

Social Overhead Capital, Terrorism, Bilateral Exports and Exports Potential of Pakistan: An Application of Gravity Model.

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- **Abstract:** Bilateral trade flows between countries are often proposed as a strategy for intensifying the economic growth. It is widely accepted that bilateral trade provides the more possibilities to the countries to expand the local markets through export activities and reinforce the national economy's performance via optimal usage of the imported goods that are superior in quality and cheaper. The main objective of this research is to investigate the influence of social overhead capital and terrorism on bilateral trade flows of Pakistan with its major exporting countries by encapsulating the social overhead capital and terrorism in the gravity trade model. The models have been estimated through pooled least square estimation technique. The findings reveal that social overhead capital has a positive while terrorism has a negative and significant effect on bilateral exports of Pakistan. Further, the calculation of exports potential through Hodrick-Prescott (HP) Filter method indicates that Pakistan can widen its exports with France, Italy, Spain, UAE, China, Afghanistan and Bangladesh.
- **Keywords:** Bilateral, countries, bilateral exports