Poverty alleviation through Inclusive Growth in Africa: The dynamic capability of trade

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Abstract: The African continent has experienced sustained growth since 2000, which has led to the "emergence of Africa". However, the continent also ranked second in the world in terms of income inequality, after Latin America. This has raised concerns about the inclusiveness of African growth. The inclusiveness of growth is receiving increased attention in both academic and decision-making circles, with several definitions and means of measurement being proposed, which will tend to reveal a lack of unanimity. This work is made up of two parts. The first assesses the measurement of inclusive growth and the second assesses the relationship and the role of trade in promoting inclusive growth.

For this paper, the degree of inclusiveness of African growth was calculated using the unified method of measuring inclusive growth based on 33 African countries over a period of 2000-2018. The findings show a slightly inclusive growth as a result of a rise in economic growth and a slight fall in inequality. The inquiry concerning the function of trade as one of the fundamental supporters of growth presents two ways that commercial exchange can impact inclusive development. 1) An indirect but significant route through GDP. 2) The direct benefits of trade on every social class, without the intervention of GDP growth. The linear regression reports non-significant results, indicating the indirect relationship between GDP growth and inclusive growth. The results imply that in addition to trade, as an important contributor to inclusive growth, there are other parameters like economic policies and development interventions.

Keywords: Trade; Inclusive growth; Poverty alleviation, Inequality.

1. Introduction

Rapid global budgetary coordination has propelled many nations to embrace exchange receptiveness to upgrade the inclusiveness of their economic growth [1, 2]. Since this reform started over the last two decades, an increasing number of policymakers and experts were convinced that economic growth all by itself isn’t sufficient for poverty alleviation [3, 4]. A few experts essentially feel that economic growth, while better, stays insufficient to create a quick turn of events [5, 6]. Others are more worried that uneven allocation has restricted development’s effect on neediness decrease [7, 8]. Still, others stress that the growth has not carried with it the basic changes that are the sign of monetary turn of events [9]. Albeit higher economic growth is important to build a strong infrastructure, is anything but an adequate foundational condition to achieve inclusive growth [10].

Unlike the traditional pro-poor growth concept, which to a large extent places those at the lower end of the income and wealth distribution spectrum at the margin of the processes of wealth creation, the concept of inclusive growth suggests more active participation of the poor [4]. The African Development Bank shows that only 18 out of the 48 African countries are achieving inclusive growth. 48, rather than 54 countries, were surveyed because of the availability of reliable data [9, 11]. In countries such as Côte d’Ivoire, Djibouti, and Togo, growth was not pro-poor during the pre-2010 period before becoming inclusive thereafter. Other countries (Ghana, Liberia, Madagascar, and Niger) followed the reverse trend, from inclusive to anti-poor growth. In Benin and Zambia, growth was neither pro-poor nor inclusive in both periods, while Egypt remained the only country with a pro-poor but non-inclusive growth in each sub-period [9]. Despite the high
growth that Africa has experienced in recent years, poverty, inequality, and unemployment remain high, indicating a lack of inclusion in the development process and its outcomes. But poverty can be reduced at a faster rate when inclusive growth strategies are applied and when special income distribution policies are undertaken [9, 11].

The concept of inclusive growth has now established itself as the ultimate economic development model and has become central to sustainable development strategies and policies. The fight against poverty, inequality and all forms of social exclusion has since given it legitimacy and its inclusion in the international and national development goals. In view of these goals this study uses an effective approach to respond to the main questions:

1) What is the function of trade in promoting inclusive growth?
2) How relevant is inclusive growth for poverty alleviation in Africa?

This paper uses the data of 33 African countries over 19 years (2000-2018) to investigate the contribution of trade to the economic inclusiveness question using a unified method of measurement. The findings show that African countries experience slightly inclusive growth as a result of a rise in the growing economy and a slight fall in inequality [12]. Moreover, the inquiry concerning the function of trade as one of the fundamental promoters of growth presents two ways trade can impact comprehensive development. 1) The circuitous manner of exchange growth adds to GDP, which thus can add to growth inclusively; and 2) the straightforward manner in which trade itself benefits fewer portions of society, without the intervention of GDP growth [13]. The econometric findings indicate that the association between trade and inclusive growth is not significant after linear regression, [14]. We also found that inclusive growth is far from being achieved in all regions and the level of poverty, as well as income inequality, tends to increase. As a result, promoting inclusive growth could involve not only trade but as well the development of macroeconomic policies and other development interventions.

2. Literature review

Inclusive growth is a concept that advocates shared economic growth for all and future generations. It is essential to restore public growth in the capacity of democratic institutions, technological advances, and international economic integration to support enhanced social progress and wellbeing for all [5]. The issue of inclusive growth is addressed in several framework documents relating to sustainable development adopted in 2015. Several analysts around the world have recently become interested in the concept of inclusive growth with many contradictory definitions and methods of measuring it. Certain notions are abstract and not appropriate for the quantitative application, while others cannot comprehend the meaning of definitions, although they are descriptive. Therefore, many scholars have also attempted to conceptualize and resolve their organizational problems since their appearance in literature [3]. While exploring inclusive growth, poverty and inequality have apparently been the main concern; however, their dynamics are not completely clarified [7]. Different concepts of balanced growth have been adopted by numerous organizations worldwide [5]; all of these can be traced to the Asian Development Bank’s work [3, 13].

According to [4], inclusive growth only happens, if poor households benefit from economic growth and, more specifically, if the income of poor households could have a connection with other households through an economic activity such as trade. A reduction in inequality could result in inequitable growth [6]. Inclusive growth was described as ‘growth of equal opportunity by [3]. Their study suggests a system that not only broadens economic connections in order to encourage social inclusion but also ensures inclusive growth for all people. This helps all economic classes of society, including the disadvantaged, the near-poor, middle-income classes, and even the wealthy. According to [7], trade seeks to build opportunities for everyone integrated into the value chain. Her view of the integration of poverty mitigation through trade is close to that of [2], who explored
various stages of the trade value chain, forms of poverty alleviation impacting economic growth through trade.

Significant changes in economic growth have been recognized over the last two decades, however, sadly, the prevalence of poverty continues in many countries, especially in African countries. [6] suggest that to alleviate poverty, trade expansion is both necessary and sufficient.

Meanwhile, other economists agree that economic growth is an essential but not adequate condition [15], because other factors, such as trade and policies backing trade, also play a crucial role in the battle against poverty.

Trade, for [15], not only tends to minimize poverty through redistributive impact, but also allows the rate of poverty reduction to increase because the elasticity of the poverty rate by income depends directly and adversely on the degree of income inequality. The implementation of trade promoting policies that will reduce poverty and inequality all over the world and in Africa in particular is not only a poverty reduction issue but also strategies to improve state capacity and national peace maintenance in a sustainable manner. This goal can mainly be achieved through the growth process as evidenced by the case of China when manufacturing and a wide trade expansion policy have contributed miraculously to a wide range of economic growth across all social classes [7, 8].

3. International Trade and Inclusive Growth

The main vision in achieving inclusive growth is by reducing poverty, inequalities, and promote the creation of jobs and finally allowing the whole population to benefit through trade channels (Fig:1). The trade partnership shows the importance as well as how exchange can promote inclusive growth. The issue of ‘inclusive growth’ has become monetarily and politically significant in Africa’s mainland, local and public conversations, as worldwide gatherings of the International Monetary Fund (IMF), OECD, the World Bank, the World Trade Organization (WTO), and the World Economic Forum (WEF).

![Figure 1. Simplified analytical framework](image)

Trade has been recognized as a key apparatus for comprehensive development by worldwide pioneers. [16], Trade and worldwide mix have raised livelihoods over the world, while significantly cutting neediness and worldwide disparity. Talking about trade and its contribution to the continent brings us back to the initiatives that are being taken by African leaders to make this channel profitable to the whole population and achieve inclusive growth. In 2014 Africa remains the least fortunate landmass in the world. However, simultaneously, African nations have encountered noteworthy enhancements in exchange progression. It appears to be that the enormous increases anticipated from opening up to global monetary powers have, until now, been restricted in Africa, particularly for needy individuals [17]. The African Continental Free Trade Agreement (AfCFTA) was signed in March 2018 as an indication of Africa's confidence in the trade as a catalyst for prosperity, job creation, and the elimination of poverty [1].
4. Theoretical Model and Estimation Methodology

The lack of consensus on the definition of inclusive growth has led to different methods of measuring. Only a few studies have gone so far as to put into practice a definition and measure of inclusive growth. Four ways to measure inclusive growth are being put in place, unified measurement, dashboard indicators, the single-value index, and the analytical framework. Although each method has its own merits, the one based on the utilitarian social welfare function that integrates both the growth dimensions of equity in a unified framework is the most attractive, the others being too general and likely to be assimilated to measures of inclusive growth:

4.1 Theoretical framework

[14] proposed a framework for measuring inclusive growth on the basic social opportunity, a concept similar to that of social welfare. [10], based on the earlier work of [14], to adapt the measure by an emphasis on incomes and their distribution. The measurement is based on a concentration curve; know the social mobility curve C, defined as follows:

\[ S^C \approx y^1, \frac{(y^1+y^2)}{2}, \ldots, \frac{(y^1+y^2+\ldots+y^n)}{n} \]  

(1)

The SC curve presents the underlying function \( W= W(y^1, y^2, \ldots, y^n) \) which meets the two required conditions, namely that it has the property to rise in its claim, to account for the "growth" factor, and that it meets the so-called transfer property, in the sense that its value decreases to account for the "distribution" dim for any transfer of income from a poor person to a rich person. An index, namely the Social Mobility Index, SC Domain, can be estimated using the SC curve as follows:

\[ \tilde{y}^* = \int_0^{10} \tilde{y} idi \]  

(2)

The higher the value of \( \tilde{y}^* \), the higher the income. Any deviation of \( \tilde{y}^* \) from \( \tilde{y} \) implies inequality in the distribution of income. Based on this relationship, Ali and Son (2007a) deduce the equation (3), which they call the Income Equity Index: the equation (3), which they call the Income Equity Index:

\[ \omega = \frac{(\tilde{y}^*)}{(\tilde{y})} \]  

(3)

The value of the income equity index is equal to 1 when the distribution of income is equitable (e.g. when all people have the same income \( \tilde{y} \)) and 0 when the distribution of income is unfair (e.g. where only one person has all income). A reformulation of the equation (3) gives the equation (4):

\[ \tilde{y}^* = \omega \cdot \tilde{y} \]  

(4)

And the derivation of the function of the equation (4) gives the equation (5)

\[ d\tilde{y}^* = \omega \cdot d\tilde{y} + d\omega \cdot \tilde{y} \]  

(5)

Inclusive growth requires increased income and/or equity. Growth is more inclusive when \( \omega > 0 \). It depends on the sign and the extent of the two terms expressing income growth and equity.
respectively. Equation (5) shows that the change in the social mobility index is a weighted average of the change in the income equity index on the one hand, and the change in average income, on the other, the level of one being the weighting of the other: when the average income (equity) is high, the contribution of the change in equity (income) is greater, and vice versa. If both terms are positive (dy >0, dω >0), growth is unambiguously inclusive; similarly, if both terms are negative (dy < 0, dω <0), growth is unambiguously non-inclusive. However, there could be a tradeoff between y and ω. If the first term is positive but the second term is negative, higher social mobility is achieved at the expense of a reduction in equity [10].

The reformulation of equation (5) gives equation (6), which integrates growth and equity into a measure of inclusive growth (percentage of variation of ε*). It also breaks down inclusive growth as growth, on the one hand, and as a percentage of change in equity on the other, the latter being measured by ω.

\[
\frac{dy}{y} = \frac{d\bar{y}}{\bar{y}} + \frac{d\omega}{\omega} \tag{6}
\]

The main advantage of this measure is that it incorporates both growth and equity. This study, like that of [10], uses increased the value of the inclusive growth indicator ε* to measure the inclusiveness of growth in Africa and as a dependent variable in regression analyses.

4.2 Empirical specification

In this section, we demonstrate the variables taken into account to assess the relationship between trade and inclusive growth in a linear regression equation.

In this analysis, we have inclusive growth (IG) as a dependent variable and Gross Domestic Production (GDP), Export goods services (EGS), Import goods services (IGS), Export goods services in GDP (EXPgdp), Import goods services in GDP (IGSgdp), Trade openness (TO), Merchandise Trade (MT), Population growth (PG) and GINI are independent variables.

\[ IG = \alpha + \beta_1GDP + \beta_2EGS + \beta_3IGS + \beta_4EXPgdp + \beta_5IGSgdp + \beta_6TO + \beta_7MT + \beta_8PG + \beta_9GINI + \varepsilon \]

Where:
- IG is Inclusive Growth (IG, dependent variable)
- GDP is Export goods services
- EGS is Import goods services
- IGS is Gross Domestic Product per capita growth (%)
- EGSgdp is Imports goods services x GDP (%)
- IGSgdp is Exports goods services x GDP growth (%)
- TO is Trade Openness
- MT is Merchandise trade (%)
- PG is Population growth (%)
- GINI is GINI Index and
- α is Constant
- ε is a Stochastic error term
- \(\beta_1, \ldots, \beta_9\) represent the coefficient of the independent variables.

4.3 Data description

As mentioned earlier, the data for this analysis involves different variables (sourced from the World Bank). Our data covers 33 African countries for 18 years (2000-2018). For the credibility of our results, the period was also chosen with the intension to avoid the 2019 Corrona virus pandemic.
Table 1. Data description and Source of Data

<table>
<thead>
<tr>
<th>Variables</th>
<th>Meaning &amp; Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
<td>World development indicators (2020)</td>
</tr>
<tr>
<td>EGS</td>
<td>Export goods and Services</td>
<td>World Bank database development indicators (2020)</td>
</tr>
<tr>
<td>IGS</td>
<td>Import goods and services</td>
<td>World Bank database development indicators (2020)</td>
</tr>
<tr>
<td>TO</td>
<td>Trade Openness</td>
<td>World development indicators (2020)</td>
</tr>
<tr>
<td>MT</td>
<td>Merchandise Trade</td>
<td>World development indicators (2020)</td>
</tr>
<tr>
<td>PG</td>
<td>Population Growth</td>
<td>World Bank database development indicators (2020)</td>
</tr>
<tr>
<td>GINI index</td>
<td>The Gini coefficient, income distribution / population.</td>
<td>World development indicators (2020)</td>
</tr>
<tr>
<td>EGSgdp</td>
<td>Export goods and service (% of GDP)</td>
<td>World Bank database development indicators (2020)</td>
</tr>
<tr>
<td>IGS</td>
<td>Import goods and services (% of GDP)</td>
<td>World Bank database development indicators (2020)</td>
</tr>
</tbody>
</table>

Our choice is due to a serious limit of data in Africa and also because of the scope of this research. Gross Domestic Production per capita growth is a measure of economic growth in a country. This measure can cover not only economic growth but also a reflection of the growth of the population. The export of goods and services is an estimation of the country’s capacity to export its local products. The import of goods and services on the other hand calculates the country's capacity to import foreign products. Meanwhile, both export and import can be measured in abstract or as a percent of GDP. Trade Openness naturally is the estimation of a country’s openness to international trade. Merchandise trade is more focused on the export of goods. The population growth has been very instrumental in the estimation of inclusive growth is a major element of our data. It measures the rate of increase of some people in a country. GINI Index also known as the GINI ratio is a measure of income inequality within a country. In general, the data obtained for the analysis in this research is adequate to give reliable results on inclusive growth and trade in Africa.

For a preliminary analysis, we performed the descriptive analysis and the correlation matrixes of the variables. The statistical summary of variables is as shown in Table 2 below.
Table 2: Correlation matrixes

<table>
<thead>
<tr>
<th></th>
<th>IG</th>
<th>GDP</th>
<th>IGSgdp</th>
<th>EGSgp</th>
<th>EGS</th>
<th>IGS</th>
<th>TO</th>
<th>MT</th>
<th>PG</th>
<th>GINIind</th>
</tr>
</thead>
<tbody>
<tr>
<td>IG</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>0.01</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IGSgdp</td>
<td>0.62</td>
<td>0.00</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EGSgp</td>
<td>0.75</td>
<td>0.03</td>
<td>0.00</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EGS</td>
<td>0.92</td>
<td>0.50</td>
<td>0.96</td>
<td>0.35</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IGS</td>
<td>0.91</td>
<td>0.11</td>
<td>0.49</td>
<td>0.35</td>
<td>0.08</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TO</td>
<td>0.91</td>
<td>0.26</td>
<td>0.20</td>
<td>0.60</td>
<td>0.00</td>
<td>0.00</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MT</td>
<td>0.05</td>
<td>0.12</td>
<td>0.71</td>
<td>0.25</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PG</td>
<td>0.30</td>
<td>0.20</td>
<td>0.96</td>
<td>0.75</td>
<td>0.03</td>
<td>0.01</td>
<td>0.01</td>
<td>0.20</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>GINIind</td>
<td>0.22</td>
<td>0.23</td>
<td>0.17</td>
<td>0.05</td>
<td>0.11</td>
<td>0.06</td>
<td>0.07</td>
<td>0.03</td>
<td>0.97</td>
<td>1.00</td>
</tr>
</tbody>
</table>

*.* The connection at the 0.05 (2-tailed) stage is significant.

The table simply presents the correlation between Inclusive growth as the dependent variable with the independent variables and the correlation of independent variables between them. The correlation between inclusive growth and GDP is significant, unlike other variables. Moreover, we also see that GDP is in correlation with EGSgdp, IGSgdp but not with TO, MT, PG, and GINI index. This simply brings us back to saying inclusive growth in African countries can be achieved from GDP growth through increased exports and imports. But only with a good regulation of these is really important.

5. Data analysis and interpretation of the results

5.1 Description results

Inclusive growth at the African level is calculated using the unweight average of inclusive growth individually calculated for all countries in the sample. The results show that growth in Africa is slightly inclusive based on the countries selected in our work. This inclusiveness is largely the result of revenue growth and a slight improvement in income distribution. This finding is consistent with the conclusion of the analysis that Africa has experienced spectacular economic growth, but only a slight decline in income inequality. Inclusive growth depends on both revenue growth (GNI) and improved equity (GINI index). Country-wide results show some variation in the inclusiveness of growth. In the sample, four countries (Burundi, Gambia, Central Africa, and South Sudan) have lost in inclusiveness over time, with the remaining 29 recordings inclusive growth.
In this section, we assess the performance, effect, and impact of trade in the inclusion of growth by estimating a structural model for a panel of 33 African countries from 2000-2018. The dependent variable is a measure of inclusive growth developed by [17], which integrates both the pace and distribution of economic growth.

As a basic method, a bivariate study of trade transparency and inclusive growth is carried out using Statistical Software SPSS to assess the connection between exchange and inclusive growth. The means, standard deviations, and group sizes for the dependent variable for all three stages of the independent variable are clearly given.

In the explanation of the correlation, we are interested in two parts of the result. The first is the value of Pearson’ r, the correlation coefficient which is 0.019, and in the 2-tailed significance value which is 0.916 as P-value. The correlation is not significant between trade openness and inclusive growth based on the statistical hypothesis test for the p-value.

While the bivariate study suggests fascinating associations, the clear direct and indirect ties between trade and inclusive progress are not differentiated. In order to evaluate the direct link between trade and inclusive growth, a panel regression is carried out on inclusive growth (dependent variable) and trade performance metrics (independent variables) using SPSS statistical software: Separate growth in exports and imports, Overall growth in trade (e.g: imports plus exports of goods and services), With the growth in retail trade, GDP growth, population growth, and inequality, we then estimate how trade output is associated with inclusive growth (as described in the previous chapter).

The table below (Table 3) shows the strength of the relationship, e.g. the importance of the variable in the model and the extent to which it has an impact on the dependent variable. This analysis helps to perform hypothesis tests for a study. The Unstandardized Coefficients B shows the values for the regression equation for predicting the dependent variable from the independent variable. These are called unstandardized coefficients because they are measured in their natural units. The regression equation can be presented in many different ways, for example:

\[ Y_{predicted} = \alpha + \beta_1 GDP + \beta_2 EGs + \beta_3 IGs + \beta_4 EXPgdp + \beta_5 IGSGdp + \beta_6 TO + \beta_7 PG + \beta_8 GINI + \epsilon \]

The column of estimates (coefficients or parameter estimates) provides the values for \( \beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7 \) and \( \beta_8 \) for this equation.
These projections show the amount of increase in inclusive growth that will be projected by the predictor’s 1 unit rise. The coefficients are not statistically different from 0 for the independent variables that are not significant, and should be taken into account when evaluating the coefficients.

- The Sig column offers the 2 tailed p-value used to evaluate the null statement that 0, 0 is the coefficient / parameter. The constant varies greatly from 0 at the alpha stage of 0.05. It is hardly noteworthy, however, to get a major intercept.
- The EGS (percent), IGS (percent), EGSGdp (percent), IGSGdp (percent), GDP (percent), MT (percent), PG (percent), and GINI index coefficients are mathematically not relevant at Rate of 0.05 (because the p-value reaches 0.05).
- The GDP per capita growth (percent) coefficient is statistically important, however, since its p-value of 0.028 is less than .05.

As far as the control variables are concerned, GDP growth is, as predicted, positively correlated with inclusive growth (increases in publicly available wealth), while population growth and inequality are negative and not associated with inclusive growth (less per capita income and deteriorating distribution). As far as trade success is concerned, the direct correlation with inclusive growth seems to be more likely to be negative than positive; trade growth correlates negatively with our measure of inclusive growth after balancing GDP growth, population growth, deprivation, and economic and year-specific factors [18, 19].

This led us to say trade can have an impact on inclusive growth only through GDP growth. GDP appears to be more important because it is through this channel that African countries can chieve inclusive growth once that growth is well managed.

6. Conclusion

The main objective of this study is to evaluate the level of inclusiveness of the economic growth in Africa and to examine the role of trade in promoting it, in pursuit of the paradoxical economic reports on the continent. From the period of 2000-2018, the African economy has experience a notable growth, reaching an estimated 3.5% in 2018. However, against all expectations, this growth has failed to translate into an effective reduction neither in poverty nor income inequality across the continent. Obviously, this scenario calls for a special attention.

This study employs data from 33 African countries for 19 years (2000-2018) to examine the contribution of trade to the promotion of inclusive growth. The calculation of the degree of
inclusiveness of growth in Africa was carried out in the context of this study according to the so-called unified measure of inclusive growth. The results show that growth in Africa is slightly inclusive. This has been largely driven by higher incomes (with GDP per capita growth) and a slight improvement in their distribution.

These are results that are consistent with remarkable African growth and a slight decrease in income inequality. The inclusiveness of growth is experiencing national variations, with four countries (Burundi, Gambia, Central Africa, and South Sudan) experiencing a decline in inclusive growth over time, while the remaining 29 countries in the sample experienced varying degrees of inclusive growth.

The results obtained after the multi-country regression show that the correlation between trade and inclusive growth is not statistically significant (Table 3) at the statistical level of 0.05. The correlation between inclusive growth and key variables trade is not significant either (Table 3), but only correlated with GDP per capita. One hypothesis is that the direct impact of trade on inclusive growth in African countries is not obvious, but trade will indirectly influence inclusive growth by GDP per capita, which encourages inclusiveness. On the other hand, GDP is correlated with imports and exports. In other words, the expansion of trade is just as inclusive as the integration of the population as a whole, and it will be impossible to use trade explicitly to expand economic participation.

These findings are not unexpected because the fact that trade produces winners and losers means that neither a possible nor necessary outcome of a trade is inclusive growth. Trade opening should, however, be followed by certain systemic changes in several other areas, such as investment in human resources, social security, labor market reform, financial sector reform, and the integration into society as a whole of institutions for their benefit. Similarly, the opening of trade in Africa with appropriate mechanisms to provide vocational training to workers from displaced countries will avoid prolonged periods of unemployment. In order to protect markets that lose trade, trade needs an easy-to-access complement to the benefits of structural policies, and liberalization might end up further exacerbating inequalities between various social classes.

References


