

FOREIGN TRADE, GROWTH, AND INEQUALITY IN SUB-SAHARAN AFRICA: REVISITING THE LITERATURE

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ABSTRACT

The role of international trade in economic growth, work creation and poverty reduction has long been debated, and this debate is intensifying today due to the proliferation of free trade agreements on a continental and global scale. This paper presents a review of the theoretical and empirical literature on the relationship between foreign trade, growth, poverty, and inequality. The objective of our research effort is to provide a retrospective analysis of the macroeconomic effects of foreign trade on growth and inequality in the context of sub-Saharan African countries. After a review of the literature and a review of the various works dedicated exclusively to the context of African countries south of the Sahara, it emerges that foreign trade has a significant influence on economic growth and is therefore a real driver for reducing poverty and inequality. The study also shows that empirical estimates of the impact of trade openness, measured by the degree of protection, on growth appear to be weak. To overcome this problem, some studies have focused on directly estimating the impact of trade on income or economic growth. However, the endogeneity of trade to income is difficult to integrate into regressions, while the openness rate thus defined cannot be precisely linked to trade policies. Finally, the study allowed us to draw a clear and precise distinction between inclusive growth and pro-poor growth, we found that pro-poor growth appears more as a complementary concept than a rival concept of inclusive growth.

Keywords:Foreign trade, growth, inequality, Sub-Saharan Africa

1. Introduction

The sustainable development objectives give a clear and comprehensive mandate to fight poverty, including on the African continent. Today, 390 million people still live in extreme poverty in sub-Saharan African countries. There is a consensus within the research community, including donors, that high inequalities hinder economic growth, this is often advanced in the context of the "runoff" theory. According to this theory, growth aggravates inequalities initially before benefiting the poorest.

Africa and Latin America are the regions of the world where inequalities are the highest. In 2010, six of the 10 countries in the world with the most unequal income distribution were in sub-Saharan Africa. However, the distribution of income varies enormously from one country to another. For example, the ratio between the first and last income decile ranges from 10.5 in the United Republic of Tanzania to 44.2 in South Africa. Trends indicate that inequalities increased in all sub regions except North Africa during the 1980s and 1990s. In the 2000s, they declined in southern Africa and, to a lesser extent, in West Africa, but barely changed or even increased in the other sub-regions. One reason for this negative development is that in many countries with abundant natural resources, local elites, together with foreign capital holders, have managed to capture most of the increasing rents from natural resources (UNCTAD, 2014).

The idea of reconsidering the role of foreign trade in the strategy to reduce poverty and inequality was conceived with the ultimate aim of building a more sustainable development model that would benefit all, not only in developed countries but also and especially in developing countries. This requires a review of the orthodox position on this subject, which argues that inequalities are an ingredient in the accumulation of factors. This requires a radical change in the way national and international economic policy models are conceived, to guide them more inclusively.

In this context, our next main research question emerges: What are the macroeconomic effects of foreign trade on growth and the reduction of poverty and inequality in sub-Saharan Africa? More specifically, what is the link between trade, growth, and inequality? What are the relationships between inclusive growth and pro-poor growth? What is the relationship between trade and growth, and inequality in the context of sub-Saharan African countries? In these circumstances, the objective of our research effort is to carry out a retrospective analysis of the macroeconomic effects of foreign trade on growth and inequality in the context of sub-Saharan African countries. This will involve revisiting theoretical and empirical studies dealing with the relationship between foreign trade and growth; this will first involve: an overview of the general literature on the links between foreign trade, economic growth, and inequality (1), the

presentation of the debate on the different modalities of growth (2), and finally the analysis of the effects of foreign trade in the context of Sub-saharan Africa countries (3).

2. Trade, growth, and inequality: what does the literature say?

The fate of economies now seems to be sealed by the intimate relationship between trade and growth and development. However, the development process of industrialized countries, like that of emerging countries, has historically been accompanied by the development of exportable supply. This almost simultaneous evolution of open policies and growth trajectories has generated general interest in the analysis of transmission mechanisms and channels from the first to the last. The most notable theoretical contributions to this effect are those of Santos Paulino and Thirwall (2004), Winters (2000), (Demurger, 2000 and Li, 1999), (Williamson, 1990). Within the framework of the "Washington Consensus", trade policies had been placed at the center of development policies. Along with macroeconomic stabilization and internal liberalization, external liberalization (trade first) constituted the third pillar of the three-pronged approach that constitutes this "consensus" (Cling, 2006).

2.1 Trade openness and economic growth

Assessing the macroeconomic effects of trade openness on growth and development provides a deeper understanding of the role of international trade, which puts comparative advantage theory into practice. In the traditional perception of the gains of external openness, Riviera-Batiz and Romer (1991) identify three major effects: a resource allocation effect, an integration effect (increasing market size), and a redundancy effect (avoiding cost duplication). The work of François, McDonald, and Nordström (1994) provides an example of the impact of advances in international trade theory on the perception of opening gains. In total, a small number of elementary mechanisms make it possible to associate openness and growth: widening the market and the supply of inputs, externalities, and changing paths (UNCTAD, 2015).

Opening up to trade can be a great opportunity not only for the national economy in general but also and above all for exporting companies and consumers. To this end, it is companies that participate in international trade that are the most productive, pay for a more skilled workforce, benefit from higher efficiency gains, and invest massively in research and development, benefit most from innovation and technological diffusion in the various markets, leading companies to achieve economies of scale, as their production increases. In this logic, the result is a linear relationship between trade openness and economic growth because it highlights the accumulation of factors and their effective allocations. For consumers, a wider variety of product ranges is offered, through the expansion of the market. This leads to an increase in the elasticity of

demand for consumer goods. This competitive shock, resulting from openness, requires companies to reduce their commercial margin.

Other gains from trade openness relate to greater access to foreign financial markets. Since openness to foreign trade is generally accompanied by a dose of financial liberalization, it results in a loosening of the financing constraint not only for companies but also for States, thus, financial openness leads to a greater possibility of production, thus a significant accumulation of factors (growth). This is done within the framework of what is known as financial globalization. It also allows external debt, thus allowing consumption and investment programs to be disconnected. Openness, therefore, affects both the price of inputs and their variety; in turn, a greater variety of inputs is likely to generate externalities.

However, it should be noted that there is a controversy about the origin of firms' efficiency gains. This is even an old debate in international trade theory: the one between Graham and Knight in the 1920s. The first defended the idea of possible losses at the opening in the event of increasing returns, while the second excluded such a possibility in the event of increasing internal returns: only the existence of economies of scale external to the firm could lead to losses in free trade. The question of relative market sizes is central to the emergence of openness gains explained by the existence of externalities. There is indeed a relative range of sizes for which the economies involved in the openness process derive trading gains. The small economy will certainly benefit from openness if it is small enough. Conversely, a medium-sized economy approaching the size of a large economy may lose out on openness.

Another condition concerns the structure of world consumption: an opening loss is all the more likely as the proportion of world consumption allocated to the sector with increasing returns is high. On the other hand, the probability of such a loss decreases with the size of economies of scale, the effect of the efficiency of the opening being sufficiently strong. Thus, taking into account increasing returns introduces the possibility of results that deviate from the principle of opening gains.

Finally, external openness promotes international economies of scale that depend on the size of the global market (Ethier, 1979). For a given industry, increasing yields are the result of increased production worldwide. In this context, the international division of labor is deepening and leading to an intensification of international intra-branch trade in intermediate goods, a source of efficiency. These opening gains are attributable to the increase in the varieties of inputs whose mechanisms have been described above. Thus a country will gain at openness if its

production in industries with positive (negative) externalities increases (decreases) or if world production in industries with international (dis-economies) economies increases.

In the same vein, and by not taking into account the traditional effects of increasing returns and externalities related to knowledge, Romer, (1987) focuses on the effects of specialization. From a dynamic perspective of the accumulation of the primary factor involved in the production of intermediate goods with increasing returns, a divergence between social and private returns appears. Under these conditions, it will be difficult to identify the sources of productivity gains since the producer cannot appropriate this downstream gain from the diversity of available inputs. Thus, the opening allows the constraint on the number of varieties of intermediate goods to be loosened, improving the efficiency of the productive combination. As a result, the effects of specialization underlying traditional theories of international trade are being modified in a dynamic perspective. Therefore, a weak initial position in a sector with a dynamic economy of scale may lead to a gradual exclusion from this sector. If it is a growth-boosting sector in a country, then external openness is not beneficial for that economy. Moreover, not all sectors are equivalent to a dynamic point of view. Specialization in low-technology sectors can reduce the medium-term growth rate of the economy. However, the positive externalities resulting from openness with the development of international trade and inflows of foreign direct investment can limit losses of this nature (UNCTAD, 2014).

On the other hand, the question: what are the predictions of the standard theory of international trade on income distribution? It appears that the gains from opening up to foreign trade on income distribution are different in different economies: First, in the case of developing economies, trade openness affects factor prices through changes in relative prices; it reduces the relative prices of goods intensive of skilled labor and increases the relative prices of goods intensive of unskilled labor; consequently, the wages of skilled workers should decrease while those of unskilled workers should increase. Besides, aftermarket liberalization, skilled labor should be subject to a reduction in relative wages more than proportional to the reduction in the prices of goods intensive in skilled labor.

Finally, there is convergence in absolute input prices among countries whose trade liberalization is intensifying, trade barriers are high and imperfections in market mechanisms are disappearing. In this context, wage inequalities are expected to decrease. Thus, according to this first hypothesis, African economies south of the Sahara should be the big winners of trade openness for the benefit of the economies of industrialized countries.

Second, in the context of the developed countries of Europe and North America, openness to trade affects factor prices through changes in the relative prices of goods. This opening favors the reduction of relative prices of unskilled labor-intensive goods and increases the relative prices of skilled labor-intensive goods; as a consequence, the relative wages of skilled workers should increase while those of unskilled workers should decrease. After trade liberalization, unskilled workers should suffer a reduction in relative wages more than proportional to the reduction in relative prices of unskilled labor-intensive goods. There is a convergence of absolute prices of production factors among countries whose trade liberalization is intensifying; trade barriers are high and imperfections in market mechanisms are disappearing. In this context, wage inequalities are expected to increase. Beyond all these theoretical aspects, many authors have undertaken work with the ultimate objective of seeking to identify and analyze the effects of trade openness on growth and well-being.

Thus, the experiences of Asian countries have shown that it is the economies that have adopted policies of integration into international trade that have experienced the most significant macroeconomic performance. Developments in economic growth theories have highlighted the important role of trade openness as a factor that can promote long-term growth and productivity. Despite the consensus on the beneficial effects of developing countries' participation in international trade, however, there are major difficulties in providing theoretical and empirical evidence on this presumed positive link between foreign trade and its effects on economic growth. However, there is evidence that there are gains in growth in the very short term. However, it is not easy to carry this reasoning by considering a medium and long term horizon.

Ben-David (1993) and Sach and Warner (1995) also demonstrate that it is only in economies that are highly integrated into the world market that unconditional convergence can be observed. Sach and Warner (1995) show that in the 1970s and 1980s, the growth rate of countries with open policies grew at a rate of 4.5% per year, while the relatively closed countries had a growth rate of only 0.7%. However, they note that a robust relationship is difficult to find and justify. However, their methodologies have been challenged by Rodriguez and Rodrik (2000) because indicators for measuring trade openness can be heavily criticized and important control variables that can have a decisive effect on growth are missing. Jin (2004) analyzed the co-movement between openness and growth for 17 Chinese provinces and 3 municipalities. It shows that there is a positive relationship between openness to international trade and the growth rate for developed provinces and municipalities and a negative relationship for landlocked provinces and municipalities.

Gries and Redlin (2012) examine the short- and long-term dynamics between the growth of GDP per capita and the degree of openness for 158 countries from 1970 to 2009. Using the tests of Co-integration of panel and error-correction models, they conclude that there is a long-term relationship between trade openness and economic growth. The long-term coefficients indicated a positive and significant causal link between openness to growth and openness to growth. On the other hand, the short-term coefficients reflect a negative adjustment, suggesting the painful nature of the measures to open up the economy. The results also suggest that different trade patterns have different effects on economic growth in high- and low-income countries.

2.2 Trade, Poverty and Inequality

The crisis of the 1980s led developing country governments to consider foreign trade as a powerful lever for promoting growth and reducing inequality. The observation is clear about the beneficial effects it offers. Following the setbacks of Keynesian-inspired economic policies, trade liberalization has emerged as one of the powerful and sustainable instruments for promoting inclusive growth and reducing poverty. Thus, most empirical studies on the consequences of trade liberalization conclude that the impacts on well-being and poverty are very insignificant. This is not surprising, as most authors use a static and short-term perspective to measure them, in which community welfare gains and impacts on household poverty are derived only from a new, more efficient reallocation of productive resources. Only efficiency gains can improve the situation of the population and possibly the poorest (Cockburn John et al; 2008).

Theoretical and empirical studies on the relationship between trade openness and poverty reduction highlight an ambiguous link between these two elements. They can be classified into two main categories. The first category includes studies that highlight the positive impact of trade openness on poverty reduction (Berg and Krueger, 2003). For these authors, trade promotes the efficient allocation of resources, specialization in production, competitiveness, and the diffusion of technology, which has a positive effect on growth and thus on poverty reduction. The second category includes studies that highlight the differential effects of trade liberalization on poverty according to the preconditions of economies. Local conditions such as, on the one hand, restrictions in the free movement of labor and enterprises (Davis and Mishra, 2006, Goh and Javorcik, 2006 and Topalova, 2006), the weight of the informal sector (Goldberg and Pavcnik, 2003) and, on the other hand, the quality of the labor force and the countries' field of specialization (Acemoglu, 2003) are all factors that often make trade opening impoverished. Based on these theoretical results, several recent empirical studies show that the trade openness poverty reduction relationship is non-linear and depends on the quality of institutions

(Sindzingre, 2005; Bolaky and Freund, 2008; Haltiwanger, 2011 and McMillan, and Verduzco, 2011, Le Goff and Singh, 2013), macroeconomic stability and favorable business climate, quality education and free movement of labor (Winters et al, 2004; Newfarmer and Sztajerowska, 2012).

Besides, foreign trade reform has often been presented as a means of accelerating the process of growth that takes into account the reduction of poverty and inequality. One of the channels through which trade affects poverty is household income. Thus, this reform has major effects on the prices of factors of production, among which wages are the most important from poverty. While the reform stimulates the demand for labor-intensive products, it leads to an increase in the demand for labor and, consequently, in wages and/or employment. However, this will only lead to poverty reduction if the increased demand for labor corresponds to the tasks that the poor can perform. If the poor are low-skilled and the reform increases the demand for semi-skilled labor, it will not affect poverty or could even worsen it by reducing the wages of unskilled workers. The effect also depends on the level of wages concerning the poverty line. If wages rise high enough to exceed subsistence levels, or if sectors that create jobs offer wages above the poverty line, poverty will decline (WTO, 2008).

Also, the reform of the foreign trade system can hurt the level of public revenues, it should be noted that this effect is much less frequent and generally much less important than previously thought since any reform of the viable foreign trade regime must be accompanied by a significant amount of tax reform. In most cases, when tariffs are high there are many exemptions, and a reduction in both the level of tariffs and the number of exemptions can be neutral in terms of customs revenue. Even if tariff reform reduces customs revenues, it is not inevitable that this will harm the poor. Ultimately, this is a political decision: you have the choice between creating new taxes to compensate for the loss of income or reducing public spending. If new taxes are created, they will only increase poverty if they disproportionately affect the poor and, if spending is reduced, the effect will also depend on how the cuts are distributed.

The World Bank (2005), based on new international poverty estimates, concludes that economic growth is conducive to absolute poverty reduction. Other authors on the contrary (for example Bhalla and Surjit (2002) and Sala-i-Martin, Xavier (2002), consider that the use of household surveys underestimates poverty reductions, while some authors (e. g. Wade, 2004) consider that the World Bank estimates may be overly optimistic. In any case, the links between foreign trade, growth, inequality, and poverty are far from obvious, and there is a considerable controversy between the various authors. In two major papers, Winters et al (2004) provided a relatively comprehensive picture of the potential links between each of these components, but empirically, it is well known that there are still disagreements between the authors.

Goldberg and Pavcnik (2003), conclude from the impact of the mixed-effects and argue that there is no evidence to suggest that there is a link between trade reforms and increased informal employment and worsening working conditions. In cases where this link is established, it seems to be more related to the intrinsic rigidity of some labor markets. A study of labor market institutions and their interactions with trade policies is therefore needed to accurately identify the effects of foreign trade on inequality and poverty. Pradeep et al (2012) found that trade openness can effectively contribute to reducing poverty and income inequality, thus promoting inclusive growth, at least if it is accompanied by an appropriate mix of economic measures and if the rules applicable to transnational trade facilitation are clearly defined and observed. Winters (2000) studied the static effects of trade policy on poverty in four major groups: enterprises, distribution channels, public administrations, and households. According to him, "it is probably through the prices of goods and services for which poor households have significant net positions that the most direct effect of trade reforms on poverty is expressed. The most abrupt price spikes occur when either the initial price or the final price is limited and the other is unlimited (in other words, when there is no market). Shocks that profoundly shake important markets such as cash crops or certain forms of work are likely to have a significant impact on poverty. At the same time, access by the poor to new goods, services, and opportunities can significantly improve their well-being.

Santos-Paulino and Thirwall (2004), point out that the prediction of the standard theory of international trade, according to which trade liberalization tends to make wage distribution more equitable, is not verified in practice in developing countries because this theory does not take into account international capital flows and technology transfers that increase the demand for skilled labor. However, the example of China shows that trade openness can be accompanied by both an increase in inequality and a decrease in absolute poverty (Demurger, 2000 and Li, 1999).

Milanovic (2005) conducted a study on the link between trade and income inequality on a sample of 90 countries (including both developing and industrialized countries). The opening rate is measured from the ratio (exports imports)/GDP. Inequalities are measured based on each decile's share of income in overall income. Two sub-periods are considered: 1985-1991 and 1992-1997. According to Milanovic, among low- and middle-income countries (less than USD 5,000 in PPP, this threshold corresponding to the case of Chile) it is the rich who benefit from an increase in the volume of trade while the poor lose, while the opposite is true for the richer countries. Milanovic does not, however, question the origin of this result, which is contradictory to the teachings of standard theory. If dummy variables corresponding to major developing regions are introduced, openness would improve equality in rich and transition countries, would not have much effect in Asia, and would be associated with an increase in inequality in Latin

America and Africa, the latter corresponding to the findings of the abovementioned studies on wage inequality.

Ravallion and Chen (2003) highlighted the existence of a negative correlation between openness rates (exports+imports/GDP) and the incidence of absolute poverty at the 1993 USD 1 PPP threshold based on growth episodes for 75 countries. But this correlation seems extremely fragile: it disappears when, for example, it removes the term related to the temporal trend of average poverty or when it controls for the effect of initial poverty. Based on a study of export trends and poverty in LDCs during the 1990s. UNCTAD (2005) shows that trade has generally not contributed to poverty reduction. In the absence of a general relationship between trade and poverty, it is necessary to carry out a more detailed analysis of possible transmission channels. The main transmission channel, which is also the most studied, is macroeconomic. If we accept the thesis that openness promotes growth, we can expect that it will also generally have a positive impact on poverty (Cling, 2006). However, this impact depends on the effect of openness on inequality discussed above, as well as on the effect of growth on inequality (a sharp increase in inequality can increase poverty). About the latter point, it so happens that the Kuznets curve, according to which inequalities tend to increase during the early stages of development (before decreasing in principle thereafter according to an inverted U-shaped curve) has been challenged by recent work, according to which growth, therefore, has no systematic effect on inequalities, either in one way or another.

2.3. Growth, poverty, and inequality

The analysis of the links between growth, poverty, and inequality was the subject of much thought in the aftermath of the Second World War. Thus, over the past three decades, concepts such as "pro-poor growth" and recently the notion of "inclusive growth" have emerged. What is inclusive growth? The concept of inclusive growth emerged in the economic literature and political debate following the failure of the Washington Consensus (Williamson, 1990). Initiated by the Bretton Woods institutions, this consensus suggested that free markets, openness to the outside world, and fiscal discipline alone could ensure prosperity and macroeconomic stabilization of States. The market is considered as the only one capable of solving all economic problems in a fundamentalist vision. Inequality was only a secondary concern, as it was widely accepted that openness to the outside world would have an "equalizing" effect as suggested by Heckscher-Ohlin's simple model (Michel et al; 2015).

However, since the 1970s, it has been established that market imperfections produce perverse effects, particularly for developing countries through imperfect information and limits to

competition (Serra et al. 2008; Stiglitz, 2008). During the 1990s, many developing countries, whose economic policies were strongly influenced by the Washington consensus, were hit hard by particularly severe crises. Mexico, South Asia, Russia, and Argentina have experienced difficult economic episodes, which have led to a reconsideration of the role of markets, not to mention African countries.

The need to reconcile economic growth and social equity in developing regions has given rise to the concept of pro-poor growth (Kraay, 2004). The underlying idea is that of growth accompanied by a reduction in income poverty. Inclusive growth reflects the concerns of pro-poor growth by considering the issue of equity and well-being in their monetary and nonmonetary dimensions. Although no consensus is emerging, the literature nevertheless agrees on two approaches to inclusive growth. The first focuses on participation in the wealth creation process and the second on the distribution of dividends from this wealth. In the first case, the inclusiveness of growth is based on its ability to involve as many citizens as possible in the productive effort. In this context, growth is pro-job in the sense that it requires a high labor intensity to be inclusive. In the second case, inclusiveness is based on the need for an equitable distribution of the benefits of growth among the population.

From the perspective of participation, growth is inclusive if it involves all segments of society in the production effort. The inclusiveness of growth is closely linked to its ability to provide employment and consumption opportunities to a large part of the population, not excluding the unskilled. The latter are generally excluded from the education system even if they are brilliant because of poverty-related constraints. On this subject, Banerjee and Duflo (2012) borrow Armatya Sen's language and criticize an intolerable waste of talent. At the microeconomic level, the company plays a decisive role in developing a business model that can involve the poorest households in the value chain, while preserving the profit objective. Innovation enhances the ability of firms to play this role (Dutz et al., 2012). It reduces the cost of development and increases the technical opportunities for the poorest to participate in growth.

The World Bank refers to inclusive growth as the pace and pattern of economic growth. According to the World Bank's approach, strong economic growth is necessary to reduce absolute poverty. However, for this growth to be sustainable, it must cover a wide range of sectors and a large part of a country's labor force. The sustainability of growth depends on the integration of the various sectors of the economy as well as the participation of the greatest number of people. As a result, inclusive growth promotes productive employment. More jobs lead to lower unemployment and more productivity can lead to higher wages (World Bank, 2009).

Based on the experience of Asian countries, Felipe (2009) points out that growth alone is not a sufficient objective of economic policy. It is through work that a large part of society can find the opportunity to participate in the value chain and claim to benefit from it. Inclusive growth is therefore a source of new jobs for the benefit of the greatest number of people. In this context, it appears that full employment is a better economic policy objective. The United Nations Development Programme also attaches particular importance to the issue of inclusive growth. UNDP defines inclusive growth by integrating both the process of participation and redistribution. Growth is inclusive when all groups have been involved in organizing growth and have benefited equitably (UNDP, 2008).

From a distribution perspective, Ali and Ifzal (2007) define inclusive growth as one that creates new economic and social opportunities and also ensures equitable access for all segments of the population, especially the poor. Considering Sen's point of view, the notion of equity is an important basis for defining inclusive growth. Equity moves away from the simple idea of justice presented in particular by Rawls (1971) by moving closer to the notion of capability. This is understood in the sense of the actual capacities of each person to perform certain acts such as consumption or production. On another level, the benefits of economic growth must benefit all regions of the European Union, including the outermost regions, to strengthen territorial cohesion.

Bourguignon et al (2007) associate the inclusiveness of growth with equality in access to opportunities as conceptualized by Roemer and John (1998). An equal opportunity exists when the well-being of an individual essentially reflects the efforts he or she makes and not the circumstances or individual conditions in which he or she finds himself or herself. The OECD stresses that the notion of inclusive growth is at the heart of the Europe 2020 Strategy. It is about empowering citizens through high employment rates, investing in skills, fighting poverty, modernizing labor markets and training and social protection systems to help each individual anticipate and manage change, and strengthening social cohesion.

Pro-poor.....growth

The concept of pro-poor growth is of great interest to pro-development economists. This is reflected in a multitude of new works on this theme. Most research focusing on pro-poor growth justifies its contribution by explaining the interest in this area, particularly in the context of Poverty Reduction Strategy Papers (PRSPs) and the Millennium Development Goals (MDGs). However, the recent popularity of the concept of pro-poor growth is confronted with differences in its definition itself.

As Kakwani and Pernia (2000) mention, the concept of pro-poor growth would have emerged in the 1950s. The idea was that the benefits of growth went initially to the rich because of their human and financial capital advantages, which, in a second step, by spending their earnings, made the poor benefit from this growth. However, experience has shown that the fruits of growth go more to the rich because of their human and financial capital advantages. In this context of cross-flow known as the "trickle-down effect" theory It is a political theory on the economy, wrongly considered as liberal according to which, unless destruction or hoarding (accumulation of money), the incomes of the richest individuals are ultimately reinjected into the economy, either through their consumption or through investment (including savings), thus contributing, directly or indirectly, to general economic activity and employment in the wider society. This theory is put forward in particular to defend the idea that tax cuts, including for high incomes, have a beneficial effect on the global economy.

The poor could only receive a smaller share of the benefits of growth received by the non-poor. We then see, towards the end of the 1960s, that the rapid acceleration of economic growth does not necessarily imply a rapid reduction in poverty. It may even lead to an increase in poverty, as a mechanism of "impoverishing growth".

It was only in 1974 that Chenery, then Chief Economist at the World Bank, and Ahluwalia, published a book, entitled "Redistribution and Growth", which focused on the relationship between growth and redistribution and on growth-generating policies that improve income distribution in developing countries. However, the term pro-poor only became explicit in the 1990s: it appeared as a solution to the unsatisfactory results of redistributive models that generate very slow poverty reduction.

It, therefore, appears that promoting pro-poor growth requires a deliberately biased pro-poor strategy so that the poor benefit more from wealth creation than the rich. Moreover, like the concept of poverty, the concept of pro-poor growth can also be considered from a multidimensional perspective. Empirical studies and discussions on pro-poor growth have increased in recent years. Increasingly, researchers are interested in assessing whether episodes of economic growth are associated with poverty reductions and increased individual well-being. In the same way, organizations are also taking an interest in it by setting up different programs and publishing various research documents.

Inclusive growth versus pro-poor growth

In its absolute conception, growth is said to be pro-poor if it makes it possible to increase the income of those most affected by precariousness. By raising their income levels, growth reduces

the number of people living below the poverty line and gives them access to better living conditions. The relative conception of pro-poor growth is based on the idea of equity. Growth is relatively pro-poor if it provides the poor with a higher rate of income growth than the wealthiest classes (Kakwani and Pernia, 2000; Kraay, A. 2004). When it integrates only the income dimension, there is a close link between the "result" conception of inclusive growth and pro-poor growth. Both insist on the redistribution of the wealth created. On this point, Kanbur and Rauniar (2009) point out that growth can be pro-poor without being inclusive in the absolute sense of poverty. This is the case when the reduction of poverty following the increase in income.

Klasen (2010) attempts to dissociate the two concepts by emphasizing that pro-poor growth focuses only on populations living below the poverty line, while inclusive growth concerns the whole population. The inclusiveness of growth includes the principle of reducing disadvantages. Inclusive growth reduces ethnic, regional, or gender-related disadvantages. The main difference between the two concepts is the multidimensional nature of inclusive growth. Unlike pro-poor growth, inclusiveness requires moving beyond the monetary dimension to better integrate the social aspects essential for a broader definition of well-being. Pro-poor growth appears more as a complementary than a rival concept of inclusive growth. In our view, pro-poor growth is a constitutive element of inclusiveness or a less advanced stage of it. For economic growth to be effective in reducing poverty, it must be inclusive (Berg and Ostry, 2011). In other words, inclusive growth is necessarily pro-poor, but the reverse is not true.

3. Trade, growth, and inequality in sub-Saharan Africa: Some theoretical and empirical studies

In this section, we attempt to illustrate some cases of theoretical and empirical work that focus on the links between trade, growth and poverty and inequality reduction in the context of Sub-Saharan African countries.

3.1. Trade, growth

It has been shown that foreign trade plays a decisive role in the process of factor accumulation in the context of developing countries in general and sub-Saharan Africa in particular; it influences the level of economic progress, the balance of payments, and employment. Following the setbacks of neoclassical economic policies, participation in international trade has emerged as one of the powerful and sustainable instruments for promoting growth and human development in developing countries. Globalization, reduction of tariff barriers, economies of scale, lower transport costs, are factors on which public policies have focused to promote exports to

significantly increase gross domestic product in Sub-Saharan Africa. Besides, exports are a component of aggregate demand and growth. In this way, they alone can create jobs, increase and sustain sustainable and equitable economic growth. They contribute significantly to improving the current account balances of SSA countries as well as their competitiveness, quality and value-added, exchange rates, and long-term productivity. Several empirical studies have examined the effects of foreign trade on growth and economic development in sub-Saharan Africa: in this vein.

Gachili and Dazoue (2018), in studying the role of trade in economic growth in Cameroon, find that foreign trade is one of the essential levers of the country's economy. And also deduce that imports and exports have positive and significant impacts on economic growth in Cameroon. While trade openness has a significant and negative impact. Lemzoudi (2005) examined the impact of openness on economic growth in five African countries. His concern was also to verify whether the effect of openness is different between coastal and landlocked countries. His model, based on a general production function, uses the co-integration technique for time series. The results obtained are similar to those of Jin, i.e. there is a positive relationship between the openness to international trade and the growth rate for two of the three coastal countries and a negative relationship for the three landlocked countries.

Douillet (2012), in analyzing the effects of trade on development in sub-Saharan Africa, giving priority to multilateral negotiations, finds that these countries are very sensitive to global market developments and trade policies help shape their agricultural development trajectories. Through economic simulations, finds that, compared to multilateral trade agreements, regional integration would allow for a more balanced distribution of trade-related gains among the countries concerned. It also shows that the other advantage of regional integration is to stimulate local agricultural processing chains. However, while trade policies can accompany agricultural and agro-industrial development policies, they cannot replace them. These results are based on the general observation that these countries, which are limited in their negotiating capacities and are most often under strong pressure, need to set reform priorities to do so.

Analysis of the effects of different trade policies on economic growth in sub-Saharan Africa shows different results for different countries and types of export products, which show that there are small effects compared to agricultural policies directly aimed at increasing agricultural productivity. These effects depend on the ability of countries to exploit the opportunities offered by participation in global trade. The specific case of Malawi teaches us that the only crop for which it is competitive at the global level is tobacco. Considering that global demand for this product is limited overall. It is therefore not surprising that the results obtained from the

simulations show that trade policies have only a small impact on economic growth, compared to policies directly aimed at increasing agricultural productivity.

NLEMFU (2011), for its part, analyses the effects on the Congolese economy of integration into the SADC free trade area from a static point of view. The results of Trade openness and economic growth in the DRC indicated a small gain in the free trade area but above all a considerable loss in public revenue. The author also proposes compensation mechanisms to compensate for losses due to the dismantling of customs duties. Gilles Umba (2015), analyzing the effects of trade openness on economic growth in the DRC, using a computable general equilibrium model (CGEM), finds a negative net effect on the economic growth of the effects of trade openness, however, this negative impact could be offset by continuing structural reforms aimed at improving competitiveness and diversifying the economy.

By analyzing the impact of exports on economic growth in Togo over the period 1960- 2014, Kpemoua (2016) finds a causal relationship between these two variables using a model based on a neoclassical production function. The methodological approach used is based on Cointegration and causality techniques, thus, the empirical results reveal a positive and significant correlation at the 1% threshold in the long term between exports and economic growth and causality in the sense of Toda and Yamamoto, from exports to economic growth.

In examining the correlation relationship between economic growth and exports, Michaely (1977) and Balassa (1978) used the Spearman rank correlation coefficient for this purpose. Indeed, for a first set of "undeveloped" countries over the period 1950-1973, Michaely found a coefficient of 0.38, significant at the 1% threshold. For another group of 23 income countries (1972 constant prices) above \$300, it finds a coefficient of 0.523, while for the least developed countries in this sample it finds a coefficient of almost zero and concludes that a country's economic growth is affected by exports only from an income threshold. Considering a sample of 10 underdeveloped countries over the 1960-1973 period, which is subdivided into two sub-periods, 1960-1966 and 1966-1973, respectively, due to policy changes, Balassa considers that, in general, it was during the first and second sub-period that the coefficients were statistically significant and explains the relatively low level of manufacturing exports in most countries at the beginning of the period. To better clarify these ideas, Balassa uses the methodology of Michalopoulos and Jay (1973) based on panel data. It confirms the importance of exports in the development process and advises developing countries on the adoption of policies aimed at improving their exports.

Lezona (2005) attempted to analyze the impact of exports on Congo's economic growth over the period 1972-2002 using an econometric model (error-correction model) that takes into account both short-term and long-term effects. The results obtained from the estimation reveal that oil and non-oil exports have a positive but insignificant influence on economic growth. Saminirina and Adamson (2013) examined the relationship between exports and economic growth in Madagascar. Econometric analysis over the period under review shows that a 10% increase in exports leads to the economic growth of 0.95%. Several other studies have been carried out and have shown that the effect of commodities on growth can be negative and that countries such as Nigeria, Côte d'Ivoire, Ghana, etc. that are commodity exporters may have been victims of Dutch disease. However, other recent empirical work has put into perspective the findings on the effect of commodity exports on growth.

Indeed, Mehlum et al (2006), Snyder (2006), Brunnschweiler (2008) have shown that the effect of commodities on growth is not necessarily negative, but depends on the quality of institutions. Thus, while countries have developed good institutions, commodity dependence facilitates growth. Also, Stijns (2005), Brunnschweiler and Bulte (2009) and Lederman and Maloney (2008) suggest that regression results on growth that show a negative effect of commodities are not robust to changes in model specification and/or the definition of commodity dependence.

3.2. Trade, Inequality, and Poverty in SSA

It is now recognized that trade openness promotes greater income equality in African countries south of the Sahara, based on the assumption that if markets are open, a country can produce and trade goods that make more intensive use of its abundant production factors. As the most abundant factor in developing countries is unskilled labor, the production of these countries under free trade should focus on agricultural and manufactured products that require unskilled labor.

In the particular case of sub-Saharan Africa, access to basic social services remains limited, and the creation of decent employment is very low. Finally, as an inevitable consequence of these various shortcomings, poverty remains very high on the continent. The limited impact of high economic growth on access to basic social services and livelihoods has contributed to the widening inequalities in the continent; the sub-region was ranked second globally in 2008 with a Gini coefficient of 44.2%, just behind Latin America and the Caribbean. In 2010, six of the ten most unequal countries in the world were African (Cummins and Ortiz, 2012).

Winters (2000) reports on a joint Oxfam and Institute of Development Studies study on cotton market deregulation in Zimbabwe in the late 1980s and 1990s, which illustrates the potential

impact of trade liberalization on the poor. Before liberalization, the state governed a monopsony (as a single buyer against multiple sellers) and used low producer prices to subsidize the acquisition of inputs in the textile industry, to the detriment of the income of small farmers. Liberalization has included the removal of price controls and the privatization of the marketing board, resulting in higher product prices and competition among three main buyers competing not only on prices but also on extension services and other types of assistance to smallholders. In Zambia, the liberalization of the maize market has had the opposite effect. Before deregulation, producers benefited from cross-subsidies from the mining sector that significantly reduced input costs. Besides, small producers in remote areas benefited from implicit price subsidies.

These were set by a parastatal company (financed by the State without being an official emanation) acting as a single buyer, and their level remained unchanged regardless of the season and region. When these subsidies ceased and the parastatal company was privatized, large farmers close to national markets did not perceive any real change, while small producers, particularly the most geographically isolated, suffered greatly from price fluctuations. Also, the sharp deterioration of transport infrastructure has led to the disappearance of remote rural markets, depriving small maize producers of any official income.

3.3. Growth and Poverty

Also, many developing countries have achieved remarkable economic performance over the past two decades. However, these performances have been accompanied by deep inequalities, leading to several criticisms of the economic models applied. Growth in Asian countries, for example, has been stronger than in other regions of the world, leading to a significant decline in poverty in the region. Despite these achievements, inequalities have increased. To this end, it was necessary, if not urgent, to promote a growth model that promotes economic progress, reduces poverty, and ensures social equity. In India, the change in political management in 2004 promoted the promotion of inclusive growth to break with the previous growth model that excluded a large part of the population. Indeed, the most excluded social groups benefited much less from the effects of growth than others (Thorat and Dubey, 2012).

Studies conducted in the 1990s in a few African countries show that during periods of growth, poverty declined: in Ghana between 1988 and 1992, in Nigeria between 1985 and 1992, in Tanzania between 1983 and 1991. Symmetrically, an increase in poverty has been observed during phases of declining GDP per capita, as in Côte d'Ivoire between 1985 and 1992, Benin between 1986 and 1996, Cameroon from 1987 to 1994, and Madagascar from 1960 to 1995. On the other hand, no situation of poverty reduction in times of recession has been observed in

Africa. However, there are increases in poverty during periods of low growth (Côte d'Ivoire, 1993-95, Tanzania, 1993-95, Uganda 1989-95).

In examining the links between economic growth, poverty, and income inequality in sub-Saharan Africa, Lachaud (2006), using a methodology based on household and national accounts data, several observations emerge: First, the absolute value of elasticities concerning per capita expenditure is significantly higher than unity for all poverty measures in most of the countries in its sample, especially in urban areas. As a result, while poverty is likely to decline faster than the growth rate of the standard of living provided that the latter does not generate a rise in inequality, it can also increase in the event of negative economic growth. Moreover, since the absolute value of elasticities is sensitive to income transfers among the poorest, economic growth that does not generate increased income inequality can have a greater impact on the very poor than on the non-poor. Second, across economies, poverty measures respond much more to changes in income inequality than to changes in average incomes. Under these conditions, poverty can increase if income inequality increases during the process of economic growth. In other words, the compensation in terms of income growth to stabilize poverty following an increase in inequality must be more than proportionally higher than the marginal substitution rate per unit. Third, in most countries, regardless of the standard of living considered, poverty elasticities concerning per capita expenditure and the Gini index tend to be higher in urban areas than in rural areas. Such an outcome highlights the greater social fragility of urban areas in terms of economic growth and changes in income inequality. Thus, all other things being equal, rural poverty reduction implies more economic growth than urban poverty reduction. Conversely, reduced economic growth is likely to affect urban poverty more than rural poverty.

Haan and Thorat (2013) point out that income disparities in South Africa are still a challenge, despite the hopes raised by the abolition of apartheid. In North Africa, the Arab spring highlighted frustrations resulting from a certain social exclusion of young people, particularly regarding their access to employment. Despite the small number of observation periods, several observations, in the absence of correlations, have been made regarding the relationship between growth, expressed in terms of GDP per capita, and income poverty.

By studying the effects of trade liberalization on growth and poverty in Senegal, Cockburn et al (2008) showed why most similar studies concluded that it had negative effects on poverty and increased inequality. Their work, therefore, consisted of using a static general equilibrium model to capture the short-term effects of trade liberalization on poverty and inequality and, in a second step, a dynamic model that takes into account the effects of accumulation. The results from both approaches are surprisingly robust, in that they show that trade liberalization leads to small

increases in poverty and inequality in the short term and a contraction of the agricultural and industrial sectors initially protected. On the other hand, in the long term, lower tariffs stimulate investment, particularly in the industrial and service sectors, and lead to a significant reduction in poverty. However, the decomposition of changes in poverty rates reveals deterioration in the income distribution with higher earnings among urban households and the non-poor.

5. Conclusion and Discussion

Foreign trade has often been presented as an engine for reducing poverty and inequality. In sub-Saharan Africa, one of the channels through which trade affects poverty is household income. Thus, this reform has major effects on the prices of factors of production, among which wages are the most important from poverty. While the reform stimulates the demand for labor-intensive products, it leads to an increase in the demand for labor and, consequently, in wages and/or employment. However, this will only lead to poverty reduction if the increased demand for labor corresponds to the tasks that the poor can perform. If the poor are low-skilled and the reform increases the demand for semi-skilled labor, it will not affect poverty or could even worsen it by reducing the wages of unskilled workers. The effect also depends on the level of wages to the poverty line. If wages rise high enough to exceed subsistence levels, or if sectors that create jobs offer wages above the poverty line, poverty will decline. Thus, the experiences of Asian countries have shown that it is the economies that have adopted policies of integration into international trade that have experienced the most significant macroeconomic performance. Developments in economic growth theories have highlighted the important role of trade openness as a factor that can promote long-term growth and productivity. Despite the consensus on the beneficial effects of developing countries' participation in international trade, however, there are major difficulties in providing theoretical and empirical evidence on this presumed positive link between foreign trade and its effects on economic growth. However, there is evidence that there are gains in growth in the very short term. However, it is not easy to carry this reasoning by considering a medium and long term horizon.

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