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Effect of Pakistan GCC Bilateral Trade Agreement on Pakistani Stock Market: An Event Study Methodology

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The goal of this study is to examine the intricate connections between industry-specific capital market responses in a developing country such as Pakistan. In particular, the analysis focuses on the Pakistan–GCC bilateral trade agreement and its impact across different sectors. Using an event study methodology, this article analyzes how the Pakistan-GCC Bilateral Trade Agreement (BTA) has affected the Pakistani share market. Pakistan's textile, food, and petroleum and oil industries all show positive responses, while other sectors react unfavorably. These findings induced an immediate reaction from chosen Pakistani industries. The positive reactions of the industries are encouraging for the economy as well as for shareholders. Therefore, the Pakistan Stock Exchange was susceptible to this incident. To the best of my knowledge, this paper is unique in a sense that it will assist the stockholders and decision makers of trade policy. Moreover, the sectoral focus of the analysis represents an important contribution. The study also examines the unique context of the Pakistan–GCC relationship, which has received limited attention in the existing literature .

Keywords: approach of event study, Pakistan-GCC bilateral trade agreement, Pakistani share market, abnormal returns
JEL classification: **G14, F13, F14**

Regional trade agreements (RTAs) have been a significant phenomena in the context of international trade throughout the past 20 years. As it is already well known, the quantity and scope of RTAs are rapidly growing. These trade agreements are comparatively legally binding on one another because they were signed at the national level. Therefore, the industries and individual businesses that are part of the parties to trade agreements are more affected. Despite the abundance of literature on RTA effectiveness, it is typically examined using statistics and theories pertaining to commerce. While it is generally believed that the financial market and international trade are closely related. Therefore, trade agreements that affect real economic activity can have both short-run and long-run repercussions for capital markets. This argument is supported by Ewing et al., (1999), who show that such agreements influence the markets in which the participating countries are active. However, there are very few studies that examine how trade agreements affect capital markets.

The Karachi Stock Exchange, founded in 1947, was later renamed the Pakistan Stock Exchange (PSX). This change occurred in January 2016 following the merger of the Lahore Stock Exchange and the Islamabad Stock Exchange. The integration is expected to reduce market fragmentation. Furthermore, it provides a strong case for attracting critical trading partners like China and Malaysia who are needed to provide technical help and expertise. In accordance with international norms, the transactions are entirely automated. As a result, foreign investors can conveniently complete their transactions online. The Shanghai Stock Exchange became a major shareholder in the PSX, with 40% share of the market. Pakistan's stock markets are now more easily accessible to about 154–155 Chinese investors. Through the China Connect Interface, PSX has integrated with the Chinese stock market. (PSX website)

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Therefore, this study investigates the short-term relationship between international trade and financial markets. Specifically, it examines how stock markets respond to news related to trade agreements. It is anticipated that analyzing stock market responses will provide deeper insights for trade market analysis. This is because stock markets are highly sensitive to new information. For instance, stock market data can be used to examine investors' expectations regarding the effects of the BTA. However, it is still too early to determine the agreement's actual impact.

The peninsula is well-known for having substantial gas and crude oil deposits. The Gulf Cooperation Council (GCC) was established on May 25, 1981, in Riyadh, Saudi Arabia, to promote cooperation among member states based on shared strategic objectives, geographic proximity, and similar political structures. The GCC's total GDP was approximately US$1.4 trillion in 2020, with Saudi Arabia and the UAE accounting for 49.4 percent and 25.3 percent of the bloc's total GDP, respectively (ITC, Trade Map).

Given its strategic location in South Asia, Pakistan has the potential to become one of the world's most economically significant nations. Its trade deficit is caused by high import prices. Pakistan's textile industry, among others, has a significant potential for revenue from exports. Therefore, the primary reasons the GCC nations, particularly the Kingdom of Saudi Arabia (KSA), are drawn to Pakistan are investment opportunities and trade prospects. The KSA also aims to establish strong commercial links with Pakistan by leveraging connections with China through Gwadar Port.

At its Ministerial Council meeting in June 2004, the Gulf Cooperation Council (GCC) decided to initiate BTA negotiations with Pakistan. The Council also considered the possibility of signing a Framework Agreement on Economic Cooperation between the GCC states and Pakistan. On August 24, 2004, the Composition of Agreement was signed in Islamabad. The GCC had declared its willingness to restart the BTA discussion between Pakistan and the GCC, which had stopped. The Ministry of Commerce Pakistan (MOC) is now working on preparations for the third round of negotiations. Pakistani exports to the GCC surged by US$483.2 million between 2017 and 2020. However, Pakistani imports from the GCC dropped by US$4.5 billion. Exports of Pakistan to the GCC were worth US$2.0 billion in 2020, while its purchases from the GCC were worth US$9.6 billion. GCC exports are more in line with Pakistan's purchases than with Pakistan's exports. Nevertheless, 42.0 percent of exports of GCC complement imports of Pakistan, 26.8 percent of Pakistan's exports do the same. The total trade imbalance between Pakistan and the GCC in services surged from US$1.1 billion to US$1.3 billion between Fiscal Year 2016 and Fiscal Year 2020. Pakistan exported services worth US$886.6 million to the GCC. In FY 2020, it imported US$2.1 billion worth of services from the GCC[1].

For the reasons listed below, this paper examines the Pakistan-GCC Bilateral Trade Agreement (BTA). Firstly, this pact is the most important one for each nation's economic growth. Secondly, because GCC nations want to use Gawader Port to connect with China in order to forge strong business ties with Pakistan. Furthermore, because of its physical location, Pakistan is very important in the South-East Asian region. The Pakistan-GCC BTA's scope and contents are appropriate, wide-ranging, and rather substantial in this regard. Finally, because the stock market is highly sensitive to new information and Pakistan is an emerging open economy, examining the Pakistan–GCC BTA is expected to yield positive findings. This study aims to document these effects. The economies of the GCC nations are robust and prosperous. In this study, the following main question is addressed: What does the reaction of the Pakistani stock market to the anticipated changes to free trade in terms of industry and individual companies mean? Moreover, this article has significant implications for investors and trade policy makers.

In terms of the methodology, I have used an event study to estimate abnormal stock market returns related to the Pakistan-GCC BTA announcement date. Ex-post evaluation has been used in the majority of empirical research to date. However, this approach has drawbacks in that it is challenging to separate the

[1] https://oec.world/en/profile/bilateral-country/sau/partner/pak

effects of changes in trade policy from a wide range of confounding variables, as discussed by Tybout (2003). The primary benefit of the event study approach over standard ex-post evaluation is that it reduces the amount of confounding factors by typically using event windows of one or two days.

This is how the remainder of the paper is structured. The second section examines relevant literature. The methodology is explained in Section 3. The empirical results are discussed in Section 4. This paper is briefly concluded in Section 5.

Literature Review

Numerous earlier research have examined the impact of trade-enhancing agreements on countries' bilateral trade performance. Recent research, such as Huijuan et al., (2025), Khan et al., (2021), and Ahmad et al., (2022), have evaluated the economic effects of regional integration. However, the literature review is organized thematically into three strands as follows:

Trade Agreements and Stock Market

Nonetheless, a number of studies including Abumustafa (2008), Pradhan et al., (2014), have shown how crucial stock market development is to economic growth in emerging nations. Moreover, The relationship between BTAs and stock markets has been extensively studied by modern academics, such as Lan and Thao (2024), Andreas and Lisa (2023), Doowon (2020), Feng et al., (2021). In their 2019 study, Bouoiyour and Selmi examine how the blockade has affected the conditional volatility process of the stock markets in Qatar and the boycotting nations. They also investigate whether the Gulf crisis has made risk spillovers more severe throughout the region. According to their research, the stock markets in the United Arab Emirates, Saudi Arabia, and Qatar rose during the crisis, albeit the volatility was only temporary. The study by Lanouar and Refai (2019) looks at the volatility spillover and time-varying stock market reliance between Qatar and other GCC members. They come to the conclusion that while the blockade has lessened the degree of significant stock market reliance between Qatar and Saudi Arabia and the United Arab Emirates, it has not completely eliminated their stock market connections.

Moser and Rose (2014) use national stock returns to evaluate how regional trade agreements (RTAs) affect the well being of nations. The natural trading partner hypothesis, according to which stock markets rise faster when RTAs are negotiated between nations that already have substantial trade volumes, is strongly supported by their findings. Moreover, Breinlich (2014) investigates stock market responses to the Canada-United States BTA (1989) using heterogeneous company models. Abbas and Badshah (2017) examine the role of institutional investment in the Pakistan Stock Exchange and find that institutional shareholding significantly influences stock return volatility, underscoring the sensitivity of emerging equity markets to structural and policy-related factors. This evidence suggests that external economic developments—such as trade agreements—may have pronounced effects on stock market performance in emerging economies. Complementing this perspective, Khan et al., (2024) highlight the role of investor behavior, showing that financial knowledge and personality traits significantly shape stock market investment intentions in Pakistan, reflecting informational asymmetries common in emerging markets.

Sectoral Heterogeneity in the Effects of Trade Agreements

Investor expectations regarding the effects of the Canada-US Free Trade Agreement on Canadian manufacturing enterprises and industries are examined by Thompson (1993/1994). She came to the conclusion in October 1987 that abnormal returns at the industry level only correlate to one event. The findings show that, at the business level, investors' assessments of the effects of free trade agreements are significantly influenced by both comparative advantage and scale economies. Rodriguez (2003) builds on Thompson's research by analyzing investors' predictions regarding the impact of NAFTA on the profitability of industrial sectors in the United States, Canada, and Mexico. The primary conclusion is that the most important determinant of excess returns is factor intensity, which is the labor-capital ratio for the entire industry. However, the findings refute the notion that trade liberalization, industry production sizes in NAFTA nations, and profits are significantly correlated. The effect of the US-Singapore BTA on the value of companies listed on the Singapore Exchange is examined by Parinduri and Thangavelu (2013). They

discover that the worth of businesses in some industries increased by an average of 1–11% after the final barrier to the free trade agreement was removed in January 2003.

Klein (2001) clarified how NAFTA has had varying effects on different sectors of the Mexican Stock Exchange. He discovered that there were evidently positive abnormal returns, with significant effects on the electronics, iron, and paper sectors. The mining, insurance, and chemical industries, on the other hand, had less of a reaction, illustrating the diverse effects of BTA news on different businesses. Hamid et al., (1997) looked into how the Canada-US BTA affected a number of businesses. According to the study, the BTA announcement had a more noticeable effect on larger companies, particularly those in the computer, textile, and oil and gas industries. Furthermore, Parinduri and Thangavelu (2013) looked at the impact of the US-Singapore BTA on the stock price of companies listed on the Singapore Stock market and discovered that the market generally viewed the agreement favorably. In addition, Yilmaz and Aydin (2023) evidence from sector-level volatility analysis in comparable emerging markets indicates that stock price dynamics vary across industries, reinforcing the importance of sectoral heterogeneity when assessing market responses to economic or policy shocks.

Emerging Market Evidence to Strengthen the Theoretical Positioning

A growing body of literature examines the effects of trade liberalization and regional trade agreements in emerging and developing markets, where institutional structures, market depth, and sectoral exposure often differ markedly from those in advanced economies. Unlike developed markets, emerging economies tend to exhibit higher sensitivity of stock prices to policy announcements due to greater information asymmetries, higher trade concentration, and limited risk-sharing mechanisms (Bekaert et al., 2005).

Several studies document that trade agreements can generate positive stock market reactions in emerging markets by improving export prospects, reducing uncertainty, and signaling commitment to economic reform (Henry, 2000). These effects are often heterogeneous across industries, reflecting differences in trade exposure and comparative advantage.

More recent work highlights that in emerging markets, sectoral stock market responses to trade agreements are shaped by structural characteristics such as reliance on foreign demand, tariff protection, and access to international capital (Topalova & Khandelwal, 2011; Fernandes, 2007). This strand of literature suggests that aggregate market reactions may mask important sector-level dynamics, underscoring the relevance of disaggregated analysis.

Despite this expanding evidence, empirical research on trade agreements and financial markets in South Asian and Middle Eastern contexts remains limited. In particular, the Pakistan–GCC relationship has received little attention, despite its strategic importance and strong sectoral trade linkages. Moreover, this study's technique is similar to that of the publications that were mentioned above, but the data collection is entirely new and large. Furthermore, the research is significant because it is the first attempt to examine the stock market's response to the conclusion of the trade deal between Pakistan and the GCC economies. It is also a thorough analysis employing event investigation. Addition to that, the study emphasizes how specific to sector of capital market responses and BTA information are intricately related, with industry type and economic climate having a significant influence. All of the findings demonstrate how important it is to consider sectoral variations when examining the broader economic effects of BTAs. This paper goal is to close this disparity by examining the intricate connections between industry-specific capital market responses in a developing country like Pakistan and Pakistan-GCC bilateral trade agreement data. Based on the discussion that is highlighted above, the following hypotheses have been developed.

H_1: The PSX was significantly impacted by the announcement of the BTA between Pakistan and the GCC.

H_2: Sectors listed on the PSX were significantly impacted by the announcement of the BTA between Pakistan and the GCC.

Method

To find abnormal returns from the Pakistan Stock Exchange (PSX) following the news of the Pakistan-GCC (BTA) , an event-study methodology is used. The study covers the period from January 1, 2004, to December 31, 2004, and includes 100 listed companies from a variety of PSX industries, such as textile, food, petroleum and gas, glass and ceramics, cables and electric products, the car industry, and cement. The data is collected from PSX website. The top 100 listed firms and sectors have been selected according to the KSE 100 Index selection criteria. Moreover, the top sectors of Pakistan, which are involved in exports and imports with GCC economies are than short listed for the analysis purpose. There is disagreement in the literature on the estimating window's duration. Nonetheless, it is typical for the estimation window to be approximately 11 days (−5, +5), which is commonly employed in event-study analyses to capture both information leakage prior to the announcement and delayed market reactions following the event, while minimizing contamination from unrelated news. This approach is consistent with standard practice in the event-study literature (e.g., MacKinlay, 1997; Kothari & Warner, 2007). I have selected an estimation window for this analysis that ran from August 17, 2004 to August 31, 2004, which was -5 days prior to the BTA's signing and +5 days thereafter. The most popular expected return model is Brown and Warner's (1985) proposed market model. The market model can be shown as follows for every stock market index i:

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it} \quad \text{.....(1)}$$

where R_{mt} indicates the index of KSE 100 return on day t of the same period, and R_{it} represents the return of companies listed on PSX i on day t of the estimation window.The market model's parameters are α_i and β_i. Next, I have calculated the expected return $E(R_i)$ as follows:

$$E(R_i) = \alpha_i + \beta_i R_{mt} \quad \text{.....(2)}$$

while;

$$AR_{it} = R_{it} - E(R_{it}) \quad \text{.....(3)}$$

where AR_{it} stands for any company's abnormal return on day t, which is inside the window of event.

I have measured a "cumulative abnormal return (CAR)" for all of the event window (-5, 0, +5) by adding up the individual abnormal returns in order to determine the overall impact of an event over a specific time period (referred to as the "event window"):

$$CAR_t = \Sigma AR_t \quad \text{.....(4)}$$

where, for t = -5, … + 5, CAR_t = Cumulative Abnormal Return and AR_t = The Abnormal Return.

ARs have been used to quantify the effect of the news of the Pakistan-GCC BTA date of signing on stocks during the event time period, both before and after the event day. Every day's t-statistics are then measured to ascertain whether or not, in comparison to day 0, the ARs are significantly different throughout the occasion duration. For every AR value, the below mentioned equation is used to determine t-statistics :

t-statistic (AR) = AR / Standard Error .....(5)

Where

AR = abnormal return

Following the determination of the CARs and ARs for the event window's days, daily averages of each company's AARs and CAARs of the window of event are measured. The average AAR and CAAR values are obtained using the formula below:

$$CAAR = \sum_{i=1}^{n} CAR_t / n \quad \text{.....(6)}$$

Where
CAAR = Cumulative Average Abnormal Return

CARs are measured to ascertain the impact on shares throughout the window of event pre and post of occasion day. To find out if the mean CAARs deviate considerably from day 0 over the duration of the occasion window, the t-statistics for the event window are measured following the mean CAARs are determined. The formula below is utilized to obtain the t-statistic for each mean value of CAR:

t-"statistic" "(CAAR)" = "CAAR (σ/n)"…….....(7)

"while σ" = "the temporal series' SD.
"

Results

Although the examination of the event has tried to evaluate the impact of the news of the Pakistan-GCC BTA day of signing on the returns of PSX's 100 listed firms. The results of one company are presented here as a sample because the Textile industry of Pakistan is the top potential industry for exports to GCC countries. For the 250 trading days leading up to the five days before Ali Asghar Textile Mills Ltd.'s statement on August 24, 2004, the event window has been established. Ali Asghar Textile Mills Ltd. exhibited typical behavior throughout the estimation window, according to the regression's findings:

$$E(R_{Ali\ Asghar,t}) = 0.003485 + 0.111996 * R_{KSE100,t} \quad \text{.....(8)}$$

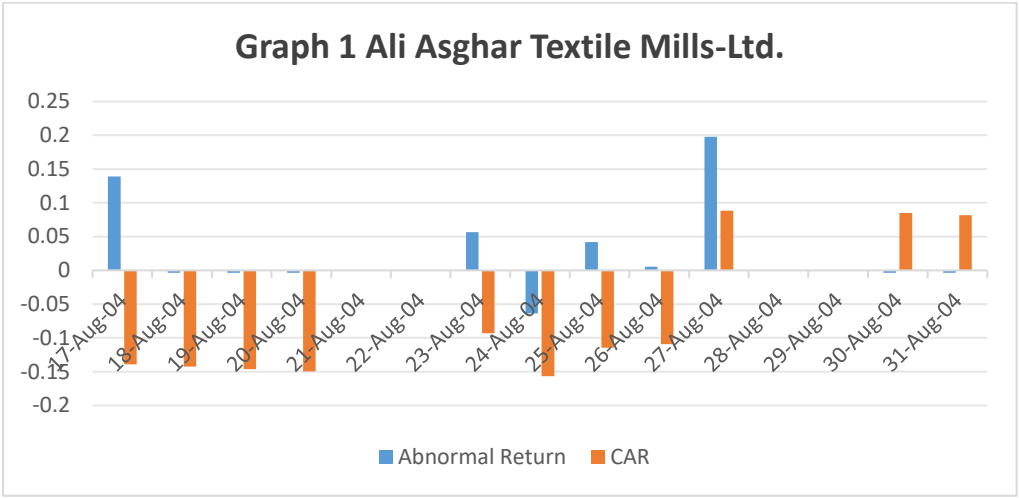
Table-1
Ali Asghar Textile Mills Ltd.

Days	Dates	ER	Abnormal Return	CAR	t stat	Decision
-5	17-Aug-04	-0.010878973	0.139133308	-0.139133308	**2.334882413**	**yes**
-4	18-Aug-04	0.003485	-0.003485	-0.142618308	-0.058483948	no
-3	19-Aug-04	0.003485	-0.003485	-0.146103308	-0.058483948	no
-2	20-Aug-04	0.003485	-0.003485	-0.149588308	-0.058483948	no
-1	23-Aug-04	-0.002570313	0.056637534	-0.092950774	0.950469613	no
0	24-Aug-04	0.009540313	-0.063607534	-0.156558308	-1.06743751	no
1	25-Aug-04	-0.0010869	0.041908895	-0.114649413	0.703299176	no
2	26-Aug-04	0.002592597	0.005375573	-0.109273841	0.090210824	no
3	27-Aug-04	-0.016786044	0.197783974	0.088510133	**3.319135646**	**yes**
4	30-Aug-04	0.003485	-0.003485	0.085025133	-0.058483948	no
5	31-Aug-04	0.003485	-0.003485	0.081540133	-0.058483948	no

Source: Authors' own work.

The regression has been done to determine the standard error of the estimated y-values. Moreover, this value has been used to determine the significance of the event's abnormal returns. -5 days before and +5 days after the announcement was made during the event window. The market model has been used to calculate the effect of the news during the event time is mentioned in Equation 8. The results show that once the Pakistan-GCC BTA signing date was announced, Ali Asghar Textile Mills Ltd., saw a number of noteworthy abnormal returns over the event period. As antecedence stated, the significance of the abnormal returns is evaluated utilizing the regression forecast's standard error. Before and following the event days on August 17 and 27, 2004 respectively, Table-1 demonstrates the values of the t-statistic are significant.

If the t-statistic is larger than 1.96, the 95% confidence level is the significance level. According to Table 1, at the 95% confidence level, the abnormal return results on August 17 and 27, 2004, are noteworthy. Furthermore, the share returns depicts that the news of the signing day for the Pakistan-GCC Bilateral Trade Agreement had a positive impact on Ali Asghar Textile Mills Ltd.'s share returns.



Source: Authors' own work.

Abnormal Return (AR) after the occasion of August 17 and 27 is very significant, as seen in Graph 1. During the short-term of time covered by this window of event, shareholders of Ali Asghar Textile Mills Ltd. have seen positive wealth creators.

Table 2

7 Sectors- Cumulative Abnormal Returns (CAR)

Event Day

Sectors	CAR	-5	-4	-3	-2	-1	0	1	2	3	4	5
Textile **		0.1322	0.0033	0.0000	-0.0078	0.0572	-0.0657	0.0405	0.0105	0.1997	0.0000	0.0035
Food**		0.0310	-0.0068	-0.0218	-0.0094	0.0270	-0.0698	0.0948	0.0231	0.1807	-0.0298	-0.0094
Petroleum and oils**		0.1016	-0.0631	0.0267	0.0042	0.0224	-0.0767	0.0735	0.0182	0.1921	-0.0433	-0.0203
Glass and Caremics		0.0888	0.0012	-0.0022	-0.0124	0.0550	-0.0678	0.0383	0.0084	0.1975	-0.0022	0.0013
Cables and Electric products		0.0370	0.0006	-0.0115	-0.0035	0.0287	-0.0698	0.0850	0.0193	0.1855	-0.0195	0.0008
Auto Industry		0.0672	-0.0335	0.0034	0.0006	0.0277	-0.0711	0.0873	0.0227	0.1873	-0.0356	-0.0139
Cement		0.0654	-0.0364	0.0015	-0.0057	0.0217	-0.0754	0.0811	0.0185	0.1855	-0.0375	-0.0158
	CAAR	0.0747	-0.0192	-0.0006	-0.0049	0.0343	-0.0709	0.0715	0.0172	0.1898	-0.0240	-0.0077
	T-Value	1.1645	-1.8455	-0.0467	-0.6878	1.3473	-3.0385	**3.0999**	**3.3137**	**2.5050**	-3.5634	-1.5009

Source: Authors' own work.

Table 2 reports the cumulative abnormal returns (CAARs) and their corresponding t-statistics for the 100 companies listed on the Pakistan Stock Exchange. The results indicate that, in the pre-event period, the

t-statistics for days −4 to −2 are negative but statistically insignificant. In contrast, the t-statistics on the first, second, and third days following the event are positive and statistically significant, suggesting a favorable market reaction. However, the fourth post-event day exhibits a negative effect. Overall, these findings demonstrate that CAARs vary significantly from the event day (t = 0) across the event window.

The findings demonstrate how trade policy has changed, such as when BTAs have been adopted or modified. It then had a significant impact on the response of the capital market. Consequently, capital market is one of the most significant economic indicators, which show positive response in few sectors such as textile, food and Petroleum and oil lead towards economic sustainable development for Pakistan. Moreover, as Pakistani currency is weak against GCC economies. So the exporters can ex-polite this opportunity and increase their exports to GCC region and ultimately Pakistani foreign reserves will surge. Recently around the globe, the strategic significance of Pakistan has been improved due to natural resources as well as connectivity of trade with the world through gawader port. Therefore, the industry of natural resources can surge their exports to GCC countries. As a result, the findings support hypothesis H_1 and are consistent with the research of researchers such Bouoiyour and Selmi (2019), Lanouar and Refai (2019), Moser and Rose (2014) and Breinlich (2014).

The empirical analysis of the relationship between bilateral trade agreements (BTAs) and firms' financial performance is grounded in Fama's (1970) Efficient Market Hypothesis.This posits that financial markets are informationally efficient and that security prices adjust rapidly to new information, such as the announcement of a Pakistan–GCC BTA. But according to theoretical aspects of behavioral finance, people who enter the stock market because of a representational bias perform like investors who either overreact or under-react to the most recent information. The study records these reactions five days before and after the episodes, estimating cumulative abnormal returns in accordance with previous research in the literature.

Automobiles, cables and electric products, cement, glass and ceramics, food, and petroleum and oils were the sectors that exhibited a statistically significant negative reaction on the fourth day following the announcement. This announcement marked the official signing of the Pakistan–GCC Bilateral Trade Agreement. The textile industry did, however, react favorably on the fourth day after this statement. Every industry responded quite well on Days 1, 2, and 3. Consequently, this serves as a standard illustration of the sector's ability to pass costs on to consumers. Thus it has been observed that export-oriented sectors such as textiles benefit more directly from enhanced market access and demand conditions in GCC countries. While domestically oriented sectors like cement and automobiles are less directly exposed to GCC trade flows and are therefore less responsive to trade-related announcements. It also has been noted that differences in import dependence, energy costs, and competitive exposure further contribute to heterogeneous sectoral reactions. These results are comparable to the analysis of Klein (2001), Hamid et al., (1997), Parinduri and Thangavelu (2013) and hypothesis H_2 are also approved.

Therefore, the findings unequivocally suggest that, both prior to and immediately following the announcements, Pakistani stock markets demonstrated a high and extremely sensitivity to the Pakistan-GCC BTA event. Few businesses suffered as a result of consumers favoring foreign products over domestic ones, which reduces demand for domestic products. Nonetheless, the sectors that benefited from lower production costs welcomed the occurrence. Few sectors displayed cumulatively abnormally negative returns in the 2^{nd} , 3^{rd} and 4^{th} days before to the news. The cumulative abnormal returns after the news revealed a range of outcomes. Furthermore, the results show that not every industry supported BTAs, which may increase rivalry for domestic enterprises from overseas firms. Hence, the results are regarded as satisfactory and are in line with both hypotheses (H_1 and H_2).

Conclusion

It was expected that the signing of the BTA between Pakistan and the GCC in August 2004 would significantly boost Pakistan's economy. This paper examines the impact on the Pakistani Stock Exchange (PSX) of the events surrounding the BTA between Pakistan and the GCC. For this reason, the abnormal

returns are calculated surrounding the news events using established event methods. Several interesting results were obtained from measurements of the responses before and after the announcements.

First, the PSX demonstrated sensitivity that was both strong and statistically significant to the Pakistan-GCC BTA occasion both prior to and immediately following the news. Second, a few sectors suffered as a result of the news occurrence, and the investing community reacted negatively. The BTA between Pakistan and the GCC decreased demand for local brands and caused consumers to choose foreign ones. Nonetheless, the sectors that profited from decreased production costs welcomed the occurrence. Third, industrial performance around the events offered an interesting picture. The degree of competition in the industry changed as a result of shifting tariff arrangements, and the sectors were all affected to varying degrees by new market entry. The Pakistan-GCC BTA created a new degree of market risk that impacted all businesses and might have impacted investor risk premiums. Finally, on the second, third, and fourth days before the news, a few industries depicted cumulatively negative abnormal returns. Following to the announcement, the cumulative abnormal returns depicted varied results. Furthermore, the results depicts that not all sectors support BTAs, which means that local companies may face more competition from foreign firms.

The study's findings have significant implications for decision-makers and investors across a range of industries. First, future BTAs between Pakistan and GCC countries might be advantageous to investors. By doing this, businesses can invest more in sectors that stand to benefit from the BTAs and less, if any, in sectors where the BTAs could increase risk. Moreover, the investors can use information from trade agreement announcements to better assess sectoral exposure and reallocate portfolios in response to anticipated changes in trade conditions.

Second, the data from this study can be used to inform pertinent trade policy changes that will lessen any possible adverse effects on particular industries that may be more susceptible to the BTAs. It has been noted that all industries reacted favorably to the event on Days 1, 2, and 3, after the announcement date. Since a result, it is suggested that those in charge of trade policy assist these sectors in increasing their exports, since this could aid Pakistan's economy in reaching sustainable development objectives. Protecting the interests of possible export industries including food, textiles, and petroleum and oils requires special attention from policymakers at the time of negotiations with GCC countries. Another strong reason for trade policy makers to focus on natural resources and other above highlighted sectors is that contemporaneously around the globe, the strategic significance of Pakistan has been improved due to natural resources as well as connectivity of trade with the world through Gawader Port. For instance, it is recommended that the government lower import taxes on machinery and raw materials and offer inexpensive electricity in order to lower manufacturing costs and increase exports from the sectors that are mentioned above.

After examining Pakistan's economic circumstances throughout this time, it was determined that the BTA between the country and the GCC had been in effect for almost 21 years. Through the use of a computerized trading system, it has been discovered that the PSX has evolved and is supporting sustainable economic development. As a result, when excellent news was announced, investors reacted quickly and enthusiastically. Because of their potential for exports, the sectors that did well in the PSX helped the economy of Pakistan to grow. Potential top exports to the GCC, include textiles, food items (meat, cereals, fruits, vegetables, and fish), and petroleum and oils.

Future research might examine BTAs between Pakistan and specific GCC nations in light of the response of the Pakistan Stock Exchange. The findings might not apply in other nations due to the limitations of this study. Furthermore, even though the study made every attempt to separate the effects of the Pakistan-GCC BTA event on the Pakistan stock market, the results could still be affected by co-founding events that happened within the sample period. Furthermore,in future research, may be the study can include robustness checks and control for major external factors such as the economic impacts of COVID-19, and the influence of Pakistan’s IMF programs.

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