

Modeling Spillover Effects of Pakistan-India Bilateral Trade upon Sustainability of Economic Growth in Pakistan

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Abstract : The focus of this research is to identify Pak-India bilateral trade spillover effects upon Pakistan's Growth rate. Cross-country spillover growth Effects have been linked with openness and access to markets. In this research, we intend to see the short run and long run effects of Pak-India Bilateral Trade Openness upon economic growth in Pakistan. Trade Openness has been measured as the sum of bilateral exports and imports between the two countries. Increased emphasis on the condition and environment of financial markets is laid in light of globalization and trade liberalization. This research paper makes use of the Univariate Autoregressive Distributed Lagged Model to analyze the effects of bilateral trade variables upon the growth pattern of Pakistan in the short run and long run. Key findings of the study empirically support the notion that increased bilateral trade will be beneficial for Pakistan in the short run because of cost advantage and knowledge spillover in terms of increased technical and managerial ability from multinational firms. However, contrary to extensive literature, increased bilateral trade measures will affect Pakistan's growth rate negatively in the long run because of the industrial size differential and increased integration of Indian economy with the world.

Keywords : bilateral trade openness, spillover, comparative advantage, univariate

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