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Fdi and export-led growth in jordan: evidence from cointegration and causality test

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Abstract

In this paper, we examine the relationship between foreign direct investment (FDI), exports and economic growth in Jordan by applying bounds testing procedure suggested by Pesaran et al. (2001) and Johansen cointegration test (1988,1990). Both cointegration tests reveals, that there is a long run relationship between economic growth, exports and foreign direct investment in Jordan for the sample period 1970-2010. We find robust evidence based on three estimators that foreign direct investment and exports exert positive and significant impact on economic growth in the long run. Results from causality tests indicate that there is long run causality running from exports and foreign direct investment to economic growth in Jordan. It is thus important that policymakers in Jordan remove obstacles to FDI inflow and improve absorptive capacity to reap positive growth effects.

Completed draft available on request from:

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