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# Journal of Education and Social Studies

ISSN: 2789-8075 (Online), 2789-8067 (Print)

<http://www.scienceimpactpub.com/jess>

## UNDERSTANDING THE PATTERN AND STRUCTURE OF PAKISTANI TRADE

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### ABSTRACT

The main objective of this research is to understand the pattern and structure of Pakistani trade from 2012 to 2016. Twenty countries have been selected, accounting for 80 percent of the country's trade. The data from 2012 to 2016 has been taken from the website of UN Comtrade. Averages and percentages are calculated for a better exposition of the data. The figures in the research are in US dollars. Twenty countries that traded with Pakistan were selected. The countries that trade more often with Pakistan are selected. The selected countries are classified on the basis of their per capita income. These countries have been categorized into low, middle, and high-income countries. Exports are categorized into textile and textile products, agricultural products, minerals, and chemicals, including pharmaceuticals and others, and imports are categorized into food, agricultural products, heavy machinery, and chemical products. The results show that total exports of the selected commodities to middle-income countries have decreased by 34 percent, although these economies are growing faster than others. Similarly, imports from middle-income countries decreased. Pakistan imports increased because of the demand for heavy machinery for CPEC. Pakistan imports machinery for about \$5 billion from low and middle-income countries. Pakistan shares a common border with two Afghanistan, Iran, India, and China but has minimal trade with them. China and India are the two large emerging economies and part of BRIC (Brazil, Russia, India, and China), and countries worldwide are taking advantage of their growth except for Pakistan. The punch line is that Pakistan has to take advantage of its borders and export products with a competitive advantage to its neighboring countries. It will create and promote livelihood and development opportunities in the country.

*Keywords: Exports; Imports; Trade structure; Income; Pakistan.*

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<https://doi.org/10.52223/jess.20223104>

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### INTRODUCTION

Trade is the exchange of goods and services between countries. Goods bought into a country are called imports, and goods sold to another country are called exports. Economists have been engaged in answering the most important question: why do nations engage in international trade? Two major arguments are forwarded to answer the question. First, countries trade because they are dissimilar from each other in respect of natural resource endowments, including labor, land, forest, etc. Countries are like individuals who can benefit from their differences by reaching an arrangement in which each performs something relatively better. Second, countries also engage in trade due to differences in technologies and productivity. The ultimate goal of such engagement is to attain economies of scale in production. That is, if each of the countries produces only those products for which they have a comparative advantage, then both countries benefit from efficiency in larger-scale production. The first reason for the trade is attributed to Heckscher and Ohlin, while the second one is to Ricardo (Krugman and Obstfeld, 2009). Trade is a significant

determinant of the economic growth of countries (Were, 2015). In the current world, China has attained the highest economic growth in the world due to a phenomenal increase in its exports and imports (Morrison, 2014). IMF reported on its website that China became the largest trader in the world in 2016. Politicians typically consider imports as harmful to their countries and try to protect their countries through tariffs and other measures of protection. The most recent examples include President Trump's decision to increase tariffs on imports from China and Turkey on national security grounds.

However, as per economic theory, such acts increase the costs of imports, and people's preferences are either motivated to buy more expensive local products or more expensive imported goods. In either case, the country becomes less efficient, and the welfare of the people decreases as they pay more to buy the same product. Export is a significant source of foreign exchange earnings used to finance development and growth in the country. Pakistan has also held export-led growth policies in the past. The country has been financing its growth through earnings from export. In the past, the country also has import-substitution policies to discourage imports and develop its own domestic industries. However, the country has transformed its economy, and trade has been liberalized. Liberalization has not only increased its exports but also provided other countries to export to Pakistan, thus increasing the balance of trade. Abbas (2017) says that in recent decades, the trade deficit of Pakistan has increased significantly due to trade liberalization, which points out low exports and low production specialization. Chaudhary & Amin (2012) studied the export growth, imports growth, and trade balance of Pakistan from 1980 to 2008. They conclude that the main objective behind openness and liberalization is to get higher returns on exports which have contributed to higher economic growth during the last three decades. However, trade openness and liberalization also lead to an increase in the trade deficit. The study also shows that import and export duties have a negative impact on import and export growth. Moreover, liberalization has increased the elasticity of demand for imports more than exports. Developing countries like Pakistan have to be careful in terms of liberalization.

This study clearly shows Pakistani exports and imports of different goods from different income countries. In its structure, the exports of commodities have been changed from raw materials to manufactured products. So for a policymaker, it will be helpful to study this research for exports of Pakistani products to different targeted countries. This study aims to understand the structure and pattern of trade of Pakistan. The study's objectives were to investigate the exports and imports of Pakistan made to/from different developing and developed countries during the 2012-2016 period and to study the structure of Pakistani trade made with selected partners. The structure of Pakistani exports and imports has been modified notably over time. The important modifications have been the steep fall in raw goods and semi-manufactured exports and imports. Also, the pattern of trade has changed with the passage of time. Pakistan trades with a large number of countries, but its exports and imports are highly targeted in a few countries. Pakistan Economic Survey (2013-2014) describes that Pakistan's export markets are about 45% to China, UAE, Afghanistan, and UK of the total exports. The commodity composition of the Pakistan exports has changed significantly over the study period with an increase in the share of manufacturers and a fall in the share of primary goods, although few items still have the lion's share in total exports (Zada, 2011).

Abbas (2017) describes that the success of a nation in the highly competitive global market is dependent on comparative advancement in production specialization in different industries. He took 11 commodities of industries of the manufacturing sector of Pakistan concerning the world that have large domestic consumption. The commodities used for analysis were pharmaceutical products, fertilizers, essential oils, perfumes and cosmetics, soaps and lubricants, plastics, leather articles, paper ceramics, glass and glassware, and sports. He used the Revealed Comparative Advantage (RCA) index to find out the comparative advantage in sectoral competitiveness of one country compared to another country. The result

from his analysis showed that Pakistan has the highest comparative advantage with respect to the world only in leather articles and toys, and sports goods. He says that due to the tremendous domestic and international demand, these industries are in the stage of development and have growth potential. The development of the selected manufacturing industries is essential for Pakistan to improve domestic production specialization.

Kousar et al. (2019) describes that during 2011-2012, Pakistan's balance of payments turned unfavorable (-\$4,658 million), which reduced to -\$2496 million in 2012-2013, from \$2,931 million in 2013-2014 and -\$1,364 million in 2014-15. Some of the factors that contributed to this adverse balance of payments were heavy import of machinery, rise in oil prices, import of industrial raw materials, and higher payments for freight insurance. Javed et al. (2016), Javed et al. (2018) and Ali et al. (2021) conducted research studies on trade of Pakistan with United Arab Emirates. Khan and Mahmood (2017) found that Pakistan after the signing of regional free trade agreements and bilateral free trade agreements, a conspicuous change can be seen in the direction of Pakistan's exports and imports. Although Pakistan trades with numerous countries, its exports are targeted to China, UAE, Afghanistan, and the UK are the top five, and Bangladesh is the eighth trading partner. Almost 43% of Pakistan's imports came from developed countries like A, the UK, Germany, Hong Kong, and the United Arab Emirates a few years back, which is 36.3 percent currently. The share of Pakistan's exports to the USA, UAE, and UK is slowly falling. After signing free trade agreements with China and South Asian Free Trade Agreements (SAFTA), three countries, China, Afghanistan, and Bangladesh made it to the top of Pakistan's exports list.

## **METHODOLOGY**

### **Structure and Pattern of trade**

The structure of trade implies the composition of exports and imports that a country makes. That is the type of commodities that a country exports and imports. Pakistan primarily exports rice, basmati, sugar, fish and fish preparation, fruits and vegetables, meat, cotton, cement, sports goods, and leather manufacturers. The main imports are milk & milk food, wheat un-milled, dry fruits, tea, spices, edible oil (soybeans & palm), sugar, pulses, power generating machines, office machines, textile machinery, aircraft, ships and boats, agriculture machinery, petroleum products road motor vehicles, electric machines and appliances, raw cotton, synthetic fiber silk yarn, fertilizer manufactured, insecticides, plastic materials, iron & steel scrap, and telecom. The pattern of trade covers who sells what to which country. The study of the pattern of trade considers the exports made to different countries and the imports made from these countries.

### **Data**

The data from 2012 to 2016 has been taken from the website of UN Comtrade. Twenty countries that traded with Pakistan were selected. The countries that trade more often with Pakistan are selected. The selected countries are classified on the basis of their per capita income. The World Bank classifies low-income countries with a per capita GNP of less than \$1005, middle-income countries with a per capita GNP range of \$1006 to \$12,235, and high-income countries with a per capita income of more than \$12236. The low-income country included in our list is Afghanistan. Middle-income countries include Bangladesh, Sri Lanka, Iran, Malaysia, Turkey, Indonesia, India, and China, whereas high-income countries include Germany, Singapore, France, Italy, Spain, U.A.E, Japan, Kuwait, UK, and Saudi Arabia.

### **Analysis**

The analysis presented in this study is primarily descriptive. The study is carried out to provide an understanding of the current state of the structure and pattern of trading the more recent data. Averages

and percentages are calculated for a better exposition of the data. The figures in the research are in US dollars.

## **RESULTS AND DISCUSSION**

### **Pattern of Trade**

The analysis of exports include carpets, cereals, chemical products, coffee, tea, mate and spices, copper, cotton, fabrics, fertilizers, fish, fruits, inorganic chemicals, iron and steel, meat, precious, semi-precious stones, vegetables, vegetable textile fibers, sports, sugars, stone, plaster, cement, asbestos, mica or similar materials, soap, organic surface-active agents; washing, lubricating, polishing or scouring preparations; artificial or prepared waxes, and candles, modeling pastes, dental waxes, pharmaceutical products, rubber, etc. Table 1 shows the details of Pakistan’s exports to low-income, middle-income, and high-income countries of the world. Among the low-income countries, Pakistan exports the selected goods to only Afghanistan. Among the middle income-countries, Pakistan exports the selected goods to Bangladesh, Sri Lanka, Iran, Malaysia, Turkey, Indonesia, India, and China. In contrast, exports are made to Germany, Singapore, France, Italy, Spain, UAE, Japan, Kuwait, UK, and Saudi Arabia, among the high-income countries.

Table 1. Pakistan’s exports to low-, middle- and high-income countries during 2012-2016.

Countries Classification on basis of Income	Year	Total Exports (Million US Dollars)	Total Exports (Percentage)
Low Income Countries (Afghanistan)	2012	825.3	7.4
	2013	866.8	8.2
	2014	916.1	9.0
	2015	858.4	9.6
	2016	711.6	8.8
	Total	4178.2	
Middle Income Countries (Iran, Malaysia, Turkey, Indonesia, India, Sri Lanka, Bangladesh, China)	2012	4027.6	36.0
	2013	3927.9	37.0
	2014	3448.2	33.8
	2015	3018.6	33.7
	2016	2669.1	32.8
	Total	17091.4	
High Income Countries (Germany, A, Singapore, France, Italy, Spain, UAE, Japan, Kuwait, UK, Saudi Arabia)	2012	6331.8	56.6
	2013	5831.8	54.9
	2014	5831.0	57.2
	2015	5073.6	56.7
	2016	4745.9	58.4
	Total	27814.1	
All	2012	11184.7	----
	2013	10626.4	----
	2014	10195.4	----
	2015	8950.5	----
	2016	8126.6	----
	Total	49083.7	----

Table 1 shows total exports of the selected commodities to low-income countries increased from \$ 825.3 million in 2012 to \$ 711.6 million in 2016. In proportionate terms, it increased from 7.4% of the total exports of \$ 11184.7 million to 8.4% in 2016. However, the absolute value of Pakistan's exports decreased from \$ 825.3 million to \$ 711.6 million. Overall, the value of export to low-income countries remained stagnant from 2012 to 2016. Exports to middle-income countries decreased from \$ 4027.6 million in 2012 to \$ 2669.1 million in 2016, showing a decrease of 34 percent. Also, exports to high-income countries

decreased from \$ 6331.8 million in 2012 to \$ 5831.8 million in 2013. From 2013 to 2015, it remained stagnant. In 2016, it further decreased to \$ 4745.9 million.

Those commodities that Pakistan imports are aircraft, spacecraft and parts, animal or vegetable fats and oils and their cleavage products; prepared animal fats; animal or vegetable waxes, chemical products, coffee, tea, mate and spices, dairy produce; birds' eggs; natural honey; fertilizers, fruit and nuts, mineral fuels, mineral oils, and other products substances; mineral waxes, nuclear reactors, boilers, machinery, and mechanical appliances; parts there of ships, boats and floating structures, sugars and sugar confectionery.

Table 1. Pakistan's imports from low, middle and high-income countries during 2012-2016.

Countries Classification on the basis of Income	Year	Total Imports (in Million US Dollars)	Total Imports (in Percentage)
Low-Income Countries (Afghanistan)	2012	494.6	2.2
	2013	439.4	2.1
	2014	488.0	2.2
	2015	345.6	1.9
	2016	602.2	3.2
	Total	2369.8	-
Middle-Income Countries (Iran, Malaysia, Turkey, Indonesia, India, Sri Lanka, Bangladesh, China)	2012	11538.4	51.7
	2013	5621.1	26.3
	2014	6816.3	30.3
	2015	4086.9	22.4
	2016	3740.7	20.1
	Total	31803.4	
High-Income Countries (Germany, A, Singapore, France, Italy, Spain, UAE, Japan, Kuwait, UK, Saudi Arabia)	2012	10297.8	46.1
	2013	15324.6	71.7
	2014	15215.7	67.6
	2015	13805.4	75.7
	2016	14282.9	76.7
	Total	68926.3	-
All	2012	22330.7	----
	2013	21385.1	----
	2014	22520.0	----
	2015	18237.8	----
	2016	18625.7	----
	Total	103099.4	----

Table 2 shows that total imports of the selected commodities from low-income countries decreased from \$ 494.6 million in 2012 to \$ 345.6 million in 2015 but increased in 2016 to \$ 602.2 million. Similarly, imports from middle-income countries decreased from \$ 11538.4 million in 2012 to \$5621.1 million in 2013, showing about 51 percent decrease. It further decreased to \$ 3740.7 million in 2016. Also, Pakistan's imports from high-income countries increased to \$ 15324.6 million in 2013 from \$ 10297.8 million in 2012, showing an increase of 48 percent, and remained decreased to \$ 14282.9 million in 2016.

### Structure of Exports

Like other developing economies, Pakistan's export structure has also been witnessing a structural shift from exports of agricultural and primary commodities to exports of value-added and manufacturing products. The value-added products are not very high in value addition, though, and hence provide intermediate inputs to be converted to high value-added products in the export destinations. In this way, it has been feeding the raw materials to the industries in the export destination. While exports of manufacturing products have been the key to changing the structure of exports, it also became an

impediment as the country has not been able to exploit the international markets. The share of manufacturing exports increased from about 50 percent of the exports during the eighties to 85 percent during 2000. Naturally, the share of agricultural raw materials declines as these is now converted to manufactured products.

Table 2. Structure of Pakistani exports to low income countries during 2012-2016.

Products	\$ M	Percent	Products	\$ M	Percent
Textile and Textile Products	15.5	1.9	Agricultural Products	557.3	66.7
Carpets and floor coverings	1.0	0.1	Cereals	135.7	16.4
Cotton	1.1	0.1	Coffee, tea, mate and spices	6.6	0.8
Fabrics; knitted or crocheted	0.0	0.0	Fish and crustaceans, molluscs	0.7	0.1
Textile fabrics	0.2	0.0	Fruit and nuts, edible	104.0	12.5
Textiles, made up articles	13.1	1.6	Meat and edible meat offal	7.8	0.9
Vegetable textile fibres	0.2	0.0	Sugars and sugar confectionery	188.9	22.4
Minerals	59.6	7.1	Vegetables and certain roots and tubers	113.5	13.6
Copper and articles thereof	0.3	0.0	Chemical products	202.9	24.3
Mineral fuels, mineral oils, etc.	51.0	6.1	Chemical products n.e.c.	0.5	0.1
Natural, cultured pearls	0.0	0.0	Inorganic chemicals	2.5	0.3
Rubber and articles thereof	4.7	0.6	Iron and steel	9.4	1.2
Stone, plaster, cement, asbestos, mica, etc.	3.6	0.4	Iron or steel articles	104.8	12.4
Other	0.6	0.1	Organic chemicals	2.6	0.3
Tobacco and manufactured tobacco substitutes	0.2	0.0	Fertilizers	0.1	0.0
Toys, games and sports requisites	0.2	0.0	Pharmaceutical products	59.8	7.3
Optical, photographic, cinematographic, medical or surgical instruments	0.2	0.0	Soap, organic surface-active agents	23.2	2.7
Average Exports to Low-Income Countries	835.6	-	-	-	-

The tables show average annual exports to low, middle and high-income countries for the years 2012 to 2016. Exports are categorized into textile and textile products, agricultural products, minerals, chemicals, pharmaceuticals, and others. Textile and textile products include carpets and floor coverings, cotton, fabrics textile fabrics textiles, made-up articles, and vegetable textile fibers.

Collectively these tables show that exports of textile and textile products to low-income countries were \$15.5 million, to middle-income countries, \$2571.7 million, and high-income countries \$3488.8 million. Hence, Pakistan has been targeting high-income countries for exports of textile and textile products, although the GDP of middle-income countries is growing faster than high-income countries and can potentially provide more demand opportunities. Similarly, average exports of agriculture products to low, middle, and high-income countries were \$557.3, \$625.5, and \$918.8 million, respectively. The exports to high-income countries are almost twice the exports to low-income countries, although low-income countries are more food deficient and hence provide a bigger market for food products. As far as the exports of minerals are concerned, the value of average exports to high-income countries is \$743.3 million, which is many-fold higher than exports made to low and middle-income economies. The exports of Agriculture Products are \$557.3 million to low, \$625.5 million to middle, and \$918.8 million to high-income countries.

Although, the case of chemicals exports is very different as, on average, exports to low-income countries were \$202.9 million as compared to \$69.5 million to high-income countries. Hence, Pakistan has been exploiting the demand of low-income countries.

Table 3. Structure of Pakistani exports to middle income countries during 2012-2016.

Products	\$ M	Percent	Products	\$ M	Percent
Textile and Textile Products	2571.7	75.1	Agricultural Products	625.5	18.5
Carpets and floor coverings	9.4	0.3	Cereals	375.4	11.0
Cotton	2480.1	72.3	Coffee, tea, mate and spices	5.1	0.2
Fabrics; knitted or rocheted	11.7	0.3	Fish and crustaceans, molluscs	73.4	2.2
Textile fabrics	1.7	0.0	Fruit and nuts, edible	107.0	3.3
Textiles, made-up articles	68.4	2.1	Meat and edible meat offal	9.1	0.2
Vegetable textile fibres	0.4	0.0	Sugars and sugar confectionery	24.4	0.6
Minerals	88.2	2.5	Vegetables and certain roots and tubers	31.2	0.9
Copper and articles thereof	58.6	1.6	Chemical products	89.5	2.6
Mineral fuels, mineral oils, etc.	17.7	0.5	Chemical products n.e.c.	5.7	0.2
Natural, cultured pearls	1.8	0.1	Inorganic chemicals	16.5	0.5
Rubber and articles thereof	3.2	0.1	Iron and steel	13.4	0.4
Stone, plaster, cement, asbestos, mica, etc	6.9	0.2	Iron or steel articles	17.5	0.5
Other	43.4	1.3	Organic chemicals	13.0	0.3
Tobacco and manufactured tobacco substitutes	1.7	0.1	Fertilizers	0.0	0.0
Toys, games and sports requisites	11.8	0.4	Pharmaceutical products	21.5	0.7
Optical, photographic, cinematographic, medical or surgical instruments	29.8	0.9	Soap, organic surface-active agents	1.8	0.1
Average Exports to Middle-Income Countries	3418.3		-	-	-

Table 4. Structure of Pakistani exports to high income countries during 2012-2016.

Products	\$ M	Percent	Products	\$ M	Percent
Textile and Textile Products	3488.8	63.5	Agricultural Products	918.8	16.7
Carpets and floor coverings	82.7	1.5	Cereals	420.3	7.5
Cotton	716.3	12.9	Coffee, tea, mate and spices	51.3	1.0
Fabrics; knitted or crocheted	13.6	0.3	Fish and crustaceans, molluscs	75.3	1.4
Textile fabrics	4.6	0.1	Fruit and nuts, edible	112.1	2.0
Textile, made-up articles	2671.2	48.7	Meat and edible meat offal	148.8	2.7
Vegetable textile fiber	0.4	0.0	Sugars and sugar confectionery	73.4	1.3
Minerals	743.3	12.4	Vegetables and certain roots and tubers	37.6	0.7
Copper and articles thereof	32.5	0.6	Chemical products	69.5	1.3
Mineral fuels, mineral oils etc	253.6	4.4	Chemical products	3.8	0.1
Natural, cultured pearls	441.1	7.1	Inorganic chemicals	3.1	0.1
Rubber and articles thereof	4.4	0.1	Iron and steel	8.8	0.2
Stone, plaster, cement, asbestos, mica, etc.	11.7	0.2	Iron or steel articles	32.2	0.6
Other	342.3	6.2	Organic chemicals	6.4	0.1
Tobacco and manufactured tobacco substitutes	7.0	0.1	Fertilizers	0.0	0.0
Toys, games and sports requisites	111.6	2.0	Pharmaceutical products	13.2	0.3
Optical, photographic, cinematographic, medical or surgical instruments	223.7	4.1	Soap, organic surface-active agents	2.1	0.0
Average Exports to High-Income Countries	5562.8		-	-	-

### Structure of Imports

China Pakistan Economic Corridor (CPEC) has been launched in the country. The launch of this mega-investment project has also changed the landscape of Pakistani imports. The infrastructure and developmental products included in CPEC require heavy machinery that needs to be imported, and hence the country's import bill has increased in the recent past. Naturally, fuel imports will also increase. Imports have always been considered a drain on foreign exchange reserves, but from the economic theory perspective, it is not true. Imports are made because these are relatively cheaper in international markets rather than domestically produced. Hence, overall, imports increase the welfare of the importing country by buying relatively cheaper products from international markets. The country imported \$ 48.1 billion worth of imports in 2016, making it the 49th largest importer globally. Pakistani imports have been growing at the rate of 1.3 percent during the last five years. Refined petroleum accounts for 11.1 percent of the total imports of Pakistan, followed by crude petroleum (3.75%). The tables show Pakistan's annual average imports from low, middle, and high-income countries for the period 2012 to 2016.

Table 5. Pakistan's imports from low income countries during 2012-2016.

Products	\$ M	Percent	Products	\$ M	Percent
Food	10.4	2.3	Agricultural Products	3.5	0.8
Coffee, tea, mate and spices	0.0	0.0	Sugars and sugar confectionery	3.5	0.8
Dairy produce; birds' eggs; natural honey	6.9	1.4	-	-	-
Fruit and nuts, edible; peel of citrus fruit or melons	2.3	0.6	-	-	-
Animal or vegetable fats and oils	1.1	0.2	-	-	-
Heavy Machinery	356.1	76.9	Chemical products	107.5	20.8
Aircraft, spacecraft and parts	2.3	0.5	Chemical products n.e.c.	43.5	10.0
Mineral fuels, mineral oils and products	0.9	0.2	Iron and steel	0.0	0.0
Nuclear reactors, boilers, machinery and mechanical appliances	330.0	71.1	Fertilizers	64.0	10.8
Ships, boats and floating structures	22.9	5.2	-	-	-
Average Imports from Low-Income Countries	474.0		-	-	-

Table 6. Pakistan's imports from middle-income countries during 2012-2016.

Products	\$ M	Percent	Products	\$ M	Percent
Food	1178.7	24.8	Agricultural Products	10.0	0.2
Coffee, tea, mate and spices	47.1	0.9	Sugars and sugar confectionery	10.0	0.2
Dairy produce; birds' eggs; natural honey	32.9	0.7	-	-	-
Fruit and nuts, edible; peel of citrus fruit or melons	105.5	2.2	-	-	-
Animal or vegetable fats and oils	993.2	21.0	-		
Heavy Machinery	4564.6	64.0	Chemical products	607.4	11.0
Aircraft, spacecraft and parts	73.8	1.5	Chemical products n.e.c.	150.2	2.4
Mineral fuels, mineral oils and products	3767.4	49.4	Iron and steel	329.6	5.6
Nuclear reactors, boilers, machinery and mechanical appliances	515.3	9.1	Fertilizers	127.6	3.0
Ships, boats and floating structures	208.1	4.0	-	-	-
Average Imports from Middle-Income Countries	1131.1	-	-	-	-



Imports are categorized into food, agricultural products, heavy machinery, and chemical products. Collectively these tables show that Pakistan has been importing from middle and high-income countries. Heavy machinery is required for the implementation of CPEC, and that is why its imports increased. The other reason could be less economic activity in the country, making higher reliance on imported products. It could also be due to stagnant or higher demand for capital, intermediate, and consumer goods required by the industries of the country. Pakistan, on average, imports heavy machinery for more than a billion dollars from high-income countries. The country collectively imports machinery for about \$5 billion from low and middle-income countries. Pakistan also imports about two billion US dollars' worth of chemicals from high-income countries.

Table 7. Pakistan's imports from high-income countries during 2012-2016.

Products	\$ M	Percent	Products	\$ M	Percent
Food	1175.3	9.4	Agricultural Products	16.9	0.1
Coffee, tea, mate and spices	68.0	0.5	Sugars and sugar confectionery	16.9	0.1
Dairy produce; birds' eggs; natural honey	67.3	0.5	-	-	-
Fruit and nuts, edible; peel of citr fruit or melons	102.6	0.7	-	-	-
Animal or vegetable fats and oils	937.4	7.6			
Heavy Machinery	10630.5	76.2	Chemical products	1962.6	14.3
Aircraft, spacecraft and parts	55.7	0.4	Chemical products n.e.c.	338.4	2.4
Mineral fuels, mineral oils and products	7983.5	57.1	Iron and steel	1240.9	9.0
Nuclear reactors, boilers, machinery and mechanical appliances	2433.7	17.6	Fertilizers	383.4	2.8
Ships, boats and floating structures	157.6	1.1	-	-	-
Average Imports from High-Income Countries	13785.3	-	-	-	-

## CONCLUSIONS

Many theories explain the structure and pattern of trade between economies. The most recent to this addition is the new trade theory. The theory postulates trade pattern is determined by economies of scale and network effects. The combination of the two could provide a substantial comparative advantage to countries. Economies of scale lead to monopolistic competition implying that firms compete on the basis of brand and quality. The gravity equation has also been explained using this theory. The equation also implies that countries with shared borders engage in substantial trade with each other because it is relatively economical to use land transportation. However, Pakistan shares a common border with two Afghanistan, Iran, India, and China but has minimal trade with them. China and India are the two large emerging economies and part of BRIC (Brazil, Russia, India, and China), and countries all over the world are taking advantage of their growth except Pakistan. The land route also accounts for only a small share of the total trade between China and Pakistan. The export to high-income countries is about double of the exports to low-income countries. Some products like minerals are primarily exported to low-income countries. The launching of CPEC has also created a demand for machinery, increasing the country's import bill. These machineries are primarily imported from high-income developed countries. The punch line is that Pakistan has to take advantage of its borders and export products with a competitive advantage to its neighboring countries. It will create and promote livelihood and development opportunities in the country.

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