

The impact of foreign direct investment on international trade in the ECOWAS Region

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Abstract

The majority of the government's transformation strategy for the Economic Community of West African States (ECOWAS) is devoted to creating and supporting business environments conducive to foreign direct investment. According to this researcher, foreign investment has a highly divisive effect on trade, either positive or negative. As a result, this study aims to see how foreign direct investment affects international trade in the ECOWAS region. Using Pesaran et al. (2001) Autogressive Distributed Lag (ARDL) bounds testing approach to co-integration, which estimates the co-integration relationship within the framework of ordinary least square (OLS), is not sensitive to the order of integration of the series and has no sample size limitation. According to the findings, foreign direct investment significantly impacts international trade flow, export volume, and exchange rate in ECOWAS countries. In contrast, population growth, import volume, and GDP (Gross Domestic Product) hurt the trade-to-GDP ratio. ECOWAS countries should encourage more inward foreign direct investment to boost economic growth and import substitution.

Keywords: ECOWAS Countries, FDI, Foreign trade.

JEL Classification: F16, F21.

1.0 Introduction

The impact of foreign direct investment (FDI) in the ECOWAS region is the focus of this study. A foreign direct investment is one which a company or an individual makes a financial investment in the establishment or acquisition of property in a country other than their own country. Some academic studies claim that FDI has a positive effect on economic growth, while others claim that it has a negligible effect. However, the benefits of FDI cannot be overstated in any economy around the world. Globalization has led to an increase in cross-border capital movements as exchange restrictions have eased and markets have become more accessible. Cross-border capital flows are generally supported by economists because they allow capital to seek the best possible return. FDI has become increasingly important to developing economies because of the numerous advantages it offers in terms of success. Foreign trade is the term used to describe the movement of goods across national borders. Crossing international or regional borders is a common occurrence. Export is defined as "the exchange of different specialized commodities and services rendered among the respective countries," (Hanson, 2014). In order to maintain a country's commodity and service supply security, international trade is essential. Imports and exports refer to the inflows and outflows of a country's trade with other countries. Trade in goods and a service to locations outside a country's borders is the foundation of all international commerce.

As a free Trade Agreement (FTA), the Economic Community of West African States (ECOWAS) was originally set up in 1975, but it has since evolved into a customs union, common markets, and an Economic Union (EU). 15 West African countries are part of the Economic Community of West African States (ECOWAS). Benin, Burkina Faso, Cabo Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo are among the countries that make up the group. It's one of the continent's most solid trade groups. As a result, empirical analysis of previous studies revealed that different findings were discussed in the literature in both developed and developing countries using different methodologies and periods.

How much of the sub-development can be attributed to FDI in the Economic Community of West African States (ECOWAS)? Regions Sub-economic development can be aided to what extent by inflow? According to the researcher, there have been few studies on the topic of FDI and its impact on international trade in ECOWAS countries.

2.0 Review of Literature

Foreign direct investment has been shown to have a positive effect on the economies of the countries in which it is invested. According to previous research, FDI and international trade are mutually reinforcing or not.

Foreign Direct Investment (FDI) and international trade are critical to the growth of fast-growing economies and globalization. As FDI and foreign trade have a significant impact on technological and economic advancement and globalization, their importance cannot be understated (Metulini et al., 2017). There are two types of FDI and trade relationships: "replacement" and "complementary." Horizontal and vertical FDI are used to describe foreign direct investment (FDI), while trade substitution is used to describe horizontal FDI (Helpman, 1984). To put it another way: When a developing country company combines advanced technology with low-cost resources to create vertical FDI, it's called efficiency-seeking FDI (Kang, 2012). In this case, FDI is being drawn in because of the lower costs involved (Fontagné, 1999). Horizontal foreign direct investment (FDI) occurs when a company decides to expand into another developed economy (Kang, 2012).

The term "foreign direct investment" (FDI) refers to investments made on a bilateral basis between developed economies (FDI). This type of FDI is driven by the market Traditional studies of trade and foreign direct investment (FDI) have focused on their complementary and competing roles. An increase in trade occurs when foreign direct investment (FDI) and trade are combined. An exchange rate replacement relationship is established when FDI reduces imports received from abroad. In order to determine whether or not FDI and Trade are complementary or substitutable, numerous empirical studies have been conducted. Between 1999 and 2004, Chang & Gayle studied the sales of American companies in 56 countries (2009). It has been found that multinational corporations prefer to invest in FDI rather than export. Increases in shipping and startup expenses have a direct impact on both parties' businesses. Trade and FDI, for example, are greatly affected by changes in demand.

An association was found between trade and foreign direct investment in 10 Southeast Asian countries between 1991 and 2012 (Bhasin & Paul, 2016). Trade-FDI substitution was confirmed in the selected countries of the region. According to Daniels and Von der Ruhr, trade and FDI were linked in 53 countries between 1985 and 2010. (2014). The substitution of trade for FDI was confirmed in the selected countries of the region. FDI and US trade in 53 countries were studied by Daniels and von der Ruhr (2014a) between 1985 and 2010. In the process, they discovered a connection between trade and FDI (FDI). Furthermore, empirical studies have shown that FDI and Trade are linked. As an example, (Jayachandran & Seilan, 2010) analyzed the impact of Japanese

FDI on Asian-Asian trade. His presentation demonstrated how Japanese FDI (foreign direct investment) boosts exports in the recipient country. For the four countries mentioned, FDI is more closely linked to East Asian Trade than any of the other four countries mentioned. International trade and foreign direct investment (FDI) have long been linked, according to extensive research. This linkage, according to (Fontagné 1999), is the primary cause of globalization. Foreign direct investment (FDI) was predominately derived from international trade until the 1980s. Because of FDI's effect on global trade, everything changed.

The relationship between trade and foreign direct investment has been questioned by experts. I discovered three distinct types of trade-FDI interactions after conducting research. Complementary and substitutive relationships are also possible. Theoretically and empirically, all FDI-trade interactions have been validated. According to some research, foreign direct investment and commerce are linked, but the results of those studies are inconclusive. A study by Swenson (2004) examined the link between trade and foreign direct investment. FDI and trade in the United States were intertwined between 1974 and 1994, according to available data. After dissecting the data, he discovered inconsistencies. At the product and industry level, FDI and international trade have a replacement relationship; however, the total manufacturing component has a complementary relationship. Auto investment in Japan and consumer demand in the United States were studied by Blonigen (2001). We could decipher the intricate web of trade and foreign direct investment thanks to his work. He found no increase in Japanese exports despite the fact that Japanese auto parts are manufactured in the United States. Exports and foreign direct investment (FDI) from Japan to the United States are closely linked to the automotive industry.

FDI and trade with the United States are negatively correlated with Japanese consumer goods, on the other hand. It's worth noting this intriguing connection found in another study (De Groot et al., 2004). Many studies have used aggregate data to link trade and FDI.

Additionally, the proposed FDI–trade nexus model takes into account other aspects that impact global trade. The volume of international trade is increasing in all countries and trading blocs. Trefer (1995) argues that global trade is under-performing. In light of the EU's seamless integration with the Middle East and North Africa, new evidence has been provided. Comparatively, there are huge disparities in global trading scale (De Groot et al., 2004). There are many factors that contribute to the poor state of trade in developed countries, according to a United Nations report from 2007. Corruption and other foreign trade barriers may be to blame for Mozilla's "mystery of lost trade." In the past, corruption has been studied (Baier & Bergstrand, 2006). The study of the connection between corruption and economic growth has been divided into two distinct streams, as discussed in the preceding section (Sethi et al., 2020). Corruption is said to be a "grease the wheel" for corporations' bureaucratic wheels. Corruption, according to the "sand in the wheel"

school of thought, is harmful. Poor-quality institutions slow economic growth by increasing costs and inefficiencies. Due to inefficient customs procedures and lengthy border delays, imports have been hindered. In light of this, the void will be filled (Zhao & Lin, 2020). International trade may be hindered or helped by corruption. Using the CPI as a measure of corruption in export and import markets is a common practice. They didn't completely rule out the possibility of internal FDI collection, but they thought it would have little effect on global trade. Real exports were found to be negatively affected by FDI in the long term, but positively affected in the short term (Sethi et al., 2020). FDI inflows into India have also led to an increase in inter-industry trade in the manufacturing sector, according to the report (Burange, Thakur & Kelkar, 2017). FDI commercial activity had a positive and often causal relationship according to other studies. Seilan and Jayachandra are partners in crime (2010). Therefore, the primary goal here is to study the impact of FDI on the region's foreign trade.

There are numerous studies in developed and developing countries around the world that use a variety of methodologies and time periods to produce a variety of findings. The researcher set out to investigate the impact of FDI on foreign trade in ECOWAS countries because there were few studies on the subject.

3.0 Methodology

3.1 Theoretical model

The specific functional form of the model is presented in equation 1;

$$\text{TRD} = f(\text{GDP}, \text{EXP}, \text{EXCH}, \text{FDI}, \text{POP}, \text{IMP}) \quad (1)$$

Where, TRD stands for the Trade to GDP ratio

GDP = Gross Domestic Product

EXP = Volume of exports

EXCH = Exchange rate

FDI = Foreign Direct Investment

POP = Population growth rate

IMP = Import volume

Equation 1 shows that Trade (TRD) is a function of Gross Domestic Product (GDP); Volume of exports (EXP); Exchange rate (EXCH); Foreign Direct Investment (FDI), Population growth rate (POP), and Import Volume (IMP).

3.2 Estimation technique/model specification

This study employs the Autoregressive Distributed Lag (ARDL) bounds testing approach to co-integration in the spirit of Pesaran et al. (2001). Although there are other standard approaches to co-integration, such as Engle-Granger (1987) and Johansen (1988), the ARDL is superior for three reasons. First, it estimates the co-integration relationship within the framework of ordinary least squares (OLS) after selecting the optimal lag for the model. Second, the ARDL technique is not sensitive to the order of integration of the series. Third, the ARDL bounds testing approach to co-integration does not place restrictions on sample size; it is suitable for both small and large sample sizes (Sohag et al., 2015).

The following ARDL model will be estimated to test the co-integration relationship among the variables in the model. The ARDL model, as shown in equation 2.

$$\begin{aligned} \Delta TRD_t = & \gamma_0 + \sum_{i=1}^p \delta_i \Delta TRD_{t-i} + \sum_{j=0}^q \sigma_j \Delta LGDP_{t-j} + \sum_{l=0}^q \partial_l \Delta LEXP_{t-l} + \\ & \sum_{m=0}^q \omega_m \Delta LEXCH_{t-m} + \sum_{n=0}^q \rho_n \Delta LFDI_{t-n} + \sum_{v=0}^q \Omega_k \Delta POP_{t-p} + \sum_{n=0}^q \varphi_r \Delta LIMP_{t-q} + \\ & \gamma_1 TRD_{t-1} + \gamma_2 LGDP_{t-1} + \gamma_3 LEXP_{t-1} + \gamma_4 LEXCH_{t-1} + \gamma_5 LFDI_{t-1} + \gamma_6 POP_{t-1} + \\ & \gamma_7 LIMP + \varepsilon_t \end{aligned} \quad 2$$

Where;

TRD = Trade as a ratio of GDP

GDP = Gross Domestic Product

EXP = Volume of exports

EXCH = Exchange rate

FDI = Foreign Direct Investment

POP = Population growth rate

IMP = Import volume

$\delta, \sigma, \partial, \omega, \rho, \Omega$ and φ short run parameters

$\gamma_1 - \gamma_7$ are the long-run parameters

γ_0 is the drift component

Δ is the difference operator

ε_t is the white noise residual

The application of the ARDL bounds testing approach begins with the estimation of equation 2 through the use of ordinary least squares (OLS) to test for the existence of co-integration among the variables. The null hypothesis of the F-test for joint significance is stated as:

$$H_0: \gamma_1 = \gamma_2 = \gamma_3 = \gamma_4 = \gamma_5 = 0$$

The alternative hypothesis follows the form:

$$H_1: \gamma_1 \neq \gamma_2 \neq \gamma_3 \neq \gamma_4 \neq \gamma_5 \neq 0$$

Pesaran et al. (2001) provided asymptotic upper and lower bound critical values compared with the F-statistic value. First, the null hypothesis of no co-integration is rejected, and the existence of co-integration is proven if the F-statistic is greater than the upper bound critical values. Second, we do not reject the null hypothesis if the F-statistic is smaller than the lower bound crucial values. As a result, we infer that the variables are not co-integrated. Finally, if the F-statistic is between the lower and upper bound critical values, it indicates that the situation is inconclusive. Following the confirmation of a co-integration relationship among the relevant variables, the long-run form of the model is estimated as specified in equation below.

$$\Delta TRD_t = \gamma_0 + \gamma_1 TRD_{t-1} + \gamma_2 LGDP_{t-1} + \gamma_3 LEXP_{t-1} + \gamma_4 LEXCH_{t-1} + \gamma_5 LFDI_{t-1} + \gamma_6 POP_{t-1} + \gamma_7 LIMP + \varepsilon_t \quad \dots\dots\dots (3)$$

Subsequently, the short- run and error correction form of the model is estimated as specified in equation 3. The error correction term determines the speed of adjustment from short-run disequilibrium to long-run equilibrium.

$$\Delta TRD_t = \gamma_0 + \sum_{i=1}^p \delta_i \Delta TRD_{t-i} + \sum_{j=0}^q \sigma_j \Delta LGDP_{t-j} + \sum_{l=0}^q \theta_l \Delta LEXP_{t-l} + \lambda ECT_{t-1} + \sum_{m=0}^q \omega_m \Delta LEXCH_{t-m} + \sum_{n=0}^q \rho_n \Delta LFDI_{t-n} + \sum_{v=0}^q \Omega_k \Delta POP_{t-p} + \sum_{n=0}^q \varphi_r \Delta LIMP_{t-q} + \lambda ECT_{t-1} + \varepsilon_t \quad \dots\dots\dots (4)$$

The study further conducts the post-estimation diagnostic and stability tests to ensure the validity of the coefficient estimates.

3.3 Description of variables and sources of data

The relevant variables in the study include trade-to-GDP ratio, GDP, the volume of exports, real exchange rate, foreign direct Investment, population growth, and import volume. All the variables are in their annual frequencies and based on the World Bank's quarterly bulletin, the United Nations Conference on Trade and Development (UNCTAD), and the International Monetary Fund (IMF).

4.0 Presentation and discussion of results

4.1 Summary Statistics

Table 1: Summary statistics of the variables

	TRADE	POP	EXCH	EXP01	FDI	GDP	IMP
Mean	60.18762	2.679137	995.7160	8.89E+10	9.07E+09	4.64E+14	7.37E+10
Median	58.55186	2.679201	933.1289	8.66E+10	9.52E+09	5.03E+14	8.36E+10
Maximum	68.54777	2.830607	1646.842	1.56E+11	1.84E+10	7.65E+14	1.15E+11
Minimum	54.25975	2.561410	619.1892	2.76E+10	2.00E+09	1.17E+14	1.99E+10
Std. Dev.	4.176438	0.067911	331.8387	4.00E+10	4.61E+09	2.20E+14	3.41E+10
Skewness	0.544248	0.207859	0.631337	0.068625	-0.012512	-0.324381	-0.398537
Kurtosis	2.129867	2.504632	2.096905	2.115832	2.230558	1.648269	1.684101
Jarque-Bera	1.699209	0.365935	2.108684	0.700516	0.518584	1.967059	2.071053
Probability	0.427584	0.832795	0.348422	0.704506	0.771598	0.373989	0.355039
Sum	1263.940	56.26188	20910.04	1.87E+12	1.91E+11	9.74E+15	1.55E+12
Sum Sq. Dev.	348.8527	0.092237	2202338.	3.20E+22	4.24E+20	9.69E+29	2.33E+22
Observations	21	21	21	21	21	21	21

The analysis of the summary statistics takes into consideration the mean, maximum and minimum values as well as skewness, kurtosis, and normality tests. The critical indicators for the summary statistics in terms of the Jarque-Bera test show that all the variables included in the model are expected. Consequently, in terms of skewness, all the variables are closer to zero, which indicates average skewness, and in terms of kurtosis, the variables are closer to three (3), which is mesokurtic. In addition, the distribution of the variables in the model are extended and possess heavy and longer tails which all buttress a normal distribution that is in line with the Jarque-Bera test for normality.

4.2 Unit Root Test Results

The unit root test was used to see if the variables were stationary at the level, at the first difference, or both. Table 2 shows the Augmented Dickey-Fuller (ADF) unit root test findings. The findings show that some variables are stationary at the level, while others are stationary at the first difference, supporting the ARDL bounds testing approach. Because it is not sensitive to sample size, the ARDL bounds testing approach is used instead of an error correction model. It is also superior to the vector error correction model because it is based solely on a single equation estimate.

Table 2: Augmented Dickey-Fuller Unit Root Test

VARIABLES	LEVEL		FIRST DIFFERENCE		ORDER OF INTEGRATION
	Intercept	Trend and intercept	Intercept	Trend and intercept	
LGDP	-2.842890	-0.504270	-2.639732	-4.409935**	I(1)
LEX	-1.869500	-1.020208	-3.397793**	-3.934292**	I(1)
LEXCH	2.154390	-4.482887**	-4.757995***	-5.536016***	I(0)
LFDI	-4.332087***	-1.081153	-4.894617***	-6.446013***	I(0)
TREND	-1.153157	-0.529974	-2.679788*	-2.857379	I(1)
POP	-0.201801	-10.94294***	-6.295110***	-3.939131**	I(0)
M2	1.715375	-2.394986	-2.342786	-2.756336	Drop
LIMP	-1.789771	-1.131097	-3.905246***	-4.166368**	I(1)

LGDP, LEXP, LEXCH, LFDI, TRD, POP, M2, and LIMP represent real GDP, export, exchange rate, foreign direct Investment, trade to GDP ratio, population growth rate, and import, respectively. *** and ** represent 1% and 5% levels of significance, respectively

4.3 Lag Selection Criteria

The optimum lag order is selected by estimating a vector autoregressive (VAR) model. Based on the Schwartz Information Criterion, the optimum lag is 1, as shown in Table 5.4 below. The ARDL model in the current study is estimated using the Schwartz Information Criterion, accounting for an increasing number of regressors.

Table 3: Lag length selection criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-2244.801	NA	1.47e+89	225.1801	225.5286	225.2482
1	-2113.915	157.0634*	5.68e+85*	216.9915*	219.7796*	217.5358*

* indicates the lag order selected

4.4 Bounds test

Table 4 shows the results of the limits test performed on the estimated ARDL model using the Schwartz Information Criterion with optimum lag 1. The outcome demonstrates that the variables in the model are co-integrated. This is the case because the F-statistic value of 8.205813 is more significant than all of the upper bound asymptotic critical values at all significant levels.

Table 4: Bounds test results

Significance	Lower Bound	Upper Bound
10%	1.99	2.94
5%	2.27	3.28
2.5%	2.55	3.61
1%	2.88	3.99
F-statistic = 8.205813		

4.5 ARDL long-run coefficient

Table 5: ARDL long-run coefficients

Dependent variable: TRADE				
Independent Variables	Coefficient	Std. Error	t-Statistic	Prob.
POP	514.3445	1058.878	0.485745	0.6444
LIMP	-509.3787	1005.791	-0.506446	0.6306
LGDP	355.5069	704.2082	0.504832	0.6317
LFDI	9.681230	45.80037	0.211379	0.8396
LEX	209.0231	396.0204	0.527809	0.6166
LEXCH	35.15610	79.24526	0.443637	0.6729
C	-6327.253	12529.22	-0.505000	0.6316

4.6 Co-integration and error correction form of the ARDL model

Table 6: Cointegration and error correction form of the ARDL model

Dependent variable: D(TRADE)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(POP)	-42.84212	6.324627	-6.773858	0.0005
D(LIMP)	-15.13724	1.700236	-8.903027	0.0001
D(LGDP)	-0.896105	2.116518	-0.423386	0.6868
D(LFDI)	3.662553	0.569244	6.434069	0.0007
D(LEXP)	15.82157	1.005182	15.74001	0.0000
D(LEXCH)	11.81906	1.856581	6.366035	0.0007
CointEq(-1)*	-0.058707	0.004923	-11.92619	0.0000
Adjusted R-squared = 0.965923				

In the long-run, foreign direct Investment was found to have a positive and statistically significant impact on the trade-to-GDP ratio, with a coefficient of 3.6626. This means that a one-unit increase in foreign direct Investment will result in a 3.6626 percentage point increase in the trade-to-GDP ratio. Also, the volume of exports which measures revenue inflow for the economy was found to have a positive and statistically significant impact on the trade-to-GDP ratio with a coefficient of 15.8216. An increase in the volume of exports is suggestive of increased revenue, which is expected to increase output growth and the trade-to-GDP ratio in the long run. In addition, the exchange rate was positive and statistically significant, with a coefficient of 11.8191. This shows that a stable exchange rate will foster exports and enhance the international competitiveness of ECOWAS Country's exports to the rest of the world, which will ultimately improve the trade-to-GDP ratio in the long run.

On the other hand, real sector variables were characterized by negative outlooks, and population growth was found to impact the trade-to-GDP ratio negatively, its impact, in terms of coefficient (-42.8421). Consequently, GDP growth was negative but statistically significant with a coefficient of (-0.8961). This shows that in the long run, even though negligible, the growth in output in ECOWAS Countries will lead to a fall in the trade-to-GDP ratio. The increased volume of imports in ECOWAS Countries will negatively impact the trade-to-GDP ratio in the long run. This is logically correct because excessive imports are counter-intuitive to less-developed nations, as more imports into the economy will further worsen its exchange rate, render import-competing firms redundant, a fall in aggregate demand and output growth, as well as the trade-to-GDP ratio in the long run.

Coint= -0.058 is negative and significant of the speed of adjustment parameter, meaning that nearly 6% of disequilibrium is corrected in one quarter.

4.7 Post Estimation Diagnostic tests

The post-estimation diagnostic tests in table 5.8 show that serial correlation, heteroscedasticity, and non-normality are not present. The Ramsey Reset test validates that the model's functional form has been described correctly.

Below are the results of the Breusch-Godfrey Serial Correlation LM Test, the Breusch-Pagan-Godfrey Heteroscedasticity Test, and the Jarque-Bera Normality Test. The test statistic t-statistic = 3.048 in the Breusch-Godfrey Serial Correlation LM test is negligible under the null hypothesis of "no serial correlation," with a p-value of 0.133. The calculated model's residual lags were free of serial correlation. Similarly, the Breusch-Pagan-Godfrey Heteroscedasticity test is run with "homoscedasticity" as the null hypothesis. The residual of the calculated ARDL model is homoscedastic, with a t-statistic of 0.892 and a p-value of 0.598. Finally, under the null hypothesis

of "normality," the Jarque-Bera test for normality in residuals indicates that the estimated model's residual is typically distributed, with Jarque-Bera = 0.990, which is insignificant, and a p-value of 0.609.

Table 5.8 Diagnostic tests

Test	Test type	Test statistic	Probability value
Serial correlation	Breusch-Godfrey LM test	3.047998	0.1328
Heteroscedasticity	Breusch-Pagan-Godfrey	0.891895	0.5977
Normality	Jarque-Bera	0.990496	0.609420

The graphical plots of the CUSUM and CUSUM of squares points, on the other hand, are shown in Figures 1 and 2. While the plotted CUSUM points appear to vary arbitrarily around zero and lie within the control limits of 5% confidence intervals, this is not the case. The CUSUM of squares plots, on the other hand, revealed some flaws since they strayed from the critical lines. This could be because the GDP and trade-to-GDP ratios were both negative, and as a sort of robustness testing, it was able to detect such flaws in the model. The generated model is generally always relatively stable, and the estimated coefficients can be used to make appropriate judgments.

Figure 1: CUSUM Test

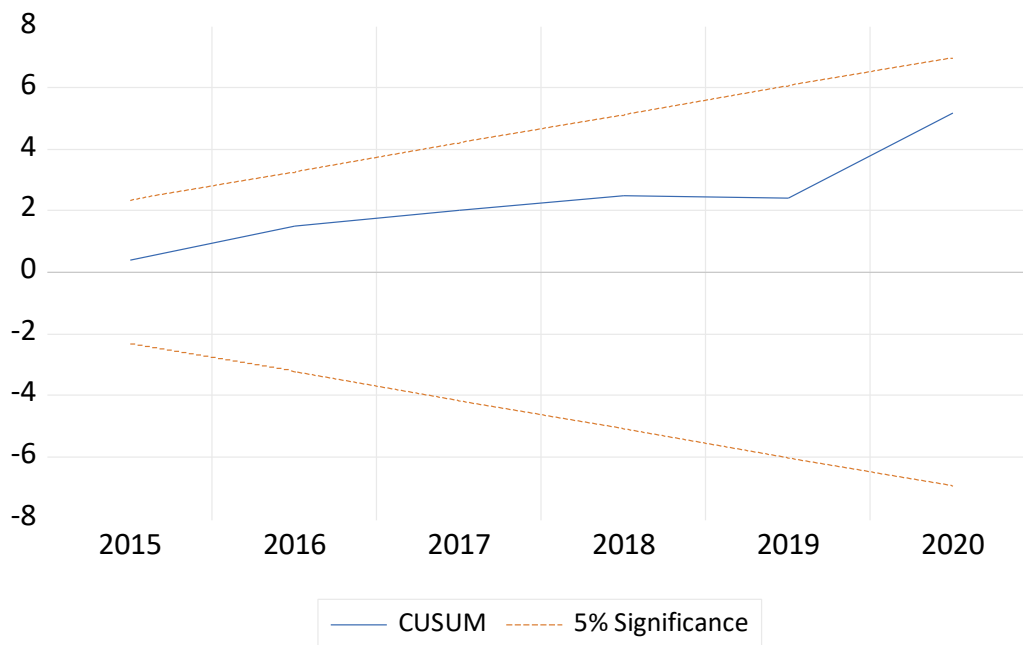
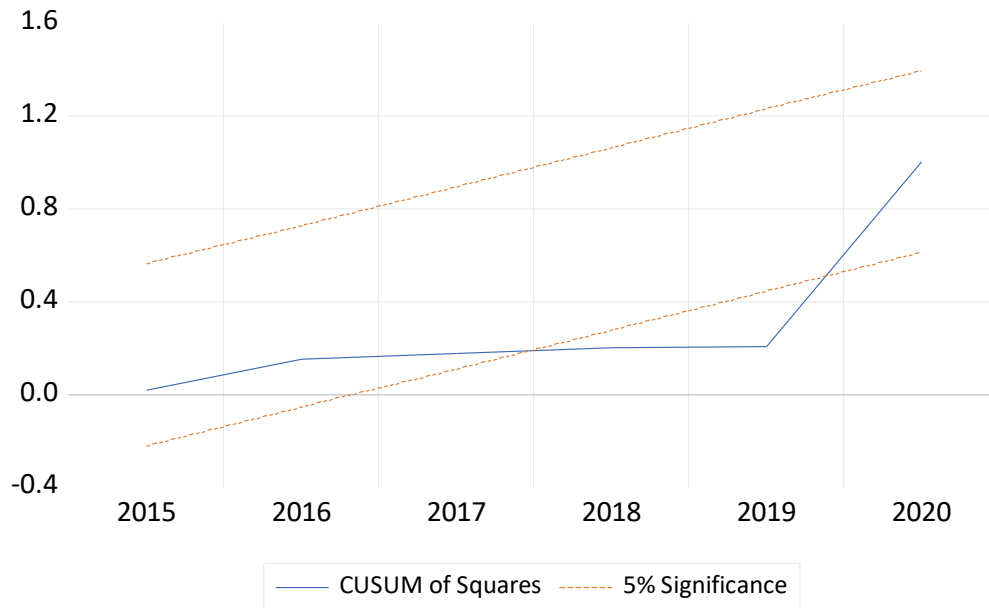


Figure 2: CUSUM Test



5.0 Conclusion and Recommendations

From 2000 to 2020, this study looked into the impact of foreign direct Investment on foreign trade in the ECOWAS area. Several reviews were conducted based on the available literature on the subject.

Based on the findings, the study concluded that foreign direct Investment was positive and statistically significant in ECOWAS countries. Both the amount of export and the exchange rate was found to be positive and statistically significant. However, in the long run, population growth, import volume, and GDP will harm the trade-to-GDP ratio in ECOWAS countries. This is logically correct because excessive imports are counter-intuitive to less developed economies, as more imports into the economy will worsen the exchange rate, render import-competing firms redundant, reduce aggregate demand and output growth, and lower, in the long run, the trade-to-GDP ratio.

As a result, ECOWAS countries should support more significant FDI to reduce imports, which will generate more items for export and prevent more importation, so balancing trade. If FDI with advanced technology is encouraged, the country's exports can be diversified.

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