Tradequity
A Newsletter of the CUTS Africa Resource Centre
Year 2, No. 4/2003

AGOA First, Free Trade Later

Since being signed into law on May 18, 2000 as Title 1 of The Trade and Development Act of 2000 of the United States (US) Legislation, Africa Growth and Opportunities Act (AGOA) is unique in concept. The goal was to stimulate job creation and help integrate Africa into the global economy by allowing nearly 1,800 new products to enter the US, largely duty and quota free. Thirty-seven countries in sub-Saharan Africa are eligible for AGOA benefits.

So far, most AGOA-eligible countries have relied on textile exports to the US. This should now change by expanding into areas such as agricultural products and processing, especially in light of the fact that textile exports from Africa to the US and other markets will come under pressure from more efficient Asian competitors once worldwide quotas end in 2004. China alone is forecast to supply 90 percent of all apparel imports to the US in 2005. Many jobs will be lost, especially in the present quota countries. Some estimates suggest that South Africa alone may have 12,000 threatened jobs.

AGOA expires in 2008 and one worry for the AGOA countries is the weak support by the US administration for extending the measure beyond its present term. The collapse of the World Trade Organisation (WTO) Cancun talks in 2003 has made renewal even more difficult. Some have suggested that the US wants to demonstrate to Africa that there are costs associated with not supporting the US at the WTO meet. There is also the fact that AGOA is a unilateral trade preference programme that can be withdrawn any time by the US. But, in the post-September 11 world, economic development has become a national security issue and, on that basis alone, most believe that there will be an extension of AGOA.

On November 25, 2003 Senator Richard Lugar who is chairman of the US Senate Foreign Relations Committee, offered a bill to extend the Act until 2015. A bipartisan group introduced a similar bill in the US House of Representatives on November 21, 2003. The proposed bill, known as 'AGOA III', would also extend for four years the right of the poorer AGOA-eligible countries to use third-country fabric for duty-free apparel exports to the US.

AGOA Benefits

In the first three quarters of 2003, trade under AGOA amounted to more than US$10.2bn — a 59 percent increase over the same period in 2002. At least 400,000 new jobs have been created in those 8-10 countries benefiting the most from AGOA. Lesotho has created 25,000 jobs, exported more than US$300mn worth of apparel and other goods. Kenya has created more than 36,000 direct jobs while its exports have increased by nearly 200 percent. Ghana had new textile factories built under AGOA. In South Africa, the government has reported the creation of 90,000 new jobs as a result of AGOA. Swaziland has seen its clothing exports grow by more than 300 percent, while Uganda's garment exports to the United States have swelled nearly 30 times between 2002 and 2003 as it learns how to take advantage of the trade preferences.

Increased trade has brought with it, improved infrastructure in seaports, airports and highways. This improvement has not only brought employment, but has opened up African countries to travel by people from other nations, movement of goods and services and development.

Countries with a per capita gross domestic product (GDP) of US$1,500 or less are allowed to use fabric from "third countries," such as India or China, to manufacture apparel. Eighty-five percent of the apparel that enters the US from Africa under AGOA contains third-country origin fabric. This provision is set to expire on September 30, 2004.

Is it Fair Trade?

Without negotiations in the name of 'eligibility requirements' African countries can only export tariff free to the United States market if they meet certain criteria and US officials certify that they have liberalised their economies, privatised their public assets, minimised government interference in private business and created a US-style legal system. It appears that US interests in Africa do not go beyond the continent's oil and using African territory for Washington's self-styled 'war on terror'. No wonder then, US AGOA imports were dominated by energy-related products in 2002, representing 75.9 percent of total AGOA imports.

African governments are now forced to adhere to US foreign policy, US national security policy, and US imposed economic and social policies in order to get access to the lucrative US market. African countries are also required to adopt "free market policies, privatise social services and withdraw price controls and subsidies in areas such as agriculture", which can hurt the poor. Meanwhile, the US has held on to subsidising its farmers!

Conclusion

True, the continent's share of international trade is just about two percent. Perhaps, it is time African countries focused more of their resources and attention on developing infrastructure, equipping the population with requisite skills, improving productivity and stepping up intra-boundary trade rather than simply targeting Western markets. The current exports are extremely vulnerable to international price instabilities and other external shocks. Further exports may come at the cost of acceptance of US dominance. Clearly, AGOA appears to be another instrument in the hands of the US for extending its supremacy.

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1984 to 2003 कट्स CUTS Twenty Years of Social Change
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Globalisation Killing Economy

Globalisation and economic reforms that resulted in downsizing coupled with governmental inability to address unemployment problems have led to Zambian failure to trade fairly with other countries in the Africa region, Louis Ndaba-Hagamye, International Labour Organisation (ILO) representative for Zambia, Malawi, Mozambique and Zimbabwe, said recently. He said that issues such as high government debt and high levels of poverty in Zambia were among the major factors for the bad performance of the economy.

(TOZ, 22.12.03)

Mozambique Loses FDI

Red tape and inertia has cost Mozambique foreign direct investment (FDI) worth US$2.4mn, which has now gone to Swaziland instead. The project dates back to 1999, when the Ministry of Finance authorised investors to build a unit producing vegetable oil and its by-products in the northern city of Pemba. The project was budgeted at US$2.4mn, with foreign equity amounting to US$1.6mn and the rest being invested locally.

Advised to wait until power from the Cahora Bassa dam reached Pemba (the city's current power supply is notoriously unreliable), the investors were in for a long wait. Switching to the central city of Quelimane did not help either with the city council showing little interest. Fed up with waiting six months for clearance, the investors decided to transfer the project to Maputo, changing its name to Maputo Oil Industries. When little happened there too, the project was redesigned for Swaziland, which evinced interest in it.

(AIM, 14.12.03)

SA's Elderly Poor

A quarter of all older people living in South Africa may be classified as chronically poor, with most living in households earning less than US$100 per month. According to a recent report commissioned by HelpAge International (HAI), South Africa has one of the most rapidly ageing populations in Africa, with a particular increase in the 64-74 year category, from 25.8 percent of the total population of older people in 1996, to 26.5 percent in 1999.

The aged were playing an increasing role in supporting family members living with HIV/AIDS or children orphaned by the disease. Grandmothers in the study complained of lack of funds for hospital care for sick family members or funeral expenses. The report concluded that because chronic poverty was not yet an "analytical concept" adopted by South African policy-makers, "most policy does not specifically target the chronically poor".

(UNIRIN, 01.10.03)

Zambia's Agro FDI Growing

Zambia's agricultural sector has recorded a marked growth in the past five years leading to a steady rise in its GDP. The Zambia Investment Centre (ZIC) General Director Jacob Lushinga disclosed that his centre has, since its inception in 1993, granted a total of 483 licenses to foreign investors in the agriculture sector and generated over US$2bn from various projects. This has resulted in the creation of over 160,000 jobs. Investors in the agriculture sector have invested in all aspects of the sector including high value crops such as tobacco, cotton, maize, coffee and horticulture, dairy farming, poultry farming, ranching, mixed farming, agro-processing and seed production.

(ZANA, 27.11.03)

Namibia Aid to Dry Up

Namibia is to witness a severe cut in development aid over the next five-seven years as a result of changes in the aid policies of several donor countries. The United States of America, Sweden, Norway, Finland and the Netherlands are amongst the donor countries that have announced their intention to phase out development assistance to Namibia. The Deputy Foreign Minister, Kaire Mbuende, said Namibia was widely viewed as a middle-income country, with most donor countries preferring to assist it in terms of trade and investment rather than dishing out aid.

(NE, 24.12.03)

IMF to Expel Zimbabwe

The International Monetary Fund (IMF) has initiated procedures to expel Zimbabwe over the country's failure to meet its obligations. Zimbabwe has been in continuous arrears since February 2001, and owed US $273mn by the end of November 2003. The executive board of IMF recently reviewed Zimbabwe's overdue financial obligations to the Fund and decided to initiate the procedure, which could ultimately result in the compulsory withdrawal of Zimbabwe from IMF, after having determined that Zimbabwe has not actively cooperated with IMF.

During this process, Zimbabwe will have ample opportunity to improve its cooperation with IMF, with the aim of addressing the economic decline in the country and resolving its overdue financial obligations. The Fund has already substantially downgraded Zimbabwe's membership over the past two years, freezing financial assistance and suspending its voting rights.

The Financial Express

The announcement deepens the international isolation of Zimbabwe, which was suspended from the Commonwealth earlier in 2003 after charges surfaced that President Robert Mugabe had rigged his re-election.

According to the latest report from the Economist Intelligence Unit (EIU), Zimbabwe's GDP is estimated to be -8.8 percent in 2004. Zimbabwe's GDP has been on the slide for the past six years with a record plunge to -12.1 percent in 2002 courtesy Mugabe's intensified attack on farmers, white-owned companies, the opposition, human rights and civic groups and the media. Even Angola and DRC, war-ravaged until recently, are poised for significant growth next year. According to IMF, Zimbabwe's economy has shrunk by about 40 percent in the last four years, while inflation rose to an annual rate of 526 percent in October 2003.

(UNIRIN, 04.12.03 & ZI, 19.12.03)

Angola Most Corrupt: TI Index

Angola and Zimbabwe are the two Southern African countries that fared the worst in Transparency International's (TI) Corruption Perception Index (CPI) for 2003. The CPI charts the level of corruption in 133 countries and ranks them according to a CPI score based on perceptions of the degree of corruption — ranging from 10 (highly clean) to 0 (highly corrupt) — by business people, academics and risk analysts. Angola and Zimbabwe fare worst in the rankings, with CPI scores of 1.8 and 2.3, respectively, followed by Zambia (2.5), Madagascar (2.6), Mozambique (2.7) and Malawi (2.8).

Botswana is the best performing country in the region, with CPI score of 5.7. Namibia follows with a score of 4.7, while South Africa scores 4.4. Angola joins countries such as Nigeria and Indonesia, where "corruption is perceived to be pervasive", says the report, which was released recently. *(UNIRIN, 08.10.03)*

Namibian AMR Up: WHO

A Namibian baby born in 2003 can expect to live no more than 50 years because of the impact HIV/AIDS has had on the country. The World Health Organisation (WHO) says in its latest report that child mortality is higher than it was at Namibia's independence in 1990. Average healthy annual mortality rate (AMR) for men stands at 42.9 years, compared with 43.8 years for women. In Switzerland, the average life expectancy for adults is 80.6 years, in Sweden 80.4 and in France 79.7.

The report, which includes information on life expectancy, road traffic deaths and the fight against polio and AIDS, also warns of a growing gulf between very poor countries and others in health care and exposure to disease. It says a newborn Japanese girl can expect to live 85 years, while one born in Sierra Leone will probably not survive beyond 36. AIDS is the leading cause of death for people between 15-59 in southern Africa, reducing the life expectancy of adults in Botswana, Lesotho, Swaziland and Zimbabwe by 20 years, says the report.

(TN, 30.12.03)

New Railroad Corridor

The Democratic Republic of Congo (DRC) may soon supply power from its Inga hydroelectric dam to Angola, Namibia, Botswana and South Africa. This will be possible once plans to construct a new railroad connecting the Angolan and Namibian ports of Namibe and Walvis Bay materialise. This was said by Namibian President Sam Nujoma while on a visit to Luanda recently.

According to the Angola Press Agency, work has already started on the plans. President Nujoma has said the 'western corridor' would be a long-term project. A proposed 'eastern corridor' might further connect the Inga Dam with Lubumbashi in DRC to Zambia, Zimbabwe, Mozambique and South Africa. *(AD, Oct-Dec, 2003)*

Malawi Back in IMF Favour

Malawi's return to grace with IMF will unfasten the wallets of important donor nations. A decision by the IMF executive board to approve a US$9.2mn loan disbursement, plus an additional US$6.6mn of what it terms 'interim assistance' to Malawi, will unlock previously withheld donor funding. The IMF had barred budget support to Malawi since 2001 due to government overspending. Major Western governments had also demanded greater transparency and frozen funding. Donors provide funds up to 80 percent of Malawi's development budget. European Union (EU) spokesperson in Lilongwe, Charles Undulu, told UNIRIN recently the IMF's decision to approve disbursements, following an appraisal of Malawi's recent fiscal track record, had given "us the green light" to follow suit.

(UNIRIN, 22.10.03)

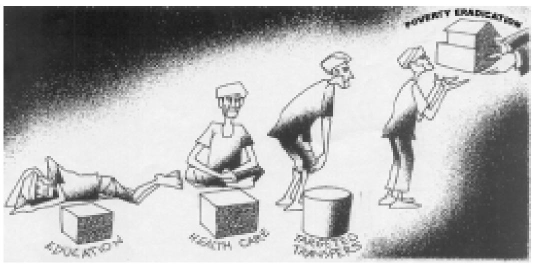
Living Cost up in Zambia

The cost of basic goods continues to rise in Zambia as agencies warn there may be pockets of desperate need not covered by previous vulnerability assessments. In its latest Zambia Situation Update, UNDP said, "the Disaster Management and Mitigation Unit (DMMU) has been receiving alarming reports concerning the food situation in districts that were not identified by the VAC (Vulnerability Assessment Committee) in April 2003" as having been in need of food aid, or in need of close monitoring.

Meanwhile, for those who have access to food in urban markets, affording it is becoming more of a struggle. According to a survey conducted by the Jesuit Centre for Theological Reflection, the cost of the 'basic needs basket' for the month of August showed a steady rise in prices of staple foods. In August "the total cost of food and essential non-food items was about US$214 for an average family of six. The cost of food only has gone up from US$76 in July to US$80 in August." These figures always see an upward adjustment in the rainy season from November-April. *(UNIRIN, 01.10.03)*

Poverty Eradication Day

The Government of Ghana and United Nations marked the year's International Day for Eradication of Poverty (IDEP) by organising an event on "Information — A Tool For Poverty Reduction". The day is celebrated worldwide on October 17 every year. Speaking at a ceremony to mark the occasion, the country representative of the United Nation Development Programme (UNDP), Christophe Bahuet, said much was being done in countries and international conferences to build global partnerships for development.



Liberal Times

He said some progress had been made, but much more needed to be achieved to honour all commitments made to eradicate poverty. KA Twum-Baah, the acting government statistician, said the poor had the right to be assisted to raise their living standards. He said the issue of poverty involved the development of a national statistical information system for effective decision-making. Poverty, he said, was the lack of what is necessary for material well being and could be alleviated by improving the existing conditions of the poor. It is for this reason that health and education were two indicators of development, he said. *(AM, 20.10.03)*

NEPAD Projects in Danger

Africa's continental plan to revitalise economies ravaged by centuries of under-development, wars, poverty and diseases could be seriously undermined. The New Partnership for Africa's Development (NEPAD) faces the grave danger of failure, posed by the lack of capacity in most countries.

Speaking at a Black Management Forum conference in Cape Town President Thabo Mbeki, said, "We are not going to achieve some of the programmes we have set (out) to (achieve) because of the lack of capacity. Even if we do have the resources, the institutions do not have the capacity, and African renewal needs capacity." He said, "The embarrassing thing is that developed nations have committed resources, but we do not have the capacity to implement."

(CA, 10.10.03)

China Cancels Africa's Debts

China has fulfilled its commitment by cancelling 31 African countries' debts totalling US$1.27bn. At the same time, China and Africa plan to triple their trade to US$30bn within three years. Political leaders and trade officials meeting in Addis Ababa said the move was to overcome imbalances with rich nations who "exploit and bully" developing countries. They condemned marginalisation of the developing world, lack of economic growth and dependence on foreign aid.

Africa is the world's poorest continent where most people live on less than US$1 a day. China, with 1.3 billion people, has a per capita income of US$940 a year. Current trade between China and Africa stands at US$12bn a year, a tiny fraction of their trade with western countries, experts told the conference. Two per cent of China's trade is with Africa, while five per cent of Africa's trade is with China.

Some 200 Chinese entrepreneurs and businessmen travelled to Ethiopia as part of the trade mission, the first of its kind between African and Chinese businessmen. During this meet Chinese Premier Wen Jiabao promised preferential, zero-tariff trade deals with 34 African countries.

(TFS, 16.12.03 & CT, 17.12.03)

Malawi Scraps Duty Free

Malawi has revoked provisions of a bilateral trade agreement with Zimbabwe allowing duty free entry of goods and will now charge a 20 percent excise duty on products entering its market. The Ministry of Industry and International Trade said in a statement on December 29, 2003 that it was notified of the move by the Common Market for Eastern and Southern Africa (COMESA) early December 2003. "Exporters with goods destined for Malawi should take note of this change, so that they are not unduly surprised when their goods land into that country," the ministry said. One of the affected goods is cooking oil.

This move by Malawi is contrary to provisions of COMESA that allow reciprocal duty-free entry of goods in member countries. Malawi and Zambia have been complaining that Zimbabwean businesspeople have been dumping cheap goods on their markets, pushing local people out of business. *(TH, 30.12.03)*

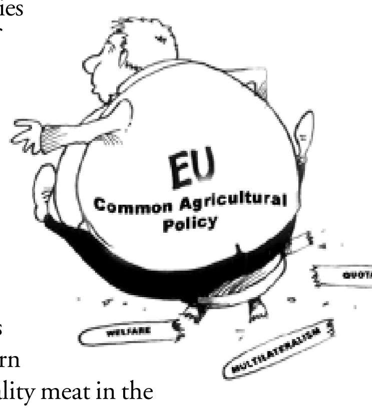
UN Renews Call for Aid

The United Nations (UN) has called on donors to step up assistance for its operations in Southern Africa, warning that without immediate contributions the "fragile gains" made over the last 12 months could be destroyed. "This is an extremely serious situation and, even though there are fewer people at risk, there are still millions across the region desperately in need of assistance. The enormous gains made last year are now threatened by lack of funds to continue supporting the most vulnerable, especially women and children," said James T Morris, the UN Secretary-General's Special Envoy for Humanitarian Needs in Southern Africa.

In July 2003 the UN appealed for US$530mn — US$310mn for food relief and US$220mn for non-food items — to address the needs of 6.5 million vulnerable people in Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe. So far only 20 percent of the required funds have come in, leaving a shortfall of US$423mn. The appeal for non-food items had raised only US$9.5mn, or 4.3 percent, of overall needs. According to the UN Regional Inter-Agency Coordination Support Office, current projections showed an alarming outlook for the "critical hunger period" — with a total shortfall of 74 percent in January 2004, escalating to 95 percent in February, and culminating in a 100 percent break in the pipeline in March. *(UNIRIN, 03.10.03)*

EU Policy Adds to SADC Woes

European Union's (EU) Common Agricultural Policy will not solve problems for countries within the Southern African Development Community (SADC) seeking market access for their farm products to the lucrative European market, a report by the South African-based Trade Law Centre for Southern Africa says.



Down To Earth

It says EU reforms convert direct subsidies to farmers into a more disguised form of direct assistance, retaining aid to EU farmers worth US$40bn a year and doing far too little to improve the plight of SADC partners. The report says that so far countries exporting under Protocol IV have never fully utilised the total quota. Whilst Botswana and Namibia have in all years significantly under-utilised their quotas, Zimbabwe was able to exceed its quota in some years. It reveals that Southern Africa has seen a massive inflow of low quality meat in the mid 1990s, adding that these imports have caused massive disruptions in the respective sector. "Declining EU prices have already reduced the returns of southern African beef exports and an ongoing price decline will lead to further reduced returns," the report says.

(ZI, 19.12.03)

Coffee Growers Look Homewards

Realising that world coffee prices, which have been in a slump for over two years now, may not recover in the short run, East African coffee-producing countries have decided to start promoting local consumption. According to the Uganda Coffee Development Authority (UCDA), Uganda presently consumes only one percent of the coffee it produces. Kenya consumes 2 percent of its production locally, while total coffee consumption in the region, with the exception of Ethiopia, does not exceed five percent. Frederick Mulalira Kawuma, executive director of the Eastern African Fine Coffees Association (EAFCA) said it would promote consumption of coffee in East Africa through making it available in major supermarket chains in Uganda, Kenya and Tanzania. *(AAGM, 15.12.03)*

Textiles Under Threat

As African textile exporters come under pressure from efficient Asian competitors, it is time for Africa to diversify its exports to the US by expanding into other areas such as agricultural products and processing. This is especially urgent because the worldwide quotas will end in 2005. South African Textile Federation director Brian Brink says South Africa's troubled textile sector is on the brink of collapse with the rand going strong and cheap imports threatening to wipe out about 12,000 jobs. China alone is being forecast to account for up to 90 percent of imported apparel in the US in 2004.

(BD, 19.12.03)

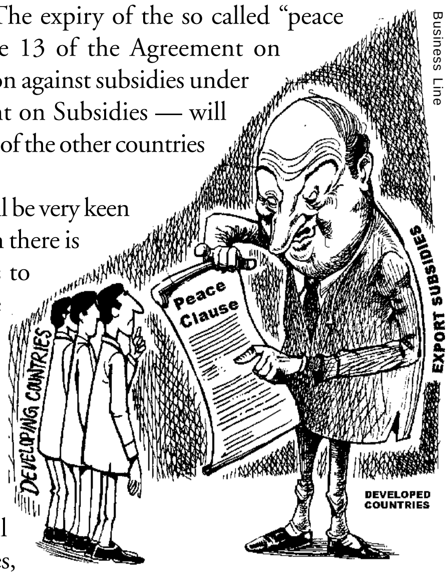
The US$10bn Opportunity

Focusing only on Grouping 9 of AGOA, specifically textiles, has put on the backburner the US$10bn marketplace of other products and crafts. And this is billion with a capital 'B' per year. This was said by Molly Williamson, the US Commerce Department deputy assistant secretary of commerce for Africa, the Middle East and South Asia to an audience of African artisans, US importers, and US and African government officials at the Smithsonian Institution's Ripley Centre during the Third AGOA Forum. She said there was strong desire among specialty shops and big chains to find the unique, the interesting, and the product with a story in this large and growing consumer market, which is something that opens a very special market for African products through AGOA.

(USDS, 19.12.03)

North Keen on New Peace

As the "peace clause" in WTO agriculture agreement, which prohibits action against subsidies, expires at the end of 2003, there may be a proposal from major developed countries for extending it. The expiry of the so called "peace clause" —i.e., the provision in Article 13 of the Agreement on Agriculture (AoA), which prohibits action against subsidies under the normal procedure of the Agreement on Subsidies — will expose the developed countries to the risk of the other countries raising disputes on their subsidies.



Hence, major developed countries will be very keen to continue with the peace clause though there is no reason for the developing countries to agree to it. They have suffered from the subsidies of the major developed countries for too long, and now that an opportunity has come to abolish the special immunity enjoyed by these subsidies they would naturally like to seize the opportunity. When the "peace clause" expires and it is not renewed, all countries, including developing countries, will have their subsidies exposed to actions according to the Agreement on Subsidies.

(TWN, 29.10.03)

Cotton Remains Under a Cloud

The Cotton Initiative failed to trigger WTO action in Cancun where Benin, Burkina Faso, Chad and Mali had placed it on the Ministerial agenda. They had requested the speedy elimination of all cotton subsidies, as well as compensation of between US$250mn-US$1bn a year to affected least-developed country producers during phase-out. Their claim that subsidies had driven market prices so low that even the most efficient producers could no longer export cotton at a profit elicited much sympathy, but the initiative ultimately yielded no results largely due to US opposition.

The US said such negotiations could only take place under agriculture negotiations. However, even if cotton subsidies are discussed in the context of agriculture negotiations, there are doubts that a special, accelerated schedule for cotton alone would be accepted. Talks about compensating least-developed country producers while subsidies are being phased out have led nowhere. While the four countries have requested that the issue be kept on the general councils' agenda, litigation offers an alternative avenue to tackling subsidies. Unfortunately, this solution promises no short-term relief either. *(BW, 30.11. 03 & FT, 21.09.03)*

US Bill on AGOA

Richard G Lugar, chairman of the US Senate foreign relations committee and a strong proponent of the elimination of agriculture subsidisation in the US, introduced the US-African Partnership Act (USAPA), which incorporates a proposed expansion of AGOA. USAPA promises to fulfil the original promise of AGOA to establish a more mature economic relationship with African countries that undertake serious economic and political reforms. The bill provides for the extension of the deadline for AGOA from 2008 to 2015, and includes assistance to African countries in the area of agriculture. *(BD, 19.12.03)*

British Banks Indict SA Post

Britain's leading banks are sending letters to South African clients saying that in future any documentation — including statements, credits cards, pin numbers or cheque books — will not be sent through the normal postal channels, but through private couriers.

In one instance, a financial institution says in a letter to a local client expecting to receive a new ATM card: "The bank has experienced an unacceptable level of correspondence destined for your country being lost or stolen." This particular financial institution has arranged, according to the letter, to send the card via a well known internationally based courier service for an extra charge of about US$48.

South Africa has been put on a list of countries where postal services are now deemed dangerous, inefficient or non-existent lumping it with the postal services of many dodgy countries. *(MW, 21.10.03)*

Burundi Subsidises ARVs

The Burundian health minister, Jean Kamana, has authorised the civil service insurance company Mutuelle to cover the cost of antiretroviral drugs (ARVs) by 80 percent, in line with its policy on other medicines. Kamana signed an ordinance adding ARVs to the list of medicines the company generally covers in response to a request from the health insurer's general manager.

An HIV-positive civil servant in need of ARVs will, therefore, now pay 20 percent of the price, leaving the health insurance company to pay the rest. Until now, a civil servant had to fund the total cost, despite regular contributions to the company. The cheapest ARVs cost around US$30 a month, a price few Burundians can afford. Sylvain Ndayikengurukiye, in charge of communication and public relations at the National Council for AIDS Control, said that only 1,200 people out of 25,000 in need of ARVs had access to them. *(UNIRIN, 31.12.03)*

Zim Inflation Hurts Pensioners

As the official inflation rate hits a record 620 percent, all Zimbabweans are feeling the pinch, but it is the country's pensioners that are especially hard-pressed. "Ten years ago pensioners lived relatively comfortably on the money they were receiving. But the pittance they get can hardly see them through a day, what with the ever-increasing price of basic commodities and the attendant shortages," economist John Robertson has said.

Most pensioners receive no more than about US$18 a month, with some getting as little as US$2. The Consumer Council of Zimbabwe says a family of six needs at least US$485 a month just for a basic food basket. *(UNIRIN, 26.12.03)*

Cell Fight on Beaches

A row that threatened life-saving services on beaches this summer saw Vodacom fighting off a challenge by rival network Cell C to its monopoly on sponsorship of Lifesaving SA. Dhaya Sewduth, vice-president of Lifesaving SA, which provides lifeguards from Durban to Cape Town and beyond, confirmed that Vodacom had threatened to end its sponsorship in early December 2003 after Cell C sponsored a life-saving training programme in the Western Cape.

Nigel Reynolds — head of Multisport Africa, the company that arranged the Cell C sponsorship — hit back, claiming that Lifesaving SA had wasted the millions it received from Vodacom, much of it on head office salaries. Sewduth said Vodacom's sponsorship was worth approximately US$420,000 for the past six-seven years. He attributed the row to a "splinter group" having used Lifesaving SA's logos illegally to solicit Cell C's sponsorship. Reynolds told the Sunday Times that Multisport would continue to promote life-saving services, with Cell C's support. *(ST, 28.12.03)*

Malaria Treatment Clash

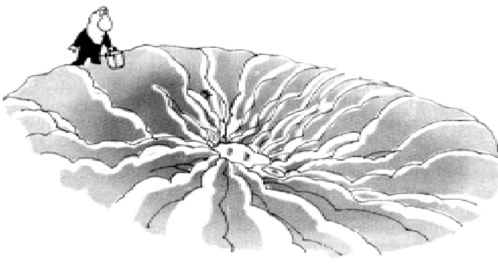
Ethiopia's health ministry has clashed with the aid agency Medecins Sans Frontieres (MSF) over malaria treatment in the midst of a major epidemic threatening 15 million people. MSF is urging the government to implement a cocktail of drugs, which have been given preliminary approval by WHO. But the ministry says that calls by the NGO to change anti-malarial drugs during an epidemic were potentially dangerous and could cost 10 times the existing treatment

In a statement, the ministry said changes in treatment policies caused "serious planning, implementation and sustainability problems". MSF claims the combination treatment is far more effective. The government is currently carrying out tests on the new method – known as Artemisinin Combination Therapies (ACT) — and is expected to announce the results in early 2003. But MSF says the drugs should be used now and argues that current treatments are proving ineffective during the epidemic. Currently four different drugs are being used in the country. The UN's Children's Fund (UNICEF) and WHO say extensive training would be needed for a new treatment. *(UNIRIN, 22.12.03)*

Plea to Save Lake Chad

The Marte community in Northern Borno State has called on the federal government to declare the Lake Chad basin area a 'disaster zone' to address the numerous ecological and environmental problems affecting the area including continuous shrinkage of Lake Chad.

An appeal to prevent Lake Chad from dying was also made at the convention. The gradual recession of the lake was having "devastating effects" on millions of people depending on the Lake for their livelihood, the appeal said. Also speaking on the same occasion, a political science and administration professor at the University of Maiduguri, Kyari Tijjani, said although the Lake Chad was one of the greatest lakes in Africa after Lakes Victoria, Tanganyika and Malawi, its recession had over the years led to a serious drop in fish catches by Borno fishermen "from 230,000 metric tonnes per annum in the early 1960s to less than 50,000 metric tonnes in recent times." *(DT, 29.12.03)*


Down To Earth

Should Africa Pay for Free Trade?

For decades African governments have been chanting to their counterparts in rich nations to bring down the iron trade curtain of countless tariff and non-tariff trade barriers and make trade fair. But could Free Trade Agreements (FTAs) be the answer? What about cases where FTAs harm even some wealthy economies like Canada? According to Dot Keet of the Alternative Information and Development Centre (AIDC), Cape Town, the "crude equation that 'development is trade and trade is development' (as argued by the former WTO director-general, Mike Moore) must be rejected and replaced with the recognition that trade is not inherently and inevitably positive, because under certain (current) economic circumstances and adverse policy conditions it can be profoundly damaging, economically, socially and environmentally, and anti-development."

But surely trade couldn't be bad, could it? Besides, FTAs are in vogue and it is estimated they could increase poor countries' net earnings to an estimated US$360bn a year. *The Economist* estimates that if the US, Canada, EU and Japan removed tariff and non-tariff barriers, developing countries could immediately increase their exports by about US$700bn annually.

True, the continent's share of international trade is a trifling two per cent. Africa should be focusing more of its resources and attention on developing infrastructure, equipping the population with requisite skills, improving productivity and stepping up intra-boundary trade rather than simply targeting Western markets.

Indeed, simply increasing trade to the North could merely reinforce Africa's existing dependence on current exports, established markets and the continent's continued extreme vulnerability to international price instabilities and other external shocks. But then, even if rich countries dropped their tariff and non-tariff barriers today, would Africa have the productive capacity to supply to rich countries? Again, the rich industrialised countries could still prevent poorer countries from accessing their markets by erecting non-tariff barriers such as on health and security grounds.

Presently, the US has adopted a policy of dividing Africa into less poor and poorer countries. Countries below US$1500 per capita are allowed to explore the opportunities to export textiles to the United States, while for countries with per capita of over US$1500, companies have to import yarn from America. That is even if there are cheaper ones elsewhere or in the exporting country's own economy. This has prevented some African countries from benefiting from the AGOA. A new bill is, however, before the US Congress seeking to reverse the section of AGOA that requires potential African textile exporters to the US market to acquire yarn from the US.

EU Pressure

Yet while fair trade advocates in and for Africa are cautioning African countries and regional blocks to exercise restraint in entering into any new FTAs, especially with the rich countries, the West and Central African countries have gone ahead and launched negotiations for FTAs or "Economic Partnership" Agreements (EPAs) with EU.

And according to the Third World Network-Africa, these are more far-reaching than what was rejected *en bloc* by developing countries at Cancun, Mexico during the World Trade Organisation ministerial meeting in September 2003.

Effectively, it could be self-defeating for West and Central African governments to yield to such pressure from the EU — a pressure they had resisted with other African blocs and the rest of the developing world in Cancun.

European Union is indeed one of the chief supporters of subsidising Western farmers to the disadvantage of African economies. It has repeatedly declined to cut back on these hefty subsidies to EU farmers and other producers who end up dumping cheap products including food, poultry and dairy products on Africa and the rest of the developing world; killing local initiatives in effect.

But African governments seem to think that securing more FTAs with the US and EU means they can get an increased share of FDI. At present, Africa receives less than five per cent of global FDIs per annum. Experts argue that it is not necessarily true that securing these FTAs guarantees a steady stream of FDIs to revamp the recipient's economy. An example of this reality is Angola, which, despite being one of the most corrupt administrations in Africa today, has received more FDI than most African countries, including South Africa. And this is primarily because undemocratic Angola has a vast offshore oil reserve.

Critics argue that the prevalent African notion of liberalised economies attracting more FDI is unfounded and at best misdirected. True danger lies ahead, therefore, if West and Central Africa seal the proposed EPA pact with EU.

Lessons from Elsewhere

Free trade can carry a high price for a lot of people. FTAs limit governments' right to give preferential treatment to domestic suppliers and national investors among others. Even developed countries like Canada and Mexico have had their fair share of trouble with FTAs. They are constantly heckled in their attempt to enter the heavily protected United States market even with the North Atlantic Free Trade Agreement (NAFTA) among the three countries.

According to Ann Weaton of the North-South Institute, with NAFTA (which was established on January 1, 1994) Canada has lost much of its sovereignty to its bigger and domineering partner in the south, the US. Even after signing the agreement, Canada and Mexico are finding it difficult to trade with the US. Rather, the agreement has shrunk Canada's ability to trade in the US market.

Weaton cites instances in which the US government has imposed all kinds of discretionary restrictions to discourage Canadian exports. The US and Canada are the two biggest economies of the three-member North American Free Trade Area. If post NAFTA Canadian exports have faced restrictions over the years whenever US producers have found themselves unable to compete, African governments had better watch out before the continent slumps into an even deeper level of poverty and deprivation.

Afro-Asian Civil Society Seminar

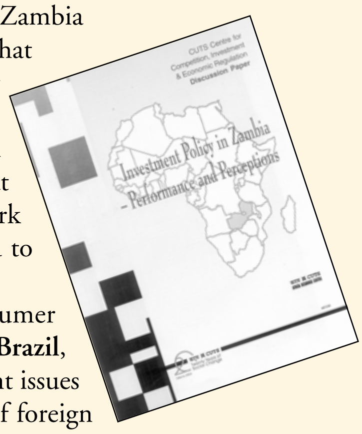
From Cancun To Sao Paulo: The Role Of Civil Society In The International Trading System

New Delhi, India, April 13-15, 2004

CUTS Centre for International Trade, Economics & Environment (CUTS-CITEE), in association with partner organisations, will organise a seminar on "The Role Of Civil Society In The International Trading System" in New Delhi. The seminar will take stock of various aspects of the multilateral trading system, which are of special interest to developing countries in Asia and Africa. It will also discuss concerns and necessary actions of civil society organisations, governments and other stakeholders for achieving better coherence between the multilateral trading system and national development strategies; provide networking platform to civil society organisations and others to discuss issues of mutual interests; and build partnerships among different stakeholders. It will also adopt the Afro-Asian Civil Society Statement for taking the Doha Development Agenda forward and develop research agenda and advocacy inputs for civil society organisations and others.

Publications

Investment Policy in Zambia — Performance and Perceptions



Despite all efforts for structural adjustment and additional foreign investor incentives, Zambia has not been a favourable FDI destination. What are the reasons for this trend? What should be the contours of a workable and development oriented FDI policy for Zambia? This report reviews investment policies and their performance in Zambia.

It aims at creating awareness about the investment policymaking process in Zambia by examining facts, figures and also perceptions of stakeholders. The question that the report tries to address, therefore, is whether the current investment framework and legislation is sufficient to attract FDI and if not what additional measures need to be put in place.

Part of the Investment for Development (IFD) project coordinated by Consumer Unity & Trust Society (CUTS) in seven developing countries, *viz*: **Bangladesh**, **Brazil**, **Hungary**, **India**, **South Africa**, **Tanzania** and **Zambia**, the reports highlight important issues in policy reform, investment trends and the civil society view on the contribution of foreign investment to their economies.

All the other country reports are also available on request.

Investment Policy in Zambia-An Agenda for Action

CUTS ARC published a concise reader-friendly research and advocacy document on this important subject as part of the IFD Project. The aim of the document is to create awareness and build capacity of investment regimes. It also seeks to set action points for various actors on investment policy in Zambia.

The report takes into consideration the stakeholders' views on foreign direct investment including poor interest of investors, inadequate infrastructure and skilled personnel as well as setting an agenda for action by government, inter-governmental organisations and civil society.

Sources

AAGM: All Africa Global Media; AD: African Decisions; AIM: Agencia de Informacao de Mozambique; AM: Accra Mail; BD: Business Day; BW: Bridges Weekly; CA: Cape Argus; CT: Cameroon Tribute; DT: Daily Trust; FT: Financial Times; MW: Moneyweb; NE: New Era; ST: Sunday Times; TFS: The Financial Standard; TH: The Herald; TN: The Namibian; TOZ: The Times of Zambia; TWN: Third World Network; Unirin: United Nations Integrated Regional Information Network; USDS: United States Department of State; ZANA: Zambia News Agency; ZI: Zimbabwe Independent;

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