Estimation of Export Potential for Pakistan

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Pakistan’s share in global exports is on decline

Source: United Nations Comtrade Database
## Product share of PK exports and their world counterpart

<table>
<thead>
<tr>
<th>Product Category</th>
<th>% in Pakistan total exports</th>
<th>% in world total exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Animal and vegetable oils, fats and waxes</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Beverages and tobacco</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Chemicals and related products, n.e.s.</td>
<td>2.5</td>
<td>3.4</td>
</tr>
<tr>
<td>Commodities and transactions not classified elsewhere</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Crude materials, inedible, except fuels</td>
<td>1.9</td>
<td>2.8</td>
</tr>
<tr>
<td>Food and live animals</td>
<td>10.4</td>
<td>14.8</td>
</tr>
<tr>
<td>Machinery and transport equipment</td>
<td>2.2</td>
<td>3.1</td>
</tr>
<tr>
<td>Manufactured goods classified chiefly by material</td>
<td>50.2</td>
<td>43.9</td>
</tr>
<tr>
<td>Mineral fuels, lubricants and related materials</td>
<td>3.4</td>
<td>5.3</td>
</tr>
<tr>
<td>Miscellaneous manufactured articles</td>
<td>28.6</td>
<td>26.0</td>
</tr>
</tbody>
</table>

Source: United Nations Comtrade Database
Methodology: Demand and Supply

- We mapped Standard International Trade Classification (SITC) 3 digit codes with HS 6 digits spanning from 2003 to 2018 and categorized HS codes and added technological classification Sanjaya Lall, (2000) UN classification. Following the literature in international economics, revealed comparative advantage is used for assessing exports potential.

\[
RCA = \frac{X_{Ai}}{X_{Aj}} \geq 1
\]

- Based on RCA, we sorted the HS codes from highest comparative advantage to the least comparative advantage to identify the potential exports items from supply side.

- From the demand side analysis, we sorted HS codes based on world’s fastest to slowest growing imports and then identified Pakistan’s potential exports that matched with the world fast growing demand.
Technological Classification of Pakistan’s Exports

Source: State Bank of Pakistan
Pakistan is losing its comparative advantage over time.

**Total Exports: Items Count having comparative advantage (RCA > 1)**

**Technological classification: Items Count having comparative advantage (RCA > 1)**

Source: State Bank of Pakistan
Potential Export Items from Supply Side
Comparative advantage revealed in low tech and commodities

Supply Side

Bubble size represents share in world trade

High Tech, Commodities, Medium tech, Low Tech, Natural Resource

Source: State Bank of Pakistan
Potential Export Items from Demand Side
World demand is rising faster for high and medium tech exports

Source: State Bank of Pakistan
Conclusion

- With the given production structure, Pakistan has the potential to double its exports.
- Most of this potential lies in labor intensive low tech products - good for employment.
Thank You