

TRADE



Trade is the exchange of capital, goods, and services across international borders. It has two types; domestic and international. International trade contributes significantly to gross domestic product (GDP) of many countries

International Trade vs Domestic Trade

1. International trade takes place between two different countries
2. In international trade there are different currencies, weight systems, type of transport used and higher quantity of goods are traded to achieve economies of scale,
3. Domestic Trade is the buying and selling of goods and services within the confines of the international boundaries of a nation. So while import and export are important for the economy of a nation, most of its GDP contribution comes from internal trade.

IMPORT & EXPORT



Imports are goods and services which one country buys from another.

Exports are goods and services which one country sells to another thus earning foreign exchange

Reasons for increase in world trade

1. Industrialization has increased meaning that now a surplus of goods is produced, which is exported after fulfilling the local demand
2. Increased communication facilities mean that people in different countries can come into contact with each other, thus linking the producer with the consumer
3. Better transport facilities
4. World Trade Organization has been set up. Its function is to open up trade between different countries
5. International Monetary Fund IMF and other such organizations like the World Bank, help in loans etc which prevent a country from running out of cash over short periods, although these must be repaid
6. Trading blocs have been setup like SAARC (South Asian Association for Regional Cooperation), which are intergovernmental agreements
7. Better storage facilities for perishable items

What is a barrier of trade

1. Import bans, in which certain goods are banned from being imported or exported
2. General or product-specific quotas, this mean that once a certain number of goods or certain value of goods enter/leave the country and a threshold is reached, further import or export is prohibited
3. Rules of Origin and Delivery, in which a good must only originate from a specific list of countries or exported to specific countries,
4. Quality conditions imposed
5. Import licenses, in which importer must seek government license before they import
6. Intellectual property laws (copyrights). This means that certain goods can't be traded without permission from the company/person to whom the property belongs.
7. Taxes like import tariffs which make it harder and expensive to import goods.

BALANCE OF TRADE AND BALANCE OF PAYMENTS

Balance of trade is the difference between visible imports and visible exports.

A negative balance of trade means more goods are imported than exported. Balance of payments is the difference between (visible and invisible imports) and (visible and invisible exports).

Here invisible imports/exports are services like professional Pakistanis who work in the Middle East.

They are an invisible export as they will be sending money back to Pakistan in form of remittances, which increase the foreign exchange of Pakistan.

Foreign exchange

WAYS OF EARNING FOREIGN EXCHANGE

Hidden earnings(fiver or freelancing, youtube, instagram and facebook monetisation)

Remittances

Export of goods

BALANCE OF PAYMENTS OF PAKISTAN	2008	2009
IMPORTS	\$38.22 billion	\$28.47 billion
EXPORTS	\$21.22 billion	\$18.44 billion

Import and Export items

MAIN ITEMS IMPORTED BY PAKISTAN
Machinery and transport equipments
Chemicals and related products
Mineral fuels
Inedible Crude Materials[- except fuels
Coal and Coke
Petrol and related products
Iron and Steel
Machinery specialized for particular industry
Telecommunication and sound related equipments
Road Vehicles

MAIN ITEMS EXPORTED BY PAKISTAN
Cereals and cereal preparation
Textile yarn, fabric and related products
Clothing accessories
Food and live animals
Baby carriages, toys, games and sporting goods

Problems for pakistan in trade

1. Dependence of major exports on a few commodities. Most of Pakistan's exports are agro-based and when yields are low due to floods etc (or attacks by leaf curl virus on cotton crop); exports plummet. Exports therefore need to be diversified so as to ensure consistent value of exports

Less people willing to invest in Pakistan due to economic and social instability

2. NO technology influx in pakistan
3. **Devaluation of the currency**- making imports difficult and even exports as you get less amount compared to what the importing country could have paid if our currency wasnt de valued.

The problem of child labour has led to decrease in orders

4. Import tariffs by EU countries on Pakistani textiles to protect their own cotton industry means that Pakistani cotton is expensive to buy there. Exports are not very profitable thus exports have decreased
5. Remittances haven't increased a lot in the last 2-3 years

Lack of quality and hygiene

Effect of negative balance of trade on economy

A negative balance of payments means that Pakistan needs to urgently raise money to pay for its excess imports. This means that big loans must be taken out from IMF and World Bank. Since these loans come with high interest rates, the government needs to raise taxes to pay them back. This means that **prices of goods increase** in the local market. People's real income decrease as they are able to **buy fewer goods**. This results in low demand for **locally produced goods**, which lowers profits for industries and results in loss. Workers need to be laid off to reduce costs. This increases **unemployment** and People are unwilling to invest and move their

businesses out of the country, which means that **no modernization** of influx of new ideas occurs. Production is lowered and cost of production increases, this makes locally produced goods uncompetitive in foreign markets leading to slump in exports and ultimately default on loan payments. This means that you can have your country's foreign assets and funds frozen and an embargo placed on your goods in international markets Furthermore, money is diverted from projects which aim to improve healthcare, education etc. The living standards of people fall and there is general discontent within the general population

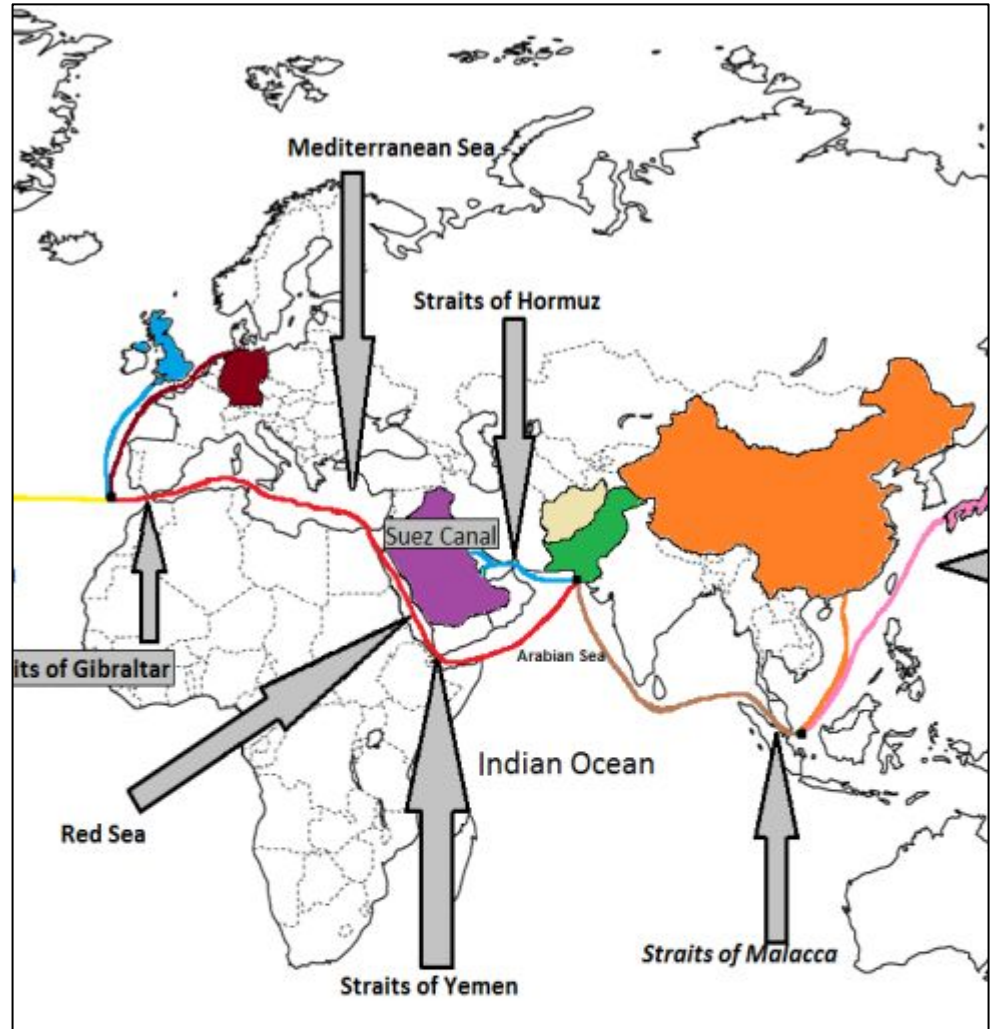
TRADE ROUTES

Sea or air transport is the major medium used for trade imports and exports

For Europe and the USA (United States of America, don't write America only) shipping vessels start from ports in the Arabian Sea.

From there they move South into the Indian Ocean and then pass West into the Straits of Yemen into the Red Sea.

They cross the Red Sea and pass into the Mediterranean Sea via the Suez Canal. They move Westwards through the Mediterranean and into the Atlantic Ocean via the Straits of Gibraltar



Through land

China

Karakoram Highway connects China and Pakistan across the Karakoram mountain range, through the Khunjerab Pass, at an altitude of 15,397 ft

Afghanistan

Pakistan is connected to Afghanistan by Chaman pass in Balochistan and Khyber Pass in Khyber-Pakhtunkhwa



Seaports of Pakistan

- **Port of Karachi**

The Port of Karachi is country's **largest and busiest seaport**, handling about 60% of the nation's cargo (25 million tons per annum). It has 30 berths and 2 wharfs (explained at the end of chapter)

- **Port Bin Qasim**

It is country's 2nd busiest seaport. In the 1970's it was decided that the country's first steel mill be built near Karachi. A purpose-built specialized port facility was also decided to be established for bulk handling of the massive imports of raw materials for steel production by the Pakistan Steel Mill at Pipri

- **Port Of Gwadar**

Gwadar is located on the southwestern coast of Pakistan, close to the important Straits of Hormuz, through which more than 13 million barrels of oil passes per day. It is strategically located between three increasingly important regions of the world: the oil-rich Middle East, heavily populated South Asia and the economically emerging and resource-rich Central Asia. It is Pakistan's 3rd busiest seaport

Gwadar continued

The construction of the Gwadar deep-sea port is just one component of a larger development plan which includes building a network of roads connecting Gwadar with the rest of Pakistan, such as the 650 km **Coastal Highway to Karachi and the Gwadar-Turbat road** (188 km).

This network of roads connects with China through the Indus Highway. Pakistan, China, Kazakhstan, Kyrgyzstan and Uzbekistan are developing extensive road and rail links from Central Asia and the Chinese province of Xinjiang to the Arabian Sea coast.

The Pakistani Government has initiated several projects, with major financial and technical assistance from China, to develop **Gwadar strategic location as a goods transit and trade point.**

The primary project is the construction of a deep-sea port at Gwadar to enable high-volume cargo movement to and from the landlocked Central Asian states.

Other ports of Pakistan (Pasni, Jiwani etc) are less developed because of the lack of government investment to develop them. They are primarily fishing ports which handle very little import/export of cargo. This is because most of Balochistan's interior is thinly populated and less developed.



SEA PORT FACILITIES

- Fire extinguishers
- Coast Guard
- Docks for maintenance of ships
- Passenger lounges
- Re-fuelling of ships
- Warehouses
- Offices
- Water, Communication and Transport facilities
- Quarantine and Storm-Shelter Area

This cargo shipping terminal has a **single large wharf** (whole paved structure with containers) with **multiple (3 visible) berths** (places where ships dock for loading and unloading of cargo)