EXPORTING FOR GROWTH
LEADING SECTORS FOR
PAKISTAN

SCCI
THE REGIONAL BUSINESS ORGANIZATION OF SOUTH ASIA

SOUTH ASIAN ASSOCIATION FOR REGIONAL CO-OPERATION

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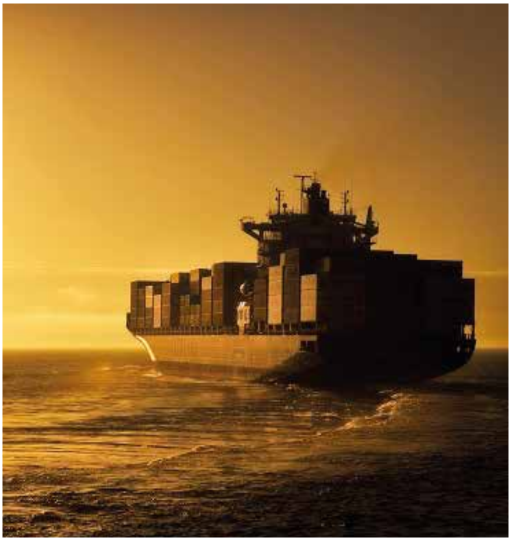
Foreword

Export performance for a developing country like Pakistan plays fundamental role for economic development and as catalyst for economic growth. Export led growth leads to higher productivity, enhances productivity and attract foreign direct investment. Struggle for competitiveness enhance the firm's productivity in terms of product quality, cost price ratios and reduces production inefficiencies. A competitive export sector thus adds to growth and sustained economic development.

However, Pakistan's export sector shows a little success despite having vast potential and competitiveness and the export performance of Pakistan has not been steady over the last three decades. Politico-economic and financial shock are attributed as the reason for underperformance of the export sector of Pakistan, however there are so many structural problems with the export sector that hampers both growth and competitiveness of the exports of Pakistan. The internal factors that hamper exports sectors performance include intrusive regulatory regimes, poor governance, lack of product diversification and innovation, and a pushy tax regime.

This study examines some export sectors of Pakistan for the last three decades in depth, with their potential, competitiveness, structural issues and opportunities that lies for both private and public sector to explore with recommendations for the primary stakeholder for improvement and enhancing the export base of Pakistan.



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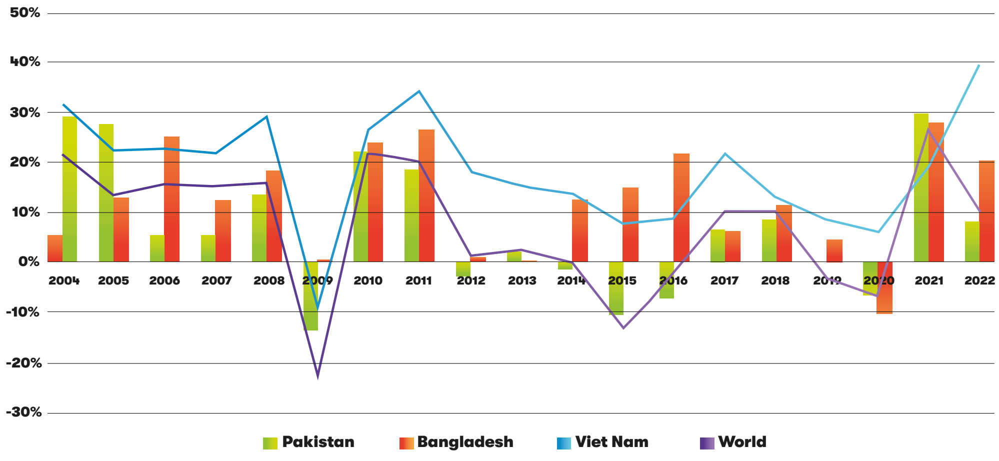
Introduction

Pakistan's export performance has remained meager in the past two decade with very sluggish growth rate. As per the ITC Trademap, in 2003 the total exports of Pakistan were 11.93 billion USD, whereas Bangladesh exports amounted USD 6.40 billion USD, India 59.36 billion USD and Viet Nam had export worth of USD 20.14.

With an annual average growth rate of 5.8% Pakistan's exports worth USD 31.17 billion as compared to USD 65.97 billion exports of Bangladesh that witnessed an average annual growth rate of more than 12.37% in the given time period. Viet Nam's exports with an annual growth rate of more than 17% to USD 469.54 billion from 2003-2023. The average growth rate of Pakistani exports has not been able to compete with its competitors that have depicted substantial growth rate in their export during the last two decades.

Fig: 1.1 Annual Exports Growth Rates of Paksitan, Bangladesh and Vietnam



The sluggish export growth rates in the past two decades hindered Pakistan's total share in the world exports in the same period. Pakistan's exports shares in the world exports showed an average growth rate of mere 0.25% whereas export shares of Bangladesh, Indian and Viet Nam in global exports grew by on average 0.40%, 3.2% and 2% annually over the last two decades.

Pakistan has rather very narrow export base with large share of resource based raw agricultural items over many decades which have surpassed beneficial age without any value addition. Due to favorable international prices or surplus production low and unsustainable gains acquired through the exports. However, the regional competitors are transforming their export base from primary and raw commodities to value added items especially that has achieved remarkable growth in its share of exports in the global exports.

Per capita exports of Pakistan in 1998 were USD 70, Bangladesh USD 47 and India had mere 45 USD per capita export. However, in 2022, per capita export of India is USD 536.23, Bangladesh USD 246.31 and Pakistan has per capita exports of USD 167.13. Pakistani exports have remained stagnant for too long and haven't witnessed any apparent growth in the last two decades.

Fig: 1.2 Shares of Pakistan, Bangladesh, India & Viet Nam's Exports in the Globla Exports.

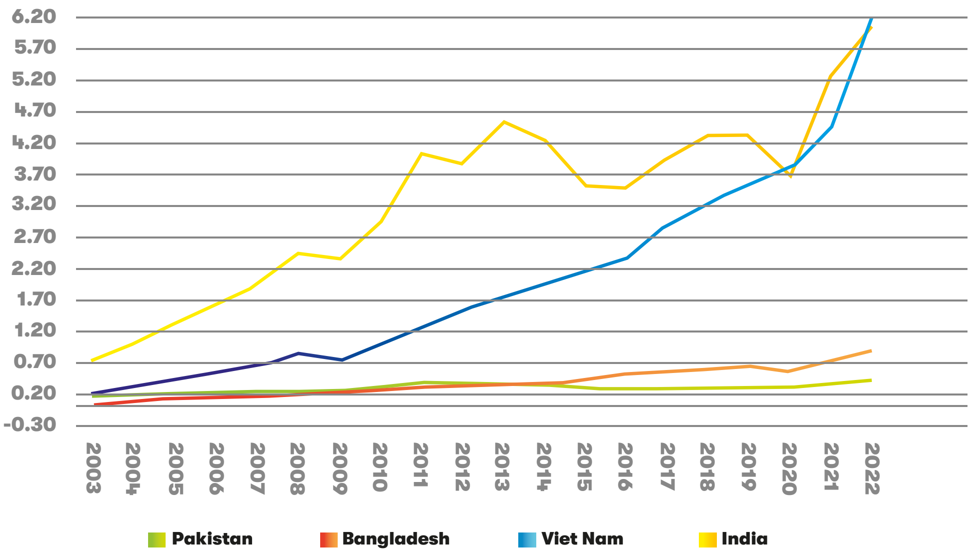


Fig: 1.2 illustrates the shares of export from Pakistan, Bangladesh, India and Viet Nam in the global exports for the last two decades.

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Fig: 1.3 Per Capita Exports of Pakistan, Bangladesh and India

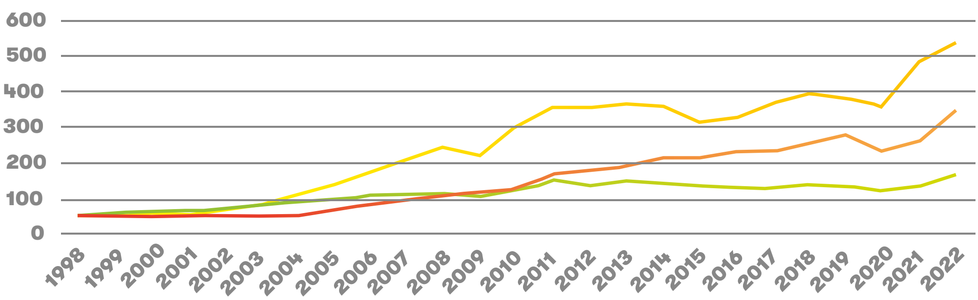


Fig. 1.3 illustrates the per capita exports of Pakistan, Bangladesh and India.

Private sector in Pakistan has been facing several multilayered challenges, including complexity of the business regime, access to adequate finances, lack of competitiveness, least focused product diversification and availability of reliable and affordable energy. These issues have however resulted in unfortunate consequences for both exports and domestic consumptions. Major part of the industrial production is consumed domestically hence the share of exports in the GDP is shrinking alarmingly.

Fig: 1.4 Exports of goods and services a % of GDP for Bangladesh, India and Pakistan

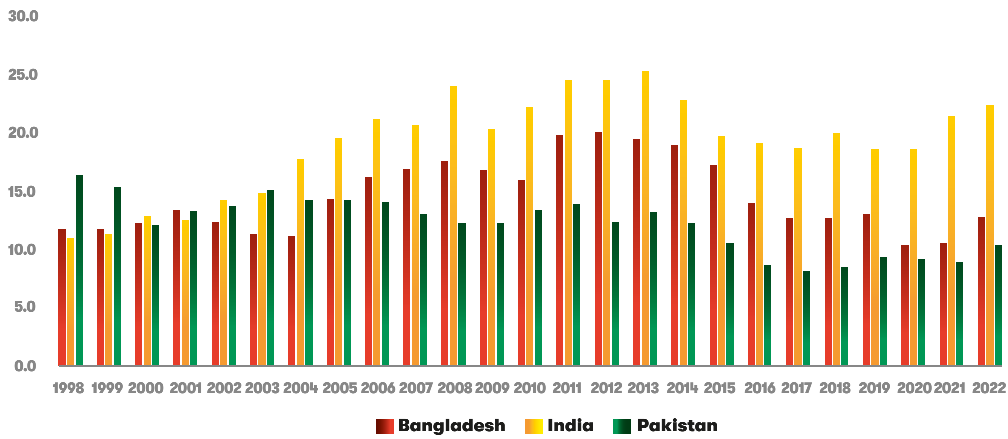


Figure 1.4 illustrates the exports to GDP ratios for Bangladesh, India and Pakistan.

In 1998, share of exports in the total GDP of Pakistan was 16.5% that kept on dwindling by on average -1.5% and the total share of export to the GDP in Pakistan is 10.5% in 2022. Whereas the total share of exports in GDP of Bangladesh was 11.8% in 1998, that grew to 20.2% and is again gaining momentum to 12.9% in 2022, after some shocks due to COVID-19 in 2019, and 2020. The total share of exports to GDP has doubled in the last two decades, in 1998, the total share of exports in GDP of India was 11% that has grown to 22% of total GDP of India in 2022. Figure 1.4 illustrates the exports to GDP ratios for Bangladesh, India and Pakistan.

With a very narrow base of export product; Pakistan's exports are dominated by low-tech and raw products that accounts for more than 85% total export earnings, one of the major reasons of the low export earnings and export growth of Pakistan is low level of value addition and exporting less competitive products.

This study aims at examining Pakistan's export base at product level and study the dynamics of Pakistan major exports, their potential to grow and relevance of the value chains and exploration of new market while suggesting possible intervention to help the value chain actors to capitalize on the economic opportunities of the exports products under discussion.

EXPORT BASE OF PAKISTAN

52% of the export of Pakistan are concentrated in a single value chain textile, apparel and cotton. In 2003 cotton, textile and apparel products were more than 60% of the total exports of Pakistan valuing more than USD 7.2 billion out of USD 11.93 billion of total exports.

Cotton had a share of more than 21%, textiles 20% and apparels 18.8%. In 2022, total exports cotton, apparel and textile products values more than 18.12 billion. 18% of the total exports of Pakistan in 2022 comprises of textile products, more than 19% are apparel product and the share of cotton export has shrunk to 10% only.

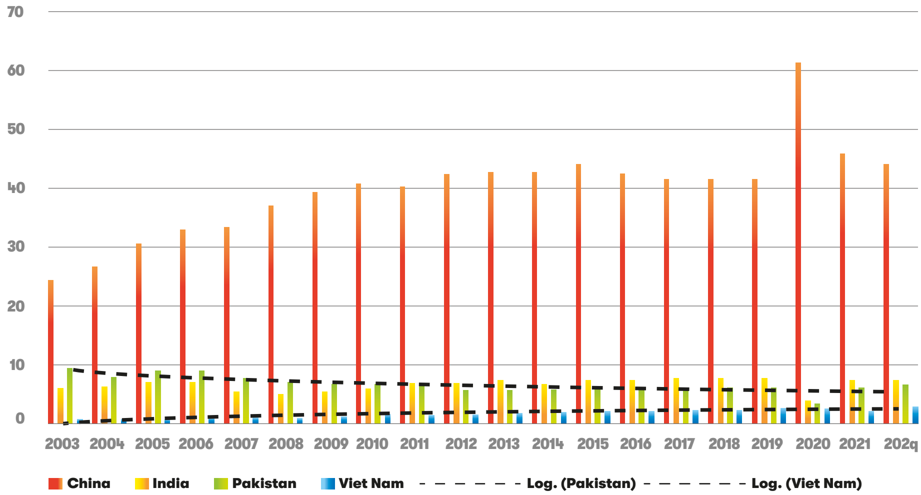
Cereals accounted for 8% of the total exports of Pakistan in 2022, followed by articles of cooper and articles of leathers with a share of 2.7% and 2.3% respectively in the total exports of Pakistan. Cereals exports of Pakistan valued USD 666.9 million with a total share of 5.5% in 2003 and exhibited a healthy growth till 2006 and almost doubled to USD 1.2 billion in 2007 with and increased share of 12.5% in total exports of Pakistan however growth rate and shares in the total exports of Pakistan have remained stagnated for cereals, articles of cooper and leather. This sections briefly discusses stagnation of most exported and exportable items of Pakistan.

Textile Sector

The most important production sector of Pakistan in terms of industrial production, GDP and international trade. Textile sector produces are the most exported items of Pakistan. Textile sector in Pakistan is the largest production of Pakistan, it is considered be the 46% of the total manufacturing sector of Pakistan and generates more than 40% of the employment of the total labour force. However, for the last two decades the Textile Sector exports of Pakistan are exhibiting deteriorated performance, the decline in textile exports reveal the unsatisfactory competitive performance.

Textile exports of Pakistan in 2003 were USD 2.3 billion, that have grown to USD 5.6 billion in 2023, however the share of Pakistan is shrinking in the global exports of textile sector. In 2003 around 10% of the total global exports were made by Pakistan which has shrink to 6.6% in 2023 with a persistent falling trend. Textile exports of Viet Nam were USD 0.13 billion in 2002 and with a persistent growth rate, Viet Nam's total textile exports have grown into USD 3.1 billion in 2021 and USD 2.1 billion in 2022. Viet Nam has successfully enhanced it share in the global textile exports, in 2003 the global share of Viet Nam's textile exports was mere 0.6% that has increased to 3.1% in 2022.

Fig: 5 % Age Share of Global Textile Exports of Leading Exporters



33% of the machinery remain idle

China has also achieved remarkable market share when it comes to global textile exports. In 2003 China had a share of 24% of the total global textile exports that has grown to 45% in 2022. India has also been successful to retain and enhance its share in the global textile exports. In 2002 Indian exported 6% of the global textile exports and that grown to 7% in 2022. Figure 5 portrays decline of Pakistan's global share of textile exports.

As compared to the regional competitor, textile sector of Pakistan is unfortunately couldn't sustain its growth due to incompetencies deep rooted in inefficiencies. Industrial growth in 1970s, 1990s and 2000 did not meaningfully translated into vertical and horizontal industrial intensification of the textile sector of Pakistan. A few supply chain actors have been keeping themselves updated and this sector has failed to sustain its competitiveness; due to failure to develop a market-oriented research and development as compared to the regional competitors.

The internal setbacks in the textile sector of Pakistan includes outdated technology, lack of automation and lack of rational standardization of the wool and threads. 33% of the machinery remain idle. The research and development for innovation and diversification of the production is either not existent, outdated or not at par with the standard and requirement of the international market. Textile governing institution remains ineffective. Pakistani textile sector's market concentration remains majorly two large buyers i.e., the European Union and the United States of America.

Shortages of raw cotton, scarcity and soaring prices of the fuels and electricity, depreciating exchange rate, inefficiency and non-availability of innovation centers and research institute, fluctuating raw material prices has further worsen the export performance of textile sector of Pakistan.

Wages and production costs in China are increasing, hence there is ample scope for the Pakistani textile industry to regain its competitiveness and its share in the international market. As per an estimate by the international Growth Center around USD 1 million spent on financings on twisting and knitting raises export by USD 0.27 million, and in Pakistan approximately 50,000 kegs filament of cotton generates employment opportunities for 400 people.

Pakistan's textile sector possesses immense export potential however it has failed to export even half of the total potential. Export potential of Bedlinen of Cotton (HS Code 630231) is USD 1.7 billion for Pakistan while Pakistan's total exports of the same produce are mere USD 982 million mere 53% of the total export's potential.

The textile sector of Pakistan has been suffering primarily due to lack of serious efforts to enhance quality standards and diversifying the export produces. Serious and targeted interventions are need to curb the high manufacturing costs due to high raw material prices and hefty levies on import of cotton fibers. The subsidies scheme administered are often ill planned and lacks a proper framework based on achievable milestones aimed at enhancing production, marketing and export efficiencies.

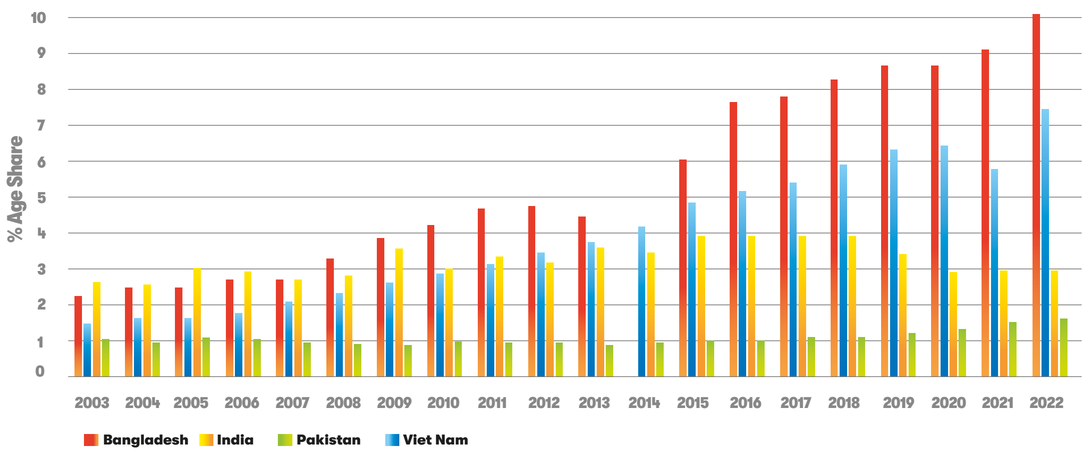
Due to non-existence of a vibrant and robust supply value chain, adequate research and development center, and conducive environment, Pakistan has been unable to value add its cotton and untap the true export potential. Leveraging the China Pakistan Economic Corridor and entering into joint ventures and partnerships with Chinese counterparts may bring noticeable improvements. Human capacity development, enterprise capacity development should be prioritized to introduce new technologies, trend and evolution of new practices of processing, producing and

Apparel Sectors

Apparel or readymade garments (RMG) sector is the second most exported sector of Pakistan and its contribution in the industrial production and exports. Total apparel exports of Pakistan valued USD 9.7 billion in 2022, 54% of which knitted or crocheted and 43% comprises of non-knitted or crocheted apparel. Pakistan was ranked as the 13th largest exporter of apparel sector globally.

In 2003 RMG exports of Pakistan were USD 2.35 billion more than 19% of the total exports of Pakistan, which has grown to USD 9.06 billion in 2022 and accounts for 29% of the total exports of Pakistan. However, the global share of Pakistani RMG exports have remained stagnant for the last two decades as compared to the regional competitors.

Fig: 6 Share of Pakistan, India, Bangladesh and Viet Nam in Global RMG Exports



In 2003 Pakistan's share of global apparel sector exports was 1.5%, that shrunk to 0.91% in 2013 and stands at 1.62% in 2022. It has failed to compete with the regional competitors like Bangladesh and Viet Nam. Bangladesh's share in global RMG exports has grown tremendously and constantly. In 2003 Bangladesh's share in global RMG exports were mere 2.26% that has growth to 10.09% in 2022, whereas Vietnam's global share of global RMG exports was 1.52% that has grown to 7.8% in 2022.

Despite that Pakistan has rather long history of RMG manufacturing and exports, as compared to Viet Nam and Bangladesh, the growth of it share in the global exports of apparel is far less than the latter two. RMG exports have remained 15-20% of the total exports of Pakistan whereas textile, yarn and raw cotton has been the major part of its exports it reflects that Pakistan has failed to process the raw material and export more value-added products.

Pakistan has a rather low variety of products when it comes to RMG exports as compared to its regional competitors. The world quota regime enticed RMG sector of Pakistan to enhance RMG exports over the years, however Pakistan couldn't optimize its product value addition and product differentiation. RMG products and exports of Pakistan were based on price competitiveness as compared to their quality, innovation and design; and lagged behind its competitors after elimination of the quota regime in 2005. RMG sector of Pakistan could not move into more value-added sectors of the high fashion, technical textiles and man-made fibers. Only 25% of Pakistan's spinning machines have ability to produce blended yarn using man-made fiber. The RMG industry lacks different cuts, material, dyes, and washes required for technical textiles and high fashion garments.

Pakistan has also not been able optimize production of elastic yarn that is used for fashion garments, women and children's garments, underwear's and sportswear and hence there is a very low share in the world exports. Women apparel is largest global export in RMG sector, while RMG export of Pakistan is far below that the potential and our exports of apparel sector are highly dominated by men product. More than 50% of knitted apparel export of Pakistan are men's wear where are 50% is comprised of women wear, underwear, sportswear and general RMGs. Pakistan apparel exports is concentrated in United States of America and European union and has not tapped into other markets like Japan, far East, and Middle East. Pakistan may consider the unexplored markets with higher unite price and higher product prices.

Inefficient and inconsistent policies have hampered the growth of Pakistan's apparel sector capabilities. The official cotton grading, measures of fineness, fiber length and strength are not applied uniformly or independently; hence the market is irrelevant to a biased cotton grading method. Cotton grading is vital for identification, marketing and selling the lint as per its grade and quality. With a high rise in fuel prices and inflation in Pakistan, production cost mainly labour and energy costs are on considerable rise.

Pakistan's RMG exports comprises of products with both low demand and low-price pert unit as compared to its competitor. The quota regime could not establish any significant improvement in these products and the share of the RMG has rather remained stagnant for decades due to lack of product and market diversification, shortage of skilled labour and research and development, higher production costs and unfavorable policies.

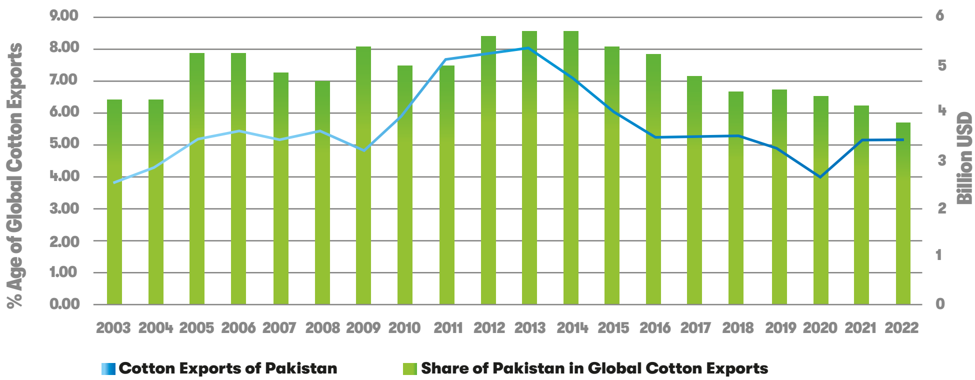
The RMG sector of Pakistan has an unrealized export potential of USD 1.8 billion; however, the apparel sector needs serious efforts to fine tune its competitiveness. Both access and availability to low-cost inputs like easing out import of man-made fibers, reducing taxes on imports of inputs and machinery and practically implementing tax exemptions on R&D and innovations. The apparel sector can leverage Pakistan's comparative advantage on terms of high-quality cotton, skilled manpower and low labour cost; and diversify both destination markets and products.

Cotton

Pakistan ranks 5th largest producer and cotton is cultivated on nearly 3 million hectors, 26% of farmers grow cotton on over 15-20% of the total cultivated area to this crop. Cotton serves as cash crop and raw material for the most export-oriented industries of Pakistan. Combined cotton and textile products make up more than 58% in 2022 with a total value of more than USD 18 billion. Cotton exports of Pakistan comprises of raw cotton, semi-finished cotton products, textile and apparel.

In 2003 total cotton exports of Pakistan were USD 2.53 billion that exhibited a steady growth till 2013 and reached to USD 5.33 billion, and started to decline till 2020 to USD 2.64 billion and have grown to USD 3.41 in 2022. More importantly the share of Pakistan's cotton exports in the global cotton exports grew from 6.4% in 2003 to 8.7% in 2014 and has again started to waning away. Pakistan's global share of cotton exports reduced to 6.65% in 2018 and 5.68% in 2022. Fig: 7 illustrated the volume of Pakistan's cotton exports for the last two decades and its share in the global cotton exports.

Fig: 7 Cotton Exports of Pakistan



The share of Pakistan's cotton exports in the global cotton exports grew from 6.4% in 2003 to 8.7% in 2014 and has again started to waning away.

Despite the fact that cotton exports and cotton related industries are experiencing fluctuations and challenges Pakistan is one the major players in the world cotton market; and Pakistan is yet to acquaint and adopt the global standards and production techniques. Pakistan's cotton exports are concentrated in a few markets including Bangladesh, China, US and Turkey and needs more exploration of markets and products along with innovation and research to enhance its share of global cotton exports.

Pakistan possesses immense potential of for cotton and byproducts exports due to abundance of raw material and supply base for man-made yarn, natural yarn and fabric in low cost and less operational lead time. Pakistan has a comprehensive cotton value chain with existence of both primary base and finished base infrastructure.

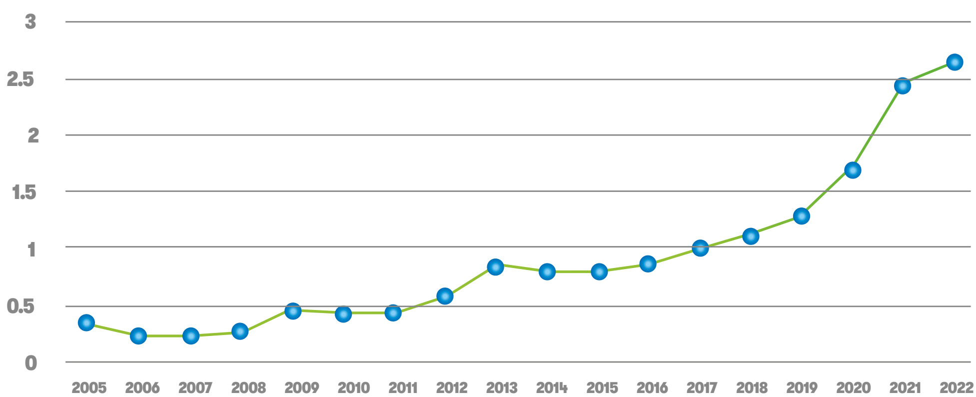
Despite that cotton is cultivated on a large area of Pakistan, the per hectare cotton production is still low. Per hectare yield of cotton in Pakistan is mere 642 kilograms that is far low from its regional competitors like China with 2027 kgs per hectare, Turkey with 1793 kgs per hector and Bangladesh with 800 kgs per hectare. To increase per hectare yield in Pakistan genetic base of cotton needs to be addressed for higher resilience against multiple diseases. Introduction and adoption of new and modern biotechnological methods has become indispensable for disease and pest control. Lack of quality and certified seeds has been plaguing Pakistan's cotton production. Adoption of modern double and triple gene technology for seed production is need to enhance per hectare yield of cotton in partnership with the private sector.

IT Exports and Tech Startups

Being transformative in nature and with low barriers to entry, IT sector possess opportunities for developing economies like Pakistan to leapfrog the services export and tech start-up funding. In Pakistan, the recent growth in IT exports and start-ups appear as emerging signs of digitalization. Driven by both enabling policies of the government and the central bank, availability of low-cost human capital and the onset of the pandemic, both IT exports and tech start-ups have witnessed sharp growth in recent years and this growth stems from a negligible base.

In 2005 IT pertinent services exports of Pakistan volumed USD 0.343 billion in 2005 that comprised of USD 0.284 billion of telecommunication services, and USD 0.059 billion worth of computer services. IT services exports of Pakistan grew exponentially and stands at USD 2.649 billion in 2022, with telecommunications services exports standing USD 0.504 billion and I.T services exports worth USD 2.14 billion.

Fig: 8 Telecomunications, Computer and Information Services



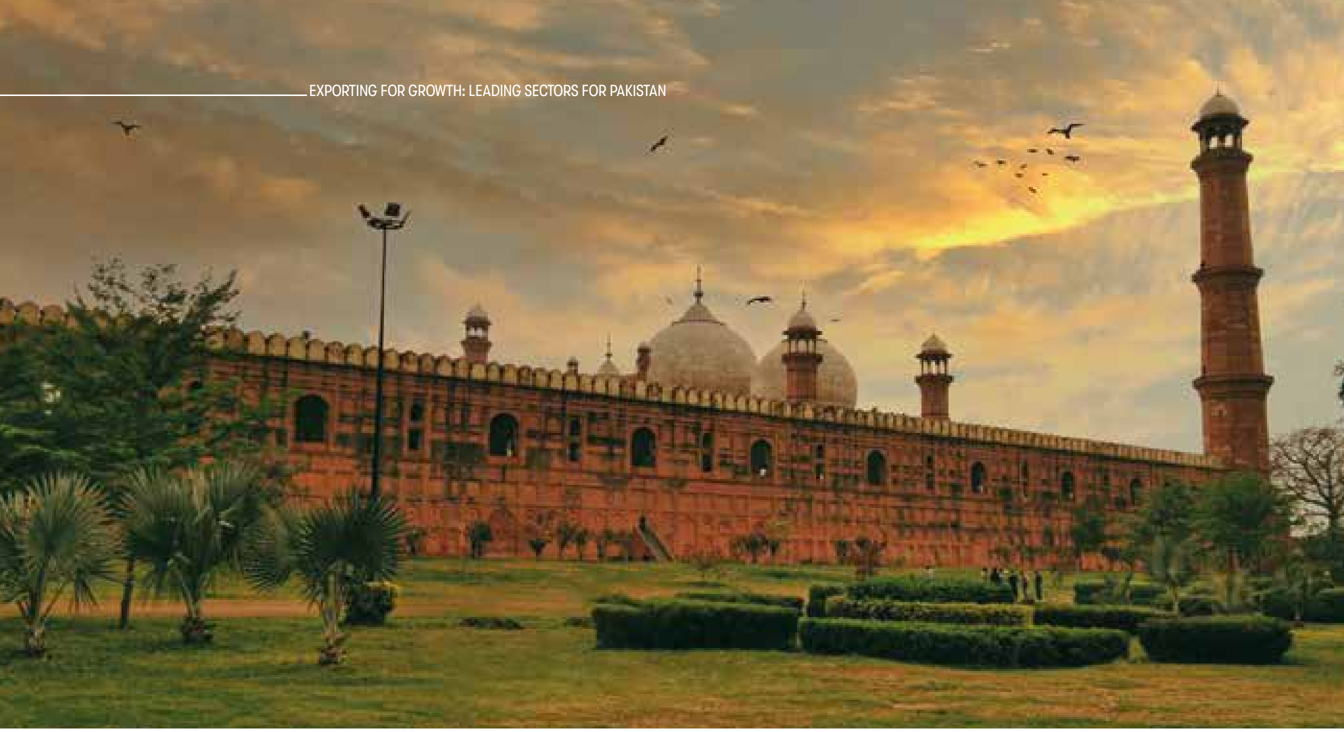
Pakistan's vibrant technology sector has grown significantly in recent years and is well-positioned for further growth. The country produces over 20,000 Information Technology (IT) graduates each year, has nurtured over 900 tech start-ups since 2010. In accordance with Pakistan Vision 2025 and the Digital Policy of Pakistan 2018 the ICT industry size is targeted to reach $20 billion by 2025.

Pakistan's IT sector is now a well-organized destination in the global IT sector for outsourcing and investment. IT resources in Pakistan are obtainable at almost 70 percent annual savings when compared with Europe or North America. Pakistani IT companies have expertise in different IT services including high-end, enterprise grade software development, systems integration, mobile apps, gaming, animation, consulting and BPO services like telemarketing, technical support, medical transcription and billing. Pakistan's IT exports have grown exponentially over the last 5 years with a growth of 137percent.

A number of hurdles and constrictions are constraining the growth of IT sector exports of Pakistan. Inconsistent and inefficient policies have rather battered confidence of investor; especially FDI sector in this sector is far less than its potential especially policies relevant to taxation in this sector has been discouraging both local and international investors. IT sector is a competitive industry and requires a diverse workforce with right skills set and expertise.

Pakistani IT sector especially the SME's and freelancers face difficulties to repatriate their earing to Pakistan via a on one-way service. In order to facilitate small operator and to boost Pakistan's digital export both one way repatriation and facilitating an easy flow of funds through banking channels is vital. Moreover, policies should address issue like dollar retention by the exporter since capping of dollar retention badly hurt the financial flow of both corporates institutions and SMEs.

There is a wide gap between the demanded skill sets and skill sets possessed by 40 to 50 thousand IT graduates produced by the higher education institutions in Pakistan. Majority of the firms and businesses in IT exports are SME's that lack capital to grow their business and enhance the volume of their exports and there is limited access to access to capital to scale up. There is no adequate international marketing, promotional, branding and business strategies developed by the government.



Tourism

For long tourism industry of Pakistan has been facing constraint like poor infrastructure, strict visa regimes, terrorism and inadequate supply of trained human resource. Despite all those restraints Tourism sector of Pakistan possess immense potential for growth and attract both investment and tourists from all across the world. Being historically, culturally and socially diverse country; hosting relics of great spiritual heritages in forms well preserved centuries old mosques, temples, shrines and gurdwara; home to unique and exotic topographies and landscapes of the world Pakistan possess the right potential to be one of best tourist destinations across the world. Tourism is a sector, which does not require heavy investment from the government initially, and Pakistan also has numerous opportunities, where the country can enjoy the growth of tourism without investing a high amount of financial reserves.

Around 1.5 million foreign tourists visit Pakistan; whereas domestic tourism sector of Pakistan encompasses more than 80 million domestic tourists. Contribution of Tourism sector in the GDP of Pakistan is 5.7% that is 3.67% of the total exports of Pakistan; as compared to 20% of Sri Lanka and 7% of India and creates more than 3.45 million jobs that are around 5% of total employment. Visitor spending in Pakistan is also low and volumes at USD 0.95 billion as compared to USD 30.8 billion of India and USD 4.75 billion of Sri Lanka.

Pakistan has the 2nd highest peak K2, highest polo ground, more than 50 valleys and above 40 natural and artificial lakes are present. Pakistan have more than 8 mountains peaks above 8000 meters from sea level. Sawt, Malam Jaba and Naltar where world competition of ice skating and ice hockey were organized every year. Pakistan having two time more mountains than Switzerland can generate $17 billion annually from eco-tourism.

Pakistan coastline stretches 1046 km long with, warm water, mangrove forest and beaches which are the source of blue economy; Malaysia which has 4675 km long coastline and earn $20 billion annually from maritime tourists.

The followers of Sikhism, Buddhism and Hinduism trace their most holy place in Pakistan, which could play an important role for religious tourism. Father of Sikhism Baba Ghru Nanank, Ghru Arjun 5th Guru died in Lahore. Two Sikh Gurdwaras, Gurdwara Bullila where Guru Nanak spent his childhood and Janam Asthan where he was born and located at Nankana Sahib district. Another oldest manuscript of Guru Nanak, holy book of Sikhism found in Lahore Museum. Many other theological places of Hinduism found in Pakistan such as 1500 old Katas Raj Temple which had a supreme importance in Hindu Theology. More over Pakistan is home to the oldest Buddhist historical sites, that are well preserved and could attract higher number of Buddhist pilgrims from

ASEAN and China if branded, advertised and marketed properly.

With plenty of well preserved non-Muslim religious sites and location, Pakistan holds unexplored potential that could be capitalized to untap potential of religious tourisms to increase income generation.

Current tourist influx in Pakistan is leisure and business that accounts for 80% and 20% of total tourist arrivals in Pakistan. After Punjab the most important historic sites of Sikhism are found in Indian-Punjab that's host 45.79 million religious tourist every year. Pakistan hosting most important historic religious sites of Sikhism has the potential to attract at least 50 million religious' tourists while introducing more successful interventions like Kartarpur Corridor facilitating more economy linkages and revenues.

Pakistan has very poor ranking in safety and security, lack of trained human resource, lack of ITC infrastructure, very strict visa regimes, and lack of tourist infrastructure and hinders influx of religious tourist in Pakistan. Construction, reconstruction and rehabilitation of roads leading to the historical sites like shrines and temples and enhancing the transport network via land, air and railways is essential. Currently celebration of religious festivities celebration is confined to the community settled around the tourist site, these celebrations or commemorations should be promoted and market abroad to attraction more tourist. Since the largest market for religious tourism pertinent to Sikhism and Hinduisms is in India, therefore it is vital for Pakistan to increase cordial coordination environment with India to increase diplomatic cooperation for religious tourism. To develop tourism infrastructure government must introduce conducive policies for public private partnerships in form of lease of lands and tax exemptions. Road shows, participation and hosting tourism exhibition to market religious sites to neighboring countries especially Sri Lanka, India, ASEAN region, Canada and China to effectively cultivate by marketing to the right audience.

The coastal region of Pakistan is well known for cliffs, rock head lands, shifting sand dune and a number of sand beaches and 7.3 thousand hectare of mangrove forest. Miani Hor, Jiwani, Ormara, Hingor Hore hosts several migratory birds. Jiwani beach and Astola Island are the breeding nest for endangered green turtles. There are also several archeological sites in form of tombs, graves, mosques, temples and forts and offers enormous coastal touristic opportunities. However regardless of the enormous opportunities this tourism sub-sector faces a number of challenges and have rarely been part of the tourism development processes. Thus, there is a dire need to introduce an integrated framework to address the challenges faced by this sector and unleash opportunities it offers. First, both the Federal and provincial governments need to prioritize the coastal tourism for investment and integrate costal economy with sustainable resource use. Community ecotourism may be explored to discourage mass coastal tourism and to avoid degradation of the environment. Public Private partnerships should be encouraged in developing tourism infrastructure and coastal tourism projects and there is a potential to attract Foreign Direct Investment to develop coastal tourism project, if branded and market properly.

Agriculture

Since independence agriculture sector has been the backbone of Pakistan's economy and accounts for almost 25% of the GDP of Pakistan. Agriculture sector of Pakistan doesn't only cater the domestic needs of Pakistan rather significantly contributes to the total exports of Pakistan. In 2022-23 agricultural exports of Pakistan valued USD 5.8 billion and the major agricultural exports are raw cotton, fish, rice, cereals, fruits and vegetables to United Arab Emirates, China, Afghanistan, Netherlands, Saudi Arabia, Italy and United States of America.

Despite that Pakistan is ranked at 8th in farm out output and is also amongst the world's top ten producers of wheat, cotton, sugarcane, mango, dates and kinnow oranges, and is ranked 10th in rice production it ranks as 53rd when it comes to global agricultural exports. In 2003 the agricultural exports of Pakistan were USD 1.3 billion USD that are 10.9% of the total exports of Pakistan and were only 0.23% of global agricultural exports. In 2011 the total agricultural exports valued USD 5.5 billion that were 21% of the total exports of Pakistan and 0.40% of the global agricultural exports. In 2022 the total agricultural exports of Pakistan amounted USD 5.84 billion about 18% of the total exports of Pakistan and 0.30% of the global agricultural exports.

Fig: 9 Agricultural Exports of Pakistan

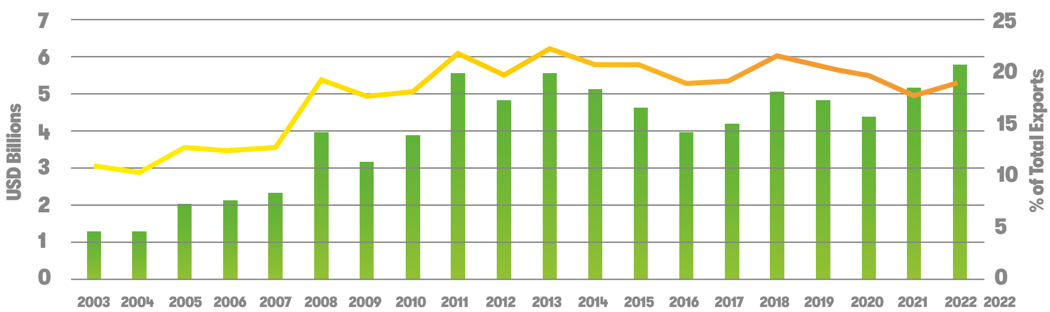


Figure 09 illustrates the agricultural exports of Pakistan since 2003 and their share in the total exports of Pakistan.

Pakistan has been hit hard by the floods in 2022 however growth in agricultural exports show that agriculture sector of Pakistan is witnessing improved production and higher demand in the global market. Pakistan has recently invested in agricultural modernization and have introduced water management, enhancement of seed quality and expansion of area under high value crops.

Agriculture sector of Pakistan has potential to drive growth and trickle its growth to other sector of the economy that have been struggling with multitudes of hurdles and challenges like inflation, coping with balance of payment and gaping the widening fiscal deficits. For Example

Pakistan is the fourth largest milk producing country in the world, however only 4% of the milk produced is pasteurized and mere 1% of total milk produced is processed for value added dairy products and around 15% of the milk produce is wasted.

In 2022 the total dairy exports of Pakistan were USD 17 million and more than USD 10 million potential of dairy exports still remains untapped, especially with China.

With more than 10000 tonnes of annual exports of dates Pakistan is the 3rd largest exporter of dates around the world however export to production ratio of dates in Pakistan is very low with only 16% of dates from Pakistan are being exported. Processing and value addition of dates have potential to increase the export revenues such preparing date sweets, jams, chocolates and other products. lack of awareness about best farming practices, improper fruit handling techniques, and an absence of developed processing facilities are major constraints inhibiting profitable date production in Pakistan.

Agriculture sector of Pakistan is crippled with a number of issues that hinders its production and processing capacity. Water scarcity is becoming a pressing challenge for agricultural productivity due to lack of improved water management. For better agricultural output Pakistan needs to introduce efficient irrigation systems like drip irrigation along with building more dams and water storage mechanisms. Agricultural productivity could be enhanced by diversification of agricultural production while boosting the farmers income. Integration of bio gas productions crop production with livestock, backyard poultry, apiculture, sericulture and agro-forestry can provide multiple benefits and help create new opportunities for rural development.
Pakistan possesses huge export potential for the agricultural products especially rice, sugarcane, milk, dates, fruits and meat with diversification of its products and markets. Pakistan has potential to tap into the markets of Qatar, Kingdom of Saudi Arabia, United Arab Emirates, Turkey and Kenya for rice, milk, dates and fresh fruits while enhancing both quality and branding to comply with international trade regulations and standards.

Fruits and vegetable exports have several impeding factors, within the farms, in the local market systems and in the global markets. With improvements in productivity and developing a downstream industry, Pakistan may increase its agricultural exports in citrus and its juices, potatoes, tomatoes and pastes, mango and pulp, dates and dry date, figs, pistachio, walnuts, pine nuts, raisins, and peanuts.

Global trade of horticulture has witnessed four-fold growth within two decades, in 2001 the global horticultural exports were 51 billion that have surpassed USD 200 billion in 2018, how Pakistan couldn't keep the pace of the global trends and mere export USD 2.2 billion worth of horticulture commodities in 2018, three times less than the actual level.

Pakistan has the potential to export processed citrus products and potato fries and chips, however the unavailability of industrial grade varieties, surplus production, and processing capacity have been the binding constraints for making export quality food products.

Despite having potential to export and increase output by improving yields, Pakistan fruits and vegetable sector emphasized to cater the domestic market rather exporting. The impediments contributing to Pakistan's inability to increase its fruits and vegetable sector initiates at on-farm production, harvesting, post-harvest marketing, processing and quality control for export. As per an estimate 30-50% of the total yield is wasted during harvesting, transportation, storage and preservations.

Pakistan's horticulture suffers from low-yields as compared to its peer countries, unavailability of the necessary seeds for industry grade production of fruits and vegetables, weak contract enforcement for contract farming, poor on-farm sanitary and phytosanitary standards (SPS) enforcement, inadequate post-harvest infrastructure for packing, handling and transportation, lack of protocols for certifications of health and safety standards, and unassured supply of raw material to processors.

Non-Tariff barriers are also restricting exports of Pakistan's fruits and vegetables. China could be the largest export destination of the fruits and vegetables, but the fruits and vegetable commodities from Pakistan are subjected to strict SPS compliance required by China. Moreover, fruit trade via cheaper land and air routes are not permitted to China. It would be cheaper and easier to export via Sost border saving both time and cost.
Multinational companies have the capacity, resources, and technology to improve yields of crops used in food processing. The government and the private sector should work to attract large international companies which produce food products from potatoes, citrus, and tomatoes.

There is a need to establish common facilities with modern technology and infrastructure for domestic and export markets, these facilities may provide the private sector an opportunity to increase value addition through food processing and developing a business case for future investment and encourage developing a supply chain for fruit processing.

Conclusion and Recommendations

Over the last two decades Pakistan's global trade share has been either stagnant or decreased annually. In 2015 Pakistan's global trade share was 0.15% that has reduced to 0.12% in 2022. It reflects that the export competitiveness of Pakistan is poor as compared to India, Bangladesh and Vietnam that have growing export shares with higher export capacities.

The major factors of poor competitiveness of Pakistan's exports are reduced firm productivity, inadequate product and market diversification, poor value addition and innovation primarily due to inadequate investment in research and development. These factors have forced Pakistan to become rather an inward oriented economy while facing severe challenges to integration into global marketplace and compete, resultantly it has implication for productivity growth, foreign exchange, employment and staggering inflation.

The reduced or stagnated exports of Pakistan over the two decades clearly depicts that this stagnation has roots in product diversification into higher value addition. Pakistan is still exporting the same commodities that it used to export 50 years ago, while the regional competitors have successfully diversified their industries with the international demand and have diversified their exports with higher value-added commodities. Firms are not inclined to invest in research and development since there exist anti-export bias within the tariff policy and is plagued with one of world highest level of protection to the domestic industries that results in import substitution rather than substituting exports.

To mend the export competitiveness of Pakistan, an integrated and planned reform mechanism needs to be introduced, with harmonized decisions and implementation with an active and coordinated public-private dialogue that could include.

1. Devise and implement a coherent, long-term tariff rationalization strategy, that entail gradual reduction of import duties and tariff cascading while phasing out both regulatory and additional custom duties.

2. Easing out import restrictions has become indispensable to make exports competitive. Import restriction especially on the raw material and capital good renders exports uncompetitive. For example, anti-dumping duties on polyester staple fiber (PSF) might increase cost of bedding commodities.

3. Investments both public and private sector in export diversification are insufficient to adequately support any competitiveness strategy like R&D activity. Export diversification thus needs both public private investment for research and development and human capacity development.

4. Export promotion institutions are infrastructure in Pakistan may be reformed with higher capacity to identify non-traditional markets and act as liaison between the export's destinations and exporters. With very strong access to markets like Central Asia, South Asia and China Pakistan has vary vast potential to enhance its export volume.

5. Export sector of Pakistan has not been successfully adding new products into the export product basket except in a few segments of the textile sector. Trade Development Authority of Pakistan and Export Development Fund of Pakistan along with the business organizations of Pakistan should identify new sectors and exploit product diversification in those new sectors.

6. Export subsidies needs to be benchmarked with the export performance of the recipient firms and sector once the targets or threshold are cross. Current export subsidies are non-exclusive are irrelevant of export targets. Therefore, technology intensive frameworks are need to be developed for efficient subsidization mechanism.

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