ABSTRACT

The purpose of this research is to estimate Pakistan's trade potential by using the gravity model of trade with a proposed variable Global Peace Index (GPI) for peace. The study has been used the panel data for the period 2010 to 2017 across 45 countries. Pooled OLS and Random Effect Model (REM) have been used in the methodology. Empirical findings reveal that there exists a negative relationship between GPI and trade because the country having more GPI is less peaceful. All the findings of the study advocate the proposition that peace has a vital role to increase the volume of trade.

Keywords: Global Peace Index (GPI), Gravity Model of Trade.