# Structural Transformation and Economic Resilience: The Case of Pakistan

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Structural transformation, a reallocation towards high-value-added production, is essential for achieving sustainable growth. However, Pakistan's structural transformation has been relatively slow and limited as compared to other Asian economies. This research quantitatively seeks the economic benefits of accelerating structural transformation in Pakistan, primarily focusing on trade liberalization, export-oriented productivity enhancements, and sectoral expansion strategies. By using a Global DynamicComputable General Equilibrium approach calibrated with the GTAP 12 database, the study evaluates the economy-wide impacts of policy changes, including a 10% decrease in bilateral tariffs, a 10% increase intextile and apparel output, and a 10% removal of actionable non-tariff measures (NTMs) on services. The model identifies crucial sectors driving economic growth and transformation in Pakistan, such as "Textile and Wearing Apparel,", "Manufacturing," and "Services." The model results indicate that reducing tariffs and removing NTMs can significantly boost trade flows and GDP, particularly in sectors like textiles and
services, which are vital to Pakistan's export strategy. Moreover, increasing output in the textile sector, a major export industry, leads to substantial gains in exports and overall economic performance. The analysis reveals that structural transformation focused on expanding manufacturing and services, supported by trade and productivity-oriented reforms, positively impacts macroeconomic variables and enhances household welfare in Pakistan. These findings underscore the potential for targeted policy interventions to accelerate structural transformation, fostering inclusive growth and economic development.