



Shifting Tides: How Globalization Reshapes Trade and Balance of Payments in Anglophone West Africa

Akroh, Ojevwe Theresa¹, Prof. C.O. Orubu², Dr. B.O. Ishioro³

¹Postgraduate Student, Department of Economics, Delta State University, Abraka, Delta State.

²Professor of Economics, Delta State University, Abraka, Delta State, Nigeria.

³Associate Professor, Department of Economics, Delta State University, Abraka, Delta State, Nigeria.

ABSTRACT

This study examines the impact of globalization on trade and balance of payments dynamics in Anglophone West Africa. Globalization has facilitated the interconnectedness of economies across nations and regions worldwide through the reduction of trade barriers. Within the West African region and the Anglophones economies in particular, research on the link between trade balance and globalization are poorly documented over the years. The specific objectives of this paper are to determine the effect of globalization in the trade balances of anglophone West African countries and to establish if globalization has any effect on the overall balance of payment of anglophone West African countries. The study employed data from 1990 to 2022 and two models for trade balance and balance of payments which were estimated using Panel Least Squares regression technique, the fixed and Random effects model. The findings revealed that all the proxies for globalization were positive and significant. This implies that trade openness, terms of trade and exchange rate are key drivers of the trade balance of Anglophone West African countries. Likewise, globalization improves the balance of payment position of Anglophone West African countries. This is done through either the exchange rate, trade openness or terms of trade. Based on these findings the study recommends, among others that policymakers should monitor and manage terms of trade to ensure that they do not adversely affect the balance dynamics.

Keywords: Globalization, Balance of Trade, Balance of Payment, Anglophone West Africa, Panel Data

1.0 Introduction

According to Carbaugh (2011), globalization is the increased interaction of finance, product and factor markets between nations through trade, migration, and investment. The cross-border movement of multinational and transnational corporations is always accompanied with technologies of production, taste and style of living, managerial philosophies and diverse business practices, which were seen as the major force of economic globalization (Goldin & Reinert, 2007).

Globalization has facilitated the interconnectedness of economies across nations and regions worldwide through the reduction of trade barriers. Advocates of globalization argue that both developed and developing economies stand to gain from this process. However, critics suggest that developing countries might not experience the same level of advantages due to the composition of their export goods (Amuka, Ugwu, & Agu, 2016).

Kilic (2015) posits that globalization represents a complex, multifaceted construct, provoking divergent perspectives and inquiries regarding its economic, social, and political ramifications. Proponents view globalization as a catalyst for opportunities and economic expansion through channels such as trade, migration, financial flows, and international aid. Conversely, critics perceive globalization as a force exacerbating poverty, injustice, income inequality, accelerated rural-to-urban and international migration, and potentially hindering economic growth (Hanson, Honohan, & Majnoni, 2003). A primary manifestation of globalization lies in the sustained outpacing of global trade growth relative to global production, fueled by the expanding reach of multinational corporations (Graham, Baxter, & Davis, 1998).

Strategic integration into global markets offers Africa the potential to lower the costs of intermediate and capital-intensive goods crucial for industrialization, while facilitating the acquisition of foreign technology. Efficient borders are linked to enhanced technological transfer and greater technological absorption at the firm level, potentially generating employment opportunities and broader social welfare gains (Sakyi & Afesorgbor, 2019). Moreover, increased trade flows, particularly intra-African trade, could stimulate substantial economic expansion for many African nations. Seck (2017) argues that trade facilitation measures, by reducing trade costs, enhance firm efficiency and performance. These cost reductions can boost productivity among export-oriented domestic firms and encourage existing exporters to increase their trade volumes (Sakyi & Afesorgbor, 2019).

1.1 Statement of the Problem

The efficiency gains a country can reap from specializing and trading with other countries can be huge. Yet, it is often politically difficult to open one's borders to international trade. Separating efficiency from equity is very hard when it comes to trade because the distribution of gains and losses straddles on international borders: some groups in some countries appear to gain in the short run while other groups in other countries appear to lose (Taylor and Lybbert, 2019).

Within the West African region and the Anglophones economies in particular, research on the link between trade balance and globalization are poorly documented over the years with country specific. More so, empirical evidences are limited within the region on the implication of globalization on trade balance as most of these studies focused more on economic integration, international trade, export and import, responses of trade shocks to integration policies (Jackson, Tamuke, and Sillah, 2021; Turay, 2020; Dukuly and Huang, 2020; Iyoha and Okims, 2017). Thus, this paper interrogates the implication of globalization processes on the West African States with respect to trade balance and the overall balance of payments within the period of investigation from 1981 to 2022 among the Anglophones economies.

1.2 Objectives of the Study

The specific objectives of this paper are to:

- i. determine the effect of globalization in the trade balances of anglophone West African countries.
- ii. establish if globalization has any effect on the overall balance of payment of anglophone West African countries.

2.0 Literature Review

The literature review for this paper will briefly focus on conceptual clarifications, theoretical and empirical literature. This is presented thus.

2.1 Conceptual Clarification

Globalization: According to Goldin and Reinert (2007), globalization is demonstrably linked to fluctuations and transformations in specific macroeconomic variables, which serve as indicators of a nation's degree of engagement in the global economic system. The depth and breadth of a country's participation in the global economy can be gauged through the evaluation of various economic forces and indicators.

Globalization is of two main categories: trade and investment integration, and financial integration. Globalization of the world's goods and services markets through trade liberalization and the removal of numerous controls preceded financial markets integration. O'Rourke and Williamson (2000) see globalization as the integration of international commodity markets and for globalization to have an independent influence on an economy, two conditions must be met. First, trade-creating forces must change domestic commodity prices before anything else can happen. Second, the changes in domestic commodity prices must induce a reshuffling of resources between economic activities in order for trade to influence the things that really matter, like the scale of output, the distribution of income, absolute living standards or the quality of life (O'Rourke and Williamson, 2000).

Balance of Payments: Nwakh, (2017) defines balance of payment (BOP) of a country as the record of all economic transactions between the residents of the country and the rest of the world in a particular period over a quarter of a year or over a year period. These transactions are made by individuals, firms and government bodies. Thus, the balance of payment includes all external visible and non-visible transactions of a country. According to Daniels, Radebaugh, &, Sullivan, (2013) a country's Balance of Payments is said to be in surplus (positive) by a specific amount if sources of funds exceed uses of funds by that amount. There is said to be a balance of payments deficit (negative) if the former is less than the latter. A BOP surplus (or deficit) is accompanied by an accumulation (or de-accumulation) of foreign exchange reserves by the central bank. As forwarded by Nwakh, every BOP comprises of current and capital accounts components; the current account shows the net amount a country is earning. If it is in surplus or if it is in deficit. It is the sum of the balance of trade (net earnings on exports minus payments for imports), factor income (earnings on foreign investments minus payments made to foreign investors) and cash transfers. It is called the current account as it covers transactions in the "here and now" those that don't give rise to future claims (Nwakh, 2017).

Balance of Trade: Theoretically, three approaches determine the variability of a country's trade balance. The absorption approach argues that a country's trade balance will improve if total output exceeds total domestic spending. Also, currency devaluation improves trade balance if the gap between domestic output and expenditure increases (Alexander, 1959). The monetarist approach claims that the balance of payment is essentially a monetary phenomenon and explains its position by the interaction between the demand and supply of money. An excess demand (supply) for foreign goods would require more demand (supply) of the stock of money (Hahn, 1959). If the demand of money exceeds money supply, then the excess demand for money will be satisfied by inflows of money from abroad, and this will improve the trade balance.

Contrariwise, if money supply is greater than demand of money, the excess supply of money will be eliminated by outflows of money to abroad and this will worsen the trade balance. The elasticity approach is related to the effect of the exchange rate on the trade balance. It demonstrates that real devaluation of domestic currency has favorable effect on the trade balance if the sum of the price elasticity of exports and imports is greater than one (Lerner, 1944; Marshall, 1923). Real depreciation of the exchange rate makes the domestic goods cheaper for the trading partners and this increases

exports of domestic goods and services. As imports are relatively more expensive, quantity of imports decreases resulting in an improvement in the trade balance (Keho, 2019). However, exports and imports may not react at initial period to real devaluation. Following a depreciation of the exchange rate, the trade balance may worsen and progressively improve, giving a J-curve effect. A higher degree of vertical specialization and new global supply chains, on the one hand, tend to reduce the responsiveness of trade balance to the movement of the real exchange rate. On the other hand, increased intra-industry trade makes the trade balance more sensitive to changes in real exchange rates (Akosah and Omame-Adjepong, 2017). Table 2.1 below indicates a considerable variation among ECOWAS Anglophones countries in terms of trade activities for 2015 and 2019 (\$ million).

Table 2.1 Trade Activities among ECOWAS Anglophones countries

Countries	Export 2015	Import 2015	Trade bal 2015	Export 2019	Import 2019	Trade bal 2019
Cape Verde	214.7	10406.4	-669.0	330.6	1385.2	-1054.6
Guinea Bissua	118.4	159.9	-539.1	252.8	190.2	62.6
Gambia	88.0	387.5	-299.5	24.4	487.9	-463.5
Ghana	13927.6	14522.8	-595.1	16704.7	10486.1	6218.6
Liberia	525.2	1064.2	-539.1	111.7	1147.2	-1035.5
Nigeria	49633.1	34654.4	14978.7	62633.5	54431.0	8202.5
Sierra Leone	368.7	5951.1	-5582.4	455.3	5912.2	-5457.0
West Africa	89762.0	90597.9	-835.9	11852.4	113070.0	-1217.6

Source: World Bank Development Indicators for Africa

The table above shows that West Africa sub-region had a negative trade balance in 2015 and 2019. Country specific reveals Liberia, Sierra Leon, and Cape Verde had negative trade balance in both periods, while Ghana and Guinea Bissau had negative in 2015 and positive in 2019. Interestingly, Nigeria had both years positive trade balance. The Nigeria economy is improving generally with some degree of manufacturing exports.

2.2 Theoretical Literature Review

The anchor theory that serves as a framework for analysis and meeting this paper's objectives is the Marshall Lerner condition. The Marshall Lerner condition is modelled on the premise that in order for devaluation to be effective, the sum of the elasticity of import and export should be equal to or greater than one. On the contrary, critics have raised concerns about the effectiveness of the ML approach (which is said to satisfy both the necessary and sufficient conditions for an improvement in trade balance), where adherence to such condition do not necessarily improve trade balance (Bahmani-Oskooee and Brooks, 1999).

The ML condition is constructed on the premise that, where the sum of price elasticity for import demand and exports are equal to unity or greater than unity (coefficient values) in the long-run, the outcome (tantamount currency depreciation) will eventually give rise to a surplus in the current account position (Onakoya & Johnson, 2018). This is illustrated as shown in the equation below:

$$PD_i + PDe \geq 1 \quad 1$$

Where PD_i is the price elasticity of import, while PDe is the price elasticity of export

Equally as addressed above, high level of inelasticity of exports and imports can also result in trade deficit or reduce trade surplus given the fact that expenditure on import bill will continue to rise due to high demand for essential goods and services. The figure below shows a visual illustration of the equilibrium condition of ML at Point O, which reflect a situation where eqn. 1 is equal to one ($PD_i + PDe = 1$).

The Marshall-Lerner condition asserts that the sum of the elasticity of demand for import and exports must be equal to one or greater than unity for devaluation to improve the balance of payment position. There is also a need to throw light on the Elasticity approach. According to Robinson (1947), the elasticity approach emphasizes the effect of exchange rate on exports and imports of a country, and also trade account balance by ignoring all other variables, particularly income (Adamu and Itsede, 2010). The incorporation of the three approaches makes it easier to evaluate the true impact of exchange rate on trade balance of an economy.

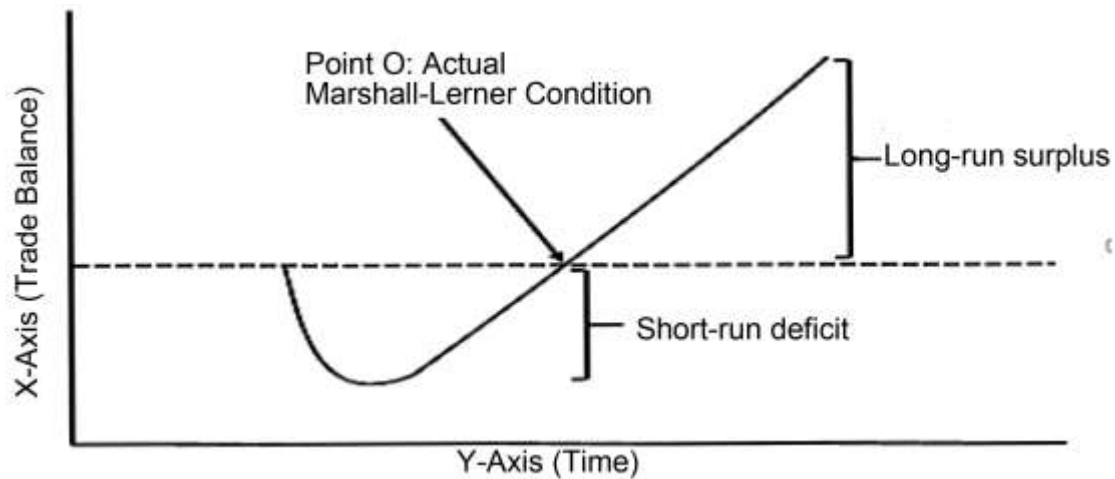


Figure 2.1 The J-Curve

Source: extracted from Jackson et al 2021

2.3 Empirical Literature Review

Badar et al (2012), used international trade balance to examine the effect of globalization on U.S. manufacturing industries. To capture globalization effect, trade of the U.S. with nine countries: Australia (Australia), Brazil (South America), Canada (North America), China (Asia), Germany (Europe), India (South Asia), Israel (western Asia), Mexico (North America) and Republic of South Africa (Africa) were considered. Comparing country-wise for the three industries combined, there had always been large surplus with Canada and little surplus with Australia, and large deficit with Mexico, moderate deficit with China and Germany, and small deficit with Israel. It has been surplus with South Africa except in 2001 and with Brazil except year 2005 and 2006. With India it was surplus in 2000, but has been deficit since 2001.

Osoro (2013) investigated the determinants of the trade balance in Kenya. The results showed that both depreciation of the real exchange rate and foreign direct investment have significant favorable effects on the trade balance. Ogundipe, Ojeaga, Oluwatomsin & Ogundipe (2013) empirically investigated the impact of currency devaluation on Nigeria's trade balance. Data utilized spanned from 1970 to 2010, with Johansen co-integration utilized as the main methodological tool, and backed by Variance Decomposition to assess the overall impact for policy implementation. Their findings show long-run relationship existing between the dependent variable, which is trade balance and the exogenous variables (namely domestic income, domestic and foreign money supply, domestic interest rate and nominal exchange rate). They concluded that the level of money supply has a major impact on the trade balance adjustment and that devaluation of the exchange rate worsens the trade balance of Nigeria in the long run.

Bangura, Denison-George & Caulker (2013) pursued a similar study using an ARDL (incorporating Bounce Testing, Cointegration to determine speed of adjustment in error correction terms) to addressing the role of exchange rate in determining the short and long-run behaviour of Sierra Leone's trade balance, with annual data spanning 1980 to 2011. The study revealed a stable long-run relationship running between trade balance, real exchange rate, domestic income, foreign income and money supply variables; it was also proved that domestic income and money supply were the strongest influence of trade balance in the long-run model estimation. The Marshall-Lerner condition was proved not to hold in the long-run, while the use of error correction to determine short-run effect of the trade balance proved to be significant, with the appropriate (-ve) sign to attest the existence of J-Curve effect in the short-run. Given the existence of structural bottlenecks, the authors concluded for authorities to encourage diversification of commodity exports, with favourable efforts to boost domestic production in a bid make it competitively worthy to support domestic consumption of similar imported items.

Nathanael (2015), examined the extent to which globalization influences Nigeria balance of payments. The major objective was to empirical evaluate the impact of globalization covering the period from 1980 to 2013, using data sourced from World Bank and various annual report issues of Central Bank of Nigeria (CBN). The Cointegration technique with its implied ECM was used to assess the data. The parsimonious ECM result shows that openness of the Nigerian economy through globalization has been beneficial to the balance of payments in Nigeria. The negative sign attached to import provides an indication that the high level of imports in Nigeria has been detrimental to the balance of payments in Nigeria.

Iyoha and Okim (2017), analyzed the impact of trade on economic growth both from a theoretical perspective and using econometric evidence from ECOWAS countries. In particular, an attempt was made to econometrically test the hypothesis of a positive relationship between trade and growth in ECOWAS countries during the 1990-2013 period. This is done using panel data regression analysis. Utilizing data for the 15 ECOWAS countries, a log-linear regression equation of per capita real GDP is fitted on exports, the exchange rate, investment, human capital, inflation and population growth. For completeness and to test the robustness of the econometric results, 4 estimators (pooled OLS, Fixed effects model, Random effects model, and dynamic panel regression model) were utilized. The dynamic panel data estimator is preferred as it is able to handle the problems arising from "endogeneity" or reverse causality. All the 4 estimated regression equations had high coefficients of determination and F-statistic. In all the equations, exports, exchange rate and investment were significant determinants of per capita real income growth. Exports were consistently positively related to growth, thus confirming the hypothesis of trade having a significant positive impact on economic growth in ECOWAS countries.

Keho (2021), investigates the determinants of the trade balance in West African and Monetary Union (WAEMU) over the period 1975–2017. He employs the Mean Group (MG) estimator along with the grouped mean version of Dynamic OLS (DOLS) and Fully Modified OLS (FMOLS) to deal with both endogeneity and cross-country heterogeneity. The results reveal that the trade balance is negatively related to domestic and foreign income whereas real effective exchange rate depreciation improves the trade balance in the long-run. However, the results do not confirm the short-run worsening of trade balance suggested by the J-curve. In the short-run, the trade balance is sensitive only to foreign real income but not to domestic income and real exchange rate. The country-level estimates show heterogeneity in the response of the trade balance to real exchange rate, domestic and foreign income.

3.0 Methodology

The research adopts an ex-post facto research design and gathers data from several Anglophone West African countries, including Gambia, Ghana, Liberia, Nigeria, and Sierra Leone, spanning the years 1990 to 2022. The theoretical framework of this study is rooted in the Marshall Lerner condition of trade balance. Drawing insights from the works of Nathanael (2015), Yousuo (2021), Keho (2021), and Jackson et al. (2021), we tailor our model to examine the relationship between globalization and trade balance, incorporating certain modifications thus.

$$TB = f(ER, TO, ToT, NODA,) \quad 3.1$$

$$BOP = f(ER, TO, ToT, M2) \quad 3.2$$

The econometric model in panel form is given as

$$TB_{it} = \pi_0 + \pi_1 ER_{it} + \pi_2 TO_{it} + \pi_3 TOT_{it} + \pi_4 NODA_{it} + \varepsilon_i \quad 3.3$$

$$BOP_{it} = \alpha_0 + \alpha_1 ER_{it} + \alpha_2 TO_{it} + \alpha_3 TOT_{it} + \alpha_4 M2_{it} + \varepsilon_i \quad 3.4$$

Where TB is trade balance, and BOP is balance of payment of the countries. Also, ER is effective exchange rate, NODA is net official development assistance inflow, ToT is terms of trade of the countries, M2 is money supply, and ε_i is the error terms. While the subscript of i and t are the cross-sectional dimension of the model which consist of the selected countries and the time/periodic dimension of the model. These models will be estimated using the panel regression technique.

4.0 Results and Discussion

Using panel regression technique, the results are presented in the following tables.

Table 4.1 Panel Least Square (Model for Trade Balance)

Dependent Variable: TB			Periods included: 33	
Method: Panel Least Squares			Cross-sections included: 5	
Total panel (balanced) observations: 165			Sample: 1990 2022	
Variable	Coefficient	Std. Error	t-Statistic	Prob.
ER	7.80E+08	1.92E+08	4.058803	0.0001
TOT	0.001278	0.000117	10.87421	0.0000
TO	0.037396	0.018470	2.024699	0.0446
NODA	0.103654	0.325078	0.318858	0.7503
C	-1.16E+09	6.21E+08	-1.874910	0.0626
Root MSE	4.91E+09	R-squared	0.439515	
Mean dependent var	-1.05E+08	Adjusted R-squared	0.425503	
Hannan-Quinn criter.	47.56683	F-statistic	31.36676	
Durbin-Watson stat	0.648461	Prob(F-statistic)	0.000000	

Source: Author's computation with EViews

The panel least square model for trade balance model is presented in table 4.10 above, from the result we observed that all the variables employed in the model are positive and all proxies for globalization are significant signifying that they increase the trade balance of the Anglophone West African countries. Exchange rate, terms of trade, trade openness and net official development assistance increase the trade balance by 7.80%, 0.0013%, 0.037% and 0.104% due to a 1% change in them. There is joint significance in the model and the variables in the model explains about 44% variation in the dependent variable.

As usual Hausman test is performed for selection of the method between fixed effects model and random effects model. In Hausman test, the null hypothesis indicates that the difference in coefficients between fixed effects model and random effects model is systematic ($p=0.0000$). The result of the Hausman test is presented in Table 4.2 below.

The null and alternative hypotheses for the test are stated thus;

H_0 : Random effect model is appropriate

H_1 : Fixed effect model is appropriate

Table 4.2: Hausman test (Model for Trade Balance)

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	69.004827	4	0.0000

Source: Author's computation with EVIEWS

From the result of the Hausman test presented in table 4.2, we can conclude that the null hypothesis of the appropriateness of the random effect model is rejected due to the probability value of 0.0000 which is clearly less than 0.05. The next step is to estimate the fixed effect model. This is presented below.

Table 4.3: Fixed Effect Model (Model for Trade Balance)

Dependent Variable: TB			Periods included: 33	
Method: Panel Least Squares			Cross-sections included: 5	
Total panel (balanced) observations: 165			Sample: 1990 2022	
Variable	Coefficient	Std. Error	t-Statistic	Prob.
ER	-6.47E+08	3.74E+08	-1.731844	0.0853
TOT	0.001326	0.000113	11.68597	0.0000
TO	0.047384	0.017643	2.685771	0.0080
NODA	0.126179	0.359460	0.351023	0.7260
C	2.40E+09	9.49E+08	2.528970	0.0124
Root MSE	4.53E+09	R-squared		0.523734
Mean dependent var	-1.05E+08	Adjusted R-squared		0.499311
Hannan-Quinn criter.	47.48305	F-statistic		21.44354
Durbin-Watson stat	0.798005	Prob(F-statistic)		0.000000

Source: Author's computation with EVIEWS

The fixed effect model aligns with the panel least square model except for exchange rate that is negatively influencing the trade balance. All other variables exert a positive effect on the trade balance. All proxies of globalization are significant, which connotes their importance in determining the trade balance. The fixed effect model is still showing a joint significance among the variables in the model.

Table 4.4 Panel Least Square (Model for Balance of Payment)

Dependent Variable: BOP		
Method: Panel Least Squares		
Sample: 1990 2022		
Periods included: 33		
Cross-sections included: 5		

Total panel (balanced) observations: 165				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
ER	6.29E+08	1.39E+08	4.522556	0.0000
TOT	0.000927	8.61E-05	10.75882	0.0000
TO	0.014659	0.013306	1.101694	0.2722
M2	-1.17E+08	31402625	-3.710104	0.0003
C	1.62E+09	7.88E+08	2.052388	0.0418
Root MSE	3.64E+09	R-squared		0.449106
Mean dependent var	-17159503	Adjusted R-squared		0.435334
Hannan-Quinn criter.	46.96793	F-statistic		32.60926
Durbin-Watson stat	1.375238	Prob(F-statistic)		0.000000

Source: Author's computation with EVIEWS

Panel least square model for balance of payment is presented in table 4.4 above, the model estimates showed that all the variables except broad money supply exert a positive impact on the balance of payment. More so, all variables except trade openness are significant. This implies that balance of payment increased by 6.29%, 0.0009% and 0.015% when exchange rate, terms of trade, and trade openness increases by 1%. While balance of payment reduces by 1.17% when broad money supply increase by 1%. The variables in the model explain about 45% variation that occurred in the balance of payment. There is also joint significance among the variables in the model. The next step is to conduct the Hausman test. It is performed for selection of the method between fixed effects model and random effects model. In Hausman test, the null hypothesis indicates that the difference in coefficients between fixed effects model and random effects model is systematic ($p=0.0000$). The result of the Hausman test is presented in Table 4.14 below.

The null and alternative hypotheses for the test are stated thus;

H_0 : Random effect model is appropriate

H_1 : Fixed effect model is appropriate

Table 4.5: Hausman test (Model for Balance of Payment)

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.514979	4	0.3408

Source: Author's computation with EVIEWS

The Hausman test presented in table 4.5 above showed that the random effect model is the appropriate model to be estimated, hence we fail to reject the null hypothesis based on the probability value that is greater than 0.05. We therefore proceed to estimate the random effect model.

Table 4.6: Random Effect Model (Model for Balance of Payment)

Dependent Variable: BOP				
Method: Panel EGLS (Cross-section random effects)				
Sample: 1990 2022				
Periods included: 33				
Cross-sections included: 5				
Total panel (balanced) observations: 165				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.

ER	6.29E+08	1.39E+08	4.529828	0.0000
TOT	0.000927	8.60E-05	10.77612	0.0000
TO	0.014659	0.013285	1.103465	0.2715
M2	-1.17E+08	31352210	-3.716070	0.0003
C	1.62E+09	7.86E+08	2.055688	0.0414
Root MSE	3.64E+09	R-squared		0.449106
Mean dependent var	-17159503	Adjusted R-squared		0.435334
Sum squared resid	2.19E+21	F-statistic		32.60926
Durbin-Watson stat	1.375238	Prob(F-statistic)		0.000000

Source: Author's computation with EViews

The random effect model for balance of payment is presented in table 4.6 above, we found that the result is similar to the Panel least square result above. The variables as proxies for globalization are all positive and significant except trade openness that is not significant. Broad money supply displayed the same outcome as before. The variable in the model explains up to 45% variation in the balance of payment, there is also joint significance among the variables of the study.

5.0 Conclusion and Recommendations

This study examined the effects of globalization on trade and balance of payments dynamics in Anglophone West Africa. The dynamism of globalization has exerted profound transformations on trade dynamics and balance of payments across Anglophone West Africa, ushering in a new era of economic interdependence and recalibration. As nations within this region navigate the currents of globalization, they encounter a myriad of opportunities and challenges that shape their trade relations and fiscal equilibrium. However, the impact of globalization extends beyond the realm of trade, extending its reach into the intricate web of balance of payments dynamics within Anglophone West Africa. As economies integrate further into the global marketplace, they are compelled to grapple with the complexities of maintaining equilibrium in their external accounts. Fluctuations in exchange rates, capital flows, and international investment patterns become more pronounced, exerting significant influence on balance of payments positions. Against this backdrop, Anglophone West African nations must navigate the ebb and flow of global economic currents with strategic foresight and resilience. By leveraging the opportunities presented by globalization while mitigating its associated risks, these countries can harness the transformative potential of global economic integration to foster sustainable development and prosperity.

In light of the foregoing, the study recommends the following:

- i. Governments of Anglophone West African countries should continue to emphasize policies that promote globalization. This may include trade liberalization, reducing barriers to foreign direct investment, and fostering international economic cooperation.
- ii. Since exchange rates play a crucial role in trade balance, policymakers should implement measures to manage exchange rate volatility. This may involve adopting flexible exchange rate regimes, implementing effective monetary policies, and diversifying sources of foreign exchange.
- iii. The positive impact of trade openness on the trade balance suggests that countries should continue to pursue policies that promote international trade. This includes reducing trade barriers, simplifying customs procedures, and engaging in regional and international trade agreements.
- iv. While terms of trade were found to be insignificant in the import model, policymakers should still monitor and manage terms of trade to ensure that they do not adversely affect the import dynamics. Strategies to negotiate favorable terms in trade agreements may be explored.

References

- Adamu, P. A., and Itsede, O. C. (2010). Balance of Payment Adjustment: The West African Monetary Zone Experience. *Journal of Monetary and Economic Integration*, 10.
- Akosah, N.K. and Omane-Adjepong, M. (2017). Exchange Rate and External Trade Flows: Empirical Evidence of J-Curve Effect in Ghana, MPRA Paper No. 86640
- Alexander, S. S. (1959). Effects of devaluation: A simplified synthesis of elasticities and absorption approaches. *American Economic Review*, 49(1).
- Amuka, J.I. Ugwu, C.C.& Agu, A.O. (2016). Globalization and Relative Trade of a Developing Country: Evidence from Nigeria, *Journal of International Business and Economics* 4(2).
- Badar, M.A. Akkineni, S.N. Shahhosseini, A.M. &Alberts, T.E.(2012). Effect of Globalization onU.S. Manufacturing in Terms of Trade Balance, *International Journal of Agile Manufacturing* 12(1).

- Bahmani-Oskooee, M., & Brooks, T. J. (1999). Bilateral J-Curve between U.S. and Her Trading Partners. *Weltwirtschaftliches Archiv*, 135.
- Bangura, M., Denison-George, C., & Caulker, R. (2013). The Impact of Exchange Rate Dynamics on the Trade Balance in Sierra Leone: An ARDL Cointegration Approach. *Journal of Monetary and Economic Integration*, 13.
- Carbaugh, R.J. (2011). *Global Economics* 13th edition South-Western engage learning Canada
- Daniels, J., Radebaugh, L. & Sullivan, D. (2013). *International Business: environment and operations*, 11th edition. Princeton Hall.
- Dukuly, F.S. and Huang, K. (2020). The Study on the Impact of Liberia's Exports and Imports on Its Economic Growth. *Open Journal of Business and Management*, 8.
- Goldin & Reinert (2007). *Globalization for Development*. A co-publication of the World Bank & Plagrave Macmillan Washington, DC
- Graham, B. Baxter, R.E. & Davis, E. (1998). *Dictionary of Economics* John Wiley & Sons Inc.
- Hahn, F. H. (1959). The balance of payments in a monetary economy. *Review of Economic Studies*, 26 (2).
- Hanson, J.A. Honohan, P. & Majnoni, G. (2003). *Globalization and National Financial Systems* World Bank and Oxford University Press
- Iyoha, M., and Okim, A. (2017). The impact of trade on economic growth in ECOWAS member countries: evidence from panel data. *CBN Journal of Applied Statistics*, 8(1).
- Jackson, E. A. Tamuke, E. & Sillah, A. (2021). Is There a J-Curve Effect in Sierra Leone? An Empirical Analysis with VECM. *Modern Economy*, 12.
- Keho (2019), Dynamic Relationship between Government Spending and Private Consumption: Evidence from Cote d' Ivoire International Journal of Economic and Financial Issues: Vol. 9, No. 1
- Keho, Y. (2021) Determinants of Trade Balance in West African Economic and Monetary Union (WAEMU): Evidence from heterogeneous panel analysis, *Cogent Economics & Finance*, 9(1).
- Kilic C. (2015). Effects of Globalization on Economic Growth: Panel Data Analysis for Developing Countries *Economic Insights Trends and Challenges* 5(1)
- Lerner, A. P. (1944). *The economics of control: Principles of welfare economics*. Macmillan Company
- Marshall, A. (1923). *Money, credit and commerce*. Macmillan & CO.
- Nathanael, E.O. (2015). Globalization and balance of payments in Nigeria, *International Journal of Economics, Commerce and Management* III (6).
- Nwakoh, F.I. (2017). Effect of trade liberalization on the economic growth of Nigeria. Being dissertation submitted to the Department of Accounting/Banking & Finance, Faculty Of Management Sciences, Delta State University, Abraka.
- O'Rourke, K.H. and Williamson, J.G. (2000). When did globalization begin? National Bureau Of Economic Research (NBER), Working Paper 7632
- Ogundipe, A. A., Ojeaga, P., Oluwatomsin, M., and Ogundipe, N. (2013). Estimating the Long Run Effects of Exchange Rate Devaluation on the Trade Balance of Nigeria. *European Scientific Journal*, 9.
- Onakoya, A. B., & Johnson, S. B. (2018). Exchange Rate and Trade Balance: The Case for J-Curve Effect in Nigeria. *KIU Journal of Social Sciences*, 4.
- Osoro, K. (2013). Kenya's foreign trade balance: An empirical investigation. *European Scientific Journal*, 9 (19).
- Robinson, J. (1947). The Foreign Exchanges. In J. Robinson (Ed.), *Essay in the Theory of Employment*. Basil Blackwell.
- Sakyi, D. and Afesorgbor, S.K. (2019). The Effects of Trade Facilitation on Trade Performance in Africa, *Journal of African Trade* 6(1-2).
- Seck A. (2017). How facilitating trade would benefit trade in sub-Saharan Africa, *Journal of African Development* 19.
- Taylor, J. E. and Lybbert, T. J. (2019). *Essentials of Development Economics*. *International Trade and Globalization*, University of California Press
- Turay, M.J. (2020). Relationship between Exports, Imports and Economic Growth in Sierra Leone *Journal of Innovation and Social Science Research* 7(5).
- Yousuo, P.J.O (2021). Sectoral analysis of foreign investment flow and its implications on the Nigerian economy. A PhD dissertation submitted to the Department of Economics, Post Graduate School, Niger Delta University Wilberforce Island Bayelsa State.