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Unlocking ASEAN through Vietnam: A Strategic Path for Pakistan's Trade Diversification

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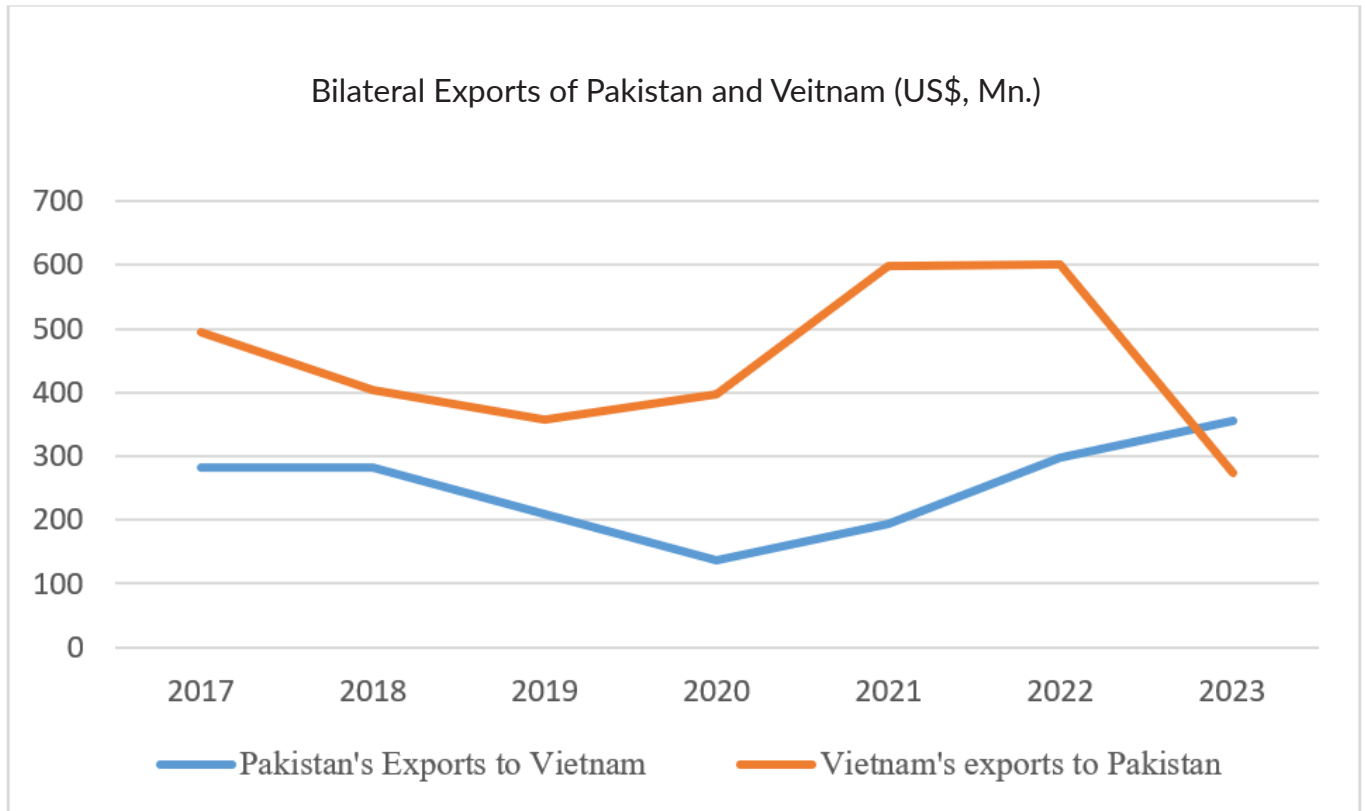
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Overview

Pakistan and Vietnam aim to negotiate a preferential trade agreement (PTA) under the framework of 5th Vietnam-Pakistan subcommittee on Trade in November 2025 to reduce tariffs, overcome non-tariff barriers and enhance market access. Despite their shared potential as emerging Asian economies, bilateral trade remains negligible due to structural issues such as low trade complementarity, overlap in comparative advantage, and lack of mutual awareness between the two sides. Vietnam is a dynamic and emerging economy with global exports of 434.66 billion US\$ yet Pakistan's market share remains marginal.

Figure 1 shows that bilateral trade of both countries has been volatile and balance of trade has been in favor of Vietnam. However, exports from Pakistan seen a gradual improvement over the period of 2017-2023 and achieved a trade surplus of 80.7 million US\$ in 2023, reversing the trend of trade deficit. The trend (fig. 1) shows that Pakistan's exports to Vietnam declined during 2018-2020, then recovered strongly since 2021 pandemic and reached 354.75 million US\$ in 2023, a rise of almost three-times from 2020 level of 136.67 million US\$.

Figure 1. Trend of Bilateral Exports between Pakistan and Vietnam



Source: UNComtrade

On the other hand, Vietnam's exports to Pakistan experienced a steep decline of 54 percent in 2023, though remain high in 2021-2022. Covid-19 pandemic played a crucial role in the expansion of Pakistan's exports during this period because Vietnam imposed stringent, economy-wide lockdowns to contain the spread of the virus, which resulted in factory closures and supply-chain disruptions. Pakistan, on the other hand, maintained a relatively open economic regime, and allowed its industrial and export sectors to continue to operate with fewer restrictions. This differential in public policy response towards the pandemic enabled Pakistan to catch redirected global output order, especially in textiles, home-textiles, and personal protective equipment (PPE) since global buyers sought an alternative source for their imports amid production halts and supply-chain disruptions in East and Southeast Asia (UNESCAP, 2022). Consequently, exports from Pakistan surged. The Asian Development Bank (ADB, 2022) also observed that growth in the exports of Pakistan was the result of the resilience of its textile sector and relative open regime of its economy amid regional lockdowns.

The year 2020 appeared to be the turning point for trade relationship between Pakistan and Vietnam. During 2017-2019, both countries witnessed a steady decline in their exports. However, post 2020-period, Pakistan's exports to Vietnam experienced a growth of 37 percent per annum, while those of Vietnam's to Pakistan declined by 12 percent annually.

Trade Pattern and Competitiveness

Pakistan exported 636 products at HS-6-digit level to the world and Vietnam imported all those 636 products from the world but it sourced only 180 of those products from Pakistan. The highest import value commodity is maize with a value of 173 million US\$ and the lowest valued is that of food preparations nec. (not classified elsewhere, such as yeast, frozen pre-prepared meals, instant tea etc.,) with an import value of 50 US\$.

Trade complementarity (table 1) between both countries is very low and stagnated around 23, which implies that Pakistan's export structure weakly overlaps with import demand of Vietnam. Many HS2 category goods exported by Pakistan are either not in high demand in Vietnam or Vietnam itself produces and exports those commodities (for example, textiles and some agricultural goods). The product groups of HS 13 (Lac, gums, resins), 14 (Vegetable materials), 45-46 (Cork, straw) have the smallest gaps in TCI but their shares are tiny.

Table 1. Pakistan Trade Complementarity Index with Vietnam

Year	Trade Complementarity Index
2020	22.97
2021	22.52
2022	23.43
2023	23.25

Source: World Integrated Trade Solution (WITS)

Table 2 reveals that Pakistan holds strong global comparative advantage in sectors such as textiles, cotton waste, leather, and meat products yet its bilateral revealed comparative advantage (BRCA) in Vietnam is low or non-existent. The low value of BRCA reveals that Pakistan is under-represented in the Vietnamese market and have untapped potential to materialize. This under-representation is compounded by higher tariffs since Vietnam is also exporter of these products (average tariffs of 15.3 percent with some products sensitive for the economy of Vietnam face higher tariffs up to 100 percent such as used clothing); non-tariff barriers (NTBs) including certification requirements and conformity assessment procedures; and structural overlap as both economies export textiles and agricultural commodities.

Table 2. Products with High Standard Revealed Comparative Advantage (SRCA, where Pakistan enjoys global competitiveness) but Low or Zero Trade

HS Code	Product Name	Pakistan's Global Advantage (SRCA)	Vietnam Imports (from Pakistan in US\$)	Vietnam World Imports (in Mil. US\$)
620322	Men's/boys' cotton ensembles (not knitted)	644 (very strong)	548	7.5
630239	Bed linen (non-cotton textiles)	467		2.4
520291	Cotton garnetted stock waste	438		4.0
20110	Bovine meat (carcasses/half-carcasses)	362		0.124
630299	Toilet/kitchen linen (non-cotton)	354		3

Source: UNComtrade

Table 3 shows that Pakistan's top exports to Vietnam are maize (USD 173 million), raw cotton (USD 30 million), leather, cotton yarn, sesame seeds, and dyes. A composition of export basket heavily skewed toward raw and semi-processed commodities. Conversely, products where Pakistan enjoys strong SRCA but low or zero exports to Vietnam such as bed linen, cotton waste, bovine meat, and home textiles reveal untapped potential constrained by tariffs, certification costs, and information asymmetry.

Table 3. Top 10 Imports of Vietnam from Pakistan, 2023

HS Code	Commodity	Value (Mn. US\$)
100590	Cereals; maize (corn), other than seed	173.43
520100	Cotton; not carded or combed	30.11
521142	Fabrics, woven; containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200g/m ² , of yarns of different colours, denim	11.81
410712	Leather; further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, other than leather of heading 41.14, whole hides and skins, grain splits	10.77
411310	Leather; further prepared after tanning or crusting, including parchment-dressed leather, without hair on, whether or not split, other than leather of heading 41.14, of goats and kids	9.71
120740	Oil seeds; sesamum seeds, whether or not broken	8.83
520512	Cotton yarn; (not sewing thread), single, of uncombed fibres, 85% or more by weight of cotton, less than 714.29 but not less than 232.56 decitex (exceeding 14 but not exceeding 43 metric number), not for retail sale	6.49
520839	Fabrics, woven; containing 85% or more by weight of cotton, dyed, of weaves n.e.c. in item no. 5208.3 weighing not more than 200g/m ²	6.15
320415	Dyes; vat dyes (including those usable in that state as pigments) and preparations based thereon	5.26
030799	Molluscs; n.e.c. in heading 0307, whether in shell or not, other than live, fresh or chilled, includes flours, meals, and pellets of molluscs, fit for human consumption	5.09

Source: UNComtrade

Table 4. Top 10 Imports Pakistan from Vietnam from, 2023

HS Code	Commodity	Value (Mil. US\$)
851712	Telephones for cellular networks or for other wireless networks	93.20
540244	Yarn, synthetic; filament, monofilament (less than 67 decitex), other than high tenacity or textured yarn, elastomeric, single, untwisted or twisted 50 turns or less per metre, not for retail sale, not sewing thread	14.88
720839	Iron or non-alloy steel; in coils, without patterns in relief, flat-rolled, of a width 600mm or more, hot-rolled, of a thickness of less than 3mm	13.87
090411	Spices; pepper (of the genus piper), neither crushed nor ground	12.87
090220	Tea, green; (not fermented), in immediate packings of a content exceeding 3kg	10.19
852990	Reception and transmission apparatus; for use with the apparatus of heading no. 8525 to 8528, excluding aerials and aerial reflectors	9.52
630491	Furnishing articles; excluding those of heading no. 9404, knitted or crocheted (excluding bedspreads)	6.19
400121	Rubber; natural (excluding latex), in smoked sheets	6.14
382490	Chemical products, preparations and residual products of the chemical or allied industries, n.e.c. or included in heading no. 3824	5.49
090240	Tea, black; (fermented) and partly fermented tea, in immediate packings of a content exceeding 3kg	4.51

Source: UNComtrade

Policy Recommendations

Since Pakistan and Vietnam compete rather than complement in the global market and the Vietnamese market has limited direct demand for Pakistani goods, therefore, Pakistan's trade policy must evolve from commodity exports toward value-added and supply-chain-oriented integration. The purpose of these recommendation is to move Pakistan away from raw material exporter to value-added input supplier, thereby strengthening resilience through diversification, and lay the groundwork for integration into broader regional and global supply chains. To this end Pakistan needs to

- Negotiate precise HS-6 or higher level product lines to get tariff concessions or tariff-rate quotas under Preferential Trade Agreement (PTA) where Pakistan has strong SRCA but BRCA in the Vietnam market is low, and Vietnam's world imports of that tariff line exist, even if modest, or are used as processing inputs, particularly in cotton yarn/blends, greige fabrics, home textiles, certified halal meat cuts, and cotton waste for mills.
- Overcome non-tariff barriers through Mutual Recognition Agreements (MRAs) for conformity assessment, Sanitary and Phytosanitary (SPS) arrangements for meat and processed foods, and textile testing and quality cooperation to reduce time-to-market and compliance costs so that certified inputs from Pakistan can enter directly into Vietnam's supply chains especially textiles, footwear, and processed food. This fosters intra-industry trade, linking Pakistan's raw materials to Vietnam's manufacturing strengths.
- Consequently, leverage Vietnam's network of free trade agreements (FTA) to gain access to the wider regions of Association of Southeast Asian Nations (ASEAN), Regional Comprehensive Economic Partnership (RCEP), and those of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) for cumulation and re-export benefits. This could position Pakistan as a feeder economy within East Asia's supply chains for textiles and agro-food products.
- Enhance B2B connectivity, trade intelligence, and sector-specific cooperation through trade fairs, research exchanges, and business councils. The lack of mutual awareness remains a critical barrier to market discovery and private sector engagement as recommended by the Federation of Pakistan Chamber of Commerce and Industry (FPCCI).

Conclusion

This knowledge brief shows that low volume of bilateral trade between Pakistan and Vietnam is not the result of demand constraints but of strategic misalignment. Both nations export similar goods, compete in global markets, and lack frameworks for supply-chain complementarity. Therefore, Pakistan should negotiate preferential trade agreement with a focus to achieve targeted tariff concessions, to overcome NTBs, and reposition Pakistan as a supplier of certified inputs into Vietnam's export industries, especially textiles, home-textiles, surgical equipment, instruments, and supplies footwear, and processed food. This will promote intra-industry trade and link Pakistan's raw materials to Vietnam's manufacturing strengths. In the process, Pakistan can move away from raw material exporter to value-added input supplier, thereby strengthening resilience through diversification, and lay the groundwork for integration into broader regional and global supply chains.

Key Takeaways

- Trade between Pakistan and Vietnam has been volatile with trade balance in favor of Vietnam. Pakistan's exports increased 37% annually since 2020 while those of Vietnam's decreased 12% annually.
- Textiles, leather, meat, cotton waste show low or zero penetration in Vietnam due to high tariffs (average 15.3%; up to 100% on used clothing), non-tariff barriers (certification, Sanitary and Phytosanitary (SPS), conformity assessment), and an overlap in comparative advantage (both countries export similar products).
- Pakistan has to realign itself as a trader of certified inputs into Vietnam's export industries, especially textiles, footwear, and processed food. This promotes intra-industry trade (IIT), linking Pakistan's raw materials to Vietnam's manufacturing strengths.

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