WORLD TRADING SYSTEM AND INTERNATIONAL FINANCE: FOCUS ON THE CHALLENGES AND INTERVENTIONS IN SUB-SAHARAN AFRICA

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ABSTRACT

This study examined the duo of international finance and trade. It identified the challenges to trade and finance within the sub-Saharan African (SSA) countries. The study used a purely qualitative approach by having a critical review of the bodies of literature on challenges of international trade and finance in sub-Saharan Africa. The reviewed studies revealed the following: Foreign Direct Investment (FDI) impacts economic growth differently based on local conditions and investment climates. Inadequate infrastructure and policy frameworks hinder trade integration, while globalization's effects on financial sector development vary by country. Exchange rate volatility undermines trade and export performance, and regional integration is hindered by existing barriers. Trade openness affects Sub-Saharan Africa's economic growth inconsistently due to diverse economic structures. The study generally highlights the complexities and challenges of international trade and finance in SSA. The policy implications drawn from the study include the need to address infrastructure deficits, policy gaps, and other barriers to enhance trade integration, attract FDI, and foster economic growth. Furthermore, there is a need for further research to understand the nuanced dynamics of these challenges and their implications for effective policy formulations

Keywords: WTO, SSA, world trade system, international finance

1.0 INTRODUCTION

The world trading system and international finance are complex systems that involve the exchange of goods, services, and capital among countries. Both are interdependent elements of one global economic order. The World Trade Organization (WTO) and International

Monetary Fund (IMF) are two key components of a well-developed and stable international trading system. The WTO is the main forum for setting rules on international trade, which has become more stable, transparent and open. One of the major challenges currently facing the global trading system include the rising levels of protectionism or the tendency of countries to put up barriers to trade in order to protect their domestic industries. This can take the form of tariffs, quotas, and other trade barriers that make it more difficult for foreign companies to sell their products in a particular country. Also, the increasing prevalence of digital trade, the need for more effective dispute resolution mechanisms, and the need for greater transparency and fairness in global trade contribute to the challenges on ground. Another challenge facing the world trading system is the issue of trade imbalances, or the unequal exchange of goods and services between countries. This can occur when one country exports more than it imports, resulting in a trade surplus, or when it imports more than it exports, resulting in a trade deficit. However, there are current concerns about the trading system, such as high barriers to fair international competition and rising government support across a range of industrial sectors. (WTO 2021).

Interventions to address this challenge include trade negotiations and agreements, such as the World Trade Organization (WTO), which aim to promote free and fair trade among its member countries. A more modern, comprehensive, and coherent package of trade, domestic and economic policy is needed. Furthermore, governments and international financial organizations have proposed several interventions, such as trade facilitation initiatives, increased cooperation and coordination between nations, and the development of global monitoring and regulatory systems. Additionally, strengthening the global trade finance system and providing access to financial services to developing countries would also help ensure that global markets remain equitable and stable. The exchange rate adjustments could also help to make a country's exports more competitive in the global market, and to promote domestic production and consumption.

In the realm of international finance, a major challenge is the issue of financial instability, which can occur when there are sudden changes in the flow of capital between countries. This can lead to financial crises, such as the global financial crisis of 2008. Interventions to address this challenge include the creation of international financial institutions, such as the International Monetary Fund (IMF), which can provide loans and other forms of assistance to countries experiencing financial difficulties. The role of International Financial Institutions (IFIs) is crucial in achieving development goals. They promote access to funding of adequate size and provide interventions to help countries in situations of fragility or vulnerability.

The growing significance of transnational issues like as pandemics and climate change emphasizes the need for global public goods investments and highlights the special role that multilateral development banks (MDBs) play in bringing people together to find answers. New challenges are emerging in developing countries, and are acute in more fragile countries. In recent years, the challenges of growth and development have amplified, bringing new challenges to light. These include, in particular, the escalation of violent incidents and the growth of international insecurity, the deterioration of joblessness and income loss, hunger and food insecurity, and the quickening of climate change's effects.

The resources needed to limit the reversal of development gains, mitigate the additional risks associated with recent shocks and global crises, and prevent the weakening of the resilience of populations to climate change, are estimated by the Organisation for Economic Co-operation and Development (OECD) (2018) at 4.2 trillion US dollars and remain gargantuan compared to the resources available to fight poverty and ensure sustainable growth. Faced with this alarming situation, which in most cases requires emergency responses, the international financial institutions (IFIs), including the World Bank, are trying to intensify their interventions, diversify the instruments, and initiate new actions. However, these seem to be blocked by the lack of resources and the deterioration of debt indicators.

In addition to the funding envelope expansion, which is still vital, policy adjustments are required at the national and international financial institution levels. To have a decisive effect and produce development outcomes that are irreversibly favourable, however, a major obstacle that must be addressed is the lack of international agreement on the new policies to be put into place. Inadequate public governance and systemic obstacles exacerbate the difficulties experienced by emerging nations, especially those experiencing fragility and vulnerability.

There is a need to pay attention to food insecurity, the negative consequences of climate change, and unemployment. The new policies to be defined must be adapted to the particularities of the countries, preserve global public goods, and address regional challenges. The challenges of fragility, unemployment and migration are closely linked. Concerns relating to migratory phenomena, including for economic reasons, are global in scope and require concerted and coordinated solutions focusing on the issue of refugees. The overall treatment of this phenomenon requires significant support to improve the internal conditions of the countries of origin.

Adopting new tools and more comprehensive efforts is necessary for this process. In order to help developing nations take advantage of current niche markets, like organic markets, we should highlight the following: the development of climate insurance at the national and regional levels, the revision of requirements for access to international credit and goods markets, the sharing of technologies for processing and adding value to primary goods, and the mobilization of private sector financing. These programs will enable the nation's productive machinery to be revitalized and revenue development to be encouraged.

The issue of climate change cannot be dissociated from concerns about maintaining macroeconomic stability. It is therefore important to define and implement instruments for resilience and adaptation to climate change. The Paris Agreement adopted at the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC), clearly establishes the need to increase and direct investments towards a growth trajectory low-carbon and climate-resilient, and to ensure adequate financing for adaptation and building resilience.

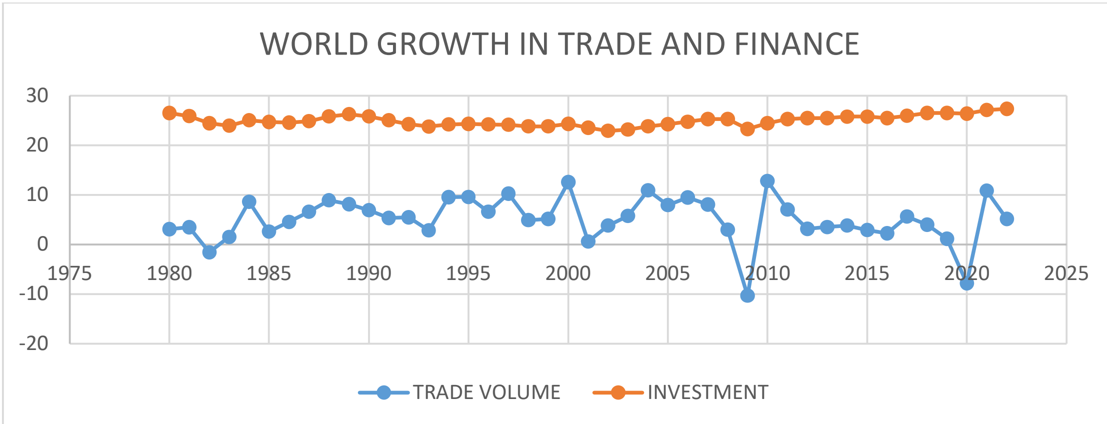
Multilateral financial institutions need to do more to raise financial resources and increase the level of ambition in financing climate action on a global scale in light of these multilateral commitments. It is about assisting nations in obtaining climate money, endorsing creative organizations and programs, and fostering fresh alliances at the regional level. In order to achieve development goals, international financial institutions play a critical role. Access to funds of sufficient scale must be encouraged, and the terms must not be " suffocating for the beneficiaries."

The capacities of developing countries to respond to recurrent crises have been extremely reduced with the worsening of debt situations and the exhaustion of safety valves. While encouraging the efforts already undertaken, substantial financial support is expected. International financial institutions must readapt their instruments and broaden their initiatives.

1.2 TRENDS IN WORLD TRADE AND INVESTMENT

Over the years, trade volumes have witnessed a sudden sharp drop in growth. This has been orchestrated by the changes in the volume of world investment of different countries. Below is the trend. Periods of growth in investments have been followed by growth in world trade. The last two decades witnessed very large investment in information and communication technology resulting in an upward drag of the world trade volume as illustrated in the graphical trend below.

Fig 1: Average Growth in World Trade and Investment Volume



Source: Authors' Computation Using IMF/WDI Annualized World Data.

The World Growth in Trade and Finance tracks the growth in trade volume and investment over a period from 1975 to 2025. Here are some observations from the data series:

> Trade Volume: Trade volume with notable peaks around 1980 and 2020 and troughs near 1990 and 2010. This suggests periods of significant growth in global trade, possibly related to economic booms or increased globalization efforts, and periods of decline, which may correspond to global recessions or other economic downturns.
>
> Investment: There is an upward trend in investment growth over the years. This steady increase could reflect the growing integration of global financial markets and the expansion of investment opportunities worldwide.
>
> Economic Events: The graph captures major economic events. For example, the troughs in trade volume near 1990 and 2010 could be associated with the early 1990s recession and the 2008 financial crisis, respectively. Similarly, the peak around 2020 might be related to a post-recession recovery or other factors boosting trade.

The graph provides a visual representation of the dynamic nature of world trade and finance, highlighting the interconnectedness of global economies and the impact of economic policies and events on trade and investment activities. It underscores the importance of understanding these trends for making informed decisions in policy-making and investment strategies.

2.1 STYLIZED FACTS ON TRADE AND FINANCE IN SUB-SAHARAN AFRICA

Dependency on Commodities: Many SSA economies heavily rely on natural resources such as oil, minerals, and agricultural products for export revenue, exposing them to market volatility influenced by global demand, geopolitical factors, and technological advancements (OPEC, 2021). This over-reliance on oil makes countries like Nigeria vulnerable to significant fiscal and economic impacts due to fluctuations in oil prices (World Bank, 2021). In contrast, Rwanda has diversified its exports beyond commodities, which has boosted its resilience against commodity price shocks and supported sustained economic growth (IMF, 2020).

Currency Volatility: The volatility of SSA currencies has been a subject of research, with studies highlighting its detrimental effects on trade and investment. According to Adam and Tweneboah (2018), currency volatility increases transaction costs and uncertainty, discouraging foreign investment in SSA countries. Furthermore, Ocran (2017) argues that currency volatility undermines macroeconomic stability and hampers efforts to attract foreign direct investment (FDI).

Heavy and Consistent Trade Imbalances: Trade imbalances in SSA have been a source of worry for many scholars. Examining their causes and consequences, Baliamoune-Lutz (2019), contended that structural factors such as low productivity and limited export diversification contribute to persistent trade deficits in SSA countries. Furthermore, Mugano (2020) argued that trade imbalances constrain economic growth and development in the region.

Infrastructure Challenges: The impact of infrastructure challenges on SSA trade has been well-documented. Limao and Venables (2001) explained that inadequate infrastructure increases trade costs and reduces the competitiveness of SSA products in international markets. Another research by Fiorini et al. (2021) highlighted the importance of infrastructure investment for promoting regional integration and enhancing SSA countries' participation in global value chains.

Informal Trade: The significance of informal trade in SSA's economies has been explored by various researchers. According to Oya (2018), the informal sector provides livelihood opportunities for a substantial portion of the population in SSA countries. However, Titeca et al. (2019) highlighted the challenges posed by informal trade, including revenue losses for governments and limited access to formal financial services.

Financial Inclusion: The importance of financial inclusion in SSA has been emphasized by scholars and policymakers. According to Demirgüç-Kunt et al. (2018), expanding access to financial services can foster economic growth and reduce poverty in SSA countries. Furthermore, Beck et al. (2018) argued that mobile money innovations have the potential to promote financial inclusion and enhance SSA countries' participation in formal financial systems.

Foreign Aid Dependency: The role of foreign aid in SSA development has been extensively studied. According to Moyo (2009), excessive reliance on aid can undermine governance and perpetuate dependency in SSA countries. However, Nkurunziza et al. (2017) argued that aid can be effective in promoting sustainable development when coupled with sound policies and governance reforms.

Regional Integration Efforts: The potential benefits of regional integration in SSA have been explored by scholars. According to Brenton et al. (2016), deeper regional integration can enhance market access and stimulate trade and investment in SSA countries. Furthermore, Okafor (2020) argued that regional integration initiatives like the AfCFTA have the potential to promote economic diversification and reduce vulnerability to external shocks.

2.2 Reviews of Empirical Literature On Sub-Saharan Africa Trade And Finance

Different studies related to trade and finance have been carried out both on a global scale and local level. Our interest is in studies related to trade and finance in Sub-Saharan Africa, highlighting the challenges in trade and finance and how they have affected the region. Some of the selected studies are highlighted below.

Anyanwu, J. C. (2012) in his study, Why Does Foreign Direct Investment Go Where it Goes? Evidence from the African Development, using econometric analysis, focused on Foreign Direct Investment (FDI) in SSA countries. The study revealed that FDI inflows positively impact economic growth in SSA, but the effect varies across countries and sectors. He recommended that Policymakers should focus on creating an enabling environment to attract and retain FDI, tailored to each country's specific circumstances. Limited exploration of specific factors influencing FDI inflows in different sectors and countries within SSA remains the study gap.

In "Assessing Regional Integration in Africa VI: Bringing the Continent Closer Together" by Karingi, et al. (2018), the authors examined trade integration progress in the region and concluded that trade integration in SSA remains low due to various barriers including infrastructure and policy gaps. They recommended that greater policy coordination and infrastructure development are crucial for enhancing regional trade and integration, contending that limited exploration of the social and political dimensions affect regional integration efforts in SSA.

Asongu, S. A. (2014) in his work *Globalization and African Financial Sector Development: Evidence from the ARDL Bounds Testing Approach* focused on globalization and financial sector development. The study reveals that globalization impacts African economies differently based on levels of development and financial sector. Based on the study, it was recommended that policymakers should adopt policies tailored to each country's specific circumstances and development stage. However, the study was faulted by scholars for its limited examination of the potential non-linear effects of globalization on financial sector development in SSA.

"Trade Openness and Financial Development in Sub-Saharan Africa: The Role of Institutional Structures" by Abeka et al. (2021) examined the impact of institutional structures on the relationship between trade openness and financial development in Sub-Saharan economies. Empirical data from sampled countries for 1996–2017 were analysed using the system generalized method of moments. The study revealed that trade openness significantly influences financial development positively, but this is enhanced by good institutions.

Ikpesu et al. (2019) in their study on "Growth effect of trade and investment in Sub-Saharan Africa countries: Empirical Insight from Panel Corrected Standard Error (PCSE) Technique", investigated the simultaneous effect of trade and investment on growth in Sub-Saharan Africa (SSA) with institutional control variables. Panel corrected standard error (PCSE) technique was applied to data from 35 SSA countries from 2000 to 2016. Their finding was that Domestic investment and imports positively affect growth, while exports negatively affect growth due to price volatility. Also, a study on Financial development and economic growth in sub-Saharan Africa: A sectoral analysis was carried out by assessing the impact of financial development on economic growth in SSA, with a focus on different economic sectors. Empirical analysis was based on aggregate GDP data. The study suggested that the impact of financial development on growth varies across sectors.

Chuku et al. (2016) in "Exchange Rate Volatility and Non-oil Export Performance in SSA" focussed mainly on exchange rate and export performance, using econometric analysis. The study revealed that exchange rate volatility negatively impacts trade in SSA, leading to reduced investment and economic growth. They recommended implementation of measures to mitigate exchange rate volatility and enhance export competitiveness in SSA countries.

Oyejide, T. A. (2008) in a study using panel data analysis to xray “Regional Integration and Foreign Direct Investment in Sub-Saharan Africa” examined regional integration and FDI in SSA and concluded that regional integration in SSA can enhance trade, but it requires addressing infrastructure and policy challenges. He therefore recommended that effective regional institutions and policies are crucial for attracting and sustaining FDI inflows in SSA.

Essien, U. (2019) examined Trade Openness and Economic Growth in Sub-Saharan Africa, applying the Dynamic Panel Data Analysis to investigate the relationship between trade openness and economic growth in SSA. He concluded that trade openness positively influences economic growth in SSA countries over the long term, but the effect varies across countries. He recommended pursuance of policies that promote trade openness while addressing domestic constraints to maximize its benefits

Baffes and Etienne's (2016) research, outlined in World Bank Policy Research Working Paper No. 7630, scrutinized food price trends in Sub-Saharan Africa (SSA) through the perspectives of Engel's Law and the Prebisch-Singer Hypothesis. Utilizing econometric analysis, they observed a consistent rise in food prices in SSA over time, attributed to factors such as income growth, population dynamics, and global commodity price fluctuations. Their recommendations for policymakers include: bolstering agricultural productivity, enhancing market efficiency, and fortifying social safety nets to alleviate the impact of food price volatility on vulnerable populations. However, the study underscored a research gap: the insufficient exploration of how food price trends affect poverty, nutrition, and food security outcomes in SSA. Addressing this gap could furnish valuable insights for devising more efficacious policies to enhance the well-being of the region's populace

Ackah and Aryeetey (2008) conducted an extensive study titled "Exchange Rate Regimes, Inflation and Growth in Sub-Saharan Africa," analysing the intricate relationship among exchange rate regimes, inflation, and economic growth within the region. Through a blend of econometric analysis and literature review, they explored the impact of different exchange rate regimes on inflation dynamics and economic growth in Sub-Saharan Africa (SSA). Their findings highlighted that flexible exchange rate regimes tend to correlate with lower inflation rates and higher economic growth levels compared to fixed exchange rate regimes in SSA. Consequently, the study recommends policymakers to adopt flexible exchange rate regimes alongside implementing sound monetary policies to foster macroeconomic stability and sustainable economic growth in the region. However, the study identifies a research gap: the insufficient exploration of the transmission channels through which exchange rate regimes influence inflation and growth dynamics in SSA. Addressing this gap could offer valuable insights for crafting more precise and effective policy interventions to bolster the region's economic performance

Baliamoune-Lutz and McGillivray (2009) provide a comprehensive analysis titled "State Fragility: Concept and Measurement" in the *Economics of Peace and Security Journal*. Focused on Sub-Saharan Africa (SSA), the study delved into the complexities of understanding and measuring state fragility. Through conceptual analysis and literature review, the authors elucidated state fragility as a multifaceted phenomenon, incorporating political, economic, social, and institutional dimensions. They emphasize how state fragility poses a significant impediment to economic development and stability in SSA. Advocating the adoption of comprehensive measurement frameworks by researchers and policymakers, the study underscored the importance of nuanced understanding and targeted interventions to address fragility-related challenges. However, a notable research gap identified is the lack of consensus on the operationalization and measurement of state fragility, hindering comparative analysis and policy formulation in SSA. This highlights the necessity for further research to establish standardized approaches for effectively measuring and assessing state fragility.

Delegan and Oyejide (2015) conducted a study to examine the role of trade and finance in structural transformation in Sub-Saharan Africa. Their study used a dynamic general equilibrium model to analyse the relationship between trade, finance, and structural transformation in the region. The study underscores the pivotal role of trade and finance in propelling structural transformation within Sub-Saharan Africa. Emphasizing trade's significance, particularly in nurturing manufacturing sector growth, the authors spotlighted the profound impact of limited financial access on hindering the sector's development, particularly for small and medium-sized enterprises. Additionally, the study identified inadequate investment in critical infrastructure like transportation and communication networks as a substantial impediment to both trade and manufacturing sector expansion across the region. Moreover, human capital development emerges as a linchpin for fostering structural transformation, with education and training pivotal for workforce adaptability to evolving economic landscapes and global integration. The authors advocated trade and finance policies tailored to bolstering structural transformation in Sub-Saharan Africa, stressing the imperative of enhancing financial accessibility, advancing infrastructure investments, and prioritizing human capital development. The study's central findings spotlight the indispensability of effective policy frameworks in driving the desired transformational shifts in the region's economic landscape.

Atuyambe and Kasirye (2016) conducted a study examining the impediments to trade liberalization in Sub-Saharan Africa, employing a mix of qualitative and quantitative methodologies such as literature reviews, case studies, and econometric analysis. They uncovered a range of barriers constraining trade liberalization efforts, including inadequate infrastructure, institutional weaknesses, and a dearth of human capital. The study highlighted the limited capacity of regional firms to capitalize on expanded trade opportunities due to deficiencies in access to finance and technology. Moreover, it identified political apathy and governance deficiencies as further obstacles, leading to disjointed trade policies across the region. Conclusively, the study advocated for a holistic approach to trade liberalization in Sub-Saharan Africa, emphasizing the necessity for infrastructural and human capital investments, institutional strengthening, and governance enhancements to foster sustainable growth and development.

Chanda and Subramanian (2017) conducted a comparative study scrutinizing the dynamics of trade and finance in state-led industrialization in China and Sub-Saharan Africa, employing a blend of qualitative and quantitative methodologies such as literature reviews, case studies, and econometric analysis. Their findings underscored the pivotal role of a robust and proactive government in driving state-led industrialization, particularly in China where effective governance utilized trade and finance policies to bolster the manufacturing sector's growth. Conversely, in Sub-Saharan Africa, weak governance impeded state-led industrialization efforts as trade and finance policies failed to adequately support manufacturing sector expansion. The study identified limited access to finance as a significant barrier in Sub-Saharan Africa, contrasting with China where available finance played a pivotal role in fostering manufacturing growth. Moreover, it emphasized the criticality of human capital investment in China's industrialization success, contrasting with Sub-Saharan Africa's lack thereof. Conclusively, the authors advocated for a comprehensive approach to state-led industrialization in Sub-Saharan Africa, emphasizing the imperative of addressing challenges including human capital investment, institutional strengthening, and governance improvements. This study illuminated the contrasting trajectories of industrialization in China and Sub-Saharan Africa, shedding light on the key challenges hindering industrialization in the latter region.

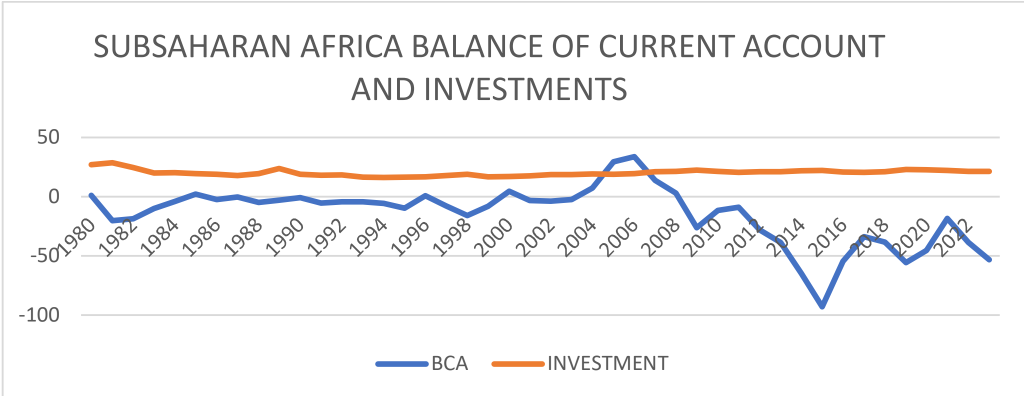
Ncube and Sánchez-Robles (2019) investigated the impact of trade and finance on Sub-Saharan Africa's growth and development using mixed research methods. They found trade and finance vital for the region's advancement, with trade liberalization fostering increased trade, investment, and manufacturing sector growth. However, limited finance access poses a significant barrier. To address these challenges, they recommended supporting SMEs, enhancing finance accessibility, and investing in human capital. The study offered insights into Sub-Saharan Africa's development journey, emphasizing the need for addressing underlying challenges while leveraging growth opportunities.

Teshome (2017) conducted a study to examine the role of foreign direct investment (FDI), trade, and finance in the economic growth and development of Sub-Saharan Africa. The study used a quantitative research approach, including econometric analysis, to examine the data from various sources, including the World Bank, the International Monetary Fund (IMF), and national statistical agencies. Teshome found that FDI, trade, and finance play a significant role in promoting economic growth and development in Sub-Saharan Africa. He also found that FDI has a positive impact on economic growth, as it brings in new technologies, enhances productivity, and creates new jobs. The study also found that trade liberalization has had a positive impact on economic growth, as it has led to increased exports and the expansion of the manufacturing sector. Teshome also found that access to finance is a major constraint to economic growth and development in Sub-Saharan Africa, and that improving financial access is crucial for promoting economic growth. The author concluded that to promote economic growth and development in Sub-Saharan Africa, it is important to address the challenges of access to finance, trade liberalization, and the promotion of FDI. Teshome’s study provides a valuable contribution to the understanding of the role of FDI, trade, and finance in promoting economic growth and development in Sub-Saharan Africa. The study highlighted the importance of addressing the challenges facing the region, and provided valuable insights into the key factors that need to be addressed to promote economic growth and development.

Trade openness and financing in Sub Saharan African countries reveal that investment or financing has added little or nothing to the trade balance as revealed by the annualized line trend below. Two decades before 2000, there was a close to positive correlation between financing, captured by investment and trade activities captured by current account balance of the entire sub region. From year 2000 till date, technology seems to have defined trends in trade and finance. There seems to be a total disconnect between trade balances and investment. See chart below.

2.2 TREND OF TRADE AND FINANCE IN SUB-SAHARAN AFRICAN

Fig 2: Trade and Finance Relation in Sub-Saharan Africa.



Source: Authors' Computation Using IMF/WDI Annualized World Data.

The data series presented in the graph reflects the economic trends of the Balance of Current Account (BCA) and Investments in Sub-Saharan Africa from 1980 to 2020. Here are some observations and comments:

Balance of Current Account (BCA): The BCA, represented by the blue line, mostly remains above zero, indicating a positive balance. This suggests that, for most of the period, the region had a surplus in its current account, which could imply that it was earning more from its exports than it was spending on imports.

Investments: The orange line representing Investments shows more volatility, with values fluctuating around zero. Notably, there is a significant dip into negative territory around 2008, which coincides with the global financial crisis, reflecting the vulnerability of the region to external economic shocks. The subsequent recovery suggests some resilience in the investment climate, although it does not return to pre-crisis levels.

2008 Financial Crisis Impact: The sharp decline in Investments during 2008 is a clear indicator of the adverse effects of the global financial crisis on Sub-Saharan Africa. The crisis likely led to a withdrawal of foreign investment and a slowdown in economic activity, which is reflected in the negative investment values. After the dip in 2008, there is a slight recovery in Investments, but it does not reach the levels seen before the crisis. This could point to a cautious return of investment in the region, with investors possibly still wary of the lingering effects of the financial crisis.

Long-term Trends: Over the long term, the BCA shows a generally positive trend, while investments show no clear trend, indicating inconsistency in the flow of investments into the region. This could be due to a variety of factors, including political instability, changes in commodity prices, or shifts in global investment patterns.

The data series points to the need for Sub-Saharan Africa to enhance its investment climate to attract steady and sustainable investment flows, which are crucial for long-term economic growth and stability. Improving the investment climate could involve addressing policy and infrastructure gaps, strengthening institutions, and creating a more favourable business environment

3.0 TRADE AND FINANCE CHALLENGES WITH SIGNIFICANT IMPACT ON SUB-SAHARAN AFRICA COUNTRIES

The World Trading System faces several challenges, including:

Protectionism: Protectionism, manifested through trade barriers like tariffs and quotas, poses a significant challenge to the global trading system, impeding free and open trade principles. These measures inflate consumer costs, decrease firm competitiveness, and stifle economic growth (World Bank, 2020). Moreover, protectionism fuels trade tensions and disputes among nations, fostering retaliatory cycles detrimental to global economic stability (International Monetary Fund [IMF], 2019). Addressing this challenge necessitates adherence to transparent and cooperative trade policies facilitated by institutions like the World Trade Organization (WTO), which advocate for resolving disputes and ensuring fair trade practices (WTO, n.d.).

Lack of Consensus: The World Trade Organization's (WTO) consensus-based decision-making process presents a formidable challenge, hindering the swift negotiation and implementation of trade agreements (WTO, n.d.). Divergent economic interests among member countries complicate consensus-building efforts, delaying progress in vital trade reforms (World Bank, 2020). Factors such as varying economic development levels and conflicting national priorities contribute to this challenge, necessitating sustained dialogue and cooperation facilitated by organizations like the WTO to overcome barriers to consensus (IMF, 2019).

Developing Countries: Disparities in economic development levels between nations pose a significant challenge to the world trading system, creating unequal trade relationships favouring developed nations (IMF, 2019). Developing countries often face limited market access and price disadvantages, constraining their growth prospects and exacerbating poverty (World Bank, 2020). Addressing this challenge entails promoting fair trade policies and providing technical assistance to bolster the participation of developing nations in global trade.

Environmental and Labour Standards: The absence of robust environmental and labour standards in global trade regulations presents a critical challenge, risking exploitation of workers and environmental degradation (IMF, 2019). Inconsistent enforcement of these standards across countries exacerbates disparities, necessitating concerted efforts to promote sustainable and equitable trade practices (World Bank, 2020). Upholding stringent standards in trade agreements and fostering international cooperation are imperative to mitigating adverse impacts on workers and the environment.

Technological Change: Rapid technological advancements, including automation and digitalization, pose a significant challenge to the existing rules and regulations of the world trading system (IMF, 2019). While these innovations offer growth opportunities, they also disrupt traditional industries and contribute to job displacement (World Bank, 2020). Addressing this challenge requires adaptive policies that foster innovation while safeguarding workers and the environment.

Rise of New Economic Powers: The ascent of new economic powers like China and India alters the global economic landscape, reshaping trade dynamics and challenging traditional economic powers (IMF, 2019). This transition introduces complexities in trade relationships and competition for resources, necessitating inclusive trade policies to promote global economic stability (World Bank, 2020). Fostering cooperation between emerging and established powers is crucial to navigating this evolving trade landscape.

Inclusion of Services and Digital Trade: The exclusion of services and digital trade from global trade regulations poses a significant challenge, given the growing importance of these sectors in the global economy (IMF, 2019). While services and digital trade drive economic growth, ensuring their inclusivity and regulatory alignment remains a challenge (World Bank, 2020). Integrating these sectors into trade regulations and fostering accessibility for all countries are essential steps toward harnessing their full potential in global trade.

3.1 SUMMARY OF THE REVIEWED WORK

The relationship between the scope, methodology, findings, and recommendations of the studies on trade and finance in Sub-Saharan Africa (SSA) can be summarized as follows:

The studies collectively cover a broad range of factors affecting trade and finance in SSA, including Foreign Direct Investment (FDI), regional integration, globalization, institutional structures, and exchange rate volatility. Each study focuses on different aspects but together they provide a comprehensive overview of the challenges and opportunities in SSA's economic landscape.

The methodologies employed across these studies include econometric analysis, the ARDL Bounds Testing Approach, the system generalized method of moments, and the panel corrected standard error (PCSE) technique. These varied methodologies reflect the complexity of the economic phenomena under investigation and the need for robust statistical tools to analyse the data.

The findings reveal that FDI inflows, trade openness, and domestic investment generally have a positive impact on economic growth in SSA. However, this growth is affected by factors such as the level of development, financial sector maturity, institutional quality, and exchange rate volatility. The studies highlight the heterogeneity within SSA, indicating that the effects of these economic variables can vary significantly across different countries and sectors.

The recommendations from these studies converge on the need for tailored policy interventions. Policymakers are advised to create an enabling environment for FDI, enhance policy coordination and infrastructure development for trade integration, adopt country-specific policies in response to globalization, improve institutional quality to leverage trade openness, and implement measures to mitigate exchange rate volatility. These recommendations underscore the importance of context-specific strategies to address the unique challenges faced by SSA economies.

In essence, while the studies differ in their specific focus and methodologies, they collectively underscore the importance of a conducive environment for investment and trade, supported by strong institutions and policies, to foster economic growth in SSA. The gap often lies in the limited exploration of certain dimensions, such as the non-linear effects of globalization or the specific factors influencing FDI inflows, which points to areas for future research.

4.0 SUMMARY, FINDINGS, AND CONCLUSIONS

Numerous studies and empirical literature reviews have examined various aspects of international trade and finance in Sub-Saharan Africa (SSA). These studies shed light on the challenges facing SSA's economies, policy implications, and areas requiring further research.

4.1 **Challenges:**

1. Foreign Direct Investment (FDI): Variability in the impact of FDI on economic growth across SSA countries and sectors.
2. Trade Integration: Low levels of trade integration due to infrastructure and policy gaps.
3. Financial Sector Development: Differentiated impacts of globalization on financial sector development based on countries' characteristics.
4. Exchange Rate Volatility: Negative impact of exchange rate volatility on trade and export performance.
5. Regional Integration: Need to address infrastructure and policy challenges to maximize the benefits of regional integration.
6. Trade Openness: Variability in the effects of trade openness on economic growth across SSA countries.
7. Food Price Trends: Rising food prices affecting vulnerable populations, with insufficient exploration of their implications.
8. Exchange Rate Regimes: Limited understanding of transmission channels influencing inflation and growth dynamics.
9. State Fragility: Lack of consensus on measuring state fragility, hindering policy formulation and comparative analysis.

4.2 **Policy Implications:**

1. Create enabling environments to attract and retain FDI tailored to each country's circumstances.
2. Enhance policy coordination and infrastructure development to promote trade integration.

3. Adopt policies tailored to each country's specific circumstances and development stage in response to globalization.
4. Implement measures to mitigate exchange rate volatility and enhance export competitiveness.
5. Address infrastructure and policy challenges to enhance regional integration.
6. Pursue policies that promote trade openness while addressing domestic constraints.
7. Bolster agricultural productivity, enhance market efficiency, and fortify social safety nets to mitigate food price volatility.
8. Adopt flexible exchange rate regimes alongside sound monetary policies to foster macroeconomic stability.
9. Develop comprehensive measurement frameworks to understand and address state fragility effectively.

4.3 Conclusion:

This study highlights the complexities and challenges of international trade and finance in SSA. Policymakers need to address infrastructure deficits, policy gaps, and other barriers to enhance trade integration, attract FDI, and foster economic growth. Furthermore, there is a need for further research to understand the nuanced dynamics of these challenges and their implications for policy formulation effectively.

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