International Journal of Economics, Commerce and Management
United Kingdom ISSN 2348 0386 Vol. IX, Issue 12, Dec 2021

http://ijecm.co.uk/

DETERMINANTS OF ECONOMIC GROWTH: A CASE OF GULF COOPERATION COUNCIL

Wahib Ali Musleh Elayah
College of Economics and Trade, Hunan University, Changsha, China
wahibelayah@gmail.com

Wen Hu
College of Economics and Trade, Hunan University, Changsha, China

Abstract

The growth of the GCC countries largely depends upon the exports of oil and gas, but growth not lonely depends upon the exports it has many determinants as well, in this regard the current study aimed to analyze the factors other than the export that can affect the economic growth in GCC countries. The study considered the Globalization, institutional quality, foreign direct investment, capital formation and labor force as the determinants of the economic growth in the region of GCC. The study employed a panel data for all the member countries of GCC which covers the time spam of 1996-2017. The results were drawn on the basis of panel data regression techniques of fixed and random effect models. The study resulted that globalization and FDI are the most important factors that can enhance the economic growth in the GCC countries as both of the regression yielded the same results. On the other hand the only the fixed effect model yielded that labor force and capital formation can also effects the growth rate of GCC. In all the mentioned factors institutional quality resulted an insignificant coefficient which concludes that it has no relation with the economic growth of GCC countries.

Keywords: Economic Growth, Globalization, FDI, GCC countries

INTRODUCTION

Looking at the richest economies of the globe, a steady growth in per capita GDP for the last 150 years can be observed. Before the modern era humans lived a simple life and mostly relied on agriculture and hunting for their substance. The living standard of them was fairly stables for the thousands of the years up to the modern era that started in the 19th century. The theories of the economic growth like, Solow (1956) and Romer (1990) try to find and analyze the rapid economic growth for the last two centuries. Growth theories enable us to investigate the transition from the stagnant pre- modern livings to current modern era. The most of these growth models are based upon the Malthusian diminishing returns. For instance, if there is fixed supply of land, and the population size is large that are occupying most of the land so the marginal productivity of the labor will be decreased. When the technological progress level is constant then this reduction in the marginal productivity of the labor and land will reduce certainly the living standards of the masses. In addition to the subsistence level of the consumption, it is clear that only higher level of the technology could supports the larger size of the populations.

The Gulf Cooperation Council (GCC) for Arab Gulf States was formed in the year 1981 in order to speed up their development and integrate their economies more closely. The current memberships of GCC are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia (KSA) and United Arab Emirates (UAE). The countries of the GCC produce a quarter of the world's oil, holding 40% form world's oil reserve and it play a vital role in the global energy markets. This major production of oil and gas has generated an extraordinary expansion in the trade pattern of GCC; structure of trade and so the economic development. Furthermore, the revenues from production and sale of oil and gas contributed remarkable to gain the economic strategies of GCC nations in the form of economic and diversification of exports. For example, the annual average growth rate in real GDP in the GCC nations was 5.2% between 2000 and 2008. This momentous growth was chiefly driven by the continued oil price increase between the year 2002 and 2008. The period of low prices since in the 2014, which have remarkable effects on the economic growth of the nations of the GCC and emphasize the necessity of having further diversified, dynamic and private sector economy. Besides, many other necessary actions are required by the nations of GCC for promoting the sector of non-hydrocarbon and external trade without major dependence on the production of oil and gas (IMF, 2016).

In the rouse of high and increasing oil prices since 2003, the member nations of the GCC have seen the dynamic economic development, attracting their role in the international economy as investors and trade partners. Real GDP growth has been cheerful, with non-oil activity increasing quicker than oil GDP. The macroeconomic developments have been

characterized by huge current account and fiscal surpluses due to the increase in the revenue from the oil; the most vital macroeconomic challenge confronted with GCC nations is increasing inflation in an environment in which the role of monetary policy to controlling the inflationary pressure is inhibited by the regimes of the exchange rate.

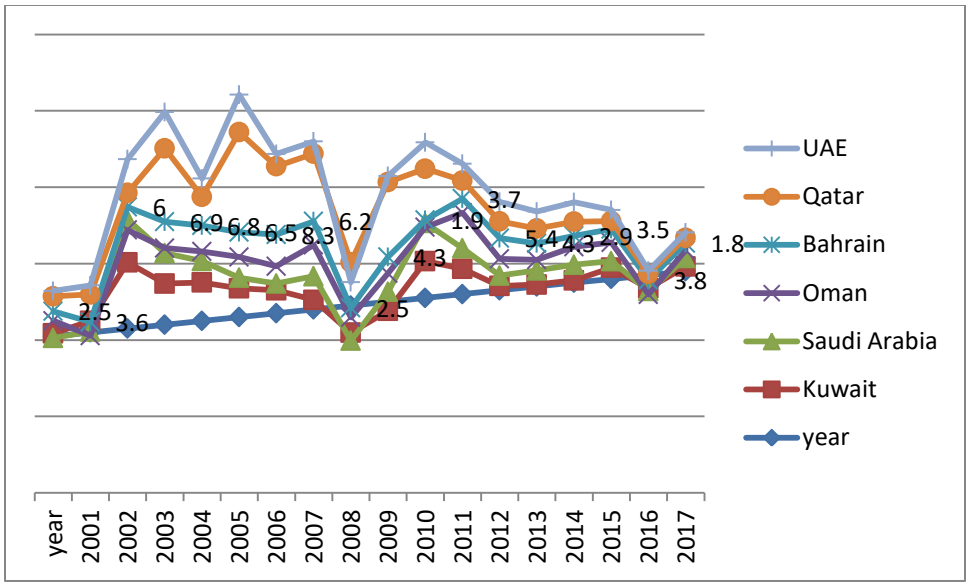

Figure 1: GDP growth rate of GCC countries

Source: World Bank (2020)

The current study emphasizes on the determination of factors that causes economic growth in GCC other than the exports of oil and Gas. Globalization plays an important role in this regard of Economic growth as it enables the poor economies to follow up the long run growth path of the rich ones. Globalization can directly increase the rate at which usable knowledge from rich economies can be utilized by the poor ones in order to achieve growth, through its effect on institutional quality, globalization can indirectly increase the rate at which such knowledge is actually put into use in production by poor economies (Harger et al., 2017). Another factor that causes economic growth to increase in a nation is its institutional quality. The existing literature in this context indicates a positive association between institutional quality and economic growth. However, institutions do not exert similar impact on economic growth across different set of countries. The positive input of institutions in economic growth is formed by numerous factors like the perception of the individual about the institutions and the social norms and community rules of a particular group of individuals (Alonso & Garcimartín, 2013).

The new theory of economic growth underlines not only international trade, but also FDI. Both international trade and FDI inflows can enhances a country's growth rate, this implies that

technology diffuses among countries through international trade and FDI and specifically FDI is the main source that enables a country to transfer technologies and new technology provides efficient production methods which leads to increase in domestic production (Grossman and Helpman, 1994). These new technologies also requires training of employees which concludes that technology transfer contributes to human capital formation through training and knowledge sharing. The link between human capital accumulation and economic growth has been the subject of theoretical as well as empirical literature for quite a long time. While the sources of labor productivity are numerous, human capital accumulation is considered as the most important driver of labor productivity through which it enhances economic growth (Tiruneh, 2013).

The current study aims to analyze the factors that effects the economic growth for GCC. For this purpose the study have taken the factors of globalization, labor force, institutional quality index, FDI and capital formation as the factors that effects the Economic growth of GCC. Previously, the studies by Dowrick and Nguyen (1989), Barro and Sala-i-Martin (1992), and Mankiw et al (1992), among others, have investigated the sources of economic growth. The current study aims to investigate the previously discussed factors of economic growth for the GCC member countries as these gulf countries mostly relies in the exports of gas and oil so other than this factor, other economic causes of economic growth like globalization, FDI, capital formation, institutions and human capital should also be investigated for GCC countries, thus this put light on the novelty of the current study. The current study results in producing some significance knowledge about the importance of these factor for the economic growth of GCC. The study also suggests some developmental promotional policies of GCC regional economic integration and ensure the stable and sustainable economic growth and development of GCC countries.

LITERATURE REVIEW

The economic growth theory or economic growth normally related to the increase in the potential output means the production level at the full employment, which is due to increase in the aggregate demand. It is usually measured as the percentage increase in the real GDP. The increase in the growth rate of GDP indicates that the businesses are investing and hiring. These indicators are showing that the economy is growing and facilities to the people are increasing and their standard of living is increasing.

The empirical research studies of Findlay (1978), Lall (1974), Loungani and Razin (2001), and Romer (1999) concluded that FDI brings a good deal of required physical capital, modern technology, marketing and managerial talents and expertise and global best practices

of operating business and it increase competitions also. These resources could be the potentials to be absorbed into the host firms thereby stimulating innovations and cause to increase the productivity. FDI creates more job opportunities in the local economy by directly creating new jobs and indirectly when the local aggregate demand increases due to the demand for the goods and services due to increase in the employment opportunities. All of these have positive multiplier impacts on the economy of a country. The advantages from the side of the balance of payment impact are improvements in the capital account by the inflow of new capital into the local country and it brings improvements in the current account also because of the decrease in the imports of the goods and services. The revenue by additional taxes on the multinational corporations could improve the budget deficit of the local country. Blomstrom et al. (1992) and De Mello (1997) concluded that the when positive impact of FDI is much stronger than there will be higher level of economic development in the host nation. The higher level of the economic development permit economies to reap the most benefits of the increased productivity which in result from the increase in the foreign investment. Bronsznestein et al. (1998) concluded that there strong association between the inflow of FDI and economic growth which depends upon the level of the human capital. The local nations with improved endowment of the human capital are regarded to benefit more from FDI encouraged the transfer of technology as spillover impacts than other with fewer level of human capital.

According to Hymer (1976) the benefits of new technological transfer includes the direct impacts of adopting the product, process and also the organizational innovations commenced by the parent organization which was named as the firms specific assets and there is indirect spillover impacts on the rest of the economy. There is a large body of literature that have explored that human capital is one of the most important factors of economic growth (Riley, 2012, Lucas, 1988, Mankiw et al., 1992, De la Fuente and Doménech, 2000, 2006), with regard to both level of effect through its crucial influence on the production through the productivity of labor (Romer, 1990; Mankiw, 1992) and the rate effect by contributing to increased competitive advantage through diffusion of technology and innovations (Horwitz, 2005, Pistorius, 2004). In the classical theory of economic growth, the productivity of labor is considered as an exogenous factor that depends upon the ratio between the physical capital and labor force including other factors like technological progress, while the positive impact of the education on the potential growth of the productivity is not taken into consideration. To rectify this shortcoming of the classical theory a new economic growth theory was developed in the early 80s and emphasized the importance of the innovations and education which are the elements of the human capital on the long run economic growth.

Benhabib and Spiegel (1994) conducted a study in which they include the human capital as a factor of production by employing the Coob –Douglas production function, the results of the study reveals insignificant impacts of the human capital on the per capita GDP, but they conclude that if we consider the effect of human capital on the total factor productivity, the it has two visible impact, first, the human capital affects the internal rate of innovation which was evident by the work of Romer (1990), the second is that it affects the rate of transfer of technology which is clear from the study of Nelson and Phelps (1966), according to him if there is 1% increase in the human capital it leads to 0.13% increase in the rate of economic growth and the course of action of catching up the development of technology of other nations is strongly affected by the stock of human capital nationwide as confirmed by Funke and Strulik (2000), in their study they used a model that incorporates different characteristics of the classical theory of growth with the modern theories of growth highlights the presence of distinct impacts of human capital in the stages of economic development of an economy. According to them the model provided by Lucas could make clear the development mechanisms when the productivity in the accumulating knowledge is adequately high, while the model of Grossman Helpman with a large diversity of products could be explained while considering growth of technology as an endogenous factor, which requires the huge amount of expenditure on the research and development. According to the results of their study the physical capital impacts significantly to the increase in per capita income in the initial stages of the economic development, when the increase of knowledge through continuing education and training shift to upper stages of economic development.

Kostakis (2014), investigate the association between the public investment, human capital, political stability and economic growth for the sample of the 96 countries for the period from 1990 to 2010 by employing the ordinary least square and Extreme Bound Analysis. The results of the study confirmed that there is positive significant association between the public investment, human capital and political stability on the growth of the economic.

Globalization is typically depicts the procedure of assimilation of capital and goods markets in global market. Globalization is caused by advancement in technology and communication and it can be defined as the integration process of civilizations and world markets. Globalization offers the setting up of connection networks among actors at the intra or multi continental distances intermediated through the diversity of flows which include information and concepts, people, goods and capital. Therefore, Globalization is a process which surpasses a nation’s borders, combining cultures, economies, governance and technologies which produces the composite association of economic growth (Gygli et al., 2018). Globalization is consisting of economic activities and many other important factors (Heshmati and Lee, 2010).

As globalization have positive impacts on the economic, political and social structure of the economy. The economic aspect of the globalization guides to the appraisal of the global market, where manufacturers could participate, it make sure the flows of capital, the expansion in transportation and communication. The political aspect of globalization is the association formed by the groups formed consequently of the meditation of the alliances of forces formed in the political field and their longstanding reflection on diplomacy and authority, while the socio cultural aspect of the globalization is the cultural reflection of those living in political and economic aspect.

Globalization has positive impacts like increase in the national income, emergence of new business opportunities, access to the global capital, increase in the technological transfer, increase in the loans and investment, the development of communication substructures and energy, improvements in the labor quality and working conditions distribution of human rights. Furthermore, the negative impacts are the deterioration of the stability of the international capital markets, weakening of the national economic self-rule, further the impoverishment of nations lacking skills and capital, and failure of openness to be managed well by poor nations (Mutascu and Fleischer, 2011) in the recent years the concerns of globalization have increased very much due to its impacts on the economic growth, inequality, poverty, regional differences, economic or environmental integration and cultural differences (Heshmati and Lee, 2010). Due to this the impacts of globalization has become the most provocative issues in the literature because it has versatile implications. Therefore is no agreement in the literature on the impacts of globalization. In literature there are some studies that suggest that globalization has significant positive association with the economic growth by contributing to the increase of volume of foreign trade, it increases the investment and causes to productivity and international competition power. Some authors argued that globalization have negative impacts because it increased the income inequality in nations and as well as regionally, it causes to some deterioration in social standard and environmental.

Kılıçarslan and Dumrul (2018) investigated the association of globalization and economic development in Turkey for the period of 1980 to 2015 by means of globalization index and its apparatuses (political, social and economic globalization) by employing the Modified Ordinary Least Squares cointegration techniques. The findings of the study confirmed that there is positive impact of the globalization on the economic growth.

METHODOLOGY

Economic growth is a dynamic and a proactive process. The patterns of Growth changes not only across nations but even in the same nation they are expected to grow over time, that

means the causes of economic catch up changes over time and also it is dependent upon the diversifications of income across different groups. Firstly, the technologies and institutions which are now available and active were not accessible in the era of 1960s and 1970s which makes a huge difference. Secondly, countries which are ranked in a higher income groups requires different economic factors and policies to move up. For instance, some Asian economies successfully pursued export driven growth based on abundant low-cost labor in the early stage of development. However, with growing income, these economies will likely lose the competitiveness derived from low wages and need innovation or more sophisticated human capital

The literature review depicts that the FDI, gross capital formation, Globalization, Institutional qualities and labor division effect the economic growth of a country, these variable have direct positive impacts on the economic growth. On the basis of the previous literature review the following conceptual frame work is designed which is given in Figure 2. In order to achieve the stated objective of the current study, the data is collected from different sources for the mentioned variables in figure 2. The data is collected for the period of 1996-2017, the data for given period is selected on the basis of its availability from different sources. Data is collected from the World Bank online database of World Development Indicators and Worldwide Governess Indicators (World Bank, 2020) and Central Statistical Organizations of GCC.

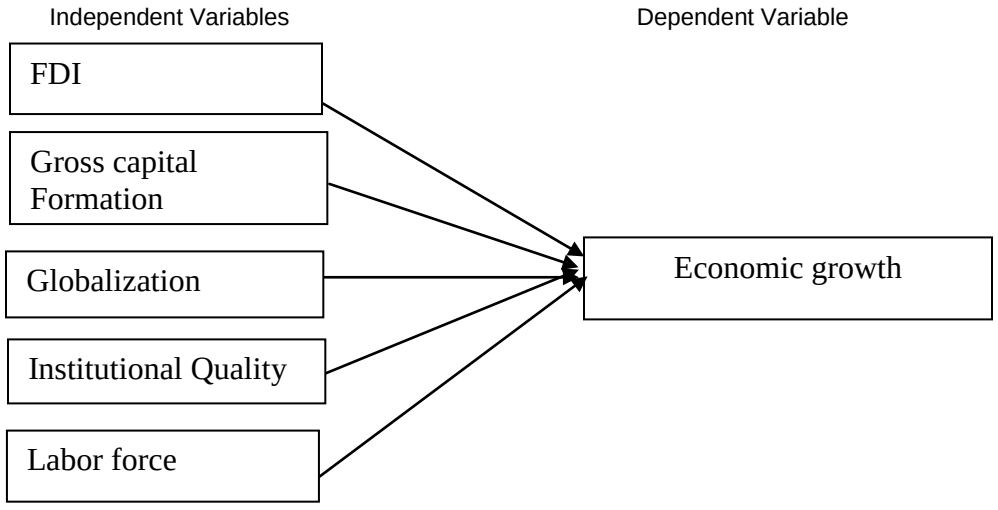

Figure 2: Conceptual Framework

To analyze the role of the globalization, foreign direct investment, institutional quality, gross capital formation and labor force on the GDP growth in the member countries of GCC. The following equation is estimated through the Random and fixed effect models, further the

Hausman test is also used in order to select the appropriate results in between the panel data regressions of fixed and random effect.

$$GDPg_{it} = \beta_1 GDPg_{it-1} + \beta_2 Instq_{it} + \beta_3 FDI_{it} + \beta_4 GFC_{it} + \beta_5 Glob_{it} + \beta_6 LF_{it} + \varepsilon_{it} \quad (1)$$

Where, $GDPg_{it}$ shows the GDP growth which has been used as a proxy for the economic growth and $GDPg_{it-1}$ is the lag value. Moreover, $Instq_{it}$ represents the institutional quality, Data on institutional quality was obtained from the data base of World Bank (Worldwide Governance indicators, WGI) that is composed upon six sub-indicators which includes political stability and absence of violence, Regulatory quality, Voice and accountability, The rule of law, Government effectiveness and Control of corruption. So, for institutional quality the summation of all these WGI's indicators is used as a proxy. FDI_{it} is the foreign direct investment, net inflow (BOP, current US $), GFC_{it} depicts the gross capital formation (current US $), $Glob_{it}$ is used for the indication of globalization and it is measured in terms of the KOF index and LF_{it} represents the labor force (total). All the betas of β1, β2, β3, β4, β5, β6 are used as the parameters of the variables.

Table 1: Variables Description

Variables	Description	Data Source
Dependent Variable		
GDP Growth	Annual Growth rate measured in percentage	WDI
Independent variables		
Globalization	KOF index of Globalization	CSQ
Institutional Quality	Summation of the Governance indicators	WGI
Gross Fixed Capital	Measured in current US$	WDI
Labor Force	Total work force in numbers	WDI
Foreign Direct Investment	Net inflow (BOP, current US $)	WDI

Source: World Bank (2020) and Central Statistical Organizations of GCC

RESULTS AND DISCUSSIONS

Table 2 shows the results of the random effect model for GDP growth of the GCC countries. The model R-square is 49.2 percent that shows the goodness of the model. F-value is 24.44057 which is highly significant with P-value = (0.0000), which shows jointly that all the independent variables affect the GDP growth in the countries of the GCC. The coefficient of

determination R-square make it clear that 82.5 percent of the total variation in net profit is explained by the independents variables gross capital formation, FDI, globalization, institutional quality and labor force.

The labor force has coefficient of -12287.27, with t = -12.34589, p-value = 0.0000, which shows significant and negative relationship between labor force and the GDP growth. The institutional quality has coefficient of 4994.616, with t = 1.159510, p-value = 0.2484, which shows insignificant results and show that there is no relationship between institutional quality and the GDP growth in the countries of the GCC. The globalization has coefficient of 23472.17, with t = 4.944, p-value = 0.000 which shows significant and positive relationship between globalization and the GDP growth in the countries of the GCC. The gross capital formation has coefficient of 1774.693, with t = 1.898051, p-value = 0.0600, which is significant at 10 % level of significance and reveals positive relationship between gross capital formation and the GDP growth in the countries of the GCC. The FDI has coefficient of -2211.042, with t = -7.255466, p-value = 0.0000, which shows highly significant and negative relationship between FDI and the GDP growth in the countries of the GCC. All these results are supports the existing literature.

Table 2: Results of Random effect of economic growth for GCC (E-view output)

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
Intercept	-501184.0	69371.22	-7.224668	0.0000
LF	-12287.27	995.2519	-12.34589	0.0000
Instq	4994.616	4307.525	1.159510	0.2484
Glob	23472.17	1307.973	17.94545	0.0000
GFC	1774.693	935.0080	1.898051	0.0600
FDI	-2211.042	304.7415	-7.255466	0.0000
R-squared	0.492351	Adjusted R-squared		0.472206
F-statistic	24.44057	Prob(F-statistic)		0.00000

Dependent variable: GDP

Table 3 shows estimates of fixed effects for economic growth of the GCC countries. The model R-square is 83.9 percent that reveals the model is best fit. F-value is 63.21412which is highly significant with P-value = (0.0000), which shows jointly that all the independent variables affect the convergence of the GDP growth in the countries of the GCC. The coefficient of determination R-square makes it clear that 83.9 percent of the total difference in GDP growth is explained by the independents variables gross capital formation, FDI, globalization, institutional quality and labor force.

The labor force has coefficient of -4314.146, with t = -1.287381, p-value = 0.2004, which shows insignificant and show that there is no relationship between the labor force and GDP growth. The institutional quality have coefficient of 2899.444, with t = 0.503660, p-value = 0.6154, which is insignificant and show that there is no relationship between institutional quality and GDP growth in the countries of the GCC. The globalization has coefficient of 11691.54, with t = 4.820407, p-value = 0.0000, which shows highly significant and positive relationship between globalization and the convergence of the GDP growth in the countries of the GCC. The gross capital formation has coefficient of -1437.839, with t = -1.035199, p-value = 0.3026, which is insignificant and show that there is no association between the gross capital formation and convergence of the GDP growth in the countries of the GCC. FDI has coefficient of 5590.433, with t = 5.276703, p-value = 0.0000, which shows a highly significant and positive relationship between FDI and GDP growth in the countries of the GCC.

Table 3: Results of fixed effect of economic growth for GCC (E-view output)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Intercept	-409283.7	151274.9	-2.705563	0.0078
LF	-4314.146	3351.102	-1.287381	0.2004
Instq	2899.444	5756.753	0.503660	0.6154
Glob	11691.54	2425.425	4.820407	0.0000
GFC	-1437.839	1388.949	-1.035199	0.3026
FDI	5590.433	1059.456	5.276703	0.0000
R-squared	0.839340	Adjusted R-squared		0.826062
F-statistic	63.21412	Prob(F-statistic)		0.00000

Dependent variable: GDP

Table 4 depicts the estimates of the Hausman Test for economic growth of the countries of GCC, the results of the Hausman Test shows that whether the fixed effect or random effect model is appropriate for the estimation of the results by employing the panel data analysis. When the results of the Hausman Test reject the null hypothesis, it means that the fixed effect model is appropriate to justify the results. The correlated Random Effects - Hausman Test are interpreted on value of the chi-square. The chi-square value is 261.331577 with probability value 0.0000. According to chi-square value the null hypothesis is rejected which means that fixed effect model is the best to use.

Table 4: Hausman Test for economic growth of the countries of GCC (E-view output)

Variable	Fixed	Random	Var(Diff.)	Prob.
Intercept	-4314.14	-12287.27	10239358.11	0.0127
LF	2899.44	4994.62	14585433.01	0.5833
Instq	2899.44	4994.62	14585433.01	0.5833
Glob	11691.54	23472.17	4171893.99	0.0000
GFC	-1437.84	1774.69	1054940.58	0.0018
FDI	5590.43	-2211.04	1029578.65	0.0000
Chi-Sq. Statistic	261.33	Prob(F-statistic)		0.00000

Dependent variable: GDP

The findings of the Hausman test for the testing the impact of independent variable of gross capital formation, institutional quality, labor division, globalization and foreign direct investment on the GDP growth in the countries of the GCC showed the significant results, which means that fixed effect model is best to use. The results of the fixed effect model show that there is significant and positive association between globalization and GDP growth and there is also significant and positive association between the foreign direct investment and GDP growth in the countries of the GCC. It showed that an increase in the globalization and foreign direct investment causes to increase the process of economic growth in these countries. From past literature one can find reasons why FDI helps in increasing the economic growth in GCC countries. There is a consent that FDI is a vital factor that can enhance the long-run income growth through its effects on productivity and technological innovations (Görg and Greenway, 2004). This value adding to the productivity by FDI can affect regional income growth in two ways: First, through connection of foreign firms with domestic firms, which actually girds up the relationship of client and supplier. Second, foreign firms might activate horizontal spillover to domestic firms within the same industry, hence the domestic firms can get benefit from demonstration effects. Following these results the current study has made an attempt to establish the link between FDI, Globalization. Institutional quality, labor force and capital accumulation with economic growth of GCC countries. The current study has fulfilled its objectives and the link between FDI and globalization was found which in terns supports the previous literature.

CONCLUSION

The current study aims to analyze the factors of economic growth in case of GCC countries. In order to find the impact of the chosen variables of gross capital formation, institutional quality, labor force, globalization and foreign direct investment on the GDP in the countries of the GCC, they study employed panel data techniques of random and fixed effect panel regressions. Results analysis for economic growth model of GCC countries based on random effect shows that capital and institutional quality are not significant factor of economic growth in GCC countries whereas labor force is negatively and significantly associated with economic growth. Additionally, random effect model results indicated that globalization is contributing to economic growth whereas FDI has negative impact on economic growth. The fixed effect model for economic growth model of the study show that only globalization and FDI are significant factors where labor force, capital and institutional quality are not significant factors of economic growth. Moreover, fixed effect model results suggested that globalization has positive effect on economic growth of GCC countries thus; increase in globalization index of GCC will enhance economic growth. Likewise, fixed effect model results predict that FDI has positive effect on economic growth and increase in FDI will stimulate economic growth of GCC countries. In order to have reliable results, this study opted to apply the Hausman test to test whether random or fixed effect model is appropriate. Result of Hausman test reject the null hypothesis and accept the alternative hypothesis of the mentioned test so it can be concluded that results based on fixed effect model are reliable.

On basis of current results the study recommends that to get such economic benefits out of globalization, the trade policy makers of GCC countries must design such policies that encourages globalization. The removal of trade restrictions are highly recommended for GCC countries as for the enhancement of GDP it is essential that the degree of globalization must increase. Furthermore the study also amplify the importance of FDI in GCC countries as FDI encourages the economic development by transfer of the technologies, increase of human capital, marketing channels and managerial know-how, so the study also recommends the encouragement of FDI in GCC. For the purpose of finding the impact of labor force, gross capital formation, institutional quality, globalization and foreign direct investment on the GDP growth of GCC countries the panel data techniques were employed. It could be tested by some other statistical measures as well in order to compare the results of the current study, therefore the current study also encourages some future work of testing these results through alternative techniques and some other relevant variables can also be included and tested for the enhancement of GDP in GCC countries.

REFERENCES

Alonso, J. A., & Garcimartín, C. (2013). The determinants of institutional quality. More on the debate. *Journal of International Development*, *25*(2), 206-226.

Barro, R., Sala-i-Martin. (1992). Convergence, *Journal of Political Economy, 100*(2), 223–251.

Benhabib, J., & Spiegel M. M. (1994) .The Role of human capital in economic development. Evidence from aggregate cross-country time. *Journal of Monetary Economics 34*, 143-173.

Blomström, M., & Kokko, A. (1996). The impact of foreign investment on host countries: a review of the empirical evidence. *Policy Research Working Paper*, *1745*.

Borensztein, E., De Gregorio J., & Lee, J. W. (1998). How Does Foreign Direct Investment Affect Economic Growth? *Journal of International Economics*, *(45)*, 115-135.

De La Fuente Á. & Domenéch, A. (2000). A Human capital in growth regressions: how much difference does data quality make? *Economic Department Working Paper No262*, Paris: OECD, 2000 (ECO / WKP (2000) 35).

De La Fuente Á., & Domenéch A. (2006). Human capital in growth regressions: how much difference does data quality make? *Journal of the European Economic Association, March 2006, 4*(1), pp.1-36.

DeMello, L. R. (1997). Foreign Direct Investment in Developing Countries and Growth: A Selective Survey. *The Journal of Development Studies, 34*(1), 115-135.

Dowrick, S., & Nguyen, D. T. (1989). OECD comparative economic growth 1950-85: catch-up and convergence. *The American Economic Review*, 1010-1030.

Findlay, R. (1978). Relative Backwardness, Direct Foreign Investment, and Transfer of Technology: A Simple Dynamic Model. *Quarterly Journal of Economics*, *(92)*, 1-16.

Funke, M. & Strulik H. (2000). On endogenous growth with physical capital, human capital and product variety. *European Economic Review, (44*), 491-515.

Grossman, G. & Helpman, E. (1991). Innovation and growth in the global economy. MIT Press, Cambridge, MA.

Görg, H., & Greenaway, D. (2004). Much ado about nothing? Do domestic firms really benefit from foreign direct investment? *The World Bank Research Observer*, *19*(2), 171-197.

Gygli, S., Haelg, F., & Sturm, J. E. (2018). The KOF Globalization Index–Revisited, *KOF Working Paper, No. 439.*

Harger, K., Young, A. T., & Hall, J. C. (2017). Globalization, institutions, and income convergence. *Journal of Regional Analysis and Policy.*

Heshmati, A., & Lee, S. (2010). The relationship between globalization, economic growth and income inequality. *Journal of Globalization Studies, 1*(2), 87-117.

Horwitz, F. (2005). HR CAN Competitiveness advance. *Executive Business Brief, 10,* 50-52.

Hymer, S. (1976). The International Operations of National Firms: A Study of Direct Foreign Investment, Cambridge, Mass: MIT Press. *International Monetary Fund*, IFS CD-ROM, 2004.

Kılıçarslan, Z., & Dumrul, Y. (2018). The Impact of Globalization on Economic Growth: Empirical Evidence from the Turkey*. International Journal of Economics and Financial Issues, 8*(5), 115-123

Kostakis, I. (2014). Public investments, human capital, and political stability: the triptych of economic success. *Economics Research International*, *2014*.

Lall, S. (1974). Less Developed Countries and Private Foreign Investment: A Review Article. *World Development*, *2*(4), 43-48.

Loungani, P. & Razin A. (2001). How Beneficial is Foreign Direct investment for Developing Countries? *Finance and Development*, *38*(2), 1-7.

Lucas, R. E. (1990). Why doesn't capital flow from rich to poor countries?. *The American economic review*, *80*(2), 92-96.

Mankiw, N. G., Romer, D., & Weil, D. N. (1992). A Contribution to the Empirics of Economic Growth. *Quarterly Journal of Economics, 107*(3), 407–437.

Mutascu, M., & Fleischer, A. M. (2011). Economic growth and globalization in Romania. *World Applied Sciences Journal, 12(*10), 1691-1697.

Pistorius, C. (2004). The Competitiveness and innovation. *Elektron, 21*(3).

Riley, G. (2012). Economic Growth - The Role of Human & Social Capital, Competition & Innovation, http://www.tutor2u.net/economics/revisionnotes/a2-macro-economic-growth-capital.html, Accessed August 16, 2020.

Romer, P. (1990). Human capital and growth: theory and evidence, *Carnegie Rochester Conference Series on Public Policy 32*, 251-286

Solow, R. M. (1956). A Contribution to the Theory of Economic Growth. *Quarterly Journal of Economics, 70*(1) 65–94.

Tiruneh, M. W. (2013). Does Labor Force Education Accelerate the Speed of Convergence? Empirical Evidence from Selected EU Countries. *Ekonomický časopis*, *61*(04), 344-357.

World Bank. (2020). World Development Indicators. Retrieved from https://data.worldbank.org/.

World Bank. (2020). Worldwide Government Indicators. Retrieved from https://data.worldbank.org/.