



**THE CAUSALITY EFFECT OF FOREIGN DIRECT
INVESTMENT AND ECONOMIC GROWTH IN
SELECTED ISLAMIC COUNTRIES:
THE CASE STUDY OF MOROCCO, EGYPT AND TUNISIA**

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ABSTRACT

This study represents an attempt to address the causal-order between inward FDI and economic growth in three selected Islamic countries which cover Morocco, Egypt and Tunisia. Four possible cases are investigated in this study 1) Growth-driven FDI, is the case when the growth of the host country attracts FDI 2) FDI led-growth, is the case when FDI improves the rate of growth of the host country and the 3) Two way causal link between them and 4) No causal relation between the variables. The sample comprises the annual data of 30 years from the period of 1974 until 2004. Collected data will be analyzed using computer software known as E-View 5. The methodologies employed include Unit Root and Granger Causality Test. The study finds that uni-directional causality exists from GDP to FDI in Morocco and Tunisia while no causal relation exist in Egypt.

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