ABSTRACT

Pakistan is a developing country where per capita income of the people is very low. There is a huge gap between affluent and downtrodden and this gap is widening with the passage of time. The saving of the low income groups are less due to their meager income while rich people are under the international demonstration effect and they do not wish to save for future. This prospect of low income and international demonstration effect does lead to overall low saving levels. Due to this low saving level, investment level is low which leads to low production and due to this low production we get less exportable surplus.

The issue how developing countries can accelerate their economic growth is of crucial importance. Primarily, two alternative routes to development are inward-oriented growth strategies, which emphasize import substitution industrialization (ISI); and outward-oriented policies, which emphasize the economic benefits of participation in the world economy, that is, export-led growth (ELG). In the world development report of 1983 and 1987, the World Bank presents some evidence in support of the contention that export-led growth represents the best strategy for less developing countries.

Pakistan's economy is typically characterized by a large resource gap (saving-investment), government budget deficit, and current account imbalance. The reliance on international trade and foreign capital inflows has become crucial to sustain and enhance the pace of economic growth in the face of scarce and misutilized domestic resources. The international trade has proven to be the engine of economic growth for most of the countries. One of the major reasons for the rapid growth of the East Asian countries is their excellent export performance. For Pakistan too export-led growth is the best policy to achieve the purpose of economic growth.