

PAKISTAN'S TRADE POLICY: A JOURNEY OF EVOLUTION AND AMBITION FROM 2002 TO 2025

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Abstract

The trade policy of Pakistan has witnessed an important change in the last twenty years, as it is going towards a more liberalized and market-oriented policy. The systematic review of the research looks into the changes of the trade policy of Pakistan between 2000-2025 major policy shifts explored, and trades liberalization initiatives, Strategic Trade Policy Frameworks (STPFs), etc. The study uses a qualitative analysis of policy documents and quantitative analysis of trade data to assess the usefulness of these policies in promoting exports competitiveness and the trade deficit. The results reveal that despite Pakistan managing to lower tariff rates and adopting a number of export promotion activities, problems with structure, which include high business set up costs, low product diversification and poor engagement into value chains, still curtail trade performance. Existing non-tariff barriers and regulation distortions also impede full utilization of opportunities by the country on the global front. Noting that policy changes have improved the export performance, the author notes that exports in Pakistan are still firmly embedded in traditional areas, and there has been continuity in lack of implementation, further eroding the possible advantages of trade liberalization. The authors sum up that Pakistan has so far delivered significant achievements in its trade policy, but stronger institutional reforms, greater deeper efforts in trade facilitation, and specific strategies to participate in the global value chain is needed to achieve lasting export-oriented economic growth.

INTRODUCTION

Trade policy is an important tool of stimulating the economic growth, industrial development a country and incorporation into international economy. In Pakistan, the development of the trade policy during the last twenty years shows that the country gradually moved over protectionism towards the trade liberalization and outward-oriented approach to the trade (Khan & Ahmed, 2014). Pakistan had dominated trade regime in terms of high tariff barriers and insignificant world participation due to the desire to safeguard domestic industries especially

in the early 2000s (World Bank, 2006). But the globalization process, regional trade pacts and rising competitiveness levels of the global markets, demanded a shift towards open markets and export led development.

As it went along, the governments have implemented one initiative after another in terms of trade reforms especially lowering tariffs, the eradication of non-tariff barriers, and promoting trade through streamlining the customs process and development of infrastructure (Ministry of Commerce, 2009;

Pakistan Bureau of Statistics, 2022). These changes were intended to diversify the export structure of Pakistan that still relied on the traditional exports like raw textiles to other emerging value-added products, engineering goods and services (Government of Pakistan, 2015). Policy measures meant to reinforce the institutional framework and align the trade practices in Pakistan with world practice were also implemented so that the exporters could satisfy international compliance demands (Trade Development Authority of Pakistan, 2020).

Nonetheless, the performance of Pakistan in terms of trade has reportedly experienced and endured structural problems despite the above efforts. This nation still faces a huge trade deficit, concentrate export basket, and a small global value chain engagement (International Trade Centre, 2023). Expensive business environment, policy volatility, and ineffective implementation systems have also limited exports and their diversification (State Bank of Pakistan, 2021). To address these challenges, since 2009 Pakistan has been operating multi-year Strategic Trade Policy Frameworks (STPFs), with more and more emphasis on sector-based development and competitiveness and regional trade and integration (Ministry of Commerce, 2015; Ministry of Commerce, 2020).

The paper cuts across the history of Pakistan trade policy in the years 2000-2025 in a systematic manner. It assesses the important policy changes, patterns of trade and effects of rationalizing tariffs and non-tariff measures on the performance of Pakistan trade. The study will examine official statements on trade policy and trade statistics to determine the extent to which the current trade course being followed in Pakistan has resulted in attainment of objectives, namely improvement in export, reduction of trade imbalances and improvement in country international trade ranking.

1. LITERATURE REVIEW

Trade policy has always had a significant role to play when it comes to determining the economic standing of the developing countries. By Baldwin (2003), protectionist policies were first implemented by the developing countries to protect infant industries. Globalization coupled with emergence of regional trade blocs has however forced such countries to

liberalize and pursue export oriented approach as a faster mode of attracting competition in the world market. Likewise, when replicating the outward-oriented trade policies, Krueger (1997) asserted that this has been critical in the support of growth in the emerging economies.

The experience of Pakistan in trade liberalization is similar to the international trend in other economies. As Khan and Ahmed (2014) pointed out, the trade policies adopted by Pakistan during the years of the 1980s and 1990s were also rather protectionist where high tariffs and import substitution policies were considered as the major ones. However, it was the structural adjustment programs of late 80s and early 90s under the World Bank and International Monetary Fund (IMF) through which trade barriers were drastically lowered and the economy of Pakistan started getting gradually de-nationalized. According to the World Bank (2006), the rate of tariffs in Pakistan dropped significantly as, in the 1980s, the figure was higher than 50 percent, but by early 2000s, the tariffs were below 20 percent, marking an important policy change.

Pakistan after the introduction of the Strategic Trade Policy Framework (STPF) 2009-12 received a new era in trade policy of players in terms of competitiveness, export diversification and incentives awarded to specific sectors (Ministry of Commerce, 2009). Ahmed and Javed (2017) claimed that the STPFs became the core in institutionalising successful long-term trade planning in Pakistan, however, still some difficulties existed in implementation. Further STPFs (especially the 2015-18 and 2020-25 frameworks) also paid their attention to export sophistication, regional integration, and non-traditional markets (Ministry of Commerce, 2015; Ministry of Commerce, 2020).

Even with the change in the policy of trade, various studies have noted a common gap between formulation and actual practice of trade policies. According to the State Bank of Pakistan (2021), high-business costs, low availability of energy, and deferring tax refunds majorly undermine the export opportunities of Pakistan. In a similar manner, Hussain and Mahmood (2019) pointed out the system of scattered institutions and inadequate capacity of organizations promoting trade as the factors that have impeded policy success. Such

problems have denied Pakistan the ability to take full advantage of its strategic position and trade contracts in agreements like Generalized System of Preferences Plus (GSP+).

The emergence of non-tariff measures (NTMs) in influencing the trade flow has been reflected in recent literature. The International Trade Centre (2023) notes that all exporters in Pakistan encounter serious difficulties regarding certification requirements, labeling, and inspection regimes at home and abroad. According to Saeed and Shabbir (2020), they stated that the decline in tariff barriers has been compensated by another hurdle-NTMs, an alternative that has contributed to rising levels of transaction cost and exports.

The issue of low inclusion into global value chains (GVCs) by Pakistan is another big check in helping it increase trade. According to the World Bank (2020), the country of Pakistan trails behind other regional competitors in terms of GVCs integration such as Bangladesh and Vietnam because of the low productivity, poor infrastructure, and the lack of a trade facilitation regime. The STPF 2020-25 indicates that it takes cognizance of these gaps and that this strategy intends to enhance the contribution of Pakistan to GVC-led growth to achieve UN sustainable, export-driven growth (Ministry of Commerce, 2020).

2. METHODOLOGY

The study applies a policy analysis research approach that pays attention to the official documents on trade policy, quantitative data on trade to conclude about the quality management of the Pakistani trade policies in 2000-2025. This paper mainly analyses strategic frameworks of the trade policies, annual trade policies, and tariff notifications released by the ministry of commerce and Federal Board of Revenue, making use of the trade statistics issued by Pakistan Bureau of Statistics (PBS), and the tariff data on the World Integrated Trade Solution-WITS database.

The analysis entails the review of policy documents that comprises all Strategic Trade Policy Frameworks (STPFs) between the period 2009-2025 as well as annual trade policies since 2000. In this document analysis, the main policy actions, goals and strategy that were followed by the government during times

past have been highlighted. These policies are then measured against reality of trade performance utilizing PBS data of exports, imports and trade patterns of sectors. The information given in WITS tariff data shows important levels of protection and trade barriers, and this gives an opportunity to evaluate the evolvement of tariffs policies and their influence on trade flows.

The approach uses both qualitative policy analysis and quantitative analysis on trade data. The qualitative aspect will focus on the content analysis of policy documents to discover the common place theme used, policy transformations, and reported goals. The quantitative element is conducted in terms of descriptive statistical analysis of trade dynamics, e.g., rate of increase on the exports, sectoral contributory performance, and shifts in trade balance. Thanks to this dual method, the research is able to determine both the target objectives of trade policies and quantifiable results achieved in reality. Through its strict, evidence-based method of approaching the understanding of Pakistan trade policy evolution and its effects on the trade performance inside the country by addressing purely official policy documents and trade statistics, the research is very thorough.

3. FINDINGS AND DISCUSSION

Over the last twenty years, that of Pakistan has also seen a major shift in trade policy unlike before, it is now more outward orientation and liberalized in nature than before. Later in the early 2000s the government switched to market oriented reforms, where policy consistency, deregulation and lowering cost of doing business were key. The primary aim in this period was to liberalize trade through reduction of tariffs, elimination of these non-tariff barriers and fostering of free trade agreements. Diversification of exports became a principal dialogue and attempts were being made to surpass the conventional products which included raw textiles and move to value added textiles, leather goods, horticulture, engineering goods and chemicals. Even more emphasis during this period was put on the enhancement of macroeconomic stability as a trading base pillar. In the mid-2000s, the policy in Pakistan brought up sector fixated plans to build up capacity and upgradation of technology. Specific schemes like

Garment Cities, Textile Upgradation Funds and cluster development in major export industries were initiated by the government. Skill building and adherence to international standards was also very high as the industries of Pakistan were gearing up to be competitive in the international market. Inauguration of export facilitation packages such as enhanced customs processes, export financing, and development of Export Processing Zones (EPZs) were introduced to lower transactions costs and boost the level of competitiveness.

In realizing that the country needed a long-term strategic planning, the Strategic Trade Policy Frameworks (STPF) was adopted by Pakistan since 2009 onwards. These multi-annual strategies (2009-12, 2012-15, 2015-18) were set to improve export competitiveness, product/ market diversification and facilitation of trade. Among the policy interventions under the STPFs were mark-up subsidies to exporters, subsidy of the freight on some chosen sectors, development of the Trade Development Authority of Pakistan (TDAP), and an increasing orientation towards regional integration particularly via agreements involving SAFTA and FTAs such as China, Malaysia and Sri-Lanka. Traditional exports were complemented by services exports, halal-certified products, and engineering goods which were given priority.

As contained in the most recent phase under the Strategic Trade Policy Framework 2020-25, a reflectively dynamic and wide vision on trade policy is being echoed in Pakistan. The emphasis is currently being placed on promoting competitiveness on the whole value chains, increase in efficiency centered on productivity, decrease in the cost of doing business as well as attracting trades related investments. The modern policies are focusing on tariff rationalization, quality improvement and additional insertion into global value chains. The priority areas have been outlined precisely which include textile, leather, pharmaceuticals, horticulture, engineering products, and information technology services. The institutional reform that is most pertinent to this framework is the introduction of National Export Development Board Lined by the Prime Minister to regulate implementation monitoring and evaluation of the trade policy initiatives.

Summing up it is true that the history of trade policy in Pakistan exhibits a very clear trend i.e. that of moving on a ladder that started with rudimentary trade liberalization to a more complex, sector specific and competitiveness centric one. It also shows a transformation that removed the emphasis on short-term motivations to medium-term plans, not export promotion in isolation, and orientation to goods only to exploitation of services and digital trade. Nonetheless, after several years of struggle (sophisticated multilateral trading system, high cost of doing business, shortcomings in infrastructure), the trade policy of Pakistan is more strategic, coordinated, and long-term oriented towards sustaining export-led development today.

4.1. The Trade Policy 2002-2023

It sought to further cut the trade deficit that was recorded the previous year at \$1.2 billion (a 21 percent cut) to an estimated 0.7 billion, with the exports set to rise significantly by 13.4 percent at \$10.347 billion as compared to the previous year of exports worth 9.1 billion. It is to be hoped that this goal will be achieved after a year that, in spite of a 4 % decline in imports, export value remained constant, but volume exports in major sectors such as yarn (30 %), fabric (45 %), and readymade garments (50 %) had registered significant growth over the previous four years, and 49 % increase in Foreign Direct Investment. The policy has also added incentives like 25 percent freight subsidy and presumptive rate of income tax of 0.75 percent on new products and markets to provide incentives to its goals that are signaling a strategic pursuit of goals of diversification and expansion of exports.

4.2. Trade policy 2003-2004

The Trade Policy 2003-04 of the Government of Pakistan released on July 19 , 2003 sought to maintain the export growth rate of the previous year, which stood at 21%, with exports standing at a new record of US \$11.03 billion against the target of US \$10.4 billion. With the slowdown that appeared all over the world economy coupled with the looming expiry of textile quotas in 2005 (contributing 67 percent of exports and amounting to \$7.17 billion, its growth being 24 percent), the reform brought on board the initiatives such as up-gradation fund that

amounted to 3.74 billion rupees which was oriented in the technological development, compliances and development of clusters in areas such as textile, agriculture, engineering goods, as well as leather. Assuming exports and imports of US \$12.1 billion and US \$12.8 billion respectively in the year, the policy highlighted WTO compliance, diversification of export products, minimising costs, and increasing market access by among others, supporting the desired acquisition of brand name, establishment of Special Export and Garment Cities.

3.3. Trade Policy 2004-05

The Trade Policy 2004-05 of Pakistan envisaged a substantial increase in exports with the following goals: US 25-30 billion in medium term (after recording exports of US 12.2735 billion in 2003-04 with a growth of 10 percent over the US 12.1 billion target). According to the policy, it targeted the textile and garment which was the major export industry contributing to 68 percent (US \$ 8.302 billion) of total exports in 2003-04 and was increased by 11.3 percent. As a preparation towards removal of textile quotas in 2005, the policy had such provisions as removal of sales tax on ginned cotton and easy relocation of textile machinery. Realizing the importance of diversification, the non-traditional exports increased by 23 percent (excluding wheat) to US \$ 1.612 billion. The policy also gave prominence to key sectors such as agriculture, with projects on horticulture and agro-processing and emerging sectors (such as gems and jewel) as well. The GDP of Pakistan was estimated at US \$ 95 billion in 2004 and the policy was therefore intended to bring the ratio of exports against the GDP to 25-30%, as against 13% at the time. The widening of the trade deficit to US \$ 3.199 billion reflects a good sign of the increased industrial activity as imports of machines and raw material were going up. An export target of US \$ 13.7 billion was fixed in 2004-05 and, it is projected that imports will be US \$ 16.7 billion.

3.4. Trade Policy 2005-06

With the objective of achieving high rates of growth in exports, the Pakistan Trade Policy 2005-06 focused on hitherto neglected areas and complemented trade infrastructure. Marketing at the USA and EU, retail stores abroad support, and

export to Afghanistan were one of the export initiatives. The policy also established subject-specific growth e.g. Garment Skill Development Board and incentives to gems, jewellery, pharmaceuticals and organic cotton. The imposed on the import policy had such modifications as the loosening of controls on pharmaceutical raw material imports India, conditions on the import of vehicles by overseas Pakistanis, and the controls on imports of 2/3 wheelers and plastic waste. The year before, the 2004-05, required an export of \$14.4 billion (17% growth) along with the imports of 20.6 billion (32% growth) the \$14.4 billion was contributed by the textile which had a 25 percent rise and the machinery had a 38 percent rise in the imports.

3.5. Trade Policy 2006-2007

When the Commerce Minister Humayun Akhtar Khan presented the Trade Policy 2006-07, he had the objective to take the export performance of the country to a different level by aiming at a level as high as 18.6 billion dollars (a 13.0 percent increase over the performance of 2005-06) which had in turn registered a growth of 14.44 percent over 2004-05. Since it was understood that the events in the country, such as the earthquake and high oil prices had instigated this, the policy was being put on diversification rather than just following the textile industry, which had experienced \$1.39 billion growth in the industry although it was subjected to international pressures. The major steps involved formation of the Trade Development Authority of Pakistan (TDAP), developing horticulture infrastructure by investing in the infrastructure, and selective focus in products such as leather products, engineering goods, chemicals and pharmaceuticals, towels, denim and service to see each of them turn over more than US\$ 1 billion in three years, and continuing to support the textile and new emerging defense sectors which earned US\$ 275 million in the last year.

3.6. Trade Policy 2007-08

The Pakistan Trade Policy 2007-08 was calculated to boost export-led growth and this came off an upsurge in merchandise exports that had already gone up again by 112% in the previous year to reach the level of 17.011 billion in 2006-07. The policy was based

on the understanding that the growth rate was slowing down to 3.6% given that it was 14.4% in the previous period and it aimed at dealing with the supply side issues such as poor competitiveness (Pakistan ranked 91 out of 125 countries) and demand side issues such as high competition by the rest of the world as well as loss of certain trade preferences by Pakistan. To address the same, the policy focused on traditional industries such as textiles (which made up 64 percent of total exports) to diversify and add value besides upcoming industries such as engineering goods (that had posted an 8.7 percent growth), gems and jewellery (whose export grew by 120 percent), and services (which formed 53.3 percent of GDP). Among the vital steps was the establishment of financial support systems procedures, such as the Long Term Financing of Export Oriented Projects (LTF-EOP) and released Rs. 49 billion, sector-specific support measures, such as Research and Development (R&D) on garments (Rs. 14.286 billion released) and home textiles (Rs. 4 billion), institutional reforms, i.e., creating the Trade Development Authority of Pakistan (TDAP) and the Trade Competitiveness Institute of Pakistan, all aimed to build the export-abundance.

3.7. Trade Policy 2008-09

With the backdrop of high economic challenges such as surge in international oil prices that doubled to \$145 dollars per barrel, soaring food importation fees, as well as the upturned domestic slowdown at 5.8 % GDP growth, Trade Policy 2008-09 was strategically positioned with the ultimate factor being the export driven growth with a target of \$19.2 billion dollars as well as a performance of increase in exports by 13.23 percent to 19.22 billion dollars in 2007-08. Having recognized the overdependence of the textile industry which contributed 57 per cent of the total exports but just a paltry 2.15 per cent in world market, and how 50 per cent of the exports depended on only 7 countries, the policy prioritized the issue of diversifying to a higher value-added business, and seeking new markets in Latin America and Africa as well as new non-traditional regions of Europe, which has experienced a growth of 114 per cent, 81 per cent and 60 per cent respectively in the past. To boost competitiveness and drive growth in the priority areas the policy presented more sector-

specific measures including 1 percent increase in drawback on 14 SME-based value-added products, faster depreciation on the pharmaceutical plants, sector-specific to seafood, gems & jewelry and horticulture sectors besides broad hints at cutting the cost of doing business, upgrading infrastructure and putting a solid trade diplomacy which would in effect transform the Pakistani trade environment and providing the economic gains to its people.

3.8. The Strategic Trade Policy Framework (STPF) 2009-12

The Strategic Trade policy framework (STPF) 2009-12, proposed by Commerce Minister Makhdoom Amin Fahim in July 2009, was a treatise of a three-year plan meant to energize the export industry in the country within the context of domestic challenges and global melting down. Faced with the falling level of Pakistan in the global market share (0.21% in 1999 to 0.13% in 2009) and reduction in export earnings to 17.8 billion, the policy demanded high growth rates (6%, 10%, and 13% per annum) with the huge financial stimulus of 3 billion Technology and Management Upgradation Fund and 2.5 billion Light Engineering Sector Fund. It tackled five pillars of strategy: Increase in competitiveness in exports via energy and cost remediation of capital; upgrading of the product sophistication via skills development and technology acquisition; product diversification beyond the textile industry (54 percent of the exports); market access through trade diplomacy with major partners, and institutional reform to enhance execution of policies. Some of them were cost sharing to certifications, freight subsidies, brand development support, zero-rating exports in certain sectors, establishment of sector specific funds for services exports and entrepreneurship reserved to change export structure in Pakistan and make it a source of sustainable economic growth in this difficult domestic and international scenario.

The Ministry of Commerce has injected the Strategic Trade Policy Framework (STPF) 2009-12 to correct the challenge of dwindling exports competitiveness since 0.20% in the year 1999 to 0.13 in the year 2008 globally, as well as the export shrinkage of US\$19.1 billion in the year 2007-08 to US\$17.8 billion in the year 2008-09. The STPF, in the aim to

attain sustainable and high economic growth by means of exports, had some very ambitious export targets, with the first one being US\$20 billion in the year 2009-10, US\$21.5 billion in 2010-11, and US\$23.5 billion in 2011-12. The major six pillars upon which the policy concentrated were; favorable macroeconomic reforms, product sophistication, competitiveness at firm level, building of domestic commerce, sustainable trade forms. Significant incentives were 1 per cent additional duty drawback on 14 sectors, 25 per cent subsidy on certification expenses on priority industries such as sports goods and surgical instruments, creation of funds to upgrading technology and green technologies and freight assistance on inland transport. The priority areas of diversification, structural change, were textiles, leather, chemicals, pharmaceuticals, meat, dairy, minerals, light engineering, gems and jewellery, and services and their cluster development program and the export facilitation initiative to join global supply chains.

3.9. The Strategic Trade Policy Framework (STPF) 2012-2015

The Advance Policy Framework of Strategic Trade (STPF) 2012-2015 prepared by the Ministry of Commerce of Pakistan sought to pile on the success of the previous STPF 2009-12 to see whether the export can reach US 35 billion by 2015. It was geared towards increasing the competitiveness of exports and diversifying the exports in terms of product and the market, improving the supply side bottleneck and also by supporting value addition in strategic industries like textiles, and agro-processing, engineering goods, leather, pharmaceuticals, and IT services, etc. Among the major efforts, it was planned to have an EXIM Bank along with the changes in the use of Export Development Fund and development of institutional frameworks such as the Pakistan Trade Facilitation Committee. Although it failed to achieve its export goal owing to energy supply gaps, security issues and performance inefficiencies of the relevant institutions, the STPF 2012-15 institutionalized the long-term planning of trade and made a basis of any future policy advancements.

3.10. Pakistan's Strategic Trade Policy Framework (STPF) 2015-18

The Strategic Trade Policy Framework (STPF) 2015-18 of Pakistan is a medium size strategy designed to revive the export sector in the country with the ultimate aim to boost it to a US\$ 35 billion level by 2018 and make the shift to an efficiency and innovation-based economy. As it is identified that, the challenges faced in the global trade are so slow, and the gaps have been perceived in the implementation of policies in the past, the STPF expresses four major pillars: product sophistication and diversification development through research and development, technology modernization, branding and value addition; the improvement of market access through strategic penetration in the existing and new markets, proactive trade diplomacy, and enhanced regional connectivity; the robust institution development and institutional strengthening, by restructuring relevant organizations, capacity building, as also the establishment of new export-oriented councils; and encouraging trade. The effectiveness of this policy will depend on the effectiveness of some critical enablers such as the creation of competitiveness, standards compliance, conducive policy environment and the market penetration.

The Strategic Trade Policy Framework (STPF) 2015-18 of Pakistan was bent on increasing exports to US 35 billion by June 2018 with the jump of about US 23.9 billion in 2014-15. This aspiration comes after a run of mixed export returns: a sharp rise to US\$ 24.8 billion in 2010-11 due to the favourable world markets, then a relative standstill at the US\$ 24-25 billion level until a drop-off of 4.78% in 2014-15. The policy was based upon four pillars. To facilitate product sophistication and diversification it has designated 20 percent investment assistance (up to 1 million in rupees per company) towards importation of new equipment and additional 50 percent mark up assistance for adaptation toward new technology. On access to market, it sought to use the GSP Plus incentive with European Union, an incentive which had already played out in the growth in value-added textile exports over raw cotton revenue loss. To enhance institutional strength the government adopted a budgetary provision of Rs. 6 Billion on FY 2015-16 to trade policy initiatives and 100 percent of the Export development surcharge be transferred to export development fund. Lastly, facilitating trade

was also going to be done through establishing task forces to enhance railway and inland water passage and priority to paying tax refunds to exporters that reported late payment as a major reason behind liquidity problem. In spite of this, in 2015 Pakistan exports only US\$ 22.089 billion and its trade deficit in the same year was quite significant US\$ -17.440 billion. This has been caused by the failure to reach the target of exporting US\$ 35 billion by 2018 due to structural and implementation problems that still persist in the trade environment in Pakistan.

3.11. Pakistan's Strategic Trade Policy Framework (STPF) 2020-25

A decade of stagnant growth of exports averaging at 20-25 billion a year has resulted in the formulation of Strategic Trade Policy Framework (STPF) 2020-25 in Pakistan which is poised to lose 10.5 percent of its global export market share as other competitors, such as China, India, and Bangladesh gained 27 percent, 18 percent, and 95 percent greater exports respectively. This lack of improvement helped to increase the trade deficit, averaging 3.6 percent per year and registering 23.1 billion dollars in 2019-20 compared to a maximum of 37.6 billion dollars in 2017-18. In order to reverse this trend, the STPF intends to address these issues such as high cost of conducting business and low product sophistication with an aim of improving export competitiveness along value chains. Having identified that the old policies were poorly executed and monitored, the present framework is aimed at providing harmony in implementation and focus on more serious

monitoring through the formation of the National Export Development Board under the Prime Minister only followed up with Sector-Specific Councils to help growth of exports and help integration of Pakistan into global value chains which contribute 70 percent of world trade. The aim is to see economic growth, employment, alleviation of poverty and quality of life through utilisation of potential in terms of talents, natural resources and the geo-strategic position of Pakistan.

3.12. Trade over the Years

The international trade of Pakistan presented in the data given below since the fiscal year 1999-2000 to 2023-2024 shows that there is a growing trend of both exports and imports denoting that there is increasing interaction with the international market. Nonetheless, one of the notable characteristics in this era is the heavy and ever persistent trade imbalance where the sum of imports comfortably overpowered the amount of exports in virtually every financial year. This structural imbalance however, indicates a structural dependency on imports of goods and services and could place pressure on the country in terms of its foreign exchange reserves, its macro-economic stability. Although the overall tendency is directed at the growth of trade volumes, the data also demonstrates the intervals of a significant fluctuation, which can be explained with references to the interactions of the domestic economic situation, international economic dynamics, and changes in government trade policy.

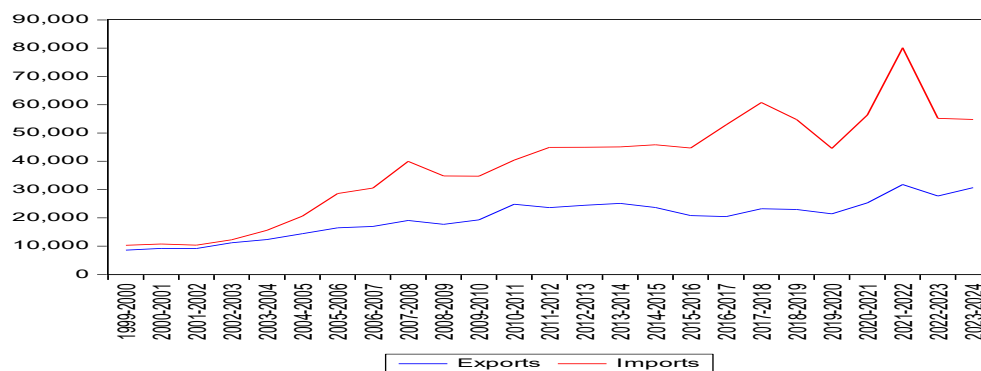


Figure 1

The study of certain periods during this time can shed more light on the manner in which Pakistan has been involved in international trade. The initial

period when the export level was relatively low and the import low as well, but the surplus of imports has already been revealed with 1999-2000 to 2002-2003.

Bigger increases in exports and imports are recorded in a period between 2003-2004 and 2007-2008, that may be associated with the stage of economic growth and rise in global trade activities. However, notably, the difference between imports and exports becomes very big within this period. During the fiscal year 2008-2009 the export value declines and the imports have been kept at a rather high stage thus indicating the global financial crisis to have hit the Pakistani export industry.

This is followed by a recovery and rise in exports in the period of 2009-2010 to 2014-2015. Nonetheless, the imports are on the increasing curve, resulting in the further growth in the trade deficit. The period 2015-2016 to 2017-2018 is a worrying period because during the time the exports reduce drastically and the imports are recorded at maximum values during the analysis period leading to the highest trade gaps ever recorded in the dataset. Quite surprisingly, the 2018-2019 to 2020-2021 period shows a possible change as exports seem to have recovered and imports were seen to have temporarily decreased in 2019-2020 which could have been caused by a policy shift or some sort of realignment of the economy. The values of importation however pick up in 2020-2021. The economic year of 2021-2022 surpasses all expectations in terms of a phenomenal growth in the level of international trade with the exports and imports standing at their highest ever recorded levels

though the trade deficit not only continues to persist and also to increase together with the current value surpassing the value achieved during the economic year of 2020-2021. Lastly, more recent data series representing 2022-2023 and 2023-2024 indicate shrinking trade deficit with the main cause being an enormous fall in imports, while the shrinkage in exports is not as quite low.

To sum up, the longitudinal data on the exports and imports to Pakistan highlights substantial presence in the world trade as well as sustained and sometimes significant trade deficit. The ups and downs over the years are most probably due to the effects of diverse domestic and foreign economic conditions and changes in policy. Although the long-term tendency has been that of growing dependency on imports which outgrow exports, the latest statistics provide a ray of hope that there can be an improvement in the balance of trade. This could use a more detailed review of items traded as well as goods and services, nature of the trade relationship with leading trade partners, and the influence of the macroeconomic policies towards the international trade performance of Pakistan.

3.13. Pakistan Non-Tariff Measure (NTM):

Pakistan Top ten most imposed non-tariff measures

Measure ^①	NTM Coverage Ratio	NTM Frequency Ratio ^②	NTM affected product - Count ^③	NTM affected Trade ^④
Licensing for non-economic reasons n.e.s. (E129)	21.26%	0.13%	6	10,394,552.85
Certification required by the exporting country (P620)	12.92%	7.61%	282	3,018,926.54
Export Registration requirements (P140)	12.31%	5.34%	198	2,876,349.91
Inspection requirement (P610)	10.79%	4.91%	182	2,520,902.21
Licensing or permit requirements to export (P130)	6.80%	6.77%	251	1,589,228.33
Certification requirement (A830)	5.27%	10.95%	518	2,575,614.56
Labelling requirements (B310)	4.47%	2.30%	109	2,185,075.82
Registration requirement for importers for TBT reasons (B150)	4.37%	1.12%	53	2,138,918.62
Export technical measures, n.e.s. (P690)	4.36%	5.93%	220	1,017,855.17
Other formalities, n.e.s. (C900)	3.48%	6.19%	293	1,701,913.43

Figure 2

3.13.1. Licensing for Non-Economic Reasons (E129):

This measure is licensing provision which is not placed to regulate the economy, but on other grounds like religion, environment or public morals. Although its scope is restricted to just six lines of products, it encompasses more than 21 percent of the total imports, which presents an idea that such licenses are issued on very high-valued or strategically important items. The ratio of low frequency (0.13%) serves to prove that they have such a disproportional effect on trade, although they are very infrequent.

4.13.2. Certification Required by the Exporting Country (P620):

In this provision, the exporters are required to acquire certificates with their national authorities in their respective countries and at times the certificate is to show consistency with the country importing. It is wide, as it has a coverage ratio of almost 13 percent, and it is heavy as 282 of its products are involved in it. The large ratio in the high frequency (7.61%) shows that this is a typical need, and it creates regulatory hurdles and compliance burden to the exporters, especially those who are involved in processing of goods and machinery.

4.13.3. Export Registration Requirements (P140):

In this NTM, exporters are required to be registered to authorities before exportation of specific goods. It exceeds 12 percent of the general imports in Pakistan, and has the impact on 198 lines of products. Although it can be used by government to keep track of exports of sensitive or strategy/sensitive products, it comes with bureaucracy leading to delays on part of exporter and also may deter smaller exporters based on the complexity or black-box nature of the process.

4.13.4. Inspection Requirements (P610):

This measure necessitates inspections to certify goods as safe, of quality, or standards before they are crossed over the borders. Ranging 10.79% over imports and covering 182 goods, such an action allows verifying its regulatory compliance and may lead to delays in shipments or even costs growth. It is of particular importance to activities providing food, chemicals, or medicines.

4.13.5. Licensing or Permit Requirements to Export (P130):

The exporters should acquire shipping permits or licenses to export some products to other countries. The coverage ratio is 6.80% and the high frequency ratio is 6.77 and this is an extensively employed control mechanism. In as much as it might be useful in maintaining compliance and traceability, the administrative cost might limit the competitive advantages of exports, especially in such markets where time is of essence.

4.13.6. Certification Requirements (A830):

This is a local certification of imported items, which must conform to standards like environmental, quality or safety standards. The measure most consistently applied is also the provision of a lower rate to imports (a decrease in the basic rate) and it applies to 518 product lines when averaging the applied rates in the 5.27 percent of total imports. Such extensive application can imply a regulatory dispersion and the necessity of harmonization to limit the cost imposed on the importers by compliance.

4.13.7. Labelling Requirements (B310):

Labelling requirements require certain information on product packaging e.g. expiry dates, ingredients and country of origin. It is also typical to find in customer-oriented industries with the coverage ratio of 4.47% and 109 products covered.

4.13.8. Registration Requirement for Importers for TBT Reasons (B150):

This test involves the importers to be registered so that they could meet the technical regulatory compliance, traceability in many cases or proper documentation. It is fairly niche with a coverage rate of 4.37 percent and only 53 products affected, though it might be a barrier to new players and SMEs. Its low frequency ratio (1.12%) even implies selective prosecution.

4.13.9. Export Technical Measures, n.e.s. (P690):

The all-encompassing broad category incorporates unspecified technical export requirements such as documentation standard, technical specs or technical controls methods. It might be an indication of

uneven regulatory practices since it covers 4.36% of the imports and touches on 220 products. Uncertainty might be experienced by exporters under this measure as there might not exist clear or harmonized rules.

Other Formalities, n.e.s. (C900):
Such a wide measure embodies the minor

administrative processes like the extra declarations related to customs or documents or payments that would not be captured as any other NTM. It covers a lower percentage of 3.48%, but it applies to 293 product lines, and according to the frequency ratio of 6.19 percent, it is often used. Such formalities may also add a lot to felt red tape and border holdups.

3.14. Pakistan Non-Tariff Measures by Sectors

Sector	NTM Coverage ratio	NTM Frequency ratio	NTM affected product - count	NTM affected trade
Animal	100.00%	100.00%	147	252,681.58
Fuels	86.16%	8.11%	3	10,310,686.69
Hides and Skins	65.53%	57.63%	34	79,065.79
Transportation	54.44%	25.41%	31	1,691,447.97
Footwear	38.64%	31.91%	15	39,795.18
Vegetable	34.06%	48.34%	146	1,733,983.86
All Import Products	33.12%	15.24%	721	16,196,818.69
Chemicals	25.75%	15.29%	111	1,471,589.49
Miscellaneous	15.79%	15.80%	55	188,928.47
Stone and Glass	14.73%	17.24%	30	66,410.26
Wood	10.26%	6.76%	15	103,602.34
Food Products	4.17%	23.53%	44	35,450.47
Mach and Elec	1.90%	0.65%	5	173,191.19
Textiles and Clothing	1.05%	8.77%	67	32,497.84
Plastic or Rubber	0.54%	3.33%	7	13,474.84
Metals	0.10%	2.04%	11	4,012.71

Figure 3

3.15. Weighted Average Tariff

The graphical representation of the AHS (Applied Harmonized System) Weighted average Tariff (%) of the years 1999-2000-2023-24 indicates that the tariff regime of Pakistan as highly declining in the last 20 years. The sharpest decrease was registered in the initial years, and notably during the periods 1999 to 2000 and 2002 to 03, when average tariff level reduced sharply with amounts of about 23 percent and 13 percent respectively. The strong decline is the result of aggressive early sources of liberalization, which are probably related to structural adjustment programs, WTO commitments, and a more general trend towards opening markets.

A lesser rate of decline in tariffs has been witnessed since 2003-04 to 2018-19, after this initial plunge. The average tariff was within the 10-8 range during this period implying that there was still some

progress but this was modest in lowering trade barriers. Small positive variations over the year such as 2013-14 and 2015-16 could be indicating short term recoveries or safety nets to some of the domestic industries possible due to economic shocks or industry pressures due to lobbying.

Over the recent years, starting 2019 and subsequently the following year, the tariffs have remained relatively flat and have fluctuated at a small range between 7 and 9 percent. A relatively strong rise in about the 2021-22 period can be assigned to such factors as emergency fiscal actions or variations in trade policy due to extra-regional happenings like the COVID-19 pandemic or balance-of-payments limitations. By 2023-24 the weighted average tariff seems to have reached the levels between about 7.5% indicating that the current trend of liberalisation has plateaued and that in the future an increased role

might be given to non-tariff measures or even regulatory instruments as an alternative trade policy

instrument.

AHS Weighted Average Tariff (%)

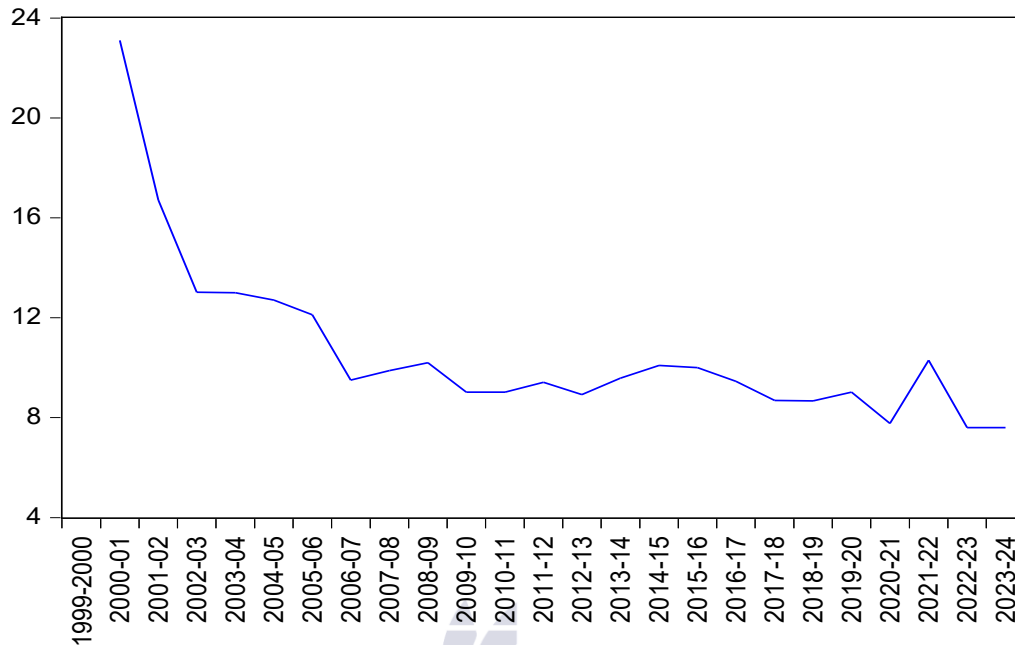


Figure 4

4. CONCLUSION

The history of the formulation of Pakistan trade policy exhibits an apparent shift between protectionist trade to an open and liberal trade policy. On its part, Pakistan has been implementing a number of reforms to cut down tariffs, make exports easier and diversify its trade basket. The embrace of multi-annual Strategic Trade Policy Framework (STPF) has brought in the much needed strategic orientation with emphasis on competitiveness, regional integration and market diversification. Nonetheless, there still exist certain setbacks that have neutralized the attainment of trade expectations in Pakistan. Expensive business environment, fragmented policy, weak institutions, and inadequate participation in global value chains are among the barriers. Poor export growth and competitiveness are also hampered by the existence of non-tariff barriers and the existence of cumbersome regulatory procedures. At the end of this study, the researcher finds that although Pakistan has made significant efforts in order to modernize its trade policy, there is need in the country now to work towards increasing institutional

capacity, improving infrastructural facilities, cutting compliance cost, and improving sophistication in terms of products. To achieve sustainable-long term export-led growth, integration in global value chains, development of digital trade and entry into non-traditional markets is critical. There should be proper surveillance, policy fine-tuning and enhanced coordination of institutions involved in trade and turning policy aspirations into reality.

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