World Trade Organisation fails Africa again

• ATTACKS AGAINST MULTILATERALISM LIKELY AT MINI-MINISTERIAL IN INDIA
The African continent is mostly reported as a land of poverty, civil strife and endless lines of begging hands. Problems facing the continent are portrayed and communicated mostly by foreign eyes through the monopoly-controlled news media.

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What next for Africa after another disappointing WTO Ministerial?

The eleventh World Trade Organisation (WTO) Ministerial Conference (MC11) ended last December, in Buenos Aires, Argentina, with no clear mandate on almost all the issues that members took to Argentina especially issues of interest to Africa such as agriculture and development which were blocked by developed countries, writes *Sylvester Bagooro.

At the close of the Ministerial, the Chair, Minister Susan Malcorra of Argentina, summarized the outcome of the ministerial conference as follows: guidelines on future work on fisheries subsidies, renewal of the moratorium on electronic transmission duties and moratorium on Non-Violation and Situation Complaints of the Intellectual Property Rights Agreement (IPRA). She also noted the lack of progress on most of the issues tabled at the Ministerial and announced the formation of informal working groups on each of the following: e-commerce, investment facilitation and Micro, Small and Medium Enterprises (MSMEs).

The moratorium on electronic transmission of goods allows goods to be imported electronically without duties charged on them. That of the IPRA allows, for example, government to take measures of public interest such as issuance of compulsory licenses on health grounds, enforcing proper packaging on harmful products, among others, without being challenged at the WTO even if the measures are consistent with TRIPS obligations.

Though these decisions are of interest
to the generality of the WTO members and while African countries will benefit from them, they do not compensate for the failure to address the issues of specific challenge and interest to Africa.

The demands of Africa over the years have been about addressing the imbalances within the Multilateral Trading System. Hence the Africa Group, long before the ministerial called on the WTO to demonstrate real commitment to its purported stance on development especially for the most vulnerable members and regions. These demands were, again, re-echoed in the morning prior to the official opening of the ministerial by Africa Trade Ministers.

First and foremost, a proposal was tabled to address the imbalances in the Agreement on Agriculture. One of the areas under this agreement has been the huge domestic support given, mostly, by developed countries-US, EU, Japan to their farmers. For instance, total notified domestic support by the US in 2014 stood at one hundred and forty-six (146) billion US dollars, that of the EU in 2012/2013 was one hundred and thirty (130) billion US dollars and Japan’s stood at thirty-three billion (33 billion dollars). These subsidies normally lead to artificial lowering of prices of agriculture commodities in the global markets and wreaking havoc on African producers.

A clear example is the United States. The US is the world’s largest exporter of agricultural commodities globally according to a new research by the Institute for Agriculture and Trade Policy (IATP). In fact, in 2015, according to this new research, the U.S. was exporting major agricultural commodities at dumping-level prices: corn at 12 percent below production costs, soybeans at 10 percent, cotton at 23 percent, and wheat at 32 percent and rice at 2 percent. Thanks to the imbalances in the WTO. However, throughout the Ministerial, the US blocked all attempts to have any progress in the area of agriculture. At the collapse of the conference, the US Trade Representative said, “We are proud to defend the interests of U.S. stakeholders at the WTO, including our farmers and ranchers…”

Secondly Africa negotiators, called for an effective, easy-to-use Special Safeguard Mechanism (SSM) as a trade remedy instrument to protect farmers from import surges and low-priced imports. The SSM constituted an important part of the promises offered to the developing countries at the Doha Ministerial. It is a protection/safeguard measure for developing countries to take contingency restrictions against agricultural imports that are causing injuries to domestic farmers. However, its design and use has been an area of conflict since the Doha Ministerial where developing countries were given concession to adopt it. At MC11 this too was deeply frozen and not much was heard of it.

In fact, its counterpart, used by most of the developed countries, is the Special Safeguard Provision (SSG). This allows these countries, despite all the huge subsidies, also to regulate influx of imports. Its invocation is also automatic. This was obtained in the Agreement on Agriculture, adopted during the Uruguay Round. The Round of Negotiations leading up to the establishment of the WTO. Still in the area of Agriculture, India supported by Africa, tabled a clear demand for permanent solution for Public Stocking Holding (PSH) that would allow developing countries to buy food for security purposes. In 2013, at the ninth Ministerial conference in Bali, Indonesia, a stop-gap measure in the form of a Peace Clause was reached. This insulates countries from being hauled before the WTO Dispute Settlement Body (DSB) for programmes that were in place before the ninth Ministerial pending permanent resolution.

At MC11 also there was no progress on PSH. As the Ministerial conference inclined towards collapse, surprised texts began to spring up. One of them was the draft text on agriculture on the second full day of negotiations which was drafted by only 7 countries together with the chair and sprang on other members. Secondly, the proposed text was far worse than the Peace Clause, which itself suffered from several problems such as onerous notification requirements, restriction to staple crops which itself is undefined, and that the relevant subsidy do not distort trade or adversely affect the food security of others. These almost impossible notification and safeguard conditions were all retained in the draft text.

To make matters worse, during the second full day of negotiations, the United States told other members it could not accept a permanent solution on public stockholding for food security purposes. That clearly blocked any meaningful progress on this issue.

Other important demands of Africa was Special and Differential Treatment (S&DT) to enable Africa take measures to deal with the imperatives of structural economic transformation. S&DT is a preferential treatment accorded countries in trade relations, due to the asymmetrical nature of capacities, needs and development. But special and differential treatment within the Multilateral system underwent a radical change from a development instrument to merely an adjustment tool especially during the Uruguay round of trade negotiations. So, Africa is calling for real S&DT and relaxation of some of the rules in the WTO.

A clear example is the Trade-Related Investment Measures (TRIMS) which prohibit governments for requiring the purchase or use by an enterprise of domestic products. That is restriction on local content requirement. But this is necessary for building linkages in the domestic economy especially in most African countries where local content policies are being designed.

So, in July 2017, the Group of Ninety consisting of the Least Developed Countries (LDC), Africa Caribbean and Pacific (ACP) and African Group (G90) formally presented a proposal on Development, which included, among other things, relaxation of the TRIMS Rules, in the Committee on Trade and Development in Special Session (CTD SS). But this faced a lot of resistance at the committee level and at the Ministerial too, there was no progress.

At MC11 one African delegate, speaking to African CSOs, said ‘In the Uruguay Round developed countries, crafted rules that favor them and closed the door for developing countries. They have huge subsidies and also curtailed the policy instruments that are needed for development. ‘That is why the Africa
Group is calling for relaxation of rules in the area of Trade Related Investment Measures (TRIMS) and those governing Infant Industry.

**New Initiatives, approaches and implications for Africa**

As Africa continues the struggle for its issues of interest to be addressed, a new page of fight against negotiating mandate on new issues opened at MC11 with the formation of three informal groups on these issues. At the closing meeting of MC11, the Chair announced three informal initiatives on electronic commerce, investment facilitation and Micro Small and Medium Enterprises (MSMEs) proposed by some members.

The membership of these initiatives is worthy of note. The main proponents over the years had been developed countries. However, MC11 witnessed some reconfiguration where new entrants, including some African countries, contrary to the Africa Group’s explicit stance against these issues. Nigeria is a member of the working group on e-commerce and Investment facilitation. Liberia, Benin and Togo are in the Investment Facilitation Group and finally Kenya is in the informal working group on MSMEs. The implication of these issues on Africa’s development are profound.

First and foremost is the issue of e-commerce which became topical leading up to and during the Ministerial Conference. The point must be made upfront that Africa is not against electronic commerce. What has been the contention is the kind of rules being proposed in the name of e-commerce within the multilateral trading system? In other words, the attempt to pass-off rules making at the WTO as the benefits of e-commerce.

Before MC11 two models of liberalisation on e-commerce were tabled. The first being the 1998 work programme and the second was the set of new rules proposed by mostly developed countries. The former is based on the existing WTO Rules and how that could be fine-tuned to cover e-commerce. Africa and most developing countries support this model. That is adherence to the existing non-binding 1998 work program that requires members to explore e-commerce from all areas and not to engage in any proposals for negotiating rules and disciplines.

This, most African countries have argued that technology is evolving rapidly and characterised by uncertainties and so agreeing to any kind of binding rules in the multilateral system would be like a leap in the dark which could have disastrous consequences for people in the developing world especially Africa.

The second model, mainly by developed countries, calls for negotiating mandate for rules that would ensure free data flows, no localisation (no local servers in host countries), no disclosure of source code among others. These have sparked lots of debate on the grounds of how Africa and some other developing will develop their digital industry as well as security considerations.

Briefly on ‘no disclosure of source’, some have argued, for instance, that Governments may need access to source code in several situations such as procurement of critical infrastructure for example a nuclear power station to make sure it cannot be hacked or procurement of military technology or other sensitive products. This is because a number of governments have been concerned that several U.S.-based technology companies like Cisco and Apple may have installed so-called back doors into their products based on leaks by whistleblower Edward Snowden that exposed U.S. espionage activities across the world.

Again, free data flows would allow data whether sensitive or otherwise to leave the shores of countries and stored on foreign servers. Related to this is the issue where companies would not be required to set up local servers in host countries. This would, among other things, not lead to any technology transfer and that the proposed rules would not help Africa address the digital divide. In fact, in Africa 75 percent of the population do not have internet according to facts and figures from the UN International Telecommunication Union (ITU). The ITU stated that while the world is getting connected, international bandwidth is unequally distributed and that most developing countries continue to lag behind. More than half of the world’s population is not using internet notably 75 percent of people in Africa do not have internet. The current proposed rules bear no resemblance to solutions to the digital divide in Africa.

Rather, experts and analysts, see the proposed rules as a way of entrenching the business models of Google, Amazon, Facebook, Apple which are mainly US-based technology giants. That is using rules to ensure their continued monopolistic control and thereby curtail any competitor in the future.

So, prior to, and during the Ministerial conference, the Africa Group of Ambassadors and experts stated that although e-commerce can be used for development and has many benefits, the kind of rules being proposed at the WTO are not necessarily going to contribute towards development. Making of multilateral rules cannot be passed off as benefits of e-commerce. For instance, Va- hini Naidu, Counsellor at the South African Permanent Mission to the WTO,
stated that “cross-border-commerce is highly unbalanced in nature and monopolized by US-based technology giants and these developed without rules anyway”.

Second is the issue of ‘Investment Facilitation for Development’. Again, African countries are not against investment. In fact, they are interested in investment and investment rules that would aid Africa to address its development challenges. The proposals on the table, however, would deliver the contrary. Analysing the proposals tabled by the EU, US, Japan among others, African countries have sensed the return of the spirit and letter of the Singapore issues (Investment, government procurement, competition and trade facilitation) that led to the collapse of WTO ministerial in 2003 in Cancun. Of course, trade facilitation has been accepted now. Investment proposals then called for corporate-driven investor rights, such as national treatment, free flow of capital, pre-establishment rights, right of entry among others with draconian enforcement mechanisms. These were rejected at that Ministerial and attempts are being made to smugle them through the current investment facilitation proposals. The proposals at MC11 focused on capturing administrative processes, regulatory actions in to relation to investment-related policies. That is demands on sharing information to enable “stakeholders” to influence national investment policy making. This is intrusive on domestic policy making and a clamp on legitimate government policies.

To this the Africa Group opposed on grounds that such proposed investment facilitation rules do not recognize differentiated approaches that countries may take in managing regulatory processes, nor do they recognize constitutional and political differences at regional, sub-regional, national and sub-national governmental levels.

The third area, of which an informal working group was formed, is MSMEs. Again, it is important to state that African countries are not against the development of MSMEs. In fact, most African countries have recognized the importance of MSMEs in job creation and development in general and are focused on promoting the sector.

The Africa Group have argued that the issue of rules to facilitate trade for MSMEs and SMEs has been brought into discussions at the WTO in general terms without clarifying what types of multilateral rules could be relevant. Proponents have not defined companies falling under that category since MSMEs/SMEs in developed countries vary dramatically from those in developing countries and LDCs.

This is could be problematic and would rather entrench the dominance of large transnational corporations rather than support MSMEs. A clear example is Amazon.com. In the USA alone, Amazon.com has been responsible for causing an estimated 135 million square feet of retail space to become vacant (that is, about 700 empty big-box stores plus 22,000 shuttered Main Street businesses). This has a lot of implication for job creation.

So, Africa negotiators at the MC11 stated that multilateral rules that are currently proposed to address obstacles facing MSMEs in international trade are not yet clear, especially in terms of how such rules would address African MSMEs in the current global competitive environment given their basic constraints rooted in the structural impediments of Africa’s economies such as productive capacities and capabilities; lack of technology; access to finance among others.

Lastly, was domestic regulation in services. Domestic Regulation in services finds its mandate under Article VI.4 of the General Agreement on Trade in Services (GATS), where it requires Members to develop any necessary disciplines, to ensure that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services. So, this is not a new issue within the WTO. However new rules were proposed for negotiations.

The proposals on domestic regulation in services, demanded that any measure in the area of domestic regulation must be published to ensure ‘transparency’ and allow entities to comment and their interest taken into account. Also, the measure must be based on ‘objective criteria’, and be ‘reasonable’.

The new proposed rules suggest that before Africa adopt any laws and regulations, countries must first publish them in advance, with sufficient detail, to allow members and also non-state actors to determine whether and how their interests will be affected. In so doing countries must explain themselves, on the purpose and rationale for such law and/or regulation. In the event that those interests are affected, countries must allow them to comment and also consider their comments. This again, is an intrusion on domestic policy making in Africa.

Fortunately, the Africa Group stood its ground against any outcome on these issues. In fact, reacting to the outcome of the conference, an African delegate, who preferred not to be mentioned, said that, they had stopped intrusive rules to happen through e-commerce, investment facilitation, MSMEs and Domestic Regulation.

In the light of all these and the reconfiguration around the new issues Africa must assess its downside and benefits in relation to the WTO and take the following two measures: First, find enduring ways to ensure a unified front on all the issues being tabled at the multilateral space especially in the area of new issues where the following countries Nigeria, Kenya, Togo, Benin and Liberia have explicitly joined the informal working groups against the stance of the Africa Group.

Second, Africa, must make good use of the few trade instruments like export taxes and policy space that exist now within the current regime. Some of these, though, are being eroded by Free Trade Agreements and Bilateral Investment treaties.

Also trade and development activists and campaigners in Africa must begin to analyse the new areas that are emerging informed by Africa’s specifics so as to play an effective role in the contestation on the issues of concern to Africa and its development.

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Attacks against multilateralism likely at mini-ministerial in India

The mini-ministerial meeting on 19 March, that India is sponsoring and hosting, faces the prospect of an intensified attack against multilateral trade liberalization from the sponsors of plurilateral initiatives on electronic commerce and investment facilitation among others, warns *D. Ravi Kanth.*

India has convened the meeting to address agriculture and development issues set out in the Doha Work Program. However, the plurilateral sponsors attending the New Delhi meeting have their own plans to drum up support for their initiatives on e-commerce, investment facilitation, disciplines for micro, small, and medium enterprises (MSMEs), and trade and gender, according to people familiar with the development.

Ahead of the two-day ministerial meeting in New Delhi on 19-20 March of around 40 trade ministers from different groups, including all the industrialized countries, the plurilateral sponsors have intensified their aggressive campaign for launching discussions on their plurilateral initiatives at the World Trade Organization despite lack of multilateral approval.

Though failing to secure multilateral approval at the WTO’s eleventh ministerial conference in Buenos Aires on 12 December 2017, the plurilateral sponsors went ahead and announced their specific initiatives on electronic commerce, disciplines for MSMEs, investment facilitation, and trade and gender on 13 December.

The US, which endorsed the plurilateral initiative on electronic commerce at Buenos Aires, however chose to stay away from the initiatives on investment facilitation and disciplines for MSMEs, promoted by China.

In a similar vein, China and Pakistan chose not to join the plurilateral initiative on electronic commerce and trade.
and gender.

China, which has stated its commitment to the unresolved Doha issues, indicated its willingness to pursue new issues such as investment facilitation and disciplines for MSMEs.

Following the Buenos Aires meeting, trade ministers from select countries made their renewed pitch for plurilateral initiatives at the closed-door dinner meeting on 25 January (on the sidelines of the Davos World Economic Forum).

The WTO Director-General Roberto Azevedo also joined the plurilateral bandwagon at the dinner meeting, according to a participant who asked not to be quoted.

Surprisingly, Azevedo kept silent on the plurilateral initiatives when the sponsors, including the US, called for pursuing the plurilateral discussion on electronic commerce at the closed-door informal ministerial meeting the next day, hosted by Switzerland on the margins of the World Economic Forum meeting in Davos.

At that informal ministerial meeting, the US Trade Representative Ambassador Robert Lighthizer said that plurilateral initiatives are not suitable for rule-making in all areas except electronic commerce.

Ambassador Lighthizer suggested that the plurilateral initiative in e-commerce will be beneficial for all members, but remained stoically silent on the sharp concern expressed by the other participants at that meeting on the impasse created by the US at the Appellate Body over the filling-up of vacancies created by retiring members.

The US had already presented a "non-paper" on the electronic commerce work program almost two years ago in which it had set out the broad goals that must be accomplished at the WTO.

In its proposal (Job/GC/94 issued on 4 July 2016), the US had unveiled "a number of trade-related policies that can contribute meaningfully to the flourishing of trade through electronic and digital means."

China, however, remained silent on the plurilateral initiatives at the Davos meeting, emphasizing that members must respect their plurilateral obligations.

"The US administration, which is going to accelerate its safeguard actions on steel and aluminum products in addition to the recent safeguard duties slapped on solar cells and large washing machines, is in no mood for any multilateral work on agriculture and development."

India wants to focus on issues of agriculture and development but it remains moot whether it would be able to prevent the plurilateral sponsors from firing salvos from India’s shoulders.

At the last informal ministerial summit hosted by India on “Re-Energizing Doha - A Commitment to Development” in 2009, India issued a set of objectives aimed at "weaving them into a response of solidarity to move the multilateral process forward."

"This is what the Delhi meeting attempts to achieve ... it brings together groups from across the spectrum of interests and positions in the Doha negotiations, in a microcosm of the WTO itself, in a bid to give a determined push to the plurilateral process," India stated in a discussion paper issued for Senior Officials for that meeting on 2 September.

Given the near-wreckage brought about in the Doha trade negotiations by the US along with other industrialized and several developing countries over the past several years, culminating in the disastrous collapse of the Buenos Aires meeting, and in the face of aggressive push for plurilateral discussions on e-commerce and other issues, it remains to be seen how India will be able to bring about a consensus at the upcoming Delhi meeting to advance discussions on agriculture and development.

Moreover, the US administration, which is going to accelerate its safeguard actions on steel and aluminum products in addition to the recent safeguard duties slapped on solar cells and large washing machines, is in no mood for any multilateral work on agriculture and development.

In short, India faces a serious challenge to accomplish its multilateral objectives on agriculture and development at the upcoming meeting in New Delhi. Being the hosts of the two-day meeting, it faces a difficult task to ensure that the plurilateral sponsors are kept under check. Otherwise they will reinforce the perception that the WTO is not meant any longer for multilateral trade liberalization.

* Called from SUNS #8622
The policies set out in the US non-paper:

1.1. PROHIBITING DIGITAL CUSTOMS DUTIES: The complete prohibition on customs duties for digital products can ensure that customs duties do not impede the flow of music, video, software, and games so that creators, artists and entrepreneurs get a fair shake in digital trade.

1.2. SECURING BASIC NON-DISCRIMINATION PRINCIPLES: Fundamental non-discrimination principles are at the core of the global trading system for goods and services. Rules that make clear that the principles of national treatment and MFN apply to digital products can contribute directly to stability in the digital economy.

1.3. ENABLING CROSS-BORDER DATA FLOWS: Companies and consumers must be able to move data as they see fit. Many countries have enacted rules that put a choke-hold on the free flow of information, which stifles competition and disadvantages digital entrepreneurs. Appropriately crafted trade rules can combat such discriminatory barriers by protecting the movement of data, subject to reasonable safeguards like the protection of consumer data when exported.

1.4. PROMOTING A FREE AND OPEN INTERNET: A free and open Internet enables the creation and growth of new, emerging, and game-changing Internet services that transform the social-networking, information, entertainment, e-commerce and other services we have today. The Internet should remain free and open for all legitimate commercial purposes.

1.5. PREVENTING LOCALIZATION BARRIERS: Companies and digital entrepreneurs relying on cloud computing and delivering Internet-based products and services should not need to build physical infrastructure and expensive data centers in every country they seek to serve. Such localization requirements can add unnecessary costs and burdens on providers and consumers alike. Trade rules can help to promote access to networks and efficient data processing.

1.6. BARRING FORCED TECHNOLOGY TRANSFERS: Requirements that make market access contingent on forced transfers of technology inhibit the development of e-commerce and a flourishing digital economy. Trade rules may be developed to prohibit requirements on companies to transfer technology, production processes, or other proprietary information.

1.7. PROTECTING CRITICAL SOURCE CODE: Innovators should not have to hand over their source code or proprietary algorithms to their competitors or a regulator that will then pass them along to a State-owned enterprise. It is important to ensure that companies do not have to share source code, trade secrets, or substitute local technology into their products and services in order to access new markets, while preserving the ability of authorities to obtain access to source code in order to protect health, safety, or other legitimate regulatory goals.

1.8. ENSURING TECHNOLOGY CHOICE: Innovative companies should be able to utilize the technology that works best and suits their needs. For example, mobile phone companies should be able to choose among wireless transmission standards like Wi-Fi and LTE. Trade rules may play a role in ensuring technology choice by stipulating that companies are not required to purchase and utilize local technology, instead of technology of their own choosing.

1.9. ADVANCING INNOVATIVE AUTHENTICATION METHODS: The availability of diverse electronic signature and authentication methods protects users and their transactions through mechanisms such as secure online payment systems. Trade rules may assist in ensuring that suppliers can use the methods that they think best for this purpose.

1.10. SAFEGUARDING NETWORK COMPETITION: It is important to enable digital suppliers to build networks in the markets they serve or access such facilities and services from incumbents - whether landing submarine cables or expanding data and voice networks - to better access consumers and businesses.

1.11. FOSTERING INNOVATIVE ENCRYPTION PRODUCTS: Encryption is increasingly seen as an important tool to address protections of privacy and security in the digital ecosystem. Rules may be developed to protect innovation in encryption products to meet consumer and business demand for product features that protect security and privacy while allowing law enforcement access to communications consistent with applicable law.

1.12. BUILDING AN ADAPTABLE FRAMEWORK FOR DIGITAL TRADE: New and innovative digital products and services should be protected against future discrimination. Trade-based protections for services and investment should continue to apply as markets change and innovative technologies emerge, unless a specific, negotiated exception applies.

1.13. PRESERVING MARKET-DRIVEN STANDARDIZATION AND GLOBAL INTEROPERABILITY: Innovators should not have to design products differently for each market they seek to serve; that is why we have the global standards process, where industry leads and the best technologies win. Trade rules can help to ensure that countries cannot arbitrarily demand that less competitive national standards be forced into innovative products.

1.14. ENSUREING FASTER, MORE TRANSPARENT CUSTOMS PROCEDURES: The sorts of provisions contained in the WTO Trade Facilitation Agreement can make very direct contributions to digital trade. Administrative and at-the-border barriers can often be a bigger problem than tariffs for exporters of digital equipment.

1.15. PROMOTING TRANSPARENCY AND STAKEHOLDER PARTICIPATION IN THE DEVELOPMENT OF REGULATIONS AND STANDARDS: The development of new regulations and standards can pose a significant challenge to suppliers of information and communications technology, whose product cycles are short and whose regulatory environment is constantly evolving. A positive environment for e-commerce/digital trade entails strong commitments on transparency, stakeholder participation, coordination, and impact assessment for new regulatory measures, standards, and conformity assessment procedures.

1.16. RECOGNIZING CONFORMITY ASSESSMENT PROCEDURES: Conformity assessment procedures verify that products, including information and communications technology, meet required standards and technical regulations, but overly burdensome conformity assessment procedures can hinder such exports. “National treatment” in conformity assessment, so that testing and certification performed by one qualified conformity assessment body will be accepted as consistent with another Party’s requirements, can be an important means of facilitating trade in products relevant to the digital economy.
Stock market turmoil may expose flaws in global finance

Was the global stock market sell-off a couple of weeks ago, only a “correction” or does it signify a new period of financial instability, caused by major flaws in the world financial system, asks *Martin Khor.*

The IMF in session

The stock market turmoil has sparked concerns that the relatively good economic times in the past couple of years, at least in the developed countries, could be ending.

It is too early yet to understand what has just taken place or predict what comes next. It is widely agreed that a “correction” has taken place in the US stock market. But whether this is just a blip, or will progress to a crash, remains to be seen.

Some analysts say there is nothing to worry about as such corrections to over-valued markets are normal and soon there will be business as usual. Others are more pessimistic, with a few even predicting it is the start of the worst bear market ever.

The immediate trigger was the positive news on US jobs, prompting fears of wage increases and higher inflation that would pressurise the Federal Reserve to raise interest rates more rapidly. Higher interest has a negative effect on stock markets as they give an incentive to investors to put their money in alternatives, especially bonds.
But the larger reason for the sell-off is the jump in equity prices to record levels, caused by speculative investments not backed by fundamentals, and fuelled by the easy money policy that the US government pursued in the hope of stimulating economic growth. Some of the trillions of dollars pumped into the banking system by “quantitative easing” contributed to the stock market bubble.

Even though quantitative easing has ended and is being reversed, US stock prices continued to rise rapidly in January. It was a matter of time before a downturn occurred.

The stock market sell-off, if it continues, can have large repercussions on developing countries.

There is the domestic effect. Affected investors feeling they have less wealth will decrease their spending, affecting demand for goods and reducing GDP growth. Those that borrowed to speculate in the stock market may have debt-repayment problems. Companies may see their market capitalisation and asset values reduced as the prices of their shares go down. If the sell-off becomes more prolonged, banks start worrying about non-performing loans.

Then there is a complex of issues related to the interaction between developing economies with the global financial markets. The stock-market turbulence could affect global investor confidence in emerging economies, which are seen as riskier than the US.

In good times, a lot of short-term speculative funds flow from the developed countries to the developing countries in search of higher yield. But in times of global uncertainty, or if interest rates rise in the US thus providing higher returns to investors, the funds can rapidly flow back, often causing significant damage or even devastation to the host developing economies.

This boom-bust cycle of capital flows has been played out several times over the years. The boom in funds going to developing countries in the 1970s ended in 1982 with the Latin American debt crisis. The boom in the early 1990s ended in crises in East Asia, Brazil, Russia and Argentina. The boom in the early 2000s temporarily stopped with the global crisis in 2008-9 but resumed and has continued to now, with some sharp outflows in 2016 and early 2017 and a return of inflows since then.

It remains to be seen what effect the current stock market turmoil will have on capital flows.

A quite balanced view was given by Tokyo-based Mitsubishi UFJ Kokusai Asset Management, which oversees US$119 bil in assets. “We’re not going to see the type of euphoria we saw in emerging markets anymore,” said its chief fund manager Hideo Shimomura in an interview with Bloomberg agency. “We’re in a phase where investors are being given a reality check after a great run. That’s not to say inflows to emerging markets will reverse completely.”

In recent years the developing economies have become more open to external capital flows. This has resulted in new vulnerabilities and heightened their exposure to external financial shocks, according to several papers published by the South Centre and written by its chief economist Yilmaz Akyüz.

There has been a massive build-up of debt by their non-financial corporations since the 2008 crisis, reaching $25 trillion or 95% of their GDP. The dollar-denominated debt securities issued by emerging economies increased from some $500 billion in 2008 to $1.25 trillion in 2016, according to the Bank for International Settlements.

Moreover, the foreign presence in local financial markets has reached unprecedented levels, increasing their susceptibility to global financial boom-bust cycles. Foreigners now own a much larger share of government bonds and of the equities in the stock market of many developing economies. For example, in Malaysia, foreigners own about a quarter to a third of the value of government bonds and about a quarter of the value of equities in the Kuala Lumpur stock exchange.

Should there be net capital outflows from developing economies, their currencies may depreciate. When this happens, or when there is anticipation of this, the capital outflows may increase, in a vicious cycle. The depreciation will also make it more costly to service debt, and add to inflationary pressures.

While their vulnerabilities have grown, the countries have less resilience or capacity to prevent or counter a crisis if it happens, due to two reasons, according to the South Centre.

First, many of the countries have seen a significant deterioration in their current account balances and net foreign asset positions since the 2008-9 crisis. In most countries international reserves built up in recent years came from capital inflows rather than current account surpluses. The reserves could decrease significantly if foreigners decide to take their funds back, and they could be inadequate to meet large and sustained outflows of capital.
Second, the developing countries have limited economic policy options in responding to deflationary and destabilizing impulses from abroad.

Their fiscal space for countercyclical policy response to deflationary shocks is much more limited today than in 2009. There is also a significant loss of monetary policy autonomy and loss of control over interest rates as a result of their deepened global financial integration. Flexible exchange rate regimes adopted in many emerging economies since the last bouts of crises are no panacea in the face of severe and sustained financial shocks, particularly in view of currency risks assumed by their corporations.

“Most developing economies have not only lost their growth momentum but find themselves in a tenuous position with an uncanny similarity to the 1970s and 1980s when the combined booms in capital flows and commodity prices that had started in the second half of the 1970s ended with a debt crisis as a result of a sharp turnaround in the US monetary policy, costing them a decade in development,” says a South Centre paper by Akyüz.

“It would now be difficult for some of them to avoid international liquidity crises and even debt crises and significant loss of growth in the event of severe financial and trade shocks.”

In light of the South Centre analysis, the stock market turbulence could only be the tip of an iceberg of financial instability and vulnerability, with the developing countries in danger of being trapped in the grip of the flawed global system.

Ironically, this instability increased in recent years due to efforts by the developed countries to counter the effects of the 2008-9 crisis through easy money policies that fuelled more debt and bigger financial bubbles. These initiatives may have the unintended consequence of building up a new and perhaps bigger crisis.

*Martin Khor is the Executive Director of the South Centre. The article is taken from Third World Network Features.*
Big Food causes suffering

A handful of corporate giants control the global food and drink market. In his latest book, Thomas Kruchem calls this kind of multinationals “Big Food” and argues that they are actually making people sick even though they claim to be promoting a healthy lifestyle writes *Dagmar Wolf.

Big Food’s core business and main source of income is junk food, industrially manufactured and processed food. The products include lots of “empty calories” from fat and sugar, excessive amounts of salt as well as artificial flavours and colours. With junkfood sales stagnating in industrialised countries, Kruchem says companies are now aggressively marketing their products in emerging and developing nations.

Kruchem accuses the corporate giants of deceiving consumers. Their beguilingly attractive packaging, misleading TV commercials and nutritional claims appeal to parents’ desire to raise their children well, but actually encourages people to buy food that makes non-communicable diseases more likely. Advertising suggests processed foods are healthier than food prepared from fresh ingredients at home, which is plainly not true. Big Food also promotes processed food as better tasting, essential to a modern lifestyle and a convenient time-saver. It is often cheaper than fresh foods.

The substantial rise in junk food consumption has dramatic impacts on global health, as Kruchem explains in his book “Am Tropf von Big Food” (Adjacted to Big Food). Obesity levels have risen alarmingly. According to the World Health Organization (WHO), the number of overweight children has increased more than tenfold in the last 40 years; 124 million 5- to 19-year-olds are obese, and an additional 213 million are overweight. The share of overweight children will continue to rise with the expansion of Big Food.

These children face a range of health risks, the author emphasises. Excess weight has a negative impact on skeletal and muscle development, and dramatically increases a child’s susceptibility to diabetes, cancer and cardiovascular disease as an adult. Obese and overweight children also wrestle with psychological issues, such as low self-esteem, social exclusion and depression.

Worldwide, the diabetes rate has nearly quadrupled between 1980 and 2016. Today one in eleven adults is diabetic. Eighty percent of those affected live in developing countries, and the incidence is especially high in emerging markets such as India, China, Mexico and South Africa. According to Kruchem, this pandemic is completely overwhelming society and health-care providers in the countries concerned. Countless people in developing and newly industrialising countries suffer from diabetes-related complications such as cardiovascular disease, strokes and amputations. Patients tend to lack access to medical treatment. Chronically underfunded governmental health systems scarcely have the resources merely to treat acute illnesses.

Kruchem denounces giant corporations for roping international aid organisations (NGOs) into their schemes. In desperate need of funding, many NGOs have agreed to problematic partnerships with the multinationals and end up facing serious conflicts of interest. Food giants seek to reap the benefits of the “good reputation” of organisations such as UNICEF and the World Food Programme (WFP), for example. Big Food is also systematically co-opting board seats at the WHO and the FAO in attempts to broaden its influence on global health and nutrition policy, the author says.

Kruchem identifies the Global Alliance for Improved Nutrition (GAIN) as one of Big Food’s most powerful confederates that has opened the door to promising markets in poor countries. Created in 2002 and funded in part by the Gates Foundation, its mission is to fight malnutrition by focusing on nutrient-enriched food products. This approach has given industry the green light to market junk food enriched with dietary supplements as “healthy”.

Kruchem wants all kinds of stakeholders to contribute to a concerted effort to push back against Big food. He sees roles for consumers, civil-society organisations, governments, UN organisations, healthcare providers, educational institutions and scientists.

*The article is reproduced from Development and Cooperation (D+C).*
Big Tobacco woos African farmers with bogus promises of prosperity

The tobacco industry claims that tobacco-growing is essential to the livelihoods of millions of small-scale rural farmers in Malawi, Zambia and Kenya. Research shows that’s untrue, *Ronald Labonte, Donald Makoka, Jeffrey Drope and Raphael Lencucha* point out.

“We have more than 20,000 … small-scale farmers growing tobacco … the industry is critical in reducing poverty levels.”

Or so says an official with the Zambian Development Agency who we interviewed for our study on the political economy of trade, tobacco control and tobacco farming.

He was not alone in this opinion, a common refrain we heard in all three of our study countries (Kenya, Zambia and Malawi). It is one that dominates the trade, development and finance ministries of many low-income, tobacco-growing countries.

With tobacco use down in most high-income countries, Africa is one of the new battle sites of Big Tobacco’s efforts to grow its consumer base, partly by fighting every government attempt to comply with the WHO’s Framework Convention on Tobacco Control (FCTC).

While still making spurious claims that such control measures violate trade agreements, one of the tobacco industry’s other key lobbying arguments is that tobacco growing is essential to the livelihoods of millions of small-scale rural farmers.

We set out to answer that question in our three sub-Saharan African
countries, chosen for their varying reliance on tobacco as an agricultural crop and source of export revenues (Kenya the least, Malawi the most, Zambia in the middle).

Our detailed survey of more than 1,800 small-scale tobacco farmers focused on the overall well-being of their households, but one issue particularly intrigued us: Did growing tobacco really provide them the livelihood Big Tobacco and their governments claimed?

Paid in cash

Our study found that one of the reasons farmers grow tobacco is that they are paid in cash by tobacco leaf companies at the end of the season. Not all crops offer this sort of a guarantee.

“Contract” farmers are given an additional incentive. They work under contract to leaf-buying companies that supply them with everything they need at the start of the season — seeds, fertilizer, pesticides and so on — and guarantee a purchase (but not the actual price) at the end of the season.

Independent farmers, on the other hand, must buy their supplies using borrowed or saved money, and take their chances that there’s a buyer at season’s end.

There are only a few leaf-buying companies that control the purchasing market. It’s no surprise, then, that both types of farmers complained about the lower-than-reasonable price they are eventually paid for their crop, while contract farmers have the inflated costs of their pre-season supplies deducted from their take-home cash.

It’s one thing to ask tobacco farmers how much they earn in a year (what they sell their crop for minus what they pay for their seed, pesticides, fertilizers, etc.), and quite another to estimate the unpaid family labour that goes into tobacco growing.

Family members unpaid

Tobacco is one of the most labour-intensive crops grown in sub-Saharan Africa.

Any reasonable estimate of how dependent farmers are on tobacco for their family livelihoods should account for the family’s unpaid efforts, which we did by carefully calculating the total hours of (adult) family labour spent growing tobacco.

We monetized this time using the lowest wage these family members might otherwise have earned by, for example, working to help other rural farmers grow or harvest their crops. We called the first estimate (crop sold, pre-season supplies deducted) farmers’ “perceived profit per acre” and the second, deducting the value of the unpaid family labour (converted from local currency to US dollars for ease of comparison), their “profit per acre adjusted for household labour.”

Across our three countries the differences were dramatic. See below:

The differences between perceived and adjusted profits were striking, and especially for contract farmers.

In Kenya, contract farmers lost
money once their family labour was calculated.

Zambian farmers fared even worse, with both groups losing substantially when adding in all the unpaid hours of their family members. Contract farmers were actually reporting losses even before estimating their family’s free labour.

Malawian farmers did a little better, with contract farmers still posting a net gain even when accounting for their family workers.

In later focus groups, these farmers explained that there was a lot of pressure on them to work only under contracts, with the slightly better returns for contract farmers being used as incentives.

Even so, their profits were far below the average rural income in the country, and were worse than those for other cash crops (such as soya and paprika) for which there was comparative data.

**Who’s really profiting?**

It can be argued that monetizing unpaid family labour in a context of high unemployment and endogenous and extreme poverty is chimerical.

But then so, too, are the huge profits and wealth that big global tobacco companies derive from the unpaid, or simply just ill-paid, efforts of tobacco farmers.

In 2011, the year we started our study, British American Tobacco (BAT) and Imperial Tobacco posted profit margins of 34% and 39% respectively. In 2015, the salary and bonuses for the BAT CEO topped US$10 million; for the Imperial CEO it still came in at US$5 million.

Just whose livelihood is tobacco farming supporting? Feel free to draw your own conclusion.

*Ronald Labonte is Professor and Canada Research Chair, University of Ottawa, Donald Makoka is Research Fellow, Development Research, Lilongwe University of Agriculture and Natural Resources, Jeffrey Drope is Professor in Residence of Global Health, Marquette University and Raphael Lencucha is Assistant Professor of Occupational Therapy and Health Governance, McGill University. The article is from the Conversation.*
Applying double standards is wrong

Tax havens are the spider in the web of tax avoidance, and the international community has officially declared to fight them. However, a coherent and effective policy on tax havens is still a long way off writes *Tobias Hauschild.*

**Tax havens attract assets and profits.** They offer a mix of extremely low tax rates, bespoke tax incentives and financial secrecy. They thus permit the avoidance of fair taxation – at the expense of the citizens of poor as well as rich countries. Blacklists are an important instrument to tackle them. But at present, they are not being used in a way that would put tax havens under real pressure. The G20 summit in Hamburg, for instance, approved a blacklist proposed by the Organisation for Economic Cooperation and Development (OECD) that contained just one country: the Caribbean island state of Trinidad and Tobago.

The EU now promised to do better, and published its own tax-haven list. On 5 December 2017, European finance ministers agreed on a blacklist that contains 17 countries and jurisdictions. Another 46 are on a so-called "grey list". These are countries that are currently considered tax havens but have committed to reform their systems.

Fears that the EU blacklist might end up virtually empty – and thus a complete farce – were unwarranted. Indeed, the list includes most of the 35 countries and jurisdictions that need to be blacklisted according to Oxfam researchers who applied the EU criteria. But weaknesses are apparent. The EU assessed countries on the basis of three key criteria:

- **Tax transparency,** which particularly includes willingness to exchange information with other administrations,
- **Fair taxation,** which means that they do not grant harmful tax breaks, and
- **Implementation of the OECD’s Base Erosion and Profit Shifting (BEPS) standards.**

Whether taxes are levied at all is not a criterion. A zero-percent tax rate does not necessarily mean that a country is a tax haven. The EU blacklist thus failed to follow its own criteria. For instance, Switzerland, home to many financial institutions, is not on the list.
not automatically mean that a jurisdiction is considered a tax haven; it is just one of many indicators. This point highlights a major challenge in international policymaking. Countries with extremely low tax rates keep driving the ruinous race to the bottom in international taxation, but this impact is still not regarded as a fundamental problem.

Most of the countries on the EU blacklist are small, and many of them are located in the Caribbean. The list is not consistent. That it includes countries like Mongolia and Tunisia is baffling indeed. The main reason is that these countries fail to meet the transparency criterion, as they do not participate in the international exchange of information. What is being ignored is that their tax administrations simply do not have the capacities to comply with international standards. Middle- or low-income countries should only be listed if they actually engage in harmful tax practices.

It is striking that many heavyweights among the world’s tax havens – Switzerland and Bermuda, for instance – are merely on the grey list. This is because the EU says it has secured commitments from them to reform. However, the precise nature of those commitments remains unclear. The EU needs to disclose details of the reforms agreed and press for prompt implementation. The grey list must not be a “long-term lifeboat”. Countries that fail to introduce prompt and substantial reforms should be put on the blacklist. To have a serious impact, moreover, the list also needs to be linked with measures such as levying taxes on financial flows to tax havens.

Another weak point of the EU stance on tax havens is that it ignores EU members. Oxfam reckons that, according to the criteria now set by the EU, Malta, Luxembourg, the Netherlands and Ireland should also be on the list. If the aim really is to shut down tax havens, it does not make sense to apply double standards.

The blacklist is merely a first step. The EU must next consolidate the list by identifying the real tax havens, and it must put pressure on them. It needs to make its assessment reasons more transparent and, above all, recognise that very low and zero tax rates are an important criterion. Countries that depend heavily on their status as tax havens deserve support for developing sustainable business models. And the EU needs to intensify the pressure on its member states to end harmful tax practices within its own borders.

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South Africa: inequality is extreme and still Rising

*A new report says that South Africa’s dual economy is among the most unequal in the world.

South Africa is one of the most unequal countries in the world. In 2014, the top 10% of earners captured two thirds of total income. This contrasts with other high-income inequality countries such as Brazil, the United States and India where the top 10% is closer to 50–55% of national income. However, unlike other highly unequal countries, the divide between the top 1% and the following 9% in South Africa is much less pronounced than the gap between the top 10% and the bottom 90%. The average income among the top 1% was about four times greater than that of the following 9% in 2014 (for comparative purposes, the top 1% in the United States earn seven times more than the following 9%), while average income among the top 10% was more than seventeen times greater than the average income of the bottom 90% (it is eight times more in the United States). It is then only logical that the income share of the top 1% is high, capturing 20% of national income, though this is not the largest share in the world.

The South African “dual economy” can be further illustrated by comparing South African income levels to that of
European countries. In 2014, the average national income per adult among the richest 10% was €94,600, at purchasing power parity, that is, comparable to the average for the same group in France, Spain or Italy. But average national income of the bottom 90% in South Africa is close to the average national income of the bottom 16% in France. In light of these statistics, the recently debated emergence of a so-called middle class is still very elusive. Rather, two societies seem to coexist in South Africa, one enjoying living standards close to the rich or upper middle class in advanced economies, the other left behind.

South Africa is an exception in terms of data availability in comparison with other African countries. The period for which fiscal data are available starts in 1903 for the Cape Colony, seven years before the Union of South Africa was established as a dominion of the British Empire, and ends in 2014, with some years sporadically missing, and noticeably an eight-year interruption following the end of apartheid in 1994. As is often the case with historical tax data series, only a very small share of the total adult population was eligible to pay tax in the first half of the twentieth century. Therefore, the fiscal data from which we can estimate top-income shares allows us to track the top 1% income share since 1913, but only cover the top 10% of the population from 1963 (with a long interruption between 1971 and 2008).

With important short-run variations, the evolution of income concentration over the 1913–1993 period seems to follow a very clear long-term trend. The income share of the richest 1% was more than halved between 1913 and 1993, falling from 22% to approximately 10%. Not only did the income share attributable to the top 1% decrease, but inequality within this upper group was also reduced. Indeed, the share of the top 0.5% fell more quickly than the share of the next 0.5% (from percentile 99 to percentile 99.5). Consequently, while the top 0.5% represented about 75% of the top 1% in 1914, by the end of the 1980s, their representative proportion fell to 60%.

Despite the extreme social implications of the first segregationist measures that were implemented in the early 1910s, these policies did not lead to large increases in income concentration among the top 1%. This was also a time in which South Africa progressively developed its industrial and manufacturing sector, enjoying notable accelerations in the 1930s that were to the benefit of the large majority of the population. Aside from a brief fall during the Great Depression, average real income per adult then increased steadily.

During the Second World War, national average continued to follow its previous trend, but the average real income of the richest 1% took off. As a consequence of the demand shock during the war, the agricultural export prices boomed, the manufacturing sector more than doubled its output between 1939 and 1945, and profits for the foundry and engineering industries increased by more than 400%. However, the wage differential between skilled/white and unskilled/black workers remained extremely large. As C.H. Feinstein described, “black workers [were] denied any share of the growing income in the new economy they were creating.”

In contrast, income growth in the 1950s was more inclusive, as average real income per adult increased by 29% between 1949 and 1961, while the average real income of the top 1% slightly decreased. By 1961 the income share of the top 1% had fallen to around 14%. In the 1960s, both averages grew approximately at the same rate such that inequality remained relatively constant. Following 60 years of successive increases, national average income was almost four times greater by the early 1970s than in 1913. Inequality resumed its downward sloping trend from 1973, but this also marked a period of overall income growth stagnation in South Africa until 1990 that culminated in a three-year recession.

For the first time in the previous 90 years, gold output started falling. Richer seams were exhausted and extraction costs increased rapidly. The industry that was once the engine of the economy started to weaken. Increases in oil prices and other commodities accelerated inflation dramatically, averaging about 14% per year between 1975 and 1992. In the 1980s, international sanctions and boycotts were placed on South African trade as a response to the apartheid regime, adding further pressure to that created by domestic protests and revolts, and contributed to the destabilization of the regime in place. White dominance was challenged on both economic and political grounds, to which the ruling government progressively made concessions, recognizing trade unions and the right to bargain for wages and conditions; this could partly explain why the average real income per adult of the top 1% decreased faster than the national average.

There are no fiscal data to estimate top-income shares for the eight years that followed 1993. However, joining up the data points to the next available figure in 2002 suggests that income inequality has increased sharply between the end of apartheid and the present, even if the magnitude of the increase must be taken with caution, as the estimates in these two periods may not be totally comparable.

The income share of the top 1% increased by 11 percentage points from 1993 to 2014. Part of the increase from 1993 to 2002 should come from changes in the tax code. In particular, before 2002, capital gains were totally excluded, which is very likely to downward bias the share of top-income groups. Also, the tax collection capabilities seem to have increased substantially in the last years. That being said, household survey data for the years 1993, 2000 and 2008 research has demonstrated that inequality increased significantly during the period for which we have no fiscal data.

At first, it might seem puzzling that the abolishment of a segregationist regime was followed by an aggravation of economic inequality. The establishment of a multiracial democracy, with a new constitution and a president of the same ethnic origin as the majority of the population, did not automatically transform the inherited socio-economic structure of a profoundly unequal country. Interracial inequality did fall throughout the eighties and nineties, but inequality within race groups increased: rising black per capita incomes over the past three
Income inequality in South Africa

- South Africa stands out as one of the most unequal countries in the world. In 2014, the top 10% received 2/3 of national income, while the top 1% received 20% of national income.
- During the twentieth century, the top 1% income share was halved between 1914 and 1993, falling from 20% to 10%. Even if these numbers must be qualified, as they are surrounded by a number of uncertainties, the trajectory is similar to that of other former dominions of the British Empire, and is partly explained by the country’s economic and political instability during the 1970s and 1980s.
- During the early 1970s the previously constant racial shares of income started to change in favor of the blacks, at the expense of the whites, in a context of declining per capita incomes. But while interracial inequality fell throughout the eighties and nineties, inequality within race groups increased.
- Rising black per capita incomes over the past three decades have narrowed the interracial income gap, although increasing inequality within the black and Asian/Indian population seems to have prevented any decline in total inequality.
- Since the end of Apartheid in 1994, top-income shares have increased considerably. In spite of several reforms targeting the poorest and fighting the segregationist heritage, race is still a key determinant of differences in income levels, educational attainment, job opportunities and wealth.

“The establishment of a multiracial democracy, with a new constitution and a president of the same ethnic origin as the majority of the population, did not automatically transform the inherited socio-economic structure of a profoundly unequal country. Interracial inequality did fall throughout the eighties and nineties, but inequality within race groups increased.”

decades have narrowed the black-white income gap, although increasing inequality within the black and Asian/Indian population seems to have prevented any decline in aggregate inequality. In explaining these changes scholars agree in that the labor market played a dominant role, where a rise in the number of blacks employed in skilled jobs (including civil service and other high-paying government positions) coupled with increasing mean wages for this group of workers.

Since 1994, several redistributive social policies have been implemented and/or extended, among which important unconditional cash transfers targeting the most exposed groups (children, disabled and the elderly). At the same time, top marginal tax rates on personal income were kept relatively high and recently increased to 45%. However, in spite of these redistributive policy efforts, surveys consistently show that top-income groups are still overwhelmingly white. Other studies further demonstrate that such dualism is itself salient along other key dimensions such as unemployment and education. Furthermore, wealth, and in particular land, is still very unequally distributed. In 1913, the South African parliament passed the Natives Land Act which restricted land ownership for Africans to specified area, amounting to only 8% of the country’s total land area, and by the early 1990s, less than 70 000 white farmers owned about 85% of agriculture land. Some land reforms have been implemented, but with seemingly poor results, and it is likely that the situation has not improved much since, although precise data about the recent distribution of land still needs to be collected.

Given this socio-economic structure, the interruption of the international boycotts in 1993 might have more directly favored a minority of high skilled and/or richer individuals who were able to benefit from the international markets, which therefore contributed to increasing inequality. Furthermore, the implementation of the Growth, Employment and Redistribution (GEAR) program in 1996, which consisted of removing trade barriers, liberalizing capital flows and reducing fiscal deficit might also have contributed, at least in the short run, to enrich the most well off while exposing the most vulnerable, in part by increasing returns to capital over labor and to skilled workers over unskilled workers.

The rapid growth experienced from the early 2000s until the mid-2010s was essentially driven by the rise in commodity prices and was not accompanied with significant job creation as the government hoped it would. The income share of the top 1% grew from just less than 18% in 2002 to over 21% in 2007, then decreased by about 1.5 percentage points and increased again in 2012–2013 as prices reached a second peak. The fact that these variations closely mirror the fluctuation in commodity prices suggest that a minority benefiting from resource rents could have granted themselves a more than proportional share of growth.

Lastly, it should be stressed that the top 1% only represents a small part of the broader top 10% elite which is mostly white. While the share of income held by the top 1% is relatively low as compared to other high inequality regions such as Brazil or the Middle East, the income share of the top 10% group is extreme in South Africa. The historical trajectory of the top 10% group may be different to that of the top 1%–potentially with less ups and downs throughout the 20th century. Unfortunately, at this stage, historical data on the top 10% group does not go as far back in time as for the top 1% group.”

- Called from AfricaFocus Bulletin an independent electronic publication providing reposted commentary and analysis on African issues. AfricaFocus Bulletin can be reached at africafocus@igc.org.
Inside the EU’s flawed $200 million migration deal with Sudan

Without addressing the root causes of migration, only corrupt government officials and traffickers are benefiting from criminalising migrants, reports *Caitlin L. Chandler.*

As millions of dollars in EU funds flow into Sudan to stem African migration, asylum seekers say they are increasingly trapped, living in a perpetual state of fear and exploitation in this key transit country.

In interviews with over 25 Eritrean and Ethiopian asylum seekers in Khartoum and the eastern city of Kassala, as well as local journalists, and lawyers working on behalf of refugees, IRIN has documented allegations of endemic police abuse, including extortion, violence, and sexual assault.

The pattern of corruption and rights violations uncovered feeds into broader concerns over whether the EU’s migration policies are making a difficult situation worse.

Across Sudan’s capital, Khartoum, some 30,000 Eritrean, Ethiopian, and other African refugees are crammed into decrepit, non-descript houses, waiting for their chance to escape the country and make it to Europe.

Sudan’s previously porous northern border with Libya has become increasingly dangerous to cross after Sudanese President Omar al-Bashir deployed the former Janjaweed – a paramilitary group implicated in war crimes during the Darfur conflict – in 2015 as border guards.

This militia, re-named the Rapid Support Forces (RSF) and integrated into Sudan’s army in January 2017, arrests asylum seekers and hands them over to the police, who detain, fine, and deport them for illegal entry – regardless of whether returning them to their coun-
tries will result in torture or imprisonment.

A history of migration

Sudan has long been a transit country for Eritreans and others on the move, as well as a country people flee from.

Sudan’s increasing criminalisation of refugees and migrants, as well as conditions in Libya, where the EU backs the Libyan coastguard to capture refugees at sea and return them to detention centres, have contributed to a steep drop in the number of people arriving in Italy.

In 2016, 40,773 refugees and migrants from the Horn of Africa arrived in Italy; in 2017, only 8,688 people made it.

Yet young Eritrean men and women in Khartoum and Kassala told IRIN they had no intention of remaining in Sudan, despite being aware of the risks of using smugglers to take them through Libya and Egypt, where they can experience torture and death.

Some said they would wait for new, safer routes to open, while others were working as maids and daily labourers to raise enough money to start the journey as soon as possible.

“When I came from Eritrea, I was kidnapped for two weeks. I didn’t know where I was, and I was raped many times. So, nothing [worse] will happen to me. All of us left our families behind,” said a young Eritrean woman in Khartoum.

“We’ll take the risk of going to Europe.”

Over the past two years, the EU has allocated more than $200 million in migration-related funds to Sudan, part of its broader strategy to outsource migration control to third countries.

EU financing for border management includes training and equipment for border police, capacity building for the judiciary, and legal reforms to encourage increased arrests and prosecution of traffickers and smugglers.

This support is despite the fact that the Sudanese government has for years been condemned for its human rights record – al-Bashir has an outstanding arrest warrant for crimes against humanity issued by the International Criminal Court.

The EU sidesteps accusations it is working with Sudan’s repressive security apparatus by arguing that it doesn’t fund the government directly, rather it funnels its aid through international organisations, including UN agencies.

But these EU partners are willing to work with controversial arms of the Sudanese government.

For example, the UN refugee agency, UNHCR, confirmed to IRIN it has provided motorbikes in Kassala to the National Intelligence and Security Service (NISS) – a spy service responsible for the arrest, torture, and detention of human rights activists and the government’s political opponents.

Extortion and abuse

In densely populated Khartoum neighbourhoods like al-Geraif and al-Daim, groups of 10 to 15 Eritrean refugees live in sub-divided shanty houses. Rooms are occupied by entire families or as many as eight single young men and women at a time.

Many rely on donations from family members abroad to afford food, children’s school fees, and other basic expenses. Those without family support are destitute, eating only one meal a day, without access to proper sanitation or medical care.

Filmon, 21, arrived in Sudan in November 2016 from Ginda, Eritrea. He shares a dirty, cramped room with five other young men. Until recently, it lacked a latrine.

“If in Khartoum is very hard. I don’t get enough money or good work and it’s not a safe area,” he told IRIN. “I’ve been asked [by the police] about my cards, my refugee card, regularly. I think about going to Europe through Libya – I have no choice,” he said.

Although Sudan has a policy that refugees must live in camps, the majority of Eritreans either stop in them just long enough to claim asylum status and collect an identification card, or head directly for Khartoum. Many have travelled with smugglers, and some have experienced trafficking, violence, and sexual assault crossing into Sudan or once inside.

In Khartoum, they find a prison of a different kind. Refugees report being terrorised by the police, who enter their neighbourhoods – sometimes in the middle of the night – and extort and detain people for not having ID cards. Cash and valuables are routinely stolen.

Sara is a bubbly young Eritrean woman who attends henna training classes. She told IRIN how she was arrested on the street for not having her refugee card, and at the police station was offered a choice: “If you want to be free, you will have sex with us.”

Sara, who was 17 at the time, narrowly avoided being raped because her 19-year-old female companion went with the policemen instead.

Feeding corruption

Each month, police funnel hundreds of refugees and migrants through courts in Khartoum, where they are charged with violating Sudan’s Passport and Immigration Act and fined the equivalent of $360.

If they do not pay the fines, they are deported to their home country, usually without having the opportunity to consult a lawyer or claim asylum, even though some may have experienced violence, torture, and other acts in Sudan or in their home countries that could qualify them.

Hundreds of Eritreans have been extradited over the past two years, including some who were registered as refugees. Deporting an asylum seeker back to the country they fled from and where they face persecution is known as refoulement, and it is a violation of the UN Refugee Convention.
Lawyers working to represent refugees in court before they are extradited describe a justice system that is just as corrupt as the police force.

“In many cases the traffickers are let go because they have police officers as [defence] witnesses,” said Khalid, a lawyer working in Khartoum. “There are trials where 250 refugees are arrested, and each one is fined. It happens so fast — the process of being arrested, the trial and the conviction — and the judge and the police force responsible get a cut of the money. These judges are the same ones who were trained by the British embassy.”

The Khartoum Process
Europe’s focus on curbing migration from Sudan began in November 2014, with the launch of the Khartoum Process — a dialogue between the EU and Horn of Africa countries to combat trafficking and smuggling. It initially emphasised protection and human rights, but in operation its focus has been a law enforcement response to migration.

In 2015, Brussels created a special pot of money — the EU Emergency Trust Fund for Africa — to assist the Khartoum Process in addressing the root causes of migration and fighting trafficking and smuggling.

An Oxfam analysis found that of the €400 million allocated through the fund, only three percent went towards developing safe and regular routes for migration. The bulk was spent on migration control. Police Lieutenant General Awad al-Neel Dahiya, head of the Ministry of Interior Passports and Civil Registry Authority and a key interlocutor for the EU’s migration efforts, believes the focus has justified.

“As a matter of fact, we have very long borders — 7,000 kilometres plus,” he told IRIN. “Compared to our resources, it is very difficult to control — maybe we can be assisted by technology, so we can control the influx, as well as those going out — whether its Sudanese [people or people from] other countries passing through Sudan.”

But Sudanese specialists say the EU is operating on the flawed assumption that the government is sincere in wanting to end the lucrative trafficking business.

“There is a lack of political will from the Sudanese government to fight trafficking,” Rifat Makawi, another lawyer in Khartoum, explained. “Creating new policies and drafting laws is just done by the government to please Western countries. On the ground, nothing changes.”

A recent report from the Regional Mixed Migration Secretariat noted that despite the flurry of anti-smuggling and trafficking efforts, new smuggling routes continue to open across the Horn, with Eritrean and Sudanese smuggling networks gaining influence.

One estimate puts the profits of the smuggling business on the northwestern route from the Horn of Africa to Europe at approximately $203 million in 2016.

An uncomfortable alliance
The EU’s interest in managing migration has precipitated a sharp shift in how member countries engage with Khartoum. For years, European governments avoided dealing with al-Bashir because of the ICC arrest warrant and his rights record, but there has been something of a sea change.

The UK is now engaged in a biannual “strategic dialogue” focused on migration, trade, and counter-terrorism. Italy has signed a policing agreement on trafficking, irregular immigration and terrorism; and Norway is discussing an agreement to facilitate easier deportation of Sudanese asylum seekers. Belgium recently allowed Sudanese security officials to vet asylum-seekers; those who were then deported back to Sudan were detained, interrogated and tortured.

Michael Aron, the UK ambassador to Sudan, said the EU can influence police behaviour through dialogue. “There are people we talk to in the police who are definitely trying to do the right thing,” he explained. “We should be helping the good guys so they can increase their influence over decision-making and gradually get the situation more under control.”

Meanwhile, over the past three years, the Sudanese government has made it clear it expects the EU to provide funds and equipment for its migration control efforts.

The head of the RSF, Mohamed Hamdan, regularly boasts about the RSF’s role in assisting the EU. He recently told Al Jazeera: “[The EU] lose[s] millions in fighting migration, that’s why [it has] to support us.”

The EU ambassador to the Sudan, Jean-Michel Dumond, rejects criticism of Europe’s relationship with Khartoum. “We have been accused of all the sins of the world, and it’s quite clear we have never cooperated with the RSF — we have no link,” he told IRIN. “[EU] aid is given [under] very clear conditions.”

Meanwhile, former border control officials from European countries are arriving in Khartoum as consultants, replacing development experts in some international agencies. One of the latest EU-funded projects is a Regional Command Center in Khartoum (ROCK), to be run by Civipol out of the Sudanese police training compound.

“The migration issue is becoming like the Darfur crisis, it’s a business,” said Fatima, a Sudanese journalist covering migration who also pointed to the creation of numerous new government charities that have started turning up at migration-related meetings. “Everyone wants a piece of the pie,” she added.

“Where to keep them?”
Yusef, an Eritrean refugee, tried to head to Europe in 2014 via Libya, but was returned to the Sudanese border by a militia in Libya. There, he was arrested, along with hundreds of other refugees.

The Sudanese border guards brought Yusef to the northern town of Dongola that now serves as an informal detention facility for refugees captured at the border.

On the three-day journey, Yusef alleges that over 50 people died from lack of food, water, and medical care. Their pleas for help went unanswered. “We told them our friends are dying, they are thirsty, hungry, suffering. They don’t protect you,” he told IRIN.

In Dongola, Yusef was kept in a large compound along with hundreds of other people. Eight Bangladeshi men in the facility paid and were immediately released, along with a number of Somalis and Sudanese. But the Eritreans and
Ethiopians were detained for a month. Yusef said he counted nine people who died due to lack of medical care. Representatives of the UN visited – a team of four foreigners with an Eritrean translator – and told the inmates that if they had a refugee card they could go back to the Shagarab refugee camp in eastern Sudan, or else they would be deported.

Yusef had a refugee card but did not trust the UN or the Sudanese government to protect him. To avoid being sent back to Eritrea, where he could likely face torture and imprisonment, Yusef claimed to be Ethiopian. He was deported to Ethiopia, and crossed back into Sudan a few weeks later.

**Monitoring from afar**

The EU is now planning to work in Dongola through its flagship Better Migration Management project, a $46 million regional programme run by the German Agency for International Cooperation (GIZ), in partnership with the International Organization on Migration (IOM), Italian police and Civipol, a consulting wing of the French ministry of interior, among other organisations.

“The proposal came from us, because we have nowhere to keep people,” said Dahiya, the head of Sudan’s Ministry of Interior Passports and Civil Registry Authority. “Every month we have to intercept almost 100 or sometimes 500 irregular migrants; we have to process their return and their protection – it gives us real challenges – where to keep them?”

According to the UK ambassador, BMM will set-up a centre in Dongola to help receive the arrested refugees and migrants. But it’s not clear how human rights abuses will be monitored, especially somewhere where there are no international NGOs or observers at present. Martin Weiss, the BMM project head in Germany, insists the programme aims to protect migrants.

“BMM is not about border surveillance, but about protecting refugees, facilitating migration, and improving conditions for people who are fleeing their homes,” he wrote in an email. “At present, many refugees are vulnerable to violence, slavery or rape. We want to provide an effective response to the problem.”

But the EU and its partners don’t appear to have a viable strategy to mitigate human rights abuses. In the case of the BMM project, the EU and GIZ claim that its steering committee – composed of the European Commission, Germany, UK, France, Italy, and the Netherlands – oversees human rights risks remotely from Brussels.

“The steering committee has a clear view of what is possible and what is not possible,” said Dumond, “and we don’t think there is a big risk [of human rights violations as a result of EU funding].”

He added that EU officials frequently go on mission in Sudan to assess conditions first-hand.

But such visits are tightly controlled by the government and the security services. When IRIN visited Shagarab, for example, police and NISS officers followed, transcribing every interview.

The EU and GIZ also declined to show country specific budgets for Sudan for the BMM programme. That opacity is a way to escape “accountability and scrutiny”, explained Giulia Laganà, a migration specialist at the Open Society European Policy Institute, via email.

**Rethink needed**

The situation Yusef faced in Eritrea forced him to leave. Stricter border controls did not deter him in striving for a better life, and neither did the rights abuses he encountered. Yet there is no indication the EU is open to adjusting its migration management strategy in the face of mounting criticism that its approach in Sudan is not only ineffective but also causing harm.

“The real root causes of migration are very complex,” said Dumond. “You cannot hope to address all these problems and have quick solutions in a few months.”

But a new report from the International Refugee Rights Initiative, The Strategic Initiative for Women in the Horn of Africa (SIHA), and The Centre for Human Rights Law at SOAS, University of London, argues that a re-think is urgently needed.

“As barriers are created without sufficient alternatives being offered, people are taking greater and greater risks and journeys are becoming increasingly dangerous,” the study found. “The only people benefitting … are the smugglers and traffickers.”

*Caitlin L. Chandler is a Longform and investigative journalist focused on human rights and reported from Sudan with a fellowship from the International Reporting Project (IRP)*
Forgotten war: a crisis deepens in Libya but where are the cameras?

As Libya crisis escalates and UN and AU search for solutions, the media is missing in action.

By Lansana Gberie

Perhaps no major political or humanitarian disaster is as overlooked as the ongoing crisis in Libya. For example, although the New York Times in September 2017 published a total of seven articles mentioning Libya, only one of them touched on the violence ripping it apart. Even the Times’ gesture merely highlighted the latest permutation of the US government’s foreign military decisions.

The article, by Eric Schmitt, cited the Pentagon’s Africa Command and stated that the United States military had carried out a half-dozen “precision strikes” on an Islamic State training camp in Libya, killing 17 militants in the first American air strike in “the strife-torn North African nation” since Donald Trump was inaugurated as president.

Two of the Times’s September 2017 articles on Libya are about the Trump administration’s travel ban, which affects Libyans, among others. One is about Libyans seeking asylum in Germany only to find “hatred,” and the other is about the threats, including racism and violence, that sub-Saharan African migrants using Libya as a route to Europe face in that country.
Contrast the current media coverage of Libya with that of the period just before the NATO military action that led to the squalid death of Libyan president Muammar Gaddafi. In February 2011 alone — a month before the US, Britain and France began bombing that country to oust Mr. Gaddafi — the New York Times carried well over a hundred articles on Libya. One editorial, on 24 February 2011, confidently asserted that “unless some way is found to stop him, Gaddafi will slaughter hundreds or even thousands of his own people in his desperation to hang on to power.”

However, months after the dictator’s enemies, aided by Western powers, had overrun the country, the same paper ran a telling story by veteran correspondent Rod Nordland entitled “Libya Counts More Martyrs than Bodies.” “Where are the dead?” he asked, referring to the mass killings that Mr. Gaddafi had been accused of planning. No evidence of such killings was to be found anywhere in the country.”

The late Libyan leader, Gaddafi

Here’s what is currently happening in Libya, which is unlikely to be covered in corporate media. On 28 August 2017, Ghassan Salamé, the special representa-

The components of the GNA still compete for authority, legitimacy and control over state resources and infrastructure. In effect, there are still two competing, even warring, governments in the country, and there is no leader commanding anything approaching national clout, let alone support or legitimacy.

Oil production in Libya reached 1 million barrels a day in early October 2017, far below the 1.6 million it produced before the crisis. Mr. Salamé said that the “impression of a now well-rooted political economy of predation is palpable, as if the country were fuelling its own crisis with its own resources to the benefit of the few and the frustration of the many.”

When a convoy of UN personnel was attacked with gunfire and rocket-propelled grenades on 28 June 2017 by militant groups in the country, Mr. Salamé reported that the active “presence of ISIS, Al Qaida-affiliated terrorist groups, foreign fighters and mercenaries, the trafficking of arms and the cross-border black market economy are challenges which extend across Libya’s borders and impact its neighbours and the wider international community.” Yet this was not a major news item in mainstream US media.

In June, UN investigators reported
that terrorists, militants, mercenaries, and partisans have been targeting the two “governments” in the country, as well as residential areas, with improvised explosive devices, causing the death and injury of many civilians. The investigators reported summary executions of civilians, mass killings and bodies found with “bullet wounds and signs of torture.”

Kidnappings are routine, and so is the “arbitrary detention and torture of journalists and activists involving Haytham al-Tajuri, the commander of the Tripoli Revolutionaries Brigade. Armed groups affiliated with the National Salvation Government were involved in several cases of kidnapping and torture,” the investigators stated in their report.

Thousands have perished in the near-anarchic violence that these multiple groups and their foreign backers perpetuate, and an estimated 435,000 of Libya’s population of just over six million are internally displaced.

September ended with the report of the killing of 26 people and the wounding of 170 by rival armed groups in the city of Sabratha after two weeks of fighting.

In October, CNN reported slave trading in Libya, with a footage of black Africans being auctioned for around $400 each. The footage caused the African Union (AU) chairman, president Alpha Conde of Guinea, to demand prosecutions for crimes against humanity. He condemned the resurgence of a “despicable” trade “from another era.”

**Why no action?**

So why isn’t the world focused on Libya following the humanitarian catastrophe it has become since Mr. Gaddafi’s death? Last year the United Nations high commissioner for human rights estimated that more than 9,000 people were detained without trial in the country. Sectarian killings are now commonplace, black migrants are brutalised and in some cases summarily executed by militia groups, and last year a report by the United Nations high commissioner for human rights estimated that more than nine thousand people were being detained without trial in facilities operated by the Ministry of Justice and the Department for Combating Illegal Migration of the Ministry of the Interior. It is now clear that those who ousted Mr. Gaddafi wanted a regime change but were unprepared for its consequences.

The latest Security Council resolution on Libya, adopted on 14 September, made a point of reiterating support for the GNA “as the sole legitimate government of Libya, with Prime Minister Fayez al-Sarraj as the leader of the Presidency Council.”

The resolution also expressed the Security Council’s “strong commitment to the sovereignty, independence, territorial integrity and national unity of Libya,” a country that, before its so-called revolution in 2011, was one of Africa’s most influential states, a prime actor in the transformation of the Organisation of African Unity into the AU.

Writing in the March/April issue of the journal Foreign Affairs, Ivo Daalder, then the US’s permanent representative to NATO, and James Stavridis, then supreme allied commander Europe, described NATO’s operation in Libya as “a model intervention” that “succeeded in protecting...civilians” from an impending genocide. In fact, it provides a cautionary tale for trigger-happy humanitarians and those the British journalist Simon Jenkins once called “sofa strategists and beltway bombdiers.”

**African Union’s role**

Libya’s ongoing problems raise questions about the role of the AU, of which Libya was once a prominent member. At the height of NATO’s bombing of Libya, in July 2011, Mauritania’s foreign minister Hamady Ould Hamady briefed the UN Security Council on the AU’s position.

Mr. Hamady spoke about the “indescribable suffering of the Libyan population” and then described the AU’s road map to peace: “the immediate cessation of all hostilities; the cooperation of the relevant Libyan authorities in facilitating the effective delivery of humanitarian aid to populations in need; the protection of foreigners, including African migrant workers living in Libya; and the adoption and implementation of the political reforms necessary to eliminate the causes of the current conflict.” The AU road map was routinely shelved as a Security Council document.

The AU could make greater efforts to resolve Libya’s crises. Its Peace and Security Department, which spearheads its efforts to promote peace, security and stability in Africa, is headed by Commissioner Aisha Cheikh Roux from Algeria, a country that in the past played a prominent role in regional mediation efforts.

The current regimes in Libya may not have the same sentimental or rhetorical attachment to the AU that Mr. Gaddafi had, but experts believe that the regional body is still uniquely placed, despite the minimal interest displayed in containing the crises, whose impact has been seen in many of the neighboring countries of the Sahel and even West Africa.

“The current regimes in Libya may not have the same sentimental or rhetorical attachment to the AU that Mr. Gaddafi had, but experts believe that the regional body is still uniquely placed, despite the minimal interest displayed in containing the crises, whose impact has been seen in many of the neighbouring countries of the Sahel and even West Africa.”

**The article is reproduced from African Renewal**
The co-optation of the African National Congress: South Africa’s original ‘State Capture’

After the ascendancy of Cyril Ramaphosa to the presidency of the African National Congress (ANC), it is vital to understand deep structural barriers that prevent South Africa’s achievement of desperately needed socio-economic justice, writes *Sampie Terreblanche*.

The ideological shifts that took place in the ANC’s economic views from 1990 can only be described as breathtaking: from an explicitly socialist, redistributive approach towards embracing the American ideologies of neoliberal globalism and market fundamentalism.

From 1990 Nelson Mandela and Harry Oppenheimer met regularly for lunch or dinner and the main corporations of the Minerals Energy Complex (MEC) met regularly with a leadership core of the ANC at Little Brenthurst, Oppenheimer’s estate. When other corporate leaders joined the secret negotiations on the future of the economic policy of South Africa, the meetings were shifted to the Development Bank of Southern Africa during the night.

Although I was involved in the ‘talks about talks’ from 1987 until 1989, I did not take part in the 1990-94 negotiation process. I have been told that at the time senior individuals attached to the Sanlam Group of corporations were very much against my involvement because of my preference for social-democratic capitalism.

During these meetings an elite compromise gradually emerged between white politicians and capitalists under the leadership of the MEC, a leadership core of the ANC, and American and British pressure groups.

From February 1990 until early...
“From February 1990 until early 1992, all the ANC policy documents emphasised the need for ‘growth through redistribution’. But when a reworked economic document of the ANC entitled ‘Ready to Govern’ was published in May 1992, the phrase ‘growth through redistribution’ was conspicuously omitted. Since then the ANC has never again emphasised the need for a comprehensive redistribution policy.”

1992, all the ANC policy documents emphasised the need for ‘growth through redistribution’. But when a reworked economic document of the ANC entitled ‘Ready to Govern’ was published in May 1992, the phrase ‘growth through redistribution’ was conspicuously omitted. Since then the ANC has never again emphasised the need for a comprehensive redistribution policy.

The secret negotiations reached a climax in November 1993. At that stage South Africa was preparing for interim government by the Transitional Executive Council (TEC), which decided that South Africa needed a loan of $850 million from the International Monetary Fund (IMF). The ‘statement on economic policies’ in the IMF deal committed the TEC to neoliberalism and market fundamentalism.

There can be little doubt that the secret negotiations between the MEC and a leadership core of the ANC were mainly responsible for the party’s ideological somersault. It was, however, not the influence of the MEC alone. There was also pressure and persuasion from Western governments, and from the IMF and World Bank, and global corporations. A large group of leading ANC figures received ideological training at American universities and international banks.

In the years after the Soviet Union imploded in 1991, an atmosphere of triumphalism reigned supreme in American political and economic circles: the ‘American economic model’ triumphed and every country in the world could only survive and prosper if it adapted as quickly and completely as possible to anti-statism, deregulation, privatisation, fiscal austerity, market fundamentalism and free trade.

Promises were made to the ANC that as soon as the new government had implemented this model, conditions would be conducive to a large influx of foreign direct investment, higher growth rates, higher employment and a trickle-down effect to alleviate poverty. The role of the American pressure group was, however, not restricted to exaggerated promises, but also included subtle threats that the US had the ability (and the inclination) to disrupt the South African economy if the ANC should be recalcitrant and not prepared to cooperate.

With the adoption of the Growth, Employment and Redistribution programme (GEAR) in 1996, the ANC and the American pressure group succeeded in Americanising the South African economy. In biblical idiom, we have every reason to lament the fact that the ANC was deceived on such a massive scale by false prophets who led South Africa, not to the promised land, but into a desert in which the poorer part of the population was doomed to live permanently in a systemic condition of abject poverty.

On 11 February 1990, the day of Nelson Mandela’s release from prison, he made the following statement: “The white monopoly of political power must be ended, and we need a fundamental restructuring of our political and economic systems to address the inequalities of apartheid and create a genuine democratic South Africa.”

But the new politico-economic system turned out to be highly dysfunctional. A neoliberal politico-economic system was institutionalised to serve the narrow interests of the old white elite and the emerging black elite. The enabling conditions of the new system were moulded in such a way that the imperial aspirations of the American-led neoliberal empire would be satisfied.
“The elite compromise emphatically excluded the possibility of a comprehensive redistribution policy, which was regarded as unaffordable after preference was given to addressing the interests of the old white corporate elite and the emerging black elite, and after the conditionalities prescribed by the American-led neoliberal empire were accepted. The fact that taxation and expenditure were fixed by the elite compromise deprived the ANC government of the ability to implement a comprehensive redistributive policy.”

The quid pro quo between the corporate sectors and the ANC leadership core was that lucrative opportunities would be created for the emerging ANC elite to join the white capitalist elite to become rich enough to maintain the same consumerist lifestyle as the white elite.

The elite compromise emphatically excluded the possibility of a comprehensive redistribution policy, which was regarded as unaffordable after preference was given to addressing the interests of the old white corporate elite and the emerging black elite, and after the conditionalities prescribed by the American-led neoliberal empire were accepted. The fact that taxation and expenditure were fixed by the elite compromise deprived the ANC government of the ability to implement a comprehensive redistributive policy.

The most harmful consequence has been the de-industrialisation through South Africa’s obligation to implement a free-trade policy. This has had a devastating effect on many industries that operated for decades behind tariff walls. Clothing, textile and footwear were almost destroyed by the import of cheap products. But while the free-trade policy was harmful for manufacturing, it was to the advantage of the MEC. These corporations were later given the additional privilege of shifting their main listings to London and New York, and to become independent transnational corporations.

While the ANC operated on the moral high ground during the anti-apartheid struggle, since 1994 they have slipped into a sleazy underworld where corruption, nepotism and money squandering are the order of the day, so that South Africa could become a neocolonial satellite of the American-led neoliberal empire. Although the ANC has been the government of South Africa since 1994, we could allege that it is still not ‘ready to govern’.

It is very much in doubt whether the South African project is still viable, given this context. Dangerous levels of corruption, state capture, inequality, poverty and inefficiency under Jacob’s Zuma presidency may perhaps be turned around under strong leadership. But structurally, a dangerous triangle has emerged between three groups in South Africa: the old white elite, the new black elite, and the impoverished bottom forty percent. This conflict may yet lead to an implosion of the country. It is therefore vital to revisit the decision made twenty years ago by the neoliberal elites within the ANC government to reject the proposal of a wealth tax for redistributive purposes.

*Sampie Terreblanche, 84, is professor emeritus at Stellenbosch University, and also spent time at Harvard and the University of the Free State. His work as political economist and public commentator over sixty years was marked by sharp and controversial shifts to the left of his Afrikaner nationalist roots. Terreblanche served on several public commissions and as deputy chairman of the SABC. He has authored 13 books and hundreds of papers and public lectures, with a focus since the 1990s on inequality and its underlying wealth problem. Among many awards, he received three honorary doctorates.
Why the #MeToo movement disrupts the creeping commodification of feminism

As the 62nd Session of the Commission on the Status of Women (CSW) at the United Nations in New York opens, women from every corner of the world will convene to deliberate on the theme of CSW 2018: Challenges and Opportunities in achieving gender equality and the empowerment of rural women and girls. This year, the theme of empowerment has added significance. The #MeToo movement has shocked our collective conscience and made it impossible to ignore that empowerment goes far beyond economic agency, writes *Rangita de Silva de Alwis.*

Women’s economic empowerment has enormous consequence. Research from McKinsey & Company shows that gender equality adds U.S. $12 trillion to the global economy, yet women are conspicuously absent from board rooms and in some communities, school rooms. The evidence is now clear, when women are absent from the market place, the market suffers.

Although the cost analysis is important, the #MeToo movement has helped unmask the way in which sometimes women’s economic participation pays lip service to women’s power, while serving those in power. Feminism’s urgent charge is not to commodify women through glossy stories and data, but to pierce those veils to identify the underlying power structures and structural barriers that prevent women’s access to and retention in the market.

Feminism’s latest incarnation, “economic feminism,” poses a complicated challenge to the pursuit of gender equality around the world. By providing legal economic rights to women empowerment is thus framed as voluntary, and structural barriers are normalized.
“Feminism’s and the #MeToo movements’ power lies in its potential to disrupt seemingly immutable gender norms. The international women’s rights community, as it convenes in New York in March, should not be swayed by the promise of economic opportunity alone, it must continue to press on issues of violence, sexual abuse and discrimination that disallow women from participating in economic activity, and inhibit women’s full empowerment.”

Herein the champions of economic feminism proudly parade entrepreneurial women as proof of gender equality, a by-product of a transformation in a society that sees value in women. In this cultural shift, if a woman is not in the marketplace, it is because she has made a choice not to work – and not because of debilitating structural inequalities.

However, this thinking masks patriarchy’s power over women. Economic feminism, in its unquestioned authority, can pose a threat to women’s advancement around the world. The importance attached to economic instrumentalist arguments for women’s rights can hide unexamined challenges.

Without a doubt, the plethora of recent research confirming gender equality significantly boosts economic growth from the International Finance Corporation (IFC), as well as the aforementioned McKinsey study, is to be celebrated for giving a tangible economic reason for countries to improve the status of women.

Unfortunately, this message has been warped by some economies, and economic policies such as Abenomics in Japan supplant important social change policies on sexual abuse and hold back feminism’s goal of full realization of gender equality under law. The reality is that women continue to face inequality that goes beyond just economic opportunity. Several countries, notably Japan, have put forward “win-win” economic policies, but they ignore controversial and difficult social policies such as violence against women. This approach is similar to the nations that peddled the “Asian Values” theory in the 1990s. The better approach is to reveal the interconnectedness of women’s economic participation with equal protection of laws.

For example, in many corners of the world, from Afghanistan to Zimbabwe, women have unequal access to property and land. Globally, women’s unequal access to citizenship, residency, inheritance, and decision-making in public and private often subordinate women’s economic participation.

Gender equality in all laws, most importantly family laws, have a profound impact on shaping and advancing women’s economic participation. In many countries, laws that regulate women in their families require women to get permission from their husbands to travel and disallow married mothers to confer citizenship on their children. Several nations have legislation that do not recognize women as heads of household and control their free movement.

Further, laws around the world permit underage and forced marriage for girls. Every two seconds, a girl is forced into marriage. Women married as children will reach one billion by 2030, according to UNICEF.

Martha Minow, the former Dean of Harvard Law School, has argued that the rules of family law construct not only roles and duties of men and women, but can shape rules about employment and commerce, and perhaps the governance of the state.

And not to be forgotten is that violence is one of the most insidious barriers to women’s economic empowerment. Where a woman suffers sexual and other forms of abuse, her capacity to work and function are severely impaired – Fortune estimates that it costs the US $500 billion, but the human cost cannot be computed.

Fortune argues that when talking about equality, the focus should include violence, or more specifically, violence against women. And according to McKinsey, violence is one of the biggest factors holding American women and all other women back.

Feminism’s and the #MeToo movements’ power lies in its potential to disrupt seemingly immutable gender norms. The international women’s rights community, as it convenes in New York in March, should not be swayed by the promise of economic opportunity alone, it must continue to press on issues of violence, sexual abuse and discrimination that disallow women from participating in economic activity, and inhibit women’s full empowerment.

* Rangita de Silva de Alwis is Associate Dean of International Affairs, University of Pennsylvania Law School & Advisor, UN SDG Fund.
Tourism should be regulated, before it is too late...

The lasting negative impacts of tourism have for a long time taken backstage thanks to the quest for money. As *Roberto Savio*, puts it there is a price to pay for all this so the earlier some brakes were put on unregulated tourism the better.

This year, we will have 3 million tourists each day wandering the world. This massive phenomenon is without precedent in human history and is happening (as usual), with only one consideration in mind: money. We should pause and take a look at its social, cultural and environmental impact and take remedial measures, because they are becoming seriously negative if things are left as they are.

Sameer Kapoor listed for Triphobo Trip Planner a list of 20 places that have been ruined, due to excess of tourism. Antarctica is getting an alarming level of pollution. The famous Taj Mahal, a monument of love from the Mughal emperor Shah Jahan to the memory of his wife, Mumtaz, has changed its shining milky white marble into a yellow shade. Mount Everest is strewn with trash from invading visitors.

The Great wall of China has been so mistreated by the massive invasion of tourists that it has begun to crumble in places. The famous beaches of Bali are littered with trash; traffic is in a gridlock and roads and footpaths are in a dangerous state of disrepair.

Macchu Picchu has a such large number of visitors that archaeologists are worried about preservation of the site. Once there was a train to a small village, Aguas Calientes, to then continue by foot or mules. Now you can reach the enigmatic and sacred Inca citadel by air-conditioned bus, and Aguas Calientes is now a town of 4,000 people with five-star hotels. The famous Australian Coral Reef Barrier, has lost already one third of the corals.

The Galapagos islands, where Charles Darwin conceived his famous theory of natural selection, has so many visitors impinging on his fragile eco bal-

Victoria Falls, Zimbabwe, a popular tourist destination
in 2007 UNESCO placed it on the list of endangered World Heritage Sites but to no avail. The Parthenon has many visitors taking pieces of rocks and ruins, and drawing or carving on ancient pillars, that special police squad had to be created.

The wonders of Angkor Wat, in Cambodia, is suffering the same fate, together with the Colosseum in Rome, where every week somebody gets caught for chipping away pieces of columns, or graffiting the pillars.

But maybe the best example of the negative impact of tourism is Venice. The town has now officially 54,000 residents. They were 100,000 in 1970. Every year 1,000 residents leave for the mainland, because rents and cost of life keeps going up, and the hordes of tourist make life impossible for the residents. The number of sweepers and cleaners employed by the city has to go up continuously. Giant ships continue to go over the delicate microsystem of the lagoon and their lobby is very strong. They insist that without their megaships landing at the centre of the town, 5,000 jobs would be in danger. There is now a clear conflict between those who live off tourism and those who have other jobs. Like in Barcelona, residents now stage demonstrations against mass tourism. Venice will become a ghost town, like the village of Mont Saint Michel, the medieval village in Normandy, jammed by thousands of visitors, to see the famous high-speed sea tide. At night, 42 people sleep there.

What is impressive is the speed of the phenomenon since 1950 when the total tourist numbers were 25 million, two thirds to Europe meant 29.76% of the tourists, Africa a mere 1.98% and the Middle East 0.79%, like Asia and Pacific. 66 years later, tourist numbers rose to 1.2 billion, Europe is down to 50%, Americans to 16.55%, Africa is at 4.52%, while the Middle East is at 4.7%. And Asia Pacific? It is now at 24.2%.

What is more impressive is to look further - at 2030, for which we have all the data (from the United Nations World Tourism Organization). Well, in a short time, we will go up to 1.8 billion: 5 million tourists every day. Europe is again down, to 41%, Americas down to 14%, Asia up to 30%, Africa to 7% and Middle east to 8%. A totally inverted world in respect to 1950.

Tourism is already today the largest employer in the world: 1 person every 11. China has surpassed the US as the largest nationality. In 2016, they have spent 261 billion US dollars, and they will spend 429 billion in 2020.

UNWTO points to the fact that in 2025, China will have 92.6 million families with an income between 20.000 and 30.000 dollars per year; 63 million with an income between 35.000 and 70.000 dollars per year; and 21.3 million, with an income between 70.000 and 130.000 dollars. A large part of them is expected to travel and spend money. How many people speak Chinese and know anything about their idiosyncrasy?

But any other consideration beside money, is totally absent in this debate. For instance, a large part of the jobs is in fact only seasonal, and poorly paid. Most of the money does not stay in the place where it is spent, but goes back to big companies and food imported for the tourist’s habits.

It is calculated that in the Caribbean, a full 70% goes back to US and Canada. Culture and traditions are influenced as outsiders come. Local culture and traditions become just a show for foreigners, and can lose roots. Hotels are built just for tourism in the most beautiful spots, degrading habitat and nature. Price increases in local shops, because tourists are often wealthier than the local population. It is sufficient to go to a town which is out of the tourist’s circuits, to see the difference. In fact, now there is a growing search for “intact” places, different from “tourist’s places.

Tourist restaurants have become synonymous with poor food and high prices. And a tourist place is one that has lost its identity to conform with the demands of tourists. It has been the proliferation of McDonalds, Pizza Huts and other fast food joints, often in the most beautiful parts of towns, that pushed Petrini, in an old village with gastronomic tradition, Bra in Piedmont, to start a movement called Slow Food movement. The movement defends the freshness of materials, that must be local, preserving the original and traditional cuisines, and defending local products form the ongoing homogenization. It has now over 100,000 members in 150 countries, which defends identity against globalization.

Florence can well be a good example of how tourism is uprooting the locals’ identity and tradition. It was since the Renaissance, a place of art and culture. It was a must for cultured tourists and the forebearers of today’s tourists: German, British and French visitors, until the Second World War. A city of elegance, antique dealers, art shops, handicrafts and a very recognized Florentine cuisine.

Now it is full of tourist’s shops, jeans places, cheap standardized handcraft, a lot of pizzeria and tourist restaurants. The concierge of the classical Hotel Baglioni, when questioned about the decay of the town, had a simple answer: “Sir, we are a town of merchants. We did create the letter of change, the banks, and the international trade. Here come people who looked for art and antiques. Today we are awash with people who want to buy blue jeans and cheap stuff. We provide with what people want.” And for those living, in Rome, the main street via del Corso has suffered the same transformation.

It is scary to think what will happen when in the not so far 2020, 100 million Chinese will travel worldwide, with Europe as their first destination. Anybody who had a Chinese visitor (or from a different culture), knows how difficult it is for him to understand what he sees.

One of the main artistic European buildings are churches, and for a totally different religion they are strange places. It makes no sense to a Chinese what is Romanesque or Baroque, as they do not have any equivalent at home. And the classical tourist tour is now for about a week, in which they see at least 5 towns. This is the equivalent for a European to visit the temples in Tibet, without having studied Tibetan Buddhism, which is very different from other branches of Buddhism. Or, for that matter, visit the Egyptian temples without some knowledge at least of the Egyptian cosmology, the reigns of death, and the Pantheon of Gods. What will be remembered is the size of the pyramids, the smell of the
incense in Buddhist temples, and other mere esthetical impression. That has nothing to do with culture and art.

To talk about the negative impacts of tourism, opens inevitably the question of classism. The more cultured you are, the more you can get from your travels. Does that mean that only cultured people (that until the second world war, also meant affluent: today the two concepts have split, may be for ever), should travel? Is tourism not a way to enrich and educate, so it should be on the contrary an important tool for the less cultivated?

I do not think that there is an easy answer to this issue. What I know, is that only a small minority of those visiting the Sistine Chapel in the Vatican, or the Potala Palace in Lhasa, or the valley of the kings in Egypt, have a book in their hands, that they have bought to prepare themselves. They depend on their tour guides, who confess that they do not even try to teach, but only to show what their tourists can all understand. That means that when you are in the Sistine Chapel, you are nearly unable to move, while the custodians try to move people on, so to make space for the waiting line of visitors. Among that crowd, there are some people who can place the difference between Michelangelo and Matisse, and would certainly benefit from some more time, while this is irrelevant for others.

It is clear that we cannot let 1.8 billion people wander in the world, without introducing some global regulations on how to limit the negative aspects of tourism, and relating it not only to money, but to education, culture and personal development.

To come in touch with different cultures, civilizations, foods, habits and realities should be an occasion that should not be left only to money. A paradox is that we are fighting against immigrants, because of different cultures, but we accept gladly the same people if they come as tourist and not as refugees. And the other paradox is the two parallel words which coexist: one, the real, about poverty and violence that we read in newspapers; and another of the same place, which exists only for tourists, about the beautiful beaches, wonderful nature, and fantastic hotels.

Right now, you can visit the Vatican after its closing, with a modest fee of 100 Euro per person, in quiet and small numbers. Is the future of tourism made with two tracks, where money will be the dividing factor?

It is obvious that we should link tourism to education and culture. A proposal is simply to ask every tourist, when he buys a tour, an airline ticket, or asks for a visa, to buy and read a very simple and schematic book (they do not exist until now), which can be read and understood in no more than 10 hours about what he or she is going to visit.

A small commission formed by one teacher of history, one of geography, and one of art, is established in any small or large cities, where now lives the large majority of the population. In all of them there are schools with these studies. They conduct a small exam, and charge a small fee for a certificate, to justify their extra work.

Tourists can choose to go to the commission or not. Few extremely simple questions such as – which is the capital of the countries you are going to visit? Is the country independent? Is it a monarchy or a republic? How does it make its money? Its monument and art have different moments in history? The commission would give two certificates. One would give access to museums and monuments for the first two hours of the day, and only those with the certificate could then enter. After those two hours, everybody with the two certificates can enter. But this would enable those who can understand and enrich themselves, to have some time in peace and quiet.

This would make two tracks of tourism, not based on money. And this could generate a demonstration effect, where tourists would probably dedicate sometime to prepare themselves. I asked one former director general of UNESCO what he thought of a such proposal. His answer was – it is a great idea, but where is the political will to support this or, for that matter any international agreement?

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