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Editorial

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Editorial

1. Introduction: the literature

In the present highly globalized world, trade is an essential mechanism for growth and development. Notwithstanding the usual issues of potential endogeneity and reverse causality (e.g., [Rodríguez and Rodrik, 2001](#)), the currency of the empirical evidence favors trade leading to economic growth, especially at the macroeconomic level (e.g., [Frankel and Romer, 1999](#); [Irwin and Terviö, 2002](#); [Singh, 2010](#)). This is the global evidence. But is trade important for growth and development in Africa?

A number of recent studies suggest that trade is indeed consequential for growth of African countries. [Sachs and Warner \(1997\)](#), for example, find that the historically slow growth in African countries can be traced to the lack of trade openness to international markets, as broadly defined to include: tariffs, non-tariff barriers, limited economic freedom, state monopoly, and exchange-rate overvaluation. Other narrowly defined trade openness variables, such as the growth of exports and/or imports, have also been found to exert positive impacts on growth. For example, [Fosu \(1990\)](#) estimates a positive impact of export growth on GDP growth for African countries; though slightly lower, this estimate is not statistically different from that for non-African developing countries. Critically reviewing the evidence, [Lussier \(1993\)](#) subsequently comes to a similar conclusion about the positive impact of exports on the growth of African economies. [Savvides \(1995\)](#) similarly estimates for African countries a positive effect of trade, which includes both exports and imports. Furthermore, [Onafowora and Owoye \(1998\)](#) find that for the large majority of the 12 African countries considered, trade led to greater growth. They conclude that economic growth may be stimulated for at least some African countries through an outward-oriented strategy of export expansion.

Presenting a review of the importance of the global setting for African economic growth, [Fosu \(2001a\)](#) observes that export-promotion strategies are indeed growth-enhancing for African economies, though the manufacturing exports tend to be more potent than primary exports. Furthermore, volatility in the trade sector can be consequential for growth. [Bleaney and Greenaway \(2001\)](#), for instance, estimate that terms-of-trade and exchange-rate volatilities are deleterious to African economic growth. [Fosu \(2001b\)](#) also finds that instabilities in the trade

sector, particularly import instability, are detrimental to the growth of African economies.

Although the bulk of the relevant literature focusses on trade's relationship with economic growth, there is now emerging literature on trade and development. However, the evidence on African countries is quite limited. Much of this literature is on trade's effect on poverty. Despite the claim by [Dollar and Kraay \(2001\)](#) that developing countries that have become more open have grown faster and have reduced their level of poverty more than the less-open group of countries, most of the existing studies find that the effect is far from being ambiguous. It depends on the degree of complementarity of institutions and policies in the specific country ([Krueger, 1983](#); [Winters et al., 2004](#)). For example, [Krueger \(1983\)](#) demonstrates in her case studies that the employment effects of freer trade were quite limited, despite the fact that manufactured exports in developing countries tend to be labor-intensive. The role of labor market adjustments is critical in this regard ([Edwards, 1988](#); [Fosu, 2002](#); [Fosu and Mold, 2008](#)). While the import-competing sector contracts relatively quickly in response to trade liberalization, the demand for labor in the exportable sector tends to be rather sluggish due to supply-side constraints. Thus net employment, especially for the relatively unskilled is likely to be negative in the short to medium run, with adverse implications for progress on poverty.

Despite the critical importance of the above and related issues, furthermore, it is well-recognized that information and/or data on African trade and trade finance are limited. And, where available, the data may not be reliable for decision making.

2. The mandate of the *Journal of African Trade*

It is on the basis of the importance for trade to the development of African countries and the lack of sufficient research on the subject that the African export–import Bank (Afreximbank), in pursuit of its mission of being “a Centre of Excellence in African Trade Matters,” is providing an information platform through the publication of the *Journal of African Trade (JAT)*. *JAT* is a pan-African journal dedicated to research on issues that touch on African trade and trade finance and socioeconomic development in Africa. The platform provided by *JAT* is intended to contribute to bridging the information gap and to informing

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the design of appropriate policies and programs for sustainable development with trade as a critical medium.

JAT will cover a blend of theoretical, empirical, policy and institutional studies, as well as contemporary issues relating to the development of African trade and trade finance. In this regard, *JAT* will cover, inter alia, the:

- investigation of emerging economic and trade policies and regulatory environment in Africa and the world and their implications for the development of African trade;
- analyses of multilateral trade issues and their implications for African trade and trade finance;
- analyses of major economic and trade-related developments in the global and African macroeconomic environments, with their consequences for, and impact on, African trade and trade finance;
- studies on the evolution (pattern and direction) of trade flows in Africa in a static and dynamic sense;
- studies on trade sectors/industries and Africa's participation in global supply chains;
- analyses of issues related to trade in capital, including capital flight and foreign direct investment (FDI);
- analyses of issues of regional integration and intra-African trade;
- methodological issues in trade policy analyses and inferences;
- global financial flows as they relate to the development of African trade and trade finance; and
- implications of trade types and rules for Africa's socio-economic development, including the socioeconomic importance of: intra-African trade, export diversification, the Economic Partnership Arrangements (EPAs), preferential trade agreements, trade blocs, and WTO rules such as the trade-related investment measures (TRIMs) and trade-related intellectual properties (TRIPs).

3. The maiden issue of *JAT*

The present maiden issue of *JAT* covers the following topics:

1. Does trade reduce poverty? A view from Africa
2. The African economic partnership agreements with the EU: Reflections inspired by the case of the east African community
3. The industrialization challenge for Africa: Towards a commodities based industrialization path
4. Attracting international private finance for African infrastructure
5. On the accuracy of trade and GDP Statistics in Africa: Errors of commission and omission

This is of course the beginning. These articles contribute significantly towards the mandate of *JAT*. The first article attempts to answer the very important question of whether more trade leads to less poverty in Africa. The second tackles an equally important issue of the Africa-EU Economic Partnership Agreement (EPA) which, due to the requirement of compatibility with the World Trade Organization (WTO)

rules of non-discrimination and reciprocity, is intended to replace the heretofore Cotonou Africa-Caribbean-Pacific (ACP) preferential trade arrangements with the EU. The third article contributes to our understanding of the industrialization challenge, with emphasis on the role of commodity-based industrialization. The fourth article tackles the lack of adequate infrastructure, which has been the main culprit for the supply-side constraint preventing African countries from taking advantage of export opportunities arising from globalization, especially as many of these countries have liberalized their economies. Finally, the fifth article in this maiden issue deals with the critical issue of data. Are they available and, if they are, are they accurate?

4. Conclusion

Going forward, *JAT* not only will deepen the analyses of these issues in the maiden issue, but also will widen coverage to include many of the other aforementioned subjects. Such coverage should surely project *JAT* as the main source that scholars, students, and policy-makers alike visit regularly for timely issues related to African trade.

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