

FOREIGN TRADE: A KEY CATALYST FOR DEVELOPMENT OF PAKISTAN

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Abstract

The research article entitled "Foreign Trade, A Key Catalyst for Development of Pakistan" is written with the purpose that foreign trades is important to the economy because of the country's need to import a variety of products and also export surplus products. But imports have exceeded exports in almost every year since 1950, and Pakistan had a deficit on its balance of trade each year. For this research data were collected from various secondary and tertiary sources.

This paper is organized under the following different headings:

It begins with the introduction, in Section 2, Situation of Exports of Pakistan, Section 3, Trends in Monthly Exports of Pakistan, Section 4, Concentration of Exports, Section 5, Composition of Exports, Sections 6, Imports of Pakistan Section 7, Trends in Monthly Imports, Section 8. Focus of Imports, Section 9 Composition of Imports and Conclusions have been drawn in section 10.

1. Introduction

Trade matters more than ever before in a highly incorporated world today. Countries that have strengthen their relations with the global economy through trade and investment have usually grown more rapidly over a persistent period and have consequently experienced larger decline in poverty. But foreign trade plays a very important role in the development of the any economy of any country especially if it's under developing country, like Pakistan.¹

Pakistan's foreign trade division is being affected both by structural and cyclical factors. On the domestic side, four years of strong economic growth has strengthened domestic demand and has triggered a constant pick up in investment spending, leading to

a massive increase in imports. On the external side, the global economy continues its strong and broad – based increase with growth reaching close to 5% in 2006 with similar expansion projected for the year 2007, which will be the fifth consecutive year that the world economy has grown by more than 4.0%.² A strong and physically broad – based growth has helped world trade to expand strongly and at the same time the quick expansion of global trade has been a key driving force for growth in almost every part of the world. Like many other developing countries, Pakistan has also benefited from a strong and continued growth in world economy. Pakistan's exports grew at an average rate of 16.45% per annum over the last four years. Despite of the global economic development, the macro-economic policies along with the wide-ranging structural reforms that Pakistan has been practicing during the last six or seven years, especially in the areas of trade and tariff, have helped Pakistan doubled its exports in seven years and increased its trade-to-GDP ratio from close to 26% in 1999-2000 to estimated 34% in 2005-06.³

1.1 Methodology

This kind of research is the descriptive research, which answers the questions of who, what, when and where. For this research data was collected through secondary and tertiary sources, first the data was arranged in ascending order and then it was tabulated and finally data was added according to years and then graphs and diagrams were drawn.

2. Situation of Exports of Pakistan

Targeted exports of Pakistan for the year 2006 were \$17 billion or 18.1 % higher than last year. During the first nine months of the current fiscal year (July-March), the exports are up by 18.6% showing a rise from \$10183 million to \$ 12073 million in the same period last year. The exports of primary commodities are up by 22%; significant among those are exports of rice 33.6%, fish and fish preparation 30.2% and fruits 20.6%. Exports of textile manufactures grew by 19.2 %; where the exports of bed wear 58.4%, readymade garments 31.0%, cotton yarn 29.4%, cotton cloth 16.5% and towels 12.0% played a prominent role in this

area.⁴ Exports of other manufactures also registered a high double digit growth of 19.2%. Within this group, exports of petroleum products grew by 80.8% and leather manufactures are up by 44.0%. In recent years, Pakistan has also entered in the exports of engineering merchandise. Though relatively less in numbers, exports of engineering goods increased by 10.3%.⁵ The evidence is as under:

Table-1
Structure of Exports of Pakistan

Particulars	July-March				
	2005-006*	2004-05*	% Change	Absolute Increase	%age Contribution to increase in Exports
A. Primary Commodities	1160.9	951.3	22	209.6	11.1
Rice	835.2	625	33.6		
Raw Cotton	53.9	132.1	90.3		
Fish and Fish Preparation	96.8	101.5	74.8		
Fruits	-44.3	30.2.	20.6		
B. Textile Manufactures	7201.5	6041	19.2	1160.5	61.4
Cotton Yarn	983.5	760	29.4		
Cotton Cloth	1556.5	1336.3	16.5		
Knitwear	1269.8	1217.2	4.3		
Bed wear	1494.3	943.2	58.4		
Towels	421.1	376.1	12		
Readymade Garments	1002.1	765.1	31		
Made-up Articles	309.2	357.6	-13.5		
Others	164.9	285.4	-42.2		
C. Other Manufactures	2460	2064.3	19.2	395.7	20.9
Carpets, Rugs and Mats	199.8	198.2	0.8		
Petroleum Products	563.3	311.6	80.8		
Sports Goods	228.4	216.1	5.7		
Leather Tanned	196.8	219.7	-10.5		

Leather Manufactures	540.5	375.3	44		
Surgical Goods and Instruments	117.3	136.5	-14.1		
Chemicals and Pham. Products	299.6	282.5	6		
Engineering Goods	135.4	122.8	10.3		
D. Others	1250.6	1126.1	11.1	124.5	6.5
Total	12072.9	10182.7	18.6	1890.2	100

Source: Federal Bureau of Statistics (2006), Government of Pakistan, Islamabad.

It is evident from the above Table-1 that the overall exports pose a move up of \$ 1890.23 million in the first nine months of the current fiscal year over the same period of last year. Of this move up, 61.4% or \$ 1160.5 million has come from textile manufactures followed by other manufactures (20.9% or \$ 395.7 million), primary commodities 11.1% or \$ 209.6 million and other exports 6.5% or \$ 124.5 million. In other words, over 82 % incremental exports in the first nine months (July-March) of the current fiscal year in debt to textile and other manufactures and the remaining 18 % to most important primary and non-traditional exports'.

3. Trends in Monthly Exports of Pakistan

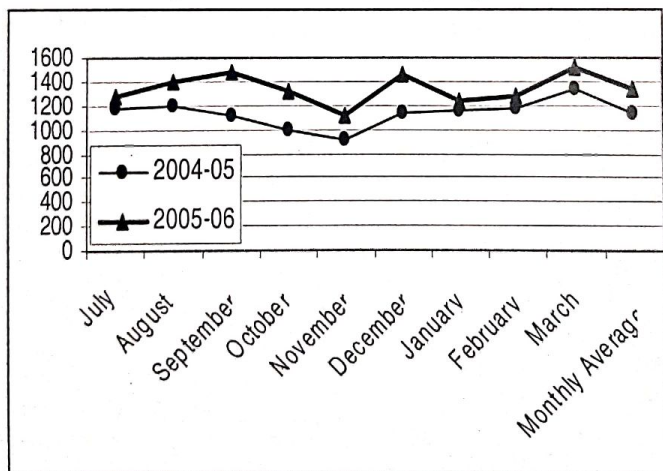
The trends in the monthly exports of Pakistan for the period July-Mar, 2005-06 remained consistently above the subsequent months of last year, averaging \$ 1341.4 million per month as against an average of \$ 1131.4 million in the year 2004-05. The following table-2 and figure-1 shows the evidence.

Table-2
Trends in Monthly Exports

Month	2004-05	2005-06	Percent (+)(-)
July	1183.8	1269.3	7.22
August	1187.7	1400.7	17.93
September	1113.4	1483.3	33.22
October	997.8	1325	32.79
November	908.9	1113.5	22.5
December	1129.9	1455.3	28.79
January	1148.2	1229.9	7.12
February	1166.1	1274.72	9.31
March	1346.82	1521.2	12.94
Monthly Average	1131.4	1341.4	18.56

Source: Government of Pakistan (2005-06) Economic Survey, Ministry of Finance Economic Adviser's Wing, Islamabad, pp. 129-130.

Figure-1 Trends in Monthly Exports



Source: Government of Pakistan (2005-06) Economic Survey, Ministry of Finance Economic Adviser's Wing, Islamabad, pp. 129-130.

It is clear from Table -2 that monthly export in the July 2005-06 increased by 7.22% as compared to 2004-05. In the August 2005-06 it again increased by 17.93% when compared with 2004-05. Similarly it went up in the month September 33.22%, in October 32.79%, in November 22.5%, in December 28.79%, in January 7.12%, in February 7.12%, in March 2005-06 12.94% when compared with 2004-05.

4. Concentration of Exports

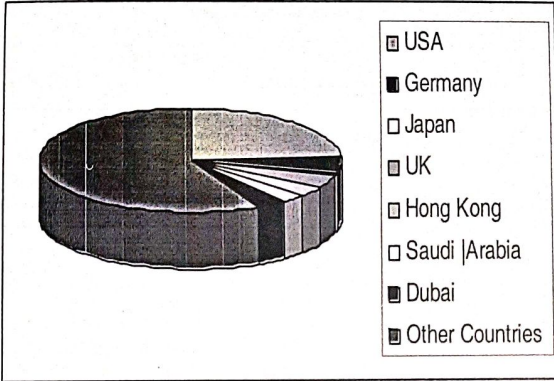
The Government Pakistan's exports are extremely strong in few items namely, cotton, leather, rice, synthetic textiles and sports goods. These five categories of exports account for 74.5% of total exports during the first nine months of 2005-06 with Cotton manufacturers alone contributing 58.4%, followed by rice 6.9%, leather 6.1%, and synthetic textiles 1.2%. The degree of concentration reflects little change in the current fiscal year. Further dis-aggregation reveals that almost all the export earnings of cotton group have originated from textile and clothing. The same degree of concentration, by and large, persisted during 2005-06. The following Table-3 shows the annual % share of the major export commodities.⁷

Table-3
Pakistan's Major Exports

Commodity	00-01	01-02	02-03	03-04	04-05	05-06*
Cotton Manufacturers	58.9	59.4	63.3	62.3	57.4	58.4
Leather	7.5	6.8	6.2	5.4	5.8	6.1
Rice	5.7	4.9	5	5.2	6.5	6.9
Synthetic Textiles	5.9	4.5	5.1	3.8	2.1	1.2
Sports Goods	2.9	3.3	3	2.6	2.1	1.9
Sub-Total	80.9	78.9	82.6	79.3	73.9	74.5
Others	19.1	21.1	17.4	20.7	26.1	25.5
Total	100	100	100	100	100	100

* July-March (Provisional)

Source: Government of Pakistan (2005-06) Economic Survey, Ministry of Finance Economic Adviser's Wing, Islamabad, pp. 130-133.

Figure-2: Pakistan's Major Exports

Source: Government of Pakistan (2005-06) Economic Survey, Ministry of Finance Economic Adviser's Wing, Islamabad pp. 130-133

5. Composition of Exports

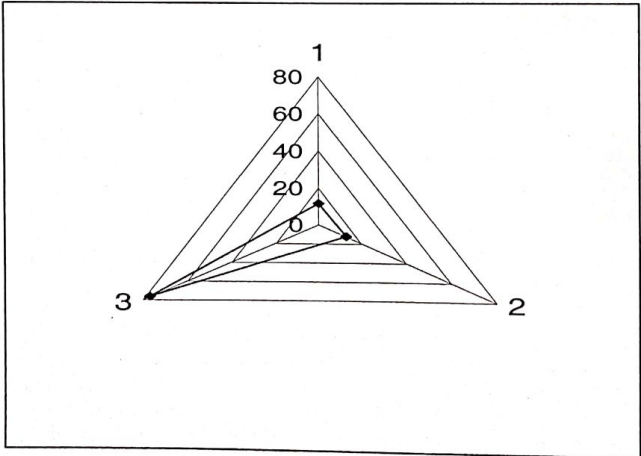
Observations show that Pakistan's exports composition has changed considerably since 1990s. Among the major changes that have been taking place are the sharp decline in the share of primary commodities and semi-manufactured exports and an increase in the share of manufactured merchandises. During July-March of the current fiscal year (2005-06), the share of primary commodities, semi-manufactures and manufactured goods remained more or less at the last year's level. During the year 2004-05 and the year 2005-06(July-March), 89% of the exports earnings came from manufactured goods only (provided that the semi-manufactured and manufactured goods are taken together) and only 11% came from primary commodities. The Table-4 below provides the evidence of this and also shows that Pakistan's foreign exchange does not rely heavily on the export of its primary commodities.⁸

Table-4
Composition of Exports

S.No.	Primary Commodities	Semi-Manufactures	Manufactured Goods	(% Share)
1	13	15	72	100
2	11	14	75	100
3	11	11	78	100
4	10	12	78	100
5	11	10	79	100
6	11	11	78	100
Total	67	73	460	600
Average	11.167	12.167	76.67	100

Source: Government of Pakistan (2005-06) Economic Survey, Ministry of Finance Economic Adviser's Wing, Islamabad, pp. 133-135

Figure-3: Average Composition of Exports in Pakistan



6. Imports of Pakistan

Pakistan's imports have continued to increase with the passage of time. Against the targeted imports for the current fiscal year 2005-06 which were to grow by 4.25 % for the fiscal year 2005-06 – rising from \$ 14.4 billion to \$ 20.7 billions. The trend of imports suggests that food imports grew by 35.9 % - up from \$ 990.7 million to \$ 1346.7 million. Among all the food imports, Wheat, sugar, and pulses were the major contributors towards this increase. The import of milk and milk products also contributed to the rise in food imports. Sugar alone contributed 74 % to the rise in food imports. Wheat, sugar, and pulses alone contributed 93% to the rise in food imports. These three items contributed 33.4 percentage points to the 35.9% enlargement in food imports.

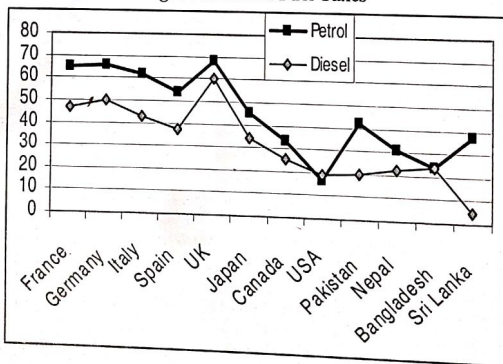
Imports of petroleum group have played a key role in taking Pakistan's import to a new height. It has been observed as the single largest contributor to the country's import bill. The amount of import for petroleum group was about \$ 4615.8 million during the first nine months (July-March) of the current fiscal year as against \$ 2806.6 million in the same period 2004-05, showing an increase of 64.5 %. Although the quantity of imports of crude as well as petroleum products are down by 2.3% and 5.8%, respectively, the prices of these two items are 76.6% and 62.9% higher than last year, due to which import of these two items have risen by 64.5 % in value terms. Despite reduction in quantity, Pakistan was forced to pay \$ 1915 million more to import crude and petroleum products which are heavy price for Pakistan. It is also clear that Pakistan is mainly dependent on agricultural products and for agriculture water is needed, and we are getting water from rivers and ground water so for ground water oil is needed and here in Pakistan more percentage is charged tax on oil comparative to other countries.⁹ The following Table 5 and Figure 4 shows the evidence.

Table 5
Global Fuel Taxes (Percent)

S. No.	Countries	Petrol	Diesel
1.	France	65	47
2.	Germany	66	50
3.	Italy	62	43
4.	Spain	54	37
5.	UK	68	60
6.	Japan	45	34
7.	Canada	33	25
8.	USA	17	19
9.	Pakistan	42	20
10.	Nepal	31	22
11.	Bangladesh	24	24
12.	Sri Lanka	37	5

Source: 1. Report of the committee on pricing and taxation of petroleum products – India, February 2006.
2. The World Trade Review 2006 for Petroleum products.

Figure 4: Global Fuel Taxes



It is clear from Table -5 and Figure 4: that Pakistan charging 300% more tax on diesel and 13.51% more tax on petrol from Sri Lanka. In this way Pakistan charging more tax from USA 147% on petrol and 5.26% on diesel. It is suggested that government should reduce taxes on petroleum products especially on diesel because our country is completely agro based economy and diesel is needed for water charging from ground. In this way we may get good crops and than we may feed our own industries like textile, sugar, floor etc. we may also generate more revenue form these sources as compared to taxes on the petroleum products.

6.1 Imports increase in year 2006-07(July – March)

Pakistan is a developing country and it mainly rely on imported machinery, so import is also increasing in Pakistan. Imports of machinery, accounting for 27.0% and 19.2% to non-food, non-oil imports and total imports, respectively, grew by 30.8% in the first nine months (July-March) of the current fiscal year 2006-07—going up from \$ 3034.6 million to \$ 3970.5 million in the same period 2005-06. Major contributors to the increase in machinery imports include power generation machine 44.8%, agriculture machinery 109.2%, construction and mining machinery 29.0% and other machinery 51.7%. An increase in imports of machinery shows a growing domestic investment driven imports, expanding the country's production base. Imports of raw materials, like surge in machinery imports, represents the growing level of economic activity in the country. Imports of raw materials, accounting for 32% and 23% to non-food non-oil imports and total imports, respectively, are up by 36.1 % in the first nine months (July-March) of the year 2006-07 – rising from \$ 3447 million to \$ 4693 million in the same period last year. With the exception of insecticides, all categories of raw materials registered high double – digit growth. The 75% increase in imports of raw materials is due to iron and steel and scrap, chemical products and fertilizers. Another 13.7 % contribution came from plastic materials. This shows that only these four items of the total imported items are responsible for 89% increase in the import bill.¹⁰ The evidence is given in the following Table-6 and Figure 5.

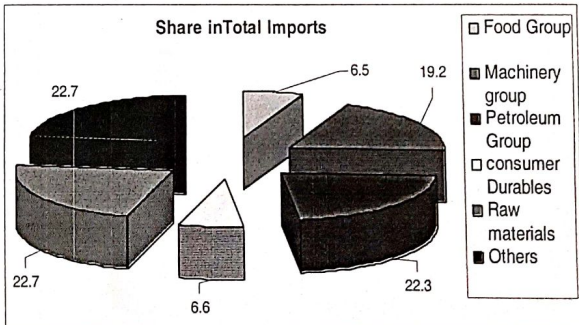
Table-6: Structure of Imports

Particulars	July-March		Absolute Increase	% Change	Share in total imports
	2005-06	2004-05			
A. Food Group	1346.7	990.7	356	35.9	6.5
Milk and milk food	38.972	24.32		60.2	
Wheat Unmilled	94.577	70.11		34.9	
Dry fruits	40.736	30.125		35.2	
Tea	180.071	174.383		3.3	
Spices	39.466	37.054		6.5	
Edible Oil (Soyabean and Palm Oil)	551.855	560.422		-1.5	-
Sugar	275.13	11.03		2394.4	-
Pulses	125.867	83.208		51.3	-
B. Machinery Group	3970.5	3034.6	935.9	30.8	19.2
Power Gen. Machines	398.6	275.3		44.8	-
Office Machines	197.9	193.9		2	-
Textile Machinery	654.2	700.0 -		6.5	-
Const. and Mining Mach.	138.5	107.4		29	-
Aircrafts, Ships and Boats	90.9	132.8 -		31.5	-
Agri. Machinery	91.7	43.9		109.2	-
Other Machinery	2398.7	1581.3		51.7	-
C. Petroleum Group	4615.8	2806.6	1809.2	64.5	22.3
Petroleum Products	1834.2	1195.4		53.4	-
Petroleum Crude	2781.6	1611.2		72.6	-
D. Consumer Durables	1358.2	957.7	400.5	41.8	6.6
Electric. Mach and App.	344.1	238.5	105.6	44.2	1.7
Road motor Vehicles	1014.1	719.2	294.9	41	4.9
E. Raw Materials	4692.8	3446.9	1245.9	36.1	22.7

Synth. Fibre and Regenerated Fibre	188.3	109.1	79.2	72.6	-
Synthetic and Artificial Silk Yarn	178.2	100.3	77.9	77.6	-
Fertilizer	488.5	275.3	213.2	77.4	-
Insecticides	91.8	107.1	-15.3	-14.3	-
Plastic Materials	757.1	587	170.1	29	-
Iron and Steel and scrap	1314	793.2	520.8	65.7	-
Other Chemical Products	1675	1474.9	200.1	36.3	-
F. Others	4709.2	3209.5	1499.7	46.7	22.7
Total Imports	20693.2	14446	6247.2	43.2	100
Non-Oil Imports	16077.4	11639.4	4438	38.1	77.7
Non-Food Non-Oil Imports	14730.7	10648.7	4082	38.3	71.2

Source: Government of Pakistan (2005-06), Ministry of Finance, Economic Advisor's Wing, Islamabad, pp.134-135.

Figure-5: Structure and Share of Imports



Source: Government of Pakistan (2005-06), Ministry of Finance, Economic Advisor's Wing, Islamabad, pp.134-135.

It is clear from the Table-6 and Figure-5, that the food items like milk and milk products, wheat un-milled, dry fruits, tea, spices, edible oil, sugar and pulses absolutely increase in the value

terms 356 million, its percentage increase 35.9% and its share in total import was only 6.5%. It is apparent from above Table-5 and Figure-4 that the machinery group absolutely increased 935.9 millions and its percentage went up by 30.8% in the year 2005-06 in the comparison of 2004-05 (July-March). Its share in total imports was 19.2%. Simultaneously, the petroleum group absolute increase was 1809.2 millions and its percentage increased by 64.5% in the year 2005-06 in the comparison of 2004-05. Overall, the share of Petroleum group in total imports remained 22.3% in total imports. Again, the consumer durables absolute increase was 400.5 millions and its percentage rose by 41.8% in the year 2005-06 as compared to 2004-05. Its share in imports occurs 6.6% in total imports.

The study reveals that the raw materials absolute increase was 1245.9 millions in the year 2005-06 when compared with 2004-05 and its percentage increase is 36.1% in the above same period. Its share in total import was 22.7%. Finally, the others absolutely increased 1499.7 millions and its percentage increase was 46.7 in the year 2005-06 when compared with 2004-05 and its share in total import was 22.7%.¹¹

Thus, it is finally concluded that Pakistan had to pay 6247.2 millions in the year 2005-06 which is a huge amount especially for a developing country like Pakistan. Permission should not be given to enhance export because in this way, our balance of payments will remain in deficit. When the balance of Payments is in the deficit than the people of that country may not go for the saving and investment. So we should control on consumption and produce more.

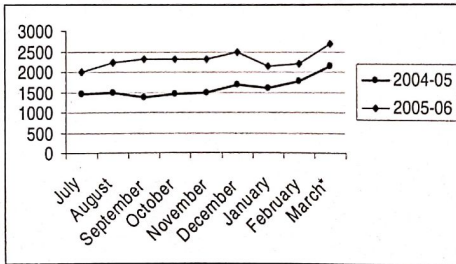
7. Trends in Monthly Imports

The monthly imports during July-March, 2005-06 remained constantly higher compared to the same months of last year. Imports averaged \$ 2299.2 million per month during this period as against \$ 1605.1 million for the comparable period last year. Thus, on average, imports have risen by \$694.1 million per month during this period. The evidence can be seen in the table-7 figure-6

Table-7: Trends in Monthly Imports

Month	2004-05	2005-06*
July	1458.7	1996.3
August	1475.2	2234.8
September	1378.7	2322.8
October	1456.4	2325.3
November	1477.9	2300
December	1673.7	2475.1
January	1610.3	2145.5*
February	1783	2210.5*
March*	2135.2	2685.3*
Monthly Average	1605.1	2299.2

Source: Government of Pakistan (2005-06), Ministry of Finance, Economic Advisor's Wing, Islamabad, pp.135-137.

Figure-6: Trends in Monthly Imports

Source: Government of Pakistan (2005-06), Ministry of Finance, Economic Advisor's Wing, Islamabad, pp.135-137.

It is clear from the above statistics that monthly export is moving upward month by month and we are not in position to control on imports like India, China and Japan etc. we should get lesson from the above countries as how they had to develop their economy.

8. Focus of Imports

Our country's imports are also extremely strong in few items namely, machinery, petroleum & petroleum products, chemicals, transport equipments, edible oil, iron & steel, fertilizer and tea. These eight categories of imports accounted for 72.5 percent of total imports during 2005-06. Among these categories machinery, petroleum & petroleum products and chemicals accounted for 53.4% of total imports. Focus of imports remained, by and large, unchanged over the last one decade with the exception of 2000-01.¹²

Table-8: Pakistan's major imports

Commodities	00-01	01-02	02-03	03-04	2004-05	2005-06
Machinery **	19.3	17.1	18.5	17.8	22.5	18
Petroleum & Products	31.3	27.1	25.1	20.3	19.4	22.3
Chemicals	20	15.9	15.1	16.1	15.5	13.4
Transport Equipments	4	4.8	5.6	5.6	6.2	7.7
Edible Oil	3.1	3.8	4.8	4.2	3.7	2.7
Iron & Steel	2.6	3.3	3.3	3.3	4.3	5.1
Fertilizer	1.6	1.7	2.1	1.8	2	2.4
Tea	1.9	1.5	1.4	1.2	1.1	0.9
Sub-Total	83.8	75.2	75.9	70.3	74.7	72.5
Others	16.2	24.8	24.1	29.7	25.3	27.5
Total	100	100	100	100	100	100

Source: Government of Pakistan (2005-06), Ministry of Finance, Economic Advisor's Wing, Islamabad, pp.135-137.

It is clear from the above Table - 8 that Pakistan is importing petroleum products, as compared to others, because we are generating more electricity from oil, so in future government should control to import petroleum products in abundance. Government of Pakistan needs to develop its own resources like *Thar* Coal for energy purposes etc. for economic development and future prosperity.

9. Composition of Imports

The share of raw materials for consumer goods in the total imports continued to be high while that for capital goods remained slow. The share of capital goods showed an upward trend because of higher level of investment in the country. The share of consumer goods has declined owing to higher domestic production. During the first nine months of the current fiscal year (July-March, 2005-06) the share of consumer as well as capital goods stood at 12% and 36%, in that order, while that of raw material for consumer goods fell by three percentage point due to higher domestic production. The share of raw material for capital goods remained smooth at 8% point during this period due to higher level of investment.¹³ The evidence is as under:

Table-9: Composition of Imports

Year	Capital Goods	Raw Materials		Consumer Goods	Total
		Capital Goods	Consumer Goods		
2000-01	25	6	55	14	100
2001-02	28	6	55	11	100
2002-03	31	6	53	10	100
2003-04	35	6	49	9	100
2004-05	36	8	46	10	100
2005-06*	36	8	44	12	100
Total	191	40	302	66	100
Average	38.2	8	60.4	13.2	

*Provisional

Source: Government of Pakistan (2005-06), Ministry of Finance, Economic Advisor's Wing, Islamabad, pp.137-138.

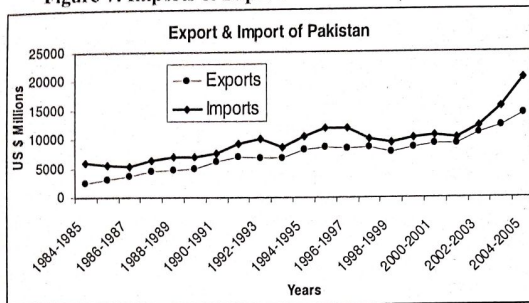
It is evident from Table -9 that the averagely share of capital goods occurs by 38.2% and consumer goods percentage averagely occurs by 13.2% in the year 2005-06 when compared with 2000-01.

10. Comparison between Import & Export of Pakistan

Table-10: Import & Export of Pakistan (1984-05)

Year	Exports	Imports	(+)(-) Percentage
1984-1985	2491	5906	57%
1985-1986	3070	5634	45.50%
1986-1987	3686	5380	31.49%
1987-1988	4455	6391	30.29%
1988-1989	4661	7034	33.74%
1989-1990	4954	6935	28.56%
1990-1991	6131	7619	19.53%
1991-1992	6904	9252	25.37%
1992-1993	6813	9941	31.46%
1993-1994	6803	8564	20.56%
1994-1995	8137	10394	21.71%
1995-1996	8707	11805	26.24%
1996-1997	8320	11894	30.04%
1997-1998	8628	10118	14.72%
1998-1999	7779	9432	17.52%
1999-2000	8569	10309	16.88%
2000-2001	9202	10729	14.23%
2001-2002	9135	10340	11.65%
2002-2003	11160	12220	8.67%
2003-2004	12313	15592	21.03%
2004-2005	14391	20592	30.11%

Source: Government Of Pakistan (2001), Pakistan Statistical Year Book, Federal Bureau of Statistics, Statistics Division, Islamabad, p. 71

Figure-7: Imports & Exports of Pakistan (1984-2005)

Source: Government of Pakistan (2001), Pakistan Statistical Year Book, Federal Bureau of Statistics, Statistics Division, Islamabad, p. 71

It is clear from the above Table-10 and Figure-7 that the balance of trade declined 57% in the year 1984-85. Again, in the year 1985-86, the balance of trade went down to 45.50%. In the year 1986-87, the balance of trade declined to 31.49%. In the year 1987-88, the balance of trade decreased to 30.29%. Similarly, in the year 1988-89, the balance of trade went down to 33.74%. Again, in the year 1989-90, the balance of trade declined to 28.56%. In this way, the balance of trade remained in deficit till to the year 2003-04, with some fluctuations. In the year 2004-05, it decreased by 30.11%.

Thus, it is clear that from 1984-85 to 2004-05, the highest balance of trade declined in the year 1984-85 which was 57%. Then after, it declined in the year 1985-86 to 45.50% & the third time, balance of trade decline in the year 1992-93, which was 31.46%.¹⁴

10. Conclusions

Pakistan's foreign trade plays key role in its socio-economic development but its division is being affected both by structural and cyclical factors, Pakistan's exports grew at an average rate of

16.45% per annum over the last four years and it has been practicing during the last six or seven years, especially in the areas of trade and tariff, have helped Pakistan doubled its exports in seven years and increased its trade-to-GDP ratio from close to 26% in 1999-2000 to the estimated 34% in 2005-06. Pakistan targeted its export for the year 2006 were \$17 billion or 18.1 % higher than 2005-06. During the first nine months of the current fiscal year (July-March), the exports are up by 18.6% showing a rise from \$10183 million to \$ 12073 million in the same period 2005.

Imports of petroleum group to a new height; it has been single largest contributor to the country's import bill. The amount of import for petroleum group was about \$ 4615.8 million during the first nine months (July-March) of the current fiscal year as against \$ 2806.6 million in the same period 2004-05, showing an increase of 64.5 %. Government should control its level best to detect corruption at all levels and especially in the import of petroleum. There should be transparency in each level if we import or export from abroad any merchandise.

Pakistan charging 300% more tax on diesel and 13.51% more tax on petrol from Sri Lanka. It is suggested that government should reduce taxes on petroleum products especially on diesel because Pakistan is agricultural country and diesel is needed for water charging from ground. In this way we may get good crops and than we may feed our own industries as a raw material and generate more revenue form these sources as compared to taxes on the petroleum products.

Finally it is suggested that Pakistani business community lack knowledge about what is happening around the world. They are afraid of WTO rules, its government responsibility to make them understand the rules properly and to clarify the misunderstandings and Export Bureau should come forward to start seminars work shops at universities level and in every *taluka* level, the peoples may understand about the regional and global business. The government must enterperunal freedom and curbs the political involvement for proper enterperunal grooming. The trade policies

also are made to protect the influential people. Government should ensure that no body is being prioritized and every one is treated equally in the country without any difference.

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