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 ECON 371 – Assignment 1**

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**Figure 2.1;**

I choose Pakistan as the country to analyze its trading trends with the world. I looked at the country’s trade in the year 2017. The then 339.2 billion USD economy had faced a trade deficit of approx. 40 billion USD that year. However, it still managed to open doors to trade with a lot of nations worldwide.

* The data is taken from the WITS (World Integrated Trade Solution). The countries are listed based on their total trade (USD value of imports + exports) with Pakistan in 2017. *Below is the list of all these countries as a percentage of total trade of Pakistan ;*

**New variable: % of Total Trade ;**

* *Pakistan Total Trade in 2017; 75.9 billion USD ( 23.2 bn exports + 52.7 bn imports).*
* *The countries will be listed below in order of highest % to lowest %.*

1- China: **22.27 %** (16.9bn of 75.9 bn)

2- United Arab Emirates: **11.07% (**8.4bn of 75.9 bn)

3- United States: **8.4% (6**.4bn of 75.9 bn)

4- Saudi Arabia: **4.03 %** (3.06bn of 75.9)

5- United Kingdom: **3.16 %** (2.4bn of 75.9)

6- Germany: **3.15 %** (2.39bn of 75.9)

7- Afghanistan: **2.37 %** (1.80bn of 75.9)

8- Netherlands: **2.24 %** (1.70bn of 75.9)

9- India: **2.21 %** (1.68bn of 75.9)

10- Qatar: **2.10 %** (1.60bn OF 75.9).

This statistic shows that Pakistan traded almost **61%** of its total trade in 2017with these 10 countries alone.

**FIGURE 2.3; *ECONOMIC SIZE AND TRADE WITH PAKISTAN***

* There seems to be a potential outlier in this figure but really is not, as you see the dot on the scatter at the highest point is of China, which is the second biggest economy from Pakistan’s trade portfolio of 2017, also constitutes for the most trade (in billions $) with Pakistan that year. Similarly, the US too comes up as a bigger economy with which Pakistan traded a lot in 2017. This would fit the gravity model as the model suggests that **“bigger the economic size of a country, higher the trade”**

**FIGURE 2.3A; *DISTANCE AND TRADE WITH PAKISTAN***

* The gravity model does not perfectly fit here as we can see the countries closest to Pakistan (India & Afghanistan) have not traded much with the country, whereas the countries far from Pakistan such as the United States, Germany have traded relatively higher. I believe this is where the political reasons jump in when two countries who have a lot of potential to trade bilaterally with one another are deprived of it due to the anarchical and anti-friendly narratives in one of the countries. Thus, the foreign office of a country must make sure that their country is taking full advantage of the close distance with other big economies as trade does wonders for a country to better financially and economically. The prediction of the model that “**closest the country higher the trade”** does hold true in some of the cases here; China and UAE with which the country traded approx. a third of its total trade with the world that year.