

INSIDE THIS ISSUE	FINANCIAL MELTDOWN	EDITORIAL	PRESIDENT KUFUOR ON AID	GLOBAL FINANCIAL CRISIS	TRADE NEGOTIATIONS	CAPE TO CAIRO	WORLD FOOD DAY
	The debt-financed US-led global economy is crumbling lessons learnt between the South and West	Ending Aid Dependence	working to remove the systematic indignities of permanent aid	The G8 are united in their commitment to resolve the global financial crisis!	Multistakeholders dialogue on EPAs and WTO negotiations	Agreement to create a free trade zone incorporating 26 countries!	The implications of climate change and bio-energy
	<b>1</b>	<b>2</b>	<b>7</b>	<b>10</b>	<b>12</b>	<b>14</b>	<b>16</b>



## Global Financial Meltdown and Lessons for the South

**By Professor Yash Tandon**

The debt-financed US-led global economy is crumbling. What lessons can the leaders of the South learn from the present meltdown of the Western capitalist system?

The first lesson, surely, is that contrary to mainstream thinking, the market does not have a self-corrective mechanism. In the present crisis the “market makers” are watching nervously from the

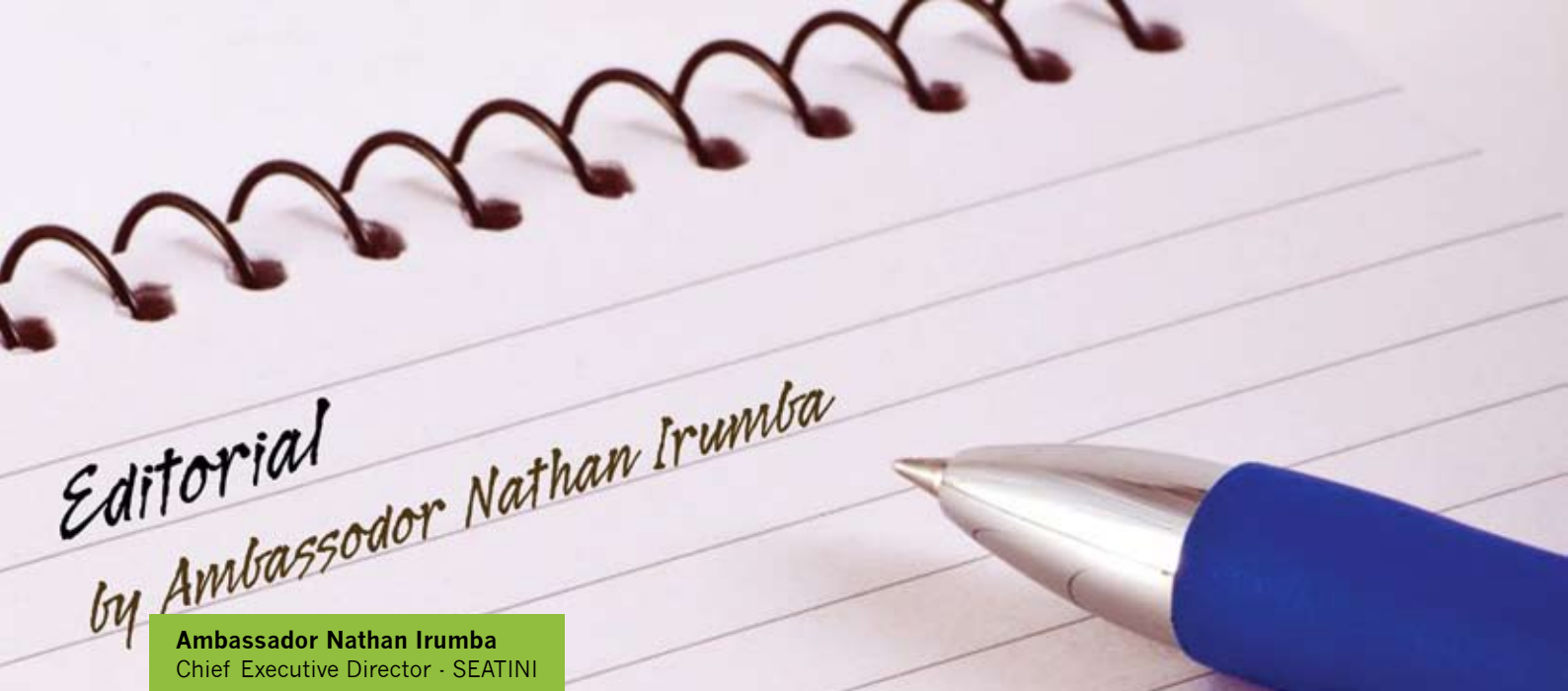
“...contrary to mainstream thinking, the market does not have a self-corrective mechanism.”

sideline as the Congress and the politicians huddle together to see how to bail out the banks. The leaders of the South have been instructed in innumerable reports and policy recommendations by “experts” from the International Monetary Fund (IMF), the World Bank, and the World Trade

Organisation (WTO) as well as Northern politicians that they should let their economies be ruled by the market. As recently

as 9 February 2008 the EU Trade Commissioner Peter Mandelson spoke at Cambridge arguing, essentially, that if the South does not liberalise its markets, it must be forced to do so through applying the WTO rules of reciprocity. This is part of the neoliberal rhetoric.

**To page 3** 



Editorial

by Ambassador Nathan Irumba

**Ambassador Nathan Irumba**  
Chief Executive Director - SEATINI

## Time to design a strategy for ending Aid Dependence

**M**inisters responsible for development and finance from both developed and developing countries as well as of bilateral and multilateral development agencies assembled in Accra in the first week of September to deliberate on the how to improve Aid Effectiveness. The discussions and the resulting outcome namely; the Accra Agenda for Action focussed mainly on how to enhance country ownership, increasing the volume of aid and predictability of aid flows, reducing aid conditionalities, harmonisation of and avoiding fragmentation of aid delivery.

President Kufuor of Ghana, struck the right note when he called on the Accra forum to work to remove the systematic indignities of permanent aid through social and economic empowerment and correctly pointed out that aid should help beneficiaries not only

develop economic muscle, but also to become worthy investment partners internationally. We agree.

While appropriate development aid is desirable, there is increasing concern at the high level of aid dependence of many countries

**“While appropriate development aid is desirable, there is increasing concern at the high level of aid dependence of many countries especially in Africa”**

especially in Africa and the LDCs. The quest for foreign aid has become a major objective and preoccupation of many developing countries both in their foreign and domestic economic policies. The volume of foreign aid extended to a country is often announced with pride as signifying acceptability by the international community. This is most unfortunate. This has made them to veer off from the

earlier policies of self-reliance whereby they would harness their own resources for development and only seek foreign aid as a supplement to support capital development.

The LDC report 2008 points out that the fundamental priority of a government should be to formulate and implement national development strategies that promote sustainable development and poverty reduction. The report also observes the major

constraints on the ability of LDC governments to exercise effective leadership in design

and the implementation of their national development strategies which arise from the high level dependence on donor finance, the weak technical capacities and continuing bark and bite of policy conditionalities.

It also makes a point that “when politicians and policymakers feel

To page 5





If businesses fail, let them. All state intervention or cushioning is like nursing dying patients. In the course of time, the countries will find their “niche” comparative advantage in the global chain of production and trade. In the meantime, if people suffer they must be made to understand that this is the necessary pain of adjustment. If millions of small holder food and cotton producing farmers in the South perish because “free trade” demands further liberalisation of the global market, then it is just bad luck for them and their families. Paradoxically, this logic is now stood on its head when it comes to bailing out the monolithic financial institutions in the North, and protecting the jobs and house mortgages of those who, through no fault of theirs, have become victims of the sub-prime mortgage crisis.

The second lesson of the present financial crisis is that people matter. It is election time in the US, and the people, who have been ignored for so long, suddenly matter. However, there is a difference between the North and the South. In the North the people wait for elections, in the South they go instantly to the streets. In the North people are on the sideline passively waiting for the politicians and bankers to decide their fate. In the South people take matters in their own hands and bring abrupt changes in government (including military coups), or they vote with their feet and migrate to neighboring countries or to the North. These are generalisations, but generalizations have a germ of truth. People in the

North and South have different circumstances, and they act as their circumstances and institutions allow. For the North to argue that the South must copy Northern systems of governance and democracy is to ignore the reality of history.

“From sub-prime rate crisis to direct state intervention and nationalisation of banks and their global assets, there is now no turning back to neoliberalism.”

A third lesson is that crisis is endemic to the capitalist system. In explaining the present financial crisis, Walden Bello, senior analyst of the Focus on Global South, has argued that its roots lie in the overproduction of capital and under consumption by the masses. This is indeed so. On the one hand capital is overcapitalizing through the creation of mountains of fictitious capital such as, for example, Collateralised Debt Obligations (CDOs are clever instruments that mix AAA-rated securities with “junk bonds” – or “toxic paper” – and packaged as collateralized securities; these are at the crux of the subprime crisis). On the other hand, even as the corporate elite earn millions of dollars (Goldman Sach’s 30,000 employees each earned an average of \$600,000 per year, and its CEO \$68 million), millions of people throughout the United States are in deep personal debt and cannot put two meals together or meet their health bills or mortgage commitments.

Besides overproduction of

capital and under consumption by masses, the fundamental cause of the financial crisis is that capitalism, in essence, is an anarchical system. Adam Smith’s invisible hand in which everybody’s greed is the basis for social good is a veritable formula for anarchy. Schumpeter idealised

capitalism as a process of “constructive destruction”. History, however, has seen appalling destruction

of people’s lives, cultures and the environment (whose end we have not yet seen) as the daily destruction caused by neoliberal policies. It is a questionable complement to Adam Smith that his theories have lasted so long in various forms and guises, the latest in its neoliberal phase. But time has come now, finally, to put the ghost of Adam Smith to rest. From sub-prime rate crisis to direct state intervention and nationalisation of banks and their global assets, there is now no turning back to neoliberalism. Neoliberalism, too, is dead or dying a slow death.

A fourth lesson to learn is to recognise that the leaders of the North and of finance capital do not pretend any more that they fully comprehend the nature of this crisis. They admit that they do not know what the nature of “true value” is behind the inflated and debt-ridden commercial paper (like CDOs). They talk of removing “toxic” or cancerous paper from the system, but nobody knows how. Nobody knows how to save

the body from the cancerous cells. The whole body is metastasized. There is, in other words, a *crisis of cognitive paradigmatic failure*. They simply do not know. It is a collapse of the paradigm that informed their understanding of themselves. They might put back humptydumpty together again (although nobody knows how), but the cancerous growth will surely continue. The system is heading towards a cataclysmic demise.



And here is the fifth lesson for the leaders of the South. For too long they have also accepted neoliberalism as the cureall for the ills of poverty and deprivation in their countries. Some have found vindication in wealth creation that has put them in league with Fortune magazine's world's richest one hundred. But the people in their countries are suffering, and are now resisting. In the people's rejection of Tata's attempt to locate the new car industry in Bengal in India lies a symbolic expression of where the future is heading, and the leaders of the South had best heed this signal. The leaders of the South who thought there was no option but to integrate in a globalised world, and even those who talked about "fair globalisation", must step back and review their positions. In issue 3 of the *South Bulletin* published on 1 November 2007, we argued editorially that "...the subprime crisis shows that it is imperative for the South, above all, to decouple or `selectively disengage` from the contagious effects of Western financial and speculative markets. These and asset pricing mechanisms are even more risky for the South than terms of trade. Decoupling, if it has not happened, is now an economic and political imperative for the South". Tamara Kunanayakam in this issue of the Bulletin shows

how the countries of South America are slowly disengaging themselves from the North and building their own institutions, including regional banks.

The captains of industry and the holders of sovereign wealth funds in the South might be tempted to pick up assets and banks in the North on the cheap, although it is unlikely that having nationalised these, the governments of the North will allow these to be "denationalised" to the extent that their ownership and control pass over to the financial and industrial giants and national governments of the South. China may be the world's workshop, India its communications centre, and Brazil its farm. But to allow China, India and Brazil to control the commanding heights of the economy of the North would, for the North, be suicidal. Southern capital could instead be better and more profitably used by investing in the development of the South and so improve the South's collective ability to shape its own destiny.

Over the next decades what we shall be witnessing between especially the older industrialised countries of the North and newly industrialising countries of the South is an intensified competition for global resources of oil, fuel, land, forests, water, minerals, etc.

Capitalism has been a predatory system of over 400 years duration, with dire ecological consequences of global warming, drought, water scarcity, soil degradation, death of forests, the melting of the glaciers, destabilization of the Asian monsoon, etc. These have already caused eco-induced migration (so we now have environmental refugees as well as economic and political refugees), and land-use conflicts. What we are witnessing is not just the melting of the global financial market. What we are witnessing is the meltdown of the capitalist and ecological systems. So the final lesson to learn from the present conjunctural crisis of the financial system is that the leaders of the South must now take the lead, in discussion with their peoples, to try and build a different world based on a different paradigm in contrast to the 400 years old capitalist paradigm that is now meeting its dénouement in the North. Adapted from the *South Bulletin* "Reflections and Foresights"

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inhibited from saying and doing certain things because of a sense of aid dependence, the political qualities of free-thinking society atrophy.”

The inherent dangers of over-dependence on foreign aid for development are increasingly being recognised. Adrian Wood for example points out that “there are various reasons to be concerned about high aid dependence, but the most worrying is the undermining of good governance by distortion of political accountability. Governments that are highly dependent on aid pay too much attention to donors and too little to their citizens. This might not matter if the interests of citizens and donors were identical. But all donors have some non-developmental motives and, even when they seek to promote development, they have their own priorities. The result is confused and shifting policies, volatile aid and as a result, slower growth.”<sup>1</sup>

Kishore Mahbubani also observes, “western countries have put significant amounts of money into their overseas development budgets, but these funds’ primary purpose is to serve the immediate and short-term security and national interests of the donors rather than the long term interests of the recipients.”<sup>2</sup> It is worth

<sup>1</sup> This was stated by Adrian Wood a professor of international development at the University of Oxford and in 2000-2005 was chief economist of the UK’s department for international development on [www.ft.com](http://www.ft.com).

<sup>2</sup> As cited in Foreign Affairs: May/June issue. Article: The Case Against the West. Kishore Mahbubani is the Dean of the Lee Kuan

pointing out that the OECD’s aid effectiveness agenda utilizes the World Bank’s country policy and Institutional Assessment as an evaluative measure for lending worthiness that rests on elements which emphasize trade openness as a criterion of good policies and good governance. It includes requirements such the CPIA or government procurement standards that prejudice the role and direction of trade policy in the development strategies of recipient countries.

No doubt aid is recognized as contributing to global financial flows and can have a positive

“No doubt aid is recognized as contributing to global financial flows and can have a positive effect on the development of the recipient countries if well harnessed...”

effect on the development of the recipient countries if well harnessed but not all foreign aids serve the purpose of development and some can actually be enslaving. The South Centre in their publication “Ending Aid Dependence” raises the following pertinent issues regarding accountability of aid recipient governments:

“In the aid-dependence is government accountable to its people or to the donors who finance the government? Can citizens be assured that their interests will be safeguarded by their own national governments and not become subservient to controls exerted by donors on their national governments? Can citizens of aid-dependent countries ever escape the

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stigma where the value of their industriousness and entrepreneurship will always be overshadowed by the value and importance given to aid?”<sup>3</sup>

For the last three decades most of our countries in Africa, as part of aid conditionality, have had to undertake Structural Adjustment Programmes which continue up to now under different nomenclatures or guises. The policies have exposed the world most vulnerable peoples and weakest economies to the full force of global market place dominated by the most powerful and richest

economies and co-operations. The vast majority of measures – ranging from the dropping of trade barriers that protected the livelihoods of small scale farmers and fledging domestic industries to the rewriting of national labour laws – have typically been adopted as governments have been forced, under threat of being cut off from international financing, to respond to the interests of their official and private creditors over those of their own people. Without democratic control over the key economic decisions that so directly affect their lives, the vast majority of citizens have seen the past generation of policies serve other interests while their own circumstances deteriorate<sup>4</sup>.

It is desirable to design an exit

<sup>3</sup> Ending Aid Dependence – By Yash Tandon

<sup>4</sup> The SAPRIN report on Structural Adjustment – The Policy Roots of Economic Crisis, Poverty and Inequality.

strategy from aid dependence. This requires a radical shift both in the mindset and in the development strategies of countries' dependent on aid and a deeper and direct involvement of citizens in their own development on one hand, and a radical and fundamental restructuring of the institutional aid architecture at the global level on the other.

The Secretary General of OECD co-organiser of the conference hailed the Accra Agenda for Action as representing "a historic step in Aid Effectiveness agenda and described the declaration as a blue print to make sure that we meet our commitments

under the Paris Declaration on Aid Effectiveness by 2010 and significantly deepen our engagements on crucial fronts. It focuses on increasing the medium term predictability of aid, so that developing countries can effectively design and manage their development programmes over the medium term. This is especially important in sectors such as health which rely on long-term recurrent funding to deliver key services and, for obvious reasons, in the area of food aid. And it finishes by leading us to a time when countries will no longer be dependent on aid but on mobilising their own resources, the ultimate sign of success."

As we approach the Doha Review conference of the implementation of FfD programme adopted at Monterrey, and examine whether the resources have been availed as envisaged, we should bear in mind the need to distance ourselves from the psychology of aid dependence and its attendant mindset. The test for the success of the Accra Agenda for Action should be on whether it leads to "a time when countries will no longer be dependent on aid but on mobilising their own resources, the ultimate sign of success, as promised above."



## Ghana president calls for removal of the systematic indignities of permanent aid

Addressing the Third High Level Forum on aid effectiveness, President Kufour of Ghana urged the conference to work to remove the systematic indignities of permanent aid through social and economic empowerment. Ghana's aim was to totally wean the nation out of a perennial and structural dependence on aid.

The high level forum which was held in Accra Ghana 2-4<sup>th</sup> September 2008, concluded by adopting the Accra Agenda for action reaffirming the commitments made in the Paris Declaration and agreeing on what they described as "concrete and actions to be monitored to meet those commitments by 2010."

The Accra meeting was organised jointly by the Organisation of Economic Cooperation and development, the World Bank and Government of Ghana. The objective was to review progress towards achieving the 12 goals for Aid Effectiveness as set out in the Paris Declaration of 2005 in which, inter alia, the donors promised to make aid more predictable and to reduce conditionalities attached thereto.

He called on the forum to “work to remove the systematic indignities of permanent aid through social and economic empowerment of the recipient countries.”

That declaration urged donors to increase country ownership of the development projects and harmonisation of Aid coming from different sources.

In his address **President Kufuor** urged the forum to end with bold and ambitious resolutions, to minimize existing impediments to Aid Effectiveness in recipient countries, so as to make way for sustained growth and development.

He stated that “The driving force of the shared humanity behind

these conferences shows that the concept of development partnership has attained a critical acceptance as a major vehicle to enhance Aid Effectiveness further in recipient countries. Such countries should be empowered to play proactive role in the rapidly emerging global village of interdependence.

He called on the **forum to work to remove the systematic indignities of permanent aid through social and economic empowerment of the recipient countries.”**

“Already, the global aid architecture is changing and transforming relations between developed and developing nations. Both sides are encouraging recipient nations to take ownership of focused country development plans, aid policies and strategies, and other frameworks to ensure that Aid supports their development priorities. These trends are increasingly evident from the experiences of nations like Tanzania and Cambodia. Of course competent leadership and accountable political and economic governance systems are crucial for the success of the process.”

He said in these countries, the roles of aid in national development as well as mechanisms for accountability are dearly defined, while relationship with development partners, are closely monitored within a government-led mutual accountability framework for Ghana has made. “The aim is to totally wean the nation out of a perennial and structural dependence on aid.”

Noting that even in fragile states with strong and committed leadership, there are examples of remarkable progress on Aid Effectiveness and development, he said, “Such demonstration of committed leadership which is carrying along the citizenry deserves unalloyed and urgent support from the development partners.”

“The message from these success stories is that “aid should be used chiefly to assist with capacity building in recipient countries, both in terms of Human Resource Development and infrastructure laying to improve productivity. The self-confidence and “can-do”

spirit that are unleashed from such developments are what Aid Effectiveness must be about.”

“Many recipient nations have established various frameworks for financial monitoring and accountability and procurement process. Partners should demonstrate commitment on their part by matching such efforts with increased support and goodwill. Such support should manifest in the timely release of resources for critical programmes in the shared country plans. Delays in implementation of programmes that society has brought into frustrate expectations and tend to cause political disenchantment and render governments, especially a democratically elected leadership, vulnerable,” he observed.

#### **Harmonize Assistance**

In the face of multiple donors, “harmonisation of assistance reduces the strain and sometimes costly burden of dealing with them individually by a recipient country. Of course, harmonisation of aid should not sidetrack from whatever bilateral support a donor nation may agree with a recipient because of their special relations.” **President Kufuor** emphasized that “In the long run, Aid is to help recipient nations build capacity not only to, overcome poverty, but also, to develop economic muscle, to become worthy investment partners internationally, and that should be the underpinning spirit of this forum.”

**The President of the World Bank Zoellick**, Underscoring the need for harmonisation and better aid delivery observed that the average recipient country hosts 260 donors a year and that in 2007 donors undertook “astonishing”

14,000 missions to 54 countries and less than one fifth of those projects were carried out with another donor. He also observed that as donors increased in number the size of their donations shrunk.

Many participants called for more aid being channelled through in-country public financing systems instead of external agencies of funding mechanisms of the donor countries.

Many developing countries were unhappy that most of the funds from aid end up meeting overhead costs or catering for emoluments of rich country experts.

#### **Mr. Robert Fox of Oxfam**

International echoed their concern and emphasized that “Aid should strengthen local capacity rather than spawning parallel aid empires or relying on contractors and consultants from the North.” “The sooner we ensure our aid dollars are strengthening the capacity of developing countries to meet their needs, the better.”

#### **Accra Agenda for Action**

After intensive negotiations, the meeting adopted the Accra Agenda for action outlining measures for strengthening country ownership, and for building more effective and inclusive partnerships. It was agreed to broaden country policy dialogue on development through working more closely with parliaments, and local authorities and engaging with civil society. It was also agreed to strengthen and use developing country systems for aid delivery to the maximum extent possible.

With regard to reducing the costly fragmentation of aid it was agreed that:

a) Developing countries will lead in determining the optimal roles of donors in supporting their development efforts at national, regional and sectoral levels. Donors will respect developing countries' priorities, ensuring that new arrangements on the division of labour will not result in individual developing countries receiving less aid.

b) Donors and developing countries will work together with the Working Party on Aid Effectiveness to complete good practice principles on country-led division of labour. To that end, they will elaborate plans to ensure the maximum coordination of development co-operation. We will evaluate progress in implementation starting in 2009.

c) An international division of labour across countries be started by June 2009 and

d) The issue of countries that receives insufficient aid be addressed.

**A significant step forward or a weak symbolic gesture?**

Many participants especially the donors welcomed the Accra Agenda for Action, as important step forward in increasing aid effectiveness.

**The OECD Secretary General Angel Gueria** praising the outcome said "The Accra Agenda for Action represents a significant step forward and presents donors and partners with a series of new concrete measures to accelerate movement towards agreed development goals. It is the blueprint to make sure that we meet our commitments under the Paris Declaration



The OECD Secretary General Angel Gueria

on Aid Effectiveness by 2010 and significantly deepen our engagement on some crucial fronts.

It enshrines the principle of reducing conditionality and further untying aid.

It strengthens partner country ownership by engaging their parliaments and citizens and making greater use of their own national systems to deliver aid as a first option – not as a last resort.

It builds more effective and inclusive partnerships for development — pulling together all actors into the tent. Middle-income countries, global funds, the private sector and civil society organisations are all bringing valuable experience to the table.

It increases aid's value for money, and ensures donors work effectively in-country — not overcrowding some sectors while ignoring others.

It focuses on delivering and accounting for development results; which means being transparent to our citizens, and keeping to our promises, so we can all plan to use aid as

effectively as possible.

It focuses on increasing the medium term predictability of aid, so that developing countries can effectively design and manage their development programmes over the medium term. This is especially important in sectors such as health which rely on long-term recurrent funding to deliver key services and, for obvious reasons, in the area of food aid.

And it finishes by leading us to a time when countries will no longer be dependent on aid but on mobilising their own resources, the ultimate sign of success.

Some developing countries and civil society were not impressed by the outcome of Accra meeting and saw the declaration "as nothing but a week symbolic gesture."

The U.S and Japan resisted the efforts for including strict timelines for achievement of aid goals.

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Leaders of the Group of eight (G-8) at a recent summit.

## G-8 calls for urgent summit to resolve global financial crisis.

Leaders of the Group of Eight (G8) major industrial countries on 15<sup>th</sup> October said they will meet “in the near future” for a global summit to tackle the financial crisis.

In a joint statement released by the White House, the G-8 leaders said they were united in their commitment to resolve the crisis by strengthening their financial institutions and restoring confidence.

The statement said the leaders of the eight countries – the United States, Japan, Germany, France, Britain, Italy, Canada and Russia – would meet “at an appropriate time in the near future.”

The statement also indicated that the G-8 nations would include other key nations in the discussions which will be aimed

at drafting “an agenda for reforms to meet the challenges of the 21st century.”

### **Below is the full text of the statement.**

We, the leaders of Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States of America, and the President of the European Commission, are united in our commitment to fulfill our shared responsibility to resolve the current crisis, strengthen our financial institutions, restore confidence in the financial system,

and provide a sound economic footing for our citizens and businesses.

We welcome and commend the recent decisions and actions taken in support of implementation of the G7 Plan of Action, adopted by finance ministers and central bank governors and endorsed by the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund, which set forth a concerted framework for individual and collective action.

These measures will help financial institutions gain access to needed capital, support systemically important financial institutions and prevent their failure, unfreeze credit markets, restart secondary markets for mortgages, and protect savers and depositors. We will implement these measures on

an urgent, transparent, and non-discriminatory basis. We pledge continued close cooperation and coordination.

As we address the current crisis, we will work to mitigate its adverse impacts on emerging economies and developing nations and we strongly support the International Monetary Fund's critical role in assisting affected countries. We reaffirm that open economies and well-regulated markets are essential to economic growth, employment and prosperity. We therefore underscore the importance of not turning inward and of continuing efforts to

promote trade and investment liberalization, which over the past several decades has significantly raised the global standard of living and lifted millions out of poverty. In this regard, we are determined to intensify efforts to bring about a successful conclusion of the WTO negotiations with an ambitious and balanced outcome.

While our focus now is on the immediate task of stabilizing markets and restoring confidence, changes to the regulatory and institutional regimes for the world's financial sectors are needed to remedy deficiencies exposed by the current crisis. The discussions

elaborating such changes, building on the efforts of the Financial Stability Forum and the IMF, must involve both developed and developing countries.

We look forward to a leaders' meeting with key countries at an appropriate time in the near future to adopt an agenda for reforms to meet the challenges of the 21st century.

We are confident that, working together, we will meet the present challenges and return our economies to stability and prosperity.

**Reported by Kasirye Samuel**

## **SEATINI - The Organisation**

The Southern and Eastern African Trade, Information and Negotiations Institute (SEATINI) is a regional non-governmental organization founded in 1996 soon after the WTO Singapore Ministerial Conference, after realizing that Africa in particular and Third World countries in general were marginalized in the WTO negotiations.

### **Mission**

The main purpose of SEATINI is to strengthen the capacity of African trade negotiators and other key stakeholders i.e. the Media, NGOs, Members of Parliament to take a more effective part in the emerging global trading system and to better manage the process of globalization.



*Hon. Eng. Nelson G. Gagawala Wambuzi,  
Minister of State for Trade, Uganda, giving a  
key - note address at the dialogue*

# Members of Parliament demand for Policy space in trade negotiations

The multistakeholders dialogue on EPAs and WTO negotiations on the 1<sup>st</sup> -2<sup>nd</sup> September concluded by Members of Parliament from national and EALA issuing a statement in regard to the EPA and WTO negotiations. The MPs committed themselves to closely follow the developments in the negotiations at the WTO and in the EPAs to ensure that the rights of our people to development and their dignity are not undermined and space for our governments to make policies in the interest of development is not constricted. Below is the full text of the MPs statement.

We the undersigned members of national Parliaments in East African countries, met at Entebbe, Uganda from 1st – 2nd September 2008, to deliberate on the status of the World Trade Organisation and Economic Partnership Agreement (EPA) negotiations, coherence in EAC approach and implication of these two very demanding negotiations on peoples’ socio-economic interests and rights.

We, as peoples’ representatives, reiterate that the WTO and

EPAs negotiation processes and outcomes should serve to foster sustainable human development, regional integration and economic growth in the East African sub-region.

We take cognisance of the efforts by our governments in the on-going EPA negotiations as well as during the unsuccessful WTO Mini-ministerial talks in Geneva in July 2008. These efforts notwithstanding, both WTO and EPA negotiations still remain exclusive and therefore non-transparent

processes for the majority of the people we represent; indeed they being undertaken without coherence between them and without the participation of all relevant government departments, and due involvement of the parliament and non-state actors.

The overall aim of this meeting was to review progress and coherence in approach to EPA and WTO negotiations, and to identify issues of concern to achieve sustainable development and poverty eradication in the sub

region. Accordingly, the meeting addressed the following issues:

### **EAC integration**

One of the key objectives of EPAs is stated as helping fostering regional integration of various regions of the ACP countries. The meeting looked at the implications of EPAs for our efforts at deepening our regional integration process and emphasised the importance of ensuring that the integration process, including the consolidation of the customs union and the common market, should always take precedence over the EPA processes, on the basis that regional integration is a priority of the people of East Africa. The EPA must support rather than undermine the strengthening of the EAC. In this regard, in the ongoing negotiations, specific provisions should be included to promote the integration process and regional development. Such provisions could include a chapter on regional integration to define the relation of the EPA to the EAC and the broader and to the broader continental integration process, dedicated institutions to oversee and ensure the primacy of regional integration, and review and monitoring clauses. Further, the governments should ensure that in the WTO negotiations, the partner states undertake the same rights and obligations as a customs union.

### **The state of play in the WTO and EPA negotiations**

We note the efforts to revive the stalled the Doha Round negotiations at the WTO are focused only on issues of interest

to industrialised countries while issues of trade and development interest to our region and other African countries such as Special Products, Special Safeguard mechanisms, cotton and Special and Differential treatment for developing countries are consigned to the backburner.

The meeting therefore urged our negotiators to remain steadfast and ensure that any outcome from the negotiations fully reflects the priorities and interests of our countries. The meeting noted the development concerns raised by the Africa Group and the LDC Group. These include, in agriculture, special products, special safeguard mechanism, protection of longstanding preferences and establishment of adjustment mechanisms, elimination of export subsidies and harmful domestic support by developed countries,

### **Power dynamics in the WTO and EPA negotiations**

While developing and least developed countries constitute the majority of WTO membership and in the ACP-EU trade arrangement, the structures processes and practice at WTO and EPA negotiations have often marginalised our countries.

The meeting noted that our leaders often subject to external pressures to deviate from agreed regional and national positions and comprise the ability of our representatives to articulate their positions. The meeting urged our negotiators and legislators to ensure that our priorities and interests are duly taken into

account, at the stage of setting the agenda, in the negotiating process, and that the outcomes reflect key issues of importance to our people.

### **The role of AU in trade negotiations**

The meeting urged the African Union Commission to strengthen its coordination capacity and to hold the coordination events more regularly. The Commission was urged to explore the possibility of sanctions, under the Constitutive Act of the African Union, against member states that deliberately ignore the African Common Positions adopted for trade negotiations. In addition, the process for elaborating the common positions should be inclusive enough to ensure ownership of the positions by all member states and the secretariats of the regional economic communities. Perhaps more importantly, the Heads of State and Government should devote more time to addressing issues arising in trade negotiations, in order to adopt positions they can remain committed to collectively as a group. The Chairperson of the African Union should regularly convene meetings to assist this process.

### **Private sector concerns**

It has been widely acknowledged that the private sector is the engine of our economies. Trade cannot take place without this sector being empowered and facilitated to produce and access markets internally and externally. We therefore call for trade negotiations that will not

undermine but help develop and capacitate our private sector actors, especially the nascent industries, to produce and trade in the interest of employment creation, capital formation and enhancing our region's productive and service delivery capacities.

### Women Rights issues and trade

As small-scale producers, and traders, women have been unable to compete with large-scale export-led production and distribution conglomerates that are leading global trade today. Besides, trade and investment liberalisation have subjected to working in inhuman conditions in such enclaves like Export

Processing Zones, disrupted lives of small business women and violated women's reproductive rights amongst other things.

Further we felt that lower tariffs would undermine our state's revenue bases thus imperilling their capacities to deliver basic social services. As caregivers, it is women that will be required to shoulder the burden thus even further increasing their workload.

### Way Forward

In pursuit of our oversight role over the executive, we resolve to: Enhance our capacities to understand the implications of multilateral and bilateral trade agreements so as to advance the interests of our peoples;

To campaign in our respective states for assent of the East African Trade Negotiations Act 2007; Bring the FEPA to our national parliaments for debate; Hold follow-up meetings with respective house speakers, chairs of relevant house committees as part of the campaign for the participation of legislators in EPAs

### Conclusion

As representatives of the people, we do commit ourselves to closely follow the developments in the negotiations at the WTO and in the EPAs to ensure that the rights of our people to development and their dignity are not undermined and space for our governments to make policies in the interest of development is not constricted.



## Cape to Cairo unity was 'over due'

The Three African trade blocs from Cape Town to Cairo have agreed to create a free trade zone incorporating 26 countries with a GDP of an estimated \$624bn (£382.9bn). Oduor Ongwen, of the Southern and Eastern African Trade Information and Negotiations Institute, told the BBC News website that the integration of SADC, the EAC and COMESA will be a profitable move for the continent.

“It's a step in the right direction and it is actually more than 18 years over due. This is an idea that was mooted in 1980 when

Africa gave itself 20 years to realise complete economic integration. Politically, I would say there are challenges, but these are challenges

that with the right mindset and political goodwill can be overcome. Economically, I don't think we have a choice, given the trend in the

global economy and the move to integration into big economic blocs where you have the European Union and NAFTA (North American Free Trade Agreement). Africans are left with no choice. In fact, for me the geographical area it is covering is still not large enough.

What we would want to see in the foreseeable future is the entire African continent becoming one economic unit because with that you have a fairly wide resource base and a big market.

### Prosper fast

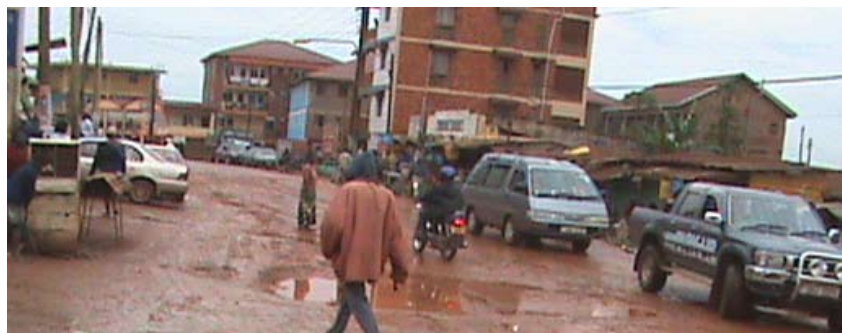
The reason why there is little value addition and Africa continues to specialise in extraction and exportation of primary commodities is because we have very, very tiny segregated markets that are not linked to each other.

Therefore we cannot roll out a major industrialisation plan due to the disjointed nature of our resource base. With a population of more than three quarters of a billion, Africa is a huge market.

If we are integrated so that there are no barriers to movement of labour, goods and services, we are definitely going to be able to prosper quite fast economically.

If you look at the topology of Africa we basically share a lot of natural resources. Take the tourism belt which runs from eastern Africa to the south, from Virunga area (in DR Congo), the Bwindi Forest (in Uganda) through Maasai Mara (in Kenya) and down into the Zambezi River (in southern Africa). It is a long belt. If we can pool together resources, we can be able to tap a lot from tourism resources. We have not been able to appreciate these resources and to develop them. But it is not going to be easy as there are quite a number of internal and external challenges. We have serious deficit of democracy and I need not mention specific cases but all the

**“It’s a step in the right direction and it is actually more than 18 years over due.**



way from west to east, from north to southern Africa, we have examples. We have external challenges too and the challenges of infrastructure.

### Mutual suspicion

The rail system in Africa, which is quite underdeveloped, is about moving from the hinterland of countries like Kenya, to the sea, not integrating them. If you look at road networks, it is not about facilitating intra-regional trade. If you look at our energy resources, we have not been able to develop that.

### Challenges of infrastructure have to be addressed

There is also mutual suspicion between countries. We can see it in the East African Community (EAC) - 10 years after the treaty was put in place; there is still serious suspicion between Kenya, Uganda and Tanzania.

The Tanzanian business community thinks that the Kenyan economy is so strong and if we integrate, the Tanzania business community is going to be wiped out. Uganda and Kenya feel that there is a lot of influence of South African business in Tanzania which they think will give them unfair competition.

At the COMESA (Common Market for Eastern and Southern Africa) and SADC (Southern African Development Community) level, most of these economies are

wary of South Africa’s economic aggressiveness.

Some of them might be real fears; some of them might be imaginary, but they are there and if we don’t deal with them we’re not going to go very far.

### United States of Africa

The entire intention is to realise political unity. What was envisaged was four stages beginning with economic co-operation, then a customs union, then a common market and monetary union and then development into a single political unit.

The dream of [Ghana’s first President, Kwame] Nkrumah was always to have what he called the United States of Africa, a single political entity that can articulate and defend the interests of the African continent. There are very serious challenges to this because we have egos to deal with and problems with regard to political systems and democratisation. But as long as we can free these countries economically and integrate, then a political union will definitely follow”.

Adopted from the BBC website  
Oduor Ong’wen is a Country Director SEATINI office in Nairobi-Kenya

# World food day highlights the implications of climate change and bio-energy

“Rarely has World Food Day assumed greater meaning than at the present time, as rapidly rising food prices risk increasing the number of hungry people”.

By Kasirye Samuel

“Rarely has World Food Day assumed greater meaning than at the present time, as rapidly rising food prices risk increasing the number of hungry people”. This was one of the remarks made by the Food and Agricultural Organisation (FAO) at the just concluded World Food Day celebrations.

The theme of this year's World Food Day was “World Food Security: the Challenges of Climate Change and Bio energy”. The World Food Day is held every year on 16 October, the day that FAO was founded in Quebec City, Canada in 1945 and is now observed annually in some 150 countries. In Uganda this year's celebrations were held in Tororo District at the Ministry of Agriculture District Agricultural Training and Information Centres (DATIC).

## Food Insecurity

Today with the number of underfed people estimated at more than 850 million, high food prices are putting the hungry at greater risk and pushing many to the brink of poverty. Despite the fact that this year is the mid point of the MDG targets where countries should

have reduced the number of the hungry by half, attainment of this noble goal is becoming subtle amidst skyrocketing food prices the world over especially in developing countries. FAO estimates show that the number of the hungry has risen to 862 and expected to rise to 923 million plunging another 75 million people below the hunger threshold.

In Uganda according to the food security outlook for July to December 2008, about 2.1 million people in eastern, northern and north-eastern Uganda are currently food insecure due to the impacts of floods in 2007, civil insecurity and displacements, and three consecutive seasons of poor agricultural performance, respectively. Food security in the Karamoja region of north-eastern Uganda (Abim, Kaabong, Kotido, Moroto and Nakapiripirit Districts) continues to decline. The report adds that over 700,000 people are currently moderately to highly food insecure due to depleted food stocks, low livestock production, and poor livestock/cereal terms of trade.

“We are being forced to have one full meal a day due to a very disappointing season, the crops in my land failed and I think it was due to poor seeds and the erratic

changes in the weather. if nothing is done to mitigate this dangerous trend, my village could soon face severe food shortages even before the end of the year” Mr. Okia a farmer from Teso region living with seven dependants shared his experience at the exhibition.

## Climate Change

While climate change affects everyone, the poorest regions in the world such as Asia and Sub-Saharan Africa have been its first victims yet in these countries situations are likely to worsen in the next decades. Further still, hundreds of millions of people who are already vulnerable and are food insecure will be worst hit.

The Food and Agriculture Organisation warns that if the risks associated with climate change are ignored, many Ugandans risk hunger and severe malnutrition. FAO adds that because many Ugandans depend on agriculture for their livelihood, climate change would lead to drought and hunger.

If urgent measures are not taken to mitigate the impact of climate change and bio-energy production on food security, the most vulnerable people who include



“ ..the threat of climate change is real noting that there is evidence of increasing cycles of drought and floods and a temperature increase of 0.3% celicious in south western Uganda.”

small scale farmers, fishers and forest dependants will continue to suffer the more.

The Ministry of Agriculture points out that the threat of climate change is worth noting because there is evidence of increasing cycles of drought and floods as well as a temperature increase of 0.3% celicious in south western Uganda. In addition, in the marginal semi-arid areas, prolonged dry spells are responsible for death of livestock in the cattle corridor due to water shortages and crop failure which has affected 37 districts in the country acerbating the threat of hunger. One farmer at the exhibition noted that “In our area we are facing a severe drought yet at this time of year we used to receive some rain; this has caused hunger and big losses for us who sell our surplus” said Nabagala a farmer from Luwero.

Mr. Peter Egesa an extension

officer with VEDCO noted that the changes in temperature, moisture and atmospheric gases are causing an increase in pest and disease outbreaks and epidemics in crops, livestock and humans. In the areas he works in, Mr. Egesa cited outbreak of the banana bacterial wilt, coffee wilt disease and more recently the cassava brown streak virus whereas in livestock he noted the frequent outbreaks of foot and mouth disease, tick-borne diseases and tsetse fly infestation among others.

Due to these extreme weather changes, there has been a disruption of food systems such as processing, preservation and distribution, acquisition/access to food as floods have washed away bridges and important feeder roads in some parts of the country. This has led to a steep rise in food prices which makes the rural and urban poor unable to afford food to eat, consume meals

of low nutritional value which drives more people to the margins of hunger.

### **Bio-energy**

It is believed that to be food secure, one must achieve energy security however in Uganda 95% of households use firewood and residue bio-mass for cooking and heating. Deforestation has reduced forest cover from 4.9 million to 3.5 million hectares coupled with expansion of agricultural land leading to warmer environments the Ministry of Agriculture has warned.

However, even with the advantages of bio-fuel as an alternative in heating and mechanised farming, producing bio-fuels from food crops such as sugarcane, soya bean, and oil palm seed among others

would divert productive resources away from food production increasing the threat of hunger and food insecurity. In addition, as farmers replace food crops for energy cash crops there has been a reduction in food supply and a continued rise in food prices. Even though high food prices can be beneficial to farmers who produce a surplus, this is detrimental to poor consumers since the poor typically spend a larger share of their income on food.

There is therefore need to be cautious in tackling bio-fuel and food security issues adding that bio-energy projects must not become another aggravating factor for deepening hunger and poverty in the country's development agenda.

### What is the way forward?

#### With the above challenges there is urgent need for;

- Decisive actions aimed at addressing the challenges of climate change and bio-energy by reviewing and re-orienting policies on agricultural marketing and trade, climate change and biofuels and social security systems to provide for effective and efficient safety nets. This will have to include improving access to land and water, strengthening research and extension to develop and disseminate appropriate technologies that will increase small holder productivity.

- On the issue of bio-fuels there is need for better management of biomass resources of fuel at the household level to reduce deforestation and this should be supported by planting of trees.
- In conclusion, there is need for countries to honour commitments made at the food summit in Rome mid this year where the 181 countries of FAO realised the need to expand agriculture and food production by boosting investment in agriculture and rural development.

Kasirye Samuel is a Programme Officer  
SEATINI-Uganda

## EPA update meeting



Ms. Jane Nalunga presenting a paper at the recently concluded EPA-Update meeting.

SEATINI-Uganda organised a consultative meeting for the Civil Society Working Group on Trade to discuss the state of play of the EPA negotiations. The aim of this meeting was to inform members on the progress of the on-going

EPA negotiations in the EAC and other regional blocks, disseminate a research study "THE EAC-EU EPA-KEY IMPROVEMENTS FOR PROMOTING SOCIAL ECONOMIC DEVELOPMENT AND REGIONAL INTEGRATION" commissioned by

SEATINI-Uganda. This meeting was also be used to seek opinions from members on how to re-orient the CSO Working Group on Trade and its work on trade policy advocacy in the country.

# CUTS and SEATINI launch FEATS Project in Kampala

Consumer Unity and Trust Society (CUTS) and SEATINI-Uganda launched the Fostering Equity and Accountability in the Trading System (FEATS) Project on 15th October 2008 in Kampala.

The project broadly aims at addressing the core issue of raising awareness for better coherence between development and trade policies thus contributing to economic development and poverty reduction in project countries.

More specific objectives of the 36 months project include:

- Ensuring and enhancing positive linkages between trade and development in Africa by developing the capacity of governments to proactively and positively respond to trade issues through their involvement in policy research
- Advocacy with trade officials in Geneva and in national

capitals by establishing robust, two-way linkages between activities in Geneva and in project countries

- Generating a more coherent pro trade for development African voice in the formulation and implementation of trade and development policy at both the national and international levels

The project consists of three sets of activities that are organically linked. These are; policy research, advocacy and networking. Policy research aims to present inputs to the trade policy community and civil society organisations in Geneva and in national capitals in project countries such as Tanzania, Kenya, Zambia on specific issues of international

trade and their impact on human development.

The projects also aims at seeking changes at national and international level which are necessary to promote equity and accountability in the trading system through dialogues and targeted publications. Finally, a network was created which will connect trade negotiators, trade policy officials, research bodies, intergovernmental and non-governmental organizations in Geneva and selected African countries with a view to achieve better understanding of the issues, and thus, to influence trade policy debate and its linkages with development.



**WORLD  
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Celebrations  
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