Evaluation of Export Sector of Pakistan; Policies, Regulations and Practices

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Abstract:

The export sector plays a crucial role in Pakistan's economy, driving GDP, industrial growth, and foreign exchange revenues. However, Pakistan's export performance faces significant challenges, including over-reliance on textiles, insufficient diversification, and structural inefficiencies. This paper explores the factors limiting growth, such as regulatory bottlenecks, poor infrastructure, and limited value addition. It identifies promising sectors like IT, pharmaceuticals, and agriculture-based products, which could boost export revenues if developed effectively. To overcome these challenges, a comprehensive policy framework focused on export diversification, infrastructure improvement, and market expansion is necessary. The paper offers actionable recommendations, drawing on international best practices, to modernize Pakistan's export sector, enhance competitiveness, and foster sustainable economic growth. The findings highlight the importance of strategic interventions to transform the sector into a key driver of economic development.

Key words:

Export Diversification, Industrial Growth, Pakistan Economy, Policy Framework, Trade Competitiveness.

Introduction

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The export sector plays a fundamental role in Pakistan's economy, acting as a crucial driver of economic growth, job creation, and foreign exchange revenue. In the context of a globalized economy, a nation's capacity to competitively export goods and services is essential for maintaining economic stability and promoting sustainable development (Reda Cherif and Fuad Hasanov, 2024). For Pakistan, the export sector presents significant opportunities not only for improving the balance of payments but also for advancing industrialization, boosting productivity, and connecting with global value chains. Despite the acknowledgment of the strategic significance of exports by successive governments over the years, the sector continues to encounter structural challenges that impede its growth.

Pakistan's export sector contributes significantly to the country's gross domestic product (GDP). According to the Pakistan Economic Survey, exports accounted for approximately 8-10% of GDP over the past five years i.e. year 2018 to 2023. This figure underscores the importance of increasing export volumes and diversifying the export base to reduce reliance on external borrowing and improve the trade deficit. With the country's imports consistently exceeding exports, the resulting trade imbalance has placed pressure on foreign exchange reserves and the value of the Pakistani rupee. Strengthening the export sector is, therefore, not just a policy priority but a necessity for achieving macroeconomic stability.

Over the last five years, Pakistan's export performance has exhibited both resilience and challenges. From fiscal year 2018 to 2023, export earnings fluctuated between USD 21 billion and USD 32 billion annually. The textile sector, which accounts for approximately 60% of total exports, has been the backbone of the country's export profile. Key products include garments, bed linens, and cotton yarn, which are primarily exported to markets such as the United States, the European Union, and China. Despite global disruptions caused by the COVID-19 pandemic, the textile sector managed to sustain its performance, largely due to government support measures such as reduced energy tariffs for exporters and the reinstatement of the Generalized Scheme of Preferences (GSP+) status by the EU and the US.

However, Pakistan's export sector remains overly reliant on textiles, leaving other industries underdeveloped and untapped (PBC, 2022). Agriculture-based exports, such as rice, fruits, and vegetables, contribute a modest share to overall exports but hold significant potential for growth. Similarly, the information technology (IT) sector has emerged as a high-potential area, with IT exports surpassing USD 4.2 billion in fiscal year 2024 (PRAL, 2024), a significant increase from previous years. Despite this growth, Pakistan's IT exports remain far below their potential, especially when compared to regional competitors like India and Bangladesh.

Other sectors with untapped potential include pharmaceuticals, engineering goods, and the mining of minerals such as copper and gold (Mulabdic, J. Varela, 2023).

The underutilization of these sectors can be attributed to various factors, including limited value addition, inadequate infrastructure, and a lack of investment in research and development (R&D). Moreover, Pakistan's exporters face challenges such as inconsistent energy supply, regulatory bottlenecks, and limited access to international markets. Addressing these issues requires a comprehensive policy framework that prioritizes export diversification, enhances product quality, and fosters innovation.

To unlock the full potential of Pakistan's export sector, strategic interventions are required. Pakistan has the ingredients to transform its export sector into a driver of economic prosperity. This situation requires that policymakers must adopt a forward-looking approach to harness this potential and ensure sustainable growth for the nation's economy.

Problem Statement

The export sector serves as a fundamental component of Pakistan's economy, significantly contributing to foreign exchange generation, fostering industrial development, and facilitating economic advancement. However, the export sector has experienced stagnation for an extended period, with exports failing to expand despite the belief that its potential has yet to be fully tapped. Therefore, there is need to critically examines the current state of Pakistan's export sector, analyzing existing policies, regulations, and institutional frameworks to offer practical recommendations aimed at achieving sustainable growth.

Scope of the Study

This research investigates the present condition of Pakistan's export sector. It evaluates the legal and institutional frameworks, highlighting their strengths and weaknesses. Utilizing a SWOT-EETH analysis, the study assesses the regulatory bodies involved, such as the Ministry of Commerce the Trade Development Authority of Pakistan and Federal Board of Revenue, while also examining governance and service delivery through the Blavatnik School of Government's Oxford Index of Public Administration (OIPA). Furthermore, the research includes comparative analyses with successful export nations like India and Vietnam to pinpoint deficiencies and extract actionable insights. The study also benchmarks Pakistan's export practices against international standards, offering specific recommendations and a practical implementation strategy aimed at improving the sector's growth, competitiveness, and sustainability.

Research Methodology

The following methodologies have been used for research.

- Mixed methods have been applied.
- Secondary data (qualitative & quantitative)

- Acts, Regulations, Policies and Projects
- Field visit of TDAP office in Peshawar and Zoom Meetings (Additional Secretary Trade Policy, Ministry of Commerce, and Ex. Member Customs, Federal Board of Revenue)
- Articles, Journals and Websites

Literature Review

Over the years, various studies have been conducted to evaluate the performance, challenges, and policy frameworks of Pakistan's export sector. This literature review highlights the findings from academic and policy-oriented research to provide a comprehensive understanding of the subject.

Export Sector Performance and Trends:

The reduction in exports is regarded as a primary factor contributing to the increasing trade deficit of Pakistan, a persistent challenge that the nation has encountered since the onset of the century. Over the past twenty years, the share of exports in the country's GDP has decreased from 16% to 10% (World Bank, 2021). The economic survey 2024 highlights that the country's export base is highly concentrated, with textiles constituting over 60% of total exports. This reliance on a single sector makes the economy exposed to global demand fluctuations. A research study also point out that limited export diversification is a significant barrier to achieving sustainable growth (Maha Khan and Uzma Afzal, 2016).

Policy Framework and Effectiveness:

The Government of Pakistan has implemented various policy measures to promote exports, including the Strategic Trade Policy Framework (STPF), Export Finance Scheme, Export Facilitation Scheme etc. and sector-specific incentives. According to the Pakistan Economic Survey (2023), these initiatives aim to enhance competitiveness, improve market access, and encourage value addition. However, lack of policy coherence and inadequate implementation mechanisms often undermine these efforts (Afia, Ejaz, 2017). Moreover, the frequent changes in trade policies create uncertainty, discouraging long-term investment in export-oriented industries.

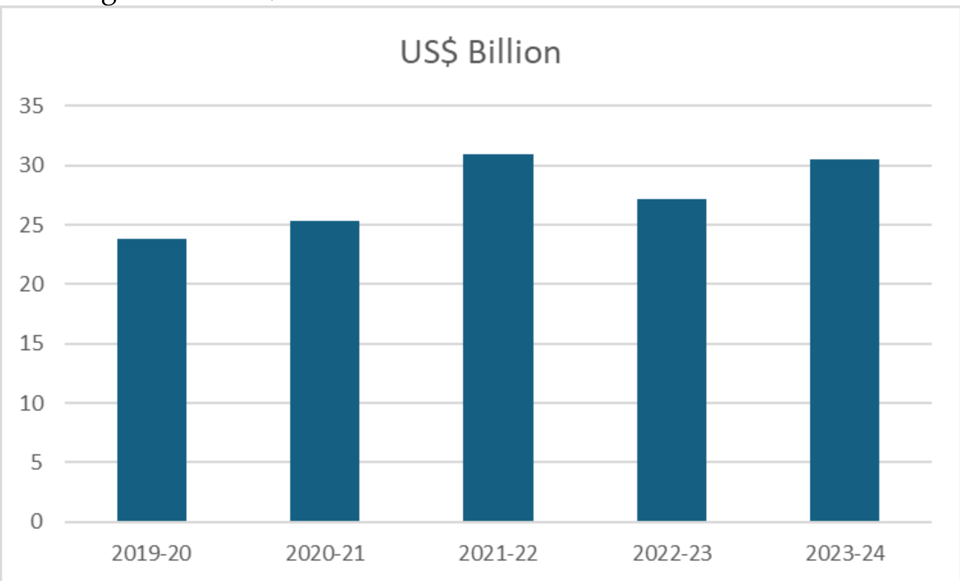
Regulatory Environment:

Studies emphasize that Pakistan's regulatory framework poses significant challenges to exporters. World Bank's Doing Business Report (2023) identify the cumbersome procedures, inefficient customs operations, and poor enforcement of intellectual property rights as critical barriers.
These factors increase the cost of doing business and reduce the competitiveness of Pakistani exports in global markets. Furthermore, the World Bank's Doing Business Report (2023) ranks Pakistan at 108th position out of 190 in terms of trade facilitation, indicating the need for substantial reforms.

The private sector's contribution to the export sector is significant, but challenges such as limited access to finance and inadequate infrastructure affect its potential. Asian Development Bank emphasized the importance of enhancing collaboration between the public and private sectors to address these issues. Additionally, (Ali Mufti, Imran Ali, 2024) highlight the role of export-oriented small and medium enterprises (SMEs) in driving growth but note their struggles with scaling operations due to limited policy support.
Global Market Dynamics and Competitiveness:
Pakistan's export sector faces intense competition from regional players like India, Bangladesh, and Vietnam. Pakistan's inability to adapt to changing global market trends, such as demand for high-value and environmentally sustainable products, has resulted in declining market shares (Asif Mehmood, Waqas Ahmad, 2017). The absence of innovation and technology adoption further worsens this issue.

1.1 Current Status of Pakistan Export Sector:

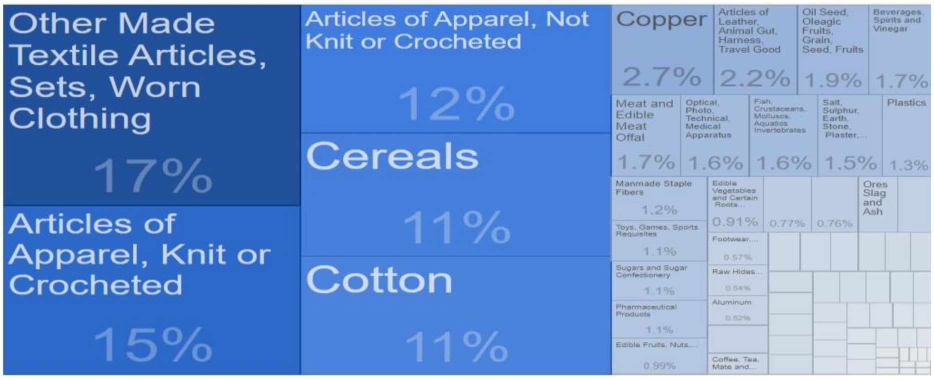
During the last five years the exports of Pakistan achieved its highest level in 2021-22 when the exports were US$30.9 billion and since then it was hovering around US$30 billion.



Source: Pakistan Customs

Pakistan's exports data reveal that its base is quite narrow, highly concentrated in a few commodities namely, textile and clothing, leather, rice, chemicals, pharmaceuticals, and sports goods. These six categories of exports accounted for about 66 percent of total exports during 2023-24 with Textile and cotton manufactures alone contributing 55 percent.

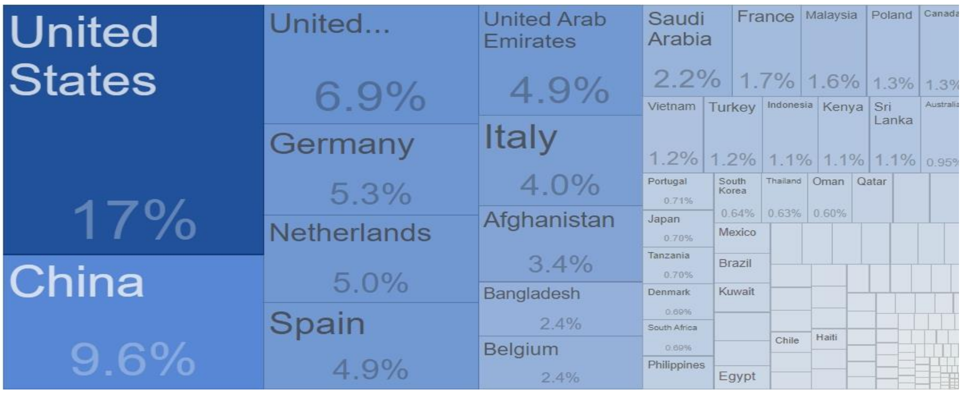
Table-II



Source: United Nations COMTRADE database on international trade

Similarly, Pakistan's export destinations during last five years were also limited, heavily concentrated among a few major trading partners, i.e EU, USA, China, UAE and Afghanistan.

Table-III



Source: United Nations COMTRADE database on international trade

Exports to the EU and US are predominantly textiles and apparel, benefiting from preferential trade agreements like GSP plus. Exports to China and the Middle East are more diversified, including copper, rice, leather, and surgical instruments.

A comparison of Pakistan export performance with its regional counterpart countries during last five years is given in the following table:

Table-IV

Exports to the World (US$ Billion)

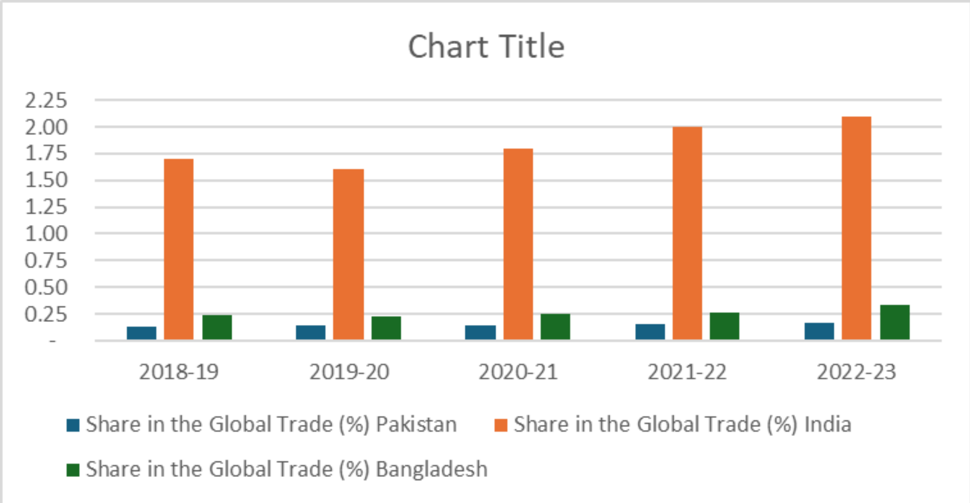
Year	Pakistan	India	Bangladesh
2018-19	22.50	529.00	40.50
2019-20	23.82	498.00	38.80
2020-21	25.30	672.00	45.40

2021-22	30.90	751.00	52.10
2022-23	27.10	776.00	67.00

Source: ITC Trademap

The share of the Pakistan exports in the global trade as compared to its regional countries remained as follows.

Table-V



Source: ITC Trademap

1.2 Legal and Institutional Framework:

The Constitution of Pakistan provides the foundation for a legal framework that supports and promotes trade. Specifically:

- **Article 18:** This article guarantees the right to freedom of trade, business, and profession. This fundamental right ensures that individuals and businesses can engage in trade activities without undue restrictions.
- **Article 161:** This article empowers the Federal Government to regulate foreign trade and commerce. This authority allows the government to enact laws and policies that streamline trade procedures and reduce barriers to trade.
- **Article 162:** This article grants the Federal Government the power to establish and regulate corporations. This power can be used to create and oversee institutions that promote trade and investment, such as the Trade Development Authority of Pakistan (TDAP).

While these constitutional provisions do not directly address trade facilitation, they create a legal framework that enables the government to implement policies and initiatives that support and promote trade. The specific laws and regulations related to trade facilitation are typically enacted by the Federal Government under its powers to regulate foreign trade and commerce.

1.3 Key Policies, Regulations for Export Development in Pakistan:

Following are the main policy level interventions by the Government for the export development and promotion in Pakistan

- **Strategic Trade Policy Framework (STPF) (2020-25):**
  This framework provides a roadmap for enhancing exports by focusing on market access, diversification, and incentives. It prioritizes specific sectors to improve their productivity and competitiveness.
- **Export Policy Order (EPO) (2022):**
  The Export Policy Order outlines guidelines for export operations and establishes regulatory mechanisms for export procedures.
- **National Tariff Policy (NTP) (2019-24):**
  The NTP focuses on rationalizing tariffs to make raw materials and intermediate goods more affordable for exporters. It aims to promote value addition and discourage the export of raw materials.
- **Export Facilitation Scheme (EFS):**
  The scheme is emphasized on providing duty drawbacks for the inputs for the export-oriented units.
- **Export Finance Scheme:**

  Managed by the State Bank of Pakistan, the EFS provides short-term financing to exporters at concessionary rates.

  - **Long Term Financing Facility (LTFF):**

  Managed by SBP, under LTFF, Participating Financial Institutions (PFIs) provide long term local currency finance at a concessional rate of 6% as compared to normal KIBOR (which is higher) for purchase of plant and machinery to be used by the export-oriented projects meeting specified criteria.

- **Duty Drawback of Taxes (DDT):**
  Exporters are reimbursed for taxes and duties paid on inputs used for exportable products.

  - **Free Trade Agreements (FTAs) and Preferential Trade Agreements (PTAs):**

  Pakistan has signed FTAs and PTAs with countries like China, Malaysia, Sri Lanka, and Indonesia, offering preferential access to various markets.

  - **Customs Act, 1969:**

  This act regulates customs procedures and provides the legal framework for import and export operations.

1.4 Analysis of the Legal and Policy Framework Governing Pakistan's Export Sector:

Pakistan's export sector operates under above mentioned legal and policy frameworks. These policies have been developed to facilitate trade, minimize obstacles, and improve competitiveness in international markets. Although these policies provide the basis for development, however, there are challenges associated with the effectiveness of these policies in development and promotion of exports from Pakistan. The analysis given below discuss the strengths and weaknesses of these policy and legal frameworks and identifies the reforms that could enhance the potential of Pakistan's export sector.

Table-VI

Framework/Policy	Strengths	Weaknesses	Reforms Needed
Strategic Trade Policy Framework (STPF)	• Provides a comprehensive roadmap for export growth, focusing on market access and diversification. • Identifies priority sectors for export enhancement, such as textiles and IT services. • Incorporates performance-based incentives to encourage exporters.	• Lack of consistent implementation due to frequent policy changes and political instability (Khan, 2020) • Insufficient monitoring and evaluation mechanisms to track progress against objectives. • Limited integration with industrial and investment policies.	• Ensure policy consistency by aligning STPF with industrial and investment policies (Khan, 2020) • Establish robust monitoring and evaluation mechanisms to track policy outcomes effectively at federal as well as provincial and district level like China.
Export Policy Order (EPO)	•Simplifies export procedures and sets clear regulatory guidelines for exporters. •Focuses on promoting non-traditional exports and value-added products.	• Overlaps with other trade-related policies, creating confusion for exporters. • Limited awareness among SMEs about the benefits and provisions of the policy.	• Simplify regulatory overlaps and increase awareness through targeted outreach programs (Ahmad, 2022).
National Tariff Policy	• Aims to create a predictable and rationalized tariff structure to promote industrial growth. • Focuses on reducing tariffs on raw materials and intermediate goods to lower production costs	• Tariff anomalies persist, with high tariffs on input for key export industries (Pasha, 2021). • industries are still facing high costs due to non-tariff barriers as the non-tariff barriers have not been rationalized in the NTP.	• There is need to address tariff anomalies and enforcement of tariff reductions effectively. Further, the non-tariff barriers must also be addressed in the NTP (Pasha, 2021). • Develop a rationalized tariff structure to support long-term industrial growth (World Bank, 2020).

Export Facilitation Scheme	• Encourages SMEs to participate in exports through incentives and streamlined procedures.	• Limited adoption by SMEs due to lack of awareness and bureaucratic hurdles. • Complex application procedures reduce its effectiveness (Ahmad, 2022). • Operational misuse by the importers and issues of monitoring. • EFS discourages industrial manufacturing and consciously encourages imports & trading.	Simplify application procedures and provide training programs for SMEs to enhance adoption (Ahmad, 2022).
Export Finance Scheme (EFS) and Long-Term Financing Facility (LTFF)	• Provides low-cost financing to exporters to improve liquidity and competitiveness.	• Access is skewed towards large firms, with SMEs often excluded due to stringent requirements (World Bank, 2020).	• Expand access for SMEs by relaxing collateral requirements and reducing administrative delays (World Bank, 2020).
Duty Drawback of Taxes	• Encourages investment in export-oriented industries through long-term credit.	• High administrative costs and delays in disbursements reduce the scheme's effectiveness.	• Introduce transparent refund mechanisms and expedite processing times to address liquidity issues (Khan, 2020).
Free Trade Agreements (FTAs)	• Enhance market access for Pakistani exports in key regions, such as China and Malaysia. • Reduce tariff barriers, making Pakistani products more competitive.	• Limited utilization of FTAs due to non-tariff barriers and insufficient export readiness. • Trade imbalances persist, with Pakistan importing more than it exports under most agreements (Hussain, 2019).	• Focus on resolving non-tariff barriers and enhancing export readiness to fully utilize FTAs (Hussain, 2019) • Conduct regular reviews to address trade imbalances effectively (Ahmad, 2022).
Customs Act, 1969	• Provides a comprehensive legal framework for regulating customs operations and facilitating trade. • Includes provisions for modernizing customs	• Outdated provisions i.e. valuation rules, inspection procedures, documentation and dispute resolution conflict with modern trade requirements, slowing down clearance processes. • Corruption and	• Modernize outdated provisions and strengthen anti-corruption measures in customs operations (Transparency International, 2021). • Introduce automation in valuation methods and streamline dispute

	processes through automation i.e. WEBOC and PSW.	inefficiency in customs operations increase the cost of exporting (Transparency International, 2021).	resolution frameworks.

1.5 Institutions Responsible for Export Development and Promotion:

The key institutions which are directly and indirectly are involved in for the export development and promotion in Pakistan are as follows.

- **Ministry of Commerce (MOC)**:
  MOC Formulates trade policies and negotiates trade agreements. Ensures policy alignment with national economic goals. The policies include EPO, STPF, EFS and NTP.
- **Trade Development Authority of Pakistan (TDAP)**:
  TDAP is Mandated to promote and facilitate exports through trade fairs, market research, and capacity-building programs. Provides export intelligence and matchmaking services to exporters. TDAP is the custodian of STPF under the administrative umbrella of MOC.
- **State Bank of Pakistan (SBP)**:
  SBP offers financial support through schemes like the Export Finance Scheme and regulates foreign exchange policies to support exporters.
- **Pakistan Customs (Federal Board of Revenue)**:
  FBR facilitates trade by streamlining customs processes and implementing the customs-related provisions of trade agreements.
- **Small and Medium Enterprises Development Authority (SMEDA)**:
  SMEDA is mandated to support SMEs in accessing export markets and improving their competitiveness through training and advisory services.
- **Pakistan Software Export Board (PSEB)**:
  Focuses on the promotion of IT and software exports by supporting companies in market development and capacity building.

1.6 SWOT and EETH Analysis of Organizations Regulating Pakistan's Export Sector:

The above listed organizations play a crucial role in enhancing the efficiency and competitiveness of Pakistan's export sector on a global scale. The following analysis will assess the strengths, weaknesses, opportunities, and threats (SWOT) associated with these institutions with respect to export development and promotion, along with recommendations for reforms utilizing the EETH framework (Enhancement of strengths, Elimination of weaknesses, Taking advantage of opportunities, and Hedge against threats);

Table-VII

1. Ministry of Commerce			
SWOT Analysis			
Strengths	**Weaknesses**	**Opportunities**	**Threats**
Formulation of trade policies by focusing on diversification and growth strategies.	Limited inter-agency coordination with other export-promotion bodies.	Expanding FTAs and PTAs with emerging markets i.e. Brazil, South Korea, South Afria, Poland.	Vulnerability to political instability impacting policy continuity.
	Weak implementation mechanisms for policy enforcement (Khan, 2020).	Promoting regional trade integration under initiatives like CPEC and trade integration with central Asian states.	Global economic slowdowns affecting trade negotiations.
EETH Analysis			
Enhancement of Strengths	**Elimination of Weaknesses**	**Taking Advantage of Opportunities**	**Hedge Against Threats**
Strengthen inter-agency collaboration for cohesive export promotion.	Implement capacity-building initiatives to address weak enforcement.	Leverage CPEC to build trade corridors with other neighboring states i.e. CAS.	Institutionalize long-term trade agreements to withstand political changes.
Develop more comprehensive trade agreements with a focus on non-traditional markets.	Establish monitoring frameworks to ensure effective execution of policies.	Target trade partnerships in Africa and Central Asia for diversification.	Diversify export markets to reduce dependency on limited regions.
2. Trade Development Authority of Pakistan			
SWOT Analysis			
Strengths	**Weaknesses**	**Opportunities**	**Threats**
Arrangement and participation in trade exhibitions and promotional activities.	Insufficient budget and resources to effectively implement initiatives (Ahmed, 2022).	Collaboration with international trade bodies to improve market access.	Over-reliance on traditional sectors like textiles.
Provides market intelligence to exporters.	Limited outreach to SMEs and non-traditional sectors.	Enhancing participation in global trade fairs.	Global competition in non-traditional sectors like IT and engineering.
EETH Analysis			
Enhancement of Strengths	**Elimination of Weaknesses**	**Taking Advantage of Opportunities**	**Hedge Against Threats**
Increase budget allocations to expand promotional activities.	Enhance resource allocation for better implementation of trade fairs.	Strengthen the partnerships with global trade organizations for technical	Diversify the export base to include IT, pharmaceuticals, Chemicals, Gems, Minerals, Seafood through blue economy, meat, agriculture

		assistance.	products and engineering goods.
Introduce digital platforms for wider exporter outreach.	Develop specific outreach programs targeting SMEs.	Boost non-textile exports through targeted trade fairs.	Invest in capacity-building programs for emerging sectors.
3. State Bank of Pakistan			
SWOT Analysis			
Strengths	**Weaknesses**	**Opportunities**	**Threats**
Provides financial schemes like the Export Finance Scheme and Long-Term Financing Facility .	Limited access to financing for SMEs (World Bank, 2020).	Expanding credit facilities for IT and other emerging sectors.	Interest rate hikes impacting local financing schemes.
Regulates foreign exchange policies to facilitate exporters.	High administrative hurdles and delays in disbursements.	Partnering with private banks for better outreach.	Currency volatility affecting export earnings.
EETH Analysis			
Enhancement of Strengths	**Elimination of Weaknesses**	**Taking Advantage of Opportunities**	**Hedge Against Threats**
Expand financing schemes to include emerging sectors like IT and renewable energy.	Simplify application procedures for export financing schemes.	Offer tailored financial products for high-growth industries.	Implement hedging mechanisms to protect exporters against currency fluctuations.
Improve the accessibility of financial products to SMEs.	Partner with private banks to expand outreach.	Promote public-private partnerships to boost export financing.	Align financing rates with global trends to remain competitive.
4. Federal Board of Revenue			
SWOT Analysis			
Strengths	**Weaknesses**	**Opportunities**	**Threats**
Streamlines customs and tax refund processes.	Corruption and inefficiencies in customs operations (Transparency International, 2021).	Modernizing customs through digitization.	Resistance to reform from entrenched interests.
Implement trade facilitation policies like the Export Facilitation Scheme.	Delays in processing tax refunds for exporters.	Adopting blockchain for secure and transparent trade documentation.	Regional competitors are offering faster trade facilitation.
EETH Analysis			
Enhancement of Strengths	**Elimination of Weaknesses**	**Taking Advantage of Opportunities**	**Hedge Against Threats**

Complete automation of tax and customs processes to reduce delays.	Introduce transparent customs operations using blockchain technology.	Launch nationwide digitization initiatives to improve customs processes.	Develop a reform strategy to engage stakeholders and minimize resistance.
Provide exporters with real-time support through digital tools.	Reduce bureaucratic layers to speed up refund processes.	Train staff in emerging technologies for trade facilitation.	Benchmark processes against competitors to improve service quality.
5. Small and Medium Enterprises Development Authority			
SWOT Analysis			
Strengths	**Weaknesses**	**Opportunities**	**Threats**
Supports SMEs with training and capacity-building programs.	Limited funding restricts its outreach.	Enhancing collaboration with TDAP for SME export promotion.	SMEs face high barriers to entry in global markets due to competitiveness issues.
Provides advisory services for export readiness.	Lack of focus on sector-specific export strategies (Ahmed, 2022).	Targeting high-potential sectors like IT and organic agriculture.	Poor adoption of modern business practices by SMEs.
EETH Analysis			
Enhancement of Strengths	**Elimination of Weaknesses**	**Taking Advantage of Opportunities**	**Hedge Against Threats**
Expand sector-specific training for high-potential industries.	Advocate for increased government funding.	Use partnerships with TDAP to amplify export-related initiatives.	Subsidize entry costs for SMEs to access international markets and increase competitiveness through sector specific incentives
Increase collaboration with international SME development programs.	Design targeted programs for sectors like IT and organic agriculture.	Develop export clusters for specialized industries.	Conduct awareness campaigns on modern trade practices.
6. Pakistan Software Export Board			
SWOT Analysis			
Strengths	**Weaknesses**	**Opportunities**	**Threats**
Focused to promote IT exports.	Limited integration with global IT trade bodies.	Expanding global partnerships in IT.	Intense competition from established IT hubs like India and the Philippines.
PCEB Facilitates capacity-building and market linkages for IT firms.	Small budget relative to the sector's potential.	Enhancing digital infrastructure to support IT exports.	Lack of global certifications for Pakistani IT firms.
EETH Analysis			
Enhancement of Strengths	**Elimination of Weaknesses**	**Taking Advantage of Opportunities**	**Hedge Against Threats**
Promote global certifications for IT professionals to enhance credibility.	Increase funding for PSEB to meet industry demands.	Attract foreign investments to enhance infrastructure.	Focus on niche markets where Pakistan has a comparative advantage.

Facilitate high-value projects through government and private sector collaboration.	Build stronger relationships with global IT trade organizations.	Market Pakistan as a competitive IT outsourcing hub.	Invest in global marketing campaigns to enhance Pakistan's IT image.

2. Evaluation of Public Administration in Pakistan's Export Sector Using OIPA Framework:

The Oxford Index of Public Administration (OIPA) provides a structured approach to assess public administration, governance, and service delivery. This evaluation applies the OIPA framework to analyze the effectiveness, efficiency, and inclusiveness of Pakistan's governance and public administration systems in relation to the export sector. The relevant institutions in this regard have been assessed using OIPA index:

2.1 Effectiveness:

The term effectiveness measures how well the objectives of governance and administration are achieved. It emphasizes the importance of determining whether the goals set by governance bodies are met successfully and whether the strategies employed are delivering the intended outcomes. The said criteria focus on aligning resources, processes, and policies to achieve desired results efficiently and effectively. An analysis of the relevant institutions in this regard is given below;

Table-VIII

Organization	Strength	Challenges
Ministry of Commerce	Comprehensive trade policies such as STPF, NTP and bilateral agreements are key contributions. These policies lay the groundwork for export growth. For example, the trade agreement with China under CPEC has facilitated market access for textiles and agricultural products	Weak implementation mechanisms, lack of accountability, and inconsistent monitoring hinder policy success. For instance, the delayed execution of the Strategic Trade Policy Framework (STPF) 2020-25 has led to missed export targets and underutilization of trade agreements, highlighting gaps in effective policy follow-through (Khan, 2020).
TDAP	Organizes trade fairs and offers market intelligence, such as the annual Expo Pakistan event, which has attracted international buyers and fostered new trade relationships. According to a report by the Ministry of Commerce (2021), the event generated over $1 billion in export orders from international clients.	Limited outreach to exporters in emerging and non-traditional sectors, coupled with inadequate resource allocation, hampers the effectiveness of TDAP's initiatives in diversifying exports (Ahmad, 2022).
Federal Board of Revenue	Initiatives like web-based One Customs (WeBOC) digitize customs processes, reducing clearance times by up to 40% for Karachi port exporters.	Corruption and inefficiencies in customs operations persist, affecting service delivery (Transparency International, 2021).

State Bank of Pakistan	Provides export financing through schemes like EFS and LTFF. The financing provided to textile exporters in Faisalabad resulted in 12% increase in regional exports in 2022.	Administrative delays, such as processing times of up to 6 months for Export Finance Scheme (EFS) applications, and documentation bottlenecks in Long-Term Financing Facility (LTFF) approvals reduce the efficiency of these schemes (World Bank, 2020).
SMEDA	Offers training programs and advisory services for SMEs, focusing on export readiness. Its "Export Awareness Campaign" in southern Punjab in 2022 trained over 500 small businesses on export documentation.	Inadequate focus on sector-specific needs, such as addressing the unique challenges faced by textile hubs in Faisalabad or agricultural exporters in Sindh, and lack of outreach to remote regions, including Baluchistan and northern areas where export potential remains untapped i.e. Copper and gems etc.
PSEB	Promotes IT exports and capacity-building initiatives for the tech industry. Its 2021 "IT Startup Incubation Program" supported 50 new startups, 20 of which successfully entered international markets.	Insufficient budget restricts the ability to scale initiatives like the "IT Startup Incubation Program," which in 2021 supported only 50 startups compared to demand. Limited integration with global IT markets, such as North America (Silicon Valley), Europe, and East Asia (Japan, South Korea), prevents access to high-value IT projects. Furthermore, the IT freelancers face difficulties in global payment systems. Notably the absence of PayPal in Pakistan and limited access to advanced technical training, which reduces their competitiveness in global markets.

2.2 Efficiency:

The term efficiency assesses the allocation and utilization of resources in the provision of export-related services, emphasizing the reduction of waste and the enhancement of productivity. The analysis given below assesses whether the key institutions related to export sector development effectively utilize their financial, human, and technological resources to foster export growth, minimize administrative delays, and improve service delivery to various stakeholders;

Table-VIII

Organization	Strength	Challenges

Ministry of Commerce	Efficient utilization of trade promotion resources, including focused capacity-building programs for exporters. For example, the TDAP's collaboration with the EU-funded TRTA II program successfully implemented SPS (Sanitary and Phytosanitary) compliance measures, leading to a significant increase in the acceptance rate of Pakistani mangoes in the EU market, as documented by the International Trade Centre (ITC) report, 2021.	High bureaucratic oversight, lengthy approval processes and inadequate delegated decision-making reduce efficiency. This is evident in the delays in actualizing the benefits of Export Facilitation Scheme, which impacts on exporter's ability to access streamlined processes.
TDAP	Managing limited resources for capacity-building programs, such as exporter training workshops, which equip small businesses with essential skills for global trade. TDAP also manages data collection and market intelligence dissemination effectively, helping exporters make informed decisions without requiring extensive government funding.	Inadequate funding limits its ability to scale initiatives like regional trade fairs and exporter capacity-building programs. Additionally, the lack of digital tools to streamline internal processes reduces operational efficiency, leading to delays in program execution. A lack of resources for regional trade fairs reduces accessibility for exporters in Baluchistan and Khyber Pakhtunkhwa.
Federal Board of Revenue	implemented several initiatives to enhance the efficiency of customs processes and improve compliance among exporters like Compliance Risk Management (CRM) and digital platform like WEBOC.	Delays in tax refund processing, such as those experienced by industrial exporters, and systemic redundancies increase costs for exporters.
State Bank of Pakistan	Ensures liquidity for exporters through financial schemes. A case in point is the Export Finance Scheme, which provided $500 million in 2022 to textile exporters, boosting production.	Administrative delays in disbursements and high procedural barriers for SMEs, particularly in the manufacturing sector.
SMEDA	Provides targeted support for SMEs for export readiness. For instance, the "SME Export Development Project" in Gilgit-Baltistan has helped local businesses enter niche markets like organic apricots and cherries.	Insufficient outreach to underserved regions reduces its inclusivity and efficiency, particularly in southwestern Baluchistan where export potential is untapped.
PSEB	Facilitates IT skill development and creates market linkages for exporters. In 2021, it supported 15 IT startups in gaining contracts in North America, according to the Pakistan Software Export Board's Annual Report 2021.	Limited adoption of advanced technologies to enhance service delivery. For example, a lack of integrated CRM systems has slowed engagement with international clients by making it difficult to track client interactions, respond to inquiries promptly, and provide tailored solutions. This has particularly impacted smaller IT firms seeking long-term contracts with

		North American and European markets.

2.3. Inclusiveness:

The concept of inclusiveness evaluates governance systems, specifically assessing how well they address the needs of different stakeholders. It ensures that all segments of society, including marginalized and underrepresented groups, benefit equitably. In the context of Pakistan's export sector, inclusiveness involves providing equal opportunities for small businesses, rural exporters, women-led enterprises, and less-developed regions to participate in and benefit from export activities. By focusing on inclusivity, governance systems can unlock untapped potential and foster sustainable economic growth. In this regard, an analysis is given below to evaluate the inclusiveness of Pakistan's export sector development organizations:

Table-IX

Organization	Strength	Challenges
Ministry of Commerce	Develop inclusive trade policies aimed at regional balance. The Special Economic Zones under CPEC have prioritized less-developed areas like Gwadar for export-driven growth.	Limited execution of inclusive measures in implementation, particularly in ensuring equitable access for smaller regions such as Gilgit-Baltistan and Baluchistan, where logistical barriers and inadequate infrastructure further exacerbate the issue of regional inequality in accessing export opportunities.
TDAP	Promotes regional participation in trade fairs. For example, regional exporters from Khyber Pakhtunkhwa were given exhibition space in Expo Pakistan 2022.	Limited programs targeting emerging and potential sectors for exports, such as chemical, minerals, gems, organic agriculture and handicrafts from remote areas like Gilgit-Baltistan, where organic apricot and cherry production remains untapped, and Sindh, which has potential in traditional handicrafts like Ajrak and Sindhi embroidery. These regions face inadequate support in accessing global markets through TDAP initiatives.
Federal Board of Revenue	Simplifies processes for exporters in mainstream sectors. In addition to streamlining customs clearance, the WeBOC system integrates trade documentation, reducing errors and delays for exporters across multiple industries, including pharmaceuticals and agriculture.	Inequitable focus on traditional sectors, leaving emerging sectors underserved. For example, exporters of IT services often face higher scrutiny in tax documentation, delaying processes.
State Bank of Pakistan	Offers financing schemes accessible to a broad spectrum of	SMEs and startups often face challenges accessing these schemes

	exporters. According to the State Bank of Pakistan's Annual Report 2022, its initiative to provide collateral-free loans for women entrepreneurs facilitated access to over PKR 5 billion in credit, marking a significant step towards inclusivity.	due to stringent collateral and documentation requirements, particularly in high-risk areas like Gilgit-Baltistan, where financial infrastructure is underdeveloped, and logistical barriers further limit access to credit and support programs.
SMEDA	Provides specialized programs for SME growth. For example, the "Digital Literacy Training Programme" has trained over 200 women entrepreneurs, equipping them with essential digital skills to expand their online presence, access e-commerce platforms, and enhance business growth (The News)	Limited focus on marginalized groups, such as rural businesses and women-led enterprises in Sindh and Baluchistan. For instance, women entrepreneurs in rural Sindh often lack access to digital training programs and e-commerce platforms, while agricultural SMEs in Baluchistan face logistical barriers and inadequate marketing support to connect with national and international markets
PSEB	Promotes IT exports and skill development for youth. Its "Freelancers Capacity Building Program" trained over 5,000 individuals, including women, on digital platforms like Fiverr and Upwork, as reported at program website.	Lack of inclusivity in targeting rural freelancers as they often lack access to reliable internet, and targeted training programs that address platform-specific skills for marketplaces like Fiverr and Upwork, limiting their ability to compete in global markets.

3. Gap Analysis: Comparing Pakistan's Export Sector with Vietnam and Bangladesh:

In the year 2000, Pakistan's share of global exports was around 0.18%, Bangladesh was 0.06% and Vietnam was 0.14%. Currently, Pakistan's export share of the world's total exports has declined from 0.18% to 0.13%, Bangladesh's export share of the world's total exports has increased from 0.06% to 0.19% and Vietnam's export share of the world's total exports has increased from 0.14% to 1.17%. reaching to the level of 345 Billion US$.

Vietnam and Bangladesh have emerged as prominent players in the global export market, by leveraging targeted policies, sector-specific incentives, and robust institutional frameworks to drive their export growth. Vietnam's success in attracting foreign direct investment (FDI) for high-tech industries like electronics and Bangladesh's dominance in ready-made garments (RMG) highlight the effectiveness of strategic government interventions. In contrast, Pakistan's export sector faces persistent challenges. This analysis identifies specific measures taken by Vietnam and Bangladesh to strengthen their export sectors and highlights Pakistan's shortcomings, offering actionable recommendations to address these gaps. By adopting proven strategies from these countries, Pakistan can enhance its global competitiveness and achieve sustainable export-led growth.

Table-X

	Vietnam	Bangladesh	GAP in Case of Pakistan
Strategy and Leadership	A centralized export strategy under Vietnam's Socio-Economic Development Strategy (SEDS) 2021-2030 integrates FDI, trade facilitation, and infrastructure investments. Strategic leadership attracted tech giants like Samsung and Intel, establishing Vietnam as an electronics hub. Vietnam's electronics exports grew by 250% over a decade, reaching 40% of total exports by 2021 (World Bank, 2021).	Bangladesh's Export Policy 2018-21 included a dedicated task force for leadership coordination across ministries and trade bodies. Strong leadership in ready-made garment (RMG) sector negotiations secured GSP+ benefits from the EU. RMG exports grew from $6 billion in 2000 to $42 billion by 2022, supported by sector-focused leadership (Bangladesh Export Promotion Bureau, 2022).	Export leadership lacks cohesion across institutions like Ministry of Commerce, and FBR, leading to fragmented decision-making. Absence of a unified export vision results in weak inter-agency coordination.
Public Policy	Vietnam's proactive FDI policies, such as the Law on Investment 2020, simplify approvals and provide incentives for high-tech industries. Regular updates to trade policies ensure alignment with global trade trends. Vietnam's high-tech zones, supported by FDI-friendly policies, contributed $50 billion to exports in 2021 (UNCTAD, 2021).	Export Policy 2018-21 focused on non-textile sectors like pharmaceuticals and IT, offering subsidies and training programs. Within textile sector, the focus is on Man Made Fiber textile products. Monitoring mechanisms ensured consistent policy implementation. Pharmaceutical exports grew 25% annually from 2017-2021, driven by policy incentives (World Bank, 2017).	Policies like the Strategic Trade Policy Framework (STPF) 2020-25 lack robust implementation and monitoring mechanisms. Heavy reliance on traditional agriculture based textiles with limited support for emerging sectors like IT, pharmaceuticals, and other potential sectors like exports of Chemicals, Gems, Minerals, Seafood through blue economy, meat, agriculture products and engineering goods and within

			textile sector, the Man made Fiber textiles.
National Delivery	Seamless delivery of trade facilitation services through the National Single Window (NSW) reduced customs clearance times by 50%. Integrated logistics hubs in special economic zones (SEZs) enhanced export delivery. Seafood exports grew significantly due to efficient customs operations and logistics hubs.	UN funded the Automated System for Customs Data (ASYCUDA) modernized customs processes, reducing delays for RMG exporters. Export processing zones (EPZs) ensured efficient production-to-export delivery. Dhaka EPZ reduced production-to-export timelines by 20%, boosting competitiveness in global markets (WTO Trade Policy Review, 2019). In 2021-2022, exports from EPZs reached a record high of US\$8.65 billion.	Customs inefficiencies persist due to the limited integration of WeBOC with other regulatory agencies. Delays in SEZ development under CPEC hinder export competitiveness. A key example is Siah Dik Copper Project for export of Copper.
People and Processes	FDI projects include local employment quotas, promoting skill development in rural areas. Government training programs prepare the workforce for high-tech industries. Over 300,000 rural jobs created in the footwear sector, with women comprising a significant share (ILO, 2021).	Skills for Employment Investment Program (SEIP) trained over 300,000 workers, enhancing female participation in the RMG workforce. This project focused on the segment of the population from disadvantaged backgrounds, like helpless women, persons with disabilities (PWDs), ultra-poor, ethnic minorities, transgender, etc., to be included in the training program and secure job placement for them Women-focused financial programs empower rural entrepreneurs. Women constitute 80% of the RMG workforce, contributing to its $42 billion export value (Md. Ziauddin Iqbal, 2024)	Limited training programs for women and rural exporters in non-textile sectors. SMEs in underserved regions lack access to digital tools and infrastructure.

Based on the preceding discussion and analysis of the export enhancement strategies employed by Vietnam and Bangladesh, it is evident that Pakistan must implement the following policy-level decisions to develop a robust and efficient export sector;

3.1 Strategy and Leadership:

- Align strategies across key institutions like Ministry of Commerce, SBP, and FBR to ensure cohesive decision-making and unified vision for export growth.
- Create a 10-year plan with clear goals for export diversification and FDI attraction.
- Focus on high-value sectors such as IT, electronics, and pharmaceuticals along with other potential sectors such as high-value agriculture, Chemicals, Gems, Minerals, Seafood through blue economy, meat, engineering goods and Man-made Fiber textiles.
- Introduce tax exemptions and simplified approvals for foreign investors in priority sectors through Board of investment like Vietnam's success in attracting global tech giants like Samsung and Intel.

3.2 Public Policy

- Introduce dedicated policies for exports of IT, pharmaceuticals, high-value agriculture, Chemicals, Gems, Minerals, Seafood through blue economy, meat, engineering goods and Man-made Fiber textiles.
- Include subsidies, tax incentives, and capacity-building initiatives for non-textile sectors.
- Establish independent units to monitor export policies like STPF, ensuring timely adjustments like Bangladesh's practice of involving regional trade bodies in policy implementation.
- Facilitate compliance with certifications like Global G.A.P (Global G. A.P. is an internationally recognized certified standard that ensures Good Agricultural Practices) and labor standards to boost agriculture and dairy based exports.

3.3 National Delivery

- Full automation of customs and trade services under a Pakistan single window platform like Vietnam's National Single Window (NSW) system for seamless inter-agency coordination.
- Streamline approvals for SEZ projects and prioritize infrastructure development.
- Develop sector-specific SEZs focusing on electronics, RMG, and pharmaceuticals by incentivizing investment in public private mode.
- Modernize logistics hubs and reduce port delays, learning from Bangladesh's EPZ success which US$8.65 billion exports from EPZs.

3.4 People and Processes:

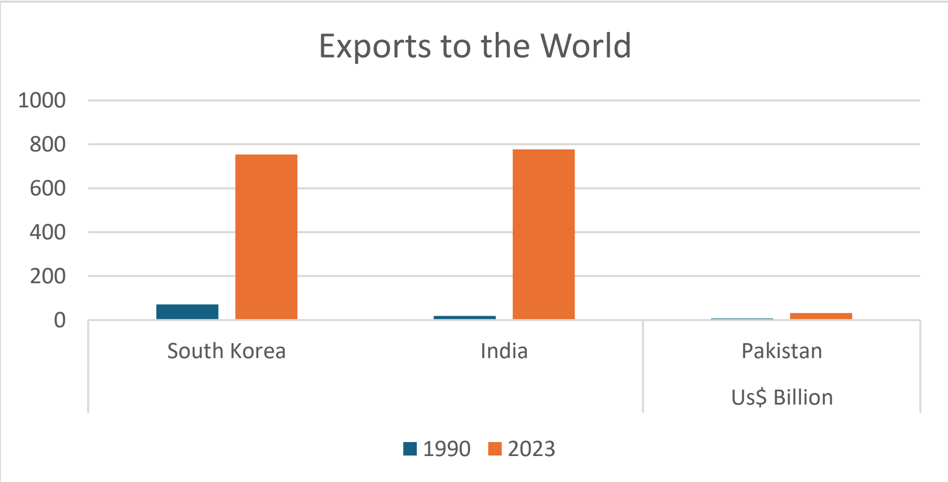
- Introduce programs like Bangladesh's Skills for Employment Investment Program (SEIP).
- Expand digital literacy, e-commerce, and platform-specific training for freelancing.

- Provide targeted financial assistance and market access to rural businesses in underserved areas like Gilgit-Baltistan and Baluchistan.
- Invest in digital infrastructure to enable participation in IT and online marketing agriculture exports.
- Launch specialized training for high-tech industries, similar to Vietnam's initiatives for electronics manufacturing.
- Collaborate with the private sector to address skill gaps in pharmaceuticals and IT.

4. Comparative Analysis of Pakistan's Export Sector with India and South Korea:

Pakistan, India, and South Korea, despite their unique cultural and regional characteristics, share similarities in their historical and geopolitical contexts. Each of these nations emerged from the significant divisions of the mid-20th century: Pakistan and India from the partition of British India, and Korea from the period of Japanese occupation. They all shared a legacy of colonial governance and encountered similar obstacles during the post-colonial phase. In the 1990s, all three countries faced challenges in their export sectors; however, India and South Korea have since made substantial advancements in their export capabilities, significantly outpacing Pakistan. A detailed comparison of the export figures for these three nations is presented below.

Table-XII



A comparative analysis given below analyze the factors driving these differences to identify areas for improvement and implement strategies to enhance Pakistan export competitiveness in the global market.

Practices	India	South Korea	Area for reform for Pakistan

Political Commitment and Government Support	Focused on export promotion through flagship initiatives like "Make in India," aimed at boosting domestic manufacturing and exports. Despite the change of Governments, the policies remain intact.	Long-term industrial strategies like the "5-Year Economic Development Plans" ensure policy continuity and support for exports which help in transition from an agrarian economy to a global industrial powerhouse, with exports of semiconductors, electronics, and automobiles.	There is a need for "Charter of Economy" among all the political parties for consistencies in the economic development policies. Strengthen political commitment by aligning national export policies with a long-term vision. Empower the institutions for consistency of the policies without political interference.
Export Structure	Highly diversified export basket, including IT services (23%), pharmaceuticals (10%), and engineering goods (15%). IT industry led by giants like TCS, Infosys, and Wipro contributes over US$300 billion annually. Policy support through the Foreign Trade Policy 2021-2026, incentivizing emerging sectors.	A global leader in high-tech exports, specializing in electronics (semiconductors, smartphones), automobiles, and machinery. Known for strong emphasis on research & development and technological innovation Exports of semiconductors alone contributed to over US$128 billion in 2022	Primarily relies on low-value-added exports, heavily concentrated in agriculture based textiles and few agriculture products (rice, cotton), and some light manufacturing. Limited diversification restricts growth potential. There is a need for export basket diversification by including exports of Chemicals, Gems, Minerals, Seafood through blue economy, meat, agriculture products and engineering goods. Within textile sector, the focus must be given to Man made Fiber textiles.

Export Destinations	Diversified export markets across regions, including Asia, Europe, and the Americas. This reduces reliance on any single market and provides greater stability.	Strong presence in global markets, with significant exports to major economies like the US, China, and the EU.1 Extensive regional trade agreements further expand market access.	Relatively concentrated on a few major markets, primarily the US and Europe. Diversification is required to decreases vulnerability to economic downturns in key markets.
Financial and Policy Support	Production Linked Incentive (PLI) Incentivizes manufacturing in key sectors like electronics and pharmaceuticals. Market Access Initiative (MAI) to Financially assist for trade fairs and market research. Trade Infrastructure for Export Scheme (TIES) funds logistics and export-related infrastructure.	Subsidized R&D in export-oriented industries like electronics and chemicals. Tax breaks for exporters and government-backed credit guarantees. Korea Trade Insurance Corporation (K-Sure) offers comprehensive export financing and credit insurance.	Enhancement of financial incentives and improvement in refund mechanisms for exporters. Foster implementation framework for Policies like EFS and LTFF to eliminate delays in implementation.
Infrastructure Development	Logistics and Digital Platforms: National Logistics Policy (2022) aims to reduce logistics costs from 13% to 8% of GDP. Digital platforms like ICEGATE streamline customs and trade documentation.	Smart Ports and Advanced Logistics: Incheon Port leads in trade efficiency through digitized systems and integrated logistics hubs.	Reduction in logistics costs and improvement of port infrastructure and fragmented customs processes to mitigate delays.
Human Capital and Skill Development	Focus on skill development through programs like the Skill India Mission to upskill the workforce for export-oriented industries.	Investments in education and R&D to prepare a workforce for high-tech industries. Industry-specific training programs in collaboration with	Development of training programs for IT, high-tech manufacturing, and export-oriented agriculture. Alignment between education and industry

	IT and engineering graduates form the backbone of the services export sector. Over 1.5 million IT professionals are employed globally, contributing to export growth.	universities. High-tech sectors like semiconductors and electronics benefit from a skilled workforce.	needs.

5. GAP Analysis for Improvement in Pakistan's Export Sector:

Based on above discussion and analysis, a GAP analysis has been made. The following GAP analysis highlights areas for improvement by identifying gaps in general and in comparison, to successful practices in Vietnam, Bangladesh, India, and South Korea, and outlines actionable reforms to address these challenges;

1. Strategy and Leadership:

Aspect	Gaps in case of Pakistan	Recommendations with Insights from Comparative Practices
Cohesive Leadership	Lack of coordination among MoC, FBR, and TDAP reduces policy coherence.	Establish a **national level leadership Council** for cohesive decision-making and export strategy, inspired by **Vietnam's centralized export strategy under SEDS 2021-2030**, which integrates FDI, trade facilitation, and infrastructure investments.
Sectoral Focus	Over-reliance on textiles with minimal diversification.	Develop a **10-Year Export Diversification Plan** focusing on IT, pharmaceuticals, and engineering goods, learning from **Bangladesh's sector-focused leadership in RMG**, which grew exports from $6B in 2000 to $42B in 2022.
Long-Term Vision	Absence of a long-term export-led growth strategy.	Establish a **National Export Vision** with clear FDI targets and sectoral goals, inspired by **India's Make in India initiative,** which combines domestic manufacturing and export promotion under a cohesive long-term strategy.

2. Governance and Public Administration:

Aspect	Gaps in case of Pakistan	Recommendations with Insights from Comparative Practices
Weak Policy Implementation	Frequent changes in trade policies undermine continuity and effectiveness.	Establish **robust monitoring and evaluation frameworks** for all export-related policies. **Vietnam's Socio-Economic Development Strategy (SEDS)** ensures policy consistency and long-term monitoring mechanisms, leading to sustained export growth.
Limited Inter-Agency Coordination	Export-related bodies like MoC, FBR, and TDAP operate in silos, reducing efficiency.	**Foster inter-agency collaboration** through joint working groups and digital coordination platforms. **Vietnam's National Single Window (NSW)** successfully integrated multiple agencies, reducing customs clearance times and improving export facilitation.
Accountability and Monitoring Deficiencies	Inadequate mechanisms to track policy outcomes and address inefficiencies.	Implement a **Charter of Economy** to ensure political consensus and continuity in export-related policies. **South Korea and India Economic Development Plans** maintain continuity and accountability through a unified national vision for economic and export development.

3. Export Diversification:

Aspect	Gaps in case of Pakistan	Recommendations with Insights from Comparative Practices
Export Concentration	Heavy reliance on low-value textiles (60% of total exports).	Expand the export base by focusing on **electronics, Chemicals, Pharmaceuticals, Chemicals, Gems, Minerals, Seafood through blue economy, meat, agriculture products, light engineering goods** and within textile sector, the focus must be given to **Man made Fiber textiles taking cues from Vietnam**, where electronics exports grew by 250% in a decade and now contribute 40% of total exports.
Market Access	Limited access for agriculture, IT, and minerals to global markets.	Improve compliance with global standards like **Global G.A.P** for agriculture and **ISO certifications for IT**, following Bangladesh's targeted initiatives that enhanced GSP+ utilization for the RMG sector and improved global market access.
Global Value Chains	Weak integration into global value chains (GVCs).	**Enhance R&D funding** and establish Sector-Specific SEZs for pharmaceuticals and electronics, mirroring **South Korea's deep GVC** integration through R&D investments in semiconductors, electronics, and automobiles.

4. Human Capital & Skill Development:

Aspect	Gaps in case of Pakistan	Recommendations with Insights from Comparative Practices
IT & High-Tech Skills	Limited focus on IT and advanced manufacturing skills for export industries.	Enhance **Digital Literacy** and High-Tech Training Programs to upskill the workforce for IT and high-value manufacturing, inspired by **India's Skill India Mission**, which contributed to $200B IT exports annually.
Marginalized Groups	Women and rural exporters face significant barriers in accessing export markets.	Expand initiatives like SMEDA's Digital Literacy Program to train rural women and SMEs, focusing on untapped regions like Balochistan and Gilgit-Baltistan, taking insights from **Bangladesh's SEIP**, which trained over 300,000 disadvantaged workers.

5. Financial and Policy Support:

Aspect	Gaps in case of Pakistan	Recommendations with Insights from Comparative Practices
Export Financing	Inefficient implementation of schemes like EFS and LTFF.	**Streamline EFS/LTFF disbursement** processes and include targeted subsidies for emerging sectors like IT and agriculture, inspired by **India's Production Linked Incentive (PLI)** program, which incentivizes manufacturing exports.
Tax Reimbursement	Absence of a reimbursement mechanism for indirect taxes.	**Improve tax refund mechanism** like **India's RoDTEP**, which reimburses embedded taxes and duties for exporters, effectively reducing export costs and boosting competitiveness.
SME Credit Access	SMEs face barriers in accessing export finance due to collateral requirements.	**Provide collateral-free loans** and simplify documentation requirements for SME exporters, following **Bangladesh's approach** to easy credit access for RMG SMEs, which facilitated exponential growth.

6. Trade Facilitation & Infrastructure:

Aspect	Gaps in case of Pakistan	Recommendations with Insights from Comparative Practices
Customs Processes	Inefficiencies in customs and limited digitization increase export costs.	Fully **integrate Pakistan Single Window (PSW)** for seamless inter-agency coordination, learning from Vietnam's National Single Window (NSW), which reduced customs clearance times by 50%.
Logistics Costs	High logistics costs and inadequate port infrastructure reduce competitiveness.	**Modernize ports, establish regional logistics hubs**, and incentivize private sector investments in logistics, inspired by **India's National Logistics Policy**, which aims to cut logistics costs from 13% to 8% of GDP.
SEZ Development	Delays in developing SEZs hinder competitiveness.	Accelerate **SEZ development** with a focus on high-value industries like electronics, pharmaceuticals, and processed foods, following **Bangladesh's success in EPZs,** which accounted for $8.65B in exports in 2021-22.

7. Trade Facilitation & Infrastructure:

Aspect	Gaps in case of Pakistan	Recommendations with Insights from Comparative Practices
FTA Utilization	Limited utilization of FTAs due to lack of readiness and market access.	**Conduct sectoral readiness assessments and improve FTA negotiations** to address **non-tariff barriers**, modeled after **South Korea's extensive FTA** network with key markets like the US, EU, and ASEAN.
Market Concentration	Dependence on a few key markets like the US and EU.	Expand market access through bilateral agreements and **trade missions, targeting Africa, Central Asia, and South America,** following **India's strategy** of diversifying exports across Asia, Africa, and the Americas.

6. The "Missing Export" and Untapped Export Markets in Case of Pakistan:

Pakistan possesses significant untapped export potential across diverse sectors. The sector like Chemicals, Pharmaceuticals, Chemicals, IT, Gems, Minerals, Seafood, meat, agriculture products, light engineering goods and Man-Made Fibers Textiles offers a prime avenue for growth. These sectors have the potential to become major export earners, catering to both domestic and international markets.

The diversification of exports is crucial for Pakistan to improve its competitiveness in the international market and attain sustainable economic development. The World Bank has evaluated Pakistan's annual export potential to be $88.1 billion citing the "**missing exports"** of US$ 61 billion (Mulabdic, J. Varela, 2023), indicating considerable opportunities for growth and the necessity to broaden the range of export products. Nations such as Vietnam and Bangladesh have effectively implemented export-driven

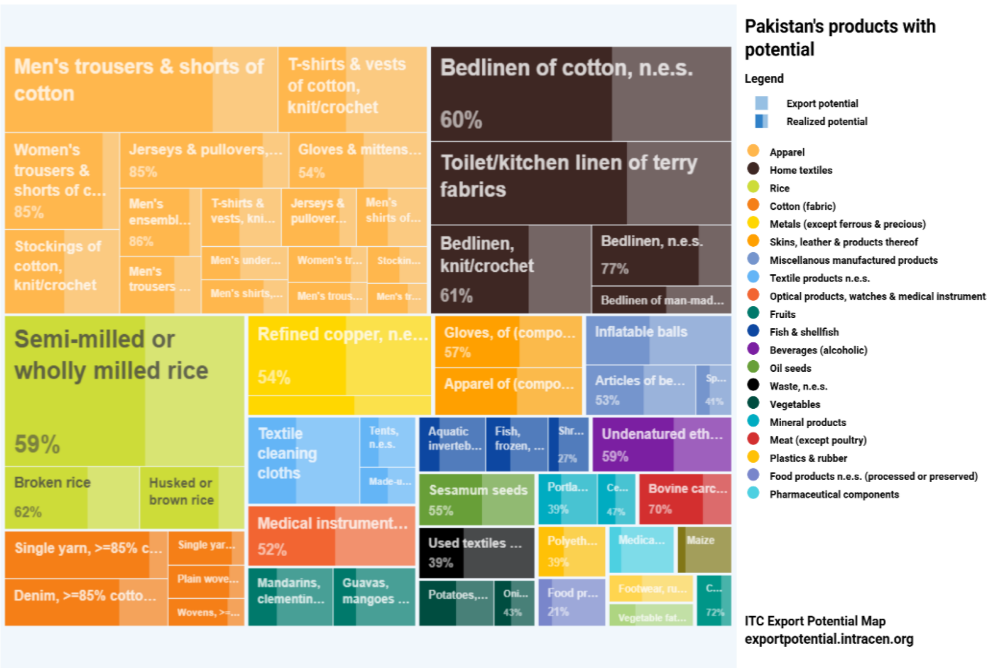
growth strategies, leading to swift industrialization and significant market shares globally, especially in the textile industry.
The world bank study has highlighted the following sectors with the potential missing exports;

Table-XIV

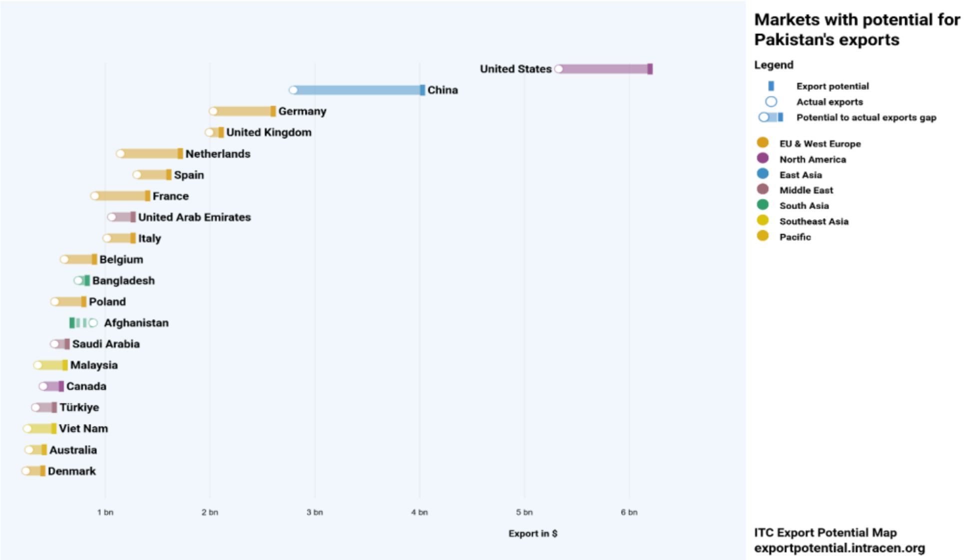
Sector	Export Potential	Current Situation
Machinery & Equipment	High	Under-exported due to lack of support .
Minerals & Metals	High	Mostly exported in raw form, with low value addition.
Chemicals & Pharmaceuticals	Moderate	Minimal focus on exporting finished products.
Non-Textile Manufacturing	High	Government focus remains on textiles, limiting diversification.

Source: World Bank

The ITC Export Potential Map, developed by the International Trade Centre (ITC), evaluates a nation's export capabilities and identifies key sectors for potential exports. The said map identifies the following sectors for the potential exports from the Pakistan in global trade;



The ITC Export Potential Map further highlights the untapped export potential of Pakistan in relation to its top 20 trading partners as follows.



In addition to the above, specific product wise export potential of Pakistan is discussed below;

Meat: China consumes 23% of the world's total beef production while Pakistan exports only 0.5% of the world's consumption.

Man Made Fiber Textiles: The global textiles and apparel trade is witnessing a significant transformation, shifting emphatically towards man-made fibers (MMF), which now constitute approximately 63% of global textiles and apparel trade, earning them the title "fiber of the future". However, the share of Pakistan in global Man-Made Fiber Textile is only 1%.

Copper: The global trade volume of Copper ores and concentrates for the year 2021 was 88 billion US dollars, with an annual growth rate of 9% and a quantity of 37 million metric tons of copper ores and concentrates exported at a cost of 2,369 US dollars per ton. However, Pakistan is exporting the Copper ores and concentrates to only one partner i.e. China at the lowest cost at 453 US $/ton. It can be a source of addition to the export volume if Pakistan manage the pricing of the product and also explore new markets such as Japan, Korea, Germany, Canada, Spain, USA, and India, etc.

Conclusion:

Pakistan energy sector is trapped in vicious cycle where Electricity Tariff is too much high for domestic and industrial consumers which has hampered the Industrial development and forcing Industrial and Domestic consumers to switch to alternate energy options by leaving National Grid as observed through Solarization Boom. This is further reducing the electricity consumption of National Grid thus further increasing electricity tariffs for remaining consumers of National Grid due to fixed capacity payments charges under IPPs agreements.

Lack of focus and investment in Renewable Energy Infrastructure has made

Thermal Production the dominant contributor in Energy Mix. Oil and Gas exploration activities are minimal despite the fact that Pakistan's power production heavily dependent upon imported oil. The Findings of research calls for policy action in the form of practical recommendations through Tailored energy polices for ensuring that the Energy Sector may play its role in Industrial development of Pakistan. The export sector in Pakistan is a crucial element of the country's economic structure, supporting growth, industrial advancement, and the generation of foreign exchange. However, despite its significant potential, the sector continues to face various structural and operational obstacles, such as excessive dependence on textiles, insufficient diversification, and fragile institutional frameworks. Tackling these challenges is essential for attaining sustainable economic growth and minimizing reliance on external borrowing.

The regulatory and policy environment governing Pakistan's exports, though extensive, is troubled with inefficiencies. Initiatives like the Strategic Trade Policy Framework (STPF) and Export Facilitation Scheme (EFS), Export Finance Scheme etc. have been undermined by inconsistent implementation and bureaucratic delays. Reforming these frameworks to ensure coherence, transparency, and integration with industrial policies will enhance competitiveness. Furthermore, strengthening inter-agency coordination among key institutions like the Ministry of Commerce, Federal Board of Revenue, Finance Divion and State Bank of Pakistan is essential for effective governance and development of an export led growth mechanism.

Pakistan's export performance has demonstrated resilience in textiles, which account for approximately 60% of total exports. However, the limited development of other sectors, such as Chemicals, Pharmaceuticals, Chemicals, IT, Gems, Minerals, Seafood, meat, agriculture products, light engineering goods and Man-Made Fibers Textiles, underlines the urgent need for diversification. Comparative analyses with nations like Vietnam, Bangladesh, India, and South Korea reveal the transformative impact of targeted strategies, sector-specific incentives, and robust governance. These countries have leveraged their policies to foster innovation, attract foreign investment, and integrate into global value chains, presenting valuable lessons for Pakistan.

Pakistan's comparative disadvantage in global trade highlights deficiencies in infrastructure, human capital, and market readiness. Lessons from Vietnam's high-tech zones, Bangladesh's ready-made garments sector, South Korea's research and development investments and India's "Make in India" initiative provide actionable insights, particularly in terms of aligning national policies with long-term visions for export-led growth. Similarly, diversifying export markets to include Africa, Central Asia, and South America can mitigate the risks of market concentration.

Unlocking the potential of potential sectors, such as Chemicals, Pharmaceuticals, Chemicals, IT, Gems, Minerals, Seafood, Meat, agriculture products, light engineering goods and Man-Made Fibers Textiles, is crucial for enhancing Pakistan's global competitiveness. Initiatives to modernize logistics, digitize customs operations, and establish sector-specific Special Economic Zones (SEZs) will further reduce trade costs and improve delivery systems. Additionally, targeted support for SMEs and rural exporters, particularly women-led enterprises, can make the export sector more inclusive and equitable.

In conclusion, a comprehensive strategy is required to revitalize Pakistan's export sector. By addressing policy gaps, enhancing institutional capacity, and aligning with regional as well as global best practices, Pakistan can transform its export sector into a dynamic driver of economic growth. The actionable recommendations identified through this study serve as a pragmatic roadmap for achieving competitiveness, sustainability, and diversification in the export landscape.

RECOMMENDATIONS

To address the challenges and capitalize on the opportunities identified in the above paragraphs, the following actionable recommendations are proposed for transforming Pakistan's export sector into a sustainable and diversified growth instrument.

1. Strengthen Policy Framework and Implementation:

1.1 Consistency in Trade Policies:

Establish a long-term National Export Vision with bipartisan support to ensure policy continuity and reduce the impact of political transitions.

1.2 Effective Monitoring Mechanisms:

Develop a centralized monitoring and evaluation framework for export-related policies like the Strategic Trade Policy Framework (STPF), inspired by Vietnam's success in tracking policy implementation.

1.3 Simplify Regulations:

Reduce bureaucratic bottlenecks by streamlining export-related processes under a unified digital platform by interlinking all regulatory bodies such as Pakistan Single Window (PSW).

2. Export Diversification and Market Expansion:
2.1 Expand Sectoral Focus:

Prioritize underdeveloped high-potential sectors like IT, pharmaceuticals, chemicals, engineering goods, and man-made fiber textiles through targeted tax incentives, subsidies, and R&D funding. Address the gap in "missing exports" by encouraging value addition in underutilized sectors such as minerals (e.g., copper), agriculture products, and seafood.

Incentivize private sector participation in manufacturing of value-added products and increased export value.

2.2 Market Access:

Establish new trade agreements and strengthen compliance with international certifications like Global G.A.P for agriculture exports, ISO standards for IT, and advanced technical benchmarks for manufacturing goods. Focus on aligning export products with demand trends in untapped high-value markets. Additionally, address non-tariff barriers that hinder access to lucrative global markets.

2.3 Untapped Markets:

Target underexplored regions such as Africa, Central Asia, and South America to reduce over-reliance on traditional markets like the US and EU. Expand exports of products like processed meats, high-quality agricultural goods, man-made fibers, and engineering goods to match global demands. Highlight the importance of diversifying both products and markets. Focus on products like copper, where exports are currently undervalued and limited to a single market, and explore opportunities in regions like Japan, South Korea, Germany, and Canada to bridge this gap.

3. Boost Institutional Capacity

3.1 Inter-Agency Coordination:

Foster collaboration among the Ministry of Commerce, Federal Board of Revenue (FBR), and Trade Development Authority of Pakistan (TDAP) through joint task forces and digital coordination platforms. 3.2 Enhanced Role of TDAP: Allocate more resources to TDAP for organizing global trade fairs, conducting market research, and supporting SMEs in non-traditional sectors. 3.3 Modernize Customs Operations: Fully automate customs processes using blockchain technology to enhance transparency and efficiency, reducing clearance times.

4. Infrastructure Development

4.1 Special Economic Zones (SEZs):

Accelerate the development of sector-specific SEZs for high-tech industries like electronics and pharmaceuticals, modeled on Bangladesh's successful EPZ framework.

4.2 Logistics and Ports Modernization:

Improve logistics infrastructure and reduce port delays by incentivizing private sector investment, inspired by India's National Logistics Policy.

5. Human Capital and Skill Development

5.1 Skill Development Programs:

Launch specialized training initiatives for high-potential sectors, including IT, high-tech manufacturing, and export-oriented agriculture, similar to India’s Skill India Mission.

5.2 Inclusivity in Exports:

Expand programs like SMEDA’s Digital Literacy Training to include rural women, small businesses, and marginalized groups in regions like Baluchistan and Gilgit-Baltistan.

5.3 Collaboration with the Private Sector:

Partner with industry leaders to design training programs that align with global export standards.

6. Financial and Policy Support for SMEs:

6.1 Expand SME Credit Access:

Simplify collateral requirements and provide subsidized credit to SMEs for entering export markets, following Bangladesh’s approach in the RMG sector.

6.2 Improve Tax Refund Mechanisms:

Introduce transparent, automated tax refund systems like India’s RoDTEP to reduce delays and improve liquidity for exporters.

6.3 Export Financing:

Enhance access to financial schemes like the Export Finance Scheme (EFS) and Long-Term Financing Facility (LTFF) by reducing administrative hurdles.

7. Innovation and R&D

7.1 Invest in Technology:

Facilitate widespread adoption of modern technologies across manufacturing, agriculture, and IT sectors by offering R&D grants, low-interest loans, and tax incentives for innovation. Establish innovation hubs and incubators to support startups in high-potential areas such as renewable energy, artificial intelligence, and biotechnology. Encourage public-private partnerships to fund and commercialize innovative solutions, leveraging lessons from South Korea's focus on high-tech industries like semiconductors and electronics.

7.2 Support High-Value Exports:

Facilitate partnerships between local businesses and global firms to leverage advanced technologies and attract expertise for value addition in minerals, agriculture, and light engineering goods to increase export revenues.

Practical Implementation Plan (PIP) for Pakistan's Export Sector:

Based on the recommendations above, a practical implementation plan (PIP) has been developed utilizing the Log Frame Matrix, which outlines specific actions, stakeholders, timeframes, and Key Performance Indicators aimed at enhancing the export sector of Pakistan:

Table-XV

Objective	Action	Stakeholders	Timeframe	Key Performance Indicators (KPIs)
Policy Strengthening	Develop a **National Export Policy** with bipartisan support.	Cabinet, Ministry of Commerce (MoC), Planning Commission, Finance Division, FBR	1 year	Adoption of the export-led growth policy.
	Introduce a **centralized monitoring mechanism (CMU)** for export policies like STPF, integrating provincial oversight for localized implementation and accountability. Establish a **Federal-Provincial Coordination Board** for Export Monitoring.	Cabinet, Ministry of Commerce (MoC), Planning Commission, FBR, TDAP, Provincial Planning & Development Departments	1 year	Quarterly performance reports from each province submitted to the CMU. inclusion of provincial KPIs in national export targets.
	Digitize regulatory processes under the **Pakistan Single Window (PSW)** initiative.	FBR, MOC, Ministry of IT.	06–12 months	80% reduction in manual processes for export compliance.
Export Diversification	Offer tax incentives and subsidies for **non-traditional sectors** (Chemicals, Pharmaceuticals, Chemicals, IT, Gems, Minerals, Seafood, meat, agriculture	MOC, Ministry of Finance, FBR, SBP	1–2 years	20% growth in exports of non-traditional sectors.

	products, light engineering goods and Man-Made Fibers Textiles).			
	Encourage value addition in **minerals, agriculture, and light engineering goods.**	Ministry of Industries, private sector, NARC, Provincial Agriculture Department.	2–4 years	25% increase in processed exports.
	Negotiate **new trade agreements** with African, Central Asian, and South American nations and **Re-negotiate** existing trade agreements where trade balance is negative.	MOC, Ministry of Foreign Affairs.	3–5 years	Signing of at least 5 new trade agreements with in European as well as U.S market.
Institutional Capacity Building	Establish a **coordination mechanisim** among MoC, Finance Division, and FBR for cohesive policy implementation.	MOC, Finance Division, FBR	6 months	Regular inter-agency meetings and joint project execution.
	Increase budget allocations for **TDAP** to support global trade fairs and SMEs.	MOC, Ministry of Finance	1 year	50% increase in SMEs' participation in trade fairs.
	Fully automate **customs processes** using blockchain and digital platforms.	FBR, Ministry of IT	2 years	Reduction of Customs clearance times by 50%.
Infrastructure Development	Accelerate development of **Special Economic Zones (SEZs)** for high-tech, Chemical and pharmaceutical sectors.	MOC, SEZ authorities, private investors	3–5 years	Operationalization of at least 3 sector-specific SEZs.

	Modernize logistics infrastructure, including ports and cold storage facilities.	NHA, Ministry of Maritime Affairs, KPT, Port Qasim Authority, Gwadar Port Authority, private sector	2–4 years	30% reduction in logistical costs for exporters.
Human Capital Development	Launch **sector-specific training programs** for IT, high-tech manufacturing, and agriculture.	SMEDA, PSEB, provincial governments	1–3 years	100,000 trained professionals across export-oriented fields.
	Expand **digital literacy programs** to rural women and SMEs in underserved regions.	SMEDA, IT Ministry, NGOs	2 years	30% increase in participation of women in exports.
Financial and Policy Support	Simplify **credit access** for SMEs by reducing collateral requirements.	SBP, MOC, commercia banks	1–2 years	20% increase in SME export contributions.
	Automate and fast-track **tax refund mechanisms** for exporters.	FBR, Ministry of Finance	1 year	80% of pending refund claims are processed within 3 months.
	Expand **Export Finance Scheme (EFS)** and LTFF to include emerging and potential sectors.	SBP, MoC	1–2 years	25% increase in financing to IT and pharmaceutical sectors.
Innovation and R&D	Establish **innovation hubs** for research in renewable energy, IT, and high-tech manufacturing.	Ministry of Science, private sector	3 years	Launch of 5 innovation hubs in priority sectors.
	Fund **value-added research** in minerals and agro-processing industries.	MOC, universities, private sector	3 years	20% growth in export-ready processed products.

Targeting Missing Exports	Identify products with high **missing export potential** (e.g., Machinery & Equipment Minerals & Metals Chemicals & Pharmaceuticals Non-Textile Manufacturing).	MOC, TDAP.	1 year	Roadmap for bridging the missing export revenue gap.
	Facilitate market entry for undervalued exports (e.g., copper, meat etc).	MOC, TDAP	2 years	Entry into 5 new high-potential markets.

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