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The Impact of Regional Free Trade Agreements on Poverty in Africa

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The Impact of Regional Free Trade Agreements on Poverty in Africa

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1. INTRODUCTION

Global trade is seen as an important driving force to end poverty (World Bank, 2018). The World Bank (2018) advances that more open trade causes productivity to improve, which provides more export opportunities to producers, and more opportunities to consumers in the form of expanded access to goods, income, and employment. More specifically, Irwin (2020) argues that free trade is central to the advancement of developing states, maintaining that lowering trade barriers permit states to import larger quantities and varieties of goods more easily, ultimately enhancing welfare. Hence, this implies that regions like Sub-Saharan Africa, which are endemic to poverty, would benefit from lowered trade barriers and expanded free trade policies (UN Statistics Division, 2022).

However, the majority of existing research focuses on the implications of free trade on a global level, whether by arguing that free trade is welfare enhancing or welfare reducing (Krugman, 1987; World Bank, 2018). As such, studies largely overlook the implications of free trade on a regional level. Likewise, few studies consider the implications of free trade on poverty. Hence, this thesis seeks to investigate regional free trade in Sub-Saharan Africa as a causal mechanism by which trade may reduce poverty.

This thesis analyzes the Southern African Development Community Free Trade Area (SADC FTA) in-depth to establish potential links between regional free trade and poverty. The SADC adopted the Protocol on Trade in the year 2000 to further advance regional integration and liberalize regional trade, which led to the achievement of a Free Trade Area (FTA) on August 17th, 2008 (SADC, 1996). The SADC FTA aimed to liberalize intra-regional trade in goods, increase domestic production, expand imports and exports, and create employment opportunities for member states (SADC, 2012a).

The SADC FTA has been chosen as the point of study as existing research surrounding regional free trade and poverty has largely been conducted on regions like Latin America, Asia, and even Western Africa, but less attention has been given to Sub-Saharan Africa (Abubakar & Momoh, 2021; Mecham, 2003; Rudner, 1995). This is particularly concerning since it is a region that suffers heavily from poverty (UNDP, 2011). As such, the SADC FTA, an agreement between Southern African states has been chosen as a necessary point of study, to investigate free trade as a potential causal mechanism to alleviate poverty.

Consequently, the problem this thesis examines is whether the welfare enhancing promises of free trade agreements were realized on a regional level, by exploring if populations saw tangible improvements succeeding SADC FTA membership. Hence, this thesis seeks to shed light on the bigger picture of poverty by investigating whether free trade can be pursued as a strategy to alleviate poverty. In doing so the following research question will be answered:

What has been the impact of the SADC Free Trade Area on poverty?

The research question will be examined by comparing poverty rates across two member states of the SADC, where one state is a member of the SADC FTA, and one state is not. The research ultimately reveals the poverty rates of the SADC member states the year before SADC FTA implementation in 2007 and eight years after implementation in 2016, to analyze and cross-compare the underlying abilities of the populations to seize opportunities, while isolating the implications of implementing the FTA.

The thesis will proceed as follows; the study first advances on the existing literature related to the research and elaborates on the concepts central to the research. Then it proceeds to expand on the methodological approach of the study in order to justify the chosen variables, research design, and the data collected. Succeedingly, the research results are presented, described, and

analyzed in-depth. Finally, the study is evaluated based on its strengths, and weaknesses, and provides concluding remarks on the impact of the SADC FTA on poverty.

2. LITERATURE REVIEW

The literature below provides the necessary contextual background to this research and particularly falls along the topics of free trade, regional integration, and poverty.

2.1 Free Trade

Scholars hold disputed and contested views on the impacts of free trade. Existing research largely falls into two camps, those who argue that free trade is welfare enhancing and those who argue that it is welfare reducing. Much of the literature for free trade rests on Ricardo's (2014) theory of comparative advantage, arguing that lowering trade barriers allows for states to concentrate on producing goods they can produce at lower costs, while importing goods that are less readily available. Such specialization is in turn seen to provide opportunities for expanding exports, employment, and income (Irwin, 2020). Additionally, Brooks (2003) advocates that trade liberalization expands the availability of affordable goods and services to the poor and therefore contributes to improving welfare. Furthermore, Bhagwati (2002) found little compelling evidence that free trade negatively affects the wages of workers, human rights, or the environment.

A broader theory that advocates for free trade are the Washington Consensus identified by John Williamson, which was heavily endorsed by the International Monetary Fund, the World Bank, and the United Nations in the 1980s as a way of ensuring economic growth (Gore, 2000). The Consensus consisted of policy reforms seen as necessary for developing countries to progress and the sixth reform was trade liberalization (Williamson, 2009). Here trade liberalization is contextualized in the idea of Adam Smith's free market economy. Smith introduced the idea of an invisible hand, claiming that the market would self-regulate without

government intervention (Edwards, 1993). Thus, policies of trade liberalization and free trade, such as opening markets and lowering trade barriers, were believed to be necessary advancements for developing states to promote economic growth.

Moreover, this thesis builds on literature specific to free trade agreements, under which states sign an agreement to remove trade barriers between members (Urata & Okabe, 2010). Free trade agreements have rapidly proliferated over the past decades, largely because of the stalemate experienced at the World Trade Organization (WTO) Doha Round, where member states failed to negotiate and reach conclusions on trade barriers and trade rules (WTO, 2022a). Hence when trade negotiations did not progress, states sought to free trade agreements as a way of promoting trade liberalization (Bonciu & Moldoveanu, 2014).

Further, Urata & Okabe (2010) stress that free trade agreements have two possible impacts; either they create trade as lowered barriers increase trade flows, or they result in trade diversion as the agreement could replace the imports of an efficient non-member with imports of a less efficient member of the agreement. Even so, Wonnacott (1996) insists that trade diversion could potentially increase welfare because the implementation of the free trade agreement could reduce production costs so much that it makes a new importing state the lowest cost source.

Even so, it is important to recognize that scholars have argued against the pursuit of free trade. Krugman (1987) claims that free trade is not an optimal strategy for developing states to pursue, by illustrating that states continue to produce goods they do not have a comparative advantage in. Similarly, Thirwall (2002) proclaims that the gains from free trade agreements are quickly exhausted and argues that once trade barriers are removed free trade ultimately reduces economic growth and investment in the long run. Shaikh (2006) comparably, advances that free trade is a myth, by arguing that freer trade worsens income inequality in

developing states and therefore creates more poverty. Likewise, Billmeier & Nannicini (2009) note that lowering trade barriers accentuates poverty because it creates inflation. As such, scholars have argued that freer trade could be associated with negative impacts, and ultimately create poverty, instead of alleviating it.

2.2 Regional Integration and Poverty

This thesis stems from literature on regional integration, a process where states willingly cooperate to overcome barriers that constrain the flow of goods, services, capital, people, and ideas to achieve greater wealth and stability (World Bank, 2022d). Scholars have notably argued that regional integration allows for better market access, expansion of exports, and greater opportunities for investment (Schiff & Winters, 2003).

Similarly, Hartzenberg (2011) argues that regional integration is an appropriate process to further the development of the numerous small national markets and landlocked countries across the African continent. Additionally, Gasiorek & Martuscelli (2016) point out that the effect that regional integration has on poverty, largely rests on the constraints of the poor and specifically rests on what abilities a population has to seize opportunities. Kayizzi-Mugera et al. (2014) more specifically argue that regional integration in Africa is a driving force for more equitable economic growth and promotes poverty reduction by raising living standards. Their study similarly found that regional integration increases local competition which in turn promotes productive efficiency, but also enhances food security by promoting intra-African trade, particularly in food products (Kayizzi-Mugera et al., 2014). Comparably, Anyanwu (2014) found that higher intra-African trade reduced female, male, and youth unemployment drastically.

Hence the literature above provides the necessary contextual background to this thesis. It helps to situate the research as adding to the debate of whether regional integration, by way of

pursuing a free trade agreement reduces poverty, especially in less developed regions like Sub-Saharan Africa, where poverty is endemic (UNDP, 2011). Further, it helps to build on the importance of understanding the opportunities that the poor are presented with after the establishment of a free trade area, and how these in turn may impact poverty.

2.3 Thesis Contribution

My contribution involves gathering a deeper understanding of causal mechanisms which may result in poverty alleviation. This thesis, therefore, investigates whether free trade agreements can be linked to poverty reduction, and extends on the importance of regional integration as a way of enhancing overall quality of life at a regional level.

More specifically this thesis intends to explore if the welfare enhancing promises of free trade were realized after the SADC FTA was achieved and evaluates if the poor saw tangible improvements in quality of life by investigating the following research question:

What has been the impact of the SADC Free Trade Area on poverty?

Likewise, based on the literature and previous studies, I expect an inverse relationship between SADC FTA integration and poverty rates, leading to the following hypothesis:

H1: Implementation of the SADC FTA will result in poverty alleviation.

2.4 Conceptualization

To investigate the influence of regional free trade on poverty, it is essential to define the concepts that are central to this study. Firstly, it is fundamental to note that developing states are the unit of analysis in this thesis. Similarly, developing states are defined as per the World Bank as low- and middle-income countries based on their gross national income (Khokhar &

Serajuddin, 2015). This conceptualization helps to focus the scope of the research in order to concentrate on states that are more affected by and vulnerable to poverty.

To conceptualize the independent variable, I adopt the SADC's own definition of a free trade area, as an area where tariffs on trade amongst members are removed, but members are free to impose their own external imports on non-free trade area members (SADCb, 2012). This definition narrows down the research of the thesis, which is necessary when recognizing that not all members of the SADC, are members of the SADC FTA (SADCb, 2012).

Likewise, the thesis adheres to the conceptualization of the dependent variable, namely poverty as characterized by deprivation of basic human needs, which is heavily influenced by income and access to social services (United Nations, 1995). I adopt The World Bank's (2022) definition of absolute poverty, as the share of the population that lives on less than the international poverty line of US\$1.9 a day (World Bank, 2022). The indicator of absolute poverty has been chosen as it sheds direct light on the basic living standards of a population, and it can facilitate insights into basic access to goods, education, employment, and income (United Nations, 1995).

3. METHODOLOGICAL APPROACH

The thesis investigates the effect of the SADC FTA on poverty in 2007 and 2016, hence one year before the FTA was implemented and eight years after implementation. The timeframe was chosen to find longer term impacts on poverty and to avoid revisions and projects added to SADC after 2017 (SADC, 2021). Additionally, this timeframe was chosen to avoid potential overlapping effects of other agreements, as such the Protocol on Services, the COMESA-SADC- EAC Tripartite Agreement, and the SADC-EU Economic Partnership, which went into force in later years. Hence the nine chosen years of study best isolate the impacts of the SADC FTA on poverty, with minimized external influences.

3.1 Operationalization

It is necessary to define transparent and operational measures for the variables in this study. The independent variable, conceptualized in the previous section as a free trade area, focuses specifically on the SADC FTA. As such, trade between SADC FTA members is measured as the total monetary value of trade in 2007 and 2016. This measurement is important because it provides insights into the changes in trade after the SADC FTA was achieved. The monetary value of total trade was chosen as it can be concretely compared in terms of US Dollars across the years of study.

The dependent variable, absolute poverty, also conceptualized in the previous section, is measured as the share of a population living on less than US\$1.9 a day (World Bank, 2022a). This indicator was chosen as it provides an understanding of the basic living standards of a population and can be directly compared across states. These measures will provide the necessary insights into the impact of the SADC FTA on poverty.

3.2 Research Design and Case Selection

A small N-case study comparison has been chosen as the appropriate research design to test the hypothesis that the SADC FTA resulted in poverty alleviation. Similarly, a most similar systems design has been chosen as the appropriate method of case selection. A combination of this research design and case selection specifically allows for detailed in-depth investigation and analysis of two cases, and allows for thorough description to be made. Likewise, the research conclusions can better be contextualized as they can be directly compared across the case studies (Hague et al., 2016).

Two developing member states of the SADC have been chosen as the appropriate cases, as they represent typical cases of states suffering from poverty. The chosen case studies are Mozambique and Angola. Mozambique was chosen as it is a member of the SADC FTA, and

Angola was chosen as it is only a member of the SADC (SADC, 2012a). Angola was further chosen as the necessary case study as it is one of only three states in the SADC that are not part of the FTA (SADC, 2012a). This variation in the independent variable between Mozambique and Angola makes them appropriate cases to evaluate and helps to isolate the impacts of the SADC FTA.

Moreover, the two case studies were chosen because of their common characteristics.

Particularly Mozambique and Angola are the two largest former colonies of the Portuguese in Africa (Duffy, 1961). As such the two states share cultural similarities in that Christianity and particularly Catholicism remains the largest religion in the states, and linguistically Portuguese remains the official language in both (Munslow, 2014). Geographically both states border oceans and therefore have large fishing industries, but they also share the same latitude and therefore experience similar climates (Munslow, 2014). Likewise, the states had very similar population sizes in the years of study, with approximate populations of 21 million in 2007 and 28 million in 2016 (UN World Population Prospects, 2019). As such, Mozambique and Angola have been chosen as appropriate case studies for comparison.

3.3 Research Method

The first part of the research focuses on trade and poverty specifically in Mozambique as a member of the SADC FTA. This involves a two-step process, step one uses the World Bank World Integrated Trade Solution database to calculate the total monetary value of Mozambique's trade in US Dollars among SADC FTA members, this is done by adding the value of exports and imports among SADC FTA members for the years 2007 and 2016 (WITS, 2022). Then a percentage change in the total monetary value of Mozambique's trade is calculated to explore how trade among SADC FTA members has changed from 2007 to 2016.

Step two consists of collecting the corresponding absolute poverty rates for Mozambique from the World Bank PovcalNet tool for the same years namely 2007 and 2016, as well as calculating the percentage change (World Bank, 2022b). Proceeding these two steps, the results are visually represented in a table to visualize and establish any potential correlation between trade and poverty rates, before and after the FTA was achieved.

The second part of the research involves comparing the poverty rates in Mozambique to the poverty rates in Angola. This is done by collecting the absolute poverty rates for Angola using the same PovcalNet tool by the World Bank for the aforementioned years, along with calculating the percentage change. The poverty rates of Mozambique and Angola are then visually represented in a table to establish a comparison.

After the initial research results are represented and described, the analysis conceptualizes the observed results in literature and reports. The analysis first evaluates the SADC FTA agreement in detail, to better understand the impacts of the agreement on poverty. Thereafter, each case study is further analyzed in two parts.

The first half of the analysis for each case study focuses on how poverty has evolved over the years of study, and the second half investigates what opportunities the populations have had to better their living standards and escape poverty. The second half specifically focuses on the opportunities that producers and consumers in the states have been presented with. Producers are assessed based on their ability to seize opportunities in production, business, and regional imports and exports. And consumers are assessed based on their ability to seize opportunities in access to goods and employment. This comparison across the case studies will gather a deeper understanding of how and why poverty rates have changed.

Finally, the analysis addresses potential external factors affecting poverty in Mozambique, to better assess the influence of the SADC FTA on poverty more broadly. Conducting the

research in this manner allows me to assess any correlation between trade and poverty in Mozambique since the SADC FTA was achieved. Similarly, it enables me to directly compare the poverty rates of Mozambique to Angola, as a non-member, to evaluate if SADC FTA membership produced greater opportunities for members of a population.

3.4 Data and Sources

The thesis uses both primary and secondary sources to address trade and poverty in Mozambique and Angola. The primary data used are largely produced by the World Bank. Firstly, the World Bank World Integrated Trade Solution database is used to retrieve raw statistics on trade to calculate the total monetary values of trade (WITS, 2022). This database specifically provides the necessary import and export values for Mozambique for the years 2007 and 2016 (WITS, 2022). Secondly, the primary data by The World Bank PovcalNet tool is used to retrieve statistics on absolute poverty (World Bank, 2022b). This database provides the absolute poverty values for Mozambique and Angola in the years 2007 and 2016.

Additionally, the thesis uses SADC annual reports, UNCTAD reports, and reports from the Mozambican and Angolan governments as primary and secondary sources to contextualize the research results (INE, 2017; SADC, 2012c; UNCTAD, 2015). These sources are valued as they provide statistics on matters such as exports and imports, food security, school enrollment, and employment which provide essential insights into the quality of life of the populations in Mozambique and Angola. Similarly, these sources provide useful interpretations and evaluations of their own, which serve as valuable material for more thorough description of the case studies (SADC, 2012c; UNCTAD, 2015; UNDP, 2011).

Furthermore, existing scholarly literature and research on the theories of free trade, regional integration, and poverty are used as secondary sources to further deepen the understanding of the relationship between free trade and poverty (Bhagwati, 2002; Gasiorek & Martuscelli,

2016). As such, the sources used in this thesis complement each other by providing credible evidence and help to contextualize the research results.

4. RESEARCH RESULTS

The following section presents the research results. Table 1 illustrates how total trade values have changed in Mozambique since the SADC FTA, and the corresponding absolute poverty rates. The total trade value is analyzed, as opposed to net exports, because a free trade agreement encompasses both imports and exports. Thus, the total trade value is important as it allows for a comparison of how overall trade has evolved since the SADC FTA was achieved. Succeedingly, the trade values are compared to the absolute poverty rates of the corresponding years, to gather any correlations between trade and poverty in Mozambique.

Thereafter, Table 2 presents a comparison of the absolute poverty rates in Mozambique versus Angola to reveal any differences across the states, and the analysis proceeds to contextualize any observed differences.

4.1 Mozambique Total Trade and Poverty Rates

Table 1.

Total Value of Trade of Mozambique to SADC Free Trade Area Members and Absolute Poverty Rate

Year	Export Value (\$ US Dollars)	Import Value (\$ US Dollars)	Total Value of Trade (\$ US Dollars)	Absolute Poverty Rate (%)
2007	525,753,780	1,040,862,030	1,566,614,810	72.71
2016	868,086,220	1,731,595,830	2,599,682,050	62.48
Percentage Change			+65.94%	-14.07%

Note. Data on Values of Trade derived from World Bank World Integrated Trade Solution database

<https://wits.worldbank.org/Default.aspx?lang=en>. Data on Absolute Poverty Rates derived from the World Bank PovcalNet tool <http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx>

By calculating the monetary total value of trade for Mozambique to SADC FTA members it can be observed that the total trade value has more than doubled from 2007 to 2016. The total value of trade has increased by 65.94%, illustrating a significant increase in trade flows after the SADC FTA was achieved. Likewise, the Mozambican absolute poverty rate has fallen by 14.07%. As such the results illustrate that there is a positive correlation between trade and poverty, hence as intra-SADC FTA trade has increased, poverty rates have fallen.

4.2 Case Study Comparison of Poverty Rates

Table 2.

Comparison of Share of Population in Absolute Poverty (Individuals living below the International Poverty line of US\$1.9 a day)

State	Absolute Poverty Rate		Percentage Change
	(%)		(%)
	2007	2016	
Mozambique	72.71	62.48	-14.07
Angola	34.40	42.17	+22.59

Note. Data on Absolute Poverty Rates derived from the World Bank PovcalNet tool

<http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx>

From the collected absolute poverty rates of Mozambique and Angola it can be observed that whereas poverty rates in Mozambique have fallen, poverty rates in Angola have increased. Angola saw a 22.59% increase in the absolute poverty rate, depicting that poverty worsened from 2007 to 2016. As such the research results indicate that Mozambique, a member of the SADC FTA, experienced poverty alleviation, whereas Angola, a non-member, experienced a worsening of poverty during the years of study.

5. ANALYSIS

The following section analyzes the research results presented above and contextualizes them to better understand what was happening in Mozambique and Angola during the years of study, and to gather if the SADC FTA impacted poverty rates.

5.1 The SADC FTA Agreement

To evaluate how the SADC FTA impacts poverty, it is first necessary to understand the objectives and intentions of the agreement. To further regional integration the SADC adopted the Protocol on Trade in 1996 which came into effect on September 1st 2000 (SADC, 1996). The main objectives of the protocol were to “liberalize intra-regional trade; ensure production reflecting comparative advantages; improve the climate for investment; enhance development; and to establish an FTA” (SADC, 1996, p. 7).

As the Protocol went into force, tariffs were phased down into four categories to account for varying levels of development between member states, and to avoid the impact of drastic removal of tariffs (Kaphuka, 2015). Category A goods required immediate elimination of import and export duties, almost all goods in this category already had zero tariffs before the Protocol went into force (Kaphuka, 2015). Category B goods required eliminating tariffs by 2008. These goods represented the largest source of customs revenue, accounting for 85% of intra-SADC trade (Chilala, 2009). Then tariffs for Category C goods, deemed as sensitive goods, which were goods that states deemed particularly susceptible to competition from imports from other states, such as sugar, had to be eliminated between 2008 and 2012. Finally, Category E constituted a small percentage of goods exempt from the agreement, like firearms (Chilala, 2009).

The SADC formally achieved the FTA on trade in goods by the 28th Summit on August 17th 2008, by eliminating tariffs on 85% of all intra-SADC trade (SADC, 2008). The SADC specifically intended for the FTA to increase domestic production; create business opportunities; increase regional imports and exports; provide cheaper consumer goods; create employment; and encourage investment (SADC, 2012a). Thus, the Protocol is centered around improving opportunities for the populations of member states, which in turn has

important impacts on living standards and overall welfare, and hence the agreement indirectly targets poverty. Therefore, it can be recognized that the SADC FTA has plausible implications for poverty.

5.2 Mozambique

5.2.1 Evolution of Poverty

As illustrated by the research results, overall poverty rates have fallen in Mozambique, but there are numerous factors to consider to better understand what changed. This section focuses on how poverty has evolved in Mozambique by comparing socio-economic indicators in 2007 and 2016, and by specifically analyzing food security, education, and population health.

Food security in Mozambique has improved, largely resulting from recovered food prices after the financial crisis of 2008. More specifically, lowered prices of wheat and maize have contributed to increasing food supply and accessibility for the Mozambican population (SADC, 2007; 2017). Similarly, cereal crop yields have increased due to larger quantities of rain, hence positively contributing to harvest seasons which has led to surplus in food (SADC, 2017). Therefore, resulting in improvements in both availability and access to food.

As for education, increased school enrollment is evident across both males and females, representing expanded access to education (INE, 2010; 2015). More Mozambican children have enrolled in secondary school than ever before, as the total net enrollment ratio has more than doubled from a ratio of 10.9 pupils in 2007 to 22.0 in 2016, which is equivalent to an increase of almost 102% (SADC, 2016a).

Regarding health, there has been drastic progress. Maternal mortality rates per 100,000 live births fell from 505 to 301, illustrating dramatic improvements in the health of females and

could serve as a result of enhanced access to health services (World Bank, 2022e). Similarly, infant mortality rates per 1,000 births have fallen from 78 to 59, illustrating improved nutrition and health for both mothers and children (World Bank, 2022f). Further, it is interesting to note that life expectancy at birth increased by four years from 50 to 54 years (SADC, 2016a). When combined these indicators demonstrate how the health of the Mozambican population has improved from 2007 to 2016 and contextualizes why poverty rates have reduced.

Together these improvements are associated with better access to health services and nutrition, and better access to social services such as safe drinking water and sanitation (Baez Ramirez et al, 2018). The evidence above gathers a deeper understanding of how poverty has evolved since the introduction of the SADC FTA and provides reasons for why poverty rates have fallen in Mozambique. Importantly, the evidence discussed is not exhaustive, but effectively captures the overall welfare improvements experienced by the Mozambican population.

5.2.2 Opportunities for Producers

Since the SADC FTA, Mozambique's Gross Domestic Product, overall exports, and total value of trade with SADC FTA members have increased (SADC, 2017; WITS, 2022). There are potential opportunities that domestic producers have gained that have facilitated this outcome and thereby contribute to poverty alleviation.

Importantly, agriculture is the main livelihood source, both employing and feeding majority of the population (FEWS NET, 2014). And although agriculture is vulnerable to climate shocks, improved soil moisture conditions from high rains from 2007 to 2016 have improved harvests in cereal production (SADC, 2017). Which has contributed to expansion of domestic

production for farmers, and improved overall food security for the Mozambican population, which has positive implications for poverty reduction (SADC, 2017).

There is further evidence of expanded domestic production opportunities since the SADC FTA. Mozambique's most important staple food, cassava, saw increased domestic production and exportation from 2007 to 2016 (FEWS NET, 2018). Hence, increased cassava production serves as an opportunity for producers to potentially increase income. This in turn potentially allows individuals and the population more broadly, to increase their overall disposable income which in succession can increase overall spending on food. This can be further evidenced by increased cassava consumption levels from 2007 to 2016 (FEWS NET, 2018). As such, increased production of cassava has potentially significant implications for poverty. Cassava not only serves as an expanded source of income, but also by increasing the availability and consumption of the vegetable, it contributes to improvements in food security and nutrition of the overall population.

Moreover, since the SADC FTA there is evidence of changing opportunities in the import and export sectors. Particularly, there has been a shift away from the agricultural sector toward the manufacturing sector, illustrating change and expansion of producer and business opportunities (Baez Ramirez et al, 2018). For example, while agricultural commodities like maize have seen a fall in exports, exports in intermediate goods like coal briquettes and mineral fuels have increased dramatically (Amaral et al, 2020; WITS, 2022). Hence, the removal of tariffs has allowed for shifts in industry and has created opportunities to increase production of intermediate goods (UNCTAD, 2015; WITS, 2022). Consequently, these opportunities serve as new or expanded sources of income and can therefore contribute directly to poverty alleviation in Mozambique.

5.2.3 Opportunities for Consumers

As for the consumers, the SADC FTA intended to improve the ability of consumers to seize opportunities in access to goods and employment (SADC, 2012a). The SADC FTA specifically intended to increase access to goods by providing cheaper imports to the populations of member states and increase employment through expanding export and import opportunities (SADC, 2012a).

With the implementation of the FTA, lower tariffs resulted in increased imports of maize from South Africa, a consumer good that South Africa produces at a cheaper cost than Mozambique (Amaral et al, 2020; WITS, 2022). Hence consumers gained access to cheaper imported maize. Similarly, the Mozambican population has benefitted from improved availability of cheaper consumer goods like tomatoes and milled rice, which makes up a significant percentage of imports (SADC, 2017; WITS, 2022). Further, expanded access to imported goods can be evidenced by accelerated household consumption (Baez Ramirez, 2018). Hence the SADC FTA has potentially expanded consumer access to goods and therefore represents a driving force in alleviating poverty.

As for employment opportunities since the FTA, the unemployment rate as a percent of the total labor force has remained stable and has only marginally increased from 3.09% in 2007 to 3.44% in 2016 (World Bank, 2022c). As such, it is hard to evaluate if the SADC FTA expanded employment opportunities as it intended to (SADC, 2012a).

Nonetheless, the Mozambican government has recognized that there has been a fall in employment in agriculture, but acknowledges that majority of the population continues to work in agriculture, especially in rural areas (Baez Ramirez, 2018; INE, 2015). However, there is some evidence of increased employment in the newly expanding manufacturing and service sectors, in goods like coal and mineral fuel (SADC, 2017; WITS, 2022). Hence it is

plausible that these expanding sectors could have contributed to employment and therefore income, thus boosting disposable income and overall household spending which has important implications for poverty alleviation.

As such, evidence suggests that since SADC FTA was achieved, Mozambican producers and consumers gained potentially significant opportunities in cheaper imports and employment in newly expanding industries, which have convincing impacts on poverty reduction.

5.3 Angola

5.3.1 Evolution of Poverty

Angola, the non-member of the SADC FTA saw an increase in absolute poverty of more than 22% from 2007 to 2016, the analysis below focuses on food security, education, and overall population health to evaluate how poverty has evolved (WITS, 2022).

In regard to malnutrition, Angola suffered from one of the worst cases of stunting among the SADC members, where inadequate nutrition resulted in children having tremendously low weights for their heights (SADC, 2016b). Similarly, droughts across the years of study, lead to lowered food production and have therefore caused water deficits and overall worsened food security (European Commission, 2016). Thereby directly impacting the standard of living of the Angolan population and therefore contextualizing why poverty rates have worsened.

Even so, there has been a small improvement in school enrollment, although the SADC (2016a) lacks data for 2007, there has been a small increase in the secondary school enrollment ratio from 18.9 in 2008 to 23.7 in 2016, hence potentially demonstrating greater accessibility to education for both boys and girls.

Similarly, even though poverty rates have increased, maternal mortality rates have fallen from 431 in 2007 to 246 per 100,000 live births in 2016, as well as infant mortality rates have fallen from 90 to 55.5 per 1,000 births (World Bank, 2022e; 2022f). As such, there is potential evidence of overall improvement in healthcare accessibility for the Angolan population. Likewise, an increase in life expectancy from 49.5 in 2007 to 61.5 suggests that the Angolan population has seen potential improvements in overall health and wellbeing (SADC, 2016a).

Consequently, the analysis of poverty in Angola from 2007 to 2016 produce complex results, depicting worsened food security on the one hand, but potential evidence of improved health on the other hand. As such it is essential to take a closer look at what opportunities producers and consumers in Angola were presented with, in order to better contextualize why poverty rates have worsened so drastically.

5.3.2 Opportunities for Producers

From 2007 to 2016 the total value of Angolan exports in thousands of US Dollars fell by over 36% (WITS, 2022). This was largely due to the drop in prices of oil, which is Angola's major export (SADC, 2016a; UNCTAD, 2018). As such, Angola's dependence on the oil industry and its narrow production diversification, led to an economic recession and hindered economic growth as both production and exportation of oil fell (AfDB, 2017; UNCTAD, 2018).

Therefore, although Angola is resource-rich, it produced few opportunities for domestic producers outside of the oil industry. As well within the oil industry, declining trade surplus and falling production rates of oil, produced even fewer opportunities for producers to profit from.

Similarly, opportunities for producers have further been hindered as majority of the total labor force works in the service sector and the agricultural sector, which is heavily characterized by low-productivity subsistence farming (INE, 2017; Leander et al, 2020). Hence, because subsistence farming focuses on output for survival and not for surplus, it produces few opportunities for increased income and could therefore convincingly contribute to worsened poverty rates. Thus, the lack of commercial farming further limits the opportunities for producers to better their livelihoods. As such, the lack of opportunities for producers in Angola could be a predominant driving force in aggravated poverty rates.

5.3.3 Opportunities for Consumers

On the other hand, consumers in Angola benefit from being a least developed country of the World Trade Organization, as such the population largely enjoys duty-free imports (UNCTAD, 2018). Similarly, consumers benefit from access to cheap imports of consumer goods like wheat and rice from Portugal and China (WITS, 2022).

However, the Angolan population lacks overall opportunities for employment, from 2007 to 2016 unemployment rose from 3.8% to 7.4% of the total labor force (World Bank, 2022c). Further, Angola lacks both capacity and skilled labor, which has resulted in low competitive advantage and low income for its population (UNCTAD, 2018). Likewise, the two major exports, oil and diamonds, provide limited employment opportunities, especially for a population with a highly unskilled labor force (Corkin, 2017; SADC, 2017).

Additionally, a survey by the Angola government revealed that majority of the population work in the service sector followed by the agricultural sector, and that the industrial sector which contains both oil and diamond exports only employed about 8% of the labor force in 2016 (INE, 2017). Therefore, demonstrating limited opportunities for increasing income and expanding welfare in the state's largest export industry.

As such, the Angolan population drastically lacks employment opportunities. Worsened poverty rates are heavily influenced by a combination of high employment in subsistence farming and over-dependence on the low employment creating oil industry (Leander et al., 2020).

5.4 External Factors Influencing Poverty in Mozambique

The results and analysis above illustrate that the Mozambican population was seemingly presented with greater opportunities than the Angolan population. It further demonstrates that the SADC FTA played an important role in facilitating such opportunities, hence contributed to poverty alleviation. Even so, it is first necessary to recognize potential external factors influencing the research results in order to gather if the research hypothesis can be maintained.

5.4.1 Non-tariff Barriers to Trade and Local Institutions

An important factor that could be impacting poverty in Mozambique and SADC FTA members more broadly is non-tariff barriers to trade. Mozambique and other SADC members have non-tariff barriers like sanitary and phytosanitary restrictions, quantity control measures, investment restrictions, and intellectual property rights (UNCTAD, 2016). These barriers can have effects on trade in the quantity of goods that can be imported or the pricing of goods, ultimately impeding trade and could therefore hinder poverty alleviation. This is an important factor to recognize because if these non-tariff barriers were to be minimized, even further poverty alleviation could potentially have been observed after the SADC FTA implementation. Having said that, the existence of non-tariff barriers does not render tariff reduction useless, tariffs remain a substantial hurdle to trade and hence non-tariff barriers do not discredit the study of tariffs.

It is also worth noting that local institutions play a fundamental role in poverty reduction. Local institutions influence government policies and therefore impact economic growth and hence affect poverty. Over the years of study, Mozambique has extended numerous policies to reduce absolute poverty including policies to increase awareness and education on AIDS and HIV, agricultural gene banking, water supply, and sanitation projects (SADC, 2016b). Hence it must be recognized that these efforts by the Mozambican government also contribute to poverty alleviation.

5.4.2 The Role of Extra-SADC trade

Furthermore, although the timeframe of this research was chosen to isolate the influence of the SADC FTA on poverty, by choosing a timeframe that experienced little outside disturbances from other trade agreements signed in more recent years, it cannot be neglected that extra-SADC FTA trade plays a big role for Mozambican trade. As such it is necessary to consider that intra-SADC FTA trade only counted for 30% of Mozambique's total value of trade in 2016 (WITS, 2022). Hence the remaining trade took place with global partners like the Netherlands and Portugal (WITS, 2022). As such it is necessary to recognize that global trade can also have contributed to poverty reduction, by facilitating the population with goods and services that enhance welfare.

Similarly, it is important to consider WTO membership and trade. Mozambique like most SADC members is a member of the WTO (WTO, 2022b). And as a least developed country of the WTO, like other SADC FTA members, benefits from special and differential treatment, and largely enjoys zero import duties and import quotas on exports to more developed WTO members (WTO, 2022b). As such, WTO membership could also play a role in alleviating poverty in Mozambique by boosting exports and widening market access.

Therefore, despite the observed improved abilities of the Mozambican population to seize opportunities after the SADC FTA, it is necessary to recognize that other factors have also contributed to poverty. Nevertheless, while admitting that the SADC FTA is not the sole cause for improved poverty rates, the results from this thesis sustain that the SADC FTA convincingly contributed to poverty alleviation, and facilitated necessary opportunities for the poor to improve their quality of life. As such the hypothesis of this thesis is maintained.

6. RESEARCH DISCUSSION

To assess the reliability and generalizability of the results, this section focuses on potential research weaknesses, and strengths and makes recommendations for future research.

6.1 Research Weaknesses

In assessing the limitations of the research results, it is first necessary to evaluate the Protocol on Trade upon which the SADC FTA is founded. On the one hand, Dür et al. (2014), importantly found that the Protocol on Trade and hence the SADC FTA, follows the design of a typical preferential free trade agreement, which is important for the generalizability of the research. On the other hand, it must be acknowledged that the SADC FTA is only an agreement on trade in goods, not service or investment and thus the research results may lose some generalizability (SADC, 2012a).

Likewise, it is recognized that the observed results could be impacted by the fact that the tariff reductions to achieve the SADC FTA took place asymmetrically. Even though tariff reductions for Category A and B goods were made by 2008 when the FTA went into force, and these categories represent the largest source of customs revenue and 85% of SADC trade, tariffs on Category C goods were only achieved by 2012, and Category E goods were exempt of any reductions (Chilala, 2009). Hence, asymmetrical tariff reductions potentially make the

results of this thesis less generalizable as it is not a standard characteristic of free trade agreements. With this said, the timeframe of the study was specifically chosen to account for any potential time adjustments experienced because of asymmetric tariffs and so 2016 was chosen as an appropriate point of the study, as eight years had passed since the SADC FTA was achieved, and four years has passed since tariff reductions have been achieved for Category C goods. As such the study takes efforts to minimize potential disturbances of the asymmetrical tariff reductions.

Moreover, the research may be limited in scope due to the measures that were used. As such it is recognized that using the absolute poverty rate at US\$1.9 a day to measure poverty is useful, because of the availability of data and its use as a research standard (World Bank, 2022a). But it is necessary to acknowledge that this measure of poverty does not consider those living on ever so slightly more than US\$1.9 a day, for example US\$2, and hence there could be a large portion of the population living just above the absolute poverty rate, which this research did not consider.

Further, not all possible factors that affect poverty have been evaluated in this thesis, which is important for the internal validity of the research. Assessment of indicators such as the distribution of poverty between the rural and urban areas, and inequalities whether in income or gender, were left out due to space constraints and could have potentially significant implications for the research results.

As such, this thesis is not exhaustive in the measure or indicators used, but it overall addressed the important issue of poverty and has made a useful contribution to research on potential regional solutions for poverty eradication.

6.2 Research Strengths and Future Research

This thesis benefits from potential research strengths as a small-N research study. Particularly, a small-N study has allowed for a more in-depth analysis of the two case studies, which has produced a much deeper understanding of poverty in Mozambique and Angola in comparison to if more cases had been studied. Likewise using a most similar systems design served as an optimal way of isolating the impacts of the SADC FTA on poverty, and has produced a reliable and replicable research process. Further, the thesis benefits from better contextualization of the research results and conclusions, as they have been directly compared across the case studies (Hague et al., 2016). Thus, the thesis produces a detailed description and cross comparison of cases which facilitates more generalizable and credible results.

To further investigate the impacts of the SADC FTA on poverty, future research should consider factors that this thesis could not analyze, due to space constraints. Although scholars and organizations like the World Bank have extended research on trade agreements and poverty, additional research should be conducted to evaluate the impacts of the SADC FTA on poverty. By including socioeconomic factors like corruption levels, Gross Domestic Product per capita, or income inequality, when assessing what abilities populations have to seize opportunities, potentially interesting and significant results may emerge. Similarly, future research would largely benefit from including the distribution of poverty across states, comparing poverty in urban to more rural areas would allow for deeper analysis and a wider understanding of poverty in a state.

More broadly, further research is warranted on the general topics of FTAs and poverty. It would be interesting to investigate if the results from this thesis can be carried forward to other FTAs, hence by applying the same method to new cases. For example, by investigating if the Central American-Dominican Republic Free Trade Agreement or the more recent The

African Continental Free Trade Area had significant impacts on poverty. These suggestions illustrate that the findings in this thesis can be used as a starting point for future research and demonstrates the generalizability and external validity of the research, to better understand the role of free trade in poverty alleviation.

7. CONCLUSION

To answer the research question, what has been the impact of the SADC FTA on poverty, the results of this thesis conclude that the SADC FTA played an important role in alleviating absolute poverty.

The most significant results found from this study included understanding what abilities the poor had to seize opportunities to better their quality of life, and how these opportunities changed as a result of the SADC FTA. For Mozambique, it was particularly crucial to find the opportunities that the SADC FTA gave to domestic producers in exports, and the opportunities that consumers gained in access to cheaper imports. These findings were essential to understanding how the wealth and health of the Mozambican population improved, which in turn contextualized why poverty rates fell.

For Angola, it was crucial to find the state's dependence on the low employment producing oil industry to understand why poverty worsened. This result helped to contextualize that even though there were noticeable improvements in health indicators across the years of study, lack of employment overwhelmingly contributed to worsening absolute poverty.

Overall, these results were most significant because they contextualize how and why the Mozambican population was presented with more opportunities than the Angolan population, and how SADC FTA convincingly played a large role in facilitating such opportunities which in turn resulted in poverty alleviation.

In conclusion, this thesis has provided a deeper understanding of how the SADC FTA has impacted poverty. My research findings add to existing research on free trade and poverty, but in comparison to previous studies, the results demonstrate that regional efforts to eradicate poverty can be significant and require future attention. Finally, my research should help both political scientists and economists to further understand the relationship between trade and poverty, and should assist in producing solutions to eradicate absolute poverty.

8. REFERENCES

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9. APPENDIX

9.1 Translated source from the National Institute of Statistics in Mozambique, from Portuguese to English on improved access to education and school enrollment from:

INE. (2010). *Pobreza e Bem-estar em Mocambique: Terceira a Avaliacao Nacional*. Instituto Nacional de Estatística de Mocambique. Retrieved April 12, 2022, from <http://www.ine.gov.mz/estatisticas>

“3.1.3 Access to education. As indicated in other evaluation reports (eg, RAI, 2010), Mozambique has achieved significant gains in terms of increasing citizens' access to basic public services. These trends are confirmed by the series of family surveys. As a starting point, it is informative to realize that there has been considerable growth in the proportion of the population currently studying, regardless of age. This is evidenced in Figure 3-2, which indicates a rise of 6.5 percentage points in the proportion of the population over five years of age currently studying. It should be noted that gains have occurred in both rural and urban areas, with greater increases in the North and Center. This means that in 2008/09 more than 40% of all adults and children (aged at least five years old) in urban areas were participating in some form of education, while in rural areas this percentage is around 33% . Simply put, access to education has expanded for all at a much faster rate.”

“The TEL for primary education is shown in panel (a) of Figure 3-3, broken down by regions and urban/rural. The TEL for secondary education is given in panel (b). the two panels show clear increases for both ratios in virtually all regions. Level nationally, in 2008/09 we found that 76.5% of all children between 6 and 13 years of age are in primary school, up from 66.8% in 2002/03. Likewise, the teaching TEL secondary has doubled (from a relatively low base) to 22% compared with 8.2%. National results hide even greater gains in certain areas. Access to primary education grew the most where it was most backward, thus reducing inequality in access to education. For example, in the rural North the TEL of primary education grew by 52.2% in 2002/03 to 67.5% in 2008/09. Also, increases in secondary school TEL have been huge in rural areas where previously net enrollment rates were below 1% in the North and Center and below 4% in the South. These rates now stand at 6.4% and 17.2%, respectively. The conclusion is that the expansion of the network of schools and access to education has been impressive.”

9.2 Translated source from the National Institute of Statistics in Mozambique, from Portuguese to English on school enrollment from: INE. (2015). *Estatísticas e Indicadores Sociais, 2013-2014*. Instituto Nacional de Estatística de Mocambique. Retrieved April 12, 2022 from <http://www.ine.gov.mz/estatisticas>

“The increase in school coverage aims to ensure that all children aged 6 to 12 years, ie children of school age, are attending primary education. Graph 2.7 shows the total number of students enrolled and by sex in public primary education. The number of enrolled tends to increase in the period under analysis for both sexes. At this level, male students are more representative.”

9.3 Translated source from the National Institute of Statistics of the Republic of Angola, from Portuguese to English on employment sectors: INE. (2017). Relatório Sobre Emprego, Inquérito de Indicadores Múltiplos e de saúde, 2015-2016. Instituto Nacional de Estatística de Angola. Retrieved April 12, 2022 <https://www.ine.gov.ao/publicacoes/detalhes/OA%3D%3D>

“Graph 13 shows a great disparity between gender in the sectors of economic activities. Women work predominantly in agriculture (39% of women against 30% of men), commerce (28% of women against 12% of men) and in the activities of families that employ domestic staff (17% of women against 8% of men). On the other hand, men work predominantly in public administration, defense and mandatory social security (14% of men against 5% of women), in construction (10% of men against 0.4% of women), transport, storage and communication (6% of men against 0.3% of women), industry (5% of men against 1% of women) and in administrative activities and support services (5% of men against 1% of women).”

“The service sector has the highest concentration of employed people (57%), followed by the agricultural sector (34%) and the industrial sector (including construction, oil, energy and water) with only (8%) of the people employed”.