Mapping Trade Shifts: Understanding the Determinants of Export Diversification in BRICS and Pakistan"

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Abstract

The present study aims at highlighting the determinants of export diversification is Brazil,Russia,India,China,South Aferica (BRICS) and Pakistan. Empirical analysis is done on panel data of BRICS and Pakistan for the years 1996 to 2022.For empirical analysis Generalized Method of Moment (GMM) is used. Hausman test is used to suggest the fixed effect or random effect model. Results revealed on the basis of selected determinants. Results of term of trade, official exchange rate, globalization, GDP per capita, world GDP and foreign direct investment exhibited positive effect on export diversification in case of BRICS and Pakistan. The term insignificant does not mean that these variables do not affect export diversification because some variables showed insignificant effect. It means that these positively associated determinants can play a key role in order to boost up the export diversification in case of BRICS and Pakistan. While political stability and gross fix capital formation shows negative which is quite debatable. It means that those countries which have a negative fiscal and trade balance do not benefit from the diversification of exports. Before entering export diversification these countries need to be financially stable in case of trade by promoting exportable goods.

Key words: Term of Trade, Official Exchange Rate, Globalization, GDP per capita, World GDP Foreign Direct Investment, Political Stability, Export Diversification