

Pak-Italian Trade Relations

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Italy is the sixth largest country in the European Union, after France, Spain, Sweden, Germany and Finland. Italy has a diversified industrial economy with roughly the same total and per capita output as France and the UK. This capitalistic economy remains divided into a developed industrial north, dominated by private companies, and a less developed, welfare-dependent agricultural south. The Italian economy has changed dramatically since the end of World War-II. From an agriculture based economy, it has developed into an industrial state ranked as the world's fifth largest industrial economy. Italy belongs to the Group of Eight (G-8) industrialized nations. It is also a member of the European Union and the OECD.

Most raw materials needed by industry and more than 75% of energy requirements are imported. Over the past decade, Italy has pursued a tight fiscal policy in order to meet the requirements of the Economic and Monetary Unions and has benefited from lower interest and inflation rates.

The current government has enacted numerous short-term reforms aimed at improving competitiveness and long-term growth. Italy has moved slowly, however, on implementing much needed structural reforms, such as lightening the high tax burden and overhauling Italy's rigid labour market and over-generous pension system. Due to the current economic slowdown and opposition from labour unions, the leadership faces a severe economic constraint: the budget has breached the 3% EU deficit ceiling.

Pak-Italian trade

Italy has always attached great importance to the cordial relations with Pakistan which are improving with the passage of time. Italy is one of the top eight trading partners of Pakistan. Over the years, trade between Pakistan and Italy increased significantly and other economic activities have also grown between the two countries.

During the past five years exports and imports between Pakistan and Italy has increased, but the rise in exports has been faster than the imports. The balance of trade had remained in favour of Pakistan, which increased from US \$141.4 million in 2003-2004 to US \$170.3 million in 2007-2008.

Table-1 shows trade balance between Pakistan and Italy.

Table 1: Pak Italy Trade Balance

			US \$ Million
Year	Exports	Imports	Trade Balance
2003-04	454.1	312.7	+ 141.4
2004-05	588.3	363.7	+ 244.6
2005-06	585.3	523.6	+ 61.7
2006-07	639.7	543.8	+ 95.5
2007-08	723.6	553.3	+ 170.3

Source: State Bank of Pakistan.

Exports from Pakistan to Italy increased from US \$454.1 million in 2003-2004 to US \$723.6 million in 2007-08, thus showing an average increase of 12% per annum. Cotton fabrics and yarn, readymade garments, towels, hosiery, bed-wear, carpet and rugs, cotton, leather, sports goods and surgical instruments are the major items exported from Pakistan to Italy. Export of textile and other items from Pakistan to Italy is given in Table-2.

Imports from Italy also increased from US\$ 312.7 million in 2003-2004 to US\$ 553.3 million in 2007-2008, thus showing an average increase of 15% per annum. Textile machinery, general industrial machinery, power generating machinery, petroleum products, transport vehicles, iron and steel, pharmaceutical, acrylic fibre, chemicals and paper and paperboard are the main items imported from Italy.

A number of Italian companies including SECA, FIAT, Piaggio, Ansaldo, GIE Srl and Fochi Energia are operating in Pakistan. Leading textile machinery manufacturers like ITEMA Group are actively marketing their technology in Pakistan. Import of textile machinery from Italy to Pakistan decreased from Rs 8.10 billion in 2006-2007 to Rs. 5.72 billion in 2007-2008, thus showing decline of 29%. Import of textile machinery (major items) from Italy to Pakistan is given in Table-3.

Italy has strongly supported Pakistan's case for Free Trade Agreement (FTA) with the European Union and given assurance to encourage Italian investment in Pakistan.

Italian Ambassador to Pakistan Vincenzo Prati said that the European countries should consider Pakistan as a major economic and trade partner for the

Table 2: Export of Textile products from Pakistan to Italy (Major Items)

			US \$ \$ 000
Products	2007-08	2006-07	
Cotton fabrics	157,794	131,610	
Bedwear	70,622	54,242	
Readymade garments	68,826	73,953	
Knitwear (Hosiery)	58,175	74,647	
Cotton yarn	46,363	49,254	
Made-up articles of textiles	19,839	19,866	
Towels	17,768	15,903	
Raw cotton	329	64	
Art silk and Synthetic textiles	12,022	16,902	
Yarn other than cotton yarn	594	2,653	
Cotton bags /sacks	512	1,140	
Tents and canvas	296	340	
Knitted fabrics	47	142	
Carpets	21,718	23,507	
All others	248,726	175,284	
Total	723,631	639,507	

Source: Trade Development Authority of Pakistan.

future and European countries and Pakistan should move closer, step-by-step in fostering economic relations.

The Italian ambassador further said that the G8 summit was of vital importance for Pakistan, as G8 expressed its commitment to stand with Pakistan in its fight against terrorism and violent extremists. The G8 summit also welcomed Pakistan's efforts to meet its commitments under its IMF stand-by arrangement and encouraged the government to continue critical economic reforms, which would allow for sound and transparent fiscal management.

Italians like-minded businessmen from Pakistan have formed Pak-Italian Association (PAKI) to foster economic and cultural initiatives between Pakistan and Italy. Pakistan is involved in promoting trade between Pakistan and Italy and for this purpose a number of Italian companies have been invited to Pakistan to explore trade and investment possibilities.

Recently Trade Development Authority of Pakistan has decided to set up four training institutes in each of the four

capitals to provide skilled manpower for the marble and minerals sector in collaboration with the Italian government and with the cooperation of Pakistan Italy Business Forum. This was stated by Syed Mohibullah Shah, CEO of TDAP in a meeting with a delegation of Pakistan Italy Business Forum.

Shah further stated that the Italian Ambassador has also accepted the demand to provide Master Trainers so that the latest technology can be imparted through these institutes. He also assured the delegation that he would continue to maintain the channel of communication with the Italian Ambassador as well as the Pakistani diplomats in Rome to follow up on the proposal to set up the institutes.

Technical Textiles: Italian Innovation

Innovation, research and technology, these are the key words to success on a market which above all speak Italian: that of technical textiles, fabrics equipped with special characteristics to respond to certain specific needs. The classification used at

the Techtextil fair in Frankfurt identifies different types of textiles, each specifically designed for applications ranging from professional activities to sport, the car industry and hygiene and health sectors.

All those industrial textile products not strictly linked to clothing and furnishing are in fact catalogued as technical: yarns for airbags, shoulder pads, filling, fireproof fabrics, but also special fabrics for use in the soil and foundations, roads, tips and waterworks, or as bases for subsequent facing, laminating or soldering. Some traditional products have a high technical content while being used for clothing and thus conditioned by fashion (clothing for sport, mountains and the sea), the peculiarity of technical textiles lies in their intrinsic innovation: they are designed to replace old products or to innovate them.

The Italian association of 112 companies whose main objective is the knowledge, development and promotion of technical textiles. This sector is observing a steadily growing turnover, accounting for 10% of the total turnover of Italian Textile machinery industry. ♦

Table 3: Import of Textile Machinery from Italy to Pakistan (Major items)

Value: Rs in 000

Machinery	Unit	2007-08		2006-07	
		Quantity	Value	Quantity	Value
Textile Spinning Machines	No	3,098	3,931,396	3,381	3,552,063
Textile Fibre Machines	No	115	181,480	260	258,673
Weaving Looms (Shuttleless)	No	271	678,399	3,158	2,903,157
Circular Knitting Machines (Dia 165 mm)	No	278	251,707	517	459,155
Flat Knitting Machines	No	11	5,583	17	3,903
Combing Machines	Kg	39	73,570	25	41,047
Drawing - Roving Machines	No	3	13,403	10	19,538
Blow Room Machinery	No	10	23,286	29	58,051
Textile Fibre Machines	No	24	32,721	58	95,465
Textile Doubling or Twist Machines	No	17	21,396	30	44,997
Weft Winding Machines	No	10	15,518	8	16,045
Cone / Bobbin Weaving Machinery	No	123	178,321	58	71,148
Textile Winding Machines	No	40	81,730	200	250,708
Cylinder Diameter exceed 165 mm	No	41	41,940	138	154,143
Spinning Rings.	Kg	1,978	2,207	229	252
Parts of Weaving Machines.	Kg	24,558	36,983	28,119	39,767
Other parts of machinery.	Kg	146,480	153,182	104,775	136,919
Total	--	--	5,722,822	--	8,105,031

Source: Federal Bureau of Statistics, Government of Pakistan.