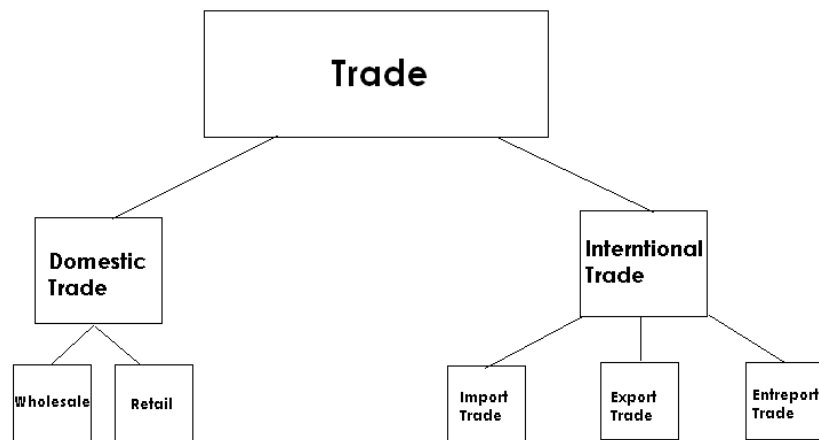


## UNIT 10

# TRADE

### What is trade?

- No country in the world is self sufficient in all the commodities needed by its people.
- To provide goods and services an exchange needs to be done.
- This exchange of goods and services between different areas is called **trade**.



### How do we benefit from trade?

- Specialization of production/comparative advantage
- Promotes industrialization
- May lead to rise GNP
- Production of value added goods
- Transfer of information technology
- Creation of employment opportunities
- Production of value added goods

### Exports and Imports:

- Every country needs to trade in order to survive.
- Each year we sell millions of rupees worth of goods and services to other countries, these are **exports**.
- An export is represented by a flow of foreign exchange coming into the country.

- At the same time we also buy millions of rupees worth of goods and services from other countries, these goods are **imports**.
- An import is represented by flow of foreign exchange leaving Pakistan.













### Imports of Pakistan:

- Wheat, edible oil, sugar, pulses etc.
- Machinery e.g. textile, electrical, construction, mining and agricultural.
- Petroleum and petroleum products
- Textile e.g. synthetic fibers
- Fertilizers and other chemicals
- Metals e.g. iron and steel

### Major exports:

- Cotton products 58.4 %
- Leather 6.1 %
- Synthetic textile 1.2 %
- Rice 6.9 %
- Sports goods 1.9 %
- Others 25.5 %

### The following is a list of Pakistan's main trading partners as of 2015.

Country	Percentage of imports	Percentage of exports	Percentage of total trade
 <u>China</u>	19.7	11.1	16.9
 <u>European Union</u>	10.4	18.2	13.0
 <u>United Arab Emirates</u>	12.1	8.5	10.9
 <u>Saudi Arabia</u>	12.2	8.5	9.0
 <u>United States</u>	3.2	13.6	6.7
 <u>Kuwait</u>	6.3	0.07	4.4
 <u>India</u>	3.7	2.1	3.2
 <u>Malaysia</u>	3.9	0.9	2.9
 <u>Japan</u>	3.6	1.6	2.9
 <u>Iran</u>	3.4	1.8	2.9
 <u>Afghanistan</u>	0.3	7.6	2.8
 <u>Singapore</u>	4.1	0.3	2.8

### **The balance of payments position:**

- *Balance of payments = value of exports – value of imports*
- Pakistan has always had a negative balance of payment because the value of its exports exceeds that of its imports.

### **Measures to correct the negative balance of payments:**

- By increasing exports
- By restricting imports
- By curtailing imports related to the tertiary sector

### **Export processing zones:**

- Export processing zones contain industrial units which manufacture the products with export potential.
- EPZ authority, Pakistan was established in 1980 with the mandate to plan, develop and operate Export Processing Zones in Pakistan.

#### **1) Karachi Export Processing Zone (KEPZ)**

Location of KEPZ:

Karachi Export Processing Zone is located adjacent to the Landhi Industrial Area(Extension) within a distance of 18 Kilometers from the modern Quaid-e-Azam International Airport, 20 Kilometers from Port Qasim and 35 Kilometers from the highly modernized and developed Karachi Seaport. The Zone is linked with the National Highway network. It offers effective and convenient approach to the markets of the Middle East, Far East, Africa, Europe, and American to the new markets of Central Asian Republics.

#### **2) Gwadar Export Processing Zone**

An area of 1000 acres has been allocated for Gwadar EPZ.

#### **3) Sialkot Export Processing Zone** (Managed by Punjab Small Industries Corporation)

Diversified products located in the Province of Punjab

#### **4) Risalpur Export Processing Zone**

(Managed by KPK Development Authority)

Diversified products located in KPK Province

**5) Gujranwala Export Processing Zone**  
(Infrastructure being developed)

Diversified products located in the Province of Punjab

**6) Saindak Export Processing Zone**  
(Operated by Chinese company)

For exploration of Gold and Copper in Chagai, District, Balochistan

**7) Reko Diq Export Processing Zone**  
(Operated by Australian Company)

For exploration of Gold and Copper in Chagai, District, Balochistan

**8) Duddar Export Processing Zone**  
(Operated by Chinese Company)

For exploration of Lead and Zinc in Chagai, District, Balochistan

**9) Tuwairqi Export Processing Zone**  
(Operated by Saudi Company)

For exploration of Steel Billets located in Port Qasim Area, Karachi

**Infrastructure required for the EPZs:**

- EPZs should be established near the seaport to facilitate export and import of goods and the import of the required machinery.
- Consistent Government policies help to bring stability in the investment climate of a country thus attracting more local and foreign investors.
- Adequate air travel facilities should be available.
- Adequate transport facilities for the marketing of finished goods.
- Efficient transport links to raw material sources.

**Strategic geographical situation of Gwadar:**

- Gwadar's location between Karachi and UAE on the one hand, and on the door step of the central Asian States (CAS) on the other, could be suitable for EPZs due to a number of factors.
  - (i) Foreign investment along with Hi Tech for EPZs could be attracted to Gwader and Ormara being port cities with access and exposure to the CAS.
  - (ii) The port of Gwadar can serve as "regional trade hub" with the recent geo political developments in the region such as rehabilitation and development of Afghanistan and the CAS.

- (iii) The deep water port and export processing zone can be developed simultaneously.

### **Functions of Export Promotion Bureau:**

- EPB was formed by the government of Pakistan for organizing and regulating export activities. its functions includes:
  - (i) Creating awareness among the manufacturing service sector about potential exports.
  - (ii) Exploring and identifying market opportunities abroad.
  - (iii) Assisting Pakistan's entrepreneurs to secure entries in the international market.

### **World trade organization:**

- WTO is an international institution to allow free trade between its members countries by reducing or abolishing certain restrictions imposed by the governments of these countries on their exports and imports.
- It came into being in 1995.
- It is the successor to the General Agreement on Tariffs and Trade (GATT) established in the wake o the 2<sup>nd</sup> world war in January 1948 to boost trade liberalization.
- After joining the WTO, Pakistan's accessibility into international markets would be on the basis of its competitiveness.

## Advantages of WTO.

- Freer trade cuts the cost of living
- It gives consumers more choice, & a broader range of qualities to choose from.
- Trade raises incomes.
- Trade stimulates economic growth, & that can be good news for employment
- The basic principles make the system economically more efficient, & they cut costs.
- The system allows disputes to be handled constructively.
- A system based on rules rather than power makes life easier for all.



- *The WTO dictates policy*
- *The WTO is for free trade at any cost*
- *The WTO destroys jobs, worsens poverty*
- *Small countries are powerless in the WTO*
- *Weaker countries are forced to join the WTO*
- *The WTO is the tool of powerful lobbies*
- *Non-tariff barriers*
- *Competition*

### **Trade development Authority of Pakistan:**

- TDAP has formally replaced the export promotion bureau which has been responsible for the export promotion for Pakistan for the last 43 years.
- TDAP will be under the administrative control of the ministry of commerce in order to ensure that the TDAP's policies are in line with the overall policies of the federal government.



