

The contemporary trade arrangements between the developed and underdeveloped countries. Justice and Peace Southern African Catholic Bishops' Conference Regional Conference on Food Security.

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Introduction

This paper will try to unpack the current arrangements of the Economic Partnership Agreements between Europe -north and ACP (Africa; Carribean and Pacific) paying special attention to the SADC region. In doing so, the paper will start by looking at the fundamentals that govern or even dictates terms of reference in formulation of the current economic policies. The paper will also attempt to look at the impact caused by the contemporary policies in the SADC region. Lastly, it will try to highlight fears and prospects of the current policies towards the development of underdeveloped countries.

Therefore, for us to have a better understanding of the current economic arrangements, lest we forget that the current economic policies are informed liberalist philosophy that is notorious of bringing poverty and strife to the previously and still colonised populace. The disadvantaged community respond with various action to the implementation of policies attached to this western capitalist notion. For example, members of various organisations in South Africa embarked on a series of mass action in retaliation to the demand for basic services such as housing, land and water. In 2006 there were about 5800 protests in South Africa (ccs, 2006:2).

The impact of the contemporary economic policies – underdeveloped countries

The global transformations that have taken place during the last few decades—i.e., the period during which the term 'globalization' has acquired its unprecedented currency—we notice two interlinked processes of global change. Böröcz emphasised that:

“These changes involve vast geopolitical, economic and cultural transformations that make the hitherto more or less practicable, de facto social, face-to-face isolation of some of the wealthiest societies from most inflows of people from the less privileged, poorer, non-European, and “racially” and/or culturally disparaged parts of the world less and less tenable. That shows that at least the credible possibility that the structure of global inequalities might change in such a way that some of the previously underprivileged, poorer and non-European societies of the world will acquire a noticeable measure of wealth, privilege and global power in the broadest

sense of the term. The latter poses, by implication, serious challenges to some key current, global interests of West European and North American power”(2005).

The new fascination with ‘globalization’ is seen as another European and North-America-centric feature towards further social transformation of which is represented in the form of mis-recognising themselves, like Eurocentrism has invariably done, as universal. There is nothing objectively or necessarily “global” about ‘globalization’. Böröcz argues that what is reflected in fact is the appearance of a remarkably un-specific, vaguely politicised notion of the “global,” read as a collective risk from a western subject position. This highly celebrated strategy of the newly found access to harmless, quality-of-life-enriching artefacts from other cultures has some limitations. For example, in noting the uninvited, internally transformative, harmful penetration by external powers has been the key element in the experience of capitalist modernity in much of the world outside of Western Europe would reveal the Eurocentric nature of the social transformation in times ‘globalization’ (2005).

On the other hand, the United States has experienced a solid economic growth since its last Trade Policy Review in early 2004 which was facilitated by the openness(what do you mean?) (WTO, 2006: vii). This growth is encouraged by a policy of advancing open markets and the rule of law, as part of a broader global security objective. In this context, the multilateral trading system is the core of its international trade relations. Multilateral trade negotiations are a stated priority of the Administration, in particular, the successful completion of the Doha Development Agenda before the end of 2006. The United States pursues a strategy of trade liberalisation through negotiations at multilateral, regional, and bilateral levels. In pursuit of this strategy, the United States has increased the number of countries with which it has entered into free-trade agreements (FTAs), from three at the start of the current Administration in early 2001 to 15 by late 2005. Of these, six FTAs have been implemented: with Israel, NAFTA, Jordan, Chile, Singapore, and Australia. As of January 2006, agreements with the other 12 countries are currently being negotiated.

The world is also experiencing the dictatorship of Western world economic system that is spearheaded by the United States which grants unilateral preference to developing countries under a number of schemes; these preferences may be conditional on compliance with various U.S. policy objectives. In February 2005, the United States requested waivers in the WTO for three of its preference schemes (AGOA, ATPA, and CBERA). The current economic set-up are categorised by the horizontal inequalities – (His) that are conceived of as multidimensional, with

economic, social and political dimensions. Each dimension encompasses a number of elements such as, the economic inequalities that include a variety of assets (financial, natural resources, human and social capital. Opportunities for their use especially in employment and the current resources that flow from these assets (i.e. income). Social horizontal inequalities include access to a variety of services such as education, health services, housing and also outcomes in the form of human indicators (infant and maternal mortality, for example, life expectancy, and literacy). The political horizontal inequalities consist in the group distribution of political opportunities including who controls the presidency, the cabinet, parliamentary assemblies, the army, the police and regional and local government. Horizontal inequalities also matter for the following three instrumental reasons. Firstly, it may not be possible to improve the position of individuals without tackling the position of the group as a whole. For example, programmes to advance credit to poor producers, or to promote universal education, may not be achievable so long as group inequality remains.

Secondly, correcting such horizontal inequalities should have a positive effect on efficiency. Any situation in which a group is discriminated against is likely to be less efficient economically than it would be in the absence of discrimination, since talented people in the group discriminated against will be held back, while too many resources, or too high a position, will go to less talented people in the favoured group. A third and most critical instrumental reason for trying to moderate horizontal inequality is that group inequality can be a source of violent conflict (Stewart, 2000). Group inequality provides powerful grievances which leaders can use to mobilise people to political protest, by calling on cultural markers (a common history or language or religion) and pointing to group exploitation. This type of mobilisation seems especially likely to occur where there is political as well as economic inequality, so that the group leaders are excluded from formal political power while the mass of group members are economically deprived.

In the past 6 years, world merchandise exports experienced an average growth rate of 10.4%. Over the same period, Africa performed better, increasing its exports by 16% on average annually. However, a decomposition of the export performance by region reveals that the rapid increase in export is particularly concentrated in oil-exporting Sub-Saharan African countries. These countries achieved an average export growth of 22.4% over this period. On the contrary, the average export performance of non-oil exporting Sub-Saharan countries is very much in line with the World average 11.2%. Unfortunately, despite this recent slight recovery, Africa's share of global exports in merchandise remains historically low. Africa's share in global exports in 2005 was 2.8% only, roughly equivalent to its 1991 value and less than half its peak value in 1980 (6.0%).

Despite Africa's increase in export poverty is still experienced at an alarming rate. The Table 1 below shows that about 315 million people according to UNDP statistics are living on less than \$1 a day; 200 million according to FAO are exposed to malnutrition; about 2.9 million people per year die due to hunger related diseases and a total 33% of the total population in sub-Sahara Africa according to FAO are exposed to malnutrition.

Rate of poverty in sub-Sahara Africa

- Number of people in sub-Saharan Africa living on less than \$1 a day 315 million (UNDP)
- Number of malnourished 200 million (FAO)
- Hunger-related deaths 2.9 million per year (IFPRI)
- Malnourished as percentage of total population 33 percent in sub-Saharan Africa (FAO) 16 percent in West Africa (FAO)

Source: http://www.alertnet.org/db/crisisprofiles/AF_HUN.htm?v=at_a_glance

In addition, food “shortages” is one of the issues which affect communities differently and viewed critically and is something that need to be addressed urgently. For example, the severe food crisis that hit Africa in 2005 and early 2006 has decreased in the regions along the south and west of the continent and acute food shortages persist in East and Central Africa, compounded by flooding and armed conflict. Food shortages was still estimated to be affecting about 200 million people, who remain chronically malnourished across the African continent. Furthermore, 200 million Africans are malnourished, Millions without the means to sustain their way of life, and Emergency food aid is ineffective.

Extreme poverty is combined with explosive rates of HIV infection. According to UNAIDS, there are now some 25.8 million people living with HIV/AIDS in sub-Saharan Africa, more than 60 percent of the 40 million sufferers worldwide. Given the prominence of the EU imports into these countries, the reliance of the majority of African countries on tariff revenues, the tariff dismantlement result in all cases in significant revenue shortfalls.(ATCP, 2005:4) The EPAs, is seen as not appropriate

measures that can obviate the macroeconomic imbalances which are likely to result in the falling revenues, and that will have the possibility of undermining developmental objectives of the African countries. Part of this trade expansion will result from trade creation, which is the improvement of welfare, significant proportions of the trade gain will also be due to trade diversion from the rest of the world and from within the REC EPA grouping itself. For example, the reciprocity principle appears to be expanding trade but it also pose serious implications for deepened regional integration in Africa. In addition, the EPAs could seriously undermine the gains that have been achieved so far in the integration process of the continent. Therefore, this call upon Africa to hasten regional integration processes to build and consolidate supply capacity before opening up to the EU.

There are different opinions when looking critically at policy reforms and the manner in which that might affect Africa. The first view argues that any tariff dismantlement by African countries must be implemented in phases hand in hand with unrestricted market access for African exports into the EU market. It is clearly shown by the 10-12 years period interpreted from Article XXIV of GATT which indicates that these policies are only sufficient for the deepening of the intra-African trade. Other view suggests that EPAs should look beyond the 12 years as the possible dates for introducing reciprocity. Because the unrestricted market access and deeper (what do you mean by deeper or rather deepens?) African, integration will have provided sufficient room for building supply capacities and exports diversity to be set-up.

The current policies towards development

It will be unwise for us to talk about the current agreements without considering previous economic policies, as they inform its reforms and changes. For example, the Cotonou Partnership Agreement (CPA) between the European Union (EU) and African, Caribbean and Pacific (ACP) countries of which is expected to succeed the expired Lomé Agreement. It is envisaged that the signing of Economic Partnership Agreements (EPAs) by December 2007 is to come into force beginning 1 January 2008 between the EU and the ACP countries. The EPAs, which will be the new cooperative framework under the CPA, are expected to adopt an integrated approach based on partnership and promoting cooperation, trade and political dialogue between the EU and ACP countries.

One of the essential characteristics of this multilateral partnership agreement is that it hopes to combine responses to the challenges of globalization and the development aid essential to ACP countries that goes along with a strengthened political dimension. The key CPA principles are reciprocity, differentiation, deeper regional integration, and coordination of trade and aid with limited negotiations

capacity because (becoz of what)(ATCP, 2005:1-2). On other hand, the transmission mechanism for the trade effects will be realised in the partial equilibrium model that will be achieved through the elimination of existing tariffs on EU imports. It is argued that will automatically reduce the prices which consumers in the importing African country face compared to domestic substitutes and the responsiveness of demand to the price change influences the amount of trade created or diverted.

These principles appear to be expanding trade globally in favour of what will pose serious implications for deepening of regional integration in Africa. The ECA and the UN in general recognizes the Doha Round as an indispensable platform through which the marginalisation of Africa in the global trade could be addressed. It is for this reason that the ECA continues to invest heavily in supporting African countries in their efforts to scale up their active engagement in the trade negotiations process in Geneva(Janneh, 2007).Horizontal inequalities (HIs) are important because they affect individual well-being, economic efficiency and social stability, while in some circumstances they can lead to serious violent conflict, as interests of peasants and small farmers in the four regions face a new threat. Another threat is that the Economic Partnership Agreements UE-ACP are marketed as free trade agreements. Whilst in fact they are not, as the European Commission pretends, development agreements benefiting the ACP countries. Other critics argue that when WTO realised that, it undergoes a crisis of legitimacy and came up with EPAs as a replacement tools to force countries to open and liberalize their agricultural market, despite the growing popular opposition against these policies.

The current negotiation for EPAS will be prejudicial to the peasants and small farmers in the Caribbean, Africa for the following reasons:-

- Dual role of the European Commission claims has no other meaning than the opening of the ACP markets for the European exportations and importation of raw material.

- The peasants and small farmers in the Caribbean, the Pacific and in Africa will have to compete with food imports from the EU sold at artificially low prices.

- * More export market access will not benefit the small scale producers in neither of the four regions, because the great majority of peasants and small farmers sell their products on the local, national or regional markets, not in international market.

- The prices at which the producers of ACP countries will be able to export their products on the European market will decrease sharply, thus reducing the advantage that they had to export to the EU.

- Lastly, the elimination of the import tariffs will lead to a sharp decrease in the ACP states revenues, while many of these states are very dependent on these revenues for their budget. This loss will have a very critical impact on the capacity of the states to invest in health, education, agriculture and public infrastructure for their development.

There are different opinions, as another view suggests that the system of non-reciprocal trade preferences set up between the EU and the ACP countries through the Cotonou agreement to be (did you mean cannot be sustained?) sustained. However, it should be (what should be improved?) improved in order to allow the producers in the ACP countries to diversify their agriculture to be less dependent of their exports to the EU. On other hand, another view suggests in gaining momentum it will lead to tangible proposals which will in turn also lead to the realisation of African priorities, namely:

- Genuine market access opportunities for developing countries in agricultural products, non-agricultural products and services.

- The elimination of trade distorting subsidies that continues to hurt Africa agriculture.

- Concrete agreement on a significant reduction in domestic support on cotton and a credible development assistance package.

- Precise, effective and operational special and differential treatment provisions. This continues to be an area of much debate in the negotiations on modalities in agriculture and NAMA.

- Agreement with regards to dealing effectively with adjustment costs, including those that are likely to arise from preference erosion.

- Operationalisation of the Aid-for-Trade with an expanded scope and in line with Africa's expectations (Janneh, 2007).

Furthermore, the SADC countries continue to be given promises for better things to come. Despite the proven facts that the first round of Poverty Reduction Strategies facilitated by the World Bank, as the mechanism to plan poverty reduction and allocate aid for each country, has failed to engage directly with rural economies. Research from the Overseas Development Institute in the UK, examines the treatment of rural productive sectors (agriculture, tourism, forestry and fisheries) in Poverty Reduction Strategies (PRSs) in Malawi, Nicaragua and Vietnam. It suggests that development agencies and policymakers need to improve understanding of linkages between rural growth and poverty reduction and stop treating poor rural people as a homogeneous group. It recognises that poor people largely live in agricultural areas, but lack detailed plans to assist them or build capacity in poor provinces. Mufeme noted that control of land was and is still linked to the complex interplay of economic, social and political power. This type of western development tend to deliberately deny the fact that African communities are predominately agrarian and accordingly, their foundations are in land and it's usage (Mafeje, 1991:67).

Therefore, the choices the government makes, based on political survival would always be uneven against economic viability because of the inequalities created by racism as well as the mounting pressure from globalisation (Karumbidza, 2001a). Karumbidza (2001a) noted that Bernstein argued that:

The capitalist landed property/ agriculture seeks to expunge or deny the foundations of its historical formation in land expropriation, brutal labour regimes and state support. Its position today, if anything, is strengthened by the confirmation of bourgeoisie property right in general, and, beyond that, by the economic policies and practices of the government. [This] capitalist landed property/ agriculture stakes its place in the new South Africa on the claim of its 'efficiency in a non-racial capitalism, while white farmers retain a de facto, if no longer de jure, near monopoly of resources and institutional, as well as economic, power in the countryside (Bernstein, 1997: 22).

This is confirmed by the fact that the Department of Land Affairs (DLA) dismissed, the call to address the subsistence land needs of the poor and instead it focused its attention on the commercialisation proposal of the World Bank which aimed at advancing full-time black commercial farmers (Karumbidza, 2001).

In closure, in view of the capitalist liberalist agenda that has engulfed the world continue to loot global economy to the hands of the few. Despite the high celebration of the current globalisation by many it still remains to benefit only a handful of the previously advantaged populace. Others see the current globalisation, as the entrenchment of western capitalist in the economies and at the expense of the indigenous people. The challenge is that how can the economic system that has failed, alienated the ACP countries people from defining resources and the determination of their economies be to their advantage. The most challenging part to the ACP countries is how do they expect to benefit in economic policies where they remain as junior partners and bullied willy- nilly by the countries like US whose status remain questionable when it comes to literal fairness and justice in global relation between people, countries and economic policies.

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