153.30	-157.30	-2.61%
FDI - at Home	\$ Bn	2,040.00	2,069.00	1.42%
FDI - at Abroad	\$ Bn	1959.0	1975.0	0.82%
CPI	%	0	0.50	0.50%
Prime Lending Rate	%	4.51	4.60	0.50%
Population	Mn	N/A	64.43	-
Unemployment	%	5.4	5.1	-0.30%
Litarcy Rate	%	N/A	99	-

Sources: KCCI Research, CIA Factbook

Trade between Pakistan & United Kingdom (FY04-3MFY18)



United Kingdom's Trade - Commodity Wise (2017)

Top 10 Exports Items (\$ Mn)	Top 10 Imports Items (\$ Mn)
Machinery, Mech. Apps 68,034	Machinery, Mech. Apps 75,861
Vehicles other than railway 53,745	Vehicles other than railway 75,036
Mineral fuels, oils 35,621	Electrical machinery, equip. 70,861
Pearls, stones, metals 32,840	Mineral fuels, oils 57,132
Pharmaceuticals 32,760	Pearls, stones, metals 39,555
Electrical machinery, equip. 28,560	Pharmaceutical products 32,748
Aircraft, parts thereof 21,085	Plastics and articles thereof 18,870
Optical, photographic 18,064	Optical, photographic 17,534
Plastics and articles thereof 12,039	Aircraft, parts thereof 12,451
Organic chemicals 10,349	Furniture; bedding 13,396

Sources: KCCI Research, Trademap

United Kingdom's Trade with Pakistan - Commodity Wise (2017)

UK's Export to Pakistan (\$ Mn)	UK's Import from Pakistan (\$ Mn)
Iron and steel 309.0	Made-up textile articles 497.04
Machinery, Mech. Apps 127.9	Knit Apparel & cloth Articles 391.93
Other Made-up textile articles 57.7	Unknit, Apparel, Cloth Artcl. 240.88
Electrical machinery, equip. 36.1	Cotton 50.41
Optical, photographic 28.7	Leather Articles, Saddlery 39.56
Pharmaceuticals 28.3	Cereals 39.49
Vehicles other than railway 26.0	Optic, photograph measures 34.06
Misc. chemicals 22.3	Man-made staple fibres 32.58
Aircraft, parts thereof 20.5	Toys, sports requisites 31.59
Organic chemicals 19.6	Furniture; bedding, cushions 24.06

Sources: KCCI Research, Trademap