

An Economic Analysis of Pak–Saudi Trade Relation Between 2000 and 2011

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Abstract

The Gulf region and South Asia represent the surrounding geographical entities with Pakistan. Pakistan has strong religious, economic, social, culture, historical and strategic relation with Saudi Arabia and Gulf Co-operation Council (GCC) countries, based on common political, economic and security interest. The mutual relations between the Kingdom of Saudi Arabia and Islamic republic of Pakistan is brotherly and friendly since the independence of Pakistan. This relation was further strengthened by ex- prime mister of Pakistan; Mr. Zulfikar Ali Bhutto. Being politically dominant states of the Islamic world, Pakistan and Saudi Arabia have developed a very good commercial and Geo-strategic relationship. Saudi Arabia is the largest Peninsula/Gulf and the home of the two religious holiest cities of Islam; Mecca Mukaramh and Madina Monawarah, the destination of all Muslims pilgrims from all over the world. Pakistan and Saudi Arabia have maintained respectable relation which is improving with the passage of time. Economic and commercial relations between the Kingdom of Saudi Arabia and Pakistan, brotherly relations between the people of Saudi Arabia and Pakistan are deeply rooted and cover a wide spectrum. Saudi Arabia is among the 15 export partners of Pakistan and the mutual trade volume is more than 4 billion US dollars per year and a future increase is expected.

Key words: Economic analysis, Trade relation, Economic integration, Kingdom

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1. Introduction

Pakistan and Saudi Arabia has long rooted mutual relationship in almost all walk of life since the independence of Pakistan. The high level of delegation from Pakistan and Saudi Arabia reflects the mutual friendship between the countries. The successive leadership of Saudi Arabia has visited Pakistan time to time. King Saud visited Pakistan in 1954, King Faisal in 1966 and 1974 and King Khalid in 1976. Similarly, King Fahd as crown prince visited Pakistan in 1980 and King Abdullah visited Pakistan as a crown prince in 1984, 1988, 1997 and 2003. Pakistan and Saudi Arabia has maintained good relation since long in commercial and trade sectors. Pak Saudi yearly bilateral trade is overhead US\$ 3.3 billion. Major export from Pakistan to Saudi Arabia consist of rice, fresh cotton, yarn anecdote, fiber materials, convenient clothes, woolens (hosiery), completed ups, couch linen, dish towels, shelters mangos, art image, silk, & artificial fabrics, leather garments, furniture equipment's, floorings, rugs, footwear's, sporting goods, medical goods, fish, fruits, vegetables, flavors and spicy, crusts and juices etc. Pakistan imports her major necessities from Saudi Arabia. (*"Pak-Saudi Arabia relation,"*)

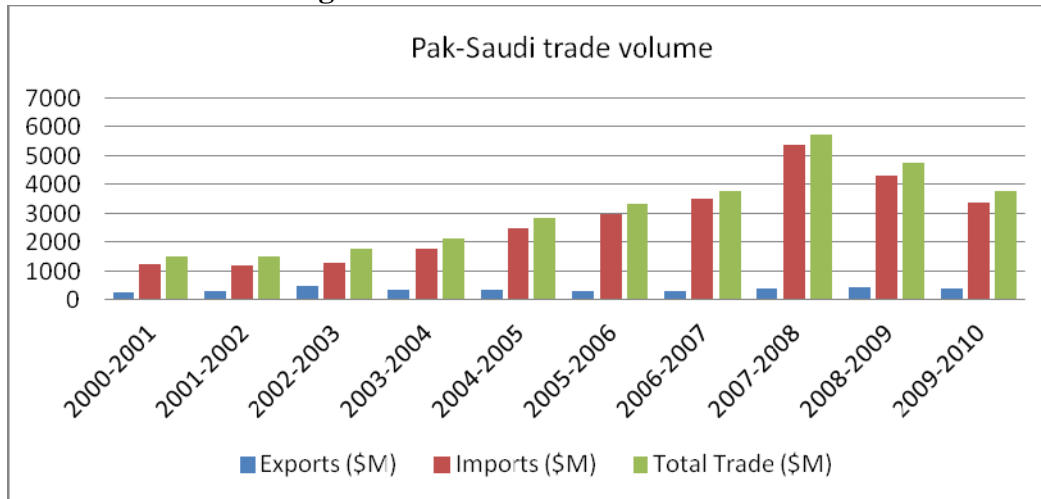
These majorly consist of petrol and petroleum products, petrochemicals, biological and biochemical products, plastics and plastics stuffs, nourishments, steel products, electrical apparatus's and resources, fresh skins, suntanned leather, boiler and weighty equipment's, copper and copper goods, aluminum & aluminum goods (*"Saudi-Pak trade on,"*)

The trade volume between Pakistan and Saudi Arabia is \$4 billion per year. The Kingdom of Saudi Arabia has 15 export partners among all over the world. The Saudi Arabia imports multi products from Pakistan. These products consist of rice, vegetables, and ready-made garments, sports goods, footballs, handicraft, leathers, carpets, towels, cotton fabrics, fish and fish preparation, synthetic fabrics, made up textiles, tents and canvas, fruits, honey, and printed matter. Pakistan majorly imports petrol and petroleum products along with copper wire and roads, ships and boats, chemical machines, polythene, plastic molding powder, aluminum waste, urea, dates, paper waste, parts of aircraft and sulfur. (*"Pak-Saudi Arabia Bilateral"*)The following table shows time series bilateral trade volume of Pakistan and Saudi Arabia.

Table 1: Pak-Saudi trade volume

Year	Exports (\$M)	Imports (\$M)	Total Trade (\$M)
2000-2001	274.80	1,252.80	1527.60
2001-2002	329.50	1,201.30	1530.80
2002-2003	476.00	1,302.40	1778.40
2003-2004	348.60	1,779.20	2127.80
2004-2005	352.70	2,479.30	2832.00
2005-2006	329.30	2,994.80	3324.10
2006-2007	289.10	3,492.30	3781.40
2007-2008	381.80	5,354.90	5736.70
2008-2009	456.30	4,288.00	4744.30
2009-2010	393.10	3,385.60	3778.70

Figure 1: Pak-Saudi bilateral trade



Pak- Saudi bilateral imported items from 2007 to 2009. This table depicts decomposition of major import items for both countries. (SHAMS)

Table: 2 Pak-Saudi bilateral imports (2007-2009)

Saudi Arabia import commodities from Pakistan in (US \$M)				Pakistan import commodities from Saudi Arabia in (US \$M)			
Commodities Description	2007	2008	2009	Commodities Description	2007	2008	2009
Articles of apparel clothes Access	47.172	49.046	42.789	Petroleum products & oil	1982.09	2481.922	2891.5
Textile Products Rag etc.	57.697	46.403	40.76	Petro chemical products	215.806	165.116	192.55
Rice	44.798	42.406	37.00	Plastic & Articles	143.362	172.937	201.50
Cotton yarn & woven fabrics	41.667	39.493	34.69	Fertilizers	23.08	19.325	22.53
Foot wear	22.046	24.081	21.145	Leathers	18.355	16.42	19.148

Figure 2: Saudi Arabia imports from Pakistan i (US \$M)

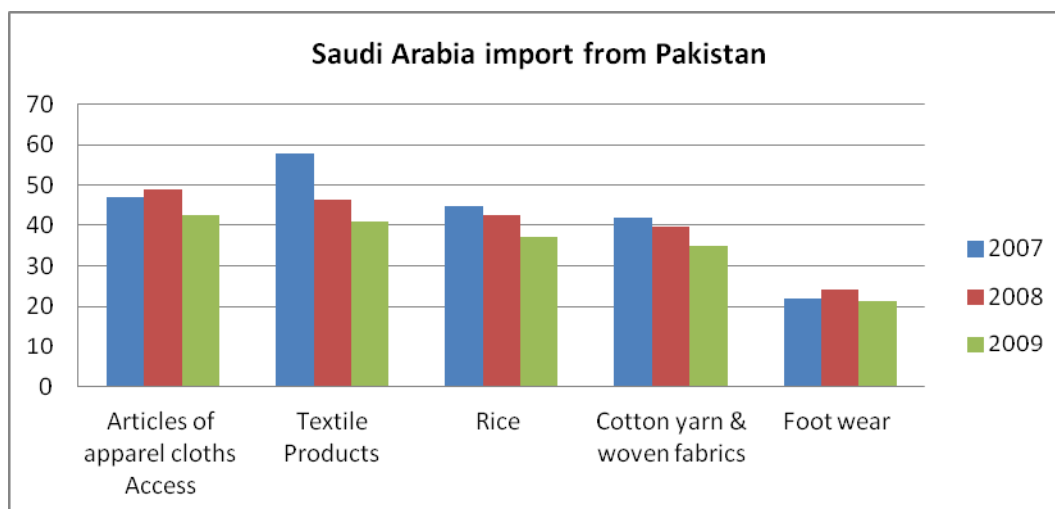
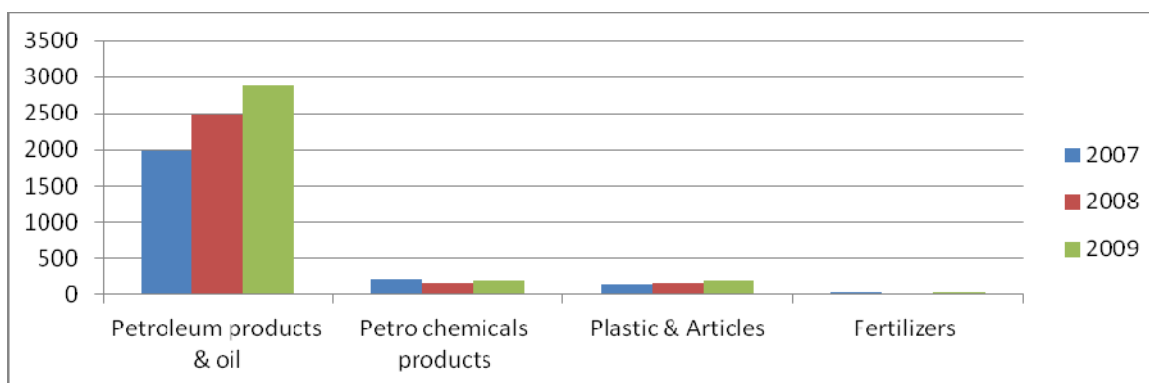


Figure 3: Major imports from Saudi Arabia (US \$M)



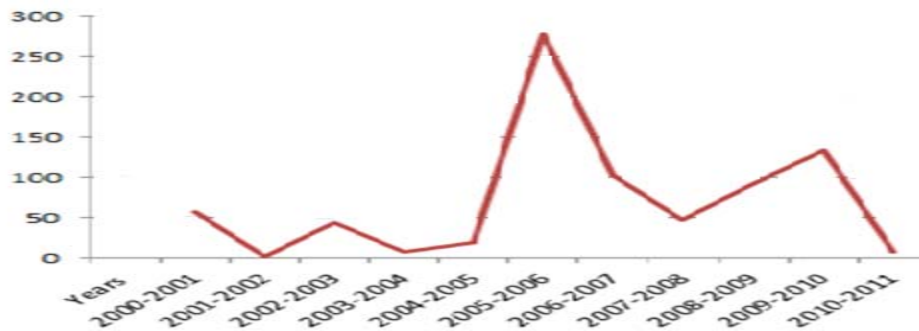
2. Saudi Investment in Pakistan

Pak-Saudi business club is planning to invest in Pakistan in different sectors; Pak-Saudi business societies create a considerable cooperative investment and manufacturing areas. There are many Pakistani investors in the kingdom and they have already got the certificate from the Saudi Foreigner Authority (SFGIA) and already recognized various corporations in different type sectors production, transport and facilities, (" kingdom of", 2010).The foreign direct investment from Saudi Arabia in Pakistan (FDI) trendy 2000 to 2011 the Saudi investment in million US\$ which is graphed per annum. Ministry of trade and industries of Saudi Arabia has announced that the Saudi government has to plan to encourage the private sectors to invest in Pakistan, especially in agriculture and joint ventures in livestock's and dairy products. ("Board of investment,")

Table 2: Foreign Direct Investment from Saudi Arabia in Pakistan during 2000-2011

Years	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Investment in US\$(million)	56.6	1.3	43.5	7.2	18.4	277.8	103.5	46.2	92.3	133.8	6.5

Figure 4: By graphic the investment show in different years from 2000 to 2011



3. Pak Saudi Joint Ministerial Commission (JMC)

Pak Saudi joint ministerial commission established in May 1974 eight sessions has been held alternately in Riyadh Saudi Arabia. This forum has been further enhanced and strengthened the existing fraternal relations between the two countries in all fields of mutual interest. Both the leaders of the ministerial Commission acknowledged and explore bilateral co-operation and utility rather than an effective means of meeting their sincere hope expressed in the first meeting to become a big milestone in the development of economic, technical knowledge and cultural

relations between the two Muslim states by the principles of mutual respect, equality and mutual advantages. But note that is in potency in the context of both full of great economies for examiners. Both at the same time the two sides came up with certain recommendations. (*"Pak tribune,"*)

4. Pak Saudi Joint Business and Commercial Relation (JBCR)

Pakistan and Saudi Arabia derive the excellent relation of trade close geographic historical proximity trade ties. Pak Saudi joint business has fallen to pressing more need interaction are between at equal of commercial groups to catch more qualitative and measurable enhancement in balance business, religious rapprochement a complimentary financial requirements shaped durable captivity Confidence among Pakistan and Saudi Arabia. In accumulation, there is a junction the opinions and safeties of both countries in most local and worldwide matters. High and close level visits from Pakistan besides Saudi Arabia reflects the excessive Balminess and complexity of mutual relationships. Throughout the past limited ages, President and "Prime Ministers of Pakistan" to visit Saudi Arabia happening a numeral of times (*"Pak Saudi Arabia,"*)

5. Involvement in International trade fair

The international trade fair is held in Saudi Arabia Pakistan are officially participating in all trade fair, in March 2007 world trade fair and health care and hospital instrument on May 2007 in Riyadh Pakistan attended at officially by Pakistan Trade and Development Authority (PTDA) Pakistani leading companies attending all the trade festival in Saudi Arabia for the purpose to promote their products in gulf countries. Saudi Arabia is a gateway for Pakistani products through all gulf countries. All the gulf members countries' economical they depend upon in Saudi Arabia if Saudi Arabia economy is strong and stable. Pakistan Trade and Development Authority had organized expo festival to promote Pakistani products in all over the world, Saudi Arabia business community participate all expos, Pakistan Trade development Authority formerly Pakistan export promotion bureau had arranged first expo in Karachi, a vast group number of Saudi business community appeared the expo and they awestruck and show their interest in Pakistani products, for the first time with delegation eleven of them are women and they participate in the exhibition. In 2011 the Dubai air show Pakistani JF17 Thunder fighter is introduced first time in that air show all gulf countries members showed interest. (*"Expo Pakistan opportunity,"*)

6. Free Trade Agreement (FTA) with GCC Countries and Saudi Arabia

The Gulf Cooperation Council (GCC) has a new economic group, the Pakistani government has obvious to sign free trade (agreement) contract (FTA) with the GCC countries, the new group will deliver huge quantity prospect for Pakistani exports, and the agreement provides the possibility to Pakistani exports to reduce duty in the first stage and deprived of tariff for farseeing term. This business agreement to finalize and facilitate to promote to negotiate to signing a free trade agreement (FTA) between Pakistan and Gulf Cooperation Countries from the beginning, Pakistan, has to sit and sign (FTA) free trade agreement with the Gulf Cooperation Council (GCC), would be at a disadvantage compared with the gulf countries, which have a huge economy.

Pakistan must consider the position of the weaker economy position and should considered to avoid repeating mistakes, committed during the country's free trade agreement with China, said .The country showed a huge difference from trade with China after the signing of the FTA with china, as there was a flow of goods from the neighboring country in the past few years that took the trade deficit to around 4(US\$) billion ("free trade agreement,").

However Pakistan and GCC have reached to sign the agreement by negotiation over draft to proposed the agreement almost finalized, following from Free Trade Agreement(FTA) the source claimed that Pakistan has looking to boost has economy and its trade volume with GCC countries from the current volume \$60 billion to \$350 billion in 2020. Pakistan has already signed free trade agreement with Malaysia, Sri Lanka, and China, beside the South Asia free trade agreement. It's significant for Pakistan to import the raw material semi-finished goods and oils from GCC countries, FTA will reduce its cost (Pakistan, GCC close to signing *Free Trade Agreement*).

7. Saudi Arabia, USA and GCC Countries Aids for Pakistan

Saudi Arabia has quietly over cross United States in relief as one of the largest donor of aid in real terms so far. Commitment expressed in flood to help victims of devastating floods in Pakistan the US \$ 140 million (Saudi Flood Aid to Pakistan). The First and foremost problem with Pakistan is that, it is a country that survives on economic aid to sustain the functioning of the country. If it were not for this type of assistance, Pakistan would be close to economic collapse has been seen in balance-of-payments crisis in 2008. The two top contributors for this are the United States and the Kingdom of Saudi Arabia. Other members of the GCC countries also contribute to the coffers of the Government of Pakistan, but none to the tune of Kingdom of Saudi Arabia. United States, since 9/11 have contributed almost 17 billion dollars in assistance to Pakistan, according to statistics recently published in the late in 2009, they agreed for a set of 7.5 billion dollars in civilian aid over 5 years and \$ 2billion aids for military agree in October 2010.

There are no figures for the assistance delivered by KSA however; Several mentioned that contributions are significant, for example, when oil prices reached their peak of \$ 147, the Government of Pakistan has received a grant of \$ 300million in KSA to provide a fiscal cushion (to fill the budget deficit) to high oil prices. In May 1998, when Pakistan was deciding whether it should meet the test of India's five nuclear weapons, the Saudis have promised 50,000 barrels per day of oil free to help support economic sanctions that might be enabled Pakistan to a test meter.

The commitment of Saudi oil was a key to the decision of Prime Minister Nawaz Sharif. He depreciated considerably subsequent penalties USA and EU in Pakistan. Economic support of KSA post-1998 has been retained for 3 years with deferred payments that were struck at the end of the term. In early 2008, once again agreed to defer payments, as we can see, corrupt and safety-minded phobic of Pakistan more waste his finances without having to invest in development activities and is therefore heavily dependent on economic aid, the United States and the KSA in particular. Pakistan relies heavily on support provided by KSA to survive.

Pakistan spends more money on military expenditure (estimated at \$ 5billion, of course Pakistan receives support in addition to what is military) education (estimated to be just only 2.2% of GDP-about 3 billion) ("The GCC-Pakistan Relationship," 2011). From the outset, the leadership of Saudi Arabia and its Government has been coordinating with Pakistan for many important issues social and economic similarities and geopolitics and sharing of various topics, regional and international issues, Saudi Arabia has always keen interest in social and economic development of Pakistan and financial assistance during the earthquake of 2005.Floods in 2010 and 2011, it also promised 700 million dollars for Pakistan in Tokyo "donors" conference.

8. Pakistani Expatriates in Saudi Arabia and GCC Countries

The Kingdom of Saudi Arabia (KSA) became the largest export market of the Pakistani workers around the world. In the Gulf States as a United Arab Emirate (U.A.E.) Oman and Kuwait are attractive markets for the export of labors, but most of them have lost suffers since the mass revolt hit economic activity and working environment in Yemen, Bahrain and Libya. Saudi Arabia is a Muslim country attractive to millions of Pakistani workers who seek their livelihood and a bright future in the Holy Land and migrate thousands every month, regardless get lower salaries. (Pakistan Manpower Export to Saudi Arabia Inviting Huge Remittances).

In the month June 2011the Pakistani overseas worker was recorded for a single month when they sent home an amount \$1104m. It was then on the record that Pakistani workers remitted over \$1billion. In 2011 the month of March, April, May they had remitted amount \$1,052.90m, \$1,030.43m, \$1,049.80m, \$1,104.56m and 1,096.31m and July 2011 respectively, The inflow of remittances in July-August 2011 from Saudi Arabia, United Arab Emirates, United Kingdom, United States, GCC (including Bahrain, Kuwait, Qatar and Oman) and the EU countries amounted to 601.62million dollars, \$552.11m, \$458.45m, \$282.45 m, \$ 250.76m and \$

74.97m respectively from the inflow of \$ 400.50 m, \$ 389.59 m, \$ m, \$ 193.86m, 330.68, \$209.79m and \$ 52.99m respectively in July and August 2010, Remittances from Switzerland, Norway, Australia, Canada, Japan and other countries in the first two months of the current fiscal year (July-August FY12) is \$ 186.42 m against 146.83 million dollars received in the first two months of the last fiscal year ("Expatriates send over").

Saudi Arabia is our strategic partner, which is rooted in the general belief and culture. Geographical proximity and historical trade relations, religious associations and to facilitate economic relations, established on the basis of mutual respect, More than 1.5 million Pakistanis working in Saudi Arabia ("*Pak-Saudi relations: New,*").

9. Conclusion

Kingdom of Saudi Arabia has a good working relationship in all walk of life. The Kingdom offers fiscal assistance to Pakistan and the remittances of Pakistani overseas from Saudi Arabia are also an important source for overseas currency reserves. In current years the two nations swapped high-level designations and they have tactics to develop and extend collaboration, bilateral trade, education, real estate, tourism, computer science, communication, and husbandry. Saudi Arabia wants to growth of trade relationships with Pakistan help of the Gulf Cooperation Council (GCC) for a free trade agreement, Pakistan is negotiating for a free trade agreement (FTA). Traditional cultural and economic ties between Pakistan and Saudi Arabia have excited for several centuries. Strengthened further, Pakistan has contain to have continued the important economic and strategic with Saudi Arabia and Gulf countries. Finally, the relations of Pakistan with Saudi Arabia and GCC Countries as an important part of its foreign policy and its implications for future relations with the East Asia, Central Asia, China and the far not enough emphasis, A balance in its relations with India and Pakistan are crucial for the future policy and necessity of nuclear in perspective to develop the historic heritage of the relations of the two rivals. Any conflict of interest and tilt, the balance of shared security and economic interests between Pakistan and Saudi Arabia would naturally impact of course a political influence the long-term changes would affect. Economic and commercial relations between the Kingdom of Saudi Arabia and Pakistan, Brotherly relations between the people of Saudi Arabia and Pakistan are deeply rooted and cover a wide spectrum. Saudi Arabia among the 15 export partners of Pakistan and trade raises volume of more than 4 billion\$ dollars per year and will be increased in the future expected. Pakistan has very long standing and closed down relationship with the kingdom of Saudi Arabia, Kingdom of Saudi Arabia has already invested considerably in some sectors in Pakistan and the economy and its basic industries which already discussed in the paper in details, the commercial section of the Pakistan Embassy should play an active role to organize trade fairs in different cities of Saudi Arabia to create awareness among the Saudi businessmen for the Pakistani products.

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