

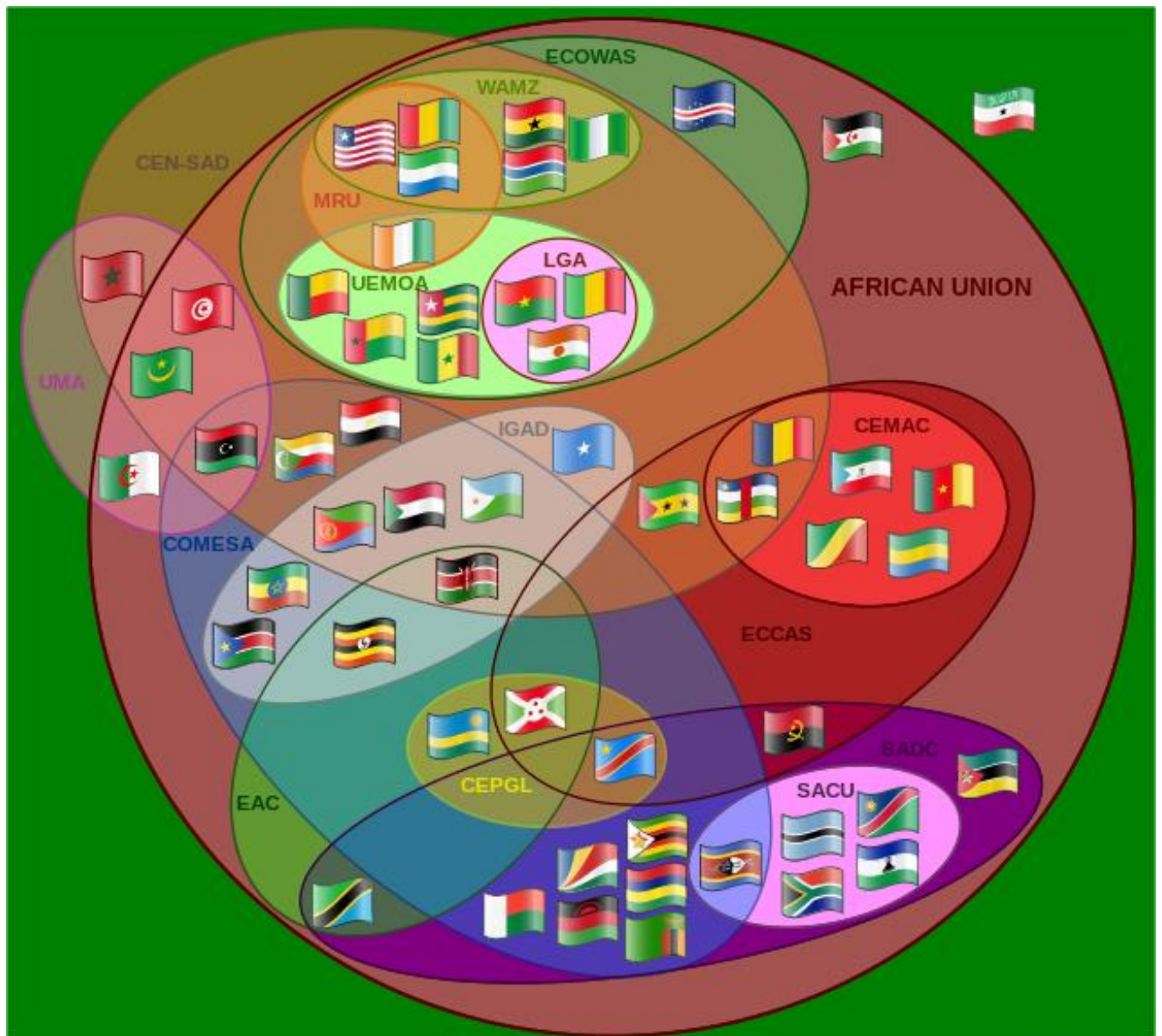


# WTO MC10 Side event readout

REGIONALISM, MULTILATERALISM: WHERE IS AFRICA IN ALL THIS?  
REGIONAL INTEGRATION AND POVERTY: WHAT WE KNOW SO FAR?

Jason Rosario Braganza  
12/29/2015

Figure 1: Regional Integration overlaps in Africa<sup>1</sup>



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## Introduction

The [WTO's 10th Ministerial Conference](#) was held in Nairobi, Kenya, from 15 to 19 December 2015. It culminated in the adoption of the "Nairobi Package", a series of six Ministerial Decisions on agriculture, cotton and issues related to least-developed countries (LDCs). WTO members concluded their Tenth Ministerial Conference in Nairobi on 19 December by securing an historic agreement on a series of trade initiatives. The "[Nairobi Package](#)" pays fitting tribute to the Conference host, Kenya, by delivering commitments that will benefit in particular the organisation's poorest members.

As part of its activities during the WTO MC10 meetings, CUT-International (Kenya) organised a half-day seminar to discuss (i) Africa's position in a world that is increasingly integrating and forming regional economic power-houses as well as its position in an ever globalising multilateral trading system; and (ii) What impact (if any) regional integration has on poverty in East Africa? The seminar was held on 16<sup>th</sup> December at the Nairobi Safari Club. The full programme can be found in the annexe. This is a summary of the presentations and main discussion points from the seminar. Contact Martha G. Bekele [mgb@cuts.org](mailto:mgb@cuts.org) for presentations.

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## Background

Disenchantment with the slow pace of negotiations and exclusion of 'new generation' issues, among others have made regionalism more attractive than ever to many developed and developing countries. EU and USA have formed a trading bloc comprising 29 countries; USA is already in a preferential trading arrangement with Australia, Singapore, New Zealand and 8 other countries; whereas India and China together with 14 developing and developed countries are in a trade bloc as well. Perhaps what seems to be the saving grace for the WTO in the face of this wave of regionalism is none of the emerging countries are in a regional trade agreement with the EU and USA, a perfect reflection of what is happening at the WTO.

Africans have not failed to note the mad rush towards regionalism by heavy weights in the trade world and not a single of their nations is part of it. Evidence is emerging that the formation of these mega blocs is poised to erode preferences African nations enjoy in some of the markets. Africa also has its own mega trading bloc initiatives- the Tripartite Free Trade Area (TFTA) and Continental Free Trade Area (CFTA). The pace of negotiations, aggressiveness of liberalisation, political commitment, among other factors, will ultimately determine Africa's share in world trade and its impact on global trade governance. In terms of engaging non-state actors, particularly the civil society, many of the RI arrangements remain to be government to government deals with little, if any, incorporation of the concerns of marginalised groups.

As attractive as regionalism sounds, one is inclined to also ask if regionalism in fact results in poverty reduction. Existing evidence and simulation analysis on trade, integration and poverty and their correlation need to be explored and documented based on conceptual frameworks and empirical evidence.

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## **Keynote Address**

*Rashid Kaukab, Director of CUTS International Geneva*

The keynote address had three main discussion points:

- i. State of play of RTAs over the past fifty years;
- ii. Arguments for entering into RTAs and regional integration; and
- iii. Dealing with inclusivity in regional integration processes

The discussion took a more political economy direction with Kaukab opting not to repeat the already well known economic arguments for regional integration. Of particular note Kaukab commented that RTAs and by extension regional integration have expanded rapidly in the last decade and half and this was due to the fact that the WTO's policing of the multilateral trading system had been very static. As a result sovereign nations across the world saw entering RTAs as a viable alternative in order to bear economic, political, and social gains from entering these arrangements.

In addressing the need to enter RTA and further integration of economies and sovereign states, Kaukab did note that such agreements need not be limited to countries in the same geographical region and that cross-regional and cross-continental RTAs did offer their own associated benefits. However, at the same time, the speaker did caution that while there are benefits any forms integration and entering into RTAs would yield winners and losers and that it was important to understand how to mitigate the impacts of such processes on the latter. A notable mention was made that one of the objectives from RTAs and regional integration ought to consider minimising costs of doing business.

In assessing the progress made over the past fifty years on RTAs and regional integration, Kaukab did note that that depth of integration varied between developed and developing countries. Evidence suggests that in the former integration tends to be deeper than in the latter. Furthermore, implementation of the RTAs and regional integration agreements was extremely low especially in Africa calling into question the genuine motive for entering into these agreements and processes. However, what was evident was that entering into RTAs and regional integration processes was more a show of political muscle rather than a genuine push for economic gain. Finally, Kaukab mentioned the need of inclusivity as being part of any RTAs and regional integration processes in order to ensure that different voices are heard and taken into account.

## **Session I – RTAs and CSO participation in regional integration processes**

The first session of the seminar focused on the state of play of regional trade agreements (RTAs) globally and how they manifest themselves as opportunities for economic growth; collective bargaining power. This session also discussed the challenges and opportunities presented to civil society organisations (CSOs) to effectively participate in regional integration processes. The session presentations discussed CSO involvement in regional integration in ECOWAS, EAC, and SADC.

## **Regionalism in Africa: TFTA and CFTA**

*Prudence Sebahizi, Director, Centre for Trade and Development-Rwanda*

Africa is the Second most populous continent with about 1.1 Billion people. About 70% of Africans under 30 years of age and over half are females. It is the world's second largest continent and has approximately 30% of the earth's remaining mineral resources. The Continent has the largest reserves of precious metals with over 40% of the gold reserves, over 60% of cobalt, and 90% of platinum reserves. . Over 55% of Africa's labour force is working in food production with vast areas of arable and pastoral lands supporting agricultural economies. Africa is the world's poorest and most underdeveloped continent with a continental GDP that accounts for just 2.4% of global GDP. vii. Almost 40% of adults in Africa are illiterate—two---thirds are women

Rationale of October 2008 Summit Directive on the Tripartite Free Trade Area (TFTA) was to address the problem of the overlapping trading arrangements in COMESA, EAC and SADC.

- Draft TFTA, with 15 Annexes finalised in 2010
- Wide consultations in Tripartite countries
- First phase: Duty-free, quota-free market access, including elimination of non-tariff barriers (NTBs); free movement of business persons
- Second phase: gradual/ progressive trade in services liberalisation

The Continental Free Trade Area (CFTA) initiative is in line with the Abuja Treaty (signed on 3<sup>rd</sup> June 1991). The Treaty Establishing the African Economic Community.

The effective establishment of the CFTA (especially if accompanied by measures to reduce costs to trade across borders)-which is in effect Africa's own mega regional trade arrangement (MRTA)- is vital to offset the potential negative effects caused by the other MRTAs.

### **Public participation in regional integration processes: Evidence from EAC, ECOWAS, SADC**

The presentations in this session focused on the challenges and opportunities faced by civil society organisations (CSOs) and other non-state actors in engaging in regional integration processes in the continent. The case studies focused on the East African Community (EAC); the Economic Community of West African States (ECOWAS); and South African Development Cooperation (SADC).

### **Role of CSOs in Regional Integration**

*Faith Mwamba, Ag. Director, CUTS International Lusaka*

CSOs, both local and international, can potentially contribute to local economic development and respond to the growing problem of poverty in a number of ways. Their responses can be categorized into the following: improve the local business investment climate; encourage new enterprises and livelihood programmes; deliver social services, provide training and capacity building programmes; and contribute to relief and rehabilitation.

The wider economic space created through regional and continental integration will strengthen Africa's voice and bargaining power in its relations with the rest of the world.

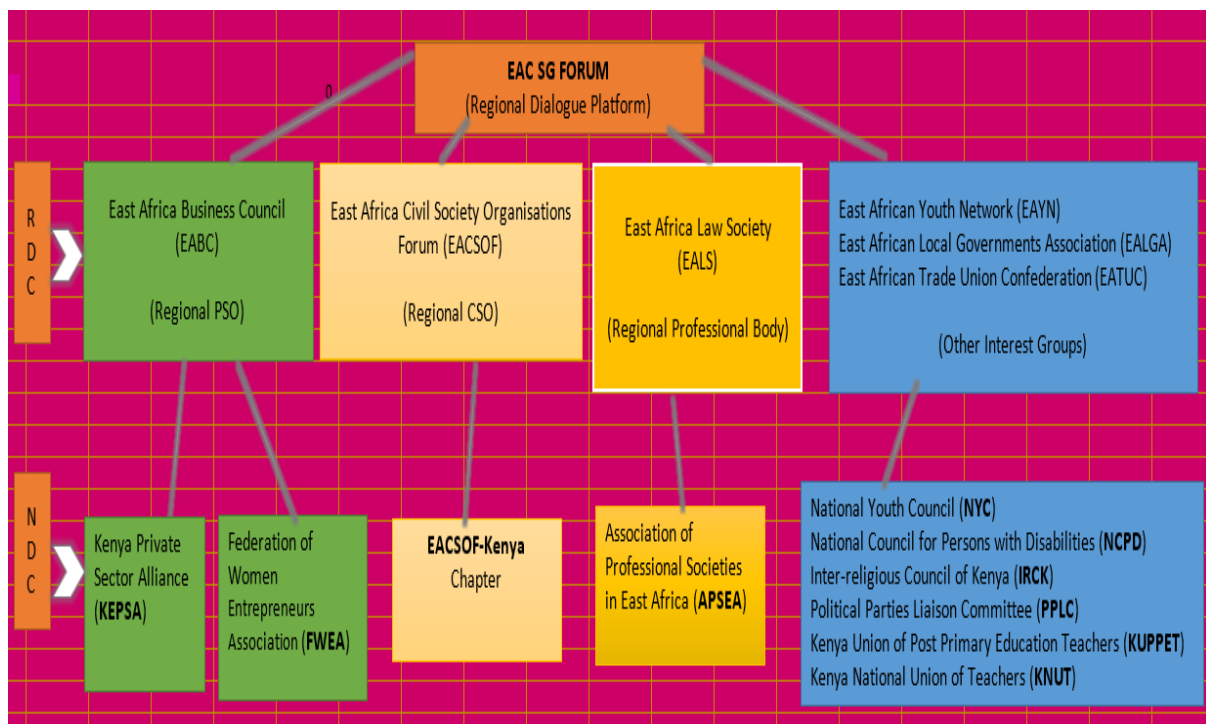
But this voice will not be as strong as it should be without first consolidating structures at national and regional levels where civil society should play a critical role in helping to formulate and shape development plans and priorities; and participating in the implementation of those plans and programmes.

## EAC – The Case of Kenya example

*Martha Getachew Bekele, Trade and Development Programme Officer, CUTS International Nairobi*

The *civil society* has only one avenue to engage in regional integration matters while the *private sector* has several platforms such as the EAC Secretary General's Regional Private Sector CEO Forum brings together Chief Executive Officers (CEOs) of businesses in the region; the Presidential Round Table where private sector players meet the President of the Republic of Kenya; Council of Governor's Forum; bi-monthly sectoral dialogue platform for line ministries and sector boards of Kenya Private Sector Alliance (KEPSA); and Speaker's Roundtable Meetings at which the private sector engages parliament on matters of interest to the business sector. Presently, the *media* is involved at the last stage of regional integration processes- by only reporting events either during agreements or hyped negotiations, with little analysis on impacts on livelihoods of people and businesses. The mechanism of engaging the media so far has been through invitations from the government; often just before the launch of an agreement to sensitise reporters on how to report on the issue.

**Figure 2: EAC Stakeholder Engagement: The case of Kenya<sup>ii</sup>**



## ECOWAS

### *Appiah Kusi Adomako, Director, CUTS International Accra*

- The ECOWAS has so far not been able to effectively mobilise its citizens to form strong pillar behind the regional integration process.
- Consumers associations, CSOs, industrial players and other Private Sector Organisations must be allowed to contribute to trade policy process with both supporting and opposing views in order to help shape the policy to make it all embracing and all inclusive.
- CSOs collaboration with ECOWAS was inadequate because some CSOs lack information and the capacity to collaborate and also majority of CSOs were not aware of the history, policies and institutions within the ECOWAS as an organisation.
- The enhancement of the ECOWAS regional integration process leads to increased investment inflows into the region, enhanced productivity, employment generation, as well as reduced incidences of corruption.
- National Governments and other politicians do not talk about RI issues to consumers because they think that does not bring them votes.
- The CSOs and other private organisations do not undertake awareness campaign among citizens especially in the rural areas where majority of the poor live.
- ECOWAS Commission is ready to partner with the CSOs but still doubts the capabilities of some CSOs in the matter of trade policy making as CSOs and citizens do not sometimes know what is beneficial for them.
- CSOs should garner support from the ordinary citizens and identify others that share similar views for partnership in other member countries and establish consumer watch dogs to fight the course of citizens involvement in the policy making process.

## SADC

### *Chenai Mukumba, Policy Analyst, CUTS International Jaipur*

- Voice is weak to demand for fulfilment of what members states have signed
- Integrating Regional policies into national development plans
- Level of engagement: Few CSOs have capacity to engage MS at national level on issues of trade- CSOs
- Non institutionalisation of CSOs in regional institutions like COMESA and SADC
- Lack of capacity and technical human resources
- Lack of domestic specialists on trade issues
- Need for better coordination and information sharing among CSOs
- Limited opportunities for effective participation
- Dialogue between the civil sector and the RECs exist, this is on ad hoc basis and has not been institutionalised

## Plenary 1

- Governance structures and institutions are weak; this affects operationalisation and implementation of RTAs. It can also stifle the regional integration process.
- Power is still held by the Heads of State in the case of the EAC and therefore there is a concerted effort to protect the sovereignty of nations.



- There is a lack of policy and financing coherence that hinders the progress that can be made in RTAs and regional integration. In addition there are cases where some countries appear to offer better trade terms to European countries over neighbouring countries. This is a concern and can undermine RTAs and regional integration processes on the continent.
  - The experience of CSO engagement across Africa is very stark. The EAC demonstrates the strongest participatory approaches to the regional integration process compared to ECOWAS and SADC. An important note was that CSO engagement within these processes needed to be robust and supported by strong evidence, research, and analysis.
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## Session 2 – Regional integration impacts on poverty

The second session of the seminar was technical approach to understanding the how (if at all) regional integration might impact on poverty reduction in East Africa. The discussion looked at the multi-level order effects of regional integration and how this may combine to cumulatively impact the poverty conditions of communities in East Africa. In addition to the technical discussions, challenges in attributing regional integration (more specifically trade liberalisation) to either increasing or reducing poverty were considered. A major issue in this discussion raised was that of data availability; limited literature review that looks at income dimension of poverty and not necessarily the multidimensional aspects; the econometric and statistical modelling tools available limit the depth of research and analysis that can be done.

### Regional integration and poverty: What do we know?

*Dr. Michael Gasiorek, University of Sussex*

This presentation focused on presenting evidence, methodologies, analysis on the impacts of regional and integration, and trade liberalisation on poverty. The presentations drew on evidence from across the world while the discussions centred on poverty impacts of regional integration in the EAC.

It was noted that trade liberalisation and regional integration can have a multi-layered order of effects on poverty that are transmitted through different mechanisms. The presentations all discussed the extent to which prices and sectors are impacted upon depended on the regional specificities and on which sectors are liberalised. In addition, regional integration often goes beyond tariff reductions, dealing with behind the border measures and well as intra-regional infrastructure issues. The order of effects was described as follows:

- i. **First-order effects on prices** which may change because e.g. tariffs / trade costs have gone down or because of increased competition.
- ii. **Second-order effects through structural change.** Labour is key asset of the poor, hence importance of trade in providing new employment opportunities in expanding sectors. Poor largely concentrated in agricultural/rural areas, so reductions in poverty more likely where:
  - agricultural (productivity) growth;

- ability to move to other activities within same geographical area; and
  - greater possibilities of migration
- iii. **Third order effects through economic growth.** Increase in factors of production (capital and labour); Using existing resources more efficiently; and increasing technical efficiency

The presenter also discussed the definitional challenge of poverty. They all noted that definitions of poverty varied depending on the context and variables being used to identify and define the poor. The common indices used to determine who the poor tended to be the World Bank's US\$ 1.25 a day income measure; while there was also the multidimensional poverty index which looked at deprivation of social welfare and income in determining who the poor are.

The presentations all discussed the different approaches in researching the impact of trade liberalisation and regional integration on poverty. Some common points from this discussion included:

- The impact of trade / RI on poverty will largely depend on the extent of constraints faced by the poor and any RI induced changes in the constraints;
- Almost entirely based on income/expenditure measures of poverty;
- Absence of treatment of multi-dimensional poverty measures;
- Absence of any integrated treatment of the factors/ constraints identified earlier effects very heterogeneous - "it depends";
- Typically assess overall welfare, and capture changes in specialisation from the changes in relative prices, but often do not capture: impact on different categories of households unless linked to; micro-simulation models; impact on investment or migration; impact on firms be this pro-competitive effects or productivity effects; and not very good at capturing NTBs
- Poor data quality and limited modelling techniques was a major hindrance to doing good quality research and analysis on regional integration and trade liberalisation on poverty.

## Linking Trade Liberalisation and Poverty

*Dr. Miriam Omolo, Institute of Economic Affairs*

Presenting stylized facts on implications of regional integration on poverty, the speaker noted

- Gains from regional integration are not uniform, different cohorts are affected differently.
- Trade Liberalization has greater impacts when accompanied by other macroeconomic policies.
- The initial development level matters when looking at trade-poverty nexus.
- Regional integration (intra-regional trade) presents opportunities for positive economic gains.
  - Gains can be harnessed when integration has accompanying policies that act as enablers.

- The level of development affects the ability to harness gains from regional integration.
- Regionalism poverty nexus remains an under researched area.

The two presentations concluded that the evidence is very sketchy for the above reasons but also because of the political economy aspects that direct and govern regional integration and trade liberalisation. In addition, there was a consensus that poverty impacts resulting from regional integration and trade liberalisation were very country specific. This was in line with the message from the keynote address of there being winners and losers from regional integration and trade liberalisation.

## Plenary 2

The plenary session discussed the different order effects and how they can be applied in the context of the EAC. There was general agreement on the order of effects but plenary did have some difference with the discussants on the poverty impacts due to regional integration and trade liberalisation. The definitional issue of poverty was a sticky point during the plenary however there was degree of agreement the poverty was multidimensional in nature. A point for further research and analysis on how policies relating to free movement of persons, goods, and services are impacting on the poor was posed to the plenary. This was in response to the issue raised on the analysis focussing predominantly on income or welfare measures. It was argued that these extended freedoms had the potential to benefit all individuals from large businesses to informal traders.

## Maximiliano Mendez-Parra – ODI

*Indirect impacts:* Assess the effects of regional integration, trade liberalisation on poverty

- Regional integration/trade liberalisation: increase resources available for a country through a structural change. That moving labour from low productivity sectors to high productivity sectors i.e. increasing efficiency
- In Africa, evidence suggests that a shrinking agricultural and manufacturing sector while increasing services sector. Challenge for Africa is that expansion of services sector is low productivity and therefore not leading to efficiency gains, wealth creation and poverty reduction.
- As a result what is happening in Africa is that there migration from low rural productivity (agriculture) to low urban productivity (services) and this is therefore not having the desired effects that are associated with trade liberalisation or regional integration

*Direct impacts:* Price impacts resulting from regional integration or trade liberalisation.

- Takes rural – urban dimension. Rural population tends to benefit from higher supplier prices while urban population loses out due to higher consumer prices.
- Ex post studies focus on Latin America suggest the impact of regional integration and trade liberalisation depends from country to country.

- There are a lot of unknowns when assessing the impacts of regional integration and trade liberalisation

*Policy implications:* it is not clear how different policy instruments are coordinated to address the negative impacts of regional integration and trade liberalisation. Resource mobilisation and price mechanisms would be the focus of policy intervention.

### San Bilal – ECPDM

- The starting point should be “What is regional integration?” The discussion should go beyond regulatory requirements but also look at other factors such as infrastructure investments in the EAC.
- Is regional integration welfare enhancing? The answer is largely yes based on the data available.
- Productivity is an important issue for regional integration. However in the case of the EAC, employment creation is more of a priority than productivity due population growth, rural-urban dynamics. These are most likely to be more important for poverty reduction impacts from regional integration and trade liberalisation.
- Agriculture sector is important for poverty reduction. Therefore regional integration and trade liberalisation should be more targeted at the sector level that will enhance efforts to reduce poverty.
- Measures need to be put in place if it is known that there will be winners and losers from regional integration. If the accompanying measures are in place to act as a buffer for those who are adversely affected resulting from regional integration and trade liberalisation.
- Participatory approach that takes into account of the voice of the poor. There should be an opportunity for participation of local communities in regional integration processes.
- There is a big role to be played by collecting qualitative and informal trade data that touch on the impacts of regional integration on poverty. In addition there is also a need to understand the political dimension of decision makers prioritising poverty reduction in their policy agenda

Floor discussion from other participants urged presenters to articulate their research output in a more digestible that could easily be understood by policy makers and development practitioners.

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The seminar closed with a word of thanks from Clement Onyango, CUTS International Nairobi Director.

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## Annex

### MC10 SIDE EVENT PROGRAMME

10<sup>TH</sup> WTO MINISTERIAL CONFERENCE SIDE EVENT

#### REGIONALISM, MULTILATERALISM: WHERE IS AFRICA IN ALL THIS?

#### REGIONAL INTEGRATION AND POVERTY: WHAT WE KNOW SO FAR

Organiser: CUTS Nairobi  
Venue: Nairobi Safari Club  
Date: December 16, 2015  
Time: 0800 – 1300 hours

#### BACKGROUND

Disenchantment with the slow pace of negotiations and exclusion of ‘new generation’ issues, among others, have made regionalism more attractive than ever to many developed and developing countries. EU and USA have formed a trading bloc comprising 29 countries; USA is already in a preferential trading arrangement with Australia, Singapore, New Zealand and 8 other countries; whereas India and China together with 14 developing and developed countries are in a trade bloc as well. Perhaps what seems to be the saving grace for the WTO in the face of this wave of regionalism is none of the emerging countries are in a regional trade agreement with the EU and USA, a perfect reflection of what is happening at the WTO.

Africans have not failed to note the mad rush towards regionalism by heavy weights in the trade world and not a single of their nations is part of it. Evidence is emerging that the formation of these mega blocs is poised to erode preferences African nations enjoy in some of the markets. Africa also has its own mega trading bloc initiatives- the Tripartite Free Trade Area (TFTA) and Continental Free Trade Area (CFTA). The pace of negotiations, aggressiveness of liberalisation, political commitment, among other factors, will ultimately determine Africa’s share in world trade and its impact on global trade governance. In terms of engaging non-state actors, particularly the civil society, many of the RI arrangements remain to be government to government deals with little, if any, incorporation of the concerns of marginalised groups.

As attractive as regionalism sounds, one is inclined to also ask if regionalism in fact results in poverty reduction. Existing evidence and simulation analysis on trade, integration and poverty and their correlation need to be explored and documented based on conceptual frameworks and empirical evidence.

#### DISCUSSION QUESTIONS

- ? Is Africa better off within or outside the multilateral trading system?
- ? Will Africa’s mega trading bloc(s) have substantial impact on world trade and its governance?
- ? What are the necessary ingredients for a strong African mega trading bloc that can impact on global trading rules and expand world trade market share?
- ? Are there regional economic communities in Africa that involve citizens from all walks of life?
- ? What is the relationship between regional integration and poverty?
- ? Does regional integration lead to structural changes?
- ? What are the principal transmission channels through which RI could impact on poverty?

0800 - 0830	Arrival and Registration
0830 - 0840	Welcoming Remarks and Introductions <i>Rashid Kaukab, Director, CUTS International Geneva</i>
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<i>Session I Chair: Kwame Owino, Director, Institute of Economic Affairs</i>	
0840 - 0900	Regionalism in Africa: TFTA and CFTA <i>Prudence Sebahizi, Centre for Trade and Development-Rwanda</i>
0900 - 1000	Public Participation in African Regional Integration Process <i>Faith Mwamba, CUTS International Lusaka</i> <i>Martha G. Bekele, CUTS International Nairobi</i> <i>Appiah Kusi Adomako, CUTS International Accra</i> <i>Chenai Mukumba, CUTS International Jaipur</i>
1000 -1030	Floor Discussion
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1030-1100	Health Break
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<i>Session II Chair: Ms Agatha Nderitu, Danida Regional Integration Advisor</i>	
1100 - 1120	Regional Integration & Poverty: What we know so far <i>Michael Gasiorek, Sussex University</i>
1120 - 1220	Plenary Discussion (15 minutes each) <i>Miriam Omolo, IEA</i> <i>Maximiliano Mendez-Parra, ODI</i> <i>San Bilal, ECDPM</i>
1220 - 1250	Floor Discussion
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1250 - 1300	Wrap up and Closing Remarks <i>Clement Onyango, Director, CUTS International Nairobi</i>
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<sup>i</sup> Source: [Regional Economic Communities Overlap in Africa](#)

<sup>ii</sup> Taken from From EAC to TFTA: Integrating the Voice of the Civil Society in Kenya, Martha Bekele