

## **Policy Brief**

### **Disconnect Between Trade Policies and Academic Research: An Analysis of Pakistan's Trade Policy Evolution\***

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#### **Problem and Background**

Trade policies have a crucial role in determining a country's economic course by impacting income distribution, growth, and export performance. Pakistan's trade policy has changed over time, moving away from protectionist policies and toward more liberalized frameworks that are meant to boost global competitiveness. The changes in trade policies are generally communicated through Strategic Trade Policy Framework (STPF) and other policy documents such as the National Tariff Policy (NTP). The policy documents usually highlight challenges and set out objectives and strategies to address those challenges. At the same time, scholarly research also delves deeper into the underlying causes of trade performance and broader implications of trade policies. However, the recommendations and insights of academic research are rarely utilized or cited in the policy documents. This divergence between the focus of policy document and scholarly research underscores a persistent gap between policy formulation and academic research—suggesting the need for stronger integration of empirical evidence and research findings into the trade policymaking process.

In this context, this study aims to investigate the gap between academic research and trade policies. In addition, it focuses on the important areas of divergence and comprehend their underlying causes by methodically examining academic literature on international trade in context of Pakistan and relevant trade policy documents. The objectives of this study are as follows:

1. To examine the alignment between Pakistan's trade policies and academic research.
2. To identify key areas of divergence in policy documents and academic research
3. To explore underlying causes of divergence in policy documents and academic research of develop actionable recommendations for aligning trade policies with academic insights.

#### **Key Points or Patterns Highlighted from Analysis**

The review of literature and recent trade policy documents show a disconnect between the academic research being carried out and the issues and objectives highlighted in the policy documents. Firstly, the Strategic Trade Policy Framework (STPF) 2020–25 and National Tariff Policy 2019-2024 does not cite any academic research that makes it difficult to track whether academic research is utilized in policy formulation or relevance of academic research with respect to the issues bring highlighted by the policy makers.

While a certain level of divergence in areas being focused by academic research and the issues highlighted in policy documents is understandable as a lot academic research is (i) related to methodological issues, (ii) theoretical in nature, or highlight only the issues and problems

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instead of providing policy recommendations. Still there is some policy relevant academic research being carried out that aligns with the issues and objectives that are highlighted in the policy documents. Here's list of academic and policy literature focused on Pakistan that aligns with the core issues and critical enablers or guiding principles as given in STPF 2020–25 and NTP.

Table 1: Academic Research Referenced in Major Trade Policy Documents

Sr. No.	Policy Documents	No of Relevant Research Papers *
1	STPF 2020-25	<i>PBS, SBP</i>
2	NTP 2018-2024	<i>WB (I)</i>
3	<b>STPF prior</b>	<i>Nil</i>
4	STPF Prior	<i>Nil</i>
5	STPF	<i>Nil</i>
6	Textile Policy	<i>Nil</i>

Table 1 highlights the extent to which academic research is referenced or utilized in Pakistan's key trade policy documents, including the Strategic Trade Policy Framework (STPF) and the National Tariff Policy (NTP). The findings reveal a significant gap except for limited references for different data sources such as PBS, SBP, and the World Bank in the most recent STPF 2020–25 and NTP 2018–2024. Earlier versions of trade policy frameworks and other key policies, such as the Textile Policy, do not cite or incorporate academic research.

Table 2: Trade Policy Issues and Relevant Research in Pakistan

Sr. No.	Highlighted Issues	No of Relevant Research Papers *
1	<i>STPF: Export competitiveness</i> constrained by high input costs.	42
	<i>NTP: High tariffs</i> on raw materials reduce competitiveness.	21
2	<i>STPF: Inefficient manufacturing</i> base.	851
	<i>NTP: Tariffs</i> used for revenue rather than competitiveness, leading to inefficiencies.	21
3	<i>STPF: Investment</i> discouraged by uncertainty and poor policy coordination.	1740
	<i>NTP: Lack of predictable tariff</i> regime deters <b>FDI and Industrialization.</b>	02
4	<i>STPF: Difficulty</i> integrating into <b>GVCs</b> due to fragmented value chains.	33
	<i>NTP: Tariff anomalies</i> distort sectoral and value chain linkages.	0
5	<i>STPF: High trade costs</i> and regulatory inefficiencies.	11
	<i>NTP: Complex duty structures</i> and <b>SROs</b> hinder <b>facilitation.</b>	02
6	<i>STPF: Limited export dynamism</i> and low consumer trust in pricing.	421
	<i>NTP: Excessive protection</i> increases domestic prices.	65
*Papers on Pakistan containing keywords in titles		

Table 2 provides a structured overview of how academic and policy research in Pakistan aligns with the key trade-related challenges outlined in the STPF and NTP. Each issue listed under the STPF is paired with a corresponding or related issue from NTP, and the table reports the number of research papers that address each. This helps identify where research efforts have been concentrated and where potential gaps may exist.

More generic or broad economic issues tend to have a higher number of research papers, while specific, policy-oriented or technical issues—particularly those related to tariff structures—are less frequently studied. For instance, the issue of *investment and uncertainty* has been addressed in 1,740 research papers. This is a wide-ranging topic that falls under the broader themes of investment climate, governance, and macroeconomic stability—areas that have

traditionally attracted significant academic and policy attention due to their general relevance across sectors and time periods.

In contrast, the corresponding issue of *lack of predictable tariff regime that deters FDI and industrialization* is much more narrowly defined and technical in nature. It focuses specifically on the role of tariff policy in affecting investor confidence. This issue is addressed in **only 2 research papers**, indicating that such targeted, policy-specific concerns are comparatively underrepresented in literature. Similarly, the issue of *use of tariffs as measure of revenue rather than competitiveness* has only **21 research papers** which requires detailed examination of tariff schedules and fiscal policy—a more technical and niche research area.

This pattern suggests that while general challenges like competitiveness, investment climate, and industrial inefficiencies are well-covered, **there is a significant research gap when it comes to specific mechanisms like tariff distortions, duty structures, and sectoral anomalies**. This indicates that academic research is also lacking with respect to addressing policy relevant issues.

Several other areas that have been explored in academic research appear to receive comparatively limited or no direct attention in the existing trade policy documents; these areas reflect broader or emerging themes that may warrant greater consideration in future policy planning. One of these areas include **income distribution**. Academic research emphasizes the uneven impacts of trade liberalization, with studies indicating that it can exacerbate income inequality, particularly in urban areas, while potentially benefiting rural regions. Despite these findings, Pakistan's trade policies fail to address the distributional effects of trade reforms. The Strategic Trade Policy Frameworks and National Tariff Policy lack targeted measures to mitigate the adverse impacts on vulnerable groups.

Another key issue is **trade cost** and literature emphasize that high trade costs, driven by inadequate infrastructure and inefficient administrative processes, remain a significant barrier to export competitiveness. Academic studies highlight the critical need for investment in logistics and streamlined trade facilitation processes to reduce these costs. However, Pakistan's trade policies only partially address these issues, focusing more on tariff adjustments and incentives without addressing the broader structural barriers to efficient trade.

On the other hand, one particularly important and frequently highlighted issue—tariff structure—remains notably underexplored in academic research. The complexity of Pakistan's tariff regime is well-documented in both academic research and policy documents. While research highlights the distortive effects of high and uneven tariffs, policy reforms have been inconsistent. There is limited evidence of a systematic approach to rationalizing tariffs to promote industrial growth. There is a noticeable lack of in-depth research on the tariff structure and on how to undertake rationalization in a way that genuinely supports industrial growth and enhances competitiveness. Additionally, the shift from tariffs as a revenue-generating tool to alternative fiscal measures is inadequately addressed in academic research in terms of the extent of this shift and its impact on economy.

### **Key Insights / Outcomes**

The comparative review of academic research and trade policy documents thus reveals important patterns. Firstly, academic literature in Pakistan has broadly examined themes such as competitiveness, investment climate, and income distribution, while policy documents have repeatedly emphasized export performance, tariff rationalization, and industrial efficiency. Secondly, the lack of systematic referencing of scholarly work in trade policy frameworks suggests that available academic knowledge is not being fully leveraged in policymaking. Other key observations and highlights based on the analysis is given as follows:

- i. **Disconnect Between Research and Policy:** Trade policy documents do not cite academic research, indicating a gap in evidence-based policymaking. Some academic studies align with policy issues but are not reflected in policy documents.
- ii. **More Research on Broad Issues:** Generic topics like investment climate attract extensive academic attention but more **technical policy issues are understudied**. Specific concerns like tariff structure issues and incentive schemes receive minimal research focus.
- iii. **Partial Focus on Trade Costs:** High trade costs are frequently highlighted in academic research, but policy mainly addresses tariffs, not structural barriers like trade costs that affect competitiveness.
- iv. **Distributional Impacts Overlooked in Policy:** Academic work also highlights distributional effects of trade, but policy lacks targeted responses and does not take into account the impacts in terms of consumer welfare and inequalities.
- v. **Sparse Research on Key Policy Documents:** Most trade policies, including earlier STPFs and the Textile Policy, have little or no citations making it difficult to assess the extent to which academic research is utilized, if any. There is a need for evidence-based policymaking with stronger integration of empirical research into policies.
- vi. **Realignment of Research Priorities Needed:** More relevant and applied academic research is needed on tariffs, regulatory distortions, and facilitation mechanisms.