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### An Analysis of the Composition, Direction, and Determinants of Pakistan's Exports (2000–2012)

Safdar Hussain<sup>1</sup>, Ruquiya Irshad<sup>2</sup>, Riazuddin Ahmad<sup>3</sup>, Main Akhtar<sup>4</sup>

Original Article

1. Department of Economics, University of Chitral, Pakistan.  
Email: [safdarhussain@uoch.edu.pk](mailto:safdarhussain@uoch.edu.pk)
2. MSc Economics, University of Peshawar, Pakistan.  
Email: [ruquiya345@gmail.com](mailto:ruquiya345@gmail.com)
3. Elementary & Secondary Education Department Khyber Pakhtunkhwa, Pakistan.  
Email: [riazchem02@gmail.com](mailto:riazchem02@gmail.com)
4. MS Scholar, Abdul Wali Khan University, Mardan.  
Email: [akhtarmain123@gmail.com](mailto:akhtarmain123@gmail.com)

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#### Keywords

#### Abstract

Exports, Export  
Composition,  
Foreign Exchange  
Earnings,  
Economic  
Development

*The main objective of the study is to explain changes in the composition and direction of exports and to highlight the factors which are responsible for changes and composition of exports for the year 1900-00 and 2011-12 in Pakistan. Secondary data has been used and taken from economic survey of Pakistan and Federal Bureau of Statistics. The study concludes that Export is a major source of foreign exchange earning which has a significant role in the development of an economy. Exports earning reduce the dependency of any country on external and internal borrowing. The merchandise export brings for us not only the foreign exchange but also enables us to import capital goods. To meet foreign exchange requirements, it is necessary to imports capital goods to convert the economy from the production and export of primary good to the production of manufactured goods. Trade has both benefits and costs. Trade benefits a country which is capable of producing quality goods for which there is adequate world demand.*

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#### 1.1 Introduction

When any industry produces more goods than a country needs, the extra goods must be exported and traded for items that are needed within the country. If these surplus goods are not exported, some productive labor in the country will have to stop, reducing the country's production capacity and lowering the overall value of its yearly output (Adam Smith, 1776). The economic growth of a country is closely linked to its trade performance. A stable balance of trade is often regarded as an indicator of a sound and stable economy. Classical economists

viewed international trade as an engine of economic growth because it enhances production efficiency, expands markets, and promotes specialization. The benefits derived from trade largely depend on a country's export performance and its ability to promote exports effectively. Exports represent the portion of a country's domestic production that is sold to foreign markets and are considered a key indicator of economic performance. An expansion in exports broadens market opportunities, increases income and employment, stimulates production, and ultimately contributes to sustained economic growth.

Exporting products is a profitable strategy that helps businesses expand and reduces dependence on local markets. It also exposes businesses to new ideas, management practices, marketing techniques, and competitive strategies that may not be available in domestic markets. Therefore, every businessman should consider exporting.

In economics, an export refers to any good or commodity that is legally transported from one country to another, usually for trade purposes. Exports are a major component of international trade, while imports serve as their counterpart.

The ability to export is an important factor in determining economic growth, especially in developing countries. Exports generate valuable foreign exchange, create economies of scale, and stimulate productive growth as countries compete in international markets.

Export growth is crucial because of its positive impact on internal trade and economic stability. Furthermore, the rate of economic growth and the distribution of income and wealth within a country are closely linked to export performance. If exports grow faster than imports, an economy has a greater chance of becoming developed. On the other hand, instability in exports can negatively affect the process of economic development.

Pakistan foreign trade regime has experienced many changes since the independence days. In 1947, Pakistan was classical example of country exporting primary products 99% of Pakistan exports consists of a cotton & jute. But slowly and gradually different other items such as rice, leather, synthetic textiles and sports goods were also exported and also with them some of manufactured items like cotton, knitwear, carpets, rugs, mats, petroleum products and a few chemicals and pharmaceutical products are also included. This shows that the situation is changed radically. The share of primary exports has decline to 10% of total Pakistan's exports in fiscal year 2004-2005 while that of manufactured goods exports has increased to 90% of total export in the fiscal year 2004-2005. Thus it is evident that Pakistan exports manufactured products (Federal Bureau of Statistics, 2005).

Exports form an integral part of Pakistan's economy as it generates foreign exchange earnings, thus it helps in economic development, provides job opportunities and improves the balance of payments position of the country. Pakistan being a developing economy, has strong dependence on foreign trade for the import of capital goods, machineries and technology and industrial inputs for sustainable economic development. Pakistan's export industry has always been well represented by the agriculture sector, which has been responsible for a number of products that have accounted for a major share of its export production including rice, cotton, fruits, and vegetables. Not only do these exports help produce foreign exchange but they also benefit farmers' income and enhance the rural livelihoods.

Agriculture, its contribution notwithstanding, exports of Pakistan have remained highly concentrated in textiles and clothing which make the economy vulnerable to the fluctuations in the world demand and to the competition from the overseas markets. The share of textiles in the country's total exports is still high, but Pakistan's contribution to the world textiles industry is relatively low. Pakistan's competition is high with other developing countries like China, India,

Turkey, Bangladesh, Vietnam and other emerging exporters which have diversified their economies and increased their production capacity by technological development and becoming competitive with Pakistan.

The export markets for Pakistan have also become limited to a few major ones such as the European Union (EU) and the United States. These markets are still consuming a significant percentage of Pakistan's exports but Pakistan's reliance on a few destinations renders it vulnerable to external economic shocks and changes in trade policy. Moreover, regional trade agreements like the European Union single market and North American Free Trade agreement (NAFTA) enable the trade between members of the agreement bringing extra competitive pressure to the exporting countries outside of the agreement like Pakistan.

Since the start of the World Trade Organization (WTO) Agreement on Textiles and Clothing (ATC), the world trading environment has changed, with the elimination of the quota system by 2005 and increased liberalisation of world trade in textiles. The removal of quantitative restrictions brought opportunities and challenges to the textile industry in Pakistan. There were benefits to greater market access in the form of increased export volumes, but increased competition from low cost producers called for a boost in productivity, product quality, and export diversification.

The composition of Pakistan's exports, geographical direction of exports and the determinants of exports are important factors as export is a key driver of economic development and understanding these would help in designing an effective trade policy for Pakistan. The study of export composition demonstrates the degree of concentration or diversification of export products, and the analysis of export destinations illustrates the nature and extent of changes in export patterns and market dependence. Likewise, the analysis of the key drivers of exports such as changes in exchange rates, growth in domestic production capacity, global demand, trade policies, and international competitiveness can yield useful insights into the drivers of export performance.

In this scenario, this study investigates the composition, direction and determinants of exports of Pakistan during 2000- 2012. The outcomes of the study would assist in improving the knowledge of export structure in Pakistan and would give policy suggestions for increase in export competitiveness, diversifying export products and markets and sustainable export led economic growth.

## **1.2 OBJECTIVES OF THE STUDY**

Objectives of the study are as under;

- i. To explain changes in the composition and direction of exports from 2000-2012 in Pakistan.
- ii. To highlight the factors responsible for changes and composition of exports from 2000-2012 in Pakistan.

## **1.3 SIGNIFICANCE OF THE STUDY**

The study is intended to give polistic picture of both good and bad effects of exports, the topic is very vast but researchers do their best within the specific time period

## **2. LITERATURE REVIEW**

Previous studies have examined the relationship between exports, export diversification, trade policies, and economic growth from different perspectives.

Balassa (1981) pointed out that an outward-oriented trade strategy has a number of advantages. It promotes efficient resource allocation, enlarges markets, achieves economies

of scale, and encourages industries to compete in international markets, resulting in economic growth.

Mahmood (1981) analyzed the Constant Market Share technique and stated that it separates export growth into commodity composition, market diversification, world trade, and export promotion effects. The study provides useful information for formulating future export policies. Riedel, Hall, and Grawe (1984) found that export behavior is strongly influenced by domestic market conditions. Domestic demand is a most important determinant of export behavior, as is profitability; exchange rate and relative price are significant in fewer sectors.

Kumar and Dhawan (1991) studied the effect of exchange rate uncertainty on Pakistan's exports and found that exports of Pakistan were found to be negatively affected when the nominal exchange rate fluctuates in its value. The study also drew the conclusion of third-country effects.

Based on the above discussion, Mutairi (1993) came to the conclusion that labour and exports were factors of economic growth in Pakistan, while the latter were the non-engine of growth. The study suggested to implement appropriate policies and to explore new markets for enhancing export competitiveness.

Khan, Malik and Hassan (1995) have maintained that export expansion brings benefits in the form of easing foreign exchange constraints, economies of scale, efficient resource allocation, and technological progress. The study was supportive of the export promotion as a development strategy.

Mahmood and Akhtar (1996) used Constant Market Share Analysis and found that Pakistan maintained its export share in the world market. Concentrations in traditional commodities, however, reduced export growth indicating the need for export restructuring and diversification. Hoekman and Djankov (1997) have examined export expansion in Central and Eastern Europe and determined that restructuring production and sourcing inputs from abroad were important factors driving export expansion.

Samiee and Walters (1999) investigated the interest levels of firms in export education programs and discovered that export knowledge interest was positively related to the level of export interest. The export knowledge acquisition was positively correlated with export performance.

According to Akbar, Naqvi and Din (2000), export diversification and structural change in Pakistan was studied. Their study revealed that export diversification is also one of the important factors in export performance and economic growth.

Sharma (2000) studied the export determinants in India and concluded that the export demand rises with the decrease in export price relative to world price and on the contrary a rise in the exchange rates leads to a fall in exports. Foreign investment had no significant effect on export performance.

Chaudhary and Saleem (2001) conducted a study on export pattern, comparative advantage, market diversification and export instability in Pakistan. They found that Pakistan's exports are limited to a few products and markets and urged for aggressive export policies for diversification.

The relationship between exports and economic growth has been analyzed by including imports in the analysis as done by Din (2004). A long run equilibrium relationship of exports, imports and output was found in the study for Pakistan.

Lahiri and Nasim (2006) came up with a trade theoretic model and concluded that under the revenue constraints, export performance can be positively affected by export rebates granted on imported intermediate inputs.

This study by Chen, Otsuki, and Wilson (2006) was conducted with developing countries' export data to investigate the impact of foreign standards on exports. They discovered that technical rules and inspection protocols have a negative impact on export performance and restrict market diversification.

Shahbaz (2009) concluded that there was a stable relationship between financial development and economic growth. Financial development enhances the economic performance and inflation and imports are negative for growth.

Jamali, Anka, and Khooharo (2010) examined the development of SMEs in Pakistan and concluded that SMEs face financing and competitiveness challenges. The study recommended measures to improve their competitiveness in regional and global markets.

Azam (2011) investigated the impact of exports and foreign direct investment on Pakistan's economic growth. The results showed positive and significant effects of exports and FDI, suggesting policies to increase export volume and attract FDI.

### 3. RESEARCH METHODOLOGY

The purpose of the research is to explain the methodology which has been designed for the study for the collection and analysis of data. It consists of the universe of the study, sources for the collection of data, data description and analytical technique.

#### 3.1 Data

The data has been collected from economic survey of Pakistan for the year 1999-00 and 2011-12. The data has been analyzed by using the delta change formula.

$$\% \text{ Change} = (\text{Base year-current}/\text{base year})100$$

Base year = 2000

Current year =2012

### 4. DATA ANALYSIS

The major exports of Pakistan include the following commodities i.e. (cotton, leather, rice, synthetic textiles and sports goods) concentration in Pakistan's major exports has decreased from 2002-2010. There are many reasons or factors which are responsible for decrease in the production of various materials, some of them are:

- Before Pakistan was producing primary goods and now secondary ones
- Shortages caused by floods
- Energy crises

**TABLE 4.1**

Commodity	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
cotton manufactures	63.3	62.3	57.4	59.4	59.7	51.9	52.2	51.3	52.9	49.6
Leather	6.2	5.4	5.8	6.9	5.2	5.8	5.4	4.3	4.4	4.4
Rice	5	5.2	6.5	7	6.6	9.8	11.2	11.4	8.7	8.7
synthetic textiles	5.1	3.8	2.1	1.2	2.5	2.1	1.4	2.4	—	—
sports goods	3	2.6	2.1	2.1	1.7	1.6	1.5	1.5	—	—
sub total	82.6	79.3	73.9	76.6	75.5	71.9	71.9	70.9	66	62.7
other items	17.4	20.7	26.1	23.4	24.3	28.8	28.1	29.1	34	37.3

Total	100	100	100	100	100	100	100	100	100	100
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Source: Economic survey of Pakistan (2009-10, 2011-12).

### Pakistan major exports (%Age share)

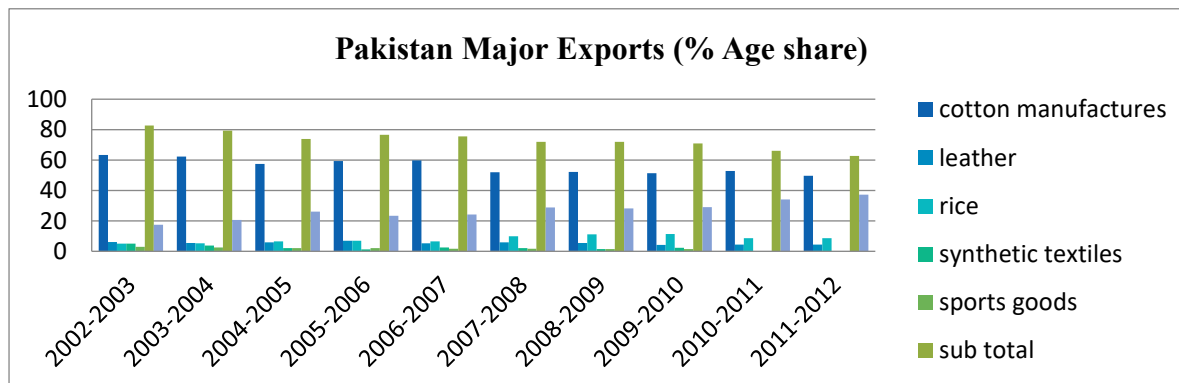


Fig 4.1

Pakistan's exports are heavily concentrated in a few major products, namely cotton, leather, rice, synthetic textiles, and sports goods. During the first nine months of 2008–09, these five categories accounted for 63.3% of total exports. Among them, cotton manufactures contributed the largest share at 47.5%, followed by leather at 6.7%, rice at 5.9%, and synthetic textiles at 1.6%.

This high level of export concentration showed little change during the fiscal year. A more detailed analysis reveals that most of the export earnings from the cotton group came from textiles and clothing. Overall, this pattern of concentration largely continued throughout 2008–09.

During 1999-2000 the export of cotton was 61.0 percent of total export and in 2001-02 it declined to 59.4 percent of total export of the country. There was a decline of 1.9 percent in 2001-02. The main reason was the international slow down after 9/11, which greatly affected Pakistani exports.

The exports of leather was high during 2002-03 and contributed 9.3 percent to total export, which was low during 2003-04 and contributed up to 5.4 percent to the total exports. So the exports of leather were declined by 4 percent 2003-04 as compared to 1992-93. But in the year 2008-09 it further decreased and showed 4.6 percent to the total exports. It is the lowest ever percentage share, but the good thing about it is that it is showing some consistency in total exports of the country.

The percentage share of rice during 2000 was 6.9 percent to total export, which declined by 2 percent during 2001-02. During 2001-02 the percentage share of rice was 4.9 percent to total export. It is very healthy sign that it acquired a smooth growth rate and is continuously increasing after 2001-02. It remained 5.0 percent in the year 2002-03, with a little increase it reached to 5.2 percent in 2003-04, and 6.4 percent in 2008-09.

During the first nine months of the 2012–13 fiscal year, Pakistan's exports remained heavily concentrated in a limited number of products. Rice and cotton-based manufactured goods together accounted for approximately 63.7% of total exports, with cotton manufactures alone contributing 51.4%. Rice exports declined during this period due to reduced production caused by unfavorable weather conditions. The price rise of domestic rice induced the rice producers

to sell the produce in the domestic market and not export it, because the returns from domestic sales were higher.

While the concentration of exports has decreased slightly over time—from a small number of products accounting for almost 70% of the total exports, the export structure has demonstrated only limited diversification when compared to the export structure of the previous year. On a closer look at the mix of exports, it is seen that most export earnings still come from the exports of textile and cotton based manufactured products. This continued dependence on few export commodities reflects low diversification of export basket of Pakistan and further suggests that the export basket needs to be diversified to more value added export products and new export sectors for improving the export competitiveness in the long-term.

#### 4.3 DIRECTION OF EXPORTS

Major exports of Pakistan consist of agricultural products i.e. (cotton, rice, etc), leather goods, textile products and sports goods are exported to these major countries:

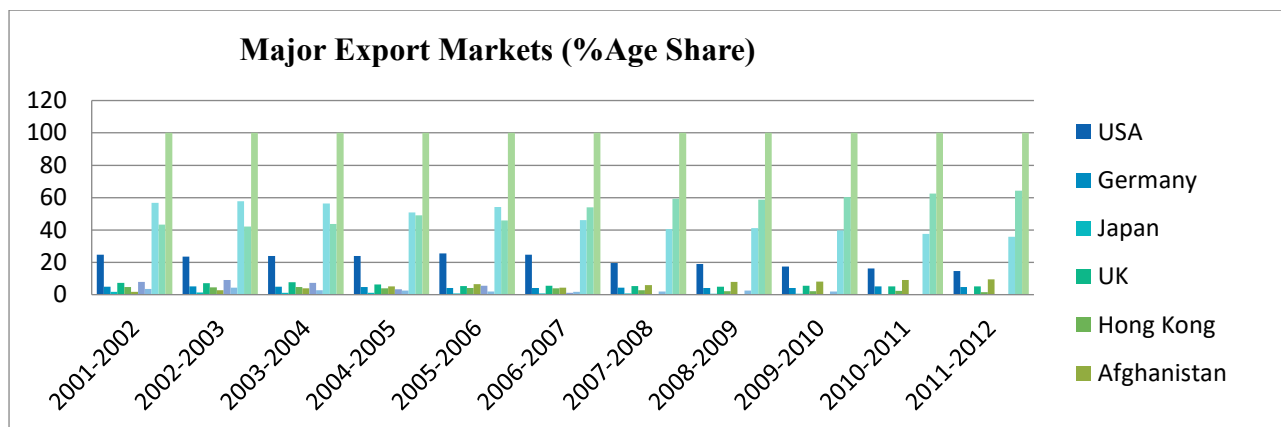
- USA                      Germany                      Japan                      UK
- Hong Kong              UAE                      Afghanistan              Saudi Arabia

#### Major export markets (%Age share)

**TABLE 4.2**

Country	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
USA	24.7	23.5	23.9	23.9	25.5	24.6	19.5	18.9	17.3	16.1	14.7
Germany	4.9	5.2	4.9	4.8	4.2	4.1	4.3	4.2	4.2	5.1	4.8
Japan	1.8	1.3	1.1	1.1	0.8	0.7	0.7	0.6	0.5	0	0
UK	7.2	7.1	7.6	6.2	5.4	5.6	5.4	4.9	5.5	5.1	5.1
Hong Kong	4.8	4.6	4.7	3.9	4.1	3.9	2.7	2.1	2.1	2.3	1.6
Afghanistan	1.8	2.8	4	5.2	6.5	4.4	6	7.9	8.1	9	9.5
UAE	7.9	9	7.3	3.3	5.6	1.1	0	0	0	0	0
Saudi Arabia	3.6	4.3	2.8	2.5	2	1.7	2	2.6	2	0	0
Sub-Total	56.7	57.8	56.3	50.9	54.1	46.1	40.6	41.2	39.7	37.6	35.7
other countries	43.3	42.2	43.7	49.1	45.9	53.9	59.4	58.8	60.3	62.4	64.3
Total	100	100	100	100	100	100	100	100	100	100	100

Source: Economic Survey of Pakistan (2010-11, 2011-12).



**Fig 4.2**

Pakistan trade relations with many countries, but traditionally exports have been limited to a few destination markets. In the early 2000s, the United States, Germany, Japan, Hong Kong, the United Kingdom, the United Arab Emirates (Dubai) and Saudi Arabia together accounted for almost 50 per cent of Pakistan's total export. These seven markets accounted for about 54.9% of Pakistan's exports during FY 2001-02 while 45.1% was shared with other trading partners.

However, gradually over time, Pakistan's export markets have become concentrated with a slight diversification, albeit, in export destinations. Recently, exports to the four biggest markets were around 26.2% of total exports, while exports to other countries accounted for 73.8%. Notwithstanding this geographical spread, the U.S. remains Pakistan's principal export market, with the U.K. and Germany coming in second.

Japan, once an important market for Pakistani exports, has experienced a significant decline in its share of Pakistan's export earnings over the past decade. Its contribution fell from approximately 5.7% of total exports to less than 1%, indicating a substantial reduction in Pakistan's export presence in the Japanese market.

While the export share to USA increased and reached 26.9 percent of total export during 2004-05. So export share of USA increased by 7.5 percent between the two periods. In the year 2008-09 it was 24.8 percent of the total export of Pakistan. The export to USA occurred during 2005-06 which is 25.4 percent of total export of country.

There is a continuous decline in export to Germany. Then in the year 2010-11 it became 5.1 percent which was a little good as comparing to the remaining decade. But the export of Pakistan to Germany is constantly in decline and thus Pakistan experiences the lowest of its export to Germany i.e. 5.1 percent of its total export during 2010-11.

Export to UK was low in 2004-05 which is 6.2 percent of total export of Pakistan and it is the lowest ever exported to United Kingdom in last five years. The export of Pakistan to UK in the year 2011-12 is recorded 5.1 percent of the total export.

Exports to Hong Kong remained constant that is exports to Hong Kong were 3.9 percent in 2003-04 and the same share is mentioned in 2004-05. In 2011-12 the export of Pakistan to Hong Kong was recorded as 1.6 percent. Whereas exports to Dubai has increased from 3.3 percent in the year 2003-04 to 5.6 percent in current year 2004-05 and it is recorded 8.2 percent in 2008-09 as exports to Dubai are increased due to textile manufacturers. The highest percentage of Pakistani exports to Dubai was 9.0 percent, in the year 2002-03.

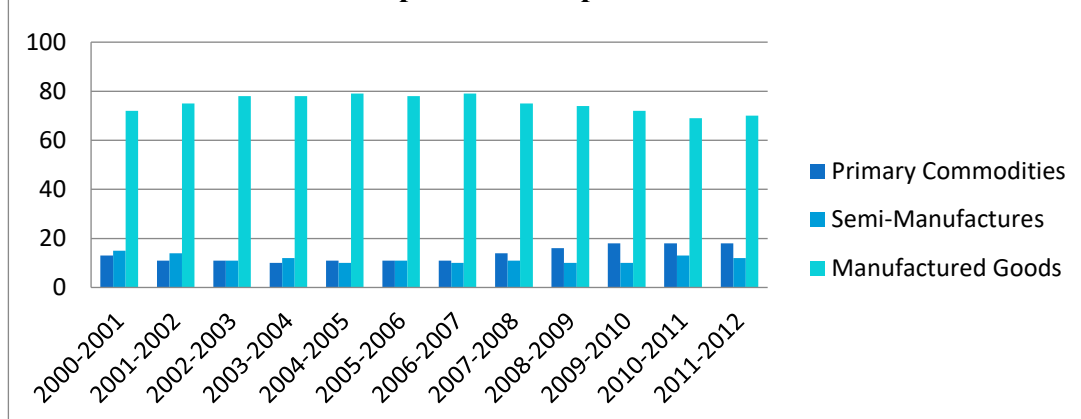
**4.4 Economic composition of exports (%Age share)**

**TABLE 4.3**

### Composition of exports

Year	Primary Commodities	Semi-Manufactures	Manufactured Goods	Total
2000-2001	13	15	72	100
2001-2002	11	14	75	100
2002-2003	11	11	78	100
2003-2004	10	12	78	100
2004-2005	11	10	79	100
2005-2006	11	11	78	100
2006-2007	11	10	79	100
2007-2008	14	11	75	100
2008-2009	16	10	74	100
2009-2010	18	10	72	100
2010-2011	18	13	69	100
2011-2012	18	12	70	100

**Fig 4.3**  
**Composition of exports**



**Source: Federal Bureau of Statistics**

The pace of Pakistan's transition toward a more sophisticated and diversified export structure has remained slow. This is reflected in the changing composition of exports, particularly the declining share of manufactured goods in total exports. Manufactured exports have been the largest share of Pakistan's export earnings for many years and its share in the total export value has been retained at nearly three-fourths. Nearly three-fourth of Pakistan's export value had remained in manufactured products for many years. This proportion, however, has been steadily falling since around 78% in 2005–06, and down to around 70% in July to March 2010–11.

This fall was caused by a number of factors, such as sluggish demand in the international markets, a loss in international competitiveness, and persistent energy shortages that affected production of industrial goods during this period. Meanwhile, primary commodity exports rose from 11% in 2005–06 to 18% in July – March 2010–11. This increasing dependence on primary commodities, instead of manufactured exports, is contrary to the usual pattern of structural transformation characteristic of the process of economic growth. It also alerts the nation about the country's productive capacity, industrial competitiveness and the danger of

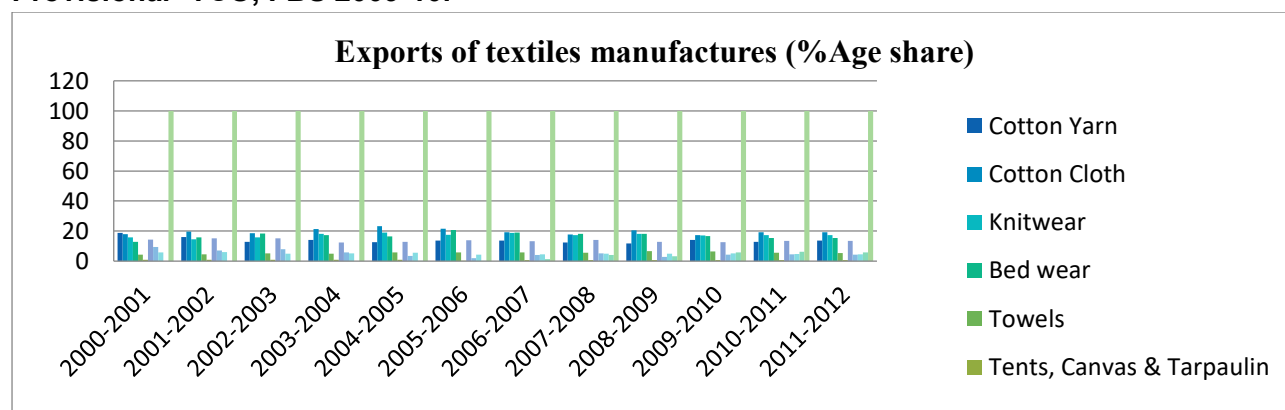
deindustrialization, and thus calls for the policies for value added manufacturing and export diversification.

#### 4.4.1 Composition of exports of textiles manufactures

**TABLE 4.4**  
**Exports of textiles manufactures (%Age share)**

Items	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Cotton Yarn	18.7	16.1	12.9	14	12.7	13.7	13.6	12.4	11.7	14.1	12.9	13.6
Cotton Cloth	17.9	19.6	18.6	21.3	23.3	21.6	19.3	17.7	20.5	17.2	19.3	19.3
Knitwear	15.8	14.6	15.9	18.1	18.9	17.6	18.7	17.3	18.2	17	17.4	17.3
Bed wear	12.9	15.9	18.4	17.2	16.4	20.8	19	18.1	18.2	16.6	15.4	15.3
Towels	4.2	4.6	5.2	5	5.9	5.8	5.7	5.6	6.7	6.5	5.5	5.4
Tents, Canvas & Tarpaulin	0.9	0.9	1	0.9	0.8	0.3	0.7	0.7	0.6	0.6	0.7	0.7
Readymade Garments	14.4	15.1	15.1	12.4	12.9	13.8	13.2	14.1	12.9	12.6	13.4	13.5
Synthetic Textiles	9.5	7.1	7.9	5.9	3.5	2	4	5.1	2.9	4.4	4.5	4.4
Made-up Articles	5.7	6.1	5	5.2	5.5	4.3	4.5	5	5	5.2	4.7	4.6
Others	—	—	—	—	0.1	0.1	1.3	4	3.3	5.8	6.2	5.9
Total	100	100	100	100	100	100	100	100	100	100	100	100

Provisional\* TCO, FBS 2009-10.



**Fig 4.4**

Pakistan's textile sector is one of the major sources of export earnings and employment in the country and has historically been the driving force behind the export revenues. The sector not

only absorbs a large proportion of the labour force, but it also provides considerable foreign exchange, which contributes to economic growth and stability of the external sector. There are basically two categories of textile exports available, those with low value added and those with high value added, such as Raw cotton and yarn, readymade clothes, towels, bed linen etc. and knitwear etc.

Although Pakistan's agriculture-based economy is endowed with all the necessary raw materials and has a huge potential to boost the production of value-added textile products, the country has failed to improve the export value of such products. Rather, the share of value-added textile products has not increased significantly since 2001-02, between 50% and 60% of the total textile exports. Furthermore, this has decreased in recent years. The value-added textile exports as a share of total textile exports have been falling since 2005-06, reaching 52.7% in July–March 2009-10 as against 54.4% in the same period of 2008-09. The trend also indicates that Pakistan did not fully exploit its comparative advantages of textile manufacturing, and there is a need for investment in technology, product innovation, and competitiveness in the textile industry in order to improve the production and export of high value-added textile products.

#### 4.4.2 Composition of Pakistani exports

Composition of Pakistani exports mainly consists of primary commodities, textile manufacturers and other manufacturers. Rice, raw cotton, fish and fish preparation, tobacco, fruits and wheat comes under primary commodities.

**TABLE 4.5 Composition of exports (\$ MILLION)**

Particulars	July-April		% Change	Absolute Change
	2011-12	2010-11		
<b>A. Food Group</b>				
Rice	1,735.20	1,792.20	-3.2	-57
Fish & Fish Preparation	259.3	234.4	10.6	24.9
Fruits	322.4	252	28	70.5
Vegetables	131.9	211.7	-37.7	-79.8
Wheat	112.7	418.2	-73	-305.5
Spices	38.6	38.7	-0.3	-0.1
Oil Seeds, Nuts & Kernels	23.4	14.5	60	8.8
Meat & Meat Preparation	141.6	122	16	19.6
<b>B. Textile Manufactures</b>				
Raw Cotton	433.1	327.3	32.3	105.8
Cotton Yarn	1,451.70	1,880.00	-22.8	-428.3
Cotton Cloth	1,969.80	2,081.20	-5.4	-111.4
Knitwear	1,624.50	1,870.10	-13.1	-245.6
Bed Wear	1,453.10	1,686.00	-13.8	-232.9
Towels	556.5	607.8	-8.4	-51.3
Readymade Garments	1,326.60	1,396.50	-5	-69.9
Made-up Articles	472.7	509	-7.1	-36.3
<b>C. Petroleum Group</b>				

Petroleum Products	291.9	752.9	-61.2	-461
Petroleum Top Naphtha	518.4	388.5	33.4	129.9
<b>D. Other Manufactures</b>				
Carpets, Rugs & mats	104.3	110.9	-5.9	-6.6
Sports Goods	269.2	262.9	2.4	6.2
Leather Tanned	358.7	370.8	-3.3	-12.2
Leather Manufactures	435.3	450.3	-3.3	-14.9
Surgical Goods & Medical Inst.	249.6	212.6	17.4	37
Chemical & Pham. Products	909	725.5	25.3	183.5
Engineering Goods	230.1	196.4	17.2	33.7
Jewelry	649.7	314.1	106.9	335.6
Cement	387.3	374.2	3.5	13.1

Provisional\* Source\* FBS 2011-12.

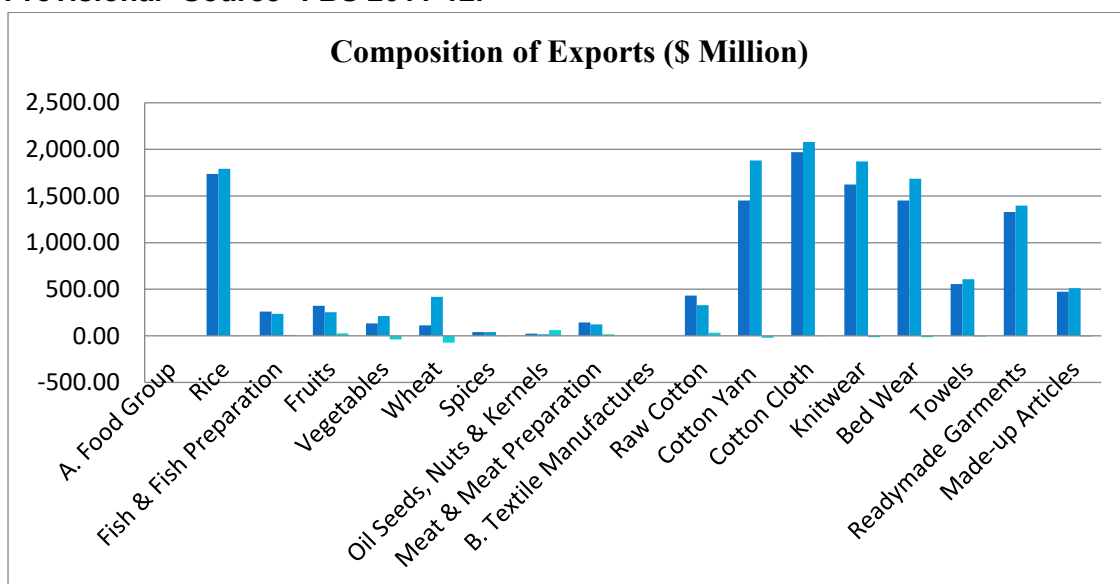


Fig 4.5

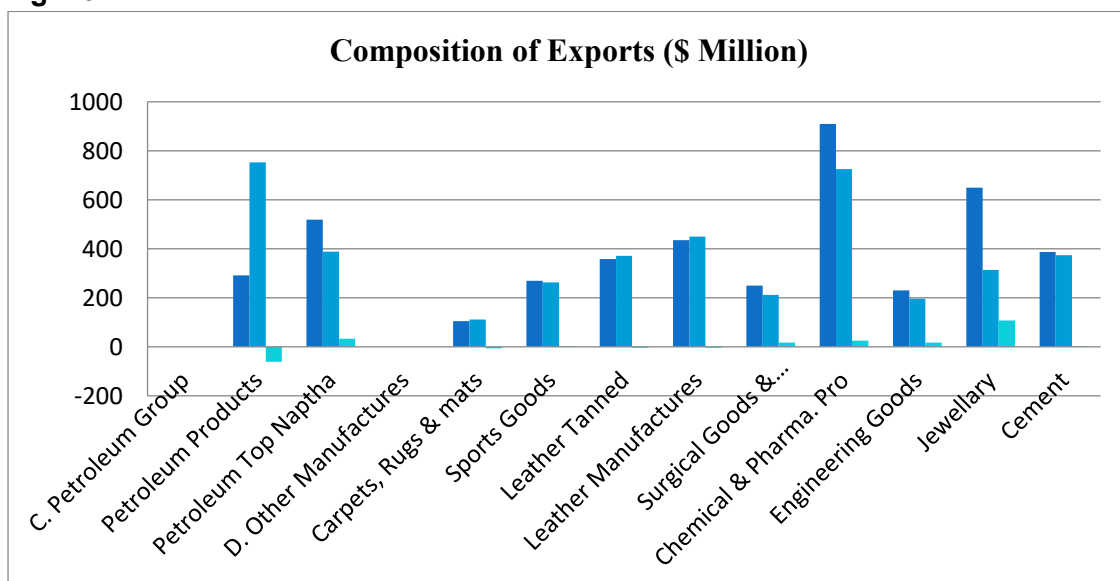


Fig 4.5

The performance of exports in the period July-April 2011-12 shows significant disparities in export performance of various major export categories. The group of "other manufactures" showed the best result with exports growing by 19.9% compared to the same period of the previous year. This led to its export share increasing 3.9 percentage points to 20.0% of total exports. The increase in exports was led by high value gains of jewelry (+US\$64.2 million), chemicals and pharmaceutical products (+US\$65.4 million), surgical instruments (+US\$62.1 million), guar and guar products (+US\$60.3 million), and engineering goods (+US\$60.2 million), accounting for an additional US\$668.6 million in exports. Of these, the growth in value of jewelry exports was the most spectacular, rising 17% to US\$335.6 million and growing from 10.0% to 17.0% of the other manufactures group. Cement exports also showed slight increase of 3.5% compared with the year-ago period when it fell 9.9%. This improvement was largely due to higher export prices, with the volume of exports dropping.

These trends were partially offset in the overall picture by the volume of exports of carpets, leather garments and cutlery decreasing. The increased competition from neighbouring countries, especially in the export of carpets, led to a decline in Pakistan's competitiveness and negatively impacted the export of carpets.

The food export group experienced an overall decline during July–April 2011–12. The value of exports decreased by about US\$87.9 million compared to the previous year, primarily as result of reduced exports of major agricultural products. Export prices for most food products were relatively favourable, but the volume of wheat, rice and vegetables imports were so small as to have a significant impact on export receipts. The total export value losses for these three commodities were about US\$442.3 million in the period.

The exports of rice shrank by 3.2%, largely on the back of a 9.1% fall in volumes exported. The decline was mainly due to greater supply from the world which put pressure on the international markets and a higher percentage of lower cost non-basmati rice in Pakistan's export basket. Likewise, wheat exports fell sharply as global prices fell and there was a lack of international demand for wheat, causing both export volume and export values to drop dramatically. On the contrary, fruit exports showed positive growth with export earnings rising by about US\$70.5m compared to the same period last year.

Pakistan's biggest export industry, the textile industry faced a major slowdown between July and April 2011–12. The exports of textile products fell 9.6% after achieving a strong growth of 32.1% in the prior year. The decline was primarily driven by reduced exports of most textile goods as a result of the impact of recurring energy shortages, production disruptions and sluggish international demand. This has resulted in the textile industry's export value declining from 55.8% of total exports in July-April 2010-11 to 52.4% in the same period of 2011-12, thereby losing out on close to US\$1.08 billion of export revenues. The present trends reveal that Pakistan's export industry is highly sensitive to export industry internal constraints and volatility in market conditions and thus export diversification and competitiveness need to be emphasized.

## **CONCLUSION AND RECOMMENDATION**

The study reveals that no country in the world is self-sufficient. The needs and requirements of one economy are related to other countries and it is important for international trading. Merchandise exports are crucial for any country, particularly developing countries like Pakistan, to develop economically. The importance of exports is that an economy can be seen in the form of reduction in unemployment. Exports accumulate capital goods, which lead to

expansion of industry, in turn lead to increase in production and the increase in production increases the level of employment.

## **5.2 MAIN FINDINGS**

Following are the findings of the study.

- Pakistan is basically an agro-based country; however, 78% of exports now consist of manufactured goods while agriculture still employs about 45% of the labor force, indicating the need for development through mechanization, better seeds, packaging, and water resource management.
- Pakistan's exports are highly concentrated in cotton, leather, rice, synthetic textiles, and sports goods, with cotton being the largest contributor, showing a lack of export diversification.
- The economic classification indicates that Pakistan is no longer heavily dependent on primary commodities, reflecting economic development.
- Pakistan's major export markets are the USA, Germany, the UK, Hong Kong, Dubai, and Saudi Arabia, with the USA receiving about 24% of total exports.
- Germany accounts for 5–8% of Pakistan's exports, while exports to the UK remain around 6–7%.
- Japan's share of Pakistan's exports has continuously declined due to prolonged recession in its economy.
- More than 50% of Pakistan's exports are directed toward developed countries, while about 47% go to developing countries.
- Pakistan's merchandise trade increased after 2001, peaked in 2005, declined due to political instability, and began to recover with the new government in 2008.

## **5.3 CONCLUSION**

The importance of exports in an economy can be seen in the form of reduction in unemployment. Exports accumulate capital goods, which lead to expansion of industry, in turn lead to increase in production and the increase in production increases the level of employment.

Exports are a major source of foreign exchange earnings which have a significant role in the development of the economy. Exports earning reduce the dependency of any country on external and internal borrowing. The merchandise export brings for us not only the foreign exchange but also enables us to import capital goods. To meet foreign exchange requirements, it is necessary to import capital goods to convert the economy from production and export or primary good to the production of manufactured goods. Trade has both benefits and cost. Trade benefits a country which is capable of producing quality goods for which there is adequate world demand.

This study explains the changes in the composition and direction of exports from 2000-2012 in Pakistan. Also highlight the factors which are responsible for changes and composition of exports from 2000-2012. To analyze the factors which are affecting the exports of the country and to give suggestions to improve their potential.

It is generally believed that lack of product and market diversification are reasons for Pakistan's poor export performance.

Pakistan is basically Agro-based country. In 1948 Pakistan exports earning were containing only five primary commodities raw cotton, hides, raw jute and tea etc. Pakistan's major exports markets are USA, Germany, Japan, UK etc. The history of Pakistan shows that there were several impediments/obstacles in the way of Pakistan exports. The devaluation of pound

sterling where Pakistan did not devalue its currency was an obstacle in the way of export. Three wars have been fought between India and Pakistan, tariff and non tariff barriers are also obstacles in the way of exports. The tragic event of 9/11 all these were the obstacles in the ways of exports of Pakistan.

#### **5.4 SUGGESTIONS**

Following are the suggestions/recommendations of the study.

- It is clear from the above mentioned finding that what the importance of agri-unit is. Thus, farmers should be provided with modern technology, irrigation system must be assessable and approachable for the best production.
- Exports should be diversified.
- New markets should be explored.
- Strategies should make for the goodwill of our country like foreign policies to avoid wars and terror.
- Measures must be taken to avoid fluctuations in currency.
- Pakistan should heed more upon the export of finished and value-added goods as this will generate more revenue.
- Pakistan major export markets are USA, UK, Germany, Saudi Arabia etc. Thus relationship with these must be at very good terms. To enhance Pakistan's export performance and strengthen its international competitiveness, several policy measures should be prioritized.
- Persistent shortages of electricity and natural gas have significantly constrained industrial production, particularly in export-oriented sectors. While expanding the country's power generation and gas supply infrastructure is a long-term objective, priority should be given to allocating energy resources to export-oriented industries in the short run to support production, improve export performance, and sustain export-led economic growth.
- Pakistan's challenging security situation has increased the cost of doing business by raising transportation, insurance, and operational expenses for exporters. These additional costs weaken the international competitiveness of Pakistani products. Alongside efforts to improve the overall security environment, the government should consider targeted support measures and incentives to offset these costs and help export-oriented industries remain competitive in global markets.
- As an agriculture-based economy, Pakistan's export sector depends heavily on the availability of water. The continuous decline in per capita water availability poses a serious threat to agricultural productivity and the future growth of agro-based exports. Therefore, effective water resource management, investment in modern irrigation systems, and climate-resilient agricultural practices are essential to ensure the long-term sustainability of export growth.
- A skilled workforce is fundamental to improving productivity and enabling firms to adopt advanced technologies. Expanding technical and vocational training, strengthening engineering and managerial education, and promoting industry-academia collaboration can enhance firms' capacity to produce higher value-added goods and integrate into global value chains. Developing skilled managers, engineers, and technicians is particularly important for improving product quality, innovation, and international market competitiveness.

- Sustainable export growth requires a policy framework characterized by consistency, continuity, and transparency. The government should pursue pro-business policies that encourage private sector investment, reduce regulatory barriers, simplify trade procedures, and provide appropriate incentives for export-oriented industries. Such a policy environment would promote innovation, improve productivity, and encourage the growth of competitive, non-rent-seeking enterprises capable of expanding Pakistan's export base and diversifying its export products and markets.

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