

## ABSTRACT

This study has examined the trade liberalization's impact on the progression of cotton yarn production and export in the context of Pakistan's economy during the years 1972 to 2008. The question whether or not trade liberalization has a beneficial impact on textile growth is far from settled in the theoretical and empirical literature. The study analysis is based on endogenous growth model which has become the basic framework for most subsequent research on growth. To see the long run equilibrium relationship the study estimated by using VAR based Co-integration technique. Furthermore, to investigate the short run dynamic Vector Error Correction Mechanism/model (VECM) has been applied. The stationary property will be checked by testing for unit root using Augmented Dickey Fuller (ADF) test and Phillips Perron (PP) test. The empirical results indicate there exists long run relationships among cotton yarn production, exports and their major determinants of the total employed labor force, total exports, revenues and gross domestic product. Both the error correction terms showed correctly signed and statistically significant in the investigation of short-run dynamic performance of production and exports of cotton yarn in Pakistan.