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Issue Brief

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Boosting Pakistan's Exports: What Needs to Be Done

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Major Exports and Destinations

Official figures from the 2017 Economic Survey of Pakistan, published by the Ministry of Finance show that between July 2016 and March 2017, exports decreased to USD 15.119 billion from the USD 15.597 billion during the same period



in 2015-16, but that a positive trend was seen afterwards due to the “government’s continuous support to the export sectors and different initiatives” that caused exports in March 2017 to increase. Overall, Pakistan’s exports had been facing challenges in the last fiscal year, declining by around 3.1% in the initial nine months (till March 2017), at a time when imports continued to increase.¹ However, the seemingly positive outlook suggested by the Economic Survey was perhaps too hasty since later official figures accounting for the first eleven months of the same fiscal year, (i.e. until May 2017) continued to show a decline of 3.1% from the previous year, with exports earning the country USD 18.5 billion, and coupled with rising exports, demonstrating an “alarming” trade deficit of around USD 30 billion.²

Over 60% of exports from Pakistan continue to be from different textile products, while the remaining 40% is heavily concentrated in three categories or items, namely rice, leather, and sports goods.³ The most detailed figures available are from the Economic Survey, which account for exports between July 2016 and March 2017. They show that some of the most important exports of Pakistan are in the “food group”, including rice, sugar, fish, fruits, vegetables, spices and meat, almost all of which saw a decrease

¹ “Economic Survey of Pakistan 2017,” *Ministry of Finance, Pakistan* (Islamabad, 2017)
http://www.finance.gov.pk/survey/chapters_17/08-Trade.pdf

² Irfan Takalvi, “Dark Clouds Over Pakistan’s External Trade,” *Daily Pakistan*, July 14, 2017.
<https://en.dailypakistan.com.pk/opinion/dark-clouds-over-pakistans-external-trade-what-is-actually-wrong-with-our-exports/>

³ Ibid.

in the nine months under the survey, compared to the same time period in the previous fiscal year.⁴ “Textile manufactures” in this period also saw a slight decrease, though the export of petroleum products saw an increase. All other conventional exports of the country, such as sports goods, leather products, surgical instruments and carpets, also saw declines from last year. Overall, cotton manufactures in this time remained the most significant single category of export products, accounting for almost 60% of all exports.⁵

These declining figures for Pakistani exports over the past three to four years are a particularly dismal outcome of the country’s trade performance, considering that it had reached figures as high as USD 25 billion of exports in the first few years of this decade.⁶

A large proportion of Pakistan’s exports go to the OECD region and China, with more than half being exported to these destinations in fiscal year 2016 – however, political developments such as the UK starting a process of exiting the EU have made exports to the UK more expensive, and thus caused a decline in exports from Pakistan.⁷

In terms of the percentage share of the destination of the exports, between July 2016 and March 2017, the US was the dominant market with 17% of all Pakistani exports, followed by China and the UK at 8% each, and Afghanistan at 6% in terms of the destinations of Pakistani products.⁸

There have been very recent reports, however, of an improvement and thus a more positive outlook for this year, at least in specific industries. For instance, compared to last year, the export of rice in the first two months of the current fiscal year (2017-18) has increased by some 30% compared to last year, while the export of fruit and vegetables (8.74%), fish and fish products (19.63%), and wheat and sugar (100% each) have also all registered a visible increase in this time.⁹ All these industries had seen a decline in fiscal year 2016-17. Some positive signs in expanding trade to other countries have appeared recently

⁴ Economic Survey of Pakistan 2017, op.cit.

⁵ Ibid.

⁶ “Study on Reasons of Decline in Exports,” *National Tariff Commission, Ministry of Commerce*, September 30, 2015. <https://ntc.gov.pk/wp-content/uploads/2016/05/Study-on-Reasons-of-Decline-in-Exports.pdf>

⁷ Economic Survey of Pakistan 2017, op.cit

⁸ Ibid.

⁹ “Pakistan exported food commodities worth \$500m in last two months,” *Geo TV*, September 22, 2017. <https://www.geo.tv/latest/159391-pakistan-exported-commodities-worth>

also in efforts towards Free Trade Agreement (FTA) negotiations with Turkey, Thailand and Iran, and thus increasing the reach and potential of Pakistani exports to regional and consumer markets.¹⁰

Reasons for Declining Exports

There are several reasons for the declining exports, including long-term and interlinked quantitative and qualitative factors, such as: low GDP, an ongoing energy crisis, high cost of doing business, lack of product and market diversification, low level of technological advancement and research & development, non-compliance of quality standards, law and order, war on terror, un-skilled labour, and low foreign direct investment.¹¹ The government has attributed the decline in exports to “the stagnant volume of world trade and low commodity prices in global markets” even though the decline has been in place for since 2013-14 – and in this time global trade has in fact increased, and regional countries such as Bangladesh have performed well.¹² Rather, as a State Bank of Pakistan report has argued, stagnation in export revenues has been “a source of consistent concern for Pakistan’s economy during the previous two decades” and the aforementioned reasons conventionally given to explain this stagnation have perhaps been overemphasized. The problem being faced today, the report continues, is “too chronic to be linked up with these contemporary issues” and requires correspondingly long-term and structural solutions.¹³ These include, it suggests, overcoming an anti-export bias, addressing lack of coherence in export enhancing measures, providing legal cover for product innovation, and covering costs of quality certifications.

Measures for Boosting Exports

As the Ministry of Commerce has noted, Pakistan’s export base is “quite narrow, highly concentrated in a few commodities namely, textile and clothing, leather, rice, chemicals, pharmaceuticals, and sports goods” and these six categories have together accounted for some 70 percent of total exports in recent

¹⁰ “FTA Talks Underway with Turkey, Thailand and Iran to Boost Pakistan’s Exports,” *The Nation*, August 20, 2017. <http://nation.com.pk/business/20-Aug-2017/fta-talks-underway-with-turkey-thailand-and-iran-to-boost-pakistan-s-exports>

¹¹ Study on Reasons of Decline in Exports, op.cit.

¹² Hafiz Pasha, “What has caused Pakistan's alarming trade deficit?” *Dawn*, July 24, 2017. <https://herald.dawn.com/news/1153812>

¹³ “What has Caused Stagnation in Pakistan’s Exports,” *State Bank of Pakistan* (2015). <http://www.sbp.org.pk/reports/annual/arFY15/Special-Section3.pdf>

years.¹⁴ Coupled with the few destinations for these exports, at the very basic level, work needs to be done to diversify both the products and the markets where they arrive.

One way then that exports can be boosted regionally and globally is to make institutions such as the Trade Development Authority of Pakistan (TDAP) more efficient and competent and by increasing their capacities. While there have been incentives such as those for pursuing research and development and facilities for refinancing from the government, a very valid concern is that these are heavily biased towards the textile industry, which has, experts argue, reached its potential already and is taking the focus away from other potentially lucrative industries. The recommendation in this regard is to look at non-traditional products for exports, and to add value to existing products (such as rice and leather), and also give further attention to un-addressed industries such as tourism and even health services.¹⁵ The issue here then is an over-reliance on textile products, and hence an over-commitment to its growth. This means that already existing industries that operate on a small scale are ignored. For instance, there is a need to look into possible exports of products from skilled craftsmen – after all, exports of precious stones and jewelry from India “now earn more than twice the total export earnings of Pakistan” showing the potential of traditional and ethnic products that Pakistan needs to showcase globally, which goes hand in hand with demonstrating tourism viability, culture and history.¹⁶

In addition to expanding the product base, there is also a need to diversify in terms of the regions where Pakistani products are exported. This is most apparent in countries where Pakistan enjoys strong political relationships and ease of access, as well as non-traditional trading partners such as countries in Latin America, Central America, and Africa where Pakistan has trade missions.¹⁷

Some other products suggested to diversify the export base include products that have much value in the global supply chain, such as computer chips and parts used in mobile phones and laptop production, which also has the added advantage of encouraging local entrepreneurs.¹⁸ Diversification of exports also includes looking for opportunities in the services sector, for instance in the global outsourcing industry such as in Information Technology – as a point of reference for which Philippines, which is half the

¹⁴ “Study on Reasons of Decline in Exports”

¹⁵ Takalvi, “Dark Clouds Over Pakistan’s External Trade”

¹⁶ Pasha, “What has caused Pakistan's alarming trade deficit?”, op.cit.

¹⁷ Shahbaz Rana, “Pakistan’s exports to most regions have plunged,” *The Express Tribune*, July 22, 2017. <https://tribune.com.pk/story/1463589/pakistans-exports-regions-plunged/>

¹⁸ Tayyab Tariq Narula, “How to boost Pakistan’s dwindling exports,” *Pakistan Today*, November 6, 2016. <https://www.pakistantoday.com.pk/2016/11/06/how-to-boost-pakistans-dwindling-exports/>

population of Pakistan, earns roughly USD 25 billion by its exports in the outsourcing industry.¹⁹ As far as the IT industry is concerned, there are already indications that further efforts and incentives will lead to fruitful results, since IT services and products accounted for almost USD 1 billion in the exports for fiscal year 2016-17, and these were limited to only a few countries. The incentives offered by the government for IT industries are a positive step in this regard.²⁰

¹⁹ Ibid.

²⁰ M Yasir, "Pakistan IT Exports Break All Records," *Pro Pakistani*, August 15, 2017.
<https://propakistani.pk/2017/08/15/pakistans-exports-cross-1-billion-fy16-17-sbp/>