UNIT 17: EXPORTS AND IMPORTS

Except for the years 1947–48, 1950–51, and 1972–73, Pakistan has had an unfavourable balance of trade despite efforts to cut down imports and encourage exports; however, the gap remains. This is a matter of grave concern, particularly as the shortfall in the balance of payments is met by foreign loans, aid, and remittances by Pakistanis working abroad.

But what are the balance of trade and balance of payments?

Balance of trade or net exports is the difference between the value of goods and services exported out of a country and the value of goods and services imported into the country. When exports are greater than imports, there is a trade surplus, which is generally considered a favourable trade balance. The opposite, when the value of imports outweighs the value of exports, is a trade deficit, and this is generally considered an unfavourable trade balance.

Balance of payments (BOP) is the account of all the monetary transactions conducted by a country with other countries within a specified period of time, usually one year. All trade by both the private and public sectors is accounted for in order to determine how much money is going in and out of a country. When a country spends more than it earns, this is called a deficit which may be made up by returns from investments, utilizing of reserves, or borrowing loans either from other countries or from international financial institutions.

Pakistan's trade deficit for fiscal year 2013–14 was US$7.743 billion with exports valued at US$ 10.367 billion versus imports at US$18.110 billion compared to the deficits of US$ 11.084 billion in 2006–07, US$ 12.349 billion in 2009–10, and US$ 6.486 billion in 2012–13.

World trade is affected by the overall global economic activity. During the global recession years (2008–09 and 2011–12) foreign trade and the world's GDP (Gross Domestic Product) growth rate declined, affecting economies worldwide and particularly in developing countries.

The Trading Corporation of Pakistan (TCP), set up by the government in 1967, has played a significant role in Pakistan's foreign trade. TCP was under the ownership and control of the Ministry of Commerce and had monopoly of importing selected industrial raw materials. In 1980–81, the monopoly was withdrawn and all items placed on the free list till 1990. In 2001, the Federal Cabinet merged the Cotton Export Corporation (CEC) and the Rice Export Corporation of Pakistan (RECP) with TCP in order to stabilize prices in the country.

Pakistan's membership of the World Trade Organization (WTO) and bilateral and multilateral trade agreements with many countries, and of the South Asian Free Trade Area (SAFTA) agreement, and the China-Pakistan Free Trade Agreement facilitate its trade policies and performance.

Reasons for Pakistan's negative trade balance

The reasons behind Pakistan's negative trade balance are as follows:

i) inability of Pakistani goods to compete successfully in quality and price in the highly competitive world market;
ii) tariffs of other countries, which are placed on the import of certain goods;
iii) quota systems introduced by some countries with good buying power;
iv) Pakistan's dependence on other countries for capital goods, sophisticated machinery, tools, and spare parts;
v) heavy import of petroleum;
vi) shortage of food grains, edible oil, tea, and other food items;
vii) in general, a liberal import policy which makes it possible to import non-essential goods with hard-earned foreign exchange.

Exports

Pakistani exports have registered some growth with periods of fluctuation from 1947–48 onward. However, the increase in the value of exports has taken place largely because of higher prices rather than larger volumes. From the mid-1980s there was a welcome boost in exports. Reasons for this included diversification of goods and markets, improved product quality, simplified export procedures, financial assistance to exporters, etc.

Composition of exports

Traditionally, Pakistan had been an exporter of raw material; manufactured or semi-manufactured items like sports goods, cutlery, and leather only had a small international market and, until 1954–55, accounted for less than 2 per cent of total exports but gradually the share rose to 50 per cent. Today, the share of manufactured and semi-manufactured goods is close to 80 per cent but the figures vary, as can be seen in the Figure 17.2 overleaf.

14.8 Exports & Imports of Pakistan

Value in Million U.S.$

Years	Exports	Imports
1985-86	3,070	5,634
1986-87	3,686	5,380
1987-88	4,455	6,391
1988-89	4,661	7,034
1989-90	4,954	6,935
1990-91	6,131	7,619
1991-92	6,904	9,252
1992-93	6,813	9,941
1993-94	6,803	8,564
1994-95	8,137	10,394
1995-96	8,707	11,805
1996-97	8,320	11,894
1997-98	8,628	10,118
1998-99	7,779	9,432
1999-2000	8,569	10,309
2000-2001	9,202	10,729
2001-2002	9,135	10,340
2002-2003	11,160	12,220
2003-2004	12,313	15,592
2004-2005	14,391	20,598
2005-2006	16,451	28,581
2006-2007	16,976	30,540
2007-2008	19,052	39,966
2008-2009	17,688	34,822
2009-2010	19,290	34,710
2010-2011	24,810	40,414
2011-2012	23,624	44,912
2012-2013	24,460	44,950
2013-2014	25,110	45,073
2014-2015	23,667	45,826
2015-2016	20,787	44,685
2016-2017	20,422	52,910

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Imorts	Share	Exports	Share
1 Fuel	28.4%	Cotton Textile	55%
2 Machinary	17.6%	~~Cer~~ cereals	10%
3 Iron Steel	6.1%	Leather	3%
4 Chemicals	4.6%	Sugar	2.2%
5 Vehicles	4.3%		

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Exports to countries		Imports from	
1 USA	16%	China	25%
2 China	7.7%	UAE	15%
3 UK	7.3%	KSA	5.5%
4 Afghanistan	5.7%	UK	5%
5 Germany	5.5%	Indonesia	4.3%

Pakistan was 47th largest Importer in the world.

Pakistan was 68th largest exporter in the world.