NEAR EAST UNIVERSITY
GRADUATE SCHOOL OF SOCIAL SCIENCES
BUSINESS ADMINISTRATION PROGRAM

EXPORT OR IMPORT LED GROWTH: WHICH ONE IS A BETTER OPTION FOR GOOD ECONOMIC PERFORMANCE?

KAWAR MOHAMMED MOUSA

MASTER'S THESIS

NICOSIA
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ACCEPTANCE/APPROVAL

We as the jury members certify the “Export Or Import Led Growth: Whıch One Is A Better Optıon For Good Economıc Performance?” prepared by the Kawar Mohammed Mousa defended on 10/August/2018 Has been found satisfactory for the award of degree of Master

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I Kawar M. Mousa, hereby declare that this dissertation entitled ‘Export or Import Led Growth: Which One Is a Better Optıon for Good Economic Performance? has been prepared myself under the guidance and supervision of Assist. Prof. Dr. Behiye Tüzel ÇAVUŞOĞLU in partial fulfilment of the Near East University, Graduate School of Social Sciences regulations and does not to the best of my knowledge breach any Law of Copyrights and has been tested for plagiarism and a copy of the result can be found in the Thesis.

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DEDICATION

First and foremost, I dedicate this thesis to my supervisor **Assist. Prof. Dr. Behiye Tüzel ÇAVUŞOĞLU** who was always there for assisting me through his unwavering support, and his colossal knowledge.

I also dedicate this work to my beloved parents who have successfully made me the person I am becoming. And l dedicate it to my siblings, and friends who have encouraged me all the way and whose encouragement has made sure that I give it all it takes to finish that which I have started.

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ABSTRACT

EXPORT OR IMPORT LED GROWTH:
WHICH ONE IS A BETTER OPTION FOR GOOD ECONOMİC PERFORMANCE?

The thesis researched on the international trade considering two trade policies that made up the international trade of Iraq with the intention of trying to know the two policies (export-led growth and import led growth) which of them promote the economic growth of the Iraqi economy at the chosen time of the study. This is annual times series research on the Iraqi economy which spans 1960-2012. The study found out that none of them significant enough to enhance the economic growth of Iraq even though the export-led growth policy seems to be a positive but not significant effect. Surprisingly, in the first regression, service emerged as the best motivator for the economic growth of Iraq. The study utilized the non –linear regression (ARDL) to buttress our point in finding the relationship among the chosen variable and found import as another variable to motivate the economy. In summary, the researchers deduced that import oriented growth is working in the Iraq economy with the aid of the service sector.

Keywords: Economic growth, GDP, Export, Import, Agriculture, Iraq

ÖZ

İHRACAT VEYA İTHALATA DAYALI EKONOMİK BÜYÜME: HANGİSİ DAHA İYİ BİR EKONOMİK PERFORMANS İÇİN BİR SEÇENEK?

IRAK EKONOMİSİ ÇALIŞMASI

Bu tez çalışmasında, Irak'ın uluslararası ticaretini oluşturan iki ticaret politikası göz önünde bulundurularak, Irak ekonomisinin ekonomik büyümesini teşvik eden bu iki politika (ihracata veya ithalata dayalı büyüme) incelenmiştir. Çalışma, 1960-2012 yılları arasında Irak ekonomisi üzerine yıllık veriler kullanılarak yapılan bir seri-veri araştırmasıdır. Çalışmada, ihracata yönelik büyüme politikasının olumlu ama Irak'ın ekonomik büyümesini güçlendirecek kadar önemli olmadığı bulunmuştur. Şaşırtıcı bir şekilde, ilk regresyonda hizmet sektörü, Irak'ın ekonomik büyümesi için en iyi motivasyon kaynağı olarak ortaya çıktı. Seçilmiş değişkenler arasındaki ilişkiyi bulma noktasında çalışmayı güçlendirmek için doğrusal olmayan regresyon (ARDL) kullanılmış ve ekonomiyi motive eden için bir başka değişken olarak ithalat bulmuştur. Bu tez sonuç olarak, ithalat odaklı büyümenin Irak ekonomisinde hizmet sektörünün yardımıyla çalıştığı sonucuna varmıştır.

Anahtar Kelimeler: Ekonomik Büyüme, GSYİH, İtalat, İhracat, Tarım, Irak

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CHAPTER 1

INTRODUCTION

1.1. Background

International trade as it concerns policies of export-led growth or import led growth as a tool for good economic performance has been considered in many research work. Some came up with the results adherence to the claim, while others came up with the contradicting results. Some previous works have thrown light on the economic interconnection between international **(**Both export and import led) and growth via better economic performance suggesting that there is no agreed general form of connection within these two variables. What seem major acceptable in terms of stages of international trade is maximizing export and minimizes import as was suggested by Carbaugh (1988). Some of the welfare Economists are in consonance with this opinion because it has a non-negative effect on trade and the strength of the home currency with Dollar rate. It provides a platform which is an indirect way of promoting import as well. The reason is that the efficient exports policy paves way for technology import. Third world economies and emerging economies like Nigeria and Iraq prove to do well and better if it involves greater in giving in foreign trading, Awojobi (2011). Even when it seems as if international trade is impacting positively on the GDP growth and better economic performance in Iraq, Iraq is still far from its full benefits because of the embargo placed on its products in international trade and this suggest that international trade (both export and import) will go a long way in better economic performance and GDP growth if it is liberalized without embargo, (Awolabi and Ajayi 2012).

This work is a research on trade to ascertain the resultant effect of both export and import in the Iraq economy and to know the policy that will advance the Iraq economic performance. International trade (Export and Import) is among the highly valued topics in the field of Business and Economics. Economic performance can be determined and measured by the effect of the international trade (Marshall, 1890, p.270). This is demonstrated by the effort of some of the world economics bodies such as the World Trade Organization (WTO) and the International Monetary fund (IMF) to make sure that TRADE is liberalized worldwide. This, they do through their policy advice to the Developing Countries like Iraq in the 70's, 80's and 90's to liberalize their trade policy and capital flow policy (Grais, W., & Kantur, Z. 2003) No doubt this policy has been researched on by many scholars who come up with both positive and negative impact of the topic to the economic growth of many countries of the world in the areas of specialization, efficiency in production, economics of scale, increase in macroeconomic level of the countries (GDP) etc. (see for example, Balassa,1978; Feder, 1983; Heller & Porter, 1978; Kavoussi, 1984; Michaely, 1977; Ram, 1985, 1987; Tyler, 1981), but there is not yet a uniform view of the topic whether the trade should be export-led or import led. This makes it possible for the young researchers to find an avenue of contributing to the research topic through their findings. This will help to achieve some important knowledge about the topic and to shape the direction of the Iraq economic policy as regards their countries involvement in the international trade.

1.2. Globalization and Global trade Origin

The economic activities surrounding the globalization come in three main diversities or dimension, this includes economic dimension, political dimension, and cultural dimension. The globalization which is considered as the mother of economic good news to reach and bring the world together as one entity and to pave way for economic identical features and create the feeling of oneness has given birth to divers of economic pursuits that benefit the countries of the world. One of these economic pursuits is the trade openness which is among the branches of the economic dimension. This is known as the trade liberalization which falls online with the advice of the global monetary organizations such as International Monetary Fund (IMF) and World Bank and others to the countries of the world to pave way for a quicker acceleration of the globalization policy which was initiated in 70's. World Bank and IMF are the world financial bodies that came on board because of the urgent need to rebuild the war-torn nations. These institutions emerged from the meeting of the statesmen from almost 44 countries of the world held in Bretton Wood. These men comprise mostly the representatives from the war devastating nations after the Second World War. The main purpose of the meeting was to discuss ways of building an enduring world economic order that would facilitate post-war economic order. Countries in Europe happened to be their centre of concentration at the early stage of the program. But as time went on, their attention and activities started being diversified and extending across the rest parts of the world, especially the underdeveloped world. The World Bank officially constructed the institution called the International Bank for Reconstruction and Development (IBRD). This name was adapted from the Bretton Wood meeting with a general agreement of the participants. In establishing the World Bank, Europe was in their foremost consideration for the work of rebuilding. They started this by giving out a low-interest loan to the affected regions in Europe.

The IMF, on the other hand, was among the achievements of the Bretton wood meeting. The reason for establishing the IMF was specifically to checkmate the worldwide financial collapse and other economic problems that were on the increase among the countries of the world after the two world wars. The main objective of setting up the IMF by the participants was to avoid those financial uprising through the combinations of discipline and flexibility.

These institutions spearheaded the campaign for globalization to help in the integration of the different economies. Their focus was on trade liberalization (easy trade flow within the different economies of the world) and easy capital flow among the different individual economies. The trade openness is seen on the platform of liberating the international trade without unnecessary barriers of easy flows of goods among the nations. Looking at the wide gap that exists amongst the less developed and the advanced nations and the uneven distribution of natural resources, these institutions advocate for bringing the world together through the globalization on the platform of economic integration. Given the significant increase in the level of world trade volume, we may conclude that this aim has been reached. Countries were advised to reduce their trade barriers which led to the level of exportation among countries to rise. Adhering to this means lifting of barriers among different economies by lowering some of the instruments such as elimination of import quotas, import tariff (Taxes) and export taxes and export subsidies. This liberation mission of integrating the world economy was taken or preached to the underdeveloped countries of the world by the world economic bodies in the 70’s, 80’s and 90’s with emphasis on the benefits attached to the trade openness which includes economies of scale (investment boosting and efficient way of production). The trade openness is measured by adding the import and export and dividing the outcome by the **GDP (EXPORT+IMPORT/GDP).**

Among the tools used by the IMF in convincing the underdeveloped worlds was the theory of comparative advantage. This tool was used to open the eyes of understanding of the developing worlds of the benefits of the trade openness which can be seen in the line of specialization in the production of those goods in which they have relatively higher efficiency, increase in the global output which will increase the global consumption. Remarks from the people regarded as the fathers of economics, Adam Smith and David Ricardo in their theories of absolute advantage and comparative advantage portrays the importance of the trade liberalization. This can be backed up from the angle of factor endowment, the economics of scale and technological improvement as the measures to the theories of comparative cost advantage. There has been a remarkable increase in trade openness which began with import substitution to a full export promotion and trade liberalization. This can be seen in Abedechi's (2011) view on his paper where he cited the trend that started as the reduction of foreign goods penetration in 60's but later takes another bearing in 80's by a radical change towards export promotion and a full trade openness, Abedechi (2011). The changes are noticeable when considers the impact of import substitution and the trade openness and other measures that comes with trade liberalization such as foreign direct investment (FDI), the free flow of cash from other countries, it is observable that the import substitution proves to have less positive impact to the economy when it is used as a measure of economic growth than others.Trade openness is analysed by many scholars such as Dudley and Karski (2001). They examined if the level of trade liberalization influences economic advancement by applying panel method of analyses for the space of 20 years from 1969 – 1989 for 10 less developed nations. They found openness to be a great stimulus to economic growth which comes with another sister stimulus such as mentioned above, (e.g. FDI, cash free flow, Human capital transfer such as skills and knowledge and others). The trade liberalization is a positive way of speeding up the development process and in economic liberation in terms of crises. So many welfare economists have noted that trade liberalization is the only and easiest way of liberating the underdeveloped countries or backward development solution. Romain Wacziers and Kareen (2000) made a remark in their work that countries who opened their economy for external trade always experience a greater level of economic growth than the countries that are still having trade restriction. It is no doubt other works have been done on this topic which may suggest trade openness give rise to either positive impact or negative impact. The evidence shows that positive impacts outweigh the negative impacts. Example is. A work of panel regression was carried out by Yanikkaya (2003) between 1970 and 1997 on the relationship between trade liberalization and economic performance of more than 100 developed and developing nations. The outcomes portray that trade liberalization to global trade is left without a significant and positive connection with economic performance. The outcomes also displayed that business restrictions are decided with many positive, importantly related to economic growth, especially to developed nations. The relationship between the financial development and economic growth and trade liberalization was explored in Nigeria by Chimobi (2010) explored with causality method relationship among the trade liberalization, economic performance, and financial development and found that less restiveness of trade and monetary related growth has a causal effect on economic performance in the country. Also, the speedy development in the economic performance of the Asian countries and the increased improvement and development of modern techs by some world institutions like IMF, World Bank, and the OECD nations is noticed to have altered the global system of trade significantly in a positive manner (EM Uka (1999). The alteration was simply caused by the globalization led trend of economic integration through non-restricted trade flow among the individual economies of the world both developed and developing. Liberalization has paved way for developed countries for the expansion of networks in production and commercial activities in different parts of the world which in total called foreign direct investment (FDI). This has brought about many economic benefits to different parts of the work. Such benefits can be seen in terms of transfer of manpower, technology and expertise and funds to the developing world. No doubt, this will form one of the parameters of measuring the effect of trade liberalization on the economic advancement of Nigeria. FDI has contributed a lot to the Nigeria economic performance both in terms of development and growth. The much effect of this can be seen in the year 1994 which happened to be the period that most sectors of the economy were deregulated, an example is the communication sector. The FDI policy paved way for easy penetration of so many telecommunications and mobile operators into the economy and brought positive changes in the economic development via employment and economic growth.

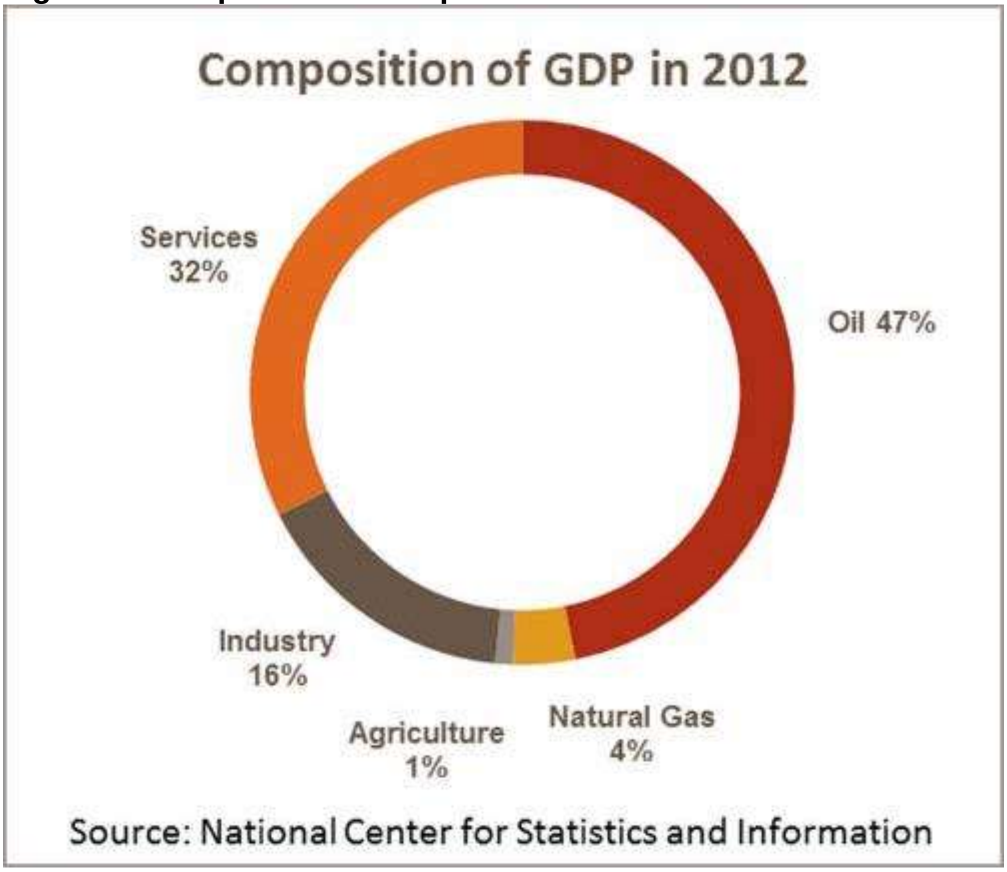
The economic growth is considered among the factors determining the economic performance of many economies (Medina-Smith, 2000). Export is vital in the balance of payment and it enhances the economic openings such as employment in an economy. There is a claim by the proponents of the outward triggered theory that the export policy is able of insinuating the economic advancement by aiding the local manufacturers with a superior manufacturing mix which will make them added economical in the global transactions. The intra –industry exchange is boosted by the outward trade which aids the nation to absorb the world transactions and insinuate any effect of outward surprises on the local budget (Abou-Stait, 2005Trade model lay rights on the enhancement of the local economy via many networks which include export-led policy. The upsurge in the outward of a given nation suggests a rise in the actual production (Korhan, 2015), also, export-led growth helps the home companies to concentrate on the production and manufacturing of outward traded goods and this will eventually assist to a rise in output measure. This will also increase the employment of the labour in the export-oriented industries. Trade encourages the access to the more enhanced product mix in order to advance its manufacture and boost the economic advancement. This will lead to the achievement of the economics of scale to mingle with the foreign market through comparative advantage (Giles & Williams, 2000). Because of the exposure to the international trade with greater percentage accrual to export-led policy, the country will experience greater output via adoption of scientific modification faster for resourceful manufacturing (Jung and Marshall, 1983). According to Dadora (1991), the real GDP advance of outward trade focused on the economy will always be greater than the import-focused in a country. Also, Fajana (1979) ascertained in his theoretical presentation that export-related trade is an engine that enhances economic growth.

Among the important instruments of economic advancement for the developing nations is export-led growth (Gabrielle, 2004). Trade causes economic growth for the developing economies which reduces the poverty rate prevalent in those economies such as Iraq, China, Costa Rica and Bangladesh (Dollar & Kraay., 2007).

1.3. Overview of Iraq Economy

The mainstay of Iraq's economic activities is oil zone which has accounted for about 99.5% of her external trade incomes currently. The Iraq economy suffered a great loss and set back in the 80's because of her long war with Iran which damage their oil facilities and put the country into a great debt. Things gradually started picking up after the 8 years' war with the reconstruction policies initiated by the United State of America (USA) which paved way for a gradual increase of oil with the building of new pipeline and rebuilding of spoiled facilities. With the Operation New Dawn, the economy has returned back the level ground with government revenues rebounded and the normalcy in the oil export earnings which was boosted since mid-2009. The oil export was increased to (300,000m3) 1, 900,000bbl as a consequence of innovative deals with global oil corporations and later fall to 2400000 barrels in the year 2011. There was a great boost to the oil export in the year 2013 and 2014 but later went down in the year 2015 because of the global meltdown in the oil price. The country's recent contracts with front liners in the oil industry have the potentials to significantly increase proceeds but will need to improve her oil production, pipeline, and outward traded groundwork to assist these contracts to the extent their potentials. There is a current trend on an increased wave of foreign investment because of improved security environment which is assisting to outgrowth financial action both in energy, building and marketing stores. There is an expectation that through major economic reform policy by the government and the sustained expansion of Iraq's enormous oil reserves, there will be economic advancement, extended period physical well-being and constant increase in the classic of living. The statistical composition below shows in a detail the oil and Gas sector as the major components of the Iraqi economy as at the year 2012 with oil and gas sectors together at 51%, followed by the service industry with 32% share of the economy, industry comes with 16% and Agriculture happens to be the least of it all with just 1%.

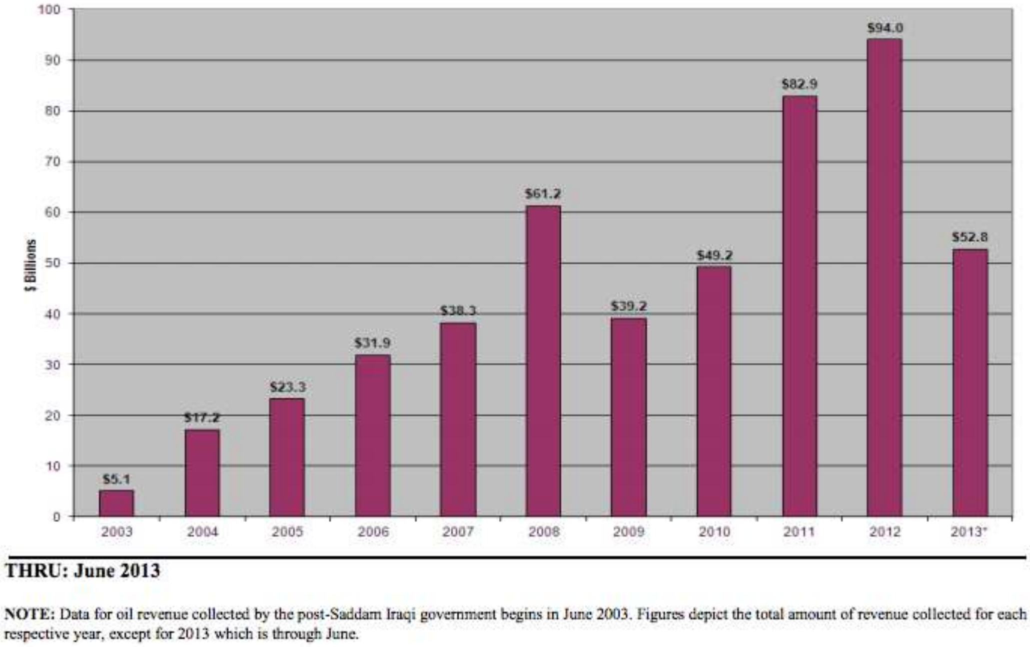
Figure 1. Composition of Iraq GDP in 2012



Source: Iraq National Centre for statistics and information

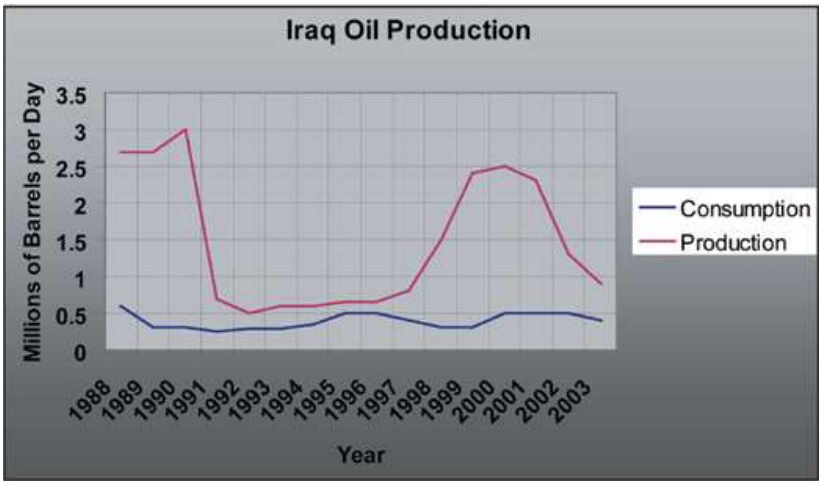
Also, the statistical chart depicts the flow of the oil revenue after the era of Saddam Hussein regime in Iraqi. Critical studying of the chart shows clearly the situation of the oil and gas sector as at 2012 which happens to the peak period of the oil boom in the country. The revenue in the year 2012 top the chart with about $95.0 Billion

Figure 2. Comparison of Oil Revenue from Export,2003-2013



Source: Iraq National Centre for statistics and information

Figure 3. Iraq oil Production 1988-2003



Source: Iraq National Centre for statistics and information

1.3.1. External Trade

The major source of Iraq's export as it regards to international trade is oil or petroleum with the estimated values of $43.8billion as at 2016 and, Iraq is among the founding members of OPEC (www.opec.org). Iraq suffered an embargo on her international trade from the period of 1990 to 2003 which majorly affected her export strength and reduced to exclusively oil. The resultant effect is seen from the revenue of about US$7.4 billion from the proceeds of oil which dominated Iraq's total export of the same year which was valued at US$7.6 billion. This shows the streamlining of Iraq's export to oil. After the termination of the trade restriction in 2003, the export was expanded to accommodate other products which were restrictive of transacting across the border but oil was still occupying a greater portion of her export. The major markets for her exports including oil are the United State of America (USA), Italy, Jordan, Canada, France, and the Netherlands. On the other hand, the main sources of her import are Turkey, Vietnam, Jordan, USA, Germany, and Britain. The import seemed to outweigh the export because of Iraq's inactive in manufacturing activities including foods, medicines, fuels, and others. This trend lingered till the periods of 2009 and 2010, Iraq's international trade took another shape, the export rose to US$50.8 billion and the import was at US$45.2 billion with their export partners as India, Italy, South Korea, Taiwan, China, Netherlands, and Japan while, their inward trade partner are Turkey, Syria, US, China, Jordan, Italy and Germany (CIA World Fact book. 2015).

Again, the statistical chart below depicts the flow of trade from different neighbouring countries in Iraqi with Jordan and Syria posed as the dominant trade partners with Iraq. Critical studying of the chart shows clearly the situation of multi-trade partners with Iraq a country.

Figure 4. Iraqis statistical Trade Flow

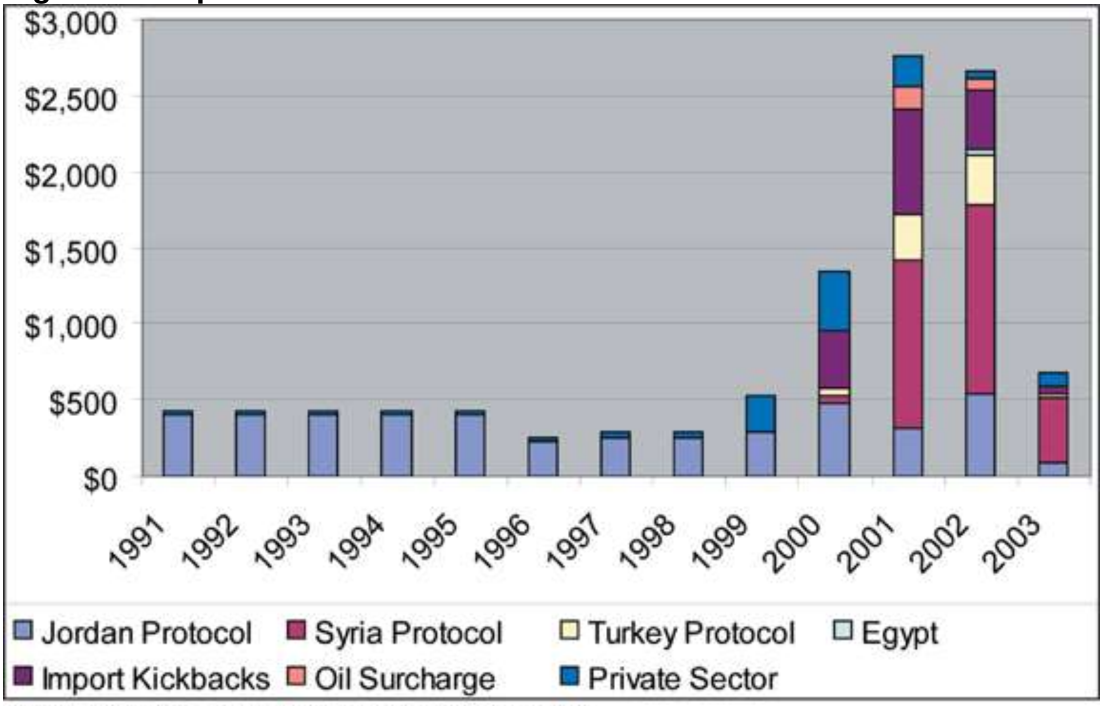


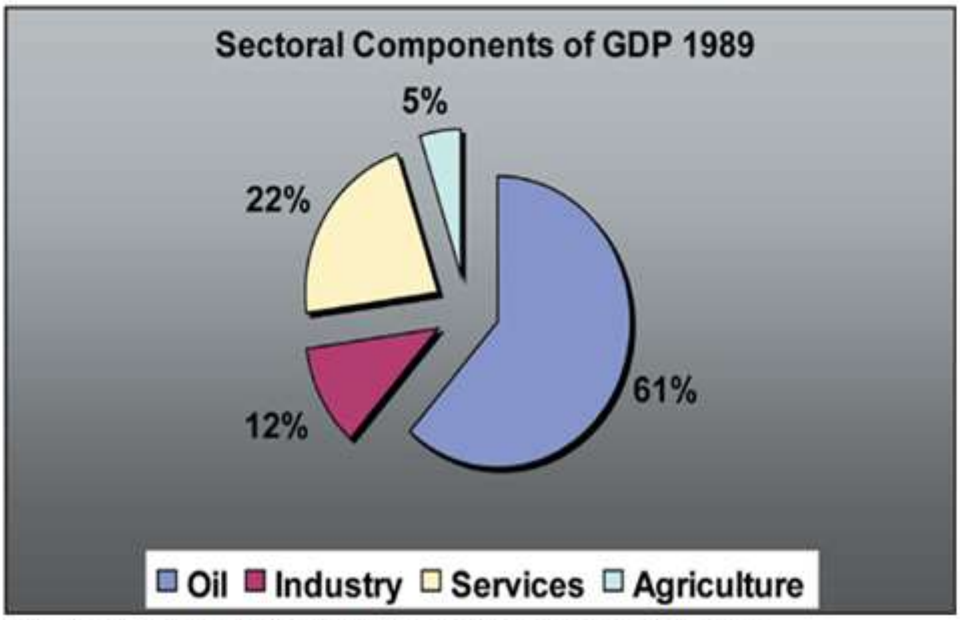
***Figure 6.** Iraqi illicit earnings by type (million US $), 1991-2003.*

Source: Iraq National Centre for statistics and information

1.3.2. Agriculture

Asides the availability of oil, the sectors such as agriculture and service sector are worth reviewing whenever there is a research about Iraq's economy. Traditionally, a large portion of Iraq's arable land has been under farming from the time of its inception. This has contributed to the national economy of the country due to the valuable farmland in Kurdish territory, but because of the unreliable farming plans of Saddam Hussein that depressed the local market manufacturing, it was short-lived. This pushed Iraq into a net importer of food despite its large expanse of land and available water resources. The country imported a huge number of grains, meat, poultry and some other goods under auspices of UN oil for food program. This really affected the farm produce by reducing it because of the continuous supplying of artificially priced foodstuffs (International Oil-for-food program, 1997-2003). Apart from the policy inconsistency from the administration that affected the agricultural inputs, another negative blow to the agricultural inputs was that of the gulf war and the UN sanction of 1990. This affected Iraq's imports by cutting off its petroleum exports which have a direct effect on the agricultural products that usually come in through the exchange of food for oil. The Iraqi government in an attempt to intervene monopolize the grains and oilseed marketing, and enforcing public distribution system for basic food ingredients through subsidy policy to the farmers but this diminishes when the price release to them failed to cover their cost of production (see Washington DC Congressional Research service library congress, June 7, 2004). Later, there was a surge of increase of importation of foreign workers and taking over the roles of the male in farming work by women, this helped in compensating for farming and manufacturing labour scarcities caused by the war. Following the war incident, the Iraqi government embarked on a project of draining the southern swamplands and introduced watered agricultural to this region. But this policy didn’t go well because it does a lot of harm to the food manufacturing zone through absorption of salts and this left the land unsuitable for agriculture (Trade Environment Database, American University 2010).

Figure 5. Sectorial Components of Iraq GDP 1989



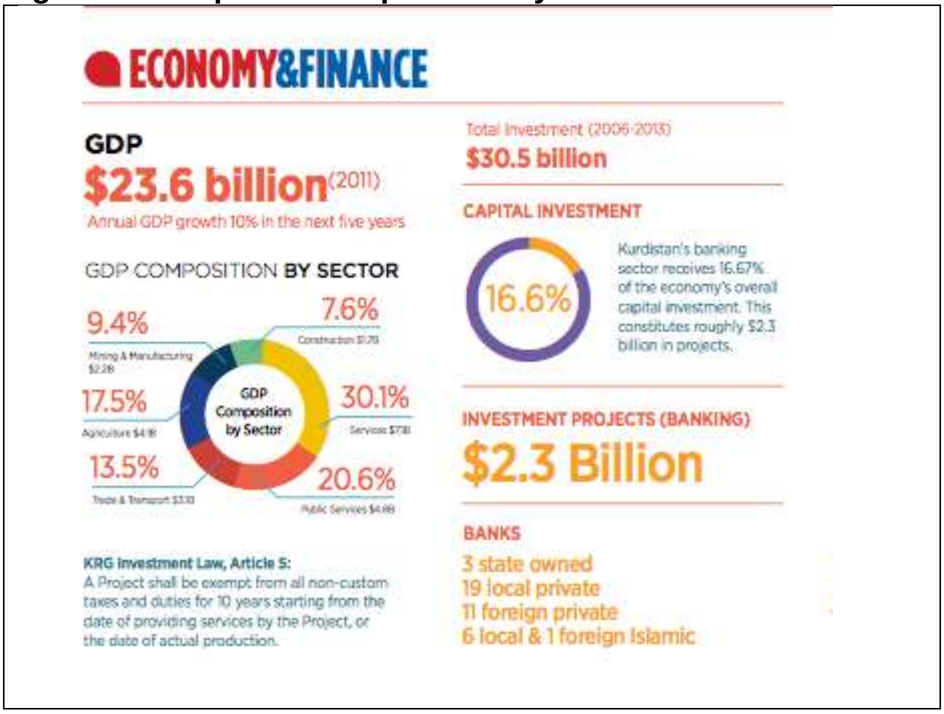
Source: World Bank Sectorial Composition of Iraq's GDP 1989

1.3.3. Services

The service sector is among the vibrant sectors of Iraqi economy which one cannot overlook whenever a work is instituted about the economic performance of the Iraqi economy. Among the industries that sum up, the service sector are Finance, Private security, Retail, Tourism, and Telecommunications. The financial industry of the country suffered a great deal in the days of Saddam Hussein. There were about 17 banks in operation as at 1990 but were really limited to domestic business and this limited access to prospective customers because of the international embargo of 1990 to the economy. There was a relief in 2003 when the Alliance Interim Authority detached the limitations on transnational bank businesses and allowed the Central Bank of Iraq (CBI) to do offshore businesses. This was achieved when the bank was taken and freed from the government control and attracted some credit for reducing the Iraqi's inflation and finally opened to do business with three foreign banks. The private security has boosted greatly because of the increase in insurgency and security concern in Iraq. This arm of the service sector has been exclusively wealthy part of the service sector, its frequently set up and track by the retired US military personnel. As at 2005, about 26 security corporations presented private and recognized protection, investigation and other systems of security. Marketing trade grew in the economy because of the absence of income duty and inward trade control. The holiday business of Iraq has been on the increase despite the threat from the insecurity nature of the Iraq system. The sector recorded the earning of US$14 million in 2001 and it has maintained its staff strength from the inception (Neild, Tawfeeq, Mohammed, Barry., 2011). The communication industry has been on the increase also with the expansion of mobile phones subscriptions to over hundredfold to 10 million nationwide (Key facts and figures-ABC News, 2015).

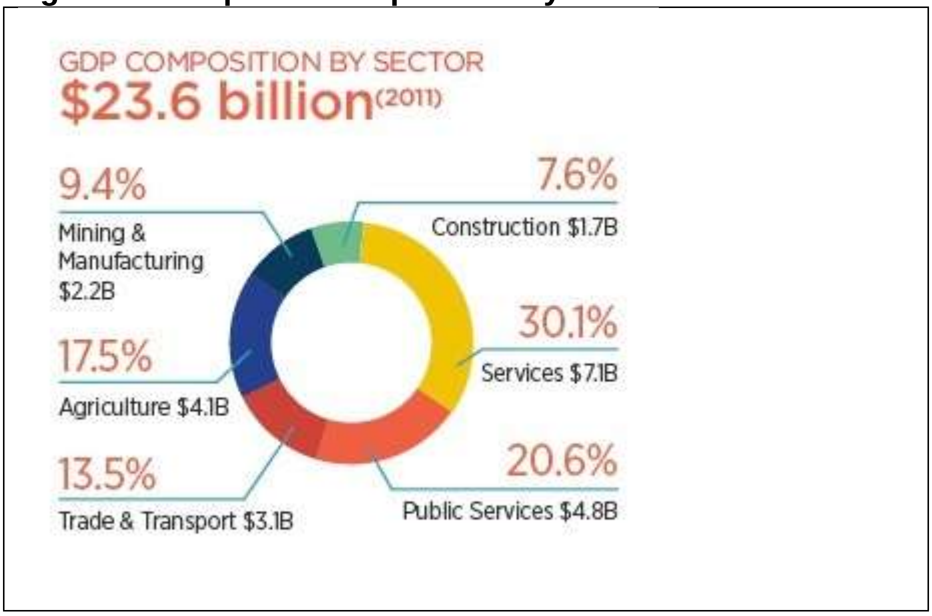
In summary, apart from the massive impact of the oil sector which constitute a greater percentage of the Iraqi economy, the service sector with its composition proved to be very vital in the economic activities of the country under research. The Agriculture which constitutes its most of its import was faced with several problems ranging from international trade embargo and the degradation of the land through the spilling of salt. The clearer picture of this economy can be seen with the pictorial presentation below.

Figure 6a. Iraq GDP Composition by Service



Source: Iraq National Centre for statistics and information

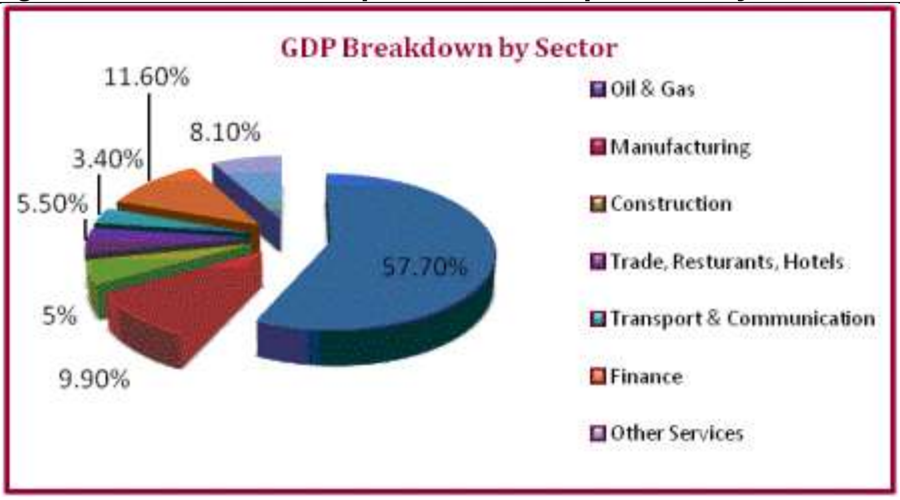
Figure 6b. Iraq GDP Composition by Service



Source: Iraq National Centre for statistics and information

In summary, the statistical composition of the Iraqi's economy is detailed in the table below with a comparison of the selected variables which portrays the oil and gas, and the services as the major players in the Iraqi's economy.

Figure.7. Statistical Composition of Iraqi Economy



Source: Iraq National Centre for statistics and information

1.4. Statement of the Problem

This paper raises very important questions, on the current argument, on how the nations like Iraq with a high marginal propensity to import but with little non-oil products to export, decreasing product values via prices and balance of payment problems, gain from trade liberalization and kept the steady and long-run development through viable economic growth. Is it to expand the import side of the trade or the export side of the bargain?

1.5. Objective of the Research

To answer the above question triggers off the curiosity to research which side of trade (whether export led or the import led) will boost the economic growth of the nation, Iraq. We will equally test the impact of other variables such as FDI and Services to the economic growth of Iraq and this is considered as the objective of this work.

CHAPTER 2

LITERATURE REVIEW

2.1 Theoretical Literature Review

Within the modern-day literature on the monetary boom, the Solow-Swan version (1956) is the principal reference factor. The above model is an exogenous growth version, that is, an economic version of a long-run monetary boom set in the framework of neoclassical economics. It attempts to explain the long-run financial boom set by way of looking at capital accumulation, labour, or populace growth and technological progress. One of the predominant lessons that can be derived from the Solow-Swan version is the need for technological development to accomplish sustained economic increase.

Despite the fact that, the Solow-Swan version is a fundamental factor of reference, endogenous increase theory now affords an evaluation of the version. We ought to understand the mechanisms which inspire increase as that is a critical condition for selling financial boom processes. A critical circumstance is that expertise and era are advanced in interplay with physical capital. Solow version additionally indicates that irrespective of the preliminary consistent with capital stock, all countries will pass together to the equal stable country and comparable well-known of dwelling in the end.

Through the years, the basic Solow-Swan model has served as a base for extra complex version. The endogenous increase principle regarded within the Eighties, wherein Roner (1986) and Lucas (1988) had been important contributors. This idea emphasises that technological development is an endogenous final result of an economic device, now not the end result of forces that come from outdoor. In addition, this theory revives interest in the long-term economic growth.

2.2 Empirical Literature Review

Many panel research works have been carried on this topic by many authors using panel to test whether there is causality that from export to GDP of the opinion that there is a causation transmitting from outward trade to the financial performance of a given country (Balassa, 1978; Feder, 1983; Heller & Porter, 1978; Kavoussi, 1984; Michaely, 1977; Ram, 1985, 1987; Tyler, 1981), though most of their studies did not support a strong relationship between the export and the GDP on established fact but they assumed this to be the case. Also, some authors have equally come with a different model of the study of the outward trade triggered development. They utilized the time series method to investigate the rationality of the outward led advancement of an economy (Bahmani-Oskooee, Mohtadi, and Shabsigh (1991), Chow (1987), Jung and Marshall (1985)). These studies did not afford an even result to the backing of the outward triggered economic advancement hypothesis. Even though some of the works found an evidence in support of the hypothesis, it is far-off from convincing. The proof found on these research works are better viewed as mixed.

Some of the works did a combination of the Granger causality and another model to test the validity of the hypothesis. Jung and Marshall (1985) with the application of the Granger causality found that 4 out of 37 countries supported the hypothesis of export led growth. Love (1991) did a work combining Granger causality and FPF to investigate the growth hypothesis which he called two engines growth hypothesis (the export engine and government sector engine advancement of the economy). He adopted the Heller and porter (1978) method of describing GDP net of transfers and noticed that export and the government sector have little or nothing to contribute to the growth hypothesis. The argument of the export led growth theory was weak in the study of 87 countries when investigated with Granger causality (Dodaro, 1993).

Ram (1985) in his findings in his work on 88 countries that the export led policy is impacting positively on the growth of the studied economies. In their work on the 41 less developed countries, Greenaway and Nam (1988) made their stand export led policy is superior to the import led policy in the maintenance of a good and persistent economic growth. Khan and Saqib (1993) are equally of opinion that export led trade is of more importance to the robust economic growth in their simultaneous equation work. Their findings exhibit strong association amongst outward trade performance and economic advancement. There is a presence of a positive association amongst the outward trade policy and the economic advancement and the relationship is significant (Bahmani-Oskooe and Alse, 1993). Also, adopting the methodology that utilizes the stationarity and cointegration and runs Granger causality test, Paul and Chowdhury (1995) found evidence that there is a causality that runs through economic growth from exports. This suggests that export policy promotion is the viable policy for Australia. The work of Kwan and Kwok (1995) utilized erogeneity tests to examine the connection among GDP and the export led economic advancement on Chinese economic performance and found out that the current real export led advancement has a non-negative influence on economic advancement. Ghartey (1993) found a causality mediating from export to economic growth on the US and Taiwan economy which shows a non-negative connection among the exports led policy and economic advancement. Sharma and Dhakal (1994) found a non-negative connection between the export led and economic advancement of 5 nations from the 30 countries that they studied. The export causes growth in 6 countries while economic growth causes exports in 8 countries but there is no relationship between the two variables in 11 countries. The Japanese economy was examined by Boltho (1996) to see if there is any connection among export-led policy and the economic advancement and the result is in consonance with the assertion that export led policy really impact GDP. Also, Henriques and Sadorsky (1996) did a work on the Canadian economy and found that the impact of the export led policy is positive and significant to the economic performance of the country. Apart from the agreement from some scholars that the trade openness via export contributes to the Economic growth of a country's economy, there are other scholars who still maintain their stand on the unfavorable state of the international trade especially on the side of the third world countries with their high handedness in importation. Some notable researchers have done some works on this topic. The likes of Carbaugh (1988) who suggest He suggests that countries will do better if maximize exports and minimize imports. And Sir Awojobi et al (2011) equally came up with the trade led hypothesis which suggests that export trading fosters economic growth in Nigeria. Contrary on the dominant belief of the positive impact of trade openness, a Noble prize winner of economics in the year 2001 and 2002, Joseph Stiglitz in his book ''Globalization and its Discontents'' disagreed with the view but argues that the trade openness is a detriment to the developing economies like Nigeria.

A remark from his book titled ''Globalizing the world and its Demerits" Joseph Stiglitz says globalizing the world is not assisting several developing nations. This is because of over-reliance of the developing economies to the developed economies. Also, in his remark, Dr. Aye Aye stated that ''Proven results from the previous studies show that trade openness does not cause poverty eradication, meaning that the advantages of trade openness do not have much impact on the poor masses in Iraq. Considering the many works that have been done in this area of economic globalization via trade openness, it is observed that the positive impacts of the trade have an edge over the negative impacts.

The conviction that fast development of export-related trade quickens economic advancement in less developed nations has been investigated in many ways and in some verified and the heading of connections debated. A non-negative connection amongst trades and economic advancement and monetary development was recorded for some less developed nations and countries by Balassa (1985), Ram (1985, 1987), Bhagwati (1988), Greenaway and Nam (1988), Alam (1991) and Salvatore and Hatcher (1992). Different researchers have presumed that the non-negative connection does not surface amidst times of diminishing in global request, and that some essential height of production is vital for bring down price for nations to profit from trade extension and export situated approaches promoting growth and development (Michaely, 1977; Tyler, 1981; Feder, 1983; Helleiner, 1986; Singer and Gray, 1988; Kohli and Singh, 1989; Ahmad and Kwan, 1991; Odedokun, 1991; Buffie, 1992). Despite the fact that assessments contrast on the export-oriented growth talk about, global loaning offices, for example, the World Bank and the International Monetary Fund (IMF) uphold exchange approach change a noteworthy condition for giving a guide and different sorts of outer financial help to the less developed nations such as Iraq.

Kindleberger (1975), Clarifies the consequent spread of unhindered trade all through Europe and in the world within the period of 1846 and 1860 as being driven by organized trade belief system. Irwin (1993), includes that the spread of international trade proceeded after 1860 as nations tried to join the Anglo-French exchange coalition. On account of the US, Nelson (1987), clarifies its mid-twentieth century duty to liberal exchange as an endeavour to reinforce its war-torn exchanging accomplices against the danger of Communism. Notwithstanding, the thought that some type of authority may have been working is hinted by Baldwin (1984) who notes, that since the late nineteenth century, the Democrats . . . kept up that low U.S. levies supported low export trade tariff and duties and subsequently in a roundabout way animated U.S. exports. Moreover, Bhagwati (1988), contends that, in the two its help for the early GATT and its quiet submission to Part IV, United States was going about as a pioneer in the feeling of maintaining GATT by allowing reasonable asymmetries of commitments for these countries on a permanent basis. (B Bhagwati, 1988, p. 41.) At last, Ethier (1998), clarifies ongoing territorial assertions amongst extensive and little nations just like the consequence of expansive nation trade levy decreases.

There have been some critiques as regard the boosting of the growth by the export. The first among them is the comparative advantage fallacy. There was a constant little internal neoclassical comparison that specializes in capability risks of trade openness. These dangers covered Johnson’s (1954, 1955) terms of alternate downside critique; Bhagwati’s (1958) immiserating increase critique that improved Johnson's critique to a changing context; the Stolper–Samuelson (1941) critique about change and profits equitable distribution that's to be considered in phrases of exchange deficit; and Lipsey–Lancaster (1956) sighted opinions on unforeseen negative outcomes of trade openness within the context of an international marketplace imperfections and uncertainties (see as an instance Brewer 1985). However, this inner critique is a set of uncommon disadvantages and regularly its miles a puzzling distraction to more organized critiques. This is as it holds the fundamental logic of neoclassical change theory instead of debating it.

The second a number of the critics is known as the Keynesian critique and it is rooted in macroeconomics and Keynes disagreement with comparative advantage idea (Milberg 2002; Prasch 1996). In a Keynesian philosophy of demand scarcity, trade can lessen home or home call for, so that you can motive discount in output, employment, and countrywide welfare. An implicit result of this proposition is that in a Keynesian philosophy, export subsidies are not a repayment, however, might also rather rustle demand and employment. The Keynesian total demand shortage critique additionally considers change fees a trade problem because underestimated change rates influences call for through various the relative price of imports and exports thereby inflicting trade deficits. Classical liberalized financial system macroeconomics, that's the twin of a neo-classical alternate idea, emphasizes that any employment outcomes of below-valued alternate quotes are at poorest at that moment. This is due to the fact economic elements are allegedly impartial. Both the actual trade rate regulates itself to stability the effects of cash, and the money deliver adjusts through the specie-flow mechanism to tackle the exchange deficits. However, this philosophy falls aside if there are unavoidable consequences linked to the fashion of demand and the organization of production (Palley 2003a). In this case, change costs are non-neutral in both the quick- and long-run, and these non-neutralities make the benefits of trade-reliant on appropriate exchange charge dynamics. When such arrangements aren't always viewed change may also reduce welfare through a reduction in output and employment.

The Keynesian call for scarcity critics also contains over and make inferences to situations with economies of scale. Inside the incidence of economies of scale, measures that growth demand (which include safety) can decorate and growth exports by reducing the standard expenses of manufacturers. This may offer any other heritage to bog down free change (Krugman 1984). The third a few of the opinions are thought to be “kicking away the ladder” after the ebook that's compiled by means of Chang (2002). This contrast dated returned immediately to the submit-world conflict II import-substitution school of an idea and debated trade safety, commercial coverage, and the potential to conduct macroeconomic policy are necessary for a successful financial boom and development. Chang (2002) opined that no United States of America has effectively developed without such guidelines. While the Keynesian critique of liberalization is preferred and holds for each growing, rising marketplace economies and evolved economics, the kicking away the ladder opposition applies only to emerging market and developing economies. The fourth among the critique is exactly approximately export-led growth and it includes three separate elements. The first thing is viewed because of the Robinson beggar-thy-neighbour critique after Joan Robinson’s (1947) observations approximately macroeconomic mercantilism. This debate is Keynesian and originated from the aggressive devaluation enjoy of the Nineteen Thirties. Common sense is that nation that try and export their way out of a call for scarcity implicitly hurt their neighbours by rustling call for and employment. Applied to export led improvement, the Robinson project implied that there may be a misconception of composition and developing countries might also crowd out every-others exports (Blecker 2000; Palley 2003b; Blecker and Razmi 2010). The second issue is tagged the Prebisch (1950)–Singer (1950) critique. It centres on supply and price effects of export-led boom in the assessment of the Robinson critique which focuses on call for and amount consequences. Some years ago Raul Prebisch (1950) and Hans Singer (1950) mentioned a trouble of declining phrases of change for commodity exporting countries. Currently, the hassle has shifted from commodities to synthetic items and nations that contain in export-led boom may additionally worsen the trouble by growing the worldwide supply of such items (Sarkar and Singer (1991); Kaplinsky (1993); Sapsford and Singer (1998).

The third issue is known as the structural Keynesian critique (Palley 2002, 2004). The talk here is export-led increase complements monetary system that delivers low nice increase and hinders the development of profound prosperity. Amongst many nations, improvement has low roots due to the fact its miles externally cantered—a phenomenon exemplified through export processing zones and Mexico's maquiladora zone. Internationally, export-led boom encourages a race to the lowest as nations try to benefit competitive gain by using any approach. This effects in salary discount, disregard for exertions and much less employment and environmental requirements, push aside of administrative centre conditions, and vulnerable law aimed toward the beautiful capital.

The extensive literature concerning the hyperlink among exchange and increase is likewise the result of the many adjustments which have taken location inside the hub of development economics and global trade coverage within the ultimate decades. The instance of these change is the incredible changes from import oriented guidelines to export promotion (EP) approach. In the early 1980s export-led boom and export promoting had already secured a huge agreement among researchers and coverage makers, to such an extent that they had turned to a "conventional knowledge" amongst most economists in the developing and rising economies of the sector (Tyler, 1981; Balassa, 1985). This is nevertheless the case in some worldwide businesses, the international and international bank network and multilateral creditors including the arena financial institution and the International Monetary Fund (IMF), and a few of the traditional coverage makers. The supporters of the export-led guidelines and liberalized change point out that maximum developing international locations of the sector that adhered to the import orientated rules underneath the import substitution approach (ISS), mostly in Latin the united states, experienced terrible economic performance and achievements (Balassa, 1980). Some of them exhibited on average a complete lack of boom and improvement, whilst actual income reduced between 1960 and 1990 (. Barro and Sala-i-Martin, 1995). These facts had been partially liable for the noticeable trade that occurred within the trade literature within the Eighties. For instance, Bruton (1989) opined that as the first stage of import substitution came to a stop, those countries that Refused to cast off this approach, mainly in Latin America, or that were not able to advance to a greater export oriented and approach have become unimaginable susceptible to outside factors. Most of them became alarmingly dependent on quick-run capital inflows, particularly from industrial banks, just to maintain their degrees of imports and also of intake. This becomes entirely the case of most Latin American countries that have been adversely laid low with the debt disaster of the early Eighties. Thereafter, many developing nations had been forced to encourage their export-led growth orientation even greater because most of them needed to depend upon multifaceted companies to enforce modifications and balance packages to accurate disparities of their basic macroeconomic signs. The approach becomes to inspire open marketplace through strategies that depend mostly on the export led promoting technique as one of the maximum qualified and honest method. Encouraging exports might permit developing countries to alter the inequalities within the outside zone and on the equal time help them with the aid of making sure that their domestic economies made a full resurrected. As a part of export techniques, a new set of structures increasingly more became a vital element for policymakers in growing international locations concerned in reshaping and stabilization packages. With reference to this, numerous Governments started out at this time to encourage exports the usage of several techniques and instruments, inclusive of subsidies and tax vacation. Consequently, via the mid-Eighties, the monetary studies works regarding rising and development economics, financial growth, modification, and stabilization applications had quick averted the import led-oriented approach and become focusing and suddenly laying tremendous emphasis on export-led approach. Maximum macroeconomic philosophers and policymakers in developing countries quick welcome the new philosophy, with the perception that via mission this coverage their nations could enjoy or regain the growing charges of increase of the past. Every technique has been a concern of all-encompassing theoretical analyses and that the research paintings checking out the hyperlink among change and growth has doubled extensively in the remaining decade with the inducement provided through the endogenous growth principle. However, it is not the inducement of the prevailing studies work to participate in or contribute to the deliberation concerning the advantages and disadvantages of each financial rules, which later received a brand new measurement (Bruton, 1998; Edwards, 1998; Frankel and Romer, 1999; Rodrik, 1999). However, even though the theoretical survey has repeatedly focused on the hyperlink between exchange and monetary boom (Adams, 1973; Crafts, 1973; Edwards, 1992; Scott, 1992), the interesting incidence is that “empirical studies and analyses have generally researched the hyperlink between exports and growth” (Levine and Renelt, 1992, p. 953). Because the overdue 1960s studies have been carried out to check the role of export development and overall performance inside the economic development system. Although the empirical examinations may be inferred to be widespread, its results are sincerely conflicting for each developing nations and advanced countries, a component that might provide an explanation for why this studies topic remains at the height of the definition for many economists. According to the so-referred to a new orthodoxy, maximum researchers, as well as multilateral institutions, could agree that encouraging exports and attaining export growth are effective for both developed and growing nations for many motives, which include the following (a) they create an extra capacity usage; (b) they take into account the gain of economies of scale; (c) they pave way for technological progress; (d) they devise employment and enhance and growth hard work productiveness; (e) they enhance distribution of scarce sources at some stage in the economic system; (f) they lessen the current account burdens for foreign capital items via increasing the united states of America's outside profits and attracting foreign investment; and (g) they growth the entire component productiveness (TFP) and therefore the welfare and the overall well-being of the US (global bank, 1993) . Desk below provides a precis of a set of 42 empirical examinations performed between 1967 and 1998, which includes a time period, method, variables, econometric approach and conclusions reached by means of the researchers. Even though a massive part of the preceding research located proof of a link among exports and increase which became used to assist the ELGH, this has a tendency to hold only for panel research. In reality, the current findings on time collection, which makes giant use of co-integration approach, contrasted the fantastic results of exports on increase in the end, and that is absolutely different from what it became previously concept to be. Therefore, justifications concerning this huge empirical studies are in order. Some of the principal empirical studies Emery (1967, 1968), Syron and Walsh (1968), Serven (1968), Kravis (1970), Michaely (1977), Heller and Porter (1978), Bhagwati (1978) and Krueger (1978) ought to be acknowledged. This first group of researchers and their findings explained the financial boom in terms of export enlargement by myself, in a -variable framework. This is, they carried out the bivariate correlation, the Spearman rank correlation check, in move us of a layout to give an explanation for the alleged superior effects of the ELGH (Lussier, 1993, p. 107). The second organization of researchers, which includes Balassa (1978, 1985), Tyler (1981), Feder (1983), Kavoussi (1984), Ram (1985, 1987) and Moschos (1989), researched at the hyperlink among export and output overall contribution in the context of the neoclassical philosophy. In most of those research works exports were covered in an advert his way inside the production function, collectively with labour and capital. They assumed that by means of including exports they were taking into account an in-depth measure of externalities and productiveness benefits harnessed by way of this sector which enhances the domestic economic system. Most people of those research is targeted at studying developing international locations by applying every day least squares (OLS) on go-section statistics and implemented their outcomes in describing the merits of the export merchandising approach in assessment with the import substitution policy. It became not till these days that this line of studies started to attention on united states-unique studies, for each technologically advanced nations and the developed international locations. Extraordinarily, extra than half of the empirical based research works posted inside the Nineteen Nineties determined no long-run hyperlink among exports and financial performance and increase; as a substitute, the effects show that it can most effectively be located from an advantageous quick-time period hyperlink between export growth and increase and overall performance of gross home product (GDP). The studies of developed international locations have analysed the instances of Canada, France, Germany, the UK, the US, and Switzerland, among others. In only a few cases have the empirical findings confirmed that export enlargement became a key detail within the economic success of those countries (Kugler, 1991; Afxentiou and Serletis, 1991; Henriques and Sadorsky, 1996). Even extra sudden is the finding in relation to Japan economic system, that is that inner forces had been the handmaidens of the first-rate Japanese financial fulfillment within the twentieth century, along with the post-war period, and now not trade as many have claimed within the recent beyond (Boltho, 1996).

In summary, the Empirical literature review is presented in tabular form with the different headings which include the name of the author, topic, and series or the period of the study, the method applied in the study and the conclusion of the study. We selected 37 authors and reviewed their work in a tabular form which is all bounded in the chosen topic we work on.

1. Break down of Different Empirical literatures from different authors with their methodologies and findings

STUDY	SAMPLE	PERIOD OF STUDY	METHODOLOGY					CONCLUSIONS
			DATA SET	ECONOMIC GROWTH	EXPORT	ECONOMETRICS TECHNIQUES	OTHER VARIABLES	
Emery (1967)	50	1953-1963	Cross-section	GNP growth	Export	OLS	Current account	Backing for the Export led hypothesis
Syron&Walsh (1968)	50	1953-1963	Cross Section	GNP growth	Export	OLS	Non	Support for the Hypothesis but the results are sensitive depending on the types of country under research, LDC’s or DC
Serven (1968)	50	1953-1963	Cross section	GNP growth	Export growth and/or export change/output	OLS		Support for the hypothesis and recommend the use of export change/output

Kravis (1970)	37	1935-1966	Cross-section	GNP	Export growth	Spearman rank Correlation	Non	Support the Export led hypothesis, however, indicatedthat LDC's that have been capable of diversifying their exports have been more successful in terms of growth
Michaely (1977)	41	1950-1973	Cross section	Per capita GNP growth	Growth of export share	Spearman rank	Non	Support for the export growth hypothesis and suggests the existence of a threshold effect.
Balassa (1978)	11	1960-1973	Cross section	Real GNP growth	Real export growth	Spearman rank correlation, OLS, production function	Labour force, domestic investment and foreign investment/output	Support for the export growth hypothesis.
Heller & Porter (1978)	41	1950-1973	Cross section	Output growth rate GNP	Per capita export	S.Man R.Cor	Non	Little support for export growth causing growth.

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Fajana (1979)	1	1954-1974 Nigeria	Time series	GDP growth	Export share of GDP and export change/GDP	OLS, Two-gap model	Forien Capital	Supports the export-led hypothesis and suggests that it is due to changes in domestic investment resources.
Tyler (1981)	55&49	1960-1977 Middle-income LDCs	Cross section	Real GNP growth and GNP per capita	Real export growth	S.Man R.Cor	Labour force growth, investment growth	Supports the export growth hypothesis and suggest the existence of an threshold effect
Feder (1983)	32	1964-1973	Cross section	GDP growth	Export growth and export change/output	OLS, production function	Labour force growth, investment/outp ut	Supports the export growth hypothesis.
Kavoussi (1984)	73	1960-1978 Low-and	Cross section	Real GDP growth	Real export growth	S.Rank Correlation,OLS	Labour growth, capital growth	Support for the hypothesis, however, the effects tend to diminish according to the leve

Bassa (1985)	43	1973-1979 Semi industrialized countries	Cross section	Real GNP growth	Real Export growth	OLS, Production function	Savings, labour GDP per capita, share of exports (manufactured products)	Supports the hypothesis and suggests that outward trade orientation is beneficial.
Jung & Marshall (1985)	37	1950-1981 LDCs	Time series	Real GNP or GDP	Lagged GNP and GDP growth	OLS, Granger causality test	Lagged GNP and GDP growth	Only in 4 cases out of 37 was there evidence that supported the export-led hypothesis (Indonesia, Egypt, Costa Rica and Ecuador)
Ram (1985)	73	1960-1970 1970-1977 Low- and middle-income LDCs	Time series two-sub periods	Real GDP growth	Real Export growth	OLS, White test for specification bias and heteroskedasticit y	Labour force growth and investment growth	Supports the export growth hypothesis and suggests the existence of an threshold effect
Chow (1987)	8	1960-1980 NIC's	Times series	Manufacturin g output growth	Export growth of manufactured goods	Sim's causality Test (1972), bivariate model	Non	Support for reciprocal causality hypothesis regarding export growth and industrial development

Darrat (1987)	4	1955-1982 Four-little dragons	Time series	Real GDP growth	Lagged real export growth	OLS, White test Bivariate model	Non	Rejects the export growth hypothesis in 3 out of 4 cases. Is able to support it in only one case (Republic of Korea) on the basis of the causality test.
Heitger (1987)	36	1950-1970 Averages	Cross section	Real GDP per capita	Export share of GDP	OLS, adhoc production function	GDI/GDP effective rate of protection, labour force, technological adaptation and adult literacy	Supports the case for trade liberalization.
Ram (1987)	88	1960-1972 1973-1982 Low- and middle-income LDCs	Cross section two sub periods	Real GDP growth	Real export growth	OLS, Production function	Government size, GDI/GDP, labour growth	Supports the export led-hypothesis but asserts that the huge intercountry differences and diversity suggest caution when interpreting the results.

Moschos (1989)	71	1970-1980 Averages	Cross-section	Real GDP growth	Real export growth	OLS, production function	Labour growth, real domestic investment growth	Supports the export-led growth hypothesis and suggests the existence of an threshold effect. The rate of growth seems unaffected by labour because of its magnitude, while capital has limited effects owing to its low productivity levels.
Colombatto (1990)	47	1971, 1978 and 1985	Cross-section 3 separat e years			OLS, Correlation coefficients	Government consumption, agricultural exports and	Rejects the export -led growth hypothesis.
Fosu (1990)	28	1960-1970 1970-1980 African countries	Pooled cross-section al two periods	GDP growth	Rate of growth of merchandise exports	OLS, production function	Rate of growth of GDI, labour growth	Supports the export -led hypothesis.

Kugler (1991)	6	1970(1)- 1987(4) Industrial countries	Time series	GDP exception in the case of the US (GNP	Real export growth	ADF unit roots, Johansen's procedure, VARs	Consumption (durable, nondurable and services), investment (business fixed)	There is only weak empirical evidence supporting the export-led growth hypothesis. In only 2 cases out of 6 is a long-run relation verified (France, West Germany).
Afxentiou & Serletis (1991)	16	1950-1985 Industrial countries	Time series	Real GNP growth	Real export growth	Phillips-Perron unit roots, EG procedure, Granger causality tests	Non	No systematic relationship between exports and GDP is verified. Only in 2 cases out of 16 was a bidirectional causality manifested (US and Norway).

Sengupta (1991)	5	1967-1986 South-East Asia (Republic of Korea)	Time series	Real GDP growth	Real export growth	OLS, production function	Labour growth and capital growth	Supports the export-led hypothesis and suggests the positive externality effects of exports on growth.
Serletis (1992)	1	1870-1985 Canada	Time series	Real GNP growth	Real export growth	ADF unit roots, EG procedure, Granger causality tests	Import	Supports the export-led growth hypothesis in the short run; however, no cointegration between the variables was found
Khan & Saqib (1993)	1	1972-1988 Pakistan	Time Series	GDP growth	Real export growth: primary products and manufactured goods	3SLS, production function	Labour growth, capital growth, World GDP Index, relative prices	Supports the hypothesis of a strong association between exports and growth performance.

Lussier (1993)	24&19	1960-1990 African economies	Cross-section and panel data	GDP growth	Real export growth	OLS, 4 versions of production function	Labour growth, GDI/GDP, export share of GDP	Supports the hypothesis in panel data but fails to find any positive association when using export growth as a share of GDP
Sheehey (1993)	31 & 65	1960-1970 Semiindustrialized countries	Cross section	GDP growth	Real export growth	OLS, production function	Labour growth, GDI/GDP, export share of GDP	Inconsistent evidence of higher productivity in the export sector compared with the non-export sector; thus, suggests caution when analyzing empirical results.
Greenaway & Sapsford (1994	19	1957-1985 1970-1985 1971-1985	Time series	Real GDP growth	Real export growth and export change/outpour	OLS, 3 versions of production function	Labour growth, rate of growth of investment, dummy for liberalization episodes	Little support for the export-led growth hypothesis and for the positive liberalization effects on growth.

Lee & Cole (1994)	73	1960-1970 1970-1977	Cross section two sub-periods	Real GNP growth	Real export growth	2SLS, production function, Hausman's test	Labour growth, GDI/GDP	Supports the existence of a bidirectional causality between exports and growth.
Van den Berg & Schmidt (1994)	17	1960-1987 Latin America	Time series	Real GDP growth	Real export growth	Phillips-Perron unit root, EG two-step procedure, OLS, VARs, production function	GDI/GDP, population growth	Points to a positive long-run relationship between exports and growth in 11 of the 16 cases analysed. Costa Rica is among those countries where the hypothesis was verified

Jin (1995)	4	1976(2)- 1993(2) Four little tigers of Asia	Time series	Real GDP	Real exports	F-tests, ADF, impulse response function, VARs, EG two-step procedure	Real exchange rate, foreign price shock, output shoc	Bidirectional causality was found in the short run but no cointegration was detected; therefore, no long-run relationship is proved
Figueroa de la Barra & Letelier-Saavedra (1994)	1	1979(1)- 1993(4) Chile	Time series quarterly	Real GDP	Real exports and export change/outpour	ADF unit root, VARs, Johansen's procedure	Labour force, capital, exports + imports/GDP	Supports the hypothesis of export-led growth. The results do not change independently of the indexes of outward orientation used.
Henriques & Sadorsky (1996)	1	1870-1991 Canada	Time series	Real GDP growth	Real export growth	ADF unit roots, VARs, Johansen's procedure, Granger causality test	Terms of trade	No support for the export-growth hypothesis but failed to reject it.

Al-Yousif (1997)	4	1973-1993 Arab Gulf countries	Time series	Real GDP growth	Real growth of exports and export change/ output	ADF unit roots tests, White test, production function	Labour force and GDI/GDP	Evidence that supports the hypothesis in the short run; however, it fails to find any long-run relationship, i.e. does not find cointegration.
Islam (1998)	15	1967-1991 NICs of Asia	Time series	Real GDP growth	Export growth and export change/outpo ur	ADF unit root tests, Granger causality test, error correction model	Imports, government nondefence expenditures, trade orientation, investment, instability in exports earnings	Evidence that supports the hypothesis in the short-run but only in 5 cases was a long-run relation (no cointegration) found.

Shan & Sun (1998)	1	1978(5)- 1996(5) China	Times series	Real industrial output	Export growth	Adhoc production function	Labour force, investment and energy consumption	Indicates a bidirectional causality between export and real output. Therefore, the export-led hypothesis defined as a unidirectional causal ordering from exports to growth is rejected.
Begum & Shamsuddin (1998)	1	1961-1992 Bangladesh	Time series	Real GDP	Export growth and export change/outpo ur	OLS, VAR production function, MLE estimation and arch model	Labour force, GDI/GDP, dummy and trend	Supports the hypothesis.

CHAPTER 3

DATA AND METHODOLOGY

3.1. Variables and Data Source

This work uses annual time series data analysis for Iraq, within the space of 1970 and 2012. This is utilized to test the impact of the two trade policies (i.e export led growth policy and import led policy) on the economic growth of Iraq and to determine the economic performance of Iraq under each policy. The data was sourced from the World Bank Development Indicators (WDI).

3.2. Methodology

The method we applied in this research is an ordinary least square method which is the linear method of testing the impact of independent variables on the dependent variable. This will assist in determining whether the relationship between the two sets of variables is positive or negative and significant or not. The variables chose in this our work are Economic growth (GDP), Export, Import, Foreign Direct Investment (FDI) and Services. We chose the mentioned variables considering their relevance to the economy of Iraq and their impact to the economic performance of Iraq right from the beginning of the economy. The GDP is considered the dependent variable to which all other variables are surrounded and posed as pillars holding the GDP. We utilized Eviews9 in our analyses and the results were interpreted as given. We run the analyses of stationarity test to check the stationarity of the indicators and finally execute the ordinary least square test to check the linear connection that exists between the dependent and independent variables. The interpretation will be done with the outcome of the OLS test and carefully consider the policy implication and give necessary recommendations to the policy makers online with our findings. The linear relationship of the variables was formulated with the following equation:

GDP = bo + b1Expt + b2Impt + b3fdit + b4Servt + et ……………1

Where bo is the intercept in the equation, the b2, b3, and b4 are the parameters that measure the impact of the independent variables (export, import, FDI, and services) to the dependent variable (GDP), exp in the equation represents the export, imp represent the import, FDI represents the foreign direct investment, while the serv represents the service. The numbers in the equation represent the series and the et represents the error term or residual which contains all other controlled variables.

The variables-GDP Growth, Export, Import, FDI, and Services; with GDP as the real gross domestic product (RGDP) is used to measure growth in economic activities of Iraq; FDI is the foreign Direct investment is used to denote the growth in the foreign direct investment, i.e. portfolios, stocks, bonds, shares and direct investments; The SERVICES is used to denote the activities that existed in the manufacturing sector of the economy such as telecommunication, Banking sector, manufacturing, and others. The Export is the total exports of goods going out of the country, while the Import is the total of goods coming into the country.

3.2.1. Empirical Analyses

3.2.1.1. Unit Root

Because of the nature of this work as a time series work, before any test is done we carried out the stationarity test for the ascertainment of the stationarity of the variables. It is expected that some of the variables in the analyses are not stationary and for this, it is important that unit root test is carried out in other to avoid a spurious result which may be tentatively considered as a good result while it is not. Most data of some developing countries such as Iraq are not stationary and this is the more reason it is paramount to run this test. The unit root test will help the researcher to know if the data is stationary at a level or at first difference which will suggest the next test to undergo. For stationarity, we conducted stationarity test with the application of Augmented Dickey-Fuller (ADF) (1981) and Phillips-Perron (PP) (1988) test Both ADF and PP tests are utilized for the confirmation of likely appearance of non-stationarity; i.e. non-stationary variable. For this reason, we declare the hypothesis as follows:

H_0: Statonarity is not established (series is non stationary)

H_1: stationarity is established (series is stationary).

The first condition is that the estimate for t-statistic must be less than zero (t-stat < 0), then we check the total worth of the calculation with the Mackinnon (1996) critical worth for the test to accept or reject the null hypothesis.

Table 2. Unit Root results

Variables	**ADF@level**	**CriticalValue@5%**	**Status**
GDP	-7.431329	-1.949**	I (0)
Export	-0.822085	-1.949**	I (1)
Import	-1.006853	-1.949**	I (1)
FDI	8.748435	-1.949**	I (0)
Services	-5.988254	-1.949**	I (0)

With this effect, we perform the stationary test with the Augmented Dickey Fuller (ADF) 1997 as shown on the table below and we found that the variables were integrated at a level as most of them were integrated at level with the exemption of export and import. This finding suggests that the data is stationary and this suggests that the null hypothesis will be rejected. With this effect, we proceed with the ordinary least square test.

****Denotes significant at 5%**

3.2.1.2. Ordinary Least Square (OLS) test

Upon the ascertaining the stationarity of the work through unit root test, the researcher proceeds with the ordinary least square test based regression to identify between the Export led trade and the Import-led trade which is more viable in sustaining the economic performance of the Iraqi economy. The ordinary least square test will definitely prove the relationship among the chosen variables. The table below displayed the outcome of the regression and validate the claim by the researcher.

Table 3. Ordinary Least Square (OLS) Regression

Dependent Variable: GDP				
Method: Least Squares				
Date: 03/21/18 Time: 12:49				
Sample: 1970 2012				
Included observations: 43				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXPORT	0.074955	0.139714	0.536492	0.5947
IMPORT	-0.148491	0.166387	-0.892444	0.3778
FDI	-5.46E-10	2.94E-09	-0.185444	0.8539
SERVICES	0.678136	0.103462	6.554434	0.0000
C	4.936278	4.345045	1.136071	0.2630
R-squared	0.547988	Mean dependent var		8.127236
Adjusted R-squared	0.500408	S.D. dependent var		19.34755
S.E. of regression	13.67520	Akaike info criterion		8.177989
Sum squared resid	7106.419	Schwarz criterion		8.382780
Log-likelihood	-170.8268	Hannan-Quinn criteria.		8.253509
F-statistic	11.51716	Durbin-Watson stat		2.639037
Prob(F-statistic)	0.000003			

The result from the OLS regression is presented in a linear form to draw some inferences to back up our claim on which of the variables determine the best economic performance of Iraqi economy within the time frame of this work. Thus, it is presented as follows in a linear form:

GDP = 4.936278 **+** 0.074955**Expt** -0.148491**Impt** -5.461 **fdit +** 0.678136**Servt**

(t-stat) **(**1.136071**)** **(**0.536492**)** **(**-0.892444**)** **(**-0.185444**)** **(**6.554434**)**

D.W= 2.639037. NB: the numbers in parenthesis are the t-statistics

Prob (F-statistics) = 0.000003.

Looking at the result obtained from the Ordinary least square analyses, it may seemed contradictory because of the insignificance of the t-statistics in the above regression, for more clarification, the researchers have gone further to apply another form of regression which is non-linear regression called ARDL which comes with different lags, that is four lags. Though it supports the outcome of the above OLS regression it deviates a bit with some sort of adjustments in other to shade more light on the corrections made achieved in the first regression. Some of the deviations are: First, the t-statistics which were insignificant in most of the coefficients except services are now corrected and the t-statistics in the ARDL below seems to be significant with moderate standard errors in all the coefficients except the export and FDI that have low t-statistics in their first lags respectively but all other coefficients and lags are significant. Secondly, the p-values of both the services and import are significant instead of only services being significant. There is also a bit upward adjustment in the Rsquare and the Durbin Watson shows clearly that there is no problem of serial correlation at 2.2.

Table 4. ARDL Regression

Dependent Variable: GDP
Method: ARDL
Date: 07/26/18 Time: 00:01
Sample (adjusted): 1973 2012
Included observations: 40 after adjustments
Maximum dependent lags: 4 (Automatic selection)

Model selection method: Akaike info criterion (AIC)				
Dynamic regressors (4 lags, automatic): EXPORT IMPORT FDI SERVICES				
Fixed regressors: C				
Number of models evaluated: 2500				
Selected Model: ARDL (1, 3, 2, 0, 1)				
Note: final equation sample is larger than selection sample				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.***
GDP (-1)	-0.715901	0.184895	-3.871926	0.0006*
EXPORT	0.068849	0.162325	0.424142	0.6747
EXPORT (-1)	0.376292	0.251202	1.497965	0.1453
EXPORT (-2)	-0.311227	0.226243	-1.375635	0.1798
EXPORT (-3)	-0.267320	0.177555	-1.505566	0.1434
IMPORT	-0.382184	0.202131	-1.890773	0.0690
IMPORT (-1)	0.539574	0.221578	2.435142	0.0215*
IMPORT (-2)	-0.271504	0.190070	-1.428444	0.1642
FDI	1.07E-09	2.61E-09	0.409417	0.6853
SERVICES	0.375608	0.122089	3.076516	0.0046*
SERVICES (-1)	0.600127	0.158606	3.783769	0.0007*
C	15.35267	4.576704	3.354525	0.0023*
R-squared	0.763309	Mean dependent var		8.395423
Adjusted R-squared	0.670323	S.D. dependent var		20.05069
S.E. of regression	11.51260	Akaike info criterion		7.968087
Sum squared reside	3711.120	Schwarz criterion		8.474751
Log likelihood	-147.3617	Hannan-Quinn critter.		8.151280
F-statistic	8.208883	Durbin-Watson stat		2.268730
Prob(F-statistic)	0.000003			
*Note: p-values and any subsequent tests do not account for model selection.				

3.3. Results and Interpretations

From the feedback of the regression, the Durbin Watson statistics above 2.0. Though the result shows a little form of the autocorrelation of the residual in the regression, it is far better and would be of no negative effect to the outcome of the whole result to be compared with when the Durbin Watson is below 2.0 and close to 1.0 which is a sign of autocorrelation of residual. The result shows that variables occur with the expected signs and relationship with the dependent variable (GDP) with the exception of Services which is positive and significant as the case may be. This is on line with the contribution of the various components of the service sector ranging from banking, Telecommunication etc. This supports the figures depicted from the pictorial diagram above where the service sector seems to be very effective in determining the economic performance of the country asides the oil sector. The value of the coefficient of the export shows that one (1) percent increase of the export leads to the 0.7 percent rise of the Economic performance (GDP). This is not more than expected from the export policy within the time frame of this study considering the various acts of international trade embargoes to the Iraqi economy. The export is positive but not significant to the determinant of the good economic performance of the country as at the time studied. Also, the coefficient of the import shows that a one percent increase in the import leads to the 0.14 percent decrease in the economic growth (GDP). There is a negative sign on both outputs of the import, and this confirmed an adverse connection between the dependent (GDP) and the independent (Import) variables. This is not surprising considering the unfriendly policies meant against the international trade of the country especially export trade by the external bodies. This limited their exportation activities and favored their importation and created trade deficit which did not enhance the economic performance of the country. The similar result is noticed from the foreign direct investment (FDI). The coefficient of the FDI shows that one percent increase of the FDI leads to the 5.4 percent decrease of the GDP. This is another negative relationship between the dependent (GDP) and the independent (FDI) variables. This is non-debatable following the activities of the foreign investors who seems only interested in the oil proceeds of the country and their action which portrays capital flight from Iraq to their country. Another reason to this could be the inability of the potential and prospective foreign investors to consider the Iraqi economy as a potential economy to invest on either because of the war engagement of the country or because of the several embargoes placed on the economy which limits its business activities to domestic. This will not be good enough for any potential foreign investor who will not only be interested in the domestic circulation of his business but international. Finally, service as an independent variable proved to be the only sustainer of the Iraqi economy as at the time of the study. This is shown with its relationship with the dependent variable (GDP) which is positive and highly significant with the coefficient showing one increase of the service leads to the 0.68 percent increase of the economic growth. This cannot be disputed by looking at the contribution of the various compositions of the service sector to the entire economy of Iraq. The figure above drive home this finding with the figure representation of the service sector which after the oil sector stood out as a good enhancer of the Iraqi economy. Agriculture and oil proceeds were considered in this analyses but were later found out that they are all captured in the two trade policies already used in our analyses. This probably will cause a multiconiliarity problem which will make nonsense of the findings of this work.

CHAPTER 4

FINDINGS, POLICY IMPLICATIONS AND RECOMMENDATIONS

4.1. Findings

The findings of this work have really buttressed the importance of the service sector to the economic performance of Iraq. This research will seem to be among the few if not the first of its kind that has made an in-depth and valid finding of the relationship between the economic growth and the service in any economy. The findings are not far-fetched from the expectations of this great work as it concerns the acceptable trade policy in the international trade/business. There have been many works on the trade openness but few have taken their time to really work on the trade direction and policy that will fit in into their economy of concern. Countries are peculiar with their ways of doing things and for this, it is paramount to note that what worked for a particular country might not really work for another country, though some countries might have the same result following their methods applied. The findings of the work suggest that export is positive in effecting the economic performance of Iraq but not significantly. This means that export has a positive relationship with the economic growth of the country in research and should be given more and encouraging attention so it will be significant in its effects. The import as a variable depicts a negative relationship with the economic performance of the Iraqi economy. This is well expected following the negative policies from the international communities against the country as the time of the study. This creates a vacuum of the trade deficit which would have been averted if the export is increased and diversified. The FDI also shows the negative relationship with the GDP and the services depicts a positive relationship with a great impact on the GDP looking at the level of its significance to the economic growth of Iraq.

Summarily, we found that export led growth policy is positive but non-significance and in consonance with the positive economic activities in Iraqi economy while the import led growth policy is negative and non-significance to the economic growth of Iraq. But the less expected but the most significant factor is the service sector with a positive and significant impact to the economy of Ira

4.2. Policy Implication

The striking fact about the Iraqi economy is that it is a mono-economic economy whose source of sustenance and operation is wholly dependent on oil resource and production. The economy is purely dependent on just one product for her internally and externally generated revenue. This makes it easy for the country to depend on other countries for the importation of her other needed product and this is to the detriment of exportation capacity which made the country to be having a trade deficit. This does not help the economy of any nation (Harveylhn, 1990; Helpman, 1991), because where importation outweighs the exportation of any given country, it has negative effects such as suppressing the competitive power of the domestic industries, unfavorable balance of trade, dumping ground, capital flight etc. It is expected that export led growth policy should major up with the import side of any economy if not surpassing the import policy for this help in balancing the terms of trade in the country. Many developed and developing nations of the world have adopted this such as Australia who started with export-oriented till when the need be to lift up the ban on the external trade of the country eventually come to the term with import. This does not rule out entirely the importance of importation led growth policy. It should be also adopted but not by making it a major growth led policy. Many industrial machineries and even human power are introduced into an economy via the importation policy which is also a support in boosting the economic activities through encouraging of capital-intensive production which will increase the export capacity of a country.

4.3. Recommendations

With reference to the outcome of the empirical analyses and its findings, the researcher therefore recommend to the policymakers of Iraqi economy and government as follows: First, to look into the service sector of her economy with a positive policy that create enabling ground for the sector to flourish, Starting from the banking system, telecommunication and security services. There should be the focus on how to diversify the economy by shifting a bit out of oil production to the harnessing of other resources and set the exportation policy on rolling for the greater impact the economic performance of the country. When all these resources are developed, harnessed and revolutionized via diversification there will be a lot to export which will influence the economic growth significantly and positively. When these sectors started working, foreign investors will have a rethink about the Iraqi economy and would like to come and explore the economy thereby increasing the FDI and its importance to the economic performance of the Iraqi economy.

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