

An Assessment of Pak-Saudi Bilateral Trade Relations (1990-2019)

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ABSTRACT

Aim of the Study: Pakistan and Saudi Arabia are Muslim brother countries with deep religious, political, geopolitical, cultural, and economic ties. Trade is vital in sovereign-state associations; thus, all states should place more weight on establishing good and mutually beneficial commercial relations. Since 1990, Pakistan's liberalized economic policies and closer political connections with Saudi Arabia have greatly enhanced trade between the two countries. This study evaluates the benefits and drawbacks of the Pak-Saudi bilateral trade relations from 1990 to 2019.

Methodology: This study utilizes a combination of quantitative and qualitative analysis. This study has explored and analyzed Pakistan and Saudi Arabia's trade relations in detail and suggested new opportunities, protentional fields of cooperation and how to strengthen the current level of trade.

Findings & Conclusion: At present, they are bilateral trade per year above 4 billion dollars. Pakistan is exporting Saudi Arabia different kinds of goods, including rice, yarn anecdote, cotton, readymade clothes, sweaters, towels, fibre goods, couch linen, mangos, shelters, art portraits, silks, artificial stuff, furniture, leather outfits, floorboards, footwear, rugs, medical equipment, sports goods, fish, different kinds of fruits, different types of vegetables, flavours and other kinds of juice etc. Pakistan's imports from the Kingdom of Saudi Arabia (KSA) are mainly petroleum, plastics, organic chemicals, leather, aluminium, Iron and steel.

Keywords: Pakistan, Saudi Arabia, Trade, Relations, Exports, Imports.

Introduction

Pakistan and Saudi Arabia have had close and cordial connections since Pakistan's inception. High-level visits between the two countries attest to this. Saudi Arabia's consecutive leaders have paid several visits to Pakistan. In 1954, King Saud, King Fahd, and King Abdullah visited Pakistan successively. For a long time, Pak-Saudi has had a strong business relationship.

Pakistan exports a variety of goods to Saudi Arabia, including rice, yarn anecdote, cotton, readymade clothes, sweaters, towels, fibre goods, couch linen, mangos, shelters, art portraits, silks, artificial stuff, furniture, leather outfits, floorboards, footwear, rugs, medical equipment, sports goods, fish, various fruits

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and vegetables, flavours, and juice, among other things. Pakistan imports petroleum, plastics, organic chemicals, leather, aluminium, Iron, and steel primarily from Saudi Arabia. The Pak-Saudi Joint Ministerial Commission (PSJM) has been the leading authority for dealing with all bilateral trade and commerce problems since 1970. PSJM is due to convene soon. Pakistan hopes to be a good partner for Saudi Arabia. Pakistan can fulfil its demands by importing its oil. It has always provided Pakistan with its oil on different occasions. Both countries have a \$4 billion annual trade rate. Weinbaum & Khurram (2014) explained that Saudi Arabia is an export partner to many countries; Saudi Arabia imports various goods from Pakistan. Pakistan imports petroleum, plastics, organic chemicals, mineral fuels, raw hides, oils, distillation products, aluminium, cereals, articles of Iron and steel etc.

Saudi Arabia is the Gulf Cooperation Council's second-largest importer of goods from Islamabad. From 2007 to 2012, total exports to the Kingdom of Saudi Arabia remained comparatively slow, hovering around \$500 million. It is the second largest import partner, with \$5 billion in imports in 2012. Kamran (2013) stated that during 2011-2012, Pakistani workers sent \$3.68 billion to Saudi Arabia. According to the Saudi Arab minister of trade, the trade between the two countries was about 4.8 billion dollars in 2012. Like other Middle Eastern countries, it is committed to investing in agriculture sectors in other countries to address their food insecurity. With a billion dollars aid package to Islamabad, it has recently secured thousands of acres of land for cultivation in Pakistan. It may meet the food demands of the Gulf States. Trade holds tremendous significance and plays an active role in economic development. Trade brings commercial boundaries closer, generates plans for the betterment of business, boosts business-to-business peers, and encourages interactions with small enterprises to accelerate commercial relations on the ground and international levels between both countries. The key element of bilateral trade is to foster international investment in the country through foreign direct investment (FDI) based on collaboration within various economic areas, particularly in trade and investment. It is well known that Economic Integration plays a major role in bilateral trade, which will provide more opportunities in the business world. Saudi Arabia is urging Pakistan to sign a Free Trade Agreement (FTA) with the Gulf Cooperation Council (GCC). The two countries have had official contact since Pakistan's independence and they have a strong relationship to promote trade. The research aims to investigate the Trade and Economic perspective and create trade and economic development progress using different variables of bilateral trade between both states. This research further aims to assess the individual overviews of the two countries' business and economics and the changes that have taken place in the trade sector of the state.

Literature Review

The Gulf area and South Asia are the geographical bodies that surround Pakistan. Saudi Arabia and Gulf Cooperation Council countries have close religious, economic, social, cultural, historical, and strategic relations with Pakistan based on mutual political, economic, and security interests.

Pakistanis began flocking to Saudi Arabia in quest of work in the mid-1970s. Saudi Arabia needed human capital to fulfill the demands of a rising economy. Since then, Pakistan has exported skilled, semi-skilled, and unskilled laborers to the Kingdom. Saudi Arabia has been an appealing destination for Pakistani laborers due to its Muslim status and the presence of Islamic holy sites in the Kingdom. Pakistani expats operate in a variety of industries, including construction, service, and the oil industry. There are now 1.5 million Pakistani expats in Saudi Arabia who contribute significantly to the Saudi economy APP (2014). These Pakistanis contribute to the Kingdom's growth as accountants, engineers, physicians, teachers, and labourers, among other things. They also send \$4 billion in remittances to the home nation, which are undoubtedly the most consistent source of foreign cash for Pakistan. Bilateral commerce between the two nations is also valued at over \$4 billion Newspaper (2014). Pakistani exports to Saudi Arabia total just about \$488 million. Its principal exports to Saudi Arabia include rice, vegetables, clothes, textiles, sports goods, carpets, and numerous other textile items. Saudi Arabia, on the other hand, exports petroleum, chemical goods, and dates to Pakistan. Saudi Arabia has always been a significant investor in Pakistan. Saudi investment, on the other hand, has been falling in recent years. This is primarily owing to Pakistan's security environment and political instability.

Saudi foreign direct investment (FDI) in Pakistan has been roughly \$270 million BOI (2014) during the previous five years, which does not represent the country's true potential. During Crown Prince Salman bin Abdul Aziz al-February Saud's 2014 visit, options for boosting Saudi investment in several areas such as oil and gas, mining, energy, IT, telecoms, food and agriculture were investigated. Pakistan has asked the Saudi corporate sector to invest in the country, which provides a highly attractive 37 percent annual yield on foreign investments MOF (2013). The Pak-Saudi Joint Ministerial Committee (JMC) was founded in May 1974 to formalize bilateral economic cooperation and promote mutual cooperation and connections. The JMC process is crucial to efforts to increase business relationships between the two nations. JMC has hosted ten sessions in Riyadh, the latest recent in April of 2014 Business Recorder (2014). While Pakistan seeks Saudi investments in infrastructure, commerce, banking, information technology, and telecommunications, the two sides explored new prospects for collaboration in a variety of industries Rizvi, Jawwad, (2014).

Pak-Saudi have formed solid commercial and geostrategic ties as the Islamic world's two most powerful states. Saudi Arabia is a peninsula; Both countries have maintained a good relationship that is strengthening over time. The volume of trade is estimated in dollars annually. In the current geopolitical sense, Saudi Arabia's approach to Pakistan revolves mainly around three main components, according to this report. The first is Pakistan's military strength and nuclear capabilities, which fulfil Saudi Arabia's strategic needs.

The second problem is Pakistan's economic vulnerabilities; Saudi may help the country to recover as superpower states have isolated Pakistan. The third element is Pakistan's Islamic identity, which fully embraces the concept of working together for the greater good of the Muslim ummah, which is critical for Saudi Arabia in the current regional dynamics (Moonakal & Nadeem 2020). According to Antweiler, foreign trade will help boost economic growth by encouraging countries to specialize in manufacturing goods where they have a competitive advantage and moving resources between them. On the other hand, international trade may be adverse to the environment. International trade, in principle, has an unpredictably negative effect on the climate. Pakistan has trade agreements with more than 175 nations.

On the other hand, Pakistan's trade concentrates on a limited number of countries. Pakistan maintains good relations with the gulf countries to help Pakistan. Almost all Gulf military doctrines eloquently express Pakistan's military and nuclear capabilities. Pakistan considers a shield against any threat to Arab countries.

The prime minister of Pakistan, Imran Khan, visited Saudi Arabia in October 2018 following the murder of Jamal Khashoggi, which invited backlash from many countries. In turn, Saudi Arabia granted debt to Pakistan in instalments in terms of oil. King Salman signed a multibillion-dollar memorandum with Pakistani investors in different sectors like water & power, renewable energy, and sports. Saudi Arabia has provided economic and trade assistance, energy assistance and sporadic security financing. However, it has provided Pakistan with considerable ideological and symbolic support. Pakistan's relations with Saudi Arabia have been good for six decades, but they still fall short of Pakistan's goals to form long-term alliances that go beyond Saudi and Chinese interests.

Theoretical Framework

This study bases on a liberal theory of international relations. This theory provides for strong economic and trade ties and cooperation rather than competition and power politics. According to Meiser (2018), Pak-Saudi is pursuing a liberal idea of relations in their bilateral trade relations. They seek a liberal approach while doing their trade and signing agreements related to work for mutual benefits and profits. Moreover, Orford (2015) explored that because of the significant benefits of economic interconnectedness, economic institutions are particularly successful at fostering collaboration. Finally, liberal norms constrain the exercise of power by influencing our perceptions of what constitutes appropriate behaviour. Today, it is evident that liberalism is not a "utopian" doctrine depicting a utopian future of economic and social abundance as it was portrayed. It offers a consistent counter-argument to

realism through economic Integration based on evidence and a long theoretical tradition. The latter is a project aimed at transforming all states into liberal states, enshrining market principles at the core of government on a national and worldwide level, and organizing itself around notions of liberty. Wolfe (1998) Liberalism generated an excellent and mutually beneficial trade regime among states, according to informed observers of the global trade regime. The WTO, which has the blessing of liberal ideology, has broadened the scope of the international trade regime to include cross-border and intra-border domestic food production and marketing operations.

Orford (2015) stated that although experts agree, WTO agreements are essential in international trade rule, including bringing agriculture within the umbrella of the liberal trade regime to an unprecedented degree. Many would dispute Orford's claim that the "ambition" of the Uruguay Round Agreement on Agriculture was to remove any form of 'support' for agricultural production (Ruggie 1982). For instance, The Uruguay Round Agriculture Agreement is based on the notion that agriculture should gradually adapt to liberal principles. Government should care in the least trade-distorting way feasible (Wolfe 1998). According to him, the Uruguay Round Agriculture Agreement "recognized that interventionist farm policies would continue to exist;" what was needed was to limit domestic intervention's power to threaten international stability. Daugbjerg & Swinbank (2009) expressed that the purpose of the Uruguay Round Agriculture Agreement was to apply the concepts of embedded liberalism to agriculture. Embedded liberalism, as popularised and defined by Ruggie¹¹, referred to the Bretton Woods system's post-war GATT compromise, which permitted governments to agree to open their markets while preserving safeguards (most notably, social policies) believed necessary to maintain social constancy. The Uruguay Round Agreement on Agriculture constituted a significant step toward embedded liberalism by limiting governments' capacity to externalize the costs of domestic agriculture policies by forcing them to be less trade-distorting.

Pakistan-Saudi Arabia Bilateral Trade in Retrospect

Pak-Saudi have close trade links and shared brotherly and peaceful ties since the creation of Pakistan. Trade relations remained harmonious. Due to historical, cultural, and religious factors, Pakistan looked to the Middle East, especially Saudi Arabia, as a particular area of interest soon after its founding. On the other hand, Pakistan's relations with Saudi Arabia did not begin in a promising regional and international context. Both countries cooperated regarding financial assistance, while Pakistan mainly supported it on security. Excellent and trustworthy bilateral ties always brighten the chances of trade and foreign direct investment and improve cultural attempts in the global political arena and the evolution of human society. They also helped accelerate joint ventures and collective responsibilities. Pakistan exports rice, fresh cotton, yarn anecdote, fibre goods, practical garments, and woollens to Saudi Arabia. It imports fuel and many things discussed in the imports heading. Oil has a significant share of imports from Saudi Arabia. Pakistan also contributes to fulfilling the needs of Saudi Arabia by exporting rice, beef, meat products, spices, and fruit, as well as home textiles, chemicals, leather goods, and footwear. Statistics show the estimated trade value between the two countries is about \$2.5 billion. Export of Pakistan surged from 2001 to 2014. However, both have witnessed a decline since 2014 as oil prices have declined to a minimum. The fact is that Pakistan exports less than Saudi Arabia; viewed from the perspective of Pakistan's flourishing industrial and manufacturing sector, it can prove a vital market for Saudi Arabia. It has more to offer; it has been behind owing to its unrealized resources. The excellent geographical location of Pakistan can earn the country great prestige globally. It has sea and air routes which are suitable to trade to flourish. Moreover, Saudi Arabia hosts Pakistan's largest expatriate group in the world. Pakistan's people live worldwide and contribute to the economic growth of Pakistan. They provide services to different businesses in the world. Thus, they are making the economy of others grow through their services.

Methodology

This study utilizes a combination of quantitative and qualitative analysis. For the quantitative analysis, data were collected from the World Bank, while the qualitative technique employed the Content Analysis Technique (CAT), a qualitative research approach that gathers data from multiple sources such as research articles, books, magazines, newspaper articles, and other related documents, and then analyzes it to develop conclusions (Khayyam et al. 2018). This technique is effective at uncovering hidden patterns, trends, and themes from the raw data, thereby providing valuable insight into a particular topic or phenomenon.

Results and Discussion

The Beginning of Pakistan-Saudi Arabia Trade Relations

On the other hand, Pakistan's relations with Saudi Arabia did not begin in a positive regional and international context. Pakistan sought more powerful friends to counter the existential security challenges posed by India, a more extensive regional opponent. That was a positive change for Pakistan, which has grown increasingly disillusioned with its Western partners. Pakistan turned to Saudi Arabia as a prospective partner. Pakistan began to view Saudi Arabia more positively, and in 1960, Pakistan's President Mohammad Ayub Khan travelled to Riyadh to pursue better bilateral ties. Pakistani professional and unskilled workers began migrating to Saudi Arabia for work in the rising oil-based Saudi economy. Saudi Arabia became increasingly profitable for Pakistan for economic reasons, while remittances sent home by these employees helped Pakistan's foreign currency reserves and balance of payment problems. Pakistan sought further financial assistance from Saudi Arabia; for example, during Bhutto's visit in 1972, Riyadh turned the \$20 million debt into grand, Siddiqi (2019).

Similarly, in 1974, Saudi Arabia gave Pakistan a \$100 million interest-free loan. Following Bhutto's visit to the Kingdom in 1975, it offered Islamabad another US\$30 million grant to help repay the rest of the bills, Siddiqi (2019). According to Kenner, D. (2013), Saudi Arabia also aided Pakistan financially during its economic crisis, which arose due to international sanctions imposed in the aftermath of its nuclear testing in 1998. In October 1998, Crown Prince Abdullah visited Pakistan, alleviating Pakistan's international diplomatic isolation following the nuclear tests. Saudi Defense Minister Prince Sultan paid two visits to the Dr A.Q.Khan laboratories in May 1999 and 2002 as a diplomatic expression of support for Pakistan's nuclear status (Bruce, & et al., 2008).

Pakistan-Saudi Arabia Joint Ministerial Commission

The commission is at the heart of mutual financial relations. In 2007, it helped harmonize relations between the two countries. It met in Islamabad on September 26, 2012. The Minister of Commerce, Makhdoom Amin Fahim, represented Pakistan, while Minister for Trade and Industry Dr Tawfiq headed the Saudi side. To analyze the implantation of choices of the joint commission held in Islamabad on March 26 2013.

Furthermore, the commission met in Riyadh on April 16 2014. The commission is significant in checking financial and trade exchange between two countries. They have agreed to different arrangements for advancing sales, venture, development, land, and data innovation; they agree on business and the travel industry. However, these arrangements are non-functional and lack execution ability. On January 17, 2018, both Co-seats supported the Session Protocol. The following are the characteristics of significant decisions made during the eleventh session of the commission.

Pakistan-Saudi Arabia Bilateral Trade Relations (1990-2019)

Pakistan has a significant trading relationship with Saudi Arabia; trade between the two countries is US\$ 3.5 billion. It reports that imports from Saudi surged more than exports to Saudi Arabia. Pakistan's business is 1% low compared to 7% of Saudi Arabia. Although Pak-Saudi shares fraternal ties, Pakistan exporters have used strategies to gain market momentum. Petroleum products, plastic goods, organic

chemicals, and fertilizers are among its significant imports.

Imports and Exports

Pakistan has improved and developed an environment to attract foreign investors by meeting their needs. Foreign investors have started investing in Pakistan despite lingering political turmoil. We also hope that Pakistan's economy improves in the future.

Table 1: *Pak-Saudi Trade Volume*¹

Years	Import	Export	Total Trade
2001	1252800	274800	1527600
2002	1201300	329500	1530800
2003	1416666	469574.2	1886241
2004	1757829	353128.7	2110958
2005	2650629	354895.1	3005524
2006	3033230	309034.6	3342265
2007	4011781	295509.4	4307290
2008	5954944	441063.1	6396007
2009	3500108	425721.8	3925830
2010	3837918	409045.9	4246964
2011	4668279	420178.3	5088458
2012	4283523	455632	4739155
2013	3847222	494058.8	4341281
2014	4417354	509698.2	4927052
2015	3006751	431307.1	3438058
2016	1843133	380435.1	2223569
2017	2730371	334509.6	3064881
2018	3242349	316322.2	3558672
2019	2436314	404924.4	2841238

The Trade volume between states emerged at 4 billion. Saudi Arabia exports its goods to 15 foreign export partners. Pakistan exports a variety of goods to Saudi Arabia. Exports comprise products, rice, vegetables, ready-to-wear apparel, sporting goods, footballs, handicrafts, leathers, carpets, towels, cotton fabrics, fish and fish preparation, synthetic fabrics, made-up textiles, tents and canvas, fruits, honey, and printed matter. Pakistan imports petroleum goods, copper wire, highways, ships and vessels, chemical equipment, polythene, plastic moulding powder, aluminium waste, urea, dates, paper waste, aircraft parts, and sulphur. Saudi Arabia supported Pakistan's economy on many occasions. Saudi extended its helping hand after Pakistan tested nuclear, prompting America to sanction Pakistan economically in 1998. It also provided funds to Pakistan worth 1.5 billion in 2014, so Pakistan could overcome economic distress.

In October 2018, the Pakistani Prime Minister attended the Saudi investment meeting, which many countries boycotted following the murder of Jamal Khashoggi. A Saudi prince was awarded a royal welcome on his visit to Pakistan in February 2019. The Saudi Prince had signed \$20 billion in memorandums of understanding in energy, oil refining, and mineral production and was accompanied by 40 top Saudi businessmen. During the tour, the following seven memoranda of understanding (MOU) for a total investment of \$20 billion. This fund aims to help bilateral trade. Saudi reportedly invested \$4 billion in re-gasified liquefied natural gas plants and \$1 billion in petrochemical projects. It also makes additional investments of more than \$1 billion. Pakistan will help to generate and develop electricity for Saudi Arabia. Saudi-based ACWA Power is reportedly investing \$2 billion in renewable energy projects.

¹ wits.worldbank.org/CountryProfile/en/Country/PAK/StartYear/2003/EndYear/2019/TradeFlow/Import/Indicator/MPRT-TRD-VL/Partner/SAU/Product/all-groups#

Agriculture plays a vital role in a country's economic growth. More than 40% of the population of Pakistan is engaged in agricultural activities. Pakistan is one of the world's largest agricultural countries. Livestock accounts for nearly half of all agricultural trade. Pakistan's most important industries are cotton textiles and apparel. Textiles are a huge industry, and Pakistan excels in them. Pakistan manufactures clothes, sportswear, and leather goods, among other things. Textile and apparel manufacturing account for the bulk of Pakistan's export earnings. Other industries contributing to the economy include cement, steel, sugar mills, fertilizer, and poultry. China, Germany, the United Kingdom, the United States, and Afghanistan import Pakistan's products. Pakistan exports 186 products to other countries.

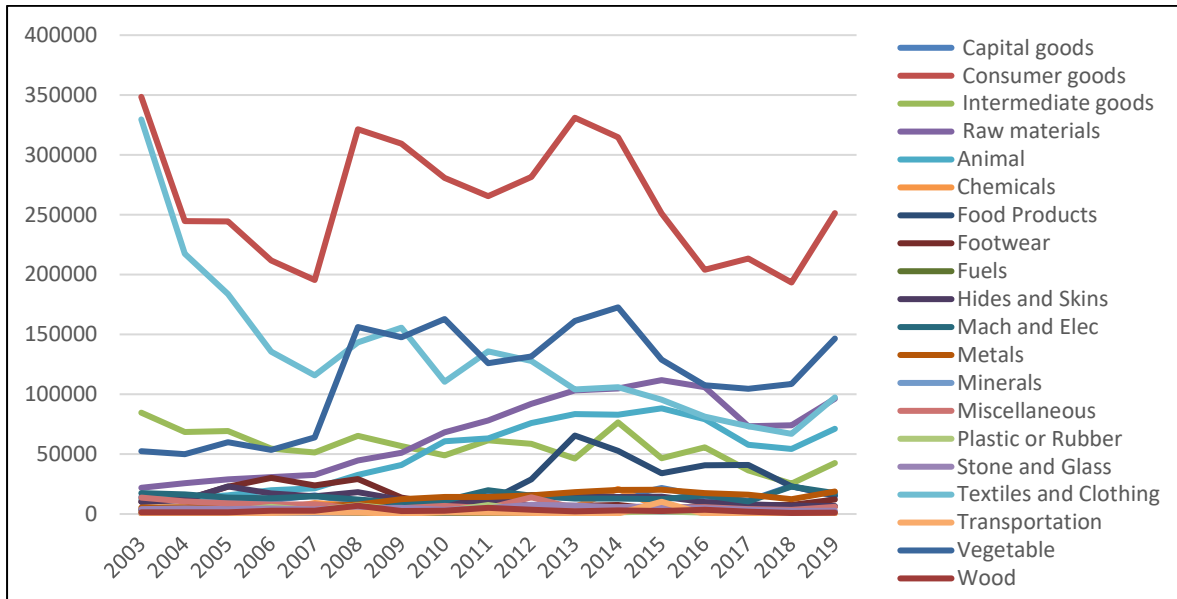


Figure 1: Pakistan-Saudi Arabia Bilateral Export Volume Product wise²

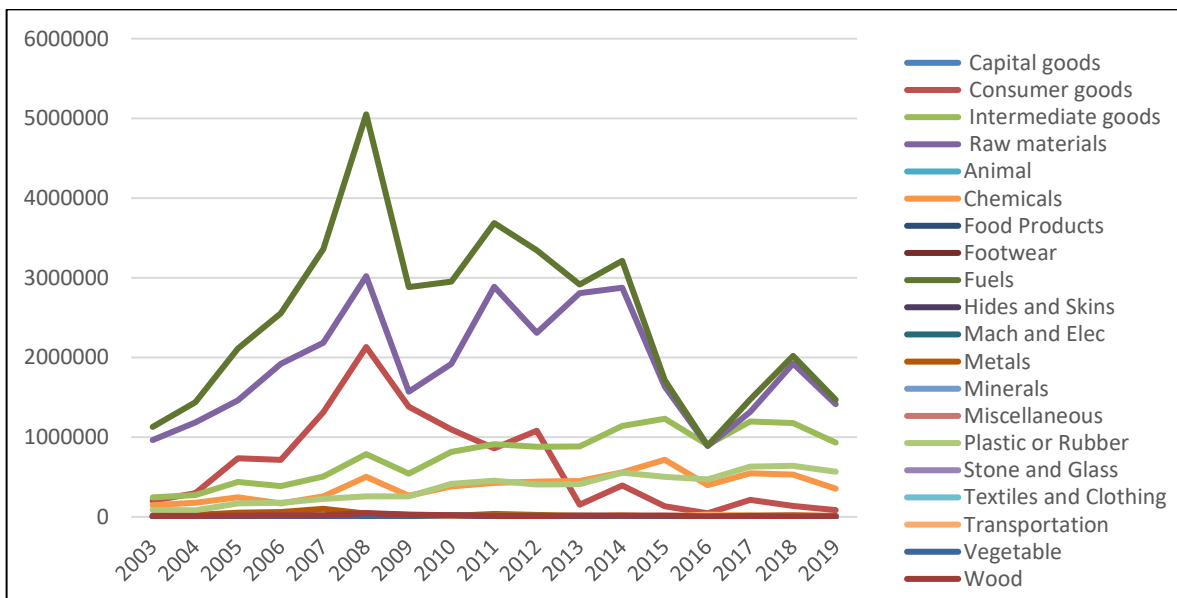


Figure 2: Pakistan-Saudi Arabia Bilateral Import Volume Product wise³

² wits.worldbank.org/CountryProfile/en/Country/PAK/StartYear/2003/EndYear/2019/TradeFlow/Import/Indicator/MPRT-TRD-VL/Partner/SAU/Product/all-groups#

³ wits.worldbank.org/CountryProfile/en/Country/PAK/StartYear/2003/EndYear/2019/TradeFlow/Import/Indicator/MPRT-TRD-VL/Partner/SAU/Product/all-groups#

Regarding trade, Pakistan imports US\$ 3.2 billion and exports US\$ 316.3 million to Saudi Arabia, totalling US\$ 3.5 billion in business. Saudi Arabia is gaining trade volume. Pakistan and Saudi Arabia's private-sector commerce has improved as well. In 2000, the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and the Council of Saudi Chambers signed a Memorandum of Understanding to establish a Joint Business Council to enhance commerce. In a recent meeting, Saudi Arabia decided to build an oil refinery in Pakistan's deep-water port Gwadar as part of CPEC. Over the next year, Saudi Arabia gave Pakistan \$3 billion in foreign currency. According to the oil accord, Pakistan will receive \$2.5 million in oil each month. Arabia's leadership for growth and investment believe in propelling Saudi Arabia toward quick progress and wealth in line with Vision 2030, which seeks to develop the Kingdom in many areas. Saudi Arabia is Pakistan's principal oil supplier. Pakistan receives significant financial aid from KSA-based Pakistani migrants' remittances. Riyadh has also expanded its commercial relationship with Islamabad through the GCC, with which Islamabad has an FTA. Islamabad and GCC traded around US\$11 billion in 2006.

\$3 billion in aid and loans have been given, with \$1.5 billion deposited in Pakistan's national bank. In 2018, Pakistan and Saudi Arabia signed an FTA to liberalize trade and enhance volume. Pak-Saudi will sign MoUs for a Free Trade Agreement, SEZ development, and \$15 billion in projects in 2019. According to reports, both parties' back-channel negotiators have agreed to sign an FTA MoU and a Trade and Investment Framework Agreement (TIFA) by the end of the year. On Sunday, the crown prince will sign deals worth up to \$15 billion for three Punjab power stations and a Gwadar oil refinery and petrochemical complex. Pakistan sends the most human capital to Saudi Arabia. Saudi Arabia employs almost two million Pakistanis, the world's second-largest migrant community, and supports Pakistan's Islamic Republic. Pakistan receives 5.8 billion dollars in remittances from the Saudi Pakistani diaspora.

Islamabad's financial woes, particularly in the balance of payments, have worsened Pakistan's predicament. From July to March 2018, Pakistan's current account deficit widened by 50.5 per cent to US\$12.0 billion (3.8 per cent of GDP). Pakistan is completing a US\$6 billion rescue plan with the International Monetary Fund (IMF) to boost its foreign exchange reserves and prevent a balance of payments crisis if the situation worsens in 2018. Pakistan has sought additional aid from friendly nations, including China, KSA, and the UAE, to oppose the IMF's harsh bailout package conditions. Thus, Saudi Arabia has suggested a US\$6 billion bailout for Pakistan's struggling economy, including US\$3 billion for the balance of payments support and US\$3 billion for deferred oil import payments. This agreement is valid for three years with the option to renew—the Pakistani economy has suffered from poor export performance and huge balance-of-payments issues. According to the Pakistan Economic Survey 2017-18, Pakistan received US\$ 14.6 billion in remittances in the first nine months of FY 2018, with Saudi Arabia contributing 25.3 per cent (US\$ 3690.57 million), UAE 22.4 per cent (US\$ 3264.73 million), and other GCC countries 11.3 per cent (US\$ 1648.13 million). The State Bank of Pakistan reported that between July 2018 and May 2019, Pakistan received US\$20.2 billion in remittances. Saudi Arabia was the top remittance sender. According to the State Bank of Pakistan, employees' remittances in May 2019 totalled US\$2315.74 million, up 30.17 per cent from April 2019 and 28.36 per cent from May 2018. SABIC and Aramco stated in 2019 that they would build a \$10 billion oil refinery and petrochemical complex in Gwadar, Balochistan.

Free Trade

A bilateral free trade agreement allows the parties to give each other access to their markets, resulting in increased trade and economic growth. Since a set of guidelines in business practices and agreement often provides an atmosphere that ensures fairness. Pakistan will simplify similar opportunities to Saudi Arabia as have given to China and Indonesia through FTA and PTA, respectively. According to reports, with FTA's help, Pakistan expects to raise its trade volume with GCC from \$59 billion to \$350 billion by 2020.

The trade between Pakistan and the GCC countries expect to hit the hundreds shortly as trade ties between the two countries expect positive developments.

International Trade Fair and Bilateral Trade Relations

Saudi Arabia is hosting an international trade show. Pakistan officially participated in all trade fairs, including the World Trade Fair, in March 2007. Pakistan's top businesses are participating in all trade fairs in Saudi Arabia to promote their products in the gulf. All gulf nations use Saudi Arabia as a transit point for Pakistani goods.

Potential Areas of Bilateral Trade

The exchange protects only identifiable products. A nation is said to be economically independent, whose exports exceed its imports. In other words, the value of export exceeds that of substances. A government may experience a deficit or an adverse trade balance if imports outnumber exports. A country's balance of payments contains accurate details about the demand for and availability of its currency.

Challenges to Pakistan-Saudi Arabia Bilateral Trade Relations

There are two kinds of challenges to bilateral trade between Saudi Arabia and Pakistan, internal and external.

Internal Challenges

Pakistan and Saudi Arabia have enjoyed a long and prosperous economic relationship, but there are some internal challenges that could potentially disrupt the bilateral trade between the two countries. Firstly, Saudi Arabia's economic interests in the region are much broader than just Pakistan, and this could lead to Saudi Arabia seeking to diversify its economic partners and reduce its reliance on Pakistan. Secondly, Saudi Arabia's large population and vast resources make it a highly attractive market for other countries in the region, which could lead to a decrease in demand for Pakistani goods. Additionally, Saudi Arabia's strict visa requirements and currency exchange policies can make it difficult for Pakistani businesses to access the Saudi market. Finally, political tensions between Pakistan and Saudi Arabia have been known to arise, which could lead to trade restrictions and further complicate bilateral trade relations. Pakistan's 207 million citizens, 20 per cent of whom are Shias, despite the country's growing ties to the "House of Saud." people often disregard Pakistan's likeness towards Saudis who, the Shia community think, are responsible for sectarian attacks. Funding of Madrass also adds fuel to the already worsening situation. One of the significant internal challenges of Pakistan is its speedy population growth, ranked as the 5th populated country in the world. According to United Nations Population Fund's data, Pakistan's population is 230 million. The country's economic situation is worsening, and unable to fulfil basic human needs. Pakistan, which is affecting its overall relations, including trade relations with Saudi Arabia, is the sectarian conflict between Shia and Sunni in Pakistan. Pakistan shares good as well as tense relations with Iran and Saudi Arabia. Iran is a neighbouring country of Pakistan. Saudi Arabia is reported to have filed a proxy with Iran to counter Iran's influence in the region. Thus, Saudi Arabia is in a race to develop ties with the Sunni world to enhance its role. Pakistan is home to almost 99% Sunni population. Even Pakistani elites have trade ties in gulf countries.

Recent data favours no Pakistan regarding trade with Saudi Arabia as Saudi exports more than it imports from Pakistan. Thus, a trade imbalance exists. The business of Pakistan with Saudi Arabia is worth \$3,520 million. Pakistan imports commodities and products more than it exports to Saudi Arabia. Bokhari (2015) stated that International trade centre reports indicate low Pakistan exports to Saudi Arabia worth \$304 million. The trade deficit of Pakistan is estimated at \$2,910 million. In the last 15 years, Pakistan's trade volume with Saudi Arabia declined, especially in 2008, 2011 and 2013. It became at the lowest level of \$3 billion during this period. But it started to become stable in 2020. However, exports to Saudi Arabia have increased from \$336.9 million to \$446.18m from 2017 to 2020. But imports from Saudi Arabia to Pakistan declined from \$3.213bn to \$1.735bn from 2018 to 2020.

External Challenges

Pakistan and Saudi share no common border, contributing to low trade between the two countries. Saudi Arabia lies in the Middle East, far from Pakistan. However, cross-border trade help improves the economy of a nation. Most European countries connect through a common border which exempts them from trade barriers. Saudi Arabia requested Pakistan to send its troops to fight Iran-backed Houthi rebels in 2015. Making the sensible decision, Pakistan refused to participate in the war in Yemen. Islamabad said joining the coalition may have consequences for domestic politics and bilateral relations with Iran Conflict between Iran and Saudi Arabia has severe implications for regional politics in West Asia. Saudi Arabia finds Iran's increasing presence in regional politics a security threat that disturbs regional security balance. Pakistan considers Saudi's growing interest towards India a threat. Even India has been able to maintain friendly relationships with Middle East countries. However, Pakistan prefers to retain its neutrality, and the Saudis are not happy with the detachment of Pakistan from Iran-Saudi relations.

Conversely, India has received increased attention from the Gulf Cooperation Council (GCC) countries in recent years. Narendra Modi visited several countries in the region, including Jordan, the United Arab Emirates, Oman, Saudi Arabia, and Palestine. As a result, India now has more robust relations with Middle Eastern countries. In recent years, economic ties between Riyadh and New Delhi have grown more powerful, and India has become the largest importer of Saudi crude oil. According to Arab News (2017), Saudi Arabia has recently risen to become India's fourth biggest trade partner, with three million Indian staff contributing 11.6 per cent of the country's US\$80 billion in remittances in 2018, reflecting the country's rising economic ties with New Delhi. As a result, India now enjoys closer relations with Middle East countries, including the Saudi-led GCC block as well as Iran. In this context, Modi's first visit to UAE boosted strategic partnerships. It was the first by an Indian Premier after many years that also called for a 'strategic partnership' between the two countries. The formation of a new Muslim bloc prompted the ire of Saudi Arabia and proved to be an obstacle to it. Bloc includes Pakistan, Malaysia, Iran and Turkey, lest it put the Muslim world's Arab "leadership" in jeopardy. Saudi Arabia has increased pressure on Pakistan in recent years for a more constructive role in assisting the Kingdom on internal and external security issues, presenting new challenges for Islamabad's overall posture in the region. Iran is a strategic neighbour with whom Pakistan shares deep historical, religious, and cultural links, making it difficult for Pakistan to choose between the two.

Conclusion

Pakistan and Saudi Arabia have a \$4 billion annual trade volume significantly less than the level of their strong political, religious and strategic relations. The Kingdom of Saudi Arabia has several foreign export partners. Pakistan exports a variety of goods to Saudi Arabia. Pakistan can also explore its potential abilities for new products from Saudi Arabia. The economic relations of both countries must be improved and deepened. Pakistan has significant opportunities to increase its trade with Saudi Arabia in other products. Saudi Arabia and Pakistan do not share geographical proximity, historical trade links, and religious affinities. Still, due to many underlying internal and external challenges, their trade relations are not much improved as expected or have the potential for each other. Trade between both states is essential and plays a crucial economic role. Frequent exchange of business brings commercial boundaries closer, generates plans for the betterment of work, boosts business-to-business peers, and encourages interactions with small enterprises to accelerate commercial relations on the ground and international levels between both countries. The most crucial factor of bilateral trade is to bring investment into the country, as foreign direct investment depends on cooperation in different economic spheres, particularly in trade and investment. Economic Integration is an essential factor in bilateral trade. Saudi Arabia and Pakistan also signed the Free Trade Agreement, which helped strengthen trade relations and expand bilateral trade cooperation with Saudi Arabia and Pakistan. They realize the value of economic prosperity.

Recommendations

Some recommendations are further improving Pak-Saudi bilateral trade relations and removing the challenges below. It will help to enhance trade relations and remove obstacles.

- The bilateral trade council must find trade opportunities and develop new partnerships.
- Pakistan's and Saudi Arabia's private sectors should meet regularly to share information about available opportunities and meet with counterpart traders. Regularly conducting commercial events, such as trade fairs and exhibits, organizing commercial meetings, and exchanging trade delegations, all aid in better understanding each other's markets.
- Pakistan's trade missions in Saudi Arabia can also actively expand trade links by exchanging information on market prospects and disseminating exhibition calendars to specific forums in Pakistan. Exhibition centres can prove instrumental in trade surge.
- Both countries should work on removing Trade barriers to enhance speedy growth.
- Because of the high demand for surgical instruments, food, and pharmaceutical products in Saudi Arabia, both should develop a policy for the appreciation of exports of these items.
- There are no such agreements between both countries that can regulate such arrangements. Pakistan could seek to establish a structured trade package and understanding regarding tariff concessions, which would lower trade costs and the cost of doing business.
- Pak-Saudi should work together to develop a mechanism to reduce Pakistan's non-tariff barriers when exporting agricultural products to Saudi Arabia.
- It is also essential that mutual agreements should be implemented by both sides preferably.

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Conflict of Interest

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