Beyond trade:
The challenge of economic transition in the globalization era and prospects for rural livelihoods

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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
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
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 19th and early 20th 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

EAP Yearly Cohorts (millions)

Year:
- 1955
- 1960
- 1965
- 1970
- 1975
- 1980
- 1985
- 1990
- 1995
- 2000
- 2005
- 2010
- 2015
- 2020
- 2025
- 2030
- 2035
- 2040
- 2045
- 2050

Legend:
- Eastern Asia
- Latin America and the Caribbean
- Europe
- South-Central Asia
- Sub-Saharan Africa
## Population Dynamics

<table>
<thead>
<tr>
<th>Country</th>
<th>1960</th>
<th>1990</th>
<th>2010</th>
<th>2050</th>
<th>Variation 2010-2050</th>
<th>Variation 2010-2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>8,1</td>
<td>23,4</td>
<td>40,6</td>
<td>84,8</td>
<td>44,1</td>
<td>109%</td>
</tr>
<tr>
<td>Madagascar</td>
<td>5,4</td>
<td>12,0</td>
<td>21,3</td>
<td>44,5</td>
<td>23,2</td>
<td>109%</td>
</tr>
<tr>
<td>Mali</td>
<td>4,0</td>
<td>7,7</td>
<td>13,5</td>
<td>34,2</td>
<td>20,7</td>
<td>153%</td>
</tr>
<tr>
<td>Mexico</td>
<td>37,9</td>
<td>84,0</td>
<td>110,3</td>
<td>132,3</td>
<td>22,0</td>
<td>20%</td>
</tr>
<tr>
<td>Morocco</td>
<td>11,6</td>
<td>24,8</td>
<td>32,4</td>
<td>42,6</td>
<td>10,2</td>
<td>32%</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>1,8</td>
<td>4,2</td>
<td>5,9</td>
<td>7,0</td>
<td>1,1</td>
<td>18%</td>
</tr>
<tr>
<td>Senegal</td>
<td>3,3</td>
<td>7,9</td>
<td>13,3</td>
<td>25,3</td>
<td>11,9</td>
<td>90%</td>
</tr>
</tbody>
</table>
## Labor surplus and job creation gap

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

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

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