Advance Journal of Econometrics and Finance

Vol-4, Issue-1, 2026

Advance Journal of Econometrics and Finance

Online ISSN

2959-8990

Print ISSN

2959-8982

https://ajeaf.com/index.php/Journal/About

Name of Publisher: SCHOLAR CRAFT EDUCATION & RESEARCH HUB

Review Type: Double Blind Peer Review

Journal Frequency: Quarterly Research Journal (4- Issue)

Unraveling Export Performance Trends for Pakistan Under Military and Non-Military Regimes

[1]Imran Ul Haq, [2]Dr. Muhammad Irfan

Imran Ul Haq
PhD Scholar, Department of Economics, Sarhad University of Science and IT, Peshawar.

Dr. Muhammad Irfan
Associate Professor, Sarhad University of Science and IT,Peshawar.

Abstract

This study evaluates Pakistan's export performance under military and non-military political regimes from 1977 to 2024, with a special focus on export trends, structural composition, diversification, and export competitiveness. This study applies a descriptive and comparative methodology, and examines export dynamics of military and nonmilitary regimes by using indicators (exports as a percentage of GDP, trade deficit), export composition, export diversification matrix such as (number of exported products, HHI Index and Index of export market penetration), and Structural competiveness indicators (trade openness, real effective exchange rate (REER), foreign direct investment (FDI), and governance standards). The study results reveal that while military regimes show relatively stronger export growth, policy consistency, and higher FDI inflows, these gains were largely short-based and not sufficiently generate long term structural transformation. On the other hand, nonmilitary (i.e. democratic) regimes were more consistent with policy reforms. However, due to political instability, poor institutional performance and external shocks, Pakistan's export performance was highly volatile. The study further demonstrates that Pakistan's export growth was largely dependent on market expansion rather than product diversification, and that Pakistan's exports consist mostly of low-value, traditional manufactured and primary goods. The study concludes that Pakistan's export poor performance shows regime changes but is also caused by deep-rooted structural and institutional constraints. This study offers policy recommendations emphasizing institutional continuity, export diversification, exchange rate competitiveness, and governance reforms to achieve sustainable export-led growth.

Keywords:

1. Introduction

Trade is an economic engine for the economic growth and development of the country. A country can obtain the goods it needs through two methods: by producing the commodity domestically or by obtaining it through trade. this particular commodity in the home country, and the second way is to acquire it through trade. The latter method is often favored as it allows for the importation of goods from abroad. especially when domestic production is costly. It was a good alternative because either that commodity has a high price for local production, and imports it at a competitive price through international trade. Trade typically raises the productivity level and increases the welfare of the trading countries through innovation, trade creation and trade diversification. This is demonstrated in the shape of globalization across the globe (Kiani et al., 2018). Export earnings are important to the growth of a country's economy. In simple words, international trade enables utilization of the available resources, benefiting trade partners and enhancing their living standards. As a result of globalization, countries have liberalized their trade by eliminating trade barriers and improving their trade policies (Lohani, 2020).

Exports are an important element of international trade compared to imports because it is directly associated with the economy's growth. Various Asian economies, particularly China, South Korea, Taiwan, and Malaysia, have achieved their economic growth by increasing their exports Ghauri et al. (2022). The export performance of Pakistan has remained unimpressive since its independence. Pakistan's exports have continued to lag behind those of other developing countries in the region. The main reasons for low exports are political instability, poor implementation of trade policies, lack of direct foreign investment (FDI) and low and limited agricultural-based exports with a concentrated export market Malik et al. (2017)

An analysis of Pakistan's exports compared to other developing nations further highlights the poor export performance and weaknesses in the trade policies implemented in Pakistan over the past four decades. The most concerning trend is the steady decline in the exports-to-GDP ratio in Pakistan when compared to other developing countries in the region. According to the World Bank Database, in 2023, the exports-to-GDP ratio was hardly 10.5 percent. While the exports-to-GDP ratio in India was 21.8 percent, China's was 19.7 percent, and Bangladesh's export-to-GDP ratio was 13.2 percent in 2024 (see details in Table 1).

Pakistan's export performance has experienced fluctuations under both civilian and military governments. During the 1977 and 1999 periods of military rule, the country saw relatively high economic growth, which positively impacted export performance. The military governments were often able to secure foreign aid and support from Western countries, which helped ease foreign exchange constraints and boost exports. (Zaidi, 2005). In contrast, periods of civilian rule, such as the 1990s and 2008 onward up to 2024, were marked by lower economic growth and export performance. Civilian governments faced challenges in maintaining consistent economic policies and securing foreign aid, which led to foreign exchange constraints and hindered export growth. Between 2008 and 2024, Pakistan's export performance was shaped by various factors. Political instability and inconsistent economic policies undermined trade growth, while energy crises and reliance on foreign aid further constrained industries. Natural calamities like the 2010 and 2022 floods and climate change significantly impacted agricultural exports. Additionally, the COVID-19 pandemic disrupted global demand and supply chains, temporarily stalling export recovery. Despite these challenges, government measures provided some support to the affected sectors. Pakistan (Economic survey,2023)

The political, economic, and environmental developments between 1977 and 2024 significantly impacted Pakistan's export performance. Political instability and frequent policy changes undermined investor confidence and disrupted trade. Economic challenges, such as energy crises, rising debt, and reliance on foreign aid, constrained industrial output and export growth. Natural calamities, including floods, droughts, and earthquakes, damaged infrastructure and agricultural exports. Additionally, global events like the COVID-19 pandemic disrupted supply chains and reduced demand for exports. These factors collectively hindered Pakistan's ability to achieve consistent export growth. This paper aims to evaluate Pakistan's export performance with the export promotion policies implemented by various political regimes. The analysis spans several decades, specifically from 1950 to 2024, with a particular focus on the impact of these policies on export performance from 1977 to 2024 under different political and military administrations. To achieve this, the study examines both Pakistan's export performance and the export promotion policies in place over time.

1.2 Research Problem

The current study evaluates Pakistan’s export performance under various military and nonmilitary regimes over the study period from 1977 to 2024. It aims to investigate how changes in regimes influence trade policies and export performance. By assessing Pakistan's overall export performance using different approaches. this study provides an in-depth analysis of the dynamics of Pakistan’s export sector. Moreover, it assesses the trade policies of various regimes and suggests some good recommendations for boosting exports and achieving long-term economic growth.

1.3 Research Questions

1. How did Pakistan's export performance under various military and nonmilitary regimes during 1977 - 2024?
2. How did different trade policies in various political regimes shape export growth or decline during 1977-2024?
3. What good lessons can be drawn from various trade policies to improve Pakistan's export performance in future?

1.4 Research Objectives

In light of the research questions, the study aims to achieve the following objectives:

1. To examine the impact of trade policies on Pakistan's export performance under various military and nonmilitary regimes
2. To assess Pakistan's overall export performance and growth trends across various military and non-military regimes during 1977 - 2024
3. To provide some policy recommendations for improving Pakistan's export performance.

The rationale of this study is that Pakistan's export sector has long faced numerous challenges, such a fluctuating export to GDP percentage, a limited export market, a narrow range of exportable products, a widening trade deficit, and insufficient product diversification and export-led growth. Regime shifts have historically transformed trade policy directions, often influencing export trends and economic growth. This study aims to assess Pakistan's export performance under various military and nonmilitary regimes in the period of 1977-2024.

2. Literature Review

The export performance of developing economies plays a pivotal role in their economic growth and global competitiveness. For Pakistan, a country with a history of political transitions, understanding export trends requires a nuanced examination of the interplay between governance and trade policies. From 1977 to 2024, Pakistan has witnessed varied political regimes, ranging from military rule to democratic administrations, each implementing distinct economic policies that have shaped the nation's export trajectory. Despite extensive research on export performance, limited attention has been given to understanding how these political shifts have influenced trade policies and their outcomes. This literature review aims to address this gap by exploring the relationship between political regimes, trade policies, and export performance, providing a foundation for deeper analysis.

Feaver (1999) argued that economic growth cannot occur in the presence of political instability. Such instability arises when civil institutions fail to establish a strong connection between economic development and the effectiveness of political structures. As urban and rural communities grow, tensions may emerge—especially if the government is unable to maintain a fair balance between them. Another view suggests that political instability results from the government's failure to meet citizens' expectations. Conversely, when social and economic expectations are fulfilled, political stability improves, leading to stronger economic performance. Rodrick (2007) argues that strong institutions of a country are built by understanding local conditions rather than simply copying models from others. He further states that trying different models and learning from experience is better rather following imported fixed models. according to him that true democracies help in this process by allowing people to share their opinions and take part in decisions. As a result, democracy plays an important role as an institution that creates a good system and strongly supports both social and economic growth.

(Hussian, 2010) believed that despite challenges like institutional inefficiency, corruption and favouritism, democracy in Pakistan still offers long-term stability. It helps in economic development through regular elections, and accountability of the leadership and strengthens good. institutions. On the other hand, frequent changes in government can affect economic growth. Ahmed et al. (2014) examined economic and social indicators under both political and military regimes in Pakistan from 1989 to 2005. They concluded that most indicators remained largely similar across both types of governments, with no significant or lasting improvements observed during either period.

Meyersson (2015) examined the impact of military rule on economic growth. He found that a military government has a negative influence on economic growth, investment, and health. He also demonstrated that martial law affects long-term planning and institutional reforms in a country.

Hayat et al. (2016) evaluated Pakistan's economic performance under various political and military regimes using data from 1958 to 2014. The study incorporated key macroeconomic indicators, including inflation, real Gross Domestic Product (GDP), unemployment, per capita income, and Foreign Direct Investment (FDI). The findings showed that military governments generally performed better than democratic regimes in terms of GDP growth and inflation control, while democratic governments showed greater improvement in per capita income. FDI and unemployment rates remained relatively similar across both types of regimes. The study concluded that political instability is a major factor contributing to Pakistan's low economic growth. Azam (2020) examines how industrial policies affect export performance under different political regimes in

Pakistan. The study finds that democratic governments often encourage wider industrial development and improve export competitiveness, while military regimes tend to prioritize centralized production of advanced goods. This highlights how the type of regime plays a key role not just in overall economic results, but also in shaping the pattern and long-term viability of export growth.

Mirza et al. (2023) evaluated the political crisis during the regime change in 2022 in Pakistan, when the Pakistan Democratic Movement (PDM) took over from the PTI-led government through a vote of no confidence. They argued that this transition further intensified political instability, which negatively affects economic growth. The study suggests that political stability is a key factor in economic development, and that all political parties in Pakistan must prioritize national interests over personal and party agendas

3. Date and Methodology

The data analysis is descriptive in nature. The data were obtained from various national and international sources, including the State Bank of Pakistan, the Pakistan Economic Survey, the World Bank, and World Development Indicators (WDI). The study assessed Pakistan's total export performance by applying four different approaches across both military and nonmilitary regimes during the study period i.e. 1977 - 2024.

The study analysis is based on four approaches:

1. Export Policy reforms**:** assessing various trade policy reforms across various regimes.
2. Export Dynamics**:** examining the export growth trends, export to GDP ratio, and trade deficits.
3. Product structure**:** Examining the composition and product diversification
4. Structural Competitiveness**:** examining export competitiveness through trade openness, real effective exchange rates (REER), Foreign Direct Investment (FDI) inflows, and governance standards (SD).

These approaches enable a comparative assessment of export performance under military versus nonmilitary regimes.

3.1. Different Political and Military Regimes and Their Trade Policies (1977-2024)

3.1.1. General Zia Ul Haq Regime

The empirical literature highlights that the political regime is a key factor in evaluating Pakistan's export performance. Trade and export policies under different regimes in Pakistan reflect their distinct political and economic visions, leading to a considerable positive or negative impact on export performance. For example, Kemal (2006) noted that in the 1980s, trade policy measures "under the General Zia-ul-Haq era" focused on stabilization and import substitution; however, export diversification remained stagnant. Therefore, Pakistan's export competitiveness weakened in the global market.

Pakistan's economic performance has been influenced by religious fundamentalism, sectarian divisions, and regional economic disparities. Therefore, Pakistan has not been able to realized its potential. In contrast, several East Asian nations, once economically behind Pakistan in the 1960s, have emerged as dynamic 'Asian Tigers' by adopting forward-looking trade policies and aligning national development strategies with global competitiveness. South Korea stands out as a good example, having transformed its economy from import substitution to export-led growth and structural reforms Batool & Siddiqui (2021).

Zaidi (2005) further argued that during the Afghan War, international economic assistance contributed to improvements in Pakistan's economy and export performance in the short run, whereas the structural challenges and inconsistent trade policies under the Zia Ul Haq era affected overall economic stability. In spite of these issues, the government led by General Zia introduced some important export promotion measures aimed at boosting overall export, competitiveness and diversifying products and market:

- To compensate the major export industries against the high price of capital goods and the high cost of inputs. A compensatory rebate was introduced; under this scheme, relief was given ranging between 7.5 percent to 12.5 percent on F.O.B. from 1978 onward.
- To encourage the export of manufacturing goods, the government introduced an export rebate scheme. Under this scheme, custom rebates have increased from 35 to 127 items during 1978-83.
- Similarly, the export finance scheme was also launched to support the export of manufactured and engineering goods. The exporters in these two categories were allowed to obtain loans at 2 to 3 percent from local banks. Additionally, the sales tax on these two categories was reduced from 77 percent to 67 percent. (Pakistan Economic Survey, 198283, 1986-87).

- To attract foreign investment, speed up the adoption of advanced technology and raise the skill of labour and management standard of the exportable sector, General Zia set up export processing zones at Karachi and Lahore. These export processing zones were also exempted from customs and import duties.
- In 1982, Pakistan delinked its rupee from the US dollar and adopted a managed floating exchange rate.

These export promotion measures were aimed at enhancing Pakistan's export performance. Unfortunately, these measures were not implemented in their true spirit, and as a result, the overall exports were below their potential, and the diversification of products remained unchanged.

3.1.2. Benazir Bhutto and Muhammad Nawaz Sharif Led the Government

During the years 1988 to 1999, following the death of General Zia ul-Haq, eleven years of military rule came to an end, marking the beginning of an era of civil administration under the leadership of Benazir Bhutto and Muhammad Nawaz Sharif. During this period, the democratic government resumed policies of liberalization and privatization Zaidi, (2005). They also launched a Structural Adjustment Program (SAP) under the umbrella of the IMF and World Bank, aimed at accelerating the process of trade liberalization, reforming tariffs, privatizing state-owned enterprises (SOEs), increasing the flow of foreign investment, and rationalizing public spending Usman (2024).

Similar to General Zia, the main aim of economic policy during this period was to boost the overall volume of exports by diversifying the export structure. This involves shifting from mainly exporting raw goods to emphasizing semi-manufactured and manufactured goods. Additionally, the policy also seeks to liberalize imports by reducing trade and tariff barriers, thereby linking Pakistan's economy to the international market. (Pakistan Economic Survey, various Issues).

3.2.3. General Musharraf-led Administration

During 1999-2007, in October 1999, the democratic government of Muhammad Sharif was dismissed by General Pervez Musharraf, who became the chief executive of Pakistan and later became the president of Pakistan through a referendum. Under his supervision, Pakistan enjoyed a significant period for its economy, particularly in terms of trade and exports Zaidi (2005) (Zaidi, 2005). During this period, according to World Bank export data, Pakistan's exports increased from US$ 9.6 billion in 2000 to US$ 21.4 billion in 2007. The government, under Musharraf's supervision, implemented several economic reforms to enhance the production and competitive capacity of domestic industries, particularly the textile sector, which is important for exports. A structural adjustment program was launched in collaboration with the IMF to further accelerate the processes of liberalization, deregulation, and privatization Husain (2004). This program also provided various export-related incentives, including reductions, exemptions, and support for exporters to boost the country's exports. (Pakistan Economic Survey: Various Issues). Similarly, the General Musharraf-led government introduced the Economic Regulation Program (ERP) in 2005, aimed at liberalizing trade and attracting foreign direct investment (FDI). The program reduced import and export duties and relaxed licensing procedures to create a more investor-friendly environment. As a result, Pakistan received approximately $5 billion in FDI, one of the highest inflows in the country's history at the time. This surge in investment played a significant role in strengthening foreign exchange reserves and improving the balance of payments IBEX Times (2021).

Between 2008 and 2022, Pakistan experienced three different democratic governments: The Pakistan People's Party (PPP), the Muslim League (N) (MLN), and Pakistan Tehreek-e-Insaaf (PTI). An in-depth analysis of Pakistan's export performance during this period can be divided into three different phases: 2008–2013, 2013–2018, and 2018–2022.

3.2.4. Zardari Led The Government

Between 2008 and 2013, the export performance of Pakistan was moderately stable in absolute terms, mainly due to the high performance of the textile sector. However, Pakistan's average exports share in world exports was around 12.4 percent. During the period government followed an export-led growth strategy to improve the volume of exports through reducing the cost of doing business, increasing the productivity and competitiveness of the export sector, particularly manufacturing and major agro-based products. And extended different incentives to exporters, like reduced duty on the import of raw material and machinery. Under the export scheme, exporters are allowed to import a set of important inputs at zero tax to increase exports. (PES, 2008-09). To enhance the competitiveness of national exports, Pakistan launched a three-year Strategic Trade Policy Framework (STPF) for the period 2009-2012. Its goals included improving macroeconomic policies and increasing the sophistication and diversification of both products and markets (PES, 2009, 2010). This initiative aimed to position exports as a crucial sector of the economy, boost Pakistan's export competitiveness in the international market, and raise overall exports to $95 billion during the period 2012-2015. As a result, the STPF program was extended through the period 2012-2015 (Pakistan Economic Survey, 2013-14).

3.2.5. Muhammad Nawaz Sharif Led the Government

Between 2013 and 2018, the main objective was to enhance the export sector's competitiveness, promote export-led growth, address structural irregularities, and reduce the cost of doing business. Pakistan provided various incentives to the export sector. Additionally, the Strategic Trade Policy(STP) (2012-2015), launched in 2012, the initiative had key objectives to promote regional trade and institutional restructuring, as well as to increase agro-based exports, particularly from underdeveloped areas of the country. This policy also encourages green exports without harming the environment and supports the active participation of women in the export sector. Consequently, the country has continued to implement an export-led growth strategy with several key objectives: adopting a market-based exchange rate policy, extending the Prime Minister's Export Scheme for an additional three years, and reducing tariffs on various inputs Khan (2013). Furthermore, this STP trade was extended to 2015-2018. Under this STP, the government set a target of $35 billion in exports during this period. The STP (2015-2018) focused on boosting regional trade, particularly with China, Iran, and Afghanistan, except India, due to strained diplomatic relations Haider (2016). Similarly, the State Bank of Pakistan increased the limit of soft loans available to exporters to further enhance export growth across various sectors.

During 2013-2018, Pakistan's exports remained stuck between $ 30-31 billion for several years. In 2018, exports stood at $ 30.6 billion compared to $ 31.5 billion during 2013. According to a UN study covering 30 years (1980-2011), India's share of world exports improved from 0.43 percent to 1.7 percent; Bangladesh's from 0.04 percent to 0.14 percent; Malaysia's from 0.74 percent to 1.34 percent. However, Pakistan's share remained at 0.15 percent. In 2014, the European Union granted duty-free access under GSP Plus status, which was expected to significantly boost Pakistan's exports. High production costs, lack of research and development (R&D), and the energy crisis hampered Pakistan's exports, preventing it from reaching its potential (PES, 201415). Similarly, like previous regimes, Pakistan failed to expand its market base and export markets. During this period, three major categories cotton, rice, and leather, contributed 67 percent of the total exports in 2013 and 73 percent in 2018. Likewise, Pakistan's export market remained narrow. Only the USA imported 19 percent of Pakistani goods in 2013 and 21 percent in 2018, followed by China with 6 percent in 2013 and 7 percent in 2018 (PES,2018-19).

3.2.6. Imran Khan Government

Between 2018 and 2022, Pakistan adopted various export policies under the Strategic Trade Policy Framework (STPF) 2018-23, followed by STPF 2020-25. These policies addressed issues such as tariff reforms, affordable energy pricing for industries, and the timely clearance of duty drawbacks and tax refunds to enhance exporters' liquidity (Government of Pakistan, 2018; TDAP, 2021). The textile exports, as the country's primary export sector, benefited from the Duty Drawback of Taxes Order 2018, which introduced performance-based rebates later extended with higher rates and incentives for diversification into non-traditional markets (Government of Pakistan, 2018). Export facilitation was further improved through the launch of the Pakistan Single Window (PSW), aimed at digitising customs and border procedures to reduce costs and delays (Pakistan Single Window, 2021). The STPF 2020-25 also set ambitious targets of over $57 billion by 2025, focusing on product and market diversification, regional connectivity, and institutional reforms.

However, in 2020, the COVID-19 pandemic had a severe impact on the economy, particularly affecting exports. To get the economy back on track and boost exports, Pakistani authorities implemented several incentives and measures, including providing subsidies for gas and electricity to the industrial sector to enhance the production capacity of the export sector. There was also a cumulative enhancement of Rs 190 billion in the refinancing limits for banks under the Export Finance Scheme (EFS) and the Long-Term Financing Facility (LTFF), along with tax refunds, to improve liquidity conditions for exporters (PES 2022-23). In 2022, the government announced an industrial package to encourage investors to invest in both small and large scale industries in Pakistan. The industrial package included a five year tax holiday for overseas Pakistanis to invest in export base industries, no question would be asked about capital investment in the industrial sector, and tax would be reduced by expanding the export base Reddit (2022).

3.2.7. Muhammad Shahbaz Sharif Government

Following 2022, the Shahbaz Sharif Government implemented IMF-backed stabilization programs. These programs emphasized fiscal discipline and monetary controls and also offered various incentives to exporters and the industrial sector to boost overall exports. these export incentives were included to provide electricity to the industrial sector at a regional competitive rate to reduce the cost of production, increase exports and competitiveness in the global market. To encourage the textile sector, the government reduced the customs duty on the import of cotton to increase domestic production and its exports. The government further facilitated the exporters and introduced a rupee based discounting of export bills under the Export Finance Scheme (EFS) and Islamic Export Refinancing Scheme (IEFS). (PES 2022-23).

The government further offered attractive incentives to exporters and the industrial sector to boost exports, such as providing liquefied natural gas (LNG) to major export-based sectors like sports goods, textiles, surgical goods, carpets, and leather at a 50 percent discount. This aims to reduce production costs and enhance export competitiveness in the international market. To expand the export market, Pakistan is engaged in negotiations with various countries and organizations to finalize a free trade agreement. Additionally, the government operationalized the Export and Import of Pakistan (EXIM) Bank to support exporters in international trade transactions (PES (2023-24). Overall, the evidence suggests that Pakistan's export performance has been shaped less by consistent long-term planning and more by the changing priorities of successive regimes. Political instability, policy reversals, and overreliance on textiles, rice, and leather have persisted as recurring issues, constraining the country's capacity to attain sustainable export-led growth.

3.3.1. Export Dynamics

Table 1: ***Export Dynamics in the various political and Military Regimes (%) (1977 – 2024)***

Year/Regimes Period	Exports ($ Billion)	Export (% of GDP)	Trade Deficit ($ Billion)
1977-1988 General Zia (Military)	1.4- 5.3	9.3-13.9	(-1.5)- (-3.3)
1988-1999 Benazir and Nawaz Sharif (Democratic)	5.3- 9.7	13.9-15.4	(-3.3)- (-1.9)
1999-2008 General Musharraf (Military)	9.7-24.1	15.4-11.9	(-1.9)- (-23.8)
2008-2013 Zardari and Nawaz Sharif (Democratic)	24.1-31.5	11.9-12.2	(-23.8)- (-17.7)
2013-2018 Nawaz Sharif (Democratic)	31.5-30.7	12.2-8.6	(-17.7)- (-37.9)
2018-2022 Imran Khan (Democratic)	30.7-39.5	8.6-10.5	(-37.9) - (37.7)
2022-2024 Shahbaz Sharif	39.5- 38.1	10.5-10.4	(-37.7)- (-28.7)

Source: World Bank,2025 and Pakistan Economic Survey (Various Issues)

Table 1 shows Pakistan's export dynamics under various military and nonmilitary regimes from 1977 to 2024. In Zia-ul-Haq's regime, which started from 1977 to 1988, the low export-to-GDP ratio, coupled with a high trade deficit, reflects a narrow range of export base mostly consisting of primary goods with low product diversification. On the other hand, under the nonmilitary government from 1988 to 1999**,** the implementation of trade policy reforms including trade liberalisation measures, led to an improvement in the export to GDP ratio, while the trade deficit remained low.

The regimes led by General Musharraf (1999-2008) showed a noticeable strong export growth, during Musharraf period, the export-to-GDP ratio increased and the trade deficit was relatively reduced, mostly due to a high inflow of FDI, fouled by textile exports. In Contrast, nonmilitary regime led by Zardari from 2008 to 2013, experienced exports stagnated as trade competitiveness declined, and trade deficits widened. The Nawaz Sharif government (2013-2018) faced further export stagnation, with both the export-to-GDP ratio and trade deficit.

Between 2018-2022 Imran Khan-led government, showed a modest improvement in export performance, while trade deficit continued to expand. While the coalition government (2022-2024) was weak export performance, with stagnant export-to-GDP ratios. finally, Table 1 highlights that despite of some improvements in export performance, structural weaknesses kept exports vulnerable to external shocks and poor policy implementation.

Figure 1.1: Pakistan Export Dynamics (Exports, Imports and Trade Deficit) 1977-2024

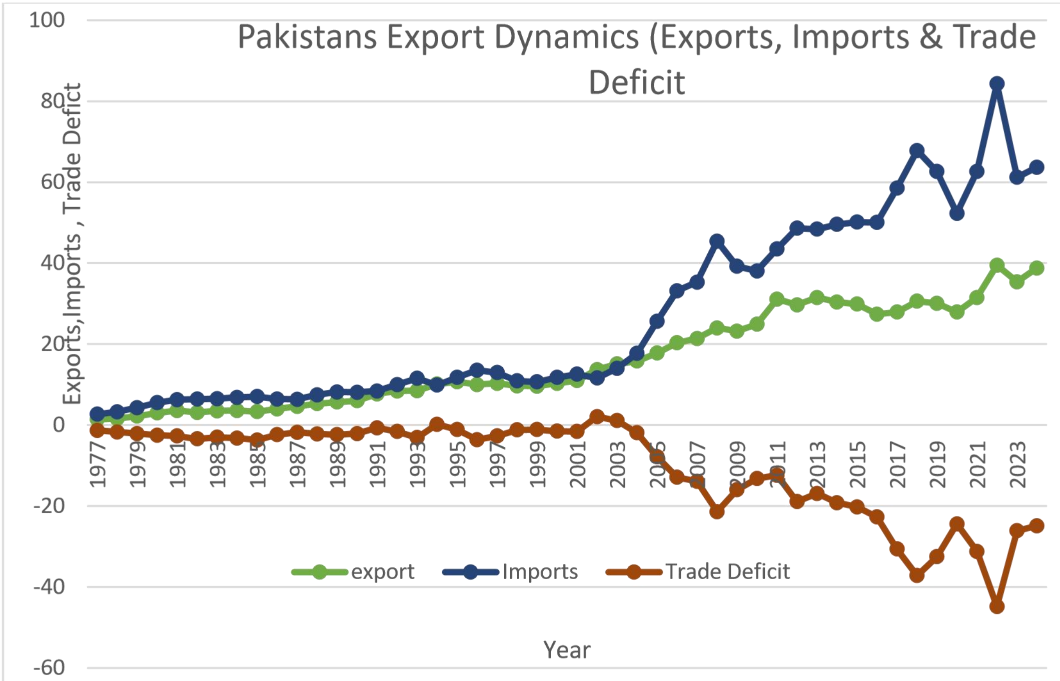


Figure 1.1 shows the long-run trends in Pakistan's exports, imports, and trade deficit over time (1977-2024). Pakistan's Exports show a gradual and steady increase, showing moderate growth in exports. In contrast, imports rise at a much faster pace than exports, particularly after 2003, indicating high dependency on foreign goods and inputs. As a result, the trade deficit expands significantly over time, as indicated by the increasingly negative values of the trade deficit. The negative trend of the trade balance suggests that export growth has not kept pace with increasing import demand by the country. In short, the figure highlights Pakistan's persistent trade imbalance and highlights the structural challenges faced in improving export performance relative to imports.

Figure 1.2: Pakistan's Export Dynamics (Export to GDP Ratio) 1977-2024

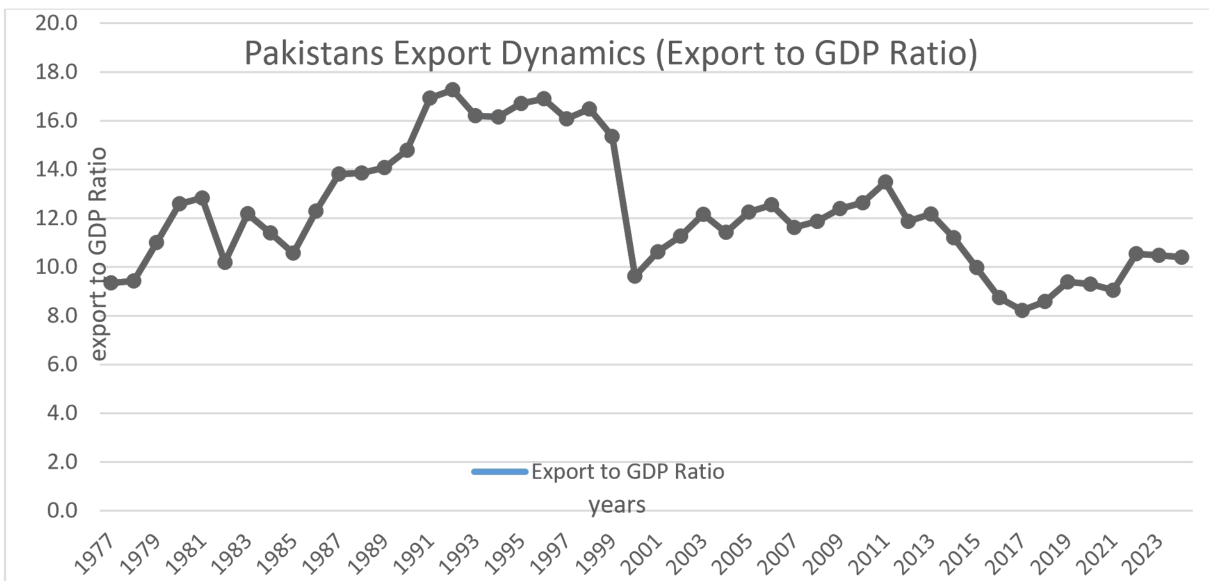


Figure 1.2 represents the long run trend of Pakistan's export to GDP ratio from 1977 to 2024. Through this period, the export to GDP has shown moderate variation over time. from 1977 to 1989 the export to GDP ratio hovered between 9 percent to 13 percent. between 1989 and 1999, the export to GDP ratio of Pakistan increased slightly from 14 percent to 15 percent. however, from 2000 onwards, this export to GDP ratio again declined to 10.5 percent. this indicates that Pakistan exports is not keeping space with the growth of its GDP increasing as Pakistan's GDP increases. Highlights structural issues in export led policy and the weak integration of Pakistan's exports into the international market.

3.3.2. Product Structure

Table 2: ***Pakistan Export Composition (%) 1977-2024***

year	Primary Goods	Semi-Manufactured Goods	Manufactures Goods
1977-1988	36-33	15-10	49-52
1988-1999	33-12	10-15	52-73
1999-2008	12-16	15-10	73-75
2008-2013	16-16	10-14	75-68
2013-2018	16-18	14-12	68-70
2018-2022	16-16	12-8	70-80
2022-2024	16-18	8-6	80-76

Source: Pakistan Economic Survey (Various Issues)

Table 2 presents the composition of Pakistan's exports by product category, primary goods, semimanufactured goods, and manufactured goods over the period 1977–2024. This table shows a substantial structural shift in Pakistan's export composition over time. Between 1977-1988, exports were relatively diversified, with primary goods accounting for a large share (33-36 percent), while manufactured goods comprised approximately 49-52 percent of total exports. while in the subsequent period (1988-1999), the share of primary goods decreased, while manufactured goods increased considerably, reaching as high as 73 percent, signifying a move toward manufacturing-based goods exports. During 1999-2008, manufactured goods continued to dominate Pakistan's exports, accounting for nearly 73 percent of total exports, while primary and semi-manufactured goods remained relatively low. However, from 2008 onward, some fluctuations were witnessed in the shares of semimanufactured and manufactured goods exports. Despite these fluctuations, manufactured goods consistently remained the largest part of Pakistan's exports, contributing a share of around 80 percent during 2018-2022.

During 2022-2024, although the share of manufactured goods declined slightly, it continued to dominate export composition, while primary goods maintained a stable share, and semimanufactured goods declined. In a nutshell, Table 2 shows a long-term shift toward manufactured exports, but also suggests limited product diversification within manufacturing and mostly dependence on a narrow range of export goods.

Figure 3: Pakistan's exports Composition (%) 1977-2024

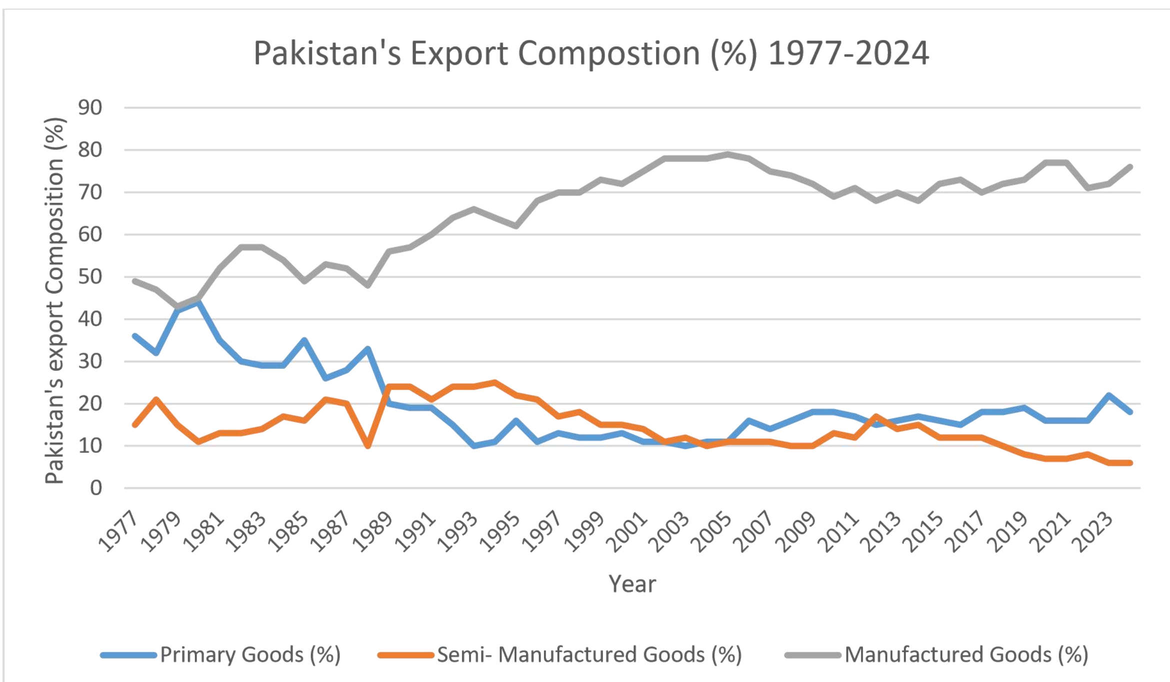


Figure 3 highlights Pakistan's export composition over time, shows export composition shows the percentage share of primary goods and semi manufactured goods has declined over time, while the share of manufactured goods has consistently increased from 1977 to 2024. Overall, although Pakistan's exports of manufactured goods have increased during this period, they have not yet reached their full export potential.

Advance Journal of Econometrics and Finance
Vol-4, Issue-1, 2026

3.3.3. Export Diversification Matrix

Table 3: *Export Diversification Matrix*

year	No. of total export products	HHI Index	Index of Export Market Penetration
1977-1988	--	--	--
1988-1999	--	--	--
1999-2008	- 3017	- 0.05	- 7.5
2008-2013	3017- 2756	0.05- 0.05	7.5 – 8.2
2013- 2018	2756 - 2757	0.05- 0.5	8.2- 8.5
2018-2022	2757 - 2753	0.05-0.06	8.5 – 9.4
2022-2024	2753 - 2936	0.06- 0.06	9.4 – 9.8

Source: WITS,2025

Table 3 presents the evolution of Pakistan' s export diversification and market penetration over different periods, using three indicators: the number of export products, the Herfindahl– Hirschman Index (HHI), and the Index of Export Market Penetration.

Data are available from 2003. During 1999-2008, when Pakistan exported 3, 017 products, the HHI was 0. 05 and the export market penetration index was 7. 7.5. The low HHI indicates a relatively diversified export structure, although market penetration remained modest. During 2008-2013, the number of export products declined from 3, 017 to 2, 756, while the HHI remained stable at 0. 05, suggesting that the reduction in product variety did not significantly increase export concentration. Notably, export market penetration improved from 7. 7.5 to 8. 2, indicating better access to international markets despite a decrease in the number of products.

In 2013-2018, the number of export products remained almost unchanged (2, 756-2, 757). However, the HHI increased from 0. 05 to 0. 50, reflecting a substantial rise in export concentration. This suggests growing reliance on a limited number of export products. Nevertheless, market penetration continued to improve, rising from 8. 8.2 to 8. 8.5, implying deeper integration into existing markets rather than diversification across products.

Between 2018 and 2022, the number of exported products declined slightly (from 2, 757 to 2, 753), while the HHI increased marginally from 0. 05 to 0. 06, indicating a small increase in export concentration. During this period, export market penetration increased significantly from 8. 8.5 to 9. 9.4, highlighting improved geographical spread of exports. Finally, in 2022-2024, the number of export products increased from 2, 753 to 2, 936, while the HHI remained unchanged at 0. 06, suggesting limited improvement in product- level diversification. However, the Index of Export Market Penetration rose further from 9. 9.4 to 9. 9.8, indicating continued expansion into new export markets.

Overall, the results suggest that while Pakistan' s product diversification has remained stagnant or weakened over time, its export market penetration has consistently improved. This implies that export growth has been driven more by expanding into new markets with existing products rather than by introducing new or diversified export products.

Note: The Herfindahl-Hirschman Index (HHI) was introduced in 2003. Therefore, HHI data is not available for the period before 2003 (i.e., from 1977 to 2002). Data from 2003 onward is available up to 2024.

Figure 4: Export Diversification Matrix

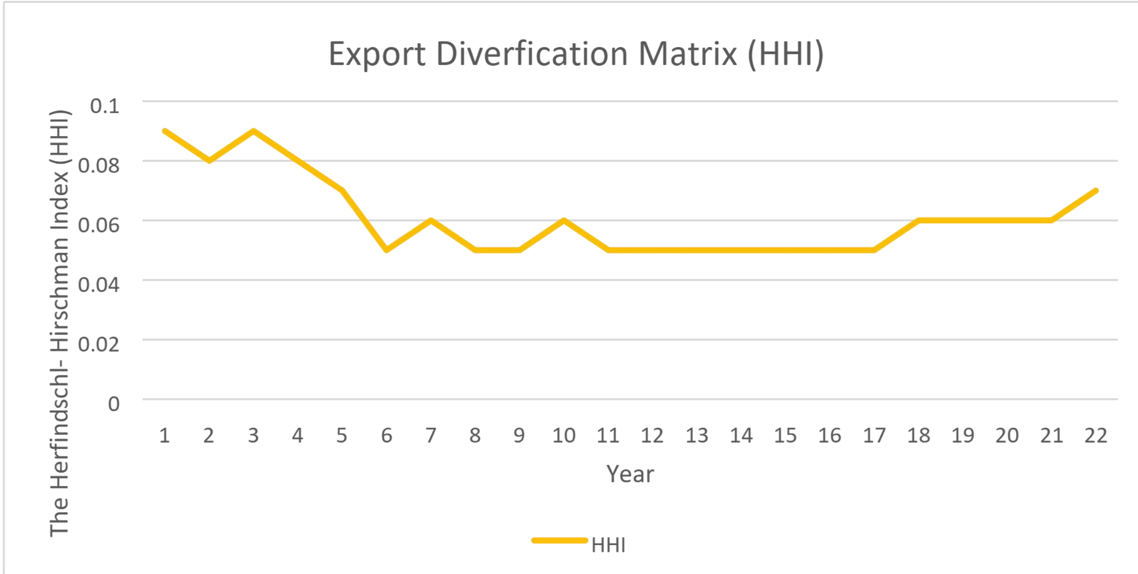


Figure 4 shows the trend in Pakistan's export diversification measured by the Herfindahl– Hirschman Index (HHI). The HHI declines in the early period, indicating reduced export concentration and improved diversification. This is followed by a prolonged phase of stability around 0.05, suggesting limited structural change in export composition. In the later years, the HHI increases slightly, reflecting a marginal rise in export concentration. Overall, the figure indicates that Pakistan achieved modest diversification gains, but progress has stagnated, with recent evidence of renewed dependence on a narrow range of export products.

Figure 5: Export Diversification Matrix

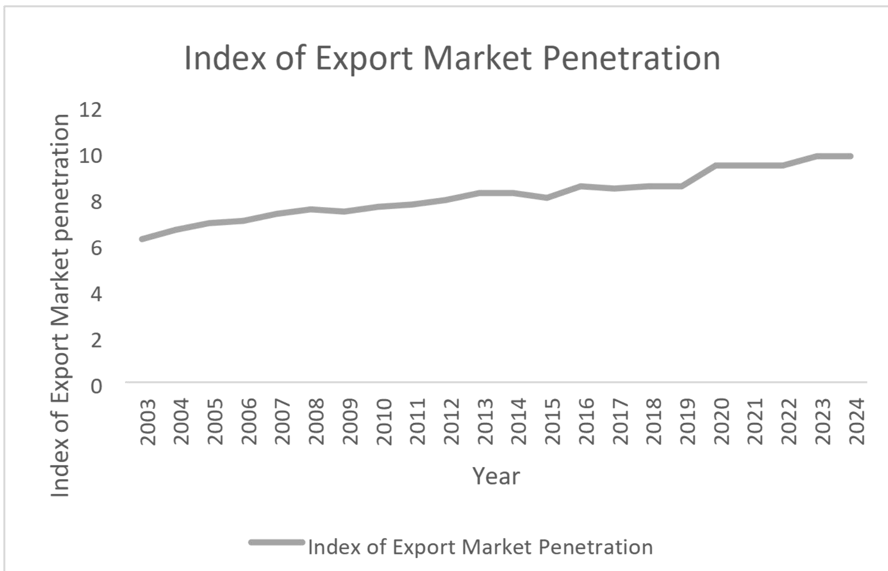


Figure 5 illustrates a steady upward trend in Pakistan's Index of Export Market Penetration over the period shown. The index rises gradually from around 6 to nearly 10, indicating that Pakistan has expanded its export presence across a larger number of international markets. Despite minor fluctuations, the overall trend suggests that export growth has been driven mainly by market expansion rather than product diversification

Figure 6: Export Diversification Matrix

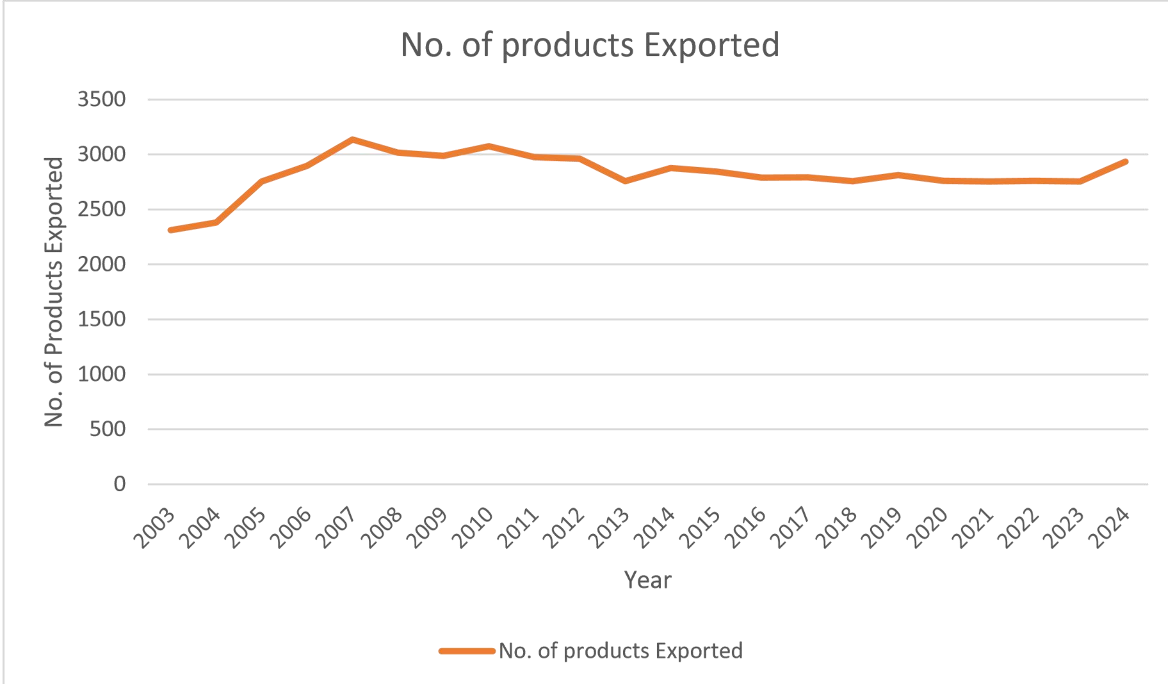


Figure 6 shows that the number of products exported by Pakistan increased initially, peaking at just over 3,000 products, followed by a gradual decline and prolonged stagnation**.** In recent years, the number of exported products remains relatively stable with only **a** modest recovery toward the end of the period. Overall, the trend indicates limited and inconsistent progress in product diversification, reinforcing reliance on a narrow export base. **3.3.4. Structural Competitiveness Indicators**

Table 4: ***Structural Competitiveness indicators (1977-2024)***

Year	**Trade Openness % (Imp+Exp) % of GDP**	**REER 2010=100**	**FDI ($ Billion)**	**Governance Standard**
1977- 1988	28.5-36.1	-209.3	0.015-0.186	Centralized control, low institutional reform, stable but inward-focused
1988-1999	36.1-33.8	209.3- 109.8	0.186-0.532	Mixed reform efforts, moderate liberalization, frequent political turnover
1999-2008	33.8-35.5	109.3- 97.4	0.523-5.438	Strong executive authority, consistent trade policy, improved regulatory quality
2008-2013	35.5- 31.2	97.4- 100.9	5.438-1.333	Weak institutional capacity, reactive policy, global financial crisis impact
2013-2018	31.2- 27.8	100.9- 107.1	1.333-1.737	infrastructure-driven governance, moderate policy continuity, improved investor confidence
2018- 2022	27.8 – 30.9	107.1- 97.2	1.737-1.462	Mixed regulatory signals, external shocks (COVID-19), institutional strain
2022-2024	30.9-28.4	97.2- 102.5	1.426- 2.568	Transitional governance, IMF-led policy framework, limited reform space

Source: World Bank,2025

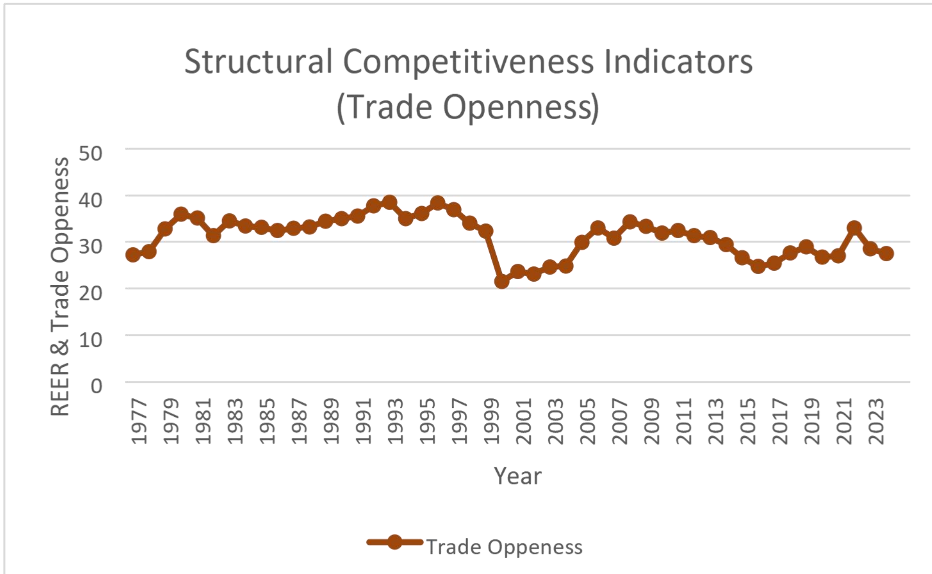
Table 4 presents the structural competitiveness indicators for Pakistan's economy between 1977 and 2024. During Zia-ul-Haq's regime (1977-1988), trade openness remained modest (9.3-13.9%), FDI inflows were negligible, and the REER was volatile, limiting competitiveness. In 1988-1999, trade openness slightly improved, but the REER appreciated (209.3-109.8), while FDI remained low, undermining competitiveness gains.

The Musharraf era (1999-2008) demonstrated stronger structural competitiveness, with greater openness (15.4-11.9%), significant FDI inflows (up to US$5.4 billion), and a relatively competitive REER, which supported export growth. In contrast, 2008-2013 saw falling FDI inflows (from US$5.4 billion to US$1.3 billion), limited openness, and REER volatility, which constrained export performance.

From 2013-2018, REER appreciation (100.9-107.1) reduced competitiveness, and trade openness fell to 8.6%, while FDI stagnated. In 2018-2022, REER depreciation (107.1-97.2) marginally improved competitiveness, though FDI inflows declined. Finally, 2022-2024 saw slight recovery in FDI (up to US$2.6 billion), but trade openness remained low (10.5-10.4%) and REER fluctuated, sustaining structural challenges.

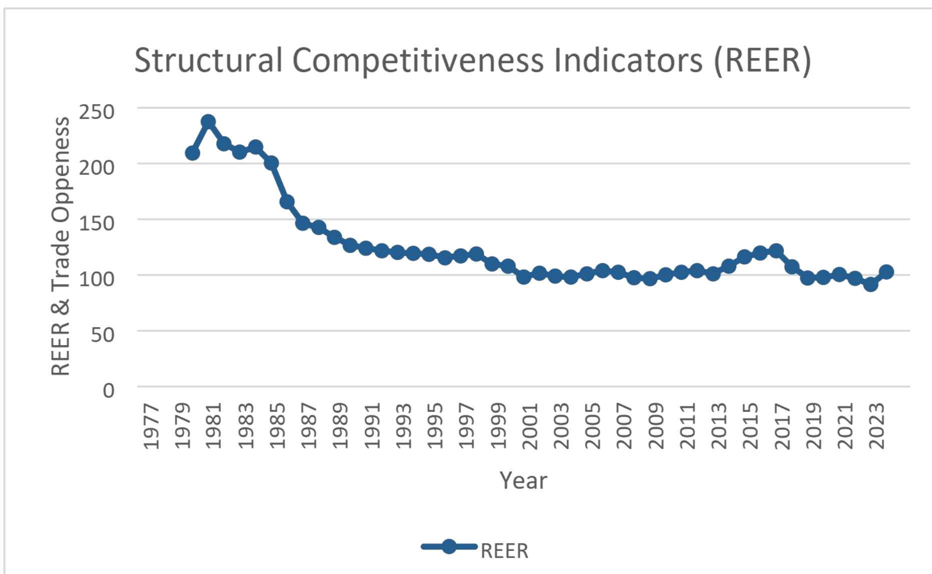
Overall, Table 4 shows that Pakistan's structural competitiveness was strongest during 1999-2008, but has since deteriorated due to REER misalignments, declining trade openness, and unstable FDI inflows.

Figure 7: Structural Competitiveness Indicators (Trade Openness)



The figure 7 depicts Pakistan's trade openness from 1977 to 2023, reflecting its degree of integration with the global economy. A decline in openness is evident during the mid-1990s, followed by a recovery and relative stability post-2000. These fluctuations suggest shifts in trade policy, external shocks, and structural adjustments influencing international trade engagement

Figure 8: Structural Competitiveness Indicators (REER)



The figure 8 illustrates the trend of Pakistan's Real Effective Exchange Rate (REER) from 1977 to 2023, highlighting structural competitiveness. A sharp decline in REER is observed during the late 1970s through the early 1990s, suggesting a significant depreciation in currency competitiveness. From the mid-1990s onward, REER stabilizes with minor fluctuations, indicating relative exchange rate steadiness. This long-term pattern reflects shifts in trade policy and macroeconomic adjustments influencing external competitiveness**.**

Figure 9: Structural Competitiveness Indicators (FDI)

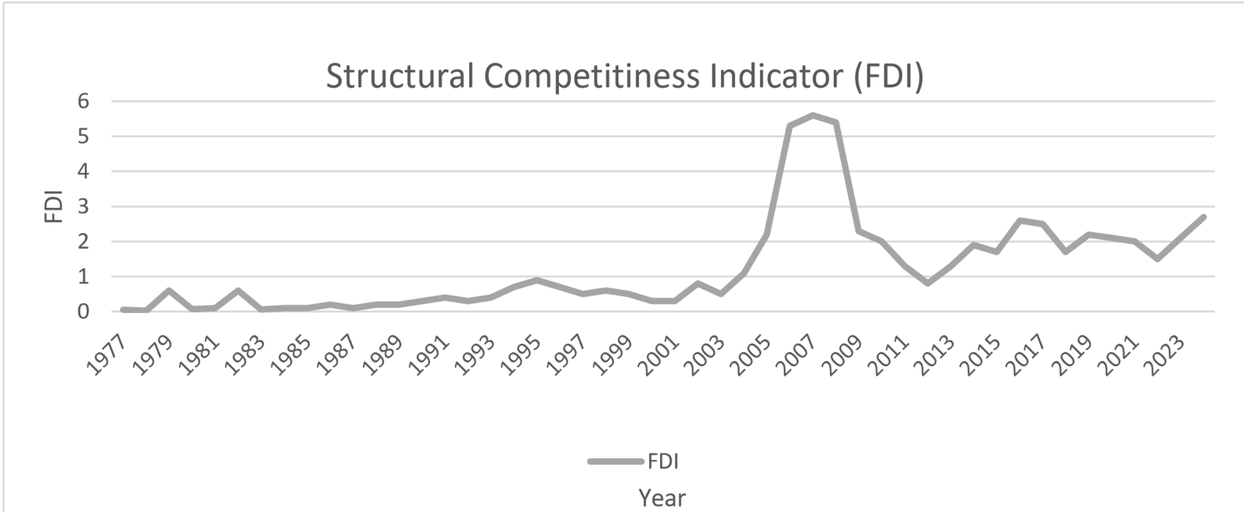


Figure 9 illustrates Pakistan's Foreign Direct Investment (FDI) trend from 1977 to 2023. FDI remained consistently low until the early 2000s, after which a sharp surge occurred, peaking around 2007–2008. This increase likely reflects favorable policy reforms or economic conditions that temporarily boosted investor confidence. Following the peak, FDI declined and displayed fluctuating behavior through 2023, indicating volatility in investment inflows shaped by changing macroeconomic conditions and external shocks.

4. Conclusion

This study examined Pakistan's export performance from 1977 to 2024, under military and nonmilitary regimes from, used a regime-wise descriptive framework. The results showed demonstrate that export performance of Pakistan has been highly dependent on governance structures, policy implementation, and macroeconomic stability, rather than only the nature of the political regime.

Military regimes generally showed stronger short-term export performance, higher trade openness stability, improved trade competitiveness (i.e. REER competitiveness), and significant flow of FDI, particularly in the period of 1999-2008.

Following several political shifts and various trade policy reforms, Pakistan has faced serious issues. Non-military regimes experienced political instability, poor implementation of different policies, and an energy crisis, all of which negatively affected Pakistan's export performance. An depth analysis of product composition shows that Pakistan's export sector basically consists of traditional, low-value manufactured goods, particularly textiles, which is the main export sector of Pakistan is unable to adopt modern technology to boost its exports. While the diversification of exports reveals that growth in exports has basically come from increased market penetration instead of product diversification. Furthermore, structural competitiveness indicators show poor exchange rate management, an unconducive investment climate, and weak governance quality, which continue to hinder the sustainability of exports

5. Policy Recommendations

In the light of the empirical studies and assessment of various regimes in Pakistan during 19772024, the following policy recommendations are recommended:

1. Political stability

Political stability is vital for Pakistan's export sector performance, because a long-term export-led strategy works under political stability**.**

2. Established a long-term export policy beyond political cycles

Pakistan should develop a **long term export strategy,** ensuring continuity and implementation beyond political shifts, and attract the confidence of local and international investors to enhance the performance of the export sector.

3. Export policy should be based on Product Diversification rather than market penetration

In Pakistan, export market penetration has significant improved, while the product diversification remains a main challenge therefore, export. Policies should be based on:

- Value-added manufacturing
- Technology-intensive and non-traditional exports

- Sector-specific export clusters and innovation support

3. Boost the Intermediate Goods Industries

The declining share of primary goods reflects a good sign. Pakistan should support the policies which help agro-based exports, and manufactured goods industries to improve supply chains and enhance export competitiveness in the global market.

4. Adopt a Stable Exchange Rate policy

REER fluctuation has constantly influenced export performance and export competitiveness. A sustainable export growth needs a predictable exchange rate policy, couple with macroeconomic stability.

5. Improve Governance Quality

Export performance is basically linked with governance standards. Governance quality should be based on:

- Regulatory transparency
- Contract enforcement
- Trade facilitation and customs efficiency

6. Revised FDI-Driven Export Growth

FDI inflows should be linked with export **sectors**, rather than non-tradeable sector. Aconducive investment policy is critical to attract foreign investors and bridge the gap between demand and supply, and enhance exports

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