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RESEARCH ARTICLE

LIBERALIZATION POLICIES AND THEIR IMPACT ON ECONOMIC GROWTH IN DEVELOPING COUNTRIES

Sabah Abdulrasool Abdulridha Altameemi

1. Baghdad College of Economic Sciences University.

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Abstract

This study provides a comprehensive analysis of the relationship between trade liberalization policies and economic growth in developing countries. It begins by establishing the importance of international trade as a driver of development and the emergence of liberalization as a key strategy promoted by global institutions. The core problem identified is the mixed and often contradictory impact of these policies on developing economies, which face unique structural challenges like weak infrastructure, dependency on primary commoditi es, and vulnerable nascent industries.The theoretical framework delves into the concepts of trade liberalization—its historical context, reasons (e.g., debt crises, structural adjustment programs), and forms (unilateral, bilateral, regional, multilateral)—and economic growth—its definitions, types (quantitative/qualitative, extensive/intensive), and classical theories (Smith, Ricardo). A significant portion is dedicated to analyzing the specific experience of developing countries with liberalization, highlighting both potential benefits (FDI, technology transfer, market access) and significant risks (de-industrialization, job losses, adjustment costs). The relationship between trade and growth is framed within broader development goals, emphasizing the need for a fair global trading system.The conclusion synthesizes the findings, stressing that the benefits of trade liberalization are not automatic but are conditional on supportive internal factors like macroeconomic stability, strong institutions, and human capital. It underscores the necessity of complementary structural reforms and a gradual, strategic approach to liberalization, as opposed to sudden, wholesale opening. The study culminates in practical recommendations for policymakers, including investing in infrastructure and education, diversifying exports, improving governance.

Introduction:-

International trade is one of the most important drivers of economic development in the world, having historically served as a bridge for the exchange of goods, services, ideas, and technology. With the accelerated pace of

Corresponding Author:- Sabah Abdulrasool Abdulridha Altameemi
Address:-Baghdad College of Economic Sciences University.

globalization and economic integration in recent decades, trade liberalization policies have emerged as a pivotal strategy adopted by countries, especially developing ones, aiming to enhance their competitiveness and achieve sustainable economic growth rates. This trend came in response to the requirements of the new global economic system, led by international institutions such as the World Trade Organization (WTO) and the International Monetary Fund (IMF), which promote the principle of open markets as the best way to allocate resources and increase efficiency.

Adopting trade liberalization policies, which include reducing tariff and non-tariff barriers, represents a radical shift in the economic philosophy of developing countries, which historically relied on protectionist policies to shield their nascent industries. This shift places developing economies before dual opportunities and challenges; on one hand, it provides them with access to broader markets and newer technologies, and on the other hand, it exposes their local industries to fierce competition they might not be prepared for.

Developing countries possess structural characteristics that make their experience with trade liberalization different from that of developed countries. They often suffer from weak infrastructure, a shortage of qualified human capital, and undiversified production structures heavily reliant on the export of raw materials. This structural disparity has led to varied outcomes from trade liberalization; while some countries, particularly in East Asia, witnessed remarkable success stories, others suffered from deteriorating trade balances and worsening problems of unemployment and poverty. Understanding this disparity and analyzing the factors determining the success or failure of trade liberalization in this context is what this study seeks to achieve.

Formulation of the Main Problem:

Exchange and trade relations between nations have existed since ancient times and continue to this day. Proponents of trade, with the increase in exchange and trade movements, argue that trade should be liberalized to promote economic growth. Trade liberalization is a controversial topic, as its critics claim that such a policy will cost populations their jobs because cheap goods will invade the country's local markets. Goods could also be less safe and of lower quality than competing local products that undergo stringent checks to ensure their safety and quality.

Despite the broad theoretical consensus on the benefits of trade liberalization, its practical application in developing countries has shown mixed results. Therefore, the main problem of this study crystallizes in the following question: What is the impact of trade liberalization policies on economic growth in developing countries? Is this impact positive and stimulating for growth or negative and hindering it, and what are the factors that determine the direction of this impact?

Importance of the Study :-

This study gains its importance from several scientific and practical aspects, as it seeks to provide a comprehensive analytical framework that keeps pace with recent developments in the literature on international trade and economic growth, focusing on the specificities of developing countries.

- **Scientific Importance:**

The study contributes to bridging the gap in Arabic libraries by providing a comprehensive analysis that combines the theoretical framework of trade liberalization policies and economic growth, along with a review of the latest empirical and applied studies. It also provides an in-depth analysis of the complex and conditional relationship between two vital economic variables, contributing to the development of academic understanding of this relationship in the context of developing countries.

- **Practical Importance:**

The study provides a knowledge base for decision-makers in developing countries to evaluate their current and future trade policies. It aims to produce practical and directed results and recommendations that help in adopting more effective trade policies that are integrated with the necessary structural reforms to maximize the benefits of trade liberalization.

Objectives of the Study:

This study aims to achieve the following main objectives:

1. Define the concept and dimensions of trade liberalization policies and economic growth and their determinants.
2. Review the economic theories explaining the relationship between trade and growth, focusing on new and modern trade theories.
3. Analyze the empirical impact of trade liberalization policies on economic growth in a sample of developing countries, providing recent numerical evidence and tables.

4. Produce results and recommendations that contribute to guiding economic policies towards maximizing the benefits of trade liberalization, taking into account the specificities of developing countries.

Methodology Adopted:

- **Analytical Descriptive Method:** The analytical descriptive method was relied upon in building the theoretical framework of the research, where concepts and theoretical frameworks of trade liberalization policies and economic growth were described and analyzed, and theories explaining the relationship between them were reviewed.

Chapter Two: Theoretical Framework:

Introduction:

Trade policy is among the economic policies that give the state the right to participate in international economic relations. It is one of the most important pillars and tools of economic policy since ancient times, involving official rules and regulations ratified by the state related to its commercial partners, either by restricting or liberalizing trade according to each country's circumstances. It is also an integral part of the economic policy applied in the field of international trade. Trade policy refers to the policies followed by the state in the field of foreign trade to influence exports and imports. Governments also resort to setting trade policies to address imbalances in the balance of payments and push economies to adopt a trade policy that protects and strengthens their trade to face global competition.[1]

Section One: Trade Liberalization Policies:

Trade policy is one of the most important economic policies that decision-makers in the global economy have used over the past fifty years, leading to increased importance of trade at both the economic and political levels. In this section, we will address a historical overview of the evolution of trade policy, then its concept, and finally its objectives.

- **First Requirement: Concept and Historical Context of Trade Liberalization Policies :**

The term Trade Liberalization refers to the reduction or removal of barriers to the free exchange of goods between nations and international trade, such as removing barriers of tariffs, quotas, and other trade restrictions, in order to promote economic growth, increase competitiveness, and enhance welfare by allowing countries to specialize in producing goods and services in which they have a comparative advantage.[2]

Conversely, proponents of trade liberalization argue that this liberalization will increase efficiency, reduce costs borne by consumers, and stimulate economic growth. Protectionism is the opposite of trade liberalization; it is an economic policy to restrict imports from other countries, characterized by the presence of strict barriers and regulations in markets, and exists as a result of the integration and trade liberalization between countries in the name of globalization.

Foreign trade has come to play an important role in overall economic activity by influencing the level of production, providing an incentive to continue and develop it, and then finding outlets for its products through foreign markets, in order to achieve self-financing of imports through exports and achieve balance in the state's balance of payments in general. However, this can only be achieved by organizing foreign trade in the national economy using an important tool represented by trade policy, which is used to influence the various economic aspects determined within the two doctrines of freedom and restriction.[3]

Trade policy is a set of measures applied by sovereign authorities in the field of foreign trade to achieve specific objectives. Measures related to controlling imports and exports, customs duties, and subsidies are considered part of trade policy.[4]Among the common definitions are those that view trade policy as "the sum of measures taken by the state within the scope of its international trade relations in order to achieve specific objectives."[5]It is also defined as:

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[1] Magdy Mohamed Shihab, Shouzi Adly Nasheed, Foundations of International Economic Relations, 1st ed., Al Halabi Legal Publications, Egypt, 2021, p. 189.

[2] "Trade Liberalization: Definition, How It Works, and Example." Investopedia, https://www.investopedia.com/terms/t/trade-liberalization.asp. Accessed 23 June 2023

[3] Zainab Awad Allah Hussein, International Economics, Dar Al-Jami'a Al-Jadeeda, Egypt, 2004, pp. 077-077

[4] Mohammed Messaoudawi, Studies in International Trade, Dar Houma, Algeria, 2010, p. 69

[5] Ahmad Faris Mustafa, International Economic Relations, Aleppo University Publications, Syria, 1982, p. 147.

"a set of means and methods used by countries in their international trade in order to achieve specific objectives, or it is the stance of states towards the economic relations created by persons in their individual capacity or as institutions residing on its territory with persons as individuals or institutions residing abroad."[6]Free trade policy is defined as: "the endorsement of a degree of freedom regarding the flow of goods and services across the state's political borders so that foreign trade is free from restrictions and obstacles, meaning that no restrictions hindering the flow of goods and services may be imposed on either exports or imports alike."[7]Free foreign trade policy is also defined as: "expresses the set of measures and laws that work to remove or reduce direct or indirect, quantitative and non-quantitative, tariff and non-tariff restrictions."[8]

Historical Context of Global Trade Liberalization :
The origin of the idea of trade liberalization dates back to classical economic theories, particularly the concept of Comparative Advantage introduced by the economist David Ricardo. This is an advantage a country enjoys when it can produce a good at a lower cost than other goods. According to this theory, countries benefit from specializing in producing services and goods in which they have a comparative advantage and trading them with other countries. Trade liberalization gained momentum over the years through many historical milestones. In the aftermath of the devastation of World War II, countries realized the importance of international cooperation and embarked on initiatives to promote trade liberalization. The General Agreement on Tariffs and Trade (GATT) established in 1947 laid the foundation for global trade rules and tariff reductions through successive rounds of negotiations.The Uruguay Round of GATT negotiations agreed on the establishment of the World Trade Organization. The WTO's mandate expanded beyond tariff reduction to include trade in services, intellectual property, and dispute settlement. The WTO serves as a forum for member states to negotiate and implement trade rules and agreements. This round concluded in 1994.[9]

- **Second Requirement: Reasons and Forms of Trade Liberalization:**

The reasons for trade liberalization are:

1. Deterioration of terms of trade, particularly concerning rising oil prices and the downward trend in prices of primary commodities over time.[10]
2. Liberalizing foreign trade (or the external sector) is considered part of structural reform programs aimed primarily at spurring growth.
3. The exacerbation of the debt crisis in developing countries in the 1980s and the pressures exerted on them by international institutions and Western creditor countries, which unanimously agreed that trade liberalization is the essential element for revitalizing the global economy, and also pressured those countries through these loans.[11]

Forms of Trade Liberalization:

The forms of trade liberalization are:

1. **Regional Liberalization:** An administrative act by two or more countries aimed at removing all tariff and non-tariff restrictions and obstacles on the flow of goods and factors of production within the framework of international trade between those countries.[12]
2. **Unilateral Liberalization:** The state alone removes protectionist barriers, believing that it becomes more beneficial from international trade by lowering barriers for other countries.

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[6] Sharif Ali Al-Sous, International Trade: Foundations and Applications, 1st ed., Osama Publishing and Distribution House, Amman, Jordan, 2012, p. 12.

[7] Reda Abdel-Salem, International Economic Relations, Modern Library for Publishing and Distribution, Egypt, 2017, pp. 71-72.

[8] Khaled Ali Ahmed Mahmoud, International Trade Between Protection, Liberalization, and Modern Theory, Dar Al-Fikr Al-Jami'i, 1st ed., Alexandria, Egypt, 2019, p. 327

[9] Vaidya, Dheeraj. "Trade Liberalization – Definition, Examples, Benefits." WallStreetMojo, https://www.wallstreetmojo.com/trade-liberalization /. Accessed 23 June 2023

[10] Ahmed Boutaroua, Hani Chaya, and Abdelbasset Turki, "The Impact of Foreign Trade Liberalization on Economic Growth: A Comparative Study between Algeria and Tunisia" - Master's Thesis, University of El Oued, 2016, p. 157.

[11] Abdelghaffar Ghatas, "The Impact of Foreign Trade Liberalization on Economic Growth: A Case Study of Algeria between 1990 and 2002" - Master's Thesis, University of Kasdi Merbah Ouargla, 2010, p. 85.

[12] Sharaf al-Din Malal, The Impact of Trade Liberalization on Economic Growth: A Case Study of Algeria, Malaysia, and Brazil during the Period 1990-2016, PhD Thesis, Kasdi Merbah University of Ouargla, 2021, p. 85.

3. **Bilateral Liberalization:** Two countries negotiate to reduce protection concerning their mutual trade.
4. **Multilateral Liberalization:** Liberalization occurs globally through open agreements that countries can join.[13]

Section Two: Economic Growth :
Introduction:
Economic growth is one of the fundamental objectives pursued by governments and aspired to by peoples; because it represents the material summary of the economic and non-economic efforts exerted in society. It is considered a necessary condition for improving the standard of living of communities and is an indicator of their prosperity.

- **First Requirement: The Nature of Economic Growth**

Economic growth is a modern historical phenomenon, whose emergence coincided with the Industrial Revolution. Its concepts have varied as it represents the increase in real output per capita and corresponds to the percentage change in real Gross Domestic Product (GDP) per capita over a specific period, usually one year. "Hirschman" defined it as a latent driver for economic expansion characterized by changes in economic indicators and quantitative changes.[14]

It is, therefore, a quantitative concept expressing the long-term increase in production. It is defined as: "the increase achieved in the long term in a country's output." Simon Kuznets defined economic growth as: "the increase in per capita share or the labor component's share of the volume of output," where the increase in output volume is usually accompanied by an increase in population size. Economic growth is based on calculating economic growth rates based on per capita output.
On the other hand, economic development means that economic growth is accompanied by an improvement in income distribution and the composition of economic activity. On this basis, economic growth appears as both a quantitative and qualitative indicator[15].

Therefore, economic growth can be divided into two main types:
1. **Quantitative Growth:** Production is increased primarily by increasing inputs under a given technological level and industrial structure.
2. **Qualitative Growth:** Production is improved through technological progress resulting from innovation or enhanced industrial structure and new products that create new demand.

Theories of Economic Growth:
There are many schools of thought and theories that have addressed economic growth and provided a comprehensive theoretical framework that all countries can follow to achieve acceptable levels of economic performance and escape the cycle of underdevelopment and stagnation that characterized many of them. The shortcomings in one theory often become the starting point for another. These theories can be presented as follows:[16]

Classical Theory:
The views of the Classics converged regarding economic growth and how to achieve it. The classical theory of growth included the following growth models:

Adam Smith's Growth Model:
In his book "The Wealth of Nations," economist Adam Smith explains how a nation's economy can increase the wealth of its individuals. Smith proposes two distinct sources of economic growth, one directly linked to increasing specialization, and the other linked to the level of specialization. Each time specialization increases, there are new gains from exchange as individuals, companies, and entire countries exploit the gains from comparative advantage

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[13] Mohamed El-Amin Boumedine and Ahmed Seddiki, Measuring the Impact of Trade Openness on Economic Growth: An Econometric Study of the Algerian Economy for the Period 1900-2015 Using Cointegration, Journal Name, p. 22.
[14] Naïma, Zir Mi, 2016. The Impact of Trade Liberalization on Growth in Algeria. PhD Thesis, Faculty of Economic, Commercial and Management Sciences, Abou Bekr Belkaid University, Algeria. p. 128.
[15] Khashib, Jalal, n.d., Economic Growth, Alukah Network, net.alukah.w, p. 15.
[16] Ahmed, Kabdani Sidi, 2013. The Impact of Economic Growth on Income Distribution Equity in Algeria Compared to Arab Countries: An Analytical and Econometric Study. Unpublished doctoral dissertation, Faculty of Economic Sciences, Commercial Sciences and Management, Abou Bekr Belkaid University – Tlemcen, Algeria, p. 35

and increasing returns. These gains in specialization may result from sudden changes in institutions, improvements in transportation, or sudden breakthroughs in human knowledge. But perhaps most importantly, as the level of specialization increases, individuals and firms are more likely and ready to discover easier ways to achieve anything when their mental focus is directed towards one thing, not when it is scattered among a variety of things. That is, total learning by doing, research, and development increases with the level of specialization, thus causing an increase in the rate of technological change. Many of these gains in technology, in turn, allow for further specialization.

David Ricardo's Theory:
Ricardo considered agriculture to be the most important economic sector due to its contribution to supplying the population with food and characterized by diminishing returns, meaning declining yields, which is the cause of stagnation and stability.
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The distribution of income among the three classes of society is also the decisive and restrictive factor for the pattern of economic growth. Capitalists play a central role in the growth process by providing capital and labor requirements and paying wages to workers. As for workers, their number depends on the wage level; the population increases with rising wages, leading to an increase in labor supply, which reduces wages to the subsistence level. As for landowners, their income increases whenever there is a shortage of fertile land, the price of which is higher than if it were abundant.

- **Second Requirement: Types and Importance of Economic Growth:**

Economic growth has the following types:[17]

1. **Extensive Economic Growth:** This growth is characterized by the increase in income occurring at the same rate as population growth.
2. **Intensive Economic Growth:** This type is characterized by income growth outpacing population growth, resulting in higher per capita income and the transition from extensive to intensive growth, thus improving social conditions.
3. **Spontaneous Growth:** The continuous increase in real national income at a rate exceeding the population growth rate as a result of the interaction of economic variables in society spontaneously without resorting to national planning to achieve it. This type of growth is characterized by slowness and the possibility of exposure to violent fluctuations.
4. **Planned Growth:** This is growth that occurs as a result of the planning process and state intervention to push economic variables towards growth at a rapid rate. Therefore, the effectiveness of this growth is closely linked to the realism of the drawn plans and strategies, the effectiveness of implementation and follow-up, and the flexibility of the adopted policies.
5. **Transient Growth:** This occurs due to the presence of temporary factors, usually external, and disappears with their disappearance. This type of growth does not have the characteristic of continuity. Some developing countries experienced this growth due to favorable developments in their foreign trade.

Importance of Economic Growth:
Economic growth is of great importance to the economy, and its importance lies in the following:[18]

1. Economic growth is the engine that works to increase the standard of living, provides us with increases in goods and services and additional job opportunities, and is usually associated with economic goals where an increase in total output exceeding the increase in population means an increase in living standards and per capita income. An increase in real output contributes to solving economic and social problems. A growing economy is one capable of meeting current and future needs at the local and global levels.

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[17] Qanadza Jamila, Public-Private Partnership and Economic Development in Algeria, Thesis submitted in partial fulfillment of the requirements for the degree of Doctor of Science in Economic Sciences, Specialization: Public Finance Management, Faculty of Economic Sciences, Current Sciences and Management Sciences, University of Abou Bekr Belkaid, Tlemcen, Algeria, 2018, p. 20.
[18] Saida Faisal, Saida Naji, The Impact of Foreign Trade Liberalization on Economic Growth in Developing Countries: A Case Study of Algeria, Master's Thesis, University of Mohamed Boudiaf, M'sila; 2012-2017; p. 11

2. Economic growth leads to an increase in real wages or monetary incomes, and thus better opportunities for services, poverty eradication, and addressing environmental pollution without a conflict in the levels of consumption, investment, and produ

Section Three: Trade Liberalization in Developing Countries:

Trade liberalization in developing countries represents a major shift from traditional protectionist policies towards a more open economy. This shift is often met with a mix of optimism and concern. On one hand, it promises increased access to global markets, which could lead to increased exports, technological progress, and foreign direct investment. On the other hand, it poses challenges such as exposure to international competition, which can threaten local industries that are not yet ready to compete on a global scale.

From an economic perspective, removing trade barriers allows the invisible hand of the market to allocate resources more efficiently, potentially leading to economic growth and poverty reduction. However, critics argue that without proper safeguards, trade liberalization can exacerbate income inequality and lead to a "race to the bottom" in labor and environmental standards.[19]

1. **Impact on Local Industries:** Developing countries often have nascent industries that are not yet able to compete globally. Trade liberalization can lead to these industries being outcompeted by more established foreign firms. For example, the textile industry in some African countries struggled to compete with cheap imports from Asia after trade liberalization.
2. **Agricultural Sector:** In many developing countries, the agricultural sector represents a significant part of the economy. Liberalization can benefit farmers by opening new export opportunities. For example, after trade liberalization, Ghana saw an increase in cocoa exports, boosting the local economy.
3. **Foreign Direct Investment (FDI):** Liberalization tends to increase FDI, which can bring capital, technology, and managerial expertise. This was the case in Vietnam, where trade liberalization in the 1990s led to increased FDI, contributing to rapid economic growth.
4. **Employment Effects:** The impact on employment can be mixed. While some sectors may lose jobs due to increased competition, others may gain jobs as new industries develop. In India, the information technology sector flourished after liberalization, creating millions of new jobs.[20]
5. **Technology Transfer:** Developing countries can benefit from the inflow of new technologies that often accompany foreign investment and trade. This technology transfer can improve productivity and innovation. For example, Brazil's automotive industry benefited from technology transfer following trade liberalization.
6. **Adjustment Costs:** The transition to a more open economy can come with significant adjustment costs. Workers may need retraining, and governments may need to invest in infrastructure and education to support new industries.
7. **Policy Implementation:** The success of trade liberalization often depends on accompanying policies. Sound macroeconomic policies, investment in human capital, and social safety nets are crucial to ensure that the benefits of liberalization are widely shared.

While trade liberalization in developing countries has the potential to stimulate economic growth and development, it is not without challenges. The experiences of different countries highlight the importance of a balanced approach that takes into account the unique circumstances of each economy. By learning from these examples, developing countries can better navigate the complexities associated with integrating into the global economy.

The Relationship between Foreign Trade and Economic Growth:

The role of trade as a driver of economic growth is not fully reflected in the growth goals set by the United Nations for this millennium, but rather as "targets" falling under Goal 8: "Develop a global partnership for development," which focuses on two aspects of foreign trade:[21]

1. Establish "an open, rule-based, predictable, non-discriminatory trading and financial system."
2. Improve market access for exports from the least developed countries, by providing duty-free and quota-free access for their goods, to address their special needs.

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[19] Trade Liberalization Embracing Change Trade Liberalization and Its Effects on Free Trade

[20] https://fastercapital.com/arabpreneur/%D8%AA%D8%AD%D8%B1%D9%8A%D8% B1- Trade Liberalization: Embracing Change: Trade Liberalization and its Implications for Free Trade, April 2025

[21] Zhaohua, Monirul Islam, Fate, (2017), TRADING FOR SUSTAINABLE DEVELOPMENT GOALS: TRADE POLICY, INEQUALITY AND POVERTY IN EMERGING ECONOMIES, Huazhong University of Science and Technology, P.R China

The goals for growth and development included a set of objectives related to foreign trade, as follows:[22]

1. Promote a universal, rules-based, open, non-discriminatory, and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations within the WTO's Doha Development Agenda.
2. Significantly increase the exports of developing countries, in particular with a view to doubling the share of least developed countries in global exports in the future.
3. Realize the timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with World Trade Organization decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple and contribute to facilitating market access.

Conclusion:-

Trade liberalization has emerged as a pivotal force in promoting economic growth, consumer welfare, and global integration. By reducing barriers to trade, countries can benefit from the advantages of specialization, expanded market access, and enhanced innovation. Effective policy frameworks address challenges and ensure that the gains from trade are widely shared. The potential of trade liberalization, when followed alongside supportive measures, holds significant promise for contributing to global prosperity and cooperation in the interconnected world of the 21st century.

Trade liberalization offers numerous advantages, including economic growth, enhanced efficiency, consumer benefits, poverty reduction, global integration, and environmental improvements. It creates opportunities for businesses, stimulates innovation, and expands consumer choices by promoting open and competitive markets. The benefits achieved by free trade outweigh the challenges, such as the need for adequate social safety nets and consideration for vulnerable industries.

Results:-

Based on the theoretical and empirical analysis presented in the study's chapters, the most important results can be summarized as follows:

1. **Conditional Impact of Liberalization:** The positive impact of trade liberalization on economic growth in developing countries is conditional on the presence of supportive internal factors, most notably macroeconomic stability, quality institutions, and the availability of qualified human capital.
2. **Importance of Structural Reforms:** Trade liberalization alone is not sufficient; it must be accompanied by a comprehensive program of structural reforms aimed at enhancing the competitiveness of local sectors, especially through investment in infrastructure, education, and research and development.
3. **Diversity of Experiences:** There is significant variation in the experiences of developing countries. Countries that adopted export-oriented development strategies, with temporary protection for some nascent industries (a "smart specialization" strategy), achieved better results than those that adopted comprehensive and sudden liberalization.
4. **Impact on Government Revenues:** Trade liberalization leads to the erosion of customs revenues, which represent a major source of budget financing in many developing countries, necessitating internal tax reforms to compensate for this shortfall.
5. **Role of Foreign Direct Investment (FDI):** Trade liberalization opens the door for FDI flows, which is a main channel for the transfer of technology and knowledge, contributing to the increase in Total Factor Productivity (TFP).

Recommendations:-

Based on the findings, the study offers a set of recommendations for decision-makers in developing countries to maximize the benefits of trade liberalization policies and achieve sustainable economic growth:

1. **Adopt Gradual and Calculated Trade Liberalization:** Trade liberalization should be a gradual and planned process, giving sensitive local sectors sufficient time to adapt and increase their competitiveness before full exposure to international competition.

[22] Barro, Robert J & Sala-i-Martin Xavier, 2004, Economic Growth, Second Edition, The MIT Press Cambridge, assachusetts, London, England.

2. **Intensive Investment in Human Capital and Infrastructure:** Resources should be directed towards improving the quality of education and vocational training, and developing logistical infrastructure (ports, roads, communications) to reduce internal and external trade costs.
3. **Diversify the Productive and Export Structure:** Developing countries should move away from reliance on raw material exports and work to diversify their exports towards goods and services with higher added value, increasing the economy's resilience to external shocks.
4. **Enhance Governance and Combat Corruption:** The quality of institutions and good governance is the fundamental determinant of the success of any economic policy. Work must be done to strengthen the rule of law, protect property rights, and combat corruption to ensure an attractive and stimulating investment environment.
5. **Reform the Tax System:** The shortfall in customs revenues resulting from trade liberalization must be compensated for through internal tax reforms aimed at broadening the tax base and improving the efficiency of tax collection, to ensure sustainable government funding for essential services.

Reviewer:-

1. Magdy Mohamed Shihab, Shouzi Adly Nasheed, Foundations of International Economic Relations, 1st ed., Al Halabi Legal Publications, Egypt, 2021, p. 189.
2. “Trade Liberalization: Definition, How It Works, and Example.” Investopedia, https://www.investopedia.com/terms/t/trade-liberalization.asp. Accessed 23 June 2023
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16. Ahmed, Kabdani Sidi, 2013. The Impact of Economic Growth on Income Distribution Equity in Algeria Compared to Arab Countries: An Analytical and Econometric Study. Unpublished doctoral dissertation, Faculty of Economic Sciences, Commercial Sciences and Management, Abou Bekr Belkaid University – Tlemcen, Algeria, p. 35
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