SEATINI

Strengthening Africa in World Trade

TOWARDS AN ALTERNATIVE DEVELOPMENT PARADIGM

By
Prof. Yash Tandon

Southern & Eastern Africa Trade
Information & Negotiations Institute

Strengthening Africa in World Trade

SEATINI

TOWARDS AN ALTERNATIVE DEVELOPMENT PARADIGM

by

Prof. Yash Tandon

SEATINI is part of the international South Group Network (ISGN) a South-South Network that challenges the process of globalization and its assumptions and recognizes the need for alternative modes of development. We are grateful to the Rockefeller Foundation, the Rockefeller Brothers Foundation amd to the Rosa Luxemburg Foundation, for their continued support.

TOWARDS AN ALTERNATIVE DEVELOMENT PARADIGM

A 15-Point Summary Perspective Of A Two Day SEATINI Workshop With Uganda's Parliamentarians, Entebbe, December, 2002

This is a summary of the final presentation made by Professor Yash Tandon, Director of SEATINI, at the end of a two day workshop of Uganda Parliamentarians on the subject of the WTO and globalisation. It does not commit the members of Parliament in a way, or does it commit SEATINI. It is differed here as insights arising out of the workshop for further thought and reflection.

1. The philosophy of Realism sometimes leads to defeatism. We must be realistic (for the world out there is real), but don't let the odds out there overwhelm you. The out there can be challenged and changed.

2. The objective of development is Transformation, not simply Adaptation. Defy existing power, do not meekly conform and comply. The main purpose of donor aid and technical assistance is to get Africa to adapt, conform and comply.

3. The Transformative philosophy is Visionary in the long run, and practical in the short run. There are many practical ways of defeating the system as shown below. The Vision provides the direction, the sense of the Practical provides the Means.

4. 'We can do it'. Don't allow a sense of defeatism paralyse action.

5. In the present global context, the long-term vision should be an Alternative Development Paradigm to the currently dominant and moribund Capital-led globalisation (witness the collapse of Argentina, the country in the third world that is most "integrated" in the globalised economy). An essential paradigm shift at the economic level is from the current Export-Led Growth (ELG) strategies (IMF/World Bank/WTO strategies) to Domestic Demand Led (DDL) strategies. ELG strategy subordinates human needs and human rights to corporate greed and corporate profit. DDL puts the

needs and rights of the people first.

6. In the medium term (15-20 years), Africa's only real option is to undertake a deliberately planned, phased, sequenced, and realistic withdrawal from the presently exploitative and totally unfair global system. The sequenced withdrawal should be based on national, regional and continental unity with a view to re-linking with the world when Africa is stronger. (China and India can negotiate with the Empire from a position of relative strength. Fragmented Africa cannot. It must first unite).

7. In the short and immediate term (starting today), delay the process of further integration into the global system to allow time and space to plan, to breathe, to dream.
Refuse to get on to the 'fast track' of globalisation led by the IMF, WB, and the WTO. Slow down the juggernaut of the WTO and Cotonou, and other such 'partnership' schemes, for the globalisation train is crushing the poor in Africa under its wheels. Make the political leaders sitting in the First Class compartment of the globalisation train accountable to the people lying on the tracks. This is what real democracy consists of. (Ask them to step out of their luxury compartments and talk to the people on the tracks, and ask their views on what 'development strategy' should be).

8. There are practical ways of slowing down the train

   For example:

   - Refuse to continue with Cotonou negotiations until the studies on the implications of various options, that the European Commission promised to finance, but never did, are carried out.
   - Refuse to continue with WTO negotiations (for example, on the Singapore issues) until the West has fulfilled their promises undertaken at Marrakech (called Implementation Issues).
   - Demand compensation for the damage that the dumping of subsidised beef and cereals from Europe is causing to Africa's economy.
   - Demand of the West that they abandon double standards and hypocrisy, whereby protectionism and subsidies are good for them but bad for Africa
   - Above all, refuse to sign agreements under the WTO without first understanding and analysing the implications. Unlike agreements made with the IMF and the World Bank, those made

under the WTO are not reversible, and are subject to judicial process of the WTO and unilateral sanctions by the powerful against the weak. (Avoid the mistake of Uruguay Round, which African leaders signed without debate in African parliaments or consultation with the people).

- Don't be fooled by the so-called 'theory of comparative advantages'. It is a textbook invention of antiquity, and has little relevance to reality. Today, 70% of world trade is intra-Trans National Corporation trade. Free trade is a myth. The theory of comparative advantage is replaced by the theory of comparative subsidies. The bigger the subsidy, the bigger the clout in the global trade.

9. Realism demands avoiding recklessness.

    - Don't poke fingers in the eyes of the Empire, for the Empire will crush you. In other words avoid getting into an Iraq situation. But passive submission to the Empire allows the Empire to crush you anyway.
    - There can be no genuine "partnership" between the Empire and the Colonies. That kind of partnership is between the fast-track train and the people lying on the tracks.

Don't defy recklessly; don't submit passively.

10. You cannot negotiate with the Empire when you depend on it for aid and capital. (You cannot negotiate with the Empire when over 50% of your budget is funded by it, as in the case of Uganda).

    - There is more capital outflow from Africa than inflow. Plug the outflows. Inflow of capital in a leaky bucket leaves no possibility for Domestic Capital Accumulation (DCA). Remember Harry Belafonte: 'There is a hole in the bucket... So fix it!' Plug these holes before asking for capital and aid from outside. Apply the Harry Belafonte solution to your nation's capital outflows.

11. The main source of development finance is Domestic Savings that, in the case of Africa especially, are mostly externalised through: massive debt payments; transfer pricing; corruption; and secular decline in Terms of Trade. Plug these four holes, and Africa would not need foreign Money-Capital. (see below for other forms of capital that we do need).

- Refuse to pay all illegitimate debt (75% of Africa's debt is illegitimate)
- Demand return of Africa's looted wealth stored in West's banks
- Demand compensation for colonial loot (Israel has successfully secured compensation for the massacres of the 1930s in Europe, why can't Africa?)

  Africa does not need money capital from outside if it can plug all the leakages, refuse to pay illegitimate debt, and secure even 10% return of the colonial loot.

12. FDIs (foreign direct investments) are the biggest hoax of the century. In order not to 'shy away' or 'scare' FDIs, most African leaders have timidly allowed their people to lie on the tracks of the train in the illusion that FDIs will bring 'growth' which will then 'trickle down' to the poor. Trickle down theories are based on flawed logic and on an inadequate understanding of the structure and processes of global economy. Meantime the train moves on, crushing the poor in its tracks. The Structural Adjustment Programmes (SAPs) have failed and been abandoned. The Poverty Reduction Strategy Papers (PRSPs) are only disguised SAPs with 'NGO participation'. The people are being asked to be authors of their own exploitation.

13. Africa needs not Money-Capital, but some technology and know-how. Unpackage FDIs**.** FDIs are a bundle of: money-capital (or finance capital); technology, know-how, management, inputs, and market knowledge, all tied up with a string of conditionalities.
    - Accept only those conditions that do not constrain policy options and national independence.

    - Use local knowledge and local resources instead of imported ones.
    - Avoid foreign 'experts'. (When you encounter official IMF/WB/WTO/OECD 'consultants' or 'advisers' in your Government ministries or the Central Bank, or EAC/SADC/COMESA offices, hide; better still, run from the scene).
    - Purchase appropriate technology off the shelf.
    - Avoid patented technology. (For example, produce generic drugs under the compulsory licensing and parallel importing provisions of TRIPS instead of patented drugs).
    - Protect Africa's knowledge, bio-diversity and communal ownership agreed under the CBD (Convention on Bio-

Diversity), and refuse patenting of life-forms (provided for under TRIPS).
- Don't swallow GMOs; you are mortgaging the health of future generations to unknown diseases.

14. Tell our Governments that if they continue with current globalisation, they are crushing the people. There is another form of globalisation - alternative globalisation based on putting the needs and human rights of the people above corporate profit and greed.

15. Stop the train. Slow down the juggernaut.

Another world is possible.
Another Africa is possible.
Another Uganda is possible

Selected References For Further Reading And Reflecting

In explaining the 15 points perspective, Prof. Tandon cited a number of references. Some of them are produced below, while others have been added.

During the Workshop, one of the break-up groups made a distinction between information, knowledge and wisdom. *Information* is a free flow; *knowledge* is when information is structured with logical arguments and evidence; *wisdom* is the application of knowledge in concrete situations. In today's world, knowledge is "packaged" by those that control the system. Every system produces its own knowledge and supporting information in order to reproduce itself. Every organism seeks its perpetuation. Counter information and knowledge come from the fringes of the system, or within the system from those that rebel. For every one thousand pages of *conformist* and *reformist* information and knowledge (of which the IMF, the World Bank, the WTO and the OECD rich countries, and their research and institutions of higher learning, are the major sources) there is hardly ONE page of transformative knowledge and supporting information. Mainstream statistics hide and confuse more than they enlighten and reveal. They may be used, but only with caution.

For mainstream information and knowledge from the system's keepers (IMF, World Bank, WTO, OECD, etc), turn to their respective web-pages on the internet. There is an information overload out there. The following, on the other hand, is a sample of transformative knowledge and supporting information.

1. On an ideological and philosophical justification for the Anglo-American Empire, see Robert Kaplan, *Warrior Politics: Why Leadership Demands a Pagan Ethos*, USA, Random House, 2001. Kaplan argues that there is a 'positive' side to Empire. 'It is,' he says, 'in some ways the most benign form of order'. See also the writings of Charles Fairbank, (foreign policy expert at John Hopkins University), who says that America is 'an Empire in the making.' On the British side, see the pamphlet by Robert Cooper (Prime Minister Tony Blair's senior foreign policy adviser), called *Re-ordering the World*, in which he argues for what he calls 'defensive imperialism.' He goes on to say: 'When dealing with the more old-fashioned kinds of state outside the post-modern continent of Europe, we need to revert to the rougher methods of an earlier era - force, pre-emptive attack, deception.' He goes on: 'The opportunities, perhaps even the need, for colonisation is as great as it ever was in the 19th century.... What is needed, then, is a new kind of imperialism ... We can already discern its outline: an imperialism which, like all imperialism, aims to bring order and organisation but which rests today on the voluntary principle.'

2. On how the global trading system is grossly exploitative and unfair, see Oxfam, *Rigged Rules And Double Standards: Trade, Globalisation, And The Fight Against Poverty,* 2002. On how 'development' has become corrupted, see Issa Shivji, *Ideology And Double-Speak: The Age Of The Development Practitioner* Kabissa-Fahamu-Sangonet Newsletter 39, 2001. For a trenchant critique of free market fundamentalism, the Washington Consensus, and the policies of the IMF in the developing countries, see the writings of the 2001 Nobel Laureate, Joseph Stiglitz, (erstwhile senior Vice-President of the World Bank). The most famous of these is the speech he delivered on 7 January 1998 at the WIDER Annual Lecture, Helsinki, Finland, called *More Instruments and Broader Goals: Moving Toward the Post Washington Consensus.* Among his other writings are: *What I learned at the World Economic Crisis; The Insider; The New Republic*, 17 April, 2000; where he analyses what he calls the 'cookie-cutter methodology' of IMF economists; and his *Four steps to Damnation* where he criticises privatisation, capital market liberalisation, market-based pricing, and free trade as lying at the root of increasing impoverishment of the countries of the South.

3. For a further affirmation that a majority of the world's developing and transition countries have not profited from the rapid globalisation, read, between the lines, World Bank, *Globalisation, Growth and Poverty: Facts, Fears and an Agenda for Action, 2000.* Among the 24 'fast globalisers' are Argentina (now in the midst of unprecedented, multiple crises), Bangladesh (that continues to writhe in crushing poverty), Brazil (where in October 2002 the labour leader Lula defeated a globalising candidate for Presidency), Mexico (where the middle class has been virtually wiped out), the Philippines (where trade liberalisation has decimated the livelihood of thousands of peasant rice farmers), and Uganda (where imported South African consumer goods are replacing home-grown products, and accentuating joblessness and Uganda's donor dependence). For an account of how globalisation is pauperising the third world, see Erik S. Reinert, *Globalisation in the Periphery as a Morgenthau Plan; Underdevelopment of Mongolia in the 1990's*. (The Morgenthau Plan was devised at the end of the Second World War as an attempt to de-industrialise and 'peasantise' Germany so that it lacked industrial capacity to wage war. The U.S. President rejected this plan and instead, inaugurated the Marshall Plan in order to rehabilitate Western Europe's industries as a bulwark against Communism.) Reinert argues that IMF/WB plans for the South are, in essence, an application of the Morgenthau Plan, the opposite of Marshall Plan. They 'peasantise' and de-industrialise South's economies, unless strong national policy measures are taken to counter

these ‘natural’ tendencies of globalisation.

4. For understanding why there is no necessary causal link between trade liberalisation and growth, nor between growth and development, read the works of, among others, Dani Rodrik. A small monograph by him produced by the UNDP and easily available is, *The Global Governance of Trade as if Development Really Mattered*, UNDP, 2001. See also, Martin Khor, *Globalisation and the South: Some Critical Issues*, Penang, Third World Network, 2000. Khor has written much about the Trading System and how to negotiate in the WTO. See, especially, his *The WTO*, *The Post-Doha Agenda And The Future Of The Trade System: A Development Perspective, and Why Developing Countries Cannot Afford New Issues in the WTO Seattle Ministerial Conference*”. For an informative and critical analysis of the WTO, see B.L. Das, *An Introduction to the WTO Agreements*, TWN, 1998 and also his *WTO Agreements: Deficiencies, Imbalances & Required Changes*, TWN, 1998. On how integration into the global trading system resulted in Zimbabwe’s de-industrialisation, well before the present crisis, see the UNDP*, Human Development Report on Zimbabwe, 1999.*

5. On how there is an increasing backlash and resistance against capital led globalisation, heed warnings by Ohn Gray, Stanley Roach and Dani Rodrik in the (London) *Economist*, February 2nd - 8th, 2002. On Anti-globalisation demonstrations in Seattle, Washington DC, Chiang Mai, Prague, Nice, Porto Alegre, Honolulu, and Gothenburg see Walden Bello *Focus On Trade*, Bangkok, Number 72, December 2001. For alternatives to present globalisation, follow the discussions and publications that come out of the World Social Forum, Porto Alegre, Brazil, at its website, www.worldsocialforum.org <http://www.worldsocialforum.org>. See also, The Association for Heterodox Economics (AHE) at its website, www.hetecon.com <http://www.hetecon.com>. For an alternative to Export-Led Growth and in favour of a Domestic Demand Led Growth, an analysis of why Foreign Direct Investments (FDIs) are NO answer to Africa’s Development, and why Africa should repudiate its illegitimate debts, see Yash Tandon’s writings accessible on the Internet. On NEPAD see Peter Anyang’ Nyong’o, et al. eds.: New Partnership for Africa’s Development: A New Path? Heinrich Boll Foundation, Nairobi, 2002.

For copies of these and other writings and for SEATINI's fornight Bulletin,

write to: SEATINI, or visit our website at www.seatini.org

For More Information Please Contact:

Southern and Eastern Africa Trade Information and Negotiations Institute (SEATINI) Africa Secretariat

Email: info@seatiniafrica.org | Website: www.seatiniafrica.org

Physical Address:

Plot 806, Block 213, Bukoto–Kisaasi Road | P.O. Box 3138, Kampala, Uganda

Telephone: +256 414 540856 | Email: info@seatiniuganda.org

Website: www.seatiniuganda.org