

# REPORT OF THE INTERNATIONAL EXPERTS' MEETING

THE EUROPEAN PARLIAMENT  
BRUSSELS, BELGIUM, APRIL 15-17, 2004

## *Globalisation and Africa*

**PETER CUSTERS**

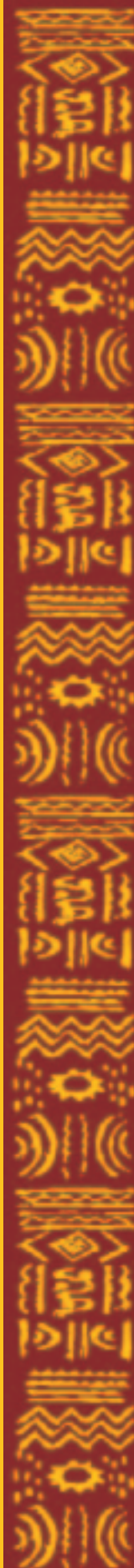
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**The Convening Committee**

(XminusY Solidarity Fund, Transnational Institute (TNI),  
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Amsterdam, the Netherlands, October, 2004



Africa's economic history has been one dominated by the extraction, and exportation of natural resources abroad. Efforts made by post-colonial nationalist leaders to build their countries' productive capacity were swept aside by the structural adjustment programs which international financial institutions imposed on Africa subsequent to the fiscal crisis of the late 1970s. Rather than helping to solve the ongoing crisis, the globalisation policies of World Bank and IMF instead have served to aggravate the crisis. Twenty years or so later, the continent is left in a vicious cycle of expanding external and domestic debt, dependency on external credit and on foreign aid, and an increasing delegitimisation of the state which formerly had fulfilled crucial social responsibilities. As prominent African experts invited to speak in the European Parliament in April 2004 passionately argued, 'this cycle has to be broken for Africa to advance'.

From April 15th to 17th, an International Experts' Meeting was held in the European Parliament in Brussels, Belgium. For two and a half days, African academicians and representatives of civil society organisations, Members of the European Parliament and other representatives of political groupings in the European Parliament, campaigners, and participants from a broad range of European countries, discussed the potential scope to intensify international campaign and lobbying work in favour of the impoverished populations of Africa's Least Developed Countries (LDCs). The contributions of African experts to the debate were decisive. This Report records the views of all African experts invited to speak at the Experts' Meeting. According to the Declaration adopted - there is a great need to intensify international campaign work in Europe, around three issues of priority: • the free trade agreements (EPAs) which the EU presently is negotiating with groups of African countries, • the thematic of debt cancellation, and • restoration of the social state.



B • T H ENDS



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## ACKNOWLEDGEMENTS

### PETER CUSTERS

*Coordinator The Convening Committee on Africa and Globalisation*

This report contains the results of the International Experts' Meeting on Globalisation and (Subsaharan) Africa, which was held between April the 15 and April the 17<sup>th</sup> 2004, in the European Parliament in Brussels, Belgium. The Meeting aimed at promoting more sustained international campaign work on African issues in Europe, in view of the deep crisis of poverty prevailing in Africa. Eleven eminent African experts on issues of globalisation presented their views during the various sessions of the Experts' Meeting. The four Chapters of this report offer the reader the presentations made by all African speakers, along the structure of the Meeting itself. The presentations have been incorporated either in the form of a transcript of the speakers' oral presentation, or in the form of a written statement. Thanks to the additional efforts made by our African friends this report has become a rich document, providing the reader a perspective on the causes of Africa's current plight that is different from the one obtained by reading regular newspaper reports on Africa in the world press.

Each of the four sessions of the Experts' Meeting was marked by intense debates, to which many participants contributed. Here I wish to specifically acknowledge the role of the chairpersons, fulfilled by representatives of different political groupings in the European Parliament, i.e. by Francis Wurtz, President of the GUE/NGL, by Ulla Sandbaek, Member of the European Parliament (MEP) for the EDD, and by Steve Emmott and Marie-Francoise Duthu (MEP) of the Greens/Efa group. The experts from Africa who contributed to the deliberations, were the following representatives of civil society organisations: Françoise Bangre (Burkina Faso), Demba Moussa Dembele (Senegal), Yassine Fall (Senegal), Nancy Kachingwe (Ghana), Moses Kambou (Burkina Faso), Khetlhomilwe Moletsane (Botswana), Besinati Mpepo (Zambia), Charity Musamba (Zambia), Adebayo Olukoshi (Senegal), Oduor Ong'wen (Kenya), Edward Oyugi (Kenya), Viriato Tamele (Mozambique) and last but not least Yash Tandon (Zimbabwe).

It may further be recalled how the organisational preparations towards the holding of the Experts Meeting got shaped. Co-initiators were Basker Vashee of the Transnational Institute, Wiert Wiertsema of Both Ends and Sihle Dube of NiZA. The Committee was later strength-

ened by the inclusion of Stephan Verwer and Burghard Ilge of Both Ends, by independent consultant Bert Zijlstra, and by Lulessa Abadura from the African diaspora. The Convening Committee formed in late 2003 and representing four Dutch organizations, including XminusY Solidarity Fund and the three mentioned ones, then approached the GUE/NGL (European United Left/Nordic Green Left) grouping in the European Parliament, more specifically Steve McGiffen and Erik Meijer, Member of the European Parliament for the Socialist Party, the Netherlands. Acceptance by the GUE/NGL of the proposal for the holding of the Experts' Meeting, in December 2003/January, 2004, then opened the way towards the practical implementation of the Committee's plan.

The holding of the Experts' Meeting on Africa and Globalisation would have been unthinkable without the generous financial contributions made both by co-organisers of the Expert Meeting and by external funders. Foremost contributors have been the GUE/NGL political grouping in the European Parliament which also hosted the event, and the Dutch co-financing organization HIVOS. Additional support came from Christian Aid (UK), from ICCO (the Netherlands), and from participating organizations in the Dutch Convening Committee, i.e. from XminusY Solidarity Fund, NiZA, and Both Ends. The Convening Committee naturally is very pleased that its initiative was so well received. Thanks to these contributions, many well known African experts could be invited to the European Parliament, and a qualitatively high level of debate was ensured.

The Experts' Meeting was carried through thanks to the labour contributed by a large number of professionals and volunteers. Special thanks go in particular to Steve McGiffen (GUE/NGL), who coordinated all logistical efforts in Brussels; to Josephien de Kwaadsteniet, who tirelessly worked to make all travel and visa-arrangements for our African guests and assisted in coordination; and to the rapporteurs Preeti Kirbat and Sumati Nair who, besides working on the transcripts of the texts, also did most of the editing and proof-reading for this report.

Leiden/Amsterdam, September, 2004

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## PREFACE

# *Resist Colonial Models for Economic Development*

BY ERIK MEIJER

Member of the European Parliament for the European United Left (GUE/NGL) and the Socialist Party of the Netherlands.

From the 1950s to the 1970s, the Western European imperial powers gradually agreed to the decolonisation of the African continent. This process provoked optimistic expectations within Africa that her nations would at last be able to find their own way to a future of progress and prosperity. This way would be based on small scale economic activity, an emphasis on the meeting of the people's needs as defined by the African people themselves, and greater public involvement. It would be built upon both indigenous traditions and experiences, and on European experiences of democracy and economic development.

Almost half a century after the beginnings of decolonisation by Great Britain and France in West Africa, these positive expectations have still not been fulfilled. Income levels are lower than in Asia and Latin America, despite their shared history of colonisation, desertification is on the increase, the dependence on the exports of non-industrial goods and on foreign corporations persists, and periodic famines continue to claim large numbers of victims. Infectious diseases which have long plagued the continent have not been eradicated, while the new scourge of Aids grows, threatening above all young people who should be Africa's hope for the future, the motor of its creativity and productivity, the parents of its children. Medicines which should be available to protect and cure have become nothing more than goods to be traded. It is for the most part medicines that people with relatively high incomes can afford to buy and thus guarantee profits to their manufacturers that are being developed and produced.

Africa has seen both urbanisation and widespread improvements in education, and educated Africans are as visible internationally as are educated people from other parts of the world, with UN Secretary General Kofi Annan providing only the best-known example. Yet this success has not filtered down to the majority of the population. The potential embodied in the young has been squandered as a result of government inaction, armed conflict and disease. Moreover, even those who manage, in spite of everything, to achieve a high level of education are faced with problems. A shortage of work leads to high levels of emigration, including amongst well-qualified people, mostly to Europe. Even then they must often do work for which they are massively overqualified, but which nevertheless pays better than

would a professional job in Africa. This holds back Africa's development. Those qualified professionals who remain gravitate towards the cities, an understandable individual choice which unfortunately leaves the countryside bereft of their talents, to the detriment of its development. Huge inequalities afflict the continent's cities, creating an urban élite which is too often, falsely, seen abroad as adequately representing the whole population.

Despite moves towards unity and co-operation between African states, problems caused by the fact that borders imposed by the colonial powers often took no account of language or culture persist. Europe has itself seen the problems that arise when people who feel themselves to be part of the same culture are divided from each other, or when those who feel no such identification are forced together; problems such as the division of populations into privileged and excluded groups, intercultural strife, or the undermining of democracy and progress. Failure on the part of the population to identify with the state in which it lives, can lead to armed conflict, unless the issue is addressed through education, through the opportunity to be taught and to work in one's own language, and through respect for customs and culture. In Europe, attempts to address these difficulties through military means, holding dissident populations within the territories of states whose authority they have rejected, have failed. In Africa, where differences within populations are even greater than they are in Europe, such attempts to impose unity from above have also failed and will continue to fail.

European countries have invested more in development than has the United States, but the target of 1% of GDP has, even in the best performing nations of north-west Europe, never been reached. Some of this money, moreover, is spent more with an eye to the interests of enterprises in the donor country than to the benefit of anyone in Africa. On the other hand, there is an increasing tendency for it to be used to finance supposedly humanitarian military interventions, emergency food aid and assistance to refugees.

The rich donor countries are quite correct in attempting to ensure that aid goes to those who need it, rather than disappearing into the pockets of powerful, unproductive

groups. This legitimate right, however, effectively hands to the donor states the power to decide on what is and is not useful. A good education system or decent housing may count for less for these countries than do the interests of their own corporations or a continuing supply of cheap raw materials. The result is that the profits which flow from Africa to richer parts of the world, outweigh the sums which flow in the opposite direction in the form of development aid. This is especially so as African countries must also pay interest on debts owed to western banks.

Africa suffers from a low income level and retarded economic development, not only in comparison to Europe and North America, but even when compared to Asia or Latin America. This has forced the continent into playing the role of experimental laboratory for a wide range of competing economic models, each of which brings with it the hope of rapid economic growth and subsequent spectacular recovery. These models can be broadly divided into four groups.

The first model consists of the privileging of the economy, as in the time of colonialism. The states which colonised Africa had no interest in the small-scale economic activities which traditionally characterised Africa and no interest in providing for the needs of the African population. They were interested rather in fulfilling their own desires, those which could not be met domestically: in slaves, gold, coffee, cocoa, rubber, palm oil, copper, diamonds, uranium, and so on. Instead of colonised countries being able to develop their economies to their own advantage, in agriculture, mining or industry, – they were forced to devote their energies to producing for export, to deliver cheap raw materials to Europe and, later, to import expensive industrial products. This was and remains a recipe for continuing poverty.

Reacting to this colonialist model, the decolonised countries developed, during the '50s and '60s, a completely opposite approach. Important productive enterprises would be state-owned instead of remaining in the hands of foreigners whose principal goal was to export as much profit as possible. The goal would now be the improvement of the welfare and security of their own people. In theory, such a model can work, but in practice it is seriously hindered, if a large part of the technical apparatus must be bought from abroad and a large part of the product sold abroad. These facts meant that the old colonial relationships could in reality persist, in fact were reinforced when nationalised industrial plants became obsolete and the means to replace them were lacking. Under these circumstances the state finds itself the owner of something which can no longer be used productively, and because of this it can no longer ensure satisfactory levels of employment, income or supplies of consumer goods. Foreign investors can then decide whether

and under what conditions the country in question can renew its plants.

The third model originated in a reaction to these failures, and can be seen as a new and adapted form of the old colonial model. The division of labour between the advanced industrial countries and those whose task it was to supply these countries with the products of agriculture and mining was reinforced, but new elements were added. Industrial production for the world market would also become permissible, but exclusively on the basis of extremely low wages. Foreign corporations invest in energy, transport, water supply, and education and health care for the richest sections of the population. Corporate taxes are kept low in order to protect profit margins, leaving less space for education, health care, housing or public transport for the great mass of the population. Harbours and pipelines which facilitate the export of raw materials are also financed by foreign capital. Economic growth is seen as a panacea for all ills, while the division of its returns is ignored. African countries thus develop elites of rich and super rich people. The problems endured by African societies are little changed by this, however. The vast majority of the population has gained little from this sort of economic growth and has indeed, in many cases, seen its position deteriorate as money for public services becomes still scarcer.

A fourth model is sorely needed because the third approach is not solving Africa's problems. One that has more in common with the second model, but one which does not share its illusions, its belief that everything can be achieved overnight – one also which places more emphasis on the achievement of a position of equality. A model in which Africa is seen not as the supplier of raw materials for the rest of the world, but as a continent that needs to direct its development towards the fulfilment of its people's own needs. This should be achieved so far as is possible without having to depend on imported goods, rather than pursuing a strongly export-oriented strategy. Thus putting an end to problems attendant upon the fact that exports are cheap and imports are dear. In order to achieve this, however, both money and expertise will be needed.

The question of imports and exports is also important in relation to the development of European public opinion on Africa. Major corporations argue for free trade hindered neither by export subsidies nor import controls such as tariffs. In this model the firm that can produce and sell most cheaply wins the struggle for markets, while one which shows more concern for the social or environmental consequences of its activities sees its products become too dear and consequently loses out. Those who have drawn the conclusion that no alternative to such a model exists argue that Europe must increase its imports from the Third





During the session on the consequences of globalisation. From Left to Right: Erik Meijer (MEP GUE/NGL, the Netherlands), Francis Wurtz (President GUE/NGL, France), and Peter Custers (Convening Committee, the Netherlands)

World, including Africa. Their answer to the persistence of the colonial relationship is simply more economic colonialism, their answer to liberalisation of world trade is more of the same. They want to see every possible barrier to increased imports, such as the European Union's Common Agricultural Policy (CAP), done away with. African countries must in addition sell more and more of their fishing rights to the EU, for the benefit of the European fishing industry, thus limiting the space for the development of an African fishing industry. Amongst the supporters of such a liberalised world market, are not only profiteering corporations, but those who genuinely believe that it would be good for Africa. I do not agree, however, that these methods can work.

To some extent exports are of course unavoidable. Africa is a source of tropical farm produce which do not grow elsewhere, and for which its own population has a limited need. The income from exports may be needed, at least temporarily, if economies are to be reorganised in order to bring about greater self-sufficiency. This should not, however, condemn Africa to a future of continuing dependence on the export of raw materials. As long as this dependence persists Africa will never catch up with other parts of the world.

Poverty and the lack of possibilities for development are not natural phenomena. They are created by human beings. We must uncover the mechanisms which keep Africa down, whether they are to be found in African countries themselves, or in developed countries or in the world market. We must create as much space as possible for solutions to be

found and implemented, even if these solutions are disadvantageous to rich countries or multinational corporations.

It is incumbent on the countries which do not control the world economy to resist. They tried to do so in the '60s, with the organisation of non-aligned states. After a lengthy interruption something similar is being attempted, as was noticeably at the conference of the World Trade Organisation in Cancun, Mexico in September 2003.

The European Union and a large part of the European Parliament has repeatedly expressed the view that such moves only delay the inevitable development towards international free trade and the protection of foreign investment, and that EU-US demands must be met. At the same time Europe continues to pay export subsidies for our agricultural surpluses and even for tobacco grown exclusively for export.

It is important to remember that Africa also has allies in Europe, even if within European politics self-interest prevails, a self-interest which revolves around military sphere-of-influence, cheap raw materials and corporate profits. My own party, the Socialist Party of the Netherlands, and the international parliamentary group to which we belong, the United Left (GUE-NGL), do not share these opinions, but believe rather that there must be more space for the development of alternative economic models in the Third World. Only then can Africa's creativity and drive at last realise the ideals of the optimistic years after independence.

## INTRODUCTION

# *Triple Agenda for Change*

BY DR. PETER CUSTERS

Coordinator, *The Convening Committee International Experts' Meeting on Globalisation and (Subsaharan) Africa*

On April 15, 16 and 17, 2004, an International Experts' Meeting was held in the European Parliament in Brussels on the consequences of globalisation for Least Developed Countries (LDCs) in Subsaharan Africa. For two-and-a half days, academicians and representatives of civil society organisations from different parts of Africa, members (MEPs) and other representatives of political groupings in the European parliament, campaigners and other participants from a broad range of European countries, discussed the potential scope to intensify international campaign and lobbying work in favour of the impoverished populations of African LDCs. The process towards the holding of the Experts' Meeting was initiated by a Dutch Convening Committee, consisting of XminusY Solidarity Fund, the Transnational Institute, Both Ends, and the Netherlands Institute for Southern Africa (NiZA). The Meeting was hosted by the GUE/NGL grouping in the European Parliament which enthusiastically endorsed the agenda that had been proposed by the Dutch Convening Committee. The Convening Committee presents the below summing-up of the results of this Experts' Meeting.

A key factor that inspired Dutch civil society organisations to work towards the Experts' Meeting was the oppositional strength which governments and civil society organizations from Africa showed during the Conference of the World Trade Organisation (WTO) held in Cancun, Mexico, in September of 2003. As reported in the world media, it was precisely cotton-producing countries of West-Africa which initiated the battle over Northern protectionism around agriculture when they tabled the demand for withdrawal of Northern subsidies around cotton production, on the very first day of the Cancun summit. Though the struggles which the weakest Southern states waged against the US and against the European Union in Cancun was to be overshadowed by the resistance of the Coalition of Twenty led by Southern giants such as Brazil, China and India, – there is no doubt that African peasant organizations, African NGO-campaigners and African governmental delegations played their own active role in opposing the unjust policies of Northern governments and Northern-dominated institutions. In the view of the Convening Committee, the Cancun experience should encourage European organizations to intensify their international campaign- and lobbying work in support of the peoples of Africa.

The Experts' Meeting in Brussels was divided into four separate sessions, reflecting the ideas of the Convening Committee with regard to the required thematic orientation of international campaign work on Africa. The first session had the character of a warming-up session on the effects of globalisation for Africa in general. The framework set by the keynote speaker Charles Abugre, by Yassine Fall and by Oduor Ong'wen, inspired speakers in subsequent sessions to repeatedly refer back to the analysis presented at the onset of the Meeting. The second session was devoted to the thematic of the external debt of African LDCs. Here, both African speakers, the European speaker and participants agreed on the urgent need to revive campaign work in support of cancellation or repudiation of the continually large external debt of Subsaharan Africa. The third session had as title the right of African LDCs to defend their economies against the negative impact of participation in world trade. Two of the African speakers strongly advocated the importance for Europeans to focus on the issue of EPAs, the Economic Partnership Agreements (EPAs), which the European Union seeks to impose on groups of African trade-partners. The fourth and last session was striking also, in the sense that the keynote speaker and others provided a comprehensive overview of the negative impact which the policies of international financial institutions have had on the functioning of the African state, which through the sixties and seventies of the previous century had been geared towards the defense of its citizens' social and economic rights.

The main target of the Experts' Meeting was to set the agenda for future campaign and lobbying work. From this perspective, considerable efforts were made to ensure that a common declaration be adopted regarding European solidarity work towards Africa. On the first day, 15<sup>th</sup> April, discussions focused on the constitution of a drafting committee or synthesizing group. These efforts resulted in the drafting, from the side of African experts, of a declaration on *'Globalisation, Europe and Africa'*. Previous to the holding of plenary discussions on the given draft declaration, – African and European participants held informal consultations amongst themselves to sound out mutual opinions regarding the adoption of a common solidarity statement. These group consultations effectively helped pave the way for a plenary debate on the draft declaration, which debate

took place on Saturday 17<sup>th</sup> April. The plenary had to choose between several procedural options regarding the adoption of the draft text. In the end, the declaration '*Globalisation, Europe and Africa*' was agreed upon in the form of a statement summarizing the outcome of the deliberations, and obliging participants to take forward, in particular, the *urgent issues* mentioned in the second part of the solidarity statement.

### **Trade Issues: Prioritizing EPAs**

The priority issue posed by African speakers at the Experts Meeting in the European Parliament was the need to counter the plan of the European Union to clinch the Economic Partnership Agreements (EPAs) with groups of African trade-'partners'. In its Introductory Paper, delineating the thematic of the meeting, the Convening Committee had expressed itself in favour of the right of African LDCs to shield their economies against the negative effects of participation in world trade. Whereas most African LDCs are heavily dependent on the exports of a single or few primary products, the evolution in terms of trade between primary commodities exported by Southern countries and commodities thrown onto the world market by Northern countries, has been unfavorable to the South, as is brought out well by reports of UNCTAD for the five-year period from 1996 till 2001. Clearly, even a withdrawal of protectionist measures which the US and Europe have strenuously held on so as to protect their agricultural sectors, would not suffice to help solve the grave crisis facing African LDCs dependent on the exports of primary commodities. Rather than the institution of 'free market' principles, special measures are needed to ensure that internal accumulation in African LDCs takes place.

African speakers during the trade session of the Experts' Meeting concretized these general ideas, by advising that European campaigners sympathetic to the issues/concerns of Africa, primarily focus on the issue of EPAs, the Economic Partnership Agreements proposed by the EU. The idea of EPAs was laid down in the treaty of 'cooperation' which the European Union in 2000 concluded with the ACP-countries in Cotonou, in replacement of the Lome treaties which had regulated mutual economic relations since the end of formal colonialism. Through EPAs, the European Union purports to institute zero tariffs between African countries and the European market – a target well beyond the WTO's agenda of progressive tariff reduction. Whereas the Europe Union in the past had recognized the need for *non-reciprocal* trade relations with Africa, the EU now engages in an offensive to achieve overall 'free trade' in its relations with African LDCs. According to observers of the negotiations' process around EPAs present at the Experts' Meeting, the European Union intends to complete the negotiating process, at the latest by the end of 2006.

Keynote speaker Professor Yash Tandon, Nancy Kachingwe and other African trade specialists are so alarmed by the EU's new trade agenda that they appeal to European campaigners to help 'put on hold' the EPA-process until Africa is able to effectively negotiate on a par with the EU.

During the session of the Experts' Meeting in the European Parliament, a host of criticisms were put forward against EPAs. One key element fuelling African anger is the fact that existing processes of regional integration are being hampered by the EU's policies on EPAs. Both in East Africa and in Southern Africa, significant progress had previously been scored with the construction of economic cooperation between countries of the given regions, the relevant examples being SADC and the customs' union between Uganda, Kenya and Tanzania. Within the framework of the negotiations towards EPAs, however, new regional groupings are being constituted under the EU's guidance, a phenomenon which reminds African experts of the arbitrary redivision of boundaries in Africa which European colonial powers imposed under the notorious treaty of Berlin (1884). Further, there are great fears that a bottom-line 'free trade' regime will negatively affect the economic position of African countries which depend on income from foreign trade for financing of their annual budgets. Whereas structural adjustment programs imposed by the Bretton Woods institutions in the past have much weakened the capacity of African states to promote the welfare of their populations, the implementation of EPAs threatens to, *inter alia*, further undermine the social state in Africa.

The principled arguments put forward against EPAs were supported with information provided by Yash Tandon, by Nancy Kachingwe and by participants of the Experts' Meeting on the nature of the negotiating process as conducted by the EU. Reportedly, many African countries through the first round of negotiations on EPAs showed hesitance and were in no mood to rush through the exercise. Yet the European Union was in a great hurry to move towards the second phase of negotiations as soon as possible, brushing aside all evidence that outstanding issues from the first phase had not been resolved. This has been interpreted by Yash Tandon and others as proving that the European Union is primarily out to counter and compete with the US in its drive for economic influence in Africa. Thus, African experts in Brussels felt justified in suggesting that the issue of EPAs be incorporated as *lead issue* in the statement on solidarity between Europe and Africa to come out of the Experts' Meet. Moreover, African and European civil society organizations, immediately after the meeting in the European Parliament, held a specific strategy meeting, and adopted a campaign statement on EPAs which has since been up for signatures by organizations in both continents. Although a network of NGOs concerned about EPAs exist-

ed previous to the Brussels' Experts' Meeting, since then the EPA-campaign has really 'taken off'.

**The Debt of African LDCs: Patently Unresolved Issue**

A second issue prominently addressed during the Experts' Meeting is that regarding the external debt of African LDCs. Contrary to African trade issues Africa's burgeoning debt has been part of international campaign efforts for quite a number of years. The Jubilee campaigns, which in the late nineties succeeded in building worldwide public opinion in favour of debt cancellation, were not exclusively focused on the needs of the populations of African LDCs. However, since those countries constitute the bulk of countries defined as LDCs, the governments and populations of Africa were key potential beneficiaries of the demands put forward by the Jubilee campaigns. Further, as is well known, under the impact of the campaigns demanding debt relief, as well as to help restore their image which was badly tarnished due to the negative consequence of structural adjustment programs, the multilateral institutions, the World Bank and the IMF, decided to launch a debt relief initiative known as HIPC (the 'Highly Indebted Poor Countries'-initiative). Yet though the given initiative has not by any means helped to solve the South's external debt issue, few Northern politicians are aware of the urgency of the debt issue today. Hence, as agreed by both Demba Moussa Dembele, by Charity Musamba, and by Greetje Lubbi, speaking at the debt session of the Experts' Meeting, there is a great need to *re-intensify* international campaign efforts on debt, in particular in favour of African LDCs.

First, both the keynote speaker, Demba Moussa Dembele, and the respondent, Charity Musamba, strongly agreed on the utter insufficiency, and the contradictory nature of the debt relief measures undertaken from the North so far. Thus, according to Dembele, the amount of debt which has actually been cancelled out of the amount of debt relief committed has only been a minor share. Meanwhile, vast transfers of financial resources from African LDCs to the North have continued all through the decade of the 1990s, and have been at the expense of the capacity of African states to cater to the needs of their own impoverished populations. Whereas the World Bank and the IMF officially aim at bringing the LDC's debt down to sustainable levels, the criterion regarding financial *sustainability* has been fixed arbitrarily, and without due regard for the poverty crisis prevailing in large parts of Sub-Saharan Africa. Moreover, the conditionalities which the multilateral institutions pose for Southern countries to be able to benefit from the HIPC initiative are such as to further compound the extreme plight of these countries. For the conditionalities attached to HIPCs, which are interconnected to PRSPs, in the eyes of African experts tend to offset any potential gains which

African countries might gain from the very limited debt relief under the HIPC-initiative.

The plea from the side of African speakers and participants at the Experts' Meeting was unequivocally in favour of *total debt cancellation* as the only possible realistic campaign target. This is seen as the only possible solution, if the social targets which Northern governments and institutions have set under the Millennium Development Goals (MDGs) are to be met. In fact, the United Nations and other international institutions have already sounded the alarm, indicating that given present conditions many African countries are bound to fail in achieving the MDGs. Even given comprehensive cancellation of their debt, African LDCs would still need massive assistance to achieve the MDGs. And although few Northern countries may be inclined to agree that the existing external debt of LDCs is illegitimate, a section of international debt campaigners has started arguing so, since (at least part of) the Southern debt has been contracted by illegitimate governments, and since the South has already repaid the external debt officially contracted many times over. Moreover, *total debt cancellation* is not just the only solution in the eyes of African experts on the debt issue, but reportedly is in accordance with a growing understanding among bi-lateral creditors having internally discounted the debt of LDCs.

Lastly – the deliberations held during the Experts' Meeting have brought out well, that there exists a good basis for *intensification* of campaign efforts on the African debt. Thus, the Dutch Jubilee campaign, at the Experts' Meeting represented by its chairperson Greetje Lubbi, along with non-governmental organisations in other European countries, has recently focused energies on lobbying Euro-parliamentarians, arguing that the whole issue of debt sustainability needs to be redefined. From his side, Dembele in his keynote address advised to focus lobbying efforts on the governments of EU-countries, proposing that all EU members should pledge to cancel the remaining bilateral debt of LDCs without conditionalities, and that they should use their influence within the World Bank and IMF such as to promote cancellation of the multilateral debt. And although there are bound to be differences in emphasis between campaign and lobbying efforts undertaken from Africa and efforts undertaken from Europe, European campaigners can draw strength from the fact that a growing number of African governments are convinced that Africa has no other option but to unilaterally cancel its outstanding external debt. Thus, revival of campaigning on the debt can and should be undertaken within a perspective of a, likely, increasing African assertiveness on the issue in the near future.

### **Restoration of the Social State in Africa: New Issue for Campaign Work in Europe**

The third issue on the agenda of the International Experts' Meeting was that regarding the restoration of the social state. In order to underline its conviction, that the existing poverty crisis in African LDCs cannot possibly be solved without addressing this issue, the Convening Committee had chosen to devote one separate session to the question of the social state in the context of Africa. Here it was and is understood, of course, that the thematic of the social state and its weakening under the impact of globalisation policies is not an exclusively African issue, but is eminently a *global issue*. Although historically there have been differences in the way the functioning of the social state was shaped in Africa as compared to (Western) Europe, in the post-Second World War period there existed a broad international consensus that the state is not just responsible for defending the security of its citizens, but should respond to the social needs of its citizens too. Again, when neoliberal policy-ideas gained ground, and especially so in the decade of the 1990s, its prescriptions were not just accepted or imposed in one specific region of the globe, but worldwide. Nevertheless, there are clear reasons as to why to focus specifically on the demise, and the need to restore, the social state in Africa, for in no other continent have the consequences of the weakening of the social state, and of the state in general, been as destructive as in the case of Africa.

The session of the Experts' Meeting was the occasion for a broad conceptual and historical overview on the social state, provided by keynote speaker Adebayo Olukoshi, and supported with practical and analytical views by Moses Kambou and Edward Oyugi. As Olukoshi argued, the colonial state as originally constructed by European powers in their African colonies was almost completely unconcerned with social questions, and largely limited itself to generating revenue. It is only after the Second World War, under the impact of revolutionary pressures building up worldwide, and with the rise of international social democracy, that the concept of the state's responsibility towards its citizens changed. This change, further, was very well reflected in policies instituted by post-colonial states in Africa. According to Olukoshi, no matter what the state's official ideology, African states in the sixties and seventies of the previous century almost unanimously followed the notion of state-led development, undertook state-planning, set up public sector enterprises, and invested heavily in social sectors such as education and health. Further, whereas the World Bank and the IMF have defined the period of state-led development as the lost decades, the 1960s and the 1970s were the 'socially expansive' phase in Africa's development. These policies need not be glorified, for at the time they also gave rise to internal conflicts. Yet the structural adjustment policies (SAPs) formulated and imposed by the

international financial institutions, such as the withdrawal of subsidies and the privatization of public goods, rather than helping to avert a crisis, 'fed into the context of crisis'. In short, SAPs with their one-sided anti-state ideology set back Africa in social terms. In Olukoshi's view, 'for Africa the first immediate task is to re-habilitate the social state'.

Now, although inclusion has helped to *agendize* the issue of the social state as a key issue for international campaign work, the Experts' Meeting has not resulted in the formulation of concrete campaign targets. Though the issue was readily incorporated into the summary statement adopted on Saturday 17<sup>th</sup> April, the Convening Committee itself is to concretize the given task. In this context, it may be helpful to state the potential for building up pressure towards the European Union. Whereas social democratic forces which played a decisive role in the construction of the social state in Europe, in the nineties failed to mobilize broad opposition to the EU's policies aimed at acceleration of liberalization/privatization in EU member states, around the debate on the European constitution a significant controversy has arisen, *inter alia*, over the need to defend public services. Further, we also need to register the fact that opposition against GATS (General Agreement on Trade in Services), which aims at liberalization of all services, including services related to the functions of the social state, has been building up in Africa, as elsewhere. It appears, that the European Union to a certain extent has been forced to take cognizance of the controversies over GATS in its policies towards Africa, since it reportedly has excluded education and health from its liberalization 'requests' towards African countries. Nevertheless, a concrete policy which helps to counter the rhetoric of 'good governance', which helps to counter further pressure towards liberalization/privatization of social services, and which promotes *restoration* of the social state in Africa, remains to be formulated.

### **Some Limitations**

In its evaluation of the International Experts' Meeting, the Netherlands-based Convening Committee along with the successes for campaign-work achieved through the holding of the meeting, has also noted several limitations. The first, and perhaps most important limitation relates to the way in which the participation of Africans and Europeans had been structured. In spite of some differences of view on this, the Convening Committee in the course of its preparations had agreed to allocate most of the time for presentations through the four content sessions of the Experts' Meeting to African experts, so that African experts in the respective fields of trade, the debt and the social state themselves would be offered the full opportunity to set targets for follow-up campaign work. From the same perspective also, the Convening Committee invited keynote speakers of the various sessions to lead the synthesizing process, – which

process resulted in the drafting of the summary report entitled '*Globalisation, Europe and Africa. Towards a Solidarity Agenda*'. On the other hand, the role of European campaigners and activists working on African issues in the Experts' Meeting was defined as a restricted one, i.e. to participate in the deliberations of the four content sessions and to join in discussing the summary statement which emerged from the synthesizing process. During the final session of the Experts' Meeting, leading African speakers criticized the given approach since it put the full burden of informing the Meeting's participants onto Africans alone, and since it provided African attendants insufficient scope to acquaint themselves with European efforts in support of African causes. In its evaluation, the Convening Committee concluded that the given criticism is valid, and should fully be taken into account in follow-up initiatives which the Committee may undertake. Through inviting a broader range of Europeans to address the nexus of trade, debt and the social state alongside African speakers, the political follow-up to an Experts' Meeting such as that held, can be more easily ensured.

A second key point that came up in the Committee's evaluation relates to the institutional targets for campaign work on Africa from Europe. When reflecting on the consequences of globalisation for Sub-Saharan Africa previous to the meeting, the Convening Committee had tended to focus on several possible institutional targets simultaneously. It was understood that given the fact that the Experts' Meeting was going to be held in the European Parliament, the responsibility of the European Union for the ongoing poverty crisis in Africa should necessarily be addressed. However, the Committee also suggested to target the world institutions which are primarily responsible for overall globalisation policies, i.e. the World Trade Organisation (WTO), the World Bank and the International Monetary Fund (IMF). In its evaluation, the Convening Committee concluded in favour of directing its own campaign energies around all three issues, trade, debt and the social state, towards the European Union, and to primarily target changes in policymaking at the European level. In the case of trade, this choice of target is automatically implied by the choice made to focus on the Economic Partnership Agreements (EPAs), which do express a WTO 'free trade' agenda, but are the EU's agenda for future economic relationships with countries in Africa. With regard to the external debt of African LDCs, a number of campaign organisations in Europe have recently developed lobby-work in order to influence the standpoints of the different political groups in the European Parliament. Here the target already is the European Union's policy on the unsustainable external debt of LDCs. But with regard to the issue of the restoration of the social state too there is much reason to target EU-policies. In the context of negotiations over the

WTO's General Agreement on Trade in Services (GATS), the European Union has charted its own course of action. It has submitted liberalization requests to African governments, to facilitate investments by European service companies. And although, as stated, these requests reportedly have excluded the areas of education and health, the EU's course of action nevertheless contributes to the further weakening of the social state in Africa. Granted – it is not very simple to achieve an integration of campaign-efforts relating to trade, debt and the social state. But a singular focus on European policymaking institutions obviously facilitates addressing challenges in an 'interconnected fashion', as agreed on in the summary statement of the Experts' Meeting.

### **Conclusion**

The aim of the Experts' Meeting on Globalisation and (Sub-Saharan) Africa held in April last in the European Parliament was to help build an agenda for international campaign and lobbying work around African LDCs. To this end, the Convening Committee chose not to hold a Conference-like event, in which all 'stake-holders' are invited to take part, but rather to stage an Experts' Meeting in which a selected number of specialists from African countries would exchange views with representatives of the European Parliament and representatives of European civil society organizations. Further, although much work remains to be done to promote an increased awareness amongst the European public regarding the effects of globalisation policies for Africa, the Convening Committee chose not to devote lengthy sessions to the general topic of globalisation, but rather to divide the Meeting's work largely into three separate thematic sessions devoted to actual and potential campaign topics, i.e. debt, trade and the restoration of the social state. The first conclusion that seems justified is that the Meeting did meet the target which had been set. Thanks largely to the participation of reknowned and very knowledgeable African speakers, the necessary knowledge and energy were shared so as to promote campaign and lobbying work around issues which need to be addressed, if the existing poverty crisis besetting African LDCs is to be resolved.

The most visible and easily noticeable outcome of the Experts' Meeting, and of the special strategy meeting held subsequently in Brussels, is that the international campaign around EPAs has taken off with much force. Whereas previous to the holding of the Experts' Meeting, an initial network of nongovernmental organizations existed devoted to opposing EPAs, since April a strikingly large number of trade and developmental organizations in Europe have concluded that this is indeed a crucial issue, and have either signed up for the campaign declaration '*Stop EU-ACP Free Trade*', or have formulated their own criticisms regarding

the EU's policy on EPAs. Within a brief span of time, also, the issue of EPAs has moved up the ladder of the priorities of trade initiatives in Europe, and is set to become a prominent topic at the European Social Forum (ESF), which will be held in London in October 2004. Thanks to the devotion of EPA-campaigners, it appears that by now a significant basis has been laid for lobbying efforts both towards individual European countries and towards European-level political institutions. Given the existing time-table of negotiations around EPAs, there appears to be sufficient reason for optimism, for presuming that civil society organizations in Africa and in Europe together can influence the outcome of the EU's negotiations.

However, one of the serious challenges which all campaigning and lobbying efforts around Africa have to deal with is the reality that the poverty crisis of African LDCs is not starting with policies which *currently* are being adopted by Northern institutions and governments, or will be adopted in the near future. Instead, the poverty crisis prevailing in the region of Subsaharan Africa by now is roughly a quarter century old, and is being prolonged due to the continuation of faulty policies adopted by the multilateral institutions, and by the European Union, *long way back*. From this perspective, there is a need to ensure that campaign and lobbying work around the debt be revived with equal force, and that campaign work around the restoration of social state in Africa should be given a concrete shape, i.e. *parallel* to the growth of the campaign on EPAs. Further, as parallel initiatives grow, it may be useful to remind ourselves of the commitment worded in the summary document of the Experts' Meeting, namely that we vow to approach our respective focus in individual areas 'in an integrated manner', and that we need to support each other's work in order to build a 'mutually reinforcing power'. Without such an approach, campaign results may turn out to be elusive. And whereas parallel initiatives to an extent may *implicitly* have the effect of being 'mutually reinforcing', it is logical for the Convening Committee to concentrate its own future energies on helping to strengthen an integrated agenda for policy changes in favour of (Subsaharan) Africa.

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**CHAPTER ONE:**

*Consequences of  
Globalisation Policies*

# *Globalisation, Extraction and the Hegemonic Powers – Looking Back, Looking Forward*

BY CHARLES ABUGRE

I speak for my friends from Africa who have asked me to share my views with members of the European Union. Thank you for the invitation to be here and thanks to Mr. Meijer for his progressive introduction. I was warned that the purpose of this discussion is not to discuss the theory of globalisation, but I am currently also a teacher and one cannot resist the temptation to do some of that. However, since I cannot access my written speech there is no danger of that.

In my speech I want to set the tone for the discussions that are to come. To bring to the front what we are dealing with here, I chose a guide for my own thinking: I picked a major author, Kenichi Omai, who wrote a book in 1990, “A Borderless World – Power and Strategy”, in which he set out what became more or less the mainstream view. He said that it is all about how larger companies respond to the pressures of survival. Large companies understand the need to think about innovation and invention – and to do so they should not be thinking about the market and the consumers just in and around the nation state borders where they are located. They should be thinking globally for there lies the real pressure for innovation and invention. If they do not do that they will not survive. On the other hand, the states ought to understand that there is no room for *mercantilism*, for protective measures against the movement of goods and finance. Their role is in fact to facilitate the movement of goods and finance. First and foremost, they need to think in terms of educating the labour force, which seems sensible. In a sense, the labour force for a globalized corporation is all over the world. And secondly, they should at least protect the environment – both the social environment, the social context in which everything takes place and they should think of peace, peace that allows businesses to function.

Besides they have also to provide some infrastructure because it is also needed and very necessary to develop global trade. States also have to understand that the way to building security does not lie in militaries and building borders. It lies in creating a vibrant global island, but a global island starting with the richest countries, the countries that have been industrialized, and the settler countries of Oceania. And within this is the island which is bigger than a continent. We need to understand that this island is not

meant for everybody. It is borderless with regards to the functioning of the corporations in it, but to those outside it, the borders are everywhere. And nobody should have any misconceptions that this process is a fair one. People from this island can go out anywhere but nobody can come in. The author is simply repeating exactly all that happened in the history of globalisation that we know.

## **Characteristics of Globalisation**

When talking about globalisation, there are two periods which historians refer to, and we have a basis for comparing them. One was in the days of the Roman Empire 150 A.D. onwards, and the second was the one that started in the 1870's and ended up with the first World War. Neither of them were fair, inclusive and totally borderless. They were basically maintained by means of repressive containment. Four or five factors characterized each of them. One is that actually no globalisation ever happened without hegemony. You need a hegemon to pursue globalisation. So in the days of the Roman Empire you had the first globalisation. In a second period of globalisation you had the British Empire, and now in the globalisation we are facing,

**NO GLOBALISATION HAS EVER HAPPENED WITHOUT  
HEGEMONY. YOU NEED A HEGEMON TO PURSUE  
GLOBALISATION**

you have the American Empire, though Bush tells us that they do not mean empire relationships, but there is hegemony. If you now accept that we have a unipolar world based on one basic security centre – so hegemony is part of it and there is no way that hegemony succeeds forever. It succeeded basically by being able to exploit and strengthen the centre, and by self-created exclusion. Exclusion cannot sustain forever. It always breeds resistance. No globalisation can succeed, because ultimately it breeds resistance.

There is imperialism that goes with globalisation and there was imperialism in the days of the Roman Empire and of the British empire as well. The US has a completely different way of imperialism but it is central to globalisation and inequality is the result. And there are a lot of data which I will bring out, if I publish my paper. We have seen this from



Keynote speaker Charles Abugre (ISODEC, Ghana) during the introductory session on the consequences of globalisation. With Yassine Fall (UNIFEM, USA/Aide Transparence, Senegal) in the back.

the days of the Romans through to the days of British imperialism and the character of inequality is even more dramatic today, than it was in the first and second imperialism. And there are a lot of data on that today and it is important to take up this point a bit more, because, as I said, inequality breeds its own resistances – and no globalisation succeeds forever because it is inherently built on inequality and hegemony.

Compared to the 1960's we have first and foremost a convergence of income within the Northern industrialized, Western countries and countries of Oceania. There are less and less inter-state inequalities within these islands of security, but greater and greater *intra-state* inequalities even within this body of countries. But more dramatically there has been a steep rise in *interstate* inequalities between these groups of countries on this "island" and the "others". You look at the data – Africa since the second globalisation has never been a significant player, but there were in the classifications in the world at that time about 5 countries in 1960 that were classified as rich, comparable to the Northern industrialized countries. Three of them were classified as contenders. I am here quoting basically the work of Branco Milosowich, of the World Bank, and others. Then there were about 19 that were reclassified as fourth-world countries at that time. Today, from 1988 data – only one can be classified as reasonably rich, one is a contender, five are third world countries, and the rest have moved to the fourth world. It is a significant degeneration and shift, there is a great marginalization. So the process that has happened only in the last twenty years has created a significant marginalization and reduction of the position of Africa in several ways. This is what inequality means and is reflected in many ways.

The third characteristic of globalisation is the question of technology. Technology has always been the means, but it has never been the sufficient cause of globalisation. In fact the major cause has been the political unity of the 'hegemons' and those around them. One of the major causes of the exclusion from the uses of technology is that of the political unity of the hegemonic powers that explore, contain and monopolize technology to their own advantage. So when we look at the accessibility and use of the technologies within the global process, increasingly technology has become less and less available, which is not an accident. It is part and parcel of the exclusion process of globalisation.

### The Situation for Africa

This has three major implications for the situation of Africa and run through my perception of issues that may become the subject of our discussions:

1. Effects on domestic accumulation – For me from the 1980's until now – a period which has been described as one of the export-led growth model – there has never been a period of an export-led growth model in Africa. There has always been a process of structuring the state to pay debts, because there cannot be export without domestic production and the entire purpose of exports is to generate and strengthen the existing domestic economy. The idea is that by producing for export we create jobs and that interlinks with the economic development. But when we have no capacity to produce and this has been declining with time, we are developing a model that has been based on managing and sustaining an *international debt system* through utilizing aid. The result is that we have a debt and aid trap on the continent. The debt and aid trap is basically sustained by the "good policies" of the IMF, with it as the supervisor with other financial institutions rallying around it. The IMF itself has no model of growth; the IMF manages the relationship between balance of payment and inter-

#### **THERE HAS NEVER BEEN A PERIOD OF AN EXPORT-LED GROWTH MODEL IN AFRICA**

national finance – that is what it does. It does this by targeting inflation. By managing inflation it has created a situation where debts never really get paid – it gets recycled. By recycling it new debts get generated and in that process when governments can no more continue on that cycle they borrow domestically. So we end up with two types of debt which we never knew before not even in the 1970s: a ballooning *domestic* debt and a ballooning *external* debt. The management of that has basically been through additional borrowing. The situ-

ation we now have is that as a result of the Jubilee 2000 Campaign we have very little bilateral debts; so when the campaign is targeted at the Netherlands or the UK or Germany, that's good enough in the sense that they have a voice at all within the international financial institutions, because it is basically a *multilateral* debt problem; it is an official debt problem not a bilateral debt problem. Unfortunately, the Europeans are hopeless and powerless in the IMF – sorry to use this term. But as anybody who has worked within the IMF knows – the Europeans are totally useless at influencing the US at the IMF, which is very sad. But this can become the beginning of a change of things.

2. The second issue for me is the *issue of extraction*. The only way that anybody today points at Africa, is due to the possibility to extract its natural resources. Currently Africa is emerging as an important new geo-political area. Why? Because of its oil and gas reserves. In view of the threats of loss of oil bases in the Middle East the US is interested in Africa. If you take a map of the new oil wells emerging, it will frighten you: the whole of the Gulf of Guinea area is completely littered. New military bases are being established and old bases are being strengthened. Oil and gas are security products because they are seen as essential to the engine of growth in the West, in rich countries. For that reason any agitation affecting the oil and gas availability translates into an agitation internationally. So Africa is now the new geo-political centre. The creating of 'security' within new industrial bases has become an important issue. And the agitation to acquire oil and gas reserves is growing. This is a very frightening situation for us. Even the IMF has decided that hard minerals or soft minerals have been accursed to any country relying on it. It concluded in a study on Nigeria, that it would be much better if Nigeria were to shut down its oil wells. The only way that they can make a difference to the Nigerian economy now is to line up all the Nigerians and share the wealth among them and shut down the oil wells. But you ask the Ogoni people what happens when you shut down the oil wells. Natural resource extractions will become the last thing of the total destruction of the continent.
3. The issue of *the welfare system* – the welfare-state. I use the term low-intensity occupation which is what African countries are going through. The term that is used is good governance – in the name of good governance the aid system has created an interlocking system that gives absolutely no policy space to an African state. A typical country will have an IMF poverty reduction and growth facility. Since 75% of them are HIPC countries they also have a HIPC completion point agree-

ment. So they operate under two triggers with the IMF, which reinforce themselves: the PRGF (Poverty Reduction Growth Facility) which is very tight on the macro-economy, and the HIPC which triggers with both institutional and established targets. In addition to that, in the name of partnerships, the sectors would be littered with the sector-wide agreements. Sector-wide programs give donors, who probably are financing less than twenty percent of the entire budget, if you factor in the recurrent component of the budget, actually an overwhelming control over the functioning of the sector. To add to that there is the so-called multilateral donor budget support system, which now gives to donors an opportunity to define and rule directly over budgetary policies. Year by year there are the two triggers – the pro-action trigger, that before we give you 20% of what we have promised to give you, you must undertake the following reforms; and before we give you the fifty percent of the budget commitment, you must fulfill the agreements before June this year in order to qualify for July. I'm simply making the point that the whole process of the aid system has created a complete take over, that for me could not be anything other than imperialism. It leads me to point out that we are much better off with less aid than more. The only justification for international aid is that it acts as a compensatory measure for the net flow that happens from the continent.

The resource transfer to outside the country is happening in many ways. Aid acts supposedly as a compensation for that, but it has become much worse – in fact aid is much more dangerous to our structures now. It is becoming another very potent mechanism used for locking in agreements that should have been negotiated or negotiated externally or pre-determined through domestic unilateral liberalization measures – policy positions that could only have been arrived at through multilateral institutions such as the WTO, or through the EU-ACP agreements. So aid and the increasing dependence on aid, is a very dangerous trap and I am cynical about any expansion of it. The only way for an expansion or more of it is to create sufficient domestic resistance to occupation – what I call low-intensity occupation of our governments and taking back governments for African people. No time to talk of privatization here.

4. Effects on Africa of its role in international accumulation – no text on economics talks of capital mobility with no labour mobility. When you make capital mobile and you develop xenophobia about labour mobility, it is impossible to create global convergence. Because global convergence in economies takes place in two ways –

factor price convergence or through international trade. If factor prices cannot converge then capital cannot be mobile. If international trade is treated in a very protectionist way as it currently is, and even if protection on certain areas is reduced, these countries do not have the possibility to take advantage of it because their production capacities have collapsed. Hence, it is impossible to create convergences in economies. Xenophobia in the labour movement has resulted in the absurd situation existing in the Netherlands, which is nothing but the worst aspect of globalisation and can only create resistance. Xenophobia is there not only in the Netherlands, it also exists in the UK, where the forces of the conservative voices of the Labour Party walk around at dawn, picking up poor people off the streets, even when they know that the people sleeping on the streets are desired because there is a closed employment and food situation. What about the situation where unemployment grows? Clearly, with international xenophobia in the labour movement there cannot be convergence and there cannot be international accumulation.

5. There is also for me, one other point about the issue of *repudiation* or the principle of *non-reciprocity* between countries. And this is reflected in the whole EU-ACP agreement – it is not understandable why suddenly the question of non-reciprocity is disappearing from the international scene. It has happened simply because a few transnational companies have prevailed successfully upon governments. This reflects the power of a few multinationals who have gained a great influence to retain their control. It is not possible to have a level-playing field in an economy of extreme inequity. And so the single thesis of the upholding of non-reciprocity stands and ought to be pursued.

So let me end by stating what I think are the issues for a campaign. We need:

- To break out of the debt/trade trap;
- To raise the issue of non-reciprocity;
- The responsibility of African people to mobilize and to resist more;
- Make no provision of public services by utilizing a private sector model;
- Be aware that hegemony works through issues of inter-locking agendas between WTO/IMF/World Bank

Thank you.

## *Globalisation in Africa – Gender Implications*

BY YASSINE FALL

Thanks for inviting me for this meeting. I agree with all that Charles has said and will not repeat it. I had planned to display some power points, but that does not seem possible today. To go back to the introduction, it is not enough to do an analysis of the past 40 years. We always have to go back to the fact that we are talking of 40 years of Africa being independent, and we cannot forget that this period refers to a changed situation of geo-political decision making and we should be very mindful about putting together our analysis. When I talk to children and people who are not literate but do understand what has happened to Africa, and ask them why they think we are where we as African are – the poverty, lack of education and health facilities, poor governance and so on – people ask, “But why? What happened?” And sometimes if you do not put this into the larger context and do not put it into the geo-political context and link it to colonialism and neo-colonialism, then you find yourself unable to understand the situation. So we need to go beyond these past 40 years.

What do we have at stake: the agenda of globalisation, and how the different frameworks – the framework of the HIPC, the African Growth and Opportunity Act (AGOA), EPAs, NEPAD – all tend to support the WTO-agenda. All the objectives of HIPC are about trade-liberalization, market privatization and stabilization, about less state intervention. You look at EPAs which aim at bringing all the agreements that have been blocked at the WTO into the African/European ACP agreement, so as to push countries on a bilateral level, to twist their arms to get them to support the trade agreements that have been blocked at the WTO. And if you look at AGOA, which is the US trade bill for Africa – it is to serve the interests of the US corporations and the workers of that country. There is nothing, nothing at all you can see that can bring benefit to the interests of African people or workers. You see once again the hegemonic interests. There is here a partnership between the international financial institutions, between the HIPC-initiative, between the OECD countries which table these agreements and discuss them – all the powerful together, against one. Countries negotiate alone against these big powers and I think that we need to address this issue and to pose questions. There must be an equal power relation to question these big institutions, governments and these networks operating against each African country separately.

I also go back to the cost-benefit analysis to see who benefits and who loses. We tend to hear that the African end does benefit. Sometimes you tend to think that at last there is a fair agreement. But if you go deep into the details you find that the laws are protectionist, still excluding profitable exports. When you look at the agricultural tariffs, they go beyond hundred percent in the US and Canada, and beyond one hundred and fifty percent for the EU. So we see that we need to address power relations. African countries are asked to do whatever, to generate a trade environment, change labour laws and create a climate that will be favourable to foreign investors. Yet in the US and in countries of Western Europe they do what is in their own interest. The motto appears to be, ‘do what I say, but do not do what I do’.

It is just appalling to see what is happening in Africa today. I was in Africa recently and we tend to forget the despair that people are in. At a hospital in Kenya that I visited they had no water. Only very recently they managed to get running water, only last month. People just cannot afford to pay for the medical care they get. I found a child of 9 years, who was held as hostage in the hospital even after her cure was over, because the parents could not pay the bills. This is very telling in terms of what cost recovery means. The hypocrisy of what we mean when we talk of the provision of services, whether it is about health care or education for all or education for girls. And we also see all the inter-linkages, of not being able to pay health fees, of children not being able to go to school. And I think we need go back to the community and really find out how we can at the community level, link up to do our advocacy at the global level.

This takes me to the issue of women and the feminization of poverty. I think when we talk about the feminization of poverty, we have a big dilemma. Because we are told that we should bring in the issues of global power relations when talking of poverty, but we should not bring in the issue of gender analysis when we talk of Africa. Inequalities between men and women exist everywhere, but the inequalities have been exacerbated because of the inequalities in power relations and because of the dominance of men, at all levels in Africa and other poor countries. But we know that all development policies affect women differently.

All the policies whether the SAPs or the HIPC initiative or the PRSPs which have been used as a promise of debt cancellation, have actually brought in new recycled SAPs and stabilizations policies. These have aggravated the poverty of the people because privatization has been tabled as public/private partnerships. These partnerships have led to more poverty, especially among women. We see an increase in violence against women and we have seen in many African countries women have less access to education. In some countries women even pay more taxes than men, because men are considered heads of household. And when the IMF/WB say to the government that they should not spend more, – governments tend to make women pay more taxes. We see that women suffer a higher incidence of AIDS than men. To start with there were very few women infected compared to men. Today 60% of women and girls are affected by this disease and we see that inequalities within the home and in gender relations within society in general, aggravate when economic policies and reforms that are market oriented reforms are implemented.

Macro-economic policies also affect women differently – just as the availability of public services affect women differently than men. Take the issue of water – I was in Ghana recently with a fact-finding mission – many of the women in the communities we spoke to said how privatization of water and lack of availability of water make them take girls out from school, since fetching of water becomes a task by itself. Girl children are sent off to fetch water for the household every day. The load of poverty on women only gets aggravated in this way within the home. You go to any hospitals in Africa, any hospital in any city, it is women who are taking care of people there. So I think we should go a little beyond, when we look at the community and the relations between people and find out how they are managing poverty. We also see that finding ways to cope is often shouldered by women.

I want to go back to the start to say that I really support that we start organizing in our countries to change the situation. We need to act at different levels. I feel that our actions at the national levels are still very limited. It is only within our countries that we can bring about change. We need in our efforts to understand the situation, to go beyond, to see how communities deal with poverty among the different populations.

It is also important that we start organizing at all levels:

1) to address our governments in all our countries and get them to change their policies. Build large movements like ISODEC in Ghana where there was a fight against water privatization, for instance, which was reversed simply because it was resisted within the country. The efforts were supported by international advocacy cam-

paign work and the national government was exposed for its wrong doings and the deals made with private companies. This is very important.

- 2) Political space and outreach and engagement with policy makers need to take place at regional economic institutions. These institutions are often forgotten – institutions such as ECOWAS or the African Development Bank. We need to engage with them because they are representative of the IMF and the World Bank or OECD, at the regional and national levels in Africa.
- 3) Alliances with the North are very important. The question is: how can European NGOs influence the role of European countries within the IMF? I feel that role is very marginal because the power relations between the US and Europe are still questionable. Here there is a lot of room for action. And your activism in this sphere is very critical.
- 4) In Africa we have been successful in many cases, in engaging with our own governments. The success at Cancun was due to a mixed delegation of governmental representatives and NGOs of Africa. We need to look at initiatives being undertaken in Africa, and we need to learn from them, find out what works and promote it.

Thank you.

## *Environmental Impact of Globalisation in Africa*

BY ODUOR ONG'WEN



Thank you very much – I think the advantage of being the last speaker is that you can just say, I agree with all that the previous speakers have said and just shut up. Having said that I'd say it is important to reinforce a few points. Liberalization as you know comes from the word liberty. And it is paradoxical that the move to strip the state of its function and to direct the development of its people can be associated with freedom. Whereas what you are basically doing, is to create a system which ultimately gives to the rich and takes away from the poor. That is basically fulfilling what they say in the Bible – 'to those who have you will add and to those who have little it will be taken away from them', and then you want to call that a way to promoting freedom. Yet if you look at the freedom that liberalization is talking about – it has more to do with the freedom of capital and goods to move freely, while there is very little in terms of the movement of labour.

Actually the world in the last 20 years has become extremely polarized and when I am talking about the world I am talking about those who have power to control the destiny, the political and economic directions of the world. There is a serious move towards tightening the immigration laws. We have just heard of a country in Europe that has denied asylum to about 30,000 people and it is not seen as anything quite serious and we are talking about moving towards a global village. I am thankful to Erik for having pointed out that actually what we call globalisation has been with us for six centuries. He pointed out that we have this international division of labour which has changed in form, but its fundamental character has remained.

And what this international division of labour does is to put Africa into a position where it exports primary commodities for which its labourers are underpaid, and imports manufactured goods at a high price. In other words – it is a division of labour that puts us in a situation where we produce what we don't consume, and consume what we do not pro-

duce. Because of this division of labour and the saturation of the market in the North, there a push for transnational corporations to capture, to control, and to be able to exploit without any framework or barriers or regulations to direct them, in our countries. And therefore the states and these institutions of authority and regulations are seen as statute breakers. Therefore the statute breakers have to be removed. Here you find that if we look at the issue of environmental protection – it is exposing Africa to grave dangers. Over the years Africa had valued and nurtured its environment and had been able to develop its coexistence in such a way that it was mutually supportive. Now the continent is exposed, without the possibility to put in place the necessary regulatory mechanisms of protection.

I want now to focus on the environmental aspect and would like to pick three pillars of globalisation and try to see how these have affected the protection and conservation of the environmental in Africa. And these three pillars are basically around the Washington consensus, that has led to the kind of macro-economic framework that the IMF and the WB have imposed, in almost all borrowing countries, particularly in Africa, that have to go to them to get funds for development purposes. What has happened is that the whole push for liberalization and deregulation, devaluation of currencies and export led growth has meant that due to the devaluation we have to export more to get the same money that we had earlier on to support the basic social services. What this means is that we continue to encroach on our forests, and into certain topological areas that we had preserved to prevent soil erosion. Besides, there is a tremendous over-use of pesticides, fungicides and other harmful chemicals in our agricultural production. And a whole lot of economic activities that do contribute nothing but are destructive of our environment.

It is a paradox that the US which is the most indebted country in the world today keeps paying its debt by printing more money. Yet in Africa we have the duty to pay back in hard currencies, as a part of our debt repayment. And as we continue devaluing our currencies we have to continue to pay back in these so called hard currencies. What it means is that we constantly have to increase the whole volume of our exports, and in continuing to do this we disturb the ecological balance. And as we deplete our forests we are



also destroying our carbon sinks, which eventually has a disastrous effect on our environment. But due to the reduction of the carbon sinks in the North these carbon sinks are also going. The outcome is that global warming is becoming a real threat.

The next pillar I want to look at is the multilateral trading systems, particularly in three agreements. There are many agreements that have a negative impact, but I will focus on three:

First – the agreement on Trade-related Aspects of Intellectual Property Rights. As you know, as a part of the entire multilateral trading system which is supervised by the WTO, we are told that liberalization is good and protectionism is bad. But when it comes to ‘intellectual property’ we are being told now that protectionism is the next best thing that has been discovered since chocolate. And liberalization should not even be contemplated here. Thus, we find the African indigenous coping mechanisms and the indigenous knowledge systems, particularly in agriculture, being attacked very ferociously by the multinationals. We find that herbal medicine have been exposed quite extensively to the predatory moves of transnational corporations, especially the pharmaceutical industry.

As for the TRIPs Agreement – because of the patenting laws that are adopted under it local communities cannot protect themselves, except under Article 27 which says that these communities may be protected by *sui generis* measures. This implies that their products must have commercial value and so on. Also, few communities have the means to defend themselves. So that leaves them open to piracy by pharmaceutical organization, with very little scope to protect local interest. The laws are defined under the rules of the WTO which are very hard to decipher at the local level. The people who have knowledge at the community level loose out both in terms of recognition of their knowledge and also in the sense that the plants are bought out by the multinationals and are no longer available for local use. The only way out is for Africans to enter into joint ventures. Yet, even where these are entered into, which happens very rarely, you know who will benefit the most from the royalties that come out of the patents from these ventures. This is not to say that there has been no attempt to recognize the value of the biological resources that have been protected by the local communities over the ages. Indeed, under the Convention on Biological Diversity, it is explicitly stated that states will have the sovereign right to protect their biological resources. But under the Uruguay Round pharmaceuticals attacked this right and brought in the whole issue of the patenting of animal and plant life. Of course there are exceptions but these also have become debatable. The interpretations of Paragraph 3b of the Convention (on

Biological Diversity) which talks about the patenting of life forms, has remained a very controversial matter.

The other argument is about the subsidies and countervailing measures, the technology that helps one to cope with climate change, with the substances that deplete the ozone layer. Here again we find that because of the capacity required to be able to access the technologies that take care of this issue of depletion of the ozone layer, and in view of the goods produced in developing countries, especially in Africa, African countries are finding it difficult to access some of these possibilities. And yet the industrialized countries which already have the capacity, under this agreement are permitted and are able to obtain subsidies. European countries are allowed to get subsidies under Article 82C of the Convention (on Climate Change). They can subsidize their industries, because these are considered to be legal under that agreement.

The last argument is on agriculture – here again we find that, because of the domestic support system and the export subsidies regime in Europe and US, it is hard to access these markets. You find there is a lot of monoculture, a lot of trying to use low cost production methods, which do interfere with the environment in a major way. So within the framework of the (WTO) Agreement on Agriculture, the crops in our countries have to be produced in a manner that has serious implication for agriculture. One thing I want to mention is with regard to the technical barriers to trade. Whereas African countries are pushed to reduce tariffs – the environmental regulations existing in industrial countries are being used for preventing our goods from reaching the Northern markets. The excuse being used is that we do not meet ‘the environmental specifications’. And this applies to the kind of standardization regime that we do have and our capacity for verification and so on.

Lastly, it is important that we are able to think of an alternative regime, because we know there is no way to reform the present regime. The integration into the global system is actually leading to more marginalization. The move to undermine Article 20 of the GAT Agreement of 1994 will have more disastrous consequences. Therefore those from Africa and friends from Europe must join us in resisting any attempt to amend this article. We need to resist attempts to stop changes that benefit us. We need to campaign for transparency in the notification procedures of the WTO, because these are subject to change without many countries knowing about it. The procedures themselves also need to be attacked. I stop here due to the lack of time and thank the organizers for this opportunity to speak.

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**CHAPTER TWO:**

***Debt Cancellation***

# *A Call for Unconditional Debt Cancellation to End the Poverty Trap*

BY DEMBA MOUSSA DEMBELE

I want to join my voice to those of my fellow Africans to express our heartfelt thanks to the organizers of this meeting for their support for the people of Africa. The organizing of this meeting shows your sincere commitment to social justice.

About three and a half years ago, world leaders met at the United Nations headquarters and pledged to tackle issues of world poverty by setting the Millennium Development Goals (MDGs). Yet, three and a half years later, the Millennium Development Goals run the risk of not being achieved by many developing countries, especially in Sub-Saharan Africa. This is not for lack of resources, but for lack of political will from Western leaders and the international financial institutions under their control.

Everybody would agree that one of the chief obstacles to meeting the Millennium Development Goals is the unbearable burden of the unjust and immoral debt of poor countries. We remember the commitment made by the G-7 leaders in Cologne, Germany in 1999. They pledged that they would cancel 100 billion dollars of debt owed by the poorest countries. Unfortunately, less than 30% of that amount has been cancelled, to date. Yet, the world knows that without debt cancellation, heavily indebted countries cannot achieve any recovery, much less sustainable development. They will be trapped in deeper and deeper poverty.

The external debt of developing countries as a whole, and especially that of Sub-Saharan Africa, has negatively affected their human development and become a mechanism of net resource transfer from poor to rich countries. In October 2003, in New York at a special session of the General Assembly, the UN Secretary General, Kofi Anan said that in 2002, developing countries had transferred nearly 200 billion dollars more than they had received from rich countries. And this was on top of more than \$120 billion of net transfers each year during the previous four years.

So, everybody understands that if this trend continues, developing countries have little chance of recovering. And if you think that Sub-Saharan Africa is spared from this, you should think again. This region, which has some of the poorest countries in the world, has also been transferring

resources to the richest nations and to multi-lateral institutions for the last 20 years, according to a report released by UNCTAD in 2001. In the 1990s alone, 13 to 14 billion dollars a year had been transferred from Sub-Saharan Africa to rich countries in the form of debt service. To countries whose per-capita income is 100 times that of the Sub-Saharan Least Developed Countries. This explains, among other things, why the economic and social condition are worsening in Sub-Saharan Africa.

Out of the 49 Least Developed Countries in the world, 34 are in Sub-Saharan Africa. And these countries spend 14-15% of their income from export to pay for debt servicing! A great part of government revenues is used to service debt and that goes at the cost of the provision of public services, like education, public health, transport etc. The UNCTAD Least Developed Countries Report in 2002, indicates that consumption per capita in African LDCs is

**DEBT IS LIKE A TIME-BOMB. IF IT IS NOT TACKLED  
DECISIVELY, IT WILL EXPLODE SOME DAY AND  
NOBODY WILL BE SPARED.**

less than 60 cents per day for about 2/3 of their citizens. More than 8 out of 10 of their citizens live in absolute poverty. The Report also says that the average life expectancy at birth is less than 50 years. Infant mortality and maternal mortality are all on the rise, mainly for a lack of investments in medical facilities, in medical personnel, not to mention the ravages of HIV-AIDS and so on.

In the light of all this, one question comes to mind: is the world concerned enough about the crisis in Sub-Saharan Africa? I think not – since no bold or decisive action has been taken so far to bring about a change. That action if it should take place must begin with finding lasting solutions to the debt crisis of these countries. The “solutions” proposed so far by bi-lateral and multi-lateral donors are no solutions. On the contrary, they have only worsened the economic and social crisis in Africa. And all of them have failed, including the Heavily Indebted Poor Countries (HIPC) Initiative, launched 7 years ago by the IMF and the World Bank. Even these two institutions have agreed that



Keynote speaker on the theme of cancellation of Africa's debts, Demba Moussa Dembele (Forum for African Alternatives, Senegal). With chairperson Ulla Sandbaek (EDD, EP) on the Left.

the HIPC Initiative does not adequately address the debt crisis in the poorest countries.

For one thing, the Initiative's approach is fundamentally flawed, because it seeks to bring the debt of these countries to a so called *sustainable* level. In other words, the initiative does not aim at debt cancellation, so as to promote economic recovery and human development. Besides, it excludes countries that should have been on the list, that deserve as much relief as the countries that have been selected. Its funding is not adequate and it has been recognized that its resources are not sufficiently large to fund the HIPC Initiative. Yet, we know that both institutions have more than enough resources to cover the costs of multi-lateral debt cancellation. Furthermore, we know that the conditionalities contained in the Poverty Reduction Strategy Papers (PRSP), i.e. the papers that are related to the HIPC Initiative, tend to offset any potential "relief" that these countries can gain from the initiatives.

Indeed, trade liberalization, deregulation of inputs and goods prices, the dismantling of the public sector, the privatization of State-owned enterprises, fiscal austerity, tend to destroy local industries, crowd out public and private investments, increase unemployment and spread poverty on a massive scale.

In my opinion, the only sensible solution to the debt crisis is to work for *total debt cancellation* with no external conditionalities. Cancellation of the poorest countries' debt will cost almost nothing to bi-lateral and multi-lateral creditors. Bi-lateral creditors have already discounted these countries'

debt. In reality, for most countries, it is worth 10% or less of its face value. Several studies have shown that bi-lateral creditors have discounted poor countries' debts because they know that they will never be repaid. Meanwhile, debt service and policies associated with debt are harming people and destroying lives, economies, and are tearing apart the social fabric in poor countries, especially in Sub-Saharan Africa.

The main rationale for debt cancellation is that it is illegitimate and has been paid many times over. Debt is illegitimate, because it has been contracted by illegitimate governments for illegitimate purposes and is being used to

**THE EU HAS THE POWER AND MUST USE IT TO CALL FOR A RADICAL CHANGE AND DEBT CANCELLATION WITHOUT EXTERNAL CONDITIONALITIES.**

harm people who never benefited from it. In addition, it has become an instrument of domination, control and plunder of indebted countries' resources. Yet, over the years, African and other developing countries have transferred more than they originally "owed" to their bilateral and multilateral creditors.

So, what stands in the way of debt cancellation? One of the main hurdles is the lack of political will among Western leaders. Their pledge in Cologne and other pledges in other places were never fulfilled.

The European Union (EU) has a critical role to play here – they hold the key to showing the lead in this struggle for debt cancellation. First of all, all EU members should pledge to cancel the remaining bilateral debt of all the least developed countries, without imposing external conditionalities.

Secondly, given their influence in the World Bank and IMF, EU countries should take the lead in calling for the cancellation of all multi-lateral debts, without conditionalities. We know and the EU knows, that these institutions have enough money to cover the costs of multi-lateral debt cancellation. Moreover the EU needs to push for an end to all forms of structural adjustment policies (SAPs), renamed PRSPs. In fact, the record shows that these policies have made things worse not only in African countries, but in much of the developing world.

People in the EU countries, especially the MEPs, can and should challenge their governments and multi-lateral institutions – initiate petitions or propose draft laws for debt cancellation in defense of the human rights of people in poor countries. This would give a new impetus to campaign for debt cancellation, which has had an impact on citizens around the globe in the 1990s.

Debt is like a time-bomb. If it is not tackled decisively, it will explode some day and nobody will be spared. We should realize that debt is ultimately a human issue, affecting people who cannot even get a decent meal a day; it prevents us from building schools for children, many of whom go to bed hungry at night; it affects people who live on 60 cents a day. Debt violates human rights and undermines democracy.

It is about time that the people of the EU speak out. The EU has the power and must use it to call for a radical change and debt cancellation without external conditionalities. It is my strong and sincere expectation that MEPs and ordinary European citizens will rise to the formidable challenge and join hands with their African friends to lead the fight for the cancellation of the illegitimate and immoral debt of African and other developing countries and against all structural conditionalities associated with debt.

Thank you.

## *The Urgent Need for a Revival of the Campaign for Debt Cancellation*

BY CHARITY MUSAMBA



I'd like to thank you Chairperson and all of the organizers and hope that I do not repeat what my friends have said. What else is there to say, that will add to all that has been said so far?

The problems of the impact of the debt crisis have been recorded and are known to all stakeholder. And if we agree that debt is the cause of the crisis of development of poor countries and if we also agree that it is the cause of other problems, like poverty and social issues – then what do we need to do around it? The other issue is that when we look at debt in Zambia, there are two major areas where we have serious or negative implication that need to be highlighted – how the informal debt servicing is negatively affecting the social sector (mainly health and education) in terms of the budgetary allocations.

I also want to emphasize that the debt now affects each and every sector of the economy. The macro economic section of our countries is now in the hands of foreigners, because they all sit in countries and institutions that give us money. They come to get back their money, even when they are giving us debt relief by setting up HIPC through the investment policies that we are pursuing. So now we might not be required to pay back in hard currencies or in cash, but we are paying back in terms of policies that we are implementing and this is what my second point is about.

As we talk of debt, let us pay attention to the conditionalities that are attached to old loans and new loans that we have. Even when they are saying that HIPC is debt relief, look at the conditionalities that HIPC is coming with – we are getting debt relief from one side which is very minimal. On the other hand we are paying much more, as my friend here pointed out, where the SAPs has been implemented, again covered by the PRSPs to make us keep quiet. When you compare what it is doing under the PRSP to the macro-economic conditionalities that comes with the HIPC

initiative, at the end of the day, in a country like Zambia, finally the IMF/WB, the Zambian government and civil society are saying that we have no benefits coming in under HIPC initiative. This is a clear case. For further information you can take a look at our website, where we have put some of this information that you can access.

The third point that is key, is to link the debt crisis to some of the issues that were discussed in the morning. The debt crisis is being used as a tool to continue to exploit poor countries of the African region and Southern countries – and with the crisis creditors are coming down to disempower our national governments. Countries like Zambia now do not have to worry about what the policy is, need not have a planning unit. We just wait to see what the boys and girls from Washington come to tell us about how we are to work that particular year. So our national governments have been reduced to implementing agencies.

The other issue you see is that we are calling for development through foreign investment, rather than our own investment and there are many foreign investors coming in. I'm not saying we do not need foreign investors, but the extent of money that is coming in has made our economies become heavily dependent on foreign actors who can move in and out of our countries anytime they want. This is also linked to the debt situation that we are in.

The next issue is linked to the PRSP which is linked to the HIPC initiative, which is linked to the overall debt crisis, which means that, now it is the external world which determines the social conditions in which we live. The PRSP process itself is about how we can develop our social sectors which is being contradicted by the HIPC initiative. Today we are being told that one of the ways to develop is to make sure that there is education for all. At the same time using conditionalities of the HIPC initiative, the Zambian government is being told that it cannot be allowed to place all the teachers that were trained last year and the year previous to that. So out of the 9,000 trained teachers the IMF and WB told the government that they can place only 1,500 this year. It makes me wonder about how we are expected to meet the MDGs (Millennium Development Goals). While we are pursuing the PRSP, we are contradicting the HIPC initiative and then we are told that we have to devel-

op Southern Africa. We have to be a little bit more critical about the policies coming in from the outside world.

So then -what is the way forward? If we are considering the debt crisis and how we are to bring about change in the situation, particularly in Southern Africa – what ideas should we put on the table?

First of all we need to revive the campaign for total debt cancellation. We tried it in the past few years and although we were not successful, some progress was made. We can give our government some views, especially now that we are sure that with HIPC we will not resolve the debt problem. We need to revive the campaign also because it will promote solidarity especially for the poor, but it also gives a very strong platform on which the creditors will be meeting the debtors. At least if our governments are debtors then lets give them a backing when it comes to negotiating what is best for our countries, and I would agree that our demand should be total debt cancellation without any conditionality.

The second point that I wanted to raise, is the need to democratize the global governance systems, which is very key in this discussion. I still doubt how total debt cancellation and measures that regulate trading systems and development measures are country owned, under the current arrangement. If you look at the global government system like the UN, they are still operating under the old system of inequalities. So we need to strengthen these institutions in terms of membership to the majority poor countries. One way of promoting a solution to the debt crisis would be by democratizing the global governance system, especially the UN systems.

Coming to the issue of debt management – at the national level, there are certain actions that can take place, some processes that we can support. For instance, we have come to realize that we have fallen into the trap of debt because most countries have no concept of debt management systems. So it is easy to borrow imprudently for most countries in Africa, and it is easy for external lenders to drag you into borrowing. So at the country level, civil society and other NGO activists need to lobby at the national level to get national governments to put in place systems that will prevent further debt traps. This is possible because we have seen certain countries trying it out – it is not yet perfect and needs to be improved but is a start. And we need to make our governments more responsible to us.

The third suggestion that I could give in terms of the way forward, is to promote country designed development policies and processes – until now the donor and creditors were allowed to decide policies. But our weak governments are

falling into the hands of the WB and IMF. We need to get governments represent us effectively and get country led processes that will be more accountable to us.

Finally the issue of debt is seen as a monetary/economic issue – but if we take its impact on people's lives it gives donors the upper hand in deciding our country's fate. We need to promote the political angle in the discussions.

We need to identify at all levels – national, regional and international – responsibilities for the debt question and jointly struggle to work towards a solution.

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**CHAPTER THREE:**

*Participation in  
International Trade*



# *African Political Economy as if Reality Mattered*

BY YASH TANDON

Thank you. I would also like to thank our European partners for organizing this meeting. I am thankful because the meeting gives us Africans a chance to meet and talk amongst ourselves about our concerns and work. We do not get this opportunity enough. Since last night I have re-written my paper which I was to present today, in order to draw on a broader picture of the trade issue. Yesterday I said that when we sit to write a joint statement, we need to have clarity about the perspective and a clear analysis of the methodology. At this time in history we need to conduct a deconstruction of history as we know it. Our first task is a construction of a social theory because if we do not know where our ideology and our concepts come from, we are unwittingly trapped into a wrong framework. And we go on thinking in the old terms while believing that we are making changes, whereas we are actually running on the same ground. So our first task is to take an epistemological leap into a paradigm shift. I will start with the summary of Charles Abugre's presentation for those who were not here yesterday, and also to prepare the ground for my own presentation.

## **1. Summary of Charles Abugre's Presentation**

I agree with Charles in what he said. He said we need to have a proper perspective on the issues we are discussing. He made, among others, the following four points.

- 1) First we need to understand the *concept of hegemony*. There is no global system since time immemorial that has not been dominated by a hegemonic power. At this point in time there is one hegemon. However, I would add that the US is not the only hegemon. Europe in another context, in Africa, is also a hegemonic power. Europe is an Empire like the USA. Even the Left in Europe sometimes does not recognize the fact that they are part of an empire and there is imperialism. Imperialism is for them a bad word. The moment you use the word you are regarded as "radical", because you come from another school of thought.
- 2) Africa's role in the *global division of labour* was not really tied down to production but to extraction of resources primarily. There was never a time when the export-oriented strategy was applied seriously in Africa. All that happened was the extraction of natural resources – especially gas and oil.
- 3) The automatic trigger mechanism by which the Empire controls processes and decision making in our coun-



The keynote speaker during the session on African participation in international trade, Yash Tandon (SEATINI, Zimbabwe)

tries, particularly with regards to budgetary controls. For example, the IMF would come down to our countries and say, "We'll give you 50% of your funds now, provided you fulfill the required conditions. Once we have assessed how you have performed we'll give you the rest of the 50%". This may not be something that this audience may have experience of, but I have seen this happen in Uganda, my own country, which is highly dependent with regard to its current expenditure – where 49 % of government budget comes from donor funding. So the donors come in, they say "Perform and then you will get the money". That is what is important – the *trigger mechanism for control*.

- 4) The fourth point is the *principle of non-reciprocity* – extremely important. Historically speaking there has been no trading system based on reciprocity between unequals. *You can have reciprocal relationship only between symmetrical powers*. When countries attain a certain equal relationship in their trading arrangement only then can you have a win-win situation. Short of that, every asymmetrical relationship produces only asymmetrical

results. It is not surprising, therefore, that when there is an a-symmetrical relationship between North and South, there is also an increasing gap between the two. Unless you level the playing field you cannot have a trade relationship that can benefit both sides. Surprisingly when the EU was integrating itself within their own region, they were able to make non-reciprocal concessions to weaker members, like Portugal, Greece and Spain until they caught up. But with Africans, reciprocity is thrown overboard – we are asked to behave as if we were equal partners. This is a fundamental derogation of all norms of international trade.

I'm just summarizing the points made by Charles.

**2. Three Level of Analysis: the Social Factor, the Governance Factor, and the Imperial Factor**

The first point in our alternative framework of analysis is to understand reality from three levels – from the level of the people (or what I call the Social Factor), from the level of the state (or what I call the Governance Factor), and from the global level (or what I call the Imperial Factor).

The domination of the imperial factor in Africa is so powerful, more than in Latin America or Asia, that you cannot understand the present situation in Africa unless you understand the imperial factor – impossible. And yet even in this kind of conference you cannot talk of the imperial factor – that is why in Charles Abugre's presentation I found a good basis for our discussions.

**THE DOMINATION OF THE IMPERIAL FACTOR IN AFRICA IS SO POWERFUL, MORE THAN IN LATIN AMERICA AND ASIA, THAT YOU CANNOT UNDERSTAND THE PRESENT SITUATION IN AFRICA UNLESS YOU UNDERSTAND THE IMPERIAL FACTOR.**

The question of the Empire is very important but not the only issue. We need to analyze the situation from the other two levels as well: from the social and governance factors. Unless you analyze the global situation from all three levels you are not likely to understand what is happening in our countries. I'll give you an example from my adopted country Zimbabwe, where after the land reform the ruling party concentrated mostly on the imperial factor. It was correct in analyzing the land situation as an inheritance from the past, it was also correct in saying that the land reform was obstructed by the British because it was against their interest in Zimbabwe, but it was not correct in focusing on the Empire alone. There were other internal problems too, and these had to do with issues of governance and social justice.

The opposition party, the MDC, mostly looked at it from the governance factor – that the country was not run democratically, and that they did not have a fair chance to fight the elections. They were right up to a point. But they were wrong in that they ignored, or chose to ignore, the imperial factor. In fact the MDC sought the assistance of the British Empire to fight their battles in Zimbabwe – unlike the opposition in Kenya, who fought their war mainly on their own. The opposition in Kenya fought on their own for democracy, so that later they were able to bring changes that can be credited to indigenous forces. The moment you go to bed with the Empire, you de-legitimize your struggle in the eyes of the African people.

Coming to the social factor – both parties in Zimbabwe have in recent years been largely negligent of the social factor. We need to start with policies that take care of the most neglected, the disadvantaged, sections of society – women, children, the disabled, the immigrants, (people of the Netherlands, please take note, immigrants are also people), the refugees, etc. The social factor is very important because the government's legitimacy is dependent on their response to people's needs, especially of those that are the most vulnerable and the weakest.

But that is not enough. Another important dimension is how decisions are made and accounted for – the Governance Factor. A lot of the UN programs deal with the social factor and that is fine. Recently, however, they have gone on to discuss the governance factor. The World Bank and the IMF are now also talking about the governance factor, which is important. Later I'll go into what the problem is with the way the UN and the World Bank define the governance issues.

In summary form, one might say that 'Justice' equals social factor plus governance factor minus imperial factor.

$$\text{Justice} = \text{SF} + \text{GF} - \text{IM}$$

You attain justice (and peace) by fulfilling the material and social needs of the people, especially those most vulnerable, through a system of governance that is democratic and accountable, and through minimizing (and if possible eliminating) imperial interventions in your societies.

**3. Two Epistemological Perspectives**

Apart from these three levels of analysis, you need to have a correct epistemological perspective to understand matters in their right context and meaning. This is important when we begin to draft a statement at the end of this conference.

There is a perspective of *political economy as if morality mattered* – that is perspective "A". Then there is perspective

“B”, a perspective of **political economy as if reality mattered**. These are two very different perspectives.

Your analysis on many issues will depend on what particular frame of reference you have. Take the debt issue, for example. Under the first perspective one can say that debt is destroying Africa, that debt is very bad and so on, so let's ask for its cancellation. You then ask the people who are creating the debt in your countries to “please cancel the debt” etc. You take a **moral** position on the matter; you make an **appeal** to the very countries that create debts in our countries. This is from Perspective A.

The debt issue looks different from Perspective B, from the perspective that reality matters. On the debt issue, the reality is that *for the creditor countries, debt is a necessary instrument of control of Africa*. This is true not just in this century but throughout history, and not simply between empires and their colonies but among and within the colonies too. Credits and debts are not new institutions. They have existed from time immemorial. Credit is one of the tools with which landlords have traditionally controlled the peasants in most societies. In contemporary times, the Empire needs the tool precisely in order to put into operation what Charles was talking about – the trigger mechanisms. They can use the debt and aid levers in order to bring about a certain amount of predictability in the behavior of their colonies.

For those holding perspective B, it is silly to appeal to the creditors. They may write off some debts for their own reasons, but not because of an appeal to any sense of morality or concern for the poor of Africa. Bankers are generally *amoral* people. Hence, appealing to the Western countries for debt cancellation is absurd. If the colonies cannot pay the debt to the Empire, they should simply repudiate them and then wait for the consequences. It has happened before. From perspective B, the debtor countries should simply say, “We are not able to pay debt – we can pay some debts perhaps, those for which there is evidence of tangible benefits, but we are not going to allow you to use debt as a sword of Damocles over our head, for you to use when you please to control us.” Of course, there will be immediate sanctions if you repudiate debts, but you have to be prepared for that. If, as somebody said from yesterday's panel, if debt can be repudiated on a united basis, on a continental basis, as Africans, then they might get away with it. Most of that debt is illegitimate.

I am not saying that morality does not matter, it does. But first you must get your understanding of the reality on the ground – how do nations and empires behave on the ground. Charity has its own place in human relationships,

but as we move from community to the national to the global level, it has less and less resonance.

#### **4. Mercantilism and the Argument about Free and Fair Trade**

On the issue of trade, Perspective A says: “Africans have been getting poor terms of trade, let us give them a “fair” deal”. So you have fair trade shops all over Europe. It is okay, but basically it only helps to salve the conscience of the people coming from the moral perspective. It does not change the fundamentals of the situation, and unfair trade, like the debt overhang, remains part of the Imperial order.

For those of us who come from Perspective B – the perspective of political economy as if reality mattered – *trade, like debt and aid, is and has been a weapon of control and conquest in all centuries*. Mercantilism has been the basis of society throughout trading history. It's only for a short period in England in the 17<sup>th</sup> century that Adam Smith came out against mercantilism. Later, in the 18<sup>th</sup> century, David Ricardo talked of the division of trade globally based on the principle of comparative advantages, basically arguing that mercantilism is bad, and that if everybody practiced free trade then we have a win-win situation. That period lasted a very short time because free trade only benefited the English. It was clearly seen as unfair by the Germans soon after Germany was united in 1860, and so they reacted to Britain's free trade ideology with protectionist acts to promote and protect their industries and market in Germany.

Ironically the very arguments that Smith used – namely that free trade and individualism, are good for everybody – are used by neo-liberals today as a justification for mercantilism. Mercantilism is the basis of present day society as I will explain soon.

What we in Africa want is *equal trade, equal opportunity*. First the playing field must be leveled. Reciprocity is the weapon of the strong when asymmetries have been built into the global structure of trade. Unless these asymmetries are removed, we cannot talk about equal relationships or free trade. *We in Africa and the third world are not asking for special favors. We are only asking for the same opportunities that you have*. For the last thirty five to forty years, Africa has had concessionary access to the European market (for reasons that have to do with Europe rather than Africa, but that is another story). However, after the Doha round, after the waiver we got in Cotonou, we have been told that we will have to dismantle those concessions by 2007, and come to reciprocal relationships, on the grounds that non-reciprocity is incompatible with WTO agreements. Europe, for 37 years, has had its agriculture based on subsidies. It protected its farmers for all these years. A continent that has taken four decades to reform its agriculture, expects us in

Africa to reform in a matter of four years. We are simply saying that *you are not playing by your own rules*. They worked into the WTO built-in mechanisms by which they can avoid liberalizing agriculture even if their rhetoric is about free trade. There are three boxes in WTO's Agreement on Agriculture: the green, the blue and the red.

- Box one (green) – You can give as much subsidy as you want.
- Box two (blue) – You must reduce subsidies.
- Box three (red) – You must eliminate subsidies as far as possible.

Over the last three or four years, in absolute terms, Europe has in fact given more subsidies by shifting between the boxes. Like magic, the subsidies disappear from one box (the red box) only to appear in another box (the green one). But they say, falsely, that they are reducing subsidies as promised in the Doha Round. We in Africa, on the other hand, cannot give subsidy to our agriculture – we do not have the money to give subsidies. Why? Because of the interlocking mechanism that Charles was talking about. The conditionalities of the IMF that are put onto our countries are such that we do not have budgetary funds to give subsidies to agriculture.

So, to repeat, we are saying that *we do not want charity – we simply want equal treatment*. We want to do as you have been doing in the past to protect your industries, and what you are doing now is to skirt around the ideology of “free trade”.

### 5. On the Social State

One of the themes of this meeting is the social state. Here the line is that the social state must protect the human rights of the people. I agree with this. But our reality in Africa is that the state has been diminished. Our countries do not have policy options because of the trading regime. The Empire has conducted its relationship with Africa in such a way that they have deprived our governments of their ability/power to make policies related to health, education and so on. How do you deal with that reality? You do not deal with it by moral platitudes. You have to deal with it on the basis of the reality.

This is the importance of the perspective of political economy as if reality mattered. Morality is okay. The human rights approach is important to remind states that they have a responsibility – it is a political demand. They must respect peoples' basic need for food, health, work, etc. But the human rights perspective must be rooted in reality. The MDGs talk about giving education by the year 2015. Yet they deprive our countries of the very means of providing education, though they put down goals of education in

their development goals. How do we deal with that reality? Surely not by moral platitudes, but by looking at the reality on the ground.

When talking about poverty in Africa, people go to look for its causes in Africa, whereas the causes may be outside Africa. It reminds me of this story about a man who lost something precious in the dark and could not find it so he decided to look for it where the light/lamp was. He was looking for his lost thing and when he was asked where he lost it, he said, that he lost it there further on, but it was dark there and so he came to look for it where there was light. Our situation is quite similar. If you want to look for the cause of poverty in Africa, you have to look at Europe or the West. You need to look at the forces at work in those countries first. Here I am now talking to my sisters and brothers from Africa to understand why we are poor. There is no point to look for the answers in Africa just because they have turned the lights on Africa. You must look at the history of how Europe underdeveloped Africa, and continues to do so. But somehow nobody is turning the lights in that dark corner of European history and of contemporary Europe and America.

To understand why Africa's continuing poverty is a necessary condition for the prosperity of the West, we must look at the processes of globalisation, to which I now turn. This is the heart of the argument I want to make here, and therefore it is important to understand the logic behind it. On this I win or lose my case.

### 6. Globalisation is primarily a response to the crisis of profitability

The primary reason for globalisation is the crisis of profitability. The crisis is endemic in the system. I do not have to be an Adam Smith, a David Ricardo, or even Karl Marx to understand that there is an inner logic of capitalism itself which necessarily creates the crisis of profitability. Allow me to explain by a simple model although it will take a bit of time.

#### a) *The inner logic of capital is still driven largely by tension between capital and wages*

If you look at ‘value’ of a good, it is basically capital plus wages, plus of course profit. If you throw the other details aside, i.e. transport, etc., etc. value boils down to capital and labour. And profit. Even in neo-classical literature when they draw graphs they put labour on one side and capital on the other side and they work out correlations between them. Let us use some simple equations and give some numbers. Some people might be turned off if I get down to a little bit of arithmetic. But bear with me; it is really very simple.

Value = Capital + Wage + Profit. Let us put some numbers in.

$$120 = 50 \text{ (capital)} + 50 \text{ (wages)} + 20 \text{ (profit)}$$

In this equation your profit is twenty, and so also your *rate of profit*, i.e. 20 over 100 (50 for capital + 50 for labour), i.e. 20%.

People always think that the capitalists try to maximize profits. That they do. But even more important than profits is the *rate of profit*, profit in relation to investments – how much profit you make for every hundred or so Euros in investment.

In a capitalist system, the competition between capitalists necessarily drives them to reduce their wage costs and improve their capitalization of production by the application of technology to production. Technology is a necessary part of the innovation of capitalism, the good part of it. Also in the capitalist system, workers are restless and ceaselessly demand higher wages. So technology serves a dual purpose – it helps to replace labour, and it helps to improve your competitiveness against your rivals. So increase capital to 70 and reduce your wages to 30 and your profit remains the same at 20, and your *rate of profit* comes back to 20% (20/70+30)

$$120 = 70 \text{ (capital)} + 30 \text{ (wages)} + 20 \text{ (profit)}$$

What the entrepreneur has done here is to reduce wages and increase capital – profoundly simple, but also profoundly fundamental. He has replaced part of labour with machinery. This is part of the strategy of the capitalist entrepreneur, to compete against other capitalists.

Here is the problem. The entrepreneur tries as far as the technology would allow to replace labour with capital (euphemistically called “productivity of labour” in neo-classical and contemporary neo-liberal literature), but there is a limit. At some point the wage demand is difficult to replace with capital or suppress for political or other reasons, and the entrepreneur may face the following kind of scenario.

$$120 = 70 \text{ (capital)} + 40 \text{ (wages)} + 10 \text{ (profit)}$$

The entrepreneur’s profit is down to 10, but his rate of profit is even worse – 10/70+40 = 9% (about).

This, simply explained, is the famous theory about the inevitability of profits to decline under the capitalist system. It is no mystery. It is within the very logic of the system of social relations between the capitalist and the workers. The more the workers demand as returns to labour the more downward pressure they put on the returns to capital.

One way to counter this is through political means – put pressure on the workers, and break their unions. This is indeed what Margaret Thatcher did in the UK in the mid-1970s, followed later by the USA and the rest of Europe. That was the era of “de-regulation”, when all state-protected policies and instruments were removed in order that the owners of capital have a field day recuperating their profits, and putting a brake on their declining rate of profits.

That is one way to fight against the declining rate of profit – the Margaret Thatcher way, the political way, by curbing the passion of workers for better wages.

**b) Movement of capital and international trade**

A second way out for the entrepreneur when faced with wage pressure on his rate of profit is to take his capital to countries where either the wages are lower and/or the unions are weak. So he takes his capital from say Germany to China. What does this mean for international trade?

In international trade it means that this entrepreneur can now produce a commodity (say a car) in China with a fraction of the cost he will have to incur in Germany. He may invest only 45 Euros in capital goods and a further Euro 05 as wages (because the wage difference between China and Germany is enormous). So what you have is:

$$70 = 45 \text{ (capital)} + 05 \text{ (wages)} + 20 \text{ (profit)}$$

The foreign entrepreneur operating from China with low wages invests much less than in Germany to retain his profit at 20. But look what happened to his *rate of profit*. It has jumped to 50% – 20/45+05. For a smaller amount of capital investment, he makes a larger profit than if he were to deploy that capital in Germany.

The implications of this are immense. Taking capital to China has a double benefit for him. One, it helps the entrepreneur to increase his rate of profit, and secondly, he can now produce the same commodity (say a car) at a much lower capital investment. What cost Euro 100 or 110 to produce in Germany now costs him only 50. If you add his profit, then what was priced at 120 in Germany is now priced at only 70. Now he can export the car to Germany and compete against those who are still using German high wage labour.

No wonder German workers are protesting against capital leaving Germany and going to China, “where they use cheap labour, including child and prison labour”. The workers are resorting to moralistic argument, whereas the entrepreneur is quite clear in his arithmetic, for that is the reality.

Much of what passes in the name of “globalisation” is, in essence, precisely what is described above – *concrete measures taken by the Western states to deregulate their economies and by western corporations to globalize their investments* – all aimed at the same phenomenon, to counter the inherent tendency within the system for the tension between labour and capital to depress the rate of profit. But calling it “globalisation” does not dignify the process.

The implications of the above analysis are profound.

### 7. The myth about FDIs

One of the closely guarded secrets of our times is the myth about Foreign Direct Investments or FDIs.

It should be clear from what I just explained that it is not so much China that is looking for FDIs, but it is investors from Europe that go looking for investment opportunities in China. Well, both. But the matter is always presented in the media and by neo-liberal economists in a one-sided manner – as if it is China (and the rest of the third world) looking like beggars at FDIs to come to their countries. Many leaders in the third world have not understood the point about the declining rate of profit, and the pressing need for Western investors to push their capital to countries where labour is cheap and controlled. These investors need the third world badly, even desperately, to counter their own working classes, and the declining rate of profit. The reality is presented upside down – it is the third world countries that are made to appear as if they need FDIs desperately.

Those who say “poor Africa has only 2-3% of global FDIs” have got the wrong end of the stick. They are simply lamenting the fact that conditions are not good enough in Africa for them to bring more of their capital so that they can reap higher rates of return than what they get in their own countries or in other parts of the third world.

Multinationals seek to average out the profit globally. In Europe and America they make a profit of 1-3%, in Latin America a profit of 10-15%, in Asia about the same, in Africa about 30%. Western corporations would like to put their money into Africa, because profit is very high, especially in the extractive industries. But they are not able to do so – why? Because, they argue, the conditions are not safe for investments, there is “so much corruption” in Africa, and so on. They turn it into a moral issue – one of corruption and bad governance. But it is not a moral issue. Let us examine this argument a little bit closely.

### 8. Argument about corruption and good governance

Western capital owners would like to invest in Africa provided they can be sure that their capital is safe and they can manage the process.

*Managing the process basically means keeping governments in Africa under control so that profits can be made in Africa and externalized.* Big corporations and the Western governments that back them tend to put things in moralistic terms. They say, for example, that African governments are corrupt, and are not democratically responsible. But they are selective about who in Africa they criticize. There is not much difference between, for example, the governments of Uganda and Zimbabwe. Both are equally corrupt and equally authoritarian, but notice that there is criticism of the government of Zimbabwe but not of Uganda. There are no moral norms to distinguish one from the other – no. It is simply that in Uganda they can manage the process, in Zimbabwe they cannot. *Governance thus is not about democracy or any such thing. It is simply about creating conditions in our countries for safe investments for their corporations.* The

**GOVERNANCE IS NOT ABOUT DEMOCRACY OR ANY SUCH THING. IT IS SIMPLY ABOUT CREATING CONDITIONS IN OUR COUNTRIES FOR SAFE INVESTMENTS FOR THEIR CORPORATIONS.**

truth of the matter is that as long as they continue to face the problems of the crisis of profitability in their own countries, they must seek avenues for more profitable ventures in the former colonies.

People say that I am radical, or perhaps I am being controversial. It's actually neither. It is just a point of different perspectives. For although I do not discount the significance of moral values, I prefer to take a realistic perspective. We need to resolve our differences without calling each other names.

### 9. How the Problem of the crisis of profitability is resolved in the North

Coming back to our analysis from the perspective of realism, one must understand that the crisis of profitability is resolved differently in the North and in the South.

In the North one way to address the crisis of profitability is to depress wages – as I explained earlier. In the USA, for example, real wages have actually dropped over the last decade or so. This is one way of countering the pressure on profits. The second way is through innovation – technology. That too I explained earlier. A third way is to transfer assets from the state to the private sector – privatization. Privatization is what explains the contemporary pensions' crisis in the west. Since the deregulation of the economies starting mid-1970s, state pension funds have been privatized. If one looks at the pattern of pension funds investment only 10 years ago about 80% used to be backed by the state, for example in the UK. But now it is only 20%;

and 80% is on stocks. And when the stocks have collapsed pension assets have gone down. They have a major crisis because they cannot meet their pension commitments any more. The state has taken away claims to public assets from their own old, handicapped and poor people and put these in the hands of the private sector, who have put the money into stocks. Demographically speaking, populations of western countries are growing older and the pension funds are worried that they may not be able to meet their obligations when they are due in a few years time, because in the meantime stock prices have gone down, and so have the value of pension assets.

A fourth way to fight against a depressing rate of profit is through rationalization of production - mergers and acquisitions. Another way - a fifth way - is to use cheap raw materials so as to reduce the cost of production - they go to the South to get their materials cheap. The need for raw materials and to cheapen the cost of production is a major means to fight the crisis of profitability in western countries.

Let me digress here a bit.

Some commentators say that the US and Britain invaded Iraq for its oil. There is some truth in this, because Saddam Hussein had left out these two countries when he was distributing oil concessions, for which he favoured France and Russia. But there was another reason. In the year 2000, Saddam Hussein had shifted the pricing of oil from US Dollars to Euros. Iran was thinking of doing the same and other countries, like Venezuela, might also have followed. But in doing that Saddam was a threat to the entire US economy, which works essentially on a credit system that is dominated by the US dollar. The mighty dollar underpins the entire speculative market in currency and the international credit system. You shift 20/30% or 40% of that into Euros and the USA no longer has control over the credit system. So by shifting to the Euro, Saddam Hussein was creating problems for himself. Not only that, he also shifted the one billion or so dollars that were coming as relief into Euros. And, as I said earlier, he gave oil concessions to Europe and Russia, and not to the US and Britain. So when the Anglo-American Empire attacked Iraq, it was not surprising that the Europeans took a different position. They wanted to protect their oil interest. The first thing that the US government did in Iraq was to once again dollarise the oil economy - they regained control over the credit system.

Wars, I might add, is yet another means by which crises are countered, because in a war system armaments are disposed off for good, and you can start production again. Since 1945 you will see that there is an interesting correlation between war and the economy. The Korean War lifted the

US economy after 1953, and so did the Vietnam War in the 1960s. Wars are not fought for accidental, moralistic or democratic reasons, as propaganda says. The reality is quite complex.

*I have given several ways - from sacking workers and privatization, to mergers and acquisitions and waging wars - by which the global corporations, backed by their governments, seek to protect their profits from declining in their own countries. This is what is euphemistically called "globalisation".* There is no conspiracy theory here. If I were a capitalist, or a Government minister in a capitalist country, I would behave no differently.

### **10. How the Problem of the crisis of profitability is resolved in the South**

In order to counter depressing pressure on their profits, the corporations backed by their governments, take additional means in our countries in the South.

Here, first they must liberalize the markets in the South, because their own markets are saturated. Large economies such as India's and the Tiger economies were asked by the WTO to liberalize their markets.

But the liberalization of the goods market is only one part of the process. It was the *liberalization of the services* which is the more important part, the GATS, that has opened an enormous area of profits for the west. The privatization of water, health, electricity, education, etc. is not an accidental affair. From the perspective of the political economy where reality matters, they had to do it. What better ways of maximizing profits than by putting capital into water distribution, energy distribution, and so on. The reality is that these services had to be taken out of the hands of the state to make more profits for the private (ie multinational) sector. Now they have brought Genetically Modified Organisms (GMOs) as a mechanism for increasing food production.

#### **THE LIBERALISATION OF SERVICES HAS OPENED AN ENORMOUS AREA OF PROFITS FOR THE WEST.**

The real reason behind it is not to stave off hunger in Africa, but to create new means of controlling agriculture in our countries, so that those who control the GMO technology can reap profits. Goods and services, and yes technology too, have been the means used as mechanisms for prying open and to maintain control over our markets.

Trade in goods and services, however, is not a sufficient basis for the protection of their industries. *The primary thing is investments.* If they only exported goods and services, in 10-15 years they will be not be able to hold on to

their markets, because the Chinese with their lower wages will out-compete them. They cannot compete with China. By 2015 40% of consumer goods in global trade might come from China, provided the rest of the world does not raise tariff and non-tariff barriers against China. Even if the West succeeds in liberalizing markets in Asia or Africa they will not be able to compete against China. It is therefore not surprising that even workers in the North are using the WTO to argue that their governments erect barriers against the goods made in China on the grounds that “they use child labor, cheap labor or have poor working conditions”. A moralistic argument again – namely, that the Chinese “are not abiding by the standards laid in the WTO”. The truth of the matter is that the workers in the North are just trying to protect their jobs. They are also criticizing their own capitalist for taking capital out of their countries to China, and to this, they say, “Our capitalist are not nationalistic enough. Why are they going to China?” The nationalistic feelings in Europe are not accidental. Much of this has to do with profits and jobs.

As I said, the West can no longer depend on export of goods, for the goods market will or can be taken over by China. Hence, the only strategy for western capitalists is to go for the services and investment sectors. That’s why there was so much pressure put by the OECD countries to multilateralise the investment agreement. Thus in 1997 they pushed for conditions where investments could come and go as they wanted. This became the major problem at the WTO conference in Singapore in December 1996, and gave rise to the so-called “Singapore issues”.

Everybody has got the issue of FDIs (foreign direct investments) upside down. It is presented as if it is the countries in the South that need FDIs. The reality is that the West needs to export its capital, if its corporations are to survive. Western corporations need to create conditions in our countries so that FDIs can come to control production.

In China western corporations can control production mainly through controlling investments. And this is primarily through the control of technology – proprietorial technology where you have monopoly rights over that technology. You need only 10% investments in Chinese companies plus technology, and you can control production. However China is smart, and would not give up control over its economy. In China they dismantle, disaggregate, FDIs. They say, “We have enough money, we don’t need that from you; but we want your technology but on our terms; by the third year we want to produce the technology ourselves”. The Chinese are shrewd negotiators. In Africa things are different. In the tourist industry, for example, we tell the foreign investor to bring his own blankets, bed sheets and towels. This is the basis of their investment in Africa!

Absurd! (laughter) So that is the situation in Africa. In Africa, they insist that we open our market to their hybrid seeds and GMOs because through these they can control production in our countries.

To summarise this point, I said that trade for the West is important, but even more important is investment – the export of capital. Trade is a dependent variable. Investment is an independent variable. First comes production, then trade. So these trading nations of the past are becoming significant investment nations. That’s the significance of the MAI (the Multilateral Agreement on Investments) that the OECD badly wants, and why they are forcing such issues as the Singapore issues on us. And that is also why countries like India and Brazil are so opposed to the liberalization of investments. Through investments, the OECD corporations could control our economies for their profits rather than for the welfare of our people. It is for this reason that the four Singapore issues have been so contentious in the WTO.

### 11. Mercantilism defined

From the realistic perspective (what earlier I called Perspective B) I would define mercantilism in the 21<sup>st</sup> century as follows:

*Mercantilism is a body of thought and state policies that enrich and empower one nation and its private corporations and workers at the cost of other nations’ economies and their workers.*

Those who demand “fair trade”, for example for Africa, serve the very useful purpose of drawing attention to the inequities of the system. But the system is inherently unfair for as long as it is a question of survival of some at the cost of others, which as I said above is the essence of mercantilism, the ruling ideology of global trade today. It is not a question of morality or lack of it. For instance, it’s not that the German minister of trade or industry is not a nice man, or that he deliberately wants to impoverish Africa. But he has little choice in the matter; he (and governments in the West generally) have to protect their own interests first. It is as simple as that.

It is in this context we need to understand Cotonou and the African Growth and Opportunities Act (AGOA).

### 12. The Cotonou Agreement and AGOA

Cotonou is the trade agreement that is being negotiated between the ACP countries and Europe, and the African Growth and Opportunities Act (AGOA) is purely a unilateral “concession” by the USA to Africa.

There is a competition between these two sectors of the global Empire, but one that is unequal because the US is



the bigger hegemon. The USA can unilaterally, through legislation in the Congress, pass an AGOA and impose conditions on African countries – not just economic but also political and strategic. AGOA, by the way, is a fascinating document. It says that if any country is not in agreement with the strategic interest of the USA, it will be regarded as illegitimate in terms of AGOA. So the US government can decide to write off any country from the so-called AGOA “concession” at will. There is no negotiation – that’s how the Empire rules.

The Europeans cannot behave in the same fashion. They say, “We negotiate”. But they negotiate and are in a great hurry. Why are they in such a hurry? They have given us Africans only four years to adjust our agriculture while they have taken 37 years to do so. Why the hurry? The reason is that they have no choice, for if they don’t hurry up, the Americans will get Africa. That’s the reason for their being in such a hurry to conclude Cotonou.

**THE COTONOU TRAIN IS IN A HURRY BECAUSE THE  
EU IS ACCELERATING IT FROM THE DRIVER'S SEAT.  
BUT FROM AN AFRICAN PERSPECTIVE, THERE ARE  
MANY ISSUES THAT ARE STILL UNRESOLVED.**

I would say that the Cotonou Agreement is a farce – farce in the technical sense of the term. You have 48 African countries, of which 34 are LDCs. Of the other fourteen 5 are members of the Southern African Customs Union (SACU). That leaves 9. Of these nine countries 2 are island economies (Mauritius and Seychelles – they have very special arrangements on sugar and other things). That leaves 7. The LDC countries have nothing to gain from the negotiations at Cotonou, so why should they negotiate? Which leaves 7 out of 48 countries, and which are they? In Eastern and Southern Africa there are Zimbabwe and Kenya – two. In West Africa there is Ghana (which could have been an LDC, but it refused to be one), there is Nigeria, Cameroon, Ivory Coast, and Senegal – five. Of these 7 countries that may have an interest in negotiating Cotonou, Zimbabwe is ungovernable anyway, according to the EU. Kenya is called a developing country (not an LDC), which is absurd – it is not different from Uganda and Tanzania (the two LDCs).

So then why are they negotiating? An honest answer is that they are forced to. They are forced to by the agenda of the European Union (which wants to get rid of non-reciprocity, and get to Africa before the United States corporations do so) and because all other options for Africa are worse. So Africa has to make the best of a very bad situation.

Cotonou is a farce added on farce – absurdities added on absurdities. You now have a ridiculous division in Eastern and Southern Africa. “They” divided us in two groups – I use the word “they” as a simplification; it is never the Empire that does these things – it’s always the Africans that do it of their own “free will”, as an exercise of their own “sovereignty”. Out of their own free will, they have created this geographic reconfiguration. Therefore “SADC” is redefined as a region consisting of the 5 Southern African Customs Union (SACU) countries plus Tanzania, Angola and Mozambique, with South Africa sitting in as “observer”. But why call them SADC, when four of the original SADC members – Zimbabwe, Zambia, Malawi and Mauritius – are not part of it? These four countries are now together under Eastern and Southern Africa (ESA) negotiating team along with most of the countries of Eastern Africa, except Tanzania which is part of the East African Community (EAC). Tanzania withdrew from COMESA and so cannot be part of the ESA team. There are thus two geographical divisions now, both equally absurd. These are random groupings.

When I talk with the ministers and trade negotiators in these countries, one to one, they admit that what they are doing really does not make sense or logic. But they then quickly add that they expect the IMF team in June, or whenever, and they will need budgetary support from the European Union, and therefore it is better to play the game and be “part of the globalisation”, and “you cannot escape globalisation anyway”, so “make the best of it instead of complaining”, and so on and so forth. And they also say that they see themselves as “sovereign” states, and that they make these decisions themselves.

It is particular tragedy for the East African Community. In terms of integration the EAC has gone even further than the European Union, much further. This is because unlike in the European context the East African Legislative Assembly (EALA) can make legislation that is binding on Kenya, Uganda and Tanzania. The Assembly has supra national legislative powers, and although heads of state can veto, the EALA decisions are otherwise binding on the three constituent nations. But in the present grouping, East Africa is being dismembered. They (and this includes more than just the Empire) want to dismember the East African community just as they are dismembering SADC.

What is happening in Africa is a geographical reconfiguration (or disfiguration) that does not have a basis in her history or in what people want. It is happening because of the Cotonou negotiations. Cotonou is supposed to preserve the Lome *acquis*, including existing efforts at regionalism. What in fact is taking place is “*perverse regional integration*” – one not wanted by the people but forced by external cir-

cumstances. What is actually taking place is the geographical re-division of Africa on the scale of 1884, no less. That is what is taking place right in front of our eyes. In addition to being regional it is also sectoral, so that Britain can take finance, France, water, etc. We need to do some more empirical research on this. The regional “integration” of Africa is taking place not on the basis of what people want but because of the demands of investment capital from outside.

SEATINI, the organization from which I come, is the only regional non-state actor involved with the ESA negotiations, and is generally familiar with the decision making processes. The process goes as follows. At the national level, there is a national trade policy making body. The national positions then come to the regional level, serviced in the case of ESA by mainly the COMESA Secretariat. COMESA is the Common Market for Eastern and Southern Africa. Then matters go to the committee of ESA ambassadors in Brussels. This is where political negotiations take place with the counterparts from the European Commission. It is very interesting how things work, because at every step of the way you have to do things very fast, sometimes within days, or when texts are being negotiated, within minutes. The whole process has to be completed in three or four years.

The Cotonou train is in a hurry because the EU is accelerating it from the driver’s seat. But from an African perspective, there are many issues that are still unresolved. I have enumerated at least twenty issues that are left hanging from Phase I of the ACP-EU negotiations. For instance, we do not know what the revenue implications are of these regional agreements. A lot of our countries derive revenue from tariffs, but if tariffs are lowered, what happens to revenue? Furthermore, we have not carried out an analysis of what

**WE DEFINITELY WON AT CANCUN, BUT THE  
WESTERN MEDIA PRESENTS CANCUN AS A  
'DEFEAT' FOR AFRICANS.**

other options are there for us. What is worse is that we do not have the capacity to negotiate. The capacity at every level is built by the EU for us – we get funding from the EU. Based on spurious capacity building, “technical negotiations” take place at three different levels (national, regional and at Brussels), and joint technical positions (by the EU and African technical teams) will, I think, be presented to the political guys even without these matters having been fully discussed at the national, let alone regional, levels.

Negotiations under these conditions are a farce, ridiculous. Very few African ambassadors in Brussels have negotiating skills, because (unlike the ones in Geneva) many are

appointed on the basis of patronage rather than on the basis of their negotiating skills. So then these joint technical positions will be adopted politically at Brussels and passed on to our ministers, who work under pressure and have no time to study the matter. The negotiations have to be completed by the year 2006 because by December 2007 they have to be signed. But then the question is: who signs the agreements? The ESA does not exist as a customs union – so each of the ESA countries will probably sign it individually with the European Union consisting of 25 countries as a bloc. Once again a fragmented Africa facing a united Europe – just like at Berlin in 1884. We do not know how it will work out. We will have to face that issue when we reach there.

**13. Concluding remarks**

I am sorry I took so much of your time but I thought I had to do it because I do not think I will get another opportunity to address our African brothers and sisters in this manner again.

However, I do not wish to end on a note of despondency. In spite of odds, Africans can win a few battles if they unite. We were there at Cancun for the Fifth WTO Ministerial in 2003, and though there were differences amongst us Africans, we stuck together, and with the support of our European, Latin American and Asian comrades, we were able to hold our own.

What is interesting is the way the Western media presents matters. When we felt absolutely devastated with the Doha agreement, the western press was saying that it was a “victory” for third world countries. The western press was putting matters upside down. Now we are seeing it again with Cancun. We definitely won at Cancun, but the Western media presents Cancun as a “defeat” for Africans. When we came out of Cancun they said: “Oh no, the Africans have dropped a stone on their feet. They have made things difficult for themselves.” You may take it from me, friends, that Cancun was a victory for us. And I’ll tell you who did a great job at Cancun. Among others, it were the women parliamentarians from East Africa. They put the East African ministers on guard. They warned the Ministers, “Don’t sign the four Singapore issues; if you do, then when you come home we will embarrass you in public in our traditional ways.” And the warning worked.

So there is hope for Africa. As long as the people are alive to the issues facing Africa, and as long they are involved in participatory forms of democracy, even on matters as complex as international trade, Africa can win even difficult battles!

## *Partners or Predators? - How Europe's Expansionist Trade Agenda has Hijacked Development Cooperation*

BY NANCY KACHINGWE

The negotiations for Economic Partnership Agreements, currently taking place between the European Union (EU) and various sub-regions of the Africa, Caribbean and Pacific (ACP) Group, pose some fundamental questions about the continued value of North-South cooperation partnerships such as the Cotonou Agreement. It is claimed that the outcome of the negotiations should primarily contribute to the economic development of ACP countries, particularly poverty reduction and the integration of ACP countries in the world economy. But the same negotiations are doggedly following the 'free market fundamentalism' which have become the hallmark of the policy prescriptions imposed by the international financial institutions on developing countries. Rather than provide some relief from this dogma, the Economic Partnership Agreements are likely to impose more of the same. Since so far, liberalization has created more poverty than it has reduced, and has left ACP countries more marginalized than ever, we need to question whether EPAs are the way to go.

### **Background ... from trade preferences to free trade areas via the WTO**

The term 'Economic Partnership Agreements' suggests a very benign – even beneficial – type of agreement, particularly given that the negotiations are mandated under the EU's development cooperation framework for the ACP Group – the Cotonou Agreement. The Cotonou Agreement provides €15200 for the first 5 years of the Cotonou Agreement (2000-2005) for development projects. In addition to development aid, the Cotonou Agreement mandates the negotiation of Economic Partnership Agreements, which should lead to the establishment of free trade areas between Europe and sub-regional configurations of the ACP. These sub-regional configurations may or may not be existing economic regional blocs.

The predecessors to the Cotonou Agreement were the Lome Conventions. These treaties also made available a financial package, but in addition granted ACP exports access to EU markets on preferential terms. Because the Lome Conventions were a development cooperation agreement, these preferences were non-reciprocal – meaning that the ACP did not have to grant the EU similar preferences to those conceded to them by the EU. However, because the preferences were exclusively for the ACP Group and

could not be enjoyed by other developing countries, the WTO ruled that the EU's trade regime for the ACP countries violated its rules on non-discrimination, and gave the EU up to 2008 to change the trade regime, or stop the preferences altogether.

This ruling opened the way for the EU to propose the establishment of free trade areas, which would ostensibly allow the ACP to continue to export under the same terms as under the Lome Conventions, but which would also mean abandoning the non-reciprocal nature of the trade concessions. It should be noted that it is this element (non-reciprocity) which gave the Lome trade regime a developmental character. Non reciprocity acknowledges the economic imbalance between the ACP and the EU and affirms the responsibility of the richer partner (the EU) to assist the poorer countries in their development, through trade. Shifting from non-reciprocity to reciprocity, in the form of a free trade area removes the development element from the trade regime because trade takes place on a competitive basis between partners of unequal strength.

The EPA free trade areas have to follow the WTO rules for regional trade agreements which is that they should cover 'substantially all trade' and tariff elimination should be completed over a 10 year period. The EU has interpreted 'substantially all trade' to mean 90% of trade. In this sense, the EPA negotiations are leading to far greater liberalization than that undertaken under the WTO negotiations or even under structural adjustment programs. The WTO provisions assume a level of equality between the parties to the Agreement, but do not cater for free trade areas between an economic superpower like the EU and poor, commodity-dependent, vulnerable economies that make up most of the ACP Group. EPAs therefore become even more problematic because their parameters are defined by the WTO rules, rather than by the circumstances of the signatory parties.

### **The European Union and regional trade agreements – WTO through the back door**

The EU has been one of the leading advocates of what social justice movements call 'corporate globalisation'. As such, the EU's external trade policy is guided by the promotion of open and deregulated markets, in both goods and services. To achieve its policy objectives, the EU has



During the session on trade: Nancy Kachingwe (TWN, Ghana) speaking on Economic Partnership Agreements (EPAs). With Steve Emmott (Greens/Efa) on the Left, and Viriato Tamele (Economic Justice Coalition, Mozambique) on the Right.

worked through the multilateral trade negotiations in the WTO as well as through bilateral free trade agreements with individual countries or groups of countries. Both within the WTO and the bilateral agreements, the EU's demands have been drawn from the same agenda. In the matter of revising the Lome trade regime, the EU's preference for free trade areas was determined primarily by its own external trade agenda, rather than by the developmental goals of the Cotonou Agreement. And even though the majority of ACP countries are Least Developed Countries, the EU was not prepared to change its 'one size fits all' approach to trade agreement with developing countries.

The EU negotiating directives indicate that EPAs should take a path of all out free trade. 'EPAs shall be directed at establishing free trade areas between the parties' over a ten year period whose scope will cover eliminating import duties, export duties and quantitative restrictions. EPAs should also provide for progressive and reciprocal liberalization of trade in services, opening of capital markets, procurement markets, investment and competition rules. EPAs should also seek to include agreements on issues like intellectual property rights, even though in the WTO such issues remain unresolved due to disagreements between developed and developing countries. What is sought by the EU is therefore a free trade area, which is not limited only to tariff elimination, but which also encompasses a raft of far reaching policy measures that will remove any existing regulatory restrictions for investors or corporations wishing to operate in ACP countries. EPAs allow the EU to bypass the WTO system and settle these issues with sub-regions individually, where it has greater negotiating strength.

The ACP Group objected strongly to the EU's proposal to abandon the non-reciprocal nature of the trade regime. They argued that this would place a heavy economic burden on them, since they are not in a position to compete

with EU exports, and feared that this would open the way to dumping given the amount of subsidies that the EU provides. They argued that less drastic WTO compatible alternatives could be found, especially if the EU and ACP Group worked together to make WTO rules more development friendly. Since the EU has refused to consider any other alternatives, ACP countries have a choice to either negotiate EPAs or be left with nothing.

Meanwhile, despite proclaiming that EPAs are 'instruments for development', the EU has proved to be particularly unresponsive to the issues raised by the ACP Group throughout these negotiations – whether this is in relation to the problems with the WTO Agreements for developing countries, the dangers that further liberalization would pose for key domestic economic sectors, or the need for additional aid to compensate for the losses that ACP countries would bear as a result of the introduction of free trade areas.

In the catalogue of issues for the EU's external policy, development is a relatively minor concern (eg. compared to issues like migration, security/terrorism or trade). The negotiations are being managed by the Commission's Trade Directorate, for whom development at best is window dressing to defend their trade policy. As the question of additional funding continually comes up from the ACP trade negotiators, EU representatives maintain that they only have a mandate to negotiate a trade agreement, which does not cover development issues or additional funding.

It is not possible to turn around the direction of the negotiations without pressure on the EU member states to revisit the mandate it has given the Commission. We know that ACP governments will only be able to do so much, and so far they have been unsuccessful in reversing, resisting or mitigating the EU agenda. Therefore the pressure has to come from constituencies within the European Union who would wish to see the EU behave differently towards its ACP partners.

**ACP responses: confusion, contradictions and compromises**

As mentioned earlier, the ACP countries raised strong opposition to the EPA free trade area proposals from the EU when they were tabled during the negotiations for the Cotonou Agreement (1998-2000). Their resistance has slowly been worn down (or they have allowed themselves to compromise) to negotiate free trade areas. It is important to acknowledge that many ACP regions rely heavily on their trade with the EU for export earnings. In addition, the Lome preferences have been the launch pad for the growth of many non-traditional exports in a variety of ACP countries. Trade preferences have also enabled ACP countries to maintain the viability of a number of agricultural com-

modities which have been traditional exports (eg. sugar, beef, bananas). The loss of preferences is therefore not something that can be considered lightly by governments, and is the reason for many governments eventually to negotiate EPAs.

While they have accepted to negotiate these 'free trade partnerships,' the ACP approach to the negotiations has been to try to make EPAs more palatable, by demanding that EPAs should contain a development dimension, alongside liberalization. In particular, their demands are that EPAs include:

- additional funding for development programs that would help them to diversify their production base and become more competitive,
- compensation for revenue lost through the elimination of import duties on EU goods
- changes to the current EU trade regime which have proved to be obstacles to ACP imports (rules of origin, standards etc.)

While it is useful to try to introduce these development dimensions, so far the EU's trade negotiators have been extremely hostile to these proposals and are not prepared to negotiate issues that do not already fall within their own negotiating directives. In fact, trade negotiators from the EU are trying very hard to have most of these issues removed from the negotiating table before the real haggling in the negotiations starts. Unfortunately, as the negotiations have proceeded, the ACP have been giving more and more ground at the early stages, either by watering down or abandoning altogether some of their key demands or by agreeing to accommodate those demands from the EU that they initially had wanted excluded from the negotiations. There are many examples where this has been the case.

Unlike the EU, where the fault is with their negotiating proposals, the problems for the ACP lie in their strategies for dealing with the negotiations, the levels of understanding of what is at stake, the compromises that are continually made for reasons of political expediency, the diversity of agendas within the Group itself and the contradictory stances in the negotiations. ACP government officials have defended their decision to negotiate free trade areas on the basis that:

(I) they do not have a choice and (II) they cannot go back on commitments that have been made in the Cotonou Agreement. At the same time it is difficult to have confidence that the governments can deliver a positive result.

Although the ACP countries have battled hard to introduce a development track in the EPAs to counterbalance the free trade pressure from the EU, they have had problems maintaining group cohesion, both at the all ACP level, and now at the regional level. As the more powerful and better

organized group, the EU has managed to keep itself in the driving seat in the negotiations, and retain the parameters it wants for the negotiations.

ACP Government officials will affirm that EPAs are not in their best interests and they are trying to make the best of a bad job. Nonetheless, it does not appear that countries have seriously thought through the non-EPA option, which is in fact a possibility under the Cotonou Agreement. For some countries, such as LDCs, their market access is guaranteed through EBAs, so they have nothing to lose from opting out of an EPA. Admittedly, there are no easy choices in resolving the problem of the EU-ACP trade regime, but to have rushed into launching negotiations without thinking through alternatives, exposes some of the weaknesses of the governments.

The second consideration which is fundamental to how many civil society actors have viewed these negotiations, has been the manner in which EPAs impose a particular model for regional integration – which is that of 'open regionalism'. This model pulls entirely in an opposite direction of existing/traditional African regional integration initiatives, whose rationale is for countries to strengthen trade with each other as the basis for economic growth. In this arrangement trade with third parties outside the regional arrangement can still continue and in fact is necessary, but the third parties are not treated on an equal footing as those within the regional trade arrangement. Under an EPA, the EU would be treated as favorably as members of the regional trade arrangement, in contradiction to the original regional integration ideas.

Even if ACP governments defend their decision to negotiate EPAs by incorporating a development agenda, it still does not justify recasting our regional integration agendas and programs to accommodate the European Union. A case in point is the creation of the East and Southern African negotiating group which has now been set up for the sole purpose of a trade agreement with the EU. The result is more fragmentation in an already complex set of regional arrangements. Whether or not EPAs will bring fresh inflows of funding does not justify such a radical shift in our regional agendas. Nor can governments defend EPAs by their position that they are going to complete regional integration processes before introducing EPAs, given that the time frame for the two are so close that they might as well be happening simultaneously.

### Conclusions

For both EU and ACP citizens, the EPA negotiations are about mandates and about short circuiting democratic process to introduce policy reforms and frameworks (in the guise of a trade agreement) that have not been a subject for

public debate and that do not have public support. Certainly in debates within Europe, this problem is becoming a very sensitive one for EU citizens. We would like European citizens to know that the democratic deficit in the European institutions has repercussions beyond EU borders!

For ACP citizens, the EPA battle is a political one first, because having given our governments mandate to govern, this mandate is being abused by signing on to treaties which have long term implications for their own domestic economies and growth and which they themselves admit could carry dangers for key economic sectors. While we consider the EU to be the bigger culprit in this affair, if our governments continue to cede more ground to the EU, then we also have to be prepared to confront them about whether they are really doing a good job in representing our interests. In any event, the EPAs have such far reaching consequences for domestic and regional economies (if the EU gets its way, which it is likely to do) that the negotiations should by now have been opened to public scrutiny and debate.

It is important to mention that by signing on to EPAs, we are opening the door to other nations to demand similar free trade agreements as a condition to keeping the 'preferential trade terms' that they accord our exports. If the EU has done this with Cotonou, there is nothing to prevent the US from doing the same with AGOA. All the work that we have done in the WTO to keep open some level of policy flexibility to protect our industries will be unraveled by these regional agreements.

Finally it is critical to expose that 'partnership' and 'development' are simply guises for a much more sinister agenda. We disagree with our governments who – perhaps in all sincerity – believe that somehow they can fix the negotiations so that EPAs deliver development. Development will only be delivered through programs and plans that are put together with the inputs of different local economic sectors and groups after processes of consultation and debate, based on knowledge from those who understand the problems of African economies in their entirety and have spent time on the detail of how to fix what is wrong. If EPAs do not fit in with such plans, then we have to find alternative trade arrangements with the EU. If the EU is not prepared to consider any options other than its own, then we have to conclude that the partnership has finally reached its 'sell-by' date.

# *Building An Economy Based on People's Needs*

BY VIRIATO TEOTÓNIO TAMELE

It was with much hesitation and deep feeling of responsibility that I accepted the invitation to present my views on alternatives to the ongoing process of globalisation in the realm of trade, which I call *building people's needs into the economy*.

I have to say right from the beginning, that my presentation is mainly based on the International Forum on Globalisation that provides the creative space to explore ideas and possibilities, and the World Social Forum, a world event and an open space for debate and discussion, a forum of articulation of alternatives embodied in the call, "Another World is Possible!"

What I'm going to say does not commit my people in my village, does not commit my organisation in any way, does not commit my family, and friends, as I'm here in my own capacity.

I feel that it can help all of us, if we are led by force of examples, and by the lyrics of the words and their metaphoric dimensions, rather than by the presentation of a harsh reality that may offer to us some difficult choices.

I consider it indispensable, for the understanding of and for the contribution to the construction of an alternative development paradigm of our society, that we have a knowledge of our history and a comprehension of its socio economic and environmental conditions, as much as considering cultural dimensions and philosophical attitudes.

From this splendid conference hall or from the sheltered environment of our homes and offices, we can, easily, forget what the world is for the large majority of our fellow compatriots.

*"The philosophy of realism sometimes leads to defeatism. We must be realistic (for the world out there is real), but don't let the odds out there overwhelm you. The out there can be challenged and changed.*

*The objective of development is transformation, not simply adaptation. Defy the existing power, do not meekly conform and comply. (...)*

*The transformative philosophy is visionary in the long run, and practical in the short run. There are many practical ways of*

*defeating the system (...)* The vision provides the **direction**; the sense of the practical provides the **means**. **We can do it. Don't allow a sense of defeatism to paralyse action.**"

Yash Tandon

I'm not going to bore and tire you with litany of numbers and facts, but some figures are necessary to understand the situation: world trade rules rob poor countries of \$2.4 billions USD a day – 14 times what they get in international aid and 30 times the amount they pay in debt repayments. According to United Nations estimates, this means that if trade rules worked for poor countries they could reap benefits of up to \$1296 billions USD a year. Trade is a powerful force and has the potential to reduce poverty and improve the quality of the lives of millions of the poor, but this cannot happen with the current trade rules, because at present, trade rules are designed to make rich countries richer and poor countries even poorer.

Developing countries are squeezed out of international markets and even in their own local markets. They are pressured to accept internationally agreed trade policies that undermine democratic accountability by reducing the rights of their governments in crucial areas such as regulation of foreign investment and the provision of basic services.

Before I talk about alternatives, it is important to make an analysis of globalisation and the case of Africa is crucial in this context.

## **Globalisation in Africa**

Anybody with any degree of intellectual integrity would see that globalisation of Africa – or integration of Africa into the global economy from the days of slavery to the contemporary period of capital-led integration, has been a disaster for Africa, both in human terms and in terms of damage to Africa's natural environment.

Africa's role in the global system is better appreciated from a view of the historical development of African states. The continent went through an agonising slave trade and colonization. No one can fail to notice the link between the degree of destitution of the peoples of Africa and the length and nature of the exploitation they had to endure. The persistent problems confronting Africa and its people includ-

ing those in the Diaspora, could be traced to the evils of slave trade, colonialism, and neo-colonialism. Africa was the theatre of sustained savagery, perpetrated by European conquerors, slave dealers and colonial plunderers.

The force of imperialism caused the disintegration of our societies, so as to build what are now the most advanced economies in the world. The continent remains marked by crimes visited on it by imperialism, and up to now its potentialities are restricted by under development typified by both the debt-trap and inequitable terms of trade, which conspire to hold the continent down.

The first centuries of colonization affected profoundly the fabric of African society, especially along the coastal areas, through a massive export of slaves and imposition of a monetary economy on an agrarian and pastoral society that used to be self-sufficient in most aspects of daily life. The progressive advance of the settlers and of the traders, without changing the African Society into a modern way of living and working, created what is now known as underdevelopment or by the euphemism of a “developing” world. The indispensable compatibility between the African traditional ways of living and the new form of governance as well as new economic goals and abstract codes of laws has not yet been resolved.

A consequence of ideological blind spots and refusal to accept the evidence of history is that, whilst capital-led globalisation is at the root of the Africa crises, it is also, miraculously, suggested as its solution. Within the process of globalisation, whose primary motive force is to suck resources out of Africa, a “solution” is provided to Africa’s problems, namely more productive use of land based on the application of modern science and technology.

Indeed the argument is made in such beguiling terms that we are made to believe that only the most avid “backward” and obscurantist Africans wanting to “return to the past” would fail to see the “obvious” advantages of science and technology. Such an African is accused of being opposed to “progress” itself, and therefore a bit soft in the head. The point about science and technology is that there is of course nothing wrong in applying science to production. What is so dangerous about the contemporary epoch is that science and technology are in the hand of those who own capital and had become means to extract profits for the multinationals, at exorbitant cost, from those who have to buy this technology. Capital and technology are offered as “neutral” tools of development abstracted from the exploitive relations from which capital is generated in the first place. Towards the aim of accumulation capital revolves in an unending circuit, like a dog chasing its tail.

Globalisation, as the latest manifestation of capitalism, is yet another layer of tyranny of capital on an already burdened economy of Africa. The combination of modernisation and globalisation is lethal. It means, for example, to put agriculture in the hands of modern technology owned and controlled by large multinational corporations whose primary interest is to generate profits for themselves, and not the welfare of people or something as social-oriented as food security.

### **Retaking of the common goods**

Biodiversity, seeds, air, and water are the basis of life, of the integrity of the ecosystems and of the sustainable human community. Democracy, social security and cultural diversity are the basis of human rights. According to the UN universal declaration of human rights, all the people of the world have the right to citizenship, including access to health care, education, housing, work for a fair wage, and human dignity.

We have an obligation to protect biodiversity and its components, as well as to protect the fundamental human rights of each person of this world. We must stop and revert the process of mercantilism and the privatisation of the common goods that is undermining the ecological survival of all of the species and the basic needs of the people all over the world. The time has come to determine which goods, services and sectors can be subjected to fair trade rules and which cannot.

In all cases, for people’s basic needs, such as health care, education, water, sanitation, electricity, housing and a fairly earned wage, the governments should declare those areas as public rights and out of the privatisation process. None of the agreements based in the current free trade concept should in any way cancel the democratically defined decisions in any of the sectors, that should include, food and agriculture, natural resources, culture and its heritage, health, education, welfare and social security.

The time for this debate arrived with the establishment of the current trade system after World War II; it was not determined that the rights in the Universal Declaration of Human Rights should be privatised and transformed into commodities and be sold to the highest bidder in the free market. Let’s give to Caesar what belongs to Caesar. Let’s retake control of the public power and civil society, which is sacred for life on earth.

### **About the alternatives**

One of the ideological bases of capitalism is to say, “there is no alternative”, and it is necessary to improve liberalization so as to resolve the remaining problems. Others will say that important areas of human activities do not belong to





View from the Hall, with Françoise Bangre (Roppa, Burkina Faso) addressing the audience

the market and there is a need for a minimal state role to have an effective market, including a legal framework, securing education, infrastructures and public order. At last, in the face of harsh reality of hunger and misery, all agree on implementing poverty alleviation programs and with the mobilisation of organisations, including faith based ones, to improve the situation.

However, is not recognised in capitalist countries that the market is based on social relations; that in the current economic situation the market builds inequalities and it needs the inequalities to procreate. The logic is: let there be competition, the best (most powerful) wins, maximisation of profits, the minimization of production costs, a subservient workforce, privatisation etc. are the consequences. In this perspective, the social relation between partners becomes unbalanced, mainly the relation between capital/worker. Even worse, the trade relation rules the combination of the collective human activities, from education to health, including social security, pensions, public services, etc.

#### **How to deal with alternatives?**

We have to recognise that the concept of alternatives is ambivalent; we can have alternatives within the capitalist economy or we can refer to the replacement of capitalism.

Before we sink in the concrete fields of alternatives where reasonable alternatives are presented today we must not forget 3 things:

1. Alternatives are produced by the social actors, and can only emerge through the discrediting of the current situation, meaning real capitalism. This is a crucial step. In other words we must destroy the idea of TINA – There Is No Alternative;

2. We must also not forget that the market is a social relation and can only be exercised in the new world through the convergence of global resistance;
3. The system must be changed, the mere alternative addition or even a multiple of it is not enough to achieve the objective. We must be aware that people in the world are directly or indirectly linked in social relations to capitalism, directly through the capital/work relations or wage-earning, indirectly through a number of other mechanisms from agro production for export or raw materials, through debt service, the free market, currency fluctuation, financial speculation.

We must also add to the points above three other dimensions: the utopia, the medium-term objectives and concrete steps. In these dimensions, these days there are a lot of ideas, suggestions and experiments.

#### ***The utopian dimension***

We refer to utopia but not to mean illusions, not even as a showy idea, but to mean a mobilising project. We must dream of a better world and fight for it even if it is not for our own benefit but for our children. We must keep in mind that capitalism started 500 years ago and it will take time to be defeated.

We must keep in our mind that the dream holds an important lyric dimension. Between the utopia and the dream there is a reality. The utopia should be seen as an emblematic reference that guides us, the dream as a hope that is anchored in our reality.

The utopian level must be translated into programs. Therefore, it is necessary to take a step forward, looking for a space of convergence between the utopia and the medium-term objectives and concrete steps. But at the same

time we cannot forget that it was the neo-liberal utopia that led the developed countries to join the WTO, hoping that with economic liberalisation global happiness would be achieved at the beginning of this century.

### **Medium term alternatives**

The medium term alternatives are the general objectives, achievable but still needing to be translated into a number of concrete proposals, to be re-considered as short-term alternatives, and organised according to the possibilities and the opposition that they will face. We are going to consider two main fields of application: the economic alternatives and the political alternatives.

#### **a. The economic alternatives and their social dimensions**

What is being proposed is that there are some human activities that cannot be part of the market rules, or else they risk losing their meaning. We are talking about culture, education and even the means of communication. And in open markets there must be a space of manoeuvre for the countries with weak economies. The free movement cannot only refer to capital and goods; it must include the free movement of people as the main priority.

On the other hand, the trade agreements such as the Economic Partnership Agreements – EPAs are in favour of the northern corporations at the expense of the South's efforts to achieve regional integration. Such agreements will not respond to the people's needs and they will open wide the economies of the African, Caribbean and Pacific countries. This situation will reinforce the unipolarity of the triad – Europe, Japan and United States.

There is an urgent need to shift the north-south relations and eliminate the development barriers for developing countries, reversing the orientation of the financial flows that are converging towards the developed economies as a consequence of their power in the world. Those barriers are created by the unstable price of raw materials and commodities and because of the dumping of products from the north.

#### **b. Political alternatives**

Economic alternatives have little chance to materialize if they are not linked to political alternatives. In fact, what is called globalisation has an enormous capacity to impose its rules on all people. In the true sense of the word the counterbalance can only be political. At a global level, essentially there is a need to strengthen the international organisations and democratise them. Concerning the United Nations and the Security Council, it has the role of peace keeping; and the same can be said of the UN's specific agencies. There is a need to reform and reduce the power of

Bretton Woods institutions namely the World Bank and IMF, including the WTO, by bringing them back to their original function of regulation of the world economic system. A convincing case for the replacement of the Breton Woods institutions with alternatives that could better serve humanity and the planet is needed. All this must be followed by the restoration of the role of the state as a guarantor of social objectives and ecological concerns.

This leads us to the reparations to African countries, towards a peaceful world order and a global economic system that will benefit both the north and the south. Reparations to Africa must become an urgent imperative as there are logical, historical and moral grounds to believe that Africa can be compensated for its ills.

It must be emphasised that reparations are not only necessary for the slave trade. They should cover the period of slavery, through colonialism to the structural adjustment programmes – including HIPC, and PARPA/PRSP. It is not acceptable that the events in Africa and what was done to Africa in the past are just forgotten. The damage of enslavement and colonisation does not lie only in the past, the damage is here, and the damage is now. It was about 500 years of western subjugation. Germany compensated the rest of Europe for World War I, and very recently Iraq was to pay Kuwait for 6 months of occupation. There are cases of other compensations: North Korea demanded compensation from Japan for the latter's 35 years of occupation; by the late 80's, America compensated the Japanese for five years of 'internment' during World War II. Thereafter, massive reparations were paid to the state of Israel in the name of the Jewish people at large. It's interesting that the state of Israel was not even in existence when the holocaust was perpetrated.

The Africans' basic instincts and understanding of the events in the unfolding of multiple ills are not embalmed in the past, they are here and they are urgent. The continent must look at the reparations as the new approach for financing Africa's development, although indications are that there is opposition to this view. Why should what is compelling to Jews, Koreans, Japanese and Americans, not be applicable to Africans?

However, more creative strategies must be initiated at the level of the African Union, where specific steps must be taken, first by making all the efforts to get the west to acknowledge and apologise for the ills of the slave trade, colonialism and SAPs.

The fulfilment, at a medium term, of those alternatives depends on actors in the international arena, and on three essential factors: i.e. the convergence of \* the resistance to

capitalism and the social struggle at all levels; \* a political will from the states; and \* the development of international justice. It can be said that the dynamic of those three factors will lead to the possibility of fulfilment of the alternatives.

### **Short-term initiatives**

To mention the reasonable initiatives, it is necessary not only to establish a winning post and formulate the medium term objectives. What is also needed is to formulate the short-term proposals that can be the basis for the political programs and claims to create the New Global Institutions. But beforehand, we must look at the rules of a fair and sustainable International Trade and Finance System.

There is not doubt as to the need for a multilateral system of rules for international trade and finance, but it must be a proper system of rules, – essential, predictable and fair for all participants in contrast to the present system led by the World Bank, IMF and WTO which is unstable, unpredictable, anti-transparent and extremely unfair.

The rules are essential, but they must be determined democratically to serve the public interest. In addition, a suitable international system should support the following four goals:

- a) Democratic self determination: the democratic right of all people to establish their own economic priorities and policies must be protected as long as their actions do not infringe on the rights and freedoms of others in their localities and nations;
- b) Balanced trade: every country in the world has the responsibility to its international neighbours to maintain a balance between imports and exports, so as to avoid the increase in debt and eliminate a major potential source of economic instability, domination and exploitation;
- c) Fair commodity price: there is a need for international commodity agreements and mechanisms among countries to maintain fair and stable commodity prices that reflect the full cost of production, including a living wage and environmental costs.
- d) Access to information and knowledge: open access to information and beneficial technology is a key to a just and sustainable human future; every contemporary human invention necessarily builds on the common knowledge accumulated over countless generations. The intellectual property rights should be limited to the measures necessary to stimulate innovation and creativity.

In addition to reforming and strengthening the existing UN bodies, there is a need for new global institutions under the UN authority to see that the following issues are dealt with:

1. An International Insolvency Court which will comprise a conciliation panel and an arbitration panel; the former would facilitate negotiated settlements between debtors and creditors. Where the two sides fail to reach a settlement, the arbitration panel would make a final legal ruling. This institution would deal with international law;
2. An institution to replace the IMF with the full accountability to the UN, i.e. an international financial institution, that will work with UN members countries to achieve and maintain balance and stability in the international financial relations, and free national and global finance from the distortions of international debt and debt based/related money. The institution would also deal with the taxation of international transactions and promote productive domestic investment and domestic ownership and productive resources. It would take necessary action at the international level to support nations and localities in creating equitable, productive, sustainable livelihoods;
3. Recognising the need for access to short term emergency foreign exchange loans, there is a need for regional monetary funds. Those institutions should be accountable to the regional organisations and would provide quick response, short term emergency loans in the event of an unforeseen foreign exchange shortfall;
4. There is a need for a body to mediate and arbitrate trade disputes – a kind of trade dispute court, that would have a structure similar to the UN International Insolvency Court, with a conciliation panel to facilitate negotiated settlements between trading partners, and an arbitration panel to make legally binding rulings based on provisions of relevant international agreements, and an international investment code of conduct, in cases where parties fail to reach a voluntary settlement;
5. By controlling institutions of socialisation, which are the primary conveyors of “culture” – mass media, educational system, etc. – the corporations seek to extend their hegemony in order to influence and ultimately shape the values, beliefs, world-views and aesthetic taste of native majority. There is a need to protect cultural biodiversity. A global treaty designed to provide a permanent legal foundation for government measures to promote cultural diversity is being discussed by the International Network for cultural diversity and UNESCO;

6. Supporting national initiatives on corporate accountability through the provision of information and advisory services, facilitating negotiations of relevant bilateral and multilateral agreements. That should be the role of an institution for corporate accountability, although enforcement authority would lie entirely at the national and local levels. This body would provide both national governments and the general public with comprehensive and authoritative information on corporate practices as a basis for legal action. And also support the building of regional power mandated to regulate the economic and social matters.

### Conclusions

For a lot of people in this world the proposals above may seem wildly unrealistic and some will even laugh. Yet if, some 50 years ago, just after the end of World War II, someone had seriously proposed any of the ideas and policies in today's standard neo-liberal toolkit, people would have experienced the same.

We need to ask what happened? Why have we reached this point? Why have the Breton Woods Institutions gained so much power, can intervene at will and force countries to participate in the world economy on basically unfavourable terms? Why did the developing countries join the WTO at the last stage, without participating in the negotiations that lasted for 8 years between the USA and Europe? Those questions and many others do not need to be answered from an historical perspective.

The market oriented system with an highly efficient ideological cadre was created because some people understood the concept of cultural hegemony differently from the way it was meant by the Italian Marxist, Antonio Gramsci. If you can occupy people's minds, their hearts and their hands will follow, and the ideological and promotional work of the right has been absolutely brilliant. Their founders have created a huge international network of foundations, institutes, research centres, publications, scholars, writers, and public relations hacks to develop, package and push their ideas and doctrine relentlessly.

People with a purpose have created this vast neo-liberal experiment we are all being forced to live under. Once you grasp this, once you understand that neo-liberalism is not a force like gravity, but a totally artificial construction; that this experiment came from a small, unpopular sect with virtually no influence, and had become the major world religion with its dogmatic doctrine, its priesthood, its law-giving institutions and most important of all, its hell for heathen and sinners who dare to contest the revealed truth; – then you can also understand that what some people have created, other people can challenge, defeat and replace.

I cannot end without a single reference to the already tested alternative to capitalism that failed, the Soviet Bloc, to provide for some a proof of failure of the other solutions. Real socialism is not a credible source of reference, it was the reason for the ideological emptiness that gives way to the "one size fits all" approach. Besides – the multiple internal and external reasons for the failures of the eastern European countries are only now being studied. On the other hand, the *ruinous nature* that characterizes capitalism, is reaching planetary dimensions. The contradictions that originate in its social and ecological plans are becoming unsustainable, in the proper sense of the word. Resistance is increasing in different ways, and at many levels all over the world people are looking for alternatives. Nobody believes that the change can happen in one day, through an ordinary political revolution. The failure of socialism has raised awareness that the transition is a long process.

From the 1980's till the late 1990's, corporate globalisation was so ascendant that many forgot that during the 60s and 70s the development debate was still very vibrant. But since the mid-1990s, the political scene has undergone a dramatic change. The World Bank and IMF have come under sharp criticism from civil society, from governments, and even from a bipartisan commission of the US Congress. In the wake of the Enron and WorldCom scandals, global corporations have lost a great deal of public trust. The failure of trade talks in Seattle and Cancun is a clear indication of the instability of the current trade system and all market oriented neo-liberalism. And the global citizens' alliances have found new strength in the growing size and success of the demonstrations around the world that have brought millions of peoples onto the streets. Tens of thousands of representatives of civil society organizations around the world now gather annually at the World Social Forum, which this year took place in Mumbai, India, for the first time outside of Porto Alegre, Brazil. They gather to strengthen their alliances and share a new vision of the world that can thrive, if it is freed from the grip of corporate globalisation.

The time has come to create democratic institutions of global governance that will end corporate rule, secure the human rights and democratic sovereignty of people everywhere, and restore control of the national economies and resources to their own governments. All of this can be achieved through a framework of international agreements that support economic justice, food sovereignty and security, full employment, sustainable environment and financial stability. In can be achieved in a multilateral system that supports national and local jurisdictions towards controlling and using their own resources to meet their own needs in ways that are appropriate to their own circumstances and culture. Rule making, standard setting and enforcement functions would predominantly be local and national in

scope. The global level rule making and interventions would be reserved primarily for matters of compelling international interest, such as: maintaining stable, balanced economic relationships among nations, or stopping climate change. Trade and investment agreements would embody a strong bias in favour of the peoples of all countries, and would seek to provide security to weak nations against predatory actions by strong nations and global corporations.

Finally, there are alternatives, and we must have no doubt they make sense, but their fulfilment depends on the will to put them into practice. And now the question of credibility is not about the alternatives per se, but about the will to work and act in common. Are there ways to develop projects of alternatives at the medium and short term? Is there the political will to fulfil them? That is another debate, which should begin immediately. And if the alternative movements fail, like the Soviets failed, then the world will certainly collapse under its own weight. It has already become a veritable den of inequity and injustice against the vast bulk of humanity. I'm convinced this meeting will contribute mightily to change the world. No system lasts forever – let's reduce its lifetime for our own sake.

\* Economic Justice Coalition

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**CHAPTER FOUR:**

*Restoration of the  
Social State*

# *Towards the Restoration of the Social State in Africa*

BY ADEBAYO OLUKOSHI

I would like to thank the organizers for organizing this meeting. I am originally from Nigeria and do not speak French fluently. I apologize for not being here for the debate over the last two days due to work commitments. If I appear to repeat what has been said in the past two days, please forgive me.

I titled my talk 'Towards the Restoration of a Social State in Africa', and have structured my talk on the social state in Africa into four sections: the notion of the social state in the African context; the origins of the social state; the post-colonial state in Africa essentially looking at the decades of the 60's and 70's; and looking at the retrenchment of the social state in Africa in the light of the structural adjustments of the 1980's and 90's. All of this is very much connected with what has been discussed here in the past two days. Let me say that my assumption, based on the way it was proposed for this conference is essentially, that there is a need for a social state in Africa today and the absence of such a state in Africa is central to much of the crisis that the continent is facing today. Ordinary people who participate in the democratic process, essentially in the form of elections etc., ask the question: 'what is the evidence of democracy?' This seems to be very low on the list of priorities of most governments. There is for me a close connection between the possible restoration of a social state in Africa and the prospects for securing legitimacy in the process of governance on the continent, which in turn is connected with the process of stability and so on.

The social state can generally be defined as a state that is socially responsible or whose foundations contain a strong social policy component that is designed to respond to the broad social needs of the citizenry. Here it plays a pro-active role, as the vanguard in social advancement of the broad boundaries in meeting the needs of the people. My own understanding of the term is also closely connected to the idea of social citizenship that is used in the political literature of the 60's and 70's, and as appeared in the discussions that took place in the times of the constructions of the post-war welfare state in Europe. For people who followed that debate, the discussions that came from Marshall and his followers in the English language, the Marshallian notion of social citizenship in post-war Europe, are the most important contributions made to the debate on the social state on a global scale.

Social citizenship refers to the broad array of social welfare rights of the citizenry and is in many ways connected with the notion of the social contract between state and society. It is assumed that membership of a political community implies also participation in a broad social contract. I think it would be correct to assume that the exercise of social citizenship is inserted within the construction of the social contract. As I mentioned earlier, it gained currency in post-war Europe and was integral to the intellectual reflections and the emergence of the modern welfare states.

## **Historical Background: Colonialism**

It is worth pointing out that this notion of the social state and the social citizen carried the role of state and citizenship beyond the narrow idea of security, that informed state society relations in Europe. The idea was that the state itself was a product of a process of insecurity and instability; that within a given territorial boundary the contract between the citizens of that political community and the leadership of that polity consisted of providing security, particularly the security of life within that boundary. The introduction of the notion of a social citizen and a social state revolutionized that narrow conceptualization of the state, as essentially a security providing state, to go beyond to include issues of social and economic rights. It also carried the basic notions of social equity and a commitment to its achievement in the developmental process. Part of this is connected to the rise of social democracy as a response to the pressures for change to put it mildly. Some of it was revolutionary pressures but nevertheless pressures for the highest form of development democracy, particularly in the Nordic countries. So as a concept, the notion of social citizenship assumes the existence of a strong pro-active, socially conscious state. I do not think we can talk of any effective notion of social citizenship if the state is not up to it, in the first place. And it is this that gets reflected in the dilemma that African countries face and which I will try to come back to.

## **State-Led Development in the 1960s and 1970s**

When we try to read this debate in terms of the history of the African experience, I would like to go to the origins of the contemporary African state. The point I think which stands out most interestingly, is that the state as a colonial construction did not become interested in internal development, either in the colony, nor in social issues, till after the

second World War. Scholars have spoken of the environment of the post-war development of the international systems. It was a heyday of Keynesian economics. It was also a time when the Marshallian school of thought was beginning to constitute itself to consider how to extend the boundaries of citizenship beyond the bare minimum which was prevalent before that time. The colonial state as such, for much of its existence up to the Second World War, was totally unconcerned with social questions within the colony. In fact it was said that they (Africans), according to a British colonial office, had to run a lean administration, which was to be able to generate from within the colony, its own revenues to cover their full costs with no support from London or Paris. Therefore, it was not surprising that the taxation policy as developed by the colonial authorities was essentially with a revenue generating objective in mind, to a large extent. Notions of progressive taxation did not exist, in so far as the framing of colonial fiscal policy was concerned. And the administrative policy that was employed by the colonial authorities – including the notion of indirect rule and the mobilization of internal governing structures – had been perfected by the British in India, and transposed to Africa after the First World War, with the idea of keeping the colonial state a lean state. And within this broad orientation on the philosophy of the making of the colonial state, social policy was not a priority. Whatever social intervention was thought about was more the work of the missionaries and isolated charities. The missionaries were particularly influential in Southern Africa, East and Central Africa, where they were the most effective vehicle of social transformation and social advancement in terms of mission hospitals, of schools, the broad access to goods of modernization. Some have described this as representing the era of



The Keynote speaker on the theme of restoration of the social state, Adebayo Olukoshi (CODESRIA, Senegal)

raw capitalism. Particularly the policies of the Belgian state, were seen as being a raw, purely extractive form of capitalism, with scant attention to social issues.

It was within the broad movement of post -Second World War developmentalism, a fairly recent idea, that the colonial state began to talk about social policy. This was actually the time of late colonialism. By the time it had begun to address internal concerns on education, health, etc. as policy, the colonial state had to deal with increased nationalist pressures for independence, that had begun to build up in

**DESPITE THE DIFFERENT AFRICAN LEADERS TAKING DIFFERENT PATHS - IRRESPECTIVE OF THE PATH THEY CHOSE - WHEN YOU LOOK AT THE FORM OF SOCIAL EXPENDITURE OF THE POST-INDEPENDENCE ERA, THERE WAS A STRONG NOTION OF STATE-LED DEVELOPMENT**

Ghana, where President Nkrumah had returned to the scene, in Kenya where the Mau Mau had to take up arms to challenge the boundaries of colonial rule and the parameters on which it was constructed. So we can say that late colonialism was a response to the rising tide of nationalism, but also to the internal structural dynamics of the colonial economy which called for a greater attention to policy matters than was the case until then. Much of colonial policy, for example, in the period up to 1945, consisted of an amalgam of the choices and preferences of big monopoly companies like Unilever. The Lever brothers sprawled all over, to plant cotton here, plant coconuts there, to build a light railway line here, according to their trading needs on the global markets.

I would argue that, even with late colonialism, there was a limit to which it could go with its social face. The strongest argument to support this point of view is the racial structuring of opportunity in the economy, and in administration. The natives got only the second best, a fact which fired the struggle for national independence. In fact when the educated agitated for independence, it was not just that there was a scarcity of opportunities, but that whatever opportunities existed were distributed in a discriminatory manner. Often these were not at all commensurate with their education nor the social position of the Africans, within the emerging economic processes. In any case the colonized were subjects and so the exercise of citizenship by the people was contradictory. An African could never be a subject, the British were the subjects of the Queen of England ultimately. I do not know who the people of Francophone Africa were the subjects of – in any case people responded to a higher authority in Paris. This idea of citizenship



became, in any case, the focal point of the agitation in most cases. In the Portuguese speaking regions of Africa, because of the dictatorship that held sway, at this point in time, the struggle was more intense.

So essentially there was within the structure of the colonial state an inbuilt contradiction which could only resolve itself in the move towards independence. And that movement was justified on the grounds that the social policies of the colonial state were restrictive and discriminatory. Most of the nationalists and strugglers for independence fought saying that they would provide health, education, and generate employment where the colonial economies failed to generate enough employment to young people, and provide better social amenities, like water and electricity, to their people. What the colonial states were not able to provide due to the framework within which it was constituted and functioned, became the flip side of the nationalists' manifesto for the push for independence. This was at the core of the post-independence social contract, between state and society in Africa. Despite the different African leaders taking different paths – the socialists, the humanists and the market friendly and so forth – irrespective of the path they chose – when you look at the form of social expenditure of the post-independence era, there was a strong notion of state-led development. The state was easily the biggest and the most coherent actor in the political economy at independence. Public enterprises were set up without exception, from Ivory Coast, Kenya to Nyerere's socialist republic, which despite critics was doing exactly what Kenyatta was doing with his market ideology. All of them had a huge outlay in social expenditure. Again, if you disaggregate the figures on a global basis through the 1960's, you will see that the social expenditure component of the post-independence governments, went very heavily into the social sector, with education and health, almost in that order, taking the lions' share. The high investments into primary and higher education and health care led to the creation, the building of an elite. So it led to class formation and social and economic mobility. In some of the mixed economies there was 50-50% investments into the social sector and this was actually no different from what happened in the market economy model.

#### **Retrenchment of the Post-Colonial State**

What was remarkable was that the economists of that generation, unlike the macro-economists of today, were not focused on financial returns, inflation, capital flows etc. They all were imbued with ideas of planned economic growth, and joined the government to help in drawing up two-year to five-year plans for their countries' development. These economists were trained planners and chose to work especially for the government. Thus social expenditure and infrastructure were seen as key national needs.

African governments, in trying to define a role for themselves, tried to do the exact opposite of what the colonial governments had tried to do. Stress was laid on development of infrastructure, particularly road networks across the country were felt by many as a priority for themselves. Quite clearly what seems to have been the case in the first decade of independence, was that African governments defined a role for themselves and justified the fact of independence in contradiction to the record of colonial rule. It was almost the opposite of what the colonial authorities did.

The economic history of Africa in the 1960's and 70's is, particularly in World Bank reports, often projected as the wasted/lost decades, where governments pursued irresponsible policies and spent money left, right and centre. They miss the point that that socially expansive phase in Africa's recent history has also been the phase of the fastest economic growth in the history of the continent. If you look at the figures of growth you can see that countries attained a growth rate of between 5 and 10%, and for sub-Saharan Africa. It was almost 8% throughout that decade into the 1970's, when the first oil shock of 1973 began to make its impact. So there is nothing incompatible between a commitment to a socially responsible state and the achievement of economic growth. This is a debate that the World Bank brought up in relation to the SAPs in the 1980's and 90's, which I will come back to later. It is remarkable that at a

***THE SOCIALLY EXPANSIVE PHASE IN AFRICA'S  
RECENT HISTORY HAS ALSO BEEN THE PHASE OF  
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THE CONTINENT.***

time when more graduates were being produced and more employment was being created, there was also, at the same time, a very fast growth in the African economies. So much so that Ivory Coast was the label of Africa's economic miracle. Here you can compare the miracle of the 1960's and 70's to the miracles of the 80's and 90's, where Ghana as the best pupil of the Bank policies had a growth rate, at best, of only 4%. Even if we take a look at some of the other economies, we would change our view of a miracle especially if we compare it to what was achieved in the 60's and 70's.

What I tried to do is to spell out the typical areas of action of the post-independence governments in the field of social expenditure, especially in education, in health, in building infrastructure and so on, but also the rural sector of the economy. They invested in agriculture and in industry, setting up in almost all cases national development banks. These banks mobilized savings which were then ploughed

back through public enterprises in many cases, at other times, through private investors in the economy. In this period even the private sector was investing in the state and state building.

### **Restoring the Social State**

We need to have effective states, that are strong and capable, that can organize development as directors and leaders of the process for their countries and in setting the boundaries for what they want. They should also provide the essential structure for good investment into the economy. Unfortunately that was completely eroded. Strong investment was put into state building. My favourite example in this case is Kenya during the decades of the 60's and 70's. You can pick out the sessional papers that were prepared by the civil servants for parliamentary debate, they would have got PhD degrees awarded to them effortlessly. Compare them to the papers now produced called policy paper which are limited to copying things from the US or EU national made policies and country papers. The same can be said of countries like Ghana or other countries, and was reflective of the strong investments that were made in the development of statehood and state capacity. The higher education systems were the best proxy of this.

We must not romanticize that era because the social state was not able to meet all the needs of the people. In the area of social policy there were pent-up demands of the system which the governments were not able to deal with. And the growth was not enough, even though social investment increased and so did the demands for social amenities and welfare, which grew alongside proportionately. It was then that the basis of the politics of resource allocation was strained in most of Africa and how it got played out is fairly well known. The class considerations, the gender and religious considerations, the generation consideration, etc. all became sources of internal conflict which got played out. And in many cases the struggle resulted in the military taking over saying or promising better conditions in the provision of these social goods. There were also the difficulties in implementation connected with the nature of power and exercise of that power. This refers back to the issue of democracy spoken of earlier. As power became more and more concentrated over time, the issues of nepotism or corruption especially in public enterprises became so dominant so as to undermine the very basis of the social policy in many countries. Increasingly, the expenditure and output did not match any more and I will not expand on this much more.

Intra structural adjustments and the retrenchment of the post-colonial state: The oil price increase, the Iranian revolution etc., set the immediate context both for the onset for the debt crisis and also for the onset for the oil crisis, for the

African situation except for Nigeria and Gabon, who managed to postpone its effects for a while. The most immediate response of most of the governments was surprisingly to retrench social policy – almost all of them did so from Sudan to Sierra Leone. There were reactions in most countries to cuts in social services and many people came out to protest, and the protests took place from cities like Free Town to Khartoum, from Liberia to Monrovia. The reactions to the governments' cut-backs in the time of crisis touched at the heart of the social policies put into place. Bread prices doubled in Khartoum and students came out to protest. Rice prices went up in Monrovia and the leader of the country was executed. In Sierra Leone it led to the end of the one party rule.

Structural adjustment was introduced to check the crisis and set them on a development tract. But what it did was to become part and parcel of that decline, it fed into the context of crisis and deepened it. It also deepened the crisis of social support and added to the decline in social expenditure of African countries. There is a debate on the cause and effect relationship between structural adjustment and the decline but my explanation is that the one fed into the other and put Africa into a prolonged period of decline from which we have not recovered. Structural adjustment also had a one-sided anti-state ideology which meant that the state was targeted both as an institution and for its social expenditure. The social expenditure, for example, was described as one that crowded out the private sector and it

**STRUCTURAL ADJUSTMENT WAS INTRODUCED TO CHECK THE CRISIS. BUT WHAT IT DID WAS TO BECOME PART AND PARCEL OF THAT DECLINE, IT FED INTO THE CONTEXT OF CRISIS AND DEEPENED IT.**

(the private sector) needed to be freed to tap them for purposes of economic development. The flip side of the ideology of anti-statism was the promotion of the free market, of liberalization. As it was put in one newspaper – everything was put up for sale.

The most drastic effects of SAPs were felt with the decision to withdrawal subsidies, of cost-recovery and the privatization of public goods, including water, and the imposition of regressive taxation in the name of revenue mobilization within SAP. The worst was the VAT which punished the poor rather than the rich – because the poor have a lower disposable income. The thinning out of the middle class grew to the point where scholars in many parts of the continent talked about the death of the middle class. The middle ground in African politics and social processes, which went along with this merciless retrenchment of the state,

were the result of the SAPs. Besides privatization there was also retrenchment of workers in civil service, the principle of the market sector in public sector management, the abolition of planning. Governments in order to satisfy the Bretton Woods institutions abolished their planning commissions and closed down planning ministries and we are now setting up ministries of capacity building in our countries. The growth performance of African countries in the 1990's was lack luster, and whatever took place, it did not make any dent on youth employment, could not stop the brain drain, the rolling back of social policy. Nor did the introduction of the certain policy changes by WB/IMF, in order to respond to the criticism that they had come under due to the failure of SAPs, make any difference.

The SAPS set Africa back in social terms. My basic argument even within this framework was always treated as residual and as marginal. I talked to the Minister of Zimbabwe in 1997 about targeting – he said that, if you have a population of 10 million people and 9 million are in poverty, you do not have to be a genius to be told that it will hit somebody because there are too many poor people. Targeting would work when you have a minority who slipped through the net. But if everybody is falling through the net and you say you are targeting, there is something wrong. With so many people who are poor you cannot target certain groups. The entire framework of policy needs to be addressed and this is where the problem arises in the SAP actions and programs. It is the same situation with the Millennium Development Goals. We keep making all these goals, then shift the date for achieving them – but what is the purpose of doing so without questioning the existing structure? When we approached 2000 we shift the date to 2015 and so on.

I think if we are thinking of restoring the social state in Africa we need to do certain basic things to achieve this. The international environment is mixed. There is the strong base of neo-liberalization, of constrained policy crisis which most governments are facing, but there is also the alternative globalisation movement which has gathered speed. The fact that the international agencies have been pressured to organize a World Social Summit in Copenhagen - they even think of a Copenhagen + 5 - and that the WSF has grown and organized itself as a middle force – the so-called altermondialization - all of this for me, point to the possibility that alternatives to a globalisation that is socially irresponsible do exist. For Africa the first immediate task is to rehabilitate the social state. You cannot restore the social state if you do not have a functioning state in the first place. The African state has been so weakened that they have become almost glorified. For instance, if you ask one of the governments to write a policy paper they would be at a complete loss today. They would ask a donor to do so. They have lost any autonomy of thought, and of taking any initiative and

some of it is due to brain drain, some of it is due to retrenchment. We need to retrieve that and to rebuild the state in Africa as an effective developmental institution – a social actor, and a legitimate player in the development process. But the ideological battle also has to be won.

***WE NEED TO REBUILD THE STATE IN AFRICA AS AN EFFECTIVE DEVELOPMENT INSTITUTION - A SOCIAL ACTOR, AND A LEGITIMATE PLAYER IN THE DEVELOPMENT PROCESS.***

Secondly I would argue that there is a need for a full social consciousness, right from the outset of this exercise so as not to repeat the errors that were made to the state interventionist models in the 60's and 70's. Some of those have to do with the manner of the organization of power. The question of democracy is also important, and the dynamic model of state interventionism of the Tanzanian state in 1960's, selling milk and sugar in retail shops and a decade later, still selling them in retail shops. It has to be a state interventionist model so that they set the example for other actors to come in to a higher level. In this process the entire process of development gets pushed to a higher level, instead of us vegetating to a uniform state of underdevelopment across the board.

The success with the development of the social state will also link our ability to integrate our social policy with macro-economic policy-making. At present the two are seen as two separate worlds. The goals of the PRSPs are set out in Washington, and the masses can debate if they want health or water or education. When the macro-economic framework generates exclusion as an integral part of its effects, you cannot touch it. There is enough in Africa's economic history that shows that a robust social policy is good for economic growth and that economic growth will reinforce a robust social policy. Let us reclaim that history and restore the social state in Africa. There is also the need to restore African economies to the path of growth. Ultimately we have to invest in production. It will have to be a growth policy that will invest in trade and industrial policy, that will invest in development in rural areas. The capacity building that we need in order to invest in industrial policy is not in how to implement the WTO rules, which will not take us anywhere, but in how to subvert those rules and get away with it.

Thank you very much.

## *Possible Solutions to the African Crisis Today*

BY MOSES KAMBOU



During the session on restoration of the social state. From Left to Right: Marie-Francoise Duthu (Chairperson - Greens/Efa, EP), Edward Oyugi (SODNET, Kenya) and Moses Kambou (ORCADE, Burkina Faso).

If we take the presentation from where the last speaker stopped – and compare the post-independence era and the Structural Adjustment Programs (SAPs) era, we see that African states had the possibility to do whatever they wanted to do. If we question ourselves as to why things happened the way they did, then we can get some answers. If the West and the US really wanted to help us, they would not have led us to where we are today. So in some of the things we have to do, we really should work in such a way that we are able to counter their positions and how they work out in Africa. Some solutions were already presented here. I will only give some examples of what can be done.

In terms of the liberalization policy, we know what effects it has had on the continent. What I think can be done is this. If African products are good and the way we are treated does not help us develop, then is it really necessary that we pursue some of the arguments that we hold to at the WTO and other institutions? Why do we not look inside Africa and find out how we can develop trade initiatives amongst ourselves in order to be able to set our own agenda? If we take the example of cotton, we spend so much money trying to defend our cause but it seems to be a lost battle.

It has been said that garment factories in Ghana are doing very well and have potential on the world market. Ghana

buys cotton not from Burkina but from elsewhere. So why can't our leaders look into the possibility of Burkina supplying Ghana some of its cotton? The same is true for animal husbandry. Burkina is an exporter of cattle and in the sixties Burkina supplied beef to Ghana. They used the meat to produce corned beef; the hide was used in the leather factories that Ghana had, and the bones were also used by the Ghanaian button industry. So this was an internal thing and it promoted jobs. Burkina's people went to Ghana to work. So why can't we look at these old examples that did work. Why do we not use them to re-shift the situation today?

What we should also not forget, is that the basis of Africa's development was attained in the post-independent era. You look at Ghana for example – the Akosombo dam that was not encouraged to be built to produce electricity served foreign companies after completion and is still serving the International Financial Institutions (IFIs) that want to invest in Ghana. The roads that were built in most African countries in the 60's and 70's, are still being used today and most of the factories are still in use. And it is this backbone of the investments made then that still serves us. As was rightly pointed out – Africa was then producing human resources. After their education or studies abroad, Africans came back and worked for the development of their countries. But with the policies that are being implemented today what we see is brain drain. There was this documen-

tary on South Africa. South Africa produces nurses who are recruited by hospitals in Britain. And South Africa has to recruit the nurses it needs from neighboring countries. So who benefits? When you go to a hospital in the West today and you are being treated by an African you must realize that you are depriving an African back home of treatment. This is the situation.

If we look at the case of privatization, the same thing is happening. Most of our capital investments are being used to produce whatever goods the well off need. In Burkina, for instance, some 44 factories/companies are being privatized. So you have many people who have become jobless due to lay offs resulting from privatization. There is no question of retraining or capacity building because this does not exist. Most people who have been laid off have not yet been paid even after five or six years! Their children's school fees have not been paid, some have even committed suicide out of shame at being unable to feed their families. How then can we be told that this is a good policy and that it would help us? So there is a problem in the case of privatization. We cannot be convinced that the private sector is more efficient than the public sector. Models of public sector successes are never used in the arguments, but rather those that have failed.

We have the case of the water management program which is a public-community partnership in Ghana. The relations between the water company and the community have been very good. The quality of water is good, people have regular supplies, the tariffs are low, the water company is happy about the situation. In fact they are even giving water to schools and hospitals, but such examples are never cited. Those in favour of privatization prefer to find negative examples to show us. But there are good examples too, of attempts to stop privatization, as in the case again of Ghana, where through a strong mobilization they have been able to stop water privatization. The government has changed its language, the IMF has also changed its language after what has happened in this country. These examples show us that it is possible to stop the process of privatization. You have to do the work, work with the grassroots to convince them to see where their interests lie. By doing so you can create a critical mass of people, and with external support, resistance and protests can work. In the case of Ghana there was some support from Northern NGOs.

With regard to the debt issue – if we look at things very clearly we have paid and paid again. So what we can do is, in one strong voice say that we stop paying because we are fed up. But we have to be prepared to face the consequences of that act. If we continue paying and look at the Millennium Development Goals (MDGs) set-up, we cannot attain them, because we are using our money for some-

thing else. Even if we cannot pay the IFIs will say that they will lend us the money to pay them back, but will that help us? If you look at it carefully Africa can mobilize the resources, we have the resources. Take the example of Burkina, in November- December 2003 there was a call to support our national football team and the contributions that came in amounted to one billion French CFA. This is a story to remember.

If we look at the period '83-'87 in Burkina, there was a national effort to be able to have social programs, people began to contribute, national contributions from which houses were built, dams were built. There were voluntary contributions and obligatory contributions, for instance, from bureaucrats who had to hand in a part of their salary for national development. Such mobilizations are possible and if we are convinced that we want to fight this battle, we need to look inward and see what we are willing and can do.

It is in the light of the above that NEPAD becomes a problem. You draw up a program that you claim ownership of, but you expect the money to come from somewhere else. How is that possible? These are some of the things we need to look at, if we find such loopholes we should make them known to the public. Take the example of France, she has had such a strong impact on us, that the former French colonies basically have their gold deposits in France. So who needs who actually? The French joined the Euro with the French Franc-French CFA fixed exchange rate policy, so we have a fixed exchange buying rate of 650 F CFA to EU 1. It's therefore not surprising that in the case of the EPA negotiations with ECOWAS, the latter cannot speak with one voice because Nigeria is weak and cannot assume its lead role. Senegal has taken the lead in UEMOA, and where the former French colonies are concerned, out of the 15 ECOWAS member states, 8 are Francophone. So if the Francophones go for the current EPA as it stands, the whole of ECOWAS will go for it. The same situation arises in Central Africa – where you have the same currency, CFA, and an economic and customs union of the former French colonies. So when that group also goes in for the EPA that will also create problems for the non-CFA countries of Central Africa. How do we counter such things? We need to have a very strong grassroots organization. We have to fight, work hard, and be prepared for the consequences, because there naturally will be consequences to our resistance.

There is a saying that when you are lying on somebody's mat, you are as good as lying on the floor, because the day the person decides to take back his mat you will end up on the floor. With this note I will end my presentation.

Thank you.

# *The Neoliberal Devaluation of the Social State*

BY PROF. EDWARD OYUGI

## **Introduction**

Critical voices against the contemporary glorification of the minimalist state – ministering to the corporate interests of the private sector and increasingly shying away from operating in greater fulfilment of its historical mission – are becoming louder and increasingly vociferous. We must reckon with an exponential increase in decibel, if the present mood among the peoples of the South maintains its reliability, as a signal for increased opposition to neo-liberal orthodoxy.

The unrelenting challenges facing nation states in Africa in respect to their social functions and public responsibilities, particularly in the hands of powerful social forces pushing for market driven globalisation, may be a surprise to only a few people. However, for the *storm troopers* of the Washington consensus, that have primed the pump for the reshaping of the global economy and fundamentally influencing the ideological direction of globalisation, it is not enough to just appear to have largely won the argument over whether market-based economies are superior to state directed ones. The logic is simple. They argue that the free reign of the market makes us better people because it is based on voluntary, not coercive relations, and maximises freedom that allow us to make choices which is, in turn, the basis of a democratic development of society. In so arguing they seek to put forward social development principles and international relations that place the destiny of mankind at the whims of unaccountable actors whose overarching aim is to supersede the nation state as a base of social authority.

With propositions like this, one wonders how come they do not make the attendant edicts more interesting by accompanying them with built-in sunset clauses!

## **Problematizing authority at different levels of social organisation**

On my part I begin by problematizing the nature of public authority in both the national and globalizing political economy. I do this as part of a critical consideration of the dominant tendency of neo-liberal political theory to regard authority as characteristic of the private and not the public sphere.

The location and structure of legitimate authority in both the global and national political economies are neither obvious nor self-evident. When one considers the historical development of social relations it becomes quite evident that the constitution of both global and national political authority is a historically specific process involving an array of state and non-state actors. For instance, a closer examination of the historical evolution of the private sector authority, via the medial law merchant practices, reveals a dialectical movement towards the consolidation and expansion of corporate power. This movement parallels the consideration of state power and capitalism in the nation state, and the subsequent transnational expansion of capitalism, beyond the social borders of the nation state.

For a long time the discourse of liberal political theory has been plagued by the dilemma as to how autonomous and independent actors can be brought together in support of or under the rubric of some notion of the common good, and particularly when authority for a definition of that good must remain with the same autonomous and independent actors. The entailed contradiction is then lodged between *subjective freedom and objective constraint*; a contradiction that can only be resolved in a dialectical appreciation of the entailed tension, the typical Sartrean *praxis* and the *passive unity of practice o-inerte* or a *coefficient of resistance*<sup>1</sup>.

## **Transnational merchant power as a basis of a false relocation of the boundary between the private and public spheres**

As we examine the historical and contemporary evolution of merchant law it becomes obvious that private interests have governed global economic relations through practices that are only beginning to attract the ire of the oppressed, in the South in general, and Africa in particular. Transnational merchant law, which is mistakenly regarded in purely technical and apolitical terms, has, for many years, played the role of a mediator of domestic and global political/legal orders. Processes of juridification, pluralization and privatisation have been transforming the structures of authority, increasingly challenging the Westphalian paradigm of authority, that should be defined by the typical jurisdictional claims of a state.

1. Jean-Paul Sartre, *The Problem of Method* (Metuen & Co Ltd, London, 1960)

The private sphere, as we can clearly see, is fraudulently associated with the individual, with freedom of the market and economic exchange, while the public sphere is associated with the state authority and legitimate compulsion.

Liberal mythology thus creates the impression that the private sphere operates neutrally and consensually as a domain of freedom. It is erroneously claimed to function ideologically and normatively to support the value and superiority of economic liberalization, thus obscuring the distributional and even coercive foundations of private exchange.

Against this background we also have to take note of how the emergence of the distinction between public and private sphere and corresponding separation of the economy and the polity did not simply occur spontaneously, as organic and natural developments, but were the product of a complete set of legislative interventions to create a market society by removing impediments to the exchange of labour, land and money. The appearances of the separation of the public and private spheres and economics and politics in the 19th century, suggest that notions of authority that are defined by these separations, are of rather limited historical significance. In fact, the relationship and balance between the public/private spheres and political/economic activity have been shifting over time. Such shifts have given different content at different times in history. Indeed the changing nature of the public sphere has undergone transformation, thus challenging and, therefore, rendering the notion of the passive unity of the social sphere a problematic notion.

The cultural heritage of the state, drawing upon different forms of

- peasant movements
- trade union movements
- business associations and chambers of commerce

determine to a larger extent the nature and quantum of social functions that the nation state in question is likely to take on. It is, therefore safe to say that the emergence of the social state is a function of the balance of social forces within a given historical context of real social actors in a given society. It cannot be the outcome of a theory developed outside such a framework. The ongoing neo-liberal advocacy for a non-social state, one that pretends to cut itself loose from social responsibilities that led to its creation, is nothing but the design and scheming of a power system that is geared towards enthrone corporate hegemony, at the expense of the social welfare needs of a given society; a function of a dynamic balance of social forces in favour of the market and its hegemonic designs.

### **The good Governance rhetoric: the facade for enthrone market fundamentalism.**

The good governance discourse which tends to equate democratisation with de-statization or downsizing of the state systems and which, by that same token, declares the “market place” as a realm of freedom and liberty, is a lie meant to obscure the allocative inefficiency of the market. Social development intent on engineering equal or, at least fair social outcomes across the various sections of society e.g., regions, classes, sectors, requires direct intervention of a state that by nature and not by default grows out of a dynamic balance of social forces but always fulfilling social obligations as dictated by the strategic interests of the dominant forces in society. A state conceived this way has no choice but to be social. The only question that one might be called upon to answer could be – in favour of which section of society?

Therefore, a state conceived and consolidated in the image of the sections of society wielding market power, while remaining social, will not take on the responsibility of protecting the poor majority in any given capitalist society. The irony, however, is that the neo-liberal agenda for social development places a huge burden of regulatory/political responsibilities on the African state sector – it has to fight corruption; it must protect foreign investors; it must negotiate favourable trade relations with powerful economic interests against unimaginable odds; it must bottle up the seething anger of the dispossessed majority, eager to match onto the citadels of opulence both in the South and North; it must fight against terrorism; enact and enforce appropriate property rights and ensure the maintenance of a secure foundation of supporting laws to boot – just to mention a few of the political tasks that have been farmed out to it by the vicarious interests of the Northern economies. How can the state, in whatever formation, be expected to perform such functions, being denied the capacity for effective social intervention!

Of course, Charles Murray would have retorted (nearly twenty years ago) saying, ‘The social security institutions which we have come to associate with a responsible social state are based on state-sponsored theft (taxation to the rest of us) which erodes personal responsibility<sup>2</sup>. My objection to this obnoxious argument takes me back to theory. What can be moral about an American system where the random misfortune of ill health can expose a family to a life time of poverty and social insecurity? In my opinion, it is easier to make intelligent choices knowing well that there is a safety net provided by an authority which owes its legitimacy to one’s democratic participation.

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2. See Claire Cutler, *Private Power and Private Authority: Transnational Law in the Global Political Economy* (Cambridge, 2003)

To conclude and possibly buttress the position articulated above, it may pay to borrow from Adam Smith's eloquent defence of why the welfare state benefits not just the poor, "How selfish man be supposed, there are evidently some principles in his nature which interest him in the fortunes of others and render their happiness necessary to him though he/she derives nothing from it except the pleasure of seeing" (in *The Theory of Moral Sentiments*).

Unlike the present day storm troopers of Thatcherism, the World Bank, the IMF, the WTO and other multilateral support systems, it is more than clear that Smith believed that markets were means, not ends in themselves. We should, therefore, no longer mistake capitalism for a universal religion. That is why it should remain questionable to what extent the 'mercatoocracy' of multinational corporations will be able to sustain the internal support, and elusive consent necessary to maintain the ideological hold of neo-liberal mythology. Not for too Long!

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## DECLARATION

# *Globalisation, Europe and Africa. Towards a Solidarity Agenda*

An international experts meeting was held on Globalisation and Africa at the European Parliament, Brussels from April 15<sup>th</sup> -17<sup>th</sup>, 2004. The European United Left Group (GUE/NGL) in collaboration with a Netherlands-based Convening Committee sponsored this meeting.

At this meeting African experts presented an analysis of the African reality under globalisation. The meeting appreciated the lead-role of the African experts.

The analytical approach presented at this meeting differed from the traditional statistical approach that usually presents a desperate picture of Africa's poverty and marginalization. Africa's reality was analysed instead in the context of global forces.

The African and European participants agreed to take forward the urgent issues formulated in the second part of this report: "The immediate challenges for African-European relations".

### **A. Our Collective Understanding of Globalisation**

Our shared understanding of globalisation is that it is a process of social, economic and political change driven by the demands of corporate capital. The singular purpose of capital, concentrated in a few global corporations, is to protect or expand the share of profit. This is constantly diminished not only by competition between factors of production, but also between corporations for the share of total profits. To survive and to thrive over competitors, corporations must constantly innovate to drive down costs and increase economies of scale. Going global by expanding into new markets and exploring low cost centres for investments are imperative for their security. This process at one level requires forced liberalization of markets for goods, services and investments in third-party countries and at another level, strong mercantilist policies to protect technology and markets in their home countries.

For this globalisation of the profit drive to sustain itself:

**1. The process has to be essentially hegemonic.** A hegemon is required to enforce security, ensure safe passage and movement of assets, protect the interest of the corporation wherever it may be and resolve conflicts in their favour. This hegemon becomes the "agency for the

good of the world". Besides hegemonic political power there is also a need for a hegemonic ideology presented in belligerent choiceless terms and a hegemonic culture that seeks to supplant indigenous specificities. In today's globalisation, the Euro—American alliance stands out clearly as the latter day hegemon and neoliberalism the choiceless ideology.

- 2. Requires inter-locking instruments of control.** These mechanisms must aim at controlling markets for all potential areas of profit: goods, services, technology and capital (investments). They must also be enforceable at multiple levels through lock-in mechanisms such as bilateral and multilateral enforceable agreements and the use of carrot and stick policies, e.g. the use of aid and debt relief to leverage greater market access for goods, services and investment protection. The WTO and the proposed Economic Partnership Agreements between ACP countries and the EU (EPAs) stand out as the key inter-locking mechanisms confronting Africa and the IFIs and the international aid system in general, the instruments applying carrot and stick to promote unilateral liberalisation of trade and investment regimes. These processes result in the crowding out of policy choices available to nations and require a weak and socially irresponsible state to thrive.
- 3. Technology is crucial but not sufficient.** Technology as the outcome of innovation is essential to open up new forms of profit, to move goods, services, capital and profit around and to drive down costs. But technology by itself cannot create the "global". It requires the hegemon to impart political unity and enforce monopoly control over the benefits of technology.
- 4. The process is inherently unequal and produces unequal benefits.** As the process is necessarily led by the large companies and hegemonic interests, large parts of the world, and certain social groups within them, are by design socially excluded or disadvantaged. The process channels capital to already relatively capital rich countries and skilled labour to relatively skill-intensive countries. This process leads to increasing income divergence within countries and between countries. Within countries divergences are accentuated and in turn accentuate social cleavages in terms of gender, ethno-regional, class and other differences. In the context of weak and socially irresponsible states

left by the process, these social cleavages translate into desperate poverty for some and in some cases violent conflict.

We agree that this process produces unjust social outcomes

### **B. Immediate Challenges for Africa-Europe relations**

Among the many issues that this process imposes on Africa, the following issues are urgent.

#### **1. Address the unjust trading and investment system imposed on the continent, in particular the EPA process.**

The victory of Cancun is a victory of collective resistance of African governments and their civil society organisations; along side their counterparts in all periphery countries and in solidarity with progressive minded organisations and persons within the hegemony. Cancun has provided respite, not a total victory.

Unfortunately, Africa is facing an even more destructive force, in the form of the EPA than the WTO presented. The EPA is particularly dangerous to the African people for the following reasons:

- A free trade area project for the benefit of corporate Europe is presented as a “partnership”.
- It is 1884 all over again – a new balkanisation of Africa. The EPA seeks to destroy tentative efforts to build an effective African market for African peoples through the aspirations of the African unions and the sub-regional integration arrangements, all young and fledgling initiatives.
- The EPA takes the liberation agenda several leaps forward by demanding zero tariffs far beyond the WTO agenda of progressive tariff reduction. This demand carries severe consequences for producers and for revenue essential to the building of a social state. It also seeks to steamroll especially the Singapore issues, which have been rejected as part of the WTO agenda by the ACP, and pushes for rapid liberalization of services that are not obligatory under Cotonou and WTO.
- The proposed non-execution clause seeks to take cross-conditionality beyond anything known before, by seeking to punish all members of a region through withholding aid to all if one member violates the trade agreement. This form of peer pressure to conform and its boldness underscores the degree of loss of independence that Africa finds itself in after only 40 years of post-colonialism.
- EPAs throw the entire burden of adjustment on Africa.

In view of the seriousness of this development, it is urgent to confront this new development with vigour. In this respect, we commit ourselves to working to:

- Promote the principle of non-reciprocity in international trade arrangements as valid and necessary for a socially just trading system and a fair world.
- Mobilise populations and political institutions in Europe to put on hold the EPA process until Africa builds its institutions to a level that they can effectively negotiate, and that the EU stops undermining the regionalization effort in Africa. The EU-based partners commit to taking lead on this in Europe.
- Build consciousness among African populations and their political institutions to bring pressure to bear on African leaders to suspend further progress in the EPA process. The African partners commit to taking leadership in this area.
- To mobilise like-minded governments and civil society organisations all over the world to support African-EU solidarity in the struggle to suspend the EPA process.
- To continue to work in solidarity at the WTO and other forums to restrain liberalization and promote a socially just world.
- Support the right of African nations to develop their domestic and regional markets.

#### **2. Address the debt-aid-recessionary trap.**

Africa's economic history has been one dominated by the extraction, exportation and retention of natural resources abroad. Efforts made by post-colonial nationalist leaders to build productive capacity were swiftly swept aside by the SAPs that followed the fiscal crisis of the late 1970s. Although designed ostensibly to enable the economies grow out of debt, this period instead witnessed relative stagnation. Twenty years or so later, the continent is left in a vicious cycle of expanding external and domestic debt, production crisis and dependency on external credit. The increasing aid dependence further exacerbates the forces of external control leading to further crisis of the social state, decline in its ability to stand up to alternatives and exacerbating the crisis of legitimacy. This cycle has to be broken for Africa to advance.

To break this cycle, we commit ourselves to work in solidarity in our respective political arenas and collectively in the global arena to:

- Challenge the governments of Europe and America to prevail on the creditor institutions to cancel all debts.
- Mobilise African peoples to strengthen the resolve of their governments to take a defiant position against further debt servicing in the interest of the protection of the lives of their people.
- Fight for restoration of the social state in Africa in contrast to the current “governance” language, which seeks to make African states compliant instruments of the liberalisation process.

- Fighting for the right of African countries to alternative forms of economics and social restructuring to the model imposed by the Bretton Woods Institutions and the international aid system.

**3. Address the challenges of trade, aid, debt, and investment and technology access in an integrated and inter-connected fashion.**

We observed earlier how trade, debt, aid and investment deregulation are used as cross-conditioning instruments to structure African and developing country economies in the interest of corporations. We have also noted the importance of breaking the aid-debt-recession trap in order for Africa to have a chance of building a productive economy and a social state. In this regard, we commit to:

- Approaching our respective focus in these areas in an integrated manner.
- Support each other's work whether the focus is trade, debt or investment, in order to build a mutually reinforcing power to tackle the multiple interests and channels employed by corporations.
- We commit to sharing information and remaining in close contact.

We call for urgent action, and sustained and greater commitment to build a fair and equitable international cooperation.

**GUE/NGL GROUP IN THE EUROPEAN PARLIAMENT**

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**THE INTERNATIONAL EXPERTS' MEETING ON GLOBALISATION AND  
SUBSAHARAN AFRICA**

Brussels, April 15-17, 2004

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## **ABBREVIATIONS**

<b>AGOA</b>	African Growth and Opportunities Act
<b>COMESA</b>	Common Market of Eastern and Southern Africa
<b>EALA</b>	East African Legislative Assembly
<b>ECOWAS</b>	Economic Community of West African States
<b>EPAs</b>	Economic Partnership Agreements
<b>FDIs</b>	Foreign Direct Investments
<b>GMOs</b>	Genetically Modified Organisms
<b>HIPC</b>	Highly Indebted Poor Countries
<b>IFIs</b>	International Financial Institutions
<b>LDCs</b>	Least Developed Countries
<b>MDGs</b>	Millennium Development Goals
<b>NEPAD</b>	New Partnership for Africa's Development
<b>PRSPs</b>	Poverty Reduction Strategy Papers
<b>SACU</b>	Southern African Customs Union
<b>SADC</b>	Southern African Development Community
<b>UEMOA</b>	Union Economique et Monetaire Ouest Africaine
<b>VAT</b>	Value Added Tax