

**Rapporteur's Report:**  
**International Collaborative Initiative for Trade and Employment (ICITE)**  
**3<sup>rd</sup> Regional Conference: Trade, Jobs and Inclusive Development in Africa**  
**22-23 September 2011**

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## **I. Introduction**

### *A. Background*

The African regional conference on trade and employment was conducted as part of the International Collaborative Initiative on Trade and Employment (ICITE). The ICITE project, a joint partnership of ten international organisations, is designed to explore the relationship between trade and employment and the associated policy implications.<sup>2</sup> In addition to serving as a catalyst for a new wave of empirical analysis, the initiative seeks to create an inventory of data resources, promote dialogue among stakeholders, and provide resources for policymakers and the public.

This was the third and final of the regional ICITE conferences in 2011, following counterpart exercises in the Latin American and Caribbean and the Asia and Pacific regions. The conference aimed to take stock of what is known from the empirical research and policy experience on the interaction of trade and labour markets with a view to highlighting a positive agenda going forward. The ICITE conference in Africa was designed to consider these issues taking into account the regional specificities, including recent developments in the Middle East and North Africa (MENA) region. This conference provided a platform for presentation of cutting-edge, policy-related research on these issues as a basis for dialogue among stakeholders, including senior representatives from partner organisations in the ICITE consortium, national representatives, social partners and other experts.

### *B. Tunis Conference Evaluation Overview*

This third ICITE regional conference was held during 22-23 September in Tunis, Tunisia. It brought together some 45 active participants including policymakers, academic experts, social partners, representatives of regional and international organisations, and other stakeholders. Five ICITE partner organisations were represented: the African Development Bank (AfDB), the Organisation for Economic Cooperation and Development (OECD), the International Labour Organisation (ILO), the United Nations Conference on Trade and Development (UNCTAD), and the World Bank. Overall, conference participants expressed appreciation for the relevance,

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<sup>1</sup> The views expressed are those of the rapporteur and do not necessarily represent those of the OECD, OECD Member countries or the ICITE partner organisations.

<sup>2</sup> Participating organisations include: ADB, AfDB, ECLAC, IADB, ILO, OAS, OECD, UNCTAD, World Bank and WTO.

substance and organisation of the conference. This was reflected in generally high feedback scores averaging 5.3 out of 7 on the evaluation forms.

## II. Rapporteur's Summary

### A. Backdrop for the Conference

Recent studies have confirmed the potential of trade liberalisation to deliver improved labour market outcomes, while also noting that realisation of the full benefits of openness requires a coherent policy framework that facilitates structural adjustment and addresses labour market and social concerns. To cite one prominent example, a joint report by OECD, ILO, World Bank and WTO entitled *Seizing the Benefits of Trade for Employment and Growth* (2011) noted on the one hand that there remains substantial potential for further liberalisation of trade in goods and services to contribute to improved economic performance, but on the other hand observed that issues of adjustment must also be addressed. Implementation of such an agenda requires consideration of regional and national specificities with respect to economic structure, institutions, factor endowments and other dimensions.

### B. A Multiplicity of Perspectives

One aim of this ICITE regional conference was to offer an opportunity to consider these issues in the African context and from a variety of perspectives. It did so by offering a forum to analysts and stakeholders representing different segments of the public and private sectors, national and international institutions, academic disciplines, and geographic regions and subregions. They presented these views through sixteen papers and other studies, as listed in the bibliography to this report, nine of which were commissioned in relation to the conference. Those presentations, as well as most of the related papers and abstracts, are available on-line at the conference website.<sup>3</sup> The studies presented in the four panels approached the issues from national, regional, and global perspectives; in the form of case studies and cross-national comparisons; presented data in policy narratives or through statistical inferences; and variously concentrated on economic, social, and political aspects of trade, employment, adjustment, development, and reform. The issues raised in these papers were further explored through the remarks of discussants and panel chairs, as well as the general discussion and question-and-answer sessions in each of the four panels and a final Policy Round Table.

The four panels approached the broad topic of trade and employment from different angles. These included sessions devoted to a Macro View: Regional Perspectives (including examination of regional challenges, trade in services, and two sub-regional case studies); Trade and Labour Market Adjustment (cross-country analysis, social safety nets, agricultural trade and employment, the employment dimension of trade liberalisation, and export value-chains); Labour Market Dynamics in North Africa (case studies of specific countries and industries, especially textiles and apparel); and Trade, Employment and Gender: a Sub-Saharan African Perspective (case studies of Mauritius, Uganda, and Senegal, with a study of Morocco included for comparison).

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<sup>3</sup> [http://www.oecd.org/document/39/0,3746,en\\_21571361\\_47076802\\_48707175\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/39/0,3746,en_21571361_47076802_48707175_1_1_1_1,00.html).

### *C. Matching Liberalization and Efficiency with Adjustment and Equity*

One of the principal points on which participants in the conference appeared to be in general agreement, at least insofar as many expressed this view and no one argued against it, is that trade liberalization cannot be pursued in isolation, but must instead be accompanied by complementary policies that deal with its potentially disruptive consequences. As discussed below in section (G), these complements might include such measures as active labour market policies and education or training programmes, as well as a variety of other economic and social reforms. There, nonetheless, appeared to be some disagreement among the participants on the finer details, including the magnitude of the adjustment problems that may result from liberalization and the extent to which some groups may merit special attention in the design and delivery of services intended to promote adjustment.

Underlying this debate is a larger and perennial debate over possible trade-offs between efficiency and equity. By definition, the topic of trade and employment implies at least the potential for conflict between the economic objective of creating a larger pie *versus* the social or political objective of ensuring that the pie is divided equitably. That conflict plays out not only within national policy debates, in which contending industries and interest groups typically line up for or against market-opening initiatives on the basis of their expectations as to whether they will be among the winners or the losers, but also within the analytical community. While analysts may start from the proposition that the gains that free trade brings to consumers and competitive industries will outweigh the losses experienced by firms and workers in less efficient, import-competing industries, they often differ in their views on how to respond to the losses experienced by the latter group. Among the options are to let the market sort things out, to provide various forms of assistance to displaced workers (e.g., active labour market policies), or even to forego liberalisation in sectors where the adjustment problems are expected to be unusually high.

The debate over efficiency and equity is made all the more complicated when it is associated with other social issues, especially concerns over how it affects the opportunities or the costs of adjustment for disadvantaged groups. These might include the poor, youth, women, rural communities, ethnic or religious minorities, or others that may not be well-positioned to take advantage of the opportunities afforded by a more open national and global market. These concerns lead some advocates or analysts to urge that the general objective of growth through liberalisation be modified to accommodate the special needs of these groups. That modification might relate to what is liberalised, or to what degree, or may additionally or alternatively lead to greater emphasis on the need for active policies to ease the process of adjustment or increase resilience and adaptability of various groups of the society to the changing effects of competitive pressures (for instance, through education and training).

These questions were dealt with in very different ways by some of the papers presented at the conference. The differences were explicit in the views that authors expressed in examining the consequences of trade liberalisation, and generally implicit in the views expressed regarding the impact of liberalisation on specific groups (most notably women).

#### *D. The Overall Consequences of Trade Liberalisation*

Participants were not of one mind regarding the advisability of open markets as an instrument to promote growth and employment. The views expressed on this topic ranged from confidence in the pro-employment consequences of trade liberalisation to a concern that policymakers may be pursuing trade objectives without regard to the impact on working people.

The most cautious observations came from Roland Schneider, a member of the Trade Union Advisory Committee to the OECD, who offered the opinion in the Policy Round Table that the emphasis on trade fundamentalism and the Washington consensus in the ICITE project is not helpful. He instead argued that the welfare state is the flip side of an open economy, and it must be recognised that trade alone does not always achieve the aims of promoting employment, ensuring the enforcement of labour standards, and other *desiderata*.

Two of the papers found that while trade can be positive for employment, the effect may be small as shown by the experience of some African countries. Cabral and Ancharaz found in their paper that an increase in exports leads to a much smaller proportional response of economic activity in Senegal, and Ancharaz elaborated more fully on the phenomenon of “export-led jobless growth” in a separate paper. He argued that while exports have been an important factor in Africa’s recent economic growth, this growth has not been job-creating to a degree needed to tackle unemployment and promote inclusive development in Africa. Ancharaz reported that 1 percentage point increase in real GDP growth causes employment to grow by 0.036 percentage points, meaning that GDP must grow by about 28% to induce a 1% increase in employment — a rate that is rarely achievable and never sustainable. This, however, seems to be congruent with findings of other authors who highlighted that the costs of trading are high in Africa and that the positive impact of trade liberalisation may be dampened not only by structural bottlenecks but also similarity (and substitutability) of African countries’ export products (*e.g.* Mashayekhi and Peters). This highlights the importance of capacity building in the case of countries that otherwise might be unable to engage in profitable trade that drives growth and employment.

Other participants presented a more favourable view, especially in case studies that reviewed the experiences of the more successful exporters in the region. Nowbutsing and Ancharaz, for example, argued that the export-led strategy that Mauritius embarked upon in 1970 with the setting up of an export-processing zone has proved an effective catalyst in driving employment, especially for women. Similarly, Zaki found that in Egypt exports had a significant and positive effect on employment over the period 1960 to 2009.

Some papers examined the reasons why developing countries have had varying experiences under open markets. The McMillan and Rodrik chapter in a recently published ILO-WTO book (2011) argued that the very diverse outcomes among developing countries suggest that the consequences of globalization depend on the manner in which countries integrate into the global economy. Sub-Saharan Africa is among the areas where globalisation appears not to have fostered industrial diversification.

In that same vein, the report presented by Lopez-Acevedo described the differing experiences resulting from the end of the Multi-Fibre Arrangement (MFA). This World Bank report examined the effect of dismantling the MFA quota regime on wages and employment in Morocco and eight other (non-African) developing countries, showing that in this freer market there were rising

apparel exports, falling prices, and a reallocation of production and employment between countries. As global supply increased, world average apparel unit values fell. There were also significant changes within countries. Apparel employment rose in some countries post-MFA, but fell in others; Morocco was among the losers. That experience is not necessarily representative of all African countries, however, as shown by the more favourable post-MFA results reported for Egypt (Zaki).

Mashayekhi and Peters found in their Computable General Equilibrium analysis of regional integration and employment in the Southern African Development Community (SADC) countries that where high tariffs are removed, substantial changes in production and employment in a specific sector may occur. These changes bring benefits, but will inevitably result in temporary dislocation and some adjustment costs. The benefits depend on the details of the labour market. Their general equilibrium model predicts that eliminating intra-SADC tariffs would lead to an increase in trade and positive but small effect on employment. And while the Sandrey paper acknowledges that in South Africa the agricultural sector has shed more than a million jobs over the past four decades, it nonetheless finds that agricultural trade liberalisation in the region will increase agricultural employment. Admittedly, this is an unexpected result as, unless there was a substantial decrease in the price of production inputs (a point not clarified in the paper), usually a decrease would be expected.

#### *E. Global and Regional Trade Liberalization*

Several of the papers focused on regional trade liberalisation, sometimes exclusively and sometimes in comparison with multilateral liberalisation. Some of the participants took note of the fact that the Doha Development Agenda in the WTO has been struggling for years and there are doubts regarding whether or when it will ever be concluded, thus underlining the need for countries to consider alternatives such as bilateral, sub-regional, or regional initiatives. For example, Hanson argued that, in view of the “youth bulge” in African populations (see below), regional integration policies that expand the opportunity space by increasing the size of economies and markets will be critical.

Two of the papers suggested that there are limits to regional trade. Mashayekhi and Peters found no evidence that low trade barriers are correlated with higher intra-regional trade. Nowbutsing and Ancharaz found that while Mauritius' regional trade is small, yet growing, it is positively associated with employment. Also, Ancharaz noted the issue of similarity and substitutability of African exports, which could indicate a limited potential for substantial expansion of intra-regional trade under current conditions.

Von Uexkull found that regional trade contributes significantly to export diversification for all Economic Community of West African States (ECOWAS) countries, which is important to reduce volatility, including in labour markets. According to his paper, the composition of regional trade is quite different from global trade for almost all ECOWAS countries and the employment effects of regional trade are heterogeneous across the region. He found no significant differences between the regional and global exporters *vis à vis* labour market outcomes. Regional exporters are surprisingly similar to global exporters in terms of employment, productivity, and wages. This suggests *inter alia* that trade costs within the region remain high (*i.e.* not significantly lower than costs of trading globally), which allows only very productive firms to enter the regional market.

One issue not examined in any of the papers, as pointed out by discussant Paul Kamau, concerns the impact that discriminatory preferences have had on the beneficiary countries. Not all

countries in the region benefit from selective programmes such as the European Union's Everything But Arms program and its Economic Partnership Agreements, for example, or the African Growth and Opportunity Act of the United States. Kamau observed that this was an unfortunate *lacuna* insofar as it would be useful to know whether and to what extent programmes such as these provided real opportunities for the intended beneficiaries.

#### *F. The Consequences of Trade Liberalisation for Disadvantaged Groups*

Several of the papers focused on the impact of trade liberalisation on disadvantaged groups within countries, with special attention to women and youth. These studies presented a wide range of opinions on whether the impact of liberalisation for these groups is more or less favourable than it is for economies as a whole. The report presented by Lopez-Acevedo, for example, notes that changes in exports are usually good indicators of what happens to wages and employment, but this is not always the case. The observation is especially important for policy because it shows that simply using exports as a metric of "success" in terms of helping the poor is not sufficient.

Two of the studies focused on the "youth bulge" in African demographics. Hanson observed that all countries in the region now have more people under the age of 25 than above 50. Creating opportunities for the burgeoning number of youth, he argued, is a challenge that cannot be solved only at the country level. In addition to regional trade liberalisation, he called for regional policies that can support the development and enhancement of innovation systems. These include investment in science and technology education to speed up the creation of a cadre of young people that can lead the transformation of stages of production away from dependencies on primary products and extraction. Subrahmanyam examined this same issue in the Tunisian context. Observing that the youth bulge in this country creates an opportunity to replicate the East Asian miracle, she nonetheless concluded that Tunisia does not utilize fully its educational potential.

Turning to the issue of how trade liberalisation affects women, papers presented at the conference demonstrated a range of different perspectives and outcomes. Hisali observed that liberalisation may be good for the economy as a whole without necessarily benefitting women. He stressed that the concentration of women in unpaid activities implies that women have realized fewer benefits from trade liberalisation than their male counterparts.

Cabral and Ancharaz instead concluded that liberalisation is better for women than for the economy as a whole, insofar as a marginal increase in exports leads to a relatively larger increase in female labour (compared to male labour demand). Even so, in the case of Senegal, exports beyond the region to the international market have had little effect on female employment and on the gender structure of the labour force. Also, it has to be noted that while export expansion leads to proportionally higher increase in female labour demand, analogously a collapse of exports leads to relatively larger fall in demand for female labour, which heightens the importance of volatility of female employment. In a separate paper, Ancharaz noted that recent employment growth has been favourable to women, contributing to a reduction in the gender disparity from an average ratio of 1.55 during 1991-95 to 1.48 in 2003-2007. Unfortunately, this positive news is diluted by the observation that most of Africa's women are employed in the agriculture sector, which provides low wages and poor prospects for welfare improvement.

For Zaki, liberalisation has tended to be good for the Egyptian economy as a whole and for women. He further argued that because Egypt has a comparative advantage in textile and

garments that are highly intensive in female workers, the government must put in place a policy aiming at liberalising and developing these sectors in order to generate new employment opportunities and reducing unemployment among them. The discussant, however, argued that there may be a trade-off between encouraging female participation in low-skilled low-paid sectors, such as textile and garment sector, in order to increase female employment in the short to medium run and a focus on investment in education and other enabling policies allowing women to move up to sectors characterized by higher productivity and higher wages. Zaki further argued that, in light of low female participation in Egypt, gender policy needed to be promoted aiming at reducing the double burden of family vs. work that women bear and at encouraging them to work in the private sector. The private sector in Egypt might be made more hospitable to married women by promoting the formalisation of private employment, providing publicly-financed childcare services, improving woman-friendly transportation, and encouraging employers to offer part-time jobs for female workers.

One issue that was not examined at length concerns a principal argument in favour of trade liberalisation, mainly the benefits for consumers. With the exception of the comments from Lopez-Acevedo concerning the beneficial impact of lower-priced clothing on household income, participants generally gave far greater emphasis to the impact of trade on jobs (*i.e.*, the principal source of *gross* household income) than they did to prices for consumer goods (*i.e.*, the other half of the equation that yields *net* household income). The rapporteur observed that when considering the overall impact of trade liberalisation on disadvantaged groups, the effects on the cost of living should be taken into account.

#### *G. Policies to Complement Open Markets*

Perhaps the most consistent theme in the conference was the view that when liberalising markets it is necessary to have mechanisms in place to promote adjustment or compensate the losers. These observations were in line with the point that McMillan and Rodrik made in their chapter of the joint ILO-WTO study, stressing that structural change is not an automatic process but instead needs a “nudge” in the appropriate direction. Globalisation increases the costs of getting the policies wrong, they argued, as well as the benefits of getting them right.

Participants approached this theme in differing ways, with some stressing the practical needs of industries in transition (*e.g.*, Lopez-Acevedo's observation that the countries that gained the most from the end of the MFA implemented proactive policies specific to the apparel industry) and others implying that fundamental questions of fairness are at issue (*e.g.*, in the panel on gender). They also put forward a wide range of policy proposals. Among the most frequently mentioned areas for complementarity were the following:

- Labour policies, including active labour market policies and trade adjustment assistance
- Education and training
- Social safety net
- Migration policy, including migration management and immigration policies in partner countries
- Policies to encourage employers and workers to move from the informal to the formal sector
- Infrastructure, especially transportation

- Social dialogue and public-private dialogue
- Transfer of technology and knowledge

Several participants discussed the importance of social policies to complement economic reforms. For example, Hisali called for commitment devices to encourage women to save proceeds from activities in which they are engaged in an attempt to increase their incomes and change the status quo in the short-term; Subrahmanyam urged social dialogue to manage expectations and build trust; and Zaki proposed public education campaigns to boost the spirit of entrepreneurship. Sandrey also raised the question of family planning and measures to manage the growth of population, but the topic was not otherwise discussed in detail.

Raed Safadi, while chairing the Policy Round Table, stressed the constraints that the current economic environment imposes on fiscal policy and governments' budgets. The question then arises, how may governments pay for these programs in a time of greater austerity? That problem is exacerbated by the fact that many developing countries depend heavily on trade taxes as a source of revenue, but may be asked to cut these taxes as part of their liberalisation. Though raised, these questions were not discussed in depth.

#### *H. The Question of Whether Africa Is Special*

One recurring theme throughout the conference concerned the question of whether Africa represents a special or unique case, and how its circumstances may — by comparison with those of other regions — require further attention. In his remarks opening the conference, Désiré Vencatachellum (Director of the Research Department in AfDB) expressed his hope that the proceedings would help to define how Africa may be similar to or different from other regions. There were several points that he and other participants pointed to regarding the special problems of Africa. These characteristics are not entirely unique to the region, but may be more severe here than in Asia and the Americas:

- The number of land-locked countries, and thus economies that face higher transportation costs when trading with countries other than their immediate neighbours.
- Countries that are highly dependent on natural resource extraction and monocultural dependence in agriculture, and thus subject to potentially volatile swings in price levels on international commodity markets.
- High rates of population growth that lead to such pressures as the “youth bulge” and migration.
- Significant levels of informal trade.

Some analyses focused not on whether Africa *per se* is special (*i.e.*, with regard to its economic, demographic, and other characteristics), but instead on how it engages with the rest of the world. According to McMillan and Rodrik, the very diverse outcomes that developing countries have derived from trade suggest that the consequences of globalization depend on the manner in which countries integrate into the global economy. In that same regard, several of the participants expressed concerns regarding the relationship between Africa and Asia, and above all with China, taking note that Asia affects African interests both as a purchaser of raw materials and as a competitor in other regions. In this vein, Hisali argued that whereas exports have generally



increased, this cannot be attributed to trade policy reform but rather to demand patterns in the export markets.

A related theme taken up in several of the papers and presentations concerned the experiences of distinct countries in the region. That is shown, for example, in the differing results that have come after the demise of the textile and apparel quota regime in 2005 (as discussed above) and in the Mashayekhi and Peters paper showing that the results of liberalization within SADC varied considerably across countries and sectors. It is nonetheless worth noting that there was no detailed discussion of any differences between distinct sub-regions of the country that one might variously identify on the basis of differences in geography (*e.g.*, sub-Saharan *versus* North Africa), language and associated history (Anglophone *versus* Francophone), among other issues.

### *I. A Comment from the Rapporteur*

Reflecting a personal view, the rapporteur notes that there may be advantages and disadvantages in giving voice to such a multiplicity of perspectives and methods. The principal advantage of taking a multipronged approach to an equally multifaceted issue is that it allows the experts and stakeholders to share facts and opinions across the various divides between them. This should encourage cross-disciplinary consideration of problems and solutions and creative thinking, and the discussion sessions in the conference indeed provided opportunities for such exploration.

There are also potential disadvantages, however, that should be acknowledged. One is that the process can at times appear comparable to the parable of the blind men describing an elephant, in which each in a series of discrete examinations offers detailed descriptions of separate aspects of the larger issue, but none of them aspire to grasp the beast in its entirety. Another potential problem is that the differing views expressed may sometimes reflect not merely factual differences stemming from the distinct countries or industries that are examined in separate case studies, but may speak to radically different assumptions of the analysts regarding the appropriate balance to be struck between sometimes competing social and economic objectives. When disagreements are merely empirical in nature, it is comparatively simple to resolve them objectively, but when they are founded upon different normative bases, a more difficult and subjective consideration is needed. That problem may be greater when these assumptions are subtly implied, but not made explicit in either the analysis or in the subsequent discussion.

The observation above must be read in the context of the overall ICITE project, recognizing that the Africa conference was part of a longer process of raising questions and exploring answers. The debates emerging from this conference, and from the two other regional conferences that preceded it, will contribute importantly to the discussions in the forthcoming global conference in Paris.

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