EMPERICAL ANALYSIS ON BILATERAL TRADE POTENTIAL OF PAKISTAN WITH MAJOR PARTNERING COUNTRIES

BY

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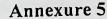
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ABSTRACT

The study examined the bilateral trade potential of Pakistan with its major partnering countries. Time series data was used for Pakistan's bilateral trade with USA, China, and U.K. Data prevailed from 1993 to 2018. Data was taken from World Bank and comtrade. For empirical analysis designed three models separate for each country. Mass is measured using product of GDP of partner countries and distance in terms of physical distance between two countries. Data on trade volume is taken as addition of import and export data. Analyze the data in its original essence. We used trade volume between Pakistan and USA as dependent variable, and checked impact of product of two masses, and distance between two countries on dependent variable. Results suggest that the product of two masses have positive significant impact on trade volume, whereas distance had significant negative impact on trade volume between two countries. We used trade volume between Pakistan and China as dependent variable, and checked impact of product of two masses, and distance between two countries on dependent variable. Results suggest that the product of two masses have positive significant impact on trade volume, whereas distance had significant negative impact on trade volume between two countries. We used trade volume between Pakistan and U.K as dependent variable, and checked impact of product of two masses, and distance between two countries on dependent variable. Results suggest that the product of two masses have positive significant impact on trade volume, whereas distance had significant negative impact on trade volume between two countries. The model(s) also verified the existence of long-run relationship by the help of ARDL f-bound long test, statistical values indicated the existence of long-run relationship. Short-run relationship was also found in the model(s) by the help of ECM regression analysis; results indicated strong shortrun relationship in all the models used in the study. Auto regressive distributed lag model (ARDL) was used in the study as OLS cannot be performed on any of the model(s) as none of them was found stationary on level. The study recommends the enhancement of production, and re-considering trade policy with neighbors.

KEYWORDS: Trade volume, Product of two masses, distance, co-integration