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Imports and Exports of Pakistan – Need to Explore New Markets

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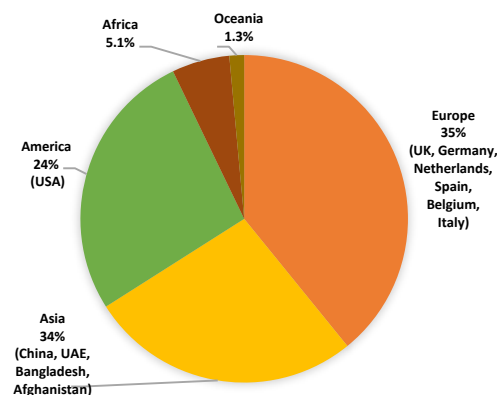
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Backbone of any country’s economy / financial strength mainly depends on its exports and remittances apart from investment and reserves. The same is used to finance the imports. Gap between the high exports and low imports results in poor economic situation. The export performance of Pakistan has long been abysmal for many reasons like security, political instability, lack of trust of foreign investors / investment due to non-consistent economic policies, rise in cost of production due to rise in energy prices etc. Thus Pakistan is suffering from a trade deficit as the total imports are greater than exports. Though Pakistan is importing and exporting to almost all the continents, however, for years our major import and export is restricted to few traditional countries and we need to analyse whether the same is enough or we need to explore new avenues / countries to diversify our market.

Exports Overview

According to the World Bank, the total share of Pakistan in global exports is a mere 0.13 % which is a very negligible amount. Exports makeup 9.98% of Pakistan total GDP. According to the economic survey 2021-2022, exports witnessed a growth of 27.6%. However, after April 2022 again the exports are showing a downward trend. The major exports of Pakistan include textiles (house linen, knitwear, clothing accessories), cotton, yarn, rice and leather products. Pakistan exports to over 160 countries. Major export destinations for Pakistani goods are US 21%, China 11%, UK 7.3%, Germany 5.4%, Netherlands, UAE, Spain, Italy, Afghanistan, France, Belgium and almost negligible to other remaining countries. Our Exports in order of percentage is 35% to Europe 34% Asia, 24% Americas, Africa 5.1% and Oceanic Region with 1.3%.

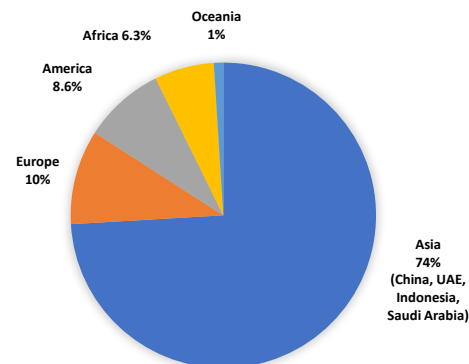
PAKISTAN EXPORTS



Imports Overview

Imports makeup 19% of the Pakistan’s GDP. The main imports of Pakistan are petroleum products (refined petroleum, petroleum gas, and crude oil), Edible oil, Electrical and electronic items, Machinery, Iron, Steel, Pharmaceutical, Organic Chemicals, Vehicles and Defence related products. Major import partners of Pakistan are China with a market share of 29%, UAE 10%, followed by Indonesia, USA, Saudi Arabia, and other gulf countries and minimal to rest of the World. Our imports in order of percentage is Asia 74%, Europe 10% followed by US, Africa and Oceanic Region.

PAKISTAN IMPORTS



Remittances

Remittances from Pakistani living abroad have frequently covered a major portion of Pakistan's trade gap. The nation heavily depends on these influxes to deal with its ongoing balance of payment crisis. Pakistan receive 2.2 to 2.8 Billion US \$ every month. Top five countries sending remittances are Saudi Arabia (\$ 570.5 Mn), UAE (\$ 427 Mn), UK (\$ 278.8 Mn), followed by the GCC countries (258.3 Mn) and USA (\$253.1 Mn).² Saudi Arabia houses the highest number of Pakistani diaspora followed by UK and then UAE.

Analysis / Conclusions

Pakistan has struggled to maintain decent size of its export since inception due to poor economic policies, management and governance issues. Pakistan exports have increased only from \$24.6 to \$34.5 Bn in last 10 years. The over reliance on IMF for debt relief shows how deep rooted are the structural problems. According to the Economic Survey of Pakistan FY21-22 cotton manufactures, leather, and rice account for 69.9% of total exports.³ This trend has been the same throughout the preceding years with little or no variation. Major export partners are China, Bangladesh, USA, Turkey and Italy. **Geopolitics and economy are interlinked. Considering the evolving nature of Geo-Political environment, it seems that Pakistan's export/import policies and markets are still focused towards US and the West. Whereas, Geo Political environment has changed to multipolar world and new potential markets are now available to be explored.** As per study conducted by Trade Development Authority of Pakistan (TDAP), Africa is an untapped market for Pakistani exports like Tractors, transmission devices, medical equipment and non-Basmati rice.

- *Diversify, explore and expand new import, export and remittance markets in line with changing Geo Political Environment*
- *Procurement of petroleum products at low prices from Russia and Iran*
- *Increase local production of canola, sunflower, mustard and olive oil as substitute to palm oil*

Pakistan major imports are petroleum products. UAE and Saudi Arabia account for almost 90% share of

crude petroleum.⁴ Similarly, UAE, Kuwait and Oman account for 75% of total share of refined petroleum market. Pakistan buys from the above countries due to many reasons including existing trade relations and deferred payment facility.⁵ We need to expand our avenues of oil import to other countries to avoid dependence on one region. Furthermore, the crude oil processing infrastructure of Pakistan is underdeveloped. Currently, only 6 refineries are in operation, which are inadequate to meet the demands of the country. Therefore, imports of refined oil for Pakistan is more than low-cost crude oil. Second most imported product in Pakistan is palm oil which is almost 30%.⁶ Pakistan imports palm oil from Malaysia (25%) and Indonesia (75%). We need to find alternatives locally through incentives to our farmers to ease our import expenditures. Pakistan's, other major import are cars and electronic items Pakistan must focus on its indigenous production through transfer of technology instead of just establishing the assembling plants / factories.

Pakistan biggest strength lies in its human capital and that too which is young. It is important to keep in mind that for years the migrants moving aboard have looked towards US, Western and Middle Eastern countries for job opportunities. However, job opportunities are emerging in other parts of the world and can be explored. The government and related institutions need to identify new avenues and accordingly train the people.

Recommendations

- Diversify and expand export / import markets towards China, Russia, India, ASEAN, CARs, Africa and Latin America for our national interest in line with changing Geo Political environment.
- Procurement of petroleum products at low prices from Russia and Iran.
- Increase local production of canola, sunflower, mustard and olive oil as substitute to palm Oil.
- Establish capability to manufacture cars and electronic items which we import.
- Focus on Tourism and IT sector, as the same has lot of potential to generate revenue.
- Export manpower / labour to Canada, Scandinavian countries, France, Germany, Japan, CARs and Australia having potential job opportunities.
- A detail study is recommended by policy makers to assess the international products in demand and enhance capacity / capability of our country to meet the same.

References

¹“Pakistan Percent of World Exports - Data, Chart.” *TheGlobalEconomy.com*, www.theglobaleconomy.com/Pakistan/share_world_exports/.

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⁴ Akram, Suleman. “Petroleum Sector of Pakistan and Its Trade Dynamics.” 2021.

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⁵ ibid

⁶Ali, Aiman. *Palm Oil for Pakistan -A Burden or Breather In-Depth Analysis of Pakistan’s Edible Oil Industry*. March. 2022.