



Tradequity

A Newsletter of CUTS Africa

Year 3, No. 4/2004

The CfA: Picking Africa as an Agenda Item

Repeatedly, Africa as a development priority, has been falling off the table. It is the only continent to register negative growth in the last 25 years. It is clear that the continent has fallen dramatically behind other developing regions, with declining growth rates, increasing infant and maternal mortality, high HIV/AIDS prevalence, increasing poverty where more than 315 million live on less than US\$1 a day, and continuously falling life expectancy. Meanwhile, declining aid from rich countries and closed markets for African goods have made things worse.

Sympathetic and forward-thinking world leaders have offered to help. One such latest initiative is the UK Prime Minister Tony Blair's Commission for Africa (CfA). The 16-member commission was established to tackle the myriad economic problems facing the continent. These actions result from how life in Africa evokes emotions. During his visit to eastern and southern Africa in January 2005, UK Chancellor of the Exchequer, Gordon Brown, said he saw "grinding, abject, relentless poverty and glimpsed the aching souls of millions." It is, hence, not surprising that he felt that at the present rate Africa will miss key poverty reducing targets, like free primary education, by more than 100 years.

What is interesting are some commitments that the UK is making towards African countries, including helping to pay the debts of the world's poorest countries, to reduce poverty. For example, Brown signed deals with Mozambique and Tanzania to take on 10 percent of their debt to international lenders, and promised to do so with 70 more among the world's poorest nations.

Other Efforts

The UK's CfA is not the first initiative in recent years by the international community to turn their attention to Africa. The UN and the World Bank (WB) have targeted sub-Saharan Africa with aid programmes, including the Millennium Development Goals (MDGs). According to Trevor Manuel, South Africa's Finance

Minister and one of the Commissioners, Africa alone needs US\$25bn each year to achieve these. Then, there is the Poverty Reduction Strategy Programme (PRSP) run by the WB. The United States of America also has its own initiatives for Africa, including the Millennium Challenge Account, and the AIDS fund.

The Cause

War-torn Sudan, Democratic Republic of Congo, Liberia, Somalia and Eritrea need a good start in governance, besides aid. It is not only the scarcity of resources, but also the continuing civil unrest in many poor African countries, which are the causes of their misery. This means debt relief and aid alone are not adequate. A strong action is required to end the conflict and supply of arms. Without improvement of the law and order situation, the poor are left out of the purview of development. Ironically, some of the backwardness in the continent is in some of the most peaceful African countries.

Recommendations

Drop the debt, make trade above board, export Africa's finished products and stop the western subsidies; these are the recommendations that any standard poverty reduction paper would speak about. If poverty is to be cut, the WB says aid to Africa needs to be increased by at least 60 percent. The 1970's Brandt report that put development back on the political agenda, recommended that rich countries give 0.7 percent of their gross domestic product (GDP) as foreign aid. This recommendation is one that few have implemented.

Aid flow to Africa reached US\$20.7bn in 2002, but dropped to US\$19.4bn in 2003. What is needed is aid getting to over US\$50bn, to be financed through an International Finance Facility, as the UK proposes. The concept is – double the aid to halve the existing poverty.

There is also need for a new trade deal, which would enable Africa to benefit from

global trade. This entails partnership between African and northern firms. This would inject a fresh entrepreneurship culture and work towards exporting finished products straight from Africa. Rich nations have to reverse their spending of US\$1bn a day in agricultural subsidies, in the face of Africa's more than 315 million people living on less than US\$1 a day.

And, for the killer that AIDS has become, US\$10bn a year should be spent fighting the disease. The UK's Chancellor for the Exchequer proposes research in an AIDS vaccine, similar to that on the human genome, where it is to be made "one of the world's top scientific priorities with information shared widely, rapidly and above all, freely".

Finally, cancelling the US\$500bn debt that Africa owes the world would create a new Africa – an Africa on the wheels of development.

Conclusion

The plethora of commissions, and their failure to achieve change, makes one sceptical. Still, Africa has tremendously improved its aid absorptive capacity, as testified by the WB. The hard truth is that there are limited fiscal resources relative to social demands. Will the CfA be able to move the rock-like mindset over Africa's plight in the G-8? What is required is strong commitment and pragmatic action.

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Published with the support of
HIVOS, Regional Office Southern Africa, Harare, Zimbabwe
Subscription: \$15 p.a.

IMF Closes Harare Office

The International Monetary Fund (IMF) has finally decided to close its Resident Representative's office in Harare due to Zimbabwe's failure to "strengthen its co-operation with the Fund." Zimbabwean authorities have had tense relations with the IMF and insisted on running their own economic policies over recent years. Failure to follow up IMF policies and long overdue debts to the Fund have already forced the IMF to exclude Zimbabwe from its decision-making boards.

The Harare office has slowly been dismantled during the last few years. All future relations with Zimbabwe will now be conducted via contacts with headquarters' staff and regular executive board discussions. The IMF has maintained its Harare office with local staff since October 2003, expecting the Zimbabwean authorities 'to get their act together' when its previous Resident Representative left Harare.

(AN, 01.10.04)

Seychelles' Bank Independent

The Parliament of Seychelles has unanimously given the green light for the country's Central Bank to operate as an independent institution. The decision was made following an advice by the IMF, which, in July 2002, had detected a weakness in the Bank's supervision system and handling of the Government's financial sector.

Seychelles' Minister for Economic Planning, Jacquelin Dugasse, presented the bill to the parliament to assure autonomy to the Central Bank. Dugasse said that it was necessary to introduce new, modern regulations to enable the Central Bank to comply with international standards and adopt good practices. The bill, he said, had been formulated following a series of consultations the Government had with the IMF.

The enactment of the bill, according to Dugasse, would allow the Central Bank to "operate without Government interference to realise its corporate objectives, ensure accountability and transparency in the supervision of the monetary system and ensure price stability by introducing measures to control inflation."

(AN, 20.12.04)

40 Percent GDP Growth

The projected growth in real GDP in Chad for 2004 was set at 39.5 percent. Chadian per capita income is expected to double through 2005, as the full impact of oil exports through the new Chad-Cameroon pipeline, which was completed in 2003, and vast new oil fields simultaneously being discovered all over the country, is noted.



According to an analysis published by the US Government agency, the Energy Information Administration (EIA), oil exports from Chad have already started making an economic impact in 2003; Chad's GDP grew 9.7 percent, while 2004 growth was forecast at 39.5 percent.

Chad has widely been expected to receive US\$3.5bn in revenues during the first ten years of oil exports through the new Chad-Cameroon pipeline, increasing annual government revenues by more than 50 percent. To obtain WB guarantees for the oil pipeline, which has made oil exports possible, Chad had to agree to a transparent oil sector, earmarking 80 percent of government's oil revenues to fight poverty. But this will only be possible if the fragile social and ethnic peace is maintained.

(AN, 22.12.04)

2.8mn People Left Hungry

The United Nations World Food Programme (UNWFP) announced that it had been cutting rations to more than 2.8 million people over the past six months, as it lacked the funding to purchase additional food supplies. This had resulted from a decline in contributions from donors, who were also grappling with other humanitarian crises. The UNWFP launched a US\$404mn appeal in October 2004 to feed people in Lesotho, Malawi, Mozambique and Swaziland. These southern African countries are amongst the states affected most acutely by food shortages that have swept the region during the past two years.

Anyhow, only 2.5 percent (about US\$10mn) of the amount called for has been received. As a result, aid recipients in southern Africa are surviving on half their normal rations, sometimes even less. Richard Lee, a UNWFP spokesman in South Africa, said the situation in Lesotho, Swaziland and southern Malawi offered particular cause for concern, because they experienced bad harvests, largely due to drought. Further, for most countries, problems including corruption, HIV/AIDS, wars, poor policies and famine combined to make mitigation efforts of little impact.

(IPS, 23.12.04)



www.southernlinks.org

Mozambique: Donor Harmonisation

Roughly one-third of the development assistance Mozambique receives is general budget support or aid for sector programmes. The 15 most important donors have made a commitment to co-operate more closely in the future, to build Mozambican capacities and to take the local budget cycle into account. The donors and the Republic of Mozambique signed a Memorandum of Understanding where the donors made a commitment to harmonise their support and to align to Mozambican procedures.

However, policy advisers Richard Gerster and Alan Harding, in a report prepared on behalf of donors, point out that to achieve this goal, much must yet happen. They are of the opinion that the division of responsibilities between the donors must improve and that the donors should work towards reducing the number of bilateral barriers preventing full harmonisation.

Harmonisation and alignment should not only increase aid effectiveness, but also strengthen ownership. Exactly whose ownership remains a moot question.

(D+C, 11/2004)

Call for Debt Write-off

Mukalia Ojelade, representative of the African Development Bank in Uganda, warned that Africa would not meet the MDGs unless assistance was increased. This was also the conclusion of a report by the United Nations Conference on Trade and Development (UNCTAD), published on September 30, which found that the efforts to reduce Highly Indebted Poor Countries' (HIPC) debt burdens had fallen behind.

It urged the donors to reconsider the possibility of debt cancellation, as it felt that this would increase the HIPC's chances for development. For now, the finance ministers of G-8 countries could not agree on the issue of complete debt write-off for the poor countries in Africa.

(AA, 04.10.04)

Africa Still Lags Behind

A report, prepared for the fourth United Nations Economic Commission for Africa (UNECA), said that although there have been many improvements, the standard of governance in Africa was still not high. Furthermore, many countries, where formerly nobody trusted their Government, received better ratings than before.

The UNECA report, which was based on a survey conducted in 28 African countries, addressed issues such as trust in government, respect for human rights, economic management and corruption. On the positive side, the report concluded that the constitutional Government was getting stronger and more democratic, and that multi-party elections were the only acceptable means of transferring power.

Likewise, there were also a number of issues that needed much improvement. These ranged from tax evasion, economic management to corruption and respect for human rights. Chad, Ethiopia, Kenya, Zimbabwe and Malawi ranked last for the way they dealt with corruption, human rights, political representation and economic management. Cameroon, Angola, Kenya and Nigeria were judged the most corrupt.

(AA, 12.10.04 & BBCN, 13.10.04)

Investment Bank Set up

The European Investment Bank (EIB) signed an agreement with the Kenyan Government to have its regional headquarters based in Nairobi. EIB, managed from Luxembourg, is an agency of the European Union (EU) and has been

operating in Africa for 40 years, supporting the private sector for improvement of utilities – energy, water and communications – through reform of state firms and privatised enterprises.

The Kenyan Foreign Minister, Chirau Ali Makwere, signed the agreement with the EIB's African, Caribbean and Pacific (ACP) countries' Director of Operations, Martin Curwen.

The move will strengthen co-operation between the governments of the regions on one hand and the EIB on the other, within the context of the ACP-EU partnership. The other regional headquarters will be in the Senegalese capital, Dakar, to cover west Africa, and Pretoria in South Africa for southern African region and the Indian Ocean.

In the last five years, the bank has provided loans and risk capital amounting to €650mn (US\$872mn) for investment in the countries that will be within the operating sphere of the Nairobi-based regional representation. *(BD, 19.12.04)*

Zambia Bags Award

Zambia scooped the 2004 United Nations Development Programme (UNDP) human development award in a competition held in the United States. Zambia National Human Development Report (ZNHDR) Committee Chairperson, Professor Muyunda Mawanalushi, who received the award on behalf of Zambia, said there were 60 country awards and one Mahbub ul Haq award for outstanding leadership in human development.

The ZNHDR 2003, with its theme "Eradication of Extreme Poverty and

Hunger in Zambia – An Agenda for Enhancing the Achievement of the MDGs" was presented at the competition. The report also emphasised the interconnectivity of the MDGs and the role each Zambian plays in battling poverty and hunger, a fight the country could not afford to lose. *(ToZ, 29.12.04)*

Trade and Poverty Linkage

Academics, government officials and civil society groups met on October 25-26, 2004 in Naivasha, Kenya, to debate the role of trade in poverty reduction in Africa. The meeting, convened by the CUTS Centre for International Trade, Economics and Environment (CUTS-CITEE) and the Friedrich Ebert Stiftung, provided an opportunity for sharing experiences from Zambia, Nigeria, Kenya and Vietnam and address ways to make trade work to reduce poverty.

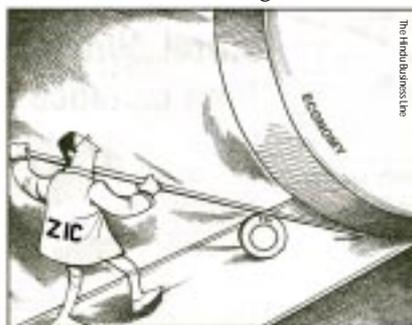
While the potential for growth through increased trade was recognised to promote growth, participants stressed that increased exports and imports may only work towards poverty reduction and economic development, when trade-led growth is directed at pro-poor activities, particularly in agriculture.

Apart from attacking the trade distorting subsidies in the EU and the US, many participants were of the view that African countries should not rush into Economic Partnership Agreements (EPAs) in their present format, before preparing themselves for tough competition by developing local productive capacity, deepening regional integration and conducting adequate impact assessment studies at national and regional level. *(BW, 28.10.04)*

Zambia Records US\$122mn FDI

Zambia received a record foreign direct investment (FDI) commitment amounting to over US\$122mn and 121 investment projects during 2004, Zambia Investment Centre (ZIC) Director General, Jacob Lushinga, stated.

Nevertheless, there was a decline in employment pledges, with only 10,116 promised jobs compared to 10,535 in 2003. Lushinga said the manufacturing sector received the highest investment pledges, worth US\$45.39mn, with agriculture falling in the second position, with pledges worth US\$34.53mn. He said the agricultural sector had the highest number of pledged employment opportunities, totalling 4,914.



This was achieved against the backdrop of problems including excessive bureaucratic tendencies in some government departments and ministries, which were hindering the attraction of investment in Zambia. *(ToZ, 21.12.04)*

EPAs Foster Development

In an effort to pursue close relationship with the ACP group, the EU signed the Cotonou Agreement with 77 ACP countries, in June 2000. Peter Mandelson, the new Trade Commissioner of the European Union, said in Brussels that EPAs are “the stepping stone into the global trading system” for ACP countries, so that regions such as SADC will only attract large investors when they integrate themselves as large markets with the critical mass required by the foreign investors.

Mandelson is hoping that the EPAs will bring about coherence in the trading systems of ACP countries and put an end to the overlapping effects, which he calls the “spaghetti bowl”. *(TNE, 03.11.04)*

Candidacy Endorsed

In a related development, ACP Ambassadors’ meeting in Brussels on October 29, 2004 formally endorsed the candidacy of Mauritian Foreign Affairs and Trade Minister, Jayakrishna Cuttaree, for the position of Director-General of the World Trade Organisation (WTO). The Ambassadors agreed to secure support for him in their respective regions and also praised Cuttaree for his efforts in championing the interests of developing countries, as spokesperson for the African Union and the G-90 group of developing countries, at the 2003 WTO Ministerial Conference in Cancun, Mexico.

Trade observers noted the significance of this endorsement, given that the 77 ACP countries make up more than a third of the WTO’s membership. Some, though, pointed out that Cuttaree’s victory would hinge on support from major economic powers, such as the US and the EU. Others vying for the DG post include

Carlos Pérez del Castillo from Uruguay, Luiz Felipe de Seixas Corrêa from Brazil and Pascal Lamy, the former EU Trade Commissioner. *(BW, 03.11.04)*

Review of NEPAD

During the review of the New Partnership for Africa’s Development (NEPAD) on October 22, 2004, both of its achievements – the creation of a peer review system and the African Union’s Peace and Security Council initiatives have already been tested through the fiery furnace of the crisis in Darfur and the way Zimbabwe is governed.

Although its Secretariat stresses that NEPAD being a long-term and ambitious programme, and that short-term results should, therefore, not be used as a measure of its success, its critics say that the NEPAD has only organised a large number of talking sessions, and that after all these conferences and seminars, no real achievements have been made. They stress that NEPAD had not executed any projects. At this moment, first steps have been taken to compile reports, under the African Peer Review Mechanism. It is widely believed that the release of a first report on a country that is not performing, shall be the first real test for the NEPAD.

(AA, 22.10.04; BBCN, 22.10.04 & WB, 26.10.04)

Customs Union Launched

The east African customs union involving Kenya, Uganda and Tanzania for duty-free trade became operational on January 1, 2005, following the passing of the East African Customs Union Management Bill, 2004 by the East African Legislative Assembly.

The Act establishes a legal framework through which the community will administer all customs issues in the new setting of harmonised policies, including the preferential treatment of goods imported under Common Market of Eastern and Southern Africa (COMESA) and SADC arrangements.

(NV, 23.12.04 & TM, 22.12.04)

EPA Negotiation

Trade Ministers from the ACP and the EU met in Brussels from October 25-27, 2004 to discuss issues related to their ongoing EPA negotiations. Participants discussed the impact of the EU’s new reform proposals on sugar, bananas and textiles, against the backdrop of heightened ACP concerns regarding the implications of preference erosion on their economies and the imminent phase-out of the WTO Agreement on Textiles and Clothing (ATC) quotas on textiles at the end of 2004.

This being a major problem for Mauritius and Madagascar, which together account for 85 percent of total ACP textile exports, outgoing EU Trade Commissioner Pascal Lamy noted that the EU was working with affected countries on this “difficult transition”.

Regarding an ACP request for financial support to improve economic infrastructures and for the interconnection of road and energy networks, Lamy said this was a matter on which the EU could show “a little flexibility, but not more”. Regarding the impact of multilateral negotiations at the WTO on EPA negotiations, Lamy specified that EPAs would be “WTO plus” – that is, they would go beyond WTO obligations and commitments. *(BW, 03.11.04)*

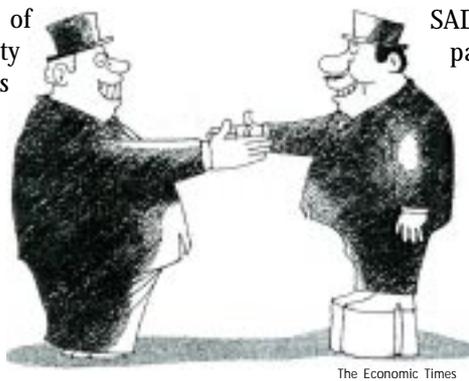
Partnership Facing Challenges

European Union officials have described the current status of the configuration of Southern African Development Community (SADC) countries, under the EPAs, as complicated. Glenys Kinnock, a member of the European Parliament, in Brussels, and the Chairperson of the EU delegation to the ACP-EU joint Parliamentary Assembly, said configurations in southern Africa are complicated, as some are going east and others south.

The Ambassador of Botswana to the EU, Sasara George, agreed with the EU

officials, saying that though the pursuit of three separate sets of trade and economic agreements may be part of the overall long-term partnership between Europe and the

SADC region, separate negotiations pose a particular challenge to the region’s integration agenda. George said it was inconceivable that neither other members of SACU nor SADC could integrate the South Africa-EU Trade and Development Co-operation Agreement (TDCA) in its current form into the EPAs. He said the SADC membership might end up with a complex set of EPAs and the TDCA with varying dimensions and timelines. *(TNE, 17.12.04)*



Free Trade Not Enough

Trade liberalisation by itself will not lead to economic growth and poverty alleviation in African countries, unless it is complemented by policies aimed at simultaneously boosting Africa's competitiveness and improving capacity to produce manufactured goods, says the UN Economic Commission for Africa (UNECA) in its annual report released on September 29, 2004. UNECA pointed out that the challenge lies in translating achievements, such as the increased FDI from US\$11bn in 2002 to US\$14bn in 2003 for faster growth.

The report says only five countries, Angola, Burkina Faso, Chad, Equatorial Guinea and Mozambique achieved the seven percent growth in 2003, necessary to reach the MDGs of halving poverty by 2015. UNECA cited Mauritius, Namibia, South Africa and Tunisia as Africa's most competitive nations. The report further analyses the near-collapse of the Doha talks, and argues for a comprehensive approach to development that prioritises poverty alleviation.

(BW, 13.10.04)

Duty-free Exports Extended

36 sub-Saharan countries chosen by the US have qualified to continue having greater access to the American markets under the African Growth and Opportunity Act (AGOA). Among them are Zambia and Kenya. Nevertheless, the US barred Cote d'Ivoire, the once promising West African state, but now mired in internal conflicts, from continuing to benefit from the arrangement that provides duty-free and quota-free treatment for eligible products, including apparels and textiles.

The AGOA is considered a key pillar of the US Administration's policy to spur economic development, alleviate poverty, and encourage trade in sub-Saharan Africa. According to a White House press release, President Bush had, in the annual determination of each country's continued eligibility reached just before Christmas, removed Cote d'Ivoire from the list of eligible countries. Eligibility for countries under AGOA includes, among others, the elimination of barriers to US trade and investment; protection of intellectual property; efforts to combat corruption; and policies to reduce poverty.

(TEAS, 28.12.04)

Stay Clear of Steel Tariffs

Trade negotiators of the Southern African Customs Union (SACU) and the South American trading bloc, Mercosur, gave in to intense pressure from steel producers in South Africa (SA) and Brazil, staying clear of steel tariffs, as they moved to reduce duty on 2000 items in their recently concluded trade agreement.

Brazil, a key member of Mercosur, and SA, are both major steel producers for export, and the move to stay clear of the commodity went some way in facilitating SACU's first trade agreement as a block. According to SA's chief trade negotiator, Xavier Carim, while steel products were exempt from the deal, tariffs on some goods were set to drop between 25 percent and 100 percent. The deal between SACU and Mercosur countries, Argentina, Brazil, Paraguay and Uruguay, may come into effect by 2006, as it still needs to be ratified by these countries' parliaments.

(BD, 29.12.04)

Disaster in Textile Industry

Of the overall working population of 549,000 in Mauritius, no fewer than 75,000 are employed in the clothing sector. So, when the global quota system is abolished on January 1, 2005, for major clothing producers, such as Mauritius, an economic disaster may be the result.

Mauritius is just an example of what the International Confederation of Free Trade Unions (ICFTU) calls "a wholesale restructuring of the textiles sector," which, according to some estimates, employs 40 million people – mostly in developing

countries – and generates trade in excess of US\$364bn a year. As the abolition of the quotas is nearing, there has been a succession of company closures in Mauritius, which have already seriously affected the employment rate. Closures of Hong Kong-owned companies have already caused 6,000 job losses. China is expected to get the better of most of the existing quotas, which have given countries like Mauritius a chance to industrialise.

(AN, 23.11.04)

Way Forward in Doha Round

African trade officials and negotiators who convened in Tunis, Tunisia, on November 25-26, 2004 for a "high-level brainstorming meeting" organised by the UN Economic Commission for Africa, criticised the July 2004 WTO package for ignoring the concerns of African countries on non-agricultural market access (NAMA) and agriculture, leaving them to be dealt with in subsequent negotiations.

The meeting's objective was to undertake a comprehensive evaluation of the July Package and to help African countries chart a course forward in the Doha Round negotiations. Sessions were tailored to help the participants develop and refine their negotiation strategies; identify areas of particular interest in the negotiations; and develop specific strategies for African countries in the modalities for agriculture and NAMA. Africa's share in global exports has decreased from about five percent in 1980 to less than two percent today.

(UNECA, 25.11.04 & FT, 23.11.04)

New Free-trade Deals

While the Southern African Customs Union (SACU)-US free-trade agreement is showing little progress, a new deal has been struck between the Mercosur countries, India and the SACU. On the other hand, the largest free-trade zone in the world is in the making between the 10-member Association of South East Asian Nations (ASEAN) and China that will contain almost two billion people, with a GDP of US\$2tn by 2010. Trade between ASEAN and China amounted to US\$78.25bn in 2003, an increase of 42.8 percent over the previous year.



Together with the deal, a dispute settlement mechanism will be created. Talks on services and investment are still ongoing. On the other hand, the talks between the SACU countries and the US failed to strike a deal by the December 2004 deadline, as they were blamed on the large ambitions of the US, while the US said the SACU countries just did not have harmonised trade policies.

(WB, 26.10.04 & TN, 26.10.04)

Inflation Down on Paper

Although Zimbabwe's Central Statistical Office revealed that the official inflation rate dropped to 149.3 percent in November, down from 209 percent in October, the new rate still leaves Zimbabwe with the highest inflation in the world. Harare is in the midst of its worst economic crisis since independence from Britain in 1980, with abnormally high inflation rates in 2003.

The Reserve Bank attributes the current drop to tighter fiscal policies aimed at reining in rampant profiteering and a lucrative black market in scarce commodities and hard currency. Then again, the official inflation rate excludes prices on a wide range of services and imports that have continued to soar throughout the year. Medicines, vehicle repairs and agriculture prices have risen over 600 percent. The state-owned telephone and postal service has hiked fees by a phenomenal percentage.

(BR, 15.12.04)

Defying Trade Law Violation

Inspections were carried out on commercial facilities in Angola, where more than 150 violations were identified and resulted in fines, prosecutions, and seizure of 50 types of commodities, and collection of 30 samples of doubtful products for laboratories analysis.

The most common infringements to the commercial law, committed by traders and economic operators in the country, included forestalling and lack of display of prices on products at shops, said the Director of the Office of Inspection of Trade Activities, Global Information Assurance Certification (GIAC) in the Ministry of Commerce, Vieira Guedes da Costa. He added that these actions were carried out at places of production and sale of food products, as a result of the 1006 visits to retail establishments, 670 visits to wholesalers and 200 to service providers.

(APA, 12.12.04)

Outdated AIDS Messages

AIDS activists in South Africa have called for the revision of "outdated" HIV/AIDS messages, which have been circulating for years, but have failed to achieve behavioural change. Handing out pamphlets with catchy slogans has little effect, experts say. People require more than awareness and basic education – they need advice on how to apply their

knowledge of AIDS to their daily lives. Yet, large numbers of grassroots organisations keep handing out pamphlets with simplified phrases like "Use condoms" or "Break the silence", which were developed more than 10 years ago. As a result, experts have found that many South Africans have lost interest in understanding the virus, and the HIV infection rate has remained stubbornly high, at more than 21 percent of the population.

Training organisations agree that there is a huge gap between hearing a slogan and behavioural change.

(UNIRIN, 31.12.04)

Winning the Nobel Prize

Kenyan ecologist Wangari Maathai, 64, is the first indigenous African woman to take the Nobel, and never before has an environmental cause been honoured by the Nobel committee, since the prize was first awarded in 1901. Maathai was the



first female to get a doctorate in Biology, in eastern and central Africa, in 1964 at the age of 24, and the first female head of a university department in Kenya. Her campaign to save Africa's forests began with nine trees in her yard, nearly three decades ago. As Kenya's Assistant Minister for Environment, since 2003, she is the founder of the Green Belt Movement, the largest tree-planting project in Africa.

The Nobel decision is a "breakthrough" for recognising that environmental issues are related to security, peace and stability, she said. Wangari Maathai is the seventh African to win the Nobel Peace Prize. The first was Albert John Lutuli, in 1961; UN Secretary-General, Kofi Annan, in 2001; Nelson Mandela and F W de Klerk in 1993; Bishop Desmond Tutu in 1984; and Anwar Sadat in 1978.

(IPS, 10.12.04)

Weary Indigenous Trees

Swaziland's diminishing indigenous tree species will be exhausted within 20 years at the current rate of exploitation. According to nature conservationists, this disappearance of Swaziland's fuel wood is imminent in some areas, while other areas face the extinction of all indigenous trees in a matter of years, based on the rate of current consumption and the new commercial exploitation of fuel woods.

Veteran nature conservationist Ted Reilly, founder of Swaziland's game park system, has urged other nature conservation groups to put the preservation of the country's flora at the top of their agendas. After the indigenous trees are finished, invasive species will also disappear as Swazis search for ways to cook meals and heat their shelters in winter. According to the UNDP, four out of five Swazis live on communal Swazi Nation Land under chiefs, most of them in a state of chronic poverty. Electrification is rare among rural residents, and fuel sources other than wood are virtually unknown.

(UNIRIN, 16.12.04)

Evading Inspections

Tonnes of HIV, tuberculosis, and anti-malarial drugs, manufactured and imported from India, have entered Ethiopia's borders, evading inspections by the Federal Drug Administration and Controlling Agency (DACA) and the Ethiopian Customs Authority. Loaded in six chartered airplanes, the 50,000 cartons of drugs arrived at Bole International Airport, and were loaded onto trucks to be delivered to warehouses owned by the Ministry of Health. These drugs are part of procurements funded by the Global Fund's US\$50mn financial assistance to help Ethiopia distribute the drugs free or in a hugely subsidised manner.

The first batch of drug imports, contained in 4,674 cartons, had faced difficulties on entering the country, when customs officials blocked it because of lack of banking documentation. The two federal agencies are required to conduct inspections to check on the drugs' quality and standard, as well as to ensure the imports have proper documentations, which the ministry failed to produce, while the drugs were simply waived through.

(AF, 19.12.04)

Economic Development Priorities

CUTS-ARC, in partnership with Southern Africa Regional Poverty Network (SARPN), organised a half-day stakeholders' roundtable on this theme at Lusaka, Zambia, on December 15, 2004. The discussion was premeditated around clarifying issues surrounding the Highly Indebted Poor Countries (HIPC) initiative being a panacea to debt cancellation, as well as assessing the role of Poverty Reduction Strategy Programmes (PRSPs) in addressing the poverty challenge in southern Africa. The roundtable discussion also focused on "what next" after the HIPC completion point and whether the PRSP strategy should be adapted into other development programmes, to make a comprehensive national development plan.

Presenting at this forum, Jack Zulu of the Jesuit Centre for Theological Reflection (JCTR) felt that the HIPC initiative, which was designed in 1996 to bring the mounting debt of 42 developing nations to sustainable levels, is eight years old. It has a poor record of only seven out of 42 countries in something close to debt sustainability. Zulu, who bemoaned the consistent failures of HIPC to add to export growth, labeled growth as a worthless measure, because such growth could be voiceless growth, futureless growth, jobless growth, or even 'growth-less' growth, etc. It is, therefore, noteworthy that he preferred total debt cancellation to the HIPC initiative, which he labeled as not the best response to the debt issue.

Carrying this same theme forward, Professor Venkatesh Seshamani, University of Zambia, reiterated that HIPC was not a panacea to debt sustainability, because it would make very little difference on the release of new financial resources for development. Developing countries were only interested in sustainable human development and not just debt sustainability. What should change, according to Seshamani, were the rock-like mindsets over debt repayment policy and recovery plans. The waves in the form of these concepts had to constantly hit the minds with same information, knowing that someday they would give way to erosion.

Speaking on the theme 'PRSP and HIPC Completion Point: What Should be Known', International Economic Relations Professor Oliver Saasa of Premier Consult said the HIPC initiative was designed to ensure that no poor country faced a debt burden that it could not manage. Yet, he pointed out structural flaws of the programme, including the appropriateness to many poor countries of the HIPC debt sustainability criteria of the 'rule of thumb' threshold of 150 percent debt repayment-export ratio. This is a cut and paste from Latin America, where socio-economic characteristics are significantly different from what is obtained in many African HIPC. No wonder, most countries in Africa were struggling to meet even the triggers to HIPC completion point.

(For detailed report: www.cuts-international.org)

CfA National Meeting

CUTS Africa Resource Centre (CUTS-ARC) was invited to make a formal submission during the UK Commission for Africa (CfA)-Zambia meeting, which took place on November 30 and December 1, 2004. The meeting was organised by the Ministry of Commerce, Trade and Industry (MCTI). Making the submission to the Commission on: "Improving the International Trading System: A Zambian Perspective," CUTS-ARC made a brief assessment, and suggestions, from the vantage point of civil society in Zambia *vis-à-vis* the improvement of the domestic economic environment as well as international trading system, through well rehearsed negotiation skills backed by empirical information of the vital aspects of the economy. It proposed a few changes in the international trading system and the development policy outlook, which could make an impact on the ground.

CfA Regional Meeting

The CfA national meeting was soon followed by the CfA regional meeting, organised by SARPN and the Economic Association of Zambia, on December 13-14, 2004. On the occasion, the Centre again got an opportunity to make a submission on the topic 'Creating Enabling Environment in the Regional and International Trading System: A Southern African Perspective'. Among the pertinent suggestions, which this paper put forward included strengthening policy coherence in the various trade agreements existing in the region, improving the social safety nets in the face of massive privatisation, demanding increased corporate social responsibility from multinational companies, debt cancellation as well as a call for fairness during the negotiations of economic partnership agreements at the multilateral level.

Can Africa Trade Her Way out of Poverty?

This theme permeated the discussions at the regional seminar organised by CUTS-Centre for International Trade, Economics & Environment (CUTS-CITEE), Nairobi, in partnership with Friedrich Ebert Stiftung, on October 25-26, 2004 at Naivasha, Kenya. It provided a good platform for sharing lessons, ideas and experiences on trade and economic liberalisation and its impact on the poor, with participants hailing from trade, economic policy-makers, scholars and civil society actors drawn from eight sub-Saharan African countries, including Kenya, Tanzania, Zambia, South Africa and Nigeria and also from Asia (India and Vietnam), as well as representatives of regional and inter-governmental organisations.

With cautious optimism, Ambassador Peter Robleh of the UNECA, felt that the answers to poverty in Africa lay in fair trade, not aid. He said "so far the trade arrangements between the EU and Africa have not resulted in considerable economic and social change in Africa". He also said that it was not that African countries lacked in resources, but rules were stacked against them – citing the many existing barriers to exports, and the huge amount of money spent on subsidising farmers in the EU, Japan and the US that threatened livelihoods of millions of poor farmers in Africa.

The seminar also drew lively discussions from country experiences of Vietnam, Zambia, Kenya and Nigeria, where resource redistribution policies, strategies and practices demanded the importance of an appraisal of the needs of the poor, and how they could gain from liberalisation and its attendant benefits. For example, the experience of Vietnam showed that economic planning and a comprehensive poverty reduction strategy, which was linked to all the key economic development programmes of the government, supported by the private and voluntary sectors, could speed up poverty reduction. Whereas Zambia did not have a coherent national development strategy, which encompassed trade, Nigeria relied almost totally on one raw material (oil) in its exports, which led to the neglect of other productive sectors, and consequently of a coherent trade policy.

The seminar concluded that poverty reduction was not only linked to trade and economic growth and coherent policies, but also to good governance and implementation of appropriate measures to ensure effective distribution of wealth and provision of opportunities among the people.

POLICY BRIEFS

Investment Policy: Performance and Perceptions – Cases of Tanzania and Zambia



Economic transformation achieved through FDI is now widely acknowledged as an engine of growth in developing countries, including least developed countries (LDCs). LDCs have low incomes and generally exhibit low rates of growth. They receive relatively small amounts of FDI, which can play an important role in their capital formation. But, there are vast differences in the growth offered by FDI in various LDCs, where social and economic conditions vary, sometimes vastly. This policy brief discusses the role FDI has come to play in the economy of two LDCs: Tanzania and Zambia. These countries are similar in many ways, but differ fundamentally in their approach to a similar external influence. This policy brief is based on findings of the country research studies carried out under a CUTS project, entitled, 'Investment for Development' (IFD).

EU-ACP Economic Partnership Agreement Negotiations: Cotonou Undermined

The trade arm of the Cotonou Agreement (CA), the Economic Partnership Agreements' (EPAs) negotiations have so far paid limited attention to the fundamental values and objectives originally set out in the CA, and are therefore set to threaten and undermine its vision. The WTO law, with regard to Regional Trade Agreements (RTAs), offers only limited provisions for Special and Differential Treatment (S&DT), and demands that substantially all trade be liberalised in an agreement to qualify as an RTA. The EU has, therefore, demanded that the EPAs require liberalisation of 90 percent of EU-ACP trade, a demand which threatens the ability of ACP countries to protect a wide range of vulnerable sectors in their economies, whose further growth is vital to development efforts and poverty reduction. The EU has so far rejected a wide range of proposals by ACP negotiators without a suggestion of compromise, threatening the vision of Cotonou as an Agreement based on equality of partnership. To understand more about what is happening, the EU 'shaves too little too thin' in these important negotiations, by giving too little and demanding more in this policy brief.

NEWSLETTER



Economiquity

From 1st January 2005, global trade in textiles and clothing will be quota-free. What are the concerns of the different stakeholders and what measures are being taken to mitigate the possible negative impacts and consolidate the possible positive outcomes? What are the possible non-tariff barriers that producers/exporters might face? To know these and more on diverse issues on trade and development, read the October-December 2004 issue of *Economiquity*. (Subscription: Rs 100/US\$20 per annum)

Sources

AA: All Africa; AF: Addis Fortune; AN: Afrol News; APA: Angola Press Agency; BBCN: BBC News; BD: Business Day; BR: Business Report; BS: Business Standard; BW: Bridges Weekly; D+C: Development and Cooperation, Volume 31; FT: Financial Times; IPS: Inter Press Service; NV: New Vision; TEAS: The East African Standard; TM: The Monitor; TN, Tralac News; TNE: The Namibian Economist; ToZ: Times of Zambia; UNECA: United Nations Commission for Africa; UNIRIN: UN Integrated Regional Information Networks; WB: World Bank.

Tradequity newsletter: Published and composed by CUTS Africa Resource Centre, 4th Floor, Main Post Office Building, P.O. Box 37113, Cairo Road, Lusaka, Zambia, Ph: 260.1.22 4992, Fx: 260.1.22 5220, E-mail: cutsarc@zamnet.zm, and Nairobi Resource Centre, Argwings Kodhek Road, Kilimani, P.O. Box 8188, Nairobi, Kenya, Ph: +254.20.572790, Email: cuts-nairobi@cuts-international.org. Printed by Neekaty Printers, P.O. Box 33557, Lusaka, Zambia. Cell: 260.96.725939. **Head office:** D-217, Bhaskar Marg, Bani Park, Jaipur 302 016, India. Ph: 91.141.228 2821, Fx: 91.141.228 2485, E-mail: cuts@cuts.org, Web Site: www.cuts-international.org

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