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THE RELATION BETWEEN TRADE AND ECONOMIC GROWTH A STUDY OF THE CASE OF MOROCCO

Abstract:

The aim of this paper is to investigate the relationship between trade and economic growth in Morocco with emphasis on both the role of exports and imports using yearly multivariate time series data covering the period from 1975 to 2015. Causality is tested within a vector autoregressive (VAR) framework, first using the augmented VAR model proposed by Toda and Yamamoto (1995) for cointegrated series to perform causality testing as described by Granger (1969), then by using the Vector Error Correction Model (VECM) proposed by Engle and Granger (1987) and analyzing the cointegration, Impulse Response Functions (IRF) and the Factor Error Variance Decomposition (FEVD) of the system. We found a one-way causality between exports and imports, and between Economic growth and Exports. These results re-veal that Morocco Imports are driven by the Exports that create a demand for technology, raw materials and consumable goods. In addition, the results show that Economic growth drives the country’s export, and therefore support the growth-led-exports hypothesis in the case of Morocco.

Keywords:

Trade, Economic Growth, Cointegration, Causality, VECM

JEL Classification: F43