WTO, Economic Reforms and Export Competitiveness: A Case Study of Pakistan

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Abstract

The paper analyzes the impacts of trade liberalization in response to WTO and other economic reforms. In this respect, major economics reforms, terms of trade, commodity concentration (CCI) and geographic concentration (GCI) have been estimated. Besides competitiveness is also analyzed by utilizing Revealed Comparative advantage. Revealed comparative Advantage (RCA) has been estimated for 74 commodity groups for the year 2005 and it is compared with Chaudhary (2000) estimates of RCA for the same commodity groups. Empirical results indicate that, over time, Pakistan has lost its competitiveness, which was improving up to 2000. RCA shows that Pakistan has lost RCA for 7 commodity groups (out of 29) as compared with the year 2000 within five years. Thus, trade liberalization has not been fruitful so far. There is also hardly any improvement in CCI, rather GCI has been deteriorated. Trade deficit has been enhanced overtime and it has emerged as one of the main economic problems for Pakistan. The very reason that Pakistan has again contacted IMF for its survival. In the light of above, there is a need that policy maker must be careful before further liberalization and privatization.

I. Introduction and Statement of the Problem

Economic growth and development of the developing countries mainly depends upon economic and political systems of these countries. However, international trade contributes significantly in the development of a country. Both economic theory and experience of developed nations shows that international trade may act as an engine of growth to drive rapid development and growth in

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developing countries (Nurkse, 1970).

Besides, static gains from comparative advantage, trade contribute development through many ways (Haberler 1964). Trade leads to full utilization of idle domestic resources (vent for surplus), economies of scale through production expansion, generation of new ideas, innovations and skills. Growth of small nations is limited by their demand. Doors for development remain open when a country embarks upon trade by opening its borders. Moreover, it facilitates sources of growth like technology and capital flows, enhances the domestic demand through imports and plays role of anti-monopoly weapon. How much a country can gain from technological, economic, social and cultural transfers through trade, it depends upon the recipient country's economic, political, social, institutional structure and international arrangements for international trade.

Economic theory of comparative advantage advocates that countries should opt for free and liberal trade, restrictions on trade lead to inefficiency. Despite the fact that trade was never free and restrictions continued in one or another way. A major breakthrough in Multilateral Trading System occurred on the creation of General Agreement on Tariff and Trade (GATT) from negotiations to establish International Trade Organization (ITO) in Havana in 1948. GATT played vital role to induce countries to lower and bind tariffs over time. But GATT could not prove itself as an effective institution to oversee and supervise international trade. It led to creation of World Trade Organization (WTO) on January 1st, 1995 as a result of Uruguay Round that started in 1986. It replaced GATT. Now WTO is the only body governing international trade. The theme behind WTO is that free trade is good for all. By lowering tariffs and quotas every one will have opportunity to compete in a free world market (WTO, 2006).

Under WTO countries agreed to reduce tariffs up to 40% in five phases and the first was to be implemented on 1st January 1995. Pakistan responded to liberalize its foreign trade by rationalizing tariffs and eliminating quotas in compliance with WTO regulations. Although WTO does not recommend (only encourage) any economic reform other than trade liberalization. But after the East Asian miracle in the form of success of market based economies like Korea, Taiwan, Japan and Hong Kong, many developing countries adopted trade liberalization program and tried to transform their economies from economic controls to market oriented policies.

Following the same path, Pakistan initiated a comprehensive program of economic reforms in 1980s. Since then tariff rates were rationalized, state owned production units were privatized, deregulated and denationalized and state trading was reduced to minimum level. Economy was opened for foreign investment and financial markets were also liberalized[2].

Keeping in view the importance of foreign trade, the purpose of this study is to analyze the impacts of trade reforms in response to WTO and other economic reforms on export competitiveness of Pakistan in the world market, because the export competitiveness is the key to gain advantages of free trade.

The rest of the paper is organized as follows. Section II provides brief literature review. Section III, highlights various trade and economic reforms carried out in Pakistan. Section IV describes methodology and section V presents empirical results. Section VI is conclusion of the study.

II. Literature Review

Process of trade liberalization and economic reforms is continued willingly or unwillingly everywhere in the world despite some exceptions. These internal and external sector reforms are advocated and supported by international institutions and developed countries equally. So it has become indispensable for less developed countries to opt for these reforms. Developing countries have ever raised concerns regarding trade liberalizations during and after WTO rounds particularly about agriculture, textile and intellectual property rights. Economic literature on liberalization policies is divided into two blocks. Some are of the view that liberalization reforms are equally beneficial for both developed and developing countries but others perceive that these reforms are less advantageous for less developed countries.

Hufbauer and Kotschwar(1998) indicated that during the past quarter century the growth of world trade has outpaced that of world output, global trade’s share of world GDP rose from 13 percent in 1970 to 21 percent in 1995. Protective domestic economic policies and closed regional arrangements ran out of stream by the late 1970s. Still, a great deal of pro-competitive work remains to be accomplished, especially in upgrading transportation and communications infrastructure and in building legal and judicial institutions. Abeyratne (2004) shows that after policy reforms in 1990s, Sri Lanka today appears to be the most open and most liberalized economy in the SAARC region. Trade patterns have made a remarkable change in the 1990s in terms of diversification in trading commodities and trading directions. Moreover, the exports share of highest comparative advantage category has increased.

Weisbrot and Baker (2002) claim that trade liberalization will

[2] *For a good discussion of trade and other related issues see Chaudhary and Abe (1999).*

significantly improve the plight of people in developing countries. Many of the claims frequently made about trade liberalization are not supported by the evidence. Similarly Bhattacharyya (2004) pointed out mixed results of trade reforms for India. Noshab (2004) stated that in the post Uruguay period as a result of trade liberalization in the agriculture sector, out of the total welfare gains of $122 Billion, only $11.6 Billion will go to the developing countries, which comprise two-third of the WTO members. Larid (2000) has discussed the aftermath of third WTO ministerial conference at Seattle and described that less developed counties have concerns regarding agriculture and clothing.

Lall and Weiss (2003) mentioned that as now Pakistan is aiming to achieve following objectives, export diversification, development of clusters, firm level technological upgrading and the encouragement of export oriented foreign investment. To achieve these objectives they suggested investment in relevant technical and general education, strengthening of public R&D activities, improving physical infrastructure for investment climate, removing bureaucratic restrictions and ensuring macro economic stability, facilitatation and support for industry at firm level like standard tax incentives for training and R&D activities, cost sharing for various consultancy services and provision of finance for technology support.

Liu and Shu (2003) investigated the determinants of Chinese export performance using cross sectional data at industry level. They found that export performance of industries is significantly influenced by labor costs, FDI and firm size. Elbehri *et al.* (2003) suggested that India can gain from free global trade in textile and apparels by eliminating its inefficient and costly policies like, cotton export quota's, the hank yarn obligations and the restrictive polices of foreign investment. They stressed on more liberal trade and domestic reforms in India.

Khan (2002) measured producer subsidy equivalent and subsidy ratio to producers, to determine level of government intervention in wheat and cotton sectors. His analysis showed Pakistan's stronger position towards WTO trade liberalization in wheat and cotton sectors. He suggested that Pakistan needs not to adjust its present state of intervention because it is already at minimum.

Buckly *et al.* (2002) used cross sectional data for 1995 to explore the effects of FDI on performance of Chinese manufacturing firms. The results show that there are positive effects of FDI on multinational entities in terms of technology and market access. Ali (2000) identified and analyzed WTO related challenges, internal and external, faced by Pakistan at present in the area of industry. He showed historically, how Pakistan has moved from controlled economy towards a more liberal face. Upadhyaya *et al.* (1999) has made a cross country study to find out the effects of devaluation on improving trade balance.

The countries included are: Pakistan, India, Nepal and Sri Lanka, who devaluated their currency in 1960 to improve their trade balance. They were of the view that devaluation or depreciation of a currency raises the price of imports relative to exports and may cause the trade balance to improve.

Liu (2001) investigated empirically the determinants of China's exports performance, and the effect of the WTO entry on labor intensive exports using cross section data at the industry level. His analysis suggested that exports performance at the industry level is determined by labor costs, the level of FDI, firm size, and the size of domestic sales. The point to be noted in his study is that he has mentioned that China has comparative advantage in labor intensive products due to its lower labor wages as in Pakistan and India. But China has gained much more from international trade than India and Pakistan.

Chaudhary and Saleem (2001) analyzed the impact of trade reforms in Pakistan on exports, trade patterns and suggested policy implications to gain export competitiveness in world market. They concluded that major exports of Pakistan are neither competitive nor complementary. They are suffering from concentration to a few markets and commodities. The products are mostly non competitive, low in value added, poor complimentary and having poor comparative advantages. They suggested drastic changes in export sector. There is a need to add new and value added goods for export. It will require changing the production base.

Kemal (2000) showed that Pakistan has RCA in 26 commodities in 1985 while it decreased to 25 in 1995. Then in another study Chaudhary (2004) analyzed 74 commodity groups and found that RCA increased to 28 in 1998 and it further increased to 36 commodities in 2000 as against 27 in 1996. Chaudhary and Abe (2004) analyzed that at the beginning in 1940s Pakistan and Japan had almost same economic conditions. They reviewed the economic and trade policies in both countries. Japan invested in human resource development and established SMEs. Japan followed trade led growth. Pakistan had poor human resources and could not train them. It followed large scale industrialization. Policies remained inconsistent. Today Japan is leading in technology and trade and enjoying trade surplus. However, Pakistan is not only suffering from budget deficit but also trade deficit. It is under huge amount of foreign and domestic debt.

Chaudhary and Qaisrani (2002) indicated that exports instability does not effect economic growth and investment in Pakistan. Nabi (1999) stated that protection via the tariff regime and input subsidies cannot sustain long term growth. Such price support programs have important budgetary implications and tax payers are unlikely to continue to bear the burden of such policies. Long term sustained export growth has to be anchored in productivity growth. This is what makes firms internationally competitive and allows them to expand market share.

Sharif (1981) hypothesis indicated that effective trade policy may accelerate economic growth and income equality. He concluded that such policies should be introduced, by the less developed countries which may not only promote exports but they also can increase foreign reserve and saving rate to increase growth rate and employment opportunities.

Tyler (1981) investigated the relationship between economic growth and export expansion in the developing countries through cross sectional data. He used data from 55 middle income developing countries for the period of 1960-1977. The results show significant positive associations between growth and various other economic variables including the growth of manufacturing output, investment, total exports, and manufacturing exports.

The above studies have analyzed WTO and economic reforms in Pakistan in a very comprehensive way and discussed impacts of these reforms on issues of export competitiveness of export, terms of trade, and geographic and commodity concentrations. Although these studies are excellent contributions to economic literature but Pakistan entered the mature age of reforms in the period 2000 to 2006. There are very few studies on this period. Thus, we will discuss the later developments in reforms and their impacts on export patterns and competitiveness.

III. Trade and Economic reforms in Pakistan

Before 1980s public sector had significant control on Pakistan's economy. Foreign investment was allowed in few sectors. Public sector corporations like Rice Export Corporation, Cotton Export Corporation, and Trading Corporation of Pakistan were heavily indulged in trading, storing, purchasing and exporting of major crops. Petroleum and gas were also controlled through state. Ghee Corporations was also state owned. Prices of drugs were also regulated. The agriculture sector was made inefficient by heavy indirect taxation. Quotas and tariffs were also widely applied. Pakistan introduced reforms in 1980s and it was further strengthened in the1990s. State owned enterprises were privatized, state trading was reduced to minimum level and financial sector was liberalized by giving autonomy to SBP over regulating financial sector. The quota and other restrictions were removed. Tariffs were rationalized. Market based exchange rate system has been introduced. Foreign investment is now open to all sectors and is treated as domestic investment. It has been acknowledged internationally. Pakistan has been ranked among top ten reforming countries in the world according to the recent World Bank Report. Pakistan is at 60th in terms of case of doing business in a survey of 155 countries, conducted by International Finance Corporation and surpassed even China and India. Salient reforms introduced by Pakistan are domestic market reforms, foreign trade liberalization, foreign investment reforms, financial reforms and foreign trade patterns. Following are the salient reforms initiated by Govt. of Pakistan as per the various reports by the government of Pakistan (GOP).

3.1. Domestic Market Reforms

Before 1990s state was involved in trading through Rice Export Corporation of Pakistan, Cotton Export Corporation and Trading Corporation of Pakistan. Now all these state trading have been stopped or reduced and now it has been liberalized. Agriculture was highly subsidized sector in terms of prices of fertilizers, seeds and pesticides and support prices for wheat and cotton and other agri-products. Now policy about agriculture has been revised and subsidies have been brought down to minimum level.

Privatization of state owned enterprises is an important economic reform. Pakistan is following policy of deregulation and good governance to enhance productivity of Pakistan. Government is now limited to the role of a facilitator and regulator, to provide enabling environment to the entrepreneurs to invest and carry out business. Now the government does not do business rather it facilitates business in the private sector. Privatization started with the establishment of Privatization Commission in 1991. The commission was initially restricted to industrial units. However, in 1993, power, oil and gas, transport (aviation, railways, ports and shipping), telecommunications, banking and insurance sectors were brought into agenda (GOP, various issues).

In September 2000 the Government of Pakistan promulgated the privatization commission ordinance 2000 which strengthened the Commission's legal authority. Ordinance also stated that 90% of privatization proceeds would be utilized for retirement of federal government debt and 10% to poverty alleviations. Thus, Pakistan has gone much forward in liberalizing domestic market. It is expected that in coming few years Pakistan's domestic market will be liberalized and government will remain confined to regulatory framework and facilitating through infrastructure and environment.

3.2. Foreign Trade Liberalization

Before 1980s Pakistan followed import substitution policy. Industries were protected under the high walls of tariffs and quotas. Pakistan comprehensively rationalized its tariff structure. Now only agriculture sector is bounded under

WTO at 100% tariff rates. Licensing requirements for the goods; not on negative list have been removed. The negative list has also been reduced. Tariff and trade reforms during 2001–2006 are following:

i. Maximum tariff was brought down to 20% in 2005-06 from 92% a decade ago.
ii. Number of tariff slabs was reduced to 4 from 13 in the same period.
iii. Minimizing the use of excise duties in tariffs.
iv. Promulgation of Antidumping law consistent with WTO.
v. The applied tariff almost half of the regime is zero to 5%.
vi. The simple average tariff is now 6.5%.
vii. Import liberalization measures were adopted for agriculture and petroleum products.
viii. Restrictions on agricultural imports are removed.
ix. Custom duties are reduced on a number of smuggling prone items.

3.2. Foreign Investment Reforms

Initially foreign investment was open to few sectors. Agriculture sector was also restricted for foreign investment. Now every sector of economy is open for foreign investment and foreign investment is treated as domestic investment. Pakistan’s investment policy is now liberal and business friendly. It provides equal investment opportunities for both foreign and domestic investors. All economic sectors are open for FDI. Sales tax has been embedded. Government permission requirements are now over[3]. Foreign investment is fully protected by Foreign Private Investment Promotion and Protection Act 1976, Protection of Economic Reforms Act (1992) and Foreign Currency Account (Protection) Ordinance 2001. Although Pakistan has introduced liberal reforms to attract foreign investment; however, share of FDI in GDP is low as compared to other developing countries.

3.3. Financial Reforms

Before introducing financial reforms, public sector was dominant in financial markets. State Bank of Pakistan (SBP) was under the influence of public sector. Reform program was initiated in financial sector by providing autonomy to SBP. Market based exchange rate and interest rates were introduced. Now the financial sector of Pakistan consists of commercial banks,

[3] *For details and recent information see Pakistan economic survey, latest (yearly).*

foreign banks, and development finance institutions, Micro Finance Companies (Leasing Companies, Investment Banks, Discount Houses, Hosiery Finance Companies, Venture Capital Companies, and Mutual Funds) Modarba, Stock Exchange, and Insurance Companies. Presently, there are 36 scheduled banks, 7 development finance institutions and 5 micro finance banks operating in Pakistan. The commercial bank comprises of 4 nationalized banks, 21 local private banks, 11 foreign banks and 3 specialized banks.

As a result of financial reforms and restructuring, more than 80% of the banking assets are now owned and managed by private sector. The government is also in process of restructuring of Industrial Development Bank of Pakistan, Zarai Taraqyati Bank Limited and Small and Medium Enterprises Bank for their ultimate privatization. State Bank of Pakistan strictly regulated the financial sector; as a result non performing loans have been reduced to less than 5%. Due to liberalized branch licensing policy, branches of private banks are increasing rapidly. Banks have opened 304 offices from 2001 to 2006.

To make capital market attractive for potential investors, Pakistan ensured various reforms such as streaming of taxation system on dividend income of foreign investor, extension of tax exemption on capital gains and permissions for private sectors to launch open end mutual funds. Rapid process of privatization of remaining public banks is continued. But institutions like National Saving Centers continue to operate in public sector and interest rate on these schemes is fixed by public sector. Thus, there is a need to introduce more reforms in financial sector to enhance its efficiency.

3.5. Foreign Trade Patterns

3.5.1 Trade Share

The share of trade in GDP of Pakistan is rising with the passage of time (table 1). The trade/GDP ratio has been improved. The share of trade has been increased by 9 points i.e. after FY 2000.

3.5.2. Concentration of Exports

Pakistani exports are concentrated in few products and it is evident from following data that these economic and trade reforms could not significantly widen export base. In recent years there are positive signs in enhancing export diversity. But still there is much need to diversify exports. Trade liberalization leads to commodity and geographic diversity. But in the case of Pakistan there seems no strong complimentarity between openness and diversification (table 2). As indicated in table 2, cotton and textile based trade constitutes over 64% of the exports. Moreover, it rice and leather products are included, the same figures are over 75%. It indicates heavy concentration of exports which is not a good sign.

Table: 1 Openness of Pakistan Economy

Year	Trade as % of GDP
1999–00	25.8
2000–01	28.0
2001–02	27.2
2002–03	28.4
2003–04	29.0
2004–05	31.6
2005-06	34.0

Source: Pakistan Economic Survey 2005-06

3.5.3. Composition of Exports

Since 1990-91, the composition of exports has changed significantly. The share of primary and semi-manufactured goods has been decreased while the share of manufactured goods increased significantly (table 3). The share of manufacturing goods increased by 22 percentage points which is a significant improvement.

Table: 2 Pakistan's Major Exports (% share)

Commodity	1990–91	2002–03	2006–07
Cotton	61.0	63.3	61.5
Leather	9.1	6.2	4.5
Rice	5.6	5.0	6.6
Synthetic Textiles	5.7	5.1	3.0
Sports Goods	2.2	3.0	1.6
Sub Total	83.6	82.6	77.2
Others	16.4	17.4	22.8
Total	100	100	100

Source: Pakistan Economic Survey, 2006-07.

3.5.4. Geographic Concentration

Like commodity concentration, Pakistan's exports also suffer from geographic concentration and about half of exports are constrained to few countries. Over the time, the share of these countries remained subject to variation. Pakistan's exports increased for USA. However, the same showed deteriorating trends for other countries (table 4). It may be said that, over the time except USA, Pakistan lost its market for all major trading partners. It is a matter of great concern for Pakistan. Pakistan must find new markets and also improve trade relations with traditional partners.

Table: 3 Composition of Exports

Year	Primary Products (%)	Semi Manufactured (%)	Manufactured (%)
1990–91	19	24	57
2006–07	11	10	79

Source: Pakistan Economic Survey, 2006-07

Table: 4 Direction of Pakistani exports (% of total exports)

Country	1990-91	2006-07
USA	10.8	28.4
Germany	8.9	4.1
Japan	8.3	0.8
UK	7.3	5.6
Hong Kong	6.0	4.0
Dubai	2.8	4.0
Saudi Arabia	3.6	1.8
Sub Total	47.7	48.9
Other Countries	52.3	51.1
Total	100	100

Source: Pakistan Economic Survey, 2006-07

3.5.5. Terms of Trade

The terms of trade with base year 1990–91 has shown a deteriorating trend due to rising prices of imports and slow growth of exports and lesser value addition of exports. Table 5 indicates that Pakistan had terms of trade 101 in

1993-94 which deteriorated to 64 in 2006-07. It is again a serious set back for Pakistan. No wonder that Pakistan is suffering from heavy trade deficit.

Table: 5 Terms of Trade

Year	**TOT**
1991–92	90.9
1993–94	101.2
1995–96	99.9
1997–98	123.5
1998–99	115.7
1999–00	98.0
2000–01	91.0
2001–02	90.8
2002–03	82.1
2003–04	78.7
2004–05	76.5
2005-06	66.4
2006-07	64.02

Source: Pakistan Economic Survey, 2005-06
TOT= Terms of trade.

3.5.6. Trade Deficit

Pakistan's foreign trade sector is ever suffering from trade deficits. These trade deficits have led to heavy foreign indebtedness and ever rising debt servicing, leaving lesser for development expenditures. Figures for trade deficit are provided in table 6.

The trade deficit has been experienced to the tune of minus 209 percentage growth during 2002-03/ 04. Recent year, the trade deficit is expected to rise to record level due to increasing imports which is a result of trade liberalization and growing needs of an expanding economy. But this should be a matter of urgent consideration of policy makers because Pakistan's economy can not bear such high level of trade deficit.

Table: 6 Foreign Trade Deficit

Year	Trade Deficit (US $ Million)	Growth Rate %
1995–96	–3098	-37.26
1996–97	–3574	15.36
1997–98	–1490	–58.31
1998–99	–1653	-10.94
1999–00	–1740	-5.26
2000–01	–1527	–12.24
2001–02	–1205	–21.09
2002–03	–1060	–12.03
2003–04	–3279	-209.34
2004–05	–6203	-89.30
2005-06	–12112	- 95.26
2006-07 (July-April)	-11084	-

Source: Pakistan Economic Survey, 2005-06

IV. Methodology

To analyze impacts of WTO and economic reforms on export competitiveness of Pakistan degree of openness, Revealed Comparative Advantage (RCA), Geographic Concentration Index (GCI) and Commodity Concentration Index (CCI) will be estimated from 1990-2005. This period has been selected because trade and economic reforms were introduced in this period with rapid pace.

4.1. Revealed Comparative Advantage (RCA)

Pakistan rapidly abolished tariff protection and opened up its economy to free trade during the 1990's. The effective rate of customs for total imports was as low as 10.5% during 2000-01. This shows that Pakistan has liberalized its imports to a significant level. Maximum number of commodities has a tariff rate of only 5 percent. Pakistan does not face significant tariff walls for its exports. Exports are restricted only on the grounds of environment protection, food security, religious and health reasons. The export policy is designed to promote exports and opened up domestic market for freer trade environment. It indicates that Pakistan has rapidly moved towards free trade environment and open market.

Changing patterns of exports will be analyzed over time by using Blassa's concept of Revealed comparative advantage (RCA),

$$RCA_{ih} = \frac{X_{ih}/X_{it}}{X_{wh}/X_{wt}}$$

RCA = Revealed comparative advantage for product h of country i.

X_{ih} = Total exports of h of country i

X_{it} = Total export of country i

X_{wh} = World export of product h

X_{wt} = Total world export

RCA is in product h if $(RCA)_{ih} > 1$

4.2. Commodity Concentration Index (CCI)

The degree of commodity concentration of Pakistan's exports to the World will be measured by employing Gini or Hirchman (1945) coefficient of concentration,

$$CCI = \sqrt{\sum_{k=1} (X_k^2) * 100}$$

X_k is the share of commodity K in total Pakistan's exports at given point of time. The lower CCI means lesser concentration across products. The concentration will be estimated amongst five export categories.

4.3. Geographic Concentration Index (GCI)

It will be measured same as CCI to see the impact of Liberalization policies on Geographic concentration of exports. Commodity and Geographic Concentration Indices are very useful measures to determine the effects of liberalization policies, because ultimate objective of these policies is to gain competitiveness in international market. Measurers of openness will explain that how far Pakistan has gone in liberalizing its foreign trade sector. And then RCA, CCI and GCI will show the benefits of openness in terms of enhancement of Pakistan's exports to the World. The above indices are although widely used to estimate the impacts but do suffer of certain limitations such as omission of imports and the inability to distinguish between improvements in factor endowment emphasized by the theory of comparative and the effects of appropriate trade policies (Greenway and Milner (1993) and (Michaely (1962, 1967). So a careful interpretation of the results should be made.

V. Empirical Results

This chapter provides empirical results for analysis of impacts of trade liberalization and economic reforms on Export competitiveness of Pakistan. For this purpose various indices and ratios have been estimated.

5.1 Commodity and Geographic Concentration Indices

These two measures are considered very vital to see the Export competitiveness of any country. Empirical results show that in terms of CCI, there is very slighter improvement while Geographic concentration has been deteriorated over time (Table 7).

It is very astonishing that due to liberalization policies all over the world, a marvelous chance was there to boost up exports through increasing the trade base and lessening geographic barriers. But Pakistan has not gained much from this opportunity. CCI has remained almost stagnant while GCI has been deteriorated across the time (table 7).

Table: 7 Commodity and Geographic Concentration Indexes

Year	CCI	GCI
1990-91	62.22	18.92
1991-92	61.8	20.32
1992-93	60.39	20.66
1994-95	59.32	21.61
1995-96	60.2	23.76
1996-97	62.14	24.07
1997-98	61.24	24.82
1999-00	61.96	27.27
2000-01	59.12	26.73
2001-02	59.85	27.44
2002-03	63.77	26.99
2004-05	57.63	27.02
2005-06	59.76	27.38
2006-07	61.52	29.88

Source: Pakistan Economic Survey 2005-06.

5.3 Revealed Comparative Advantage (RCA)

The RCA for the year 2005 has been provided in table 8. The figures are comparable to Chaudhary (2004), who analyzed 74 commodity groups and found that RCA increased to 28 commodity groups in 1998 and it further increased to 36 commodities in 2000; as against 27 in 1996[4]. While our results show that RCA has been reduced to 29 products amongst the same product group, being

Table: 8. RCA Results

Goods/Year	2005
01-075 Food: Fish/Animals/Rice/ Fruits	9 (18)
111-122 Beverages/Tobacco	1 (3)
222-291 Oil Seeds/Cotton/Wood/Grude Animal/Vegetable materials	5 (11)
611-658 Leather/Leather Goods Textile Yarn/Cotton Fabrics	9 (15)
672-699 Non Metal Minerals/Line/Cement/Pilgrim/Cutlery Manufactures of base metals	2 (10)
723-793 Machines/Transport Equipment/Machinery	1 (8)
842-848 Clothing / Apparel	3 (4)
851Footwear	1 (1)
872-74 Instruments/Medical/ Sciences/Toys	0 (3)
931 Misc. others	0 (1)
Aggregate	29 (74)

Source: Data from ITC COMTRADE data base.

analyzed by the above study. Thus, Pakistan again started to loose competitiveness. It was envisaged that liberalization regime will enhance competitiveness of developing countries, but RCA analysis shows that these reforms could not bring export competitiveness in case of Pakistan. These reforms just widen the opportunities for countries but to gain advantages of these opportunities countries have to strengthen their export base and focus on quality, productivity and R&D is also required.

[4] *Before Chaudhary, Kamal and others also calculated Rca for earlier period, see Chaudhary (2004).*

VI. Conclusion

In this paper, impact of WTO related economic reforms on exports in Pakistan has been analyzed. As far as WTO and economic reforms are concerned, Pakistan has improved much in this regard. Domestic market is being liberalized very rapidly, process of privatization and deregulation is continued, foreign trade is now open for almost every major sector of the economy and is now treated as local investment. Financial sector has also undergone significant reforms and the share of private sector in financial sector has risen. Foreign trade has been liberalized, major quota restrictions have been removed, and tariffs have been rationalized. Negative list has been shortened. Unnecessary requirements have been removed and state trading is at minimum level. Thus, Pakistan has liberalized domestic and foreign sectors in compliance with WTO. And still has not benefited from expected gains in trade.

To analyze the impacts of trade and economic reforms on export competitiveness of Pakistan, Commodity and Geographic Concentration Indices and Revealed Comparative Advantage were calculated. The results of the above indices show almost deterioration in terms of trade and competitiveness. Pakistan has not gained much from WTO related economic reforms in terms of exports growth and finding new markets. Pakistan's exports are still suffering from geographic and commodity concentration. Terms of trade are deteriorating day by day. Trade deficit is also rising with high pace. And last but not least Pakistani exports are not very attractive in world market in terms of price, brand and quality. It has started to loose its competitiveness.

Efforts should be made to enlarge export base to remove commodity concentration. Govt. should help the exporters to search new potential markets. Pakistan's trade share with Japan has been decreased. There is much potential to enhance trade with Japan. Regional trade agreements should be strengthened. Pakistan's exports can become competitive only if R&D in production methods is ensured to minimize prices, raise the quality of products and value addition. There is need to introduce Pakistani Brands internationally. Industry should be facilitated regarding technological up gradation. The trade liberalization model followed by Pakistan must be reviewed with an aim to redesign trade policies.

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