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Working Paper

## Export behaviour of Pakistani firms: An evaluation of interviews

Kiel Working Papers, No. 35

**Provided in cooperation with:**  
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Suggested citation: Mujahid, G. B. S. (1975) : Export behaviour of Pakistani firms: An evaluation of interviews, Kiel Working Papers, No. 35, <http://hdl.handle.net/10419/47218>

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Working Paper No. 35

EXPORT BEHAVIOUR OF PAKISTANI FIRMS

- An Evaluation of Interviews -

by

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September 1975

193676 75  
Weltwirtschaft  
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One of the remarkable features of Pakistan's economic performance since the mid-Fifties has been its success in achieving high rates of growth of manufacturing output and manufactured exports.<sup>1</sup> During the political crisis of 1969-1971, which led to the formation of an independent Bangladesh, the advocates of its independence attributed this success largely to Pakistan's union with Bangladesh. However, as shown by an analysis of published aggregate data, within a short period of four years after the separation of Bangladesh, Pakistan was once again able to achieve high rates of increase in both manufacturing output and manufactured exports.<sup>2</sup>

The limitations of statistics published by Governments are well-known. Not only are the available statistics highly aggregated, but also these statistics often fail to provide answers to relevant questions. Moreover, qualitative information on aspects such as factors affecting export growth and suggestions for policies is not available. It was to supplement information on manufactured exports and to obtain first-hand knowledge at the firm level of problems facing Pakistan's exporters both as a result of the separation of Bangladesh and otherwise, that a sample survey of manufac-

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The Survey was carried out as part of my research undertaken in the "Sonderforschungsbereich Nr. 86, Weltwirtschaft und internationale Wirtschaftsbeziehungen (Kiel/Hamburg)", with financial support provided by the Deutsche Forschungsgemeinschaft. Acknowledgements are due to the Survey team headed by Professor Ehsan Rashid, Director of the Applied Economics Research Centre, University of Karachi, for interviewing the firms on behalf of the Institute.

<sup>1</sup>There is a lot of literature available describing and analyzing this process. For a recent comprehensive study see St. R. Lewis Jr., Pakistan Industrialization and Trade Policies (London, New York, Karachi: Oxford University Press, 1970).

<sup>2</sup>See my paper "Industrialisierung und Expansion der Fertigwarenausfuhr in Pakistan. Unter besonderer Berücksichtigung der wirtschaftlichen Verflechtungen mit Bangladesch", Die Weltwirtschaft, 1975, Heft 1, pp. 80-99.

turing-cum-exporting firms<sup>1</sup> was conducted during the period, November 1974 - March 1975. This study reports and analyses the findings of the Survey.

## I. SURVEY PROCEDURE AND COVERAGE

### Sample and Questionnaire

The first step in the Survey was to select a sample of firms to be interviewed. An exhaustive list of manufacturing-cum-exporting firms was obtained from the Export Promotion Bureau's Directory of Exporters. This gave a population of 1 907 firms located in various regions of Pakistan. In order to ensure that each of the two-digit ISIC branches (within the ISIC branches 2 and 3) received representation in the sample, the firms were accordingly divided into 17 groups.<sup>2</sup> A further sub-division into six geographical units was made to allow the inclusion of firms located in various regions: Karachi, Sind, South Punjab, North Punjab, Baluchistan and the North-West Frontier Province. The total population of 1 907 firms was thus divided into 69 strata.<sup>3</sup> A random sample of 20 per cent was drawn from each stratum. From strata in which the number of firms was not large enough to allow even a single firm to be selected on the basis of the chosen sample size of 20 per cent, one firm was included in the sample. This procedure gave a sample of 395 firms, that is an overall sample size of 20.7 per cent. The industrial and geographical distribution of the total number of firms and the number of firms included in the sample is given in Appendix A, Table I.

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<sup>1</sup>"Manufacturing-cum exporting firms" refers to firms which are both manufacturers and exporters.

<sup>2</sup>No firms belonging to industrial branches 21, 25 and 28 were listed in the Directory of Exporters.

<sup>3</sup>No firms were reported in 33 of the 102 strata.

The questionnaire used for the interviews (Appendix B) was based on the basic questionnaire drawn up at the Kiel Institute of World Economics. The questionnaire was modified in consultation with the economists at the University of Karachi's Applied Economics Research Centre to take account of conditions peculiar to Pakistan. The questions put to the firms can be broadly grouped into three sections:

- I. Those seeking basic information relevant for assessing the export potential of an industry: size of firm, output, fixed investment, employment and degree of capacity utilisation (questions 1 to 7).
- II. Those relating to export performance: volume of exports, factors affecting export performance, sources of information on export possibilities, export targets and obstacles to export expansion (questions 8.1 to 8.12).
- III. Those dealing with the dependence of firms on former East Pakistan (Bangladesh): volume of exports and imports to and from East Pakistan, re-direction of exports to other countries, and measures which did help or could have helped in re-direction (questions 9.1 to 9.3).

#### The Coverage of Sample Firms

The number of firms which responded was less than satisfactory: 168 firms, that is 42.5 per cent of the 395 firms included in the sample, could be covered. This reduced the 'effective' sample size to 8.8 per cent of the total population of 1,907 firms.

The rate of coverage differed widely between industrial branches. Table 1 shows the percentage of sample firms which were interviewed in various industrial branches. No firms belonging to groups 32, 34 and 38 (which together constituted 2.5 per cent of the sample firms) could be interviewed. This reduces the number of industrial branches for which information was collected to 14. Within these branches, the coverage of the sample varied widely from 7.9 per cent to 100.0 per cent.

Table 1

COVERAGE OF SAMPLE FIRMS BY INDUSTRIAL BRANCHES

| ISIC Code      | Industry                                    | Number of firms in sample | Number of firms interviewed | Firms interviewed/<br>firms in sample<br>( % ) |
|----------------|---------------------------------------------|---------------------------|-----------------------------|------------------------------------------------|
| 20             | Food industries<br>(except beverages)       | 36                        | 17                          | 47.2                                           |
| 22             | Tobacco manufactures                        | 6                         | 2                           | 33.3                                           |
| 23             | Textiles                                    | 63                        | 51                          | 81.0                                           |
| 24             | Clothing & footwear                         | 15                        | 12                          | 80.0                                           |
| 26             | Furniture & fixtures                        | 3                         | 1                           | 33.3                                           |
| 27             | Paper and paper<br>products                 | 2                         | 2                           | 100.0                                          |
| 29             | Leather manufacturing<br>(except footwear)  | 34                        | 14                          | 41.2                                           |
| 30             | Rubber products<br>(except footwear)        | 10                        | 2                           | 20.0                                           |
| 31             | Chemicals & chemical<br>products            | 42                        | 27                          | 64.3                                           |
| 32             | Products of petroleum<br>and coal           | 1                         | 0                           | 0                                              |
| 33             | Non-metallic mineral<br>products            | 24                        | 4                           | 16.7                                           |
| 34             | Basic metal industries                      | 7                         | 0                           | 0                                              |
| 35             | Metal products<br>(except machinery)        | 27                        | 6                           | 22.2                                           |
| 36             | Machinery (except<br>electrical)            | 38                        | 3                           | 7.9                                            |
| 37             | Electrical machinery                        | 14                        | 2                           | 14.3                                           |
| 38             | Transport equipment                         | 2                         | 0                           | 0                                              |
| 39             | Miscellaneous manufac-<br>turing industries | 71                        | 25                          | 35.2                                           |
| ALL INDUSTRIES |                                             | 395                       | 168                         | 42.5                                           |

Source: Appendix A, Tables I and II.

Coverage also varied from region to region as shown in Table 2, though not as widely as between industrial branches. A comparison of the size distribution of firms interviewed and the size distribution of firms reported in the Census of Manufacturing Industries<sup>1</sup> is given in Table 3. This indicates that in the Survey there was a systematic under-representation of smaller firms and over-representation of larger firms. Such a deviation in a sample survey is not unexpected as larger firms are likely to be more known and also to be more easily accessible.

#### Response of Interviewed Firms

While less than fifty per cent of the firms included in the sample could be interviewed, the response of the firms interviewed was fairly good. Although in answering questions seeking basic information most firms did not disclose figures for value-added, land, building, machinery and foreign investment, only a few withheld information on total sales, employment, wage-bill and hours of operation. A larger number of firms provided data for recent years. Most firms replied to questions relating to export performance and dependence on Bangladesh (former East Pakistan).

Keeping in view the coverage of the sample firms and the response of the firms covered by the Survey, this Report embodies an analysis of the firm's degree of capacity utilisation (Part II); export performance (Part III) and dependence on Bangladesh (Part IV). The small number of firms surveyed in more than half the industrial branches covered, coupled with the failure of a few firms in providing all the information, rules out the possibilities of analysing each industrial branch separately; and also limits to a great extent inter-industry comparisons. Most of the Report hence focusses on the manufacturing sector as a whole, and on a separate analysis of one or more of the industrial branches, whenever such analysis is permitted by the number of responses from among these firms.

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<sup>1</sup>The size distribution of the 395 firms included in the sample is not known; and hence the distribution of the interviewed firms has been compared with that of firms covered by the Census of Manufacturing Industries 1969/70.



Table 3

PERCENTAGE DISTRIBUTION OF SURVEYED FIRMS BY SIZE OF EMPLOYMENT, 1970

| Workers employed | Census of Manufacturing Industries 1969/70 | Survey * |
|------------------|--------------------------------------------|----------|
| 1 - 9            | 15.0                                       | 3.2      |
| 10 - 19          | 24.7                                       | 14.6     |
| 20 - 49          | 34.0                                       | 16.5     |
| 50 - 99          | 10.8                                       | 10.1     |
| 100 - 249        | 7.5                                        | 17.1     |
| 250 - 499        | 3.4                                        | 6.3      |
| 500 - 999        | 2.4                                        | 11.4     |
| 1000 and more    | 2.2                                        | 20.9     |

\* Distribution based on employment data for 1970 provided by 158 firms.

Source: Appendix A, Table III and Census of Manufacturing Industries 1969/70, (Government of Pakistan, Statistical Division, Ministry of Finance, Planning & Development, Karachi, 1973), p. 8.

Table 2

COVERAGE OF SAMPLE FIRMS BY REGIONS

| Region                       | Number of firms in sample | Number of firms interviewed | Firms interviewed/<br>firms in sample<br>( % ) |
|------------------------------|---------------------------|-----------------------------|------------------------------------------------|
| Karachi                      | 166                       | 60                          | 36.1                                           |
| Sind                         | 30                        | 14                          | 46.7                                           |
| South Punjab                 | 75                        | 46                          | 61.3                                           |
| North Punjab                 | 103                       | 33                          | 32.0                                           |
| Baluchistan                  | 3                         | 1                           | 33.3                                           |
| North-West Frontier Province | 18                        | 14                          | 77.8                                           |
| ALL PAKISTAN                 | 395                       | 168                         | 42.5                                           |

Source: Appendix A, Tables I and II.

## II. CAPACITY UTILISATION

As in many other developing countries, accelerated industrialization in Pakistan has led to an excess capacity problem which is, as all observers agree, serious indeed. According to available information, it is most likely that over years the average rate of (one-shift) capacity utilisation was not higher than 50-60 per cent. Therefore it seems worthwhile to shed more light on this problem.

The Pakistan firms were asked three questions relating to the hours for which the plant was operated, the hours for which it had to be shut down for technical reasons, and the reason which they considered most important for not operating more hours.<sup>1</sup> All but 3 firms provided information on hours of operation and the duration for which the plant had to be shut down.<sup>2</sup> Ten firms did not respond to the question seeking information on the reason for capacity underutilisation, while 46 firms considered themselves to be operating at full capacity and hence the question to be non-applicable.<sup>3</sup> The details of firm responses are given in Appendix Tables V to VII.

The average duration of plant operation in hours per day and days per week by size of firm is shown in Table 4. The average degree of utilisation of capacity on the basis of a three-shift, seven-day week comes to about 56 per cent. Taking into account the hours for which it was necessary to shut down the plant for technical reasons, the degree of utilisation given by

Hours of operation per week

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168.7 hours of necessary stoppage

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<sup>1</sup>Appendix B, Questions 6.1 to 6.3.

<sup>2</sup>Most of the firms reported no need to shut down the plant for any length of time due to technical reasons. The hours of operation are hence in themselves a fair indicator of the degree of capacity utilisation.

<sup>3</sup>The average number of hours of operation per day for 45 firms which considered the question inapplicable was 23.7, and for 110 firms which gave replies 11.8. The number of days per week was 6.9 and 6.0 respectively. Three of the firms replying to the question on reasons for idle capacity did not report hours of operation.

Table 4

OPERATION OF PLANT BY SIZE OF FIRM

| Workers employed | Hours per day | Days per week |
|------------------|---------------|---------------|
| 1 - 9            | 10.8          | 5.6           |
| 10 - 19          | 9.5           | 6.0           |
| 20 - 49          | 9.4           | 6.0           |
| 50 - 99          | 10.2          | 6.1           |
| 100 - 249        | 14.3          | 6.3           |
| 250 - 499        | 16.0          | 6.1           |
| 500 - 999        | 17.9          | 6.3           |
| 1000 - 2499      | 21.9          | 6.7           |
| 2500 and more    | 21.7          | 6.8           |
| ALL FIRMS        | 14.8          | 6.3           |

Source: Appendix A, Table IV.

was estimated at 56.8 per cent. This estimate is higher than that given by other Surveys carried out in Pakistan.<sup>1</sup> Moreover, it can be seen that both hours of operation per day and the number of work days per week are greater for the larger firms. Two explanations of the higher degree of utilisation of capacity in larger firms seem plausible:

- While the attempt to ascertain the value of investment in building, land and machinery under the Survey was frustrated by the failure of a large number of firms to respond to the relevant questions, it can however be assumed that larger firms use more modern and capital-intensive equipment and are therefore induced to attain a higher degree of capacity utilisation.
- The smaller firms have more difficulties in getting raw materials. Replies to the question seeking information on the causes of under-utilisation show that more of the small firms stated "difficulties in obtaining raw materials" as the reason for capacity under-utilisation (Table 5).

#### Reasons for Capacity Underutilisation

Out of a given set of six reasons firms were asked to point out the one which they considered to be the most important explanation for not operating more hours. While ten firms did not respond, some of the firms stated more than one reason as an explanation of capacity underutilisation. The percentage of firms giving various reasons for capacity underutilisation is given below:

|                                                                                   |             |
|-----------------------------------------------------------------------------------|-------------|
| Insufficient demand                                                               | 54 per cent |
| Difficulties in obtaining raw materials, components and spare parts (from abroad) | 25 per cent |
| Government regulations                                                            | 23 per cent |
| Fear of labour troubles                                                           | 7 per cent  |

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<sup>1</sup> See, for instance, S. Huq, "Patterns of Industrialisation in Pakistan", in E.A.G. Robinson and M. Kidron (editors), Economic Development in South Asia, (Macmillan, 1970), pp. 153-69.

Table 5

SIZE DISTRIBUTION OF FIRMS REPORTING "DIFFICULTIES IN OBTAINING RAW MATERIALS" AS REASON FOR CAPACITY UNDERUTILISATION

| Workers employed | Number of firms responding | Percentage of firms stating raw material difficulties as reason |
|------------------|----------------------------|-----------------------------------------------------------------|
| 1 - 9            | 3                          | 66.7                                                            |
| 10 - 19          | 16                         | 31.3                                                            |
| 20 - 49          | 22                         | 40.9                                                            |
| 50 - 99          | 16                         | 18.8                                                            |
| 100 - 249        | 26                         | 11.5                                                            |
| 250 - 499        | 14                         | 14.3                                                            |
| 500 - 999        | 20                         | 10.0                                                            |
| 1000 - 2499      | 28                         | 7.1                                                             |
| 2500 and more    | 11                         | 0                                                               |
|                  | 156*                       | 17.9                                                            |

\* 10 firms did not reply to the question on causes of underutilisation capacity; and 2 other firms did not report size of employment in 1973.

Source: Appendix A, Tables V and VII.

|                                             |            |
|---------------------------------------------|------------|
| Shortage of supervisory and technical staff | 6 per cent |
| Shortage of unskilled labour                | 4 per cent |

### Insufficient Demand

More than half the firms stated insufficient demand as the reason for idle capacity. Table VI in Appendix shows that firms in 9 out of the 14 branches considered lack of demand as a factor leading to idle capacity. Food preparations, textiles, chemical products and miscellaneous manufactures are outstanding examples. The very few firms remaining in most of the branches rule out the possibility of an inter-industry comparison, and of analysing each industrial branch separately. An analysis of all the firms taken together shows no significant difference during 1965-70 and 1970-73 in the rate of growth of sales of firms which reported insufficient demand as the reason for idle capacity and of firms which did not (Table 6). The same was true for the rate of growth of exports during 1965-1970. During 1970-1973 firms reporting insufficient demand as leading to idle capacity had a much higher rate of export growth. While there was mostly little difference in rates of growth there was however a marked difference in the ratio of the rate of growth attained during 1970-1973 to the rate of growth attained during 1965-1970. For both sales and exports this ratio was much greater than unity for firms reporting insufficient demand, and considerably lower than unity for the others. This shows that the former experienced a rise in the rates of growth while the latter a decline. These findings seem paradoxical, as one would normally expect firms reporting insufficient demand to have lower and declining rates of growth of sales and exports.

This is only an apparent paradox. It seems that whether the level of demand is sufficiently high or not is a matter of opinion of individuals managing the firm. "Insufficient demand", as firms view it does not necessarily mean that the level of demand is below average or low according to some objective standard, but that it may merely be lower than the firms' expectations. In a labour-abundant economy like Pakistan's, an industry based on locally available raw materials and facing no Government limits on

Table 6

CAPACITY UNDERUTILISATION AND INSUFFICIENT DEMAND

|                                                                                      | Firms stating<br>insufficient demand<br>as reason for<br>idle capacity | Firms not stating<br>insufficient demand<br>as reason for<br>idle capacity | T-Statistic |
|--------------------------------------------------------------------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------------|-------------|
| Annual percentage<br>rate of increase in                                             |                                                                        |                                                                            |             |
| Sales 1970-73                                                                        | 15.0 (47)                                                              | 8.6 (34)                                                                   | 0.8376      |
| Sales 1965-70                                                                        | 14.3 (47)                                                              | 10.9 (34)                                                                  | 0.8809      |
| Exports 1970-73                                                                      | 25.8 (34)                                                              | 4.9 (26)                                                                   | 2.9963**    |
| Exports 1965-70                                                                      | 17.4 (34)                                                              | 14.9 (26)                                                                  | 0.5699      |
| Ratio (a) of rate of<br>increase in 1970-73<br>to rate of increase<br>in 1965-70 for |                                                                        |                                                                            |             |
| Sales                                                                                | 2.9 (47)                                                               | 0.7 (34)                                                                   | 1.7833**    |
| Exports                                                                              | 2.2 (34)                                                               | 0.4 (26)                                                                   | 1.9231**    |

\*\* Difference between means significant at the 5 per cent level.  
(Figures in parentheses are the number of firms for which the  
averages have been computed).

(a) The ratio given has been calculated as the average of the ratios  
obtained for each firm, and is not the ratio of the average  
rates given above.



hours of operation is most likely to explain its idle capacity by lack of demand. The food processing industry (ISIC 20) in Pakistan is a case in point. 13 of the 16 firms which reported insufficient demand as the reason for idle capacity provided data on total sales for 1965, 1970 and 1973. The average annual compound rate of increase in sales of these firms was 10.8 per cent during 1965-1970, and 19.6 per cent during 1970-1973. Hence, the firms in spite of being able to increase sales at a growing rate considered demand to be insufficient.

The Survey results thus indicate that firms enjoying a higher and accelerating rate of growth in sales may tend to build up capacity even faster, and then attribute idle capacity, if any, to insufficient demand - that is, 'insufficient' as compared to their highly optimistic expectations based on past experience. This is not to deny, however, that policies of successive Administrations have stimulated a remarkable proliferation of new plants in an uncoordinated manner.

#### Raw Material Problems

"Difficulties in obtaining raw materials" was stated as a reason for capacity underutilisation by 25 per cent of the reporting firms. We have already seen that a higher proportion of smaller firms gave this reason as an explanation for idle capacity. A further analysis shows that those firms which reported difficulties in obtaining raw materials as the reason for capacity underutilisation imported a higher proportion of their raw materials than firms which did not (Table 7).

The findings fit into the framework of an economy such as the Pakistani facing a foreign exchange constraint, and where most of the raw materials imported can be obtained only against licences. Moreover under the prevailing bureaucratic system there is no guarantee that a firm can obtain an import licence for 100 per cent of its imported raw material requirements. The greater the dependence on imported raw materials, the more the firm needs to maintain, or at least report, excess capacity. The same bureaucratic system also makes it more difficult for smaller firms to obtain import licences. As on the other hand, governmental policies have been stimulating the imports of finished products and the associated establishment of new productive capacity, existing capacity was not fully used to meet at least a part of the demand for finished products.

Table 7

CAPACITY UNDERUTILISATION AND USE OF IMPORTED RAW MATERIALS

| Year | Firms stating raw material difficulties as reason for idle capacity |                 | Firms not stating raw material difficulties as reason for idle capacity |                 | T-Statistic          |
|------|---------------------------------------------------------------------|-----------------|-------------------------------------------------------------------------|-----------------|----------------------|
|      | Percentage of raw materials imported                                | Number of firms | Percentage of raw materials imported                                    | Number of firms |                      |
| 1973 | 30.0 %                                                              | (26)            | 18.4 %                                                                  | (79)            | 1.6823 <sup>**</sup> |
| 1972 | 30.7 %                                                              | (26)            | 18.9 %                                                                  | (78)            | 1.6842 <sup>**</sup> |
| 1970 | 31.8 %                                                              | (26)            | 18.9 %                                                                  | (79)            | 1.7751 <sup>**</sup> |
| 1965 | 28.0 %                                                              | (19)            | 20.4 %                                                                  | (76)            | 0.8683               |

<sup>\*\*</sup> Difference between means significant at the 5 percent level.

### Labour Problems

A very small percentage of firms reported "shortage of unskilled labour", "shortage of supervisory and technical staff", or "fear of labour troubles" as explaining capacity underutilisation. For analysing the differences between these and the other firms, it is therefore more appropriate to combine all the 19 firms reporting one or the other labour problem on the one hand, the remaining firms on the other. Table 8 compares size of work force, the wage rate, changes in employment and changes in the wage rate for the two types of firms. The following points are brought out by the figures given:

- (i) The rate of wages paid by the firms facing labour problems was considerably above that of the other firms.
- (ii) The rate of increase in employment in firms reporting labour problems was higher in 1965-1970 but showed a marked decline during 1970-1973 falling below that of the other firms.
- (iii) The rate of increase in the wage rate paid by these firms was lower in 1965-1970 but showed an increase in 1970-1973 rising above that of the other firms.

The Survey results thus show the need to pay a higher and more rapidly increasing wage rate as leading to a lower rate of increase in employment and to capacity underutilisation. This is in tune with what conventional economic theory would state.

### III. EXPORT PERFORMANCE

An important aim of the survey was to obtain information on the export performance of the sample firms and the factors lying behind this performance. The questionnaire included 12 questions relating to this

Table 8

CAPACITY UNDERUTILISATION AND LABOUR PROBLEMS

|                                             | Firms stating labour problems as reason for idle capacity | Firms not stating labour problems as reason for idle capacity | T-Statistic |
|---------------------------------------------|-----------------------------------------------------------|---------------------------------------------------------------|-------------|
| <b>Number of workers employed:</b>          |                                                           |                                                               |             |
| 1973                                        | 460 (17)                                                  | 325 (93)                                                      | 0.6985      |
| 1972                                        | 434 (17)                                                  | 306 (93)                                                      | 0.6831      |
| 1970                                        | 467 (15)                                                  | 287 (90)                                                      | 0.8691      |
| 1965                                        | 359 (12)                                                  | 218 (65)                                                      | 0.7477      |
| <b>Annual wages per worker (in rupees):</b> |                                                           |                                                               |             |
| 1973                                        | 7613.20 (17)                                              | 5270.70 (93)                                                  | 1.7375**    |
| 1972                                        | 7149.50 (17)                                              | 4785.20 (93)                                                  | 1.7821**    |
| 1970                                        | 6779.60 (15)                                              | 4333.40 (90)                                                  | 1.7344**    |
| 1965                                        | 6607.50 (12)                                              | 3552.90 (65)                                                  | 1.8605**    |
| <b>Annual percentage increase in:</b>       |                                                           |                                                               |             |
| Employment 1970-73                          | 2.0 (12)                                                  | 5.3 (65)                                                      | 1.4012*     |
| Employment 1965-70                          | 16.0 (12)                                                 | 7.0 (65)                                                      | 1.6759*     |
| Wage per worker 1970-73                     | 9.1 (12)                                                  | 7.2 (65)                                                      | 1.3597*     |
| Wage per worker 1965-70                     | 5.8 (12)                                                  | 7.0 (65)                                                      | 1.5426*     |

(Figures in parentheses are the number of firms for which the averages have been computed)

\*\* Difference between means significant at the 5 percent level

\* Difference between means significant at the 10 percent level.

topic.<sup>1</sup> The response of firms varied from question to question. 75 firms provided information on export earnings for all years. The response to questions seeking information on the destination of exports, the profitability of the export market relative to the domestic market, and export planning was very poor. Questions relating to factors affecting export performance, sources of export information, and obstacles to desired export expansion received a fairly good response.

### Factors Influencing Export Performance

For the firms reporting export figures the average annual rate of export growth was 15.6 per cent during 1955-1970 and 16.8 per cent during 1970-1973. In order to obtain information on how various factors adversely or favourably affected export performance, the firms were asked to state what significance they attached to the influence of 15 specified factors. 165 firms responded to the question.

Table 9 shows the distribution of firms according to the significance attached to the influence of each factor. The factors have been arranged in order of the magnitude of their total impact on firms' export performance - that is, the factor which the lowest percentage of firms considered as having no influence at all comes first.

The table shows that only about 5 per cent of the firms considered foreign demand as having no influence on export performance. A large proportion attributed a favourable effect to foreign demand, particularly in the case of textiles and chemical products. The same was true for the quality of product. This shows that in the opinion of many firms their export products have been reasonably competitive in the world market. The significant favourable impact of 'appropriate packing' and 'prompt delivery' reported by a large proportion of the firms indicates

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<sup>1</sup>Appendix B, Questions 8.1 to 8.12.

Table 9

## FACTORS AFFECTING EXPORT PERFORMANCE

| Factor                          | Percentage of firms reporting factor as having: |                                 |                            |                               |                                    |
|---------------------------------|-------------------------------------------------|---------------------------------|----------------------------|-------------------------------|------------------------------------|
|                                 | No effect                                       | Very significant adverse effect | Significant adverse effect | Significant favourable effect | Very significant favourable effect |
| Foreign demand                  | 5.4                                             | 6.1                             | 12.1                       | 40.0                          | 36.4                               |
| Quality of product              | 16.4                                            | 1.8                             | 9.1                        | 33.9                          | 38.8                               |
| Availability of capacity        | 21.9                                            | 3.6                             | 4.8                        | 47.9                          | 21.8                               |
| Government export policies      | 24.3                                            | 10.9                            | 16.4                       | 34.5                          | 13.9                               |
| Access to raw materials         | 24.3                                            | 9.1                             | 31.5                       | 24.8                          | 10.3                               |
| Freight and insurance costs     | 26.7                                            | 10.3                            | 57.6                       | 3.6                           | 1.8                                |
| Prompt delivery                 | 29.7                                            | 3.0                             | 11.5                       | 40.0                          | 15.8                               |
| Labour costs                    | 29.7                                            | 9.7                             | 21.8                       | 20.0                          | 18.8                               |
| Appropriate packing             | 33.4                                            | 1.8                             | 12.1                       | 43.0                          | 9.7                                |
| Export duties/subsidies         | 36.4                                            | 20.6                            | 28.5                       | 9.7                           | 4.8                                |
| Credit policies                 | 49.7                                            | 6.7                             | 12.1                       | 18.8                          | 12.7                               |
| Advertising                     | 54.6                                            | 7.3                             | 21.2                       | 13.9                          | 3.0                                |
| Policies of importing countries | 62.5                                            | 4.2                             | 24.2                       | 6.1                           | 3.0                                |
| Licensing                       | 63.0                                            | 7.3                             | 17.0                       | 9.1                           | 3.6                                |
| Exchange rate policy            | 75.8                                            | 3.0                             | 8.5                        | 7.9                           | 4.8                                |

Source: Appendix A, Tables VIII and IX.

that these factors may have contributed to competitiveness. An analysis of the rate of export growth and the changes in this rate (covering firms for which relevant data was available) however showed no significant difference between firms classified according to the significance they attach to the influence of foreign demand on export performance.

Availability of capacity, access to mostly imported raw materials and labour costs were reported by over 7 per cent of the firms as important factors. Availability of capacity was considered as an important favourable influence by a large and an adverse influence by a very small proportion of firms. The proportion of firms considering labour costs a favourable influence and the proportion considering these an adverse influence were similar. Access to raw materials was considered more an adverse than a favourable factor.

The price aim in asking the firms their views on the effect these three factors had had on export performance was to obtain some indication on what factors may be the sources of "comparative advantage" and export competitiveness. While availability of capacity can be singled out as a significant favourable influence on export performance, labour costs and access to raw materials do not seem to merit similar categorization.

A further analysis however shows that firms considering access to raw materials as having a favourable influence imported on the average a smaller proportion of their raw materials than firms reporting access to raw materials as affecting exports adversely (Table 10). This means that firms reporting access to raw materials as having favourably affected export performance rely more on indigenous raw materials. Exporters using less of imported raw materials do in fact consider their access to raw materials a favourable influence on export trade.

An analysis of the wage rate shows no significant difference between firms classified according to the significance they attach to labour costs as a factor affecting export performance. The same is true for the change in the wage rate during 1965-1970. For 1970-1973 however, 28 firms considering labour costs as having a very significant favourable effect on

Table 10

## IMPORTED RAW MATERIALS AND EXPORT PERFORMANCE

| Year | Firms reporting access to raw material as having on export performance: |              |                                 |              |                             |              |                               |              |                                    |              | F-Statistic         |
|------|-------------------------------------------------------------------------|--------------|---------------------------------|--------------|-----------------------------|--------------|-------------------------------|--------------|------------------------------------|--------------|---------------------|
|      | No effect                                                               |              | Very significant adverse effect |              | Significant adverse effect  |              | Significant favourable effect |              | Very significant favourable effect |              |                     |
|      | % of raw materials imported                                             | No. of firms | % of raw materials imported     | No. of firms | % of raw materials imported | No. of firms | % of raw materials imported   | No. of firms | % of raw materials imported        | No. of firms |                     |
| 1973 | 17.9                                                                    | (37)         | 37.1                            | (14)         | 28.0                        | (52)         | 9.9                           | (39)         | 12.0                               | (15)         | 3.6612 <sup>x</sup> |
| 1972 | 18.2                                                                    | (37)         | 38.1                            | (14)         | 28.1                        | (52)         | 10.8                          | (38)         | 11.7                               | (15)         | 3.5127 <sup>x</sup> |
| 1970 | 18.8                                                                    | (37)         | 40.0                            | (13)         | 29.7                        | (52)         | 10.7                          | (39)         | 12.1                               | (14)         | 3.7433 <sup>x</sup> |
| 1965 | 17.1                                                                    | (34)         | 34.6                            | (11)         | 32.5                        | (46)         | 12.5                          | (37)         | 5.5                                | (11)         | 3.5251 <sup>x</sup> |

<sup>x</sup> Difference between means significant at the 5 per cent level.



export performance experienced a 9.5 per cent increase in the average wage, as against an increase of 27.6 per cent faced by the remaining 124 firms.<sup>1</sup> The average increase in the wage rate faced by the firms classified according to their replies was as follows.

| R e p l y                          | Percentage increase<br>in wage rate 1970-73 | Number<br>of firms |
|------------------------------------|---------------------------------------------|--------------------|
| Labour costs have:                 |                                             |                    |
| very significant adverse effect    | 22.1                                        | 13                 |
| significant adverse effect         | 30.6                                        | 36                 |
| no effect                          | 27.0                                        | 45                 |
| significant favourable effect      | 27.4                                        | 30                 |
| very significant favourable effect | 9.5                                         | 28                 |

The differences between the averages for the first four groups are statistically insignificant.

A large proportion of firms report freight and insurance costs as having adverse effects on export performance. In fact this was by far the most frequently reported adverse influence on exports. At the same time it was least mentioned as a favourable factor. This means that on the whole firms face high freight and insurance charges, and at the most only a very small number succeed in obtaining any concessionary rates.

Government export promotion policies had an impact, positive or negative, on the export performance of 75 per cent of the reporting firms. The cases reporting a favourable effect were more. Export duties, particularly those on raw materials had an adverse effect on over 20 per cent of the firms, and as many as 20.6 per cent of the firms reported export duties as

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<sup>1</sup> The difference between the two averages was found to be significant at the 1 per cent level, with the T-statistic = 2.9219.

having significant adverse effect. Textiles and chemical products are cases in point. This finding is striking indeed, because export duties are imposed mainly on primary materials (such as cotton and jute) with the objective of reducing their domestic prices to the domestic processing industries and thus of increasing profitability of investment in these industries. The Government's credit policies had a favourable influence on more firms while for licensing schemes an adverse effect was more frequently reported. The exchange rate policy is found to have been the least relevant factor among those affecting export performance. This seems to have been the case following the 1972 devaluation and the scrapping of the Export Bonus Scheme (which had been inaugurated in 1959) which in effect provided a multiple exchange rate system, and had been a key determinant of export growth. With the disappearance of the Bonus Scheme, and the introduction of a single fixed rate of exchange, it is not surprising that the exchange rate policy has ceased to be a dominant factor influencing export behaviour.

The import policies of importing countries affected the export performance of 27 per cent of the firms, in most cases adversely. As can be seen from Appendix Table VIII, of the firms which reported that the policies of importing countries had an adverse effect, the largest number belong to the cotton textile industry, exports of which have been hampered to a great extent by trade barriers set up in the developed countries.

#### Sources of Export Information

A key point in any export promotion programme is the timely provision of information on what and where to export. Such information should be made easily available to exporters, if it is intended that more and more prospective exporters should be able to enter the export trade. In order to ascertain from what sources the firms obtained information on export possibilities the firms were asked to state on which of the nine specified sources they mostly depended. All the firms responded to this query. The results are given in Table 11 for all firms taken together and for five selected industrial groups.

Table 11

## SOURCES OF EXPORT INFORMATION

(percentage of firms)

| Source of export information                   | ISIC Code | All industries | 23                  | 24 | 29 | 31 | 39 |
|------------------------------------------------|-----------|----------------|---------------------|----|----|----|----|
|                                                |           |                | Agents based abroad | 44 | 43 | 58 | 21 |
| Market research on own behalf                  | 35        | 59             | 25                  | 7  | 11 | 45 |    |
| Domestic Chambers of Commerce                  | 50        | 55             | 67                  | 64 | 48 | 32 |    |
| Commercial Counsellors                         | 15        | 20             | 8                   | 7  | 15 | 20 |    |
| Export Promotion Bureau                        | 73        | 65             | 75                  | 93 | 63 | 72 |    |
| Trading Corporation of Pakistan                | 14        | 22             | 8                   | 14 | 8  | 24 |    |
| Market studies of Foreign Chambers of Commerce | 21        | 27             | 17                  | 29 | 11 | 28 |    |
| Foreign customers                              | 76        | 80             | 92                  | 79 | 85 | 44 |    |
| Foreign partners                               | 2         | 0              | 0                   | 0  | 8  | 0  |    |

Source: Appendix A, Table X.

The pattern is more or less the same. The most common source of export information are the firms' own foreign customers and the Government's Export Promotion Bureau. The domestic Chambers of Commerce too are an important source of information on export possibilities. The Commercial Counsellors are not an important source of export information. This may be due partly to the firms' ignorance of their existence and partly to their inefficiency.

### Obstacles to Export Expansion

The question relating to factors affecting export performance was aimed at obtaining information on what influence various factors had had on the actual export performance of the firms. In addition the firms were asked to state if they had been prepared to export more, and if so, which of the six specified factors had acted as obstacles in attaining higher export levels.

126 or 75 per cent of the firms had been prepared to export more. Table 12 shows the percentage of firms which had been ready to export more in each industrial branch. It is noteworthy that all firms producing leather goods and rubber products, and 85 per cent of the firms belonging to the chemical industry reported that they had had the potential and intentions to export more than they had actually done. This shows that the export potential of Pakistan's non-traditional manufactures - leather goods, rubber products and chemicals - has yet to be fully realised.

Table 13 shows the distribution of firms according to the significance they attached to various factors as obstacles to export expansion. The most frequently mentioned factor was 'foreign demand at prevailing prices'. This indicates that a large number of firms have been unable to export more at the current world prices, and hence are not as competitive as their replies to the questions on factors affecting export performance tend to indicate. Unfortunately, no information is available on either price or cost per unit of output of the firms, and hence no comparison of price and cost can be made for firms which reported this as an obstacle to

Table 12

INDUSTRIAL DISTRIBUTION OF FIRMS  
PREPARED TO EXPORT MORE

| ISIC Code | I n d u s t r y                            | Firms prepared to export more |
|-----------|--------------------------------------------|-------------------------------|
| 20        | Food industries<br>(except beverages)      | 76.5 %                        |
| 22        | Tobacco manufactures                       | 100.0 %                       |
| 23        | Textiles                                   | 78.4 %                        |
| 24        | Clothing & footwear                        | 83.3 %                        |
| 26        | Furniture & fixtures                       | 100.0 %                       |
| 27        | Paper and paper products                   | 0.0 %                         |
| 29        | Leather manufacturing<br>(except footwear) | 100.0 %                       |
| 30        | Rubber products<br>(except footwear)       | 100.0 %                       |
| 31        | Chemicals & chemical products              | 85.2 %                        |
| 33        | Non-metallic mineral products              | 25.0 %                        |
| 35        | Metal products<br>(except machinery)       | 83.3 %                        |
| 36        | Machinery (except electrical)              | 66.7 %                        |
| 37        | Electrical machinery                       | 100.0 %                       |
| 39        | Miscellaneous manufacturing industries     | 44.0 %                        |
|           | ALL INDUSTRIES                             | 75.0 %                        |

Source: Appendix A, Tables II and XI.

Table 13

FACTORS OBSTRUCTING EXPORT EXPANSION

| Factor                               | Percentage of firms considering factor: |                      |                           |
|--------------------------------------|-----------------------------------------|----------------------|---------------------------|
|                                      | No obstacle                             | Significant obstacle | Very significant obstacle |
| Foreign demand at prevailing prices  | 21.4                                    | 49.2                 | 29.4                      |
| Shortage of raw materials            | 55.6                                    | 34.1                 | 10.3                      |
| Importer's Government's restrictions | 64.2                                    | 30.2                 | 5.6                       |
| Government's export restrictions     | 68.2                                    | 15.9                 | 15.9                      |
| Labour shortage                      | 81.7                                    | 12.7                 | 5.6                       |
| Lack of production capacity          | 88.1                                    | 8.7                  | 3.2                       |

Source: Appendix A, Table XI.

export expansion and those which did not. It is however clear that a large number of firms feel that they would be able to export more if they could lower their prices.

Over 40 per cent of the firms which wanted to export more reported shortage of raw materials as an obstacle to achieving a higher level of exports. An analysis of the import content of raw materials used shows that firms which considered this shortage a very significant obstacle imported in most years a much higher percentage of raw materials than the other firms (Table 14). The percentage of raw materials imported by firms considering shortage of raw materials only a significant obstacle was lower than for firms considering the shortage a very significant obstacle and higher than for firms which did not consider the shortage an obstacle. This indicates that the attainment of a higher level of exports has been hampered due to a shortage of raw materials to a greater extent for firms depending more on imported raw materials.

Restrictions imposed by the governments of importing countries, and export restrictions imposed by the Pakistan Government were reported as obstacles by more than 30 per cent of the firms. From Appendix Table XI it can be seen that most of the firms reporting restrictions imposed by the governments of importing countries as an obstacle belonged to the cotton textile and chemical industries. The former industry has faced quota restrictions in developed countries, while firms manufacturing drugs and medicines have to meet quality specifications. In the case of export restrictions imposed by the Pakistan Government, most of the firms reporting these an obstacle to export expansion have also been those required to meet quality specification: manufactures of clothing, leather and leather goods, and producers of drugs and medicines.

#### IV. DEPENDENCE ON BANGLADESH

Another of the main aims of the Survey was to gather information on how dependent the manufacturing sector had been on Bangladesh for the supply of raw materials and for marketing its output and to ascertain the impact the secession of Bangladesh had had on the firms. Three questions

Table 14

## IMPORTED RAW MATERIALS AND EXPORT EXPANSION

| Year | Shortage of raw materials:  |              |                             |              |                             |              | F-Statistic          |
|------|-----------------------------|--------------|-----------------------------|--------------|-----------------------------|--------------|----------------------|
|      | No obstacle                 |              | Significant obstacle        |              | Very significant obstacle   |              |                      |
|      | % of raw materials imported | No. of firms | % of raw materials imported | No. of firms | % of raw materials imported | No. of firms |                      |
| 1973 | 18.2                        | (68)         | 24.3                        | (44)         | 40.7                        | (10)         | 3.9847 <sup>xx</sup> |
| 1972 | 19.1                        | (68)         | 24.9                        | (43)         | 40.2                        | (10)         | 3.4259 <sup>xx</sup> |
| 1970 | 20.2                        | (67)         | 22.8                        | (44)         | 37.4                        | ( 9)         | 3.1804 <sup>xx</sup> |
| 1965 | 21.9                        | (63)         | 25.1                        | (39)         | 32.8                        | ( 8)         | 0.4135               |

<sup>xx</sup> Difference between means significant at the 5 per cent level.



were put to the firms to obtain relevant information.<sup>1</sup> All firms responded to the first question seeking information on sales to and purchases from Bangladesh. The response to the second question was much less satisfactory and only 27 firms (that is about half the firms to which the question was relevant) named countries to which exports had been re-directed. Only 5 firms responded to the third question and commented cursorily on measures which helped or could have helped in the re-direction of exports. The information gathered on the whole is however sufficient to permit some analysis which can be used to test what has been shown by published aggregate data.

#### Trade Relations with Bangladesh

The industrial distribution of firms exporting to and importing from Bangladesh is given in Table 15. Only 6 firms reported imports of raw materials from Bangladesh in 1965 and 1970. This confirms that Pakistan's manufacturing sector was not dependent on Bangladesh for raw materials. Over 50, or one-third of the total firms, reported exports to Bangladesh during both years. Exports to Bangladesh as a percentage of the output and of the total exports of firms reporting exports to Bangladesh are given in Table 16. Figures given in Tables 15 and 16 indicate that the importance of the Bangladesh market for the reporting firms had mostly been declining, and had never been of a crucial magnitude.

#### The Impact of the Loss of Bangladesh

To see what impact the secession of Bangladesh and the consequent loss of the market had on the firms that had been exporting to Bangladesh, we have compared the rates of growth of output and exports before and after the loss of Bangladesh for the exporting and non-exporting firms. Table 17 shows no significant difference in the rate of growth of output during 1965-1970 of firms which exported to Bangladesh and firms which did not.

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<sup>1</sup>Appendix B, Questions 9.1 to 9.3.

Table 15

TRADE RELATIONS WITH BANGLADESH

| ISIC<br>Code | I n d u s t r y                             | Number of firms         |      |                           |      |
|--------------|---------------------------------------------|-------------------------|------|---------------------------|------|
|              |                                             | Exporting to Bangladesh |      | Importing from Bangladesh |      |
|              |                                             | 1970                    | 1965 | 1970                      | 1965 |
| 20           | Food industries<br>(except beverages)       | 1                       | 2    | 0                         | 0    |
| 22           | Tobacco manufactures                        | 1                       | 1    | 0                         | 0    |
| 23           | Textiles                                    | 14                      | 15   | 0                         | 0    |
| 24           | Clothing & footwear                         | 6                       | 6    | 0                         | 0    |
| 26           | Furniture & fixtures                        | 0                       | 0    | 0                         | 0    |
| 27           | Paper and paper<br>products                 | 0                       | 0    | 0                         | 0    |
| 29           | Leather manufacturing<br>(except footwear)  | 2                       | 2    | 1                         | 1    |
| 30           | Rubber products<br>(except footwear)        | 0                       | 0    | 0                         | 0    |
| 31           | Chemicals & chemical<br>products            | 16                      | 15   | 3                         | 3    |
| 33           | Non-metallic mineral<br>products            | 0                       | 0    | 0                         | 0    |
| 35           | Metal products<br>(except machinery)        | 2                       | 2    | 0                         | 0    |
| 36           | Machinery (except<br>electrical)            | 0                       | 0    | 0                         | 0    |
| 37           | Electrical machinery                        | 2                       | 2    | 0                         | 0    |
| 39           | Miscellaneous manu-<br>facturing industries | 11                      | 11   | 2                         | 2    |
|              |                                             | 55                      | 56   | 6                         | 6    |

Table 16

EXPORTS TO BANGLADESH, 1965 AND 1970

| ISIC Code                                            | All industries | 23   | 24   | 31   | 39   |
|------------------------------------------------------|----------------|------|------|------|------|
| Number of firms                                      | 46             | 12   | 5    | 13   | 8    |
| Exports to Bangladesh as percentage of output        |                |      |      |      |      |
| 1965                                                 | 15.3           | 16.2 | 5.6  | 19.8 | 1.9  |
| 1970                                                 | 12.9           | 13.9 | 9.6  | 18.8 | 1.7  |
| Exports to Bangladesh as percentage of total exports |                |      |      |      |      |
| 1965                                                 | 49.3           | 40.2 | 27.4 | 88.4 | 19.8 |
| 1970                                                 | 45.7           | 32.4 | 22.8 | 74.6 | 19.2 |

Table 17

IMPACT OF THE SECESSION OF BANGLADESH ON OUTPUT AND EXPORT GROWTH

|                                                                                  | Firms which reported exports to Bangladesh | Firms which reported no exports to Bangladesh | T-Statistic |
|----------------------------------------------------------------------------------|--------------------------------------------|-----------------------------------------------|-------------|
| Annual percentage increase in output                                             |                                            |                                               |             |
| 1970-73                                                                          | 9.3 (40)                                   | 13.1 (70)                                     | 1.4130*     |
| 1965-70                                                                          | 10.6 (40)                                  | 13.6 (70)                                     | 1.0795      |
| Annual percentage increase in exports                                            |                                            |                                               |             |
| 1970-73                                                                          | 18.1 (30)                                  | 16.0 (45)                                     | 0.3166      |
| 1960-65                                                                          | 13.0 (30)                                  | 17.4 (45)                                     | 1.1606      |
| Ratio <sup>(a)</sup> of rate of increase 1970-73 to rate of increase 1965-70 for |                                            |                                               |             |
| Output                                                                           | 1.1 (40)                                   | 2.4 (70)                                      | 1.4735*     |
| Exports                                                                          | 1.5 (30)                                   | 0.7 (45)                                      | 1.6537**    |
| Export-output ratio                                                              |                                            |                                               |             |
| 1965                                                                             | 22.1 (30)                                  | 37.8 (45)                                     | 3.1680**    |
| 1970                                                                             | 22.6 (30)                                  | 37.9 (45)                                     | 3.4741**    |
| 1973                                                                             | 37.2 (30)                                  | 42.5 (45)                                     | 2.0861**    |

\*\* Difference between means significant at the 5 per cent level.

\* Difference between means significant at the 10 per cent level.

(a) The ratio has been calculated as the average of the ratios obtained for each firm, and is not the ratio of the average rates given above.

During 1970-1973 the rate of output growth was lower for firms that had exported to Bangladesh. There was also no difference in the rates of export growth in either of the two periods. As shown by the lower ratio of the rate of increase in output during 1970-1973 to that attained during 1965-1970, firms that had been exporting to Bangladesh attained a much smaller increase in the rate of output growth during the two years following the loss of Bangladesh. The converse was true for exports: firms that had been exporting to Bangladesh experienced a 50 per cent increase in the rate of growth of exports after the loss of the Bangladesh market, while the other firms experienced a decline. The results show that the loss of the Bangladesh market had an adverse effect on the growth of output of firms that had been benefitting from it; but gave a boost to their exports as the firms successfully re-directed output that had been previously sold in Bangladesh. The large increase during 1970-1973 in the export-output ratio of firms that had been exporters to Bangladesh also reflects the faster growth of exports of these firms after the secession of Bangladesh.

Unfortunately the response to the two other questions was very poor. No information on what difficulties were faced by firms in finding new markets and how these could have been eased by governmental help or other measures could be obtained. However, some light can be thrown on this aspect by analysing the answers to the question on what significance firms attached to lack of foreign demand as an obstacle to their efforts at attaining a higher rate of export growth. 126 firms - 37 of which had been exporters to Bangladesh replied to this question. The replies were as follows:

| R e p l y                 | Exporters to<br>Bangladesh | Mon-exporters<br>Bangladesh |
|---------------------------|----------------------------|-----------------------------|
| Lack of foreign demand:   |                            |                             |
| not an obstacle           | 15 (40.5%)                 | 19 (21.4%)                  |
| significant obstacle      | 18 (48.6%)                 | 44 (49.2%)                  |
| very significant obstacle | 4 (10.8%)                  | 26 (29.4%)                  |

These replies show that on the whole firms that had been exporters to Bangladesh faced a lack of foreign demand to a lesser extent than the other firms, that is the converse of what would have been expected if the output sold previously in Bangladesh had been of an inferior quality as asserted by critics.<sup>1</sup>

The Survey results thus confirm what analysis on a more aggregate level has shown<sup>2</sup>

- Pakistan's manufacturing sector was not dependent on Bangladesh for raw materials.
- The Bangladesh market had been declining in importance and had absorbed much less than half of the manufacturing sector's output.
- The loss of the Bangladesh market did have some adverse effect on manufacturing output but a rapid increase in exports followed as output was re-directed without much difficulty into foreign markets.

#### V. CONCLUDING REMARKS

The results of the Survey covering 168 firms in 14 industrial branches confirm much of what has been shown by analyses of aggregate data, in addition to throwing light on qualitative aspects such as the influence of various factors on the export performance of individual firms.

The Survey revealed the existence of a considerable extent of capacity underutilisation, though less than what had been earlier shown by other

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<sup>1</sup> The value of  $X^2$  computed to test the difference in distribution of exporters according to reply and the distribution of non-exporters according to reply is 10.75. The two distributions are hence significantly different at the 5 per cent level.

<sup>2</sup> See my paper "Industrialisierung und Expansion der Fertigwarenausfuhr in Pakistan. Unter besonderer Berücksichtigung der wirtschaftlichen Verflechtungen mit Bangladesch", op. cit., pp. 83 sqq.

Surveys and studies. This may be explained partly by the way in which the question was put to the firms. The information asked for was limited to the hours of plant operation, without going into details of how much of the plant was used during operation. For example, the reply of a cotton mill having 3 000 looms of which 1 500 looms operated for 24 hours a day would count as 'full utilisation'. Despite this drawback, the Survey did provide insight into the causes of capacity underutilisation. Of these the most important seems to be the fact that firms tend to build up capacity beyond what is required to satisfy demand. This happens as a result of their over-optimistic interpretation of past trends in the growth of demand. The shortage of raw materials, resulting largely from difficulties in obtaining supplies from abroad is another cause of underutilisation capacity. In view of this it is advisable that the Government should liberalise raw material imports, and at the same time discourage the building up of excess capacity ahead of the availability of imported raw materials. Moreover emphasis should be placed on setting up and developing industries relying more on indigenous raw materials.

The analysis of factors affecting export performance too, brings out the difficulties faced by exporters having a higher dependence on imported raw materials. The Government has introduced schemes under which exporters are allowed to use a proportion of their foreign exchange earnings for the import of raw materials used, but it seems that these schemes may not be adequate. More direct steps should be taken to ensure the availability of imported raw materials to exporting firms. That exporters using mainly indigenous raw materials consider the availability of these a positive influence on export performance points to the scope and need to concentrate on manufactured exports based on domestically available raw materials.

The need to provide low cost freight and insurance facilities as an aid to export promotion is clearly brought out by the fact that a large number of firms consider the high costs of these as adversely affecting export performance.

Except for some export duties and licensing schemes, the Government's existing export promotion policies have greatly helped export growth. The Survey showed that firms mostly approved of and expressed satisfaction at the Government's overall export promotion programme, including the services rendered by the Export Promotion Bureau. No widespread dissatisfaction could be found among firms at the scrapping of the Export Bonus Scheme, which for over twelve years (1959-1972) had been the main export incentive scheme in Pakistan.

Survey findings indicate that the export potential of Pakistan has yet to be fully realised, especially in the case of non-traditional manufactured products. A large proportion of the firms surveyed were ready to export more but were hampered in their efforts by various factors. The Survey clearly showed that Pakistani firms could export more if they could lower prices. The firms can do so if they are ensured of a ready supply of raw materials, can attain fuller utilisation of capacity and if they are provided with less costly freight and insurance facilities. In some cases, especially cotton textiles, a reduction of import barriers set up by developed countries is called for.

With respect to economic links between Pakistan and Bangladesh, the Survey has clearly brought out that Pakistan's manufacturing sector had not been crucially dependent on Bangladesh either for raw materials or for marketing its output. Firms that had exported to Bangladesh, though initially faced with an adverse effect on output, have located alternative markets. As far as the manufacturing sector of Pakistan is concerned, it has by now fully adjusted to the loss of Bangladesh.

The Survey findings underscore the need for firms to attain a higher level of capacity utilisation, and to be ensured of an adequate supply of imported raw materials. Moreover in future, industrial policy must place a heavy emphasis on the setting up and development of industries based on domestically available raw materials, if Pakistan is to enhance or even sustain the growth rates of output and exports of manufactures it has attained in the past.



A P P E N D I C E S

Table I

## DISTRIBUTION OF FIRMS INCLUDED IN THE SAMPLE

| ISIC Code      | Industry                                | Karachi            |                        | Sind               |                        | South Punjab       |                        | North Punjab       |                        | Baluchistan        |                        | North-west Frontier Province |                        | All Pakistan       |                        |
|----------------|-----------------------------------------|--------------------|------------------------|--------------------|------------------------|--------------------|------------------------|--------------------|------------------------|--------------------|------------------------|------------------------------|------------------------|--------------------|------------------------|
|                |                                         | Total No. of firms | No. included in sample | Total No. of firms | No. included in sample | Total No. of firms | No. included in sample | Total No. of firms | No. included in sample | Total No. of firms | No. included in sample | Total No. of firms           | No. included in sample | Total No. of firms | No. included in sample |
| 20             | Food industries (except beverages)      | 136                | 27                     | 9                  | 2                      | 21                 | 5                      | -                  | -                      | -                  | -                      | 11                           | 2                      | 177                | 36                     |
| 22             | Tobacco manufactures                    | 18                 | 4                      | 2                  | 1                      | -                  | -                      | -                  | -                      | -                  | -                      | 1                            | 1                      | 21                 | 6                      |
| 23             | Textiles                                | 98                 | 20                     | 74                 | 15                     | 100                | 20                     | 10                 | 2                      | -                  | -                      | 30                           | 6                      | 312                | 63                     |
| 24             | Clothing & footwear                     | 24                 | 5                      | 4                  | 1                      | 22                 | 4                      | 22                 | 4                      | -                  | -                      | 2                            | 1                      | 74                 | 15                     |
| 26             | Furniture & fixtures                    | 3                  | 1                      | 1                  | 1                      | -                  | -                      | -                  | -                      | -                  | -                      | 1                            | 1                      | 5                  | 3                      |
| 27             | Paper and paper products                | 7                  | 1                      | -                  | -                      | -                  | -                      | -                  | -                      | -                  | -                      | 1                            | 1                      | 8                  | 2                      |
| 29             | Leather manufacturing (except footwear) | 95                 | 19                     | 5                  | 1                      | 49                 | 10                     | 10                 | 2                      | 1                  | 1                      | 2                            | 1                      | 162                | 34                     |
| 30             | Rubber products (except footwear)       | 10                 | 2                      | -                  | -                      | 4                  | 1                      | 35                 | 7                      | -                  | -                      | -                            | -                      | 49                 | 10                     |
| 31             | Chemicals & chemical products           | 129                | 26                     | 12                 | 2                      | 43                 | 9                      | 16                 | 3                      | 2                  | 1                      | 5                            | 1                      | 207                | 42                     |
| 32             | Products of petroleum and coal          | 3                  | 1                      | -                  | -                      | -                  | -                      | -                  | -                      | -                  | -                      | -                            | -                      | 3                  | 1                      |
| 33             | Non-metallic mineral products           | 84                 | 17                     | 8                  | 2                      | 1                  | 1                      | 9                  | 2                      | 1                  | 1                      | 7                            | 1                      | 110                | 24                     |
| 34             | Basic metal industries                  | 20                 | 4                      | 1                  | 1                      | 3                  | 1                      | 4                  | 1                      | -                  | -                      | -                            | -                      | 28                 | 7                      |
| 35             | Metal products (except machinery)       | 24                 | 5                      | 3                  | 1                      | 10                 | 2                      | 92                 | 18                     | -                  | -                      | 5                            | 1                      | 134                | 27                     |
| 36             | Machinery (except electrical)           | 60                 | 12                     | 7                  | 1                      | 75                 | 15                     | 45                 | 9                      | -                  | -                      | 2                            | 1                      | 189                | 38                     |
| 37             | Electrical machinery                    | 26                 | 5                      | 1                  | 1                      | 17                 | 3                      | 21                 | 4                      | -                  | -                      | 1                            | 1                      | 66                 | 14                     |
| 38             | Transport equipment                     | 7                  | 1                      | -                  | -                      | 3                  | 1                      | -                  | -                      | -                  | -                      | -                            | -                      | 10                 | 2                      |
| 39             | Miscellaneous manufacturing industries  | 79                 | 16                     | 1                  | 1                      | 15                 | 3                      | 257                | 51                     | -                  | -                      | -                            | -                      | 352                | 71                     |
| ALL INDUSTRIES |                                         | 823                | 166                    | 128                | 30                     | 363                | 75                     | 521                | 103                    | 4                  | 3                      | 68                           | 18                     | 1907               | 395                    |

Table II

DISTRIBUTION OF FIRMS COVERED BY THE SURVEY

(No. of firms interviewed)

| ISIC Code | Industry                                | Karachi | Sind | South Punjab | North Punjab | Baluchistan | North-west Frontier Province | All Pakistan |
|-----------|-----------------------------------------|---------|------|--------------|--------------|-------------|------------------------------|--------------|
| 20        | Food industries (except beverages)      | 9       | 1    | 5            | -            | -           | 2                            | 17           |
| 22        | Tobacco manufactures                    | 2       | -    | -            | -            | -           | -                            | 2            |
| 23        | Textiles                                | 16      | 11   | 17           | 2            | -           | 5                            | 51           |
| 24        | Clothing & footwear                     | 5       | -    | 4            | 2            | -           | 1                            | 12           |
| 26        | Furniture & fixtures                    | -       | -    | -            | -            | -           | 1                            | 1            |
| 27        | Paper and paper products                | 1       | -    | -            | -            | -           | 1                            | 2            |
| 29        | Leather manufacturing (except footwear) | 5       | -    | 9            | -            | -           | -                            | 14           |
| 30        | Rubber products (except footwear)       | 1       | -    | 1            | -            | -           | -                            | 2            |
| 31        | Chemicals & chemical products           | 15      | 1    | 8            | 1            | 1           | 1                            | 27           |
| 33        | Non-metallic mineral products           | 1       | 1    | -            | 1            | -           | 1                            | 4            |
| 35        | Metal products (except machinery)       | 2       | -    | -            | 3            | -           | 1                            | 6            |
| 36        | Machinery (except electrical)           | -       | -    | 2            | 1            | -           | -                            | 3            |
| 37        | Electrical machinery                    | 1       | -    | -            | -            | -           | 1                            | 2            |
| 39        | Miscellaneous manufacturing industries  | 2       | -    | -            | 23           | -           | -                            | 25           |
|           | ALL INDUSTRIES                          | 60      | 14   | 46           | 33           | 1           | 14                           | 168          |

Table III

DISTRIBUTION OF FIRMS BY SIZE OF EMPLOYMENT

(Number of firms)

| Workers employed | 1973         | 1972         | 1970         | 1965         |
|------------------|--------------|--------------|--------------|--------------|
| 0 - 9            | 5            | 5            | 5            | 9            |
| 10 - 19          | 19           | 19           | 23           | 18           |
| 20 - 49          | 25           | 29           | 26           | 18           |
| 50 - 99          | 17           | 15           | 16           | 19           |
| 100 - 249        | 27           | 27           | 27           | 20           |
| 250 - 499        | 14           | 12           | 10           | 8            |
| 500 - 999        | 20           | 19           | 18           | 17           |
| 1000 - 2499      | 28           | 28           | 24           | 14           |
| 2500 and more    | 11           | 10           | 9            | 5            |
|                  | <u>166</u> * | <u>164</u> * | <u>158</u> * | <u>128</u> * |
|                  | ====         | ====         | ====         | ====         |

\* The totals are less than 168 by the number of firms which failed to provide employment figures.

Table IV

OPERATION OF PLANT BY INDUSTRIAL BRANCH AND SIZE OF FIRM

| Workers employed | ISIC Code | All industries | 20                                        | 22   | 23   | 24   | 26  | 27   | 29   | 30  | 31   | 33   | 35   | 36  | 37  | 39   |
|------------------|-----------|----------------|-------------------------------------------|------|------|------|-----|------|------|-----|------|------|------|-----|-----|------|
|                  |           |                | <u>A. Average number of hours per day</u> |      |      |      |     |      |      |     |      |      |      |     |     |      |
| 1 - 9            |           | 10.8           | -                                         | -    | -    | -    | -   | -    | -    | -   | -    | -    | 16.0 | -   | -   | 9.5  |
| 10 - 19          |           | 9.5            | 8.0                                       | -    | -    | 12.0 | -   | -    | -    | 8.0 | 8.0  | 8.0  | 10.0 | -   | -   | 9.8  |
| 20 - 49          |           | 9.4            | 9.3                                       | -    | 8.0  | -    | -   | -    | 8.0  | -   | 8.0  | -    | 16.0 | 8.7 | -   | 10.0 |
| 50 - 99          |           | 10.2           | 12.0                                      | -    | 13.0 | 8.0  | -   | -    | 8.0  | 8.0 | 8.0  | -    | -    | -   | -   | -    |
| 100 - 249        |           | 14.3           | 14.0                                      | -    | 12.0 | 10.7 | -   | -    | 8.0  | -   | 18.6 | -    | -    | -   | 8.0 | 12.0 |
| 250 - 499        |           | 16.0           | -                                         | 8.0  | 20.6 | 16.0 | -   | -    | -    | -   | 12.0 | 8.0  | -    | -   | -   | -    |
| 500 - 999        |           | 17.9           | 8.0                                       | -    | 21.6 | 24.0 | -   | 24.0 | 24.0 | -   | 16.0 | 24.0 | 11.5 | -   | -   | 12.0 |
| 1000 - 2499      |           | 21.9           | -                                         | -    | 22.5 | 16.0 | 8.0 | 24.0 | -    | -   | 24.0 | 24.0 | -    | -   | -   | -    |
| 2500 and more    |           | 21.7           | -                                         | 23.0 | 24.0 | -    | -   | -    | -    | -   | 20.0 | -    | -    | -   | 8.0 | -    |
|                  |           | 14.8           | 10.6                                      | 15.5 | 21.0 | 12.4 | 8.0 | 24.0 | 9.1  | 8.0 | 15.9 | 16.0 | 12.5 | 8.7 | 8.0 | 10.0 |
|                  |           |                | <u>B. Average number of days per week</u> |      |      |      |     |      |      |     |      |      |      |     |     |      |
| 1 - 9            |           | 5.6            | -                                         | -    | -    | -    | -   | -    | -    | -   | -    | -    | 3.8  | -   | -   | 6.0  |
| 10 - 19          |           | 6.0            | 6.0                                       | -    | -    | 6.0  | -   | -    | -    | 6.0 | 6.0  | 6.0  | 6.0  | -   | -   | 6.0  |
| 20 - 49          |           | 6.0            | 6.2                                       | -    | 6.0  | -    | -   | -    | 6.0  | -   | 6.5  | -    | 6.0  | 6.0 | -   | 6.0  |
| 50 - 99          |           | 6.1            | 6.3                                       | -    | 6.0  | 6.6  | -   | -    | 6.0  | 6.0 | 6.0  | -    | -    | -   | -   | -    |
| 100 - 249        |           | 6.3            | 6.5                                       | -    | 6.0  | 6.0  | -   | -    | 6.0  | -   | 6.6  | -    | -    | -   | 6.0 | 6.0  |
| 250 - 499        |           | 6.1            | -                                         | 6.0  | 6.4  | 6.0  | -   | -    | -    | -   | 5.7  | 6.0  | -    | -   | -   | -    |
| 500 - 999        |           | 6.3            | 6.4                                       | -    | 6.7  | 7.0  | -   | 7.0  | 7.0  | -   | 6.5  | 7.0  | 6.0  | -   | -   | 7.0  |
| 1000 - 2499      |           | 6.7            | -                                         | -    | 6.7  | 6.0  | 6.0 | 7.0  | -    | -   | 6.7  | 7.0  | -    | -   | -   | -    |
| 2500 and more    |           | 6.8            | -                                         | *    | 6.9  | -    | -   | -    | -    | -   | 7.0  | -    | -    | -   | 5.5 | -    |
|                  |           | 6.3            | 6.3                                       | 6.0  | 6.6  | 6.2  | 6.0 | 7.0  | 6.1  | 6.0 | 6.4  | 6.5  | 5.6  | 5.8 | 5.8 | 6.0  |

\* No response.

Table V

## DISTRIBUTION OF FIRMS BY INDUSTRIAL BRANCH AND SIZE OF EMPLOYMENT, 1973

| ISIC Code         | All industries   |    |    |                 |    |    |    |    |    |    |    |    |    |    |    |
|-------------------|------------------|----|----|-----------------|----|----|----|----|----|----|----|----|----|----|----|
|                   |                  | 20 | 22 | 23              | 24 | 26 | 27 | 29 | 30 | 31 | 33 | 35 | 36 | 37 | 39 |
| Number of workers |                  |    |    |                 |    |    |    |    |    |    |    |    |    |    |    |
| 1 - 9             | 5                | -  | -  | -               | -  | -  | -  | -  | -  | -  | -  | 1  | -  | -  | 4  |
| 10 - 19           | 19               | 2  | -  | -               | 1  | -  | -  | -  | 1  | 1  | 1  | 2  | -  | -  | 11 |
| 20 - 49           | 25               | 6  | -  | 1               | -  | -  | -  | 4  | -  | 2  | -  | 1  | 3  | -  | 8  |
| 50 - 99           | 17               | 3  | -  | 3               | 2  | -  | -  | 7  | 1  | 1  | -  | -  | -  | -  | -  |
| 100 - 249         | 27               | 4  | -  | 2               | 6  | -  | -  | 2  | -  | 11 | -  | -  | -  | 1  | 1  |
| 250 - 499         | 14               | -  | 1  | 7               | 1  | -  | -  | -  | -  | 4  | 1  | -  | -  | -  | -  |
| 500 - 999         | 20               | 2  | -  | 6               | 1  | -  | 1  | 1  | -  | 5  | 1  | 2  | -  | -  | 1  |
| 1000 - 2499       | 28               | -  | -  | 23              | 1  | 1  | 1  | -  | -  | 1  | 1  | -  | -  | -  | -  |
| 2500 and more     | 11               | -  | 1  | 7               | -  | -  | -  | -  | -  | 2  | -  | -  | -  | 1  | -  |
| TOTAL             | 166 <sup>x</sup> | 17 | 2  | 49 <sup>x</sup> | 12 | 1  | 2  | 14 | 2  | 27 | 4  | 6  | 3  | 2  | 25 |

<sup>x</sup> 2 firms did not report number of workers.

Table VI

## REASONS FOR UNDERUTILISATION OF CAPACITY BY INDUSTRIAL BRANCH

(number of firms)

| Reason                                      | ISIC Code | All industries | 20                  | 22 | 23 | 24 | 26 | 27 | 29 | 30 | 31 | 33 | 35 | 36 | 37 | 39 |
|---------------------------------------------|-----------|----------------|---------------------|----|----|----|----|----|----|----|----|----|----|----|----|----|
|                                             |           |                | Insufficient demand | 61 | 16 | 1  | 10 | 7  | 0  | 0  | 0  | 0  | 10 | 2  | 2  | 0  |
| Difficulties in obtaining raw materials     | 28        | 1              | 0                   | 5  | 1  | 1  | 0  | 0  | 2  | 5  | 0  | 4  | 3  | 0  | 6  |    |
| Unskilled labour shortage                   | 4         | 0              | 0                   | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 1  | 0  | 0  | 3  |    |
| Shortage of supervisory and technical staff | 7         | 2              | 0                   | 1  | 2  | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 2  |    |
| Fear of labour troubles                     | 8         | 1              | 0                   | 2  | 0  | 1  | 0  | 0  | 0  | 2  | 1  | 0  | 0  | 0  | 1  |    |
| Government regulations                      | 25        | 0              | 0                   | 3  | 2  | 1  | 0  | 9  | 0  | 5  | 0  | 1  | 0  | 1  | 3  |    |
| Not applicable                              | 46        | 0              | 1                   | 33 | 1  | 0  | 2  | 1  | 0  | 6  | 2  | 0  | 0  | 0  | 0  |    |
| No response                                 | 10        | 0              | 0                   | 0  | 0  | 0  | 0  | 4  | 0  | 1  | 0  | 0  | 0  | 0  | 5  |    |
| TOTAL <sup>x</sup>                          | 168       | 17             | 2                   | 51 | 12 | 1  | 2  | 14 | 2  | 29 | 5  | 8  | 3  | 2  | 25 |    |

<sup>x</sup> Some of the firms stated more than one reason for underutilisation of capacity, and hence total of replies exceeds number of firms in some industrial branches.

Table VII

## REASONS FOR UNDERUTILISATION OF CAPACITY BY SIZE OF FIRM

| Reason                                      | Number of workers employed | All firms  | Size of firm |           |           |           |           |           |           |           |               |
|---------------------------------------------|----------------------------|------------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------------|
|                                             |                            |            | 1-9          | 10-19     | 20-49     | 50-99     | 100-249   | 250-499   | 500-999   | 1000-2499 | 2500 and more |
| Insufficient demand                         |                            | 61         | 1            | 12        | 9         | 6         | 15        | 4         | 7         | 5         | 2             |
| Difficulties in obtaining raw materials     |                            | 28         | 2            | 5         | 9         | 3         | 3         | 2         | 2         | 2         | 0             |
| Unskilled labour shortage                   |                            | 4          | 0            | 0         | 4         | 0         | 0         | 0         | 0         | 0         | 0             |
| Shortage of supervisory and technical staff |                            | 7          | 0            | 0         | 4         | 0         | 1         | 1         | 0         | 1         | 0             |
| Fear of labour troubles                     |                            | 8          | 0            | 0         | 1         | 0         | 1         | 2         | 1         | 3         | 0             |
| Government regulations                      |                            | 25         | 0            | 0         | 2         | 8         | 8         | 2         | 3         | 2         | 0             |
| Not applicable                              |                            | 44         | 0            | 0         | 0         | 0         | 3         | 3         | 9         | 20        | 9             |
| No response                                 |                            | 10         | 2            | 3         | 3         | 1         | 1         | 0         | 0         | 0         | 0             |
| <b>TOTAL *</b>                              |                            | <b>166</b> | <b>5</b>     | <b>19</b> | <b>25</b> | <b>17</b> | <b>27</b> | <b>14</b> | <b>20</b> | <b>28</b> | <b>11</b>     |

\* 2 firms to which the question was not applicable did not report size of employment in 1973. Some of the firms stated more than one reason for underutilisation of capacity, and hence total of replies exceeds number of firms in some size groups.



Table VIII

FACTORS ADVERSELY AFFECTING EXPORT PERFORMANCE

| FACTOR                            | ISIC Code | All industries | 20                                                       | 22 | 23 | 24 | 26 | 27 | 29 | 30 | 31 | 33 | 35 | 36 | 37 | 39 |
|-----------------------------------|-----------|----------------|----------------------------------------------------------|----|----|----|----|----|----|----|----|----|----|----|----|----|
|                                   |           |                | A. Number of Firms considering effect "significant"      |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Foreign demand                    |           | 20             | 5                                                        | 1  | 4  | 1  | 0  | 0  | 0  | 0  | 3  | 2  | 1  | 0  | 0  | 3  |
| Availability of capacity          |           | 8              | 0                                                        | 0  | 3  | 0  | 0  | 1  | 0  | 0  | 1  | 0  | 1  | 0  | 0  | 2  |
| Government export policies        |           | 27             | 1                                                        | 0  | 11 | 1  | 0  | 0  | 9  | 0  | 3  | 0  | 0  | 0  | 0  | 2  |
| Export duties                     |           | 47             | 3                                                        | 1  | 17 | 5  | 0  | 0  | 0  | 2  | 10 | 0  | 1  | 1  | 0  | 7  |
| Licensing                         |           | 28             | 3                                                        | 0  | 10 | 2  | 0  | 0  | 0  | 0  | 1  | 1  | 3  | 1  | 0  | 7  |
| Credit policies                   |           | 20             | 1                                                        | 1  | 1  | 1  | 0  | 0  | 3  | 2  | 9  | 0  | 1  | 0  | 0  | 1  |
| Advertising                       |           | 35             | 3                                                        | 0  | 7  | 1  | 0  | 0  | 0  | 0  | 16 | 1  | 1  | 0  | 1  | 5  |
| Prompt delivery                   |           | 19             | 1                                                        | 0  | 6  | 7  | 0  | 0  | 0  | 0  | 3  | 0  | 1  | 1  | 0  | 5  |
| Appropriate packing               |           | 20             | 4                                                        | 1  | 6  | 0  | 0  | 0  | 0  | 0  | 6  | 2  | 0  | 0  | 0  | 1  |
| Quality of product                |           | 15             | 4                                                        | 0  | 4  | 0  | 0  | 0  | 0  | 0  | 2  | 0  | 1  | 0  | 0  | 4  |
| Labour costs                      |           | 36             | 1                                                        | 1  | 12 | 1  | 0  | 0  | 10 | 2  | 4  | 0  | 1  | 0  | 1  | 3  |
| Access to raw materials           |           | 52             | 3                                                        | 0  | 14 | 1  | 0  | 1  | 7  | 2  | 14 | 0  | 0  | 0  | 0  | 10 |
| Exchange rate policy              |           | 14             | 1                                                        | 0  | 5  | 0  | 0  | 0  | 0  | 0  | 3  | 0  | 0  | 0  | 0  | 5  |
| Freight and insurance costs       |           | 95             | 12                                                       | 2  | 31 | 9  | 1  | 1  | 12 | 2  | 12 | 3  | 1  | 1  | 0  | 8  |
| Importing countries' restrictions |           | 40             | 5                                                        | 1  | 15 | 1  | 0  | 0  | 1  | 0  | 9  | 0  | 1  | 1  | 0  | 6  |
|                                   |           |                | B. Number of firms considering effect "very significant" |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Foreign demand                    |           | 10             | 0                                                        | 1  | 4  | 1  | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 1  | 0  | 3  |
| Availability of capacity          |           | 6              | 0                                                        | 0  | 1  | 0  | 0  | 1  | 0  | 0  | 2  | 1  | 0  | 0  | 0  | 1  |
| Government export policies        |           | 18             | 0                                                        | 0  | 5  | 0  | 0  | 1  | 1  | 0  | 8  | 1  | 1  | 0  | 0  | 1  |
| Export duties                     |           | 34             | 0                                                        | 0  | 7  | 0  | 0  | 0  | 10 | 0  | 9  | 1  | 1  | 0  | 0  | 6  |
| Licensing                         |           | 12             | 0                                                        | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 9  | 0  | 1  | 0  | 0  | 2  |
| Credit policies                   |           | 11             | 1                                                        | 0  | 1  | 0  | 0  | 0  | 3  | 0  | 3  | 1  | 1  | 0  | 0  | 1  |
| Advertising                       |           | 12             | 0                                                        | 1  | 3  | 1  | 0  | 0  | 0  | 0  | 2  | 1  | 2  | 1  | 0  | 1  |
| Prompt delivery                   |           | 5              | 0                                                        | 0  | 1  | 1  | 1  | 0  | 0  | 0  | 1  | 0  | 0  | 0  | 0  | 1  |
| Appropriate packing               |           | 3              | 0                                                        | 1  | 1  | 0  | 0  | 0  | 0  | 0  | 1  | 0  | 0  | 0  | 0  | 0  |
| Quality of product                |           | 3              | 0                                                        | 1  | 0  | 0  | 0  | 0  | 0  | 0  | 1  | 0  | 0  | 1  | 0  | 0  |
| Labour costs                      |           | 16             | 1                                                        | 0  | 8  | 1  | 0  | 0  | 3  | 0  | 1  | 1  | 0  | 0  | 0  | 1  |
| Access to raw materials           |           | 15             | 0                                                        | 0  | 4  | 1  | 0  | 0  | 3  | 0  | 3  | 0  | 3  | 1  | 0  | 0  |
| Exchange rate policy              |           | 5              | 0                                                        | 0  | 2  | 1  | 0  | 0  | 0  | 0  | 0  | 1  | 0  | 0  | 0  | 1  |
| Freight and insurance costs       |           | 17             | 0                                                        | 0  | 7  | 0  | 0  | 0  | 0  | 0  | 3  | 1  | 2  | 1  | 0  | 3  |
| Importing countries' restrictions |           | 7              | 0                                                        | 1  | 5  | 0  | 0  | 0  | 0  | 0  | 1  | 0  | 0  | 0  | 0  | 0  |

Table IX

FACTORS FAVOURABLY AFFECTING EXPORT PERFORMANCE

| Factor                                                          | ISIC Code | All industries | 20                                                         | 22 | 23 | 24 | 26 | 27 | 29 | 30 | 31 | 33 | 35 | 36 | 37 | 39 |
|-----------------------------------------------------------------|-----------|----------------|------------------------------------------------------------|----|----|----|----|----|----|----|----|----|----|----|----|----|
|                                                                 |           |                | <u>A. Number of firms considering effect "significant"</u> |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Foreign demand                                                  |           | 66             | 5                                                          | 0  | 22 | 5  | 0  | 1  | 3  | 0  | 20 | 0  | 2  | 1  | 2  | 5  |
| Availability of capacity                                        |           | 79             | 4                                                          | 1  | 22 | 7  | 1  | 0  | 11 | 2  | 16 | 0  | 1  | 1  | 1  | 12 |
| Government export policies                                      |           | 57             | 5                                                          | 1  | 20 | 7  | 0  | 1  | 0  | 0  | 7  | 0  | 2  | 3  | 0  | 11 |
| Export duties                                                   |           | 16             | 5                                                          | 0  | 4  | 1  | 0  | 0  | 0  | 0  | 1  | 1  | 1  | 2  | 0  | 1  |
| Licensing                                                       |           | 15             | 3                                                          | 0  | 1  | 1  | 0  | 0  | 0  | 0  | 0  | 1  | 0  | 1  | 1  | 7  |
| Credit policies                                                 |           | 31             | 3                                                          | 0  | 10 | 1  | 0  | 0  | 3  | 0  | 2  | 0  | 2  | 1  | 1  | 8  |
| Advertising                                                     |           | 23             | 6                                                          | 0  | 8  | 3  | 0  | 0  | 3  | 0  | 0  | 0  | 0  | 1  | 0  | 2  |
| Prompt delivery                                                 |           | 66             | 8                                                          | 0  | 12 | 7  | 0  | 0  | 10 | 2  | 14 | 1  | 0  | 1  | 1  | 10 |
| Appropriate packing                                             |           | 71             | 4                                                          | 0  | 25 | 8  | 0  | 0  | 12 | 2  | 10 | 1  | 2  | 1  | 0  | 6  |
| Quality of product                                              |           | 56             | 5                                                          | 0  | 19 | 2  | 0  | 1  | 7  | 0  | 8  | 0  | 2  | 1  | 1  | 10 |
| Labour costs                                                    |           | 33             | 6                                                          | 0  | 8  | 0  | 0  | 1  | 0  | 0  | 9  | 1  | 2  | 0  | 0  | 6  |
| Access to raw materials                                         |           | 41             | 4                                                          | 2  | 22 | 3  | 0  | 0  | 0  | 0  | 2  | 0  | 0  | 0  | 1  | 7  |
| Exchange rate policy                                            |           | 13             | 0                                                          | 1  | 4  | 0  | 0  | 0  | 0  | 0  | 2  | 0  | 0  | 0  | 2  | 4  |
| Freight and insurance costs                                     |           | 6              | 0                                                          | 0  | 0  | 1  | 0  | 0  | 0  | 0  | 1  | 0  | 0  | 0  | 1  | 3  |
| Importing countries' restrictions                               |           | 10             | 2                                                          | 0  | 1  | 0  | 0  | 0  | 2  | 0  | 2  | 1  | 0  | 0  | 0  | 2  |
| <u>B. Number of firms considering effect "very significant"</u> |           |                |                                                            |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Foreign demand                                                  |           | 60             | 4                                                          | 0  | 18 | 5  | 1  | 0  | 11 | 2  | 3  | 2  | 1  | 1  | 0  | 12 |
| Availability of capacity                                        |           | 36             | 8                                                          | 0  | 13 | 1  | 0  | 0  | 3  | 0  | 3  | 1  | 2  | 0  | 0  | 5  |
| Government export policies                                      |           | 23             | 3                                                          | 0  | 2  | 1  | 0  | 0  | 0  | 0  | 3  | 2  | 2  | 0  | 1  | 9  |
| Export duties                                                   |           | 8              | 0                                                          | 0  | 1  | 0  | 0  | 0  | 0  | 0  | 3  | 1  | 0  | 0  | 1  | 2  |
| Licensing                                                       |           | 6              | 0                                                          | 0  | 2  | 0  | 0  | 0  | 0  | 0  | 3  | 1  | 0  | 0  | 0  | 0  |
| Credit policies                                                 |           | 21             | 4                                                          | 0  | 5  | 1  | 0  | 0  | 0  | 0  | 0  | 1  | 1  | 1  | 0  | 8  |
| Advertising                                                     |           | 5              | 0                                                          | 0  | 2  | 0  | 0  | 0  | 0  | 0  | 2  | 0  | 0  | 0  | 0  | 1  |
| Prompt delivery                                                 |           | 26             | 0                                                          | 0  | 18 | 2  | 0  | 0  | 4  | 0  | 0  | 0  | 1  | 1  | 0  | 0  |
| Appropriate packing                                             |           | 16             | 3                                                          | 0  | 5  | 1  | 0  | 0  | 0  | 0  | 4  | 1  | 0  | 0  | 1  | 1  |
| Quality of product                                              |           | 64             | 3                                                          | 0  | 22 | 10 | 0  | 0  | 7  | 2  | 6  | 3  | 2  | 1  | 1  | 7  |
| Labour costs                                                    |           | 31             | 0                                                          | 1  | 8  | 3  | 0  | 0  | 0  | 0  | 4  | 2  | 3  | 2  | 0  | 8  |
| Access to raw materials                                         |           | 17             | 1                                                          | 0  | 3  | 0  | 0  | 0  | 0  | 0  | 3  | 2  | 1  | 1  | 0  | 6  |
| Exchange rate policy                                            |           | 8              | 0                                                          | 0  | 2  | 0  | 0  | 0  | 0  | 0  | 3  | 1  | 0  | 0  | 0  | 2  |
| Freight and insurance costs                                     |           | 3              | 0                                                          | 0  | 1  | 0  | 0  | 0  | 0  | 0  | 2  | 0  | 0  | 0  | 0  | 0  |
| Importing countries' restrictions                               |           | 5              | 0                                                          | 0  | 2  | 0  | 0  | 0  | 0  | 0  | 2  | 1  | 0  | 0  | 0  | 0  |

Table X

SOURCES OF EXPORT INFORMATION

(Number of firm responses)

| Source of Information                          | ISIC Code | All Industries | 20 | 22 | 23 | 24 | 26 | 27 | 29 | 30 | 31 | 33 | 35 | 36 | 37 | 39 |
|------------------------------------------------|-----------|----------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| Agents Based Abroad                            |           | 74             | 7  | 1  | 22 | 7  | 1  | 1  | 3  | 2  | 15 | 0  | 2  | 1  | 2  | 10 |
| Market Research on Own Behalf                  |           | 59             | 1  | 1  | 30 | 3  | 0  | 0  | 1  | 0  | 3  | 2  | 4  | 1  | 1  | 12 |
| Domestic Chambers of Commerce                  |           | 84             | 10 | 0  | 28 | 8  | 0  | 1  | 9  | 1  | 13 | 1  | 3  | 1  | 1  | 8  |
| Commercial Counsellors                         |           | 25             | 1  | 1  | 10 | 1  | 0  | 0  | 1  | 0  | 4  | 0  | 1  | 0  | 1  | 5  |
| Export Promotion Bureau                        |           | 122            | 15 | 2  | 33 | 9  | 0  | 1  | 13 | 2  | 17 | 2  | 5  | 3  | 2  | 18 |
| Trading Corporation of Pakistan                |           | 24             | 1  | 0  | 11 | 1  | 0  | 0  | 2  | 0  | 2  | 0  | 1  | 0  | 0  | 6  |
| Market Studies of Foreign Chambers of Commerce |           | 35             | 2  | 0  | 14 | 2  | 0  | 0  | 4  | 1  | 3  | 1  | 0  | 1  | 0  | 7  |
| Foreign Customers                              |           | 127            | 12 | 2  | 41 | 11 | 1  | 2  | 11 | 1  | 23 | 3  | 5  | 2  | 2  | 11 |
| Foreign Partners                               |           | 3              | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 2  | 0  | 0  | 0  | 1  | 0  |

Table XI

FACTORS LEADING TO LESS THAN DESIRED EXPORT LEVEL

| Factor                                                                      | ISIC-Code | All Industries | 20 | 22 | 23 | 24 | 26   | 27   | 29 | 30 | 31 | 33 | 35 | 36 | 37 | 39 |
|-----------------------------------------------------------------------------|-----------|----------------|----|----|----|----|------|------|----|----|----|----|----|----|----|----|
| Number of firms which could have exported more.....                         |           | 126            | 13 | 2  | 40 | 10 | 1    | 0    | 14 | 2  | 23 | 1  | 5  | 2  | 2  | 11 |
| <u>A. Number of firms considering factor as "significant" obstacle</u>      |           |                |    |    |    |    |      |      |    |    |    |    |    |    |    |    |
| Foreign demand at prevailing prices...                                      |           | 62             | 6  | 2  | 21 | 3  | n.r. | n.a. | 7  | 2  | 8  | 1  | 3  | 1  | 0  | 8  |
| Lack of production capacity.....                                            |           | 11             | 2  | 0  | 2  | 1  | n.r. | n.a. | 0  | 0  | 1  | 1  | 1  | 0  | 0  | 3  |
| Governments' export restrictions.....                                       |           | 20             | 1  | 0  | 8  | 3  | n.r. | n.a. | 4  | 0  | 2  | 0  | 0  | 0  | 0  | 2  |
| Importer's Governments' restrictions..                                      |           | 38             | 4  | 1  | 22 | 1  | n.r. | n.a. | 1  | 0  | 5  | 1  | 1  | 1  | 0  | 1  |
| Shortage of raw materials.....                                              |           | 43             | 3  | 0  | 6  | 2  | n.r. | n.a. | 10 | 1  | 12 | 0  | 1  | 1  | 0  | 7  |
| Labour shortage.....                                                        |           | 16             | 1  | 0  | 4  | 3  | n.r. | n.a. | 3  | 2  | 0  | 0  | 0  | 1  | 0  | 2  |
| <u>B. Number of firms considering factor as "very significant" obstacle</u> |           |                |    |    |    |    |      |      |    |    |    |    |    |    |    |    |
| Foreign demand at prevailing prices...                                      |           | 37             | 6  | 0  | 15 | 4  | n.r. | n.a. | 5  | 0  | 6  | 0  | 0  | 0  | 1  | 0  |
| Lack of production capacity.....                                            |           | 4              | 0  | 0  | 1  | 0  | n.r. | n.a. | 0  | 0  | 1  | 1  | 0  | 0  | 0  | 1  |
| Governments' export restrictions.....                                       |           | 20             | 0  | 0  | 5  | 0  | n.r. | n.a. | 6  | 0  | 8  | 0  | 1  | 0  | 0  | 0  |
| Importer's Governments' restrictions..                                      |           | 7              | 0  | 1  | 3  | 0  | n.r. | n.a. | 0  | 0  | 2  | 0  | 1  | 0  | 0  | 0  |
| Shortage of raw materials.....                                              |           | 13             | 1  | 1  | 1  | 0  | n.r. | n.a. | 0  | 1  | 4  | 0  | 3  | 1  | 0  | 1  |
| Labour shortage.....                                                        |           | 7              | 0  | 0  | 1  | 0  | n.r. | n.a. | 4  | 0  | 0  | 0  | 0  | 0  | 1  | 1  |
| n.r. = no response - n.a. = not applicable.                                 |           |                |    |    |    |    |      |      |    |    |    |    |    |    |    |    |

Appendix B

SURVEY QUESTIONNAIRE<sup>x</sup>

1. OUTPUT

1.1. What are your main products?

- 1.1.1 .....
- 1.1.2 .....
- 1.1.3 .....
- 1.1.4 .....
- 1.1.5 .....

1.2. What were your total sales and value added in

|      | TOTAL SALES<br>(RS) | VALUE ADDED<br>(RS) |
|------|---------------------|---------------------|
| 1973 | .....               | .....               |
| 1972 | .....               | .....               |
| 1970 | .....               | .....               |
| 1965 | .....               | .....               |

2. FIXED INVESTMENT

2.1. What was your total fixed investment in

|      | LAND<br>(RS) | BUILDING<br>(RS) | MACHINERY<br>(RS) |
|------|--------------|------------------|-------------------|
| 1973 | .....        | .....            | .....             |
| 1972 | .....        | .....            | .....             |
| 1970 | .....        | .....            | .....             |
| 1965 | .....        | .....            | .....             |

<sup>x</sup> The author wishes to acknowledge the co-operation of Mr. Rafiq Khan, Joint Secretary, Karachi Chamber of Commerce and Industry in publicising the questionnaire in the Chamber's News Bulletin of 4th September, 1974.

3. EMPLOYMENT AND WAGES

3.1. How many workers did you employ and what was the total wage bill?

|      | EMPLOYMENT (Nos) | WAGE BILL (RS) |
|------|------------------|----------------|
| 1973 | .....            | .....          |
| 1972 | .....            | .....          |
| 1970 | .....            | .....          |
| 1965 | .....            | .....          |

4. RAW MATERIALS

4.1. What was the cost of your raw materials used and what percentage of the raw materials was imported?

|      | COST OF RAW MATERIAL | PERCENTAGE IMPORTED |
|------|----------------------|---------------------|
| 1973 | .....                | .....               |
| 1972 | .....                | .....               |
| 1970 | .....                | .....               |
| 1965 | .....                | .....               |

5. FOREIGN PARTICIPATION

5.1. Do you have any foreign participation?

Yes / No

If yes please state the percentage share of foreign capital in total investment and the number of foreigners employed.

|      | SHARE OF FOREIGN CAPITAL IN TOTAL INVESTMENT | NO. OF FOREIGNERS EMPLOYED |
|------|----------------------------------------------|----------------------------|
| 1973 | .....                                        | .....                      |
| 1972 | .....                                        | .....                      |
| 1970 | .....                                        | .....                      |
| 1965 | .....                                        | .....                      |

6. WORK SHIFTS

6.1. How many hours does your plant normally operate?

- 6.1.1 per day ..... hours
- 6.1.2 per week ..... hours.

6.2. How many hours do you normally shut down the plant for technical reasons?

- 6.2.1 per day ..... hours
- 6.2.2 per week ..... hours.

6.3. Which one of the following reasons was the most important for not operating more hours?

- Insufficient demand .....
- Difficulties in obtaining raw materials .....
- Non-availability of unskilled labour .....
- Shortage of supervisory and technical personnel .....
- Fear of labour troubles .....
- Government regulations .....

7. INSTALLATION OF NEW CAPACITY

7.1. Do you plan to install more capacity?

Yes / No

8. EXPORTS

8.1. What are your main export products?

- 8.1.1 .....
- 8.1.2 .....
- 8.1.3 .....
- 8.1.4 .....

8.2. What were your total export earnings in

|      | EXPORT EARNINGS (RS) |
|------|----------------------|
| 1973 | .....                |
| 1972 | .....                |
| 1970 | .....                |
| 1965 | .....                |

8.3. To how many countries did you export your products?

|      |       |           |
|------|-------|-----------|
| 1973 | ..... | countries |
| 1970 | ..... | countries |

8.4. Name five main importing countries of your products and the percentage of your exports going to each of them

| C o u n t r y | PERCENTAGE OF EXPORTS |       |
|---------------|-----------------------|-------|
|               | 1973                  | 1970  |
| 1. ....       | .....                 | ..... |
| 2. ....       | .....                 | ..... |
| 3. ....       | .....                 | ..... |
| 4. ....       | .....                 | ..... |
| 5. ....       | .....                 | ..... |

8.5. How have the following factors affected positively or negatively your export performance (Please give points according to significance - very significant 2, significant 1, not significant 0).

|                                   | POSITIVELY | NEGATIVELY |
|-----------------------------------|------------|------------|
| Foreign demand                    | .....      | .....      |
| Availability of capacity          | .....      | .....      |
| Export policies of the Government | .....      | .....      |



|                                          | POSITIVELY | NEGATIVELY |
|------------------------------------------|------------|------------|
| Export duties/subsidies                  | .....      | .....      |
| Licensing.....                           | .....      | .....      |
| Credit                                   | .....      | .....      |
| Advertising                              | .....      | .....      |
| Prompt delivery                          | .....      | .....      |
| Appropriate packing                      | .....      | .....      |
| Quality of product                       | .....      | .....      |
| Labour costs                             | .....      | .....      |
| Access to raw materials                  | .....      | .....      |
| Exchange Rate Policy                     | .....      | .....      |
| Freight cost insurance                   | .....      | .....      |
| Trade policies of<br>importing countries | .....      | .....      |

8.6. How do you obtain information on export possibilities for your products in foreign markets?

|                                                   |       |
|---------------------------------------------------|-------|
| Agents based abroad                               | ..... |
| Market research on your behalf                    | ..... |
| Domestic Chambers of Commerce                     | ..... |
| Commercial Counsellors                            | ..... |
| Export Promotion Bureau                           | ..... |
| Trading Corporation of<br>Pakistan                | ..... |
| Market studies prepared by<br>Chamber of Commerce | ..... |
| Foreign customers                                 | ..... |
| Foreign partners                                  | ..... |

8.7. How do you view the profitability of the export as compared to the home market?

|      |       |
|------|-------|
| same | ..... |
| less | ..... |
| more | ..... |

3.8. What factors in your opinion account for the difference in profitability from exporting and from selling domestically?

|                                          |       |
|------------------------------------------|-------|
| Risk differential                        | ..... |
| Volume of orders                         | ..... |
| International Competition                | ..... |
| Time-lag between transaction and payment | ..... |

8.9. In the past, were you prepared to export more?

Yes / No

If yes, how important in your opinion were the following factors as obstacles to export expansion (Please give points according to significance - very significant 2, significant 1, not significant 0).

|                                           |       |
|-------------------------------------------|-------|
| Foreign demand at prevailing prices       | ..... |
| Lack of capacity                          | ..... |
| Government's export restrictions          | ..... |
| Restrictions of the importer's Government | ..... |
| Shortage of raw materials                 | ..... |
| Labour shortage                           | ..... |

8.10. How can these obstacles best be reduced?

|                                                      |       |
|------------------------------------------------------|-------|
| By your own efforts                                  | ..... |
| By efforts of the Government of Pakistan             | ..... |
| By efforts of the Governments of importing countries | ..... |

8.11. For how many years ahead do you set an export target?

..... years.

8.12. What is your planned annual rate of increase in exports?

..... per cent per year.

9. TRADE REDIRECTION

9.1. What were your sales to former East Pakistan, and what percentage of your raw materials were obtained from these?

|      | SALES (RS) | PERCENTAGE OF RAW MATERIALS OBTAINED |
|------|------------|--------------------------------------|
| 1973 | .....      | .....                                |
| 1972 | .....      | .....                                |
| 1970 | .....      | .....                                |
| 1965 | .....      | .....                                |

9.2. If you have redirected your sales previously going to former East Pakistan, mention five main countries to which you increased exports or started exporting as a result?

- 9.2.1 .....
- 9.2.2 .....
- 9.2.3 .....
- 9.2.4 .....
- 9.2.5 .....

9.3. In case you have redirected your sales, please mention any specific Government measures which have helped in this redirection, or any measures which in your opinion could have helped your efforts at trade redirection.

.....  
.....