ROOSEVELT M. ZULU

INVESTIGATING THE IMPACT OF INTERNATIONAL TRADE AND FDI ON THE ECONOMIC GROWTH OF TANZANIA (1990-2020)

December 2022

NEAR EAST UNIVERSITY
INSTITUTE OF GRADUATE STUDIES
DEPARTMENT OF BANKING AND FINANCE

INVESTIGATING THE IMPACT OF INTERNATIONAL TRADE AND FDI ON THE ECONOMIC GROWTH OF TANZANIA (1990-2020)

MSc. THESIS

ROOSEVELT M. ZULU

Nicosia

December 2022

NEAR EAST UNIVERSITY

INSTITUTE OF GRADUATE STUDIES

DEPARTMENT OF BANKING AND FINANCE

INVESTIGATING THE IMPACT OF INTERNATIONAL TRADE AND FDI ON THE ECONOMIC GROWTH OF TANZANIA (1990-2020)

MSc. THESIS

ROOSEVELT M. ZULU

Supervisor

Assoc Prof. Dr. Turgut Tursoy

Nicosia

December 2022

Approval

After careful scrutiny of the thesis titled: **"INVESTIGATING THE IMPACT OF INTERNATIONAL TRADE AND FDI ON THE ECONOMIC GROWTH OF TANZANIA" (1990-2020),** submitted by ROOSEVELT M. ZULU. It has met the unanimous consensus and in our combined opinion, it is fully adequate, in scope and in quality, as a thesis for the degree of Master Educational Sciences, and hereby recommended for approval and acceptance.

Examining Committee	Name-Surname	Signature
Head of the Committee:	Assoc. Prof. Dr. Turgut Tursoy	.....
Committee Member:	Asst. Prof. Dr. Mehdi Seraj	.....
Committee Member:	Asst. Prof. Dr. Ala Fathi Assi	.....
Supervisor:	Assoc. Prof. Dr. Turgut Tursoy	.....

Approved by the Head of the Department

23/12/2022

Assoc. Prof. Dr. Turgut Tursoy

Department of Banking and Finance

Approved by the Institute of Graduate Studies

...../...../2022

Prof. Dr. Kemal Hüsnü Can Başer

Head of the Institute

Declaration

I hereby declare that all information, documents, analysis, and findings included in this thesis were obtained and presented in accordance with the academic regulations and ethical principles of the Near East University Institute of Graduate Studies. As required by these standards and regulation, I have credited and referenced all non-original sources and data used in this study.

ROOSEVELT M. ZULU

……./……./20….

Acknowledgements

I would want to use this opportunity to convey my appreciation to the Almighty God for the gifts he has bestowed upon me, as well as for providing me with the strength, determination, and outstanding physical condition necessary to complete my study.

My deepest gratitude and admiration go out to my father, Mr. Robert Wonkerzee Zulu, who has always been there for me and provided assistance in any manner possible. And also to my mother, Rosetta Noring, for all of the support she has given me throughout my life. I would want to offer my sincere appreciation to the Kuoh family for the continuous support they have shown to both my family and me during my academic career. The achievement of this job has been made possible thanks to the efforts of many people. But in a very special way, I want to express my thanks to Mr. Mumtaz Ali for his superb supervision and to Associate Professor Dr. Turgut Tursoy in particular for his outstanding mentoring. In their capacities as managers, these two people have both excelled. I am quite grateful to these two people for their help in a variety of ways.

ROOSEVELT M. ZULU

……./……./20….

Abstract

Investigating The Impact Of International Trade and FDI on The Economic Growth of Tanzanıa (1990-2020)

ROOSEVELT M. ZULU

MSc. Department of Banking and Finance

December, 2022 Page, 120

This thesis examines the impact of international commerce and FDI on Tanzania's economic growth from 1990 to 2020. Tanzania makes international commerce easier by putting minimal limitations on economic activities and charging cheap customs costs. As a consequence, the majority of trade constraints that exist today are related to logistical and non-tariff obstacles. Because trade is one of Tanzania's most important economic sectors, the effects of trade, especially international trade, and changes in trade policy have gotten a lot of attention. Furthermore, one of the most significant barriers to commerce between Tanzania and its neighbors is poor rail and road infrastructure. On the other side, the Tanzanian government has worked tirelessly to launch a variety of programs aimed at improving the country's infrastructure. Because trade is one of Tanzania's most important economic sectors, the effects of trade, especially international trade, and changes in trade policy have gotten a lot of attention. To identify the link between the variables, the ARDL approach and bound testing method were used. Net trade, both in the long and short run has statistically an insignificant influence on Tanzania's economic development, but also in the long run, it has a negative impact and a positive impact in the short run. Foreign direct investment has a positive and significant influence on the economic development of Tanzania both in the long and short run. This study's key result is that FDI has a positive and statistically significant effect on economic growth. With domestic investment statistics included, the impact of FDI is statistically significant and robust. The results are robust when endogeneity issues are taken into account (i.e., inverse causality). Moreover, the population has a negative influence on GDP growth, despite its importance in both the short and long term. The exchange rate has a considerable positive influence on the economy of Tanzania both in the long and short run.

The bounds also demonstrate a long-term link between the variables. As a consequence of this research, the Tanzanian government should prioritize agricultural specialization in order to diversify the Country's production and export base and enjoy the full

benefits of trade, including economic growth. Lastly, the country's monetary authority should keep interest rates in the double digits for now, to attract foreign investors and commercial banks until the Tanzanian economy has grown to the point where interest rates can be lowered to the single digits or to zero.

Keywords: FDI, economic growth, international trade, Exchange rate, population ARDL model

Özet

Uluslararası Ticaret ve Doğrudan Yabancı Yatırımın Etkisinin İncelenmesi Tanzanya'nın Ekonomik Büyümesi Üzerine (1990-2020)

ROOSEVELT M. ZULU

MSc. Bankacılık ve Finans Bölümü

Aralık, 2022 Sayfa, 120

Bu tez, uluslararası ticaretin ve DYY'nin Tanzanya'nın 1990'dan 2020'ye kadar olan ekonomik büyümesi üzerindeki etkisini incelemektedir. Tanzanya, ekonomik faaliyetlere minimum sınırlamalar getirerek ve ucuz gümrük maliyetleri uygulayarak uluslararası ticareti kolaylaştırmaktadır. Sonuç olarak, bugün var olan ticari kısıtlamaların çoğu, lojistik ve tarife dışı engellerle ilgilidir. Ticaret, Tanzanya'nın en önemli ekonomik sektörlerinden biri olduğu için, ticaretin, özellikle uluslararası ticaretin etkileri ve ticaret politikasındaki değişiklikler çok dikkat çekti. Ayrıca, Tanzanya ile komşuları arasındaki ticaretin önündeki en önemli engellerden biri, zayıf demiryolu ve karayolu altyapısıdır. Öte yandan Tanzanya hükümeti, ülkenin altyapısını iyileştirmeyi amaçlayan çeşitli programlar başlatmak için yorulmadan çalıştı. Ticaret, Tanzanya'nın en önemli ekonomik sektörlerinden biri olduğu için, ticaretin, özellikle uluslararası ticaretin etkileri ve ticaret politikasındaki değişiklikler çok dikkat çekti. Değişkenler arasındaki bağlantıyı belirlemek için ARDL yaklaşımı ve sınır testi yöntemi kullanıldı. Net ticaret, hem uzun hem de kısa vadede Tanzanya'nın ekonomik gelişimi üzerinde istatistiksel olarak önemsiz bir etkiye sahiptir, ancak aynı zamanda uzun vadede, olumsuz bir etkiye ve kısa vadede olumlu bir etkiye sahiptir. Doğrudan yabancı yatırım, Tanzanya'nın ekonomik gelişimi üzerinde hem uzun hem de kısa vadede olumlu ve önemli bir etkiye sahiptir. Bu çalışmanın temel sonucu, DYY'nin ekonomik büyüme üzerinde pozitif ve istatistiksel olarak anlamlı bir etkiye sahip olduğudur. Yerli yatırım istatistikleri dahil edildiğinde, DYY'nin etkisi istatistiksel olarak anlamlı ve sağlamdır. İçsellik sorunları dikkate alındığında (yani ters nedensellik) sonuçlar sağlamdır. Ayrıca nüfus, hem kısa hem de uzun vadede önemine rağmen GSYİH büyümesi üzerinde olumsuz bir etkiye sahiptir. Döviz kuru, Tanzanya ekonomisi üzerinde hem uzun hem de kısa vadede önemli ölçüde olumlu bir etkiye sahiptir.

Sınırlar ayrıca değişkenler arasında uzun vadeli bir bağlantı gösterir. Bu araştırmanın bir sonucu olarak, Tanzanya hükümeti, ülkenin üretim ve ihracat tabanını

çeşitlendirmek ve ekonomik büyüme de dahil olmak üzere ticaretin tüm avantajlarından yararlanmak için tarımsal uzmanlaşmaya öncelik vermelidir. Son olarak, ülkenin para otoritesi, yabancı yatırımcıları ve ticari bankaları çekmek için, Tanzanya ekonomisi faiz oranlarının tek hanelere veya sıfıra indirilebileceği noktaya gelene kadar faiz oranlarını şimdilik çift hanelerde tutmalıdır.

Anahtar Kelimeler: DYY, ekonomik büyüme, uluslararası ticaret, Döviz kuru, nüfus ARDL modeli

Table of Contents

CHAPTER IV

CHAPTER **V**

List of Tables

List of Figures

List of Abbreviations

GDP: Gross Domestic Products

EG: Economic Growth

NT: Net Trade

POP: Population

REER: Real Effective Exchange Rate

FDI: Foreign Direct Investment

ARDL: Autoregressive Distributed Leg

ADF: Augmented Dickey-fuller

BOP: Balance of Payment

IMF: International Monetary fund

EAC: East African Community

MNEs: Multinational Enterprises

UNCTAD: United Nations Conference on Trade and Development

CHAPTER I

Introduction

Diverse economists have been fascinated for a long time by the factors that contribute to the varying rates of national development and the levels of wealth accumulation achieved by different nations. Along with a number of other factors, international trade has emerged as one of the most significant contributors to the causes of economic growth. When seen through the lens of history, it is plain to see that countries that make goods for export to worldwide markets have a pattern of being more productive and efficient than those which do not participate in international trade. (Domestically based production) (Obadan & Okojie, 2016). It is possible for there to be either a positive or a negative correlation between international commerce and economic growth in a particular nation. This correlation is determined by the economic institutions and laws that currently exist in the nation and control how to trade operations are conducted. It is quite improbable that a nation would be able to avoid conducting the operations of its economy in a vacuum. (also known as an "autarky economy") and avoiding participation in international commerce with other national partners. This is the kind of circumstance that frequently takes place in various regions all around the planet. Because of this reality, both the classical and neoclassical schools of thought have made significant advancements in their comprehension of the importance of global trade to economic expansion. Shehu and Abubakar (2015). Many scholars and economists, including Kenya (2017), Abubakar and Shehu (2015), Agbo, Ebere, and Oluchukwu (2018), and others, have claimed that opening up a nation's markets to foreign trade might possibly accelerate the pace of economic growth. Additionally, economic growth is a process that entails change that happens over a long period of time, typically decades. It is not a one-time occurrence. Normally, this change happens over a long period of time. This shift takes decades rather than a fast change in real income so that the influence of trade openness on economic development can become tangible. The implementation of an export-led strategy has contributed to the economic success of a great number of nations, while the liberalization of trade has helped the economies of other nations to expand and enjoy growth. Small economies do have a limited window of opportunity to grow because of their low levels of production. The support of a market in another nation is not required

for Tanzania's economy to grow through trade owing to the country's huge domestic market; nevertheless, the impacts of such growth cannot permanently improve efforts to reduce levels of poverty. As a direct consequence of this, Tanzania has always been dependent on international markets. (Obadan & Okojie, 2016).

The primary objective of a number of governments, especially a short time ago, has been to enhance the continued economic growth of their countries in such a way that it will coincide with the existing trade rhythm in mixed trade ties all over the world. This objective was particularly prevalent in more recent times. In order for nations to accomplish this objective, they have put a significant amount of effort into developing and enforcing trade policies that will result in the decrease and eventual removal of trade obstacles including quotas, taxes, and other limitations on imports Tanzania has chosen trade adorning as one of its trade game plans, which is one of the numerous trade strategies that many nations feel may be able to aid in accelerating the economic growth of their own economies. This is one of the trade strategies that Tanzania has chosen. (Hamad, Mtengwa, & Babiker, 2014).

Strengthening domestic sectors that are already successful in their respective markets is one of the key focuses of the nation's trade policy favorably on a global scale and makes it possible for the exporting sector to diversify in order to promote the expansion of the nation's economy. Both of these objectives are intended to help the nation become more economically self-sufficient. (UN Comtrade, 2019). Restructuring the fiscal substructure and increasing investments in the capitalistic system are two of the potential transformation alternatives that are currently being considered by the government of Tanzania. These choices are intended to boost economic development and enormously improve industrial productivity. (World Bank, 2019).

Tanzania facilitates easy access to international trade by imposing few restrictions on commercial activity and charging low customs duties. 2019 (UN Comtrade). As a result, the bulk of the limits on trade that exist today is associated with logistical and non-tariff barriers. For instance, the current problems with heavy traffic at The principal port used by Tanzania and its non-coastal neighbors Zambia, Rwanda, Uganda, and Burundi to send and receive goods has been the Dar es Salaam Port, but it has not been able to

generate the money for the necessary infrastructure to handle the volume of goods entering and exiting the port. This is due to the port serving as Tanzania's main shipping and receiving port. occurs over a very long period of time. Notwithstanding the fact that Tanzania and its interior neighboring countries ship and receive goods primarily through the port of Dar es Salaam, this is still the case. In addition, one of the biggest obstacles to trade between Tanzania and its neighboring countries is the inadequate rail and road infrastructure. On the other hand, the Tanzanian government has worked very hard to start a number of initiatives that would improve Tanzania's infrastructure. These initiatives comprise the nation (UN Comtrade, 2019). Tanzania participates in a number of international organizations, such as the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA), which has given it access to direct trade relations with the US and the EU as well as trade interactions with other member states through trade agreements. Even if Tanzania's infrastructure has issues that lead to trade obstacles, this is nonetheless the case (COMESA).

The impact of trade, particularly international trade, and changes in trade policy have drawn a lot of attention because it is one of Tanzania's major economic sectors. In order to do this, some researchers assert that trade positively impacts growth, while others assert that this is untrue. Therefore, it is vital to conduct this research to ascertain how the growth of Tanzania's economy has been impacted by global trade. This topic is of interest to the researcher since there are contrasting points of view on the significance of Tanzania's international commerce to the country's overall economic performance. The researcher wants to look into the specifics of the role that trade plays in the expansion of the country's economic growth may be thought of While looking at different historical periods, an expansion of an economy's overall ability to produce goods and services is seen as economic growth. Real terms, which account for inflation, as opposed to nominal ones, which do not, are the two main ways that economic growth may be quantified. Economic expansion and technological progress are intertwined. Gross domestic product and services rendered inside its borders by both local and foreign populations were computed over the course of a year.

Foreign Direct Investment gives developing countries the funds they desperately need. Investments with the goal of fostering economic development Saqib et al.Chakrabarti (2013), Wai-Mun et al (2008) (2001). Foreign investment has decreased recently. The formation of policymakers in underdeveloped nations, particularly in Africa that development is promoted by foreign direct investment, which has increased growth in low-income and developing nations (LICS). Welfare and Nurudeen (2010) state as follows:

FDI helps the economy grow by fostering new job opportunities, enhancing management skills, and facilitating the transfer of technology.

During the past two decades, there has been a tremendous rise in the volume of FDI around the globe. This is due to the fact that many developing nations consider FDI to be a vital component of their overall plan for economic development (Ayanwale, 2007). The investment made through privatization, which significantly increased in emerging nations, as well as mergers and acquisitions, including private-to-private deals, became an increasingly prominent route for foreign direct investment. This was especially true for deals involving private-to-private transactions (Kyaw, 2003). As a direct consequence of this, a number of nations are working to improve their economies and business environments in the hopes of luring more FDIs. NEPAD's goal to increase the amount of FDI entering the area was one of its most significant goals (Funke and Nsouli, 2003).

The tremendous financial, economic, and political revolutions that are sweeping LICS and developing countries are the main factors for the sharp increase in FDI in emerging markets. The majority of developing countries have worked to reduce restrictions on FDI because of the importance that is attached to FDI. In addition to creating economic and financial reforms, they have also enhanced macroeconomic stability, privatized state-owned businesses, democratized the country, liberalized the capital account and foreign currency markets, and increased the number of tax incentive programs. Focus has been placed on the idea of FDI as a direct result of its widespread belief that it provides not only a large source of cash inflows but also cutting-edge managerial knowledge and technology. It would be challenging to create substantial wealth by local savings and investments, according to Antwi et al. (2013)'s results. Even

if it wasn't, it would be challenging to import the required technology from a different nation since businesses that have never used technology before have a tough time understanding it. difficult, dangerous, and prohibitively costly.

Over forty African nations, including Tanzania, enacted a total of fifty-seven new foreign direct investment-related laws in 2006, 49 of which encouraged new foreign direct investment (UNCTAD, 2007). The increase in FDI was mostly attributable to the fact that various locations throughout the globe were exhibiting very strong company performance in addition to relatively high rates of economic development (UNCTAD, 2008). Over the course of the past twenty years, there has been a considerable increase in the sum of all FDI that is being channeled into different areas of the world. Inflows of foreign direct investment throughout the world totaled $59 billion in 1982, but by 2004 had risen to $648 billion, and in 2007 they reached an all-time high of $1,833 billion. Inflows of foreign direct investment touched an all-time high of $1,833 billion in 2007. (UNCTAD, 2008). The value of foreign direct investment (FDI) inflows into Africa reached a total of $36 billion in 2006, which was 20% more than the previous record of $30 billion, which was set in 2005, and was double the amount that was invested in 2004, when it was just $18 billion. Additionally, these inflows rose to a historic value of $53 billion in 2007 after reaching $36 billion in 2006. (UNCTAD, 2008).

Tanzania's stock of foreign direct investment was 388 million USD in 1990 and 7823 million USD in 2011, according to data on worldwide FDI inflows from UNCTAD. In 1992, Tanzania received 12 million USD in FDI, which increased to an exceptional high of 1095 million USD in 2011, while the total amount of FDI stock was 388 million USD in 1990. According to a study that was published by World Investment in 2012, With a record $1.1 billion in FDI received over the course of the previous year, Tanzania topped the East African region in terms of FDI attraction. The administration has been working diligently to create a new institutional and legal framework since the middle of 2011. The amount of foreign direct investment increased tenfold in the 1980s compared to (TSh1.76 trillion). According to the same survey, Tanzania's GDP surpassed Kenya's as the region's largest economy between June 2011 and June 2012. This demonstrates the high level of confidence that foreign investors have in Tanzania. The same figures show

that during the last three years, Tanzania has been successful in attracting nearly 47% of all FDI flows among the five East African countries.

Statement of the problem

Economic experts have long been aware of the factors that contribute to disparities in economic growth rates between nations (Sheikh, Dalmar, and Abdulkadir, 2017). Due to its open economy, Tanzania participates in international trade, which accounts for a sizable amount of the nation's total production. Contrary to popular opinion, other emerging nations, Tanzania views trade as the primary tool for the nation's development and advancement, particularly in terms of creating employment, expanding markets, producing money, fostering competition, and transferring expertise. Here, the question is how the expansion of Tanzania's economy is impacted by global commerce and its underlying variables. In general, research efforts on this topic have astoundingly produced a diverse range of discoveries throughout the world. This increases the desire to investigate how trade with other countries impacts Tanzania's economic development. Tanzania's economy may be better understood by looking at how the expansion of global trade has affected it and using economic growth as a dependent variable together with FDI, net trade, exchange rate, and population, as explanatory variables, this investigation attempts to close the present trade-related imbalance. The division of imports and exports into products and service imports and exports respectively has been made. Investigating the precise contributions that each category has made to the development of Tanzania's economy is the goal of this research. Additionally, the goal of this research is to look at the ways that shifting demographics and fluctuating exchange rates affect international trade and overall economic growth. Tanzania is now seeing significant FDI (foreign direct investment) inflows into East Africa, however the nation's economic performance is not adequate. Tanzania is still a country with a high level of debt, according to the World Bank's assessments and the UNCTAD database (2012). Tanzania's economy continues to experience a number of setbacks, including widespread poverty, a budget deficit, and rising public debt. Even though Tanzania is likely to profit from FDI inflows, it appears that there are not enough resources to support long-term investment. The United Nations'

millennium development goals (MDGs) were scheduled to be achieved by 2015, however, the shortage of investible money is a significant obstacle to economic progress. One of the main ways to obtain the necessary funding is through foreign direct investment. The majority of African nations thus provide incentives to promote FDI (United Nations, 2005: 2).

Purpose of the study

International commerce, as defined by Okafor and Obasi (2011), is the exchange of products and services between different countries. International trade, as defined by Elias and colleagues in their 2018 paper that was released in 2018, is the process of exchanging products and services across international borders. In recent decades, international trade has emerged as a major economic driver, driving economic activity, fostering technological advancement and growth, and disseminating cultural norms. Foreign direct investments are those when one firm buys a share in another one that is located outside of its own. a controlling position in a foreign corporation, or at the very least, majority ownership in the business. Portfolios are a phrase frequently used to describe investments that do not entail a majority or controlling ownership. MNCs stands for multinational companies, and both of these terms are frequently used interchangeably to refer to businesses that engage in worldwide commerce through FDI interchangeably. Examining how foreign direct investment and global commerce support Tanzania's economy is the primary objective of this study project.

Research Questions

With the assistance of the following inquiries, this study has been guided:

i. How much does Tanzania's net trade contribute to the country's overall economic growth?
ii. What role FDI played in Tanzania's economic growth?
iii. What are the effects of a real effective exchange rate on Tanzania’s economic growth?

iv. What impact does population growth have on the economic growth of Tanzania?

Significance of the study

The current body of knowledge addressing the connections between international trade, FDI, and the growth of the Tanzanian economy is supplemented by the new information provided by this study. The University of Tanzania conducted the research. With regard to international commerce and foreign direct investment, specifically its effects on the economy of Tanzania, this study will add to or fill the informational gap that now exists. As a consequence of this study, this information will be included. This information will be added as a result of the study that is being conducted. On the topics of international commerce and direct investment from outside, a variety of written works have been produced. As a consequence of this, the study will make a contribution toward solving a number of unanswered questions.

This study will also aid in evaluating Tanzania's current international trade practices in light of established trade and growth ideas. Finally, since all users will have access to the same data, in light of actual behaviors, the researcher(s) and other users, such as academics, economists, traders, the government, and the general public, will be in an ideal position to confirm or refute the theories. The study also provides a helpful framework for assessing the efficacy of the various trade efforts, policies, and other initiatives that have been implemented. The findings of this study might be used, for instance, to assess the success of existing policies that prioritize exporters while liberalizing trade. Additionally, this may serve as a sobering reminder of the difficulties encountered in putting these trade policies, strategies, and other efforts into practice, allowing for the development of appropriate remedies. The research that has been done up to this point does not investigate how FDI affects economic growth, notably in Tanzania. Our research will thus be beneficial to the empirical literature that is currently available on the subject of FDI. It is likely that the government will benefit from the study by gaining access to extra information that can be utilized in the formulation of efficient policies to entice FDI to be invested in the nation.

Statement of the Hypothesis

i. H1- International Trade has a significant effect on the economic growth of Tanzania.
   Ho- International Trade has no significant effect on economic growth in Tanzania.

ii. H2- There is a significant effect of the Exchange Rate on the economic growth of Tanzania.
   Ho- There is no significant effect of the Exchange Rate on the economic growth of Tanzania.

iii. H3- There is a significant effect of foreign direct investments on the economic growth of Tanzania.
   Ho- There is no significant effect of foreign direct investments on the economic growth of Tanzania.

iv. H4-Population has a significant influence on the economic growth of Tanzania.
   Ho- Population has an insignificant effect on the economic growth of Tanzania.

Limitation

There has not been any previous research done on this topic that has solely concentrated its attention on Tanzania. Despite having a high number of participants in the sample, the research is flawed since it focuses mostly on time periods that have a limited capacity for prediction or that may not be beneficial owing to the duration of the time period. Due to the fact that research is dependent on data acquired from prior studies as well as work that has previously been done in the area. This research has not been conducted nearly enough in Tanzania, nor has it been conducted nearly enough anywhere else in sub-Saharan Africa. Because of this, there has not been nearly enough research conducted on the topic of how International Trade and FDI affect the growth of Tanzania's

economy. Because so little research has been conducted on the topic, the connection between international trade and FDI remains obscure. The fact that the findings of this study cannot be generalized to all people living in Tanzania is a significant limitation of the research. The following sequence is utilized in the process of organizing and modifying this research: The first chapter, which also functions as an introduction, contains a synopsis of the essential background material that was gathered in the course of the research that was carried out for the study. This chapter also includes a summary of the problem, the goals and limitations of the study, the research question, and hypothesis, the significance of the research, and a visual representation of Tanzania's economy from 1990 to 2020.

With an emphasis on past studies that relate to the impact of international trade and foreign direct investment on the economic growth of Tanzania, the study's focal nation, as well as other countries throughout the world, the literature review is covered in chapter two. This chapter will cover the historical background of international commerce and FDI, the connection between these two factors and economic growth, the theoretical and empirical literature, and the discrepancy between the results of our study and those of earlier studies.

Definition of Terms

1. **International Trade-** the transfer of products and services among several nations is the most fundamental definition of what is meant by the phrase "international trade." It is therefore involved with the import and export of a range of goods and services. One benefit of commerce between nations is that it promotes manufacturing specialization, which raises productivity. Additionally, commerce between nations promotes technological advancement and boosts economic activity. To maintain track of the current state of international trade, the nations, their governments, and the international organizations that represent them all keep track of the transactions that are recorded in the balance of payment accounts with one another. When comparing the economies of different countries and examining how different nations interact, the two most crucial elements to examine are the balance of payments and foreign commerce (Krugman, Melitz, & Obstfeld, 2018).

2. FDI- A domestic corporation buying majority ownership or, at the absolute least, a controlling interest in a foreign company is referred to as making a "foreign direct" investment. For investments made in foreign businesses when the investor does not have a majority or controlling share, the phrase "portfolio investments" is frequently used. Multinational enterprises (MNEs) and businesses making foreign direct investments (FDIs) are terms that are occasionally used interchangeably. "Foreign direct investment" is referred to as FDI. "Multinational enterprise" is what MNE stands for. Direct investment can take the form of starting a brand-new company in a foreign nation, which is more commonly termed as "greenfield investment", or it can take the form of buying an existing company there that has already been operating for some time, which is more commonly referred to as a brownfield investment. The more popular title, though, is "acquisition". (Keneth Ramkishen, 2008; A. Kenneth Ramkishen, 2008).

3. Balance of Payment- The balance of payments of a country represents the total amount of its recorded economic dealings with the rest of the world for a given year. The documentation of these transactions is meticulous. In other words, the balance of payments is a mechanism for a country to keep track of its payments for imports and receipts from exports in its trade with other countries. This makes it possible to quantitatively characterize a nation's economic interactions with the rest of the world using the balance of payments. The data displays changes to the nation's official reserve holdings, trading position, and net position (whether it is a foreign lender or borrower) (Krugman et al., 2018)

4. GDP is an abbreviation for gross domestic product, which is the total monetary worth or retail price of all completed items produced inside the borders of a country over a specific period of time. The term "gross domestic product" designates this amount. It has the ability to function as a comprehensive indicator of the state of an economy as a whole since it is a wide measure of total domestic output.

5. Exchange Control This is a reference to an important tool that is used in the administration of financial transactions and international business. The goal is to

demonstrate that foreign receipts and payments are in equilibrium, but this will not be accomplished by the use of the market forces of demand and supply or through exchange rates that are variable. Instead, it will do this through the management, both direct and indirect, of foreign exchange. The government maintains complete oversight and control over any and all incoming and outgoing transactions using foreign currency. Therefore, exchange control addresses problems with the balance of payments and takes into consideration the decisions made by government authorities while ignoring the demand and supply factors that operate in the market. Therefore, the amount of money paid for imports and other forms of international trade is not solely decided by a comparison of the pricing of various countries but also takes into account the requirements of the home country (Krugman et al., 2018).

6. **Economic growth-** When inflation is taken into account, it refers to the steady ascent in the market value of all the products and services generated by an economy over the course of time. As a result, it is typically portrayed in terms of a percentage, which estimates the percentage rise in real GDP. It is necessary to make an adjustment for inflation in order to remove the effect of inflation's distorting influence on the pricing of items that are produced. The ratio of the gross domestic product to the population or the income per capita is typically used when comparing the economic growth rates of different nations (Blanchard, 2017).

CHAPTER II

Literature Review

Introduction

This chapter is made up of an examination and debate of the pertinent literature on global trade, FDI, and the impact that these elements have had on the growth of the Tanzanian economy. Additionally, it makes a case for how trade and foreign investment affect how quickly an economy may grow. An analysis of the pertinent prior literature, an analysis of the theoretical underpinnings, and an empirical assessment to establish the existence of a research gap is provided and addressed in this part. In order to guide the analytical step, a description of the Conceptual Framework is provided, along with a sketch of it, as part of the study.

Theoretical Literature Review

The Background of International Trade Throughout History

The phrase "philosophy of international business and commercial policy" refers to one of the oldest schools of economics thinking. Policymakers, scholars, and economists have debated the variables that affect global commerce from the time of the ancient Greeks to the present. They have sought to identify the trade policies that are most successful for various nations in addition to debating whether or not trade is advantageous to the country. A dual perspective on commerce has existed Since the time of the ancient Greek thinkers. On the one hand, there is recognition of the advantages of international commerce; on the other hand, there is the worry that foreign competition may destroy certain home industries (or workers, or culture). According to the proportionate weight they give to the suffering brought on by import competition and the overall prosperity brought about by international trade, many academics have reached different conclusions regarding the advantages of having unlimited access to global markets. On the other hand, economists argue that while there may be losses for certain specialized groups, there are enormous advantages for society as a whole from free trade and the development of technology. However, the conflicts that are integral to each of these viewpoints of trade have never been resolved, as demonstrated by the intense arguments that are now raging over trade.

Theoretical Relationship between Growing Economic Activity and International Trade

International trade's contribution to global economic growth cannot be overstated, which makes it hard to downplay. Numerous classical and neoclassical economists have concluded that "international commerce is an engine for economic growth" after considering the strong correlation between the two economic indicators. This implies that the growth of any nation's economy is significantly influenced by its overseas commerce. The two most significant facets of global trade—exports and imports—are the main topics of discussion. International commerce is the subject at hand. However, it is important to take into account all relevant factors, including foreign direct investment, inflation, and the rate of currency exchange (Coenen, 2015). Numerous schools of thought have been investigated in the course of the ongoing discussion on global trade and economic growth. The descriptions of each of these schools of thought are as follows:

Mercantilism Theory of International Trade

The 16th through 18th centuries, which are regarded as the mercantilist era, was when the idea of mercantilism first emerged. The earliest hypothesis of global trade first appeared during this period. The primary pillars of the mercantilist economic theory were raising exports and accumulating treasurable metals, especially silver and gold. During this time, proponents of the economic philosophy known as mercantilism believed that governments or nations with strong militaries were more creditably, they have increased the security of their internal markets and supply chains, which has increased their wealth (Kenya, 2017).

Given the facts above, one may understand what mercantilist theorists had in mind by looking at the balance of trade. International trade was modeled after the idea of mercantilism, commonly referred to as the idea of the equilibrium of trade. Even in the absence of its own mines of silver or gold, a country can nevertheless grow affluent via trade, namely by importing valuable metals from several foreign countries. These networks served as the cornerstone of global business. Additionally, exporting was given top priority and received more support as a direct outcome of the theory's ongoing

application of macroeconomic policies. This happened specifically because the theory consistently applied macroeconomic policy. These actions resulted in an increase in overall export volume, a strengthening of the export industry, a decline in poverty, and a rise in the amount of employment created. In relation to the main goal of this study, the mercantilism hypothesis contends that increased global trade would boost the export sector, reduce the prevalence of poverty, and create more jobs. Because of the multiplier effect, all of these elements work together to boost a country's total economic growth (Yaw & Keong, 2019)

Heckscher-Ohlin-Samuelson Theory

The Hecksher-Ohlin-Samuelson model, the Two-by-Two-by-Two model, as well as the concepts of absolute advantage and comparative advantage are the foundations for the study of international commerce and the expansion of economies throughout the world (two countries, two commodities, two factors). Eli Heckscher and Bertin Ohlin developed the Heckscher-Ohlin-Samuelson model in 1919 and 1933, respectively, because it is an inevitable consequence of the Competitive Advantage Theory as a whole. Samuelson was a co-author on the model. The model's co-author was Samuelson. Paul Samuelson, however, significantly altered the theory in 1948, leading to the Heckscher-Ohlin-Samuelson model. According to these economists, countries have a significant number of factor endowments in a variety of proportions. As a result, disparities in Considering establishment in light of the relevant variables of diverse nations throughout the world establish the basis for specialization as well as variances in comparative cost.

A country that has a lower endowment of capital than its labor force should focus on producing and exporting commodities that are capital-intensive, whereas a country that has a higher endowment of capital than its labor force should focus on producing and exporting goods that are hand-operated (Yaw & Keong, 2019). The Heckscher–Ohlin–Samuelson theory was responsible for the expansion of the boundaries of the idea of comparative advantage. This is because the theory sheds light on the reason for worldwide variations in pricing, which is the foundation of the comparative advantage concept. In addition, this type of specialization, which plays a role in international commerce, has a beneficial effect on the economy of countries that are trading partners, in contrast to

autocratic economies (Alfred, 2018). The basis for specialization at the worldwide level is characterized by endowments, as well as variations in comparative cost.

A country should focus on producing and exporting commodities that need a lot of labor if it has a high endowment of capital relative to its labor force. Conversely, a country should focus on producing and exporting goods that require a lot of capital if it has a lesser endowment of capital (Yaw & Keong, 2019). The parameters of the concept of comparative advantage were widened by the Heckscher-Ohlin-Samuelson hypothesis. This is due to the theory's ability to explain why price varies across national boundaries, which forms the basis of the comparative advantage idea. Additionally, in contrast to authoritarian economies, this form of specialization, which is important to international trade, benefits the economies of trading partners (Alfred, 2018).

This theory discusses why there is a need for international commerce and goes on to describe how a country may profit from trade by becoming an expert in the manufacturing and export of items made from high-factor endowments in contrast to those of another country. This idea illuminates the importance of engaging in international trade, which is one of the main goals of this study, which is to analyze how international trade has influenced Tanzania's economic progress. This type of specialization decreases production costs and boosts production efficiency, which in turn causes a rise in output and stimulates exporting, which in turn increases the amount of money infused into the economy and, eventually, leads to economic growth (Alfred, 2018).

Growth Staple Theory of the Economy

Canadian historians and social scientists have benefited greatly from this methodology, which was developed in Canada in the field of political economics. Political economy was the first field to use it. Canada is the nation where the divisive theory originated. The inception of the concept is attributed to the late Harold Innis' early historical study, particularly on the fur trade and cod fishery. As a result, he claimed that the export of basic commodities considerably boosts Canada's economic expansion. His main worry was how the crisis would impact the local communities that produced basic products as well as the economy as a whole. From his theoretical vantage point, it was beneficial that the theory focused on identifying the total influence that staple foreign

trade had on an economy in particular with reference to the civilizations that produce fundamental commodities. This was an aspect that he felt needed greater attention. Even in the face of some criticism from other academics, particularly, Despite the fact that Harold Innis's staple theory, which he established, was founded on an approach that placed more emphasis on technological history than economic growth, it was still able to offer strong insights into the role that staple exports play in fueling economic progress. This was possible due to the fact that Innis's approach placed more emphasis on the historical development of technology. This happened as a result of the fact that Innis' approach concentrated more on the development of technology than on economic expansion (Watkins, 1963). Because it was discovered that exports tend toward economic growth and improved welfare of the societies where staple goods are produced, the Staple Theory draws some guiding insights into examining the impact of exports on Tanzania's economic growth in the current study that is being reviewed. This is because the Staple Theory finds that exports tend toward economic growth and improved welfare. Because it was established that exports generally lead to economic growth and greater well-being of the communities where staple products are produced, this discovery was made possible as a result of this finding. This is due to the fact that it was found that increased exports led to increased economic growth, which in turn improved the well-being of communities. This study's objective is to investigate, in light of the fact that the theory identifies exports as a component of international commerce, the ways in which exports of products and services contribute to the growth of Tanzania's economy. Specifically, the study will focus on the ways in which exports of products contribute to economic growth.

Export Based Theory

The Export Theory of Products the theory's foundation was built by Nicholas Kaldor, who is credited with creating the export-led growth model by establishing cumulative causation as its cornerstone. The same school of thought claimed that exports were the main driver of demand among its constituent parts and those exports were the primary factor behind international business transactions (Yaw & Keong, 2019).

As a result of their economies, these nations are able to export or sell their wares on local marketplaces. The theory behind the assertion that more commerce leads to more

economic activity is called the "export base hypothesis." as a result, increasing exports boost productivity and have other beneficial externalities for regional economies as well as for the economies of individual trading partners or participants (Lam, 2015). According to the export base hypothesis, an area's employment and production growth are a function of the demand for exports in the external region. This is predicated on the idea that the relationship between input supply and export demand is perfectly elastic. Therefore, the Keynesian economic model's proposed income multiplier effect as well as direct sales of export items both contributes to growth. This is owing to the assumption that rising income associated with the expansion of the territory's exports causes further rises in domestic good demand, which then causes more income growth in the region as a consequence of the multiplier effect as described by Keynes. Additionally, this is because the expansion of the region's exports has increased the region's overall exports (Lam, 2015).

Exports are the main force behind economic progress, according to proponents of the Export-Led Growth Theory, sometimes referred to as the Export Base Theory. In a number of published works of literature, this claim has been rationally supported. The impact of Thus, it is crucial to take into account both the direct and indirect benefits of exports on economic development, as well as the foreign exchange multiplier. for the purposes of this evaluation. Income growth in the near run will increase in direct proportion to the amount by which a country's exports are enhanced due to the multiplier effect. In this regard, Keynes offers some interesting commentary. Moreover, the country is better equipped to buy necessities, especially capital goods, which will be utilized for investment and future production, with the money created through exports. Even beyond the most fundamental need, this list includes things like petroleum, machinery, vehicles, and electronics. The main factor influencing their importance is how these commodities help a country's economy grow. Additionally, because of greater competitiveness, technological developments, increased capacity utilization, and economies of scale, exporting has an indirect effect on economic growth. In addition, export trade is linked to a number of advantageous externalities, including improved managerial effectiveness, production technique efficiency, process adoption, and access to technological expertise

from business partners and rivals situated in other nations in the production of goods. Each of these factors aids in the economy's progress. (Yaw & Keong, 2019).

Trade and Development Strategies:

Tanzania Five-Year Development Plan

The program takes into account Tanzania's Development Vision 2025, which outlines the country's development plan. With the elimination of poverty, Tanzania might become a middle-income nation, which is the goal of this agenda. The plan specifies four major key points: agriculture, industry, the development of human resources, and finance. It emphasizes the importance of production in the private sector as a way to drive growth. The development vision for 2025 inspires excitement and increases expectations for the role of business as an engine of growth.

Trade Integration Strategy for Tanzania

It also maps out the current needs and progress goals, providing a framework for organizing and improving Tanzania's administration of the trade sector's development. By doing this, it supports efforts to improve Tanzania's ability to manage trade initiatives, trade policies, and the creation and implementation of aid for trade. Tanzania will become more competitive as its export of goods and services increase. (Strategy for Trade Integration in Tanzania, 2009–2013)

The National Trade policy for the year 2003

Tanzania's national trade plan aims to advance the nation's integration into the global economy and break the trend of economic marginalization that has been observed over the past ten years. In this, the global economic and political environment are examined, and the main worries that endanger the formulation of national foreign policy are described. In addition to the adoption process and the action plan, it also discusses the main policy instruments and target areas. The Ministry of Industry and Trade published a report in 2003.

Access to both Domestic and International Markets

Tanzania's global competitiveness and business climate The World Economic Forum's most recent 2018 global competitiveness report ranks the United Republic of Tanzania as the 117th most competitive country in the world out of a total of 140 nations that were analyzed for the research. In the World Economic Forum's worldwide facilitating trade directory, Tanzania is ranked as the ninth most competitive country in the world. When compared to Tanzania, however, its neighbors Kenya, Uganda, and Zambia placed 103rd, 98th, and 88th. The rating of Tanzania was based on its commerce-supportive institutions, strategies, and services. In terms of access to regional and international markets, Tanzania fared rather well, however the country did require significant improvements to its transportation and communication infrastructure. extracting minerals Gold, diamonds, and tanzanite are exported and bring in a lot of money, which helps the economy expand. The agricultural sector contributes more than 25 percent to the country's GDP and is therefore essential to the country's economic success (WEF, 2018).

Gaining Market Access and Trade Policy

Tanzania's economy grew by 7.1% in 2017, making it the EAC nation with the fastest-growing GDP. The development of the infrastructure and the production of agricultural products played a significant role in the increase in GDP in 2017. Only 13.5% of Tanzania's tariff lines were permitted to have limit rates of 120 percent; both agricultural and non-agricultural items were subject to these rates. The country aggressively seeks trade liberalization within this customs union and adopts the East African Community's uniform external tariffs as a founding member (EAC). Tanzania is a particularly desirable location for investors due to its strategic location, stable political environment, positive macroeconomic outlook, and membership in the East African Community (EAC), a customs union that includes Kenya, Uganda, Burundi, and Rwanda (WTO, 2019 Trade policy Review)

Other Relevant Import/Export Restrictions and Standard Compliance

In 2004, the East African Community approved the Customs Management Act, which all the details on administrative issues relating to trade, such as importation of both prohibited and restricted imports, entry of goods, warehousing of goods, the exportation of both prohibited and restricted, entry outwards, clearance of, provisions relating to securities, duties, prevention of smuggling, manufacturing under bond, and free ports, export processing zones inward and outward processing, offenses, and more.

Tanzania's Export Analysis, Broken Down by Type of Good

When compared to the value of exports in 2017, the value of exports in 2018 decreased by 3.2 percent to $ 4,380.3 million. The value of exports in 2017 was $4,523.9 million. The fall in retail sales was mostly caused by the decline in revenue from natural goods. Only a small portion of the goods was provided by natural exports, which made up 80.6% of all exports. the following destinations were exported to: (NBS, 2018). Natural Resources in 2018, the value of sales of natural goods decreased to $772.8 million, a 24.3 percent decrease from the $1,020.7 million total in 2017. Decreased pricing for goods including coffee, cotton, hemp, tea, and tobacco on the global market, as well as a decline in cashew sales, contributed to the deficit. (NBS, 2018).

Coffee with an increase of $ 147.9 million from $ 126.3 million in 2017, or 17.1 percent, the value of coffee shipped to the United States in 2018 hit a high milestone. This was caused by an increase in volume exports, which saw 56,600 tons sold in 2018 as opposed to 41,800 tons in 2017, the year that caused the increase. In contrast, the global average price of coffee decreased by 13.5 percent in 2018 across all markets. (NBS, 2018). Cotton as compared to 2017, when cotton imports were $36.8 million, the value of cotton imported in 2018 was $68.4 million, an increase of 85.9%. The amount of cotton exported rose from 25,300 tons in 2017 to 47,400 tons in 2018, accounting for the rise. Additionally, from $ 1,450.3 in 2017 to $1,444.2 in 2018, the price of cotton per ton was sold on the global market. From the prior year, this represents a decrease. (NBS, 2018). Cloth The value of hemp exports in 2018 was $33.2 million, an increase of 15.7% over the value of those exports in 2017, which was $ 28.7 million. This was a result of a rise in the overall amount of hemp exported, which increased from 17,000 tons in 2017 to

20,400 tons in 2018. Additionally, from $1,686.7 per ton in 2017 to $1,627.0 in 2018, the average price of a ton of hemp on the global market decreased by 3.5 percent. (NBS, 2018). Tea When compared to the $49.1 million in 2017, the value of tea exports fell by $4.9 million, or 6.5 percent, to $45.9 million in 2018. The dip was brought on by a 4.5 percent drop in tea prices on the global market, from $ 1,783.6 per ton in 2017 to $ 1,707.4 in 2018. Additionally, from 27,500 tons in 2017 to 26,900 tons in 2018, less tea was exported. This is a 4% loss. (NBS, 2018).

The value of tobacco sales in 2018 was USD 270.3 million, which is equal to an increase of 38.0 percent over the value of tobacco sales in 2017, which was valued at $ 195.8 million. This was due to a rise in the amount of tobacco exported from 48,300 tons in 2017 to 72,200 tons in 2018. Additionally, the average price of tobacco per ton on the global market fell from $4,055.6 in 2017 to $3,741.9 in 2018, a loss of 7.7 percent. (NBS, 2018). Cashew nut prices substantially decreased from $ 529.6 million in 2017 to $ 196.5 million in 2018, a decline of 62.9%. The fall was brought on by a 63.5 percent drop in the number of cashew nuts exported from the nation, from 329,400 tons in 2017 to 120,200 tons in 2018. Additionally, during the same period, the cost of cashew nuts on the global market grew by 1.6 percent, from US$ 1,607.7 in 2017 to US$ 1,634.2 in 2018. (NBS, 2018).

Natural-Non-Nature-Based Products in 2018, the number of non-native goods exported increased to $3,209.3 million from $3,091.9 million in 2017. This demonstrates an increase of 3.8%. This happened as a direct result of an increase in the sales of industrial goods, produce, and flowers, among other products. (NBS, 2018). Mining It was $1,694.5 million, which was 4.8% less at $1,615.3 million in 2018, than the value of minerals shipped in 2017. Along with the overall downturn, the decrease was brought on by a drop in the sales of other minerals in addition to gold. In addition, the value of gold sales dropped by 1.1 percent in 2018 to a total of $1,524.0 million from $1,541.1 million in 2017, which resulted in a lower figure. Exports of products and services generated revenue equal to 50.3% of total net income in 2018. (NBS, 2018).

Items that Were Fabricated Sales of manufactured goods increased by $ 794.6 million in 2018, compared to $ 693.7 million in 2017, a 14.5 percent rise. An increase in export sales, notably of marble, plastic materials, and aluminum, was the cause of this (aluminum

products). Additionally, in 2018 24.8% of the total revenue from the sale of gross domestic product was made from the sale of manufactured goods. (NBS, 2018)

Trends in Prices

While the costs of other significant product categories and services increased significantly in 2018, the costs of certain key product categories and services increased just a little when compared to 2017. An examination of pricing patterns for significant product and service categories demonstrated this. For a variety of different categories in 2018, including transportation, education, hotels and restaurants, power, water, and housing, inflation was greater than it was in 2017. The communication group, in contrast to all other groups, has maintained a propensity to moderate inflation for the third year in a row; for instance, in 2018, the group's inflation rate was 1.6% lower than it was in 2017 when it was 0.96%. This was caused by a change in customer service behavior, which had this effect. The use of this service is consistent with attempts being made by service providers to reduce the cost of telecommunications services or offer incentives to consumers, such as inexpensive bundles, in an effort to draw clients and compete with other providers. (NBS, 2018)

According to a review of pricing trends for other specific categories, the average cost of food, which includes meals made at home and those provided in hotels, climbed by 3.7 percent in 2018 as opposed to an average increase of 9.6 percent the previous year. This happened as a result of rising food production, which improved food products available in both domestic and international market sectors. Additionally, compared to an average of 3.2 percent for the full year of 2017, the total rate of inflation for non-food commodities increased by 4.3 percent on average in 2018. Additionally, compared to the previous year, when it rose by 10.5%, the price of energy jumped by 17.1% in 2018. In 2017, total inflation was 2.0 percent, while core inflation, which excludes the impact of changes in the cost of food and energy, was just 1.9 percent. The outcome of effective monetary and fiscal policy was this. This group accounted for 54.3 percent of the entire value of the consumer basket and was the one that was managed by the material fiscal policy. For groups of people with incomes ranging from low to high, indicators of price rises for services and items increased to 2.0 percent and 4.7 percent, respectively, in 2018

from 1.9 percent and 4.2 percent, respectively, in 2017. Typical costs of products and services used often by these populations, such as clothes and footwear, electricity, water, and housing, have increased, contributing to this trend. Consumer price indexes for a group with middle-class incomes fell by 1.9 percent in 2018 compared to 2.6 percent in 2017. (NBS, 2018)

Patterns of Import

No country can be regarded as economically autonomous in the modern world. Every nation engages in international commerce because it sells its surplus commodities to other countries that have a demand for them and imports the items it needs from other countries across the world. Tanzania excels in the production of raw materials while having a low degree of industrial development. Tanzania is compelled to import necessary manufactured items from other nations as a result of these circumstances.

Tanzania's imports increased from $2,127.10 to $2,138.90 during the first and second quarters of 2019. A 2.10 percent increase (BoT, 2019). Most of what Tanzania imports is machinery, vehicles, construction materials, oil, fertilizer, and consumer and industrial raw commodities. Major import markets include China, India, South Africa, Kenya, and the UAE (NBS, 2018).

The trend in the growth of GDP

When compared to 2017's 6.8% growth, GDP grew by 7.0% in 2018, and economists predicted a real GDP at 6.8%, or just under the 7% prediction. The increase in investment, notably in infrastructure projects like building roads, railroads, and airports, dependency on the supply of electrical energy, enhancements to transportation services, and favorable climate for agriculture all served to intensify this rise. The increase in investment, particularly in infrastructure projects like building new roads, railroads, and airports, only served to accelerate this expansion. The building is expanding at a pace of 12.9%, transportation and storage are expanding at a rate of 11.8%, and the communication and information sector is expanding at a rate of 13.7%. The art and entertainment business is expanding at a rate of 13.7%. 9.1 percent. (AfDB, 2019)

Agendas for National Progress

Medium-term policy frameworks in Tanzania include the national plan for growth and poverty reduction and the promotion of industrialization for the purposes of economic transformation and human development with a dual focus on growth. Both of these structures were designed with expansion in mind. All of these plans were made with Tanzania's development vision 2025 in mind. That plan's overarching goal is to make Tanzania a better place. Economic growth and industrialization, human development and social change, an enhanced business and enterprise development environment, and a more efficient and effective execution strategy are the four areas of focus for the plan to unlock Tanzania's growth potential. This is one of the specific objectives of the plan, the overarching one being the promotion of economic development in Tanzania. Evaluation of World Trade Organization Trade Policies for 2019

The Background of FDI throughout History

Foreign direct investment is widely acknowledged to have started somewhere eventually in the nineteenth century. Colonial plantation enterprises relate to a huge number of the enormous, globally interconnected organizations that are still in operation today. These businesses were founded in the Victorian and Edwardian periods. These businesses include Dunlop, which invested in rubber, Cadbury's, which invested in cocoa, and the Lever Brothers company, which later became known as Unilever and invested in the vegetable oil plantations in West Africa. Over 45% of the global stock of FDI was controlled by the United Kingdom in 1914. The United Kingdom was the world's leading imperial power at the time. American businesses including General Motors, Ford Chrysler, and IBM constructed industrial sites all over the world when the United States took the leadership position in foreign direct investment during World War II. By 1960, more than 48% of all investments made worldwide were made in the United States. The most significant new player on the international scene, though, is Japan. Less than 1% of all accumulated foreign direct investment in the globe was made by Japanese corporations in 1960. (FDI). Japan contributed more than 12% in 1989, compared to the United States 29.5% and the United Kingdom's 15%. The 1990s saw a substantial shift in the pattern of FDI. This is because between 30 and 40 percent more FDI is now flowing into developing

countries than was the case in the 1980s (15 to 18 percent). The majority of FDI, however, was invested in countries in the Asia-Pacific region. The three countries that contributed the most to this enormous amount of foreign investment were the United States, the United Kingdom, and Japan (Buckley, 2000:356).

Theoretical Relationship between Growing Economic growth and FDI

Definition of FDI

A domestic corporation buying majority ownership or, at the absolute least, a controlling interest in a foreign company is considered as making a "foreign direct" investment. For investments made in foreign businesses when the investor does not have a majority or controlling share, the phrase "portfolio investments" is frequently used. Multinational enterprises (MNEs) and businesses making foreign direct investments are terms that are occasionally used interchangeably. "Foreign direct investment" is referred to as FDI. "Multinational enterprise" is what MNE stands for. Direct investment can take the form of starting a brand-new company in a foreign nation, which is often called a green field investment, or it can take the form of buying an existing company there that has already been operating for some time, which is more commonly termed to as a brownfield investment. The more popular title, though, is "acquisition". (Keneth Ramkishen, 2008; A. Kenneth Ramkishen, 2008).

Adams (2009) was cited by Saqib N., Masnoon M., and Rafique (2013), who then invented the phrase "modernization and reliance theories." The modernization hypothesis states that since continuous economic progress depends on maintaining levels of capital investment, therein direct investment will play a pivotal role in driving economic expansion. The concept of modernization places emphasis on the reality that rising countries lack access to both financial resources and knowledge and technology transfers. The foreign direct investment theory argues that FDI has two benefits: it increases total factor productivity while also assisting in capital accumulation.

The Dependency hypothesis, on the other hand, claim that if the growth of a country's economy is tied to FDI from overseas, then this dependency will have a detrimental impact on the development of the country's economy. This theory holds that FDI causes monopolies to establish in the industrial sector, which causes inefficient use

of local resources. This leads to the conclusion that foreign direct investment creates an economy that is governed by foreigners and does not, in reality, enjoy growth brought on by natural processes.

For the most part, there are two schools of thought when it comes to the topic of FDI. The first is a bigger scale event, while the second is a little version of the first. Capital market theory, dynamic macroeconomic theory, gravitation method, institutional analysis, exchange rate, and economic geography are all macro-level explanations of foreign direct investment. Hymer's presence of firm-specific benefits, FDI and oligopolistic markets, internalization theory, and the eclectic FDI theory are all examples of micro-level theories (John Dunning).

Macro-level FDI Investment Theories

FDI is a specific kind of capital movement that takes place from the nation of origin to the country that receives the investment, and it can be seen in the balance of payments. This perspective is taken from the standpoint of macroeconomics. FDI is another kind of capital movement. The goal of macroeconomic theories, according to Lipsey (2001), is to attempt to explain the causes that induce investors to make investments in countries other than their own. The quantity of foreign direct investment that enters the host country relies on a wide variety of macro elements, such as market size, economic growth rate, foundation, natural resources, political stability, and other aspects (Woldemeskel, 2008). Some of the larger concepts are described in more detail below.

One of the longest-lasting perspectives on FDI is the **capital market theory**. One school of thought holds that a rat race of interest rates is what drives FDI. Investment portfolios often include the capital market theory (Iversen, 1935; Aliber, 1971). Three components known to encourage FDI in less developed countries were incorporated in Boddewyn's capital market theory, which he first presented in 1985. (LDCs). The first is the discounted currency rate, which enables the host countries to have lower manufacturing expenses. The second viewpoint contended that FDI is more likely to be used for long-term investments in LDCs than the purchase of securities since there are no structured securities readily available. The third viewpoint contends that, despite the lack

of information about host country securities, FDI is still preferred since it gives investors power over such nations' financial resources. Another sort of **The dynamic macroeconomic** FDI theory is another name for the macroeconomics theory. The tenets of this school of thought hold that changes in the macroeconomic setting have an impact on when to make investments (Sanjaya Lall 1997). The macroeconomic elements that influence the flow of FDI include the real exchange rate, domestic investment, gross domestic output, productivity, and openness to trade are all factors to consider in FDI. This point of view contends that long-term tactics used by multinational firms are what lead to foreign direct investments. Similar to the preceding two ideas, FDI theories that are based on exchange rates have made an effort to show how FDI and exchange rates are related. The goal of this theory is to explain how FDI influences an economy Currency exchange rate. According to this idea, foreign direct investments are seen to be a way of decreasing exchange rates (Cushman, 1985). There is also the theory of assets in macroeconomic FDI The dynamic macroeconomic FDI theory is another type of economic geography-based theory that focuses on nations and explains how some countries produce successful multinational corporations (Porter, 1990; Nachum 1999). Political boundaries establish the economic unit of analysis, hence Theories of foreign direct investment that are founded on economic geography also take into consideration the myriad of ways in which sovereign governments may exert control over the resources that fall under their purview. The economic analysis unit is determined by political boundaries. The fact that some aspects, such as the availability of natural resources, the make-up of the labor force, the level of demand in the area, and the infrastructure, differed substantially from one nation to the next was used to explain the differences in the results. To reiterate, the idea clarifies why some regions or cities within countries tend to have thriving economies (Storper 1996, 1997; Sassen 1991, 1994).

Considering institutional factors like shareholder protection (Pagano and Volpin, 2004, La Porta et al., 1998) and openness to FDI flows, the **Gravity method** concludes that the amount of FDI that flows between two countries is highest when they are geographically, economically, and culturally comparable to one another. foreign direct investment is determined by factors outside than the usual gravitational variables of size, degree of development, distance, and shared language (Shatz, 200).

Institutional analysis is the foundation of one additional macroeconomic theory of FDI. This hypothesis was made by Saskia Wilhelms in 1998, and it looks at how the institutional environment influences the flow of FDI, was put out by Saskia Wilhelms. The most crucial element of a strong institutional system, according to this theory, is political stability. This theory contends that institutional variables, such as laws, rules, and how those elements are put into practice, rather than immutable foundations, influence foreign direct investment (FDI). The four institutions that influence the flow of FDI are governments, markets, educational systems, and sociocultural settings (Wilhelms, 1998).

The goal of micro-level theories of FDI is to explain why, for example, MNCs set up overseas subsidiaries alternatives to relocating abroad or selling their goods, and how and why they choose specific regions in which to invest (Woldemeskel, 2008). The numerous possibilities at the cellular level are as follows:

Micro-level FDI Theories

Many people credit Stephen Hymer with developing the firm-specific benefits hypothesis of foreign direct investment (1976). According to this hypothesis, there is no one factor that drives a company's decision to expand worldwide, Company-specific perks that are offered by different businesses. These benefits include distinct kinds of intangible assets, access to raw resources, and scale efficiencies. Trade names, patents, better management, and minimal transaction costs are a few examples of these intangible assets. International commerce is the only way to participate in global markets, when In this setting, neither commercial nor competitive restrictions exist. and when markets are operating normally. As a result, a few specific distortions govern how direct investment actually operates, and Hymer was the first to identify these distortions. He believes that there should be certain conditions for foreign direct investment since local firms would constantly be aware of the regional economic environment. Since they are foreign corporations, particular advantages are required for such investments to be successful. Additionally, these advantages' marketplaces must be inefficient (Kindleberger, 1969). Hymer contends that Market imperfections reduce the level of rivalry that would otherwise be optimum in the market for the finished product, which eventually results in

the emergence of multinational firms (MNCs). Multinational businesses (MNEs) are subject to specific adjustment expenses, which are fees assessed at the corporate level when they make investments abroad. According to Hymer, deciding to invest in FDI should be done at the corporate level rather than the capital market level.

He felt that through modifying knowledge and commercial assets, both tangible and intangible, a foreign direct investment might be utilized to arrange production in other nations (Sethi et al., 2003).

According to data from oligopolistic markets and FDI, there are two foreign investors present in the context of a two-tier oligopoly. Intermediate goods are produced by one of the foreign investors, while the other generates final products. Both investors make their own separate decisions on if they will be allowed to enter the nation that is hosting them. When one of these companies enters a market, it not only incurs certain fixed costs but also creates a technical spillover for the local companies operating in the same sector, which in turn lowers the firms' marginal production costs (Lin & Saggi, 2010) Hoenen and Hansen (2009) contend that oligopolistic markets need the use of FDI as a defensive tactic. Knickerbocker proposed that risk-averse companies should model their behavior after that of their primary competitors in order to maintain an oligopolistic equilibrium. In oligopolistic marketplaces, when one company makes a move, the other companies in the market immediately respond through means of retaliatory actions on both the domestic and international levels (Schenk, 1996). The market leader initiates FDI, which prompts other businesses to follow suit. Eventually, an oligopolistic equilibrium is reached. will be maintained. Oligopolistic marketplaces are characterized by firms following the actions of the market leader.

Hennart, as well as Buckley and Casson (1976), developed the internalization theory (1982). Companies try to utilize their monopolistic advantage on their own because of market imperfections. According to Buckley and Casson (1976), internalizing one's own marketplace is one technique for businesses to circumvent market flaws. Consequently, the internalization process involves a form of vertical integration in which The business begins to exercise control over the newly established operations and activities. These operations used to be handled by the companies acting as middlemen. The concept was initially established by Coase (1937) and Hymer (1976), albeit in quite

different contexts: Case in terms of the domestic economy, and Hymer in terms of the international economy. According to Hymer's study, there are two main variables that affect FDI: the first is the lack of rival firms in a given market, and the second is the competitive advantages that some enterprises in that market possess (Denisia, 2010). The internalization concept was highly valued by Dunning (1980, 1988) and was included in his eclectic theory since he thought it was very important. However, he contends that the internalization approach can only account for a portion of FDI flows. He draws inspiration from a wide range of sources, including macroeconomic theory, trade, and microeconomic theory, firm behavior, among others.

The terms ownership, location, and internalization are abbreviated as OLI. The phrase "ownership advantages" describes intangible assets that are entirely held by the business and that may be sold to other multinational companies (MNCs) for lower prices, which can lead to higher profits or lower costs. The privilege to exclusive possession of scarce natural resources, patents, and trademarks are only a few benefits of owning property. Geographical advantages will be utilized to choose which country will host the operations of multinational firms after the first criterion is satisfied (MNCs). Examples of location-specific benefits include the advantages of both quantitative and qualitative production aspects, the accessibility of resources, cheaper transportation and telecommunications costs, and a sizable market. Other instances include typical governmental practices, distance from the nation of origin, cultural ties, and so forth. Internalization is a concept I agree with. When the first two conditions are satisfied, it must be advantageous for the business to combine these benefits with some of the components that are situated in nations other than their originating country According to (Dunning, 1973, 1980, 1988). Varied companies have different OLI dimensions, and these differences are a reflection of the economic, political, and social climates of the host nations, as shown by the eclectic OLI paradigm.

Development Theories of FDI

Raymond Vernon is credited as being the one who initially suggested the idea of the product life cycle in the year 1966. The idea may be utilized to conduct an investigation into the connection that exists between the product life cycle and the

potential for FDI flows. It is common for FDI to go through a period in which it declines after having reached its mature stage. It was devised as a reaction to worries over the Heckscher-Ohlin theory of international business, which has now been disproved.
The plan called for the establishment of production facilities by corporations abroad for goods that are already developed and standardized in their country of origin (Sethi et al.2003)

According to the idea, there is a cycle in which a product is initially manufactured by the parent company, then it is and then after that, the company's international subsidiaries then developed the product in order to seize the worldwide market. last but not least, a product produced anywhere in the globe where the cost of producing it is at an all-time low (Vernon: 1966, 1971; Wells: 1968, 1969).

The concept also describes how a product was created that subsequently found popularity on the global market. Throughout its whole life cycle, it ultimately turns into an import since it was developed in nations with the lowest pricing rather than the ones that did all the innovation. Technology advancements and market expansions are the main drivers of the Theories. Technology may be used to develop new products as well as build new ones. Additionally, the size and composition of the market have an influence on how successful and distinctive a certain type of international commerce is. Many types of FDI were undertaken by American businesses in the industrial sector of Western Europe after World War II. This concept was used in an effort to justify these investments. The four possible the stages of manufacturing cycle, there are four phases: invention, growth, and maturity. were covered by Vernon. He claims that the first step of the process involves the production of a novel, imaginative goods by multinational businesses for both domestic consumption and exporting any excess to serve markets abroad. This idea holds that following the Second World War, there was a rise in the demand for manufactured products in Europe, which was advantageous for American companies. began exporting since they had a technological edge over their international rivals. The technological advantage helps the product progress, and new inventions reach the general audience. The producer will establish a standard for the product, and businesses all over the world will endeavor to follow it. As a result, firms established in the United States started selling their products in Europe through the importation of items created in the United States.

The need to keep their market shares at current levels in certain regions, American-based businesses were forced to set up production units there (Denisia, 2010).

Theory of the inflow of FDI

Azam and Lukam (2008) assert that it is feasible to persuade a foreign investor to visit the host country in order to invest there. The nation serving as the host is primarily interested in making money off of this investment. There hasn't been a single explanation for the FDI offered. Many academics have put out a wide range of potential explanations for the flow of FDI. The foundation of their study is what is known as the linear regression model. The results of several research show that the degree of inflation, the home nation’s economic policy, the degree of freed trade, and the size of the market are the main variables that affect the quantity of FDI (Asiedu;2002).

It has been widely emphasized in the empirical literature on the issue of the drivers of inbound FDI that the economic fundamentals or conditions of the home nation, as compared to the countries from whence the FDI originates, have a significant role in shaping FDI flows. This is because FDI inflow can be affected positively or negatively by these factors. This data bolsters According to Dunning's eclectic paradigm, the FDI. that is funneled into different countries throughout the world is determined by the geographical advantages offered by those countries' (1993). A number of benefits, including but not limited to market size and income levels, skills, infrastructure, and political and economic stability, may be found in various locales. It has been demonstrated that the most important factor to take into account is the size of the market, and more specifically the amount of disposable money that consumers have.

Variables that influence the inflow of FDI

Fundamental economic variables, Sekkat and Veganzones-Varoufakis (2007) classified the factors that affect the influx of FDI into three groups: atmosphere for investments, which takes into account factors such as trade and currency exchange market policies. Conditions favorable to investments and businesses, among other fundamental economic variables, such as rules governing international commerce and currency exchanges were categorized by Sekkat and Veganzones-Varoufakis (2007). (FDI). In

addition, the size of the market in the nation in which the investment is being made is one of the fundamental economic elements, and differences in the rates of return on capital among nations are also one of the fundamental economic factors. There are several policy factors for both international commerce and currency exchange to consider when talking about the liberalization of global trade and the volatility of exchange rates (Froot and Stein,1991. Economics (GDP per capita, GDP growth rate, economic integration, the significance of transport, commerce, and communication), society (level of urbanization), political stability (number of 11 constitutional changes in government, leadership), and institutions (in terms of communication) all play a part. Unrest on the political front should be the very last consideration. Infrastructure, labor costs, the availability of a competent workforce, incentives, and other considerations are all taken into consideration (Baniak et al, 2005).

FDI Inflows in Tanzania

Over time, there has been an increase in the amount of FDI in East Africa. Amount of FDI that entered, according to BOT et al., Tanzania's GDP rose from 47 million United States dollars in the year 1990 to 768 million United States dollars in the year 2000. (2001:9). From 1990 to 2000, this increase was continuous. Compared to this, a 15.3% increase has occurred during the past ten years, or an increase of 1.53% each year on average. Between 1985 and 1990, FDI increased in Tanzanian stock markets. Then, starting in 1995, there was a noticeable decline, which peaked in 1998 and 1999. Foreign direct investment has been coming into Tanzania at an increasing rate over time.

Since 1996, there has been an increase in both total population and relative to populations of neighboring countries, particularly Kenya. Numerous causes, including but not limited to the considerable reforms Tanzania has implemented and is now working to make, especially since the middle of the 1980s, might be blamed for the rising inflows (Ngowi, 2002).

Tanzania's then-president Julius Nyerere attempted to conduct a socialist transition, which led to Massive acts of the social ownership of private property and the confiscation of overseas holdings was also carried out. Making investments from outside was almost difficult due to the policies and regulations of the government. An

expropriation order was issued for any property with a value of more than $15,000, and this was enlarged in the 1970s to include the majority of businesses owned by Asians. However, this order's enforcement was uneven. The United Nations considered Ujamaa to be more "genuine" and appropriate than capitalism, which was also seen to be "African," along with foreign currency in particular.

There has been a big change in the atmosphere recently. The gradual but continuous implementation of economic changes that began in 1986 and gained up speed amid a financial crisis in the middle of the 1990s led to a significant shift in the government's attitude toward global industry.

The privatization initiative, which included the nationalization of various firms that had previously been under the control of foreign corporations, made it simpler for foreign businesses to re-enter the country. Early 1990s mining sector reforms made it feasible for foreign businesses to make large new investments, especially Ashanti Goldfields of Ghana and AngloGold of South Africa.

A number of prominent South African and British banks began operating there immediately after 1993 when international banks were given entrance to South Africa. Legal changes made in 1997 abolished the majority of the final sectoral restrictions on foreign investment in Tanzania's dryland remained in force Despite the island nation of Zanzibar's degree of autonomy, numerous rules still apply. With the noteworthy exception of the oil and gas sector, almost all corporate sectors have diminished the priority they place on equality before the government (UNCTAD, 2002).

Empirical Literature Review on international trade

Once sufficient and reliable data have been gathered over time, indicators of the condition of the macroeconomy may be discussed. This is done in order to avoid bias and to get a feel of how the many variables that were used have been trending overall. Diverse philosophers have substituted the examination of data based on cross-sections with data analysis using time series when the former is insufficient for assessing the variables that have an effect on GDP growth because of global commerce and FDI. This is because there aren't many places where long-term data ranges are readily available. The amount of focus placed on the topic of global commerce, FDI, and its effects on the expansion of the

economy has steadily increased over the course of the last several decades. As a result, the findings of these empirical studies imply that either more trade liberalization or less trade protectionism is somehow associated with greater economic development. However, in other instances, the results of the examinations of many researchers have led to inconsistent conclusions. A handful of these exchanges are described below:

The research was done by Abdulkadir et al. (2017) to determine how imports and exports affect Somalia's GDP growth. Time series data were analyzed using the Ordinary Least Squares (OLS) technique, and Granger Causality and Co-integration tests were performed. The results show that Somalia's involvement in global trade has a favorable effect on the country's economic growth. In actuality, increased trade openness and rising exports result in rising GDP, which is a sign of favorable economic success in Somalia. Husin (2018) (2018) was successful in proving without a shadow of a doubt that export is unconnected to the growth of the Malaysian economy in a study quite similar to this one. It has been discovered that imports, yet another significant component of global trade, strongly correlate with economic growth. Husin (2018) stresses protectionism since international commerce has a negligible contribution to Malaysia's economic growth, in contrast, according to Abdulkadir et al. (2017), the export-driven strategic efforts that are balanced with import-driven exports are what would help Somalia's economy expand. In contrast, Abdulkadir et al. (2017) underline the importance of export-led strategic measures in tandem with imports that are export-led to quicken Somalia's economic expansion. These actions are consistent with imports that are export-led.

In light of what has been stated so far, Sulaiman and Ramli (2019) reference Abdulkadir et al. (2017), but they go on to have a more in-depth discussion about the significance in developing countries, as well as the effect concurrent linkages have on the rate of economic expansion (exchange rates and other independent variables, which include export and import). Johansen-Juselius and Vector Error Correction were just two of the multivariate methods that Sulaiman and Ramli (2019) employed. to perform empirical research on the economy of Malaysia in order to demonstrate that long-term economic growth is significantly influenced by international commerce. This was accomplished by highlighting the important role that commerce plays in the expansion of the economy. We

discover that the Both the effective exchange rate and imports, and the real effective exchange rate and exports, have a large and beneficial influence on GDP.

International trade is also extremely susceptible to the significance of the import/export value attached to the exchange rate of currencies. Both the short-run and the long-run GDP are affected favorably by the interaction factors' presence. (economic growth). The relevance of the exchange rate on commerce and GDP in general as used in this study is considerable due to the occurrence of a country's currency increasing in value if there is strong demand for that currency and decreases if there is low demand (Kess, 2019). Therefore, it is predicted that as the domestic currency appreciates in reference to its trade partners, domestic import prices would fall and export prices will rise (Dubravskaa & Siraa, 2015).

Hassen et al. (2019) employ Ordinary Least Squares (OLS) analysis applied to time series data to detail how significant international trade factors influenced economic expansion in Tunisia. These drivers include free commerce, Human Resources, Foreign Direct Investment, and a Healthy Economy. It is clear that exports and imports are two of the most important aspects among these. The majority of this argument by Hassan is centered on imports and exports, but the focus of Research by Abdulkadir et al. (2017), Agbo et al. (2018), and Husin (2018), among others, focuses more on trade flows than on GDP. Elements such as free trade, human capital, foreign direct investment, and the money-to-capital ratio are used to evaluate a country's economic development, and they all demonstrate positive long-term effects on growth. As a result of the distinctive and significant contribution that human capital provides to the invention and development of technology, Human capital is correlated favorably with economic expansion. Investments are frequently undertaken during this period to enhance productivity, which is followed by investments in human capital, which have an influence on output, trade, and an extra boost to economic growth. An open economy grows more quickly when there is a high level of literacy than the economy of a nation that engages in economic isolationism (Pelinescu, 2015).

Countries that are not a part of regional economic integration may yet engage in international trade on an equal footing with those who are. One might anticipate various experiences in a scenario where commerce is carried out by a country or countries

involved in regional integration. For instance, Silajdzic and Mehic (2018) used to reevaluate the link between trade liberalization and economic development, researchers used least squares dummy variables analysis and methodologies based on fixed effects panel analysis. They discovered a strong correlation between free trade and economic expansion. In light of the findings, which show the increase of No method of promoting economic growth is more successful than commerce when it comes to economic growth, the consequences of policy in favor of trade restrictions matter more in CEE EU states than the impact of wider trade. This shows that increased trade does not significantly contribute to the economic growth of CEE.

In order to strengthen economic growth for individual countries, using fixed effect panel techniques, Tinta et al. (2018) generated two distinct models. The findings show that countries must make efforts to advance regional integration; as a result, increasing international trade is not a more effective way to boost the economies of ECOWAS countries. The prior study was depicted as a picture of the prior study by Tinta et al. (2018). In contrast to international trade, regional trade, which takes place concurrently with the creation of value chains in every country, can act as a catalyst for economic growth. These arguments lead to the conclusion that Although there is not a particularly significant correlation between growth and free trade, there is considerable potential for intercommunity or regional commerce as well as domestic per capita value added to accelerate economic growth for individual nations within a given region. In order to improve regional commerce, greater focus should be given to fine-tuning policies (Ungerer, Hernandez, & Vincelette, 2018).

A more narrowly focused study was carried out by Faruk (2018) in order to facilitate more research into the distinct influences that free trade, exchange rate, and FDI have on economic growth in Nigeria. This is in contrast to the findings of other Nigerian studies, such as those conducted by Agbo et al. (2018), Kenya (2017), and Obadan and Okojie (2016), which attempt to investigate the overall impact that increased foreign trade has had on the expansion of Nigeria's economy. According to Faruk's (2018) analysis of time series data, openness has a positive and large influence on the growth of real GDP, while the interplay between imports and exports has a detrimental but significant impact. The role that export plays in economic growth is little since a sizable share of exported

goods are raw materials. Divergent statistics, however, give an indication that export makes a bigger contribution to economic development than other elements that influence international trade. These explanations promote the idea that export has a massive and substantial influence on growth over all other factors, especially in countries with low incomes like Nigeria, which places a greater emphasis on exporting raw materials. These arguments use a variety of theoretical and empirical tidbits of evidence to support their claims. Nigeria and other developing nations like it must If you want to be able to influence an increase in economic growth, you need to embrace huge production and empower exporting of completed goods, as well as appropriate tactics and policies in a trade that will encourage more FDI and attract more overseas investors. India's external economic reform after 1991 aimed, among other things, to considerably fine-tune the country's exports and attract large amounts of FDI that was focused on the country's exports. India's economic reform after 1991 was successful in achieving both of these objectives. To wit: (Abubakar & Shehu, 2015). The theory of export-led promotion is supported by the fact that a sizable fraction of prior research investigations found some indication of a connection between exporting and economic growth. It is likely that this may raise some questions about time-series studies that claim to show the positive benefits of a country's exports on economic growth over a longer period of time because this is only a study using a cross-sectional approach (Obadan & Okojie, 2016). Although this is the case, Abubakar and Shehu's (2015) findings from a time series analysis reveal that domestic investment and exports and The estimates of GDP over the long and short runs are positively and statistically significantly correlated. Additionally, in the long run, imports and exchange rates have a negative and statistically significant relationship with GDP; but, in the short term, the relationship is statistically negligible. This holds true even if there is a connection. Additionally, there is another direct causal link in the short term between domestic investment, exports, exchange rates, and GDP.

The vector autoregression model is used by Kataitzi (2013) to look at the relationship between exports and economic development in the United Arab Emirates from 1980 to 2010. The study is concentrated on the interval between the two time periods. The results of the Granger causality test for analysis show that the link between rising imports and exports and overall economic development is exclusively one-way.

Masoud and Suleiman (2016) used annual data from the relevant time period to examine the link between Malaysia's exports and imports. Cointegration analysis, variance analysis, and Granger causality tests were all used to achieve the goals of the empirical study. The data show a relationship between rising exports and economic growth as well as between rising imports and rising exports. The opposite of this association also holds true.

Sachin N. Mehta (2015) examined the link between economic growth, exports, and imports in India using annual data from 1976 to 2014. The 1976–2014-time frame was the study's primary emphasis. Granger's causality tests, the Vector Error Correction Model, and Engle-Granger Co-integration analysis were all used in the empirical inquiry. According to the results, India's Gross Domestic Product (GDP), exports, and imports have a long-term co-integrating relationship. Granger causality studies on a long-term basis show that GDP causes exports, but exports do not cause volatility in GDP. The experiments further demonstrate that neither imports nor fluctuations in imports cause GDP to change. In conclusion, imports are unrelated to exports while exports are the road that led to imports. From 1995 to 2013, Bader (2016) looked at how exports and imports affected the pace of economic development in Arab countries. The research spanned the years 1995 through 2013. Panel data analysis was used to carry out the study across 17 nations: (Sudan, United Arab Emirates, Tunisia, Saudi Arabia, Kuwait, Lebanon, Egypt, Djibouti, Qatar, Mauritania, Morocco Bahrain, Yemen, Algeria, Jordan, Oman, and Palestine). The outcome suggests that commerce of any form, including international trade, helps the economy grow.

Empirical Literature Review on Foreign Direct Investment

Saqib, Masnoon, and Rafique have just released the results of their empirical study on the issue of the effects of foreign direct investment on economic growth in Pakistan between 1981 and 2010. A time frame of 1981-2010 is covered by the research. (2013). The inquiry covers the years 1981 to 2010 and was conducted during that time. They used a total of six factors in their research, with the dependent variable being GDP and the independent variables being FDI, total debt service, gross domestic savings, and inflation. The study came to the conclusion that there is a significant association between the

independent variable GDP and foreign direct investment, although an unfavorable one. After the analysis determined that there is a correlation, this conclusion was made (FDI). Additionally, it was shown that there is a bad correlation between GDP and trade, inflation, and debt. They came to the conclusion that, in their view, domestic investment will prove to be more beneficial and that reliance on FDI should be reduced as far as is practical. They argued that in order to encourage people to save money and make investments in their own nation, the government should offer tax breaks and other financial incentives to individuals. They advise performing further studies in order to incorporate elements of technology diffusion and human capital into the findings of studies that are conducted in the future. They believe that a number of ambiguous factors, such as the transfer of technological know-how and human ability, appear to have weakened the link between foreign direct investment (FDI) and the economy of the host nation. They think this is true in particular because of the following: Wai-Mun H, Kai-Lin, and Kar-Mun (2008) conducted their own study to look for evidence of a link between FDI and GDP expansion in Malaysia. They used the Phillips-Peron (PP) test, the Ordinary Least Square (OLS) regression analysis, and the Augmented Dickey-Fuller (ADF) Unit root tests to reach their results. Based on their findings, foreign direct investment significantly correlates with economic expansion in Malaysia. Thus, the government should welcome foreign direct investment and back policies that make it easier for domestic enterprises to adopt FDI's cutting-edge technologies FDI. The government must also work to tackle growing inflation, currency exchange rate volatility, and corruption. According to UNCTAD (1999), significant foreign investment inflows into emerging nations sparked the growth of domestic investment. However, UNCTAD also discovered that international enterprises and corporations outperform domestic ones in that they have access to inputs that are not readily available locally, superior technology, better management systems, and the ability to diversify and grow production and export capacity.

A further research was undertaken by H. Wai-Mun, K. Kai-Lin, and K. Kar-Mun (2008) to ascertain whether or not FDI has aided in the growth of Malaysia's economy. They found that FDI contributes favorably and considerably to the growth of the Malaysian economy using techniques such the Augmented Dickey-Fuller (ADF) Unit root

test, the Phillips-Peron (PP) test, and Ordinary Least Square (OLS) regression analysis. It was a given that they would figure it out. In light of this, the government should provide legal backing for legislation that favors this form of foreign direct investment in order to encourage domestic businesses to use FDI-introduced technology. The government bears responsibility for addressing issues such as rising inflation, fluctuating currency exchange rates, and rampant corruption. Others contend that the impact of foreign direct investment on economic growth is either negligible or adverse (Lougani and Razin 2003; Akinlo, 2004; Ayanwale 2007; De Mello, 2005). Ndikumana and Verick (2008), Lumbila C (2005), and Andreas (2006) all found that FDI has a favorable and statistically significant impact on the growth of the economy. Foreign direct investment has a sizable and advantageous impact on economic growth, according to Lumbila C. (2005). (1999). The main focus of this study is on how research is developing at the national level. Despite the fact that several studies have been carried out at the company, industry, and national levels, this is the one that concentrates largely on the country level.

In 2013, Antwi, Atta-Mills, and Zhao conducted empirical study on the effect of FDI on Ghana's economic development. Using regular Ordinary Least Squares (OLS) regressions, they found evidence supporting FDI's beneficial and lasting impact on Ghana's economic development. They advocated for policies that encourage foreign direct investment, arguing that it may bring in much-needed funds, facilitate the sharing of valuable expertise, and open up a number of new job possibilities. The scenario for domestic producers is similar to that in neighboring Malaysia. This is because FDI from outside has a devastating impact on domestic firms' ability to compete because of the monopolistic market it creates. To help its population, the government should launch programs like collaborative businesses between outsiders and residents of the same city.

Workers who work for companies that are controlled by foreign firms might benefit from FDI, claims Alfaro (2003). The examples from Tanzania, Kenya, and Uganda show that foreign businesses are more productive, introduce new management capabilities, and invest a lot more money in infrastructure, employee education, and employee welfare. Globally active companies also have closer links to producers all across the world.

The Nigerian economy and the effects of foreign direct investment were the subject of an empirical research by Akinlo (2004). Through the use of ADF, PP tests, and correlation

analysis, he arrived at the decision that foreign direct investment in Nigeria has a positive influence on growth, despite the fact that this effect is pushed back by a sizeable amount. According to the findings of his study, foreign direct investment in the oil extraction industry would not be as beneficial to the expansion of the economy as FDI in the manufacturing industry. His research also indicates that export capital, human capital, and labor all have a favorable correlation with economic expansion. Specifically, he suggested that the government boost the amount of foreign direct investment in the manufacturing sector as well as other productive areas. His research brought to light the need of putting an end to the flight of capital, which has been shown to have a significant detrimental effect on short-term direct foreign investment. The absence of established infrastructure in Tanzania is among the most difficult obstacles to achieving Tanzania's full development potential, according to URT's findings (2001). In order to improve accessibility to productive sites, the infrastructure network needs to be improved.

Tanzania's transportation infrastructure was designed to accommodate such an economy since Tanzania's economy is reliant on foreign markets for its commodities and products. Since the nation's economic activities are dispersed in part due to the location of natural endowments, there are now substantial gaps in the building of a network that is typically more coherent and would have assisted in the establishment of a local market (World Bank and URT, 2001).

Relationship between Exchange rate and economic growth in Tanzania

After structural adjustment and stability in emerging nations, the research raises some significant queries and worries about the relative contributions of various exchange rate regimes. The first issue focuses on how challenging it is to weigh two exchange rate functions that seem to be at odds with one another. These are: 1) Its impact on a nation's ability to compete internationally (adjustment), which is typically connected to a flexible, export-friendly exchange rate regime; and 2) Its role is to stable unit of currency used to combat rising prices (stabilization), which is typically connected to a fixed exchange rate regime. It has been demonstrated that both of these operations have an impact (Kiguel, 1992; Edwards, 1993).

The domestic price indices of both tradeable and nontradeable products should be used to calculate the internal RER in principle, but in fact, LICs frequently lack access to these series. In reality, comparing the domestic CPI to both the international WPI and the foreign CPI yields the internal real exchange rate. While the international WPI is multiplied by the nominal exchange rate to approximation the prices of tradable items in the home country, the domestic CPI is utilized as a proxy for prices of non-tradable products in the local sector. 2 One of the biggest downsides of using the CPI as a substitute for nonreadable prices is that the proxy's discrepancy from the prices of nontraded commodities increases with the CPI's weight of traded goods. An important drawback of using the international WPI is the likelihood that it will not track changes in a LIC's export prices, especially commodity prices. It could, however, be more useful for monitoring import and unconventional export prices. An alternative way is to calculate a domestic tradable price index by averaging the international prices of importable and exportable items, then multiplying the result by the nominal exchange rate.

Many LMICs have had or still do parallel foreign exchange markets that trade currencies. In these markets, a fixed or controlled exchange rate coexists with one that is determined by the market (either legally or illegally). When calculating a REER, using only the nominal exchange rate that is legally regulated might give you a false impression of the price incentives that are at work throughout the whole LIC economy. This is due to the fact that the official rate is virtually always excessive. The existence of a parallel exchange rate has been a prominent feature of Tanzania's post-independence history; in 1986, the parallel exchange premium reached its maximum level of over 700 percent. The exchange rates were normalized the next year, in 1994, after the parallel premium had decreased until it was below one percent in 1993.

Tanzania's REER has seen considerable variations in recent decades for a number of different causes. The 40 percent rise that happened throughout the 1990s and the ensuing severe depreciation that occurred after 2000 are rather mild movements in comparison to the swings that took place in the 1980s. Even major changes in the REER can only provide a fragmentary view of Tanzania's changing competitiveness. The reasons for the changes in the REER must be well understood before any inferences regarding the consequences of external competitiveness can be made. The REER might depreciate

owing to a fall in the trade balance. However, this would suggest a return to competitiveness rather than an increase in competition. Increases in the sector's productivity might also support a rise in the REER, and this wouldn't mean that the nation's degree of competitiveness would be affected. To understand if Tanzania's competitiveness has improved or declined in comparison to a specific period in time, it is first required to ascertain whether or not the REER is expensive. To be able to assert that the REER is misaligned to a certain extent, one must have information about the REER's equilibrium value. A rise or decrease in the REER's value relative to the point where it is thought to be in equilibrium indicates a change in Tanzania's competitiveness.

Economic Reform and recovery in Tanzania mid-1980-present

The economic recovery plans supported by international financial institutions (IFIs) and donors make the reform era notable. These initiatives sought to enhance social services, lower inflation rates, boost production growth and regain external balance. These events took place concurrently with the liberalization of trade and exchange rates. These elements caused the value of the Tanzanian shilling to start falling very quickly over time. The ultimate objective was to do rid of the multitude of exchange rates so that a market-based exchange rate could be created. This would allow for the elimination of inefficiencies associated with the administrative distribution of foreign funds (also known as unifying the foreign exchange market). Institutional reforms, particularly in the financial and banking sectors, as well as the gradual reduction of quantitative restrictions and the streamlining (and compression) of tariff schedules all, helped to promote these developments. The open general license (OGL), which was initially introduced in 1972 and later updated in 1988, as well as the "own-funded import" scheme, which was first implemented in 1984, both played significant roles in the growing liberalization of imports. The requirement that export proceeds be paid over in foreign currency was dropped.

Beginning in April 1992, the operation of bureaux de change, the majority of them private, was permitted. In order to provide the foundations for an interbank market, foreign currency auctions were launched in June 1993. By August 1993, there had been exchange rate unification, which meant reducing allocative distortions and rent-seeking

activities while converting formerly various exchange rates into a single competitive rate based on the market. Administrative constraints on current account transactions, as well as the expense, wait time, and uncertainty associated with external transactions, were all decreased by the concomitant liberalization of trade and payment regimes.

The premium associated with the unofficial (illegal) parallel currency rate mostly disappeared when the country was united. In June 1994, the biweekly auctions were stopped, and trading on the interbank foreign exchange market took their place (IFEM). It is made up of commercial banks, money exchange companies, and other non-bank financial organizations in addition to the Bank of Tanzania. The Tanzanian Central Bank will, on occasion (like they did in 1999/2000), use increases in the country's foreign currency reserves to smooth out variations in the value of the country's currency exchange rate, despite the fact that the exchange rate for the Tanzanian shilling is freely determined inside the IFEM. The IFEM and FX bureau rates kept falling as a consequence of unification efforts and improved market efficiency. Although the number of foreign reserves was less than one week of imports in the early 1980s, they reached 5.6 "weeks of imports" in 2000 and 6.1 "weeks of imports" in 2001, respectively.

The effort to have the market determine interest rates on treasury notes is another important step taken in regard to financial reforms and the performance of the government's finances. The government has been working hard to lessen its reliance on bank borrowing in the interim by supplying part of its funding requirements through the market sale of Treasury bills. This kind of action has the effect of easing the pressure on inflation, especially the pressure coming from the portion of the budget deficit that should be paid by bank borrowing. The issue of inflation is widespread under both regimes notwithstanding recent improvements in macroeconomic performance, notably during the period 1993–2002 in terms of GDP growth rates, declines in inflation, and reductions in exchange rate volatility.

Government Expenditures

Finally, the magnitude of changes in government expenditure is considered in our effort to explain variations in the REER corresponding to the long-run equilibrium. Increasing domestic demand for imported commodities causes a trade deficit, which must

be reduced by decreasing the value of the currency exchange rate if an external balance is to be maintained. A higher LIC is likely to lead to more money being spent on tradable as a result of increased government investment. An increase in government expenditure on non-tradable is likely to be offset by an increase in consumer spending, hence the relative cost of non-tradable is expected to increase. If the government borrows more to pay for its increased spending, then even more taxes would need to be raised to cover the interest on those loans, which might dampen the first spike in aggregate demand. Government expenditure allocation across economic sectors, rather than an unsustainable fiscal policy underpinned by excessive credit creation, is the primary factor determining the long-run equilibrium real exchange rate. The latter, also known as a misalignment, can cause a real exchange rate to deviate from its long-run equilibrium level for a brief period of time but is generally not considered to have any bearing on the rate's long-term trend.

Increases in government spending in Tanzania have contributed to the country's strong GDP expansion in recent years (World Bank 2006). It's noteworthy that a growing share of those costs have been going toward public investment. Given the high import content of public investment, an increase in the proportion of investment to total expenditure is a suitable proxy for a shift in public expenditures toward marketable commodities. That's because of a lot of money from the government. This compositional adjustment explains the recent decline in the REER, which makes complete sense. When using the same empirical specification, it is difficult to disentangle the contributions of aid inflows and government expenditures to changes in the REER in Tanzania because the latter has been extensively supported by the former over a significant section of the sample under examination (for example, 40 percent in 2004).

Relationship between Population and Economic growth in Tanzania

Countries across the world continually aim for economic growth, which can be defined as an increase in the number of commodities and services produced inside a nation over time, as a central macroeconomic policy goal (Puteraet. al, 2011). A country's rate of economic development is one of the most crucial macroeconomic variables that reveal the size of an economy. It is a reflection of people's lives, well-being, the quantity and speed of economic activity, and the overall speed of the economy. In the majority of

cultures, more material progress is correlated with higher economic development. If a country's economy is expanding swiftly, it should also have high incomes, greater levels of education, longer life expectancies, better government finances, a decline in poverty, decreased poverty, and improved government budgets. One of the important macroeconomic factors that significantly affect total economic growth is frequently identified as the pace of population expansion. Due to its role as a source of labor supply for the production and consumption of a wide variety of products, a country's population size is one of the most important determinants affecting the rate of economic expansion (2002 pop census). Increased fertility, decreased mortality, and a lengthy life expectancy are all positive indicators of a healthy society. make up the majority of the factors causing population growth. In Tanzania, the crude birth rate is 42 births per 1000 people, while the crude death rate is 9.3 deaths per 1000 residents, according to the most recent census, which was carried out in 2012. It is clear that the birth rate is larger than the mortality rate. The average lifetime, on the other hand, is estimated to be 61.8 years.

The pace of population expansion and components of religion and culture are related. People in Tanzania who practice major religions like Christianity and Islam believe that having children is a blessing from God. Because of this, they oppose population control measures like the tight prohibition on the use of contraception like condoms (Puteraet.al, 2011) Three main factors are responsible for this quick population growth: first, food production and distribution. Given that food is both the major source of nourishment and one of the essential elements for human existence, there is a link between a rise in food production and an increase in life expectancy.

Since Malthus first proposed the idea in the 18th century, there has been a never-ending discussion about whether or not a growing population is good for economic prosperity. When it became obviously, population growth in developing countries began to skyrocket towards the middle of the twentieth century. had already begun, a number of authors drew attention to the potentially detrimental effects that ongoing rapid population growth may have (Coale and Hoover 1958; Ehrlich 1968, 2008). Others, however, have suggested that technological advancements and the expansion of institutions might mitigate the adverse consequences that high population increase has on development (Kuznets 1967; Boserup1981; Simon 1981).

These two main topics have dominated the discourse. First, how does population expansion react to shifting economic conditions (Kremer, 1993; Wang et al., 1994), and second, to what degree is a bigger population good or detrimental to human development and well-being (Birdsall and Sinding, 2001; Kelley, 2001)? Recent studies have addressed both of these issues. Cohen (1995) noted that there is still a lack of mainstream scientific consensus on the subject in his summary of the studies on human carrying capacity. The Royal Society (2012) examined these topics and concluded that there may be a link between population shifts and economic development. There will be many different new challenges and opportunities as we transition from one demographic to the next. According to Bloom and Canning (2001), it is crucial to include the feedback effects of a more constrained resource supply when estimating the consequences of a growing population on the economy. Second, in addition to population dynamics, these debates have forgotten to consider the implications of the changing age structure (African Development Bank and UNFPA, 2005). Due to the fact that each age group in a society behaves differently, which has a variety of ramifications for the economy, the shifting age distribution of a population is just as important as population increase (UNFPA 2012). Therefore, the effects of the changing age structure must be considered in any research into the relationships between economic growth and human development.

Despite the talks, many impoverished countries, especially in sub-Saharan Africa (including Tanzania), continue to face severe inequalities between the wealthy and the poor and struggle to meet the needs of their rapidly growing populations (Zuberi and Thomas 2012). Furthermore, a bigger number of people are in danger of malnutrition, a lack of water, and weather-related natural disasters, which jeopardize their well-being. Despite Tanzania's relatively rapid economic growth (the nation's GDP rose from 1.6% in 1992 to 7% in 2007), there has been virtually little advancement in terms of raising human well-being (URT, 2011). Further highlighting how little progress had been achieved in eradicating poverty and how money was divided unfairly was the Country MDG report for 2010.

Population and economic expansion in Tanzania: a discussion

Population size and growth

As of 2012, the official population of the United Republic of Tanzania was 44,929,002, up from 34,443,603 in 2002. According to the 2012 Census, there are 43,625,434 people residing on Tanzania's main landmass (compared to 33,461,849 in 2002). According to this, the overall population of Tanzania has grown by 10,485,399, or 30.4%, between the years 2002. This translates to a growth rate for Tanzania of 2.7 percent per year between 2002 and 2012, which is lower than the growth rate of 2.9 percent per year during the period before to the census (1988-2002). Several countries in Sub-Saharan Africa are growing at comparable (high) rates while having drastically differing beginning populations (African Development Bank and UNFPA, 2005 UNFPA 2012, Zuberi and Thomas 2012).

Since 2002, the populations of Tanzania Mainland and Zanzibar have both increased considerably, with Tanzania Mainland experiencing an increase of 10,163,585 people (30.4%) and Zanzibar having an increase of 321,814 people (32.8%), respectively. These data show that Tanzania Mainland and Zanzibar saw annual growth rates of 2.7 percent and 2.8 percent, respectively, between 2002 and 2012. This is a drop from the respective annual percentages of 2.9% and 3.0% during the previous era. Nearly three times as many people as in 1967 were counted in the population in 2012. With the current average annual growth rate of 2.7 percent, there are around 1.2 million extra people added each year. URT's population growth trends are similar to those of Tanzania's main island, however, Zanzibar has had faster growth in recent years after initially experiencing slower growth. Amounts that have doubled several times are used to gauge how rapidly they are expanding. Tanzania Mainland's population will double in size in 26 years if the current pace of population increase continues (the year 2038). Even considerably less time is required for Zanzibar to double (24 years).

Implications for social and economic transformation

Alterations in the age structure have the potential to have extremely major ramifications for the functioning of the macroeconomy. The labor markets serve as the most immediate and crucial link between changing population dynamics and the

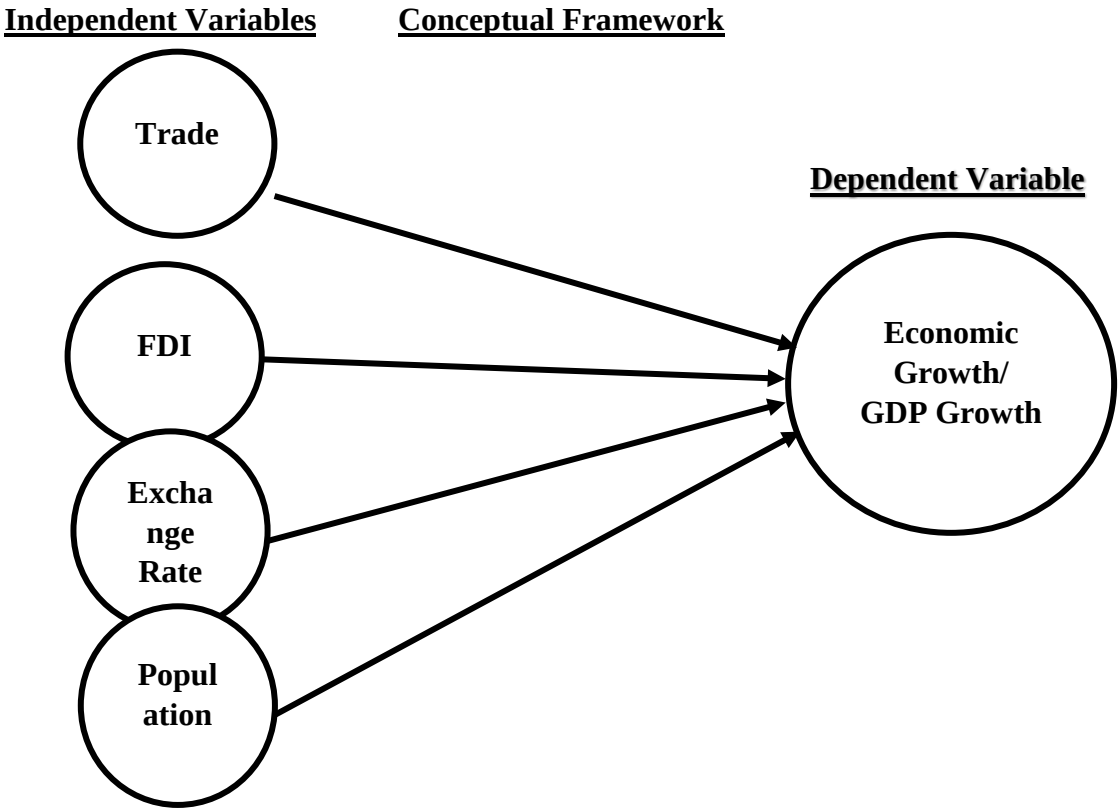
progression of economic and social development. In order to take advantage of the potential demographic dividend that comes with having a young population that is expanding quickly, countries like Tanzania need to ensure that the job possibilities available to their labor force are both productive and lucrative to the appropriate degree (UNFPA, 2010).

The relatively high pace of population increase in Tanzania is anticipated to act as a barrier to the country's efforts to undergo economic change. This is because there is a high likelihood that resources will be spent on the rapidly expanding child population. Second, the shifting age structure has the ability to spur economic growth due to the continuing drop in age dependence ratios as well as the possibility of profiting from the demographic dividend. Both of these factors have the potential to add to the expansion of the economy.

On the other hand, these potential advantages depending on the laws that are put into place. The potential economic advantages of the changing age structure won't be seen until there is a comparable rise in employment opportunities compared to the number of persons searching for new jobs. The likelihood of future economic growth in Africa, according to Bloom et al. (2007), will primarily depend on two key variables: a rise in the proportion of the population that is of working age and the caliber of the nation's institutions. A variety of factors are referred to as institutional quality, including but not limited to a strong rule of law, efficient bureaucracy, stable administrations, a lack of corruption, and a predictable economic climate that encourages both domestic and foreign investment.

However, in order to address the final long-term problem, great foresight is necessary. The country must balance its efforts to take advantage of the opportunities that the expanding number of young people will bring with those efforts to accommodate the aging population. In order to guide the nation through the youth bulge and, at the same time, to prepare for the inevitable aging process that will come next, are social and economic policies properly integrated? As a result of declining fertility and mortality rates as well as perhaps high rates of emigration to neighboring regions, several localities, including Kilimanjaro, Mtwara, and Pwani, are already starting to suffer population aging.

Figure 4.1 Conceptual Model



CHAPTER III

Data and Methodology

Introduction

In this section of the thesis, an in-depth discussion is held on the many strategies, methods, and processes that were used in order to get the data that was essential for the study. This section also reviews and discusses the different statistical processes that were used to assess the data that was acquired during the investigation. These procedures were applied to evaluate the data that was gathered throughout the investigation.

Data

Establishing baselines, identifying successful public and private projects, setting goals and targets, keeping track of progress, and evaluating results all depend on reliable data. They are a crucial component of efficient governance because they enable citizens to assess the work of their governments and actively participate in the process of development.

The World Bank Development Statistics Group is responsible for the management of a wide array of macro, financial, and sector statistics. Since the group works closely with the Bank's regional and global processes to adhere to professional standards in data collecting, compilation, and dissemination, all consumers of data can have faith in the authenticity and reliability of the information offered. This is because the group is responsible for data collection, compilation, and dissemination.

The effectiveness with which national statistical systems gather data from the populations of their individual nations is a significant factor that determines the quality of global statistics. In order to accomplish this goal, the World Bank is putting out efforts to enhance the quality, dependability, and timeliness of national statistics systems in developing countries. Without better and more complete national statistics, it is hard to make good policies, judge how well poverty-reduction measures are working, or track progress toward global goals.

The data that is utilized in this thesis is considered secondary data since it was obtained from the data site of the Global Bank. Secondary data are any data that were acquired by a party other than the researcher themselves. This might be anything from

programmatically-collected administrative data to geodata from niche sources to government-collected demographic information. An investigation's context can be greatly enhanced by using secondary data, and in certain circumstances (like administrative program data), it's the only source that provides coverage of the whole population needed to complete the research. This is why it's crucial to use secondary data in each inquiry you conduct.

The thesis variables

Economic growth- The size of an economy's growth can be seen in how much it produces or how much its people spend or earn. The indicators in the economic area enable us to examine numerous elements of national and international trade and commerce. The size and structure of economies are analyzed by using economic indicators and how they change over time. They can show when a country's economy is growing or shrinking based on how much it makes and sells.
Indicators of the economy can be broken down into two categories: macroeconomic and microeconomic. Some examples of macroeconomic indicators include GDP, consumption, investment, and international trade. Microeconomic indicators include inflation, unemployment, and volatility in the stock market (money supply, balance of payments, and federal deficits/revenues/expenditures/etcLarger income and savings figures that account for pollution, depreciation, and resource depletion have also been added. Sustainable consumption and production are emphasized in both Goal 8 and Goal 2 of the SDGs, and their progress may be monitored using economic indicators from the World Development Indicators. Goal 8 of the SDGs is to promote economic growth and jobs that people can live on (WDI).

Foreign direct investment inflow- Investing Money Oneself The term "foreign direct investment" refers to the process by which capital is transferred from economies that are not being reported on to economies that are. This comprises newly created funds and those that already exist, as well as any gains that are then reinvested. Direct investments are a form of international finance in which an investor from one nation exercises complete or substantial control over the operation of an enterprise located in another nation and

economy. These types of investments typically result in higher returns than other types of international finance. A person is considered to have a direct investment relationship with a company if they own hold at least 10% of the common stock with voting rights. The information on equity flows was generated from the statistics on balance of payments that was produced by the International Monetary Fund. To augment the official figures for foreign direct investment, the World Bank staff uses information from the United Nations Conference on Trade and Development and official national sources to generate its estimates. According to the sixth edition of the Balance of Payments Manual (2009) published by the IMF, foreign direct investment includes the following types of investments: equity investments, including investments associated with assets that may be converted into power or control; investments in companies over which one exerts indirect influence or control; funding for other businesses; obligations (with the exception of a few) Investment Reversals. To assist establish whether or not a cross-border ownership structure results in a direct investment connection, the Framework for Direct Investment Relationships provides criteria for Control and Influence. Foreign direct investment is when an investor from outside of the home nation purchases a large stake in a company operating in the home country. Typical targets for investments in other countries include storage facilities, factories, and other long-term or permanent organizations. Greenfield investments, in which a foreign investor builds brand-new facilities for an existing business, joint ventures, in which a foreign investor forms a partnership with a company abroad to launch a new business, and mergers and acquisitions, in which a foreign investor buys out an existing business in a foreign country are all examples of FDI. All three of these forms of investment fall under the category of "greenfield" investments. Foreign direct investment is defined as holding at least ten percent of the voting shares in a corporation by the International Monetary Fund. In actual reality, a few countries establish more stringent restrictions. Both the concept of loans made over an extended period of time and the practice of concealing profits that have been reinvested are subject to significant variation from nation to nation. The "BoP" is an abbreviation that stands for the total amount of money that enters and leaves a country.

Net trade in goods and services (BoP, current US$) - Imports are subtracted from exports to determine the net trade balance in goods and services. Products and services that are transferred from one country's citizens to those of another are considered exports and imports. The value of commerce in goods and services is the difference between the total amount imported and the total amount exported. The movement of products and services from one nation to another, and back again, is commonly referred to as "export" or "import."

Real effective exchange rate- One method of determining a currency's value against a group of others is to use a price deflator or cost index. The index is used to calculate this by dividing the nominal effective exchange rate.

Considerations of relative changes in national price or cost indices between the home country, chosen nations, and the eurozone are reflected in the real effective exchange rate, an indication of the nominal effective exchange rate. To determine the actual effective exchange rate, one must multiply the nominal effective exchange rate by the respective national price or cost indices. By taking a weighted geometric average of exchange rates across a set of nations and the Eurozone, we may get the nominal effective exchange rate index for any given time period. By doing so, we may obtain a reliable estimate of the effective nominal exchange rate. The bulk of developed-world weights are the consequence of international commerce in manufactured commodities between industrialized countries. Indicators of relative normalized unit labor costs in manufacturing and the nominal effective exchange rate index were used to compile this data. The data was compiled with help from both of these resources. Trade in intermediate and final goods with other countries, including friends and foes, is used to calculate the nominal effective exchange rate index for a subset of other countries. Adjusted for changes in consumer price levels, the nominal index becomes the actual effective exchange rate index for these nations. Any increase in the Real and Effective Commercial Rate Index indicates that the domestic currency is gaining value.

Population- the pace of population growth on a yearly basis regardless of their citizenship or legal status, everyone who really resides in a certain area is included in the population

census. The percentage by which the population rose between the middle of Year T-1 and the middle of Year T is the population growth rate for Year T. No matter their immigration status or legal standing, all residents of a territory are counted in de facto population statistics. In order to determine annualized population growth rates, a constant increase from one year to the next is assumed. The formula for calculating exponential growth is: r = ln(pn/p0)/n, where pn is the population at the end of the period, p0 is the population at the beginning of the period, and n is the number of years separating the two points in time. If you're trying to compute compound growth over a number of distinct time periods, this geometric growth rate is not the right one to utilize.

Descriptive statistics

The goal of descriptive statistics is to provide a clear and concise overview of the most important features of a dataset as they were identified throughout a study. In this form of a report, the data sample and its measurements are also covered. The data analysis becomes much simpler, and a better picture of what the information you have gathered up to this point can tell you about the issue emerges.

Descriptive statistics, on the other hand, are only used to describe the sample of data that is immediately accessible; they do not include any assumptions, opinions, probabilities, or conclusions. In this situation, inferential statistics are crucial.

The two types of statistical analysis that are most often employed and provide the most benefit are inferential statistics and descriptive statistics. Using descriptive statistics, a summary of the sample is presented. under study without drawing any probabilistic inferences from the data. Even when inferential statistics are the major focus of a research effort, descriptive statistics are nonetheless applied to present a thorough picture of the issue under examination. Descriptive statistics are used to try to describe a population. Numerous different tools are used in these statistics, such as frequency distribution tables, percentages, and other measures of central tendency, such as the mean. When a statistical test (such the Mann-Whitney U-test) is used to compare means and describe the findings in terms of statistical significance, inferential statistics are applied. The Mann-Whitney U-test is an illustration of a statistical test in this case. The Chi-square test is an illustration of this type of statistical study. The use of descriptive statistics enables the generation of

both more traditional quantitative measurements like percentages and means as well as graphical summaries like histograms and box plots.

Stationary of the variables

There are several alternative ways to do the unit root test. The Durbin-Watson (DW), Dickey-Fuller (DF), Augmented Dickey-Fuller (ADF), and Philip-Perron (PP) tests are a few illustrations of this form of testing. It is strongly advised that the time series under inquiry be plotted, the series' likely features be established, and the classical regression be carried out before any type of formal testing is done. If the number is increasing, it's likely that the series' average has changed over time. There is a chance that the series is not stationary if the R2 value is high and the Durbin-Watson statistic is low (Granger-Newbold, 1974).

This is preliminary research that will ultimately result in a thorough stationarity analysis. To determine if a single time series is stationary, it is usual to use either the Dickey-Fuller or the Augmented Dickey-Fuller test. The practitioner chooses the appropriate tests to be run based on the configuration of the problem they are currently dealing with. It may be challenging to keep up with new content or to understand any issues that may develop when there are several exams to take. However, this does not negate the need for other types of unit root testing to be used. By comparing the outcomes of the various types of tests that were carried out, you can establish how dependable your findings are. You will be able to use your knowledge where and when it will be most useful when you have a full comprehension of these examinations. We gain from this since we are able to understand the context and goals of each test. It is usual practice to either continue the inquiry while adding a cautionary note or to just accept that one of the possibilities is true when the results of a test are inconclusive. Because of this, the unit root test is only necessary to ascertain how many times a variable or series must be differentiated in order to prove its stationarity. Because of this, we should consider the idea of integration: A variable Y must reach stationarity after a predetermined number of differentiations, known as d, in order to be considered integrated of order d. The I(d) integration operator is required to meet this condition (Engle and Granger, 1987). The ADF unit root test was used in this inquiry to determine whether or not the variables were stationary.

ADF unit root test

The Augmented Dickey-Fuller test is a common tool used by statisticians. Its purpose is to determine whether or not a particular time series is stationary (ADF test). When determining whether or not a series is stationary, it is one of the statistical tests that is utilized the most frequently. The ADF statistic, which is based on this test, shows that there is no positive correlation. The further it deviates from zero, the more convincingly one might argue against the validity of the unit root hypothesis. An augmented Dickey-Fuller test, often known as an ADF test, is used in the fields of statistics and econometrics to determine whether or not a time series sample has a unit root. Stationarity or trend-stationarity is frequently the "null hypothesis," albeit this differs depending on the particular test that is being applied. It is an improved version of the Dickey-Fuller test that can be used to a greater range of time series models and incorporates extra nuances.

ARDL Bound test

An extra F-test is done on the lagged levels of the independent variable(s) in an enhanced autoregressive distributed lag (ARDL) bounds test for co-integration. The lag levels are put into the ARDL equation in this fashion. This testing strategy was initially developed using the bootstrap approach. The objective of this paper is to make the test more user-friendly by presenting the small-sample and asymptotic critical values. The primary advantage of this improved ARDL limits test is that it does not need the use of (1) dependent variable. The second benefit is that the three tests give a clear answer to the question of cointegration. An empirical study of FDI and economic development in Tanzanian is used to explain how the enhanced ARDL limits test should be used.

Significance of the ARDL method

Pesaran and Shin (1995) were the ones who initially proposed the autoregressive distributed lag (ARDL) technique, and Pesaran, Shin, and Smith were the ones who further improved it. The fundamental modeling strategy that was utilized in this study was dependent on the ARDL method (1997). (1995). (1996). When it comes to co-integration, it is preferable to utilize the ARDL approach rather than the methods proposed by Engle and Granger (1987), Johansen (1988), and Johansen and Juselius (1989). There are several

reasons for this (1999). (1989). (1990). As Narayan and Smyth (2005) and Ozturk and Acaravci (2008) point out, the ARDL approach may be utilized with either the I (0) series or the I (1) series due to the flexibility it provides (2010a, b). Second, although the Johansen method necessitates an enormous quantity of data, ARDL may be used effectively even with a limited number of samples. Third, the ARDL approach has the potential to deal with variables that each have their own optimal lag periods. Fourth, the ARDL only requires the definition of a single reduced-form equation, whereas other techniques of counteraction need the input of many system equations. In light of this, the ARDL models that were applied to the research are as follows:

Model specification

The term "model specification" refers to the procedure of deciding which variables will be used in a given model (MacCallum, 1995). In the model specification, there is a conflict between adding all relevant variables and preserving statistical power. Model specification is a step in the statistical modeling process that involves picking an acceptable functional form for the model and deciding which variables to include. The goal of this thesis research used the following equation to investigate the influence of international trade and FDI on Tanzania's economic development from 1990 to 2020:
$EG = \int (FDI, NT, REER, POP)$ *And the following is the regression equation for the ARDL model*

$$EG_t = \beta_0 + \beta_1 FDI_t + \beta_2 NT_t + \beta_3 REER_t + \beta_4 Pop_t + \varepsilon_t \quad (1)$$

Where:

EG is the GDP growth annually, FDI stands for foreign direct investment, NT stands for net trade REER is the Real Effective Exchange Rate, POP is the annual population,β .1…5 is the constant of perimeter and ε_t is the error term.

As a result, the ARDL model equation is derived using equation (1) as follows:

$$\Delta InGDP_t = \alpha_0 + \beta_1 InGDP_{t-1} + \beta_2 InFDI_{t-1} + \beta_3 InREER_{t-1} + \beta_4 InPOP_{t-1} + \beta_5 InNT_{t-1} + \sum_{i=0}^{q} \Delta\alpha_1 \, InFDI_{t-k} + \sum_{i=0}^{p} \Delta\alpha_2 \, InREER_{t-k} + \sum_{i=0}^{p} \Delta\alpha_3 \, InPOP_{t-k} + \sum_{i=0}^{p} \Delta\alpha_4 InNT_{t-k} + \varepsilon_t \quad (2)$$

In order to have the error correction model, equation 2 has been adjusted as follows.

Error Correction Model

$$\Delta \, \mathrm{GDP_t} = \alpha_0 + \sum_{i=0}^{q} \Delta\beta_1 \, InGDP_{t-k} + \sum_{i=0}^{p} \Delta\beta_2 \, InREER_{t-k} + \sum_{i=0}^{p} \Delta\beta_3 \, InFDI_{t-k} + \sum_{i=0}^{p} \Delta\beta_4 InPOP_{t-k} + \sum_{i=0}^{p} \Delta\beta_5 InNT_{t-k} + \lambda ECM_{t-1} + \varepsilon_t \quad (3)$$

Residual diagnostic and stability tests

We discover a serial correlation by making use of a model that was established by Breusch and Godfrey. It is possible to apply the LM test in order to detect whether or not the output errors of a regression model exhibit autocorrelation. During the process of doing the regression analysis, the residuals are taken from the model that is being evaluated and then utilized to produce a test statistic. In particular, the residuals are put to use through the use of this method. As the name implies, It is assumed, under the null hypothesis, that correlations in serial orders up to p do not exist. In the field of statistics, the Breusch-Godfrey test is utilized to evaluate the dependability of the assumptions that are formed through the application of regression-like models on data sets that have already been observed. Breusch, T. S. (1978) this test searches for a serial correlation that hasn't been accounted for in the suggested model structure. If such a correlation is found, it might potentially lead to incorrect conclusions drawn from subsequent studies or inadequate parameter estimations. The test may be applied to regression models in for

which it is necessary to use past values of the dependent variables to depict current ones as independent variables. This structure is commonly utilized by economists for the development of their models.

In order to simulate financial time series that display time-varying volatility, such as FDI, heteroscedasticity models (sometimes called ARDL models) are used. Once it is assumed that the variance of the current error term is proportionate to the magnitude of the error terms in earlier periods, volatility clusters in heteroscedasticity ARDL models. This causes the variance of the current error term to be proportional to the size of the error terms in previous periods. The Breusch-Pagan test is utilized in order to ascertain whether or not a regression model exhibits heteroscedastic behavior. This phenomenon, also known as heteroscedasticity or heteroscedasticity, takes place when the standard deviations of a predicted variable vary with respect to the values of an independent variable or with respect to earlier periods of time Two other names for this phenomenon are heteroscedasticity and heteroscedasticity. Normality tests can be used to verify whether a set of data or a linked random variable follows a normal distribution. In addition, normality tests may determine whether or not a data collection is normally distributed. A normality test is a statistical procedure that examines whether or not the data in a sample adhere to a normal distribution (within a certain range of error).

Gather causality Test

The term "Gather causality" refers to a statistical model of causation based on the idea of gathering data in order to anticipate something. If one signal, X1, "Granger-causes" (or "G-causes") another, X2, then past values of X1 should provide information that assists in forecasting X2 beyond what is provided by prior values of X2 alone, according to the theory of Granger causality. This is due to the fact that past values of X1 should provide knowledge beyond what is provided by prior values of X2 alone and aid in anticipating X2. Due to the Granger causality, which states that if a signal X1 "Granger-causes" (or "G-causes") a signal Y1, then Y1 must have caused (or been caused by) X1. Utilizing the notion of causality, as stated by Wiener (1956) and Granger, is important in order to undertake an analysis of the dynamic interactions that exist between time series

(1969). Economists and decision-makers give the Wiener-Granger causality a lot of consideration. One justification for this is that it can help them make precise projections. In the scientific investigation of bivariate systems, one method that is frequently applied is the Granger causality approach. However, when more than two factors are taken into account, the likelihood of obtaining different results increases. When there are more than two factors to take into account, the non-causality requirements become more challenging; for example, Lutkepohl (1993) and Dufour and Renault (1996) study this subject (1998). In a bivariate model, a variable may be Granger-causal, but in a multivariate model, the same variable may not exist at all. This is only one alternative formulation of the idea. In this article, we will investigate the use of an extra variable (or variables) to establish a previously undetected causal link (s). If one variable, for example, drives both variables in a bivariate process, then adding that variable to the model may cause the bivariate causal structure to vanish. This is due to the fact that one variable controls both variables. On the other hand, when the information set is expanded to include more variables, a variable that is not causal for one variable in a bivariate model may turn out to be causal. This is due to the bivariate model's restriction to two variables at once.

A bigger number of factors need to be taken into account when a larger data collection is being used. Large amounts of experts in the area believe that the second set of circumstances has an erroneous connection to the issue. Ignoring these underlying factors might result in incorrect economic assessments, which can subsequently influence bad policy decisions. Throughout this examination, we will go over a number of statistical techniques that might be applied to the analysis of fictional and hidden affects. The study completed by Hsiao (1982) is used in addition to earlier component analysis work. To recognize and measure linear and non-linear Granger causality, several methods and metrics have been developed. These techniques and measurements have just recently been created. In order to do this, a vast range of tests and various kinds of tools have to be developed. Review articles for this book may be found at Song and Taamouti, Bouezmarni et al., and Dufour and Taamouti (2010). (2010). (2012). (2018). (2018). Granger's (1969) definition, which initially served as the basis for this body of work, assumes that all

pertinent information can be easily acquired and used. I believe that this is the first time that the aforementioned term has ever been used.

In reality, though, far less data is reviewed, thus missing parts (auxiliary variables) may lead to incorrect conclusions about causation or prevent the identification of possible indirect causality between the variables of interest. This indicates that missing parts (auxiliary variables) might lead to incorrect conclusions regarding causality since just a small quantity of data is reviewed. In a trivariate model, he achieved this by clearly articulating the idea of indirect or spurious causality [for more detail on this subject, see also Eichler (2007, 2012)]. The relevance of the information set in investigations of Granger causality was initially highlighted by Hsiao (1982). For characterizing the causal interrelationships that occur inside a multivariate time series model, Hsiao (1982) provides a simple framework. The Wiener-Granger theory of causality, which was developed in the 1960s, is the paradigm's underlying theory. His current research is focused on creating a Granger causal ordering of the events in an effort to resolve the contradiction between the findings of bivariate and multivariate analysis. By broadening Granger's concept of causality, he is able to account for the possibility of indirect or erroneous causation in multivariate analysis. This is done so that we can account for the possibility of a fake or indirect causal chain. He uses a specific example to demonstrate his idea, showing how reducing one's knowledge base might reduce a particular type of illusory causation. This finding, which is independent of the information set employed, emphasizes the need for better forecasti ng and supports the idea of (direct) causality. In the framework of VAR models, Hsiao (1982) explores how to validate these causal effects in the presence of known auxiliary variables and provides an explanation of fictitious and indirect causation. In order for Hsiao to comprehend how to validate these causal consequences, this investigation was carried out. In 1982, Hsiao's book was released for the first time.

$$\Delta InGDP_t = \lambda_0 + \sum_{i=1}^{m} \lambda 1i\ \Delta In\ GDP_{t-i} + \sum_{i=1}^{n} \lambda 2i \Delta FDI_{t-i} + \sum_{t=1}^{p} \lambda 3i \Delta POP_{t-i} + \sum_{i=1}^{q} \lambda 4i \Delta InREER_{t-i} + \sum_{i=1}^{a} \lambda 2i \Delta NT_{t-i} + \quad (4)$$

$$\Delta InFDI_t = \lambda_0 + \sum_{i=1}^{m} \lambda 1i\ \Delta In\ FDI_{t-i} + \sum_{i=1}^{n} \lambda 2i \Delta GDP_{t-i} + \sum_{t=1}^{p} \lambda 3i \Delta POP_{t-i} + \sum_{i=1}^{q} \lambda 4i \Delta InREER_{t-i} + \sum_{i=1}^{n} \lambda 2i \Delta \mathrm{N}T_{t-i} + \varepsilon_t$$

(5)

Where GDPt is real gross domestic product, FDI is foreign direct investment, REER is the real effective exchange rate, NT is net trade and INF is inflation; ε_t and μ_t are white noise error processes, and m, n, p and q denote the number of lagged variables. The null hypothesis that FDIt does not Granger cause GDPt is rejected if the $\lambda 2i$ are jointly significant in Equation (5), also, if $\lambda 3i$ are jointly significant, the null hypothesis that POP does not Granger cause GDP is rejected. Similarly, in Equation (6), the null hypothesis that GDPt does not Granger cause FDIt is rejected if the $\lambda 2i$ are jointly significant and the null hypothesis that PPt does not Granger cause FDIt is rejected if $\lambda 3i$ are jointly significant.

Model Stability

Although uncommon, parameter instability in nonlinear models has been seen on occasion (Saliminezhad et al., 2018). In order to determine whether or not the findings can be trusted, it is necessary to investigate the consistency of the estimated model that was used. For the sake of this endeavor, Brown and his colleagues will make use of the CUSUM of Squares Test that they devised (1975). In order for the post-estimate test to be reliable, it is imperative that the stability of the model be maintained during the entirety of the estimating process (Hansen, 2000). In multiple linear regression, the coefficient stability is evaluated with the use of cusum tests. It is usual practice to use either the sums or the sums of squares of recursive residuals when drawing conclusions. One-step-ahead prediction errors, or recursive residuals, can be created on a regular basis from nested subsamples of data. The model's structure has altered over time if the parameters haven't changed and if the sequence's numbers don't fit inside the expected range.

CHAPTER IV

Finding and Discussions

Introduction

This chapter will go through the interpretation of all of the tests for this thesis as well as the sources of those tests. Some of the tests performed for this thesis are the unit root test, ARDL bound tests, ARDL short and long-run tests, residual diagnostic tests, and stability tests. Using EViews 12, all of the tests were successful.

Table 4.1 Descriptive statistics Test results

	GDP	**NT**	**POP**	**FDI**	**ER**
Mean	5.205109	-1.80E+09	2.886583	2.573369	1185.025
Median	5.8000000	-1.16E+09	2.931260	2.310066	1128.934
Maximum	7.672155	-2.44E+08	3.412766	5.663728	2294.146
Minimum	0.584322	-5.06E+09	2.317538	0.000202	195.0559
Std. Dev.	2.028551	1.43E+09	0.269480	1.510036	650.7375
Skewness	-0.842405	-1.167383	-0.233029	0.169309	0.317125
Kurtosis	2.579493	3.090455	3.038545	2.342099	2.036441
Jarque-Bera	3.894903	7.051619	0.282481	0.707181	1.718845
Probability	0.142637	0.029428	0.868281	0.702162	0.423406
Sum	161.3584	-5.57E+10	89.48406	79.77443	36735.78
Sum Sq. Dev.	123.4506	6.09E+19	2.178588	68.40627	12703779
Observations	31	31	31	31	31

Source: This study

The purpose of descriptive statistics is to present a clear and succinct summary of the most essential properties of a dataset as discovered during the course of research. The data sample and its measurements are also covered in this report format. The data analysis becomes much easier, and a clearer picture of what the information acquired up to this point can tell you about the problem emerge. The result displays the mean of the variables, and it indicates that the exchange rate has the greatest mean with a value of 1185.025 and GDP growth has the second-highest mean with a value of 5.205109. The data also reveals that net trade has a negative mean of -1.80E+09. This outcome is also shown by the skewness and kurtosis results.

A set of data's kurtoses is a measurement that reveals if the tails are heavy or light, or if the data has a normal distribution. Data sets with a high kurtosis tend to have more heavy tails, sometimes referred to as outliers. In a data set with a low kurtosis, the tails will be relatively thin if there are no extreme values present. The worst-case situation would be random distribution. Data having a skewness between -0.5 and 0.5 have either heavy or light tails as opposed to a normal distribution. Data sets with a high kurtosis have a tendency to have outliers cluster in the tails. In a data collection with a low kurtosis, the tails will be relatively thin if there are no extreme values present in the data. In the worst situation, distribution would be random. The skewness shows that the data are virtually symmetrical in the range from -0.5 to 0.5. Data that is significantly skewed has a skewness value between -1 and 0.5 or between 0.5 and 1. When the skewness is either -1 or more, data is said to be very skewed. Datasets with a high kurtosis often contain more information concentrated at the distribution's extremes than those with a low kurtosis. Data with a negative kurtosis value are believed to have less information at the extremes than data with a normal distribution.

ADF unit root test

Table 4.2 Unit root test results

Variables	***Level***	***1st difference***	***Order of integration***
GDP	*0.2379*	*0.0000****	*I(1)*
FDI	*0.0538*	*0.0000****	*I(1)*
NT	*0.5879*	*0.0005****	*I(1)*
ER	*0.9702*	*0.0033****	*I(1)*
POP	*0.0038****	--------	*I(0)*

Source: This Study

Note: Akaike info criterion significant level 1*** 5** 10*

One common statistical method for checking if a time series is stationary is the Augmented Dickey-Dickey-Fuller (ADF) test. It is often used in statistical analysis as a test of whether or not a series is stationary. The test's augmented Dickey-Fuller (ADF) statistic does not show any significant results. The more it's in the negative, the more certain one may be that a unit root doesn't exist. Table 4.1 shows that the variables are stationary at the and first difference levels, as determined by the ADF unit root test. At the first difference, four of the five variables are stable, but only one is stable at level. GDP, FDI, NT, and ER are all static at the first distancing, but PP is static at the level.

ARDL BOUND TEST

Table 4.3 ARDL Bound Test results

Model	**Lag.**	**F-Statistic**	**Decision**
GDP, ER, FDI, NT, POP	(3, 4, 4, 4, 4)	5.498596***	Co-Integration Exist
Bond Critical Value			
		I (0)	I (1)
Sign.	10%	2.2	3.09
	5%	2.56	3.49
	2.5%	2.88	3.87
	1%	3.29	4.37

Source: This Study

Note: Akaike Information Criteria (AIC) Pesaran et al. (2001) propose critical value boundaries. significant level 1%*** 5%** 10%*

During this investigation, a bound test based on the ARDL model was established to assess whether or not the data set in the issue demonstrated co-integration. This was performed to determine whether or not the questioned data set displayed co-integration. If the F-statistic is smaller than the distribution's minimum value (critical values for I (1)), then the null hypothesis cannot be ruled out as a potential alternative explanation. This is the case when I (0) reach its critical value. If the statistic is greater than 1, the null hypothesis that there is no co-integration is rejected since it indicates that co-integration exists. Instead, the hypothesis is refuted since co-integration is shown (1). If the test statistic falls within the statistical process's range of probabilities, the test is deemed inconclusive. At the 1% significance level, the F-statistic indicates the existence of a long-term link between the independent variables and the dependent variable. This conclusion is based on the F-statistic value, which is (5.498596).

ARDL Long and Short Run tests

Table 4.4 ARDL short and long run test results

ARDL Long run			**ARDL Short run**	
Variable	***Coef.***	***P value***	***Coef.***	***P value***
GDP(-1)	--------	-------	*0.5214*	*0.0005*
FDI	*0.9726*	*0.0001*	*0.383*	*0.0040*
NT	*-1.85E-10*	*0.3867*	*-3.85E-10*	*0.0424*
ER	*0.02135*	*0.0003*	*0.0162*	*0.0001*
POP	-1.2506	0.0004	-4.2307	0.8077
ECM	---	---	*-0.6628*	*0.0002*

Source: This Study

Note: Akaike Information Criteria (AIC) ECM 1%***5%**10%* level of significant

The long and short-run ARDL tests are shown in Table 4.4. The tests reveal a long- and short-run relationship between the variables. Net trade, both in the long and short run has statistically an insignificant influence on Tanzania's economic development, but also in the long run, it has a negative impact and a positive impact in the short run. Foreign direct

investment has a positive and significant influence on the economic development of Tanzania both in the long and short run. However, this finding is consistent with Mehic, Silajdzic, and Hodovic's (2014) analysis of the impact of foreign direct investment (FDI) on economic growth in southeast European transition countries. The empirical study focuses on seven southeast European countries between 1998 and 2007. The estimation model used by the authors is Prais–Winsten regression with panel-corrected standard errors. This study's key result is that FDI has a positive and statistically significant effect on economic growth. With domestic investment statistics included, the impact of FDI is statistically significant and robust. The results are robust when endogeneity issues are taken into account (i.e., inverse causality). Moreover, population has a negative influence on GDP growth both in the long and short run, despite its significance in the long run. The exchange rate has a considerable positive influence on the economy of Tanzania both in the long and short run. This finding accords with the findings of Karahan (2020), who investigated the impact of shifting exchange rates on overall economic expansion. In light of this, the relationship between the exchange rate and economic growth was investigated in our research by employing the Johansen co-integration test, the Granger causality test, and the Innovation Accounting Techniques. The data for our study covered the period from 2002-Q1 to 2019-Q1 and were collected on a quarterly basis. According to the assertions made by structuralism economists, empirical results point to the existence of a causal link between exchange rates and economic growth that is inherently unfavorable. In terms of policy, they said one could argue that Turkey's current system of targeting inflation shouldn't make it impossible for the country to keep prices and the exchange rate stable at the same time.

Residual tests

Table 4.5 residual diagnostic test results

Tests	**statistic**	**p value**	**Results**
Serial correlation	0.5107	0.5109	*No serial correlation*
Normality	0.8070	0.667953	*Residual are normally distributed*
Heteroskedasticity	5.0449	0.2860	*No heteroskedasticity*

Source: This study

According to Table 4.5, the residuals exhibit no serial correlation, no conditional heteroskedasticity, and a normal distribution. In fact, residuals follow a normal distribution. Neither the null hypothesis nor the alternative hypothesis on the presence of serial correlation is supported by the model. The likelihood of 0.5109 is higher than the predicted probability of 0.05. Therefore, we conclude that this model lacks serial connections. A significant null hypothesis in this instance is that there is no heteroskedasticity at a confidence level of 5%. According to the residual diagnostic test, the probability value of 0.2860 is greater than the threshold of 0.05 percent, suggesting that the condition is more serious. If we reject the null hypothesis at 5%, the model does not exhibit heteroskedasticity; but if we reject the null hypothesis at 10%, we may state categorically that it does. The null hypothesis clearly says that residuals have a normal distribution with a probability of 0.667953, which is less than 0.05 percent. Our conclusion is that residuals have a 5% chance of being normally distributed, and we reject the alternative hypothesis that residuals have a 5% chance of being normally distributed or more.

Table 4.6 Gather causality Test results

Null Hypothesis	Obs	F-Statistic	Probability
NT does not Granger cause GDP	29	0.28104	0.7574
GDF does not Granger cause NT		0.34985	0.7083
POP does not Granger cause GDP	29	0.81891	0.4529
GDP does not Granger cause POP		6.17911	0.0068**
FDI does not Granger cause GDP	29	2.78247	0.0819
GDP does not Granger cause FDI		0.06170	0.9403
ER does not Granger cause GDP	29	0.65445	0.5288
GDP does not Granger cause ER		0.11199	0.8945
POP does not Granger cause NT	29	0.06229	0.9398
NT does not Granger cause POP		5.34715	0.0120**
FDI does not Granger cause NT	29	1.46551	0.2509
NT does not Granger cause FDI		0.40814	0.6694
ER does not Granger cause NT	29	2.67646	0.0893
NT does not Granger cause ER		3.58112	0.0436**
FDI does not Granger cause POP	29	0.28759	0.7526
POP does not Granger cause FDI		0.79822	0.4617
ER does not Granger cause POP	29	2.76364	0.0831
POP does not Granger cause ER		0.53085	0.5948
ER does not Granger cause FDI	29	0.68315	0.5146
FDI does not Granger cause ER		0.71181	0.5008

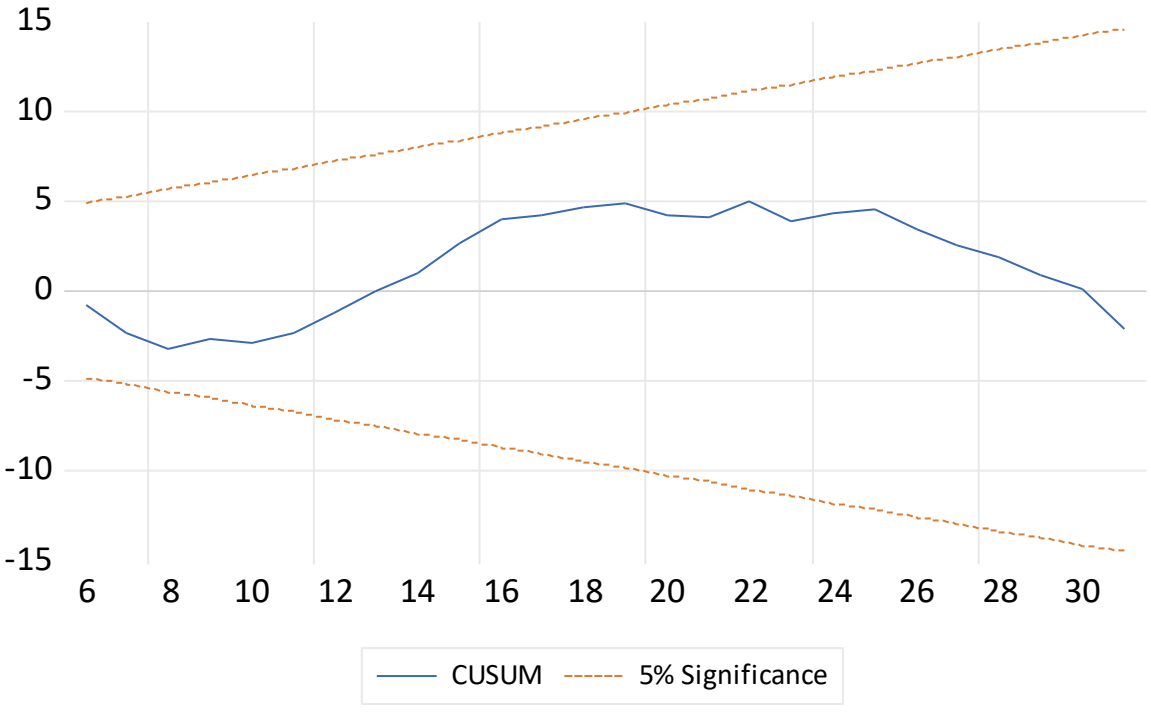
Source: This Study

The results of the Granger causality test indicate that there is a unidirectional causal relationship between the variables; specifically, the results indicate that net trade causes the exchange rate, whereas the exchange rate does not cause net trade. The finding indicates unidirectional causation between population and net trade at a significance level of 5%; that is, net trade acts as a granger cause of population, but the population does not act as a granger cause of net trade. Additionally, granger causality was found between GDP and population at a level of significance of 5%; however, population increase did not granger cause GDP.

Stability Test

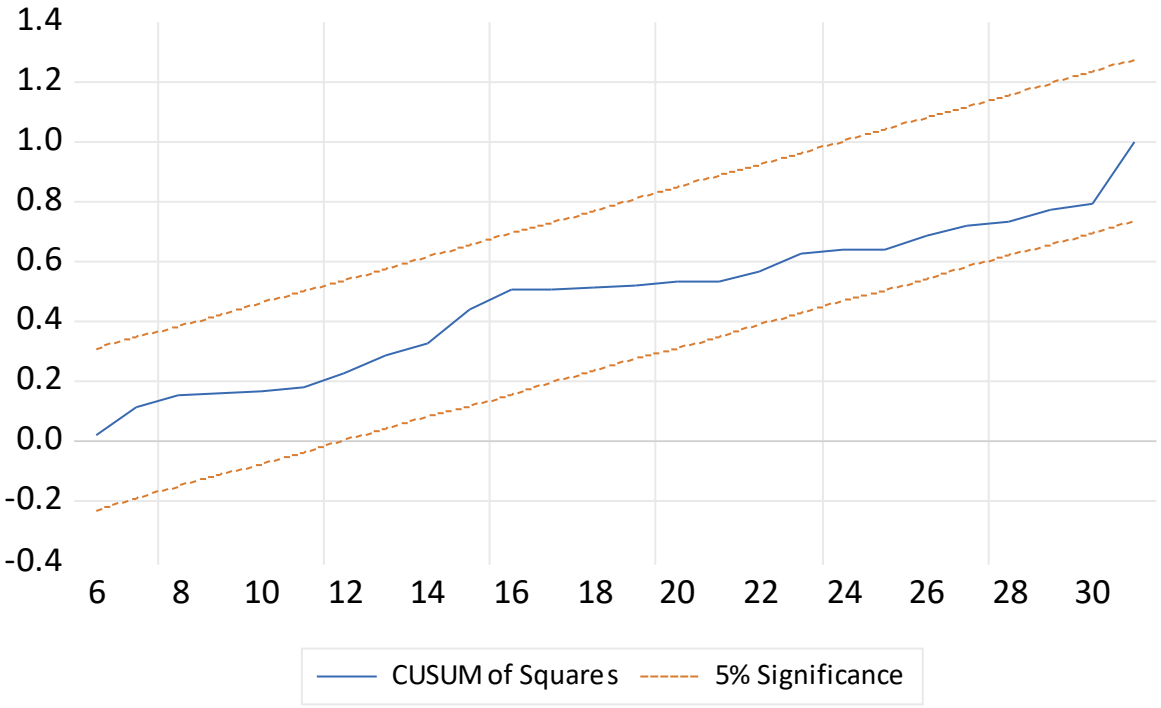
Nonlinear models infrequently suffer from parameter instability (Saliminezhad et al., 2018). In order to ensure that the findings are accurate, it is necessary to do an analysis on the reliability of the estimated model that was used. In order to do this, we make use of a test that was devised in 1975 by Brown and his colleagues and is referred to as the CUSUM of Squares Test. The degree to which you were successful in maintaining the model's consistency throughout the estimating procedure will determine whether or not you have trust in the post-estimate test (Hansen, 2000). Cusum tests are utilized to check the consistency of the coefficients in a multiple linear regression analysis. This is done as part of the research. On a regular basis, recursive residuals, also known as standardized one-step-ahead prediction errors, are created from nested subsamples of data. The sums or squares of these residuals are then utilized for inference purposes. Outliers in a series suggest that the model has experienced significant structural changes, even when it is anticipated that the parameters would remain same.

Figure 4.2 CUSUM test results



Source: This Study

Figure 4.3 CUSUM of square test results



Source: This Study

As a result, the stability of the utilized estimated model must be evaluated in order to determine the veracity of the results. In order to do this, we use Brown and colleagues' CUSUM of Squares Test (1975). Depending on how much you rely on the post-estimate test, the stability of the model must be maintained during the whole estimation process (Hansen, 2000). As part of multiple linear regression analysis, cusum tests investigate the stability of coefficients. Recursive residuals (standardized one-step-ahead prediction errors) are created repeatedly from nested subsamples of data, and their sums or sums of squares are used for inference. Under the null hypothesis that parameters remain constant, values outside of the sequence's projected range indicate that the model's structure has evolved over time. So, both the CUSUM and CUSUM of square tests show that the data are stable because the blue lines fall inside the red lines in both cases.

CHAPTER V

Summary, Conclusion, and Recommendations

Summary

This study seeks to learn how international trade and FDI have impacted Tanzania's economic development (1990–2020). In addition to other factors, international trade has emerged as a key driver of modern economic growth. When seen through the prism of history, it is clear that nations that manufacture items for export to global markets are more productive and efficient than those that do not engage in international commerce. Production in the United States (Obadan & Okojie, 2016) it is conceivable for there to be a positive or negative association between global trade and economic expansion in a certain country. In order to carry out the goal of this thesis, the ARDL model was used to determine the Tanzania's economic growth has been negatively influenced by international commerce and FDI. FDI is a crucial source of funding for developing countries. Spending with the intention of stimulating the economy Wai-Mun et al. (2008), Chakrabarti (2013), and Saqib and coworkers (2001). Foreign investment has lately dropped. It is the belief of policymakers in developing countries, notably in Africa, that progress is aided by foreign direct investment, which has enhanced growth in low-income and developing countries (LICS). According to Welfare and Nurudeen (2010), FDI helps the economy grow by creating new jobs, improving management skills, and allowing the transfer of technology.

The amount of foreign direct investment has increased dramatically over the last two decades. This is because many developing countries see FDI as an essential component of their overall economic development strategy (Ayanwale, 2007). Privatization, which has risen dramatically in developing economies, as well as mergers and acquisitions, particularly private-to-private transactions, have become an increasingly important avenue for foreign direct investment. This was particularly true for private-to-private trades (Kyaw, 2003). As a result, a number of countries are attempting to enhance their economies and business environments in order to attract more FDI. One of the key foundations around which the New Partnership for Africa's Development (NEPAD) was established was increasing the amount of FDI entering the area (Funke and Nsouli, 2003).

The basic modeling strategy used in this study is based on the autoregressive distributed lag (ARDL) approach described by Pesaran and Shin (1995) and Pesaran, Shin, and Smith (1995). The ARDL co-integration method has certain advantages over other classic techniques presented by Engle and Granger (1987), Johansen (1988), and Johansen and Juselius (1989). (1989). (1990). According to Narayan and Smyth (2005) and Ozturk and Acaravci (2010a, b), the ARDL technique does not need pre-testing for unit root since it may be used with a mix of I (0) and I (1) series. Second, unlike the Johansen approach, which requires massive quantities of data to be valid, ARDL may be used with small sample sizes. Third, the ARDL approach may be able to accommodate variables with different optimum lag lengths. Fourth, unlike other cointegration procedures that require the specification of system equations, ARDL uses a single reduced-form equation. In an enhanced autoregressive distributed lag (ARDL) bounds test for cointegration, an extra F-test is done on the lagged levels of the independent variable(s). Because the ARDL equation includes the lag levels, this is done. When establishing this testing procedure for the first time, the bootstrap method was employed. This paper gives the small sample and asymptotic critical values in order to make the test easier to use and accessible to a larger range of researchers. The first advantage is that when using this extended ARDL limits test, there is no need to assume an I(1) dependent variable. The three tests also provide a clear solution to the topic of co-integration. The expanded ARDL limits test is explained using an empirical analysis of foreign direct investment and economic growth in Tanzania. The data used in this thesis is considered secondary data since it was taken from the Global Bank's data portal. Secondary data is information obtained by someone other than the researcher. Administrative data from programs, geodata from specialized sources, census or other demographic data from governments, and so on are examples. Secondary data adds context to any inquiry, and in certain circumstances (such as administrative program data), it is the only source that covers the whole population needed to complete a research effort.

The following are the thesis results: To check if a time series is stationary, statisticians often use the Augmented Dickey Fuller test. It's a popular statistical tool for checking whether or not a given time series is stationary. The augmented Dickey-Fuller statistic fails to meet statistical significance. The more strongly and clearly the notion of

a single root is rejected, the more negative the statement. In Table 4.1, we can see that the ADF unit root test confirms the variables are stationary both at level and at the first difference. There is stability in four of the five variables at the first difference and just one at level. First, whereas GDP, FDI, NT, and ER are all stationary at a given level, POP is not. A bound test based on the ARDL model was developed during this inquiry to determine whether or not the data set in question displayed co-integration. This was done to see whether the data set under consideration showed co-integration. If the F-statistic is less than the lowest value of the distribution (critical values for I(1)), the null hypothesis cannot be ruled out as a possible alternative explanation. This happens when I (0) reach its critical value. If the statistic is larger than one, the null hypothesis of no co-integration is rejected since it demonstrates the existence of co-integration. Instead, the idea is debunked since co-integration is shown (1).

The test is deemed inconclusive if the test statistic falls within the statistical procedure's probability range. An F-statistic suggests that there is a long-term link between the independent factors and the dependent variable at the 1% level of significance. This conclusion is supported by the F-statistic value (5.498596). The findings of the long- and short-term ARDL tests are displayed in Table 4.1. The findings show a relationship between the factors across both long and short time periods. Tanzania's economic growth is statistically insignificant and unfavorably impacted by net trade both in the long and short run. Foreign direct investment has a positive and significant influence on the economic development of Tanzania both in the long and short run. However, this finding is consistent with Mehic, Silajdzic, and Hodovic's (2014) analysis of the impact of foreign direct investment (FDI) on economic growth in southeast European transition countries. The empirical study focuses on seven southeast European countries between 1998 and 2007. The estimation model used by the authors is Prais–Winsten regression with panel-corrected standard errors. This study's key result is that FDI has a positive and statistically significant effect on economic growth. With domestic investment statistics included, the impact of FDI is statistically significant and robust. The results are robust when endogeneity issues are taken into account (i.e., inverse causality). Moreover, population has a negative influence on GDP growth both in the long and short run, despite its significance in the long run. The exchange rate has a considerable positive

influence on the economy of Tanzania both in the long and short run. This finding accords with the findings of Karahan (2020), who investigated the impact of shifting exchange rates on overall economic expansion. In light of this, the relationship between the exchange rate and economic growth was investigated in our research by employing the Johansen co-integration test, the Granger causality test, and the Innovation Accounting Techniques. The data for our study covered the period from 2002-Q1 to 2019-Q1 and were collected on a quarterly basis. According to the assertions made by structuralism economists, empirical results point to the existence of a causal link between exchange rates and economic growth that is inherently unfavorable. In terms of policy, they said one could argue that Turkey's current system of targeting inflation shouldn't make it impossible for the country to keep prices and the exchange rate stable at the same time.
Additionally, the degree of financial market liberalization and the countries' respective exchange rate policies has an impact on the effects of currency volatility. The degree of volatility rises in countries with open financial markets and flexible exchange rate policies. The residuals follow a normal distribution, as shown by Table 4.4, and there is no conditional heteroskedasticity or serial correlation between them. A normal distribution characterizes the real residuals distribution. The model does not support either the null hypothesis or the alternative hypothesis with regard to whether or not there is a serial correlation. Compared to the predicted likelihood of 0.05, the actual probability is greater at 0.5109. We may infer that the model in question lacks serial connections as a direct result of this. When the degree of confidence is set at 5%, one of the key alternatives for the null hypothesis is that heteroskedasticity does not exist. The residual diagnostic test indicates that the problem is more significant since the probability value of 0.2860 is greater than the cutoff of 0.05 percent.

The model does not show heteroskedasticity if we opt to reject the null hypothesis with a significance level of 5%. On the other hand, we may assert categorically that the model does if we choose to reject the null hypothesis with a significance threshold of 10%. The null hypothesis makes the categorical assertion that residuals follow a normal distribution with a probability of 0.667953, which is lower than 0.05 percent. The alternative hypothesis, that residuals have a chance of being regularly distributed that is 5% or greater, is rejected in favor of the finding that residuals have a 5% chance of

following a normal distribution. As a direct result, it is required to confirm the stability of the estimated model that was used in order to demonstrate the reliability of the findings. We employ the CUSUM of Squares Test, which was created in 1975 by Brown and his associates, to achieve this. The stability of the model must be maintained throughout the estimating process to a degree that is related to how much you rely on the post-estimate test (Hansen, 2000). Cusum tests are used to examine if the findings of repeated linear regression studies are consistent. Recursive residuals, often referred to as standardized one-step-ahead prediction errors, are frequently constructed from nested data subsamples, and the sums or sums of squares of these residuals are used to derive inferences. Values that are beyond the predicted range for the series indicate that the structure of the model has altered over time, assuming that parameter values stay constant. Since the blue lines in both sets of results fall inside the red line bounds, the CUSUM test and the CUSUM of square test both show that the data are stable. In all, 57 new FDI-related laws were approved in 2006 across more than 40 African nations, including Tanzania; 49 of these laws promoted inbound FDI investment (UNCTAD, 2007). Due in major part to the fact that many regions throughout the world have been displaying truly remarkable corporate performance as well as extremely high rates of economic growth, there has been a considerable surge in foreign direct investment (UNCTAD, 2008). Over the past two decades, there has been a significant increase in the amount of foreign direct investment that is moving to various parts of the world.

Conclusion

The purpose of this dissertation is to look at the influence of international trade and foreign direct investment on Tanzania's economic development from 1990 to 2020. Tanzania makes international commerce easier by putting minimal limitations on economic activities and charging cheap customs costs. 2019 (United Nations Comtrade). As a consequence, the majority of trade constraints that exist today are related to logistical and non-tariff obstacles. For instance, despite the current congestion at the port of Dar es Salaam the main port through which Tanzania and its non-coastal neighboring countries, such as Zambia, Rwanda, Uganda, and Burundi, send and receive goods—sufficient funding has not been allocated to improve the port's infrastructure. Despite the fact that

Tanzania and its surrounding nations ship and receive commodities predominantly via the port of Dar es Salaam, this remains true. Furthermore, one of the most significant barriers to commerce between Tanzania and its neighbors is poor rail and road infrastructure. On the other side, the Tanzanian government has worked tirelessly to launch a variety of programs aimed at improving the country's infrastructure. The nation is made up of these efforts (UN Commerce, 2019).

The data that was used in this thesis is categorized as secondary data because it was acquired from the world Bank's data portal. Secondary data is information acquired from a source other than the researcher themself. Data comes in a wide variety of forms, some of which include administrative data from programs, geodata from specialized sources, census or other demographic data from governments, and so on. Secondary data may be a useful complement to any investigation since it adds context, and in certain cases (such as when examining data from administrative programs), secondary data is the only source that can fully represent the population needed to complete a research endeavor. Because of this, secondary data are an essential part of any research projects. This study's basic modeling approach is based on the autoregressive distributed lag (ARDL) method, which was described by Pesaran and Shin (1995) as well as Pesaran, Shin, and Smith (1995). (1995). (1996). Compared to the more conventional approaches developed by Engle and Granger (1987), Johansen (1988), and Johansen and Juselius, the ARDL cointegration technique has a few advantages (1989). (1989). (1989). (1990). According to Narayan and Smyth's research (2005) and Ozturk and Acaravci (2010a, b), the ARDL technique does not need pre-testing for unit root since it may be used with a mix of I (0) and I (1) series. Second, unlike the Johansen approach, which requires massive quantities of data to be valid, ARDL may be used with small sample sizes. Third, the ARDL approach may be able to accommodate variables with different optimum lag lengths. Fourth, unlike other counteraction procedures that require the specification of system equations, ARDL uses a single reduced-form equation.

A bound test based on the ARDL model was developed during this inquiry to determine whether or not the data set in question displayed co-integration. This was done to see whether the data set under consideration showed co-integration. If the F-statistic is less than the lowest value of the distribution (critical values for I (1)), the null hypothesis

cannot be ruled out as a possible alternative explanation. This happens when I (0) reach its critical value. If the statistic is larger than one, the null hypothesis of no co-integration is rejected since it demonstrates the existence of co-integration. Instead, the idea is debunked since co-integration is shown (1).

The test is deemed to be inconclusive if the statistic under test falls anywhere inside the statistical procedure's range of probability. The F-statistic shows that there is a long-term relationship between the independent factors and the understudied variable at a significance level of 1%. (the dependent factor). To reach this conclusion, the value of the F-statistic was used (5.498596). Table 4.1 displays the results of both the long-run and short-run ARDL tests. The experiments show that there is a relationship between the variables over the long and short terms. The long and short-run ARDL tests are shown in Table 4.4. The tests reveal a long- and short-run relationship between the variables. Net trade, both in the long and short run has statistically an insignificant influence on Tanzania's economic development, but also in the long run, it has a a positive impact in the short run. Foreign direct investment has a positive and significant influence on the economic development of Tanzania both in the long and short run. However, this finding is consistent with Mehic, Silajdzic, and Hodovic's (2014) analysis of the impact of foreign direct investment on economic growth in southeast European transition countries. The empirical study focuses on seven southeast European countries between 1998 and 2007. The estimation model used by the authors is Prais–Winsten regression with panel-corrected standard errors. This study's key result is that FDI has a positive and statistically significant effect on economic growth. With domestic investment statistics included, the impact of FDI is statistically significant and robust. The results are robust when endogeneity issues are taken into account (i.e., inverse causality). Moreover, the population has a negative influence on GDP growth, despite its importance in both the short and long term. The exchange rate has a considerable positive influence on the economy of Tanzania both in the long and short run. This finding accords with the findings of Karahan (2020), who investigated the impact of shifting exchange rates on overall economic expansion. In light of this, the relationship between the exchange rate and economic growth was investigated in our research by employing the Johansen co-integration test, the Granger causality test, and the Innovation Accounting Techniques.

The data for our study covered the period from 2002-Q1 to 2019-Q1 and were collected on a quarterly basis. According to the assertions made by structuralism economists, empirical results point to the existence of a causal link between exchange rates and economic growth that is inherently unfavorable. In terms of policy, they said one could argue that Turkey's current system of targeting inflation shouldn't make it impossible for the country to keep prices and the exchange rate stable at the same time.

Recommendations

We urge governments and multilateral and non-governmental organizations (such as the World Bank and the African Development Bank) to take the initiative and give help in establishing a healthy socioeconomic framework or mechanism that assures social fairness. Furthermore, riding on the back of FDI to encourage shared prosperity would require policymakers to develop measures to produce shared wealth via improved technical and vocational education. Moving forward and rewarding and fostering shared prosperity through FDI in Tanzania would necessitate a special emphasis on improving the effectiveness of legal frameworks and combating corruption. The government should implement measures that encourage industrialization and increase local output. The government should promote political and macroeconomic stability in order to stimulate both domestic and international investment and secure corporate survival. To maintain economic development, adopt tight trade openness by keeping trade openness rates below or at a ceiling level. To generate additional money, the government should minimize its reliance on targeted exports and expand and diversify its export base. As a result of this study, the Tanzanian government should place a greater focus on agricultural specialization in order to diversify the country's production and export base and reap the full advantages of trade, including economic development. This would go a long way toward harnessing Tanzania's enormous resources, including land and labor, which would aid in lowering the country's pervasive unemployment and poverty. Similarly, the government should take proactive efforts to address the trade-related barriers to economic development outlined in the report. Furthermore, we highly advise the export of manufactured products and other non-commodity items, such as those that are not gold or primary commodities, be given top priority by the nation's commercial

sector. Any international trade plan must be built on the understanding that the government must take the appropriate actions to promote the competitiveness and productivity of businesses in the export sector. Modernizing infrastructures, fostering the growth of human capital, and advancing technology through increased government investment on research and development are some of these actions. Furthermore, the Central Bank of Tanzania should step up its deregulation of the country's exchange rate sector by making foreign currency accessible to exporters and investors. Tanzania should work hard to promote exports within the framework of sub-regional and regional economic integration in order to grow its market around the world. The government's importation policy should also be strictly followed in order to stop dumping and attract local investors. Finally, the country's monetary authority should keep interest rates in the double digits for the time being to encourage international investors and commercial banks until the Tanzanian economy has advanced to the point where interest rates may be decreased to single digits or zero.

References

(1962–1985), by Louis N. Chete and Adeola F. Adenikinju, Research Paper 127.

(NEPAD): opportunities and challenges. [Washington, D.C.], International 103.2011/2012 2015/2015 26-34 33, pp. 57–76 91.

Abala O Daniel (2014), Foreign Direct Investment and Economic Growth: An

Adelman and Morris, *(1973.)"**Economic Growth and Social Equity in Developing Countries,**" Stanford*

Adewumi, S, (2006) ―The Impact of FDI on Growth in Developing Countries an

Adubi and F. Okunmadewa, Research Paper 87.

African Experience‖ Jonkoping International Business School

Agmon, T. (2004). International Business and Development Economics: A Winning Combination; Generating a World's View Based on Buckley and Casson and Hirschman's Books. *Generating a World's View Based on Buckley and Casson and Hirschman's Books (November 2004)*.

Agricultural Credit Under Economic Liberalization and Islamization in Sudan, by Adam B. Elhiraika

Ajakaiye, Research Paper 92.

Alderson, A. S., Nielsen, F. (1999) ***Income Inequality, Development and Dependence: A Reconsideration***. – American Sociological Review Vol. 64, pp. 606–631.

Alfaro, L, (2003) ―Foreign Direct Investment and Growth: Does the Sector Matter?‖

American Sociological Review , Vol. 62, No. 6 (Dec., 1997), pp. 974-984 American Sociological Association

An Empirical Analysis of Interest Rate Spread in Kenya, by Rose W. Ngugi, Research Paper 106.

An Empirical Evaluation of Trade Potential in the Economic Community of West African States, by E.analysis", Applied Economics, vol. 29, pp. 1387-1301 and Sayed A. Ahmed, Research Paper 79.

Antwi-Agyei, P., Dougill, A. J., Fraser, E. D., & Stringer, L. C. (2013). Characterising the nature of household vulnerability to climate variability: Empirical evidence from two regions of Ghana. *Environment, development and sustainability*, *15*(4), 903-926.

Ayanwale, A. B. (2007). FDI and economic growth: Evidence from Nigeria.

Ayonrinde Folasade, Research Paper 117.

Baniak, A., Cukrowski, J., & Herczynski, A. J. (2005). On the determinants of foreign direct investment in transition economies. *Problems of economic transition*, *48*(2), 6-28.

Barro, Robert J. ***"The Neoclassical Growth Model***," Chapter 1 of unpublished manuscript, 1991

Basrur, R. M. (2008). *South Asia's Cold War: Nuclear Weapons and Conflict in Comparative Perspective*. Routledge.

Blomstrom, M, Globerman, S, Kokko, A, (1999) ―The Determinants of Host Country

Boix, C. (2001) ***Democracy, Development, and the Public Sector***. – American Journal of Political Science Vol. 45, No. 1, pp. 1–17.

Bonizzi, B., Laskaridis, C., & Toporowski, J. (2019). Global Liquidity, the Private Sector and Debt Sustainability in Sub-Saharan Africa. *Development and Change*, *50*(5), 1430-1454.

Boserup, E. (1965),***The Conditions of Agricultural Growth***. London: Allen and Unwin.

Bruno, R. L, (2010) ―systematic review for foreign direct investment in low income by Asmerom Kidane, Research Paper 99.

Cameroon's Fiscal Policy and Economic Growth, by Aloysius Ajab Amin, Research Paper 85.

Capital Markets Approach", Quarterly Journal of Economics(1991) 1191-1217

Case Study of Cashewnuts, by Ngila Mwase, Research Paper 86.

Chicago Press.

Chirwa, Research Paper 108.

Chowdhury, K., (2001). "Inflation and economic growth: a multi-country empirical

Cleeve, E. (2008). How effective are fiscal incentives to attract FDI to Sub-Saharan Africa?. *The Journal of Developing Areas*, 135-153.

Coenen, G., Karadi, P., Schmidt, S., & Warne, A. (2018). The New Area-Wide Model II: an extended version of the ECB's micro-founded model for forecasting and policy analysis with a financial sector.

Comtrade, U. N. (2019). UN Comtrade. *United Nations Commodity Trade Statistics Database*.

Crenshaw, E. M. (1993) ***Polity, Economy and Technoecology***: Alternative Explanations for Income Inequality. – Social Forces Vol. 71, No. 3, pp. 807–816

Cushman, D. O. (1985). Real exchange rate risk, expectations, and the level of direct investment. *The Review of Economics and Statistics*, 297-308.

Dalmar, A. A., Hussein, A. S., Walhad, S. A., Ibrahim, A. O., Abdi, A. A., Ali, M. K., ... & Wall, S. (2017). Rebuilding research capacity in fragile states: the case of a Somali–Swedish global health initiative: Somali–Swedish Action Group for Health Research and Development. *Global health action*, *10*(1), 1348693.

De Mello, L. R., Jr.(1997). `Foreign Direct Investment in Developing Countries and

Deaton, A. S., Paxson, C.H. (1997) ***The Effects of Economic and Population Growth on National Saving and Inequality***. – Demography Vol. 34, No. 1, pp. 97–114.

Decisions: The Case of U.S. firms," Journal of International Economics, Vol.

Degefa, Reseach Paper 107.

Denisia, V. (2010). Foreign direct investment theories: An overview of the main FDI theories. *European journal of interdisciplinary studies*, (3).

Determinants of Agricultural Exports: The Case of Cameroon, by Daniel Gbetnkom and Sunday A.

Determinants of Imports in Nigeria: A Dynamic Specification, by Festus O. Egwaikhide, Research Paper *Determinants of Private Investment Behaviour in Ghana*, by Yaw Asante, Research Paper 100.

Determinants of Regional Poverty in Uganda, by Francis Okurut, Jonathan Odwee and Asaf Adebua,Dirk Willem teVelde (2006) ―Foreign Direct Investment and Development An

Dunning, J. H. (1988). The theory of international production. *The International Trade Journal*, *3*(1), 21-66.

Economic Journal, 116(513), 773-790 *Economic Liberalization and Privatization of Agricultural Marketing and Input Supply in Tanzania: A* Economy, *Journal of Educational and Social Research 1(5).* Economy‖ Princeton University Press Edward M. Crenshaw, Ansari Z. Ameen and Matthew Christenson *Effect of Export Earnings Fluctuations on Capital Formation,* by

Godwin Akpokodje, Research Paper Ek Anna (2007), The Impact Of Fdi On Economic Growth The Case Of China; Empirical Analysis of Kenyan Data

Exchange Rate Policy and Price Determination in Botswana, by Jacob K. Atta, Keith R. Jefferis, Ita

Exchange Rate Policy and the Parallel Market for Foreign Currency in Burundi, by Janvier D.

External Aid Inflows and the Real Exchange Rate in Ghana, by Harry A. Sackey, Research Paper 110.

External Debt and Economic Growth in Sub-Saharan African Countries: An Econometric Study, by *Financial Liberalization and Its Implications for the Domestic Financial System: The Case of Uganda,*

Fortanier, F, ―Foreign Direct Investment and Host Country Economic Growth: Does

Froot, K. A., & Stein, J. C. (1991). Exchange rates and foreign direct investment: an imperfect capital markets approach. *The quarterly journal of economics*, *106*(4), 1191-1217.

Froot, K., and Stein, J., "Exchange Rates and Foreign Direct Investment: An Imperfect

Froot,K.A, (1993) Introduction to ―Foreign Direct Investment‖ University of Funke, M. N., & Nsouli, M. S. M. (2003). The New Partnership for Africa's Development (NEPAD) Opportunities and Challenges.

Funke, N, & Nsouli, S. M. (2003). *The new partnership for Africa's development*

Gabriele, A. (2006). Export of Services, Export of goods and Economic Growth in Developing Countries. *Journal of Economic Integration, 21*(2), 294-317.

Ghaffar, S., Munir, H., Nawaz, S., & Javaid, A. (2019). International Trade on Economic Growth: A Case Study of Parkistan. *Asian Journal of Social Sciences and Management Studies, 6*(2), 15-22.

Growth in Sub Saharan Africa Countries.Working Paper Series. Growth: *a Selective Survey',Journal of Development Studies,34,1±34*

Growth? Answers Using Sectoral Data from China and Vietnam." Unpublished

Gujarati, D. (2012). *Econometrics by Example.* Palgrave Macmillan.

Gujarati, D., & Porter, D. (2008). *Basic Econometrics* (5th ed.). New York: McGraw-Hill/Irwin.

Guloba, M. M., Kakuru, M., Ssewanyana, S. N., & Rauschendorfer, J. (2021). Employment creation potential, labor skills requirements and skill gaps for young people.

Haji C.(2014). ***Tanzania Human Development Report.*** *Economic Transformation for Human Development*. Tanzania. Economic and Social Research Foundation publishers

Hamad, M. M., Mtengwa, B. A., & Babiker, S. A. (2014). The impact of trade liberalization on economic growth in Tanzania. *International Journal of Academic Research in Business and Social Sciences, 4*(5), 514.

Hamad, M., Mtengwa, B., & Babiker, S. (2014). The Impact of Trade Liberalization on Economic Growth in Tanzania. *International Journal of Academic Research in Business and Social Sciences, IV*.

Hansen, M. W., & Hoenen, A. (2016). Global oligopolistic competition and foreign direct investment: Revisiting and extending the literature. *Critical perspectives on international business*.

Harahap, F. R. (2017). Essays on Emerging Multinational Enterprises' Acquisitions in Developed Economies.

Harms, P., & Lutz, M. (2006). Aid, governance, and private foreign investment. Harvard Business School

Hassen, S., Anis, O., Taha, Z., & Yosra, S. (2019). Trade Openness and Economic Growth: The Case of Tunisia. *International Journal of Advances in Management and Economics, 2(2),* 24-32.

Health Seeking Behaviour in the Reform Process for Rural Households: The Case of Mwea Division, Higgins, M., Williamson, J. G. (1999) ***Explaining Inequality the World Round***: Cohort Size, Kuznets Curves, and Openness. – NBER Working Paper 7224.

Historical perspective‖ Overseas Development Institute. Högskolan Jönköping

Hongyi Li, Lyn Squire, Heng-fu Zou***: The Economic Journal***, Vol. 108, No. 446 (Jan., 1998), pp. 26-43 , Blackwell Publishing for the Royal Economic Society hypothesis. Journal of Macroeconomics 24, 267-286.

Igberaese, F. I., & Onotaniyohwo, F. O. (2016). THEORIES AND THE IMPACT OFGLOBALIZATION ON EXCHANGE RATE IN NIGERIA. *JOURNAL OF*

ECONOMICS AND ALLIED RESEARCH, *1*(1), 106-119. *in Nigeria,* by Davidson A. Omole and Gabriel O. Falokun, Research Paper 88.

International Stock Market Linkages in South Africa, by K.R. Jefferies, C.C. Okeahalam and T.T.

Investment in Sub – Saharan Africa. IZA Working Paper No. 3296.

Investment: Unravelling the Developmental Impact of Foreign Direct

Javed, Z. H., Mushtaq, A., Saif-ullaha, & Iqbal, A. (2012). *Effects of International Trade On Economic Growth: The Case Study of Pakistan. International Journal of Academic Research in Progressive Education and Development, 1(2).*

Jerome, Research Paper 129.

Johnston, L., Downie, E., Mwakalikamo, J., & Rudyak, M. (2021). China's appetite for international agricultural investment: case studies of Kyrgyzstan, Myanmar and Tanzania.

Kaberuka, W., Rwakinanga, E. T., & Tibesigwa, W. (2014). I*s Export-led-growth hypothesis valid in Uganda? A cointegration and causality analysis (1960-2010).* Journal issues. Issues in Business Management and Economics, 2(4), 060-073.

Kabwela, G, (2006) ―Potential Impacts Of FDI on Economic Development in

Kalaitzi, A. (2013). *Exports and Economic Growth in the United Arab Emirates.* Submitted to: RIBM Doctoral Symposium. Manchester Metropolitan University, Business School.

Kallis, G., Kostakis, V., Lange, S., Muraca, B., Paulson, S., & Schmelzer, M. (2018). Research on degrowth. *Annual Review of Environment and Resources, 43*(1), 291-316.

Kandiwa V.M.(2013). ***Population Contributions to Global Income Inequality****: A Fuller Account* United States Cornell University.

Kassey Garba, Research Paper 101.

Kenneth, A, and Rajan, s. R, (2008) ―The Princeton Encyclopedia of the World

Kenya Airways: A Case Study of Privatization, by Samuel Oyieke, Research Paper 119.

Khairul Hashim and Mansur Masih (2014). *What causes economic growth in Malaysia:* exports or imports MPRA Paper No. 62366, posted 24 February 2015.

Khaled R.M. Elbeydi and al. (2010). *T*he Relationship between Export and Economic Growth in Libya Arab Jamahiriya. Theoretical and Applied Economics

Khan, Research Paper 120.

Kim, D.-H., & Lin, S.-C. (2009). Trade and growth at different stages of economic development.

Journal of Development Studies, 45(8), 1211-1224

Kindleberger, C. P. (1969). American business abroad.

Kirinyaga District, Kenya, by Rose Ngugi, Research Paper 95.

Kyaw, S. (2003). FDI in Developing Countries in the Globalized World. Paper

Lall, S. (2001). Competitiveness indices and developing countries: an economic evaluation of the global competitiveness report. *World development*, *29*(9), 1501-1525.

Liberalization and Implicit Government Finances in Sierra Leone, by Victor A.B. Davies, Research

Liberalization of the Foreign Exchange Market in Kenya and the Short-term Capital Flows Problem, by Lwesya, F. (2021). SMEs' competitiveness and international trade in the era of Global Value Chains (GVCs) in Tanzania: An assessment and future challenges. *Small Business International Review*, *5*(1), e325.

Macaulay, E. D. (2011), Foreign Direct Investment and the Performance of the Nigerian

Macroeconomic Effects of VAT in Nigeria: A Computable General Equilibrium Analysis, by Prof. D. Olu

Macroeconomic Implications of Demographic Changes in Kenya, by Gabriel N. Kirori and Jamshed Ali, Malizia, E., Feser, E., Renski, H., & Drucker, J. (2020). *Understanding local economic development*. Routledge.

Mannathoko and Pelani Siwawa-Ndai, Research Paper 93.

Mariara and Tabitha W. Kiriti, Research Paper 124.

Market Structure, Liberalization and Performance in the Malawi Banking Industry, by Ephraim W. Markus Bruckner (2013*)* ***Income and Population Growth***. Germany. National University of Singapore

Márquez-Ramos, L. (2015). The relationship between trade and sustainable transport: A quantitative assessment with indicators of the importance of environmental performance and agglomeration externalities. *Ecological Indicators*, *52*, 170-183.

Matome, Research Paper 105.

McCauley, R. N. (2018). The 2008 crisis: transpacific or transatlantic?. *BIS Quarterly Review December*.

Miller, M. S., Upadhyay, P. M., (2002). Total factor productivity and the convergence

Milton A. Iyoha, Research Paper 90.

Monetary and Exchange Rate Policy in Kenya, by Njuguna S. Ndung'u, Research Paper 94.

Monetary Fund.

Moon, H. C., & Roehl, T. W. (2001). Unconventional foreign direct investment and the imbalance theory. *International business review*, *10*(2), 197-215.

Moran, T. H. (2006). *Harnessing foreign direct investment for development: Policies for developed and developing countries*. CGD Books.

Morgan, R. E., & Katsikeas, C. S. (1997). Theories of international trade, foreign direct investment and firm internationalization: a critique. *Management decision*.

Myovella, G., Karacuka, M., & Haucap, J. (2020). Digitalization and economic growth: A comparative analysis of Sub-Saharan Africa and OECD economies. *Telecommunications Policy*, *44*(2), 101856.

N. Chete, Research Paper 126.

N. Gregory Mankiw & David Romer & David N. Weil, 1992. ***"A Contribution to the Empirics of Economic Growth***," The Quarterly Journal of Economics, Oxford University Press, vol. 107(2), pages 407-437.

Nachega, J. C., Thomson, F.2006. Economic Growth and Total Factor Productivity in *National Bureau of Statistics (NBS),Report of 2013*

Ndikumana L, and Verick, S. (2008). The Linkages between FDI and Domestic

Nelson, D. R. (2019). Facing up to Trump administration mercantilism: The 2018 WTO trade policy review of the United States. *The World Economy*, *42*(12), 3430-3437.

Nguto, T. (2020). *Impact of International Trade on Economic Growth of Tanzania* (Doctoral dissertation, Mzumbe University).

Nielsen, F., Alderson, A. S. (1997) ***The Kuznets Curve and the Great U-Turn***: Income Inequality in U.S. Counties, 1970 to1990. – American Sociological Review Vol. 2, pp. 12–33.

Niger. IMF Working Paper06:208.

Nigeria: An empirical analysis. Global Journal of Human Social Science, 10(1):

Nigeria: Towards an Optimal Macroeconomic Management of Public Capital, by Melvin D. Ayogu, Njikam, O., Binam, J. N., and Tachi, S. (2006). Understanding Total Factor Productivity

Njuguna S. Ndung'u, Research Paper 109.

Nkurunziza, Research Paper 123.

Obasi, I. O., & Okafor, I. J. (2011, December). Performance of broiler marketing in Umuahia area of Abia State, Nigeria. In *Proceedings of The Annual International Conference, Syiah Kuala University-Life Sciences & Engineering Chapter* (Vol. 1, No. 1).of Economic Literature 32, 1147–1175 (September Olawale Ogunkola, Research Paper 84.

Oluwatayo, I. B., & Ojo, A. O. (2018). Walking through a tightrope: The challenge of economic growth and poverty in Africa. *The Journal of Developing Areas*, *52*(1), 59-69. Paper 125. Paper 82. Paper 97.

Partridge, Mark D & Rickman, Dan S, (1998) *"**Generalizing the Bayesian Vector Autoregression Approach for Regional Interindustry Employment Forecasting***," Journal of Business & Economic Statistics, American Statistical Association, vol. 16(1), pages 62-72.

Pelinescu, E., & Radulescu, M. (2009). The impact of foreign direct investment on the economic growth and countries' export potential. *Romanian Journal of Economic Forecasting*, *4*(1), 153-169.

Pesaran, M. H., & Shin, Y. (1995). An autoregressive distributed lag modelling approach to cointegration analysis

Petersen, B., Pedersen, T., & Lyles, M. A. (2008). Closing knowledge gaps in foreign markets. *Journal of international business studies*, *39*(7), 1097-1113.

Poverty, Growth and Inequality in Nigeria: A Case Study, by Ben E. Aigbokhan, Research Paper 102.

Presented at the DSA Conference. Universality of Strathclyde, Glasgow.

Price, Exchange Rate Volatility and Nigeria's Agricultural Trade Flows: A Dynamic Analysis, by A.A.

Productivity Growth in Nigerian Manufacturing and Its Correlation to Trade Policy Regimes/Indexes Productivity, Market Structure and Trade Liberalization in Nigeria, by Adeola F. Adenikinju and Louis *Public Enterprise Reform in Nigeria:Evidence from the Telecommunications Industry*, by Afeikhena *Quality Jobs or Mass Employment,* by Kwabia Boateng, Research Paper 98.

Ramasamy, B., & Yeung, M. (2010). The determinants of foreign direct investment in services. *World Economy*, *33*(4), 573-596.

Real Exchange Rate Movements and Export Growth: Nigeria, 1960–1990, by Oluremi Ogun, Research *Real Exchange Rate Price and Agricultural Supply Response in Ethiopia: The Case of Perennial Crops*, Research Paper 104. Research Paper 122. Research Paper 83. Research Paper 89.

Rickman, D. (1998). "***The causes of regional variation in U.S. poverty: A cross-county analysis***," ERSA conference papers, pages 13, European Regional Science Association.

Rugman, A. M. (1980). Internalization as a general theory of foreign direct investment: A re-appraisal of the literature. *Weltwirtschaftliches Archiv*, (H. 2), 365-379.

Rugman, A. M. (2010). Reconciling internalization theory and the eclectic paradigm. *Multinational Business Review*.

Samuel, A. (2009). Can foreign direct investment (FDI) help to promote growth in Africa?. *African Journal of Business Management*, *3*(5), 178-183.

Sethi, D., Guisinger, S. E., Phelan, S. E., & Berg, D. M. (2003). Trends in foreign direct investment flows: A theoretical and empirical analysis. *Journal of international business studies*, *34*(4), 315-326.

Shahzad, N., & Zahid, M. (2011). The determinants of foreign direct investment in Pakistan. *Abasyn journal of social sciences*, *5*(1), 111-121.

Šíma, O. (2022). International trade in services: structural determinants of balance of services. *Ekonomický časopis*, *70*(2), 188-208.

Spillovers from Foreign Direct Investment: Review and Synthesis of the Literature‖.European Journal of Political Economy, Working Paper No. 76

Structural Adjustment, Poverty and Economic Growth: *An Analysis for Kenya*, by Jane Kabubo-

Study of Data Collection Procedures, by Ademola Ariyo and Adebisi Adeniran, Research Paper 80.

Tanzania‖ Economic and Social Research Foundation *Tax Reform and Tax Yield in Malawi*, by C. Chipeta, Research Paper 81.

The Impact of Government Policy on Macroeconomic Variables, by H.P.B. Moshi and A.A.L. Kilindo, *The Impact of Interest Rate Liberalization on the Corporate Financing Strategies of Quoted Companies* the Investor‘s Country of Origin Play a Role?‖ University of Amsterdam, Faculty of Economics and Business Studies

The Parallel Foreign Exchange Market and Macroeconomic Perfromance in Ethiopia, by Derrese

Total Factor Productivity in Kenya: The Links with Trade Policy, by Joseph Onjala, Research Paper 118.

Trade Liberalization and Economic Performance of Cameroon and Gabon, by Ernest Bamou, Research

Trade Liberalization and Technology Acquisition in the Manufacturing Sector: Evidence from Nigeria, by Umeora, C. (2013). Effects of foreign direct investment (FDI) on economic growth in Nigeria. *Available at SSRN 2285329*.

UNCTAD, T. (2002). Development Report 2002. *UN, NY*.

United Republic of Tanzania (2011): The Tanzania Five Years Development Plan,

URT (2004) Zanzibar Investment Report. Zabzibar.

Van Hoestenberghe, K., Roelfsema, H., & Khalidi, S. (2016). The making of the East African Community: A case study. In *The EU and World Regionalism* (pp. 255-270). Routledge.

Verspagen, B., 1991. A new empirical approach to catching up or falling behind. Journal Vollrath, T. L. (1991). A theoretical evaluation of alternative trade intensity measures of revealed comparative advantage. *Weltwirtschaftliches Archiv*, *127*(2), 265-280.

Vu, T. B., Gangnes, B., and Noy, I., (2006), "Is Foreign Direct Investment Good for Wafure, O. G. and Nurudeen, A. (2010)

Determinants of foreign direct investment in Wasseja, M. M., & Mwenda, S. N. (2015). Analysis of the determinants of foreign direct investment in Kenya. *Journal of Multidisciplinary Scientific Research*, *3*(4), 16-26.

Watkins, M. H. (1963). A staple theory of economic growth. *Canadian Journal of Economics and Political Science/Revue canadienne de economiques et science politique*, *29*(2), 141-158.

Wheeler, D., & Mody, A. (1992). International investment location decisions: The case of US firms. *Journal of international economics*, *33*(1-2), 57-76.

Wheeler, David, and Ashoka Mody, 1992, "International Investment Location

Wilhelms, S. K., & Witter, M. S. D. (1998). *Foreign direct investment and its determinants in emerging economies*. Washington DC: United States Agency for International Development, Bureau for Africa, Office of Sustainable Development.

World Bank. (2020). *Mauritania Country Economic Memorandum: Accelerating Growth Through Diversification and Productive Cities*. World Bank.

Xiong, T., & Sun, H. (2021). Structure and dynamics of global capital and international trade: Analysis of the relationship between exports and foreign direct investment (FDI) from 2001 to 2006.

International Journal of Finance & Economics, *26*(1), 542-559. Yaw, W. K., & Keong, C. C. Theoretical Reviews of International Trade: Malaysia and China Exporting Goods in Asia.

Appendix

GDP

Null Hypothesis: GDP has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=7)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-2.121868	0.2379
Test critical values:	1% level	-3.670170	
	5% level	-2.963972	
	10% level	-2.621007	

Null Hypothesis: D(GDP) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=7)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-6.109678	0.0000
Test critical values:	1% level	-3.679322	
	5% level	-2.967767	
	10% level	-2.622989	

*MacKinnon (1996) one-sided p-values.

FDI

Null Hypothesis: FDI has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=7)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-2.929419	0.0538
Test critical values:	1% level	-3.670170	
	5% level	-2.963972	
	10% level	-2.621007	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(FDI) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=7)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-8.793917	0.0000
Test critical values:	1% level	-3.679322	
	5% level	-2.967767	
	10% level	-2.622989	

*MacKinnon (1996) one-sided p-values.

Net Trade

Null Hypothesis: NT has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=7)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-1.360613	0.5879
Test critical values:	1% level	-3.670170	
	5% level	-2.963972	
	10% level	-2.621007	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(NT) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=7)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.888050	0.0005
Test critical values:	1% level	-3.679322	
	5% level	-2.967767	
	10% level	-2.622989	

*MacKinnon (1996) one-sided p-values.

Exchange Rate

Null Hypothesis: ER has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=7)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		0.232625	0.9702
Test critical values:	1% level	-3.670170	
	5% level	-2.963972	
	10% level	-2.621007	

Null Hypothesis: D(ER) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=7)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.133320	0.0033
Test critical values:	1% level	-3.679322	
	5% level	-2.967767	
	10% level	-2.622989	

*MacKinnon (1996) one-sided p-values.

Population

Null Hypothesis: PP has a unit root
Exogenous: Constant
Lag Length: 6 (Automatic - based on SIC, maxlag=7)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.158048	0.0038
Test critical values:	1% level	-3.737853	
	5% level	-2.991878	
	10% level	-2.635542	

*MacKinnon (1996) one-sided p-values.

BOUND BOUNT TEST

F-Bounds Test — Null Hypothesis: No levels relationship

Test Statistic	Value	Signif.	I(0)	I(1)
			Asymptotic: n=1000	
F-statistic	5.498595	10%	2.2	3.09
k	4	5%	2.56	3.49
		2.5%	2.88	3.87
		1%	3.29	4.37

ARDL LONG RUN

Levels Equation
Case 2: Restricted Constant and No Trend

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDI	0.972692	0.205042	4.743877	0.0001
ER	0.021353	0.004774	4.472450	0.0003
NT	-1.85E-10	2.09E-10	-0.886034	0.3867
POT	-1.25E-06	2.93E-07	-4.257240	0.0004
C	29.13608	6.628248	4.395744	0.0003

ARDL SHORT RUN

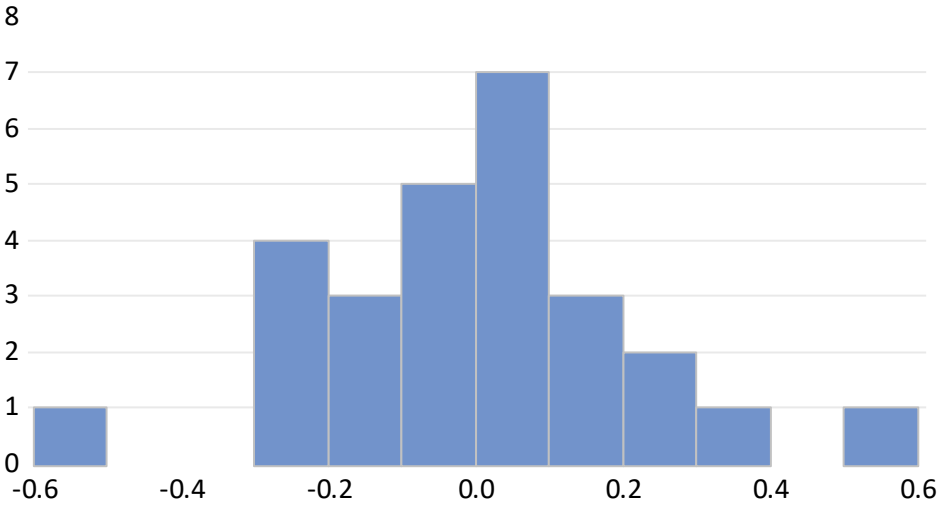
ECM Regression
Case 2: Restricted Constant and No Trend

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(GDP(-1))	-0.585757	0.120756	-4.850747	0.0019
D(GDP(-2))	-0.589729	0.124605	-4.732791	0.0021
D(GDP(-3))	0.521440	0.086896	6.000760	0.0005
D(FDI)	0.383134	0.090863	4.216637	0.0040
D(FDI(-1))	-0.644556	0.166848	-3.863134	0.0062
D(FDI(-2))	-0.156680	0.113975	-1.374687	0.2116
D(ER)	0.016204	0.002176	7.447598	0.0001
D(ER(-1))	0.002247	0.002053	1.094608	0.3099
D(ER(-2))	0.009615	0.002348	4.095472	0.0046
D(NT)	-3.85E-10	1.55E-10	-2.476442	0.0424
D(NT(-1))	-9.47E-10	1.96E-10	-4.821755	0.0019
D(POT)	2.72E-06	1.46E-06	1.868651	0.1039
D(POT(-1))	-4.23E-07	1.67E-06	-0.252749	0.8077
D(POT(-2))	7.27E-06	1.48E-06	4.906657	0.0017
CointEq(-1)*	-0.662813	0.089751	-7.385058	0.0002

RESIDUAL DIAGNOTIC TEST

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

F-statistic	0.510754	Prob. F(2,37)	0.6042
Obs*R-squared	1.343329	Prob. Chi-Square(2)	0.5109



Series: Residuals
Sample 5 31
Observations 27

Mean	-2.10e-15
Median	0.020356
Maximum	0.592519
Minimum	-0.561532
Std. Dev.	0.230461
Skewness	0.129612
Kurtosis	3.806352
Jarque-Bera	0.807075
Probability	0.667953

Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

F-statistic	5.044970	Prob. F(23,3)	0.1035
Obs*R-squared	26.31952	Prob. Chi-Square(23)	0.2860
Scaled explained SS	0.455937	Prob. Chi-Square(23)	1.0000

STABILITY TEST