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TRADE OPENNESS, FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH IN NORTH AFRICAN COUNTRIES

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Abstract

This contribution investigates the relationships between financial development, trade openness and economic growth *on a panel of four North African countries* (Tunisia, Morocco, Algeria and Egypt), over a 5-year period from 1992 to 2016. Using system Generalized Method of Moment (GMM) in a panel data analysis, we found strong evidence of a positive link between trade openness and economic growth. We also found that trade openness appears to be working as a complement to financial development and, moreover, that the effect of trade openness is more pronounced in the presence of the financial development variable. The policy implications of this study appeared clear. Improvement efforts need to be driven by local-level reforms to ensure the development of domestic financial system in order to take full advantage of the technology transfer induced by international trade.

Keywords: Financial development, Trade openness, Economic growth, Dynamic panel data analysis

JEL Classification: F13, O16, F43, C23

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