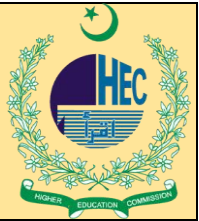




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**Pakistan and the World Trade Organization: Challenges and Opportunities in Global Trade****Mohsin Riaz**

Superior University

mohsin.riaz304@gmail.com**Fariha Tariq**

GC University

ABSTRACT

This article explores Pakistan's potential and challenges as a World Trade Organization (WTO) member. The study, which is based on a qualitative analysis of recent academic literature, WTO reports, and official policy papers, concludes that WTO integration has affected Pakistan's trade performance between 1995 and 2025. The results show that Pakistan has benefited from stable trade rules, expanded market access, and incremental improvements in customs modernization under the Trade Facilitation Agreement. However, structural problems such as a dependence on low-value textile exports, a lack of diversification, persistent trade deficits, and subpar performance in the automobile and agricultural industries have limited overall improvements. According to the research, WTO compliance is still limited by political uncertainty, governance limitations, and a lack of institutional capacity, despite the fact that policy alignment and technology developments have improved efficiency. In order to turn WTO participation into long-term growth, the study argues that Pakistan must adopt a balanced strategy that includes export diversification, industrial upgrading, agricultural modernization, and a robust competition policy. Pakistan can achieve long-term competitiveness and economic resilience by strengthening its internal institutions and aligning sectoral policies with international standards, thereby better leveraging WTO frameworks.

Keywords: Pakistan, WTO, Trade Liberalization, Trade Facilitation, Economic Growth, Competition Policy.

1. Introduction

The global economy is increasingly being impacted by rules-based trade regimes, with the World Trade Organization (WTO) at the forefront of international trade regulation. For developing countries like Pakistan, joining the WTO has both advantages and disadvantages. On the one side, Pakistan has stable trade laws, dispute resolution processes, and access to global market opportunities. To fulfill WTO obligations, however, significant institutional reforms, economic restructuring, and strategic policy alignment are required.

Pakistan was one of the founding members of the World Trade Organization, but the potential benefits of global integration have not been fully represented in its trade performance. Although sectors like textiles have traditionally accounted for the majority of Pakistan's exports, the nation's lack of diversification, reliance on low-value goods, loose industrial regulations, and recurrent macroeconomic instability have all hindered sustained growth. Recent talks have demonstrated how urgently Pakistan has to reevaluate its trade policies in compliance with WTO regulations, particularly by strengthening its competition policy and focusing on emerging industries like the automobile sector.

This essay examines how Pakistan could use WTO rules more effectively to raise its profile in global commerce. It builds on a study of scholarly literature, policy publications, and WTO updates and employs a qualitative analytical methodology. The key argument is that Pakistan must use two techniques to participate in the international trading system: using WTO commitments to promote trade facilitation, market access, and investor attraction, and improving domestic competitiveness through policy changes.

2. Literature Review:

The controversial discussion surrounding Pakistan's entry into the World Trade Organization (WTO) framework reflects the tension between the potential created by global liberalization and the structural constraints in the domestic economy. Early contributions focused on the potential for textile and agricultural market expansion, particularly when the Multi-Fibre Arrangement (MFA) was dissolved. Scholars claim that Pakistan was able to diversify into high-value agricultural exports and bolster its textile competitive advantage as a result of its liberalized access to international markets. The same research did, however, warn that established subsidies in wealthy nations and the expanding use of non-tariff measures like anti-dumping, eco-dumping, and social-dumping laws could endanger these prospects. Pakistan's experience in the WTO is still impacted by this dichotomy, which balances the possibility of greater trade access against challenges with competitiveness and compliance.

Recent literature provides more actual data regarding Pakistan's performance at the WTO. Karim and Jan (2018) demonstrated that imports increased faster than exports in the post-WTO era, leading to persistent trade imbalances, using econometric analysis of trade data from 1985 to 2013. Their findings indicate that there is still a persistent asymmetry: WTO-led liberalization has helped Pakistan's economy, but local competitiveness has lagged, making it more challenging to convert market access into balanced trade gains. To bolster this assertion, Memon, Bozdar, and Ahmed (2024) assessed Pakistan's performance under the Trade Facilitation Agreement (TFA). Their analysis indicates that while modernization and digitization of customs have reduced transaction costs and boosted efficiency, institutional inertia, political unpredictability, and a lack of interagency coordination continue to impede reform gains. All of these results lend credence to the idea that external liberalization only produces unequal and insufficient benefits when internal institutions are not also strengthened.

A focus on sectors has improved the conversation. For instance, a policy analysis of Pakistan's car sector shows how WTO commitments and competition policy connect (Savari AI Blog, 2025). Even while WTO principles like the Most-Favored-Nation (MFN) rule and tariff reductions serve as the cornerstone for liberalized trade, monopolistic practices and high production costs have continued because of inefficient competition enforcement, which hampered industrial competitiveness. Global experience has demonstrated that technical innovation, regulatory control, and alignment of industrial policies are necessary for liberalization to be effective. This study supports these findings. Because of this, the automobile sector serves as a case study for Pakistan's broader WTO trajectory: while global market integration presents opportunities, realizing those advantages calls for indigenous innovation, competitiveness, and adjustments to industrial strategy.

The over-reliance of Pakistan on textiles, which still account for the majority of its export earnings, is another topic covered in the literature. Khalid (2003) and other opponents argue that Pakistan's dependence on low-value cotton exports has made it susceptible to competition from China, India, and Bangladesh, notwithstanding the initial benefits offered by the phase-out of MFA. Market access is one facet of the issue, while structural change—which includes moving up the value chain, entering new markets, and putting international standards like ISO

certifications into practice—is another. Recent international occurrences, like as the European Union's GSP+ program and supply chain disruptions during the COVID-19 pandemic, highlight the necessity of such a reform.

A thorough examination of the literature reveals three recurrent themes. First, WTO-led liberalization has given Pakistan more trade options; but, the benefits have been constrained by systemic problems, namely a lack of competitiveness, inconsistent policies, and institutional barriers. Second, sector-specific research indicates that in addition to WTO rule compliance, industry modernization, regulatory enforcement, and domestic competition policy reforms must be implemented. Third, Pakistan's persistent trade deficits and dependence on low-value exports make it difficult for the country to fulfill its WTO obligations. This discrepancy emphasizes the importance of institutional strengthening, industrial diversification, and governance reforms as key levers for transforming WTO membership into sustainable trade growth, underscoring the necessity of internal readiness over external market access in future research and policy initiatives.

3. Methodology

This study employs a qualitative research design and mostly uses secondary sources to examine Pakistan's participation in the World Trade Organization (WTO) and the opportunities and difficulties it faces in international trade. A qualitative approach is deemed appropriate because the research is more concerned with trade governance, institutional dynamics, and policy analysis than it is with statistical testing of primary datasets.

3.1. Research Design

Assessing Pakistan's entry into the global trading system under the framework of the World Trade Organization is the aim of this exploratory and descriptive study. The study emphasizes interpretive analysis of agreements, regulations, and institutional advancements rather than quantitative assessment.

3.2. Data Sources

The data for this study is taken from secondary sources, including:

- WTO official documents, annual trade policy reviews, and Pakistan's country submissions.
- Reports from international organizations such as the World Bank, UNCTAD, IMF, and the State Bank of Pakistan.
- Academic journal articles (from 2015 to 2025), policy briefs, and think tank publications focusing on trade, competition policy, and sectoral case studies.
- Relevant government documents such as Pakistan's Strategic Trade Policy Framework (STPF), Ministry of Commerce publications, and reports from the Competition Commission of Pakistan.

3.3. Data Collection and Selection

Purposive selection was used to choose sources, with an emphasis on works that specifically discuss trade liberalization, sectoral performance (particularly in the automotive and textile industries), WTO compliance, and Pakistan's trade facilitation initiatives. A time frame of 2015–2025 was used to ensure that the research considers recent developments such as the EU's GSP+ program, the implementation of the WTO Trade Facilitation Agreement, and post-COVID trade dynamics.

3.4. Analytical Framework

The material was examined using a thematic content analysis method. Trade liberalization, sectoral competitiveness, competition policy, non-tariff barriers, and institutional reforms were among the significant themes identified in the literature. The analysis's objective was to examine

how Pakistan's internal economic realities relate to WTO regulations and commitments, with a focus on both enabling and structural constraints.

3.5. Limitations

The study's sole reliance on secondary information may make it more difficult to gauge how Pakistan's trade performance is directly impacted economically by WTO membership. However, triangulation across multiple reliable sources mitigates this disadvantage and improves the validity of the findings.

4. Results and Findings

The qualitative analysis of secondary data presents a mixed but instructive picture of Pakistan's performance under the World Trade Organization (WTO). Although some stability and market access have been brought about by liberalization, persistent trade deficits, institutional challenges, and a lack of industry diversification still limit the country's ability to fully benefit from global economic integration.

4.1. Export Performance and WTO Liberalization

According to research, Pakistan's exports were less unpredictable and more regular when the WTO was formed, particularly after the Multi-Fibre Arrangement (MFA) was phased out (Karim & Jan, 2018). Textiles and clothing continue to be vital to Pakistan's trade, accounting for more than 70% of its export earnings (Khalid, 2003). Nevertheless, profits have been limited because of the inability to get above low-value goods, especially in the face of intense competition from China, India, and Bangladesh (Mahmood, 1998; Khalid, 2003). Moreover, non-tariff barriers in rich economies, like labor standards, environmental laws, and anti-dumping levies, which have emerged as covert protectionist tools, reduce Pakistan's competitiveness (Mahmood, 1998).

4.2. Import Growth and Persistent Trade Deficits

Because imports have increased faster than exports, which have grown at a moderate rate, there have been ongoing trade imbalances. The substantial rise in imports of machinery, petroleum, and intermediate items after the World Trade Organization (WTO) illustrates the industrial sector's dependence on external inputs (Karim & Jan, 2018). This discrepancy emphasizes Pakistan's small production base and lack of technology-driven export diversification.

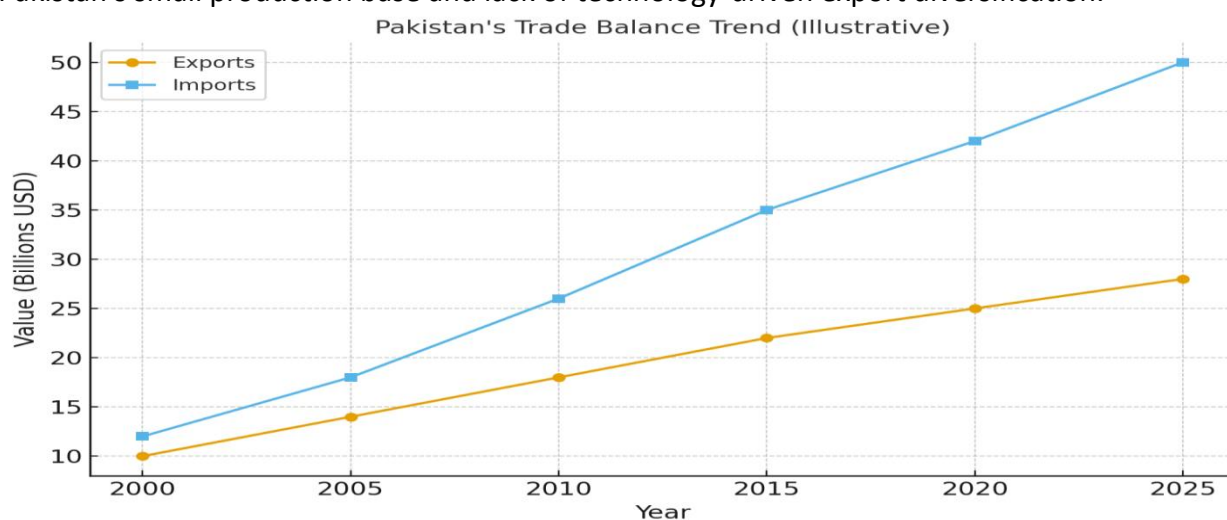


Figure 1: Pakistan's trade balance trend (2000–2025). Illustrative representation based on secondary data from WTO (2023), World Bank (2022), and State Bank of Pakistan (2022).

4.3. Sectoral Shifts: Industry vs. Agriculture

The findings also demonstrate a fundamental shift in sectoral trade contributions. The agriculture sector's involvement in foreign trade has declined since WTO inclusion, while the industrial sector has grown in importance (Karim & Jan, 2018). Systemic problems in Pakistan's

agriculture include poor mechanization, noncompliance with sanitary and phytosanitary (SPS) standards, and intense competition from heavily subsidized farmers in developed countries (Mahmood, 1998). This illustrates the demise of traditional agricultural competitiveness and the urgent need to improve SPS compliance procedures.

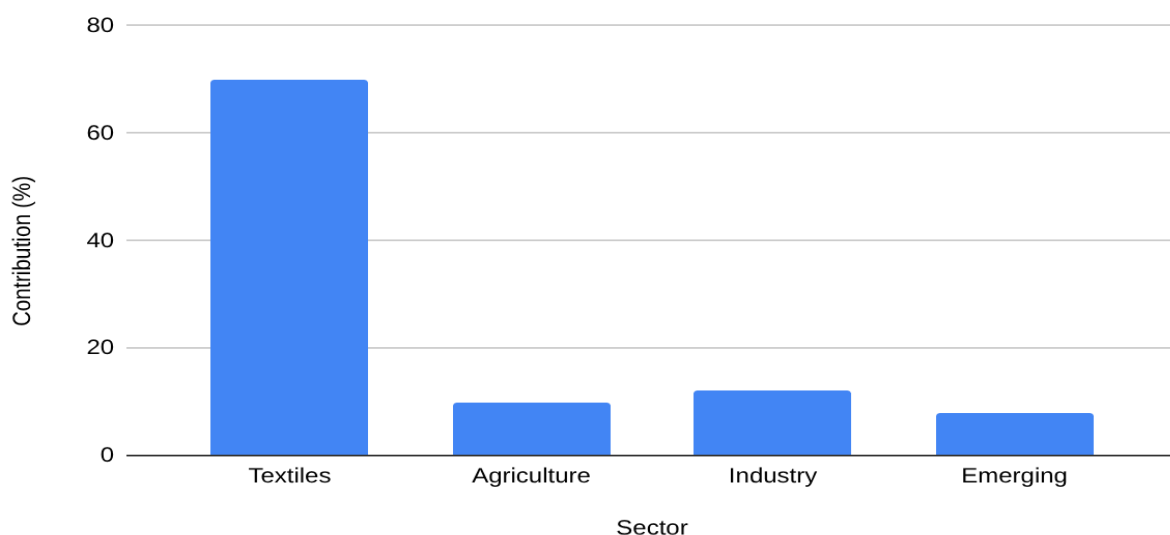
Table 1. Sectoral Contributions to Pakistan's Exports under WTO

Sector	Approx. Share (%)	Key Issues Highlighted in Literature	Source / Location
Textiles & Clothing	70%	Heavy reliance; low value-added exports; competition from regional players.	Khalid (2003), Mahmood (1998), WTO Trade Statistics (Geneva).
Agriculture	10%	Declining share; SPS compliance gaps; subsidies in EU/US distort competitiveness.	Mahmood (1998), Pakistan Bureau of Statistics (Islamabad).
Industry (non-textiles)	12%	Positive growth; but technology gap persists.	Karim & Jan (2018), World Bank (Washington DC).
Emerging Sectors (IT, Halal, Automobile)	8%	Untapped potential; require policy support.	Savari AI Blog (2025), Ministry of Commerce, Pakistan (Islamabad).

Source: Compiled from Karim & Jan (2018); Khalid (2003); Mahmood (1998); WTO (2024); PBS (2023).

Figure 2. Sectoral Contributions to Pakistan's Exports under WTO

Contribution (%) vs. Sector



Source: Created by author based on WTO trade reports and academic sources.

4.4. Institutional and Governance Challenges

Numerous studies point to institutional barriers as a significant barrier to WTO adoption. Even though the Trade Facilitation Agreement (TFA) has improved digitalization and customs efficiency, Pakistan's development has been slow and incomplete due to political unpredictability, bureaucratic inertia, and inadequate interagency coordination (Memon,

Bozdar, & Ahmed, 2024). These governance issues limit Pakistan's ability to fully benefit from international trade frameworks and reduce operating expenses.

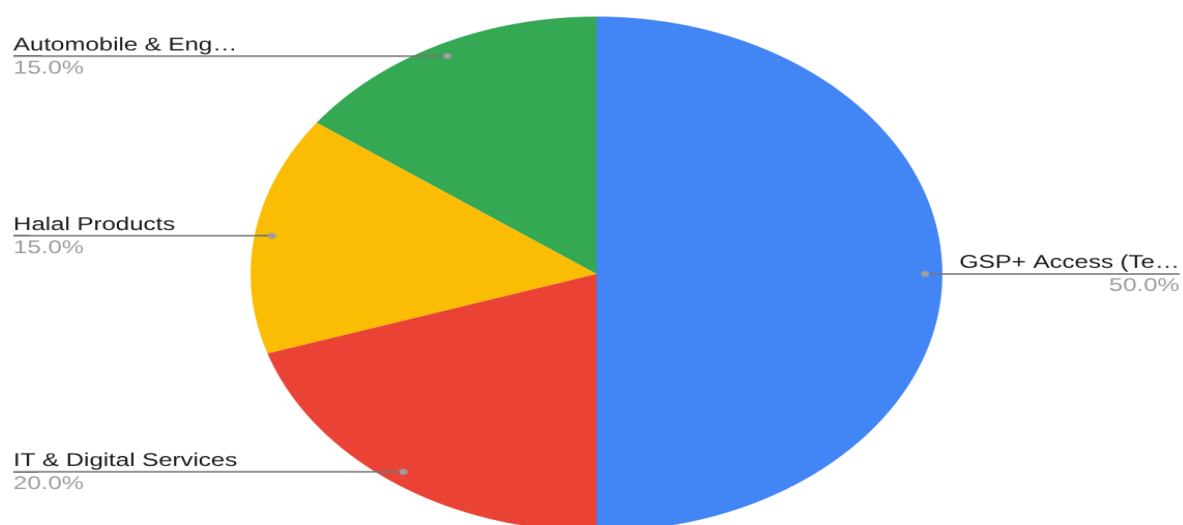
Table 2. Institutional Challenges in WTO Implementation

Challenge Area	Nature of Issue	Example	Source / Location
Customs & Trade Facilitation	Partial digitalization; bureaucratic delays	Slow implementation TFA	Memon, Bozdar & Ahmed (2024), Ministry of Commerce (Islamabad).
SPS Standards	Weak compliance with global food safety	Agricultural exports rejected in EU markets	Mahmood (1998), WTO SPS Reports (Geneva).
Governance & Coordination	Political instability; overlapping agencies	Trade policy shifts with governments	World Bank (2022), UNCTAD (Geneva).

4.5. Opportunities through WTO Frameworks

Despite these challenges, there are still plenty of opportunities. Under the European Union's GSP+ program, many Pakistani exports, particularly those in the textile sector, have been given tariff-free access, opening up significant markets (Memon et al., 2024). Additionally, new sectors like the automotive industry, halal-certified products, and information technology services offer potential diversification prospects if supported by well considered trade and competition legislation (Savari AI Blog, 2025). Bringing domestic legislation into compliance with WTO regulations on intellectual property, competition, and investment could improve Pakistan's trading standing in the global economy and boost investor confidence.

Figure 3. Opportunities through WTO Frameworks.



Source: Compiled from Memon et al. (2024); Savari AI Blog (2025); European Commission (2023).

5. Discussion

The study's findings attest to the fact that Pakistan's WTO membership has brought about both long-term benefits and persistent challenges. In keeping with earlier research, the data shows that while WTO-driven liberalization has improved Pakistan's market access and export stability, these gains have not translated to sustained trade surpluses or broad economic advancement (Mahmood, 1998; Khalid, 2003). Instead, a persistent gap between import growth and export performance continues to limit Pakistan's trading potential.

One significant conclusion drawn from the data is that Pakistan's export base is structurally weak and still heavily dependent on low-value textiles. Even though post-WTO reforms have reduced the volatility of export performance, Pakistan has struggled to diversify into new export markets or better value-added products. This backs up Khalid's (2003) assertion that Pakistan's economy is vulnerable to regional competition due to its reliance on cotton-based products, particularly from China, India, and Bangladesh. Additionally, Mahmood (1998) notes that wealthy countries' persistent use of non-tariff trade obstacles including environmental regulations and anti-dumping laws undermines the WTO's promise of fairer trade.

The figures also show that, despite Pakistan's comparative advantage in agriculture, the industry only made a little contribution to the country's foreign trade after joining the WTO. Both the effects of heavily subsidized agricultural output in developed nations and structural challenges in meeting international sanitary and phytosanitary (SPS) standards are to blame for this decline. Pakistan's incapacity to upgrade its agriculture to match international standards has hampered its potential to benefit from the WTO's liberalization agenda.

Institutional and governance problems exacerbate these basic defects. Memon, Bozdar, and Ahmed (2024) point out that while Pakistan's partial implementation of the Trade Facilitation Agreement demonstrates the state's capacity to enact reforms, it also exposes flaws in political will, interagency coordination, and resource allocation. This lends credence to the notion that WTO compliance requires more comprehensive governance reforms than only technical fixes in order to retain long-term effectiveness.

Pakistan still has new opportunities under the WTO system, nevertheless. Under the EU's GSP+ program, Pakistan's textile exports have profited from tariff-free access; nevertheless, new industries such as IT services, halal-certified food, and automobiles could benefit from particular policies that strike a balance between trade liberalization, competition, and industrial growth (Savari AI Blog, 2025). These findings align with global studies that highlight the need of linking WTO-led openness to robust home policies like industry upgrading and competition enforcement.

Together, these results suggest that Pakistan's integration into the WTO system has been uneven and insufficient. The country's persistent trade deficits, lack of diversification, and institutional inefficiencies continue to impede overall gains, notwithstanding improvements in export stability and customs facilitation. To turn WTO membership into sustained economic growth, Pakistan must combine international integration with domestic changes, such as strengthening competition policy, modernizing industries, modernizing agriculture, and addressing governance concerns.

6. Conclusion and Recommendations

This study examines Pakistan's experience with the World Commercial Organization (WTO), focusing on the benefits and drawbacks of global commercial integration. The research claims that Pakistan has gained access to additional markets, a more stable trading environment, and the chance to reform policies, particularly in the areas of customs facilitation and industrial competitiveness, as a result of joining the WTO. These benefits have been diminished, meanwhile, by Pakistan's economy's structural defects, excessive reliance on low-value textile exports, lack of diversification, and persistent trade deficits brought on by the country's rapid import growth.

The results highlight the need for internal changes in addition to WTO participation in order to ensure broad-based trade gains. Although Pakistan's partial implementation of the WTO's Trade Facilitation Agreement demonstrates advancements in digitization and modernization of customs, it also draws attention to persistent institutional and governance issues. Similar to how

industries like computer technology and textiles have proven resilient, industries like agriculture and autos continue to function poorly because of low innovation, high manufacturing costs, and poor adherence to international standards.

7. Policy Recommendations

7.1. Export Diversification: Pakistan has to expand its export markets beyond cotton-based apparel to include higher-value products like pharmaceuticals, IT-enabled services, technical textiles, and halal-certified food.

7.2. Enhancing Competition Policy: A robust competition framework is necessary to prevent anti-competitive activity, encourage innovation, and increase industrial competitiveness, particularly in sectors like the automotive industry.

7.3. Agricultural Modernization: By making investments in value-added food processing, SPS compliance, and innovative farming techniques, Pakistan can open up access to global agricultural markets.

7.4. Trade Facilitation Reforms: By further digitizing customs, removing administrative barriers, and enhancing interagency cooperation, trade efficiency and transaction costs will rise.

7.5. Leveraging Regional and Bilateral Agreements: While multilateralism under the WTO remains important, Pakistan should actively pursue regional trade agreements (like those with ASEAN or Central Asia) and make use of bilateral relationships to lower the risks associated with uncertain global commerce.

7.6. Capacity Building and Governance improvement: Long-term gains require policy clarity, institutional improvement, and the efficient implementation of trade and competition rules.

7.7. Final Thought

Though its full potential has not yet been reached, Pakistan's WTO membership has overall been a step toward international economic cooperation. By balancing international commitments with domestic reforms including institutional development, industrial upgrading, agricultural modernization, and diversification, Pakistan can better position itself to transform trade liberalization into long-term economic prosperity.

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