

Lahore School of Economics
Tenth Annual Conference on
Management of the Pakistan Economy
26 – 28 March, 2014

CALL FOR PAPERS

The Centre for Research in Economics and Business (CREB), Lahore School of Economics is inviting papers for its Tenth Annual Conference on the Management of the Pakistan Economy being held on March 26th – March 28th 2014 in Lahore, Pakistan. The theme of this year's conference is **'Pakistan in the Global Economy – Opportunities and Challenges'**.

The objective of the Lahore School's Annual Conference is to promote timely debate on important policy issues facing the country. In each session speakers will present papers related to Pakistan in the Global Economy theme which will be followed by a short discussion.

A brief on the Conference objectives and subjects to be covered is attached along with the Conference Calendar, and will be made available on the CREB website.

Researchers are invited to submit abstracts of 200-300 words of their paper to CREB along with short curriculum vitae no later than 15th November 2013 by email to lseconf@lahoreschool.edu.pk, with a copy to zenab@lahoreschool.edu.pk and creb@lahoreschool.edu.pk. If we receive abstracts by 15th November, authors will be notified of acceptance of proposal by 1st December, 2013 after the Review Committee has completed its screening process. It should be noted that only those proposal for papers will be considered that directly address the issues/topics indicated in the Conference Calendar. The last date for submission of the completed paper is February 15th, 2014.

Papers presented at the Annual Conference will be published in a special issue of the Lahore Journal of Economics, which is an internationally abstracted journal (listed on the Journal of Economic Literature). The authors would be required to submit the revised papers, in light of the comments received at the conference by 31st May, 2014.

Out of station authors will be provided hotel accommodation and airfare (economy) to attend the conference.

For further information, please contact Zenab Naseem (Office Manager) at zenab@lahoreschool.edu.pk. All relevant information about the conference will also be made available at the CREB website <http://www.creb.org.pk/Conference2014>.

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Pakistan in the Global Economy – Opportunities and Challenges

The Lahore School's Tenth Annual Conference on Management of the Pakistan Economy will address how Pakistan may improve its performance in the global economy, compete more successfully in foreign markets, and achieve a sustainable balance of payments, while realizing rising per capita income.

The Problem

Pakistan is a relatively open economy. Although like other developing economies, it nurtured and protected domestic industry for some time, import barriers have been lowered over time. Many question Pakistan's industrialization experience and believe that the country remains overly protected. The fact, however, is that so far there is little evidence that trade liberalization has improved productive efficiency or led to growth and diversification of its exports. Throughout its economic history, balance of payments has been a principal constraint on economic growth and little improvement has occurred in this regard, although large foreign inflows (led by worker remittances) over the past decade greatly eased foreign exchange availability. The periods of relatively rapid growth ended with a balance of payments crisis, and the 2008 crisis typified that.

Pakistan's foreign trade performance compared to other developing countries in its geographical vicinity has remained quite unsatisfactory over the several decades. While the export ratio (exports as a percentage of GDP) for Pakistan was broadly similar to that of China during the 1980s (around 10-15 per cent), it was considerably above the ratios for Bangladesh or India, which exported well-below 10 per cent of GDP. Pakistan's export ratio peaked at 17 per cent in the early 1990s, but set on a declining trend thereafter. Currently it stands at below 15 per cent. In comparison, China's export ratio shot up to 35 per cent, while India and Bangladesh also registered impressive increases.

Imports as a proportion of GDP was also quite high (23 per cent) during the early 1980s, again well above the ratios for China, India or Bangladesh. However, because of the balance of payments difficulties, it registered a general decline during the 1990s. In fact, it was not until after 2004 that imports rose rapidly and recovered to the earlier high level in the succeeding years. Over this period, imports rose rapidly in China, India and Bangladesh.

Although Pakistan has faced balance of payments difficulties in recent years, the country's trade deficit rose not because of unduly high level of imports but because of stagnant exports. Imports have shown a tendency to surge during periods of rapid economic growth, when availability of foreign finance is

relatively easy. Balance of payments crisis typically occur when net foreign inflows decline or fail to keep up with the widening trade deficit. The situation is not helped by the fact that Pakistan's savings ratio is abysmally low in comparison to other Asian countries.

Towards a Viable Balance of Trade for Pakistan

How international trade might promote economic growth is a controversial area of policy. The benefits from international trade are obvious and generally well recognized. The conventional wisdom is that a country's economic welfare is enhanced by taking advantage of its comparative advantage and specializing in more profitable lines of production. Increased competition forces firms to improve their productive efficiency. As foreign trade extends the market, a country can more readily exploit the economies of scale and benefit from diffusion of technology. Open economies are more likely to attract foreign investment, thereby bringing in capital and new technologies. All these factors are supportive of economic growth.

However, the actual experience has shown that taking advantage of international trade is not something automatic, which can be left to the free functioning of the market. The ability to exploit opportunities provided by trade varies widely across countries and gains from trade are notoriously inequitably distributed. Although, for a while, there was a tendency to explain the success of East Asian economies in terms of their openness to trade, closer inspection of evidence has shown the situation to be rather different and less straightforward.

One thing however is rather clear: the fast growing economies did not just rely on exploiting their *existing* comparative advantage (whatever that means) but rather – through investment, skill development, technological improvements and innovation – they deliberately set out to *create* comparative advantage in new fields of production.

How this might actually be done in the context of individual countries – in this case, Pakistan – is central to the design of policy. The papers to be presented at the conference should seek to address this issue and offer proposals on how Pakistan might overcome the handicaps and difficulties in foreign trade and make it an engine of sustainable growth, as has been achieved in other rapidly growing economies.

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Pakistan in the Global Economy – Opportunities and Challenges

Conference Calendar

Sessions

1. Pakistan in the global economy:

- A historical perspective: Growth spurts and reversals
- Global rules of the game: Rise of bilateralism and death of MFN

2. Macroeconomic management under constrained balance of payments and an open capital account.

- Implications of the Gray market, presence of exchange companies and liberal transfer of money
- Exchange rate management
- Vulnerability of domestic economic stability and external balance

3. Imports: are they the villain in the piece?

- The nature of Pakistan's import dependency
- Pakistan's import substitution: its successes and failures

4. Explaining Pakistan's export performance: The issue of international competitiveness

- Cost-price relationships
- Failure of export diversification and move up the value chain

5. Explaining Pakistan's export performance: Neglected elements

- Infrastructure weaknesses (power as well as transportation and port facilities). Trade facilitation
- Standards and quality control

6. Towards a strategy to build Pakistan's technological capabilities

- Domestic measures – lessons from East Asia
- FDI for industrial diversification and technology transfer
- Potential of subcontracting as a channel for technology transfer

7. Breaking with the past: the way forward

- Industrial policy – what kind of industrial policy?
- Regional trade: How it might support Pakistan's economic growth
- Bilateral trade agreements: How they might support Pakistan's economic growth

8. Policy and operational implications of the conference discussions

(Aim to spread the findings more widely, policy briefs?)