Assessing the Role of Trade Liberalization in Facilitating Trade Flows and Economic Expansion: Evidence from ECOWAS Countries

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Assessing the Role of Trade Liberalization in Facilitating Trade Flows and Economic Expansion: Evidence from ECOWAS Countries

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Introduction

Economic development is known to be stimulated trade liberalization due to its effect resulting from the integration of the global economies and creating more enhanced markets. Globalization which is gradually enhancing more interconnectedness in regions and sub-regions globally improves free movement of trade, capital, financial activities, and information to boost economic advancement on the whole (Igudia 2004; Obadan 2004; Uwatt 2004). Globally, the merchandise trade increased in 2017 to 4.7%, from 1.8% in 2016. Africa also was not left out in growth trend, as Africa's trade rose to 10.6% in 2017, with the value of US$907.64 billion from US$820.76 billion in 2016 (ATP 2018). The African Continental Free Trade Area Agreement (AfCFTA) has the capability to improve the competence of African corporations. The required operational upgrade could as well accompany the operation of the policy as the proficiency and technological value of the export of the African countries are enhanced. For instance, 43% of merchandise traded in Africa are manufactured

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goods. Also, the technological value of trade within the African continent is greater than the trade of Africa with the remaining part of the globe (UNCTAD 2018).

Developing economies are quite unable to assimilate liberalization as ought in their economic and development programs, and this does not enable them to fully partake of the gains of liberalization and the global economy at large. Hence, several regions and sub-regions of the world came up with regional economic group such as the Organization of Economic Cooperation and Development (OECD), European Union (EU), and Organization of Petroleum Exporting Countries (OPEC), specifically aiming at coordinating trade strategies so as to earn economies of scale benefits. Therefore, the West African countries assembled together under the Economic Community of West African States (ECOWAS) body, to make the most of their endowment so as to realize the gains of trade openness (Osabuohien 2007).

The required need to promote formal trade within the ECOWAS region and the salient gains this will have cannot be overemphasized, essentially in the area of security of food as well as protection from international price volatility. The prominence of this factor was noted as a major challenge preceding the introduction of control on export by main global producers of rice at the inception of the global economic crisis from the year 2007 to 2008, which resulted into an over 300% rise in the price of rice globally. An assessment done by the OECD on the ensuing food crisis of 2008 in the ECOWAS region determines that, majority of countries in the region possess fertile land for the farming of rice, and however, the associated cost of production and sales results into small amount of production of rice. Due to this fact, the results showed that the ECOWAS region depends on inter-regional imports for about 40% of its source of rice. The region's trade core has thereby recognized worthy sequence of expectations, principally for primary food crop like cereals, as a basic element of its tactic to enhancing trade activities in the region. In 2017, the Trade Liberalization Scheme of ECOWAS (ETLS) focused on the Commission's paramount obligation to attain economic integration in the region by improving trade within the region amidits allies.

Though ECOWAS aspires to create regions without boundaries, where the residents could have the opportunity to its enormous natural deposits and the ability to utilize these resources to create prospects for a viable region, however, the only thing that ECOWAS has managed to produce is rather an integration of the region. This enhanced the ability of the people to have access to move freely, as well as to attain competent educational and health schemes and employ economic and viable activities, while there are harmony and serenity in the region. This explains the execution of salient and tactical schemes which could strengthen the interrelation and gradually eradicate the foreseen hurdles to the realization of total integration. Significant steps have been made over the years, in coordinating macroeconomic strategies as well as the advancement of the private sector in order to achieve economic integration.

In spite of the geographical and social influences, the countries in the ECOWAS region are objectively diverse in their economic characteristics. The core of the region's economic activities is Nigeria, having a Gross Domestic Product of $522.8 billion in 2013, which was 900% greater than the gross domestic product of the country that ranked next in size, Ghana. Cabo Verde had the highest per capita GDP

at $3767 followed by Nigeria, with above $3000. The least gross domestic product for the region was from Gambia numerically, as well as the country with the population that was third least. The country with the least per capita GDP was Niger, a non-coastal country, with its total value at $415. Therefore, in contemplation of minimal range of development economically in West Africa, the aid of development stages in the region are much, for all countries in the ECOWAS region save Cabo Verde (ECOWAS External Trade Statistics 2009).

The export volume for the countries in the region increased by 260% subsequent from 2000, that is, in 2000, from a value of $34.5 billion to about $124 billion in the year 2014. Considering the said value, the portion of the exports that is ECOWAS channelled to other allies in the ECOWAS region has remained reasonably stable at around 7–11% of the overall export value. In 2016, ECOWAS inter-regional trade was 10.6% while trade with the rest of the world was 89.4%. Inter-regional export and import was 9.4%, whereas export and import with the rest of the world was 90.6% (UNCTAD 2018). Nevertheless, the trend and value of trade without the region has been substantially altered. For the region, both exports and imports for Asia, China (East Asia) in particular and for (South Asia) India, increased considerably whereas the portion of ECOWAS North American trade, to the USA precisely, was on the decline. The East Asian exports, for instance, included lower than 5% of the entire ECOWAS exports in 2000, whereas in 2014, it explained greater than 17% of the ECOWAS region. Conversely, for export in the region, about 35% was directed towards the USA in 2000, though there was a change in quite a lot of economic indicators, including a decline of the US demand for imported petroleum, which resulted into a further decline to 4% in 2014.

The degree of intra-regional trade for the ECOWAS region remains is still rather minimal, in spite of exertions to minimize the obstacles to trade amid West African allies. In 2014, not quite 10% of the total exports emanating from ECOWAS countries were directed to its ECOWAS allies. Nonetheless, there exists a great margin in the proportion for each economy's exports that was directed to ECOWAS allies. Nigeria, for instance, had the greatest worth of export to ECOWAS countries, which was greater than $5 billion. However, Nigeria's export to ECOWAS encompassed less than 6% of the nation's entire exports. That very year, exports from countries like Togo, Niger and Senegal accounted for barely 3% of the entire ECOWAS exports, even though every economy depended on ECOWAS allies for minimum 40% of their exports. Hence, though trade without the ECOWAS region does not instantly show as an essential necessity for the economic well-being of the region altogether, as certain economies depend on ECOWAS allies for a great proportion of their trade.

It is essential to take note that trade that is not accounted for in the form of informal cross-border trade (ICBT) is prevalent in West Africa, resulting into a high degree of unaccounted approved trade data, especially for trade without the region. Facts from the African Development Bank (AfDB) shows that ICBT for the ECOWAS region stands at the range between 20% for the Nigerian GDP and 75% for the Benin GDP. The annual percentage of real GDP for Benin was 2.1 in 2015 and 5.4 in 2017, while for Burkina Faso it was 4.03 in 2015 and 6.38 in 2017. For Cote d'ivoire, the real GDP was 1.24 for 2015 and 1.00 in 2017, Ghana had 9.01 in 2015 and a whopping 16.31

in 2017, whereas for Nigeria, 7.5 in 2015 and 11.80 in 2017. Concerns regarding control aggravate the subject of informal trade; whereas circumstances that pertain to unethical prosecution process for regulations and trade cliques portend impairment to formal trade. Hence, as the approved amounts of trade within the regional seem rather insignificant, a substantial volume of trade amid ECOWAS nations is persistently unaccountable in the records (The ECOWAS External Trade Statistics 2009).

This research work examined the extent to which trade liberalization exert on ECOWAS' members economies. The work will test the hypothesis: Trade liberalization has no significant effect on economic development of ECOWAS countries. The hypothesis will be tested with the use of pooled ordinary least square baseline regression, generalized least square, fixed and random effect model estimation techniques for 14 countries within the period 2000–2017.

Literature Review

Trade Liberalization is simply referred to removal or reduction of barriers to trade, liberalized external capital flows, and diffusion of technology and international migration of labour. It covers decontrol—the elimination of non-tariff measures—as well as policies that shift the trade regime towards neutrality—a reduction in the bias towards a particular activity, especially the production of import substitutes. Liberalization to trade is a vital element of economic liberalization, and this is hinged on the fact that trade liberalization involves the reduction of barriers to associated with trade, which includes barriers in form of tariffs and non-tariff, internal restrictions, such as directed credit and preferential purchasing (Matthew 2013). Again, trade liberalization is a mechanism used for measuring the rate of export promotion which involves the transfer of resources from import substitution to promote export. This is also comprises of the degree at which countries open to trade, the rate at which countries enhances th import and its export in the income of such countries as well as changing the structure of incentives and institutional framework (Mwaba 2000).

Liberalization to trade is a large scope which is made of the effect of exact policies to liberalization; these liberalization policies include inflow of foreign capital, reducing the rate of tariffs among other factors that constitute trade liberalization. Following the study of Chaudhuri et al. (2006) which was conducted to the impact of liberalization to trade and some major programmes that constitute expenditure on households welfare and the rate of labour force in developing countries in terms of a three-sector Harris–Todaro kind general equilibrium model. Also, the empirical work of Yabuuchi and Mukhopadhayay (2006) posited that there exists inflexibility in terms of wage rate in the urban sectors; this wage rigidity which result in instantaneous existence of open unemployment and an urban informal sector in the migration equilibrium.

The problem associated with liberalization to trade has brought about three various schools of thought which argued on the nature of trade liberalization. These three schools of thought are examined; thus, the first school of thought is the advocate of

liberalization to (pro-trade liberalizationist), which are of the opinion that it is the best thing that could happen to this world. It has brought about a lot of benefits to the entire world. These benefits include access to modern technologies that are not available domestically, exchange of fruitful ideas, access to goods and services at relatively cheaper rates compared to the domestic economy, and it encourages specialization and competitiveness, enhances modernization, access to latest information and frontier of knowledge. The school argues that all these put together would enhance the economic activities in any country and thereby accelerate economic growth and development.

The second school of thought (anti-trade liberalizationist) believes that its advent has actually led to a more problem than good to various countries. This is because, the school of thought is of the opinion that liberalization to trade leads dumping of goods and services in countries which have no competitive power in the market, especially developing countries. It is also observed that it poses constraints to goods and services which are produced locally, bearing in mind that about 60% of goods produced by developing countries may not have the potential to compete favourably with goods produced by developed countries.

Given the fact that developing countries have limited potential to compete, this causes domestic organizations are in most cases crowding out in business, which in turn leads to massive layoff and thus, the rate of employment significantly declines in such countries. The third school of thought argued that trade liberalization may exert a positive or adverse impact on depending on the nature of strategy adopted by a given country to tacked of such issue. The school of thought is of the opinion that is based on the fact that while some countries have benefited from trade, others do not benefit from it. Similarly, the Asian Tigers gained due to their effective strategy to trade. But, in developing countries, the same thing is not experiences given the fact that most of the organizations which are locally based lack trade protection, which causes crowding-out of business as a result of international competition which in turn leads to diminish the rate of economic growth in such countries

According to Acha and Ukpong (2012), the development of an economy is made up of the procedure and programmes and where by a country enhances the economic, policies, and programmes which countries of the globe adopt to improve technological, scientific, cultural, and human capacity development of their citizenry. According to Blattnery et al. (2001), economic development has been noted since the Second World War (WWII) to involve economic growth, comprising of the improvement in income per capita, and improve the living standard of the people to match with the developed countries. Economic development can also be seen as astatic theory that documents the state of an economy at a certain time. Accordingly, the bottom line of economic development is hinged on prosperity building and living standard. The fact about economic development concept is that, the world lives and operates in a worldwide economy. Worldwide economy (commerce) means that in American (and indeed other parts of the globe) business must operate and corporate globally.

The underlying assumptions are that countries must think rationally, avoid isolationist practices, and build strong economic platforms for growth and emancipation. Thinking and acting regionally should be the key fundamental point of departure

for economic development needs and goals; the same remains the focal point of this paper on trade liberalization in ECOWAS sub-region; its implication for economic development. Economic development is the long-term process of building a number of interdependent microeconomic capabilities and incentives to support more advanced forms of competition. These capabilities and incentives include the nature and extent of inputs required by the firms to produce goods or services; the rules, incentives and norms governing the type and intensity of local rivalry; the quality of demand for local services; and the extent and quality of local suppliers and related industries.

ECOWAS sub-region mission is made up of the following: regional trade promoting and economic integration via the creation of an economic and monetary union for promoting economic growth of member countries (Johnson 2003). The region mission also focuses on the promotion of the socio-economic and cultural activities among member states with the aim of improving the standard of living of the people, attainment of stability in the economy, enhancing cooperation among member states, and contributing to the overall development of the region in. However, ECOWAS has witnessed some draw back in the quest to achieve its goals. These range from political instability and violence, dearth of good governance in some member states, problem of national economies diversification; the inadequacy of reliable infrastructures, language differences between members, and difficulties in handling crises—especially those arising from religious and ethnic dispositions (Obadan 2003; CBN 2005).

A study carried out by Sachs and Warner (1997) posited that countries that engage trade openness witness significant economic development of 4.5% yearly in the late 1970s and the early 1980s. On the other hand, countries who are not open to trade experienced low growth rate of approximately 0.7% annually. Following the study of Sachs and Warner (1997) on binary measure of trade openness, the empirical study of Hoeffler (2002) affirmed that trade openness had significant and positive effect on economic growth of countries through improving the rate of investment stock. In a similar study, Ndiyo and Ebong (2004) conducted a study engaging the vector autoregressive (VAR) model in examining the dynamic effect openness to trade, foreign direct investment (FDI), and other macroeconomic factors on economic growth, and the study found and concluded that an adverse effect of openness to trade, volatility associated with exchange rate, fiscal deficit, average world prices and unfavourable balance of payments impact negatively on economic growth in Nigeria.

However, it is a widely known fact that the more a country is open to trade, the better inflow of FDI from developed countries to their developing fellows. Similarly, it has been observed that that the latter (especially ECOWAS members) have not been able to fully position their economies to align with the investment components in accelerating the desired economic growth of the region (Igudia 2004). This failure of alignment has been seen as to result from the inability of ECOWAS member countries to propound investment-driven programmes, political and social unrest, reliance on primary commodities to promote export, institutional and structural insufficiency, and inadequate infrastructural base (Fosu 1996; Obadan 2004; Aluko 2004; Osabuohien 2007). An empirical study conducted by Alege and Ogun

(2005) exploring the nexus between trade openness and industrialization by instigating the effect of difference indicators of globalization which include the rate of openness to trade, trade volume, FDI inflows and efficient innovation with respect to technology on aggregate manufacturing production in Nigeria. The study posited that trade openness, trade volume and increased information communication technologies (ICTs) have a positive impact on manufacturing output. The above is akin to the study of Akinlo's (2003) which concluded that using growth rate of export and FDI as proxy for degree of openness, that a 1%-point growth in exports increases stock market by 0.19% point in Sub-Saharan African economies.

Baliamoune-Lutz and Ndikumana (2007) in their study examined the growth effects of trade liberalization and the role of institutions in 39 African countries between 1975 and 2001 using pooled data. The result of their study showed that at high levels of trade, the quality of institutions plays a key role in the transmission of trade gains into growth. According to Mwaba (2000), he examined the impact of trade liberalization on economic growth in Africa using descriptive analysis. He found out that Africa has maintained the highest import barriers through tariffs and quantitative restrictions among the developing countries. Thus, measures should be embarked on to increase the competitiveness of their products.

Methodological Approach

The Empirical Model

This study formulates its empirical model by building on Matthew (2013) model on the examination of trade liberalization, institutions with emphasis on economic growth. The model proposed by Matthew (2013) was focused on the examination of the interaction effect of trade liberalization and institution on economic growth which verified if in effect, trade liberalization will affect economic growth more when we have economic, political or cultural institutions. This study differs from the model of Matthew (2013) by the examination of the effect of trade liberalization on economic development (beyond economic growth dimension) in ECOWAS. Hence, the empirical model expresses the components of economic development as trade to GDP ratio, government expenditure, tariff, infrastructure, domestic investment and foreign direct investment.

The implicit form of the empirical model is stated as follows:

$$Y = f(\text{TAR, FDI, DOM, GOVEX, TRADE, INFR}) \tag{1}$$

The explicit form of the model is given as:

$$Y_{it} = \alpha_0 + \alpha_1 \text{TAR}_{it} + \alpha_2 \text{FDI}_{it} + \alpha_3 \text{DOM}_{it}$$
$$+ \alpha_4 \text{GOVEX}_{it} + \alpha_5 \text{TRADE}_{it} + \alpha_6 \text{INFR}_{it} + \mu_{it}. \tag{2}$$

The variables are transformed by taking the natural log and the result is seen in Eq. (3). The error term is hypothesized to be purely random while the parameters are hypothesized as follows: α_0, α_2, α_3, α_4 and α_6 as positive values while α_1 and α_5 are hypothesized as negative.

$$Y_{it} = \alpha_0 + \alpha_1 \text{tar}_{it} + \alpha_2 \text{fdi}_{it} + \alpha_3 \text{dom}_{it} + \alpha_4 \text{govex}_{it} + \alpha_5 \text{trade}_{it} + \alpha_6 \text{infr}_{it} + \mu_{it}. \tag{3}$$

where 'Y_{it}' represents human development index which is a proxy for economic development of country 'i' at time 't' as used in Ejemeyovwi and Osabuohien (2018) to proxy inclusive growth (economic development beyond growth), 'tar_{it}' stands for tariffs which is used as the trade liberalization variable whereby, the reduction or total removal implies the liberalization of trade; 'fdi$_{it}$' represents foreign direct investment; 'trade$_{it}$' stands for trade to GDP ratio; 'infr' represents infrastructure; 'dom$_{it}$' represents domestic investment; and 'govex'' represents government expenditure.

Method of Analysis

The study utilizes four econometric techniques of estimation for the attainment of the study's objective. The selected techniques include the pooled ordinary least squares (POLS), generalized least squares (GLS), the random effect model (REM), fixed effect model (FEM) as well as the Sargan and Hansen Chi-square test. The pooled OLS method pools together the panel data set neglecting the cross-sectional and time series nature, hence getting a grand regression (Matthew 2013). The pooled OLS is utilized as a baseline estimation technique.

The generalized least squares technique caters to the possible heterogeneity issues in the data set given the panel nature of the data set. The fixed effect model (FEM) regression assumes that each individual unit has its own intercept, and the coefficient of the regressors vary across countries or overtime, hence implying that the explanatory variables and error term are correlated. The random effect model (REM), on the other hand, assumes that the intercept values are random drawing from a much bigger population of observations and have a common mean value for the intercept, hence assuming that the explanatory variables and error terms are uncorrelated. The Sargan and Hansen Chi-square test is a perfect substitute to the popular Hausman test and is utilized to determine the most appropriate model regression between the REM and the FEM given the data set (Gujarati and Porter 2009; Matthew 2013).

Data and Data Sources

The data utilized by this study encompasses data from fourteen countries that form the ECOWAS region, and the data covers the period 2000–2017. ECOWAS consists

Table 1 Variables' definition and source of data

Data	Identifier	Data source	Measurement
Economic development (human development index)	hdi	UNDP, 2018	a, b, c, d
Trade to gross domestic product (GDP)	trade	WDI, 2018	Per cent
Tariff	tar	WDI, 2018	Per cent
Foreign direct investment	fdi	WDI, 2018	Percentage (%) of GDP
Domestic investment	dom	WDI, 2018	Percentage (%) of GDP
Infrastructure	infr	WDI, 2016	Access to electricity; Percentage (%) of population
Government expenditure	govex	WDI, 2018	Percentage (%) of GDP

Note a = life expectancy at birth (to assess a long and healthy life); b = adult literacy (percentage of the population aged over 15 years who can read and write); c = educational enrolment rates (percentage of population in the relevant age cohort enrolled in primary, secondary, and tertiary education); and d = gross domestic product (GDP) per capita (to assess standard of living)
Source Compiled by the Authors', 2019

of fifteen countries of the West African region. The countries are Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Nigeria, Sierra Leone, Senegal and Togo. The variables' identifiers, indicators, data sources and unit of measurement of the utilized data are presented in Table 1

Results and Discussions

The results for the baseline regression (pooled ordinary least squares), generalized least squares, fixed and random effect model (FEM and REM) estimation techniques utilized by the study are presented in this section. The section commences by the display of the results of the Sargan and Hansen which recommends the most appropriate model regression between the REM and the FEM. The rule of thumb for deciding the most appropriate model (between the REM and FEM) states that: given that the FEM was run first before the REM, if the Chi-Square probability value of the test is less than 0.05, the FEM is most appropriate and if the Chi-Square probability value is greater than 0.05, the REM is most appropriate for interpretation and policy recommendation. Table 2 shows the Hausman test result.

Worthy of note that FEM is necessary if a study is aimed to examine the effect of variables that are dynamic overtime for which there may be particular characteristics of the individual or entity (in this case country) that may impact or bias the predictor or outcome variables and hence a control will be needed for these fixed effects. This motivates the assumption of the correlation between the country's own error term and its independent (predictor) variables. FEM removes the time-invariant characteristics unique to the individual captured in the constant.

Table 2 Sargan and Hansen statistic test result

$\chi^2(4)$: 8.17	
Prob Value: 0.23	
Decision Rule	
Fixed Effect	**Random Effect**
Reject	Accept

Source Computed by the Authors', 2019

On the other hand, the random effect model (REM) was observed to be suitable if the variation across entities is assumed to be random and uncorrelated with the predictor (independent) but error term of an entity is correlated with the dependent variable In sum, the use of the FEM signifies the presence of individual-specific fixed effects which could affect the result if not taken care of during the estimation process while the choice of the REM indicates the absence of a correlation between the predictors and error term which allows for time-invariant variables to play a role as explanatory variables (Greene 2008; Osuma et al. 2018). The probability value of the Sargan and Hansen Chi-square test recommends the interpretation of the random effect result given that it is statistically insignificant (greater than 0.05).

Table 3 reports the empirical results of the study and the general interpretation show that the number of observations utilized for the study was 124 observations. The number of groups present within the data set was fourteen (14) while the R-squared for all the analyses were valued within the acceptable range (0.01–0.5] which indicates an acceptable goodness of fit (coefficient of determination). The F-statistics and its probability value that show the overall significance of the model and given that the probability value is close to '0.000' and more importantly less than 0.05, it implies a good overall fit of the model. The Wald test also indicates a similar overall model fit like the F-statistics and given that the values are not equal to zero, it is also acceptable. The correlation between the error term and independent variables show a negative correlation for the fixed effect model technique which indicates presence of time-invariant characteristics unique to the countries captured in the constant while the correlation between the error term and independent variables for the random effect model technique report the zero.

In terms of the variable-specific results, the major variable of interest for trade liberalization, tariff, firstly indicates statistically significant result for the pooled OLS while for the GLS, FEM and REM, statistically insignificant values were observed. This is shown by the probability values of the coefficient of Tariff for which the decision rule for the probability values (*p*-value) state that the *p*-value for should be less than 0.01 for statistical significance at 1% level, 0.05 for statistical significance at 5% level and less than 0.10 for statistical significance at 10% level of significance This economically implies that for Economic Community of West African States (ECOWAS) member countries, an increase in the tariff for importation may likely not affect economic development significantly. The result goes against 'apriori' expectation which states that a significant relationship is expected and furthermore, an increase in the trade liberalization (a decrease or complete removal of tariffs) will

Table 3 Econometric results (dependent variable: economic development)

Predictor variables	POLS	GLS	FEM	REM
Tariff	0.290 (0.002)	0.25 (0.24)	0.18 (0.18)	0.25 (0.24)
Foreign direct investment	−0.003 (0.015)	−0.004 (0.43)	−0.02 (0.36)	−0.004 (0.43)
Domestic investment	−0.047 (0.025)	0.04 (0.33)	0.03 (0.66)	0.04 (0.33)
Government expenditure	−0.207 (0.010)	0.22 (0.008)	0.27 (0.03)	0.22 (0.008)
Trade-GDP ratio	0.036 (0.66)	−0.12 (0.09)	−0.23 (0.04)	−0.12 (0.09)
Infrastructure	−0.077 (0.004)	0.06 (0.02)	0.04 (0.58)	0.06 (0.02)
Number of observations	124	124	124	124
Number of groups		14	14	14
F	7.99		2.20	
R^2	0.22	0.18	0.03	
Prob > F	(0.000)		(0.04)	
Root MSE	0.08			
Wald χ^2 (6)		17.83		17.83
Prob > χ^2		0.0067		0.0067
Corr (u_i, x_b)			−0.73	
Corr (u_i, x)				0

Note The values in the parenthesis '()' are the probability values; POLS: Pooled OLS; GLS: Generalized Least Squares; FEM: Fixed Effect Model; REM: Random Effect Model; *, ** and *** denotes that the coefficients are significant at 1, 5 and 10%, respectively. *Source* Authors' Computation, 2019

lead to economic development in ECOWAS countries. However, the insignificant result of this study is in line with Matthew (2013) who found that trade liberalization has no significant impact on an economy.

Interestingly, trade–GDP ratio and foreign direct investment (FDI) reported statistically insignificant result for most of the four analyses and surprisingly negative figures for the coefficients at 5% level of statistical significance. This economically implies that for ECOWAS member countries, an increase in the foreign direct investment and trade–GDP ratio may affect economic development insignificantly, and however negatively. The result also goes against 'apriori' expectation which states that a significant relationship is expected and furthermore, an increase in the foreign direct investment and trade—GDP ratio will lead to economic development in ECOWAS countries.

Theoretically, trade liberalization links up with economic development if there is over-sufficient presence of domestic high valued commodities and services produced by the ECOWAS countries. This will be a basis for economic liberalization hence sharing such proficient services and high valued goods will have a significant influence on the level of economic development across the various sectors of the ECOWAS communities. The various sectors that could be impacted positively and

significantly include the education sector, health sector, agriculture sector, manufacturing sector through the production exchange of finances, goods and services among the ECOWAS member countries. The agriculture and manufacturing sector of ECOWAS countries may profit from trade liberalization if engaged in conversion from primary to secondary products because the two sectors should serve as the basis of majority of traded components.

Recommendations and Conclusion

The study investigated the effect of trade liberalization on economic development in Economic Community of West African States (ECOWAS) using pooled ordinary least squares (baseline regression), generalized least squares, fixed and random effect model (FEM and REM) estimation techniques. Evidence from the analysis covering 2000 to 2017—time period for fourteen countries reveal that the trade liberalization has an insignificant impact on economic development statistically at 5% level of significance.

The findings of this study supports the findings of Matthew (2013) that ECOWAS countries are not ready for trade liberalization as it has an insignificant impact on economic development. For obvious reasons, however, as it was noted that trade with other parts of the world is immensely greater than trade within the ECOWAS region, in spite of the liberalization efforts in the region. Also, more should be done regarding the accountability of intra-regional trade to ensure they are well documented and captured. These will correct earlier lapses and create sufficient possibilities of significant relationship to economic development.

Since development can also be noted to be much greater than growth in income, to other factors ranging from sustainable domestic market, education, better life expectancy alongside with sustainable socio-economic environment, it is essential that member countries' governments create enabling environments which will bring about the desired economic development and better living standards for the citizenry of member countries in the ECOWAS region (Adegboye 2014). Akin to the findings, ECOWAS member countries are tasked with identifying why trade liberalization's impact on economic development is insignificant and finding a lasting solution.

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