

## EXPORT AND IMPORT SCENARIO AND ITS IMPACT ON THE ECONOMY OF PAKISTAN

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### Abstract

*This research article entitled "Export and Import Scenario and Its impact on the Economy of Pakistan" examines the impact of export and import on the economy of Pakistan.*

*The objective of this paper is to determine that whether export and import has any impact on the economy of Pakistan. Through the literature review the idea that export as a major determinant of economic growth has been discussed.*

*The export performance of Pakistan from the year 2000-01 to 2006-07 has been analyzed alongwith the analysis of import in the same period. The study is based on pure and simple inspection and analysis of time series data of growth rates of exports and imports, percentage of GDP, balance of payment, export and import trade balance, economic classification of export of Pakistan, destination of export and origin of import, major export markets and top five export commodities are analyzed and discussed.*

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**Key Words:** Gross Domestic Product (GDP), Export Led Growth (ELD), Primary commodity, Semi-Manufactured and Manufactured Goods.

### Introduction

Export is one of major economic drivers as it is suggested in the literature of those countries which enjoys economic stability as well as viability. The export of goods is also helping to minimize the pressure on the balance of payments and to boost up the jobs of manufacturing and services in the country. The producers and exporters get incentives and their strategies led to growth of economy and help for sustainable governmental policies (Economic Bulletin, 2007).

The countries that are good in their exports are enjoying a fair competition in the world market and are having ample avenues

of revenue generating and those countries whose economies are based on the use of modern and advanced technology are having an economic advantage on other countries that are lacking such position. The export-led- economies are able to absorb the economic shocks and manage all kinds of risks on domestic, regional and international level.

There are best examples set by the Latin American and Asian economies in their export sector which led them to economic growth and development, which attracts the academicians to see the export and its impact on the socio-economic life of the people of such countries.

Pakistan like many developing countries, has adopted export promotion strategy since last three decades, moving towards openness of the economy. The Trade Development Authority of Pakistan (TDAP) the successor of Export Promotion Bureau (EPB) is working hard to achieve the results in its policies (Mirza Qamar Baig, 2009).

However, this study is based on pure and simple inspection and analysis of the data pertaining to the export and import of Pakistan during the period from 1999 to 2007, which contain both; TDAPs and EPBs periods simultaneously.

## **Literature Review**

The idea of export as determinants of main factors of economics development and growth is very old. The classical economic theories of Adam Smith and David Ricardo are best examples in this regard. These economists and other academicians have mostly studied the relationship between export, international trade, and economic growth of the countries.

They conclude that the exporting countries get benefit and accumulate the economic gains from the specialization in the production. They further argued that the excess production is exported and this export provides the earning of foreign exchange which countries needed for imports and this creates a demand for foreign exchange also. So, recently the idea of Export Led Growth (ELG) has been examined by many economists in the advanced countries. It got more focused after the failure of substituted production especially in Africa and Latin-America.

Segerstrom, Anant and Dinopoulos (1990), Grossman and Helpman (1990), and Rivera-Batiz and Romer (1991) provides very basic studies which links the relationship between exports and economic growth. The basic idea of this literature is that exports increase total factor productivity because of their impact on economics of scale. It also encompasses the other external components such as transfer of technology, improvising workers skill, managerial skills, and measures for productivity maximization.

The studies in developing countries and the results of these studies also concludes on the mix, both; none or a positive relationship between export and economic growth, for example, Balassa (1978 and 1985), Jung and Marshall (1985), Ram (1985 and 1987), Bahmani-Oskoei and Alse (1993), Jin (2002), Levin and Raut (1997) and Khalifa Al- youssif (1997). These studies are considering several factors to economic growth and suggest that the export is one of the key factors of economic growth.

Darret (1986), contradicts with the results of Findlay and Krueger in a study of four Asian countries namely Hong Kong, South Korea, Singapore and Taiwan and he finds no evidence of causality between export and economic development except Taiwan.

Gunter, Tylor and Yaldan (2005) found that the trade liberalization provides a dynamic situation and its effects as external component may support economies to gain from it. The literature based on empirical studies also provides an evidence of a strong association between export and economic growth and it divided into two groups. The first group use cross-country analysis, of which key contributors are: Michaely (1977), Feder (1982), Ram (1985), Lopez (1991), Edwards (1992). These cross-country studies are providing importance of export for developing countries. But, main hindrances are trade openness policies in such countries.

The second group analyzed single country experience and they have focused on a positive and significant relationship between export expansion and economic growth.

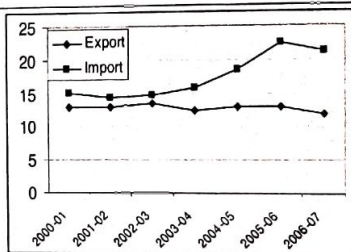
## The Export Performance of Pakistan

Through the history the export performance of Pakistan has not been remained much satisfactory. But the exports during last few years have seen an unprecedented rise. It took 19 years (1980 – 99) to add \$ 3.5 billion but only 5 years (1999-2004) to add \$ 4.5 billion (Economic Surveys 1999 to 2004). In the same period Pakistan's share in world export rose to 0.16% from 0.14%

The export of Pakistan as GDP ratio remained 13% which is very low when it is compared with Indonesia 32.3%, Philippines 44.4%, Thailand 56%, Korea 39%, Malaysia 96% and 27% for Sri Lanka. This scenario suggests that Pakistan is far behind of these countries in the export scenario (Economic Surveys 1999 to 2004).

**Table No. 1**  
Balance of Payment (As percent of GDP)

| Year                     | Export | Import | Trade Deficit |
|--------------------------|--------|--------|---------------|
| 2000-01                  | 12.9   | 15.1   | -2.1          |
| 2001-02                  | 12.9   | 14.4   | -1.7          |
| 2002-03                  | 13.5   | 14.8   | -1.3          |
| 2003-04                  | 12.5   | 15.9   | -3.3          |
| 2004-05                  | 13.0   | 18.5   | -5.5          |
| 2005-06                  | 13.0   | 22.5   | -9.5          |
| 2006-07                  | 11.8   | 21.2   | -9.4          |
| Total                    | 89.6   | 122.4  | -32.8         |
| Average                  | 12.8   | 17.49  | -4.69         |
| Increase over the period | -8.52% | 40.40% | - 347.62%     |
| Share of Each            | 42.27  | 57.72  | 100           |



**Source:** Government of Pakistan (2007-08) Economic Survey, Finance Division, Economic Advisors Wing Islamabad, Statistical Appendix, p.64.

It is evident from the table-1 that Pakistan exported 12.9% and imported 15.1% as percentage of its GDP. So, its trade deficit was 2.1% of GDP in the year 2000-01. Again in the year 2001-02 the export was 12.9% and import was 14.4% of GDP, so the trade deficit 1.7% of GDP had been noticed in the same year. In this way import increase more as compared to export till to year 2006- 07



and trade deficit increased and went up to 9.5% and 9.4% of GDP in the years 2005-06 and 2006-07 respectively (Economic Survey of Pakistan, 2007-2008).

Thus, according to balance of payments (as percent of GDP) and import is more which is harmful for the economy of Pakistan. In this regard government must control on the import of luxury items because our country does not afford the luxury items burden.

**Table No. 2**

**Export, Import & Trade Balance (Current Price Rs. Billion)**

| Year    | Export<br>Rs. Billion<br>(A) | (%)<br>increase<br>or<br>decrease* | Import<br>Rs. Billion<br>(B) | (%)<br>increase<br>or<br>decrease* | Balance<br>Rs.Billion<br>A-B= (-) (+) |
|---------|------------------------------|------------------------------------|------------------------------|------------------------------------|---------------------------------------|
| 2000-01 | 539.070                      | -                                  | 627.000                      | -                                  | -87.930                               |
| 2001-02 | 650.947                      | 4.06                               | 634.630                      | 1.22                               | 16.317                                |
| 2002-03 | 652.294                      | 16.28                              | 714.372                      | 12.57                              | -62.078                               |
| 2003-04 | 709.036                      | 8.70                               | 897.825                      | 25.68                              | -188.789                              |
| 2004-05 | 854.088                      | 20.96                              | 1223.079                     | 36.22                              | -368.991                              |
| 2005-06 | 984.841                      | 15.31                              | 1711.158                     | 39.90                              | -726.317                              |
| 2006-07 | 1029.312                     | 4.52                               | 1851.806                     | 8.22                               | -822.494                              |
| Total   | 5419.588                     | 69.83%                             | 7659.87                      | 123.81%                            | -2240.282                             |
| Average | 774.23                       | 9.98%                              | 1094.27                      | 17.69%                             | -320.040                              |

Source: Government of Pakistan (2007-08) Economic Survey, Finance Division, Economic Advisors Wing Islamabad, Statistical Appendix. p.65.

It is clear from the table-2 that Pakistan had exported 539.070 billion merchandize in the world market in the year 2000-01, again in the year 2001-02, Pakistan exported 560.947 billion worth of merchandize which were 4.06% higher as compared to 2000-01. In the year 2002-03 Pakistan had exported worth of Rs.652.294 billion in comparison 2001-02 it was 16.28% more. Similarly, in the year 2003-04 Pakistan exported Rs.709.036 billions worth of products which was higher 8.7% as compared 2002-03. Again in the year 2004-05, export was increased by 20.96% in the comparison of 2003-04. In the same way export of merchandize increased by 15.31% in the year 2005-06 when compared with 2004-05. Finally in the year 2006-07 the export of

merchandise went up by 4.52% higher as compared to 2005-06 (Khawaja Amjad Saeed, 2007).

Thus, it is clear that export increased year after year. In the year 2006-07 it increased by 90.94% when compared with 2000-01. It is also evident from the table -2 that the trend in import of Pakistan went upward during the study period. Pakistan has imported 1.2% more as compared to 2000-01. Again import increased by 12.57% in 2002-03. In the same way in the year 2003-04 import was increased by 25.68%. Pakistani import further increased by 36.22% in the year 2004-05. Similarly, import increased by 39.90% in the year 2005-06, when compared with year 2004-05. In 2006-07 import increased 8.22% when compared with the year 2005-06 (Khawaja Amjad Saeed, 2007). It is clear that Pakistan's import increased by 195.34% when compared with the year 2000-01. So, it is advised to the government that it must rely on its own resources rather to import.

**Table No.3**  
Economic Classification of Export of Pakistan

| Year    | Primary Commodities |         | Semi-manufactured   |         | Manufactured Goods  |         | Total Value (Rs. Million) |
|---------|---------------------|---------|---------------------|---------|---------------------|---------|---------------------------|
|         | Value (Rs. Million) | % share | Value (Rs. Million) | % share | Value (Rs. Million) | % share |                           |
| 2000-01 | 67783               | 13      | 81288               | 15      | 309999              | 72      | 539070                    |
| 2001-02 | 60346               | 11      | 80438               | 14      | 420163              | 75      | 560947                    |
| 2002-03 | 71194               | 11      | 71323               | 11      | 509777              | 78      | 652294                    |
| 2003-04 | 70716               | 10      | 83361               | 12      | 554959              | 78      | 709036                    |
| 2004-05 | 92018               | 11      | 86483               | 10      | 675586              | 79      | 854088                    |
| 2005-06 | 112268              | 11      | 106029              | 11      | 766543              | 78      | 984841                    |
| 2006-07 | 115219              | 11      | 110454              | 11      | 803639              | 78      | 1029312                   |
| Total   | 589544              | 78      | 619376              | 84      | 4040666             | 538     | 5329588                   |
| Average | 84220.57            | 11.14   | 28482.29            | 12      | 577238              | 76.86   | 761369.72                 |

**Source:** Government of Pakistan (2007-08) Economic Survey, Finance Division, Economic Advisors Wing Islamabad, Statistical Appendix, p.67.

According to the economic classification of export of Pakistan, the export of primary commodities in the year 2000-01 was Rs.67,783 million, export of Semi-manufactured commodities was Rs.81,288 million and export of manufactured goods value Rs.309,999 million, which were 13%,15% and 72% respectively (Economic Survey of Pakistan, 2002-2003). The total export value was Rs.539,070 million during the same year. Similarly, the export of Primary commodities in the year 2001-02 has declined and it was Rs. 60,346 million and 11% in percent share of total export and Semi-manufactured commodities was Rs.80,438 million which was 14% of total export. But the Manufactured goods export saw an increase in value and became Rs.420,163 million which was 75% of the total export that was Rs.560,947 million in the same year.

Meanwhile, the year 2002-03 saw significant structural changes occurred in the economic classification of the export of Pakistan. The primary commodities were 11%; the semi-manufactured commodities were 11% and a big boost in the manufactured goods, which went up to 78% of the total export. According to the value in Rs.71,194 million, Rs.71,323 million & Rs.509,777 million as primary commodities, semi-commodities and manufactured goods, respectively (Economic Survey of Pakistan, 2002-2003).

Similarly, in the year 2003-04 the total value of export went up to Rs.709,036 million which was higher than previous year. But percentage wise share of primary commodities, semi-manufactured goods and manufactured goods was 10%, 12% and 78% respectively (Pakistan Statistical Year Book, 2005). The value of primary commodities was Rs.70,716 million, semi-manufactured Rs.83,361 million and manufactured goods Rs.554,959 million in the same year (Pakistan Statistical Year Book, 2005). Simultaneously, the percent share of primary commodities remained at 11% through out period from 2004-2005 to 2006-2007; the percent share of semi-manufactured goods remained at 10% in the year 2004-2005 and 11% from the period 2005-2006 to 2006-2007.

Meanwhile, the increase in percent share has been witnessed in the manufactured goods in the year 2004-05 but than decline of

1% in it. So, during the period from 2005-2006 to 2006-2007 the percent share remained at 78% respectively (Pakistan Statistical Year Book, 2005).

According to the destination of exports which is evidence in the Table-4 Pakistan had exported 56.7% to developed countries, 0.4% to Council for Mutual Economic Assistance (CMEA), CMEA which contains Bulgaria, Cuba, Czechoslovakia, Germany, Hungary, Magnolia, Poland, Romania, Russia and Viet-Nam and 42.9% to Developing countries in the year 2000-2001. Out of it, the share of OIC was 16.5%, SAARC 2.9%, ASEAN 3.6%, Central America 0.8%, and South America 1.2%, other Asian Countries 13.0%, other African countries 4.3% and Central Asian states share 0.3% in the total export. In the same way import comes from developed countries 31.9% and CMEA 0.4% and Developing countries 41.4% (State Bank of Pakistan, 2004-2005) in the above same period.

Similarly the export from Pakistan was more as compared to import to Pakistan from developed countries but import from developing countries was very high as compared to export of Pakistan to these countries. The same situation remained up to the year 2006-2007 (State Bank of Pakistan, 2007-2008). In the year 2006-2007 the government of Pakistan exported 54.7% to developed countries and import from these countries 33.3%, in the same way from CMEA Pakistan exported 1.1% and imported 1.5% and Developing Countries Pakistan exported 42.3% and imported 64.9% out of total export and import from developing countries the share in export of OIC was 21.6%, SAARC 4.8%, ASEAN 1.9%, Central America 1.1%, South America 1.4%, other Asian Countries 9.2%, other African countries 4.1%, Central Asian states 0.1%. in the same way Pakistan imported 32% from OIC, 4.5% from SAARC, 9.5% ASEAN, 0.1% from Central America, 0.8% from South America, 15.9% from other Asian countries, 1.9% from other African countries, 0.1% from Central Asian states (Economic Survey of Pakistan, 2007-2008).



**Table No. 4****Destination of Exports & Origin of Imports (Percentage share)**

| Countries                | 2000-01 |        | 2001-02 |        | 2002-03 |        | 2003-04 |        | 2004-05 |        | 2005-06 |        | 2006-07 |        |
|--------------------------|---------|--------|---------|--------|---------|--------|---------|--------|---------|--------|---------|--------|---------|--------|
|                          | Export  | Import | Export  | Import | Export  | Import | Export  | Import | Export  | Import | Export  | Import | Export  | Import |
| Developed countries      | 56.7    | 31.9   | 58.1    | 34.3   | 56.1    | 34.4   | 58.2    | 35.5   | 55.9    | 38.0   | 54.7    | 34.2   | 54.7    | 33.3   |
| CMEA                     | 0.4     | 0.5    | 0.5     | 0.5    | 0.5     | 0.9    | 0.7     | 0.8    | 0.9     | 3.3    | 0.9     | 1.8    | 1.1     | 1.8    |
| Developing Countries     | 42.9    | 68.1   | 41.4    | 64.6   | 43.3    | 64.8   | 41.1    | 63.3   | 43.2    | 59.9   | 44.4    | 63.6   | 42.3    | 64.9   |
| a. OIC                   | 16.5    | 39.3   | 19.2    | 36.0   | 22.3    | 35.2   | 20.7    | 33.7   | 21.9    | 29.2   | 23.3    | 33.7   | 21.6    | 32.0   |
| b. SAARC                 | 5       | 2.9    | 2.5     | 2.4    | 2.4     | 1.9    | 3.2     | 3.1    | 4.6     | 3.2    | 4.4     | 3.3    | 4.8     | 4.5    |
| c. ASEAN                 | 2.9     | 10.6   | 2.7     | 11.7   | 2.9     | 12.2   | 2.7     | 11.1   | 2.1     | 10.0   | 1.7     | 9.1    | 1.9     | 9.3    |
| d. Central America       | 3.6     | 0.2    | 1.0     | 0.1    | 0.9     | 0.1    | 0.9     | 0.1    | 0.9     | 0.1    | 0.9     | 0.1    | 1.1     | 0.1    |
| e. South America         | 0.8     | 1.6    | .9      | 0.7    | 0.7     | 0.6    | 0.8     | 0.6    | 0.9     | 1.1    | 1.0     | 1.4    | 1.4     | 0.8    |
| f. Other Asian Countries | 12.1    | 10.6   | 11.4    | 10.9   | 9.9     | 12.5   | 9.4     | 12.3   | 8.7     | 13.7   | 8.9     | 13.7   | 9.2     | 15.9   |
| Other African Countries  | 0       | 2.8    | 3.5     | 2.7    | 4.0     | 2.3    | 3.2     | 2.3    | 4.0     | 2.4    | 4.1     | 2.2    | 4.1     | 1.9    |
| h. Central Asian States  | 4.3     | 0.1    | 0.2     | 0.1    | 0.2     | ---    | 0.2     | 0.1    | 0.1     | 0.2    | 0.1     | 0.1    | 0.1     | 0.1    |

**Source:** Government of Pakistan (2007-08) Economic Survey, Finance Division, Economic Advisors Wing Islamabad, Statistical Appendix, p.67-68.

Thus, it is advised to the policy makers and concerned authorities to stop the import of luxuries items from abroad and rely on their own products, then the balance of payment will be favorable.

### Pakistan Exports Few Items

It is evident from the above study that Pakistan's export is highly concentrated in few items as cotton manufactured, leather, rice, and synthetic textile and sports goods. These items accounts for 76.6% of total export during the year 2006-2007 Through which cotton manufacturers contributed 59.7%, rice contributed 6.6%, and leather 5.2% followed by synthetic textiles 2.5% and sports goods 1.7%. It reveals that almost all the export earnings of

cotton group have originated from textile and clothing. The same situation remained in the degree of concentration during the period 1998-99 to 2005-06 (See table-5).

The export of textile manufacturing and value added products is now day on Pakistan's main export policy and it is moving gradually on the same line. The shares of bed-wear knitwear and towels (value added exports) have increased while those of cotton yarn and synthetic textiles have declined. The share of other products of textile has remained constant or fluctuated during the last eight years (Statistical Pocket Book, 2008).

**Table No. 5**  
Top Five Exported Commodities (Percentage Share)

| Commodity            | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|----------------------|---------|-----------|---------|---------|---------|---------|---------|---------|---------|
| Cotton Manufacturers | 59.1    | 61.0      | 58.9    | 59.4    | 63.3    | 62.3    | 57.4    | 59.4    | 59.7    |
| Leather              | 6.9     | 6.3       | 7.5     | 6.8     | 6.2     | 5.4     | 5.8     | 6.9     | 5.2     |
| Rice                 | 6.9     | 6.3       | 5.7     | 4.9     | 5.0     | 5.2     | 6.5     | 7.0     | 6.6     |
| Synthetic Textiles   | 5.1     | 5.3       | 5.9     | 4.5     | 5.1     | 3.8     | 2.1     | 1.2     | 2.5     |
| Sports Goods         | 3.3     | 3.3       | 2.9     | 3.3     | 3.0     | 2.6     | 2.1     | 2.1     | 1.7     |
| Sub-Total            | 81.3    | 82.2      | 80.9    | 78.9    | 82.6    | 79.3    | 73.9    | 76.6    | 75.7    |
| Others               | 18.7    | 17.8      | 19.1    | 21.1    | 17.4    | 20.7    | 26.1    | 23.4    | 24.3    |
| Total                | 100     | 100       | 100     | 100     | 100     | 100     | 100     | 100     | 100     |

\*July-March (Provisional) Source: Ministry of Commerce & FBS.

### Exports of Pakistan is highly concentrated

The export of Pakistan is highly concentrated to few countries of the world; namely USA, Germany, Japan, UK, Hong

Kong, Dubai and Saudi Arabia. The export to these countries accounts more than 50 percent. Out of these countries USA keeps big share of export accounting for 27% of its exports followed by the United Kingdom, Dubai, Germany and Hong Kong (Statistical Pocket Book, 2008).

Pakistan's export to Japan as destination is fast vanishing as less than one percent of its exports entering Japan [See Table 6]. These concentrations are posing the most dangerous situation for Pakistan's export scenario.

**Table No. 6**  
Major Export Markets (Percentage Share)

| Country  | USA  | Germany | Japan | UK  | Hong Kong | Dubai | Saudi Arabia | Sub-Total | Other Countries | Total |
|----------|------|---------|-------|-----|-----------|-------|--------------|-----------|-----------------|-------|
| Year     |      |         |       |     |           |       |              |           |                 |       |
| 1992-93  | 13.9 | 7.8     | 6.8   | 7.1 | 6.6       | 5.9   | 4.7          | 52.8      | 47.2            | 100.0 |
| 1994-95  | 16.2 | 7.0     | 6.7   | 7.1 | 6.6       | 4.0   | 2.7          | 50.3      | 49.7            | 100.0 |
| 1996-97  | 17.7 | 7.5     | 5.7   | 7.2 | 9.4       | 4.6   | 2.6          | 54.7      | 45.3            | 100.0 |
| 1998-99  | 21.8 | 6.6     | 3.5   | 6.6 | 7.1       | 5.4   | 2.4          | 53.4      | 46.6            | 100.0 |
| 1999-00  | 24.8 | 6.0     | 3.1   | 6.8 | 6.1       | 5.7   | 2.5          | 55.0      | 45.0            | 100.0 |
| 2000-01  | 24.4 | 5.3     | 2.1   | 6.3 | 5.5       | 5.3   | 2.9          | 51.8      | 48.2            | 100.0 |
| 2001-02  | 24.7 | 4.9     | 1.8   | 7.2 | 4.8       | 7.9   | 3.6          | 54.9      | 45.1            | 100.0 |
| 2002-03  | 23.5 | 5.2     | 1.3   | 7.1 | 4.6       | 9.0   | 4.3          | 55.0      | 45.0            | 100.0 |
| 2003-04  | 23.9 | 4.9     | 1.1   | 7.6 | 4.7       | 7.3   | 2.8          | 52.3      | 47.7            | 100.0 |
| 2004-05  | 23.9 | 4.8     | 1.1   | 6.2 | 3.9       | 3.3   | 2.5          | 45.7      | 54.3            | 100.0 |
| 2005-06* | 26.9 | 4.6     | 0.8   | 6.0 | 3.9       | 5.3   | 2.3          | 49.9      | 50.1            | 100.0 |

Source: Government of Pakistan (2007-08) Economic Survey, Finance Division, Economic Advisors Wing, Islamabad, Statistical Appendix.

### Structure of Imports

The data pertaining to the structure of imports in US\$ million from the year 2004-05 to the year 2005-06 is evidence in the following table-7. The import has shown an increase in the percentage share of each Group from A to F. the major change is witnessed in the Group C which has been increased up to 64.5% in the year 2005-06. The share in total export confirms that the Raw Materials group and petroleum group accounted highest import

bills during the year 2005-06 as their share is 22.7% and 22.3% (Economic Survey of Pakistan, 2007-2008) respectively in the total share.

**Table No. 7**  
**Structure of Imports (\$ Million)**

| July-March               | 2005-06* | 2004-05 | Absolute Increase | % Change | Share in total |
|--------------------------|----------|---------|-------------------|----------|----------------|
| A. Food Group            | 1346.7   | 990.7   | 356.0             | 35.9     | 6.5            |
| B. Machinery Group       | 3970.5   | 3034.6  | 935.9             | 30.8     | 19.2           |
| C. Petroleum Group       | 4615.8   | 2806.6  | 1809.2            | 64.5     | 22.3           |
| D. Consumer Durables     | 1358.2   | 957.7   | 400.5             | 41.8     | 6.6            |
| E. Raw Materials         | 4692.8   | 3446.9  | 1245.9            | 36.1     | 22.7           |
| F. Others                | 4709.2   | 3209.5  | 1499.7            | 46.7     | 22.7           |
| Total Imports            | 20693.2  | 14446.0 | 6247.2            | 43.2     | 100.0          |
| Non-Oil Imports          | 16077.4  | 11639.4 | 4438.0            | 38.1     | 77.7           |
| Non-Food Non-Oil Imports | 14730.7  | 10648.7 | 4082.0            | 38.3     | 71.2           |

Source: Government of Pakistan (2007-2008) Economic Survey, Finance Division, Economic Advisors Wing, Islamabad.

## Analysis and Results

The analytical results show that the Pakistan has suffered from the trade deficit through out the study period which is evident in table-1 of balance of payment as percentage of GDP. The average trade deficit from the year 2000-2001 to 2006-2007 was -4.69 and but increase in the trade deficit went hundred times more in the year 2006-07 over the year 2000-01 as -347.62%. This trade deficit has caused very harmful results for the economic growth of the country as is depicted in table-2. The analysis of Export, Import & Trade Balance in the terms of currency shows that the average increase in the export during the study period was 9.98% (or Rs.774.23 billion annually), when in comparison to it, the average increase in the import was 17.69% (or Rs.1094.27 billion annually). So, Pakistan spent Rs.2240.282 more in import than



export or in other words there were annually Rs.320.040 billion trade deficits on Pakistan's balance of payments.

It is encouraging to note that Pakistan's manufactured goods export is quite comfortable when we see the analysis of the table - 3. The average share of the manufactured goods export remained 76.86%. But here under this data of classification a sub-classification is needed to be given to researchers to analyze the inside and resolve that what the nature of the manufactured products is? Whether these are value added and ready to consume or these are only industrial products.

Pakistan's major export goes to developed countries which also put a big question that what kinds of commodities we export to developed countries. These commodities might be of industrial use rather than consumer because Pakistan has very little or no direct access to the developed countries consumer markets (Dr. Manzoor Ahmed 2007).

The analysis further reveals that Pakistan exports in few items those are concentrated in cotton manufacturing, leather, rice, synthetic textile, sports goods. Pakistan's major export is in the cotton and textile commodities as evident in table-5. Under this Pakistan gradually moving towards value added products like bed-wear, knitwear and towels etc. Pakistan must explore the consumer market of its consumer products and also explore to add value to its agricultural products like Rice food products as the rice not consumed directly in many countries but it is graded, refined, converted into rice noodles, rice vinegar, rice beverages, rice paste, rice biscuits, rice cakes, rice pastries, rice spaghetti and many other products which are directly consumed by consumers in Far East countries.

## Conclusions

It is concluded from the above study that the exports minimize the pressure on the balance of payments and also helps to bring changes in real GDP and absorb shocks of economic cycles. Pakistan mainly exports manufactured goods and its share was 78%, when semi-manufactured goods share was 11% and 11% of primary commodities in the year 2006-07, but this manufacturing

good export is concentrated in few items mostly dominated by textile, leather, rice and sports goods.

Study further reveals that Pakistan mainly exported towards developed countries and its share was 54.7% when share of CMEA 1.1% and 42.3% to developing countries etc. So, it is clear that export performance of Pakistan were not satisfactory during the study period. In this regard the balance of payment shows a continuing trade deficit with an average -4.69 during the study period from 2001 to 2007. Pakistan is still far behind of many countries in the Asian region as far as export is concerned.

Thus, it is recommended that Pakistan should export value added commodities and increase the variety of products and find new markets for its exports. Pakistan must add value to its agricultural products like rice food products as the rice not consumed directly in many countries but it is graded, refined, converted into other products. Rice is consumed as rice noodles, rice vinegar, rice beverages, rice paste, rice biscuits, rice cakes, rice pastries, rice spaghetti and many other products which directly consumed by consumers in far east countries and world class hotels and restaurants all over the world.

Study further suggests that Pakistan import bills might be curtailed down and the balance of payment should be kept in plus in the coming years.

It is further suggested that Trade Development Authority (old export Promotion Bureau) of Pakistan should frame the export policies which suits well and benefit the people of Pakistan on mass scale.

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