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نگاهی بر رابطه بین تجارت خارجی و رشد اقتصادی

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چکیده

در سال‌های اخیر، رابطه بین تجارت خارجی و رشد اقتصادی به موضوعی مرکزی در تحقیقات اقتصادی تبدیل شده است. محقیقان، هم در افغانستان و هم در سطح بین‌المللی، از روش‌ها و مجموعه داده‌های مختلف برای بررسی این ارتباط استفاده کرده‌اند که منجر به نتایج متنوعی شده است. این مقاله ابتدا به بررسی چارچوب‌های نظری می‌پردازد که تعامل میان تجارت خارجی و رشد اقتصادی را توضیح می‌دهند. سپس، یافته‌های اصلی از مطالعات تجربی معاصر را ترکیب می‌کند. در نهایت، مقاله با یک تحلیل انتقادی به پایان می‌رسد، پیشنهاداتی برای تحقیق در آینده مطرح نموده و خلاءها را شناسایی کرده و زمینه‌های احتمالی برای کاوش‌های آینده را پیشنهاد می‌کند که از جمله تأثیرات تجارت بر نابرابری درآمدی و نقش نهادها در شکل‌دهی به رابطه تجارت رشد را می‌توان اشاره کرد.

کلیدواژه‌ها: تجارت بین‌المللی، رشد، اقتصاد، افغانستان، مرور ادبیات

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A Literature Review on the Relationship between Foreign Trade and Economic Growth

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Abstract

In recent years, the relationship between foreign trade and economic growth has become a central topic in economic research. Scholars, both within Afghanistan and internationally, have utilized a variety of methodologies and datasets to explore this connection, leading to a range of conclusions. This paper begins by reviewing the theoretical frameworks that explain the interaction between foreign trade and economic growth. It then synthesizes the main findings from contemporary empirical studies. Finally, the paper concludes with a critical analysis and suggests potential avenues for future research. The paper concludes with a critical analysis of existing research, identifying gaps and proposing areas for future exploration, including the effects of trade on income inequality and the role of institutions in shaping the trade-growth relationship.

Keywords: International Trade, Growth, Economics, Afghanistan, Literature Review

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1. Introduction

Opening new transit routes have boosted trade; trade between Afghanistan and Central Asian countries has more than doubled in recent years. Economic indicators show that the number of trade exchanges between Afghanistan, Central Asia, and India is growing rapidly and steadily. The figures from Afghanistan's exports indicate that in 2019, the country's exports grew by sixty-six percent (Ministry of Commerce and Industry of Afghanistan, 2020).

The joint chambers of Afghanistan and the countries of Central Asia are active, and the Aqina port.[7] is more demanding than any other port in Afghanistan (Ministry of Commerce and Industry of Afghanistan, 2020), indicative of the growing economic and political relations between Afghanistan and these countries. Turkmenistan is currently among the main trading and transit partner in Central Asia.

Afghanistan suffered heavy pressure in the past because of taking advantage of only one commercial corridor. Unfortunately, these pressures have always been increasing due to Afghanistan's growing political problems with the neighboring countries; even though, in recent years, it has imposed more stringent rules and regulations on Afghan business people and trades. Continued pressure on Afghanistan's economy and trade has further boosted other business corridors, including the Chabahar port.[8], the air Corridor with India, and boosting the routes and ports of the Middle East. The volume of Afghanistan's exports to near and far-flung countries shows that transit policies have effectively resulted, and no country can now put pressure on Afghanistan's transit and import of goods.

Although the trade balance of the country so far reflects a significant impedance in terms of imports relative to exports, with the implementation of good industrial, commercial, and transit policies, over time, it is possible to establish a reasonable balance between these two important factors "Balance and economic stability."

All these promises to be a profitable and effective transit trade for the import of goods and the export of goods to other countries of the world and will lead to economic growth and development.

Afghanistan is at a strategic location between India and southwest Asia (Husain, 2018), which can act as an important corridor in Asia and connect powerful industrial economies such as India and China to northern Asia and hence to Europe via dry roads and vice versa through the Lapis Lazuli Corridor[9].

Research Objectives: The objective of this research is to investigate the relationship between foreign trade and economic growth in Afghanistan, with a particular focus on recent developments in trade dynamics and the evolving role of Afghanistan as a regional transit hub.

[7] A Port in Afghanistan. Afghanistan-Turkamanistan Border

[8] Chabahar Port is a seaport located in Iran, on the Gulf of Oman, and connects Afghanistan to India and India to Afghanistan and Northern and Central Asia.

[9] Lapis Lazuli Corridor is an International Transit Route opened in 2018 linking Afghanistan to Europe and Turkey via Turkmenistan, Azerbaijan, and Georgia.

Rana Academic & Research Journal
Volume 8, Issue No:3- Autumn 2024

The key objectives of the study are as follows:

- To examine the theoretical foundations
- To analyze empirical evidence
- To evaluate the current trade patterns
- To explore potential avenues for further scholarly investigation.

Methodology: This study investigates the relationship between foreign trade and economic growth in Afghanistan, focusing on the role of trade dynamics, transit corridors, and their impact on the country's economic development. The methodology adopted for this research combines both **theoretical frameworks** and **empirical analysis** to provide a comprehensive understanding of the issue. The specific approach encompasses both **qualitative** and **quantitative reviews**, integrating theoretical analysis, historical data review, and econometric modeling review.

2. Theoretical Elaboration

Scottish economist Adam Smith introduced and described absolute advantage in his study, "An inquiry into the nature and causes of the Wealth of Nations," in 1776. He stated that absolute advantage is the intrinsic potential of each nation to produce more goods than its competitors. In other words, an absolute advantage in a given product means that the country or company is more productive at that commodity

The Ricardian theory states that the basis of international trade is the comparative cost difference. In other words, gains from trade are still possible for both countries even when a country has no absolute advantage in the two commodities.

The theory of opportunity cost determines that if a nation can produce either commodity X or Y, commodity X's opportunity cost is the sum of commodity Y that needs to be given up to get one additional commodity unit X. Furthermore, the ratio of trade between the two goods is expressed in terms of their cost of opportunity. Nevertheless, in international trade theory, the idea of opportunity cost was demonstrated with the production or output possibilities curve.

General Equilibrium, Factor Endowment, Factor proportions Theory of International Trade, Modern Theory of International Trade, and the Heckscher-Ohlin (H-O) Theorem are the different names of Heckscher-Ohlin's theory of international trade. They posited the theory that nations with a relative abundance of a particular factor of production would export products that used that factor to produce goods. In other words, a nation will export a good that the production of which requires the intensive use of factors in abundance. E.g., if you have much labor, labor is relatively cheap. Therefore, you would have an advantage in products that use labor. Likewise, it is a similar scenario for capital (K).

In his new trade theory, Krugman stated that all firms are symmetrical and that the production coefficients in all firms are the same. In other words, a new trade theory is developed to solve the part where comparative advantage had difficulty. Especially, factor endowment and productivity levels are similar in most trade between countries and multinational cooperation.

The new trade theory is based on the following assumptions:

- Monopolistic competition.
- Increasing returns to scale.

Walter Isard was the one who first introduced the gravity model of international trade in 1954. The economic sizes and distance between two units are essential in this model. Moreover, the model evinces the bilateral trade flows based on the abovementioned variables.

The gravity model of international trade between two nations is based on the following form:

$$F_{ij} = G * \frac{M_i * M_j}{D_{ij}}$$

F = Trade flow

G = Constant

D = Distance

M = Economic Dimensions

i and j = Two Countries

This formula can shift to linear form through econometric mediation by using logarithms.

$$F_{ij} = G * \frac{M_i^{\beta 1} * M_j^{\beta 2}}{D_{ij}^{\beta 3}} \eta_{ij}$$

G = Constant

F_{ij} = volume of trade from nation i to nation j.

D_{ij}= distance between two nations

M = Gross Domestic Production for countries.

η = error term

The following form is the linear form of the gravity model of international trade, which clearly illustrates that trade volume depends on GDP and distance between countries.

$$\ln(F_{ij}) = \beta_0 + \beta_1 \ln(M_i) + \beta_2 \ln(M_j) - \beta_3 \ln(D_{ij}) + \varepsilon_{ij}$$

Free trade theories follow the policy with no restriction on exporting and importing goods and services. Moreover, free trade will lead to the trade of goods and services without taxes, tariffs, and other trade barriers. Furthermore, there will be no subsidies, regulations, or laws for a special groups, firms, or factories. Nevertheless, markets and market information will be unreserved for any firm or factors of production. World Trade Organization supports fair competition and free trade and encourages member countries to remove barriers and import tariffs. Thus, most countries are members of the WTO and regional free trade area, which paved the way to eliminate tariffs and lower trade barriers among member countries. (Lamy, n.d.)

3. Empirical Investigation of International Trade and Economic Growth

The more knowledge and technology are progressing rapidly, the more access to sources becomes easier to compile literature. Thus, many publications need to be reviewed to get background information on the research, prevent duplication, find the data source, adopt the

Rana Academic & Research Journal
Volume 8, Issue No:3- Autumn 2024

methodology, and many more (Krishnaswami & Ranganatham). Further, the study covered the literature based on the methodology they adopted and the economic zone the study established.

Empirical Investigation: Afghanistan Experience

Mahroowal et al. (2014) investigated the nexus between Afghanistan's exports, imports, and economic growth. The Vector Error Correction Model (VECM) declared that there is only a short-term unidirectional causality from the country's exports to economic growth when there is a long-term causality that runs jointly from exports and imports to economic growth. Finally, they asserted that export and import cause growth. On the other hand, growth-driven imports are unsuitable for the sustainable growth of Afghanistan.

Hemat et al. (2014) explored the relationship between trade liberalization and economic growth in Afghanistan and member states of the Economic Cooperation Organization (ECO). The study utilized the volume of trade as a share of Gross Domestic Product (GDP) as a proxy for trade liberalization and GDP as a proxy for economic growth. The GMM model result stated a highly significant positive relationship between trade liberalization and economic growth. Finally, they suggested that economic integration stimulates economic growth.

Wani (2019) examined the nexus between openness to trade and economic growth in Afghanistan. The study covered the period from 1995 to 2016 using biannual data. Moreover, Autoregressive Distributed Lag (ARDL) method, cointegration test, and Ordinary Least Square (OLS) were used to find the cointegration, impact, and long-run relationship between openness and economic growth. The result illustrated a significant positive long-run relationship between exports and economic growth. In contrast, a significant negative relationship exists between Afghanistan's total volume of trade, imports, and economic growth.

Further, the Granger-Causality test also declared unidirectional causality between trade openness and economic growth from export to GDP. Contrarily, on the other side, causality runs from growth to the total volume of trade and imports. Eventually, the study suggested an export promotion strategy and efficient utilization of capital goods to ensure domestic production in Afghanistan.

Farahmand and Esen (2020) analyzed the impact of foreign trade on economic growth in Afghanistan by employing Johansen cointegration and Granger causality tests. The study used exports and imports as proxies for trade and Gross Domestic Product (GDP) as a proxy for economic growth. The Granger causality test evinced that there is a bidirectional or two-way causality relationship between export and economic growth. At the same time, there is a unidirectional causality relationship between imports to economic growth. Nevertheless, the result of Johansen's cointegration approved the cointegration relationship between variables.

Empirical Investigation: Regional Experience

Geographically, Afghanistan is a crossroads between the major regions of the continent. Throughout its long history, it has been repeatedly attacked and incited by the greed of the conquerors (Ghobar, 1989). In the modern era, Afghanistan will be a hub of bilateral and multilateral trade and transit interactions between most countries in the region (OCS

Afghanistan, n.d.). Furthermore, Afghanistan is a member state of important economic zones; ECO, SAARC, and OIC in South Asia, Central Asia, and Islamic Countries.

Asian Cooperation Dialogue (ACD) & Economic Cooperation Organization (ECO)

The Economic Cooperation Organization (ECO) was founded in 1985 to enhance members' economic, technical, and cultural relationships. The key founders were Iran, Pakistan, and Turkey. Furthermore, Afghanistan joined the organization in 1992, along with Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan (Pomfret, 1997). Moreover, the most important objective of ECO is the progressive elimination of Barriers to trade and promotion of intra-regional trade, greater contribution of the ECO zone in the development of international trade, and incremental convergence of member states' economics with the world economy (FAO, n.d.).

The Asian Cooperation Dialogue (ACD) was established in June 2002 in Cha-Am, Thailand. The main objective of ACD regarding trade is to expand the Asian trade and financial market, improve the Asian countries' negotiating power over the competition, and improve Asia's global economic competitiveness. Furthermore, Afghanistan joined ACD after ten years of establishment in 2012. The member states are Afghanistan, Bahrain, Bangladesh, Brunei Darussalam, Bhutan, Cambodia, China, India, Indonesia, Iran, Japan, Kazakhstan, Republic of Korea, Kuwait, Kyrgyz Republic, Lao PDR, Malaysia, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Oman, Qatar, Russia, Saudi Arabia, Singapore, Sri Lanka, Tajikistan, Thailand, Turkey, United Arab Emirates, Uzbekistan, Vietnam (Asia Cooperation Dialogue, n.d.).

South Asia Association for Regional Cooperation (SAARC)

The South Asia Association for Regional Cooperation (SAARC) was founded on December 8, 1985, by seven members: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka (Trivedi, 2005). The major objectives of the association are: to promote economic growth, social welfare, and cultural development, Reduction/Removal of Non-Tariff Barriers (NTBs) and Para-Tariff Barriers (PTBs), and betterment of Transport Connectivity among the Member States (SAARC, n.d.). Nevertheless, Member States agreed on South Asian Free Trade Area (SAFTA) on 6 January 2004 at the 12th SAARC summit in Pakistan to open a free trade zone to reduce customs duties of traded commodities (Asia Regional Integration Center, n.d.).

Organization of Islamic Cooperation (OIC)

The Organization of Islamic Cooperation (OIC) was inaugurated in Rabat, the Kingdom of Morocco, on 25 September 1969. The OIC is the biggest organization after United Nations, which has 57 member states over four continents. Moreover, Afghanistan has been a member state of OIC since its establishment. The main objective of the OIC is to protect the interest of Muslim countries through worldwide peace and harmony (Organistan of Islamic Cooperation, n.d.). Besides, it promotes trade and investment through the Islamic Centre for the Development of Trade, located in Casablanca, Morocco (UNESCWA, n.d.).

Abhayaratne (1996) investigated the association between export and economic growth in Sri Lanka. Johansen cointegration tests were used to find the cointegration among gross domestic

Rana Academic & Research Journal
Volume 8, Issue No:3- Autumn 2024

product, export, and import in Sri Lanka. The result indicated that the variables are cointegrated, but international trade did not cause or accelerate the economic growth of Sri Lanka during the period between 1960 –1992.

Hesamiazizi (2008) conducted a study on the role of foreign trade on economic growth and development in the Indian and Iranian economies. The study attempted to investigate the long-run relationship between export and growth and aimed to find the importance of the foreign sector in explaining economic growth. The paper stated that India paved better ground and conditions post-liberalization, but Iran failed to do so. Iran created a better position after the war with a five-year development plan. Furthermore, the study underlined that Iranian export has better condition concerning Indian export in economic growth. The study found that all variables have a long-run positive correlation with economic growth, and the error correction model has also indicated that exports have a positive and significant impact on economic growth. However, imports have a negative and insignificant impact on economic growth in India. In the case of Iran, there is a positive and stable long-run relationship between economic growth, import, and export. Similar to India, Iran's exports have a positive impact on economic growth, but imports have a negative and insignificant impact on economic growth. Finally, the study concluded that there is a unilateral relationship between exports and imports in India and a bilateral relationship between exports and imports in Iran.

Rana Academic & Research Journal
Volume 8, Issue No:3- Autumn 2024

Li et al. (2010) investigated the relationship between international trade and the economic growth of East China over the period 1981-2008. The cointegration model is used to analyze the long-term association between variables. Further, the Time series error correction model and short-term causality test were applied to find the short-term relationship between total export, total import, and the Gross Domestic Product (GDP) in East China. The result pointed out a long-term and short-term relationship between international trade and economic growth. Moreover, foreign trade is the growth engine for East China. The study proposed that the government prioritizes these activities: first, the exchange rate should be kept stable. Second, the policies related to industries should be actively revised and implemented. Third, the government should develop policies to perform trade strategically. Fourth, the government should pave the way for people regarding capital support and a suitable and proactive fiscal policy. Finally, protection in today's situation is vital, so it should be realized in the difficult turmoil of the global economy.

Jayachandran and Seilan (2010) discussed the significance of Foreign Direct Investment (FDI) and international trade in accelerating the economic growth of the Indian economy. This study attempts to find the relationship between International Trade, Foreign Direct Investment (FDI), and Gross Domestic Product (GDP). Furthermore, the Granger Causality test is used to analyze the causal relationship among economic growth termed gross domestic product, foreign direct investment, and export measured by actual merchandise export. The paper attempted to prove the correlation between International Trade, Foreign Direct Investment (FDI), and Gross Domestic Product (GDP) using the Cointegration test for a long-term relationship and the Granger Causality test to find the causality between variables. They found a causal relationship between export and growth rates but no causality from foreign direct investment to exports.

Finally, there is a unidirectional running from exports to growth rate, and there is no causality from gross domestic product to exports. The foreign direct investment scenario is the same as the export and gross domestic product.

Taghavi et al. (2012) attempted to find the relationship between international trade (exports and imports) and economic growth in Iran. The study adopted Vector Autoregression to analyze the impact of exports and imports on the economic growth of Iran. This paper shed light on the percentage of oil and non-oil exports, which showed that 90 percent of GDP contribution is made through oil export while only 5.7 percent of export makes 1.6 percent of total GDP through non-oil exports. The normality of the data was tested to see whether the data were normally distributed. The findings showed that exports positively and significantly impact economic growth, while imports negatively impact economic growth.

Javed et al. (2012) utilized time series data for the period from 1973 - 2010 to study the relationship between international trade and the economic growth of Pakistan. The study used economic growth as the dependent variable and total export to GDP ratio, total imports to GDP, the trade term, trade openness, investment to GDP ratio, and inflation as independent variables. The abovementioned data is obtained from different issues of the Economic Survey of Pakistan. The paper used Ordinary Least Square (OLS) to find the impact of International trade on Gross Domestic Product (GDP) and the Chow test to find the model's structural break and fitness. The result stated that Pakistan's association between international trade and economic growth is positive and significant. The result also stated that the increase in the import of raw materials leads to an acceleration in Pakistan's production, employment, and output. Furthermore, trade openness also positively and significantly influenced the economy of Pakistan. The study suggested that the government should reduce the imports of costly products with focused policies.

Rana Academic & Research Journal
Volume 8, Issue No:3- Autumn 2024

Shakeel et al. (2014) employed panel data from South Asian Countries (Bangladesh, Pakistan, India, Nepal, and Sri Lanka) from 1980 to 2009 to examine the contribution of international trade and energy consumption to economic growth. The study used energy consumption, real fixed capital formation, labor, and real exports as independent variables and Real Gross Domestic Product (RGDP) as the dependent variable. The correlation between the gross domestic product and energy consumption, between gross domestic product and exports, and between exports and energy consumption are all significant and positive. Moreover, the cointegration and Granger causality tests are used to find the relationship and causality between variables. The Granger causality result evinced a two-way causality between trade and GDP for the short term. In the long-term, there is a causality between energy consumption and GDP but unidirectional for other variables.

Abubakar and Shehu (2015) carried out the Autoregressive Distributed Lag Model (ARDL) to determine the impact of international trade on the economic growth in India. The model formulated the GDP (Real Gross Domestic Product), imports to GDP ratio, exports to GDP ratio, domestic investment (gross domestic capital formation as a ratio of GDP), inflation, and exchange rate to analyze the impact of international trade on the economic growth of India. The result underpinned the classical and neo-classical theories that see international trade as an

engine of economic growth. The study suggested that the government should give opportunities and support for producing exportable goods and services through tax incentives and even provide them with subsidies. Besides, the government should also decrease the export tariffs because exports positively impact India's economic growth. Meanwhile, the government should discourage the importation of consumer goods by imposing restrictions such as quotas and an increase in import tariffs.

Ali and Abdullah (2015) investigated the impact of trade openness on the economic growth of Pakistan. The study used the Vector Error Correction Model (VECM) and the Johanson Multivariate approach to run the regression model. Furthermore, they revised the literature with the positive impact of trade openness on economic growth. At the same time, their study rejected the previous literature and indicated a negative relationship between liberalization and economic growth in Pakistan.

Dinc et al. (2017) studied the impact of foreign trade issues on economic growth in seven developing countries, including Iran and Turkey. The study used a panel cointegration method to analyze the correlation between foreign trade and economic growth in particular countries. Ordinary Least Square shows that foreign trade, energy consumption, humanity, and physical resources positively affect economic growth. Furthermore, it should be invested more in human resource stock due to the positive correlation between human resources and economic growth. Moreover, the study suggested that policymakers should properly consider the importance of education in the workforce.

Makhmutova and Mustafin (2017) investigated the causal relationship between international trade and the economic growth of the world's biggest economies; China, the United States, and Russia. Undoubtedly, these economies are highly engaged in international trade and are economic superpowers. The study aimed to find the dependence of the abovementioned economies on their international trade. The study tested the influence and role of international trade. It ranked the economies according to the dependence and importance of international trade in the above four nations' economies. The paper applied systematic analysis, comparative macroeconomic analysis, questionnaires, and ranking methods to find the relationship between variables and rank the countries. The study was based on a survey; therefore, unquestionably, China (51.1 percent) stood in the first place, followed by Russia (19.6 percent), the United States of America (12 percent), and Germany with (3.9 percent) votes and these percentage show the importance of international trade in the respective countries, answered by responders. Based on the result, the study ranked in the following order: first place in Germany, second place in the USA and China, and Third Place in Russia. The result of the study presented that the German economy is most dependent on international trade. Chinese and American economies have a similar position which continues to grow despite the position in foreign trade. Russian economy decreased its dependence on international trade.

Ahmad (2018) explored the relationship between International trade and Gross Domestic Product (GDP) in Bangladesh. The determinants of international trade are export and import, and the determinant of economic growth is GDP. The study runs the correlation matrix among dependent and independent variables and regression analyses to find the impact of export and

import on GDP. The result indicated a strong positive correlation between international trade and GDP. Furthermore, there is a statistically significant and strong positive impact of export and import on the economy of Bangladesh. They suggested that countries should engage in international trade and evinced the importance of international trade for the betterment of the country.

Empirical Investigation: International Experience

Berg and Schmidt (1994) employed time series data to test the significance of the relationship between international trade and Gross Domestic Product (GDP) in seventeen Latin American Nations using the bivariate Granger causality test. The result displayed a positive long-run relationship between export growth and Gross Domestic Product (GDP).

Berg (1997) examined the relationship between international trade and economic growth in Mexico using the Vector Autoregressive Model (VAR). The study took the gross domestic product, capital stock, labor force, and international trade as its core variables and developed the linear econometric model, Growth Rate of real Gross Domestic Product (GGDP) = a_0 + a_1GCAP + a_2GLAB + a_3 TRADE. The study first analyzed the contribution of trade to economic growth in Mexico. The result revealed no stable relationship between international trade and economic growth from 1960 to 1991.

Zestos and Tao (2002) utilized the Granger Causality Test (GCT) approach to examine the causality between International trade and economic growth. Cointegration tests are used to find the long-run relationship between international trade and GDP in the United States and Canada. Finally, the result revealed that exports stimulated economic growth in the United States. The causality of Canada is stronger than the United States, indicating that Canada has an open economy with more dependence on international trade.

Bouoiyour (2003) sought to find the relationship between Morocco's international trade and economic growth. This paper employed Augmented Dickey-Fuller (ADF) and Philip-Perron tests of the Unit Root Test (URT) to examine the stationarity of the variables. The paper used exports, imports, and gross domestic product as variables. The study used the Vector Error Correction (VEC) method to analyze the nexus between variables from 1960 to 2000. The cointegration and Granger causality test were conducted to analyze the causality and relationship between trade and economic growth in Morocco. The result showed that foreign trade could not be defined as an accelerator for the economic growth of Morocco.

Awokuse (2007) investigated the effect of exports and imports on economic growth in Bulgaria, the Czech Republic, and Poland. The cointegration and Granger causality tests based on the Error Correction Model (ECM) were examined to find the nexus between international trade and economic growth. In the case of Bulgaria, the result indicated that exports led to growth, and growth led to exports. The Granger Causality guided imports and exports toward economic growth for the Czech Republic. In Poland's case, the only transition economy among the three transition economies, the imports led to growth based on Polish data. Finally, the overall result showed that import contribution must be addressed. Though export is an engine of growth, the study will only be complete with import.

Rana Academic & Research Journal
Volume 8, Issue No:3- Autumn 2024

Hesbon (2009) attempted to clarify the impact of international trade on Kenya's Gross Domestic Product (GDP). The study used imports, exports, official development assistance, and public consumption as independent variables and GDP as the dependent variable. This study applied the regression model to analyze the significance between variables. The study expressed that exports have a greater positive significant impact on the gross domestic product than other independent variables. However, imports have a negative and statistically insignificant impact on the gross domestic product. The study suggested that the government should consider enhancing export promotion activities. Besides, expenditure on infrastructural development will lead to the attraction of local investors.

Chen (2009) reviewed the literature on the relationship between international trade and economic growth. The study compiled the literature, which is as follows: 1. Exports have a unidirectional relationship with economic growth. 2. Economic growth has a unidirectional relationship with export. 3. There is a bi-directional relationship between the two variables. 4. there is no causal relationship between variables. Eventually, the study suggested that countries should develop their trade policies. The study recommended that quarterly data is more useful and accurate in testing the causality of variables.

Gurgul and Lach (2010) utilized a set of time series data to analyze the relationship between the real growth rate of gross domestic product, exports, and imports in Poland. Moreover, the study used Granger causality tests to find causal relations between variables. The result of the Granger causality analysis revealed a bidirectional relationship between exports and GDP.

Singh (2010) intended to conduct a literature survey to find the relationship between international trade and economic growth. This study also studied the role of GATT/WTO in boosting trade. The research paper reviewed macroeconomic and microeconomic evidence to find the effects of international trade on productivity and economic growth. In most studies, macroeconomic determinants supported foreign trade's positive and significant impact on economic growth. On the other hand, microeconomic determinants support the exogenous impact of productivity on international trade.

Edoumiekumo and Opukri (2013) studied the association between international trade and economic growth using regression analysis - The Ordinary Least Square (OLS) model. The study employed inferential statistics and econometric models like regression along with descriptive statistics to highlight the trends of international trade and gross domestic product. The result indicated a positive impact of International trade on Gross Domestic Product (GDP).

Mogoe and Mongale (2014) explored the relationship between international trade and economic growth in South Africa using the Johansen cointegration test and vector error correction. The result divulged a significant and positive relationship between gross domestic product, inflation rate, export, and exchange rate while a negative relationship with import. Further, export is a variable that leads to economic growth and the establishment of infrastructures. Finally, they suggested that the government should strengthen and encourage export and maintain its balance with imports. Moreover, it should monitor the performance of its currency concerning other developing countries' currencies to maintain currency stability.

Rana Academic & Research Journal
Volume 8, Issue No:3- Autumn 2024

Fitzova and Zidek (2015) analyzed the impact of international trade on the economic growth of the Czech and Slovak Republics. The Vector Auto-Regression (VAR) was employed to find the association between international trade and gross domestic product for the Czech and Slovak republics. Besides, cointegration tests are also applied to seek the long-term relationship between variables. Moreover, the Granger Causalities test was run to determine the causal relationship between variables. The result stated that in the period of economic transformation of the abovementioned countries, international trade was a vital characteristic of economic growth.

Abdullahi et al. (2016) studied the relationship between International Trade and the economic growth of 16 West African countries. The panel regression was employed to analyze factors influencing International trade. The paper pointed out that export has a positive impact on gross domestic product growth while import has a negative impact on gross domestic product in West Africa. It is suggested that policies should be drawn to encourage the export promotion and import substitution.

Kilic and Beser (2017) re-analyzed the relationship between international trade and economic growth for the countries of the Eurasia Economic Union. The study utilized the Konya Panel Causality test to find the relationship between gross domestic product, import, and export. The result stated that there is bi-directional causality between gross domestic product and import, a unidirectional relationship between gross domestic product and import and import to export. Based on this study's findings, imports and exports are important for the five Eurasian countries, and an increase in imports and exports will lead to economic growth.

Boakye and Gyamfi (2017) empirically investigated the relationship between Ghana's international trade and economic growth. The result showed that export, foreign direct investment, gross formation, remittance money per capita, and external debt per capita have a positive relationship with economic growth. However, the current account balance and inflation rates have a negative impact on economic growth. The study suggested that the Ghanaian government should encourage farmers with different techniques, whether loans or skill development because agriculture contributes more to the economic growth of Ghana.

Rana Academic & Research Journal
Volume 8, Issue No:3- Autumn 2024

4. Economic Growth: Theoretical Investigation

In his essay, Solow (1957) introduced the impact of technological advancement on the industrial process. The total factor productivity growth introduced by the model is shown by parameter A, also known as the available technology stock. As can be seen in the following, the production function of the fundamental Solow model demonstrates constant returns to scale. It is thought to be capital-augmenting or Solow-neutral in terms of the technology Function of the Cobb-Douglas production:

$$Y=f(A,K,L)=AK^{\alpha}L^{(1-\alpha)}$$

Where Y equals the economic growth or level of output in a given period,
A = an index for the level of total factor productivity,
K = the available level of physical capital,
L = the available labor supply, and finally

α= is a parameter that represents the capital elasticity.

According to Solow's 1957 neo-classical theory of growth, tangible or physical capital accumulation serves as the primary engine of economic growth and is the focus of macroeconomists' interest. However, endogenous economic development first appeared in an effort to incorporate the causes of technical advancement and consequent sustained productivity increase inside the general equilibrium framework of neoclassical growth theory. The process of economic growth is explained in the literature using a variety of different theories, each of which has unique empirical and policy ramifications. By presuming that technological development is an unexpected consequence of businesses specializing in investments, Romer's "AK model" promotes sustainable growth. Besides, all theoretical investigations are based on successful formulations that are part of the "endogenous growth models." This model suggests that changing the policy environment might boost economic performance. Exponential growth models with the explicit introduction of human capital and knowledge have further developed the process of technological transformation. Where the new theory of endogenous growth, which was introduced by Arrow (1962) and further extended by Shell (1966), Romer (1986), Lucas (1988), and Romer (1990), is the foundation for our empirical analysis:

$$Y = f(A, K, L, T)$$

Y is GDP, L is active labor force, K is capital stock, A is the total factor productivity effect and T denotes trade.

5. Conclusion

Numerous empirical investigations have been made in an effort to determine the relationship between import, export, openness, and economic growth on both national and international levels. International trade and economic growth have been in the attention of scholars for the past four decades and scholars are divided into two groups, the first group of researchers accepts the influence of international trade on economic growth while the other group denies the importance of trade on economic growth. This study summarizes the literature empirically based on export-GDP, import-GDP, and openness-GDP relationships.

First, the influence of trade on GDP, the studies have found that the variables are cointegrated and exports have a positive impact on economic growth (Hesbon, 2009; Lawal and Ezeuchenne, 2017; Elias et al., 2018; Ahmad, 2018; Ashrafi & Kalaiah, 2020; Hesamiazizi, 2008; Abubakar and Shehu, 2015; Enu et al., 2013; Dinc et al., 2017; Boakye and Gyamfi, 2017; Mogoe and Mongale, 2014; Omoju and Adensaya, 2012; Hussain and Haque, 2016; Abdullahi et al., 2016; Afolabi et al., 2017; Edoumiekumo and Opukri, 2013; Bekari and Krit, 2017).

Another set of studies has found that imports have a positive impact on economic growth (Markjackson et al., 2018; Ahmad, 2018; Afolabi et al., 2017; Edoumiekumo and Opukri, 2013). Although, other studies found a negative impact of import on economic growth (Hesbon, 2009; Lawal and Ezeuchenne, 2017; Elias et al., 2018; Hesamiazizi, 2008; Enu et al., 2013; Mogoe and Mongale, 2014; Bekari and Krit, 2017; Alavinasab, 2013).

On the contrary, trade openness has a positive effect on economic growth (Javed et al., 2012; Zahonogo, 2016; Bojanic, 2012). On the other hand, two studies concluded the negative effect

Rana Academic & Research Journal
Volume 8, Issue No:3- Autumn 2024

of trade openness on economic growth (Lawal and Ezeuchenne, 2017; Malefane and Odhiambo, 2018)

In addition, according to Javed et al. (2012), an increase in the import of raw materials led to an acceleration in production, employment, and out of Pakistan and eventually they lead to economic growth. Moreover, Gurgul and Lach (2010) stated that there is a positive direction of export toward GDP in Poland. Besides, there is a positive causality between import and GDP and export and GDP (Gnougougou, 2013). Similarly, exports have a single causal relationship with economic growth (Chen, 2009; Jayachandran and Seilan, 2010). On the other hand, Bouoiyour (2013) and Abhayaratne (1996) concluded that there is no evidence to show foreign trade accelerates GDP. Furthermore, Kilic and Beser (2017) concluded that there is bi-directional causality between GDP and imports and also stated that imports and exports are important for five Eurasian countries, and export and import will lead to economic growth.

In another stream of survey-based literature, the German economy is most dependent on international trade, Chinese and American economies have a similar status which shows continued growth despite being 2nd among mentioned countries while the Russian economy decreased the dependence on international trade (Makhmutova and Mustafin, 2017). Similarly, Zetos and Tao (2002) found that export caused economic growth in the United States while the Granger Causality of Canada is stronger than the United States. It indicates that Canada has an open economy with more dependency on international trade.

Nevertheless, Schneider (2005) presented the evidence that technology imports have a significant effect on per capita GDP growth than domestic technology.

This study establishes the theoretical base of the study, the theories on international trade such as the absolute advantage theory of Adam Smith, comparative advantage theory of David Ricardo, opportunity cost theory of Gottfried Haberler, factor endowment theory or modern theory of international trade of Heckscher-Ohlin, and Krugman's new trade theory were considered and studied.

The study has also reviewed papers and surveys from different journals and contexts. Many works indicate that international trade strongly and significantly impacts economic growth. While few papers have neglected the impact of international trade on economic growth. The literature which has been reviewed contains different approaches. Thus, most of the studies used the Augmented Dickey-Fuller (ADF) and Philips-Perron (PP) to examine the stationarity of their data, while others employed Kwiatkowski, Philips, Schmidt, and Shin (KPSS) tests.

Nevertheless, most of the studies' variables were not stationary at the same level, but in the first difference, the variables became stationary. Similarly, Autoregressive Distributed Lag (ARDL), Ordinary Least Square (OLS), Johansen Cointegration model, and Linear Regression were adopted to analyze the impact of international trade on economic growth.

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Rana Academic & Research Journal
Volume 8, Issue No:3- Autumn 2024

Rana Academic & Research Journal
Volume 8, Issue No:3- Autumn 2024

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Volume 8, Issue No:3- Autumn 2024

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Rana Academic & Research Journal
Volume 8, Issue No:3- Autumn 2024