

Volume 31, Issue 1**Research Announcement****Free trade agreements, exchange rates and foreign portfolio investment in
pakistan. dynamic causality analysis**

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Free trade theory of the international macroeconomics suggests, it will improve international trade conditions in form of improvements in terms of trade through promoting productivity in export oriented industries. The paper investigates the dynamic causality for exchange rates and foreign portfolio investment in a small open economy, Pakistan utilizing quarterly international financial data. It is evident from the preliminary research that free trade agreements has improved conditions for Pakistan, more foreign funding is available to be invested, exports improved and terms of trade for Pakistan has improved. Findings of the paper will help in formulating effective international trade policies promoting industrial production, foreign investment, employment in export oriented industries and level of national incomes.

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