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***Review Article***

# NON-OIL TRADE AND FDI EFFECTSON ECONOMIC GROWTH IN ISIC INDUSTRY IN IRAN

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## ABSTRACT
The main problem in economic growth in developing countries to achieve sustainable development is in sufficient domestic savings and capital accumulation in order to achieve the desired level of investment and technology production.
The aim of this study was to assess the independent and overlapping effects of foreign direct investment and free trade ISIC two-digit code on the growth of non-oil industry of Iran .To illustrate the theory of Bhagwti and ARDL method for the period of 1947 - 2011.The results shows that trade liberalization and foreign direct investment not only effected in dependent influence on economic growth but also the growth of the overlapping Effective and more areas of economic openness to foreign direct investment and economic growth provides.

***Keywords**: Trade liberalization-Foreign direct investment-Economic growth-Industry, ISIC, ARDL method*

## INTRODUCTION
One of the main reasons for underdevelopment of developing countries is insufficient domestic savings to be invested in order to achieve a desired level is a good investment. Recent years in many developing countries with trade liberalization prepare is foreign direct investment as an important factor in accelerating the economic growth of developing countries. It have proven quite foreign direct investment by increasing domestic savings, greater investments are possible, as well as Foreign direct investment in the transfer of technology to developing countries will play a significant role in the release Positive impact on attracting FDI and whether FDI has a positive effect on economic growth.
The role of foreign direct investment as an important factor in accelerating the economic growth of developing countries have proven quite FDI to the host country, which gives it the ability to go beyond the level of investment savings Achieve internal and contrary to prevailing thinking, the impact of FDI on economic growth are not independent and specific features of countries it depends One of the characteristics of the host country, FDI can have a great impact on the growth of trade policy measures By that country in a general improvement in the economic situation by changing the macro variables that can be investigated and if should be considered to promote economic growth influencing factors are examined as part of the investment generally on one of the factors affecting economic growth and is part of the investment will be financed through foreign direct investment.
Hence, this study examines the impact of these factors on economic growth.

### A review of the conducted research's
Foreign direct investment FDI proponents argue that one way that can affect the host country's economic growth and FDI on the one hand the transfer of assets to the host country and the presence of foreign investors in the host country who makes capital deepening is transmitted the new growth theory or endogenous growth theory, the most important factor accumulation growth factor called knowledge (Ramos Artura 2001). This stands in contrast to the accumulation of Unlike physical in puts, increasing efficiency and ensures a long-term growth and sustainable opponents argue that what the proponents of foreign direct investment as its main points offer these types of net capital entering of the country that are causing the activation of financial markets provides a Import and Export provides, but experiences show that the exact opposite happened and it always favor the investor (Akash 1984)

The reasons for the mismatch between actual experiences of countries are opposed to the ideas, because it can not prepare right FDI and economic conditions in those countries named. But the positive impact of foreign trade on economic growth has been emphasized by Adam Smith Druze growth theory, free trade is one of the most important factors that may cause long-term economic growth (Roomer, 1986, Lucas, 1988) According to Grasman and Helpman (1991) Free trade spill over of technology transfer is ignited and thus may affect economic growth Bhagwti (1978) established the popular assumption upon which the performance of the volume of foreign direct investment related to trade policy is decided by the host country. In experimental studies abroad Znan Sayynand Bhrmvsha (2010) conducted study of the communication system between economic liberalization and foreign direct investment (FDI) on economic growth, 58 Drawer the basic results of the combined data suggested that FDI is a direct factor of output growth is positive instead, the impact of FDI on the host country is a compilation of the level of economic freedom, the countries to achieve the benefits a remarkable group of international efforts for the freedom of economic activity do. Also Studies by Goa and Sanches-Robles Robles (2003).The relationship between economic freedom and foreign direct investment and growth by using consolidated financial data for the years1999 to 1970in18Latin American countries and observed that Brrsb Commercial free domin the host country has a positive role in the entry of foreign direct investment, and the results indicate There is a positive relationship between FDI and economic growth in the host country. The home country of the applicant in any case, human capital and economic stability and open market for the benefit of capital flows are high. Balasubramanyam, V, N Salisu and D. Sapsford (1996) using a production function in which capital labor, FDI and exports of the host country as production inputs are considered as hypothesis testing in 46 developing countries that Bhagwti results indicates .

States that the EP, the coefficient of FDI is positive and significant in the production function While this coefficient isn't significant in IS countries. Bhagwti theory validates the interior of chrysanthemums and Shahmorady (2004) examined the factors affecting attracting foreign direct investmentin47 countries over theperiod2002 to 1990 have shown that the results according to the legal infrastructure, encourage domestic investment and private sector efforts to enhance political stability can lead to attracting more foreign direct investment in the country.

Babazadeh, Gadimi and Boyer (2007) examined the empirical analysis of the relationship between trade liberalization and economic growthinperiod2004 -

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