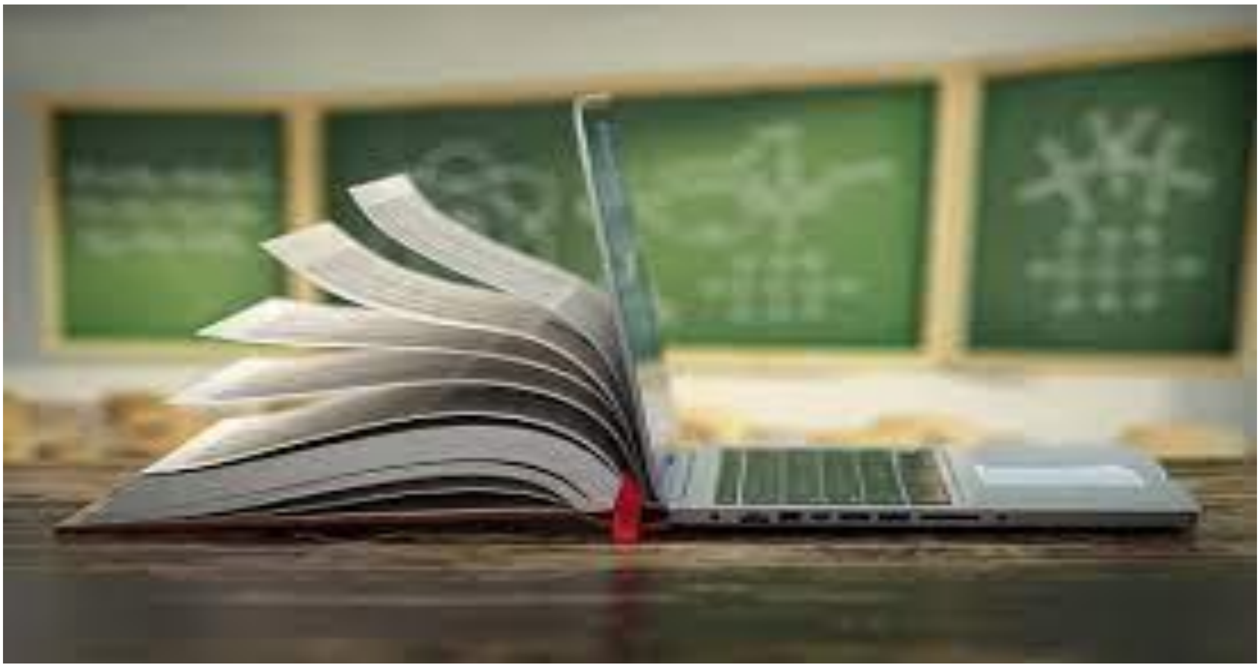
RESOURCES FOR

"HSC-II ECONOMICS"

ZUEB EXAMINATIONS 2021



PREFACE:

The ZUEB examination board acknowledges the serious problems encountered by the schools and colleges in smooth execution of the teaching and learning processes due to sudden and prolonged school closures during the covid-19 spread. The board also recognizes the health, psychological and financial issues encountered by students due to the spread of covid-19.

Considering all these problems and issues the ZUEB Board has developed these resources based on the condensed syllabus 2021 to facilitate students in learning the content through quality resource materials.

The schools and students could download these materials from www.zueb.pk to prepare their students for the high quality and standardized ZUEB examinations 2021.

The materials consist of examination syllabus with specific students learning outcomes per topic, Multiple Choice Questions (MCQs) to assess different thinking levels, Constructed Response Questions (CRQs) with possible answers, Extended Response Questions (ERQs) with possible answers and learning materials.

ACADEMIC UNIT ZUEB:

1. **Extended Response Questions (ERQs)**

HOW TO ATTEMPT ERQs:

- Write the answer to each Constructed Response Question/ERQs in the space given below it.
- Use black pen/pencil to write the responses. Do not use glue or pin on the paper.

SECTION C (LONG ANSWER QUESTIONS)

1. **Explain Marshall's definition of economics and highlights its salient features?**

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MICRO ECONOMICS				
1.	**Define national income and explain one method of measurement of national income**	**National income** is the sum total of the value of all the goods and services manufactured by the residents of the country, in a year., within **its** domestic boundaries or outside. Computation of **National Income** is very vital as it indicates the overall health of our economy for that particular year. <u>Methods of Measurement of National Income:</u> A variety of **measures of national income** and output are used in economics to estimate total economic activity in a country or region, including , gross domestic product (GDP), gross **national** product (GNP), net **national income** (NNI), and adjusted **national income** (NNI* adjusted for natural resource depletion) Disposable Income Personal Income Gross Domestic Product (GDP): **Gross domestic product** (**GDP**) **is** the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall **domestic production**, it functions as a comprehensive scorecard of a given country's economic health. There are four types of GDP, Real **GDP**(Real **GDP** is a calculation of **GDP** that is adjusted for inflation). Nominal **GDP**(Nominal **GDP** is calculated with inflation). Actual **GDP**. Potential **GDP**. Calculation of GDP: **GDP** can be **calculated** by adding up all of the money spent by consumers, businesses, and government in a given period. It may also be **calculated** by adding up all of the money received by all the participants in the economy. In either case, the number is an estimate of "nominal **GDP**." **GDP** = Consumption + Investment + Government Spending + Net Exports or **GDP** = C + I + G + NX where consumption (C) represents private-consumption expenditures by households and nonprofit organizations, investment (I) refers to business expenditures .	**K/A**	**E**
2.	**Explain the quantity theory of money**	Monetary economics is a branch of economics that studies different theories of money. One of the primary research areas for this branch of economics is the quantity theory of money (QTM). According to the quantity theory of money, the general price level of goods and services is proportional to the money supply in an economy. While this theory was originally formulated by Polish mathematician Nicolaus Copernicus in 1517, it was popularized later by	**K/A**	**E**

economists Milton Friedman and Anna Schwartz after the publication of their book, "A Monetary History of the United States.

According to the quantity theory of money, if the amount of money in an economy doubles, all else equal, price levels will also double. This means that the consumer will pay twice as much for the same amount of goods and services. This increase in price levels will eventually result in a rising inflation level; inflation is a measure of the rate of rising prices of goods and services in an economy.

The same forces that influence the supply and demand of any commodity also influence the supply and demand of money: an increase in the supply of money decreases the marginal value of money–in other words, when the money supply increases, *ceteris paribus,* the buying capacity of one unit of currency decreases. As a way of adjusting for this decrease in money's marginal value, the prices of goods and services rises; this results in a higher inflation level.

The quantity theory of money (QTM) also assumes that the quantity of money in an economy has a large influence on its level of economic activity. So, a change in the money supply results in either a change in the price levels or a change in the supply of goods and services, or both. In addition, the theory assumes that changes in the money supply are the primary reason for changes in spending.

One implication of these assumptions is that the value of money is determined by the amount of money available in an economy. An increase in the money supply results in a decrease in the value of money because an increase in the money supply also causes the rate of inflation to increase. As inflation rises, purchasing power decreases. Purchasing power is the value of a currency expressed in terms of the amount of goods or services that one unit of currency can buy. When the purchasing power of a unit of currency decreases, it requires more units of currency to buy the same quantity of goods or services.

Calculating QTM

The quantity theory of money proposes that the exchange value of money is determined like any other good, with supply and demand. The basic equation for the quantity theory is called The Fisher

		Equation because it was developed by American economist Irving Fisher. In it's simplest form, it looks like this: (M) (V)= (P) (T) Where M = Money supply V=Velocity of circulation (the number of times money changes hands) P=Average price level T=Volume of transactions of goods and services. Some variants of the quantity theory propose that inflation and deflation occur proportionately to increases or decreases in the supply of money. Empirical evidence has not demonstrated this, and most economists do not hold this view. A more nuanced version of the quantity theory adds two caveats: 1. New money has to actually circulate in the economy to cause inflation. 2. Inflation is relative—not absolute. In other words, prices tend to be higher than they otherwise would have been if more dollar bills are involved in economic transactions.		
3.	**Distinguish between domestic trade and foreign trade. Discuss the advantages and disadvantages of international trade.**	**Home or Domestic or Internal Trade:** **1. Meaning:** Purchase and sale of goods within a country is known as internal or home trade. **2. Same Currency:** Home or domestic trade involves the use of only one currency, i.e., the domestic or home currency. **3. Exchange and Trade Control:** Within a country, there is a free flow of goods	**K/A**	**M**

and services.

4. Politically Difference:
Home or internal trade takes place within the same political unit.

5. Transportation Costs:
Internal or domestic trade involves less transportation cost.

6. Risk:
In home trade, the amount of risk is comparatively less.

Foreign or International Trade:

1. Meaning: Purchase from and sale of goods and services outside the country is called the international or foreign trade.

2. Different Currencies:
International trade involves the use of two different currencies, the local currency and a foreign currency.

3. Exchange and Trade Control:

There is no free flow of goods and services from one country to another.

4. Politically Difference:
International or foreign trade takes place between politically different units.

5. Transportation Costs:
International trade involves comparatively greater transportation cost.
6. Risk:
In foreign trade, there is a greater risk.

Advantages of International Trade:

1. Increased revenues

One of the top advantages of international trade is that you may be able to increase your number of potential clients. Each country you add to your list can open up a new pathway to business growth and increased revenues.

2. Decreased competition

Your product and services may have to compete in a crowded market in your home country but you may find that you have less competition in other countries.

3. Longer product lifespan

Sales can dip for certain products domestically as people in home country stops buying the exact same product over time and switches to latest and updated product. While product may be a new launch for international market.

4. Easier cash-flow management

Getting paid upfront may be one of the hidden advantages of international trade.

When trading internationally, it may be a general practice to ask for payment upfront, whereas at home you may have to be more creative in managing cash flow while waiting to be paid. Expanding your business overseas could help you manage cash flow better.

5. Better risk management

One of the significant advantages of international trade is market diversification. Focusing only on the domestic market may expose you to increased risk from downturns in the economy, political factors, environmental events and other risk factors. Becoming less dependent on a single market may help you mitigate potential risks in your core market.

6. Benefiting from currency exchange

Those who add international trade to their portfolio may also benefit from currency fluctuations.

7. Disposal of surplus goods

One of the advantages of international trade is that you may have an outlet to dispose of surplus goods that you're unable to sell in your home market.

8. Enhanced reputation

Doing business in other countries can boost your company's reputation. Successes in one country can influence success in other adjacent countries, which can raise your company's profile in your market niche. It can also help increase your company's credibility, both abroad and at home. This is one of the advantages of international trade that may be difficult to quantify and, therefore, easy to ignore.

9. Opportunity to specialize

International markets can open up avenues for a new line of service or products. It can also give you an opportunity to specialize in a different area to serve that market.

Disadvantages of International Trade:

1. Shipping Customs and Duties:

one of the disadvantages of international trade is that most of these destination countries' customs agencies charge extra fees on items shipped to them. In addition to the cost of their product, a company needs to understand what the end consumer will be charged by the international shipping company. This is sometimes referred to as the “landed cost."

2. Language Barriers

Despite the availability of online translators, language is still one of the major disadvantages of international trade. While tools like Google Translate and SDL can be used to formulate instructions and communications in another language, they are far from foolproof.

3. Cultural Differences

What makes this one of the major disadvantages of international trade is that cultural differences, many times, are never documented. They are the unwritten rules of commerce in the country that are hard to uncover and can be even more difficult to solve.

		4. Servicing Customers After international customers make a purchase, how will they be serviced when they are so far away? Again, language and cultural differences need to be considered to overcome one of the major disadvantages of international trade. **5. Returning Products** Since not all international customers will be satisfied with a company's products, a process must be in place to return them and process a refund. The money side of the equation has become easier through credit cards and online financial tools. Yet the physical shipment can be just as complicated and costly as it was originally, but now in reverse. **6. Intellectual Property Theft** The wider a product is distributed, the more likely that it may be illegally copied by a competitor. This can be in the form of proprietary information or market branding.		
4.	**Define national income and describe the various concepts**	**National income** is the sum total of the value of all the goods and services manufactured by the residents of the country, in a year., within **its** domestic boundaries or outside. Computation of **National Income** is very vital as it indicates the overall health of our economy for that particular year. Methods of Measurement of National Income: A variety of **measures of national income** and output are used in economics to estimate total economic activity in a country or	**K/A**	**E**

		region, including , gross domestic product (GDP), gross **national** product (GNP), net **national income** (NNI), and adjusted **national income** (NNI* adjusted for natural resource depletion). Disposable income, personal income. Gross Domestic Product (GDP): **Gross domestic product** (**GDP**) **is** the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall **domestic production**, it functions as a comprehensive scorecard of a given country's economic health. There are four types of GDP, Real **GDP**(Real **GDP** is a calculation of **GDP** that is adjusted for inflation). Nominal **GDP**(Nominal **GDP** is calculated with inflation). Actual **GDP**. Potential **GDP**. Calculation of GDP: **GDP** can be **calculated** by adding up all of the money spent by consumers, businesses, and government in a given period. It may also be **calculated** by adding up all of the money received by all the participants in the economy. In either case, the number is an estimate of "nominal **GDP**." **GDP** = Consumption + Investment + Government Spending + Net Exports or **GDP** = C + I + G + NX where consumption (C) represents private-consumption expenditures by households and nonprofit organizations, investment (I) refers to business expenditures . **Gross National Product (GNP):** Gross national product (GNP) is an estimate of total value of all the final products and services turned out in a given period by the means of production owned by a country's residents. GNP is commonly calculated by taking the sum of personal consumption expenditures, private domestic investment, government expenditure, net exports and any income earned by residents from overseas investments, minus income earned within the domestic economy by foreign residents. Net exports represent the difference between what a country exports minus any imports of goods and services. GNP can be calculated as: **GNP** = C + I + G + X + Z		

		Where C is Consumption, I is investment, G is government, X is net exports, and Z is net income earned by domestic residents from overseas investments minus net income earned by foreign residents from domestic investments. **NET NATIONAL INCOME** Net national income (NNI) is defined as gross national income minus the depreciation of fixed capital assets (dwellings, buildings, machinery, transport equipment and physical infrastructure) through wear and tear and obsolescence. NNP can be calculated as, **NNP** = GNP – Depreciation Disposable Income Disposable income, also known as disposable personal income (DPI), is the amount of money that an individual or household has to spend or save after income taxes have been deducted. It can be calculated as, DI= Personal Income- taxes- deductions. **Personal Income : Personal income** includes payments to individuals (**income** from wages and salaries, and other **income**), plus transfer payments from government, less employee social insurance contributions. It is **calculated** by subtracting **personal** tax and nontax payments from **personal income**.		
5.	**Explain the comparative cost theory of international trade**	**Comparative Cost Theory of International Trade** **Critical Appraisal of Comparative Cost Theory:** Theory of comparative cost which is the important doctrine of classical economics is still valid and widely acclaimed as the correct explanation of international trade. Most of the criticisms that have been leveled against this doctrine relate to the Ricardian version of comparative cost theory based on labour-theory of value. Haberler and others	**K/A**	**E**

broke away from this labour-cost version and reformulated the comparative cost theory in terms of opportunity costs which takes into consideration all factors.

The basic contention of the theory that a country will specialise in the production of a commodity and export it for which it has a lower comparative cost and import a commodity which can be produced at a lower comparative cost by others, is based on a sound logic. The theory correctly explains the gain from trade accruing to the participating countries if they specialise according to their comparative costs.

These merits of the theory have led Professor Samuelson to remark, "If theories, like girls, could win beauty contents, comparative advantage would certainly rate high in that it is an elegantly logical structure." He further writes, "the theory of comparative advantage has in it a most important glimpse of truth…. A nation that neglects comparative advantage may have to pay a heavy price in terms of living standards and potential rates of growth."

Despite the sound logical structure and vivid explanation of gains from trade, the comparative cost theory, especially the Ricardian version based on labour theory of value has been criticized.

Factors for Variation in Comparative Costs of Different Commodities:
The credit of providing an adequate and valid answer to this question goes to Heckscher and Ohlin who explained that comparative costs of different commodities in the two countries vary because of the following factors:
1. The various countries differ in respect of

factor endowments suited for the production of different commodities.

2. The different commodities require different factor proportions for their production.

Thus Heckscher and Ohlin supplemented the comparative costs theory by providing valid reasons for differences in comparative costs in various countries.

3. Against the Ricardian doctrine of comparative cost it has also been said that it is based on the constant cost of production in the two trading countries. This assumption of constant costs leads them to conclude that different countries would completely specialise in the production of a single product on the basis of their comparative costs.

Conclusion:
To sum up, bereft of the labour theory of value and expressed in terms of opportunity costs comparative cost theory is still a valid explanation of international trade. It highlights the need for removal of artificial restrictions in the form of tariffs and other means on foreign trade so that various countries specialise on the basis of their comparative costs and derive mutual benefits from trade.

This theory has been a victim of undue criticisms such as that it assumes the absence of transport costs, the existence of perfect competition and full employment, and further that it considers two commodities, two countries model. These are only simplifying assumptions and do not invalidate its conclusions in a substantial way.

Indeed, every theory makes some such simplifying assumptions in order to bring out

		the economic forces that have an important bearing on the subject under investigation.		
6.	**How does commercial bank create credit? explain**	. Banks' ability to create credit money is also a consequence of being exempt from the 'client money rules'. Regulations in the form of the client money rules prevent non-bank organisations creating credit money, because non-bank organisations (for example, stockbrokers, solicitors and accountants) are required to keep clients' money separate from the non-bank organisation's assets and liabilities on their balance sheet. The following process represents the bank's accounting entries associated with provision of a loan. The initial step is associated with the bank agreeing a loan with a customer, and the accounting treatment for the loan is the same approach followed by any other type of financial intermediary. <u>Bank agrees loan with borrower</u> <u>Assets Liabilities</u> <u>Loan £10 Account payable £10</u> The accounting entries associated with second stage of the process, when the bank places money into a borrower's bank account, is the point at which the bank's accounting treatment of the loan differs from other types of financial intermediary. A bank creates new credit money as a consequence of their accounting treatment of liabilities. The bank ledger converts the account payable arising from a bank's lending activity to a customer deposit, where the customer deposit represents another category of bank liability. This accounting process causes the bank to create a new customer deposit that was not previously paid into	**K/A**	**M**

		the bank, but instead represented the reclassification of an account payable liability of the bank. This accounting treatment of the transaction enables the bank to expand both sides of their balance sheet at the same time when making a loan. <u>Bank's accounting treatment when paying loan</u> <u>Assets Liabilities</u> Loan £10 Accounts payable 0 <u>becomes a Client deposit £10</u> Seigniorage traditionally refers to the profit received by the central bank from creating new money, and is calculated as the difference between the cost of producing physical money and the purchasing power of the newly created money in the economy. For example, a £10 note can purchase £10 worth of products within the economy, but only costs a few pence to produce.		

PAKISTAN ECONOMICS

7.	**Write the importance of road transportation in economics development of Pakistan.**	Introduction: Motorway network of any country is of vital importance of its economic development and effect positive on different fields of economy. An economy seems to	**K/A**	**M**

		developed and industrialized if widespread transport system. It is extremely difficult to put the economy on the high rapid path without an efficient transport system. An efficient communication system is essential for trade, national commerce and integration. Pakistan's economic development depends upon improvements and modernization of its transport system. In 1947 depends on roads was only 8 %, now it is more than 96% of inland freight and 92% of passenger traffic. Now it is a backbone of Pakistani's economy. Motorway boost Pakistan economy Motorway increase positive effect on production, Supply and employment Fiscal impact of motorway Motorway and land use Motorway speedy access to labour, education, Health. Motorway transport and poverty Motorway and environment **National Highway Authority (NHA)** It is responsible for the development and maintenance of national highways and motorways. The total length of roads under the NHA is 12000		

which accounts 4% of the entire road network and take 80% of Pakistan’s commercial traffic. Road density is an indicator of development. Current road density is 0.32 km/km2, which is much less even from regional standard. The government wants to bring double digit of 0.64 km/km2. Pakistan’s current road network is now more than 260000 km.

Pakistan’s motorways are part of Pakistan’s “National Trade Corridor Project”, which aims to link Pakistan’s three Arabian Sea ports (Karachi Port, Port Bin Qasim and Gwadar Port) to the rest of the country and further with Afghanistan, Iran, India, Central Asia and China.

M-1 Motorway Islamabad to Peshawar

Pakistan’s motorway (M-1) 155 km 6-lane, linking Peshawar, Charsada, Noshera, Sawabi, Attock, Burhan, Hasanabadal to Islamabad capital of Pakistan, has been operational since 30 October 2007. It has become a vital link to Afghanistan and Central Asia and is expected to take much traffic off the highly used N5. It is safe way of NATO supply line to Afghanistan. It is the most beautiful motorway of Pakistan crossing river Sindh and river Kabil.

M-2 Motorway

Islamabad to Lahore

Pakistan's first motorway, the 367 km 6-lane M-2, connecting the Pakistan capital Islamabad and Lahore, was constructed by South Korea's Daewoo Corporation and was inaugurated in November 1997 in Nawaz Sharif Govt and was the first motorway to be built in South Asia. It is strategic road during war using as emergency run way. The M-2 is a motorway in the Punjab Province of Pakistan. It is 367 km long and connects Lahore with Islamabad. It passes through Kala Shah Kaku, Sheikhupura, Khanqah Dogran, Kot Sarwar, Pindi Bhattian, Sial Morr, Kot Momin, Salem, Lilla, Kallar Kahar, Balksar, and Chakri before ending just outside the twin cities Rawalpindi and Islamabad. It then continues on to eventually become the M1 motorway linking the twin cities with Peshawar. The M-2 crosses the junction of the M3 (to Faisalabad) at Pindi Bhattian. It has connected best places for tourists like Hiran Minar, Waris Shah Tomb, Khewara mine, salt range, Citric fields, Rice fields and Kalar Kahar Jheel.

M-3 Motorway Pindi Bhatian to Faisalabad

Pakistan motorway (M-3), the 54 km 4-lane linking the Pindi Bhattian Arch bridge Junction on the M-2 with Faisalabad. Initially, it was planned to have 6-lanes, however, due to the shortage of funds, it was decided to reduce

		the number of lanes to 4 with an option to upgrade it to 6-lanes in future. Construction of the M-3 began in May 2002 and it was completed ahead of schedule in September 2003 at a cost of Rs 5.3 billion. It was inaugurated and opened for traffic on 2 October 2003. Now industrial Area of Punjab Govt is being constructed on Sahinwala interchange. **(M-4) Motorway Faisalabad to Multan** It has length of 233 km 4-lane, began on 19 August 2009 with breaking ceremony performed by Pakistan’s Prime Minister, Syed Yousaf Raza Gillani. There is working on progress at two constructions Phase Faisalabad to Gojra and Khanewal to Multan. It will link Multan with the M-3 Motorway at Faisalabad. The M4 will begin Faisalabad interchange at the Sargodha Road of Faisalabad. It will continue on a southwest course connecting the cities of Faisalabad, Jhang, Gojra, Toba Tek Singh, Shorkot, Khanewal and Multan. Once at Khanewal, it will merge onto the N5 temporarily until the M5 is complete.. The M4 will be constructed in four stages (i) Faisalabad-Gojra (58 km), (ii) Gojra-Shorkot (61 km), (iii) Shorkot-Din Pur-Khanewal (65 km) and (iv) Khanewal-Multan (65 km), whereas two large bridges will be constructed on the River Ravi and Shadhnai Channel. Estimated cost is USD 601 million.		

		## M-5 Motorway Multan to Dera Khazi Khan It is a planned 4 lane motorway that will link Multan with Dera Ghazi Khan. It will be constructed after the completion of the Faisalabad Multan (M-4) Motorway. ## M-6 Motorway Dera Ghazi Khan to Ratodero It is a planned 4 lane motorway that will link Dera Ghazi Khan with Ratodero. It will be constructed after the completion of the Multan to Dera Khazi Khan(M-5) Motorway. ## M-8 Motorway Ratodero To Gawader The 892 km 4-lane M-8 is under-construction in Sindh and Balochistan provinces. Initially, it will have 2 lanes with a further 2 lanes planned. The 4 lane motorway will be upgradable to 6 lanes. Once completed it will directly link the port city of Gwadar with the rest of Pakistan's motorway network at Ratodero where it will link up with the M-6 Dera Ghazi Khan-Ratodero Motorway. ## M-9 Motorway		

		## Haiderabad to Karachi Hyderabad-Karachi "Super Highway" is in the process of being upgraded into a 6-lane access-controlled motorway designated the "M-9". Expression of Interest (EOI) was invited by the National Highway Authority (NHA) in May 2011. The NHA awarded the Rs. 24.93 billion contract to the Malaysian construction company on Built Operate Transfer (BOT) basis in January 2012. The proposed 136-km long motorway will be completed in three years. ## Patrolling and enforcement National Highways and Motorway Police (NH&MP) is responsible for enforcement of traffic rules and safety measures, security and free flow of traffic on the Pakistan Motorway network. The NH&MP use heavy jeeps, cars and heavy motorbikes for patrolling and help purposes and uses day and night vision speed cameras for enforcing speed limits. It is friendly and corruption free police in Pakistan.		
8.	**What are the Pakistan major exports and imports? Give suggestions to improve exports of Pakistan**	Major Exports of Pakistan Although the Islamic Republic of Pakistan shares its territorial borders with economic juggernauts such as China and India, the country has global exports worth a significant $23.6	**K/A**	**M**

		billion to its credit, which shows a tremendous gain of 8% from 2017 to 2018. Additionally, the country had also exported services worth around $5.3 billion during the same period, along with commercial services estimated at $4 billion. The most significant export commodities of Pakistan offered at the highest dollar value during 2018 included: • Textiles and worn clothing: US$4.1 billion (17.1% of total exports) • Cotton: $3.5 billion (14.9%) • Knitted or crocheted clothing and accessories: $2.9 billion (12%) • Clothing accessories: $2.6 billion (10.9%) • Cereals: $2.4 billion (9.9%) • Leather/animal gut articles: $662.7 million (2.8%) • Sugar and manufactured products: $519 million (2.2%) • Mineral fuels including oil: $499.5 million (2.1%) • Beverages, spirits, vinegar: $453.1 million (1.9%) • Salt, sulfur, stone, cement: $445.4 million (1.9%) • Fish and poultry: $422 million (1.8%)		

		LIST OF MAJOR EXPORTS OF PAKISTAN The major exports of Pakistan include textiles, leather and sports goods, chemicals, carpets, and rugs. Meanwhile, Pakistan also exports significant quantities of rice, sugar, cotton, fish, fruits, and vegetables. The country ranks among Asia's largest camel market, second-largest apricot and ghee (oil), and third-largest cotton, onion, and milk market. Here's a look at some exports that help Pakistan stand out in the exporting community across the world: • Rice • Mangoes • Oranges • Cotton • Surgical Instruments • Leather Goods • Furniture • Football • Sea Food • <u>MAJOR IMPORTS OF PAKISTAN</u> Pakistan imported an estimated US$45.8 billion worth of goods from around the globe in 2020, down by -2.6% since 2016 and down by -8.7% from 2019 to 2020. Given Pakistan's population of 208.6 million people, its total $45.8 billion in 2020 imports translates to an estimated $220 in yearly product demand from		

		every person in the South Asian country. From a continental perspective, suppliers in Asia provide almost three-quarters (70.7%) of total Pakistani imported goods. Smaller percentages originate from Europe (13.1%), North America (7%), Africa (5.8%), Latin America (2.5%) excluding Mexico but including the Caribbean, then Oceania (0.8%) led by Australia. Top 10 Imports: 1. Mineral fuels including oil: US$10.3 billion (22.5% of total imports) 2. Electrical machinery, equipment: $4.6 billion (9.9%) 3. Machinery including computers: $4.1 billion (8.9%) 4. Iron, steel: $3.2 billion (6.9%) 5. Animal/vegetable fats, oils, waxes: $2.25 billion (4.9%) 6. Plastics, plastic articles: $2.17 billion (4.7%) 7. Organic chemicals: $2.13 billion (4.7%) 8. Vehicles: $1.44 billion (3.1%) 9. Cotton: $1.39 billion (3%) 10. Oil seeds: $1.28 billion (2.8%) SUGGESTIONS TO IMPROVE EXPORTS OF PAKISTAN Pakistan's economic growth of Pakistan is dependent on its exports by earning foreign income to finance imports, service debt, stabilize its currency and to overcome the persistent problem of the balance of payment deficit. In addition to being competitive, a country's exports should be in line with market trends and quality, and be certified		

		on internationally . **Difficult times demand innovative thinking, and out-of-the-box solutions** Pakistan needs to capitalize on exportable services and products requiring minimal infrastructure and investments. For example, there is a growing global demand for software and IT solutions. It is easier to establish a software house than to set up a manufacturing unit. Analysts predict global Software Engineering Market to develop at an 11.72% CAGR between 2016 – 2022. We accredit the vigorous growth of the software market to the growing demand for automation from different industries to enhance their program manufacturing processes and design quality. **Improving export competitiveness in the global market essential for increasing Pakistan's exports** Exports are a victim of protectionist tendencies which incentivize production for the domestic		

		market rather than global markets. A paradigm shift to provide incentives to industries to move their production from low value to high value products is needed. For instance, global ratio for MMF to Cotton is 70:30, whereas, Pakistan's composition ratio is 30:70 owing to lack of prioritization or incentivization by the government. Reforms to address this issue will exponentially enhance export potential. Moreover, one key measure to make exports competitive is to ease import restrictions. For instance, anti-dumping duty on Polyester Staple Fiber (PSF) will hurt the industry by increasing cost of raw materials, rendering exports uncompetitive. **Empowering SMEs** The Pakistani economy comprises almost 3.3 million Small and Medium Enterprises. These may comprise (amongst many other variants) service providers, manufacturing units and startups. SMEs make up over 30% of Pakistan's GDP and approximately 25% of generating exports. We need policies that empower SMEs and allow them to reach their true potential.		

		Offering access to finance, easily available subsidized credit, lower interest rates on loans, LTFF for purchase/import of machinery and skills training/development programmes can be a reasonable starting point to unleash SME's potential. Public procurement can potentially achieve outstanding economic and social benefits by ensuring government supply chains include SMEs. Benefits range from creation of skilled jobs, increased domestic tax revenue, to more robust domestic economic growth. Well-designed public procurement policies also have the potential to catalyze technical development, increasing trade margins, and overall productivity. **Improving the Duty Drawback Schemes** We can improve standard duty drawback schemes by: (a) making them accessible also to indirect exporters and extending them to imported inputs used in production of exported final products; (b) eliminating duty pre-payment for exporting firms in order to		

		reduce credit requirements. **Simplifying Regulations** The government should simplify regulation related to exports; cumbersome bureaucratic procedures negatively affect new exporters. At the same time, governments should improve information collection and dissemination about foreign markets and requirements for exporting. **Entrepreneurship and Workforce Development** Improve the productivity and technological content of domestic goods, and provide incentives to nurturing innovation, making Pakistani products globally competitive. For that to happen, we need comprehensive focus on nurturing entrepreneurship. A UNDP National Human Development Report has highlighted skilled unemployment level of 20% (college graduates) in Pakistan. Unemployment levels remain high, with the 'educated' constituting a large proportion of the unemployed population. With this state of		

		employment, Pakistan cannot reap the economic returns required for economic growth. The ease of doing business in Pakistan must be prioritized to encourage innovation for better quality diverse products and services. Entrepreneurship creates a virtuous cycle of prosperity as the people not only get employed themselves and create value for the society and the economy, but also promote employment opportunities.		