Impact of International Trade on Economic Growth

Mashael Eid Alotaibi, Mariah Ali Almohaimed, and Wjdan Mohammed Alharbi
Qassim University
E-mail: i.ti1@hotmail.com

Abstract: This paper investigates the impact of international trade on the economic growth of Saudi Arabia for the period 1980-2018. The investigation was conducted through Dickey-Fuller (1979) and Phillips-Perron (1988) tests. The integration techniques were used in this study to test the log-values of the underlying times series for a unit root. Also, Engle-Granger and Johansen's (1988) tests were done for cointegration to test the long-run relationship between real GDP, real exports, and total imports. The variables selected for the study are gross domestic product, real exports, and real imports. Data were collected mainly from SMSA (Saudi Arabian Monetary Agency) except consumer prices data that was collected from World Development Indicators. The results showed that the observed variables were included in their constant values at the root of the unit. To ensure a balanced relationship between economic growth and exports, imports, and consumer price, in the long run, we used the Granger Engel method, which reveals a common correlation between the variables. Stability of the regression coefficients from the regression of the joint integration result show a long-term equilibrium relationship between the variables. Tests of joint integration confirmed that GDP growth is affected by long-term exports. And the causal test results indicate that the GDP and import variables are not linked to the short-run economy, which means there is no causal relationship between imports and economic growth in Saudi Arabia. It is recommended that The Saudi economy must expand its scope in international markets by promoting the development of other export sectors by liberalizing the services and manufacturing industries. Saudi Arabia must shift the dependence on oil revenues to non-oil revenues into intensive efforts to diversify its export-oriented policies and seek alternative commodities (other than oil and related products). Also, an industrial production base should be established to meet the needs of the local economy and then export.

Keywords: green, sustainable, transport, wood