Trade

Pakistan's main exports and imports, GDP and GNP, the balance of trade, Pakistan's trading partners, and the factors that promote or limit trade.

Major exports and imports

The main exports and imports

Exports	Imports
cotton goods: **textiles, yarn, garments, towels, bed-linen** (the biggest share, about half of export earnings)	**petroleum** and **oil products** (the largest single import)
rice, fruit and **vegetables**, **fish and shrimp**	**machinery** and **transport equipment**, **electrical goods**
leather goods, **sports goods**, **surgical instruments**, **carpets**	**chemicals** and **fertiliser**, **medicines**
cement and some **chemicals**	**edible oil**, **tea**, **pulses**, sometimes **wheat and sugar**
	iron and steel, **plastics**, **coal** and some **minerals**

Changes in recent years

Pakistan used to export **raw materials** (raw cotton, rice, jute) and now exports more **manufactured goods** (**garments**, **textiles**, **leather and sports goods**), which have more **value added**. However, **cotton textiles** still dominate, so exports are **not diversified**. **Imports** have **grown faster** than exports (more **oil**, **machinery** and **food**), so **imports usually exceed exports**. The **value** of both has increased with **inflation** and the **fall of the rupee**.

Shares (approximate, they change yearly). Cotton products give well over half of exports; **rice** a few per cent to about 7%; **leather** about 6%; **sports goods** about 2%.

Why countries trade. No country has everything it needs; trade lets each **specialise** in what it does best, brings in machinery and technology, makes **jobs**, encourages **industry** and can raise GNP.

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GDP and GNP

Term	Meaning
GDP (**Gross Domestic Product**)	the **total value** of all the **goods and services produced inside a country** in one year
GNP (**Gross National Product**)	**GDP plus** the **net income from abroad** (for example **remittances** and **profits** sent home by Pakistanis overseas, **minus** payments sent abroad by foreigners)

Difference: GDP counts **what is produced in the country**, whoever owns it; GNP counts **what is earned by the country's people**, wherever it is earned.

Effect of trade trends on the balance of trade and economy

- The **balance of trade** is the **difference between the value of exports and imports**. If imports exceed exports, there is a **trade deficit** (negative balance); if exports exceed imports, there is a **surplus**.
- Pakistan usually has a **trade deficit** because of **large oil and machinery imports**. This **uses up foreign exchange reserves**, **weakens the rupee**, and forces **borrowing** (**debt**) and **IMF** help, which raises **prices** (inflation).
- **Ways to reduce the deficit:** raise **exports** (more manufactured and varied goods, new markets), cut **imports** (replacing some with home production, restricting luxury goods), encourage **remittances** and investment. The **Export Promotion Bureau** (later the **Trade Development Authority of Pakistan**) helps exporters to find markets and enter trade fairs, and **export processing zones** and **Gwadar** (close to the Gulf and a route for Central Asia) are meant to raise exports.
- **Higher exports** (especially **manufactured** goods) improve the balance, bring **foreign exchange**, and create **jobs**; **remittances** also help the balance of payments.

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Pakistan's trading partners

Partner	Pakistan exports	Pakistan imports
USA	**textiles and clothing**, **rice**, **leather**, sports goods	**machinery**, aircraft, **cotton**, chemicals
UK and EU (Germany etc.)	**garments**, home textiles, leather	**machinery**, **chemicals**, medicines
UAE	**rice**, **textiles**, **fruit**, **meat**	**oil**, **gold and other goods** (a **re-export** hub)
Saudi Arabia	**rice**, **fruit**, textiles	**crude oil** (a major source)
China	**cotton yarn**, **leather**, **sesame**, **copper**	**machinery**, **electronics**, **chemicals**, **fertiliser** (China is the **largest source of imports**)
Afghanistan	**food**, **textiles**, **medicines**, transit goods	**fruit**, **coal**
Bangladesh and **India** (restricted trade)	**cotton**, **cement** (to Bangladesh)	**tea**, **jute**, some goods

Factors that promote or hinder trade

Promoting trade: good transport and ports, **trade agreements**, **competitive prices** and **quality**, **stable exchange rates**, **government support** (export rebates), and **trading blocs** that Pakistan belongs to.

Limiting trade:

- **Trade barriers: tariffs** (taxes on imports), **quotas** (limits on quantities), and **standards**.
- **Trading blocs:** the **EU**, **NAFTA**, **ASEAN** and others give **low tariffs among their members**, which can **disadvantage outsiders**. Pakistan belongs to **SAARC** (**SAFTA**, but trade is small because of political tension), **ECO** (Economic Cooperation Organisation) and the **WTO** (World Trade Organization, set up in **1995** to replace GATT and to reduce trade barriers); it gets **preferential access** to some markets (such as **GSP+** in the EU).
- **Currency exchange rates:** a **weak rupee** makes **exports cheaper** (helping sales) but **imports dearer** (raising the cost of oil and inflation); **unstable** rates harm planning.
- **Other problems: low-value exports** and a **narrow** range, **energy shortages**, **security** and **political tension** (such as with **India** and **Afghanistan**), **poor infrastructure**, and the **competition** from China, India and Bangladesh.

Why is it difficult for a developing country such as Pakistan to increase its share of trade? It exports **low-value raw and semi-finished goods** whose **prices fluctuate**, but imports **expensive manufactured**

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goods and oil; it has **limited capital and technology**, **weak infrastructure**, and **barriers** in rich countries' markets, and **competitors** with cheaper or better goods.

> **NOTE**
>
> Percentages and rankings of trading partners **change every year**. Know the **main partners** and the **types of goods** traded.

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