

# A Changing Global Order

## Eastern African Perspectives

Dispatches from the Regional Workshop  
"A Changing Global Order - Eastern  
Africa's Role and Interests" held 14th/15th  
June 2007 in Naivasha, Kenya;  
organised by CUTS Nairobi & FES Kenya



A Changing  
Global Order -  
Eastern African Perspectives

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## List of Abbreviations

ADB	African Development Bank
AGOA	African Growth and Opportunity Act
AHRDF	African Human Resources Development Fund
AoA	Agreement on Agriculture
APRM	African Peer Review Mechanism
AU	African Union
BIT	Bilateral Investment Treaties
CITEE	Centre for International Trade, Economics and Environment
CUTS	Consumer Unity Trust Society
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign Direct Investment
FES	Friedrich-Ebert-Stiftung
FOCAC	Forum on China-Africa Cooperation
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries
IGAD	Intergovernmental Authority on Development
IMF	International Monetary Fund
ITO	International Trade Organisation
LDCs	Least Developed Countries
MDG	Millennium Development Goals
MNC	Multinational Corporation
NAM	Non-Aligned Movement
NAMA	Non-Agricultural Market Access

NEPAD	New Partnership for Africa's Development
NIC	Newly Industrialised Countries
NPT	Non-Proliferation Treaty
OECD	Organisation for Economic Co-operation and Development
RECs	Regional Economic Cooperation
SAPs	Structural Adjustment Projects
TRIMs	Trade Related Investment Measures
TRIPs	Trade Related Aspects of Intellectual Property Rights
UN	United Nations
UNDP	United Nations Development Programme
US	United States (of America)
WB	World Bank
WTO	World Trade Organisation

# Foreword: The Necessity of Thinking Global

Regional and global trends and developments are increasingly impacting on nation states, and different forms of cross-border interaction (flows of goods, services, finance, people, and ideas) are becoming increasingly intertwined. Systems to govern these trends and global challenges are under pressure: Both the traditional institutions of global governance and the ideologies and paradigms they are based on are increasingly being challenged. New powers are emerging and traditional and new alliances of formerly marginalized developing countries demand their share in global governance.

However, in Africa, there is very little public debate about these issues, neither about any country's international engagements, nor about strategies and concrete suggestions to reform the system of global governance. Foreign and trade policy is all too often left to the respective ministries alone. To engage more stakeholders into the crucial debate about the management of globalisation was a major aim of a one and a half day regional workshop entitled "A Changing Global Order – Eastern Africa's Role and Interests" held on 14<sup>th</sup> and 15<sup>th</sup> June 2007 in Naivasha, Kenya. The workshop was organised by Friedrich-Ebert-Stiftung (FES) in conjunction with the Nairobi office of Consumer Unity Trust Society (CUTS International).

During the workshop, parliamentarians, government representatives, academicians, trade unionists, private sector and civil society representatives from Ethiopia, Kenya, Sudan, Tanzania and Uganda, representatives of the African Union (AU) and the Common Market for Southern and Eastern Africa (COMESA), as well as experts from China and South Africa shared their views. They agreed that African countries have not yet managed to claim their seats on the global negotiation table, and that crucial stakeholders have not yet responded to the wake-up calls of globalisation.

**"To make globalisation work there will have to be a change of mind-set: We will have to think and act more globally. Today, too few have this sense of global identity. There is an old aphorism about all politics being local, and, with most people living 'locally', it is not surprising that globalisation is approached within the very narrow framework of local politics. Local thinking persists even as the world grows more economically interdependent. It is this disjunction between local politics and global problems that is the source of so much dissatisfaction with globalisation."**

Joseph Stiglitz 2006,  
Making Globalisation Work, p.278

Based on this insight, the publication at hand was developed to enable pioneers to carry the Naivasha-debate into their respective organisations and raise awareness and knowledge about the changes and challenges in the global arena.

It should be noted that this publication has somehow maltreated papers presented at the conference: Short excerpts of those far more comprehensive papers have been re-arranged around six topical areas. In this sense, the publication is not exactly following the proceedings of the workshop. Also, the excerpts merely provide different insights and viewpoints of individuals; they are not necessarily reflecting majority views or some sort of 'conference resolutions', nor the views of the publishers. The aim is to provoke consent, disagreement and even protest – in short: a controversial debate around the six focal areas identified in the course of the conference.

To conclude, while the contributions in this publication raise many questions, there are hardly any answers. They remain to be developed – and in this process, governments shall no longer be left alone. All actors of society are asked to contribute, in order to give Africa the strong voice it deserves in the global arena.

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**A number of interesting articles on globalisation and global governance can be found on the websites of Friedrich-Ebert-Stiftung, under**  
[www.fes.de/ipg](http://www.fes.de/ipg) and  
[www.fes-globalization.org](http://www.fes-globalization.org)

# Executive Summary

National societies and economies are increasingly interconnected; regional and global developments heavily impact on any nation's development. This trend has been facilitated and accelerated by the rise of transport and communication technologies as well as by policies of deregulation and market liberalisation. However, economic globalisation has not brought the promised and desired results for most countries and people yet, particularly in Africa. On a global scale, inequality and insecurity are rising. This has led to two major crises:

Firstly, there is a 'crisis of institutions': International Organisations like the International Monetary Fund (IMF), World Bank, United Nations (UN), World Trade Organisation (WTO) and even exclusive clubs such as the G8 are expected to provide platforms for "global governance", meaning the management of common global affairs in the absence of a world government. However, almost all of these institutions are currently being criticised for inefficiencies, ineffectiveness and a democratic deficit. The current international organisations are looking for their identities and roles and are struggling with necessary structural reforms, particularly in order to allow countries of the South a greater say. With these institutions still providing the best global governance framework available, Eastern African countries need to actively shape the reform processes. Priorities are the reorganisation of the WTO and its development agenda, as well as a strengthening the UN in its efforts to attain the Millennium Development Goals (MDGs).

Secondly, there is a 'crisis of ideas'. The paradigm that has shaped globalisation and that has been promoted by the above mentioned institutions has not lived up to its promise: Neoliberalism and the so-called Washington Consensus have failed to bring benefits to many of those who subscribed to it. Hence, the unconditional belief in free markets is increasingly being replaced by the understanding that markets need to be governed and their results often corrected by strong democratic institutions. Consequently, economic policies and issues of governance should no longer be discussed separately; the questions that need to be answered are: What kind of state is needed? And where and how should it intervene?

In reforming both the institutions and the underlying paradigm, emerging powers such as China will play a paramount role. Hence, Eastern African countries need to identify ways to engage China, build alliances and use China's weight in the global arena. Understanding the rise of the Asian giant is also important in order to design national and regional development strategies that are complementary to China's growth, and to shape the rapidly intensifying direct economic links. Eastern African countries need to negotiate the terms of trade and investment more

carefully, and hold China accountable to the principle of “mutual benefit”. In order to be able to do this effectively, African countries have to harmonise their positions and pool their bargaining resources. Particularly, the role of the African Union should be strengthened within the framework of the Forum on China-Africa Cooperation (FOCAC).

In general, the role of regional bodies within the global arena needs to be debated in greater detail. It seems that if Africa wants to become more influential and pro-active in the global arena, regional bodies ought to play an increasingly important role; they might form a bridge between national and global governance. Pooling resources in sub-regional bodies (such as Common Market for Eastern and Southern Africa, COMESA, or the East African Community, EAC) will surely increase Africa's weight. However, in Eastern Africa, this requires a more conscious decision about the integration configuration and paradigm. Furthermore, the pan-African agenda should be taken more seriously; various initiatives of the African Union in institutions of global governance are hardly being acknowledged, yet deserve to be developed further. On both sub-regional and pan-African level, the debate about integration strategies and priorities has to be intensified; instead of allowing markets to be the main driving force, regional integration needs to be understood as a political process – which requires various stakeholders to become involved and develop positions.

After all, both regional and global governance cannot be left to governments alone, but has to involve all stakeholders, e.g. private sector associations and trade unions. An essential prerequisite, therefore, is a willingness to read, acquire knowledge and develop relevant capacity within those interest groups. By taking up international issues and challenging their governments on their foreign and trade policies, civil society can spark the political interest in those affairs and thereby ultimately bring about the missing political will to look beyond national borders and engage meaningfully in regional and global governance.

# 1. Introduction: What does Globalisation mean?

The growing interconnectedness of national economies and the increasing flows and mobility of ideas, technology, persons, goods, services and capital across national boundaries is usually described by the lofty term 'globalisation'. Whether this economic globalisation (one could also talk about military, political and cultural globalisation) is curse or blessing is one of the most controversial questions of our time, but it is a misplaced one. The better question would be: How is it currently *being managed*, and how can it be managed better? After all, as Kofi Annan has noted, "arguing against globalisation is like arguing against the laws of gravity."<sup>1</sup>

In the same vein, Kenya's Assistant Foreign Minister Hon. Moses Wetang'ula during his opening speech at the conference emphasised that globalisation is generally a welcome development. He noted, however, that Africa is underrepresented in global governance, not fully integrated in the global economic order and not fully benefiting from globalisation; even though the major global powers recognise Africa as a major source of raw materials. Thus, globalisation, from an African point of view, is managed unfavourably, as the three following African perspectives on globalisation suggest:

## **Rok Ajulu: Contradictory Tendencies and Uneven Development<sup>2</sup>**

Globalisation has become a catchword, associated with all kinds of meanings depending on the ideological trenches occupied by respective scholars. Some see it purely in economics terms, a revolution in the process of global production, particularly, the technology revolution, which has changed production system and global financial flows, thus creating the so-called global village. Others of course emphasise its socio-cultural aspects, the homogenization of cultures, and the Americanization of global tastes. I have come to prefer a political economy based definition of globalisation - the march of capital all over the world in search of consumers and markets."<sup>3</sup> In other words, it is the process of opening up the world market to the powerful global players, a project inevitably driven by the most powerful states and the big multinational corporations. To this extent therefore, it is possible to argue that there is nothing particularly

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<sup>1</sup> During his speech at the Millenium Summit in New York 2000, e.g. see <http://www.corpwatch.org/article.php?id=589>

<sup>2</sup> Excerpts from Prof Rok Ajulu's paper "Eastern African Countries in a Changing Global Order: Strategies and Tactics of Engaging Global Architecture of Trade" presented at the regional conference 'A Changing Global Order – Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Prof Rok Ajulu is Associate Professor of Political Economy at the Department of International Relations of the University of Witwatersrand, South Africa.

<sup>3</sup> cited in Tandon, Y. (2000),

new about globalisation. Accumulation on a global scale ever since the European industrial revolution has been characterized by the march of capital all over the world in search of consumers and markets.

But contemporary understanding of globalisation is more than that. It is also about growing structural differentiation globally. In other words, globalisation should be seen as a process, which is propelled by contradictory tendencies. On the one hand economic globalisation has unleashed productive forces throughout the world leading to expansion of markets, insertion of technology in the processes of production, and hence improvement of productive capacities, and massive increases in profits for multinational corporations. On the other hand, it has also manifested a tendency to fragment, differentiate, and marginalize social forces and countries incapable of catching up with its processes. Uneven development long associated with capitalist expansion is probably the most visible trademark of globalisation in its contemporary form.

**“Contemporary globalisation has imposed unprecedented power of a few overwhelmingly wealthy and powerful countries over the many weaker states in the international system.”**

Rok Ajulu

Precisely because of the specificity of the third world’s historical integration into the world economy, the unevenness of globalisation has been at its most intense in the developing countries. The accelerated globalisation of the world economy has particularly had a negative impact on African states. While the global political restructuring associated with globalisation has no doubt had some positive spin-offs - the collapse of undemocratic and repressive regimes, and of course the acceleration of the so-called democratisation process in Africa - the predominant tendency however, has been the increasing marginalisation of the continent’s capacity to engage the global economy competitively. Declining

resource bases and the continued peripheralisation have more or less redefined the global playing ground for the weak and the poor. Thus increasingly, smaller and weaker states have lost the means and clout to engage globalisation processes.

But at the same time, these processes have fostered centres of economic growth and dynamism in some of the regions in the South, thus intensifying the uneven development inherited from the prior forms of global accumulation processes, and creating growing separation within the South. In this way, contemporary globalisation has also engendered much competition between and within the countries of the South. Thus states in the South have increasingly come under pressure to conform to the new demands of the globalisation processes. Thus increasingly the new divisions have been between those countries and regions which can adapt to the new

globalising agenda, and those which are either unwilling or incapable of adjusting. Contemporary globalisation has equally rendered the nation state 'border-less'. Research and development of technology have facilitated free flow of information across international borders on unprecedented scale. Capital, particularly financial capital, now flows freely across borders with devastating consequences for the so-called emerging economies. This has further engendered competition between the weaker countries for investments, foreign direct investment (FDI), and other resources.

More significantly however, contemporary globalisation has also rendered the classical notion of the nation-state all but meaningless. The traditional understanding of the nation-state, associated with the theories of realists and neo-realists, based on the assumption that the traditional nation-state had comprehensive control over its territory and population, and a capacity to operate as a unitary, autonomous actor on an anarchic international system, can no longer hold true for a majority of the African states. These countries have been collectively subordinated to a worldwide 'market totalitarianism'. In other words, contemporary globalisation has imposed unprecedented power of a few overwhelmingly wealthy and powerful countries over the many weaker states in the international system.

Thus if we were to summarize the challenges posed by contemporary globalisation and the current regime of global accumulation, these would be identified as follows:

- A new phase of capitalist expansion and control of the global market through the revolution in communication technology. Globalisation, to paraphrase Lenin, currently represents the highest stage of imperialism.
- The emergence of the 'market' as the central organising principle of global economic activity, in other words, the triumph of the 'market' on a global scale.
- The integration of financial markets across the globe, and the intensified mobility of capital of financial capital across the globe unencumbered by state restrictions.
- The construction and reconstruction of institutions of global governance and the deployment of these as the instruments of globalisation of the world market, i.e. global rule making institutions, the World Trade Organisation (WTO) is probably the best example.
- The tendency towards the weakening of the nation-state, and gradual loss of sovereignty in the economic sphere by the smaller economically weaker states.

Thus for the weaker states to survive in this somewhat hostile environment, they have been forced to think creatively how to adapt to the changing situation. It is in this sense that it is argued that globalisation has created 'competition states'. Thus far from disappearing, the states in the South have been forced to reinvent themselves, reconstitute and reconfigure themselves to be able to fight for survival in the new hostile terrain. It is this power of a reconstituted state, some call it the 'activist state', pioneering new forms of engagement and forging new forms of alliances, with transnational corporations and multilateral institutions of global and economic governance that is going to be the key to new regionalism projects.

### **Mwesiga Baregu: Global Village or Global Jungle?<sup>4</sup>**

In the search for metaphors to describe globalisation, some analysts have likened the process and presumably its results to a global village. Others have preferred quite the opposite metaphor likening the process to a global jungle. From an African perspective, jungles are as far apart from villages as heaven is to earth. It is thus extremely important to be clear which image one carries as Africa navigates its way through globalisation seeking to find a new position and role in the emerging international division of labour. This is because the two environments engender different conditions and require different attitudes, skills, strategies and tactics. Our very survival may depend on our understanding of the phenomenon from our own historical and contemporary vantage point.

If a bona fide traveller, for example, is walking through an African village at around dinner time they are likely to be invited for a meal and probably offered shelter for the night before proceeding on their journey the next day. If, on the other hand, one is traversing a jungle at around the same time without being properly armed, they are more likely to be the dinner and end up in the stomach of some ferocious predator for shelter! When travelling through villages a traveller would be well advised to carry some gifts for their potential hosts. In a jungle it would be advisable to carry a good weapon and plenty of ammunition.

**"If opportunities are to exist then they must be created. They can not simply be seized and exploited. The key to create these opportunities is information and knowledge about alternative resources, markets, technologies, products, etc. "**  
Mwesiga Baregu

<sup>4</sup> Excerpts from Prof Mwesiga Baregu's keynote address presented at the regional conference 'A Changing Global Order – Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Prof Mwesiga Baregu is Director of the Department of Political Science and International Relations at the University of Dar es Salaam, Tanzania.

Below I attempt to summarise some of the features that distinguish a jungle from a village:

<b>A village</b>	<b>A jungle</b>
low risk space compassionate and caring inclusive regulated by rules co-operative sharing communal values honesty nurtures mutual help humanistic	high risk space hostile and ferocious exclusive regulated by power competitive selfish individualistic values trickery 'on your own' materialistic

From an African perspective the differences described above should make it clear that globalisation, on the basis of our experience, is more of a jungle than a village. When we talk about the rule of the jungle we mean the rule of might rather than right. This implies that survival in the jungle depends on power and yet the lack of it is our biggest weakness. This does not mean that we should or even can opt out of the globalisation. That choice does not exist. But it does mean that, for us, on a continuum of opportunities, challenges and threats, globalisation engenders more challenges and threats than opportunities. It also means that if opportunities are to exist then they must be created. They can not simply be seized and exploited. The key to create these opportunities is information and knowledge about alternative resources, markets, technologies, products, etc.

Among the key features of globalisation is the tendency to integrate and centralise certain regions while disintegrating and marginalizing other regions from the global system. While the former process has produced large and powerful blocks such as the European Union, the latter process tends to produce what Castells has quite aptly described as “black holes in informational capitalism: regions where [there is] no escape from suffering and deprivation.”<sup>5</sup> This is the challenge that faces Africa – to halt and ultimately reverse this trend. Whereby the rapid

<sup>5</sup> Netshitenzhe, Joel (2000), 'Letter from Tshwane: Survival in the Global Jungle', *GCIS*, South Africa, see <http://www.gcis.gov.za/media/ceo/000630.htm>.



integration and growth of the European economies and the centralization of political authority stands in stark contrast to the marginalisation, impoverishment, disintegration and fragmentation on the African continent. The failure of African countries to integrate meaningfully is, at least in part, attributed to this process since the majority of countries still remain vertically integrated to the European countries. While Europe is undergoing centripetal forces Africa is experiencing centrifugal forces. [...] The convergence of vertical integration and disintegration has also triggered state failure, internecine warfare and the related plunder of resources. In brief in Africa globalisation has unleashed a chain reaction which may be depicted as follows: Marginalisation, state failure, resource plunder, impoverishment, political disintegration, social fragmentation, community polarisation, conflicts.

## David Mafabi: No Choice but to Engage<sup>6</sup>

Our point, which we never tire to repeat, is that globalisation is not some 'neutral' or 'even-handed' process of 'increasing interdependence' or 'integration of world economies'. Contemporary globalisation can be traced to the onset of the global economic crisis in the early 1970s, subsequent to which a particular model of capitalist development - Anglo-American and neo-liberalist - has tended to prevail on a world scale. This has been more so since the collapse of the Soviet Union and Communism.

The onslaught of capital on a global scale has had the basic impact of greater and deepening social inequality within and between states. Underpinning all this has been, in the words of Prof. Stephen Gill,<sup>7</sup> "a neo-liberal, laissez faire discourse which accords the pursuit of profit something akin to the quest for the holy grail; and the agencies associated with this discourse are staffed by neo-classical economists who assume - in matters of social policy - the role of a modern priest hood. Deviation from their orthodoxy is seen as a sign of madness or heresy. A view which acts to disarm criticism and to subvert the development of alternatives." In a word, globalisation has had at its essence:

- The information technology revolution of the last two decades.
- Neo-liberal discourse and triumphalism promoting a social Darwinist (survival of the fittest) reconfiguration of priorities, policies and programs.
- The promotion, (via the WTO, etc.) of 'free trade' - meaning the removal of all barriers to trade and investment.
- Intensification of cutthroat international competition, not only between firms, but states as well - in their ability to attract and retain flows of mobile capital and investment.
- Domination of negotiations on trade related conflict by corporate interests mainly from the G8 countries. Central to these has been the re-enforcement of the property rights and entry/exit options of transnational corporations. The agricultural negotiations, similarly, have been conducted in ways designed to protect wealthy agro-business and industry in the rich countries.

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<sup>6</sup> Excerpts from David Mafabi's paper "A Changing Global Order - Uganda's role and interests" presented at the regional conference 'A Changing Global Order - Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. David Mafabi is Presidential Assistant in State House, Kampala, Uganda.

<sup>7</sup> Cited after Hettne, Bjorn et al. (1995), *International Political Economy: Understanding Global Disorder*, Oslo: Norwegian University Press.

- The conditionality of structural adjustment programs, which include the deregulation of currency markets, privatisation of public enterprises, retrenchment of public employees, cuts in welfare programs, etc.
- Cultural domination of the world by western values, including the emergence of the English language as the world's lingua franca.

The point is that contemporary globalisation is a rapacious and predatory globalisation. It integrates Africa into the 'global village', as a third class citizen or poor cousin. The point is that 'free trade' is given the lie by a fundamental protectionism which is not about to go away. It is dictated by the internal logic of capitalist development. But, perhaps the most disturbing aspect of globalisation is that it also stultifies and locks into place economic structures in Africa, which must produce and reproduce conflict and crisis. This has a very direct bearing on possibilities for overcoming a deep-seated and structural poverty, as well as consolidating democratic governance, peace and prosperity in Africa.

Clearly, then, any strategy aimed at dealing with Africa's debilitating reality, must take into account the phenomenon of globalisation, and how it impacts on and simultaneously defines a continuing crisis of the post colonial state.

To engage, or not to engage? We have no choice, but to do so - with our eyes wide open, under no illusions about the essence of capitalist development. What would be ideal would be to consider a paradigm shift in basic development policy, which would be the back drop to our continuing engagement, and would move us away from the 'more of the same' recipe.

## 2. Reforming the System of Global Governance

Globalisation means that more and more processes and problems are beyond the scope of national governments. Yet, there is no global government to take over. Global governance, instead, is a complex system of international and intergovernmental negotiations, rules and institutions. Actors in global governance, however, seldom aim towards the global good, e.g. towards some sort of global social justice. Instead, they generally pursue their national interests, since they have to account for their success at the global bargaining table back home in their constituency. The result of this lack of a 'global mindset' is a system of global governance that is skewed in favour of the rich and powerful nations, an outflow of what can be called 'transatlantic multilateralism' shaped by the US and EU in particular. International organisations

### In a Nutshell

#### **STATUS QUO / CHALLENGES:**

- Global governance means collective management of global issues in the absence of a world government. Global governance is therefore a complex system of various international negotiations, rules and institutions.
- The current system of global governance is skewed in favour of the industrialised world, particularly the US and EU. African countries have been marginalised in this system and its institutions and are lacking capacity to engage meaningfully. Decision making processes lack inclusivity and transparency.
- The Bretton Woods institutions in particular still deplete on developing countries' sovereignty and room to maneuver.

#### **WAY FORWARD FOR EASTERN AFRICA:**

- Despite their imperfections, the United Nations system and the Bretton Woods Institutions still provide the best framework for global governance negotiations available. Hence, Eastern Africa should engage constructively and push for the necessary structural reforms and demand a greater say within the current system.
- Within the UN, priorities are a reform of the decision making processes, particularly in the Security Council, as well as the strengthening of the Economic and Social Council and a continuous focus on the attainment of the MDGs.
- Within the WTO framework, African countries need to push their development agenda, e.g. when it comes to market access to the North, and secure room to maneuver in order to be able to promote industries and value-addition.

are said to suffer from a democratic deficit, disadvantaging developing countries in decision making processes and also leaving many crucial decision to technocrats. In the following, some light is shed on how key institutions of global governance are being perceived in the South, and how they should be reformed.

### **Heile Kibret: Wattles on the Way to the Top<sup>8</sup>**

The Global Order, or more aptly the recent global disorder, is probably like a plateau, in which neither the flat area at the top is stable nor the road to the top is a smooth terrain. Countries at the top try to maintain the statuesque in the midst of new arrivals and at the border of departure. In the meantime, those who are trying to climb to the top, albeit at varying distance and speed are facing a tough terrain to climb, partly due to their lack of strength and partly due to the road-blocks erected along the way. After all the road blocks were erected in a design tailored to serve those at the top of the plateau.

Hence those attempting to climb the plateau are 'crying wolf' when the going gets tough (like the WTO negotiations) and 'praise the lord' when some 'peanuts of aid' is thrown to their side of the terrain and temporarily relieve them from their daily fatigue (for instance, the pledges of the G8 summits). The Eastern African Countries are full-fledged members of the latter pack by default. Neither historical status nor current economic standing allowed them to be otherwise. In short they have scored very low in all the social, political and more importantly economic achievements to be taken seriously in the global 'order'. This mostly has emanated from their (both individually and as a group) historically low share in the quantity they exported and imported, the value added they have created and lack of market and 'fair price' for their predominantly primary products.

To improve their lot in the global order, they have attempted to form various institutions and agreements - African Union (AU), Common Market for Eastern and Southern Africa (COMESA), etc. - and have subscribed (or were made to subscribe) to various initiatives – Structural Adjustment Projects (SAPS), Millennium Development Goals (MDGs), World Trade Organisation (WTO), etc. - over the years with various degrees of enthusiasm and commitment. The success of such efforts vary from country to country, but it could safely be generalised as less than satisfactory measured against the set objectives.

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<sup>8</sup> Excerpts from Heile Kibret's paper "Ethiopia's role and interests in the global order" presented at the regional conference 'A Changing Global Order – Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Heile Kibret is Senior Research Fellow and Head of the Macroeconomic Division at the Ethiopian Economic Association.

## Victor Ogalo: A Litany of Failures of the International Institutions<sup>9</sup>

Although nearly a century old, a volatised effort towards managing globalisation is clearly traceable to the event that did not only mark the end of the bloody World War II but also created three of the most powerful institutions in the world. Fifty years later, the Time Magazine would revisit this event, whose resolve has hitherto shaped global governance in all fronts –be it economic, political or environmental:

*“A few weeks after the allied invasion of Normandy on June 6, 1944, delegates from 44 nations gathered at Bretton Woods, in New Hampshire, U.S.A., to think about a world beyond war. The 700-odd economists, bankers, diplomats and politicians conferred for three weeks about financial reconstruction and a global economic order that would make bloody conflict less likely. They created the basis of the postwar international economic system, and in the process, established the International Bank for Reconstruction and Development, better known as the World Bank. “We have to go out from here as missionaries, inspired by zeal and faith,” John Maynard Keynes told the conference. “We have sold all this to ourselves. But the world at large still needs to be persuaded”.<sup>10</sup>*

The three institutions that were set up are the International Monetary Fund (IMF); the International Bank of Reconstruction and Development (the World Bank Group); and the International Trade Organisation (ITO) that spearheaded the General Agreement of Trade and Tariffs (GATT) in 1947, and lately (1995) transformed into the World Trade Organisation (WTO).

Ever since their establishment, the joint aim of the three institutions has remained a very guarded one: –to bring about “international management order” on all affairs of the world economy such as global monetary, financial and trade relations in order to circumvent such economic crises as the one of the early 1930s (best known as the Great Depression) and bloody wars like World Wars I and II. [...] While shifting their mandate more and more towards development, the Bretton Wood institutions have affected Africa in a manner that will remain indelible in the continent’s political and economic history.

Across Africa, the implementation of Structural Adjustment Projects (SAPs) and Bilateral Investment Treaties (BITS) and projects funded through IMF and World Bank have more often

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<sup>9</sup> Excerpts from Victor Ogalo’s paper “Discussing Prof. Baregu’s paper” presented at the regional conference ‘A Changing Global Order – Eastern Africa’s Role and Interests’ on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Victor Ogalo is Programmes Officer at Consumer Unity and Trust Society (CUTS), Nairobi, Kenya

<sup>10</sup> *The Time Magazine*, July 25, 1994 in an article entitled ‘Development Damning the World Bank: Despite its many achievements, the institution marks its 50<sup>th</sup> birthday amid a flood of complaints’



than not become synonymous with financial mismanagement, corruption, environmental degradation, displacement of vulnerable populations, unemployment and increased poverty.[...]

At the command of the industrialised countries, the WTO, World Bank and IMF have coaxed and cajoled African countries into signing what is known as Agreement on Trade Related Investment Measures (TRIMS). Both BITs and TRIMs compel African governments to:

- not to damage investor's interests;
- treat foreign investors like national investors, i.e. not to impose investment measures on foreign companies such as local content requirements, export-import balancing in terms of foreign exchange, and technology transfer;

- give freedom for moving multinational corporations' (MNCs') capitals in and out; and
- they restrict governments on how to expropriate foreign investors.

The BITs, despite the many pro-investment incentives, have not failed to justify their critics that most of the jobs they created have remained redundant, casual and of low quality and that most of the investments have been directed to extractive industries like in oil and minerals crucially needed by the developed countries. Just to mention a few:

- the mining companies in Ghana employ foreign skilled labour rather than train local staff;
- the manufacturing investors in South Africa still make people dependent on contracts in order to save on labour costs;
- workers in the garment industries, tea and horticultural farms in Kenya are still ill-treated, underpaid, and their labour rights are breached;
- garment industry investors have a tendency to quickly move in and out of countries, leaving many without a job and without payment for their last months of work; and in fact,
- many MNCs still shift to other countries after the end of tax holidays.

The global trading system shaped within the WTO has also starkly exemplified the same historical inequities caused by the BITs through the IMF and World Bank. At the core of the matter is increased marginalisation of African countries in the world trading system as a result of increased globalisation.

In their own trade policies, developed countries have not complied with the Ricardian concept of comparative advantage and free trade that should promote opportunities for all to benefit from globalisation. This incoherence could be seen in several examples of the GATT Agreements such as:

- The Agreement on Agriculture (AoA) that, to date, compels the developing countries to open their agricultural markets while providing the cover for the industrialised countries, notoriously the US and the EU, to continue their high tariff, non-tariff border protection as well as enormous subsidies (e.g. to dairy and cotton) producers<sup>11</sup> that not only depress global prices but also undermine the development potential of many developing countries. In this case, no one can

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<sup>11</sup> At more or less US\$2 a day in subsidy, the European dairy animals are richer than 50% of Africans wallowing in less than US\$1 a day

categorically claim there is still any window for the developing countries to engage in the global trading system. The most affected products are the food crops and fibres such as are dairy products, sugar, rice, maize, meat and meat products, cotton, wheat, corn, soybeans, rice, barley, oats and sorghum –all of which are closely linked to the food security, livelihood and rural employment as well as overall rural development for many developing countries.

- In the Non-Agricultural Market Access (NAMA) Agreements, especially involving the value-added labour-intensive products where developed countries continue to retain peak and escalating tariffs –precisely in the areas in which most African countries have a comparative advantage.
- The agreement on Trade-Related Investment Measures (TRIMs) has robbed developing countries of an important development instrument –policy space to support their economic development strategies –in areas where developed countries maintained for their own economic development advancement in the past –thus “kicking the ladder behind them”.<sup>12</sup> Historically, one would remember that the investment policies now being forbidden under both the TRIMs and BITs were at the centre of propelling the developed countries into now industrialised states. Regulating foreign investors is therefore critical if developing countries are to capture the benefits of foreign direct investment, such as increasing the tax base, job creation and backward linkages between the export and domestic sectors.
- Similarly, the Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement that has reduced competition by creating monopolies in the pharmaceutical countries by patent rights.<sup>13</sup> In fact, patent protection has blocked imports of low cost generic medicines and increased drug prices considerably, pushing them beyond the means of the majority.<sup>14</sup> Patent protection has also allowed Biotechnology MNCs to engage in bio-piracy, especially in crop seeds where the resulting organisms are privatised and sold to farmers world-wide without allowing them to reuse the seeds for the following harvest for fear of being sued; meanwhile, the rights holder enjoys the monopoly of the pirated organisms for over 20 years.
- In addition, the Mutual Recognition Agreements on Standards negotiated between a few developed countries to facilitate trade between them that have increased the barriers to entry for developing country exports.<sup>15</sup>

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<sup>12</sup> See Ha-Joon, Chang (2002), *Kicking Away the Ladder: Development Strategies in Historical Perspective*, London: Anthem Press.

<sup>13</sup> See Faizel Ismail (2003), ‘The Doha Declaration on TRIPs and Public Health and the Negotiations in the WTO on Paragraph 6’, *Journal of World Intellectual Property*, May.

<sup>14</sup> See Sexton, S. (2001), ‘Trading Health Care Away? GATS, Public Services and Privatisation’, *South Bulletin*, No.15, South Centre.

<sup>15</sup> See EU response to panel report on Section 201 safeguard cases reported in An Chen (2004), ‘The Three Big Rounds of US Unilateralism Versus WTO Multilateralism during the last Decade’, *Working Paper No. 22*, South Centre.

Joseph Stiglitz, in his book *The Roaring Nineties*, criticises the US trading policies pointing at their lack of coherence with development needs of developing countries when he states that while “we pushed the ideology of free market, we did not think about the impact of our policies on the poor in developing countries, but on job creation in America”. Further, Stiglitz argues that in the area of trade, “the completion of the Uruguay Round turned out to be our greatest failures [...]. The US pushed other countries to open up their markets to areas of our strength [...] but resisted efforts to reciprocate”.<sup>16</sup> [...]

Aside from the IMF and World Bank, the legitimacy and political credence given to the WTO authority by the developed countries has also posed a major challenge to the sovereignty of African countries and the credibility of its rules-making processes. The institution’s decision-making system largely lacks in transparency and inclusivity as it is influenced by the political deals, often, struck in green rooms and along the corridor. The anti-capitalism demonstrations by civil society groups during WTO conferences in Seattle, Cancun, Genoa and other World Bank, IMF, and G8 Summits are a reflection on the continued debate about the lack of balance between markets and state sovereignty. The formation, therefore, of such alliances as the G20, G33, and G90 etc can be regarded as a timely move by the developing countries to counterbalance this reality.<sup>17</sup> There is need to refocus WTO processes towards development as this remains, at least in theory, the only area of convergence between Africa and the developed countries in these debates. The development dimension of the WTO must address the systemic concerns of African, while upholding their values and interests. Such a development dimension should be built within a framework that promotes fair-trade, capacity building, balanced rules and good governance.

### **Abd Elgadir Salih: A Sudanese Perspective on the Hypocrisy of Multilateralism<sup>18</sup>**

Decision-making authority is being ceded to actors such as the IMF, the World Bank, TNCs and WTO, and so forth. These institutions are not autonomous actors; rather they represent the interests of the hegemonic states (most notably the USA) which in turn represent other interests, notably those of capital. Accumulation of global capital is accompanied with accumulation of power. [...]

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<sup>16</sup> See Stiglitz, Joseph (2003), *The Roaring Nineties*, New York: W.W. Norton.

<sup>17</sup> See Faizel, Ismail (2005), ‘Mainstreaming Development in the World Trade Organisation’, *Journal of World Trade*, 39 (1), p.17

<sup>18</sup> Excerpts from Dr Abd Elgadir Salih’s paper “Sudan’s role and interests in the global order” presented at the regional conference ‘A Changing Global Order – Eastern Africa’s Role and Interests’ on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Dr Abd Elgadir Salih is Associate Professor at the Faculty of Economic Studies, University of Khartoum, Sudan.

Sudan's application to join the WTO is pending since 1994. The National Commission for WTO Accession has reported that all conditions deemed necessary for accession have been duly satisfied since a long time. The only hurdle is the on-going economic sanctions imposed on the Sudan by the government of the USA. [...]

To describe sanctions [that Sudan is facing] as a means of "peacekeeping" or enforcing "human rights" is an ideological move, which from the perspective of concrete personal experience is simply counterfactual. Sanctions are at bottom a bureaucratised internationally organised form of siege warfare and should be seen and judged as such. Economic sanctions are rapidly becoming one of the major tools of international governance of the post cold war era. The UN Security Council empowered under Article 16 of the UN charter the use of economic measures to address "threats of aggression" and "breaches of peace" approved partial or comprehensive on only two occasions from 1945-1990. By contrast, since 1990, the UN Security Council has imposed 11 sanctions on nations, including the Sudan. The USA however, has imposed sanctions unilaterally or with other nations far more than any other nation in the world. Of the total of the sixty plus sanction recorded cases since 1945, two thirds were initiated and or maintained by the United States. Three quarters of these cases involve unilateral USA action without significant participation by other countries.

Thus while the question of ethical legitimacy has implications for UN strategies of international governance, it has far greater implications for the USA, which uses sanctions more frequently and in many more contexts from trade regimes and human rights enforcement to its efforts to maintain regional and global hegemony. Sanctions seem to lend themselves well to international governance, they seem more substantial than diplomatic protests, yet they are politically less problematic and less costly than military incursions. They are often discussed as though they were a mild sort of punishment, not an act of aggression of the kind that has actual human cost.

### **Jin Liangxiang: A Chinese Case for a UN Reform<sup>19</sup>**

Evolving from the series of arrangements as a result of the Second World War, the current international system reflects more interests of western countries; the working mechanisms of the World Bank, IMF, WTO and Non-Proliferation Treaty (NPT) are mainly in favour of developed countries. On the other hand, these institutions are, to a certain degree, compatible to the

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<sup>19</sup> Excerpts from Dr Jin Liangxiang's paper "For Peace and Development: China's Role at the Global Stage" presented at the regional conference 'A Changing Global Order – Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Dr Jin Liangxiang is Research Fellow at the Shanghai Institute for International Studies, China.

development of international production and the trend of globalisation,<sup>20</sup> and could provide regular governance and order.

Based on the above-mentioned assessment, China generally stands for maintaining the stability of the system. China's role in preserving the international system could be reflected in its policy practice in the insistence of national sovereignty and the authority of the NPT. China has strongly opposed the US led Iraq war since it, as proven later, undermined both the arch-principle of state sovereignty and the authority of the UN.

Though China stands for the general stability of the current international system, China stands for a gradual reform of it, as President Hu Jintao said at a dinner hosted in his honor by 12 friendly organisations in the US on April 20, 2006, "The current international system and order should be gradually reformed and improved to make it just and equitable."<sup>21</sup> The international system, in pursuit of the equitable and reasonable distribution of resources and values, should not be based on the interests of individual country but on the interests of global community and the whole human beings.

China regards the UN as the most universal, representative, authoritative inter-governmental international organisation, the best venue to practice multilateralism, and an effective platform for collective actions to cope with various threats and challenges.<sup>22</sup> Therefore, China generally stands for maintaining the authority of the UN. However, as the product of the Second World War, the UN, in many ways, cannot reflect the new realities of the world: the growing strength of the third world countries, the diversified threats, and global problems, etc. China stands for UN reform.

But China holds that "the UN reforms should proceed gradually from tackling more manageable problems to thornier ones and be carried out in a way that will maintain and promote solidarity among members. For those proposals on which consensus has been reached, decision may be made promptly for their implementation; for important issues where division still exists, prudence, continued consultations and consensus-building are called for. It is undesirable to set a time limit or force a decision."<sup>23</sup>

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<sup>20</sup> Qimao, Chen (2006) 'International System and the Historic Change of the Definition of China's Role (guoji tixi he zhongguo guoji dingwei de lishixing bianhua)', *China International Studies (guoji wenti yanjiu)*, Issue 6.

<sup>21</sup> Hu Jintao, (April 20, 2006), 'Promoting the All-round Constructive and Cooperative China-US Relationship', Washington, (available at <http://houston.china-consulate.org/eng/nv/t247952.htm>)

<sup>22</sup> Position Paper of the People's Republic of China on the United Nations Reforms, available at <http://www.fmprc.gov.cn/ce/ceun/eng/xw/t199101.htm>.

<sup>23</sup> Position Paper of the People's Republic of China on the United Nations Reforms, available at <http://www.fmprc.gov.cn/ce/ceun/eng/xw/t199101.htm>.

## **Gichinga Ndirangu: The WTO Agenda from a Kenyan Point of View<sup>24</sup>**

Kenya takes keen interest in global trade. It was a long standing member of GATT and actively participates in the negotiations of the WTO. It has one of the most active trade Missions in Geneva and remains an active member of the increasingly assertive African Group at the WTO. At the WTO, Kenya has helped originate or sponsor several negotiating proposals and position papers on diverse issues such as agriculture, special and differential treatment and development issues amongst others. It also chaired the General Council in the lead-up to the last Ministerial meeting in Hong Kong.

The WTO is a strategic global organisation because its trade rules significantly affect world trade. Kenya's key interest at the WTO is primarily centred on evolving a trade regime more responsive to the needs of developing countries. In particular, Kenya continues to advocate for delivery on the Doha Development Agenda which sought to place the development concerns of African and other developing countries at the heart of trade liberalisation. The underlying objective was to reform and improve on existing trade rules to provide more flexibility in favour of developing countries while targeting industrialised countries to reform their trade rules to create a level playing field. The areas most canvassed for reform are: agriculture, market access, domestic support and export subsidies in addition to emerging areas such as industrial tariffs and the proposed new rules on government procurement and investment.

But Kenya is also keen on reform of the WTO to ensure that it is more transparent in decision-making and takes into full account, the interests of the vast majority of its members who are predominantly, developing countries. In recent times, the WTO secretariat has been criticised over its domination by the interests of major trading powers. In terms of specific areas of WTO negotiations, the following are key issues of interest to Kenya:

***Agriculture:*** Kenya is keen to see the EU undertaking an ambitious reduction of its domestic subsidies, elimination of all forms of export subsidies in the US and ensuring that trade rules do not undermine the flexibility of developing countries to support domestic agriculture. To protect its agriculture from the adverse effects of liberalisation, Kenya is keen to reach agreement at the WTO on an agreed sensitive list of agricultural products that could be exempt from further liberalisation commitments.

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<sup>24</sup> Excerpts from Gichinga Ndirangu's paper "Kenya's role and interests in the global order" presented at the regional conference 'A Changing Global Order – Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Gichinga Ndirangu works as a freelance consultant in economics.

**Market access:** Kenya's main concern is that tariff and non-tariff barriers limit access of its agricultural produce into the EU and other industrialised country markets. This has been most pronounced in relation to horticultural exports which are subjected to constantly changing non-tariff trade barriers such as on traceability and other sanitary and phytosanitary measures. Kenya wants a more enabling policy framework at the WTO on market access including more predictable rules on SPS and dismantling NTBs to facilitate export of agricultural products.

### 3. Developing a New Globalisation Paradigm

While developing an agenda for structural reforms of the international global governance system is essential, it is equally important to work out an alternative theoretical foundation informing future policies and clarifying the crucial relationship between state and market in particular. So far, globalisation as largely being shaped by neoliberal ideas and the so-called 'Washington Consensus'. What is the African answer? Some initial ideas on a new paradigm are outlined in the following, yet a lot more work is needed in this regard.

#### In a Nutshell

##### **STATUS QUO / CHALLENGES:**

- Economic globalisation has largely being shaped by neoliberal ideas and the so-called 'Washington Consensus'. The emphasis has been on the self-regulatory and wealth-generating power of free markets; policies connected to the paradigm are deregulation, privatisation and liberalisation. However, neoliberal policies have not lived up to their promises; inequality and insecurity is rising.
- While the underlying ideas of today's globalisation have been shaped by the industrialised world, alternative ideas have not taken root yet; and original African paradigm has not been developed. However, the premises for pushing for an 'African Way' have never been better, with both the old ideas and the respective institutions being in crisis.

##### **WAY FORWARD FOR EASTERN AFRICA:**

- Against the background of the failures of the past, the common argument is that the state has to be brought 'back in' to shape economic processes. However, the question is what kind of state is needed, and what exactly its role is. The crucial question that needs to be answered is then: What is left to free markets, and in what areas should the state be interfering? An 'activist state' should not only repair market failures, but actively promote and take responsibility for its own development agenda. What interventions are appropriate?
- A building bloc of any 'African paradigm' has to be a strategy on how to make use of Africa's rich resource endowment for its own development; for instance, in an African version of the Latin American 'resource nationalism', resource-for-technology-deals would be one possible avenue.



### **Mwesiga Baregu: Africa Needs to Create New Roles for Itself<sup>25</sup>**

The current global changes have also ushered in contradictions of their own. Perhaps the most glaring and disturbing contradiction arises from the fact that whereas in [earlier] phases Africans were required either as slave labour or as colonial corvée labour, in the current period owing to technological changes African labour is not required either to supply agricultural or industrial commodities. Our labour has become dispensable rendering Africans redundant in the global division of labour. The resulting massive unemployment among the youth creates a reserve army of potential recruits for terrorism. It is this realization that has prompted the western countries, led

<sup>25</sup> Excerpts from Prof Mwesiga Baregu's keynote address presented at the regional conference 'A Changing Global Order – Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Prof Mwesiga Baregu is Director of the Department of Political Science and International Relations at the University of Dar es Salaam, Tanzania.

by the United States, to establish a military base in Djibouti to conduct counterterrorism operations in East Africa and the Horn. This is also what lies behind the recent decision to establish a US Africa Command on the continent. [...]

By making African labour redundant in the emerging international division of labour it frees up making it potentially available, for the first time since the slave trade, to be re-allocated, reorganised and mobilized to produce to satisfy domestic markets. Africa is being forced to reposition itself and create new roles for itself. In rising to this challenge, Africa will, for once, have to pose and answer the three basic economic questions: What to produce; For whom to produce and How to produce.

Resource nationalism is a trend that has emerged and is growing in Latin America. Bolivia, Ecuador and Venezuela symbolise this trend that is quickly becoming a movement. It is responding to demands from disenchanted citizens for a larger share of the proceeds of their countries' resources. In Africa this trend has yet to catch on but the struggle in the Niger Delta is indicative of what could be a trend. It needs to be promoted by all governments that profess to care about the welfare of their people. As we pointed out earlier, the main argument for this new nationalism arises from the very logic of global change. Globalisation is intensifying and centralizing the exploitation of Africa's resources while at the same time marginalizing Africa's people and alienating them from these resources. Resource nationalism should not simply be aimed at control but also creating new opportunities with new partners such as 'resources-for-technology' deals with China and India.

### **Rok Ajulu: Developmentalism and the Activist State<sup>26</sup>**

If what we have said above about globalisation and its impact on African economies is correct, then it follows that we must address ourselves to the question of taming the market in the epoch of accelerated globalisation. The lessons of the last decade are precisely that unbridled free market is a danger to the majority of humanity. Speaking at the Non-Aligned Movement (NAM) in 1998, South African president Mbeki warned of the market's inability to banish poverty, and therefore the need to challenge the 'market' as the modern God. In the same speech, he correctly pointed out that the mere existence of the global institutions of governance, especially

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<sup>26</sup> Excerpts from Prof Rok Ajulu's paper "Eastern African Countries in a Changing Global Order: Strategies and Tactics of Engaging Global Architecture of Trade" presented at the regional conference 'A Changing Global Order – Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Prof Rok Ajulu is Associate Professor of Political Economy at the Department of International Relations of the University of Witwatersrand, South Africa.

WTO, IMF and the World Bank, is a clear indication that intervention in the market has always been a matter of fact. The UNDP Human Development Report (1999) makes the same point: “when the market goes too far in dominating social and political outcomes, the rewards of globalisation spread unequally and inequitably”. Markets, they conclude, need institutions and rules, and too frequently in the global setting, they have not been adequately subjected to the control of either<sup>27</sup>.

The argument against market fundamentalism and the need to tame it is thus compelling. In fact, the intellectual and ideological panic that we have witnessed within international financial institutions over recent years is precisely around this increasingly negative image of the neo-liberal paradigm. Indeed the overwhelming rejection of the Washington Consensus which has been witnessed throughout the ‘South’ has set the stage in which the role of the state in economic development can no longer be wished away. However, it has to be conceded that the problems confronting African economies are not only the negative impact of market fundamentalism. More seriously, these economies remain small and fragile, and as a recent report of the Economic Commission for Africa points out, limited market size of many countries, failure to exploit the potential of inter-African trade through development and co-ordination of development plans at sub-regional levels, and lack of harmonisation of standards, present obstacles to sustainable economic regeneration<sup>28</sup>.

But it would be pointless to argue the case for bringing the state back in if it continues to be the authoritarian kleptocratic state that has been the dominant feature of the post colonial era in the continent. The argument here is for what we have described above, the activist state. The type of state capable of crafting appropriate policy instruments to facilitate economic development and competitive market access. Thus states at

**“It would be pointless to argue the case for bringing the state back in if it continues to be the authoritarian kleptocratic state that has been the dominant feature of the post colonial era in the continent. The argument here is for what we have described above, the activist state. The type of state capable of crafting appropriate policy instruments to facilitate economic development and competitive market access. ”**

Rok Ajulu

<sup>27</sup> *Human Development Report (1999)*, UNDP, New York: Oxford University Press.

<sup>28</sup> Asante-Darko, K. (1999), ‘Globalisation and African Renaissance: The Challenge of Continental Strategies’, *Nordic Journal of African Studies*, Vol.8(1), pp.40-56.

sub-regional levels are confronted with the challenge of not only taming the market, but more critically initiating creative policies to overcome obstacles of market size. So the challenge is not simply one of the state setting out to 'repair market failures' but rather of a very activist state engaged with the idea of development. In other words, what is needed is not less, but more of the state, albeit, a very creative one.

The idea of developmentalism is not simply a question of the state's role in promoting economic development. It is neither the regulatory orientation of the typical liberal democratic state where the state is supposed to play the facilitative role – macro-economic stability, provision of physical infrastructure, etc. Nor is it the old style Soviet command economy. State developmentalism is about governing the market to achieve certain goals. In his study of the Japanese developmentalism model, Johnson argues that while basically dedicated to the market principles, the Japanese developmental state was pre-eminent in 'setting substantive social and economic goals for market agents'<sup>29</sup>. The developmental state went beyond merely establishing legal and institutional framework, and letting the private sector to 'do its own thing'. Developmentalism was always a political project designed to achieve the political goal of equity in the world market.

Furthermore, the idea of a developmental state is not new. It straddles the intellectual traditions and practices of the last two centuries<sup>30</sup>. At the centre of its theoretical elaboration is the idea that late starters as in Germany and Japan needed the intervention of the state to achieve industrialization and competitive penetration of the global market. The much heralded newly industrialised countries' success in deploying the state to tame domestic and international forces and harness them to national economic interests<sup>31</sup>, was just but one in a long chain of what Wade has called 'governing the market' to achieve rapid industrialization.

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<sup>29</sup> Johnson, C. (1982), *MITI and the Japanese Miracle*, Stanford University Press.

<sup>30</sup> See, for example. White G. (1988), *Developmental States in East Asia*, Sussex: Macmillan; or Wade, R. (1990), *Governing the Market: Economic Theory and the Role of Government in East Asia's Industrialisation*, New Jersey: Princeton University Press.

<sup>31</sup> Hoogvelt, A., (1997), *Globalisation and the Post-Colonial World: The New Political Economy of Development*, London: MacMillan.

## 4. Shaping New Alliances: The Case of China

One crucial characteristic of the changing global order is the rise of developing giants like Brazil, India or most notably China. While China-Africa links are deepening every year, and

### In a Nutshell

#### STATUS QUO / CHALLENGES:

- China's rise has direct and indirect effects for Eastern Africa, both complementary and competitive, mainly through the channels aid, trade and investment.
- China's interest in Africa has been outlined in China's 2006-Whitepaper on Africa and manifested itself in numerous bilateral visits and agreements, and three summits of the Forum on China-Africa cooperation (2000, 2003, 2006), with the latest one seeing the signing of the comprehensive 2007- 2009 action plan on deepening China-Africa links.
- While China emphasises the need for mutual beneficial relations and the virtue of South-South partnership, its self-interests in Africa are also apparent: China is looking for resources, oil in particular; market access for its cheap consumer goods; and indents and investment opportunities for its corporations, i.e. construction and telecommunication.
- China lessens Africa's dependency on traditional donors and economic partners, and hence opens up new strategic options. However, few African countries have a clear strategy towards China; furthermore, there are hardly any attempts to increase bargaining positions by negotiating with China as a bloc. China-Africa links are intensely bilateral.

#### WAY FORWARD FOR EASTERN AFRICA:

- African countries need to work out development strategies that are complementary, rather than substitutive to China's growth.
- African countries need to re-think their resource export strategies, and need to explore options of value-adding and resource-for-technology deals.
- African countries should negotiate terms of trade and investment with China, and in the process hold China accountable to its South-South rhetoric and the principle of 'mutual benefit'.
- China's conduct on the continent needs to be debated; after all, China-Africa cooperation should not undermine environmental and social standards and principles of good governance lined out in the NEPAD process.
- Africa needs to engage China on a dialogue about the reform of the global governance institutions and make use of China's bargaining power in the international sphere.
- The African Union should have more than just an observer status in China-Africa relations, but have the mandate to work out a common agenda for future negotiations.

China's impact is already being felt in almost every African country in many ways, the discourse about how to shape the relationship to the new power is just starting. Perspectives from China and African countries are presented in the following.

### **Jin Liangxiang: China's Foreign Policy Towards Africa<sup>32</sup>**

Together with the growth of China's strength, the recent years have witnessed the growth of expectations for China among developing countries. Some developing countries even hope that China could become a counter weighing power against the United States.

True as it is that China has quadrupled its GDP in the last nearly three decades, generally China remains a developing country in almost every way. For instance, economically, China's GDP per capita, US \$1700 in 2005, is lower than quite a number of developing countries; its total GDP is only about a quarter that of the US; and China has a long way to go to improve its economic structure. Due to various constraints, in the near future, China's assistance for the developing world would still be moderate, and the resources to be mobilized for the resolution of international crisis will still be limited.

In the longer run, with the further growth of its capabilities, China would certainly play a bigger role to commensurate with its strength and capabilities: contribution to the world of not only material but also cultural and spiritual products, investment of more efforts and resources in the resolution of international crisis and promoting global cooperation facing up to various non-traditional security threats. [...]

Africa has always had a significant proportion in China's foreign policy consideration since the founding of the People's Republic of China in 1949 and formal diplomatic relations started after the Bandung conference. It has become a customary practice that Chinese foreign minister would always choose Africa as his first visiting destination at the beginning of a year.

The recent years have seen some most significant occasions in Sino-African relations: the three (2000, 2003, and 2006) China-African foreign ministers meetings within the mechanism of Forum on China-Africa Cooperation (FOCAC), the publishing of China's African Policy on January 12, 2006, the Beijing Summit of FOCAC on November 4, 2006, African Development Bank (ADB)

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<sup>32</sup> Excerpts from Dr Jin Liangxiang's paper "For Peace and Development: China's Role at the Global Stage" presented at the regional conference 'A Changing Global Order – Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Dr Jin Liangxiang is Research Fellow at the Shanghai Institute for International Studies, China.

annual meeting in Shanghai in May, 2007, and the frequent high level visits between the two sides. But among all these latest events, I would argue, the most important is the definition of the new type of strategic partnership, namely, political equality and mutual trust, economic win-win cooperation and cultural exchange.<sup>33</sup>

Some international scholars might argue that China is conducting neo-colonialism in Africa.<sup>34</sup> But I would like to say that China's African policy and the latest developments should be observed both historically and within the context of globalisation and the common development mission of developing countries as well. [...]

China, on the one hand, is expanding economic assistance free of any political conditions through governmental channels; on the other hand, China attaches great importance to economic cooperation with the purpose of promoting economic development so as to achieve win-win results. China's African Policy listed ten areas of economic cooperation: Trade, Investment, Financial cooperation, Agricultural cooperation, Infrastructure, Resources cooperation, Tourism cooperation, Debt reduction and relief, Economic assistance, Multilateral cooperation.<sup>35</sup>

China and Africa face similar internal and external problems and challenges of development, which determines that the two sides share views regarding the current international system. Both sides have similar positions regarding major international principles like state sovereignty, territorial integrity, national dignity and human rights. Therefore, China regards cooperation and coordination between the two sides as important for China and Africa as well.

Though it is China's long-term strategy to strengthen its relations with Africa, China's Africa policy and China-Africa relations are also facing various challenges. In the first place, China has long abided by the principle of sovereignty and non-intervention into internal affairs, but the recent years have seen more and more disputes regarding that principle, which exists not only in developed but also in developing countries. Some countries would emphasise the importance of sovereignty as maintaining peace while others would argue that indifference to domestic conflicts as irresponsible.

Secondly, China's policy of de-linkage between economic cooperation and domestic politics is being frequently challenged by developed western countries, which would always argue China's policy would dilute the effects of international efforts pressuring domestic good governance.

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<sup>33</sup> The Chinese Government, *China's Africa Policy*

<sup>34</sup> Timberg, Craig (2007), 'Hu Defends China's Role in Africa', *The Washington Post*, February 8.

<sup>35</sup> The Chinese Government, *China's African Policy*

Thirdly, China has become a market economy to a great degree, and the regular running of Chinese enterprises is driven by economic profits. Chinese government has to accommodate its market economy mechanism to its commitments to African countries.

Fourthly, China-Africa cooperation has well developed at governmental level, but how to sustain the favourable China-Africa relations will largely depend on how to deepen the relations at grassroots levels. That is to say, the two sides should also strengthen relations at various levels: between local governments, between companies, and between peoples.

Fifthly, as a developing country, China has the same kind of domestic economic structure with African countries, as a result, Chinese commodities might be competing with African products in international market, and even have impact on their domestic similar industries.

In conclusion, the last three decades witnessed the changing of China's international identity from a revolutionary to status quo country,<sup>36</sup> which is both the result of China's domestic agenda, namely, the reform and opening-up policy, and the changing of international agenda, namely, the ending of the Cold War and the growing importance of economy in a country's overall strategy. [...]

As the US might define democracy and liberty as its core national interests, home and abroad, China attaches the most importance to peace and stability, which is related not only to its history and tradition as a peace loving nation but also to its diplomatic mission of building a favourable international environment for its ambitious economic development.<sup>37</sup> In addition, Chinese elites are also well aware of the lessons of the bloody experiences all through the history, the modern history in particular.

### **Joseph Karugia: Enhancing Relations with China<sup>38</sup>**

In general, most African efforts to strategise on its partnership with emerging global economic drivers have focused on South-South cooperation in general. There have been few organised efforts aimed at dealing with China as a strategic partner with whom to engage in order to optimize the positive complementary impacts of this engagement on African economies.

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<sup>36</sup> Qin Yaqing (2005), *Power, Institutions, and Culture (quanli zhidu wenhua)*, Peking University Press, pp.348-362.

<sup>37</sup> State Council Information Office (2005). *China's Peaceful Development Road*, December 22.

<sup>38</sup> Excerpts from Dr Joseph Karugia's paper "Sino-African Economic Relations – an Eastern African Perspective" presented at the regional conference 'A Changing Global Order – Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Dr Joseph Karugia is Research Manager at the African Economic Research Consortium (AERC), Nairobi.

Some suggestions can be made as to what Eastern African countries could do to truly and fully benefit from Sino-African cooperation. Firstly, countries have to find a way to relax supply side constraints and diversify the economic base while the boom in its trade relations with China lasts. With respect to investments, countries should try to shift the structure of FDI away from trading and services to manufacturing. They should try to develop African firms that can partner with Chinese FDI and also invest in China. Furthermore, countries should try to take maximum advantage of the low delivery costs of development infrastructure while maintaining quality. In addition, countries should try to ensure high quality of Chinese construction services and discourage unwholesome business and controversial labour practices. Lastly, African countries should try to maximize the multiplier effects and sustainable development impact that Chinese aid could have, in order to achieve a true 'win-win situation'.<sup>39</sup>

Overall, African governments should develop 'dynamic capabilities'<sup>40</sup> in order to change, grasp opportunities and minimize the threats of their cooperation with China.<sup>41</sup> Furthermore, they should take into account that when they benefit from their cooperation with China, they themselves are responsible for translating this benefit into lasting impacts that accrue to their citizens. The impact of growth on poverty reduction depends both on the rate of growth and on the inclusiveness of the growth process.<sup>42</sup> Due to the highly unequal distribution of income in many countries, any growth generated by export expansion, investments or other forms of economic assistance can only affect the poor if governments choose to do so. For some countries such as the oil-rich Sudan, this remains to be seen.

On the regional level, it is also hard to identify a vision or approach of Eastern African countries on their engagement with China. The EAC, as well as the Common Market for Eastern and Southern Africa (COMESA), do seem to be aware of the challenges posed by Asian Drivers. This is reflected in their strategic plans for the coming years. For instance, on the performance of the industrial sector of East African countries, the 'EAC Development Strategy for 2006-2010'

**"Overall, African governments should develop 'dynamic capabilities' in order to change, grasp opportunities and minimize the threats of their cooperation with China. "**

Joseph Karugia

<sup>39</sup> Ajakaye, Olusanya (2007), *AERC Research Project on Analysis of Impact of China and India on SSA*.

<sup>40</sup> This involves a combination of search-, strategic-formulation- and implementation-capabilities, as well as the capacity to continually change these as new threats and opportunities arise (Kaplinsky, McCormick and Morris 2006, p.32, see following footnote).

<sup>41</sup> Kaplinsky, Raphael; McCormick, Dorothy; Morris, Mike (2006), 'The impact of China on Sub-Saharan Africa', DFID.

<sup>42</sup> DFID/UK (2005), 'The effect of China and India's growth and trade liberalization on poverty in Africa - Unpublished final report', DFID, UK.

makes note of the fact that the economies of East and South Asia have positioned themselves to exploit the opportunities stemming from globalisation. East Africa however, has “remained behind, locked into a north-south pattern of trade, inward looking, heavily dependent on export of raw and semi-processed materials and import substitution that was slow to create comparative advantages”.<sup>43</sup> Nevertheless, the scope and purpose of the EAC Development Strategy is “to deepen and accelerate the integration process.”<sup>44</sup> China’s role in this regard is not discussed. However, the East African Development Bank, an EAC institution, signed a framework agreement with the China Development Bank in 2006 to finance infrastructure and agricultural projects in the region. This cooperation will create a strong and credible regional financial institution through which China can channel its investments.<sup>45</sup>

Whereas a common African approach towards China remains to be articulated, China on the other hand has made its stance towards Africa quite clear. Its relationship with the AU for example is firstly consolidated in the framework of FOCAC, wherein China states that it “will strengthen its cooperation with the African Union and sub-regional organisations and institutions in Africa”.<sup>46</sup> Secondly, the Chinese government has included its approach towards the AU in its foreign policy. In its white paper on Africa policy, it states that “China values its friendly cooperation with the AU in all fields, supports its positive role in regional and international affairs and stands ready to provide the AU assistance to the best of its capacity”.<sup>47</sup> This readiness has recently been translated into action, with the Chinese government offering \$150 million to expand the AU headquarters in Addis Ababa.<sup>48</sup>

It must be recalled though, that apart from these kind of symbolic gestures, most of China’s policy and its approach towards cooperation with Africa in practice is “intensely bilateral”.<sup>49</sup> In view of the benefits that result of this approach for individual African countries, it is understandable that countries are not inclined to group together against China.

In conclusion, with the next FOCAC meeting scheduled to be held in Egypt in 2009, some preliminary comments on its importance and functioning for East African countries can be made. Up till now, it seems as if FOCAC is working as a platform for African countries to meet with

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<sup>43</sup> East African Community, *East African Development Strategy 2006-2010*. Deepening and accelerating integration.

<sup>44</sup> East African Community, *East African Development Strategy 2006-2010*. Deepening and accelerating integration.

<sup>45</sup> China Monitor, *A Monthly Publication of the Centre for Chinese Studies*, Stellenbosch University, South Africa. Issues 2005-2007

<sup>46</sup> Beijing Action Plan 2007-2009 (FOCAC, November 2006)

<sup>47</sup> The Chinese Government, *China’s Africa Policy* (January 2006)

<sup>48</sup> *Mail and Guardian Online* (2007), ‘China to build \$150M building for AU’, May 21.

<sup>49</sup> King, Kenneth (2006), ‘China’s partnership discourse with Africa’. A paper presented at the Conference on China in Africa in the 21<sup>st</sup> Century: Preparing for the Forum on China-Africa Cooperation’ organised by the Royal African Society, the South African Institute of International Affairs, and the Secretariat of NEPAD, 16-17 October 2006, Muldersdrift, South Africa.



China. China then makes a range of promises which later are fulfilled by means of bilateral agreements. When it comes to national strategies in Eastern Africa, information on if and how countries are intend to partner with China on a long-term basis is unavailable. It can be argued that acting bilaterally or in concert through FOCAC seems to be more effective than through the African Union or NEPAD. This however undermines the potential benefit countries could create by bargaining with China as a group, because it would increase negotiating leverage .

Furthermore, African governments individually need to take responsibility and seek ways in which they can ensure the mutual gains of their partnership with China in their own sustainable and long-term way. The opportunities of Sino-African partnerships should be maximized and challenges minimized. Therefore, strategies should be developed that are complementary, rather than substitutive, to China's growth. Lastly, good governance, accountability and transparency should be enforced.<sup>50</sup> All this would enable governments to effectively monitor and steer their cooperation

<sup>50</sup> Ajakaiye, Olusanya (2006), 'China and Africa: Opportunities and Challenges'. Paper presented to the Task Force on Strategic Partnership between Africa and the Emerging Countries of the South- African Economic Research Consortium.

with China and it would contribute to bringing the benefits of this cooperation to the ones that deserve it: the African people.

## **Rok Ajulu: South African Perspective on China-Africa Relations<sup>51</sup>**

Rapid economic modernisation of the Chinese economy in the post-reform period, and subsequent global expansion in search of resources and markets, particularly its recent expansion into the African continent has elicited interesting commentary, some of it bordering on ideological prejudices and cultural stereotype of the cold war period. Thus in a recent opinion piece in the South Africa's daily, the Business Day, Greg Mills and Lyal White warned of the potential threat of China's Africa penetration and worried about the potential of large numbers of Chinese companies and citizens which could undermine Africa's prospects for development, perhaps conveniently unmindful of the large numbers of American and western European companies and citizens which have dominated Africa's economic skyline over the last century with very questionable contribution to Africa's development record.

The fact of the matter is that China's emergence as a global power is a fait accompli. There is not much that we can do to stop it. And moreover, it is an economic and political development which is bound to have profound implications for many regions in our globalising world economy. Thus for small global players like African economies, the challenge is to think how we propose to engage this China's rising profile in the continent. [...]

Perhaps it needs to be pointed out that in a fast globalising world economy, China's rapid economic modernisation has implications for every region in the world and not only in the African continent. Moreover, we need to be reminded that there is nothing profoundly new about China's presence in Africa. [...]

**“The partnership ought to engage China on issues around improving China's ambiguous positions at the UN Security Council. China's position has demonstrated huge rhetorical support but very little concrete action in support of Africa's positions. “**

Rok Ajulu

<sup>51</sup> Excerpts from Prof Rok Ajulu's paper "Perspectives on Contemporary China-Africa relations: South African Experiences of Shaping the Partnership with China" presented at the regional conference 'A Changing Global Order – Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Prof Rok Ajulu is Associate Professor of Political Economy at the Department of International Relations of the University of Witwatersrand, South Africa.

The main challenges facing the Sino-South Africa partnership is the terms of the bilateral trade. South Africa exports mainly raw materials to China, while China exports manufactured goods to South Africa. As le Pere puts it, this is a classic North-South model – the South (South Africa) exporting raw materials, and the North (China) exporting finished products. South Africa and Africa cannot continue exporting raw materials indefinitely. At one stage, the continent is bound to run out of raw materials.

Obviously South Africa's failure to add value to its China exports, and for that matter, its exports in general is not a very well informed strategy. This is a problem that confronts almost all African countries, and that is, how to move up the production chain and start adding value to our exports? South Africa needs to engage China on this issue of export of raw materials. One option would be that instead of exporting raw materials, China's firms would invest in respective African countries with a view to adding value and therefore exporting finished product. China's demand for raw materials provides a perfect opportunity for Africa to reconfigure how they propose to deploy their resources. A strategy which seeks to add value before export would certainly trigger off industrial processes with potential backward linkages to provide employment and develop productive forces within the continent.

This partnership should engage China on China's conduct in Africa. China's policies, it is alleged have tendencies of supporting undemocratic regimes, and to undermine the fight against corruption and good governance. Sudan is often cited as an example of China's support for undemocratic and oppressive regime. China continued sale of arms in the midst of the unabated Darfur conflict cannot continue to be ignored. It is also in China interest to understand that given recent targeting of Chinese oil workers in Ethiopia and Nigeria, its non-interference principles could ultimately work to its own detriment.

Finally, the partnership ought to engage China on issues around improving China's ambiguous positions at the UN Security Council. China's position has demonstrated huge rhetorical support but very little concrete action in support of Africa's positions. China for example, supported Sudan at the Security Council and threatened to use it veto power to block oil embargo against Sudan. Similarly South Africa needs to engage China more robustly in two areas, namely, reform and restructuring of the UN, with a view to bringing African representation to the Security Council, and reform of the global trading system with a view to improving access of developing countries to the markets of the developed. Finally engagements to strengthen South-South co-operation. China's observer status in IBSA provides possibilities of strengthening the co-operation.

To conclude, of course China will continue to pursue its national interest, and these may at times collide with Africa's own continental interests. But I think that the experience of Sino-

South Africa relations shows that China can become a very important player and a source for development for the continent.

I think that China's globalising thrust in the continent should be seen as a great opportunity. China's appetite for natural resources presents a great opportunity for African countries to reap maximum advantages from their resource wealth. But as I have indicated above, this will in the ultimate analysis depend on African governments' own strategies – how they propose to position themselves vis a vis China's demands. Africa's effective and efficient use of resources could quite easily provide the requisite platforms for industrial growth and development of productive forces, and the much needed diversification of African economies.

### **Mwesiga Baregu: Resource-for-Technology Deals<sup>52</sup>**

The marginalisation of Africa also creates new opportunities for African countries including East Africa. As the bonds with the west become loosened Africa has a window of opportunity to forge new relationships particularly with the rapidly growing economies of China and India. A symbiotic relationship can grow with these countries and create a new and different economic space. These countries have a high demand for raw materials which Africa still has while Africa suffers from a major deficit in technology. Rather than exporting their commodities in return for dollar earnings Africa could negotiate resource-for-technology deals. This would seem feasible if only because it would remove foreign exchange constraints on the transactions while providing Africa with the kind of technology that only these countries can provide - appropriate and relevant.

### **Tarana Loumabeka: AU's Engagement with China<sup>53</sup>**

The history of Africa's development has been marked by approaches dictated by developed partners from the North and were seldom internalized by African countries. Some analysts have argued that these approaches were always tinged with a dependency spirit. Others think that Africa has, at each turn of its history been treated as an inconsequential variable of the more powerful economies.

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<sup>52</sup> Excerpt from Prof Mwesiga Baregu's keynote address presented at the regional conference 'A Changing Global Order –Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Prof Mwesiga Baregu is Director of the Department of Political Science and International Relations at the University of Dar es Salaam, Tanzania.

<sup>53</sup> Excerpts from Tarana Loumabeka's paper "China-Africa relations – AU's policies towards China/Engagement with FOAC secretariat" presented at the regional conference 'A Changing Global Order – Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Tarana Loumabeka is Senior Trade Policy Officer at the African Union, Addis Abeba, Ethiopia.

The results of all these approaches have been increasing poverty and marginalisation. It is with a view to reversing this trend and claiming the 21<sup>st</sup> Century for the peoples of Africa that our leaders have established an institutional framework (the African Union) which would enable them to collectively address the socio-economic development challenges of the continent. The partnership which Africa seeks to build for the acceleration of its development in this century is a comprehensive one that involves not only its traditional partners in the North but also key emerging powers of the South.

In the context of globalisation and at a time when Africa's development is on all the major global agendas and the continent is being much courted for its natural resources, it was necessary to reflect and determine the main elements of the strategic partnership that needs to be developed with each country/region that carries weight in the affairs of the world. At a time when each power seeks to define its strategy vis-a-vis Africa, it is essential that our leaders define their own strategy vis-a-vis its partners. A major challenge in the development of strategic partnerships is how Africa's abundant endowment of natural resources can, with the cooperation of partners, serve as the base for laying the foundation of its industrialization and sustainable economic growth and development.

In determining the outlines of strategic partnership with some emerging major powers of the South, namely China, India and Brazil, it has been established that Africa's relationship with the emerging powers should be that of true and equal partnerships of mutual trust and benefit, and not that of donor and recipient. The approach should be one of co-development that is human-centred and in which both parties agree to commit their resources and assets for common interests. Moreover, Africa must face the emerging powers as a united continent and strengthen its integration agenda. The private sector should be a key actor in the strategic partnership and the development of its capacity for joint ventures with enterprises of the strategic partners should be accorded priority.

The immediate objective of the partnership is effective industrialization of the continent through the transformation of its natural resources and value addition, the development of service industries, and the diversification of African economies. The partnership should harness the experiences and comparative advantages of the partners in achieving this objective. Within Africa, it is believed that the principle of subsidiarity and complementarity should underpin the building and implementation of the strategic partnerships. In this regard, the African Union must play a coordinating and pivotal role in providing a strong multilateral framework that will

**“At a time when each power seeks to define its strategy vis-a-vis Africa, it is essential that our leaders define their own strategy vis-a-vis its partners. “**

Tarana Loumabeka

guide the RECs and Member States in their engagement with emerging powers. In so doing, the AU should ensure a SMART (Specific, Measurable, Accessible, Realistic and Time-bound) approach in the implementation of the African Strategy towards the emerging powers.

The AU believes that for any partnership framework to operate successfully, it should be accompanied by an effective monitoring, evaluation and follow-up mechanism. In this regard, the Heads of State and Government have given the AU Commission the mandate to assess every two years the partnership with the emerging powers of the South. It should also coordinate the assessment every five years of all partnerships in which Africa is engaged with the rest of the world to ensure that they are consistent with the interests and needs of the peoples of Africa. It is proper to point out that the following priorities have been identified by Africa in the context of its partnership with emerging powers of the South, including China:

- Acceleration of industrialization
- Infrastructure development
- Agricultural development
- Technology and knowledge development and acquisition
- Human capital development
- Enhancement of market access
- Development of modern services sector

The AU participated in the Senior Officials' meeting of the China-Africa Cooperation Forum, FOCAC Ministerial meeting and Summit held in Beijing, China in November 2006 as observer. Apart from the Declaration, the Summit also adopted an Action Plan which maps out China-Africa cooperation in politics, economy, international affairs and social development in the next three years.

The AU observes with satisfaction that the main elements of the Chinese support towards realization of the Action Plan. Include the priorities identified by Africa, such as:

- Sending senior experts on agricultural technologies to Africa and setting up in Africa demonstration centres of agricultural technology with special features.
- Establishment of a China-Africa Fund to support well-established and reputable Chinese companies in making investments in Africa.
- Setting up in the next three years economic and trade cooperation zones in Africa.

- Raising, for African least developed countries (LDCs) that have diplomatic relations with China, from 190 the number of tariff lines of exports that will be given zero-tariff treatment on entry into China.
- Increasing development assistance over the level of 2006
- Providing concessional loans and export buyers credit on more favourable terms, especially to the heavily indebted poor countries (HIPCs) and the LDCs in Africa.
- Cancellation, for African HIPCs and LDCs that have diplomatic ties with China, government interest free loans that had become due by the end of 2005.
- Increasing, under the framework of the African Human Resources Development Fund (AHRDF), the number of African professionals to be trained.
- Setting up of Rural Schools
- Increasing the number of scholarships for African students in China
- Establishment of hospitals and provision of grants for anti-malaria drugs and the setting up of demonstration centres for the prevention and treatment of malaria

**“A coordinating role for the African Union in the FOCAC process will indeed be in the interest of not only African countries but also of China. It will provide a greater opportunity for a more focused and better-organised engagement with China. It will prevent an unhealthy competition among African countries for the ‘carrots’ in Africa-China Partnership. “**

Tarana Loumabeka

President Hu announced a package of aid and assistance measures to Africa including 3 billion U.S. dollars of preferential loans in next three years and the exemption of more debt owed by poor African countries. The setting of quantitative targets is commendable, as this will facilitate the assessment of the implementation of the Action Plan.

To Africa, the Beijing FOCAC Meetings and Summit were historic and constitute a major milestone in Africa-China Partnership and South- South Cooperation. The two major documents that were adopted (the Beijing Declaration and the Beijing Action Plan, 2007-2009) could, if faithfully and effectively implemented, lead to the realization of a win-win partnership that is anchored on the principles of equality and mutual respect. The partnership could assist Africa in meeting some of its development challenges. It will assist the continent to diversity its external economic relations and reduce its excessive dependence on the developed Western economies.

The FOCAC process has been mainly a bilateral one. However, the AU has now been given a greater mandate by Heads of State and Government through its Constitutive Act and has been directed by Summit to play a major role in relations between Africa and the rest of the world.

The AU has been attending the FOCAC meetings in an observer capacity. The AU, which is the product of the labour and vision of African leaders, is the premier continental organisation for the promotion of peace, integration and development in Africa; hence, it should play a critical role in the FOCAC process as it does in other fora. Its role is recognised and accepted by Member States, for example in the Africa-Europe Dialogue. The African Ministers of Trade also insisted that it plays a major role in the AGOA process as well as the Africa-South America and the Africa-India processes. Already 35 non-African countries, including developed countries, are now accredited to the AU Commission. The US has even delegated an ambassador to Ethiopia who is solely accredited to the AU. This arrangement provides a continuous line of dialogue. It is to be understood that a coordinating role for the AU would not preclude bilateral cooperation arrangements between China and African countries under the framework of FOCAC.

One expects therefore that in subsequent FOCAC, the AU will be able to play a major role. Egypt will be the host country for the Fourth Ministerial Conference of FOCAC in 2008 and will take over from Ethiopia as the African Co-Chair of the FOCAC process. The AU Commission intends to work closely with Egypt to prepare for the next Ministerial Conference.

In fact, a coordinating role for the African Union in the FOCAC process will indeed be in the interest of not only African countries but also of China. It will provide a greater opportunity for a more focused and better-organised engagement with China. It will prevent an unhealthy competition among African countries for the “carrots” in Africa-China Partnership. Greater involvement of the AU in the FOCAC process will permit issues of regional integration to be accorded the priority they deserve in African-Chinese cooperation. It will also enable African countries to develop a collective response to the future challenges that may emerge in Africa-China Partnership. On the side of China, anchoring its engagement in Africa on policies jointly adopted by African leaders within the framework of the AU and involving the AUC in the FOCAC process will shield China against some of the criticisms being made, especially by Africa’s traditional partners, about its increasing engagement in Africa.

The AU being a continental integration organisation has the objective to propel Africa’s integration process and hence needs the strengthening of its capacity. In this regard, China is providing resources for the construction at the Headquarters of the Commission of a Conference Centre and offices worthy of the continent. It expects the FOCAC process mainly to impact positively on AU’s programme or regional integration.

## Francis Ayieko: AU to help Africa benefit from trade with China

*(as published in The East African, 25<sup>th</sup> July 2007)*

The African Union has announced that it will help member states develop ways of engaging China and other emerging economic powers of the South as a bloc. The AU says that it will coordinate and guide Africa's regional economic communities and member states in coming up with a multilateral approach to doing business with the main emerging world powers such as China, India and Brazil. The move is meant ensure that China, through its ever-increasing trade relations with Africa, does not end up being Africa's modern-day colonial power.

According to a senior AU official, Tarana Loumabeka, the continental body has been directed by the Summit to play a major role in relations between Africa and the rest of the world as part of the greater mandate given to it by the Heads of States and Governments. Next year, for instance, the AU Commission will be involved in coordinating the Fourth Ministerial Conference on the Forum on China-Africa Cooperation (FOCAC). The conference will be held in Egypt.

FOCAC, China's diplomatic efforts to engage Africa, was birthed during a ministerial summit in Beijing in 2000 attended by ministers of 44 African countries. The second FOCAC meeting took place in 2003 whereas the third one, which brought together the heads of 48 African states, was held last year (in Beijing). The AU has been attending FOCAC meetings in an observer capacity.

"A coordinating role for the African Union in the FOCAC will indeed be in the interest of not only African countries but also of China. It will provide a greater opportunity for a more focused and better organised engagement with China," Ms Loumabeka said recently (June 14) during a conference in Nairobi to discuss the role and interests of Eastern Africa's in a changing global order.

Ms Loumabeka said that AU's involvement in FOCAC would prevent an unhealthy competition among African countries

for the “carrots” in Africa-China partnership. “Greater involvement of the AU in the FOCAC process will permit issues of regional integration to be accorded the priority they deserve in African-Chinese cooperation. It will also enable African countries to develop a collective response to the future challenges that may emerge in Africa-China partnership,” she said.

There have been concerns that China’s continued engagement of Africa through bilateral trade and aid agreements might turn into Africa’s modern-day imperialist. During the conference, jointly organised by Friedrich Ebert Stiftung and Consumer Unity Trust Society, Prof Mwesiga Baregu of the University of Dar es Salaam, warned that unless Africa negotiates with world emerging powers like China with one voice, it could easily lose out in the long run. “If we don’t unite, we will only have ourselves to blame as even countries like China will start exploiting us,” Prof Baregu warned.

He said the problem was that whereas China seemed to have a clearly-defined agenda in its engagement with Africa, the continent does not appear to know how best to benefit from the engagement. He suggests that instead of just exporting raw materials to China and India in return for the dollar earnings, Africa could negotiate resource-for-technology deals with these rapidly growing economies. “This would seem feasible if only it would remove foreign exchange constraints on the transactions while providing Africa with the kind of technology - appropriate and relevant - that only these countries can provide,” he said.

According to Prof Rok Ajulu of the University of Witwatersrand, South Africa, whether China will or will not turn into Africa’s modern-day imperialist depends on how the continent plays its cards. “The emergence of China as a global player is worrying some people, but it is unstoppable. Africa must know how to deal with China,” Prof Ajulu said during the conference. One of the strategies Africa should employ, he suggested, is to add value to the products instead of exporting them as raw materials. “African countries export raw materials while China exports finished products to Africa. But African countries should realize that they cannot export raw materials forever and start adding value to their products,” he said.

Kenya’s Foreign Affairs Assistant Minister, Moses Wetang’ula, said that African countries must integrate to play a role and be relevant on the global scene. It is easier, he said, to negotiate as a bloc than as individuals.

## 5. Deepening Regional Integration

In his opening remarks, Moses Wetang'ula noted that for the East African Region to maximize opportunities in the emerging global order there was need to take stock of lessons learnt from some initiatives such as EAC and IGAD. He pointed out that the COMESA trade block should strive beyond the traditional Eastern Africa borders to maximize on the emerging opportunities and present a bigger market force for enhanced stakes in the global order. According to him,

### In a Nutshell

#### **STATUS QUO / CHALLENGES:**

- While pooling resources is generally seen as a good way to increase bargaining weight in the international realm, regional integration in Sub Sahara Africa is all too often an elite-led process.
- Political leaders often do lip service to regional interation when this promises national needs, but refuse to commit themselves when further integration means giving up some national sovereignty.
- On many levels of societies, prejudices, resentments and resistance towards further regional integration exist.
- Different processes of sub-regional integration are at times competing; an overarching integration paradigm is missing.

#### **WAY FORWARD FOR EASTERN AFRICA:**

- One crucial question that needs to be answered is whether regional integration can remain a market-led process, or whether it has to become a more political process, with a political union of sorts spearheading it. This includes the question whether the focus should be shifted from a promotion of cross-border trade to a promotion of a more comprehensive joint development agenda ('developmental regionalism').
- A priority should be to pool resources in international negotiations; both to overcome the capacity gap and to enhance the bargaining position by presenting and pushing for a joint agenda. The role of regional bodies in global governance needs to be clarified in particular.
- The idea of pan-African unity with the ultimate goal of a continental union government of sorts needs to be pursued further. AU initiatives to play a stronger role in international trade negotiations (EPAs, WTO) as well as in other aspects of global governance need to be supported and strengthened.

the lesson of the unfolding order is that the futility of going alone leads to nowhere and consequently one should brainstorm on how to make the region bigger, better and stronger in order to have a major impact. He emphasised that African countries should pool together their energies and resources. He regretted that the Eastern African countries, which are intertwined and connected, still negotiate alone in international fora instead of pulling together and developing a common position.

### **Mwesiga Baregu: Africa Must Unite or Die<sup>54</sup>**

In order to survive in the global system we must adopt a two pronged strategy. We must protect ourselves from the threats while building capacity to create opportunities. Both of these require that we pool our sovereign power in the shortest time possible through political unity. If the African Unity project has so far wobbled along owing to the perception that we have a choice to proceed slowly and gradually, that can no longer be defended in the light of the developments described above. The imperative of African unity has never been more urgent and clear. It is not affection, gain or hegemony that necessitates unity. What faces Africa is the threat to its very survival. If Nkrumah were writing his book today the title would read: *'Africa Must Unite or Die'*.

**“From our experience it ought to be realised that political union or pooled sovereignty is the only effective strategy to realising economic transformation – not the other way round.”**

Mwesiga Baregu

Regionalization in Africa has been around for quite some time without showing any meaningful results either in terms of promoting economic development or increasing political coherence. This is partly because the question of centralising political authority a la Nkrumah has been eschewed. So far the cart has been put before the horse. From our experience it ought to be realised that political union or pooled sovereignty is the only effective strategy to realising economic

transformation – not the other way round. It is only through this that regional planning and the creation of a new division of labour in Africa is possible. Trade integration must be replaced by production integration.

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<sup>54</sup> Excerpts from Prof Mwesiga Baregu's keynote address presented at the regional conference 'A Changing Global Order – Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Prof Mwesiga Baregu is Director of the Department of Political Science and International Relations at the University of Dar es Salaam, Tanzania.

## Rok Ajulu: The Case for State-led Developmental Regionalism<sup>55</sup>

The idea of developmental regionalism is a fairly recent development. An important element of it is the realisation that successful participation on the global economy may be achieved through membership of one or the other of a regional trading block. It is argued that individual economies like African economies lack the capacity to cope with the challenges of globalisation and therefore, they need to come together to enhance their bargaining power vis-à-vis MNCs, international financial institutions, developed nations, and of course, the institutions of global governance.

Regional trading blocks, it is argued, have the advantage of a larger market and therefore the attraction to global operators. Through regional blocks, states hope to control what they are not capable of achieving internationally. But more importantly, developmental regionalism, as Tsie argues,<sup>56</sup> is indisputably a state-initiated project, one which is embedded in the market economy, and an initiative through which the state seeks to regulate capitalism at the regional level because it has proved difficult to do so at the national level.

Developmental regionalism is thus an attempt to govern the market at a regional level. In the manner in which it is discussed here, it is important to emphasise, it is not state capitalism. The primary purpose of state intervention in a developmentalist state is to promote the interests of private sector to achieve certain national or, as in this case, regional goals. Private firms continue to run firms, according to the logic of the market, but subordinated to the broader logic of the political project of the region. The state has to provide the political leadership and economic incentives, bureaucratic regulation (credit, finance, taxation), and bureaucratic capacity, to prioritize those specific interests or sectors capable of achieving global competitive advantage.

**“If what we have said regional developmentalism is correct, then it follows that it requires a different alliance of class forces - democrats and patriots with deep sense of commitment to public good. Can the present horde of kleptocratic and predatory ruling elite be entrusted to carry this project through? ”**

Rok Ajulu

<sup>55</sup> Excerpts from Prof Rok Ajulu's paper "Eastern African Countries in a Changing Global Order: Strategies and Tactics of Engaging Global Architecture of Trade" presented at the regional conference 'A Changing Global Order – Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Prof Rok Ajulu is Associate Professor of Political Economy at the Department of International Relations of the University of Witwatersrand, South Africa.

<sup>56</sup> Tsie, B. (1999), *Exploring the Limits of the Possible: Developmental Regionalism in Southern Africa*, Department of Political Studies Seminar, Rhodes University.

The role of the state is thus focussed on providing concessionary assistance to those sectors of the economy considered capable of achieving dynamic comparative advantage. This is why Tsie in a recent paper argues that developmentalism of this type is not incompatible with globalisation. The two, he argues, are mutually reinforcing, but in ways which do not conform to the multilateralism of the WTO.

Historically developmental states have not often demonstrated adherence to democratic accountability, and this is a point we can debate. At the height of their successes, the Newly Industrialised Countries (NICs) were particularly notorious for their nasty authoritarianism, and kleptocratic tendencies. Despite impressive economic performance in the 1960s and 70s, and improvement in socio-economic indicators,<sup>57</sup> the question of accountable governance remains. Despite periodic elections, democratic accountability is only now gradually taking place. It begs the question whether indeed development and democracy can constitute two sides of the same coin. The question however is whether developmentalism in terms in which it was experienced in the NICs is possible any longer given the existing balance of forces internationally.

And this brings us to our final question: what type of state and political class is capable of driving a regional developmental project along the lines proposed here? And this probably is the biggest challenge confronting the project of regional developmentalism in East Africa. What is clear from the above analysis is that the project we have outlined above requires a particular kind of a state at the national and regional levels – A regional developmentalist state. Such a state is developmentalist because it sets as its mission as that of ensuring development. The state elite, he argues must be able to establish ideological hegemony so that the developmental project becomes a hegemonic project.

The developmental states of South East Asia were predicated on a certain kind of political leadership and elite - authoritarian ruling elite, largely corrupt, with equal measure of kleptocratic practices! But one which nonetheless established a hegemonic project, shared a degree of commitment to the 'national interest', and was thus capable of privileging the national interest above that of their narrow individual interests - a patriotic authoritarian ruling elite, for want of a better description.

The present crops of Sub-Saharan African ruling elite unfortunately have no such loyalties. Ours is a horde of kleptocratic and predatory crowd who have concentrated mainly in deploying public office for purposes of individual private accumulation. If what we have said regional

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<sup>57</sup> Hoogvelt, A. (1997), *Globalisation and the Post-Colonial World: The new Political Economy of Development*, London: MacMillan.

developmentalism is correct, then it follows that it requires a different alliance of class forces - democrats and patriots with deep sense of commitment to public good. Can the present horde of kleptocratic and predatory ruling elite be entrusted to carry this project through?

It is against this background that resurgence of 'new' regionalism is seen or rather should be seen as a defensive state strategy. It forms part of a broad response to the challenges of globalisation. Analysts have long recognised that most developing countries do not have the resources to cope with globalisation on their own. They need to pool their resources in regional arrangements which will allow them to collectively confront the daunting challenges of the global markets, and strengthen their bargaining power on the global stage. Given the far-reaching impact of globalisation, this has been seen not as a matter of choice but rather as an imperative. In other words, regional integration is meant to make it possible for weaker countries to engage and benefit from the global economy.

Thus, we have to acknowledge that the resurgence of the 'new' regionalism has been spurred on by the contemporary transformation of the global economy. Contemporary globalisation and its dislocative effects on societies at the marginal poles of global economy has provoked a Polanyian reaction – a 'second movement' to contain dislocations associated with a globalised penetration of the outer markets. It is in this sense that Bjorn Hettne<sup>58</sup> perhaps poses the question whether the 'new' regionalism is indeed an integral part of globalisation or whether it is a political reaction against that process. Grugel (2000) suggests that regionalism may be seen as a self-conscious strategy for competing within a globalised framework. Regionalism, he suggests, can therefore be a defensive or an offensive state strategy or it can combine both elements. The idea of regionalism as a defensive or an offensive strategy is one that strikes relevant resonance for a region East Africa.

It is equally important to point out that these new initiatives at economic integration are predicated on the assumption that engagement with the global economy is unavoidable. These efforts do not seek to 'de-link' participation from the global economy, but rather to engage with globalisation in ways that could benefit the weak and the poor. Because of this, it is commonly assumed that successful engagement with the global economy must be state-driven, in other words, these integration exercises must be aimed at governing markets at regional levels. This is seen as a viable – and perhaps the only possible path to sustainable development in the age of globalisation. It is this broad perspective that informs emerging thinking on how to craft new integration processes. [...]

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<sup>58</sup> Hettne, B. & Soderbaum, F. (1998), 'The New Regionalism Approach', *Politeia*, Vol. 17 (3).

To conclude this section therefore, I think we would be perfectly justified in arguing that the market led integration process is unlikely to be a viable option for East Africa. Conditions for its establishment do not exist in the region, and given the vast disparities between member states in East Africa, it would only serve to accentuate these differences and this would indeed be a recipe for a regional disaster. But while the development integration would seem the more appropriate option, it would require a greater degree of commitment from the member states, and this does not render it any easier to implement. In particular, this paradigm confronts member states with three distinct challenges:

- Requisite political will to confront the sensitive question of sharing sovereignty
- Willingness to reconfigure their state and create the 'activist state'
- Political boldness to confront the question of governing the market.

It does seem to me that in the revival of the East African Community, and the ongoing processes of fast-tracking political federation, member states have demonstrated a political willingness to move in this direction.

### **Gichinga Ndirangu: A Kenyan Case for a Stronger African Union<sup>59</sup>**

Since 2002, the AU has renewed momentum towards the evolution of more effective and accountable governance structures which has placed increasing demand to develop institutions and processes at the national level to advance a continental architecture rooted in peoples' popular participation.

The AU is fast establishing itself as an organ committed to enhancing democracy and accountable governance in Africa in sharp contrast to its predecessor, the Organisation of African Union. The creation of processes such as the African Peer Review Mechanism (APRM) continue to serve as useful checklists in measuring the commitment of individual countries to democracy and good governance. Kenya was among the first-set of countries to voluntarily submit itself to the APRM alongside Ghana, Mauritius and Rwanda.

This in part indicates the country's recognition of the strategic importance of the AU as it seeks to redefine new thresholds for Africa in the areas of democracy and good governance. Among

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<sup>59</sup> Excerpts from Gichinga Ndirangu's paper "Kenya's role and interests in the global order" presented at the regional conference 'A Changing Global Order – Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Gichinga Ndirangu works as a freelance consultant in economics.

some of the salient contributions of the AU in entrenching good governance and democracy was the recent adoption by Africa's Heads of a Charter on Democracy which binds governments to adhere to good practices on governance and democracy and provide an environment in which people can prosper based on respect for the rule of law and fundamental rights.

As a fast evolving and conscientious voice in Africa, the AU in many respects, represents an important emerging institution that is key in taking forward Kenya's strategic interests and aspirations. Kenya has already recognised the AU's importance and has increasingly moved to give national impetus to the policies enunciated by some of its organs. For instance, in relation to NEPAD, Kenya has outlined its core interests as addressing some of the factors constraining Africa's economic and political integration. "The main challenge facing Africa are persistent and increasing poverty, declining productivity in the real sectors and unemployment; poor infrastructure and the lack of an attractive and conducive environment for investment".<sup>60</sup>

**"It is clear that a new sense of commitment to critical continental organs is now established and the same impetus needs to drive the union government. "**

Gichinga Ndirangu

Some of the strategic processes that Kenya needs to be actively engaged in include the African Union proposal to establish a continental union government. [...] This proposal could be used to devise and implement developmental policies and programmes that are people-centred and rooted in the finest of African traditions, culture and values besides fostering a political culture based on respect for human rights and entrenching political reforms to widen the democratic space.

In addition, the fact that many African countries are confronted by many similar challenges such as endemic poverty, HIV and AIDS, an unwieldy external debt burden, limited exploitation and value addition of natural resources and commodity exports among others underlines the need for a united approach.

These are important thresholds and useful building blocs in realizing Africa's future and potential. The good news is that an increasing number of African countries are taking steps towards consolidating democracy. Multiparty democracy is increasingly the norm rather than the exception and constitutional reforms have helped deepen democracy in many countries.

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<sup>60</sup> Government of Kenya (2002), *Kenya's Approach to the New Partnership for African Development* .

Still, much more needs to be done to consolidate democracy – holding regular free and fair elections, recognizing political opposition, upholding the rule of law and independence of the judiciary among others. The moot point is that instruments that enhance accountable government and which can help advance continental unity must be tested.

Kenya, alongside other African governments must, therefore, show more commitment to continental institutions, including the union government proposal. It must be cautioned, though, that many African countries still show reluctance, unwillingness and limited faith in institutions established to consolidate Pan African unity, often because national and regional level unity is seen as more immediate and important.

**“Given the weakness of individual African countries, it is obvious that they need collective power through the regional bodies to be able to change both the orientation and the action of the global institutions. “**

Tarana Loumabeka

For instance, there are several countries which are yet to ratify the protocol establishing the Pan African parliament. The recently unveiled Peace and Security Council was bogged down by similar foot-dragging for many years as was the case regarding the creation of the African Court on Human and Peoples’ rights. It is clear that a new sense of commitment to critical continental organs is now established and the same impetus needs to drive the union government. This calls for a foreign policy well-suited and aligned to this objective.

It is in our interest that continental unity is entrenched and protocols that seek to deepen democracy and accountable government are affirmed. Continental unity will further strengthen ongoing economic integration efforts that seek to improve trade amongst African countries.

## **Tarana Loumabeka: The Role of the African Union in Global Governance<sup>61</sup>**

The African Union attaches great importance to the principle of good governance which is essential to meet the challenges of development. As we say, charity begins at home. Therefore, as it is present at global level to impact on global governance, it is also carrying out activities at regional and continental levels to ensure good governance.

<sup>61</sup> Excerpts from Tarana Loumabeka’s paper “Future of Global Governance – The Role of Regional Bodies in Global Governance” presented at the regional conference ‘A Changing Global Order – Eastern Africa’s Role and Interests’ on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Tarana Loumabeka is Senior Trade Policy Officer at the African Union, Addis Abeba, Ethiopia.

The objectives and principles of the African Union as enshrined in Articles 3 and 4 of its Constitutive Act emphasise the promotion of and respect for democratic principles and institutions, popular participation, good governance, the rule of law and human rights. In this regard, the AU participates in election observation in its Member States with a view to promoting democratic principles and strengthening democratic institutions on the continent in order to ensure the emergence of a democratic culture and popular participation. An African Charter on Democracy, Elections and Governance has just been adopted by Heads of State and Government in January 2007. This was followed in March 2007 in South Africa by an International Conference on Consolidating Africa's Democratic Momentum which demonstrates that the continent itself is eager to consolidate good governance. In this regard, it is proper to congratulate the Eastern and Southern region of Africa where in the majority of countries, elections are in general a smooth, free and fair process.

In the area of economic, corporate and socio-economic governance, Heads of State and Government of the AU adopted in July 2003 in Maputo the AU Convention on Preventing and Combating Corruption. The Convention which entered into force on 5 August 2006 emerged in the context of a growing international focus on anti-corruption as reflected at the global level in the UN Convention on Anti-Corruption. The AU has further put in place the African Peer Review Mechanism (APRM) under its NEPAD programme, The APRM is a mutually agreed instrument voluntarily acceded to by AU Member States as an African self-monitoring mechanism. It aims to put in motion a strategic re-orientation towards the validation of universal as well as African values and accelerate the process of intra-African cooperation and integration. Its mandate is to ensure that the policies and practices of participating countries conform to the agreed values in the following four areas of focus: democracy and political governance, economic governance, corporate governance and socio-economic development. To date, 26 countries have joined the process. These initiatives are a collective commitment of governments and civil society at the national, regional and continental levels.

Another objective of the Union is to establish the necessary conditions, which enable the continent to play its rightful role in the global economy and in international negotiations. Unfortunately, the institutions of global governance are dominated by the major powers. Indeed, many of them were even established before African countries gained independence. Given the weakness of individual African countries, it is obvious that they need collective power through the regional bodies to be able to change both the orientation and the action of the global institutions.

It should be pointed out that some actions of global institutions have adversely affected Africa in the past. These are the policy prescriptions of the World Bank and IMF that have contributed

to increase poverty in Africa. Among them can be mentioned in particular the Structural Adjustment Programmes which have led to cuts in national needs without any offset in the supply side. These programmes have caused stagflation in many countries and have magnified the phenomenon of pauperization in Africa. In addition, the market-oriented policies of these bodies obey the rules of the multilateral trading system and engender competition among players of unequal economic weight. Changing such orientations requires the intervention of regional bodies.

The AU is playing a vibrant role in that regard. It is to be recalled that the global governance bodies, for example the WB, the ADB and the European Investment Bank have resisted infrastructure development for a long time. Of recent, one can see a change in their attitude because of pressure exerted by member countries through regional bodies like the AU. Consequently, resources are being provided by the international financing institutions for infrastructure development at national and regional level. Similarly, a number of initiatives on debt are being put in place which although not perfect can be ascribed to the advocacy role played by member states under the coordination of regional institutions.



The role of trade as an engine of economic growth and instrument for the reduction of poverty has increased in the current era of globalisation. And yet, Africa is facing problems such as low level and unfair share of global trade, a non-balanced structure of trade due to deficiencies in the structure of its economies, lack of competitiveness and inadequacy of supply-side capacity. At the same time, the potential benefits of trade and globalisation for African countries have been severely limited by the existing structure of the multilateral trading system, which is characterized by unfair trade rules, imbalances against developing countries, trade distortions and subsidies, tariff escalation, non-tariff barriers and other obstacles that are introduced by the multilateral trading system. To achieve a more development-friendly global trade regime, in which trade can serve as a more effective instrument of economic growth and human development, African countries, under the coordination of the African Union, have been participating actively in the current Round of WTO negotiations on the Doha Work programme.

African countries, under the umbrella of the AU, have been pressing for the reform of the multilateral trading system and their efforts cumulated in the acceptance that the Doha agenda be development-oriented. The AU facilitates the formulation of common positions by its member states by bringing together regularly the government decision-makers, the private sector, civil society and even partners. If the negotiations succeed, Africa would have gone a long way in improving global governance in the area of trade.

Similarly, Africa has been locked up for a long time in partnership with the European Union in non-reciprocal preferences without any improvement in its share of trade and especially its supply capacity. The Regional Economic Communities have now engaged in the negotiations of Economic Partnership Agreements (EPAs) which if concluded on Africa's terms, will hopefully contribute to development. The negotiations are structured within negotiating groups which the AU has the mandate to coordinate.

In spite of its abundant natural resources, Africa does not have the ownership of its riches. It is supplying the rest of the world with strategic resources like gas and oil but other governance bodies have been managing those resources in the past for their own growth without backing the efforts of the continent aimed at promoting the local transformation of those resources. Now, both OECD countries and the emerging powers rely on the exploitation of those same resources to guarantee the growth of their respective countries. However, following the partnership that Africa is engaging with China and India who are competing with OECD countries for the same resources to boost their flourishing industries, the OECD countries are now cooperating with Africa to find new ways of managing those resources. In this regard, they convened in February 2007 a conference called Big Table 2007 where such issues were discussed. The African Union Commission seized the opportunity of the Big Table to put emphasis on the

fact that African natural resources constitute important assets that can respond to the challenges of poverty and sustainable development and that the wise and effective management of those resources would allow Africa to lay the foundation for its sustainable development. Therefore, there is an urgent need for transparency and joint management of natural resources, hence the necessity for all African producer countries and TNCs of developed countries to adhere to the Extractive Industries Transparency Initiative (EITI), to the Kimberley process and obligation for China and India to also adhere to these principles. The AU believes that the Kimberley process should also be extended to other metals. The Big Table was an informal forum but the AU is taking up the issue of management of natural resources formally with all stakeholders and present an Action Plan to the next Summit.

On the political arena, Africa has been championing the reform of the UN system because the power structure within that organisation is heavily in favour of permanent members of the Security Council. The AU has formulated among its members a common position on the UN reform called the Ezulwini Consensus. It calls for a definite need to democratize the system by including representatives of the third world, including at least two from Africa which is not represented at all in the Security Council. In March this year, the AU met the five facilitators appointed by the UN Secretary General on the Security Council reform issue and as in previous sessions, it was reaffirmed that Africa was the only region that could aspire to legitimate regional representation. In addition, the AU is insisting that the UN give more attention to development problems. It is also fighting for more voice and African representation in both World Bank and IMF because, after all, developing countries are the main targets of programmes of these organisations and should have a say in their running and management. Similarly, the green room process under the WTO is opening up with pressure from Member States under the coordination of the AU.

If the reforms within the global governance bodies are undertaken, they will lead to better global governance and more sensitivity to concerns of developing countries.

## 6. Engaging more Stakeholders

Political and economic actors in Eastern Africa frequently complain about the impact of globalisation, yet they hardly engage in a discourse on how globalisation and global governance can be shaped differently. There might be at least three major reasons: Firstly, international issues are low on the political agenda and do not score any points in political disputes. Dealing with international affairs is largely being left to the respective ministries. Strategies on managing globalisation and international relations are hardly ever subject of political debates. Also civil society, including private sector associations and trade unions, do not appreciate and engage in such discourse. This might be due to the second reason, a severe lack of capacity and knowledge about those international issues. This, again, might also be attributed to a third worrying trend noted by the participants of the conference: a general climate of 'anti-intellectualism' in the African public sphere.

### In a Nutshell

#### **STATUS QUO / CHALLENGES:**

- The discussion about both regional integration and the institutional and ideological reform of the international system is almost entirely left to the ministries concerned. There is little public debate and little political will to prioritize regional and global engagements. With political will being a function of political interest, the lack of important stakeholders' involvement in the debate seems a core problem.
- Civil society organisations, private sector associations, trade unions and political parties seem to lack interest in global affairs, which might also be due to their lack of knowledge and experience in that area.

#### **WAY FORWARD FOR EASTERN AFRICA:**

- Promoting think tanks that can generate crucial data and analysis is one thing; the more important thing is for the relevant stakeholders to be curious enough to actually use these resources. Within crucial interest groups, on an individual and collective level, the willingness to read and deepen one's knowledge needs to be sparked.
- Political will to make foreign policies a priority cannot be created; what can be created by civil society, trade unions and private sector organisations, however, is public interest in specific aspects of international affairs and any one's country's engagement in regional and global governance. Pressure on political actors and governments in particular to concern themselves and actively shape international relations has to be built up.



### **Mwesiga Baregu: The Reinvigoration of Society<sup>62</sup>**

All the prior phases of Africa's history over the last five hundred years have been driven by external forces and promoted the interests of those forces. The crucial question, this time around, is whether Africa will seize the opportunity to shape and drive its own future to serve its own interests. [...]

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<sup>62</sup> Excerpts from Prof Mwesiga Baregu's keynote address presented at the regional conference 'A Changing Global Order – Eastern Africa's Role and Interests' on 14<sup>th</sup> June 2007. A copy of the paper is available upon request. Prof Mwesiga Baregu is Director of the Department of Political Science and International Relations at the University of Dar es Salaam, Tanzania.

[What we need is a] reinvigoration of society. As external dependence has grown national leaderships have abandoned long-term visions that can give their people hope and confidence in the future. As national societies have disintegrated African societies have lost collective creative energy. This has resulted in cynicism and desperation towards social development. Politically populations have become demobilized and largely quiescent. Democratisation alone is not succeeding in reinvigorating the people. Indeed, in some countries, the democratisation project is either stalled as in Kenya or in reversal as in Tanzania. In some communities some of the energy that could be channelled into creative activity has been turned inwards towards self-destruction as is the case in Burundi. In other situations polarized communities are at loggerheads in a Darwinian struggle for survival with dwindling resources. The conflict in Darfur, for example, carries an element of struggles between pastoralists and farmers. These conflicts which are repeated across the region, are symptomatic of the general crisis in resource access and utilization.. In brief the combination of deepening poverty, resource depletion, social fragmentation and community polarisation has fuelled many of the conflicts in the continent. Legitimate government by consenting citizens is being replaced by minimalist rule of law and outright coercion. Africa needs a vision that can reinvigorate the people, restore hope and confidence give them a sense of direction to brave the future.

**As external dependence has grown national leaderships have abandoned long-term visions that can give their people hope and confidence in the future. As national societies have disintegrated, African societies have lost collective creative energy. This has resulted in cynicism and desperation towards social development. "**

Mwesiga Baregu

## 7. Conclusion

So far, Eastern Africa has not yet found ways to fully reap the promised benefits of 'globalisation'. In fact, Eastern Africa is not even fully integrated into the world economy. In the same vein, systems of global governance are being perceived more as 'Northern' rather than truly 'global'. Hence, for Eastern Africa, three major goals in the global arena must be:

1. To have a fair say in global governance, which requires fair representation in international institutions that allow for just, democratic and transparent decision making processes, as well as sufficient national capacity to engage in these processes. The reform of the WTO and progress in the Doha Development Round is a priority here, as well as a strengthening of the UN and the attainment of the MDGs.
2. To have a new paradigm (a new 'Consensus') informing the decisions of international institutions, allowing for a proper development-oriented management of global flows of goods, services, capital and ideas/technology, in order to make globalisation beneficial for the South.
3. To have sufficient room within this international system to design and implement national and regional strategies to mitigate globalisation's negative effects and exploit opportunities for development, e.g. through industrial policies, and to shape crucial bilateral relations, as those to emerging powers of the South.

Initiating and managing change is a daring task in any organisation, not to mention in the complex system of global governance. One will always meet resistance of those who are benefiting (or: who think they are benefiting best) from the status quo. But despite this external resistance, there are at least three 'internal' problems Eastern Africa has to solve, before it can effectively lobby for the necessary reforms:

1. Comprehensive national development strategies are missing in Eastern Africa. Hence, also on the regional level, there is no clearly defined agenda that would supplement and harmonise the national development plans and strive towards some sort of regional policy coherence. If one does not know where to go, one cannot know how to shape the greater environment in order to reach there more easily. There are hardly any coherent plans to actively shape and reform foreign relations (e.g., the increasingly important relations to emerging powers like China) and the international system as a whole.

2. The lack of comprehensive strategies is due to a lack of political will to design those. This again can partly be explained by the lack of interest and engagement of crucial stakeholders, such as trade unions for example. These interests groups fail to force their political leaders to concern themselves with international issues, and they fail to push the management of globalisation onto the national agenda.
3. The lack of involvement can, again, be explained by the fact that on all levels, knowledge about international developments is missing. Hence there are hardly any ideas on how to shape globalisation and international relations. Partially, this might be explained by a lack of education and capacity throughout all sectors. But also amongst the well educated and determined opinion leaders and decision makers, not even the analyses, ideas and concepts that are already out there are sufficiently being perceived and discussed: Throughout the public and political sphere, a 'culture of reading' is missing, and a 'culture of anti-intellectualism' is rising.

The publication at hand defines the goals and illustrates the problems mentioned above, but only scratches the surface when it comes to specific strategies and priorities. Hence, a lot remains to be done; for instance, the following questions need to be tackled in greater depth, by all relevant stakeholders and interest groups – first on a national, later on the regional level:

1. Does Eastern Africa have the right systems and institutions in place to address the global challenges? Are appropriate technologies available, and if not, how can those be transferred?
2. Why is there not more debate about international affairs, the management of globalisation and any country's foreign and trade policies? How can crucial stakeholders be activated and motivated to contribute analyses and ideas? What can be done to spark curiosity and a 'culture of reading' in the political sphere?
3. What are key pillars of suitable national development strategies against the background of global competition? Which niches in the global economy do Eastern African economies want to develop into, how are they planning to integrate in the world economy? What are the responsibilities of the state in those development strategies; what state interventions are needed; how can the state assume a more active role? What are the policy priorities for national governments? Are current governments up to the challenges?
4. On a regional level, how can the overlap of those national development strategies be explored and gradually be increased? How can policy coherence be attained? What are key elements of a joint regional development agenda?

5. In what areas does Eastern African regional integration need to be deepened to push this agenda? In which set-up? What aspects of national sovereignty shall be ceded to regional bodies? How can regional integration become a more politically led process?
6. In the same vein, what aspects shall be handled on the pan African level? In what areas shall the African Union be strengthened and enabled with regards to issues of external relations and global governance? Which of the existing AU initiatives shall be supported, in what fashion?
7. What is the joint strategy of (Eastern) African states to engage new global powers such as China? How can these rapidly deepening relations be shaped and opportunities be exploited? Specifically, how can mutually beneficial joint ventures and resource-for-technology deals be designed and mutually respected social, environmental and good governance standards be agreed upon and enforced?
8. In global institutions, what are the most urgent challenges? In particular, what are (Eastern) Africa's specific priorities in the reform of the United Nations and the WTO, and in the Doha Development Round in particular? What are the joint interests that (Eastern) Africa can push for collectively?
9. How can (Eastern) African states pool their bargaining power and capacity more effectively in those international institutions, in order to gain impact? What role should regional bodies play in global governance and international relations? Which existing initiatives of regional bodies such as the AU to coordinate the voices of Africa are worth supporting, what others are needed? Where and how shall sub-regional bodies such as the EAC come in?
10. What external alliances can be forged? In particular, how can emerging powers of the South like China be held accountable to the rhetoric of South-South cooperation, and be turned into allies in global governance processes? How can existing multilateral fora of the South, like FOCAC, help in that respect?

Questions like these need to be debated seriously by the various sectors of society, and joint strategies to integrate into the world economy and the system of global governance need to be developed. Only then one will be able to find a positive answer to the crucial question: Will Africa seize the opportunity to shape and drive its own future?

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Participants of the Regional Workshop “A Changing Global Order – Eastern Africa’s Role and Interests” held 14th/15th June 2007 in Naivasha, Kenya; organised by CUTS Nairobi & FES Kenya

# Notes

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Regional and global trends and developments are increasingly impacting on nation states, and different forms of cross-border interaction (flows of goods, services, finance, people, and ideas) are becoming increasingly intertwined. Systems to govern these trends and global challenges are under pressure: Both the traditional institutions of global governance and the ideologies and paradigms they are based on are increasingly being challenged. New powers like China are emerging and traditional and new alliances of formerly marginalised developing countries demand their share in global governance.

Following a regional workshop held in Kenya in June 2007, the booklet at hand offers Eastern African perspectives on these developments, and aims at provoking some debate about how Eastern African countries can work towards a better integration into the world economy and into the complex system of global governance.