Can Africa trade her way out of Poverty?

Regional seminar held on the 24th to 27th October 2004
At the Naivasha Sopa Resort, Kenya

Seminar Report

1. Background

CUTS-International, Nairobi in partnership with Friedrich Ebert Stiftung, held a regional seminar titled "Can Africa Trade her way out of Poverty? " on 25th and 26th October 2004 in Naivasha, Kenya.

The seminar participants included trade and economic policy-makers scholars and civil society actors drawn from eight Sub-Saharan African countries (Kenya, Uganda, Tanzania, Zambia, Malawi, South Africa, Nigeria and Ghana) India and Vietnam. The overall objective of the seminar was to share lessons, ideas and experiences on trade and economic liberalisation and its impact on the poor. It also served as a platform for South-South dialogue on trade and development.

2. Summary of Discussions

The one issue on which there was unanimity was that trade liberalization alone will not reduce poverty. Trade should not be considered as an end in itself, but a means to reduce poverty.

Opening the discussions, Ambassador Peter Robleh of the United Nations Economic Commission For Africa (UNECA) observed that past trade arrangements have not resulted in considerable economic and social change in Africa. He said that Africa does not lack in resources but rules are stacked against them- citing the many existing barrier to exports, the huge amount spent on subsidising farmers in developed countries that threaten livelihoods of millions of poor farmers in Africa. He expressed guarded optimism adding that the answers to poverty in Africa lies in fair trade, not aid.

Trade policy should be sufficiently integrated in the National Development Strategy of Sub Saharan African (SSA) countries if gains from trade liberalization are to be channeled to poverty reduction. There is need for refocusing on policy coherence among the various national and international trade and development agreements which African countries undertake with national development goals especially poverty reduction objectives. If poverty is to be tackled through trade promotion then complementary policies and strategies must be put in place to ensure that there is fair distribution of the gains.

The seminar proposed a set of practical suggestions by which African countries can rationalize and develop coherence among the different trade arrangements, regional integration treaties with the national development plans and poverty reduction and growth strategies. Trade policy and practices should compliment and be linked to national development strategies.

According to an EU presentation, trade is a major component of international development. The presenter argued that no country has developed without trade but just trade liberalization alone will not bring in development. Trade openness should be part of a wider policy on development, which includes sound macro economic policy, sound social policy and also south-south cooperation.. Despite apprehensions raised by skeptics, EU argues that Economic Partnership Agreements (EPAs) will enhance competition and efficiency rather than crowd African markets with products from EU.

Several participants were of the view that African countries should not rush to embrace EPA's before adequate preparations through developing productive capacity, regional integration and also impact assessment studies. The need for capacity building was highlighted, with strong views expressed on the inadequacies of existing efforts. South-South capacity building was suggested as an alternative to the conflict of interest arising from present situation.

The experiences of Vietnam, Zambia, Kenya and Nigeria provided lively discussions. The importance of an appraisal of the needs of the poor, how they can gain from liberalisation and what contributions they can make to the process was highlighted. The experience of Vietnam shows that economic planning and a comprehensive poverty reduction strategy, which is linked to all the key economic development programmes of the government, supported by private and voluntary sector can speed up poverty reduction. In Kenya the absence of a national trade policy creates a lacunae in the development strategy. Nigeria relies almost totally on one raw material (oil) in its exports which led to neglecting of other productive sectors and consequently of a coherent trade policy. Zambia lacks a coherent national development strategy, which encompasses trade.

3. Summaries of Papers and Presentations

3.1 "Trade liberalisation, global terms of trade and deepening of poverty in Africa" (*Paper by Oduor Ong'wen, SEATINI Kenya*.)

Globalization has been with us for more than 600 years, it does not benefit countries of the Third World and it is stoppable. Poverty is sustained by the massive transfer of the social surplus created by wage earners and small producers in the South towards the ruling classes of industrialized and Third World countries. The channels of externalisation of resources include :

Debt servicing, unfair trade, profit repatriation, privatization of state-owned enterprises, intellectual property rights, capital transfers and brain drain.

SAPS, the principal vehicles for trade liberalization have led to reductions in public spending on health, education, social services and food subsidies, prematurely exposed fragile economies to blasts of foreign competition, encouraged excessive dependence on a few commodity exports, and undermined production for domestic consumption.

Specializing according to comparative advantage is not appropriate for dynamic long-term growth and development.

The paper recommends a stop capital-led globalisation. In the immediate term, slowing down the train of further integration into the global economic system to allow time and space to plan, reflect and dream. In the medium term embark on a deliberately planned, phased, sequenced and realistic withdrawal from the exploitative system. In the long term, build independent, integrated self-sustaining economies, shatter the dominance of TNCs and re-engage under new terms

3.2 European Union Perspective on how Trade can Alleviate Poverty (Remarks *by Harvey Rouse- EC Delegation to Kenya)*

Trade can bring spectacular success in poverty alleviation. Evidence suggests globalizers have high growth but trade has to be part of a wider strategy that includes Sound macroeconomic policy, good governance to impact on poverty. The EU views trade as a priority for development. It is committed to the Doha development agenda and believes there is great potential in South- South cooperation. Though the road to the Cotonou agreement is bumpy, 2008 will see improved efficiency rather than flooding of Southern markets will be flooded. Trade should flourish, given a 10-12 year transition period.

He agreed that agricultural subsidies are trade distorting and should go and observed that geographical indications provide an opportunity in value addition. Various EU capacity building efforts targeted at government, private sector and civil society at regional and ACP level were also highlighted.

In reaction to these remarks, participants observed that economic growth does not necessarily lead to poverty reduction, there is need to examine missing links. Fear was expressed that liberalization could lead to de- industrialization, that the issue with liberalization is scope and pace and that liberalization must have accompanying measures.

On capacity building, it was observed that there is proliferation of capacity building efforts and hence a need for harmonization. Such capacity building needs to be e demand driven and it should be to expand economies, to bring more goods to the market.

Concerning EPA's, the participants expressed the following sentiments. They are presented as beneficial to LDC- but they are also in the major strategic interests to EU. They do not address the issue of debt; will occasion fiscal loss and the transition period too short. There are uncertainties about outcomes and low level of preparedness. The revenue and job losses mean LDC 's maybe net losers. There are several practical issues in regional integration. Reciprocity should be tied to economic indices such as MDGs.

The EBA initiative is not guaranteed, has been eroded by rules of origin, safeguard measures and SPS and is only useful to countries with strategic commodities.

3.3 Need for Policy Coherence: Linkages between Trade Regimes and National Development Strategies –*(Paper by Fanuel Hazvina, Trades and Development Studies Centre, Zimbabwe.)*

The paper covered the following main areas:

- Linkages between National Development Strategies (NDS) and Trade Regimes
- How to formulate and integrate trade regimes with NDS- phased gradual process or shock regimes, 10 basic steps
- Highlighted limited trade coverage in PRSP and are not supported by poverty analysis. Where considered, thy take the form of standard export promotion measures.
- Recent developments- trade issues have come to occupy a "much more central place in PRSP".
- Role and Capacity Building of different stakeholders.
- The Influence of Trade Agreements on Development Policy-
- Relevance of international (trade and aid) agreements in fighting poverty at a country level

Responding to the paper, participants observed the need to mainstream poverty in trade reform, identify priority areas and analyse costs. The need for complimetarity between development strategies and trade regimes was emphasized. It was observed that the first round of PRSP's had little on trade, the second round trying to remedy the shortcoming. The need for coherence between different trade regimes and the need to be innovative and develop niche markets was also highlighted.

3.4 Trade as an Engine of Economic Growth – The Challenge of Pro-Poor Sharing of Dividends (*Paper by Oliver S. Saasa, Professor of International Economic Relations and Managing Consultant at Premier Consult in Lusaka*.)

The paper describes the trade conditions in Africa, illustrating the marginalization of Sub-Saharan Africa from the global trade landscape, and little structural transformation in composition of exports, with primary commodities assuming dominance. It highlights the widespread poverty and de-industrialisation, the lack of complementarity in the African countries' production structures and the problems in the current multilateral trade system.

It then addresses the challenge of attribution: Does trade lead to economic growth for developing countries and, in turn, does economic growth, lead to poverty reduction? It points out that the linkage between trade and poverty is complex prospects change from country to country. It observes that economic growth is important but not sufficient to eradicate poverty.

The paper highlights the low growth elasticities of poverty reduction in SSA observing that in Africa growth, whether trade-induced or not, has been unable to register a significant impression on poverty. This being, because it has been too slow or it has been insufficiently pro-poor in both its quality and structure.

Economic growth contributes most to poverty reduction only when it expands the productivity, employment, and wages of poor people. Initial equality is also important-evidence confirms that income poverty is reduced faster where equality is greater.

The challenges of wealth redistribution are then examined with particular emphasis given to the importance of policy, prioritizing poverty reduction, effectiveness of livelihood-based approaches and the connection with *fair* trade. The author provides evidence that with trade-led growth; the income growth of the poor has, on average, kept pace with the overall average income growth. He observes that trade-led growth can reduce rural poverty when it expands employment in small-holder agriculture and can lower urban poverty when it is associated with increased output and export of labor-intensive manufactures. Trade liberalization has to be part of a more comprehensive reform programme, which should include appropriate compensatory and mitigating measures.

The paper concludes with the following recommendations:

1. Trade liberalisation needs to be in the interests of the developing countries- must target sectors where they have export potential and comparative advantage

2. More coherence is required between development policy and trade policy
3. Customs tariffs for developing countries in the industrial sector deserve special treatment.
4. Developing countries should be given the opportunity to harvest better dividends from trade in services.
5. Strengthening of developing countries' negotiation capacities is pivotal for them to have their collective voice better heard

3.5 Social Standards as an instrument of Pro-poor Trade policy *(Paper by Klaus Liebig, German Development Institute)*

Main argument of the presentation was as follows:

* Improving social standards should be regarded as an instrument of the development process, can be beneficial to the poor and marginalized and is in the self-interest of developing countries.

* Trade liberalization is a necessary condition for sustainable growth but it is not necessarily pro-poor. Factor conditions and internal policies are decisive for the distributional impact.

* Adherence to core labour standards promotes development by increasing economic efficiency. It can yield a double dividend, improving the living conditions of the poor and promote economic growth.

* Abuses of core labour standards are instantaneously transmitted to buyers in industrialized countries. It is sensible for developing countries to adhere to core labour standards especially if they pursue an outward oriented growth strategy

Concerning the treatment of a trading partner who refuses to implement core labour standards, non-trade measures that support domestic policies are more efficient than trade sanctions. Only in rare cases should trade sanctions be used as a economic weapon of last resort and the implementation of sanctions should follow a transparent multi lateral procedure under the joint guidance of ILO and WTO.

Responding to the presentation, participants observed that:

- Labour standards violations are driven by poverty
- Labour standards are no- trade issues, best dealt with outside WTO

- Questions were raised as to whether SSA countries are ready to take advantage of trade liberalization

Session 4 - Country experiences

The country experiences took the form of a structured panel discussion moderated by Prof Jasper Okelo (University of Nairobi) and presentations by

Kenya: Dr. Walter Odhiambo, Kenya Institute for Public Policy Research and Analysis (KIPPRA), Kenya

Nigeria: Prof. Olawale Ogunkola, University of Ibadan, Nigeria

Zambia: Kasote Singogo, Civil Society for Poverty Reduction (CSPR), Zambia

Vietnam: Prof. Duc Dinh Do, Institute of World Economics & Politics, Vietnam

The findings as prepared by Okech Owiti (University of Nairobi) are summarised in the table below.

	Kenya	Nigeria	Zambia	Vietnam
Economy /Outlook	Fast deteriorating economy, with negative growth in 2000 Steadily declining per capita incomes Increasing poverty Increasing inequality	Heavy reliance on oil exports (95%)	Multipartyism, but … Concentration of power in the presidency Planning abandoned in 1991 re-introduced 2001 Key planning framework: PRSP and TNDP	Great success story in economic development Increase in GDP of over 8% per year, Increase of GDP per capita Reduction of poverty by over 30% Gap between 'rich' and poor being addressed Poverty alleviation through individual participation: 'people alleviating their own poverty' Programmes for poverty alleviation- Integrated approach,
Linkage- Trade and poverty	Few analytical studies Link at best, tenuous No clear proof of linkage... Only 'association' between trade and poverty	Complexity of linkages Analytical pathway: Trade reform > Growth > poverty reduction Channels: prices govt. revenue, investment, innovation growth; changes in risks facing the economy	No clear linkage	Trade expansion: A driving force of poverty alleviation. Households oriented towards the markets. Sell out about 70 percent of farm output. Poverty reduction a top priority in all national strategies, policies and plans
Trade Policy and National development	Formulation has evolved over time, Sectoral policies exist Various institutional responsibilities, No comprehensive trade policy 'document'	Little trade liberalisation Divergences between policies and developments Trade liberalisation promised but not implemented	Trade policy exists- being revised Development plans do not provide for trade strategies PRSP and TNDP, both do not focus on trade	Approach- Increase international and domestic marketisation Diversification of production, Commercialisation of products Instituting competition even among state firms Socialisation of poverty reduction through multi-stakeholder participation
Reform Outcomes	Greater openness: more liberalisation Fast increase in imports… Dwindling exports Sectoral experiences - a 'mixed bag'	Recent developments Centralisation of institutional structures New trade policy Co-ordination and consultation	Social safety nets Land Education Health Micro and small enterprises	Reforms intended to move the country to 'market-oriented socialist reconstruction': operative concept - 'social equity' "remarkable" reduction of poverty halving the share of poverty in less than a decade
Recommendations/ Issues	Need for empirical studies Need for clear framework for fighting poverty through positive trade policies	No business as usual Relate trade policy to reform Relate reform to poverty reduction Avoid unilateral action	Harmonise Trade Policy with the National Plans Ensure a trade policy alive to the dynamics of global and regional integration More money into governance related issues	Tendency towards greater inequality Liberalization could lead to job destruction in currently protected sectors. Getting domestic prices closer to the international prices, could affect the livelihoods of rural households. Restructuring and divesting SOEs is expected to lead to considerable labor retrenchment,

List of Participants

	Name	Organization	Telephone/Fax	E-mail Address
	Kenya			
1.	Mr. Oduor Ongwen	SEATINI, Nairobi	Ph:+254-722-525990	seatinike@sodnet.or.ke
2.	Dr. Walter Odhiambo	Kenya Institute for Public Policy Research and Analysis (KIPPRA)	P: 254-2-271 9933/4 254-2-271 4714/5 F: 254-2-271 9951	odhiambow@kippra.or.ke
3.	Prof. Jasper A. Okelo	University of Nairobi	P: 254-2-334 244 ext.28131/28122 (O)	jasperokelo@yahoo.com
4.	Mr. Oketch Owiti	University of Nairobi	Cell: +254-722529268	clean@nbnet.co.ke
5	Mr. Peter Aoga	Eco News Africa	P : 254-2-272 1076/99 F : 254-2-272 5171	paoga@econewsafrica.org
6.	Mr. John A. Ochola	Institute of Economic Affairs,	P: 254-2-271 7402 / 254-2-271 6231 F: 254-2-271 6231	john@ieakenya.or.ke
7.	Mr. Jacob Nyaundi	Ministry for Trade and Industry	Ph: +254-20- 331030/254-20-248721	jonyansi@yahoo.co.uk
8.	Mr. Benson Mapesa	Ministry of Planning and National Development	P.254-20-338111 Cell phone: (+254) 0721 788494	
9.	Gichinga Ndirangu	Consultant	P. 254-20-3744227	gichinga@africaonline.co.ke gichingan@yahoo.com
10..	Angela Wauye	Action-Aid Kenya	P. 254-20-440440/4/9 F. 254-20-445843	angelaw@actionaid.org
11.	Mr. George Odhiambo	Kenya National Farmers Union	Tel: 608324/500036 Cell: 0733-265360	farmers@knfu.org
12.	Mr. Martin	Kenya Association of Manufacturers (KAM).		martin.mutuku@kam.co,ke
13.	Mr. Nyaundi	Ministry for Trade and Industry, Republic of Kenya	Ph: +254-20- 331030	
	Uganda			

14.	Mr. Kimera Henry Richard	Consumer Education Trust of Uganda (CONSENT),	Ph: +256 -031- 260 431/2 +256- 041- 268 687(R)	heriki@hotmail.com or
15.	Ms. Jane Nalunga	Southern and Eastern African Trade, Information and Negotiation Institute (SEATINI)	P: 256-4-540 856 M: 256-77-581849	seatini@infocom.co.ug
16.	Raymond Agaba	Ministry of Tourism, Trade& Industry	Tel: 041-343947 041-250395 cell: 077-618794	agabasele@hotmail.com
17.	Ms Florence Kabibi	Uganda National Farmers Federation	Tel: +256 41 340 24, +256 77 603 675 Fax: +256 41 230 748	unfa@starcom.co.ug or chmaikut@yahoo.com
	Tanzania			
18.	Mr. Bede Lyimo	Ministry of Trade and Industry Co-operative Union Building	P: 255-22- 218 0075 F:255-22- 218 3138/0371	bedelyimo@fastmail.fm or bedeml@yahoo.com
19.	Mr. Highlands Lumambo	Board of External Trade, Tanzania		
	Ghana			
20	Mr. Douglas Korsah Brown	The Centre for Environmental Law and Development (CELD)	P: 233-24-379 174	Dfkbrown@yahoo.com
21.	Mrs. Afua Adoma Sarpong Prempeh	National Board for Small Scale Industries	Ghana	afuasarpong@hotmail.com
22.	Mr. Brahms Achiayao	Ministry of Trade		
	Nigeria			
23.	Prof. Olawale Ogunkola	Department of Economics University of Ibadan	Ibadan Nigeria	Waleogunkola@yahoo.com
24.	Mr. Labaran Yunusa Sani	Ministry of Trade	Nigeria	
25.	Mr. Udo Kirian Akpan	National Labour Congress (NLC)	Nigeria	
	Malawi			
26.	Prof. Ephraim Chirwa	University of Malawi- Chancellor College, Department of Economics	Ph: 265.524 222 Fax: 265.525 021	echirwa@yahoo.com
27.	Ms Grace Kamvazakazi	Ministry of Trade and Private Sector Development, Malawi		
	South Africa			
28.	Ms. Sanusha Naidu	Southern African Regional Poverty Network	Tel No; (031)242 5614 Fax No; (0) 31 242 5402	http://www.hsrc.ac.za http://www.sarpn.org.za

	Zambia			
29.	Mr. Kasote Singogo	Civil Society for Poverty Reduction	Tel: 260-1-222-191/224-383 Cell No: 00-260-95-752 721	kasotesingo@yahoo.co.uk
30.	Prof. Oliver Saasa	University of Zambia /Premier Consult	Ph/Fax: 260-1-295514	Email1:oliver-saasa@premier-consult.com
31.	Mr. Ibrahim A. Zeidy	COMESA Secretariat	Tel 260-1-229725-32 Ext 324 Fax 260-1-224294	izeidy@comesa.int
32.	Sajeev Nair	CUTS International - Africa Resource Centre (Lusaka)	Ph: 260.1.224992 Fax: 260.1.225220	cutsarc@zamnet.zm or cuts-lusaka@cuts-international.org
	Zimbabwe			
33.	Hazvina Fanuel	Trade and Development Studies Centre	Tel: +263 4 790 423, 263 4 790 425	tradesc@africaonline.co.zw
	India			
34.	Bipul Chattopadyay	CUTS International- CITEE	Ph: 91.141.228 2821 (4 Lines) Mob: 91.98290-13131/98102-	citee@cuts-international.org
	Vietnam			
35.	Prof. Duc Dinh Do	Developing Economies Study Department, Institute of World Economics and Politics,	Tel: (844) 834 0117/857 4311 Fax: (844) 857 4316 Mobile: 0904-227-337	dinhdo@fpt.vn
	Germany			
36.	Jurgen Stetten	Friedrich Ebert Stiftung -Berlin		
37.	Mr. Klaus Liebig	German Development Institute		
	Others/INGO			
38.	Mr. Walter Odero	DFID Eastern Africa	P. 254-20-2717609 F. 254-20-2719112	w-odero@dfid.gov.uk
39.	Harvey Rouse	European Commission, Delegation in Kenya	Phone: 2713020, 2713021, 2712860	Rouse.Harvey@cec.eu.int
40.	Quentin Bourdeaux	Delegation of the European Commission in Kenya	Tel: (254-20) 271.30.20 Fax: (254-20) 271.64.81	URL: http://www.delken.cec.eu.int
41.	Ambassador Peter Robleh	UNECA	Telephone	probleh@uneca.org
42.	Hugo Cameron	International Centre for Trade and Sustainable Development (ICTSD)	Tel: (+255) (0) 748 747 058;	http://www.ictsd.org
	ORGANIZERS			

43.	Fritz Kopsieker	Friedrich Ebert Stiftung-Kenya	Tel +254 (0) 20 3748338/9 Fax +254 (0) 20 3746992	kenia@fes.de
44.	Sofia Njagi	Friedrich Ebert Stiftung-Kenya	Tel +254 (0) 20 3748338/9 Fax +254 (0) 20 3746992	kenia@fes.de
45.	Felix Eikenberg	Friedrich Ebert Stiftung-Kenya	Tel +254 (0) 20 3748338/9 Fax +254 (0) 20 3746992	kenia@fes.de
46.	David Maina	CUTS International- Nairobi	Ph: +254 20 572790 Fax: +254-20- 572790	cuts-nairobi@cuts-internal.org
47.	Clement Onyango	CUTS International- Nairobi	Ph: +254 20 572790 Fax: +254-20- 572790	cuts-nairobi@cuts-internal.org