

## Abstract

This thesis investigates the effect of trade policies on Pakistan's sector-level international trade. It also explores the consequences of the establishment of Export Processing Zones and Special Economic Zones for trade flows of Pakistan's largest economic sectors. The study uses panel data over the years 2003-2022 for Pakistan's 5 largest sectors: textiles, agriculture, metals, minerals and foodstuffs. To improve the identification of the effect of trade policies, the thesis constructs sector-level indicators of trade policy measures. Using a panel regression model with fixed effects, the thesis finds that tariffs remain the predominant trade policy instrument that influences international trade flows: higher domestic tariffs reduce imports and higher foreign tariffs decrease exports. The effect of foreign tariffs is much larger than the effect of domestic tariffs, which indicates that a global increase in tariffs would have negative consequences for Pakistan's balance of trade. The effect of non-tariff measures is found to be smaller in size. Additionally, the findings show that Export Processing Zones have been more effective than Special Economic Zones in boosting exports. The findings underscore the detrimental effects of rising protectionism on international trade and have implications for policy debates on trade policy in developing countries.

**JEL Classification** C33, F13, F14

**Keywords** International trade, trade policies, tariffs, non-tariff measures, Special Economic Zones, Export Processing Zones, Pakistan

**Title** Impact of Trade Policies on Pakistan's Economy: A Sector-Level Analysis