Import-Led Growth Hypothesis: A Case Study of Pakistan

Nooreen Mujahid
Associate Professor
Department of Economics, University of Karachi, Pakistan

Azeema Begam
Ph.D Scholar
Department of Economics, University of Karachi, Pakistan

Musarrat Shamshir
Associate Professor,
Department f Economics and Finance, Greenwich University, Pakistan

Aniqa Zeb
M. Phil
Department of Economics, University of Karachi, Pakistan

Abstract
In 2017, Pakistan has imported amounted $57 billion worth of goods from world which shows significant role of import in domestic consumption. However; most of the imports are capital goods and petroleum products which increased the trade deficit and debts. . Moreover, imports are used to run the production processes in the economy. Hence, it can be said that imports are valuable to increase growth which is the objective of this study. We have investigated the import and economic growth nexus by taking data from 1985 to 2016 for Pakistan. Growth rate has been taken as dependent variable whereas; import, export FDI and inflation rate are independent variables. After finding the stationary of the time series, ARDL technique for dynamic perspective in short and long run. We have successfully tested the imports-led growth hypothesis in Pakistan. The finding of the study proves the there is more significant role of import for determining GDP growth than exports due to the largest share of raw material, intermediate manufacturing and capital goods in imports. Although more imports will results in a greater   balance of payment deficits however, import of capital and intermediate goods should be encouraged and imports consumer goods should be discouraged. Moreover, tariff rate on imported goods and border tariff should also be reduced whilst and direction of trade should be more diversified and inclusive from North America to Eastern and Western Asia.
Keywords: Import led growth, Export, Foreign Direct Investment, Economic Growth, ARDL
DOI: 10.7176/JESD/10-8-04
Publication date: April 30th 2019

1. Introduction
Empirical researches are relatively inadequate related to role of imports in determining of economic growth because of complicated and undefined linkage between imports and economic growth. Rivera-Batiz & Romer (1991) explains that a higher economic growth would boost demand for imports because it encourages high consumption which shows direct association between imports and economic growth. Imports have also significant impact on the advancement of industrialization in less capital-intensive countries like Pakistan because economic development warrants reallocation of resources and increased demand of domestic and foreign investment also in industries. There are many reason for importing for instance the commodity/goods do not exist in the area or it is not of the required quality; some product is produced domestically but variety of the product is not produced exactly with mixed differentiation, price efficiency is found abroad while that product may be expensive domestically. There are many economic and non-economic, internal and external factors which determine demand for imports such as, consumption pattern, exchange rates, and difference in pries of local and international goods, scarcity of required natural resources, national and international economic conditions, labor costs, and political stability. However, price differential gap and real income are the main reasons behind a greater demand for imports.
  Furthermore, due to insufficient domestic output production capacity, some countries import those commodity which are domestically not sufficient in quality when more goods or service are demanded by consumer. Imports can be internally divided according to economic purpose and product division, there are two way of using Imports such as for domestic consumption which increases consumer well-being through consumption of traded good and for domestic investment or for intermediate goods for increasing production capabilities through new technology. It is estimated that imports of consumer goods have no relations with exports because it is only for consumption purpose directly, while capital and machineries are used in the manufacturing of those goods which are exportable

and so that it effects after a lag of two period however; import of consumption goods create extra burden on current account balance. The main stream is that first these imported goods are used in domestic product and then these goods are exported abroad. This way imports generate revenue indirectly for public expenditure and directly through the revenue generated by tariffs. In short, imports contribute to all GDP components, however, it is also considered a major source of improving efficiency for capital accumulation and domestic production processes by imported goods for countries which are less capital-intensive (Grossman and Helpman, 1991; Rivera-Batiz & Romer, 1991; Coe, Helpman & Hoffmaister, 1997; Goh and Olivier 2002).

Recent endogenous growth models encourage economic growth through imports by considering substantial elements of growth due to allocation of new technologies from capital-intensive countries to labor-intensive countries. International Trade Theory of Comparative Advantages by David Ricardo (1871) also explains that how international trade (export as well as imports) between two different economies are beneficial. It is also explained that imports of capital goods are important in two different ways for instance, use of imported capital goods such as machinery increases productivity of factor of productions (labors) and time-saving technologies also decreases the cost of productions which in turn determines economic growth in developing economies (Olaniyi, 2013).

Furthermore, import from foreign countries will encourages domestic producer to improve their quality of local product and increase foreign competitions due to difference in price and quality (Scheve and Slaughter, 2001). Local producers and suppliers will produce more products with low prices whilst maintaining high quality to consumers (Constable and Lakshmi, 2001). Moreover, due to increase in foreign competition, domestic firms will make more efforts to increase their outputs through latest technologies and improving labors skills. On the other hand, import can decrease production of particular products which are made domestically. Unemployment will increase in those sectors due to lay offs by domestic firms in order to sustain an adequate profit level (Granzin and Olsen, 1995; Kletzer, 2001). However, the possibility of losing jobs is high in those manufacturing industries where trade deficits are also very high because more balanced trading sectors have less possibility of losing employment. (Kletzer, 2001).

According to traditional trade theory developing countries can specialize in those goods which have low comparative disadvantage when thinking in the context of international trade. Current endogenous growth models have already determined the significance of imports for channelizing new technology from foreign country to domestic countries (Grossman & Helpman,1991; Lee, 1995). In developing economies, imports consists of machinery which are utilized as intermediate goods in industries that will further boosts economic activity and productivity of labor and capital both (Thangavelu and Rajaguru, 2004). Furthermore, it is generally accepted that use of imported goods in manufacturing industries will have an impact on export-oriented manufacturing units as well (Esfahani, 1991; Serletis, 1992; Riezman, Whiteman, and Summers, 1996).

The contribution of import and export to economic growth by using neoclassical modelling framework. Awokuse, (2007) mentions that omission of role of import while over-emphasizing on export as main element on growth can be misleading or inadequate for growth analysis. Even there is unidirectional relationship between export and import conditional on import growth (Reizman et al.,1996). Therefore, omitting import from analysis may deteriorate the real impacts of trade on economic growth. The hypothesis of import-led growth have proved for high income countries whereas, bidirectional association has been proved in case of low income countries (Islam, Hye and Shahabaz, 2012). If countries have reserve of foreign exchange with satisfactory level than economic growth could be enhanced through imports of goods and services for consumption and production purpose (Baharumshah and Rashid, 1999).

Pakistan is highly dependent on imported goods for their domestic industries. This can be noticed through the increase in the import budget due to an increase in the demand for oil and machinery. There is hardly research available in the context of Pakistan which particularly focus the role of import. In Pakistan, trade deficit has increased because of more demand for imported goods both consumption and intermediate goods. The exports and imports both are inelastic in nature which are not influenced by world or domestic prices. Although, share of export as % of GDP has declined continuously at 5.0 in 2016-17 whereas import has increased at 16 % of GDP however, it has declined at 12 % of GDP in 2016-17. The import composition of Pakistan reveals that from last ten year imports has increased in every category particularly in machinery, petroleum group and food group. However, it indicates that most of the products are intermediate goods which are used in industry and agriculture as well. These products increase the productive capacity of Pakistan by helping in producing more agriculture and industrial products for domestic use as well as for export. Exports in Pakistan are mostly based on textile and garment products and few primary goods of agricultures. It means that although import is not goods for country however, proper utilization of imported goods boost our economy by support our export industries (Economic Survey of Pakistan, 2016-16).The absence of conclusive study about the role of imports in the economic growth of Pakistan serve as motivation of the study. The prime objective of the study is to explore import and economic growth nexus and provide justifications that imports is not ruthless in the case of Pakistan.

2. Review of Literature

The number of research on impact of import on economic development is very limited because of complicated and undefined relationship. On the significance of imports have been highlighted on recent endogenous growth models with a specific goal to determine the role of imports in theeconomy (Grossman & Helpman, 1991; Lee, 1995; Mazumdar, 2001).

Sani, Bashir and Musa (2015) investigate that more import of consumer goods could urge local firms to modernize their industries in order to compete with foreign competition and   rivalry. Thus, imports can enhance gainful capability. Additionally, the commitment of imports for industrialization and financial development requires a restructuring of domestic resources and upsurge in investment. Qazi et al., (2013) has explored the relation between import, export and economic growth for six Asian countries. ARDL technique has been applied for long run whereas; Granger Causality test has been applied for finding causality between import and economic growth. The results indicates significant relation between import and economic development for all six countries. The same analysis have also been conducted for OECD countries by Tahir (2013). The result shows that increase in import is significantly related with economic growth. Chang, Simo and Gupta (2013) have observed an association between imports and economic growth for 1996 to 2011 of South Africa.   By using panel causality analysis, the findings proves one-directional causality from economic growth to imports in Gauteng, Mpumalanga, North West and Western Cape. However, two-directional relationship has been evident between imports and economic growth for KwaZulu-Natal. The result proves that import liberalization may not be an effective policy to rise economic performance in South Africa.

Hye and Boubaker, (2011) also found relationship between trade and economic growth by applying data of Tunisia and proved that both hypothesis are valid for Tunisia. Katircioglu, Eminer, Aga and Ozyigit, (2010) have found that real income stimulates export growth in Fiji however, both hypotheses of export and economic growth nexus and import and economic growth nexus   have not proved for Solomon Islands and Pacific regions. Taghavi, Goudarzi, Masoudi and Gasht, (2012) explore the relationship between trade and economic growth using VAR from 1962 to 2011 for Iran. The result has proved significant impact of export on economic growth in long run whereas; indirect but significant association has been confirmed between imports and economic growth in the long run. Yuhong, Zhongwen and Changjian, (2010) and Herrerias and Orts (2009) both studies have investigated the relationship among import, export and economic growth in china. By using co-integration test for long run. Yuhong et al.,(2010) found that increase in import promotes economic growth. Herrerias and Orts, (2009) also observe that over the long time imports and investment both have direct and significant impact on economic development, however they did not discover causality among between investment and imports.

Awokuse (2008) explores the linkage between import, export and financial development for Colombia, and Peru. Positive and significant association has been found among all variables specially it is worth mentioning that imports support economic development in developing countries of Latin America. Mahadevan and Suardi (2008) have found no significant role of trade in the economic development of Korea, however; the result supports import-led growth for Japan. Ahmet (2008) has observed the connection between imports of goods and services and GDP growth for Turkey. He segregated imports data into different classification and a multivariate VAR method has been applied. The empirical outcome proves bi-directional relationship between GDP growth and imports of intermediate and capital goods. However, there is a one-directional link between GDP and import of consumption products.

Awokuse (2007) has explored the role of trade in the economic growth of Bulgaria, Czech Republic, and Poland. Whilst for results estimation, purposed Multivariate Co-integrated VAR methods has been applied. The results demonstrate that elimination of imports and giving more importance to exports is the main factor which could mislead the results for determining the role of imports in economy growth. Tan, Habibullah and Azali, (2007) have observed the export-led, import-led and financial-led growth hypotheses for selected Asian countries. The empirical evidence have found that   financial development have significant role in the accelerating economic growth in South Korea, Thailand and Singapore.   Moreover, export led-growth has been proved in all four Asian economies and economic growth can be enhanced through generation of capital formation and investment.

Dutta and Ahmed, (2004) reviewed the implementation of total imports of India from the period of 1971 to 1995. The empirical results proved that the demand of imports goods has playing important role in Gross Domestic Product of India. Ramos, (2000) explores the association between trade and economic growth for Portugal employing data form 1965 to 1998. Granger causality test shows that there is no unidirectional relation among the given variables however, import and exports have significant reaction effect on output growth. Furthermore, there is no any causal relation between import and export. They concluded that during given period of time economic growth of Portugal is associated with small dual economy where intra-trade industry is restricted Ahmed and Anoruo, (2000) have proved positive impact of mports on economic development.   Developing nations depend on foreign capitals goods for their economic development. Because, imported capital goods are utilized as a part of the making of domestic products.

Asafu and Chakraborty, (1999) have found evidence of correlation between import, export and real output in

inward-oriented countries. By using the Error Correction Model (ECM), they have proved indirect but interconnected relation from exports to imports and then real output.   Reizman et, al (1996) has emphasized on effects of imports on export and economic growth by using panel data of 126 countries. They have used multivariate framework in order to incorporate imports, they suggested that there is one-directional connection between exports to economic growth depend on import growth in 30 countries from out of 126. This result was total different from previous researches that underestimated the part of imports on economic growth. Similarly, Eaton and Kortum, (1996) clarified that more than 50 % of development can be boosted through technology and advancement which initiated by developed nations like United States, Germany or Japans. Henceforward, capital goods are the actual source of enhancing efficiency for machinery   and local products by imported products. Gulati (1980) observed the effect of import of capital on development and found that import of capital goods will influence economic development however, its depend on how much the development activities can be constrained by capital goods.

3.   Methodology
3.1 *Data Source and Modeling Framework*
This study employs secondary source of time series data from time period 1985-2016. All selected variables have been taken from global economy, World Bank and Pakistan Bureau of Statistics. We have taken GDP growth rate, import, export, foreign direct investment and inflation rate of Pakistan
The mathematical form is represented as following:

$$GDPG_t = f(IMP_t,\ EXP_t,\ FDI_t\ CPI_t)\ldots\ \ \ \ \ (1)$$

For empirical purpose, all variables are converted into econometric model form. The empirical equation is modelled as follow:

$$(GDPG)_t = \alpha_o + \beta_1(IMP)_t + \beta_2(EXP)_t + \beta_3(FDI)_t + \beta_4(CPI)_{t} + e_t \ldots\ \ (2)$$

GDPG = GDP growth rate
IMP = Import as % of GDP
EXP = Export as % of GDP
FDI= Foreign Direct Investment as % of GDP
CPI = Average rate of Inflation (CPI)

3.2 *Methodology*
In this study, we have applied ADF unit root test for determining order of integration. For estimation of result, Autoregressive Distributed Lag Model (ARDL) approach to Co-integration has been used. This method gives several advantages over traditional methods while providing consistent, reliable and significant results. This approach doesn't require pre-test of stationarity whether   variables are integrated at I(0),   I(1) or mutually co-integrated. ARDL is also very convenient for generating results because it allows determining short run relation without omitting information of long run (Pesaran, Shin & Smith, 2001).
The equation of ARDL model is as followed:

$$\Delta GDPG_t = \vartheta_1 + \vartheta_2 T + \vartheta_3 IMP + \vartheta_4 EXP_{t-1} + \vartheta_5 FDI_{t-1} + \vartheta_6 CPI_{t-1} + \sum_{j=1}^{q} \vartheta_1 \Delta GDPG_{t-j}$$

$$+ \sum_{k=0}^{r} \vartheta_{21} \Delta IMP_{t-k} + \sum_{l=0}^{s} \vartheta_3 \Delta EXP_{t-i} + \sum_{m=0}^{t} \vartheta_4 \Delta FDI_{t-m} + \sum_{n=0}^{u} \vartheta_5 \Delta CPI_{t-n} + e_i \ldots\ldots (3)$$

Null hypothesis is;
$$H_o\ : \vartheta GDPG = \vartheta IMP = \vartheta EXP = \vartheta FDI = \vartheta CPI = 0$$

Whereas; alternative hypothesis is
$$H_1 : \vartheta GDPG \neq \vartheta IMP \neq \vartheta EXP \neq \vartheta FDI \neq \vartheta CPI \neq 0$$

In the first step we will conduct a bound test of no co-integration and the value of F-statistics will be compared with critical values of upper and lower bound which has been tabulated byPesaran and Pesaran (1997) and Pesaran et al., (2001). If the value of F- statistics is more than upper bound critical value then null hypothesis of no long run relation among variables will be rejected.
After confirming of long run relationship, long-run model is estimated as follow:

$$GDPG_t = \delta_{o1} + \sum_{i=1}^{l} \delta_1 GDPG_{t-i} + \sum_{j=0}^{m} \delta_2 IMP_{t-j} + \sum_{k=0}^{n} \delta_3 EXP_{t-k} + \sum_{l=0}^{o} \delta_4 FDI_{t-l}$$

$$+ \sum_{m=0}^{p} \delta CPI_{5_{t-m}} + \varepsilon_i \ .. (4)$$

Whenever, long-run relationship is verified after that Error Correction Model (ECM) is used to find short run of coefficients. It indicates speed of adjustment at which economy will converge towards equilibrium in long run after shocks into economy. The standard ECM equation is modeled as:

$$\Delta GDPG_{t} = \delta_{\circ 1} + \sum_{i=1}^{l} \delta_{1}\Delta GDPG_{t-i} + \sum_{j=0}^{m} \delta_{2}\Delta IMP_{t-j} + \sum_{k=0}^{n} \delta_{3}\Delta EXP_{t-k} + \sum_{l=0}^{o} \delta_{4}\Delta FDI_{t-l}$$

$$+ \sum_{m=0}^{p} \delta_{5}CPI\Delta_{t-m} + \vartheta ECM_{t-1} + \varepsilon_{i} ..(5)$$

After short run estimation, goodness of fit of ARDL model is determined through conducting some diagnostic tests. In diagnostic tests, serial correlation, functional form, normality, and hetroscedasticity are checked by respective test.

4. Results Empirical Findings
Before applying ARDL approach to co-integration on the data set, it is necessary to check for the stationary of the data in order to avoid spurious results.

Table 1: *Unit Root Test*

	ADF Unit Root with Trend and Intercept			
	Levels I (0)		1st Difference I (1)	
Variables	t-statistic	prob- value	t-statistic	prob-value
Real GDP	-3.669357	0.0405	-6.542697	0.0000
Imports	-2.591744	0.2863	-7.262576	0.0000
Exports	3.128715	0.1181	-4.609044	0.0050
FDI	-5.069127	0.0023	3.48489	0.0600
CPI	-2.597848	0.2837	-6.645048	0.0000

Source: Author's own estimation

The above table 1 shows the unit root result of the model. It has been found that Real GDP and FDI are stationary at level I(0) and first difference whereas, import, export and CPI are stationary first difference I(1) at 1%, 5% and 10% level of significance. In a nutshell, economic series of data are stationary at levels and 1st difference, which justifies us to apply ARDL method to obtain estimates of the models. The results have been obtained using Microfit4. 1.

Table:2 *Autoregressive Distributed Lag Estimates*

Estimated Lags   ARDL(3,2,3,1,3)

Lag Length Criteria Schwarz Bayesian Criterion
Dependent variable is RGDP

Regressor	Coefficient	Standard Error	T-Ratio[Prob]
RGDP(-1)	-.30826	.20555	-1.4997[.156]
RGDP(-2)	-.72472	.24471	-2.9615[.010]
RGDP(-3)	-.70064	.22876	-3.0627[.008]
IMPORTS	.17286	.19951	.86642[.401]
IMPORTS(-1)	.57405	.22298	2.5744[.022]
IMPORTS(-2)	.54016	.16879	3.2002[.006]
EXPORTS	.037930	.25544	.14849[.884]
EXPORTS(-1)	.23112	.33199	.69615[.498]
EXPORTS(-2)	.31871	.30359	1.0498[.312]
EXPORTS(-3)	-.70389	.23031	-3.0562[.009]
FDI	4.1574	.71933	5.7795[.000]
FDI(-1)	-2.9234	.57491	-5.0850[.000]
CPI	-.081136	.083112	-.97623[.346]
CPI(-1)	.11383	.095784	1.1884[.254]
CPI(-2)	-.57059	.10954	-5.2090[.000]
CPI(-3)	-.13086	.094294	-1.3878[.187]
T	.032281	.037099	.87013[.399]
C	-7.8680	7.5316	-1.0447[.314]

R-Squared   .87829   R-Bar-Squared   .73050
S.E. of Regression   .99922   F-stat. F(17, 14) 5.9429[.001]
DW-statistic   1.9253

Source: Author's own estimation

From the above table, it is shown that real GDP is dependent upon its lag values i.e. there is significant but negative impact of real GDP of the previous years on real GDP in the current year. Imports in the first and second lags have strong and direct impact on real GDP. In other words, imports of the country act as a catalyst to improve growth. The imports of capital goods and petroleum products increases productive capacity which determine economic growth. Exports are negatively associated real growth i.e. exports increases and real growth Exports of Pakistan are mostly agriculture products i.e. rice, cotton yarn etc. FDI in the current year is a significant and positive determinant of real economic growth of Pakistan. This implies that foreign capital inflow in manufacturing sectors increases the production of goods and services which results in economic growth. Moreover, FDI in the lag period is a negative but significant element of growth. CPI has also indirect but strong impact on GDP growth. Increase in prices always increases costs of production which eventually decrease profit of the producers and hence the production of output in the economy. Constant term has no significant relationship with the GDP and trend is also insufficiently associated with real output.

Table:3 *Diagnostic Tests*

Test Statistics	LM Version	F Version
A: Serial Correlation	.0015904[.968]	.6461E-3[.980]
B: Functional Form	1.4132[.235]	.60064[.452]
C: Normality	3.3381[.188]	Not applicable
D: Heteroscedasticity	.51418[.473]	.48991[.489]

A: Lagrange multiplier test of residual serial correlation
B: Ramsey's RESET test using the square of the fitted values
C: Based on a test of skewness and kurtosis of residuals
D: Based on the regression of squared residuals on squared fitted values

Source: Author's own estimation

We have found no evidences regarding presences of correlation, functional form, heteroskedasticity and normality.

Table: 4 *Estimated Long Run Coefficients using the ARDL Approach*

Estimated Lags   ARDL(3,2,3,1,3)
Lag Length Criteria   Schwarz Bayesian Criterion
Dependent variable is RGDP

Regressor	Coefficient	T-Ratio[Prob.]
Imports	0.47083	6.0163[.000] *
Exports	-0.042482	.56106[.584]
FDI	0.45141	2.9236[.011] *
CPI	-0.24464	5.3755[.000] *
Constant	-2.8782	-1.1860[.225]
Trend	0.011809	.88362[.392]

Source: Author's own estimation

Table 4 represents the result of long run association between variables. We have found direct association between imports and GDP growth which proves import-led growth hypothesis in case of Pakistan. the outcome of the study is also similar with the studies of Awokuse, (2007); Hye, Wizarat, Lau,,(2013); Rai and Jhala, (2015). It has been observed that GDP growth affects more from imports rather than export. It depends on composition of import items which are raw material, intermediate manufacturing and capital goods that constitute larger share in total import in Pakistan. These goods are ultimately used for increasing production and productivity that support to enhance export capacity as well. Moreover, imports of intermediate and final foods also encourage domestic producer to make better their efficiency by modernization in order to struggle and sustain with foreign competitors (MacDonald, 1994; Scheve and Slaughter, 2001).

No significant relationship has been found between export and GDP growth due to small share in GDP (Lee, 2010; Jung and Marshall, 1985). The exports of Pakistan are based on agricultural and primary products which has low and inelastic demand in international market therefore; exports has no any significant role in GDP growth. On the

As far as FDI concern, the study proves significantly positive impact of Foreign Direct Investment on the growth of the economy (Almfrajia and Almsafir, 2013; Manuchehr and Ericsson, 2001a). FDI brings direct spillover effects through transfer of new technologies and capital accumulation. However; there are many other factors which determines positive link between FDI and GDP growth such as sufficient human resources, well-developed financial institutions, free trade regimes (Almfrajia and Almsafir, 2013). We have found negative and significant relationship between Inflation and GDP whih shows that increasing inflation (Barro, 1995; Gosh and Phillips, 1998; Idris and Bakar, 2017). High inflation rate reduce the level of investment which adversely affects

the economic growth. Moreover; economic growth is depended on rate of return however high inflation decreases rate of return which also negatively effects economic growth (Barro, 1995; Gultekin, 1983).

Table 5: Short Run Results

Estimated Lags	ARDL(3,2,3,1,3)	
Lag Length Criteria	Schwarz Bayesian Criterion	
Dependent variable is DRGDP		
Regressor	Coefficient	T-Ratio(Prob.)
dRGDP1	1.4254	3.4962(.003) *
dRGDP2	0.70064	3.0627(.007] *
d IMPORTS	0.17286	.86642(.398]
dIMPORTS1	-.54016	-3.2002(.005]
dEXPORTS2	0.70389	3.0562(.007] *
d FDI	4.1574	5.7795(.000] *
dCPI1	0.70145	4.5900(.000] *
T	0.032281	.87013(.396]
ECM (-1)	-2.7336	-5.009(0.000)

Source: Author's own estimation

For short run two criteria should be fulfilled that ECM value should be negative and significant. The value of ECM depicts the speed of variation from short run towards long run equilibrium if any shocks occur. The estimate of value of ECM (-1) is -2.7336 which is significantly negative which shows high rate of adjustment from short run towards long run equilibrium with none probability of error.

5.   Conclusion and Recommendations

Being a developing economy, Pakistan heavily relyson imports the main objective of the research is to examine the import-led growth hypothesis for Pakistan. The results support that growth rate is more affected by import than export due to composition of total import which are raw material, intermediate manufacturing and capital goods. These goods are utilized to enhance production efficiency and productivity which further increases export capacity in Pakistan. The main reason is that our exports have no role in international trade due to inelastic demand and primary goods. Our exporters are not following international standard that's why our export are continuously declining from last few year due to foreign competition in international market with India and Bangladesh. Export promotion or import substation policy is now no more appropriate to attain higher growth rate for Pakistan.

Based on our Research few policies have been recommended:

- Although more imports will increase more balance of payment deficits however, import of capital and intermediate goods should be encouraged and imports consumer goods should discourages.
- Border tariff should be removed or at least deceased for those goods which are used in industries especially exportable industry it will lower the production cost.
- More import and foreign direct investment rationalization suggests more job reallocations and demand more train worker so some more attention should be given toward worker retraining and modernization programs.
- An significant policies should be formulated to encourage imports of those goods that could support exports industries as well.
- There should be zero percent tariff rate on production of those goods which used as manufacturing goods.
- Tariff rate should be reduced on petroleum product because now petroleum products share have been increased in imports from last few years.
- Our most of import and export are concentrated with few countries of North America and Western Europe which increases transportation cost of imported goods, therefore, there is dire need of increasing direction of trade with more countries of Eastern and Western Asia.

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