Casuality Relationship between International Trade and Economic Growth in Tanzania Using Time Series Data from 2001 - 2020

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Abstract: *International trade plays a pivotal role in boosting productivity in business as well as economic growth. Its importance cannot be overemphasized. However, there is a mixed results on the effect of the international trade on the economic growth worldwide, whereby some studies support positive impact and other studies explain negative impact. This paper examines the causality relationship between international trade and economic growth in Tanzania. The paper used time series data spanning from 2001 to 2020. The data was sourced from Bank of Tanzania, and World Bank Development Indicators. Economic growth was captured using GDP, while international trade was captured using net imports of goods and services, and net exports of goods and services. The paper employed descriptive analysis and granger causality test under methodology to check for the existing causal relationship between net imports, net exports of goods and services and economic growth. The findings revealed that there is a significant causality that runs from net exports of goods and services to economic growth, net imports of goods and services to economic growth. Findings also show that there is a significant causality that runs from economic growth to net exports of goods and services and net imports of goods and services to net exports of goods and services. This means that international trade has significant influence on the economic growth of the country. This paper recommends for the policymakers to prioritize initiatives that improve export performance in order to promote economic growth.*

Keywords: *Internation trade, Economic growth, Tanzania, Causality, Time series.*

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1. Introduction

International trade is crucial in determining economic growth, since it has a multifaceted impact on the development path of countries. The relationship between international trade and economic growth has been extensively studied, investigating the direction of effect and the processes by which trade affects economic success. Several studies by Busse and Koeniger (2012), and Kali, Méndez, and Reyes (2007), Purnama and Yao (2019) have demonstrated a clear and positive relationship between international trade and economic growth. These studies emphasize the crucial role that trade plays in stimulating economic growth.

The relationship between international trade and economic growth is typically described as a positive feedback loop, in which trade drives economic activity and growth, resulting in more trade possibilities and greater economic expansion. Yanikkaya's (2003) research provides evidence that trade is closely linked to economic growth. Trade serves as a catalyst for the transfer of technology and exchange of information, which in turn promotes innovation and enhances productivity. The study conducted by Caleb, Mazanai, and Dhoro (2014) found a strong correlation between trade and economic growth. They discovered a cointegration between GDP and trade-related factors such as imports and exports, suggesting a long-term connection between trade flows and economic performance.

International trade has a complex impact on economic growth, since it operates via several routes that contribute to economic growth. Busse and Koeniger (2012) emphasize that increasing trade can improve the availability of new technologies, which are essential catalysts for economic growth according to the Solow model. The Solow growth model, formulated by economist Robert Solow during the 1950s, asserts that economic development is propelled by three primary factors: the accumulation of capital, the expansion of the labor force, and technical advancement. Capital accumulation in this paradigm pertains to the act of investing in physical capital, such as machinery and infrastructure, with the aim of improving productivity. With the availability of additional capital, the productivity of labor may be enhanced, resulting in a higher level of production. Nevertheless, the model also highlights that mere accumulation of capital is inadequate for maintaining economic growth over time. Instead, it is the implementation of novel technologies that serves as a stimulant for long-term growth, enabling countries to increase production with the same labor and capital resources.

Furthermore, the study conducted by Busse and Koeniger (2012) has revealed that trade has a significant influence on income growth, highlighting the capacity of trade activities to generate money. In addition, the study conducted by Kali, Méndez, and Reyes (2007) highlights the direct relationship between the quantity of trade partners and economic expansion, suggesting that diversifying trade and forming partnerships contribute to overall economic well-being.

Upon analyzing the causal relationship between net exports of goods and services and economic growth, it becomes evident that there is a direct correlation. Higher levels of net exports are linked to a rise in economic growth. Mishra (2012) and Yanikkaya (2003) offer valuable insights into the ways in which trade, namely through net exports, may stimulate economic growth by allowing the transfer of

technology, boosting productive capacity, and promoting improvements in the economy. Studies such as Caleb, Mazani, and Dhoro (2014) have shown that net imports of goods and services have a significant impact on economic growth. These studies emphasize the long-term relationship between imports and economic performance, highlighting the role of imports in improving well-being and productive capacity in developing countries. These findings highlight the complex interaction between trade dynamics, net exports, net imports, and economic growth, demonstrating the diverse nature of the connection and its consequences for economic development.

The correlation between foreign commerce and economic growth in Tanzania has been extensively studied by scholars, providing insights into the complex mechanisms that influence the country's economic progress. Bakari and Mabrouki (2017) examined the relationship between exports, imports, and economic growth, uncovering a favorable association between international trade activities and economic performance in Panama using time series data from 1980 to 2015. The research highlights the crucial significance of international commerce in stimulating economic expansion, where both exports and imports have a substantial influence on developing Tanzania's economic environment. The paper reveals that there is a causality than runs from net exports to economic growth and net imports to economic growth. Alam and Myovella (2016) employed granger causality to examine the causal relationship between agricultural exports and GDP in Tanzania. Findings revealed that there is a uni-directional causality running from the agricultural exports to economic growth. Unlike this paper, the current paper examine the causality relationship between net exports of goods and services, net imports of goods and services with the economic growth.

In addition, the empirical research carried out by Muhaya (2010) about the influence of international commerce on economic growth in Tanzania offers useful insights into the cause-and-effect link between inflows of foreign direct investment (FDI) and economic growth. The study demonstrates that there is a one-way relationship where foreign direct investment (FDI) influx causes an increase in gross domestic product (GDP). This suggests that FDI has a crucial impact on stimulating economic growth in Tanzania. The results underscore the favorable and statistically significant correlation between foreign direct investment (FDI) and economic growth. This emphasizes the significance of obtaining FDI inflows by implementing sound macroeconomic policies in order to expedite economic development and attain targeted economic goals within the nation. The research findings highlight the crucial importance of international commerce, foreign direct investment (FDI), and trade liberalization in promoting economic growth and prosperity in Tanzania.

This emphasizes the ongoing need for governmental initiatives to encourage trade and attract foreign investment for sustainable economic development.

The relationship between international trade and economic growth in Tanzania has been extensively studied by scholars in order to comprehend the complex connection between trade activities and the country's economic performance (Muhaya, 2010; Alam and Myovella (2016). Nevertheless, despite the current body of study on this subject, there is still a requirement to further investigate the precise processes by which international commerce impacts economic growth in Tanzania. Muhaya's (2010) examination of the correlation between trade openness and economic growth in Tanzania emphasizes the need to identify the cause-and-effect relationship between trade activities and economic performance in order to guide policy decisions and sustainable economic development strategies.

The issue statement about the causality between international commerce and economic growth in Tanzania focuses on the necessity to elucidate the direction and extent of the link between trade openness, exports, imports, and economic growth. Although previous research conducted by Alam and Myovella (2016) and Muhaya (2010) has offered useful insights into this correlation, there is a lack of understanding regarding the particular mechanisms by which trade affects economic growth in Tanzania. Moreover, the problem of reverse causation and endogeneity between international trade and economic growth, as emphasized in the literature, necessitates a more intricate examination to unravel the causal connections and offer a comprehensive comprehension of how international trade activities stimulate economic growth in Tanzania. By addressing these research gaps, we can enhance our understanding of the relationship between international trade and economic growth. This will provide valuable insights for evidence-based policy interventions aimed at promoting sustainable economic development in Tanzania.

2. Literature Review

2.1. Theoretical Review

2.1.1 Trade and Growth Theories

The delineation of the notion of international trade and economic growth throughout the classical period seems to be insufficient. Hence, the examination of this offender served as the impetus for conducting a comprehensive analysis of the classics and other models pertaining to international trade. On the other hand, we are very concerned with the development of models that primarily focus on the fixed basis of international trade, considering the purpose of this study.

Regarding the correlation between economic growth and international trade, two prominent concepts in Smith's work (1776) may be identified. International trade expands opportunities by overcoming the limitations of the domestic market. Alternatively, the second approach involves expanding the whole market, enhancing the division of labor, and raising productivity. empirical studies provide evidence for the direct correlation between trade openness and economic development. For instance, Karras (2003) it was discovered that increasing the proportion of trade in relation to GDP by 10 percentage points leads to a permanent rise in the real growth rate of GDP per capita by around 0.25 to 0.3 percent. If India increases its overall trade from 13% to 25% of GDP, it may potentially enhance its growth rate from 2.7% to 3%. This would have a substantial impact on the country's standard of life and its ability to catch up with more developed countries. Hence, it is worth mentioning that international trade has the potential to generate a dynamic force that enhances the capabilities and expertise of workers, stimulates innovation, particularly in technical fields, and facilitates the accumulation of capital. This, in turn, creates a favorable environment in a highly competitive market, ultimately leading to growth opportunities for participating nations. Furthermore, Ohnsorge & Quaglietti (2024) argues that international trade enables a more effective distribution of resources, the transfer of technology, and the buildup of human capital.

2.1.2 Overview of Trade Theory

The theories of supply of international trade highlight that trade patterns are determined by major variables such as differences in production techniques and comparative factor endowments. This general recommendation arises from divergent viewpoints among economists. For instance, the Ricardian theory specifically emphasizes the labor output element. Thus, the theory asserts that differences in production methods across countries would influence the relative pricing of their respective commodities, thereby serving as a determinant of trade. However, the Heckscher-Ohlin Model, which incorporates two factors of production, serves as a rebuttal to the Ricardian Theory. This model assumes that the production process of all items, regardless of country, involves identical processes that utilize both capital and labor. Alternatively, a comparable model agrees that the exchange rates between two countries are influenced by relative differences in the availability of resources.

However, in numerous instances, the scarcity or availability of resources often leads to a decrease or

increase in the cost of things. Consequently, the price of the corresponding items is reported to be either cheap or expensive. This approach proposes that a country should focus on specializing in exporting commodities that are relatively scarce in terms of resources. The Heckscher-Ohlin Model acknowledges the value of some products that are created via the collaboration of labor and capital. In comparison to the Ricardian Theory, the Heckscher-Ohlin Model is more contemporary. This suggests that, in emerging nations, the emphasis on comparative advantage should not just be placed on resources that are plentiful. Instead, the degree of resource utilization across different boundaries in the creation of commodities would determine the trading pattern.

Conversely, Ricardo (1817) created a dynamic model of Economic development that included two limitations linked to three causes. Ricardo's model posits that a progressive society is characterized by output, high savings, productivity benefits, and labor demand for capital accumulation. These factors lead to an increase in wages and population growth.

The validity of Smith's claim that international commerce enhances chances by surpassing restrictions of domestic markets is demonstrated by the case of nations such as China. China's trade volume has experienced a substantial spike since joining the World Trade Organization (WTO) in 2001. Exports have grown from over $266 billion in 2001 to over $2.5 trillion in 2020, greatly bolstering its economic development and pulling millions of people out of poverty, according to the World Bank (2021). This expansion demonstrates the correlation between access to global markets and the subsequent growth in output, specialization, and eventually, economic progress.

Nevertheless, when considering the constraints of land in terms of both quality and quantity, it was discovered that the additional non-food resources were subject to declining returns. This phenomenon occurs when the absorption of production is mostly done through wages, resulting in a decrease in the motivation for modified investments and eventually reaching a state of stability, either immediately or in the long term. The pace of super profit is closely linked to international trade, and a major decrease in international commerce might greatly slow down the decline. Despite the contributions of international commerce, he underestimated the favorable impact of international trade on technology by undervaluing its relevance.

2.2 Empirical Literature

The causality between net exports, net imports, and GDP has been a central focus of empirical study, uncovering

complex causal patterns. Multiple studies have shown that net exports, which indicate the disparity between a nation's exports and imports, have a substantial impact on economic growth. A study conducted on six European nations provided compelling evidence of Granger causation between net exports and GDP. This suggests that an increase in exports might stimulate domestic production and employment, leading to better economic growth (Karkas, 2003; Michelis & Zestos, 2004). Furthermore, Lawal and Ezeuchenne (2017) and Afolabi et al., (2017) argued that net exports in Nigeria promotes economic growth. The significance of export-oriented policies in promoting economic development is shown by this link, since nations that emphasize enhancing their exports frequently observe more vigorous growth trajectories.

On the other hand, the significance of net imports in this cause-and-effect structure is more intricate. Although several research suggest that net imports can have an impact on GDP, the data is not consistently conclusive. A study done in Nepal found that exports had a strong positive effect on economic growth, whereas the impact of imports on GDP was less significant. This suggests that relying too much on imports may not lead to substantial growth gains (Shrestha & Bhatta, 2018). This discovery highlights the necessity for trade policies that are equitable and considerate of both promoting exports and evaluating the impact of import levels on domestic industry and the general economic well-being.

Furthermore, the relationship between net exports, net imports, and GDP might fluctuate greatly depending on the specific circumstances and geographical areas. A study conducted on the countries of the Southern African Customs Union (SACU) discovered that there is a cause-and-effect relationship between both exports and imports and GDP per capita. This suggests that the trade patterns in these nations are influenced by both the demand for exports from other countries and the need for imports for domestic consumption and production (Molepo & Jordaan, 2024). These findings indicate that policymakers should take into account the distinct economic structures and trade linkages of respective nations when developing trade policies to optimize growth.

A study conducted by Ajmi et al. (2015) investigates the causal connection between exports and economic development in South Africa through the use of linear and nonlinear tests. The study includes annual data from 1911 to 2011 and employs several methodologies, such as the Toda-Yamamoto causality test, the nonparametric causality test, and the bootstrap rolling-window methodology. Linear causality tests indicate a one-way causation relationship where economic growth has a direct impact on exports in South Africa, implying that an increase in GDP leads to a rise in exports. Nonlinear

causality studies validate the one-way causation from economic growth to exports, offering strong evidence for this association. The bootstrap rolling-window technique confirms the stability of the causal relationship between economic growth and exports throughout the research period, without any substantial deviations found.

Miku et al. (2021) examined the correlation between trade openness and economic development by employing a Vector Autoregressive Model on annual time series data spanning from 1970 to 2021. The results demonstrate that trade openness has a substantial impact on economic development, and there is evidence of a causal relationship between the two variables, as shown by Granger causality. The study demonstrates that there is a positive correlation between delayed trade openness and GDP growth. Additionally, it reveals that GDP growth has a considerable beneficial impact on trade openness. The reciprocal connection highlights the advantages of both advocating for trade liberalization and fostering economic growth in Tanzania.

3. Methodology

Data

The paper employed time series data spanning from 2001 to 2020 on quarterly basis to examine the causality between international and economic growth in Tanzania. This made a total of 80 observations for this paper. The main study variables include net imports of goods and services and net exports of goods and services for the international trade. The other variable is GDP that stands for the economic growth. The data was sourced from Central Bank of Tanzania and World Bank Development Indicators. The data for GDP was sources from Bank of Tanzania and then organized into excel sheets. The data for net exports of

goods and services and net imports of goods and services were sourced from world bank development indicators by searching the country and respective variables then appended to the excel as well.

The paper employed Granger causality to examine the causality between international trade and economic growth in Tanzania. This helps to identify the direction of causality between the study variables to know if there is unidirectional, bi-directional, or no causality. The study also carried out descriptive analysis and diagnostic tests to check for the robustness of the findings. Diagnostic tests conducted include unit root test, autocorrelation test and heteroscedasticity test.

The paper addressed the following research questions;

i. What is the direction of causality between net exports of goods and services and economic growth in Tanzania?
ii. What is the direction of causality between net imports of goods and services and economic growth in Tanzania?
iii. What is the direction of causality between net imports of goods and services and net exports of goods and services in Tanzania?

4. Results and Discussion

4.1 Descriptive Analysis

The paper used time series data spanning from 2001 to 2020 on quarterly basis to examine the causality between international trade on the economic growth in Tanzania making a total of 80 observations. Table 1 presents the descriptive analysis of the study variables.

Table 1: Descriptive Analysis

Variable	N	Mean	Std. Dev	Min	Max
GDP growth	80	4.7	2.4	1.1	10.2
Net exports of goods and services	80	7.2	0.6	5.9	7.9
Net imports of goods and services	80	7.5	0.6	6.2	8.2

The findings show that the average GDP growth for the entire study period is 4.7 percent, indicating that the country's economy was growing at an average of approximately 5 percent during 2001 to 2020. This implies that due to a sustained GDP growth rate over 4%, the nation has successfully created employment opportunities, raised incomes, and decreased poverty rates. Nevertheless, the average growth rate of 4.7% suggests that the economy has not seen significant enough growth to swiftly overhaul itself and accomplish the nation's development objectives. In order to expedite advancement, Tanzania may need to

enact policies that enhance productivity, attract greater investment, and broaden its economic foundation beyond conventional areas such as agriculture.

The findings also reveal that the average net exports of goods and services as a percentage of GDP during the entire study period is 7.2 million United States Dollar (USD) while the net imports of goods and services is 7.5 million USD. This shows that the country net imports of goods and services is greater than the net exports of goods and services. This provides an implication that the country

is using significant amount of its resources to pay for the imports. This indicates that the nation has grown increasingly dependent on imported products and services, surpassing its earnings from exports. Consequently, this might strain its foreign exchange reserves and render it more susceptible to external economic disruptions. In order to rectify this disparity, Tanzania may need to enact measures that enhance the competitiveness of its export sectors, encourage the addition of value in crucial industries, and decrease its reliance on imported commodities, particularly for capital equipment and intermediate inputs.

4.2 Diagnostic Tests

A number of diagnostic tests were conducted to check for the robustness of the time series estimation results. The tests include unit root test, autocorrelation test, and heteroscedasticity test.

4.2.1 Unit Root Test

The paper employed Augmented Dickey Fuller (ADF) test to check for the unit root problem. The null hypothesis states that there is a unit root. Presence of unit root can lead to biased estimates that are unreliable. Table 2 presents the unit root test results.

Table 2: Unit Root Test Result

Variable	ADF statistic	5% test CV	Decision	Order of integration
GDP	0.474	-2.910	Non stationary	I (0)
Net imports of goods and services	-2.168	-2.910	Non stationary	I (0)
Net exports of goods and service	-2.972	-2.910	Stationary	I (0)
Differencing				
GDP	-4.765	-2.910	Stationary	I (1)
Net imports of goods and service	-9.305	-2.910	Stationary	I (1)

Findings show that only net export of goods and services was stationary at level and GDP and net imports of goods and services were not stationary. The paper employed differencing approach to all the study variables that were not stationary. After that the Augmented Dickey Fuller test was conducted to check if the variables are now stationary after differencing. The findings revealed that all variables are now stationary and can be used for further estimates. This is to say net export of goods and services was integrated of order zero and the remaining variables are integrated of order one.

4.2.2 Autocorrelation test

The study employed Breusch Godfrey test to check for the autocorrelation among the study variables. The presence of autocorrelation could result into biased and unreliable estimates. The null hypothesis states that there is no serial correlation. Table 3 presents the autocorrelation test results.

Table 3: Autocorrelation Test Results

lags(p)	F	Df	Prob > F
1	1.983	(1, 59)	0.164
2	1.101	(2, 58)	0.340
3	0.820	(3, 57)	0.488
4	0.686	(4, 56)	0.605

The findings revealed the p-values obtained are not significant since they are less than 0.05 significance level. Therefore, the paper fails to reject the null hypothesis of no serial correlation and concludes that there is no autocorrelation problem.

4.2.3 Heteroscedasticity Test

The paper employed White test to check for the heteroscedasticity. Heteroscedasticity occurs when the variance of the study variables is not constant over time and leading to biased results. The null hypothesis states that there is constant variance. Table 4 presents the results for the heteroscedasticity from the White test.

Table 4: White's test for heteroscedasticity

Source	chi2	Df	p
Heteroskedasticity	72.0	71.0	0.44
Skewness	9.5	11.0	0.57
Kurtosis	0.1	1.0	0.78
Total	81.6	83.0	0.52

$$chi2(71) = 72.00$$
$$Prob > chi2 = 0.4445$$

Findings show that the p-value is 0.445 which is greater than 0.05 significance level. This finding indicates that there is constant variance that imply the study does not suffer from heteroscedasticity problem.

4.2.4 Causality Test Results

Granger causality was used to check for the direction of causality between international trade and economic growth in Tanzania over the period of 2001 to 2020. Specifically, the causality was examined between net exports of goods and services and GDP, the net imports of goods and services and GDP. Table 5 presents the causality test results.

Table 5: Causality Test Results

Equation	chi2	df	Prob> chi2
Net exports do not granger cause Economic growth	11.76	2	0.003
Net imports do not granger cause Economic growth	9.92	2	0.007
Economic growth does not granger cause Net exports	27.00	2	0.000
Net imports do not cause granger Net exports	43.24	2	0.000
Economic growth does not granger cause Net imports	0.64	2	0.725
Net exports do not granger cause Net imports	0.03	2	0.987

Findings show that the chi-square value of 27.00, coupled with a p-value of 0.000, suggests a robust causal connection between net exports and economic growth. Given that the p-value is below 0.05, we may confidently reject the null hypothesis, indicating that variations in net exports have a substantial impact on economic growth. This may call for the policies that promote export activities that in turn may promote economic growth of the country. Similar findings were obtained in the previous studies (Tekin, 2012; Ferreira et al., 2012; Shrestha & Bhatta, 2018).

The findings also reveal that chi-square value of 0.64, together with a p-value of 0.725, indicates that there is no substantial causal effect of net imports on economic growth. The elevated p-value suggests that we cannot exclude the null hypothesis, indicating that alterations in net imports do not have a substantial impact on economic growth. Similarly, Shrestha & Bhatta, (2018) revealed in their study that imports fail to promote economic growth.

In examining the relationship between net exports of goods and services to economic growth, the findings show that the chi-square value of 11.76, together with a p-value of 0.003, suggests a substantial causal link that run from economic growth to net exports of goods and services. This implies that when the economy grows, it has a beneficial impact on net exports. This finding concurs with the finding from the previous studies (Awokuse, 2007; Ajmi et al., 2015).

On the other hand, the findings reveal that the chi-square value of 43.24, along with a p-value of 0.000, suggests a very significant causal association from net exports to net imports. This suggests that alterations in net exports have a substantial impact on net imports, presumably due to the fact that an increase in exports might result in modifications in import dynamics.

Furthermore, in examining the causality between economic growth and net imports, the findings reveal that the chi-square value of 9.92, together with a p-value of 0.007, suggests a statistically significant causal association moving from economic growth to net imports. This implies that when the economy expands, it is likely to result in higher levels of imports.

The chi-square value of 0.03, together with a p-value of 0.987, indicates that there is no statistically significant causal association between net exports of goods and services and net imports of goods and services. The exceptionally high p-value implies that we are unable to reject the null hypothesis, implying that net exports does not granger cause net imports. Similar findings were also obtained in the previous studies whereby Ajmi et al., (2015) found that there is no significant causality that exists between net exports and net imports.

In summary, the study concludes that net exports have a significant influence on the economic growth, while net imports do not influence economic growth. It is also noted that economic growth has a significant influence on the net exports, and on the other hand, net imports have a significant influence on the net exports. Further findings show that economic growth granger causes net imports, while net exports does not granger cause net imports.

5. Conclusion and Recommendations

5.1 Conclusion

The paper concludes that net imports and net exports granger causes economic growth. This means that there is a causality that runs from net exports and net imports to economic growth. This indicates that international trade influence economic growth in Tanzania. Further findings show that economic growth granger causes net exports and net imports granger causes net exports. This means that there is a causality that runs from economic growth to net exports in Tanzania. Also, there is a causality that runs from net imports to net exports in the country.

5.2 Recommendations

The paper reveal that net exports granger causes economic growth while net imports do not granger cause economic growth. Since net exports have a causal relationship with

economic growth, the paper recommends for the policymakers to prioritize initiatives that improve export performance in order to promote economic growth. This may entail enacting trade policies that bolster domestic sectors, such as offering incentives for enterprises focused on exports, lowering tariffs on essential resources, and allowing entry into global markets. Moreover, allocating resources towards enhancing infrastructure, namely in areas like as transportation and logistics, may effectively lower expenses and enhance the competitiveness of exported goods. Moreover, cultivating collaborations between the government and the business sector can result in the creation of focused export promotion initiatives, such as exporter training and market research assistance. By prioritizing the increase of net exports, the government may establish a more advantageous economic climate that not only stimulates economic expansion but also fosters job generation and general economic steadiness.

Findings also show that economic growth and net imports granger cause net exports. Based on this result the paper recommends that policymakers to prioritize the development of comprehensive trade policies that improve export performance and effectively manage import levels. This may entail taking steps to boost domestic industries, such as offering incentives to foster innovation and enhance competitiveness in sectors focused on exporting. These policies can contribute to the growth of exports in terms of both quantity and value. In addition, cultivating collaborations between government and private sector players can result in the creation of focused export promotion initiatives, which encompass training and resources for enterprises seeking to join global markets. Moreover, it is essential to closely observe and evaluate the influence of net imports on net exports, making certain that import regulations do not weaken domestic production capacities. Policymakers can establish a sustainable economic climate that fosters growth and improves the overall trade balance by adopting a well-rounded strategy that supports both exports and responsible import practices.

It is noted that there is a causal relationship running from economic growth to net imports, while there is no any link between exports and net imports. Based on the evidence that economic growth has a causal relationship with net imports, but not with net exports, it is advisable for policymakers to prioritize policies that promote economic growth while successfully controlling import levels. One possible approach is to allocate resources towards domestic sectors in order to enhance their ability to produce goods, which would decrease the need for imports and foster a more equitable trade landscape. Moreover, the adoption of policies that foster innovation and competitiveness in crucial industries can effectively drive economic expansion, hence potentially resulting in more judicious import choices that do not adversely affect the trade

balance. In addition, advocating for development policies that prioritize exports can optimize the advantages of economic expansion, thereby establishing a sustainable economic atmosphere that fosters both growth and trade equilibrium. Continuously monitoring the patterns of imports in connection to economic development is crucial for making informed policy changes and maintaining the economy's ability to withstand external disturbances.

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