

# Trade Policy, Factor Markets and Social Structures in Africa

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# Where?

- Sub-Saharan Africa
- Emphasis on SADC countries
- EU's role

# Regional Aggregation

1	EU	<i>European Union</i>	
2	Morocco	<i>Morocco</i>	
3	RNA	<i>Rest of North Africa</i>	
4	Botswana	<i>Botswana</i>	
5	RSACU	<i>Rest of SACU (Namibia, RSA)</i>	
6	Malawi	<i>Malawi</i>	
7	Mozambique	<i>Mozambique</i>	<b>SADC</b>
8	Tanzania	<i>Tanzania</i>	
9	Zambia	<i>Zambia</i>	
10	Zimbabwe	<i>Zimbabwe</i>	
11	OSA	<i>Angola &amp; Mauritius</i>	
12	Uganda	<i>Uganda</i>	
13	RSS	<i>Rest of Sub-Saharan Africa</i>	
14	ROW	<i>All other regions</i>	

# SADC Map



# What?

- SADC Free Trade Area
- Everything But Arms (EBA) initiative
- Factor markets
- Industry structure
- Welfare analysis

# Why?

- Regional trade policy change implications
- Country results
  - Development level
- Role of factor markets
- Structural considerations
- GTAP & developing countries
  - Exploit opportunities
  - Escape weaknesses

# How?

- Standard GTAP model simulation
- Initial protection data adjusted for Africa
  - Lomé preferences
  - GSP for LDC treatment
- Theoretical & empirical work on the impacts of and on structures (to be done)

# Simulation Experiments

	Intra SADC duties	EU's import duties	
		LDC	Rest of SADC
FTA 1	$\simeq 0$	<i>no change</i>	<i>no change</i>
FTA 2	$\simeq 0$	$\simeq 0$	$\simeq 0$
EBA 1	<i>no change</i>	$\simeq 0$	$\nearrow$ GSP
EBA 2	$\simeq 0$	$\simeq 0$	$\nearrow$ GSP



# Macro Results: FTA

	<i>"FTA 1", Alone</i>				<i>"FTA 2", With EU</i>			
	Nominal GDP	Real GDP	Utility	Total EV (USD)	Nominal GDP	Real GDP	Utility	Total EV (USD)
1 EU	-0.01	-0.00	-0.00	-223.90	0.05	0.00	0.01	970.8
2 Morocco	-0.01	-0.00	-0.00	0.00	-0.05	-0.00	-0.02	-5.6
3 RNA	-0.01	-0.00	0.00	0.20	-0.04	-0.00	-0.02	-22.5
4 Botswana	0.18	0.68	0.59	25.60	-0.79	1.09	<b>1.30</b>	56.1
5 RSACU	1.29	0.07	0.34	407.20	1.09	0.30	0.74	896.5
6 Malawi	3.18	0.26	0.87	23.00	0.35	0.37	0.60	15.8
7 Mozambique	2.99	0.08	0.56	18.30	0.51	0.13	0.07	2.2
8 Tanzania	0.64	<b>-0.06</b>	<b>-0.08</b>	-5.10	-3.11	<b>-0.20</b>	<b>-1.42</b>	-91.4
9 Zambia	-0.55	<b>-0.10</b>	<b>-0.19</b>	-7.40	-1.62	<b>-0.13</b>	<b>-0.36</b>	-14.0
10 Zimbabwe	4.76	0.65	<b>2.09</b>	154.70	1.48	0.79	<b>1.29</b>	95.6
11 OSA	-1.39	-0.40	-0.35	-45.80	-6.35	-0.11	0.33	43.8
12 Uganda	0.03	0.00	0.00	0.20	-0.08	-0.00	-0.01	-0.9
13 RSS	-0.01	-0.00	-0.01	-14.00	-0.13	-0.01	-0.05	-66.2
14 ROW	-0.01	-0.00	-0.00	-301.50	-0.05	-0.00	-0.01	-1364.6
Total	-0.01	-0.00	-0.00	31.50	0.05	0.00	0.01	515.7

# Macro Results: EBA

	<i>"EBA 1", Alone</i>				<i>"EBA 2", With SADC FTA</i>			
	Nominal GDP	Real GDP	Utility	Total EV (USD)	Nominal GDP	Real GDP	Utility	Total EV (USD)
1 EU	0.02	0.00	0.00	302.8	0.00	0.00	0.00	81.4
2 Morocco	0.02	0.00	0.01	1.8	0.01	0.00	0.01	1.8
3 RNA	0.00	-0.00	-0.00	-5.6	-0.01	-0.00	-0.00	-5.3
4 Botswana	-0.81	0.02	-0.16	-6.9	-0.66	0.69	0.44	18.8
5 RSACU	-0.03	-0.00	-0.00	-3.8	1.20	0.07	0.32	387.4
6 Malawi	0.11	0.01	0.05	1.4	3.22	0.26	0.90	23.8
7 Mozambique	0.09	0.00	0.04	1.5	3.04	0.08	0.59	19.3
8 Tanzania	0.03	0.01	0.02	1.1	0.64	-0.06	-0.07	-4.7
9 Zambia	0.07	-0.00	0.03	1.1	-0.50	-0.10	-0.17	-6.6
10 Zimbabwe	-1.82	-0.12	-0.69	-51.3	3.36	0.58	<b>1.58</b>	117.3
11 OSA	-4.07	-0.47	-1.26	-163.9	-5.36	-0.83	-1.56	-203.7
12 Uganda	0.05	0.00	0.01	0.7	0.08	0.00	0.01	0.9
13 RSS	-0.44	-0.04	-0.13	-186.0	-0.45	-0.05	-0.14	-200.0
14 ROW	0.00	0.00	0.00	23.3	-0.01	-0.00	-0.00	-277.0
Total	0.02	0.00	0.00	-83.9	0.00	0.00	0.00	-46.6

# Welfare Decomposition

- ToT effect important but does not explain everything
- Efficiency gain dominates FTA2 results
- Investments-Savings in Tanzania

# Initial Factor Use

	Land	UnSkLab	SkLab	Capital	NatRes	Total
Botswana	0.37 %	22.23 %	12.16 %	61.67 %	3.57 %	100.00 %
Mozambique	4.48 %	42.38 %	8.12 %	44.08 %	0.95 %	100.00 %
Tanzania	5.63 %	43.49 %	5.37 %	44.30 %	1.21 %	100.00 %
RSACU	0,53 %	40,67 %	19,62 %	37,29 %	1,88 %	100,00 %
Total	1.05 %	35.22 %	21.05 %	41.90 %	0.79 %	100.00 %

# Factor Price Changes

<b>FTA 1</b>	Botswana	Mozambique	Tanzania
Land	<b>-9.34</b>	-0.12	4.86
UnSkLab	2.11	<b>4.79</b>	1.62
SkLab	1.65	<b>5.45</b>	0.92
Capital	0.97	<b>5.92</b>	1.08
NatRes	-3.51	1.12	-0.95

<b>FTA 2</b>	Botswana	Mozambique	Tanzania
Land	<b>13.06</b>	-1.69	<b>4.09</b>
UnSkLab	2.59	2.91	-0.54
SkLab	1.94	3.58	-1.53
Capital	1.31	4.10	-1.21
NatRes	<b>-5.04</b>	-2.13	<b>-5.76</b>

<b>EBA 1</b>	Botswana	Mozambique	Tanzania
Land	<b>-53.12</b>	-0.04	-0.02
UnSkLab	-1.55	0.09	0.03
SkLab	-0.86	0.12	0.04
Capital	-0.52	0.12	0.04
NatRes	<b>4.19</b>	-0.37	0.02

<b>EBA 2</b>	Botswana	Mozambique	Tanzania
Land	<b>-58.72</b>	-0.15	<b>4.77</b>
UnSkLab	0.52	<b>4.84</b>	1.61
SkLab	0.77	<b>5.53</b>	0.93
Capital	0.44	<b>5.99</b>	1.09
NatRes	0.64	0.81	-0.97

# Factor Markets & Sectoral Production Shift

- The poorest countries
  - Shift towards primary goods production
  - Corresponding changes in factor markets
  - Regional (SADC) trade increases
- Better off countries
  - Exports to EU rise
  - Tremendous changes in land price and demand

# Ergo

- "Wrong signs" for welfare change
  - Deteriorating net investments
  - Counter-intuitive allocation effects
- Benefit goes to richer SADC countries
- Poorest countries become producers of primary goods

# Open Questions

- Could something (exogenous to the model) improve the LDC performance?
- What are the anticipated impacts on social structures?
- Poverty?
- What if labour supply responds?