Business cycle synchronization and sustainable trade development in Africa: The role of capital mobility

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Abstract

The literature has overlooked the significance of business cycle synchronization in sustainable trade development, particularly with regard to trade-adjusted carbon emissions. Further, how capital mobility affect the nexus between business cycle synchronization and sustainable trade development is an area that is yet to be explored. This paper examines the role of capital mobility in the nexus between business cycle synchronization and sustainable trade development using the panel corrected standard errors model in 30 African economies for the period 2006–2020, thus addressing the gaps in the previous studies. We concluded that: First, the direct effects of business cycle synchronization worsen sustainable trade development in Africa. Second, capital mobility promotes sustainable trade development in Africa. Third, capital mobility may be a viable instrument to mitigating the detrimental effects of synchronized business cycles on the sustainable trade development in Africa. Fourth, our research contributes to the extant literature by determining the threshold at which capital mobility can affect the association between synchronized business cycles and sustainable trade growth. Fifth, our study revealed that business cycle synchronization and capital mobility have a causal relationship with sustainable trade development in Africa. The concluding remarks section includes policy implications.