

Q105.

I. INTRODUCTION

"Trade expands the economic pie"

(Adam Smith)

The concepts of import substitution industrialization and export led growth are two opposing concepts. The policy frameworks are contrasting. Pakistan's economy is better suited to export led growth amid current and historical protectionist patterns. Frameworks in that respect are thus essential to transform the economy.

II. EXPLAINING KEY PHENOMENA

(i) Import Substitution Industrialisation - ISI

This concept essentially refers to the process of building local capacity in a bid to reduce reliance on foreign products. By improving local capacity

and protection a country can induce self sustainable practices and avoid reliance on foreign actors. Pakistan adopted such policy in early 1960's, leading to massive industrialization.

(ii) Export led growth

This refers to expansion of country's export base and improving the trade balance.

This results in better quality goods to be exported and higher foreign revenues.

Pakistan's export base remains weak, historically imports always outweighing its exports.

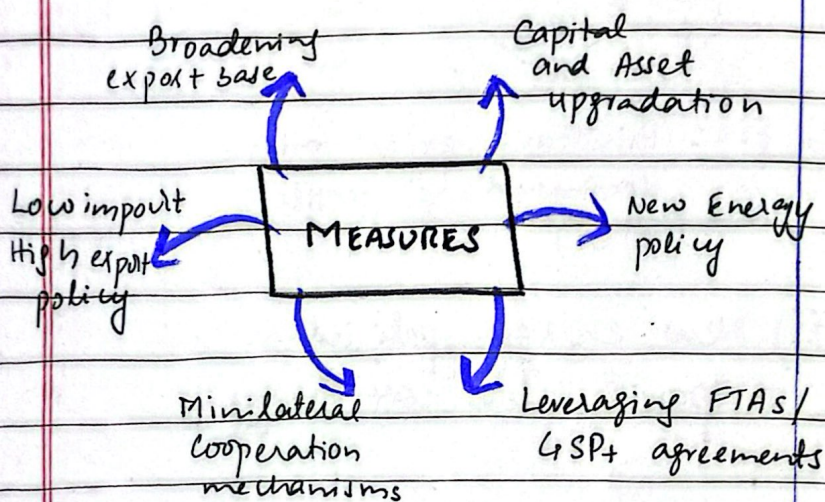
III, CURRENT TRADE ISSUES

ISSUES

- Low value addition of export products
- Small basket of exportable goods
- High import bill
- High Tariff rate makes goods expensive
- Protectionist policies eroding competition
- Expensive energy for businesses

The issues of Pakistan range from structural and policy related concerns, that are hampering economic growth. Amid such circumstances, export led strategies are essential to curb losses.

IV, EXPORT LED GROWTH TO FIX ISSUES



(i) Capital and asset upgrades to promote value-addition

The import of foreign capital and assets will help address the low quality goods problem. Upgrades are required to ensure value-addition.

Vietnam serves as an example that use mechanization as means to improve exports trade.

(ii) Broadening export base beyond few products

Pakistan's current export mix is dominated by the textile industry, followed by agricultural and livestock. Limited products offered.

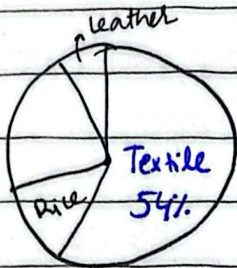


fig: Pakistan's export mix dominated by textile (PBS)

(iii) New energy policies to provide low cost energy

Pakistan provides one of highest energy costs in region. This inhibits growth and industrial output. Pakistan offers rate of 13¢ per kw, higher than South Asian peers.

(iv) Leveraging FTA's and agreements to improve trade

Pakistan has numerous agreements on trade like the Free Trade Agreements and GSP+ status with Europe. The FTAs with China provides a window into further trade. GSP+ status remains underutilized.

(v) Multilateral Cooperation to strengthen cross-border trade

Pakistan's trade is significantly low with its peers like Bangladesh, India and Iran. Most trade on western front remains informal. Formal export agreements can induce growth.

(vi) Revision of low export high import policy

Pakistan exports raw material and imports manufactured or higher quality goods. The policy needs to be reversed. Bangladesh imports low cost raw material to derive high value textile goods.

V. ISSUES WITH IMPORT SUBSTITUTION

- Requires financing amid struggling economic stability
- Leads to Protectionism and lack of competition
- Does not solve value addition problem
- IMF push towards liberalization contrasts strategy

VI. CONCLUSION

The export led growth and import substitution strategy represent two options to drive economic growth. While both have benefits, export led growth if is preferred as it aligns with macroeconomic policy, improves overall trade balance and requires less potential change in structure.

Q08:

1) PAKISTAN'S EXPERIENCE OF PRIVATIZATION

Pakistan's experience of privatization started with the initial de-nationalization in the 1970s and 80s. The privatization occurred in several stages by numerous governments that led the process for Banking sector, Telecom industry, Energy providers, and other industries.

STAGES OF PRIVATIZATION

↳ 1992 - NAWAZ SHARIF

This was the first stage in the process during which oil companies, small banks and part of telecom was privatized.

↳ 1993-1999 - SECOND WAVE

This wave was led by Benazir Bhutto and again by Nawaz Sharif. Energy sector power plants and cement industry was privatized.

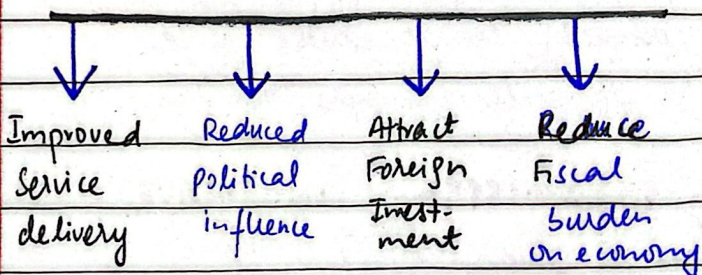
↳ 1999-2008 — GOLDEN STAGE

This is referred to as the Golden Stage of privatization as telecom sector, big banks like UBL, and part of PTCL was privatized. Major step towards private sector.

↳ CURRENT ERA — PRIVATIZATION PROGRAMME

Programme (2024-29) launched by the government. The plan is to privatize 24 SOEs in a multi-phase method. As part of the process, PIA has already been privatized in December of 2025.

IMPORTANCE OF PRIVATIZATION



The history of privatization has been long and the road map for the future is presented as a major shift in policy by government.

ii) ENERGY POLICY OF PAKISTAN

The Energy policy of Pakistan is one that is focused on ensuring energy security, affordability and sustainability. Currently, however, the energy mix is dominantly driven by imported fuel and low renewable energy share. Similarly, rate of energy production cost much higher than its neighbours.

KEY POLICIES

(i) Alternative Renewable energy Policy (2019)

The policy aims to increase the share of renewable energy to 30% by 2030. This will be done by leveraging solar, wind, biomass and hydel potential.

(ii) National Electricity Plan

This policy is meant to improve access and security of electricity. Currently, Pakistan loses 10-15% of electricity to theft according to K-electric estimates.

(iii) National Energy Efficiency and Conservation Policy

This policy aims to improve efficiency within energy sector generation. Only about 69% of energy actually reaches end consumers amid line losses and theft.

(iv) Solar projects and Battery imports

China is one of the largest solar panel manufacturers and produces low cost lithium ion batteries. It provides an opportunity for low cost and efficient shift towards better sources.

CHALLENGES TO POLICIES

