

GLOBAL VALUE CHAINS: AN ANALYSIS OF  
PAKISTAN'S TEXTILES SECTOR



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## **ABSTRACT**

Global value chains dominate international production, world trade and investment flows today. This globalization of production processes allows different stages of production to take place in different geographical locations. This study examines the international fragmentation of production set by GVCs in the textile sector. The study maps out the GVC of textile sector in the world and then assesses Pakistan's performance. On the basis of RCA, it is determined that Pakistan has competitive edge in cotton and textile made-ups.

The study also analyses regional trade which is quite low despite the preferential trade agreements, in particular SAFTA, due to the maintenance of sensitive lists. This study argues that Pakistan's textile sector can move up the value chain by overcoming constraints such as energy shortages, lack of infrastructure, investment in R&D, up-gradation of technology and adverse security situation. Moreover, the study compares Pakistan's trade incentives, which are quite low, with Bangladesh and India. It concludes that Pakistan needs to bring structural changes, by diversifying its product range, reformation of tariff procedures, better working condition, skill development and developing cluster in order to promote its exports in GVCs.