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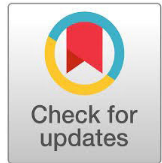
The effect of Chinese Bilateral Trade on Economic Growth: A Panel Study for Gulf Cooperation Council



Al-Dakhli Abdullah Hamid Abdullah Saif [1]*, Abdullah Aloqab[1], Sarab Alafalaq[2] & Omar Ahmed Abdulraqeb[1]

[1] School of Economics and Trade, Hunan University, Changsha 410079, Hunan, China
[2] School of Business Administration, Hunan University, Changsha 410082, China

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ABSTRACT

Trade promotes economic growth through comparative advantage, specialization, access to foreign markets, economies of scale, resource allocation, technological progress, knowledge diffusion, and competition. This study is carried out to examine the effect of Chinese Bilateral trade on economic growth in Gulf Cooperation Council (GCC) thus; exports and imports of GCC with China are considered as explanatory variables of economic growth in GCC. Foreign direct investment (FDI) in taken as a control variable. This study analyzes panel data and unit root tests, cointegration test and cointegration regression are applied. Results indicate that variables are cointegrated in long run and exports and imports are determinants of economic growth in GCC. The long run estimates show that exports and imports are positive and significant factors of economic growth but the imports positively affect economic growth more than exports in GCC. The bilateral trade between China and GCC is beneficial for economic growth in GCC thus; GCC must strengthen political and economic ties with China for the development of the region.

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INTRODUCTION

Globalization is has to be the center of attention in the studies regarding economic growth (Elayah et al., 2021). Globalization connects the countries globally through socio-economic and political aspects (Gasimli et al., 2022; Primbetova et al., 2022). All the aspect of globalization are important as social and political aspect connects people and results in foreign remittance that are also important for socio-economic development of a country (Shafiq et al., 2012). However, economic aspect is the foundation for all type of integration of the countries (Gasimli et al., 2022; Primbetova et al., 2022). The economic integration of globalization among countries refers to trade which has garnered significant attention in both classical and contemporary economics. Economies of scale are a fundamental aspect of new trade theory.

Additionally, they have a significant impact on the development of trade with partner countries. The New Trade hypothesis posits that the patterns of international trade are determined by economies of scale and network effects in major industries. The significant economies of scale and network effects generated by commerce are sufficiently robust to encompass the idea of comparative advantage. In certain industries, it is possible for two countries to have an equal opportunity cost at any one time,

[1] United Nations Development Programme (UNDP), 2018

*Corresponding author:
Al-Dakhli Abdullah Hamid Abdullah Saif, School of Economics and Trade, Hunan University, Changsha 410079, Hunan, China

e-mail: aldakhli0000@gmail.com

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meaning that there is no significant difference between them. However, even if a country focuses on a particular industry, specialization can still lead to economies of scale and perhaps gain advantages from other network benefits.

Developing countries may encounter challenges in establishing certain industries as a result of a deficiency in economies of scale when compared to established countries. Economies of scale have a more significant impact than inherent comparative advantage, as stated by Krugman (1980) and Helpman and Krugman (1985). Trade is believed to enhance the allocation of resources, generate economies of scale, ease the spread of information, stimulate technical advancement, and encourage both domestic and international competitiveness (Deardorff, 1984). The Heckscher-Ohlin theorem posits that foreign direct investment serves as a substitute for commodity trade, rather than functioning as a complement to it.

As to the "new trade theory," foreign direct investment (FDI) and trade have a mutually beneficial relationship in economies with uneven characteristics. In these economies, exports and FDI increase together and act as a replacement for countries with balanced characteristics (Albu, 2013). Historically, global commerce has played a crucial role in driving output and productivity growth, thanks to trade liberalization and reduced transportation costs. Trade has played a significant role in reducing poverty for almost one billion individuals and facilitating the inclusion of numerous emerging nations into the global economy in last few decades. Moreover, a just one percentage point growth in trade openness resulted in a 0.2 percent upsurge in per capita income, as reported by the World Bank (2020).

The GCC aims to transform into a viable and more diversified regional block in the future as it has historical and cultural connections. The GCC countries have affluent economies that rely heavily on hydrocarbon resources. Collectively, they contribute around 2% to the world Gross Domestic Product (GDP). Nevertheless, there exist substantial disparities in per capita income as Oman per capita is amounting to less than 25% of Qatar. Over the past few years, the GCC countries have recorded substantial surpluses in both their fiscal and current account. Public expenditure, principally backed by oil revenue, has significantly mounted, with a specific emphasis on enhancing the physical infrastructure as well as social infrastructure necessary for the expansion of the private sector.

The economies of the GCC countries exhibit common structural features, including a quickly expanding and youthful workforce, liberal immigration laws for temporary employment, a significant public sector, and a heavy reliance on foreign expatriate labor. However, these traits may present issues in the long term. The population in Qatar and the UAE is predominantly composed of expatriates, accounting for 80-90% of the total population. In contrast, other countries have lower proportions of expatriate residents. The socio-political origins of the GCC countries display significant resemblances. The GCC countries are characterized by conventional monarchies, where the government plays a significant role in economic endeavors.

The GCC countries share similar economic policies, including free trade and capital flows to promote openness, as well as a currency exchange rate that is either directly or indirectly linked to the United States dollar. Several variables have impacted the economy and commerce of GCC countries. Officially GCC established a common market status in 2008. The objective was to establish a unified environment where citizens of GCC have equal rights and privileges. These include the freedom to move, work, settle, access social protection, health, education, retirement, and social services, as well as participate in a number of economic accomplishments. The GCC Supreme Council endorses legislation and regulations, fosters economic citizenship, and sets reciprocal commissions to stimulate trade and domestic commerce among member nations. The GCC Trademark Law of 2012 has been implemented, and several trade laws and regulations have been acknowledged as legally binding legislation for the GCC.

The laws stated above consist of the GCC Commercial Fraud Control, GCC Competition Law, GCC Commercial Secrets Law, GCC Consumer Protection Law, Unified Law for Supervision and Insurance Activities, and Unified Law of Auditing. Furthermore, there are laws pertaining to business registration, a single legislation governing commercial agencies, and general trade laws. Non-tariff obstacles have impeded commerce between the states of the GCC. For instance, the implementation of a GCC railway system has not made much progress, and the formulation of policies for a unified value-added tax (VAT) has been delayed due to the recent decline in oil prices. The members of GCC are expanding their external market integration and exploring investment prospects. The UAE and Qatar have been the most extroverted members of the GCC. Saudi Arabia's extensive domestic market and restricted international investment have led to a concentration on internal expansion. Nevertheless, the recent relaxation of restrictions and positive market trends indicate that the country is poised to attract substantial FDI by 2018.

The business conditions of GCC member countries vary, with the UAE ranking highest, followed by Bahrain, Oman, Saudi Arabia, and Qatar in the middle, and Kuwait ranking lowest. The trade relations between China and the GCC countries are growing more rapidly compared to investment. China is projected to become the Gulf Cooperation Council's primary export market by the year 2020. Chinese investment in the GCC is on the rise, particularly in the sectors of wholesale and retail commerce, with a significant growth observed in Saudi Arabia. Several Gulf corporations have successfully obtained refinery projects in China, but their portfolio investments remain modest. The Belt and Road Initiative (BRI) is initiated by Chinese President Xi Jinping in 2013. The BRI refers to a land route between China and Europe through Central Asia. On the other hand, the Road in BRI refers to a sea route connecting Africa, the Middle East, and Southeast Asia to Italy. Several nations have conveyed their endorsement and reactions to the Belt and Road Initiative (BRI).

A total of 197 cooperation agreements with China have been signed by 137 nations and 30 international

[2] Javed & Khan (2018)

organizations as of 2019. To enhance connectivity through BRI, it is necessary to focus on infrastructure development, implement more stringent regulations, and facilitate greater personnel exchanges. Moreover, BRI encourages economic cooperation between China and other countries along with enhances the global governance system and expedites Chinese process of opening up to the world (Du, 2017; Tong & Yi, 2019).

In their study, Lall and Albaladje (2004) contended that policymakers have raised concerns about Chinese trade impact on exports, particularly in manufacturing sector, as well as its impact on the growth of other emerging countries. Many empirical studies analyze the impact of Chinese commerce on the economy of a country or region. The economic relations between China and the GCC are gradually strengthening, and both parties attach significant significance to one another. Essentially, the political dimension of commerce acts as a gauge for both economic expansion and political involvement between two parties. Therefore, an empirical study has to be carried out to examine that how much Chinese bilateral trade is vital for the GCC regional economic progress. In this context, the current study at hand is a novel study as it set out its main objective to evaluate the impact of bilateral trade of GCC with China on economic growth of GCC. The rest of empirical study is arranged in such manner that next section of the study describes related literature which is followed by research methodology section. Interpretation of results and discussion are presented in fourth section whereas last section conclude the study.

REVIEW OF LITERATURE

It has been known for a long time that trade is an essential factor in the expansion of the economy. It is possible to trace the theoretical groundwork for the positive association between economic growth and trade all the way back to classical economists such as Adam Smith and David Ricardo. Their views emphasized the advantages of specialization and comparative advantage, which are situations in which nations may benefit by producing goods in which they have a lower opportunity cost and then trading those goods for goods that were produced more effectively by other nations. These classical notions are further elaborated upon by contemporary economic theory, which places an emphasis on the different routes via which commerce influences economic growth for the economy.

One of the key mechanisms is through the enhancement of work efficiency and production. Businesses are able to gain access to broader markets and increase their chances of achieving economies of scale when they open their doors to foreign markets. According to Krugman (1979), this scale growth results in a reduction in average costs and promotes a more effective allocation of resources within the economy. Trade also encourages the dissemination of new technologies and the development of new ones. When domestic companies are exposed to international markets, they are compelled to adopt cutting-edge technologies and innovative business methods in order to maintain their competitive edge.

Sustainable export growth is vital driver of foreign exchange as exports alleviate pressure on balance of payment and generate employment opportunities. Likewise, exports encourages technological development which enable the exporter country to fulfill domestic as well as foreign demand. On the other hand, low exports means low foreign exchange thus; leading to less purchasing ability in the foreign market. Moreover, output volatility are results of volatility in exports therefore; output volatility and uncertainties badly influence the overall economic behavior. As a result, investors lose their confidence thus; badly affecting economic growth (Han & Haq, 2017).

FDI, imports of capital goods, and skilled labor mobility all contribute to the facilitation of the technological transfer. For instance, Coe and Helpman (1995) discovered that commerce acts as a conduit for the dissemination of technology, which has a major influence on total factor productivity and, as a consequence, economic growth. There is also the dynamic advantages that come from commerce, which include the expansion of human capital and the strengthening of institutions. This is another essential factor. As the demand for a workforce that is more skilled develops, open trade policies generate incentives for expenditures in education and the development of skills. In addition, there is a correlation between trade openness and improved governance and institutional quality. This is because governments attempt to establish an environment that is favorable for international commerce (Frankel and Romer, 1999). In a consistent manner, empirical research have provided support for the theoretical connection between commerce and economic growth. Nations that had open trade policies saw better growth rates in comparison to nations that had trade practices that were restrictive (Sacks et al., 1995; Helpman, Melitz, & Rubinstein, 2008).

Likewise, Dollar and Kraay (2003) shown that trade liberalization greatly enhances growth, particularly in countries that are still in the process of developing. According to their research, nations that became more integrated into the global economy experienced significant increases in their income levels and a reduction in the amount of people living in poverty. Nevertheless, the impact of trade on the economic growth is not always favorable, regardless of the context in which it is observed. There is the potential for the benefits of trade to be spread in an unequal manner, which can result in disparities both within and between nations. One example is that places or industries that are less competitive may be more susceptible to the negative effects of increased exposure to international competition, which may result in the deindustrialization of those regions or the loss of jobs. According to Rodrik (2001), it is essential to implement complementary policies such as social safety nets, retraining programs, and investments in infrastructure in order to guarantee that the benefits of trade are distributed to a large number of people with equal access to them.

Most academician, researchers and policy makers would agree that FDI is one of the most important drivers of economic growth, especially in developing economies. Numerous economic theories and models serve as the foundation for the conceptual framework that explains the relationship between FDI and economic growth. The mechanisms that FDI may employ to promote economic development are collectively indicated by these concepts

and theories. The Solow-Swan model, of the neoclassical growth model, provides a basic understanding of how FDI powers economic growth. FDI is viewed as a source of capital accumulation in this context. The Solow-Swan model states that the main forces behind economic growth are the advancement of labour, capital, and technology. Since it contributes both financial and physical capital, foreign direct investment (FDI) boosts the production capacities of the host country and is a key contributor to capital accumulation (Solow, 1956).

The endogenous growth theory builds upon the neoclassical model by accounting for a multitude of factors such as the transmission of information, technological developments, and the development of human capital. In this context, FDI is considered a catalyst for the diffusion and innovation of technology. Romer (1990) and Lucas (1988) underlined that knowledge transfer resulting from FDI can boost productivity and promote long-term economic growth. The possibility for bringing cutting-edge technologies and management techniques to the host country through FDI can result in advances in production and efficiency. Transmitting knowledge is facilitated by FDI. Modern technology and specialized knowledge are usually brought with multinational corporations (MNCs) when they make investments abroad. These businesses create human capital by offering training and development opportunities to the local workforce. The level of human capital in the nation mostly determines this potential.

FDI also promotes economic growth by improving market access and competitiveness. It is possible that allowing international businesses into home markets may increase competition, which will motivate domestic businesses to increase their production and efficiency. This pressure from competition might lead to better resource allocation and an improvement in their overall economic performance. Furthermore, local enterprises can expand their potential client base and spur export-driven growth by gaining access to worldwide markets through foreign direct investment. However, the impact of foreign direct investment on economic growth is partly mediated by the standard of governance and institutions of the host nation. Moreover, countries with stronger institutional frameworks are more likely to reap significant benefits from FDI, as Alfaro et al. (2004) noted. Effective governance can increase the growth effects of FDI by lowering transaction costs and fostering an environment that welcomes foreign investors.

The association between economic growth and trade has been investigated and trade-led growth hypothesis, import-led growth hypothesis and export-led growth hypothesis are well established in literature (Awokuse, 2008). The export-led growth strategy is gaining popularity among developing countries, citing the success of the USA in its early stages of development. Evidence from both industrialized and developing countries supports the success of ELG strategies (Waheed, Sarwar, & Dignah, 2020) and exports may have played a greater role in driving growth during the financial crisis (Liu et al., 2019). On other hand, international trade openness has not always resulted in economic growth, and the relationship is conditional (Rodriguez & Rodrik, 2001; Mendoza, 2009).

According to Rodrik (1999), the theoretical relationship between growth and trade is ambiguous and can be disadvantageous to developing countries although trade volume may increase. Zaman et al. (2010) studied the bilateral trade factors between Pakistan and Turkey and reached to conclusion that the economic size of both countries under study is important than distance for bilateral trade. Moreover, they suggested that improving bilateral trade between Pakistan and Turkey will ensure the economic prosperity of both countries. Likewise, Khan, Haq, and Khan studied the factors of bilateral trade of Pakistan with major trading partners. They concluded that GDP and per capita positively influencing bilateral trade. Similarly, Dilanchiev (2012) analyzed the factors of Georgia's bilateral trade and concluded that FDI is a vital factor of Georgia's bilateral trade. Besides, Belloumi (2014) examined the association between FDI, trade and economic growth in Tunisia. This study determined the long run relationship between these mentioned variables and also documented that economic growth, FDI, and trade influence each other in long run.

In their 2017 study, Ren and Liu examined the trade relationship between Central Asia and China. They found that Chinese dependence on foreign trade, gross domestic product (GDP), the population of host countries, and membership in the World Trade Organization all positively impact trade between Central Asia and China. Wan (2019) investigates the determinants influencing commerce between China and nations participating in the Belt and Road Initiative (BRI). Studies suggest that participation of China in the World Trade Organization (WTO), Asia-Pacific Economic Cooperation (APEC), and the Belt and Road Initiative (BRI) has a substantial and favorable influence on trade with BRI nations. Maswana (2020) examined the impact of the level of bilateral trade between Africa and China, specifically focusing on different export categories, on the economic growth of African countries. The study revealed a positive correlation between high economic growth in countries and their higher trade intensity in manufactured exports to China. This correlation was observed regardless of the presence of logistics infrastructure or Chinese foreign direct investment in Africa. Another notable finding is that manufactured exports have a higher potential contribution to economic growth than primary exports and increase in Africa-China trade is limited due low logistics quality in Africa. Remarkably, despite its low quality, the current logistics infrastructure in Africa remains satisfactory for primary commodity exports to China.

Multiple studies have been conducted on the difficulties and advantages of Chinese trading with countries in South Asia. Du (2017) provides a concise overview of the advancements and distinguishing features of international collaboration under the Belt and Road Initiative (BRI) in South Asian nations. Ramasamy and Yeung (2019) found that border administration has a more significant influence on exports in corridor countries than other activities under the One Belt One Road project. As to the findings of Hu et al. (2017), the volatile political conditions in several South Asian nations pose a significant obstacle to trade between China and the region. Subsequent to the introduction of

the Belt and Road Initiative (BRI), there was a progressive enhancement in trade between South Asia and China (Zhou, et al., 2023).

In a time series framework, Kumar (2022) examined the influence of the China-India bilateral relationship on economic growth of both nations. This study also inspected the influence of FDI on economic growth of both nations. The findings of this study revealed that bilateral relationship between China and India has a substantial impact on the economic growth of both nations. However, the influence is more pronounced for China than to India. This study did not observe a statistically significant impact of FDI on economic growth in India, whereas it did find a statistically significant impact of FDI on economic growth in China. This study suggests that establishing and maintaining strong economic and political connections between these countries is crucial for their economic development.

Insel and Tekce (2010) conducted an analysis of trade flows between member countries of the GCC and the rest of the globe over the periods of 1997-2002 and 2003-2007. Additionally, they analyzed the consequences of the GCC Customs Union accords. The survey determined that starting in 2003, the ranking of the top fifteen trade partners of the GCC changed from the European Union and the United States to Asian countries. Furthermore, the commerce of the GCC was influenced by the GDP of the partner countries rather than the distance to the partners. This phenomenon may be attributed to the inherent qualities of the products, the distinctive features of the location, and developments in transportation technology.

In a study conducted by Haddad (2019), the author examined the bilateral commerce between countries in the GCC. He contended that the economies of GCC are among the greatest nations, characterized by substantial per capita and purchasing power. Despite member nations having comparable levels of production, the GCC implements numerous measures to promote and streamline intra-trade. The study examined the effects of three phases of intra-trade agreements among GCC nations, while considering the crucial elements that promote trade among the member states. The analysis reveals that Bahrain has the position of being the primary importer and exporter among the GCC countries, with Kuwait, Oman, Saudi Arabia, Qatar and UAE following suit. The intra-trade within the GCC region constitutes a relatively tiny percentage of the overall commerce, but it has been consistently growing over time.

From the literature cited and discussed above, it is possible to summarize that economic growth can be facilitated by bilateral commerce between two partners that are founded on political and economic relations. In addition, it is preferable to study the impact of exports or imports on economic growth in the context of bilateral trade, particularly when the economic scale of the participants in the trade relationship is substantial.

RESEARCH METHODOLOGY

The aim of the current study is to examine the influence of Chinese bilateral trade on economic growth of GCC. This is a panel study and description of variables along with sources of the data are given in Table 1. The model of the research study deduced from literature is given in Equation (1).

$$GDP = f(EXP, IMP, FDI) \quad (1)$$

Where GDP, EXP, IMP and FDI denote gross domestic problem, exports, imports and foreign direct investment respectively. It is also important to mention that exports and imports are the GCC bilateral exports and imports with China. Considering the log and econometric specification of the Model in Equation (1), the empirical and functional of the model of the study in a panel setting is as follows:

$$GDP_{it} = \beta_0 + \beta_1 EX_{it} + \beta_2 IM_{it} + \beta_3 FDI_{it} + \mu_{it} \quad (2)$$

In a panel study, it is important to test for cross-sectional dependence. The reason is that if there is no cross-sectional dependence then it is not recommended to apply first unit root tests. However, if there is cross-sectional dependence then second generaion unit root tests have to be applied. This study will Pesaran CD tests, Pesaran scaled LM and Breusch-Pagan LM for cross-sectional dependence (Pesaran, 2004; Pesaran et al., 2008; Baltagi et al., 2012). If there is no cross-sectional dependence then this study will apply first generation unit root tests such as Im, Pesaran & Shin and Levin, Lin and Chu unit root tests otherwise this study will apply second-generation unit roots test, for example, the Pesaran panel unit root test and cross-sectional dependence augmented Dickey-Fuller test (Pesaran et al., 2008). After confirmation of the order of integration of variables panel cointegration tests will be applied for determination of cointegration which will test the long run association between variables. Once cointegration is determined then cointegration regression will be applied for long run estimates such as fully modified least squares (FMOLS). The benefit of FMOLS is it takes into account endogenity if exists and long run estimates are reliable.

Table 1
Description and sources of data

Variables	Description	Source
GDP	Gross domestic product constant	UNCTAD (2023)
EXP	Volume of Exports to China	National Bureau of Statistics of China (2023)
IMP	Volume of Imports from China	National Bureau of Statistics of China (2023)
FDI	Foreign direct investment, net inflows	World Bank (2023)

RESULTS & DISCUSSION

For the detection of multicollinearity correlation is carried out. These results are presented in Table 1. Among the explanatory variables imports are highly correlated

with GDP followed by exports and FDI. As for as the correlation among explanatory variables is concerned none of the explanatory is highly correlated with each other. Henceforth, there is no severe multi-collineairty problem as the variance inflated factor (VIF) is less than five. Table 2 shows the results of cross-sectional dependence tests and these results indicate no cross-sectional dependence in the data.

Table 2
Correlation Results

	logGDP	*logEXP*	*logIMP*	*logFDI*
logGDP	1.00			
logEXP	0.76	1.00		
logIMP	0.91	0.66	1.00	
logFDI	0.62	0.44	0.66	1.00

Table 3
Cross-Sectional Dependence

Tests	Statistic	Prob.
Pesaran Scale Test	-1.62	0.80
Pesaran CD Test	1.42	0.12
Breusch-Pagan Test	0.35	0.59

Panel unit root tests results are provided in Table 3. The panel series are having unit root problem at level however, these panel series are not having unit root problem when taken at first difference. As variables are stationarized at first difference then ordinary regression is not advisable. Therefore, this study first employed panel cointegration tests followed by panel cointegration regression for long run results.

Table 4
Panel Unit Root Tests Results

Variables	Im, Pesaran & Shin		Levin, Lin & Chu	
	at level	at first	at level	At first
logGDP	-1.29	-5.29*	-1.63	-3.45*
logEXP	1.46	-2.29*	1.28	-3.88*
logIMP	-0.59	-4.95*	2.15	-4.96*
logFDI	2.14	-2.59	-0.53	-2.86*

* indicates significance at 1%.

Results of panel cointegration for long run relation confirmation are given in Table 4. The results of panel cointegration tests indicate and confirm long run cointegration. Thus, there is long run relation between exports, imports, FDI and economic growth in GCC countries. As this study considered bilateral exports and imports between China and GCC thus; the bilateral trade is a vital factor of economic growth in GCC.

Table 5
Panel Cointegration Tests Results

Within-dimension		Between-dimension	
Test	Statistic	Test	Statistic
Panel rho-Stat.	-3.06*	Group rho-Stat.	-4.97*
Panel PP-Stat.	-2.12**	Group PP-Stat.	-3.69*
Panel ADF-Stat.	-3.53*	Group ADF-Stat.	-6.52*

* indicates significance at 1%.

Once it is found out that variables are cointegrated in the long run. Then, FMOLS which is cointegration regression is applied. Results of FMOLS are given in Table 6. These results estimates show that Chinese exports and imports with GCC are significant factors of the economic growth in GCC. However, the results estimates indicate that the magnitude

of imports is higher than exports thus; imports from China are contributing more in economic growth than exports to China. These results confirm export-led and import-led hypothesis in case of Bilateral trade in GCC. Henceforth, this study achieved its main objective that bilateral of GCC with China is beneficial for the economic growth of GCC. China is turning an important trade partner for GCC henceforth; GCC and China must support each other politically and economically. The reason is that political ties provide foundation for economic ties. The results are confirmed through dynamic ordinary least squares (DOLS) and the magnitude of the coefficients of the explanatory variables are almost like the magnitude of coefficients achieved from FMOLS.

The bilateral trade between China-GCC and its positive effect on GCC's economic growth is nullifying the claim of Rodriguez and Rodrik (2001) and Mendoza (2009) that trade may be harmful to economic growth. The findings of the study are aligned with Maswana (2020) and Kumar (2022) that Chinese bilateral trade with trade partners is fruitful for the economic growth of its partners. Moreover, this study supports the three well established hypotheses (trade-led growth, exports-led growth, imports-led growth) in bilateral context.

Most of the economic variables especially macroeconomic variables interact or influence each other in the long run and the results of this study in the long run documents that both exports and imports are considered to be positive and significant factors of economic growth of GCC countries but imports have a more significant and positive influence on economic growth of GCC than exports. Therefore, in order to support the expansion of the region, GCC ought to expand its commercial and political relations with China. There is also the possibility of GCC initiate free trade agreements with China. These agreements would not only assist China in expanding its commercial activities, but they will also assist China in enhancing its economic development and maintaining its sound economic growth.

Table 6

Long Results based on FMOLS

Dependent variable: *logGDP*			
Regressors	Coefficient	Std. Err.	t-stat.
logEXP	0.07*	0.02	2.52
logIMP	0.42*	0.03	3.45
logFDI	0.02	0.02	1.07
R^2	0.98	Adj. R^2	0.98

* indicates significance at 1%.

Table 7

Long Results based on DOLS

Dependent variable: *logGDP*			
Regressors	Coefficient	Std. Err.	t-stat.
logEXP	0.06**	0.03	1.91
logIMP	0.43*	0.04	10.80
logFDI	0.02	0.02	1.01
R^2	0.99	Adj. R^2	0.98

* and ** indicate significance at 1% and 5 % respectively.

CONCLUSION

The concept of trade is essential to the expansion of the economy. Its origins can be traced back to the classical economists who placed a strong emphasis on the concepts of specialization and comparative advantage. In this concept, nations gain an advantage by producing goods with lower opportunity costs and then trading them for goods that are more efficient. The modern economic theory places an emphasis on the impact that commerce has on economic growth, notably in terms of the efficiency of work and access to additional markets in other countries. It is believed that trade can maximize the allocation of resources, hence leading to economies of scale, fostering technical advancement, facilitating the dissemination of information, and promoting competition both domestically and internationally. Every day, the economic links that exist between China and the GCC continue to strengthen, and both China and the GCC continue to place equal weight on one another. Essentially, the political side of trade is what acts as a barometer for economic progress and political engagement for two partners.

This is because commerce is directly related to politics. BRI was initiated by the Chinese government in order to stimulate trade on a global scale. In light of this, the purpose of this study is to determine the impact of bilateral exports and imports of the GCC with China have on the overall economic growth of the GCC. Panel data are analyzed in this work, and unit root tests, cointegration tests, and cointegration regression are applied to the data. The findings suggest that, over the course of time, the variables are intertwined, and that exports and imports are the primary factors that determine GCC's economic growth. According to estimations based on the long run, both exports and imports are positive and major determinants of

economic growth. However, imports have a greater positive impact on economic growth than exports do. Henceforth, the GCC ought to expand its economic and political connections with China in order to facilitate the expansion of the region. Free trade agreements with China are another option for the GCC, which will not only help China increase its commerce but will also help China enhance its economic development and maintain its healthy economic growth.

Conflict of Interests

The authors has declared that no competing interests exist.

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