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## Trade deficit dilemma

### **THE LEGISLATURES OF TRADE AND INDUSTRY CENSURED THE GOVERNMENT SECTORS AND POLICY MAKERS FOR DECLINING INDUSTRIAL PRODUCTION AND EXPORTS.**

The trade shortfall during May, 2009 was amounted US \$ -1,061(mn) aligned with US \$ -1,962(mn) in similar period May, 2008 which was major turn down by 46% where exports recorded over decline by 21.9% and imports decline by 34%. On monthly root, trade deficit figured out by US \$, -1,435(mn) April, 2009 which significantly declined by -26% MoM basis where exports surged by 10% and imports declined by 8.4%, proceeding towards improvement in terms of economic revival, a dilemma but less impossible. The currency variation is vital factor over the scenario, furthermore tax impositions on import items may stabilize the imbalances.

The decelerate in export growth is due to the detail that textile industries which are the major contributors to the national economy portrayed a lethargic performance and registered pessimistic growth. The share of textile sector declined from 58.8% in the previous year to 53.2% in the present year and is steadily illustrating negative growth. The crash in export correlated with international crisis and the massive negative escalation in LSM sector during quite a number of months because of energy crisis, high mark up and financing rates, most awful law and order circumstances and demand tightening in the export based industries portrayed meager export performance of Pakistan. The deteriorating trade account implies that local Pakistani consumption became dependent on the impulse of foreign lenders. Further, given its large budget deficit, the government is said to be increasingly dependent on the foreign purchases of its debt to supplement domestic savers purchases of government debt. The legislatures of trade and industry consisting APTMA, Carpet manufacturers, Leather garment exporters, The Rice Exporters Associations of Pakistan, President KCCI and Pharmaceutical industry censured the government sectors and policy makers for declining industrial production and exports. Power outages, high interest rates, attitude of custom officials both at import and export phase, attitude of commercial councilors and policy makers were listed by the business representatives for depressing exports.

## Approaching outlook

The unusual projection for export target of \$22.1 (bn) for the year may not be attainable subsequent to evaluating the past ten months export performance. Exports are more or less expected to be \$18.5 (bn) for the current year which means a significant shortfall of \$3.6 bn. Imports were not targeted and they are anticipated to be \$36 (bn) in the current fiscal year. This at the end of the financial year could result in a deficit of \$17.5 (bn). With sufficient foreign exchange reserves, surge in remittances and loans from array sources including multilateral financial institution it wont be difficult to finance lower trade deficit of this current financial year. The cut in trade deficit would have been much better had there been considerable exports and decrease in imports due to import substitution. A huge import bill of \$5billion or less than that can be reduced if revolutionary development occurs in the agriculture sector. The enormous potential in garments, leather, carpets, sport goods and rice exports is exploited with better incentives and required facilities by the government. Furthermore increasing figure of exports over imports may substantially be the component of innovative policies which could depicted as at least in equilibrium state.

