Editorial

Productivity Strategies for Pakistan: An Integrated Strategy for Growth

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For Pakistan to achieve inclusive and lasting economic prosperity, it must improve how efficiently its resources, firms and human capital generate value. Persistent productivity gaps continue to constrain competitiveness, exports and sustainable growth. This editorial proposes an integrated strategy linking industrial clusters, high-value entrepreneurship, industry-aligned skills, technology adoption, firm modernization, innovation, trade and productive foreign investment to strengthen domestic capabilities and connect Pakistani firms more effectively with global value chains.

Pakistan continues to face significant challenges in productivity, human capital, infrastructure, governance, and industrial competitiveness. With a population of 240 million and GDP growth of 2.4%, Pakistan has substantial economic potential, yet inadequate investment in education and healthcare has contributed to a low Human Capital Index (HCI), ranking the country 134th among 157 economies [1, 2]. According to World Bank, Pakistan's growth challenge stems from resources being allocated to less productive uses, while policy and social distortions constrain productivity, exports, investment, and female labor-force participation, as shown in Fig. 1 [3].

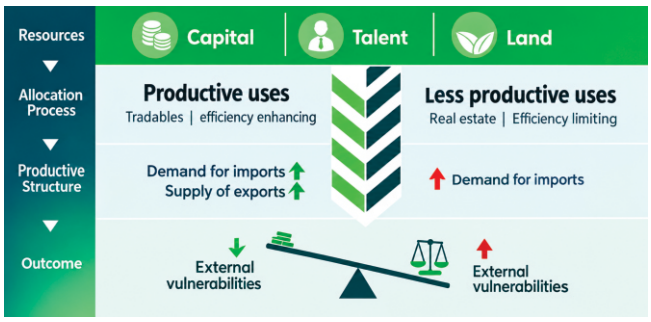


Fig. 1. Pakistan Growth Challenge [3]

Pakistan's productivity challenge is not a shortage of entrepreneurs, TVET/STEM graduates, industrial clusters, or IP institutions, but the weak connections among them. Economic growth therefore requires an integrated strategy that links productive clusters, entrepreneurship, industry-aligned skills, technology adoption, firm modernization, trade, investment, and innovation.

Various studies show that Pakistan's TFP growth is lower than that in its South Asian counterparts, despite having a greater proportion of youth in its demography and economic potential [4]. Over the past three decades, labor productivity in Pakistan has increased by only 40%, compared with 328% in Vietnam, highlighting Pakistan's substantial productivity-growth gap. Foreign firms operating in Pakistan are also 46% more productive than comparable domestic firms. Vietnam demonstrates how global integration can accelerate productivity: multinational companies brought capital, technology, managerial expertise, jobs, and links to global value chains, benefiting both foreign and domestic firms [5].

Pakistan's productivity gap is stark, widening, and demands urgent action.

Productivity improves when resources and talent move toward more dynamic activities and when firms continuously learn and improve. Integration into global markets can accelerate both processes by improving resource allocation, exposing firms to competition, facilitating technology transfer, and expanding access to international markets [5]. The following framework illustrates how global integration can drive productivity growth.

1. Strengthen Existing Clusters and Attract Productive FDI

Modernize established hubs such as surgical goods in Sialkot, textiles in Faisalabad, and IT in Lahore/Islamabad through reliable power, digital infrastructure, logistics, testing, certification, technology adoption, and skills upgrading. Attract efficiency-enhancing FDI through a predictable investment regime that supports technology transfer, management capabilities, global value-chain integration, and market access [5, 6].

2. Catalyze High-Value Entrepreneurship and Exports

Shift from necessity-driven self-employment toward scalable, technology-enabled enterprises in IT, AgriTech, FinTech, engineering services, and advanced manufacturing. Support exports through automated duty drawbacks, competitive access to imported intermediates, exporter skills development, SME market linkages, and rigorous evaluation of public support programs [5, 6].

3. Align STEM/TVET with Industry and Global Markets

Connect university curricula, TVET, apprenticeships, and professional training with demand in AI, data engineering, embedded systems, automation, renewable energy, EVs, and advanced manufacturing. Industry-led Skill Councils and employer partnerships should guide curricula, apprenticeships, and upskilling toward productive and export-oriented sectors [5, 6].

4. Adopt Pragmatic IP Protection and Commercialize Innovation

Prioritize accessible trademarks, copyrights, industrial designs, trade secrets, and commercially relevant patents. Link IP support with universities, startups, SMEs, industrial clusters, FDI partnerships, and export markets to facilitate innovation, commercialization, branding, and technology diffusion [5, 6].

5. Modernize Firms and Improve Trade Competitiveness

Raise firm-level productivity through lean management, quality improvement, process automation, digitalization, energy efficiency, technology adoption, and supply-chain optimization. Lower tariffs on intermediate inputs and rationalize exemptions for nonexporting firms to reduce production costs and shift policy from import protection toward globally competitive production and exports [5, 6].

Table I. Strategic Execution Framework [5, 6]

Priority	Focus	Key Constraint	Policy Action
Clusters and FDI	Industrial hubs and efficiency enhancing FDI	Weak infrastructure and investment uncertainty	Upgrade established clusters; improve utilities, logistics and certification; establish a predictable investment regime
Entrepreneurship and Exports	Scalable startups, digital exporters and advanced SMEs	Regulatory friction, limited finance and market access	Simplify regulations; automate duty drawbacks; improve export finance, skills and global market linkages
STEM/TVET and Industry	AI, automation, EVs, renewables and advanced manufacturing	Skills mismatch	Strengthen Sector Skill Councils; co-design curricula with employers; expand apprenticeships and upskilling
IP and Commercialization	Trademarks, copyright, designs, trade secrets and relevant patents	Complexity and limited SME access	Provide fast, affordable digital protection and commercialization support
Firm Modernization and Trade	Lean, quality, digitalization, automation, energy and supply chains	Low managerial capability and costly inputs	Provide targeted technical assistance; lower intermediate-input tariffs; promote technology adoption and export competitiveness

Pakistan should treat trade and investment integration as an accelerator of domestic productivity, not as a separate policy agenda. Productive FDI can provide capital, technology, management expertise, and global value-chain linkages; competitive access to imported intermediates can lower production costs; and export exposure can provide firms with scale, market discipline, and incentives to improve.

The central policy shift should therefore be from protecting activities to upgrading capabilities. Existing clusters should be modernized rather than displaced; entrepreneurship should become more scalable and export-oriented; STEM/TVET should respond to industrial demand; firms should adopt proven technologies and management practices; and IP should support commercialization.

The objective is not five competing strategies but one integrated productivity ecosystem in which domestic capabilities connect with global markets. By combining productive clusters, high-value entrepreneurship, industry-relevant skills, firm modernization, technology adoption, pragmatic IP protection, trade openness, and productive FDI, Pakistan can raise productivity, expand higher-value exports, attract investment, create better employment, and achieve more inclusive and sustainable growth.

Improving productivity must remain at the heart of Pakistan's growth strategy. The fastest route is not greater protection, but stronger capabilities combined with deeper and more productive integration into the global economy.

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