

12 Africa Trade Network Annual Review and Strategy Meeting

AFRICA AND THE GLOBAL CRISIS: TIME TO THROW AWAY NEO-LIBERALISM

From 11-14 August, members of the ATN and other networks of civil society organisations working on finance, trade, investment and economic development in Africa met at the 12 ATN Annual Review and Strategy Meeting in Accra, Ghana. The meeting discussed the current crises of the global economy and their implications for Africa's development and adopted the following shared understandings and conclusions.

THE GLOBAL CRISIS AND AFRICA

The unprecedented global economic crises which have afflicted the whole world over the past two years have their origins in the advanced industrial economies of the West. While African countries bear no responsibility for these crises, they are suffering its worst effects, and they also lack the means for countering the immediate and inevitably longer time effects. There is no certainty as to how long it will take to recover from the crisis. However, the nature of devastation so far caused by the crisis in Africa requires strategic action to maintain maximum policy space and flexibility as well as a range of policy options in order to counter the effects of the crisis and address Africa's developmental needs into the foreseeable future.

The financial and economic crisis has devastated economic activity in African countries, sweeping away small businesses, firms, mines, jobs, revenues and livelihoods; compounding existing challenges and shocks of the highroad and energy crises; and undermining poverty eradication and social development programmes. Consequently, it should be recognised that crises will adversely impact on women and other marginalised groups who are often less equipped to deal with economic shocks.

At the same time, the multiple and simultaneous crises have brought to the fore the fragilities inherent in Africa's economies and their subordination within the international economic order. In particular, the crises have highlighted the continued dependence of African countries on the export of a narrow basket of primary commodities, and on the import of most other products, especially manufactured goods.

This reflects their weak or non-existent domestic industrial sector; the narrow, disarticulated base of domestic production; the shallow national and fragmented regional markets; and financial systems and services and other infrastructure geared predominantly to external trade and the needs and circuits of international capital. These structural vulnerabilities have been exacerbated by decades of consistent application of neo-liberal policies of indiscriminate trade and investment liberalisation, deregulation, and the dismantling of the public sector in Africa.

Thus, Africa's response to the global crises requires a combination of: (a) urgent actions and extra resources to address the financing gaps and to implement measures to counter the immediate effects of the crisis; as well as: (b) the adoption of pro-active policies in the areas of trade, finance, and production to re-position their economies and put them on the a path of sustainable development.

In this regard, we deplore the tendency on the part of African leaders to limit themselves simply to demanding extra resources from the international community for dealing with the

short-term financing gaps, while committing themselves to continuing neo-liberal policy reforms. In response to this, we state the following positions and make the following demands in the areas of trade, finance, and production.

TRADE

The excessive liberalisation of trade and investment, driven by neo-liberal dogma, and carried out under structural adjustment programmes, the WTO regime, and further envisaged under the prescriptions of Free Trade Agreements such as the Economic Partnership Agreements (EPAs) have been largely responsible for the on-going inter-related global food, energy, financial and economic crises. At the same time, new measures proposed under the Doha Round of WTO negotiations, as well as the proposed terms of the EPAs, will take away the policy space and policy instruments needed for our governments to formulate and implement policies for addressing the crises and our long term development.

We are therefore concerned that our governments are not only continuing with the EPA negotiations, but also are keen to resurrect to the anti-development Doha round negotiations under the WTO. We call on African governments to maintain a firm resistance to the anti-developmental essence of the Doha round negotiations and the Economic Partnership Agreements. To this end we demand the following:

With regard to the WTO Doha Round, we call on our governments to:

- reject cuts in NAMA tariffs that will cause job losses in Africa;
- insist on removal of overall trade distorting subsidies and green box support for developed countries' agriculture;
- insist on effective Special Products and Special Safeguard Mechanism to defend the domestic agriculture and the livelihood of small farmers;
- reject any further liberalisation of services, domestic regulation disciplines that limit their ability to regulate services, and the liberalisation of government procurement in services;
- support pro-development agreements on all the implementation issues proposed by developing countries

Furthermore, African governments must:

- revive their original key demands for development that have been ignored in the Doha programme, including the issues of trade and commodities, trade and finance, trade and technology, as well all the implementation issues and special and differential treatment proposed by therein;
- demand Duty Free and Quota Free for least developed countries products;
- insist on the removal of all cotton subsidies by developed countries

With regard to EPAs, in the context of the uncertainties created by the global crisis, we call for suspension of further negotiations and actions on the EPAs, while our governments carry out necessary assessments and action in relation to the crisis. In the meantime, in order to maintain access of our exports to the EU market, we urge African governments to demand the extension of the terms granted Moldova by the EU to African countries.

Furthermore we call on our governments to:

- reject the scope and time frames for market access opening to EU products which are not consistent with the needs of our industrial development; and instead defend a flexible interpretation of GATT Article XXIV which allows special and differential treatment and less than full reciprocity;
- reject the negotiation of “Singapore Issues” of investment, competition and government procurement;
- reject any intellectual property provisions which go beyond existing commitments under the WTO TRIPS agreement;
- refuse to make any commitments in the services beyond their commitments in the GATS

We also urge our governments to accord priority to developing their domestic and regional markets, as well as trade with other developing regions, and to this extent reject elements in the EPAs such as the MFN clause which undermine this.

FINANCE

The financial crisis is rooted above all in the policies of financial deregulation originated in the West and imposed on developing countries. These policies have encouraged the pursuit of finance as an end itself, and, combined with extreme forms of bank de-regulation in the West, have given rise to irresponsible financial practices and speculation in capital and currency markets, with attendant violent fluctuations in capital flows, and long-term squeeze on productive investment particularly in Africa.

These speculative activities and attendant instabilities have forced many African countries into costly and unsustainable policies such as maintaining historically large stocks of external reserves — policies which have not worked and have undermined domestic investment and economic activity.

These factors have been compounded by other features of the international financial system and architecture, such as the instability caused by the use of the dollar as an international reserve currency, and the policies promoted by the International Financial Institutions, in particular the IMF, at the centre of the governance of the global finance. In particular, the pro-cyclical policy conditionalities promoted by the IMF and imposed on our economies have been at the root of the vulnerability of our countries to the global crisis. This vulnerability, under conditions of financial deregulation and liberalisation have fuelled massive retrenchment of investment and capital flight

In this context:

- we deplore the fact that IMF has been given responsibility to disburse funds devoted for responding to the crisis, without accompanying reforms to its policy conditionalities.
- we are concerned that, in their vulnerability, our governments have gone to the IMF for access to these resources, which will re-establish control over policy decisions for our economies .

- we underscore that African countries have been particularly hit by the financial squeeze caused by the crisis, and at the same time are threatened with a new debt crisis as their revenues fall, their finance needs arise, and the cost their debts arise;
- we demand that African countries should be granted non-debt creating finance to meet challenges of finance imposed by the crisis;
- we demand unconditional cancellation of Africa's debt;
- we support the urgent calls for reform of the international financial system, and in particular the proposal to this end developed by the Group of 77 and China in the context of the United Nations Conference on the global financial crisis;
- we urge African to strengthen their voices in support of these proposals and the processes at the United Nations for furthering them.

We also call on our governments to take advantage of the more diverse sources of finance, from domestic as well as other countries, and to take steps to ensure that these sources are not constrained by the commitments they undertake in multilateral and bilateral negotiations such as the WTO and EPA.

To this end we call on our governments to:

- insist on special allocations of Special Drawing Rights (SDR) determined by the needs of our countries rather than IMF quotas;
- insist on global co-operation on tax matters, including automatic exchange of information and country-by-country reporting in order to facilitate effective domestic resource mobilisation;
- introduce capital controls and new measures to ensure capital retention

COMMODITY EXPORT DEPENDENCE, PRODUCTION AND DEVELOPMENT

Africa's experience of and response to the global crisis has been fundamentally shaped by its dependence on the export of a small basket of primary commodities to a few markets. The volatility in the prices of these commodities has been compounded by role of financial speculation and the oligopolistic domination of trade in key commodities especially in agriculture.

Commodity export dependence is aggravated the weak domestic manufacturing and industrial base and capacities. A long-term response to this crisis calls for a multi-dimensional strategies for economic diversification in Africa. This includes diversification of commodities and markets, as well value addition along different commodity chains, and ultimately the enhancement of a national and regional industrial and manufacturing capacity.

To this end, we call for on Africa governments:

- to take pursue urgent international action to address the question of commodity prices and their volatility;
- to take immediate steps towards the domestic stabilisation of commodity stocks, prices and incomes;
- to adopt policies that promote processing and manufacturing to achieve value-addition, and to this end:
 - =enhance public accountability in the negotiation of contracts for the exploitation of minerals; the promotion of beneficiation in mineral products in African

countries, and the strengthen the overall linkages of mineral production to the rest of the economy;

=prioritise investment in agriculture, with attention to Africa's unique climate and needs, to enhance its crucial role in food security and in providing industrial hub for agro-processing and strengthening of Africa's industrial base;

=promote and protect the access of the people to land and other productive resources

In support of these, we call further for a democratic and accountable developmental state, which actively promotes the productive sectors of the economy and actively engages appropriately in the equitable and balanced allocation and distribution of resources among sectors and people.

CLIMATE CHANGE

Changing climate is increasingly having disastrous effects on people particularly the poor and women – rainfall variability is increasing, crops are failing, people are going hungry and thirsty and the very existence of some communities is imperilled, while others face growing barriers to their development.

The global impacts of, and responsibilities for, climate change are unequally shared. Ironically those with the least responsibility for climate change stand to suffer most from current and future consequences. Without effective intervention, climate change is likely to exacerbate existing global inequalities. To this end we call on industrialized countries;

- Repay their adaptation debt to developing countries by committing to full financing and compensation for the adverse effects of climate change on all affected countries, groups and people and to implement pro-poor adaptation measures to counter the impact of climate change.
- Repay their emissions debt to developing countries through the deepest possible domestic reductions, and by committing to assigned amounts of emissions that reflect the full measure of their historical and continued excessive contributions to climate change.

Furthermore

- we oppose the use of trade measures by developed countries to pass on the costs of their climate obligations to poor countries.
- We call for the removal of intellectual property rights over climate technologies so that all countries and people have access to the technologies they need to mitigate and adapt to climate change.

We call on African leaders to demand a fair share of the Earth's remaining atmospheric space, full repayment of climate debts owed by developed countries, and full technology transfer, financing and compensation for the costs to Africa of adapting and mitigating to climate change.'

In these time of crisis, we call on Africa's leaders to show bold, committed leadership united around the vision of a strong and integrated Africa, driven by the needs and imperatives of its peoples, keeping in mind states obligations to their international commitments.

As civil society organisations we commit ourselves to continued struggle for the realisation of these demands, and call upon other organisations, women and citizens groups across Africa to join us in this effort.

We further call on the continued solidarity of the global civil society movement.