EFFECT OF EXPORT AND TOURISM ON ECONOMIC GROWTH IN THE MEMBERS' STATES OF CEFTA

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Abstract

In light of recent attention on the impacts of international trade in emerging economies, this paper aims to investigate the effect of exports on the economic growth of member states of CEFTA using three panel methods: fixed effects, difference GMM, and system-GMM between 2000 and 2019. Our findings demonstrate a significant and positive relationship between exports and economic growth within CEFTA member states. Consequently, countries aspiring for sustained economic growth should prioritize enhancing technology, innovation, and trade, which are conducive to regional economic advancement. Based on these results, policymakers are encouraged to formulate enticing policies that bolster exports, thus fostering sustained economic growth and enabling effective global market competition through improved export quality and product standardization.

Keywords: export, economic growth, panel data, CEFTA,

INTRODUCTION

One of the most important indicators of a successful country development strategy in the world is economic growth, which implies a constant increase in market value of goods and services. Economic growth encompasses the processes of progress and the creation of the future "Steps" to achieve prosperity in a particular country. However, depending from the economic, social and political situation, any economic situation requires the identification of relevant factors that would enable economic growth.

The process of rapid economic integration between countries in the world has increased the importance of the role of exports in economic growth. Namely, the argument that the openness of one is widely accepted economies stimulates economic growth, whether developed or not developing countries or countries. Accordingly, the question of the relationship between exports, and economic growth has attracted much attention and interest from economists and creators of world development policy (Etale et al., 2016)

Actually, economic growth has always been present throughout history, although its growth rate has shifted from slow and irregular to a more dynamic, rapid and continued rate, especially after the Industrial Revolution (Baines, 2003).

The macroeconomic literature shows that open economies achieve faster economic growth, and from the microeconomic aspect it shows that by opening up to the world market, companies also achieve faster growth. Namely, by improving the technology, the production process is more efficient and productive According to many empirical studies, the GDP growth rate is positively correlated with the growth rate of export Pigka-Balanika, 2013),. However, there are also studies that refute this, arguing that trade liberalization places constraints on economic growth by increasing fluctuations in the international market which is particularly detrimental to young countries (PigkaBalanika, 2013). According to Rodrik (1992), openness creates macroeconomic instability by increasing inflation, depreciating the exchange rate, and ultimately leading to balance of payments disturbances. Institutions such as the World Bank, IMF and OECD publish publications based on the belief that openness creates positive effects on growth. Open countries outperform countries with restrictive trade regimes (OECD, 1998). Foreign trade-oriented policies are among the most important factors driving economic growth and convergence in developing countries (Rodriguez and Rodrik, 1999). Integration is the best way for countries to stimulate growth (Rodriguez and Rodrik, 1999).

The growth of export has been largely due to the intensification of economic globalization. Economic globalization is a process of increasing interdependence of countries, which is reflected in the increasing volume of cross-border trade in goods and services, the increasing volume of international financial flows and increasing labor mobility (Fischer, 2003). Through economic globalization, the influence of international economic relations on economic growth has increased, therefore the importance of analyzes of international economic relations increases with the aim of minimizing the adverse effects of globalization and using the positive ones (Staničić, 2000). In addition to economic globalization, it is necessary to mention the General Agreement on Tariffs and Trade (GATT) which has contributed to strengthening trade links between countries. According to Garret (2000), the foreign trade of OECD countries, measured as the sum of the values of exports and imports as a percentage of GDP, increased from less than 50% in 1960 to almost 70% in the 1980s. One reason for this growth in foreign trade is the reduction in average tariff rates from around 25% to below 5% by the GATT. The GATT regulated export until the formation of the World Trade Organization (WTO). The basic principles defined and promoted by the WTO are: the principle of non-discrimination in trade, the principle of transparency and predictability of trade policies and the principle of

liberalization which requires gradual reduction of tariffs and other restrictions on trade and investment, integration of world financial markets, etc. (Matić and Lazibat, 2001).

In developed and developing countries, there are manu empirical studies that explore the causal link between export and economic growth (Baliamoune-Lutz, 2011; Ncube and Cheteni, 2015 Marjit and Ray, 2017;). But, according to the author's knowledge, there no studies who has investigate the role of export on economic growth in the countres from CEFTA.

In this context, the countries from The Central European Free Trade Agreement (CEFTA) (Albania, Bosnia and Hercegovina, Kosovo, Montenero,Macedonia, Moldova and Serbia) may provide an interesting case study. Like many other transition countries, in the past three decades these countries have experienced a number of significant economic events such as decline in GDP at around 50% of GDP by 1989, price instability, high inflation in the early years of independence, the wars in the former Yugoslavia, the level of unemployment of over 30%, shadow economy, the global economic crisis, European debt crisis. Also, these countries were faced with transformation of their financial systems from passive residuals (i.e., the mono-banking system and administered prices) to a system with the task of increasing economic efficiency and with an active role in the macroeconomic transmission process and management (i.e., a two-tier banking system, indirect instruments of monetary policy, etc.). Furthermore it is obvious that such a setting could not serve as a proper foundation for either an efficient macroeconomic tool in combating inflation (which became a problem in most transition economies as a consequence, among other factors, of rapid price liberalization and the abolishment of hefty subsidies), or the development of the proper allocative role of commercial banks in decentralized market economies Coats and Skreb (2002). In addition to these difficulties, there was a lack of support for reform from some still in positions of political power (i.e., a lack of enthusiasm for surrendering power or privilege). These initial conditions and institutional path-dependencies clearly require a simple and transparent monetary policy. However, economies of the selected countries improved markedly over the last decade; reforms in infrastructure development, tax collection, property law, and business administration are progressing.

All of the former parties in CEFTA Bulgaria, Croatia, Czech, Republic, Hungary, Poland, Romania, Slovakia, and Slovenia. ended their CEFTA memberships when they became member states of the European Union (EU). Therefore, it was decided to extend CEFTA to cover the rest of the Balkan states, which already had completed a matrix of bilateral free trade agreements in the framework of the Stability Pact for South Eastern Europe. On 6 April 2006, at the South East Europe Prime Ministers Summit in Bucharest, a joint declaration on expansion of CEFTA to Albania, Bosnia and Herzegovina, Moldova, Serbia, Montenegro and UNMIK (on behalf of Kosovo) was adopted. The new enlarged agreement was initialled on 9 November 2006 in Brussels and was signed on 19 December 2006 at the South East European Prime Ministers Summit in Bucharest. The agreement went into effect on 26 July 2007 for Albania, Kosovo, Moldova, Montenegro and

Macedonia, on 22 October for Serbia, and on 22 November 2007 for Bosnia and Herzegovina. The aim of the agreement was to establish a free trade zone in the region in 31 December 2010

Hence, in this study, we attempt to examine the link between export and economic growth in countries from CEFTA. After economic reform of 1990, the issues become more motivating and important for these countries due to increased exports and considerable adoption of technology. A recent study of Hagemejer and Muck, (2019) suggests that exports in the countries Central and Eastern European (CEEC) have played a major role in determining economic growth in large part of transition and integration with the EU. To assess this nexus, this study utilises the newly developed augmented endogenous growth model, using a dynamic system-GMM approach that sufficiently handles potential endogeneity problems.

The rest of the paper is organised as follows. Section 2 briefly reviews the related existing literature on the relationship between export and economic growth. Sections 3 define the variables used in the model. Section 4 presents the detailed methodology applied to investigate the relationship and Section 5 reports the main findings from the empirical analysis. Section 6 concludes with final remarks and explanations.

2. LITERATURE REVIEW

This section gives a brief overview of the empirical literature concerned with the relationship between export and economic growth. The reviewed literature consists of both papers studying single countries (Doraisami 1996; Besides, Pacheco-Lopez 2005; Iqbal et al. 2012) and papers analysing panels of multiple countries (Amoateng and Adu 1996; Ahmed, Cheng and Masshis 2007; Hagemejer and Muck, 2019). Accordingly, researchers from different countries came to different conclusions which can be justified to some extent. Namely, the results individual studies vary depending on the selected research period, applied econometric data processing models as well as analyzed variables.

Doraisami (1996) using the annual data for the period 1963-1993 had examined the relationship between export and economic growth in Malesia. In the study, he had used cointegration and error correction model and as a result he had revealed that there is a positive relation in the long term in between export and economic growth.

Amoateng and Adu (1996) applied Granger Causality Test on order to analyzed the relationship between export, external loan and economic growth for 35 Africa countries by using annual data in between 1971-1990. They had reached to result that there is bidirectional causality between external loan, export and economic growth.

Ekanayake (1999) investigated the relationship between economic growth and export for 8 developing Asia countries by using annual data in between 1960-1997, usinng Granger Causality Analysis based on two-steps Engle-Granger, Johansen cointegration and error correction model. The results have shown that there is cointegration relation between export and economic growth in countries subjected to study.

Ahmed, Cheng and Masshis (2007) had examined the relation between export, foreign direct capital investment and economic growth for five Sub-Saharan Africa countries by using time series and panel data analyses with the help of the cointegration test. According to analysis there is long term relation between export and GDP increase in the Sub-Sharan Africa countries. In short term, there is bi-directional causality relation for other countries except South Africa.

Ağayev (2011) examines relationship between export and economic growth for the twelve Soviet Union countries by using panel cointegration and panel causality analyzes. The results had shown that export increase does not cause to economic growth and growth hypothesis based on export is not valid for these countries. Results had supported that causality relation is from economic growth to export increase in short and long term.

Klavuz and Topcu (2012) had examined the effect of export and import on growth in 22 developing countries using data 1998-2006. According to analysis result, it had been determined that there is positive effect of high and low-tech manufacturing industry export on growth.

Iqbal et al. (2012) had used the Granger Causality analysis in the study that relation between export and economic growth are examined in Pakistan by using annual data between era of 1960-2009. According to Granger Causality test results, it had been determined that there is a unidirectional causality from economic growth to Pakistan.

Pan and Nguyen (2018) interestingly reviewed the literature of Todaro and Smith (2012) book and found that export and import is a twofold-edged sword. Trading with developed nations may interminably perpetuate developing nation's comparative advantages in unskilled labour-intensive or natural resource-intensive production, which inhibits the growth of needed capital, entrepreneurship, and technical skills and thus the long-term economic growth in developing nations. They also investigate that ASEAN countries are most advantageous for exporting to the Western industrial countries, such as: exporting to Japan, Korea, and China.

A recent study of Hagemejer and Muck, (2019) reveals the GDP growth of the Central and Eastern European (CEEC) countries form 1995–2014. It suggests that exports have played a major role in determining economic growth in large part of transition and integration with the EU. It also confirms that exports have been the predominant factor driving the convergence of these countries with their advanced counterparts.

From the viewpoint of the empirical literature, this study assumes that export is important determinant for the rapid growth of the economy. However, there are no studies who have analyzed the relationship between export and economic growth of the countries from Southeastern Europe. Thus, this study newly investigates the effects of export on economic growth among countries from Southeastern Europe.

3. DATA SOURCE AND SAMPLE CHARACTERISTICS

In our study, we used an unbalanced panel of 7 countries from CEFTA Albania, Bosnia and Hercegovina, Kosovo, Montengro, Macedonia, Moldova and Serbia. According to Rinaldi

and Sanchis-Arellano (2006) unbalanced panel data include more observations and their results are less dependent on a particular period. The data are based on the annual frequency for 2000–2020. The selection of the variables included in the paper was inspired by the previously reviewed literature where selected determinants were usually used and the availability of data.

As a proxy of economic growth, which is our dependent determinant we will follow (Chuang, 2000; Pan and Nguyen, 2018) and we will used Real Gross Domestic Product (current US$)-RGDP . Furthemore as a independent determinant we will use Real Exports of Goods and Services (BoP, current US$)-EXP following the studies of (Chuang, 2000; Pelinescu, 2015). As a control determinants we will used Fixed Telephone Subscriptions (total) as a proxy of Technology (Asiamah et al., 2019; Meijers, 2014) FTS Gross Fixed Capital Formation (current US$)-GFCF as a proxy of Capital Stock (Naik and Padhi, 2015; Rahman, Rana, and Barua, 2018) School enrollment, secondary (% gross) as a proxy of Human Capital (Barro and Lee, 1994; Meijers, 2014; Pelinescu, 2015) FDI inflows (BoP, current US$) is the sum of reinvestment of earnings, equity capital, cross-border investment and other capital (Naik and Padhi, 2015). Also we will follow Sultanuzzaman et al (2019) and we will used two Instrumental Variables (IV) CPI Consumer Price Index (2010=100) (Kahouli, 2019) and Trade Openness expressed as the total amount of Exports and Imports of Goods and Services measured as a % of GDP) (Zahonogo, 2016 Rahman et al., 2018;) All these data are extracted from World Development Indicators, published by World Bank (2020). The dataset has been converted into natural logarithm forms, exept HC. Hence, Table 1 presents descriptive statistics for the determinants involved in the regression model.

	LEXPORT	LFDI	LGDP	LGFCF	LTELE	HC
Mean	21.97865	20.11149	22.92273	21.46269	13.01447	88.25784
Median	21.99633	20.03496	22.93652	21.58224	12.85733	89.87782
Maximum	24.01197	22.31871	24.67824	23.23882	14.95024	100.3546
Minimum	20.18365	17.79305	20.70744	18.92801	11.57402	71.07808
Std. Dev.	0.891436	0.936185	0.885602	0.861689	1.039114	7.190795
Observations	102	102	120	118	103	71

4. METHODOLOGY

In the main objective of this study is to examine the impact exports and technology on the economic growth , using panel data for a sample of 7 countries from CEFTA for the 2000 to 2020. According to Hsiao (2014) panel analysis have several benefits (1) increasing degrees of freedom and reducing problems of data multicollinarity, (2) constructing more realistic behavioral models and discriminating between competing economic hypotheses, (3) eliminating or reducing estimation bias, (4) obtaining more precise estimates of micro relations and generating more accurate micro predictions, (5) providing information on appropriate level of aggregation, and (6) simplifying cross sections or time series data inferential procedures.

For that reason, a precise econometric model is developed incorporating all the widely recognized variables mentioned above. Also, the model is summarized in accordance with the existing models in the vast literature and the variables involved are also supported by substantial empirical evidence.

In order to explore how exports impact the growth of these economies, in this paper, we employ three different models: Fixed Effects Model Random- effects model, Difference GMM and System GMM, as well as the necessary relevant tests which will be explained more specifically further in the paper.

The starting point in each panel model is the assessment of fixed and random effects. They are well documented in the literature, such as, for example, in Wooldridge (2007). In short, the analysis of fixed effects assumes that the units of interest (in our case, the countries) are fixed, and that the differences between them are not of interest. The random effects model, on the other hand, provides a lock to the population from which the sample was extracted. For our analysis of the banks, the model of fixed effects would be adequate. Namely, in short panels, the estimates obtained can differ considerably and the fixed effects should therefore be employed when we strongly believe that the units in the model are not random drawings from a larger sample, in which case the RE is preferred . In addition to this, we also conduct the Hausman test (1978) for distinguishing between the models of fixed and random effects.

The models of fixed and random effects imply that all the independent variables are exogenous. However, for some of them, it can be argued that there is a reciprocal causation. Such feedback may cause inconsistency in the assessment of the model of fixed or incidental effects. In order to overcome it, the model can be evaluated by means of the so-called. instrumental variables technique, in which potentially endogenous variables are instrumented with variables that are highly correlated with the particular regressor but are not correlated with the error member, Wooldridge (2007). Accordingly, the structured model for the exports impact on the growth is a perfect match for GMM estimation and therefore, we decided to proceed with the aforementioned technique to obtain more relevant and unbiased results.

With Difference GMM we avoid the "dynamic panel bias" in the fixed effects model by transforming the data to first differences to remove the fixed effects and uses the lagged levels of the right-handed independent variables as instruments. But, still, in panel datasets with limited time dimension or lower T (such as a in our case), this estimation can be less precise, according to Blundell and Bond (1998). Bearing this in mind this study employs a System-GMM estimator by Arellano and Bond (1995) and Arellano and Bond (1991), to investigate the effects of export and technology on GDP growth in selected countries from South and Eastern Europe. The GMM works simply by adding moment conditions where the base model has the endogeneity problem; also, the majority of regressors are not truly exogenous. Therefore, the system-GMM is more consistent than difference GMM when endogenous variables and fixed-effects exist (Bond, 2002). Due to this, the study applies the one-step system GMM estimator (Arellano and Bond, 1991; Blundell and Bond, 1998). However, the study uses some instrumental variables to remove endogeneity problems from the model. This model also uses a lagged dependent variable to

estimate the dynamic panel GMM. According to Antimiani and Costantini (2013), a system-GMM is the most effective econometric determinant to mitigate both endogeneity of the regressor andautocorrelation of residuals. Similarly, it is also important for an appropriate estimation technique of a theoretically based simultaneous equation, while retaining time invariant covariates (Arellano and Bond, 1998; Arellano and Bond, 1991; Arellano and Bover, 1995; Blundell and Bond, 1998).

$$Y_{it} = A_{it} G_{it}^{\gamma} H_{it}^{\theta}, 0 < \gamma + \theta < 1 \tag{1}$$

Where Y is output, G is the capital stock, and H is the human capital, i and t denote country and time respectively. Also, c and h is the share of physical capital stock, and human capital and A denotes a function of productivity parameter. Based on this, we deduce equation (2):

$$A_{it} = f\left(X_{it} T_{it} F_{it}\right) = X_{it}^{\alpha} T_{it}^{\beta} F_{it}^{\sigma} \tag{2}$$

Where X is exports, T is technology, and F is foreign direct investment. After combining Equations (1) and (2), the study is found:

$$Y_{it} = X_{it}^{\alpha} T_{it}^{\beta} G_{it}^{\gamma} H_{it}^{\theta} F_{it}^{\sigma} \tag{3}$$

Where α; β; γ; θ and σ denote the elasticity of production function with respect to X; T; G; H and F: Following this, the equation (3) can be transformed into linear form and by taking natural logarithm both side of the equation:

$$\ln Y_{it} = \alpha \ln X_{it} + \beta \ln T_{it} + \gamma \ln G_{it} + \theta \ln H_{it} + \sigma \ln F_{it} + c + \varepsilon_{it} \tag{4}$$

Where c is the intercept, α; β; γ; θ and σ are elasticity, while ε is the error correction term. The estimation technique contains taking lagged values of the dependent variable with the right side variables to control unobserved time-invariant effects in the model. Our empirical dynamic panel model will be followed by the equation (5) as specified by Mankiw, Romer, and Weil (1992):

$$\ln Y_{it} = \delta \ln Y_{t-1} + \alpha \ln X_{it} + \beta \ln T_{it} + \gamma \ln G_{it} + \theta \ln H_{it} + \sigma \ln F_{it} + u_i + u_t + v_t \tag{5}$$

Where c the intercept, lnY is the dependent variable and $\ln \ln Y_{t-1}$ Yt_1 is the lagged value of the dependent variable, which acts as the independent variable. Also, lnX is the core independent variables of the model and lnT,lnG, lnH and lnF are comprised as the determinant of growth or control variables. From equation (4), the error correction term ε_{it} has been decomposed into three components in equation (5). The first component u_t is measured by the

unobserved country-specific effects, the second component u_i is measured by the time-specific effect, and the third component v_t is measured by the idiosyncratic error term.

Based on all of the above, the further analysis evaluates through 3 panel methods: the method of fixed effects, the diference GMM method and the system-GMM method. The choice between the fixed and random effects will be made based on the Hausman test (1978). The validity of the instruments selected for parametric evaluation can be tested using the Sargan test. The second group of tests refers to tests of serial correlations in different residuals (first-order AR (1) and second-order AR (2) serial correlation). The first-order autocorrelation in the differed residuals does not imply that the estimates are inconsistent (Arellano and Bond, (1991: 282). However, the second-order autocorrelation would imply that the estimates are inconsistent.

5. RESULTS AND DISCUSION

In this section, we begin with an analysis of the results of multicollinearity. The correlation matrix indicates that maximum variables exist a weak relationship between them (see Table 2). Only GFCF has a strong relationship with GDP. Theoretically, the coefficient of the variable should be within 0.80–0.90 for avoiding multicollinearity from the series as guidelines of Kennedy (1998). However, the presence of multicollinearity in the series is not surprising for the GMM estimator; it can automatically remove multicollinearity from the series (Arellano andBond, 1998).

Table 2 Correlation matrix

	GDP	EXPORT	FDI	GFCF	TELE	HC
GDP	1					
EXPORT	0. 747	1				
FDI	0.878	0.816	1			
GFCF	0.968	0.892	0.894	1		
TELE	0. 565	0.892	0.816	0.905	1	
HC	0.430	0.443	0.523	0.375	0.354	1

Table 3 presents the results. Columns (1) - (3) represent the three assessment techniques presented in Section 3. Diagnosis is given in the lower part of the table. The Hausman test does not reject the zero hypothesis that the fixed effect evaluator is efficient and consistent with that of random effects. The GMM model uses the past values of potentially endogenous variables to correct their endogeneity, as instruments. Potentially endogenous variables are treated exports of goods and services, fixed telephone subscriptions (total) as a proxy of technology gross fixed capital formation school enrollment, secondary (% gross) and FDI inflows. The model is well specified according to the tests for identification and validity of instruments. The endogenous test of the instrument variables evaluator reject the zero hypothesis that these variables should

actually be treated as exogenous. This suggests that calculation with instrument variables is required.

Table 3 Estimation Results

Variables	Fixed Effects (FE) regressions	Difference GMM	System GMM
GDP(-1)		0.272***	0.527***
		(0.061)	(0.441)
Const	4.26***		1.036***
	(0.929)		(0.086)
LEXP	0.406***	0.395***	0.090**
	(0.435)	(0.061)	(0.048)
LTELE	0.160***	0.395	0.104
	(0.672)	(0.232)	(0.761)
LGFCF	0.352***	0.021	0.279***
	(0.055)	(0.154)	(0.081)
LFDI	0.021***	0.008**	0.023**
	(0.012)	(0.058)	(0.061)
HC	0.006***	0.002**	0.003
	(0.002)	(0.005)	(0.005)
Number of Countries	7	7	7
Hausman test (p-value)	0.000		
Number of instruments		12	13
Hansen test (p-value)		0.326	0.116
Test for AR(1) errors		0.078	0.095
Test for AR(2) errors		0.632	0.726

Source: Author's calculation

1. Arellano-Bond test shows that the average auto-covariance in residuals of order 1 is 0 (HB0B: No autocorrelation).

2. Arellano-Bond test indicates that the average auto-covariance in residuals of order 2 is 0 (HB0B: No autocorrelation).

Standard errors are in parenthesis

*,** and *** show that the null hypothesis can be rejected at 10%, 5% and 1% significance levels respectively

The system-GMM evaluator, on the other hand, assumes that in real gross domestic product there is inertia and treats the endogeneity of the dependent variable with the past value. To do that we used past values in levels and the first difference, in order to increase the efficiency of the assessor. The model is well-specified according to the Hansen test for instrument validity and serial correlation tests. Also, we found that the empirical results also suggest that the lag value of the dependent variable GDP is positive and significant at 1% level (see Table 5), signifying strong association between the current economic growth on the past.. Hence, the column (3) is adequate assessment of our model. According to all this, in the further discussion, as the most appropriate assessment of our model we will consider the model of system-GMM in the column (3). However, the view of Table 3 points to the high robustness of our results, given that in all specifications, regardless of their specifics, the variables generally retain their economic and statistical significance

In the assessment of the model (3), three variables are statistically significant: lag value of the dependent variable GDP, export and foreign direct investments. The other variables are not statistically significant.

The results indicate that: the one percent increase of EXP will cause an increase in the GDP of 0.09%; while an increase of FDI of one percent would increase in the GDP of about 0.02%. Furthermore, the increase in gross domestic product by 1 percentage point will cause a GDP of 0.09%. The signs of the significant variables coefficients are expected and are confirmed by many researchers (Constant, 2010; Nguyen, 2016; Hagemejer and Muck, 2019;) These results emphasize the need to pay attention to both export and foreign direct investments, and according to the results they have the greatest impact on GDP. Namelly export, is an important factor of every country in the sample, because it means growth of national income, national production, growth of living standards and higher consumption of goods and services. Economic globalization has enabled goods, services, capital and labor to move freely across national borders. Consequently, the share of exports and imports in GDP is growing and economic openness is gaining a significant role in economic growth analyzes. That is, economic success begins to depend, to a large extent, on the efficiency of the exchange of goods, services, capital, and knowledge among states.

Conclusion

Trade relations have been gaining importance since the era of mercantilism, where foreign trade was the most important means of increasing wealth. By removing the various trade barriers that restrict international trade, the prevailing view is that the positive impact of international trade on economic growth. Furthermore, in the research we find a large number of papers that have opposite opinions when it comes to the impact of trade openness on economic growth. On the one hand, in the papers we find evidence that countries increase their trade by

increasing their economic growth rate compared to countries that have not used market access, and on the other hand they do not find a positive link between economic openness and economic growth. However, most papers show that financial openness, by spilling over technology and knowledge, has a positive impact on GDP growth, and this is confirmed by the research conducted in this paper. The aim of the paper was to examine the impact of export on GDP growth rate. The survey was conducted on the basis of data for the countries of CEFTA for the period 2000-2019.For this purpose we have used three econometric techniques Fixed Effects (FE) Difference GMM and System GMM, we found positive and significant effects of export on the economi growth of the CEFTA countries.

In summary, the most important finding of the study supports that trade and the economic growth of CEFTA countries. Nations that are more open to international trade easily ensure economic growth. As a result, former CEFTA countries such as Bulgaria , Croatia , Czech Republic, Poland, Hungary, Slovakia and Slovenia benefit better owing to their experience of quality exports than the others. Thus, this nation desiring to sustain economic growth has to consider improving the level of technology, innovation, and trade, as it facilitates the economic growth of the region.

Therefore, the results of the study contribute strongly to the internationalization process of the CEFTA countries and comparably to developing countries. It also might provide an insight to the policymakers and academia about the effects of trade, technology, and knowledge and skill mobility to the internationalisation process. Subsequently, it is necessary to try to boost investment policy and attracts foreign direct investment that will enhance the exports and shift to the technology intensive industry that may increase economic productivity and growth of the countries.

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