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## **Pakistan needs parsimonious industrial policy approach to improve global rank**

KARACHI: Pakistan ranks as the 94 most complex country in the world in the Economic Complexity Index (ECI) as the country's exports are narrowly diversified due to lack of attention to existing economic activities for export diversification.

"Pakistan's worsening complexity has been driven by a lack of diversification of exports," Atlas of Economic Complexity by the Growth Lab of Harvard University said in a report, based on 2017 statistics.

The report, however, said the country's economy has become less complex compared to a decade prior and moving forward, "Pakistan is positioned to take advantage of a moderate number of opportunities to diversify its production using its existing knowhow."

"In diversifying its economy, Pakistan may consider a parsimonious industrial policy approach and address bottlenecks to help jump short distances into related products," it said.

The lower-middle-income country is the 113 richest economy in terms of per capita out of 133 economies studied.

"Pakistan is as complex as expected for its income level. As a result, its economy is projected to grow moderately," the report said.

The economic growth is projected at 4.8 percent / year over the next decade under the Growth Lab's 2027 projections. The report said the country's exports fell by an annual average of 1.6 percent over the past five years, "which has been a drag on overall economic growth, as exports represent a shrinking segment of the economy."

Likewise, non-oil exports dropped 1.5 percent annually over the past five years, falling below the global average growth. Exports of goods and services amounted to \$31 billion in 2017 compared with \$71.2 billion of imports. Mostly exports were limited to low-complexity products, such as textiles and agriculture. Pakistan largely concentrated on three export destinations over the years with the US consuming 14.14 percent of its exports followed by Germany (7.15 percent) and China (6.54 percent).

The Growth Lab research found that countries with exports more complex than expected for their income level grow relatively faster than their peer economies. "Growth can therefore be driven by a process of diversifying knowhow to produce a broader, and increasingly more complex, set of goods and services," it said.

The research found that Pakistan saw a troubling pattern of export growth, "with the largest contribution to export growth coming from moderate and low complexity products,

particularly ICT (information and communication technology) and other made-up textile articles products.”

Growth Lab said the country has as yet begun relocating economic activities from low to high productivity sectors. The structural transformation is “a key source of economic growth.”

“It broadly moves activities out of agriculture into textiles, followed by electronics and/or machinery manufacturing,” it said. “Global market share in textile exports in Pakistan has stagnated over the previous decade; electronics and machinery have yet to take off in Pakistan, limiting its income growth.”

The research found that the country included 33 products to export basket since 2002, contributing \$6 in per capita income and fetching \$1.18 billion in export revenue. “Pakistan has diversified into a sufficient number of new products but at too small a volume to contribute to substantial income growth,” it said.

Comparatively, Uzbekistan added 28 new products during the period, building up \$21 in per capita income and earning \$687 million in export revenue. India added 25 products, generating \$5.53 billion in export revenue and \$4 in per capita income. Bangladesh enlarged its export basket by nine products during the period with one dollar in per capita income and \$149 million in foreign exchange from exports.