Abstract

The estimation of efficiency of industry-specific exports is very important to find exports’ gap and to frame exports promotion policy for targeted industry. This study attempts to investigate the main determinants of chemical products’ exports of Pakistan with 62 trading partners by applying Stochastic Frontier Analysis (SFA) on an augmented gravity model for a period 1995–2015. The results corroborate that chemical products’ exports follow gravity patterns. This study finds a negative and significant impact of import tariff on exports of chemical products while the positive impact of devaluation has been observed. Further, the estimations also take into account the impact of Preferential Trade Agreements (PTA), colonial links, common language, political disputes and contiguity by incorporating dummy variable for each variable and the expected positive effects are found except an insignificant effect of Contiguity. Further, the negative impact of political disputes is observed. The exports’ efficiency analyses reveal that Pakistan’s chemical exports are well below the optimal level and there exists a huge untapped exports’ potential with its neighboring, Middle Eastern and European countries