

ABSTRACT

The purpose of this study is to empirically assess the impact of Information and Communication Technology (ICT) on international trade in 36 Asia Pacific countries at sector level for the period 2002 to 2013. International trade is an important factor that contributes to the economic growth of a country. The ICT use in trade enhanced the trade structure and heightened the economic capabilities of a country. The study tests the hypothesis that ICT enhance international trade by hiring the gravity model of international trade and augment it with ICT variables. An ICT Development Indicator (IDI) is formed by uniting seven different ICT variables that display infrastructure, usage and skills of ICT. A Poisson Pseudo-Maximum likelihood (PPML) estimation technique has been employed to assess the hypothesis. The study shows that ICT improves trade by lowering transaction costs. The results of the study exhibit that ICT positively and significantly influence the international trade in all sector of Asia pacific region. Moreover, this study discover that trade is intensified when both trading partners have high endowments of ICT. The study recommends that government of developing countries must invest in the ICT infrastructure, which as a result increases proficiency and effectiveness in trade activities, consequently improving trade flows.