



ECONOMIC JUSTICE THEME: BACKGROUND NOTE

Confronting the global crises and promoting structural transformation in Africa

Africa's economic landscape has been defined by the triple but interrelated crises of food, finance and climate. The world today is probably experiencing the worst financial crisis since the Great Depression whose epicenter was in the USA, but whose implications are felt worldwide. The financial crisis has led to economies contracting, revenues shrinking, and foreign earnings declining. Regarding the food crisis, although the immediate causes were as a result of speculation, conversion of land to agro fuel production, and drought in key agricultural producing regions, the vulnerability to such outside stresses was created long before through the neo-liberal policies under the Structural Adjustment programmes and the liberalisation drive under the WTO and other bilateral trade negotiations. These policies led to the elimination of almost all support mechanisms for small scale producers under the far-reaching liberalisation of the agricultural sector. The situation has been worsened by the challenges of climate change.

These crises have hit Africa in particular and the poor countries in general harder, and have translated into a development crisis for these countries as a result of contracting economies, shrinking revenues and declining foreign earnings of all categories leading to increased poverty and compromising the attainment of the MDGs. The poor and most vulnerable, particularly rural women, have been hit the hardest as they were already in a precarious situation.

The crises have been attributed to many factors including, democratic deficit in the global financial (International Monetary Fund-IMF and the World Bank-WB); and trade institutions (World Trade Organisation -WTO); and to the mercantilist solutions to the crises pushed by the developed countries. The WTO Doha Round of trade negotiations, launched in 2001 with high hopes of addressing the development needs of poor and developing countries, remain deadlocked. The stalling of the WTO talks has given impetus to the negotiation and conclusion of bilateral trade arrangements and Free Trade Agreements (FTAs) especially between developing and developed countries. Through the bilateral arrangements, the developed countries are trying to extract concessions from developing and poor countries that they cannot get under the multilateral negotiations.

The bilateral trade arrangements are reciprocal in nature, thus fundamentally changing the trading relationship between developed and developing countries including Least Developed Countries (LDCs). These agreements have far reaching implications as they push the frontiers of liberalization further at the multilateral level, thus whittling away policy space and development options at regional and national levels. One such example of the bilateral agreements is the ongoing Economic Partnership Agreements

(EPA) negotiations between the EU and the European Union. The EPAs entails the further liberalisation of Africa's already fragile economies and goes beyond the WTO by introducing issues like investment, government procurement and competition policy. Developing countries have rejected negotiating these issues at the multilateral level due to their far reaching implications on their economies and people's livelihoods. A number of developed countries, without the participation of developing countries, have concluded the Anti-Counterfeiting Trade Agreement (ACTA) which deals with stringent Intellectual Property Rights enforcement. This agreement has far reaching implications on access to generic medicines on which Africa depends. There are also mushrooming Bilateral Investment Agreements (BITs) between African countries and other developed countries like the America's Africa Growth Act (AGOA). The EAC is also negotiating a trade and investment agreements with both the USA and EU. However, while both the USA and the EU have their investment models which guide their negotiations, African countries have been caught unaware and are thus negotiating these agreements individually.

Despite the challenges facing the WTO, it still remains the overseer of the multilateral trading system. Given its experience with the bilateral negotiations, Africa must ensure that the WTO is strengthened and democratized to address the development challenges of African countries.

In addition to the trading system, the multilateral system also encompasses the financial institutions – the International Monetary Fund (IMF) and the World Bank; and the United Nations System (UN). The UN is important in building global consensus and frameworks, which shape policies that affect developing and poor countries. The financial crisis following closely on the heels of the food crisis reveals structural problems and a democratic deficit within these global institutions.

Climate change is one of the greatest challenges facing Africa today. Its effects have been felt more severely by the poorest countries on the continent in terms of changing weather patterns leading to severe droughts and floods, land degradation, loss of forest cover and severe food insecurity. The already vulnerable people especially the women in rural areas have been hit the most. The sectors most affected are agriculture, forestry, fisheries and tourism, which are critical for Africa's economies and for its people's livelihoods. There are multilateral efforts to address climate change i.e. the UN Framework Convention on Climate Change (UNFCCC), Conference Of Parties (COP). However, these efforts have been undermined by the failure by some major polluters to live up to the commitments undertaken under the conventions; and by the mercantilist solutions put forward that will most likely aggravate the problem. The climate change issues such as climate finance, the green economy, carbon trading and how they impact on Africa's economies have not been well appreciated by the policy makers and CSOs. A concerted effort to have a common African response to climate challenges has also been lacking.

The climate change and food crises have introduced a new problem to Africa as both developed and developing countries are acquiring land in Africa in order to produce

their own food and bio-fuel crops. Given the increasing population, land grabbing has increased landlessness, rural-urban migration, urban poverty and generally increased poverty. The Africa union, regional blocks and national governments are ill prepared to confront this challenge as some governments are viewing it as an investment opportunity.

In addition to the above challenges emanating from outside, Africa is still experiencing increasing poverty, characterized by famine, diseases, conflicts and wars. This challenge is partly as a result of governance issues but also as a result of the fact that Africa is still locked up in the production of low value primary commodities and attracting investments in natural resources. Africa's capacity to industrialise and to benefit from its natural resources has been limited due mainly to lack of a common African stand and a clear vision on its future. Yet industrialization is a must if Africa is to address the escalating poverty rates and unemployment and to promote agricultural production through value addition.

In order to confront the global and continental challenges and in line with the Abuja Treaty, Africa has stepped up its efforts towards continental integration through strengthening continental institutions like the African parliament. The African Union has also tried to coordinate Africa's negotiating positions in the WTO and other negotiating fora; and has made strides towards bringing the continent together to address common challenges.

The regional integration process has accelerated further on the continent through the strengthening of regional blocks. Regional integration if carefully harnessed has a major role to play in helping African countries address common concerns. Regional integration allows for the sharing of resources thus increasing trade, stimulating economic growth, attracting foreign direct investment and enables domestic producers to build up their capacities. Regional integration is also a holistic approach that addresses infrastructural challenges, human-resource constraints, socio-economic development, security and enhancing international bargaining power of African countries to effectively participate in the global economy in order to achieve sustainable development and eradicate poverty. These attributes of regional integration are not automatic; the process has to be directed towards their achievements through appropriate policies.

In order to promote inter regional cooperation and development; and to widen and deepen economic, political, social and cultural integration, the Regional Economic Communities (RECs) that is COMESA, EAC, ECOWAS, ECCAS and SADC have put in place and strengthened their internal regional institutions, policies and programmes. For example the EAC has put in place the EA agricultural and Rural Development Policy and Strategy; the EA Industrialization strategy, the EA protocol on gender and the protocol on Environment and Natural Resources Management. There are also institutions of the community i.e. the EAC council, EAC Secretariat, East African Legislative Assembly (EALA) to undertake various functions relating to the development of the EAC. SADC has a program of Action covering several broad economic and social sectors. There are also efforts to foster closer cooperation among the RECs. For

example the tripartite agreement between EAC, SADC and COMESA to create a Free Trade Area is underway.

Although regional integration has been recognised as a fundamental response to the crises facing the continent, the conception and content of the proposals for integration are still mired in the neoliberal model which promotes further trade liberalisation and looks outside Africa for solutions to Africa's challenges. Hence, the negotiations of the EPAs which will undermine intra regional trade and also divide up the continent. The Africa union has tried to resist the balkanization of the continent and to preserve its unity through harmonized positions and the strengthening of the Regional Economic Communities (RECs) as entities in the EPA negotiations. However, members have not adhered to the agreed common positions. For example while only the EAC region initiated the Interim EPAs as a single entity, other RECs i.e. ECOWAS, SADC, have seen individual member countries initialing interim EPAs with the EU. Therefore, an African Economic Community of which the regional arrangements are building blocks is still an aspiration as yet to be realized, as result of lack of unity of purpose by member countries.

The global crises, especially the food crisis; have clearly indicated the linkages between global processes and people's livelihoods at household and national levels. Their impacts have been felt more in poor countries especially by the already vulnerable groups i.e. the rural women, orphans, child headed households and the poor living with HIV/AIDS. Therefore, the responses to the crises by the RECs and the Africa Union must be rooted in the aspirations and realities of the peoples of Africa. Key sectors must be identified and given priority both in word and action.

Agriculture is the key for the African region to eradicate poverty, ensures food security, employment and rural development. The UNCTAD Trade and Development Report 2008 recommends that development policies need to continue to focus on diversification and sustained industrialisation based on higher investment in new productive capacities, especially in agriculture and manufacturing sectors and on the provision of adequate, reliable and cost-effective financing of such investments. There is therefore an urgent need by the RECs, AU and national governments to rethink their agricultural and trade-related policies especially by putting in place pro-poor policies that stimulate production and value addition. Thus far little has changed in terms of policies and policy actions despite the many declarations and postulations about the importance of agriculture.

The responses by the African Union, the RECs and the national governments to the crises and their resultant far reaching negative impacts on the Africa economies and people's livelihoods has been that of more appeals for increased international assistance with commitments to further trade liberalisation through concluding such trade agreements like the EPAs and other bilateral trade agreements. In order to address these crises and the emerging systemic issues; and achieve structural transformation, there is a need for a paradigm shift away from the current policies that are responsible for the dire situation that Africa is in. Africa must have an alternative

development paradigm which is home grown and rooted in the needs, realities and aspirations of the Africa peoples.

The Africa Civil Society (Organisations) has a key role to play to bring these alternatives to the table, by shaping and influencing the debate at AU and REC levels; thus ensuring that the voices of the people are heard in these fora. The African CSOs should bring into discourse new responses to the challenges facing the continent by bring on board home grown responses that respond to the specific and unique challenges facing the African people. The Africa CSOs should advocate for a new value framework that uphold sustainable livelihoods, food sovereignty, gender equity, ecological integrity and the enjoyment of Economic, Social and Cultural Rights (ESCR). This new value framework should provide a basis and entry point for intervening in the trade policy processes.

The responses by governments in the developed countries to the financial crisis in particular, and the outbreak of the crisis in general, have strengthened for call for a reassessment of the efficacy of the policies promoted by the International Financial and Trade Institutions. There have been calls to reform the governance of these institutions; and to strengthen the United Nations System in order to guide the reform process and to democratize decision making at the global level. The Africa CS has a role to play in this process.

At both the AU and REC levels, the spaces for CSO engagement are available though limited. African CSOs should take advantage of these spaces but at the same time endeavor to broaden and widen these spaces. It should also be noted that these institution are in the process of putting in place institutions and policies to implement and guide the activities of the RECs and the AU; which provides an opportunity for CSOs to influence these processes.

It is important to note that the task demanded of the African CSOs poses a challenge. They demand capacity building and networking. Capacity building is necessary to ensure that CSOs appreciate the intricacies and political dimensions of the merging issues and their implications in order to craft appropriate responses. On the other hand, networking at thematic level (i.e. climate change, finance, agriculture.) and at various levels (i.e. local , national , regional) is important to have a holistic responses given the inter relatedness of issues, and to ensure that advocacy at AU level is rooted from below.

Way forward for the CCP-AU Thematic Cluster on Economic Justice

The challenge facing the Economic Justice Thematic Cluster is to identify issues to focus on in the next three years. This exercise will require intensive debate to ensure that whatever is decided is appropriate and relevant to Africa's development needs but also to promote ownership of the decisions to be made. The issues identified below are just a suggestion to guide the debate:

1. Bilateral trade and investment agreements which are prevalent as a result of the stalling of the WTO: Developed countries are using bilateral agreements to secure concessions which they have failed to get under the multilateral system. They cover an expansive and worrying array of areas and issues which multiply their impact across economies and societies. Examples of these agreements include the ongoing EPA negotiations, the mushrooming bilateral Investment Treaties (BITs), AGOA, and the Trade and Investment Trade Agreements the EU and the US are negotiating with RECs. There is a democratic deficit in the manner these agreements are negotiated. They also go beyond what has been agreed at multilateral level whittling away policy space that Africa government require to address the emerging and existing development challenges. Africa has to address this challenge in a concerted manner and the voices of the people must be heard.
2. Promotion of agriculture production and value addition: Agriculture is the key to Africa's development as it can address issues of food security, rural development and employment creation through value addition and increased exports since the key challenges facing Africa are feminine and unemployment especially of the youth.
3. The extractive sector: Africa is blessed with many minerals including oil and gas. However, these minerals have become a curse to the continent. They have caused conflicts and social turmoil rather than benefiting the people. There are some efforts at the AU level to address this challenge. The AU has in place a draft Action Plan for the African Mining Vision that will serve as framework for member states to put in place policies for efficient utilization and management of Africa's resources. However, these efforts must be supplemented by the input of Africa CS.
4. Intellectual Property Rights (IPR): IPR are critical to industrialisation efforts of particularly late developing countries and the general acquisition of technology required to improve people's welfare. Countries can be denied opportunity to produce medicine locally and to undertake significant value addition because of patent restrictions that fall under IPRs. Africa needs favourable IPR regimes that can support rather than constraint its development efforts. There are efforts by developing countries to escalate protectionism in this area especially through bilateral agreements which run counter to the development needs of the continent. Hence, the need for a well harmonized and well coordinated position by Africa to deal with IPRs. Civil society can provide useful input in coming up with a common position on IPR.