

An Analysis of International Trade of Pakistan: With a Focus on Exports

Muhammad Hanif¹

ABSTRACT

Pakistan is facing a persistent trade deficit, resulting in foreign debts-leading to compromise on national policies and sovereignty. This study analyzes international trade of Pakistan with a special focus on exports. The analysis is conducted by various lenses including goods traded, trading partners (in exports as well as imports), trading regions (including Australian, Asian, African, European and American regions) and economic cooperation organizations including Organization of Islamic Cooperation-OIC, Economic Cooperation Organization-ECO, and Association of Islamic Developing Countries (D-8). International trade data is extracted from the State bank of Pakistan for 12 years (Jul-03 to Jun-15). Findings suggest that Pakistan has trade linkages with multiple countries, across various regions, however, the volume of exports is significantly low than potential, as well as, the volume of imports—resulting in the trade deficit. The major import partners are China, UAE, Singapore, Saudi Arabia, and Kuwait, while major export-partners of Pakistan are United States of America, China, Afghanistan, United Kingdom, United Arab Emirates, and Germany. Pakistan needs to capitalize on less-expensive young population (rising in skills), low cost (indigenous) raw material, basic industrial infrastructure, and agricultural and natural resources and others. To achieve higher economic growth and exports. Policy makers need to encourage exports in less focused regions including Central Asia, the Middle East, Africa, Australia, and South America.

Keywords: International Trade, Exports, Imports, Pakistan
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INTRODUCTION

There are various international trade theories justifying trade across the borders including Mercantilism (pre-Smith), the Absolute advantage (Smith 1776), the Comparative advantage (Ricardo 1817), Factor proportion (Ohlin 1935) and Product lifecycle (Vernon 1966). Mercantilism suggests ‘that trade balances must be favorable; meaning an excess of exports over imports’ (Britannica, 2016). Absolute advantage theory, [usually associated with Smith, 1776], “refers to the ability to produce a certain good or service at lower cost (i.e., more efficiently) than another party” (country) (Bondarenko, 2018), hence, the trade will benefit. Comparative advantage theory (Ricardo, 1817), is a modification in the concept of absolute advantage theory, states ‘A country is said to have a comparative advantage in the production of a good. If it can produce it at a lower opportunity cost than another country’ (Suranovic, 2017). Factor proportion (Ohlin, 1935) postulates ‘A country has a comparative advantage in the production of goods that use relatively large amounts of its abundant factors of production. A comparative disadvantage in the production of

goods that use relatively large amounts of its scarce factors of production’ (Harrington, 2013). And finally, the product lifecycle theory (Vernon, 1966), asserts products developed in technologically advanced countries, but gradually production shifts to developing countries due to cheap labor.

International trade is a source of resource exploitation for a better standard of living across trading partners (Asad, 2010). However, many barriers to international trade—including transportation and tariffs reduce potential benefits to a great extent. Advances in information and communication technologies have helped in increasing the volume of international trade to a great extent. World merchandise exports have reached US\$ 16 trillion, while commercial services closed at US\$ 4.77 trillion, by the end of 2016. However, gains from international trade are not uniform for all the nations. In fact, lion’s share is occupied by developed countries, followed by developing countries (41%); and less developed countries’ share in global trade is less than 1% (WTO, 2017, p.5). There is another aspect of international trade and that is trade balance. Having more imports than exports, create a trade deficit. Countries with trade deficits have to face consequences in the form of foreign loans and grants—leading to serve the masters, against their national interest and willingness. Pakistan is one of the important countries (economies) in the world, with a strategic location in South Asia—7th largest population, 7th Nuclear power, while the 27th largest economy, 71th Exporting economy and 58th importing country in the world (CIA Fact Book-2015). Pakistan’s international trade volume closed at US\$ 66 billion, comprising of US\$ 24.6 billion exports and US\$ 41.4 billion imports, in the fiscal year 2014-15 (SBP-2015). Pakistan has faced persistent trade deficit for last decade—an issue needs serious attention by economic managers of Pakistan. Persistent trade deficit leads to trapping in foreign debts, resulting in foreign influence on the policy issues. Such influences must be reduced to maintain the sovereignty and independence of a nation. This study is conducted to analyze and understand international trade of Pakistan by focusing on products, trading partners (imports and exports partners), trading regions and economic cooperation bodies etc. to draw certain conclusions for policy implications. This study covers a period of 12 years (July-03 to Jun-15). Data is extracted from the web of the state bank of Pakistan (SBP, 2015). Results are presented through Tables (below).

Our contribution includes the following: First, we document the international trade structure of Pakistan—including exports and imports of goods—to highlight the strategic economic sectors. Agriculture and agro-based industries are very important for the economy and need friendly policies. Pakistani imports led by machinery, chemicals.

¹ College of Business Administration, Ajman University—UAE, Hanifacma@gmail.com

Pakistan is facing a persistent trade deficit on international trade, which is at rising. Interestingly, the trade deficit is more in democratic regimes than military rules, supporting the hypothesis of development under successive military regimes.

Second, Pakistan has extended trade linkages with all countries. During the 12 years' period, Pakistan has exported goods to almost every country in the world. Pakistan's strategic trading partners in the area of exports are the USA, China, UK, Afghanistan, Germany, and UAE; and Pakistan needs to improve friendly trade, as well as, political relations with these countries. Major import partners include China, UAE, Singapore, Saudi Arabia and Kuwait. China occupies a prime place in the international trade of Pakistan. Major export regions of Pakistan are Europe, North America, GCC, East Asia, and South Asia. Pakistan needs an exploration of new markets for exports in ignored economic regions including Australia, Central Asia, Middle East, Africa and South America.

Third, Pakistan's trade with the Organization of Islamic Cooperation (OIC) is close to a quarter of its international trade. OIC region is very important for Pakistan, in economics, as well as, politics. In case of exports, during 2014-15, within the OIC region, only two countries (Afghanistan and the United Arab Emirates) could cross the mark of US\$ One billion, followed by Saudi Arabia close to US\$ half billion. Pakistan has only nine countries within the OIC region with exports above US\$ 100 Million including Afghanistan, UAE, KSA, Turkey, Oman, Malaysia, Egypt, Indonesia, and Mozambique. Given the importance of the OIC region (57 member states), the potential of trade is very high for Pakistan and policy institutions need to exploit opportunities.

Fourth, Pakistan has membership in certain regional economic cooperation organizations including the economic association of eight developing Muslim countries (D-8), South Asian Association for Regional Cooperation (SAARC) and Economic Cooperation Organization (ECO), however, trade potential is yet to be exploited. For the latest fiscal year (2014-15) Pakistan's trade volume with D-8 countries closed at US\$4 billion consisting of exports 1.6 billion and balance (2.4 billion) imports. In SAARC region, major export partner of Pakistan is Afghanistan (US\$ 13.1 Billion), followed by Bangladesh (US\$ 5.6 Billion), India (US\$ 3.4 Billion), Sri Lanka (US\$ 2.7 Billion), Maldives (US\$ 0.06 Billion) and Nepal (US\$ 0.03 Billion) in last 12 years (July-03 to June-15). Trade volume for the latest fiscal year (2014-15) with ECO members was closed at 2.4 billion comprising of exports (2.1 billion) and imports (0.29 billion), displaying a trade surplus of 1.79 billion. Definitely, the potential is very high within these regions/countries of economic cooperation with concessions for member countries, however, progress is yet to be seen.

Finally, Pakistan has made significant progress in the area of higher education during the last decade (2005-onward), coupled with a significant portion of the population in working age (average 22.5 years). Offers a significant opportunity for economic growth, as well as, trade surplus. Two major problems of Pakistan—including terrorism and power shortage—have reduced significantly, from 2013 onward, coupled with China Pakistan Economic Corridor (CPAC) projects, funded through foreign investments of US\$ 62 billion

Siddiqui, (2017), has already shown impact and economy has started showing progress.

Rest of the study proceeds in the following order. In the next section (II), purpose and methodology are stated, followed by an overall picture of Pakistani-international trade in section III. Analysis based on multiple socio-economic and political unions (especially, with Muslim countries) is presented in section IV (OIC region), section V (Developing-8), and section VI (Economic Cooperation Organization). Summary and conclusion offered in the last section (VII).

METHODOLOGY

This study is intended to document international trade dynamics of Pakistan, with a special focus on exports—trading goods and trading partners—to document important findings for policy implications. Such a study is helpful in identification of less focused regions, as well as, less focused potential goods and services—candidates for international trade. Such an analysis is expected to help out in the future course of action for policy-making. Following are specific research objectives:

An analysis of trading commodities—what are important goods for international trade of Pakistan. An analysis of trading partners—which countries are most important for economic management of Pakistan. An analysis of regional international trade—which of the regions have contributed in international trade of Pakistan. An analysis of socio-economic cooperation—the effectiveness of economic cooperation associations in international trade of Pakistan. To achieve the objectives, we have selected a study period of 12 years (July-03 to Jun-15), to document longer picture. Our main data sources include multiple reports on imports and exports, prepared by the state bank of Pakistan (SBP, 2015). We have done an analysis of data based on commodities, trading partners, trading regions, and socio-economic-political unions. MS Excel is used for analysis. Results are presented through Tables.

Below is a composite Table (Table-1), showing major imports as well as exports of Pakistan. Pakistani exports include food items (rice, fruits and fish etc.), textile (cotton yarn, cotton cloth, knitwear, bed wear and readymade garments etc.), petroleum-related products and low to medium technology-based manufacturing goods.

Including sports goods, leather manufactures, footwear, surgical goods & medical instruments, chemical & pharmaceutical products and engineering goods (cement, electric fans, and electrical machinery, etc.).

While import bill is concentrated in foods, textile, machinery, transport, metal, Agriculture & other chemicals, and petroleum. It is interesting to note that Pakistan has imported more food items than exports during the fiscal year 2014-15 in spite of the fact that she is known as an agricultural country.

In addition, a major contribution in industrial production of Pakistan is from the textile sector but still, close to US\$ 2.5 billion is spent on import of textile related items in Pakistan. Import of food and clothing clearly depicts the lavish lifestyle of Pakistani elites.

Exports play a very important role in bringing in the foreign exchange, required to trade with other countries and discharge import bills. Additionally, it is very important to acquire modern technology produced elsewhere, essential for a better living standard; and foreign exchange is required to pay an

import bill. In addition, export-led growth hypothesis—stating that countries can achieve higher growth through maximizing exports—has proven in many studies, in case of Pakistan (Chaudhary and Qaisrani, 2002; Aurangzeb, 2006; Faridi, 2012; Saleem and Sial, 2015). Furthermore, exports enhance trade linkages with other countries, resulting in political relations and development of people to people contact through ease of visa restrictions, etc. International trade has also resulted into various economic entities: European Economic Community, converted into European Union; economic associations—ASEAN, Shanghai Cooperation Organization (SCO), and Economic Cooperation Organization (ECO), WTO, etc.; and free trade agreements—NAFTA, and SAFTA, etc.). Trade Deficit: Pakistan is consistently facing a trade deficit in international trade for the last many years. Following (Table-2) is the last 15 years' position and the trade deficit is on increasing trends. An interesting observation about the last 15 years was regime change. Up to 2003, Military was ruling in Pakistan, and then from 2003 to 2007 a mixture of military and civilian government—with major decision making was with the military dictator. From 2008-onward civilian governments are working, however, the trade deficit is more in civilian regimes than military.

To conclude on trading commodities, it is understandable to import technology-based products not produced in the domestic market, however, Pakistan needs to rethink about its policy on import of consumer goods, especially, the goods with substitutes produced within the national market. Furthermore, policy institutions need capacity building to adopt forward-looking approach (There is a large consumer base in the area of computers and mobile phones and instead of importing these devices, Pakistan would have offered concessional terms to foreign manufacturers, specific to the production of these items within the domestic market). In addition, Pakistan needs to capitalize on its abilities in the production of defense-related items, basic industrial structure, agricultural and natural resources to attain higher economic growth; and search new markets. Export Partners: Export diversity helps a country to achieve steady growth and minimize risk. In the case of Pakistan export diversity lacks severely, as for the number of goods, as well as export partners are concerned. Table-3 presents export partners of Pakistan with around US\$ half billion and above, during the fiscal year 2014-15. Pakistan has 14 exports partners with a volume of US\$ half billion or above—USA, China, Afghanistan, UK, UAE, Germany, Spain, Italy, Bangladesh, The Netherlands, Singapore, France, Belgium, and KSA, during 2014-15 have exported goods to almost every country (above 200 Jurisdictions) in the world during last 12 years (July-03 to June-15).

These trade linkages offer a great potential for diversification of exports across the nations. The major export-partners of Pakistan, during 2014-15, are United States of America (16%), followed by China (9%), Afghanistan (7%), United Kingdom (7%) and UAE & Germany (5% each). These FIVE countries are major export partners of Pakistan and account for about 50% of total exports, during the fiscal year 2014-15. Interestingly there are only four countries from OIC region—Afghanistan, UAE, KSA, and Bangladesh—where export of Pakistan is close to US\$ half billion or more. Over the 12-year period, six countries—USA, UAE, China, UK, Afghanistan,

and Germany—have contributed, relatively, a larger share in exports of Pakistan. Import Partners: Pakistan has 17 import partners with the volume of US\$ half billion or more. The major import partners are China (17%), UAE (18%), Singapore (10%), Saudi Arabia (8%) and Kuwait (5%), during 2014-15. These five partners are accounting for about 60% of imports of Pakistan, during the fiscal year 2014-15. In the long term (12 years), imports from Pakistan are coming from multiple countries. List of countries with an import volume of US\$ 10 Billion and above includes UAE, China, KSA, Kuwait, Singapore, Japan, Malaysia, India, USA, and Germany.

Trade Partners: It will add further insight into the analysis and understanding if we see the composite picture of Pakistan's trade partners in a single figure and disclose the trade balance with these major partners. A composite picture of major international trade partners is presented in Table-5. In the Table-Panel-A, international trade with top 11 partners is presented which accounts for 66% of international trade of Pakistan, during the fiscal year 2014-15. Top three partners are China, UAE, and the USA. Out of 11 trade partners trade balance favors Pakistan with four countries: USA, UK, Germany, and Afghanistan. While in case of rest (seven) trade partners: China, UAE, Singapore, KSA, Kuwait, India, and Japan; trade balance favors them. Results for long-term (12 years) trade are presented in Panel-B. Countries with a trading volume of US\$ 10 Billion and above are included. As per record, Pakistan has traded goods amounting to US\$ 10 Billion and above with 13 countries: UAE, China, USA, KSA, Kuwait, Singapore, Germany, UK, Japan, India, Malaysia, Afghanistan, and Switzerland. Pakistan gained in trade with three countries: USA, UK, and Afghanistan. In all other cases, trade balance favors to trading partners.

To conclude, Pakistan needs to strengthen further its political and business ties with important trade partners, especially, the USA, UK, Germany, and Afghanistan.

Pakistan may ask for more concessions to its trading partners. In addition, Pakistan needs to assess the domestic requirements of its other trading partners, especially, GCC region to supply the needed amount of goods.

Capitalizing on its agricultural and industrial capabilities and resources. It will further add to understanding and clarity if we look at the international trade of Pakistan on a regional basis (Table-6).

In order to understand this, we have divided the globe into 12 economic regions—Australia, Far East Asia, East Asia, South Asia, Central Asia, Middle East (except GCC), GCC, North Africa, South Africa, Europe, North America and South America. According to Figure-6, major export regions of Pakistan are Europe, followed by North America, East Asia, South Asia, and GCC, during the fiscal year 2014-15. In the North American region, the major partner in the USA; in Europe UK; in East Asia China; in South Asia Afghanistan; and in GCC UAE. Clearly many regions are being ignored (including South America, North as well as South Africa, Central Asia, Far East and Australia) and potential is yet to be exploited. In order to further understand the exports of Pakistan, we need to present a long-term picture of each region by focusing on the specific countries within the region. In the following paragraphs, we have presented 12 years' (2003-15) picture of Pakistani exports, region-wise.

North America: As per Table-7, Leading export partner, in North America, over the years is the USA, followed by Canada and Mexico. This is very important to note that Pakistan needs to do more diversification within the North American region and increase trade in other markets including Cuba, Haiti, Guatemala and Costa Rica etc. (In the case of South America exports of Pakistan for the last 12 years are very low. None of the countries could cross the mark of a US\$ Billion).

European Region: In the Table-8, a picture of Europe is presented for the last 12 years (Jul-03 to Jun-15). As per information, United Kingdom is at the top with US\$ 14 Billion, followed by Germany US\$ 11 Billion, Italy US\$ 7 Billion, Spain US\$ 6 Billion, France US\$ 5 Billion and Holland (The Netherlands) US\$ 5 Billion, approximately. It is very encouraging that Pakistan has trade linkages with almost all major European countries over the years, however, concentration is in few countries and needs diversification through an increase in exports to other countries.

Gulf Cooperation Region: The export picture of GCC region follows. As per Table-9, major exports are to UAE (US\$ 18 Billion), followed by Saudi Arabia (US\$ 4.8 Billion), Oman (US\$ 1.7 Billion), Kuwait (US\$ 1 Billion), Yaman (US\$ 1 Billion), Qatar & and Bahrain (close to US\$ 1 Billion), approximately. Although Pakistan has traded/exported to every member of GCC, however, the volume is very low given the potential in this region. Pakistan needs to focus on the GCC region to increase exports given the cultural commonalities and multi-billion trade volume per year in this region. Pakistan has basic industrial structure, as well as, agricultural resources and need to capitalize on these capabilities through identification of consumer needs within the GGC region. There are multiple export opportunities in the area of Hajj & Umrah related products.

South Asian Region: South Asia is a region where Pakistan is located and has a membership of the South Asian Association for Regional Cooperation (SAARC). South Asia has an agreement for free trade and Pakistan is a signatory to this agreement. However, Pakistani trade within the region is very low.

Pakistan's export to the region is far less than potential in spite of many cultural similarities—lifestyle, food, housing, and dresses, etc. According to Table-10, major export partner of Pakistan is Afghanistan (US\$ 13.1 Billion), followed by Bangladesh (US\$ 5.6 Billion), India (US\$ 3.4 Billion), Sri Lanka (US\$ 2.7 Billion), Maldives (US\$ 0.06 Billion) and Nepal (US\$ 0.03 Billion), approximately, in last 12 years (2003-15). Trade with India and Bangladesh is much lesser than the potential. There are three major countries in the region, based on population: Pakistan, India, and Bangladesh but trade across the borders could not get momentum within the region due to political differences among these countries. Also, Afghanistan is a war-ridden country since Russian invasion (1979), hence, destabilization in Afghanistan is one of the major reasons of de-stability in the whole South Asian region, in addition to Kashmir dispute between India and Pakistan. South Asians need to resolve conflicts very quickly for the betterment of masses, through trade.

East Asian Region: East Asia is another emerging trade region, which includes countries like Japan, China, South Korea and others. Pakistan has trade relationships with almost

every major country of the region. According to Table-11, China (US\$ 15 Billion) is leading the list as for Pakistani exports are concerned, followed by Hong Kong (US\$ 7 Billion), South Korea (US\$ 3.5 Billion), Japan (US\$ 2 Billion), Vietnam (US\$ 1.5 Billion) and Thailand (US\$ 1 Billion), approximately, during last 12 years. Exports to this region are very low given the disposable income of residents, especially Japan, China and South Korea. Pakistan needs to focus on this region and search for potential export partners to boost international trade.

Far Eastern Region: The far Eastern region is an emerging trade and growth region including Indonesia, Malaysia, Singapore, and Brunei, however, exports of Pakistan (Table-12) is far less than potential during the period under review. Singapore is leading (with US\$ 2.3 Billion), followed by Malaysia (US\$ 1.6 Billion) and Indonesia (US\$ 1.2 Billion), approximately, during the last 12 years. Surprisingly export to Brunei (US\$ 22 Million) is very less than potential, given the higher income economy.

Africa: The African continent is divided into two economic groups consisting of North and South Africa. Trade (Exports) with Southern African countries is presented in Table-13. South Africa is leading (US\$ 2.8 Billion), followed by Kenya (US\$ 1.8 Billion), approximately. None of the remaining countries could cross the mark of US\$ one billion for 12 years' period under review. The North African region covers majority Muslim countries including Egypt, Libya, Sudan, Algeria, Morocco, Tunisia, and Nigeria; however, exports of Pakistan (Table-14) to this region are negligible during the period under review. Only one country (Egypt) could cross the mark of US\$ one billion of exports during the last 12 years, although exports were made to almost every country of the region, the volume is very low. It is encouraging to know that trade is being done with almost every major country in the region, however, Pakistan needs to increase the volume of exports to these countries.

Middle East: The Middle East (except GCC) is the region which includes Iran, Turkey, Syria, Lebanon, Israel, Palestine, Jordan and Iraq (majority Muslim region).

It is interesting to note that exports to only two countries Turkey (close to US\$5 Billion) and Iran (close to US\$1.5 Billion) could enter into US\$ Billions, during the last 12 years (Table-15). Trade potential in the region is very high, given the common civilization, but potential could not be exploited so far, in spite of normalcy (friendship) in political relations. Pakistan has no trade (diplomatic) relations with Israel due to the Palestinian issue.

Central Asia: The central Asian region includes Ex-members of USSR. Pakistan's exports to this region are very low in spite of normal political relations, as well as, membership in the OIC (of Muslim-majority countries). Only one country (Russia) could pass the mark of US\$ one Billion (close to US\$1.6 Billion) in exports during the last 12 years (Table-16). Pakistan needs to focus on this region, given the easy accessibility and common culture and civilization (with some member states) in the region.

Australian Region: And the last region of our regional analysis in Australia. Potential of exports is very high given the high-income economies of Australia and New Zealand; however, exports are very low during last 12 years, in spite of normalcy in political relations, as well as, improved ties in the

games of cricket and hockey. Exports to Australia only could cross the mark of US\$ one billion (close to US\$1.8 Billion) (Table-17), clearly depicts ignorance of this region by Pakistani exporters.

To conclude, Pakistan has shown notable progress in the area of exports to only FIVE economic regions—Europe, North America, East Asia, South Asia, and GCC; although less than potential. Pakistan has missed the potential export opportunities to multiple economic regions: South America, North as well as South Africa, Middle East (ex GCC) Central Asia, Far East, and Australia—and need to focus on these regions.

Trade with OIC-Region

The Organization of Islamic Cooperation (OIC) (formerly Organization of the Islamic Conference) is the second largest inter-governmental organization after the United Nations; which has a membership of 57 states spread over four continents (OIC, 2015).

Member communities of OIC share many commonalities due to the religion of Islam—because Islam specifies basic principles of Haram and Halal as for foods, dresses, festivals, and culture, etc. are concerned—hence, trading of various commodities among Muslims is much easier as compared to non-Muslims. However, the OIC region is largely underdeveloped and lacks in research and scientific developments.

In general, a broader interaction of Muslim communities is beyond the region, hence, trade within the region is far less than potential. Pakistan is an important member of OIC, since inception (1969). Also, Pakistan is very active in OIC meetings and agendas. There is a great opportunity for OIC members to get benefit from mutual trades.

Table-18 presents a comparison of international trade of Pakistan globally, with the OIC region. Clearly, both time series are correlated for the period of 12 Years (Jul-03 to Jun-15), under review. Correlation of Pakistan's international trade with the OIC region is 96% for the period under review. Comparative exports data is presented in Table-19.

Average Monthly exports of Pakistan during the last 12 years is US\$ 1,633 Million, out of that US\$ 415 Million is exported to the OIC region, accounting for 25% of the total exports. It is clear from the Table that 75% of the Pakistani economy, as for exports are concerned, is dependent beyond OIC region; and good relations beyond OIC are must for Pakistan. Pakistan has exported goods amounting to US\$ five and half billion to OIC countries, accounting for 23% of total exports, during 2014-15.

Table-20 represents Pakistan's trade with top OIC partners for last 12 years. This figure includes only those trade partners where trade volume (of 12 years) has crossed the mark of US\$ One billion. Accordingly, during last 12 years (Jul-03 to Jun-12), UAE is leading with trade volume of US\$ 74.8 billion (deficit), followed by Saudi Arabia US\$ 45 billion (deficit), Kuwait US\$ 28.5 billion (deficit), Malaysia US\$ 15.9 billion (deficit), Afghanistan US\$ 13.2 billion (Surplus), Indonesia US\$ 7.6 billion (deficit), Turkey US\$ 6.7 billion (Surplus), Iran US\$ 4.6 billion (deficit), Oman US\$ 4.3 billion (deficit), Morocco US\$ 2.7 billion (deficit), Egypt US\$ 2.6 billion (Surplus), Qatar US\$ 2.4 billion (deficit), Bahrain US\$ 2.2 billion (deficit) and Yemen US\$ 1.2 billion (Surplus), approximately. Out of top 14 OIC trade partners, Pakistan has a trade surplus with four countries and trade deficit with 10

countries during the period under review. This is clearly alarming for the policymakers and requires an immediate attention to increase exports in these markets.

Export data to top ten OIC partners for the latest fiscal year (Jul-14 to Jun-15) is presented in Table-21. Within the OIC region, Afghanistan (US\$ 1.7) is at the top followed by United Arab Emirates (US\$ 1.3) with above a US\$ One billion and Saudi Arabia close to US\$ half billion. Pakistan has only nine countries within the OIC region with exports above US\$ 100 million including Afghanistan, UAE, KSA, Turkey, Oman, Malaysia, Egypt, Indonesia, and Mozambique. Clearly, policymakers need to address the issue of less than potential exports to OIC member countries. GCC region lacks in agricultural products and Pakistan being an agricultural economy should focus on exporting agricultural products to these economies, given the higher disposable income of residents. The comparative figures (top 14) for the last 12 years are presented in Table-22. Accordingly, Pakistan has exported a US\$ Billion or above, approximately.

To eleven countries only, within OIC region including UAE, Afghanistan, Turkey, Saudi Arabia, Oman, Malaysia, Iran, Egypt, Indonesia, Kuwait, and Yaman, respectively. These figures clearly show lesser exploitation of export potential within OIC region. Comparative figures, for last five years (July-10 to Jun-15) of exports, to top ten partners are presented in Table-23. Accordingly, Pakistan lost export share to Afghanistan in 2012-13, which is regained in next two years, while reduction is being faced in last two years with UAE, after an upward trend during previous two years. Also, trade (exports) with Turkey shown a downward trend during the period under review.

In the case of Malaysia, Iran, Egypt, and Indonesia, share in exports is also decreasing, while improvement is being shown with KSA and Oman. These figures ring the alarm for Pakistan economy as trusted trade partners including UAE, Turkey, Malaysia, Iran, Egypt, and Indonesia, are reducing imports from Pakistan, which must be addressed by the policymakers. However, an exciting development is being seen in the case of KSA, Oman, and Afghanistan, where exports from Pakistan have shown increasing trends.

Trade with D-8

Developing Group of eight Muslim countries, known as D-8, includes Indonesia, Malaysia, Bangladesh, Pakistan, Iran, Turkey, Egypt, and Nigeria. The D-8 group, established in 1997, spans from far East Asia to western Africa, covering, almost, whole OIC-region and represents two continents—including Asia and Africa—with significant trade potential among the members. “The idea of cooperation among major Muslim developing countries was mooted by Dr. Necmettin Erbakan, the then Prime Minister of Turkey, during a Seminar on “Cooperation in Development” which was held in Istanbul in October 1996. The group envisioned cooperation among countries stretching from South East Asia to Africa. Representatives from Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, and Pakistan attended the Seminar. This conference was the first step towards the establishment of D-8 and it was only after a series of preparatory meetings that D-8 was set up officially and began its activities with the Istanbul Declaration issued at the end of the summit of Heads of State and Government held in Istanbul on June 15, 1997”

Trade volume (Table-24) among the members is very low, although it is encouraging that trade linkages have been started. Pakistan trade volume with members is US\$ 4 billion during 2014-15, while it is US\$ 45 Billion for the last 12 years, approximately. Malaysia is leading with a trading volume of 15 billion, followed by Indonesia 7.6 billion, Turkey 6.7 billion, Bangladesh 6.3 billion, Iran 4.6 billion and Nigeria less than a billion during last 12 years (US\$), approximately. Trade remained in favor of Pakistan with Bangladesh, Turkey, Egypt, and Nigeria; while favoring partners in case of Malaysia, Indonesia and Iran, during 12 years' period under review. For the latest fiscal year (2014-15) Pakistan's trade volume with D-8 countries closed at US\$4 billion consisting of exports 1.6 billion and balance (2.4 billion) imports. In latest fiscal year Pakistan gained from trading with Bangladesh, Turkey, Egypt, Nigeria, and Iran, while faced the deficits in the case of Malaysia and Indonesia. Pakistan could not utilize the potential of the D-8 platform, effectively, as for exports are concerned. Pakistan possesses basic industrial structure, agricultural resources and defense-related production capabilities, which can be very helpful in increasing the exports to D-8 region.

Economic Cooperation Organization (ECO), is an intergovernmental regional organization established in 1985 by Iran, Pakistan, and Turkey. The purpose of promoting economic, technical and cultural cooperation among the Member States. ECO is the successor organization of Regional Cooperation for Development (RCD) which remained in existence from 1964 up to 1979.

In 1992, the Organization was expanded to include seven new members, namely: the Islamic Republic of Afghanistan, Republic of Azerbaijan, Republic of Kazakhstan, Kyrgyz Republic, Republic of Tajikistan, Turkmenistan and Republic of Uzbekistan. Trade volume of Pakistan with ECO region is 25 billion (Figure-25) for last 12 years (Jul-03 to Jun-15), comprising of exports (20 billion) and imports (5 billion), approximately, displaying a trade surplus of 15 billion. Major partners within the region are Afghanistan, Turkey, and Iran. Trade volume for the latest fiscal year (2014-15) with ECO members was closed at 2.4 billion comprising of exports (2.1 billion) and imports (0.29 billion), displaying a trade surplus of 1.79 billion.

Potential of trade is very high given the abundant natural resources; however, resource exploitation is yet to be seen in the ECO region. Pakistan needs to exploit trading potential with ECO members by capitalizing on basic industrial structure, agricultural and other natural resources, coupled with skilled and semi-skilled young growing population.

CONCLUSION

Based on this analysis we can draw certain conclusions and policy implications as follows: Pakistan has trade links, as well as, engaged in trade with almost every notable country at the global level, however, the volume of exports is very low—leading to the persistent trade deficit. Pakistan's trade is concentrated in Far East Asia, East Asia, South Asia, GCC, Europe and North America, while the volume of trade is low with Central Asian, Middle Eastern, Australian, Northern & Southern Africa and South American regions.

Major trading partners are UAE, China, USA, KSA, Kuwait, Singapore, Germany, UK, Japan, India, Malaysia, Afghanistan,

and Switzerland. USA, UK, Afghanistan, and Germany have significant importance for Pakistani economy—offering trade surplus, favoring Pakistan. Major import partners are UAE, China, KSA, Kuwait, Singapore, Japan, Malaysia, India, and the USA. It is recommended that Pakistani traders (exporters/importers) should also focus on ignored regions and territories for boosting trades. Pakistan also needs to re-look into nearer regions including South Asia, Central Asia and the Middle East for extended trade links. Also, South America, as well as the Australian region, offers great opportunities for international trade and promising returns. The African continent is a potential future for trade and commerce. Within OIC region trade volume of Pakistan is very low and also favoring trade partners more than Pakistan. Major trade partners within the OIC region are UAE, Saudi Arabia, Kuwait, Turkey, Malaysia, Afghanistan, Indonesia, Iran, and Oman.

Exports of Pakistan reducing within OIC trusted trade partners—UAE, Turkey, Malaysia, Iran, Egypt, and Indonesia, —which must be addressed by policymakers. Trade volume with D-8 as well as ECO is very low in spite of political support, and policymakers need to focus on causes of less than potential progress on these fronts.

On the criterion of Absolute advantage, Pakistan has clearly an absolute advantage in the area of agricultural production in comparison to Middle Eastern and North African countries, especially, Gulf Cooperation Council (GCC) region.

On the criterion of comparative advantage, Pakistan is a low-income country—with the cheap raw material (indigenous) and labor—can excel in the production of goods at much lesser cost than high-income economies (including USA, UK, and UAE). On the criterion of Factor proportion, Pakistan can capitalize on its less expensive labor force and agro-based industries in comparison to economies with high costs and aged population (including Japan and Germany).

On the criterion of the product lifecycle, Pakistan is really in deficit, as for innovations are concerned, however, capabilities can be developed to produce the goods at maturity stage, invented elsewhere, like China. A major portion (20%) of Pakistan economy is from agriculture (Economic Survey, 2017, p.8) and demand for agricultural products is very high in certain regions including GCC and North Africa—offers a potential for exports. In addition, Pakistan has the basic industrial infrastructure—in the area of sports goods, surgical instruments, textiles, defense-related production, leather goods, basic electrical appliances, and cement, etc. as well as, a major portion of the population with working-age—average 22.5 years— (Statista, 2015). Pakistan has also focused on higher education during the last decade (2005 onward). A number of degree awarding Institutions has reached to 160 (plus) with an enrollment close to 1.3 million in 2014-15 (HEC, 2015). Pakistan can capitalize on the strength of skilled working population to achieve higher GDP growth and increased exports.

Shortage of electricity and terrorism has remained major problems for industry and business environment during last decade, however, by 2017 terrorism has reduced significantly and signs of improvements in the provision of power emerge (The Economist, 2017) and expectations are positive. China Pakistan Economic Corridor (CPAC) projects, funded by foreign investments to the tune of US\$ 62 billion (Siddiqui,

2017) has helped Pakistan to address the shortage of capital, as well as, improvement in infrastructure and power generation. A healthy growth in the economy is expected, and Pakistan needs to exploit export potential within economic cooperation organizations including OIC, SAARC, ECO, D-8, and Shanghai Cooperation Organization (SCO), as well as, look beyond traditional markets and focus on ignored regions of Australia, central Asia, Middle East, Africa and South America. Extended trade linkages with almost every jurisdiction (country), during the last 12 years (July-03 to June-15), are big assets for Pakistan, offering a huge potential for growth in exports.

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Table 1: Pakistan Trade

Groups	Exports [\$ Millions]	Imports [\$ Millions]
Food	4,398	4,624
Machinery	0	5,609
Transport	0	1,962
Petroleum	921	12,155
Textile	13,537	2,410
Agri & Other Chemicals	0	6,699
Metal	0	3,246
Miscellaneous	0	944
All Other	1,388	3,741
Other Manufacture	4,408	0

Source: SBP-2015

Table 2: Balance (Deficit) of Trade-Pakistan

Year	Trade [US\$ Billions]
2000-01	1.3
2001-02	0.3
2002-03	0.4
2003-04	1.2
2004-05	4.5
2005-06	8.3
2006-07	9.6
2007-08	14.8
2008-09	12.5
2009-10	11.5
2010-11	10.4
2011-12	15.7
2012-13	15.4
2013-14	16.6
2014-15	17.2

Source: SBP-2015

Table 3: Export Trade partners of Pakistan

Countries	2003-15 [Billion US\$]	2014-15 [Billion US\$]
U.S. A	44.1	4.0
China	15.5	2.3
Afghanistan	13.1	1.7
U. K	14.2	1.6
U.A. E	18.1	1.3
Germany	10.9	1.2
Spain	5.8	0.8
Italy	7.4	0.7
Bangladesh	5.7	0.7
Netherland	4.8	0.6
Singapore	2.3	0.5
France	5.21	0.5
Belgium	4.5	0.5
Saudi Arabia	4.9	0.5

Source: SBP-2015

Table 4: Import Trade Partners of Pakistan

Countries	2003-15 [US\$ Millions]	2014-15 [US\$ Millions]
U.A. E	56.7	7.40
China	42.2	7.00
Saudi Arabia	40.2	3.31
Kuwait	27.5	2.22
Singapore	26.1	4.04
Japan	16.3	1.40
Malaysia	14.3	0.81
India	13.9	1.42
U.S. A	13.0	1.20
Germany	12.3	0.90
Switzerland	9.9	0.65
U. K	9.0	0.71
Indonesia	6.5	1.11

Source: SBP-2015

Table 5-A: International Trade Partners of Pakistan (July 14- to Jun-15)

Countries	International Trade [US\$ Millions]
China	9,326
U.A. E	8,699
U.S. A	5,157
Singapore	4,562
Saudi Arabia	3,809
U. K	2,346
Kuwait	2,308
Germany	2,110
India	1,838
Afghanistan	1,733
Japan	1,647

Source: SBP-2015

Table 5-B: International Trade Partners of Pakistan

Countries	International Trade July-03 to Jun-15	Imports \$ Billions	Exports \$ Billions
U.A. E	74.8	58.0	18.0
China	57.6	41.0	16.0
U.S. A	57.2	12.1	42.3
Saudi Arabia	45.1	40.1	5.2
Kuwait	28.6	28.4	2.1
Singapore	28.4	27.5	3.0
Germany	23.2	12.4	12.1
U. K	23.2	9.2	12.9
Japan	18.3	16.4	2.9
India	17.4	14.2	4.2
Malaysia	15.9	15.2	2.3
Afghanistan	13.1	1.1	12.2
Switzerland	11.3	10.1	1.7

Source: SBP-2015

Table 6: Region-wise Exports of Pakistan

Regions	Exports (US\$ Millions)
North America	4,356
South America	301
Europe	7,207
North Africa	555
South Africa	1,091
GCC	2,255
Middle East	487
Central Asia	269
South Asia	3,064
East Asia	3,757
Far East Asia	853
Australia	236

Source: SBP-2015

Table 7: Exports of Pakistan to North America

Countries	Exports (US\$ Billion)
U.S. A	44,141
Canada	2,552
Mexico	0,985
Guatemala	0,119
Dominican Republic	0,085
Nicaragua	0,124
Costa Rica	0,066
Haiti	0,043
Honduras	0,111
Jamaica	0,015
El Salvador	0,067
Bermuda	0,006
Cuba	0,014

Source: SBP-2015

Table 8: Exports of Pakistan to Europe

Countries	Exports (US\$ Million)
U. K	14,181
Germany	10,911
Spain	5,835
Italy	7,385
Netherlands (Holland)	4,761
France	5,207
Belgium	4,462
Portugal	1,605
Sweden	1,301
Poland	801
Denmark	1,165
Switzerland	1,361
Ireland	632
Greece	912
Ukraine	531
Norway	590
Czech Republic	287
Finland	488
Lithuania	334
Slovenia	131
Austria	396

Source: SBP-2015

Table 9: Export of Pakistan to GCC region

Countries	Exports (US\$ Million)
U.A. E	18,089
Saudi Arabia	4,882
Oman	1,713
Kuwait	1,099
Bahrain	832
Yemen Arab Republic	1,080
Qatar	991

Source: SBP-2015

Table 10: Pakistan's Export to South Asian Region

Countries	Exports (US\$ Million)
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Afghanistan	13,103
Bangladesh	5,690
India	3,475
Sri Lanka	2,755
Maldives	64
Nepal	33

Source: SBP-2015

Table 11: Pakistan's Exports to East Asian Region

Countries	Exports (US\$ Million)
China	15,481
Hong Kong	7,111
South Korea	3,479
Japan	2,025
Viet Nam	1,471
Thailand	1,018
Philippines	850
Cambodia Kampuchea	224
Myanmar	54
North Korea	29
Macao	43
Laos	10

Source: SBP-2015

Table 12: Pakistan's Exports to Far Eastern Region

Countries	Exports (US\$ Million)
Singapore	2,313
Malaysia	1,659
Indonesia	1,228
Brunei	22

Source: SBP-2015

Table 13: Pakistan's Exports to Southern African Region

Countries	Exports (US\$ Million)
Kenya	1,829
South Africa	2,868
Mozambique	689
Tanzania	606
Madagascar	631
Uganda	208
Mauritius	465
Angola	162
Comoros	155
Djibouti	316
Cameroon	195
Congo	119
Somalia	260
Zimbabwe	89
Botswana	103

Source: SBP-2015

Table 14: Pakistan's Exports to North African Region

Countries	Exports (US\$ Million)
Egypt	1,321
Nigeria	601
Sudan	440
Ivory Coast	163
Algeria	270
Senegal	167
Mauritania	107
Guinea	172
Tunisia	190
Benin (Dahomey)	223
Sierra Leone	170
Gambia	114
Morocco	169
Ghana	128
Ethiopia	122
Guinea- Bissau	77
Niger	188
Libya	72
Cape Verde	21
Togo	119

Source: SBP-2015

Table 15: Pakistan's Exports to Middle Eastern region

Countries	Exports (US\$ Million)
Turkey	4,886
Jordan	404
Iraq	470
Iran	1,459
Lebanon	263
Syria Arab Republic	175

Source: SBP-2015

Table 16: Pakistan's Export to Central Asian Region

Countries	Exports (US\$ Million)
Russian	1,640
Azerbaijan	144
Kazakhstan	104

Turkmenistan	23
Tajikistan	51
Georgia	101
Uzbekistan	42

Source: SBP-2015

Table 17: Pakistan's Export to Australian Region

Countries	Exports (US\$ Million)
Australia	1,807
New Zealand	450
Solomon Islands	18
Fiji	22
Papua New Guinea	6
Windward Islands	6

Source: SBP-2015

Table 18: Pakistan's International Trade in Comparison With OIC Region

	OIC Region Jul-03 to Jun-15	International Trade Jul-03 to Jun-15
Jul-03	484	1871
Jul-04	692	2429
Jul-05	664	2938
Jul-06	1265	4219
Jul-07	1239	3927
Jul-08	2201	4930
Jul-09	1455	3654
Jul-10	1890	4188
Jul-11	2284	5310
Jul-12	1926	5199
Jul-13	2003	5085
Jul-14	2174	4934

Source: SBP-2015

Table 19: Monthly Exports to OIC Region in Comparison with total Exports

	OIC Exports Jul-03 to Jun-15	Total Exports Jul-03 to Jun-15
Jul-03	243	993
Dec-03	244	786
May-04	198	969
Oct-04	217	1050
Mar-05	296	1328
Aug-05	291	1129
Jan-06	312	1168
Jun-06	319	1255
Nov-06	292	1213
Apr-07	344	1373
Sep-07	401	1487
Feb-08	408	1471
Jul-08	581	1930
Dec-08	364	1373
May-09	355	1344
Oct-09	388	1523
Mar-10	491	1688
Aug-10	457	1708
Jan-11	501	1918
Jun-11	693	2090
Nov-11	485	1852
Apr-12	496	2018
Sep-12	460	1999
Feb-13	422	1996
Jul-13	442	1993
Dec-13	484	2108
May-14	523	2175
Oct-14	401	1789
Mar-14	521	1966

Source: SBP-2015

Table 20: Pakistan's International Trade to Top 14 OIC Countries

	Exports Jul-03 to Jun-15	Imports Jul-03 to Jun-15	Total Trade Jul-03 to Jun-15
UAE Total	18.1	56.7	74.8
Saudi Arabia	40.2	4.9	45.1
Kuwait	27.5	1.1	28.6
Malaysia	14.3	1.7	15.9
Afghanistan	13.1	0.9	13.3
Indonesia	1.2	6.5	7.7
Turkey	18.1	1.9	19.9
Iran	1.5	3.2	4.6
Oman	1.5	1.7	4.3
Morocco	0.1	2.6	2.7
Egypt	1.3	1.3	2.6
Qatar	1.0	1.5	2.5
Bahrain	0.8	1.5	2.3
Yemen	1.1	0.1	1.2

Source: SBP-2015

Table 21: Top 14 OIC Countries Export Partners of Pakistan

	Total Exports (US\$ Million) Jul-03 to Jun-15
Afghanistan	1696

UAE Total	1295
Saudi Arabia	496
Turkey	323
Oman	223
Malaysia	188
Egypt	147
Indonesia	137
Mozambique	122
Kuwait	89

Source: SBP-2015

Table 22: Top 14 Export Partners from OIC Region of Pakistan

	Total Exports Jul-03 to Jun-15
UAE Total	18089
Afghanistan	13103
Turkey	4886
Saudi Arabia	4882
Oman	1713
Malaysia	1659
Iran	1459
Egypt	1321
Indonesia	1228
Kuwait	1099
Yemen	1080
Qatar	991
Bahrain	832
Mozambique	689

Source: SBP-2015

Table 23: Five Years Trends in Exports

	2010-11	2011-12	2012-13	2013-14	2014-15
UAE Total	1855	1947	1936	1715	1295
Afghanistan	1865	1380	1059	1245	1696
Turkey	751	609	414	366	323
Saudi Arabia	426	456	512	502	496
Oman	147	174	160	244	223
Malaysia	155	229	213	201	188
Iran	129	131	94	55	0
Egypt	130	222	170	153	147
Indonesia	126	195	211	128	137
Kuwait	92	94	89	99	89

Source: SBP-2015

Table 24: Pakistan's Trade with D-8 Countries

	2014-15		Total Trade 14-15	Exports 12 Years	Imports 12 Years	Total Trade 12 Years
	Imports	Exports				
Bangladesh	54	689	743	5690	702	6391
Turkey	238	323	561	4886	1855	6741
Malaysia	814	188	1002	1659	14262	15921
Egypt	125	147	272	1321	1287	2609
Indonesia	1112	137	1249	1228	6456	7683
Nigeria	0	601	601	680	0	680
Iran	31	31	31	1459	3167	4625

Source: SBP-2015

Table 25: Pakistan's Exports to ECO region

	2014-15		Total Trade 14-15	Exports 12 Years	Imports 12 Years	Total Trade 12 Years
	Exports	Imports				
Afghanistan	1696	37	1733	13103	169	13272
Turkey	323	238	561	4886	1855	6741
Azerbaijan	35	20	55	144	5	149
Kazakhstan	30	5	35	104	12	116
Kyrgyzstan	2	1	3	8	2	10
Tajikistan	12	3	15	51	75	126
Iran	102	10	122	1459	3167	4625
Turkmenistan	8	2	6	60	6	66
Uzbekistan	17	18	35	42	84	126

Source: SBP-2015