

# Beyond trade:

## The challenge of economic transition in the globalization era and prospects for rural livelihoods

Geneva Trade and Development Forum  
Crans-Montana, Switzerland  
19 September 2008

Bruno LOSCH  
Thierry GIORDANO  
Sandrine FREGUIN-GRESH



# Trade and development: the two pillars of the international debate (1)

---

- Development remains a “respected icon” but its aura has progressively faded:
  - Development is clearly related to the nation state
  - The new globalization era translated in state withdrawal, liberalization, structural adjustment... and contributed to the erosion of development strategies
  
- In a global open economy, trade has become a central issue:
  - In theory, it reveals the comparative advantages and provides global efficiency

# Trade and development: the two pillars of the international debate (2)

---

- However, because asymmetries exist, there are also winners and losers and increasing inequalities
- This result explains the progressive shift from development to poverty alleviation (MDGs) which left behind the focus on development strategies and their related public policies (decisive for building comparative advantages)

# The core issue: reinvest economic transition (1)

---

- The past structural transformations are well known:
  - The statistical record shows that starting from agriculture, there is a progressive shift toward industry and services
  - The historic engine of change has been increasing productivity in agriculture which allowed capital accumulation and labor force transfers to other sectors
  
- This process was embedded in urbanization

# The core issue: reinvest economic transition (2)

---

- Today, the same evolutionary pattern is supposed to occur, but we can question this “evolutionist” vision because economic transition paths are not given
  
- 1. There is no possible comparison with the old European economic transition of the 19<sup>th</sup> and early 20<sup>th</sup> centuries:
  - a different geopolitical order which heavily changes the competition context
  - a need to remind the adjustment variable of the “white migrations”: around 60 millions people between 1850 and 1920

# The core issue: reinvest economic transition (3)

---

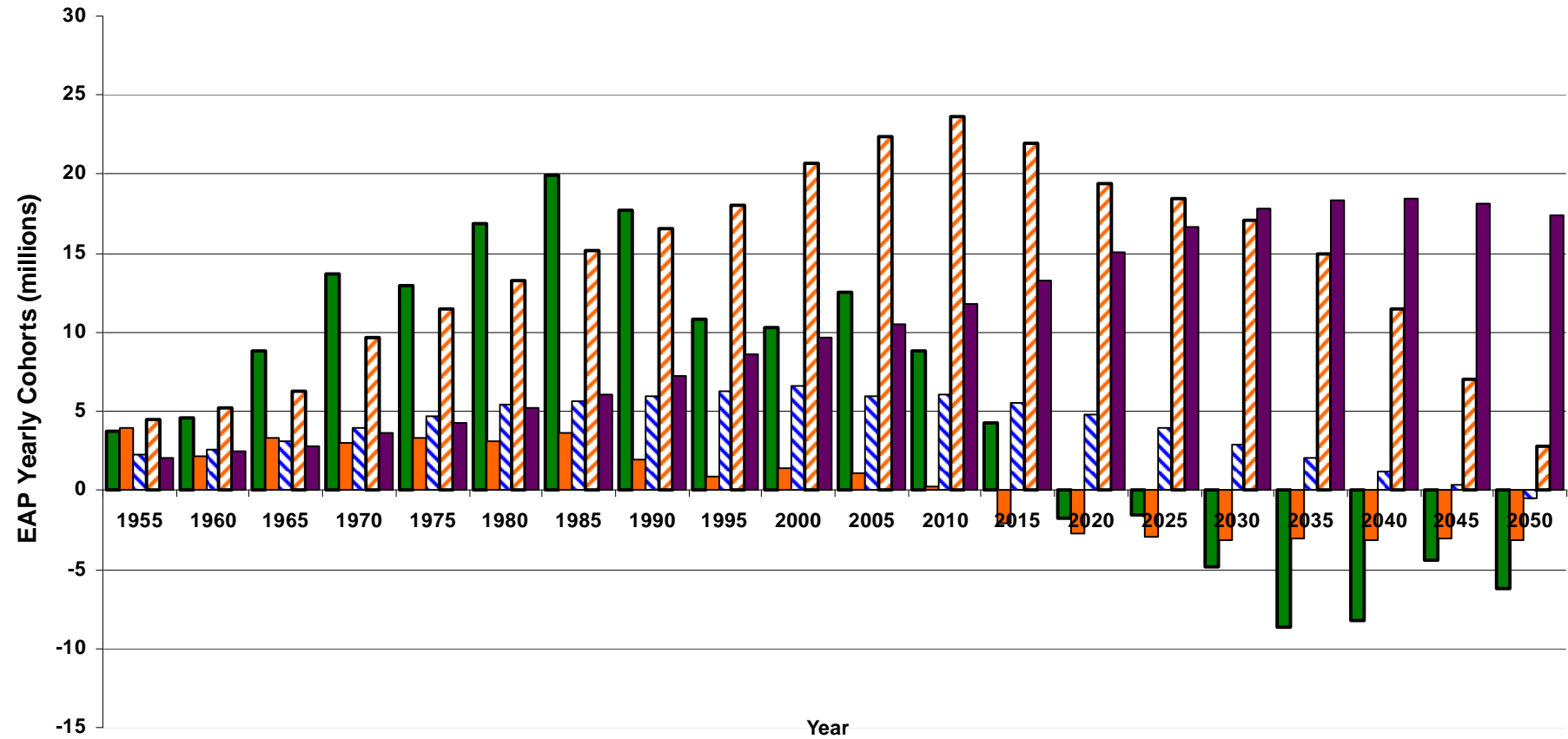
- 2. The transition of the emerging countries started before the liberalization era:
  - based on strong public policies of “modernization” with protection and subsidies
  - encouraged by the Cold war context
  - and with often authoritarian regimes
  
- 3. For the LDCs, LICs, the specific challenge today is to deal with their transition:
  - in a very different world context: a global open economy which exacerbates the existing asymmetries and competition
  - facing at the same time unachieved demographic transitions

# The demographic transition challenge

---

- Demographic transition corresponds to the successive reduction of death and birth rates, which translates into a fast growing population and an increasing labor force
  
- Today, in SSA and South Asia, it is characterized by a fast pace and unusual amplitude, never seen in the history:
  - 2 to 3.2% per year
  - The 720 millions SSA population of today will reach 1.1 billion in 2025 and 1.7 billion in 2050
  - It means a huge increase of the labor force and a crucial need of jobs creation

## Yearly Increase of the Labor Force



- Eastern Asia
- ▨ Latin America and the Caribbean
- Sub-Saharan Africa
- Europe
- ▨ South-Central Asia



# Population Dynamics

---

	<b>1960</b>	<b>1990</b>	<b>2010</b>	<b>2050</b>	<b>Variation 2010-2050</b>	<b>Variation 2010-2050</b>
<b>Kenya</b>	8,1	23,4	40,6	84,8	<b>44,1</b>	<b>109%</b>
<b>Madagascar</b>	5,4	12,0	21,3	44,5	<b>23,2</b>	<b>109%</b>
<b>Mali</b>	4,0	7,7	13,5	34,2	<b>20,7</b>	<b>153%</b>
<b>Mexico</b>	37,9	84,0	110,3	132,3	<b>22,0</b>	20%
<b>Morocco</b>	11,6	24,8	32,4	42,6	10,2	32%
<b>Nicaragua</b>	1,8	4,2	5,9	7,0	1,1	18%
<b>Senegal</b>	3,3	7,9	13,3	25,3	<b>11,9</b>	<b>90%</b>

# Labor surplus and job creation gap

---

	<b>Date or Time period</b>	<b>Formal job creation (annual average)</b>	<b>Additional labor supply (annual average)</b>	<b>Formal job creation / additional labor demand (%)</b>	<b>Projected formal job deficit after 5 years (stock)</b>
<b>Kenya</b>	2004	36,400	558,800	7%	2,612,000
<b>Madagascar</b>	2007	42,000	251,600	17%	1,048,000
<b>Mali</b>	1999	39,500	201,600	20%	810,500
<b>Morocco</b>	1994-2003	217,000	377,800	57%	804,000
<b>Nicaragua</b>	2000-2005	32,000	74,400	43%	212,000
<b>Senegal</b>	2000-2006	20,000	179,800	11%	799,000

# The employment challenge in SSA

---

- ❑ SSA countries have to face today at the same time their demographic and their economic transitions
- ❑ The employment is the central challenge while:
  - agriculture keeps a central role
    - ❑ in GDP, trade and labor force
    - ❑ 60% in average of the EAP is in agriculture
  - few economic alternatives exist:
    - ❑ Formal employment opportunities in other sectors are scarce: ten of 1000 versus hundreds of 1000
    - ❑ Absorption of the labor force mainly relies on the informal sector, both rural and urban
    - ❑ Difficulty of infant industries in the context of a broad international competition

# The evolution within agriculture and rural economies is central

---

- ❑ What are the alternatives for the rural dwellers?  
How can they sustain their livelihood?
- ❑ The 3 main discussed options (ex. WDR08) are:
  - Specialization in agriculture
  - Diversification of rural activities
  - Migrations to cities or abroad
- ❑ Specialization and diversification are not easy options. Migrations to cities are difficult because SSA urbanization is characterized by its “low regime” (urbanization without industrialization )

# The role of international migrations? (1)

---

- What prospects for international migrations?
- Can they contribute today in SSA to the economic transition, as they did in the past for the European countries, or today in countries engaged in their structural change?

# Exple: Migrants and remittances in selected countries

---

	<b>KEN</b>	<b>MAD</b>	<b>Mali</b>	<b>MEX</b>	<b>MOR</b>	<b>NIC</b>	<b>SEN</b>
Stocks of emigrants in 2005 (Millions)	0.4	0.2	1.2	11.5	2.7	0.7	0.5
Population in 2005 (Millions)	33.4	17.0	11.4	104.3	29.9	5.6	11.7
Emigrants / Population	1.3%	0.9%	10.6%	11.0%	9.1%	12.2%	4.0%
Remittances in 2005 (Millions \$US)	494	16	175	21,802	4,724	600	511
Remittances (% GDP)	3.4%	0.4%	3.9%	3.5%	9.4%	13.3%	6.7%
Remittances (\$US / migrants)	1,156	106	144	1,895	1,738	878	1,103

*Source: Ratha and Shaw 2007, WDI.*

## The role of international migrations? (2)

---

- Can we imagine the same rate (10%) of international migrations in SSA today?
  - What are the other competitors on the “international migrations market”? What is the geopolitical viability of higher migrations rates?
  - If this option doesn't exist how to deal within SSA with the related economic, social, and political tensions?
- ⇒ *This specific challenge - faced by SSA countries - of economic and demographic transitions in the context of globalization must be addressed by the international community.*
- ⇒ *A first step is to “reconnect” the debates and then to reinvest development strategies, which are a prerequisite for trade strategies.*



Thanks for your attention