

# SECTOR BRIEF

## Foreign Trade Sector of Pakistan

By ICMA Research and Publications Department

### Historical Background

At independence in 1947, Pakistan imported all its food requirements from abroad. Subsequently, self-sufficiency was achieved in the production of wheat, rice, sugar, and milk. In the early 1950s, exports were confined mainly to agricultural goods and minerals, with heavy dependence on two items viz. Jute and Cotton that constituted around 86% of total exports earnings. In the 1960s, Pakistan's manufactured exports were higher than those of Malaysia, Thailand, the Philippines, and Indonesia.

### Current Status of Pakistan's Trade

**Exports** during FY 2021 amounted to US\$ 25.3 billion as compared to US\$ 21.4 billion in FY 2020 thus registering an impressive growth of 18.3% as compared to the negative growth of -6.81% during FY 2020.

**Imports** during FY 2021 stood at US\$ 56.38 billion as compared to US\$ 44.55 billion in FY 2020 - showing an increase of 26.55% from last year.

#### Pakistan's Trade Statistics [Last 5 years]

[Value in Billion US\$]

Years	Export	Import	Balance of Trade
2016-17	20.42	52.91	-32.49
2017-18	23.21	60.79	-37.58
2018-19	22.96	54.76	-31.80
2019-20	21.39	44.55	-23.16
2020-21	25.30	56.38	-31.08

Pakistan is persistently facing a negative trade balance due to the higher value of imports over exports.

#### Major Export Items in FY 2020-21 [Jul-Jun]

Sr.	Export Item	Value in Billion US\$
1	Knitwear (Th. Doz)	3.81
2	Readymade Garments (Th. Doz)	3.03
3	Bedwear (MT)	2.77
4	Rice (MT)	2.04
5	Cotton Cloth (Th. Sqm)	1.92
6	Cotton Yarn (MT)	1.02
7	Chemical & Pharma Products	1.15
8	Leather Manufactures	0.56
9	Surgical Instruments	0.43
10	Sports Goods	0.28

#### Major Import Items in FY 2020-21 [Jul-Jun]

Sr.	Import Item	Value in Billion US\$
1	Petroleum Products (MT)	5.16
2	Crude Petroleum (MT)	3.10
3	Palm Oil (MT)	2.67
4	Liquified Natural Gas (LNG)	2.61
5	Telecom Equipment	2.59
6	Plastic Materials (MT)	2.47
7	Road motor Vehicle (Built unit/CKD)	2.45
8	Mobile Phones	2.07
9	Iron and Steel (MT)	1.96
10	Raw Cotton (MT)	1.48

**Exports to Major Countries:** USA, China, UK, Germany, the Netherlands, Afghanistan, UAE, Spain, and Italy.

**Imports from Major Countries:** China, UAE, Indonesia, USA, Saudi Arabia, Qatar, Japan, Kuwait, Malaysia, and Korea.

# SWOT Analysis of Foreign Trade Sector of Pakistan



## STRENGTHS

- Labor-intensive export industry
- Strong comparative advantage in Agri products
- Gwadar Port- Hub for regional trade
- GSP+ status allows duty-free access to European Union (EU)
- Amazon opens its marketplace to merchants from Pakistan
- Pakistan's potential annual export is \$88.1 billion (World Bank)
- Exports increased by 18% in 2021 despite COVID-19
- Around 70% increase in exports to China in first quarter of 2021

## WEAKNESSES



- Persistent high Trade Deficit
- Lowest Trade-to-GDP ratio in the World
- Share of exports is only 0.2% in world exports
- Exports are low-priced due to low value-addition
- Exports lack product upgrade and sophistication
- Exports are confined to USA, EU and China only
- Dependency on exports of textile and Clothing
- Exporting only primary products and low technology goods
- Inadequate provision of market intelligence services for exporters
- Low productivity of Pakistani exporting units



## OPPORTUNITIES

- Need for Diversification of exports
- Move to high value-added and rich technology content export basket
- Focus on SME-led export growth
- Tap the growing potential for IT and software exports
- Provide incentives to industries to move from low value to high-value products
- Incentivize import substitution
- Develop Brand names of products in international markets

## THREATS



- Stiff competition in export markets
- Poor international market access
- High domestic cost of doing business
- Higher imports of crude oil and capital goods machinery
- Liquidity problem due to pending export refunds
- Non-compliance with quality standards

