

International Trade, Foreign Bank Presence and Economic Development in Africa

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Abstract

This comprehensive study explores the historical trajectory of Africa's diverse trade policies and the notable rise of Foreign Bank Presence (FBP). Focusing on 28 African nations from 2000 to 2020, the research utilizes a two-step System Generalized Method of Moments (SGMM) analysis to unveil the positive impact of international trade (INTTRADE) and its merchandise and service components, on Economic Development (ECONSDEV). FBP emerges as a significant positive catalyst for ECONSDEV in Africa, exerting a substantial moderating influence on the relationship between INTTRADE and ECONSDEV, especially notable for merchandise and service trade. The study advocates for policymakers to harness FBP's trade finance services, such as letters of credit and guarantees, to mitigate risks in merchandise trade and leverage currency management services for managing foreign exchange risks associated with service transactions. This strategic use of financial services will contribute to the promotion of economic development through trade.

Keywords: *International trade; Foreign bank presence; Economic development; Africa*

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