

Foreign Investment, Technological Diffusion and Competitiveness of Exports: A Case for Textile Industry in Pakistan

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Abstract : Pakistan is a country which is gifted by naturally abundant resources these resources are a pioneer towards a prospect and developed country. Pakistan is the fourth largest exporter of the textile in the world and with the passage of time the competitiveness of these exports is subject to a decline. With a lot of International players in the textile world like China, Bangladesh, India, and Sri Lanka, Pakistan needs to put up a lot of effort to compete with these countries. This research paper would determine the impact of Foreign Direct Investment upon technological diffusion and that how significantly it may be affecting on export performance of the country. It would also demonstrate that with the increase in Foreign Direct Investment, technological diffusion, strong property rights, and using different policy tools, export competitiveness of the country could be improved. The research has been carried out using time series data from 1995 to 2013 and the results have been estimated by using competing Econometrics modes such as Robust regression and Generalized least squares so that to consolidate the impact of the Foreign Investments and Technological diffusion upon export competitiveness comprehensively. Distributed Lag model has also been used to encompass the lagged effect of policy tools variables used by the government. Model estimates entail that 'FDI' and 'Technological Diffusion' do have a significant impact on the competitiveness of the exports of Pakistan. It may also be inferred that competitiveness of Textile Sector requires integrated policy framework, primarily including the reduction in interest rates, providing subsidies, and manufacturing of value added products.

Keywords : high technology export, robust regression, patents, technological diffusion, export competitiveness

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