

Not much has changed

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The FY18 figures are in and the tale of ballooning imports and trickling exports has clocked in at a trade deficit of \$31 billion, as per SBP data. At \$25 billion, exports increased by 13 percent since last year, remaining woefully behind imports that increased by 15 percent and stood at \$56 billion.

Over the last decade, the trade deficit has more than doubled from \$15 billion in 2008, but the exports and imports basket have remain roughly the same. Exports are resource based goods, predominantly food items and textile products whereas imports are dominated by petroleum, machinery and agriculture & other chemicals.

The marginal changes in exports are for the worse, not for the better. Foods exports comprise of 13 percent of exports in 2008 have increased to 19 percent on the back of export subsidies for sugar and support prices for wheat. Other manufacturers, comprising of a myriad of products from plastics to furniture have stagnated at 17 percent. Share of petroleum products and naphtha has decreased from 7 percent to 2 percent.

It would appear that Pakistan's exports are moving in the wrong direction – going towards more low-value agricultural goods, propped up by government support, rather than value-added premium priced products.

While petroleum products occupied a significant share in 2008, at 17 percent it was not the top import. Given currency devaluation and oil prices over the last decade, petroleum made up a quarter of the country's imports in 2018.

2008's top import was agricultural and other chemicals which now take a third place in Pakistan's import basket. This is one of few positive changes in trade that has taken place since it indicates the country's self-sufficiency in basic chemicals and increase in production in agricultural chemicals over the last decade. The rhetoric has been of the need to increase Pakistan's value added exports and decrease dependence on resource goods. That has clearly not been the trend. Nor has Pakistan been successful towards import substitution, be it cars or be it edible oil. Little has changed over the last decade except for marginal changes for the worst. Continuation on this path means a recurring cycle of insufficient reserves and IMF bail outs, ad infinitum.