



# **Growth And Opportunity**

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# **Growth and Opportunity Background Paper By Thomas Deve**

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## **Introduction**

This paper discusses “Growth and opportunity” issues with a special emphasis on views and positions noted by development activists in civil society organisations and social movements in Africa.

It highlights why the New Partnership for Africa’s Development (NEPAD) is an important point of departure for those working in the field of trade justice; explores a few challenges for Africa in the context of WTO, and finally dwells at length on examples drawn from the current phase of EU-ACP trade negotiations in the context of the Cotonou Agreement.

It notes the importance of the Millennium Development Goals (MDGs) and does not attempt to isolate challenges Africa faces in the context of Agoa or how in Southern Africa, for example, the Southern African Customs Union distorts trade options for those ensnared in South Africa’s Technical Development and Cooperation Agreement (TDCA) with the European Union.

## **NEPAD in the global context**

One of Africa’s latest attempts to highlight the centrality of growth and opportunity for the continent in the face of globalisation, is contained in the African Union initiative, the “New Partnership for Africa’s Development” (NEPAD). The programme which has been characterised as “...a pledge by African leaders, based on a common vision and a firm and shared conviction, that they have a pressing duty to eradicate poverty and to place their countries, both individually and collectively, on a path of sustainable growth and development, and at the same time to participate actively in the world economy and body politic” outlines clearly that its programmes are anchored on the determination of Africans to extricate themselves and the continent from the malaise of underdevelopment and exclusion in a **globalising** world.

We will not attempt to define globalisation here, suffice to note that its current distinctive features are the following:

- new markets - foreign exchange and capital markets are integrated and operate round the clock;
- new tools - Internet connections, cellular phones, media networks;
- new actors - the WTO which has authority over governments, multinational corporations which are more powerful than States, etc; and
- new rules - multilateral agreements on trade, services and intellectual property, with strong enforcement mechanisms and more binding for governments, reducing the space for national policy (UNDP, 1999).

It manifests itself through the intensification of activities in these areas:

- international trade in goods and services;
- capital flows (FDI and short-term flows);
- the role of MNEs;
- the reorganisation of production networks on an international scale;
- and the adoption of new technology, notably ICT (Torres, 2001).

## **The Challenge**

Paragraphs 18 and 19 of the NEPAD document summarize the challenges the continent has to grapple with when it comes to issues of investment, infrastructure, commodities, trade and access to markets.

It is argued that "The impoverishment of the African continent was accentuated primarily by the legacy of colonialism, the Cold War, the workings of the international economic system and the inadequacies of and shortcomings in the policies pursued by many countries in the post-independence era."

Herein lies the problem. For centuries, Africa has been integrated into the world economy mainly as a supplier of cheap labour and raw materials. Of necessity, this has meant the draining of Africa's resources rather than their use for the continent's development. The drive in that period to use the minerals and raw materials to develop manufacturing industries and a highly skilled labour force to sustain growth and development was lost. Thus, Africa remains the poorest continent despite being one of the most richly endowed regions of the world.

## Responses

Civil society organisations, social movements, trade unions, faith based organisations, academics and NGOs who have been meeting since NEPAD was unveiled in 2002, critically evaluated the programme in the context of the struggles for Africa's development and emancipation. They noted that it was a top-down programme designed by African elites who believe that corporate led globalisation is the answer to Africa's economic development.

More importantly, they queried why NEPAD was being marketed to a few developed countries that were associated with the International Monetary Fund/ World Bank-sponsored Structural Adjustment Programmes, for example.

A number noted that the failure to consider solutions rooted in African experiences, knowledge and demands, left them with no option but to affirm that NEPAD was a neo-liberal sell-out programme. In this respect, they agreed to engage with the issues arising out of the programme as part of their broader struggles against the neo-liberal agenda that they alleged was imposed on them, for example, by the International Financial Institutions and the World Trade Organisation.

In their view, NEPAD fails to provide an adequate analysis of the impact of global trade on Africa's development prospects. They see African heads of states thus falling prey to the illusion that globalisation and increased participation in the global economy will automatically lead to the continent's recovery.

They are outraged by arguments that what Africa needs is further integration into the globe and highlight that even some UN agencies like UNDP and UNCTAD have long acknowledged the polarising impact of globalisation which has driven Africa deeper into poverty.

As Dot Keet pointed out in a critique of NEPAD, 'the most fundamental problem for Africa is not its exclusion but rather the longstanding, subordinate and exploitative nature of its inclusion into a profoundly asymmetrical international economy' (2003).

Unless this fundamental problem is addressed, NEPAD's hopes of achieving development through international trade and investment hold little prospects for the continent.

## **Core Problems**

Elsewhere, it has been observed that twenty-five years of research by African and international institutions have graphically highlighted the core challenges Africa faces. The core problems are well known.

They are already the focus of several global policy processes most notably the Doha Development Round, G8 delivery on the Africa Action Plan, financing for the Education for All targets, calls for deeper and faster debt relief (HIPC2) and for substantive increases of targeted and quality aid to Africa.

Trade still remains one of the biggest challenges.

A review of the last Fifth World Trade Organisation Ministerial Conference in Cancun will put on the agenda the real impediments in the terms of growth and opportunities in trade. African countries have suffered from the imbalanced, undemocratic and unfair decision making processes in this multilateral forum. The issues that led to the deadlock in negotiations effectively reflect the concerns and needs of all African people, men and women, particularly in the areas of development, food sovereignty, health, employment, social equity and regional economic integration.

## **Millennium Development Goals**

Another framework of dialogue we would encourage this meeting to explore beyond NEPAD, is the United Nations Millennium Campaign rooted in the Millennium Development Goals. As an international response to global poverty reduction, Goal number 8 identifies global partnership as an area of concern and creates synergies that are easy to trace within solutions for trade proposed in NEPAD. The only difference is that MDGs have set targets that should be measured using identified indicators by the year 2015. These encompass investment, infrastructure, commodities, trade and access to markets.

Having said this, it is important to recognise that most of the analysis that informs Global (G8 policy) choices on Africa has been predominantly written by western and northern experts. These sometimes-skewed perspectives have yielded policy options that many of us now recognize as having undermined the development priorities of the continent.

A clear public message to the international community would be achieved if we tailor- make our observations and demands with the hope of achieving better results on the existing deadlocks in all development forums with specific reference to championing of meaningful delivery on key debt, trade and aid policy targets.

## **Economic Partnership Agreements**

African civil society and social movements in search of Trade Justice have in the course of 2004 deliberated extensively on intensified efforts to establish Economic Partnership Agreements through negotiations between the African, Caribbean and Pacific states and the European Union under the bilateral framework outlined in the Cotonou agreement.

The negotiations which are taking place in different regions of the ACP, have gathered momentum since the end of 2003 when the World Trade Organisation fifth ministerial collapsed in Cancun because of deadlocks experienced in positions on agriculture and the failure by developed nations to recognise development priorities of the developing nations predominantly those in the south.

Ironically, EPA negotiations with Africa, which are predominantly a bilateral affair, are reintroducing the controversial aspects that the developing countries stood firmly against in Cancun, raising new fears that the European Union has offensive interests that might motivate its negotiators to demand more than what they had tabled in the multilateral forum.

In short, the European Union is seeking to assign to Africa the same problematic division of labour identified in NEPAD as problematic.

It is against this background that African civil society and social movements view with apprehension the current phase of EPA negotiations and have tentatively cautioned that EPAs will be detrimental to ACP countries.

## **New demands in Trade**

In the current mandates and lessons learnt from earlier EU negotiations of trade arrangements, Economic Partnership Agreements are in essence Free Trade Agreements (FTAs) to be entered into between ACP regions and the European Union, requiring that African, Pacific and Caribbean countries undertake reciprocal trade liberalisation with the EU.

This is incompatible with the developmental needs of ACP countries.

Civil society has cautioned that the negotiations will be undertaken between parties with a great imbalance in terms of political and economic power.

Most ACP countries have a much weaker negotiating capacity than EU. Their ability to remain firm on their negotiating positions is further weakened by their

dependence on EU aid. The haste with which the EU is trying to rush the negotiations is worrying.

## **Liberalisation**

One of the immediate challenges confronting Eastern and Southern African (ESA) countries is liberalisation. Not many policy makers have presented an impressive sequencing and timing framework that do not hurt the interests of developing countries, let alone lead to situations where the poor have progressed.

The ESA countries should not feel obliged to liberalise the economies, unless they are really ready to do so and are sure the ordinary people in ESA will gain from it.

## **Regional Integration and Market Access**

It is now clear that EPAs will undermine the regional integration efforts already going on in the ACP region. This is particularly so in the case of Eastern and Southern Africa, where countries belong to different regional groupings, such as COMESA, SADC and the EAC.

An EPA process that Africa needs is one premised on the principle that the proposed Free Trade Agreements should ensure that regional integration is strengthened.

Through its export subsidies and massive domestic support to its farmers, the EU is a major distorter of the world agriculture trade. Dumping of agricultural products is one of the most damaging trade practices on the ACP countries and is threatening the livelihoods of millions of small scale farmers who cannot compete with the cheaper imports from the EU.

A new global partnership seeking to redress inequities underpinning global trade will demand that African countries insist that the EU must discuss and, more so, address the external impact of CAP (Common Agricultural Policy) reform at the overall ACP level.

Further, the ESA countries should revisit and affirm their positions in the run up to and at the WTO Ministerial in Cancun as stated in the joint AU/ACP/LDC position on agriculture as well as the ACP declaration from 1st August 2003, including insisting on an appropriate formula for tariff reductions which takes into account the needs of developing countries, measures to address tariff peaks and tariff escalations in the EU as well as the erosion of preferences.

## **Market access of EU goods and services**

It appears that through EPAs, the EU is seeking increased market access for their own goods and services into developing and least developed country markets. This will pose serious threats to already vulnerable local food production, local food processing and infant manufacturing industries in ACP countries.

African civil society and social movements support the introduction of ESA calls for safeguard measures that are designed to counter the 'surges' we anticipate would be triggered by a rapid and significant increase in exports from the EU to Africa.

It is important that reiterate that no pressure should be brought to bear on ESA states to liberalize service sectors, unless they are ready to do so. Africa is awash with lessons and cumulative lessons that can be drawn from the liberalization of services under Structural Adjustment Programmes.

## **Development, debt and supply side constraints**

Enterprises in African countries are not ready to respond to full and rapid liberalisation, because of the developing nature and the debt situation of the economies in these countries and various supply-side constraints that are serious obstacles to competitive production and marketing.

While African civil society and social movements support the ESA countries' requests for the creation and implementation of an infrastructural investment fund, they are quick to note that such programmes must address supply-side constraints, be established and implemented before any trade liberalization commitment to the EU can be negotiated.

It is dangerous to rely on EU to address the above and this is why some CSOs and social movements support the cancellation of all debts owed by ACP States to the EU and its member states.

## **Singapore issues**

Through proposals to negotiate such issues as investment, competition, government procurement and trade facilitation, the EU seeks to introduce agreements to de-regulate the entry and operation of European investors and businesses in ACP economies which are more than anything that the EU has been able to get in the WTO and which ACP countries have resisted in the WTO.

ESA should remain firm on its positions in WTO opposing negotiations on the Singapore issues, i.e. investment, competition policy, government procurement

and trade facilitation. The ESA countries' current draft negotiating mandate for the EPAs negotiations on these four issues is contradictory to this position.

The ACP countries had wanted an agreement with the EU on the overall ACP level on the scope and structure of EPAs, which was rejected by the EU. The ACP countries are now left to EU's divide-and-rule negotiating tactics in the different regional negotiations.

### **The role of non state actors (NSA) in ESA**

We welcome the ESA negotiation structures as described in the Mandate 17 January 2004, which will give Non State Actors a possibility, on national and regional level, to contribute to the process of determining what the optimal development and trade negotiation position will be for the nations and the region.

### **International Trade Justice**

In conclusion, special attention has to be paid to the G8. In our opinion, the G8 must address the systemic imbalances in current trade agreements that continue to prop up a multilateral trading system that undermines economic growth and poverty alleviation. Current reform of these agreements would help even the playing field and advance Africa's economic interests.

At the World Trade Organisation (WTO), emphasis must necessarily shift away from expanding the trade agenda in favour of addressing existing asymmetries. The G8 must therefore commit to dropping demands on expanding the WTO agenda to include new multilateral rules on the Singapore Issues.

The recent proposals within the European Union to reduce domestic subsidies and open up market access for products of export interest to developing countries can create a firm basis for progress on the Doha Development Agenda. All G8 members must rally support for this proposal and submit tangible and time-bound commitments on the reduction of domestic and export subsidies including all forms of export credits that have a subsidy component.

The G8 needs to take greater leadership in injecting political momentum towards realizing the objectives of the Doha Development agenda.

The G8 must make trade count for Africa **by addressing World Bank/IMF trade liberalisation conditionality, the dramatic fall in the value of Africa's primary agricultural exports and, current G8 tariffs on Africa's exports including non-tariff barriers** that continue to discourage the processing and value-adding of African commodity exports.