Africa-China: 2018 Summit stokes Western anxieties
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.

By publishing African Agenda, Third World Network Africa aims to provide a different, more complex and nuanced perspective. Open your eyes and ears to an African perspective on critical issues such as trade, the environment, gender and sustainable development.
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Tanzanians welcome Chinese leader Xi Ping
Africa’s game to lose

Western nations and their institutions continue to caution African countries to be wary of the ‘fire’, the Dragon from the East, China, carries in its ‘belly of promises’ but is that really the case or is it their fear of competition from China? asks *Cornellius Adedze.

At the end of the recent FOCAC (Forum for China- Africa Coopera-tion) in Beijing attended by a record 52 African countries except ESwatini (which still has relations with Taiwan), China once more pledged $60bn to Africa made up of both aid and loans and aimed at eight initiatives over three years with more room for infrastructure and scholarships to African students. The amount is divided into $5 billion of free aid and interest-free loans, $35 billion of preferential loans and export credit and $5 billion dollars of additional capital for the China-Africa Development Fund and the Special Loan for the Development of African SMEs, and $10 billion of funding for a China-Africa production capacity cooperation.

Faced with various infrastructural deficits needing attention, from transportation (roads, railway etc), health facilities, schools, among others African leaders signed many MoUs with the Chinese after the FOCAC. For China this is a show of its “commitment to the economic and social development of the rest of the world”.

According to the Programme for Infrastructure Development in Africa (PIDA), Africa needs $40 billion to fix its energy sector, $25 billion for the transport sector and $1.6 billion for the water sector. These are all critical infrastructure needed to transform the economy of the continent and meet the social needs of its teeming population. Traditional Western donors for big infrastructure projects like the World Bank and other international financial institutions have become reticent at financing such projects for all kinds of reasons, some say. The global financial meltdown of 2007-2008 also meant financing such projects was a challenge for the traditional financiers.
China with its great foreign reserves had the advantage to quickly step in. Even with this advantage, China still faces stiff competition from Africa’s traditional partners.

Africa’s need for transportation infrastructure was a perfect fit for China’s ‘Belt and Road Initiative’ with its emphasis on roads, ports, bridges, railway among others to open up Africa and link its major towns. China has also proved more appealing to African countries, due to the fact that the conditionalities for the loans are not as stringent as those by the IFIs even as contracting of Chinese companies, and procurement of their technology, equipment and services are a pre-condition. China is now said to be the single largest bilateral financier of infrastructure in Africa unrivalled by the ADB, the European Commission, the European Investment Bank, the International Finance Corporation, the World Bank and the Group of eight (G8) countries.

Many have raised their concerns about Africa’s indebtedness to China and warn of the dangers ahead. Standard Bank’s China Economist, Jeremy Stevens is noted to have cautioned that:

“However, despite a sizeable remaining infrastructure deficit on the continent, there is a concern that African countries’ debt-service ability will soon dissolve,” noting that, “In 2017 alone, the newly signed value of Chinese contracted projects in Africa registered $76.9bn.”

The ballooning debt that some African countries are beginning to find themselves in in their dealings with China seem to give some credence to this fear. Zambia is one such country caught in the Chinese debt ‘web’ as reports of the takeover of its national electricity company and international airport by the Chinese to make up for recovery of monies owed China have surfaced. Others point to the Chinese takeover of Sri Lanka’s port as a pointer to the ruthlessness of the Chinese when it comes to debt recovery and should be red flags that guide Africa in its dealings with the Chinese.

But the head of the African Development Bank (ABD) Akinwumi Adesina, is of a different view.

“According to the Financial Times, the new game of competition among the big powers is Africa’s to lose. Unlike previously where they were limited to former colonial powers, the US and few other Western countries. In the current configuration one can find India, Brazil, Turkey, the UAE, Saudi Arabia among others. The UAE recently gave Ethiopia $3billion in aid and investment whilst Saudi Arabia has also pledged $10billion to South Africa for its power sector.”

“A lot of people get nervous about China but I am not. I think China is Africa’s friend,” he told the BBC in a recent interview.

Others have welcomed China’s grand entry into Africa, as good competition that gives Africa more options as to who to deal with for what.

“It gives Africans much more room to manoeuvre.,” “The level of ambition from leaders has gone up very much in response to these incentives to do more with infrastructure and financing and to dare defy Western pressure. They are finding it very exciting.,” former Executive Secretary of the UN Economic Commission for Africa, Carlos Lopes added.

His successor, Vera Songwe agrees: “I would like to think that we on the continent know what we want and how we want it. “This has allowed for competition in a way we never had it before,” she added.

According to the Financial Times, the new game of competition among the big powers is Africa’s to lose. Unlike previously where they were limited to former colonial powers, the US and few other Western countries. In the current configuration one can find India, Brazil, Turkey, the UAE, Saudi Arabia among others. The UAE recently gave Ethiopia $3billion in aid and investment whilst Saudi Arabia has also pledged $10billion to South Africa for its power sector.”

The British, the French, the Americans, the Germans, and the other Western traditional are still the major players in Africa. British Premier Theresa May and German Chancellor Angela Merkel visited Africa just weeks prior to FOCAC 2018 in Beijing to shore up their trade links with the continent. The UK’s direct investment in Africa was £42.7bn in 2016, compared with £44.3bn from the US, £38bn from France and £31bn from China, according to data from the United Nations Conference on Trade and Development. Mrs. May said she wanted the UK to overtake the US to become the G7’s biggest investor in Africa by 2022.

Turkey’s President, Recep Tayyip Erdogan, has visited 23 African nations. Africa’s imports from Turkey between 2006 and 2016 rose to 192 percent according to Brookings Institution. China’s top leaders made 79 visits to 43 African countries between 2007 and 2017. President Emmanuel Macron of France also visited 13 African countries in 15 months. Africa-India trade increased more than 10-fold from $7.2bn in 2001 to $78bn in 2014 — making India Africa’s fourth biggest trading partner, according to the UN Economic Commission for Africa. Also in the fray is Russia with a 142 percent increase in its exports to Africa between 2006 and 2016.

During the fifth EU-Africa Summit held in Abidjan in 2017, probably to match China’s 2015 $60 billion investment fund pledge for Africa, the EU also “pledged to mobilize more than $54 billion in “sustainable” investment for Africa by 2020”. EU President Jean-Claude Juncker recently during his ‘State of the EU’ address talked of a new ‘Alliance for Sustainable Investment and Jobs between Africa and Europe’ because by ‘2050 Africa’s population will be 2.5 billion’, a big market that cannot be ignored. As he
emphasised, ‘One in four people on earth will be African’ hence the need to ‘invest more in our relationship with the nations of this great and noble continent’. UNCTAD’s World Investment Report 2015 puts the flow of Chinese FDI to Africa during 2013-2014 at 4.4 percent of the total to the continent. The European Union countries, led by France and the United Kingdom, are overwhelmingly the largest investors in Africa. According to some estimates the U.S. with a $54 billion of FDI stock is the single largest investor in Africa.

Between 2005 and 2017, the U.S. Millennium Challenge Corporation (MCC) invested more than $6.5 billion in 14 sub-Saharan African countries through completed or ongoing compacts in infrastructure, health, education, and other sectors.

USAID’s Power Africa initiative, has been involved in 80 projects valued at $14.5 billion designed to bring electricity to some 4.5 million households. Furthermore, the US Congress, as if in response to the Chinese increased showing in Africa, has introduced the BUILD Act, leading to the creation of the U.S. International Development Finance Corporation (IDFC) that will include parts of USAID into the U.S. Overseas Private Investment Corporation (OPIC) with a $60 billion lending cap. Africa is the largest beneficiary of OPIC’s investment portfolio (27 percent), or $6.2 billion, so an increase in the lending cap could mean a corresponding increase of funds available to be invested in Africa. In addition to AGOA, and the Millennium Challenge Account among others, the US continues to be a major player in Africa. It has, however, not lost sight of the increasing Sino-Africa deals as put more starkly by Jim Richardson, co-ordinator of USAID’s Transformation Task Team, “If you decide to work with China, it is bad,” he is reported to have stated recently, a clear warning to Africa. Truth is, he was really expressing US fears about the strength of the Chinese competition.

The US-China competition in Africa is on the upbeat as a hitherto monopoly of US tech companies has also been broken with the influx of Chinese tech companies like Huawei, ZTE and Techno among others.

On balance trade between China and Africa is heavily tilted in favour of China. According to the statistics by China Customs, in January–December 2017, the import and export value of China-Africa trade amounted to US$170 billion, up 14.1% year on year, 2.7 percentage points higher than the general increase of foreign trade in the same period. China’s exports to Africa was US$94.74 billion, up by 2.7% and China’s imports from Africa reached US$75.26 billion, up 32.8%; the trade surplus was US$19.48 billion, although down by 45.2% year on year. Africa’s trade with Europe is 36 percent, with China 16 percent and 6 percent with the US.

A worrying dimension of the China-Africa trade is that it is not much of a departure from Africa’s earlier notorious commodity dependent trade so to China goes “raw, unprocessed materials from a few countries, and in the other come manufactured” goods to Africa. The structural transformation that Africa needs is thus not likely to take place any time soon as the continent has only ‘replaced’ one commodity buyer, mostly former colonial powers of the West with another, China.

It is clear China, the EU, Britain post-Brexit and the US are all in the battle for the African market with each using various means to achieve that. China with its ambitious approach to redress Africa’s infrastructure deficit, EU through its Economic Partnership Agreement and post-Cotonou initiatives, the US through AGOA, Millenium Challenge Account and the new initiative, International Development Finance Corporation (IDFC) anchored on OPIC, Japan’s TICAD (Tokyo International Conference for Africa’s Development), the India-Africa Summit and Turkey-Africa are some of the initiatives by other countries targeted at Africa.

China, like many foreign direct investors are not in Africa “with bags full of free goodies and free of conditionalities and preferences”. Just like the EU, the US, the UK and others, Africa’s interest if any is secondary to theirs in their search for business opportunities and markets. Some have likened the relationship to a ‘new colonialization’ of Africa.

South Africa’s President Cyril Ramaphosa disagrees that “new colonialism is taking hold in Africa as our detractors would have us believe”.

China’s Xi Jiping chips in, “China’s cooperation with Africa is clearly targeted at the major bottlenecks to development,” and “comes with no political strings attached” he added.

As the dust settles on the seventh FOCAC, with many African countries scuttling to strike deals with China, they must not lose sight of their earlier dealings with foreign partners, China’s dealings with other countries in Asia and Africa in recent times and their own development agenda. More importantly, where do all these sit with the African Union’s Agenda 2063, what about the Continental Free Trade Area? Will dealings with China prove to be another capitulation of Africa before foreign investment and another nail in the coffin of Africa’s striving for the structural transformation of its economy?

* Cornelius Adedze is Editor of African Agenda.
China’s reforms as of the year 1978 started with the opening of its internal system of production to the rule of market mechanisms, simultaneously open to global trade. Liberalisation of capital investments followed also in the frame of a globalised world: foreign investments were invited to be established in China, and later Chinese investments to operate out of China. But, until now, China has not integrated into the global monetary and financial system: banks operating in China are exclusively State Chinese banks, and the rate of exchange of the Yuan is decided by the Central Bank, i.e. the government.

That system has been successful in the sense that it has boosted growth of gross domestic product (GDP), and therefore opened a possible perspective of “catching up” resulting in making China the economic power number one in the world.

A step ahead is now considered for further reform, called in economic jargon “the opening of the capital account”, which means: (i) allowing foreign banks to operate in China, in competition with Chinese public or private banks; (ii) removing the fixed rate of exchange of the Yuan and allowing the free international market to operate, generating a flexible, fluctuant rate.

Simultaneously China criticises the present system of globalisation, considered in all its facets to be submitted to the “hegemony” of major powers, the United States of America in particular. This view implies that the economic facets of globalisation are also related to political and geostrategic forces operating in the real world. That relation does indeed recognise an important reality, often ignored by economic professionals. China struggles for “another pattern of globalisation” – “non hegemonic”.

Therefore, the proposal to move into global financialisation should be looked at carefully and answers given to the following set of questions: (i) Would such a movement boost growth in China, or rather would represent a handicap to its continuing to remain high growth? (ii) Would a fluctuating rate of exchange of the Yuan give more chance to China becoming a global financial, really, big actor, able to compete successfully with the other major financial powers, in particular, the USA, and the US dollar? (iii) In any case is it wise to believe that the Western major powers can tolerate China becoming the major world economy, and accept China as member of the “club” of major financial operators? Or the political geo-strategy of the West, the USA, in particular, will plan their action in order to have the Chinese project of catching up end up in failure, and use all
means, economic, financial and eventually military, to that end?

Who controls the so-called global integrated money and financial market?

a) Conventional economists develop “theories” with respect to what they call “free and transparent competition”, including competition in the global financial market, based on a totally imaginary world, which has nothing in common with the really existing capitalist system. They all assume: (i) that millions of “individuals” operate on the market; (ii) that these are “rational” – sharing “rational expectations” with respect to the movements in the markets; (iii) that they benefit from a correct transparent information to be rational in their decisions.

None of these assumptions reflect the real world: contemporary capitalism is ruled by a handful of gigantic oligopolies (financial monopolies) which control production of goods and major services, banks, insurance companies, etc., and have subordinated those actors which seem independent (farmers, small and medium size enterprises) to the status of sub-contractors thus pumping the surplus produced by those to the benefit of growing monopoly rents.

b) With respect to the monetary and financial integrated global market, some 20 giant banks (all of them based in the USA and the major capitalist countries of the “Triad” associating the USA, Europe and Japan) control more than 98 percent of the gigantic volume of transactions operated on that market (trillions of dollars, a figure which represent hundreds of times more than the volume of transfers needed to meet international trade and flows of capital invested in real production. This is not an open market, allowing free and fair transparent competition).

c) Simultaneously, conventional economists ignore the tight relations which link the targets of financial transactions to those of the geo-strategy developed by the USA and its subordinate allies (Europe and Japan). These links reflect the global political strategy of this “collective imperialism of the Triad” whose target is to maintain its exclusive control of the whole planet, through the use of all means –“economic”, and more specifically financial, political and military.”

“Conventional economists ignore the tight relations which link the targets of financial transactions to those of the geo-strategy developed by the USA and its subordinate allies (Europe and Japan). These links reflect the global political strategy of this “collective imperialism of the Triad” whose target is to maintain its exclusive control of the whole planet, through the use of all means –“economic”, and more specifically financial, political and military.”

Control of the capital account by the Chinese authorities has been decisive to ensure the success of China’s reforms.

a) Chinese national banks have successfully financed the emerging of hundreds of thousands of small competitive enterprises, private and public (the so-called Township and Village Enterprises). Foreign giant banks established elsewhere in the South have never made such a choice; they have restricted their support to multinationals, thus eventually helping to create networks of subordinated local small and medium size sub-contracting enterprises, pumping out the surplus produced to the benefit of financial monopoly rents. China’s reforms, thanks to the control of the capital account, have been able to ensure that this surplus remains in China and finances continuous growth.

b) China’s pattern of integration into globalisation has allowed it to formulate conditions for foreign investments with respect to sharing the property rights with Chinese private or public capital, transfer of technologies, transfer of profits, etc. Such conditions would not be tolerated any more if China integrates the financial global market system.

c) Does the system of “market fluctuating rates of exchange” have “stabilised” economic growth?

Flexible rates of exchanges have been established as a system replacing the Bretton Woods system of relatively stable fixed rates by unilateral decision of the USA in 1973, accepted by their partners of the Triad (Europe and Japan), and imposed on almost all countries of the South.

What are the results after 50 years of such practice?

First: the new system has not produced stability, even in relative terms, with respect to the rates of exchange of major currencies (dollar, yen, sterling, mark, euro). On the contrary, we have seen wide fluctuations (the dollar for instance moving to one and a half and then to two thirds the price of the euro within some months). Such fluctuations do not reflect changes in the competitiveness of the concerned countries (levels of competitiveness, commanded by unequal growth of productivity, are slow). They have been the result of an open market for speculative financial investments; these have been made necessary by the continuous growth of the surplus of profits, which cannot be reinvested in the expansion of the productive system.

Second: with respect to the rates of exchange between the dominant currencies (dollar, sterling, yen, euro) and the currencies of almost all countries of the South, the new system has generated continuous devaluations. Such results were targeted as the means for finance monopoly capital to “buy” real assets in the South at very cheap prices (factories, mines, forests, land, banks, insurances, etc.). It therefore has not boosted growth, but amplified plunder.

Let us compare in this respect the results for China and India (which has moved from a system of limited control of its capital account to a full opening).

China’s GDP for 2015 in terms of equivalent purchasing power: 18 percent of the global GDP; in current dollars: 16
percent (a small difference). India’s GDP in purchasing power: 8 percent; in dollar: less than 2 percent. The difference is enormous and reflects the successful strategy of imperialist powers to annihilate the competitiveness of millions of Indian producers and reduce them to the status of sub-contractors whose surplus is pumped to the benefit of Western monopoly capital.

China moving to a system of flexible “market” rates would produce exactly similar results: the destruction of millions of competitive Chinese producers; and therefore, the end of the dream of catching up. This is exactly the target of Western Monopoly Finance Capital. The argument that “smart” policies of Chinese operating on this integrated global market could avoid such results does not hold: are Indians stupid? Then why have the Indian leaders accepted such a deal? Simply because a handful of subaltern associates with Foreign Finance Capital have gathered enormous fortunes out of their complicity. Such a practice has a name well known in Chinese Marxism: a comprador class, such as that which had been associated with British Finance Capital when it created the famous HSBC [The Hongkong and Shanghai Banking Corporation] (the Bank established to finance the Opium Wars).

d) It is said that flexible rates reduce the costs of transaction and therefore favour the growth of exports. This is a fallacy: the volume of exports results from other more important factors (the nature and volume of productions). Moreover, why should China pursue continuously the target of expanding exports at a rate higher than its GDP growth? This choice is absurd: China should rather shift to more priority to its internal market thus reducing its vulnerability, achieving better welfare, and correcting regional imbalances.

Do flexible rates widen the margin of choices for internal economic policies? On the contrary, it restricts that margin since national policies have to comply with the only choices allowed by major powers. The European case provides a good example of such a restriction of the margin of manoeuvre of its members.

e) With respect to the growing Chinese export of capital to replace the exclusive investment of China’s surplus in US bonds, the vulnerability of buying real assets out of China (companies, mines, agrarian land) cannot be avoided as long as China cannot protect its properties from menaces of military interventions from the USA. Joining the financial global system does not reduce this vulnerability.

f) Thanks to the control of its capital account, China has not suffered from the 2007/8 financial crisis. Other countries in Asia, integrated in the monetary and financial market, have been devastated by this crisis. Foreign Finance Capital has been able to transfer the costs of the crisis to those countries, their currencies devalued, making possible for Foreign Banks in Indonesia to “buy” at very cheap prices forestry (turned into palm oil production), mines, etc. Other similar financial crises produced by the explosion of bubbles are expected in the short visible future. If in the meantime China has moved to the new opening suggested, it will suffer enormous devastations and plunder of its wealth.

Can China be accepted as a member of an enlarged imperialist new collective associating four partners instead of the three members of the Triad?

a) I am convinced that the Triad with USA in the lead does not intend to recruit new members, but will devote all efforts to maintain their exclusive control of the planet. It would be very naive to believe that they will accept China’s project of catching up.

Russia provides an example of such right to be admitted in the restricted club being denied to all others. Yeltsin gave up all the assets in his hand and simply fully restored capitalism. Nevertheless, Russia was denied the right to be admitted in “Europe” and the North Atlantic Treaty Organisation; the strategic target of the West has been to reduce Russia to a provider of raw materials and possibly subordinate what would remain of its industries to the status of sub-contracting.

b) The military menace against China is already visible. North Korea and Iran have been chosen as targets for eventual military intervention by USA, Europe, Israel, Japan; the Dalai Lama and the Uighur Islamic fundamentalists are supported with a view to start from there the dismantling of China.

c) What about economic sanctions in the meantime?

The USA has given to itself an extraordinary privilege: to deny legitimacy to international law and submit it to the priority of the US law. Therefore, when it decides sanctions against a country (Iran in this case), it simultaneously compels the rest of the world to implement these sanctions; otherwise it extends punishment to its associates (including Europe). Will Europe accept? My answer is yes, in spite of the damages their companies and banks suffer from.

Yet, as long as China keeps away from financial globalisation, sanctions against it remain limited in their effectiveness. Example: when a US company operating in the field of informatics withdrew, China replaced it immediately by a British competitor. If the USA takes sanctions against some Chinese exports, China can respond by similar sanctions. This immense advantage would be annihilated in case of foreign banks being allowed in China.

Conclusion

There is no need to hurry and join the financial globalised system, which is the only guarantee for Washington to maintain the dollar’s exclusive privilege. Moreover, that whole pattern of globalisation is already in deep crisis, which offers an opportunity for outsiders. Remaining out opens room for a possible construction of alternative independent regional systems with the perspective of creating better conditions for the advancement of an alternative non-hegemonic globalisation.

Simultaneously world capitalism is incompatible in the long run with the existence of non-capitalist entities, and even just relatively independent entities. Remaining out of financial globalisation is an important weapon in your hands; do not offer the weapon to your enemy!

―*One of the last reflections by Samir Amin on globalization, written in August 2018, weeks before his passing.―
Samir Amin, the man, the mind

Samir Amin’s passing has justifiably elicited an extraordinarily wide range of merited tribute. African Agenda brings to its readers edited excerpts of some of these reflections on the life, commitments and key ideas of this revolutionary thinker.

Horace G Campbell on Samir

Born in Egypt on 3 September 1931, Amin brought to the world insights from the struggles of this society where the devastating consequences of integration into the capitalist system had brought poverty and misery for millions.

The spread of capitalism as a global system and its forcible imposition on pre-capitalist societies like Egypt has brought underdevelopment and dependence. Their integration within global capitalism also summed up the experiences of “underdevelopment and dependence in black Africa”. Samir Amin made original contributions with his three colonial typologies in Africa: the Africa of the colonial trade economy, the Africa of mining concessions and the Africa of labour reserves. “In all three cases, the colonial system organized the society so that it produced exports on the best possible terms from the viewpoint of the mother country but provided very low and stagnating returns for labour. There are no longer traditional societies in Africa, only dependent peripheral [capitalist] societies.”

However, “development strategies implemented in Africa since independence have neither aimed at achieving the priority task of an agricultural revolution, nor really aimed at any significant industrialisation, but basically extended the colonial pattern of integration in the world capitalist system.”

But the danger lies in capitalism itself. As Amin put it in, “The principle of endless accumulation that defines capitalism is synonymous with exponential growth and the latter, like cancer, leads to death.”

The globalization of the most profitable forms and the prevailing logics of capitalism would entail the destruction of entire societies. For example, in agriculture: “Twenty million efficient producers on one side and five billion excluded on the other … the logic which governs the system is no longer able to assure the simple survival of half of humanity. Capitalism has become barbaric, directly calling for genocide. It is now more necessary than ever to substitute for it other logics of development with a superior rationality”.

Born to an Egyptian father and a French mother, Amin had been a student in Paris (1947–57) and party to a moment of great intellectual ferment. Humanity was seeking to understand the ideas and economic conditions that had ushered in fascism and war, and the forces of decolonisation had seized the political and intellectual initiative after 1945. Yet in Western Europe Samir Amin witnessed the betrayal of the Algerian struggles by the French Communist Party and how the narrow chauvinism of sections of the communist movement prevented them from grasping the real liberatory content of Marxism.

From his break with the French Communist Party and Soviet Marxism, Samir Amin set out to critique mechanistic linear conceptions of development, and to address the struggles for liberation and development in Africa. Linear conceptions of “progress” and “development” have been the fixation of mainstream development economists since Walt Rostow.

Going beyond such “nonsensical development”, Samir Amin linked the theory and practice of human emancipation in ways that expose the limitations of Eurocentric conception of human liberation. His powerful text, Eurocentrism: Modernity, Religion, and Democracy: A Critique of Eurocentrism and Culturalism rejected not only the Eurocentric view of world history but provided new and refreshing understandings of different phases and pluralities of social transformations.

Samir Amin had returned to Egypt at the height of the populism of Abdel Nasser (a year after the Suez Crisis) when the convergence of Pan-Africanism and Pan-Arabism offered radical possibilities for the peoples of Africa and the Middle East in laying foundations for real independence and worked from 1957 to 1960 as a research officer in the bureaucracy in Egypt.

Amin also embarked on collaboration with intellectuals such as Norman Girvan from the Caribbean and working through United Nations agencies such as UNCTAD, Third World radicals seized the international initiative enabling leaders such as Michael Manley, Julius Nyerere and Fidel Castro to call for a new international economic order.

But Samir Amin had also come to grasp the limitations of official populist nationalism and began to work more with popular forces. After a stint in Mali he moved to Dakar, Senegal, from where he has been associated with the intellectual and political work of progressive African causes for over 40 years, placing himself at the centre of African intellectual ferment and in service of a wider humanity.

Margaret Thatcher and Ronald Reagan’s mantra that there was no alternative to capitalism was a direct response to the radicalism enveloping the world and inspiring national liberation movements. The catastrophic results of the Thatcher and Reagan counter-revolution are now obvious. Western inspired policies of so-called ‘readjustment’, through IMF/World Bank recipes, to the new conditions and the global crisis created have only worsened the case.

“Another development, fundamentally based on a popular alliance, is the only acceptable alternative. The priority target of achieving the agricultural revolution clearly calls for industrialisation, but a pattern of industrialisation quite
different from the conventional one… This national and popular content of development, in its turn, is virtually inconceivable without significant change toward democratisation of the society, allowing for an autonomous expression of the various social forces and creating the basis for a real civil society. Simultaneously, the weakness of African states, referred to here, calls for co-operation and unity without which any national and popular attempt would remain extremely limited and vulnerable.”

Samir Amin remained insistent about new opportunities for continuous democratic political mobilisation of the popular classes and the reconstruction of new fronts of the oppressed peoples of the world and continued to the last his commitment to strengthening effective forms of popular power and the ideas that could give coherence to it.

**Samir Amin… and the Importance of “Delinking”**

By John S. Saul

In honour of Samir’s memory, I discuss the concept of ‘delinking’, a concept central to Amin’s work.

The increased globalization of the capitalist economy cannot somehow be downplayed by advocates of a socialist alternative. The ‘free’ global market is a major point of reference for efforts by global capital (like the World Bank and the IMF) to enforce its writ, by force and/or by seduction of Southern elites. [For the latter,] the sheer weight and lure of the global market-place also has its seductions as an apparent source of quick and relatively easy profits and of the inflow of ‘foreign capital.’

Global South expect to be beneficiaries rather than victims of global embrace. With the market left unchecked, there can be no equal exchange between rich and poor; only the upward redistribution of resources from poor to rich.

It is precisely here that Samir Amin helped point a way forward, advocating an ever more radical decolonization from central capitalist control, through (to cite his dramatic formulation) an actual and active ‘delinking’ of the economies of the Global South from the Empire of Capital.

Delinking meant ‘the submission of external relations [to internal requirements], the opposite of the internal adjustment of the peripheries to the demands of the polarizing worldwide expansion of capital’ and it is ‘the only realistic alternative’ since reform of present world capitalism or “catch up’ within its framework is utopian impossibility.

Yet Amin also recognized there is no realistic haven of ‘autarky’ and no way of avoiding some involvement in the broader market (though as opportunity, not as seduction). Nonetheless, the substitution of the present political economy of re-colonization with an alternative that tilts effectively towards ‘delinking’ remains fundamentally necessary.

What would the strategic programme promised on such a radical tilt look like? The answer could only begin to be found in a new project of genuine socialist planning – established on a national or regional scale – that sought to smash, precisely, the present crippling logic of ‘market limitations’ upon development.

Thus, the need for a programme that embodies ‘progressive convergence of the demand structure of the community and the needs of the population’ – the very reverse of the market fundamentalist’s global orthodoxy. Such a ‘socialism of expanded reproduction’ would refuse the Stalinist trap of ‘violently repressing mass consumption’ in the name of the supposed requirements of accumulation. From accumulation and mass consumption being warring opposites, accumulation could be driven forward precisely by finding outlets for production in meeting the growing requirements and needs of the mass of the population!

An effective industrialization strategy would thus be based on ‘delinking’ on the one hand and on the ever increasing in-country exchanges between city and country, between industry and agriculture, with food and raw materials moving to the cities and with consumer and producer goods and inputs moving to the countryside on the other. Collective savings geared to investment could then be drawn essentially, if not exclusively, from the expanding economic pool. Expanded reproduction privileging the betterment of the people’s lot as a short- rather than a long-term project promises a much sounder basis for an effective (rather than merely rhetorical) alliance of workers, peasants and others and for a democratic road to revolutionary socialism.
This approach [also underscores] the simultaneous importance of potential South-South relations. Linkages such as those foreshadowed in the World Social Forum seek, multi-nationally, to redefine the workings of the global economy; small wonder, that Amin devoted much of his later years to political work within the World Social Forum network to help recraft from below a world-wide movement and sensibility designed, at the very least, to effectively ‘regulate’ global capitalism in the interest of socially responsible and democratic purposes - to make the ‘globally necessary’ the ‘globally possible’!

Even at the level of the national economy Amin was not proposing the extirpation of any and all market relations. His realism anticipates that the creation and empowerment of national movements capable of countering the logic of capitalism’s embrace, global and national, will be tough work. So strong are the global pressures against it that crafting the national political basis necessary will not itself easily become the ‘nationally possible.’ Small wonder that Amin himself saw the global and national struggles for socialist strategies of delinking from the logic of market-privity and for taking the economy beyond global capitalism as being two sides of the same coin.

If the predominant importance of democratic and needs-focused planning (both globally and locally) is to be achieved, it will be planning which ensures that the centre of gravity of the economy remains egalitarian, collectively-premised, popularly-centred and controlled. This could counter-balance the possible costs of any judicious deployment of market mechanisms. The bottom-line would remain, as Amin emphasized, a self-consciousness about societal transition away from market power and entrepreneurial class interest. This would help ensure that no bourgeoisie, foreign or domestic, would play roles to justify any claim it might make to continue to snatch inordinate wealth or power for itself.

* John S. Saul, Toronto, August 14, 2018

**Tribute to the Great Master, Comrade and Brother**

**Samir Amin**

By Ndongo Samba Sylla

‘What fascinates us about Samir Amin is to a certain extent his ‘indiscipline.’ Indiscipline in a double sense. First, his thinking transcends academic divisions. Samir Amin mobilised in his research knowledge relevant to history, politics, philosophy, anthropology, sociology of culture, religions, etc. Since his scientific contributions transcend the field of economics, it is reductive to call him an ‘economist.’

Secondly, Samir Amin occupies a rebel position in the Marxist citadel. His standpoint is that being a Marxist means starting from, not stopping at Marx. Amin’s problem with many Western Marxists is either that they did not try to go beyond Marx or were unable to lucidly appreciate the full implications of the imperialist nature of capitalism. The originality and breadth Samir brought to the theory of development would be impossible without this vigilant iconoclasm to received wisdoms. His scientific work is therefore quite the opposite of standard economics theorists who have the license not to discuss their key theoretical assumptions, to disregard reality in the construction of their models, to ignore new facts that may refute them and not to scrutinise their analytical implications.

That is why he always enabled us to see our world in new ways. Samir Amin helped our understanding of capitalism as an historical system with specific characteristics [not one whose logic and ethos has existed, and will endure, throughout the ages], most important among which is its polarising nature. Far from homogenising the world under the rule of the law of value, it creates and magnifies by necessity the economic inequalities between the countries of the centers and those of the peripheries. [Even in our age of the so-called global village] globalisation promotes homogeneity only in two dimensions – free capital flows on one side, free goods and services flows on the other – but not for the free movement of labour.

Samir Amin illuminated the alternative paths open to the ‘wretched of the earth’ towards the authentic human civilisation that capitalism can only refuse them. The most important struggle of peoples today is, according to Amin, to put an end to the ‘five monopolies’ exercised by the Triad: monopoly of weapons of mass destruction, of technologies, of financial flows, of access to the planet’s natural resources and of communications.”

“Samir Amin illuminated the alternative paths open to the ‘wretched of the earth’ towards the authentic human civilisation that capitalism can only refuse them. The most important struggle of peoples today is, according to Amin, to put an end to the ‘five monopolies’ exercised by the Triad: monopoly of weapons of mass destruction, of technologies, of financial flows, of access to the planet’s natural resources and of communications.”

*Ndongo Samba Sylla, Dakar, August 16, 2018*
Africa’s new debt crisis

Unlike previous debt crises, this time the creditors are mostly commercial entities or state financial organizations, observes *Cate Reid.*

Debt levels are rising dangerously – reaching 45.9% of GDP in sub-Saharan Africa in 2017, nudging the 50% ceiling recommended by the International Monetary Fund (IMF) – and many governments face tough decisions on spending cuts. Unlike previous debt crises where the IMF and the World Bank played a leading role, this time the creditors are mostly commercial entities or state financial organizations. And they have little appetite for write-offs or restructurings.

The roots of Africa’s new debt emergency grew out of the US financial crisis a decade ago. As global markets roiled after the exposure of incompetence and corruption at the heart of some of the world’s biggest financial institutions in 2008, African finance ministers reassured their colleagues that their economies, with their limited links to the international system, would not suffer much direct damage.

Rather, African economies, propelled by Asian demand for their commodities, were on a roll, growing at historic rates. A few years earlier, many African governments had cleaned up the books, slashed fiscal and trade deficits, and cut deals with the International Monetary Fund and World Bank to write off most of their debts under the Heavily Indebted Poor Countries (HIPC) scheme.

In many African treasuries, the expectation was that, after a few sneezes in the Asian markets – symptoms of the rampant influenza in the West –, the commodity boom would continue. With tough monetary policies and rising foreign reserves, African finance ministers wanted to fire up growth again. Unfortunately, their Asian customers were cutting commodity imports, side-swiped by the Western economic chaos. Determined to step up investment in the roads, railways, power and communications needed to modernise their economies, African governments sought new finance, especially in the capital markets.
With interest rates falling across the West after the US crash in 2008, the timing looked good. Just months after it completed its debt-reduction deal, Ghana issued a US$750 million eurobond, inspiring many others to rush to the markets. Ratings agency Standard & Poor’s (S&P) says commercial debt will make up $392 billion of Africa’s total debt stock of $514bn by the end of 2018.

For some, it paid off, says Elizabeth Uwaifo, a lawyer specialising in structured finance at Radix Legal and Consulting: “The debt capital market is very powerful. If you get into it and succeed, you are in a better position.” Countries build a credit history, then become eligible for cheaper finance as they show they are lower-risk. “Over time, they become more attractive to investors and can borrow more.”

But with the opportunities come risks, warns Uwaifo. “With bilateral loans, you can go to the lender and negotiate new terms. Restructuring capital market debt is much more laborious and expensive. The note holders could be anywhere. You have a contract with an indeterminable number of persons, not just one.”

Mozambique defaulted in early 2017 after it emerged that the government had tried to conceal some $2 billion of loans from the IMF and other creditors (see TAR101). It has still not agreed a restructuring with the bondholders. They believe that Mozambique could pay them in full when its gas fields start producing revenue after 2020. Whatever burden the servicing of debts for spurious and fraudulent projects imposes on Mozambicans is not their concern.

“The minute you default you take 10 steps back,” says Uwaifo, who trained in Beijing. “With bilateral loans, you can go to the lender and negotiate new terms. Restructuring capital market debt is much more laborious and expensive. The note holders could be anywhere. You have a contract with an indeterminable number of persons, not just one.”

Exchanging the warm embrace of concessional lenders such as the World Bank for the commercial realities of the capital markets has been problematic. Countries bailed out under the HIPC scheme were meant to establish “a track record of reform and sound policies”, as well as implement a poverty-reduction strategy, according to the IMF. The idea was to free up money for social spending, putting countries on a path to “pursue cautious borrowing policies and strengthen public debt management.”

China is now the largest single lender to Africa, accounting for about 14% of the debt. It offers fast access to big loans, often with long repayment schedules and low interest – though not as often as many assume.

The IMF has been criticised for being slow to see the writing on the wall. “The development of rapidly increasing debt, both foreign and domestic, should be reason for high concern among African leaders and also in the World Bank and IMF. But this is not always the case,” says Mogens Pedersen, Denmark’s former ambassador to Mozambique. He sees no chance of another HIPC to fix the problem.

Researchers at the Center for Global Development (CGD) in Washington DC accuse the IMF of ‘a perennial bias toward optimism’ – and hence inaction – in the face of Africa’s recent debt accumulation. In a recent essay, Justin Sandefur writes that the Bank-Fund forecasts of debt levels for Ghana and Mozambique were ‘comically wrong, year after year’.

Some Fund officials seem surprised that governments routinely and deliberately ignore their advice. Often, the IMF conflates policy commitments with implementation. Countries know that even if they miss targets, the IMF often continues disbursements.

Critics say the Fund should have been more demanding and has been out-maneuved by politicians. Governments exploit the fungibility – that is, interchangeability – of financing, Pedersen describes how Uganda prefers Chinese
loans for projects, but will revert to the World Bank and the IMF for balance-of-payments and basic public-service finance.

When offered the job of central bank governor in his native Mozambique in 2016, Rogério Zandamela, a longtime official at the IMF, accepted on one condition: the ruling party would not interfere in the bank. “The central bank can operate under less pressure and fulfil its role if it has more political autonomy,” explains economist Waldemar de Sousa, one of Zandamela’s top administrators.

The bank routinely comes under pressure to inject liquidity into the system as elections approach. Most agree that Mozambique’s central bank is now well-managed; the problem is the finance ministry, which still takes orders from the ruling party on where to channel money. This angers civil activists who see the IMF, the World Bank, the African Development Bank and other financial institutions as complicit in a system that stops the ruling elite from being held accountable. A senior US diplomat who wished to remain anonymous says: “The IMF think they are doing good, but they are just furthering dependency.”

There are some signs that the IMF is getting tougher after its failures to act effectively on Mozambique’s $2 billion in hidden loans. Insiders say that the crisis, which prompted a showdown between IMF managing director Christine Lagarde and Maputo, prompted a thorough-going review. Investment manager Daly says the IMF is responding quicker to signals of debt-distress risk, often before the markets. “They are becoming aware of this role they have to play when it comes to how the markets assess the debt sustainability of these countries.”

After Mozambique, the Fund scrutinised government finances, declared and undeclared, more closely. For example, the IMF’s resident representative in Maputo was transferred to Gabon, taking over as mission chief. There, he discovered an additional $2.5bn of debt that was not on the government’s books. Similarly, in Equatorial Guinea the IMF discovered that the government had not declared billions of dollars of domestic arrears.

Ratings agencies are also watching more closely, says Daly. “Moody’s have been much more aggressive than their peers lately, downgrading Gabon, and Zambia too.” Investors are asking more about the countries with which they do business, including questions about commercial loans.

And some governments are taking crisis measures. For Ghana, the government had to slash spending and restructure, says deputy finance minister Boahen. “The economy had been totally mismanaged, and we had things that should cost $1 costing $3.”

This year, Ghana raised $2 billion in debt in the capital markets at the lowest interest rates yet, with some funds going to refinance domestic debt at cheaper rates. The government is still struggling with a hefty financing gap as it tries to pay for free secondary education, health service reforms and an ambitious industrialisation programme.

Although Zambia’s finances are far worse than Ghana’s, its government is taking no such actions. Trevor Simumba, an economist in Lusaka, accuses President Edgar Lungu of having “no clue about economics” and presiding over poorly planned and unchecked borrowing that puts partisan and personal interests before the country. Lungu’s motives are clear, says Simumba: “I’m doing projects, I’m going to win the elections.”

For now, the IMF refuses to offer Zambia a bailout unless the government curbs borrowing. Its predicament may be a test case for many other debt-distressed economies. Zambia is running out of road. Like its debt-burdened peers, it faces harsh choices: take the long hard road to financial recovery, default on its obligations and be cut off from the international system, or, as it seems to be trying to do, mortgage its mineral wealth to pay for its profligacy.

* The above article is reproduced from The Africa Report, 26 September 2018.

First families of Zambia and China
Prescription for poverty: Drug companies as tax dodgers, price gougers, and influence peddlers

*The world’s biggest drug companies are putting poor people’s health at risk by depriving governments of billions of dollars in taxes that could be used to invest in health care, and by using their power and influence to torpedo attempts to bring down drug costs and police their behavior.

New Oxfam research shows that four major pharmaceutical firms—Abbott, Johnson & Johnson, Merck, and Pfizer—systematically stash their profits in overseas tax havens. As a result, these four corporate giants appear to deprive the United States of $2.3 billion annually and deny other advanced economies of $1.4 billion. And they appear to deprive the cash-strapped governments of developing countries of an estimated $112 million every year—money that could be spent on vaccines, midwives, or rural clinics.

Such tax dodging corrodes the ability of governments everywhere to provide the public services that are essential to reducing poverty and that are particularly important for women. And it weakens governments’ ability to invest in health research, which has proven to be fundamental to medical breakthroughs.

As if this weren’t enough, the corporations mount massive lobbying operations to give price gouging and tax dodging a veneer of legitimacy. Their influence peddling is most blatant in the United States, where the pharmaceutical industry outspends all others on lobbying. But it is equally pernicious in developing countries, where the companies have won sweetheart deals that lower their taxes and divert scarce public health dollars to pay for their high-priced products—and where they deploy the clout of the US government to protect their profits.

Tax dodging by pharmaceutical companies is enriching wealthy shareholders and company executives at the expense of us all—with the highest price paid by poor women and girls. Oxfam is not accusing the drug companies of doing anything illegal. Rather, this report exposes how corporations can use sophisticated tax planning to take advantage of a broken system that allows multinational corporations from many different industries to get away with avoiding taxes.

When funding is cut, families lose medical care or are driven further into poverty by health care debts. When health systems crumble, women and girls step into the breach to provide unpaid care for their loved ones—compromising their own health and their prospects for education and employment. When governments are deprived of corporate tax revenues, they often seek to balance the budget by raising consumption taxes, which tend to take a larger bite out of poor women’s incomes.
Corporations should be more transparent about where they earn their money, they should pay tax in alignment with actual economic activity, rather than abusing tax havens, and they should use their political influence responsibly, rather than undermining governments’ efforts to provide medicines, schools, and roads for us all.

**Tax dodging**

Oxfam examined publicly available data on subsidiaries of four of the largest US drug companies and found a striking pattern. In the countries analyzed that have standard corporate tax rates, rich or poor, the corporations’ pretax profits were low. In eight advanced economies, drug company profits averaged 7 percent, while in seven developing countries they averaged 5 percent. Yet globally, these corporations reported annual global profits of up to 30 percent. So where were the high profits? Tax havens. In four countries that charge low or no corporate tax rates, these companies posted skyrocketing 31 percent profit margins.

While the information is far from complete, the pattern is consistent: this is either an astounding coincidence or the result of using accounting tricks to deliberately shift profits from where they are actually earned to tax havens. Pfizer, Merck, and Abbott are among the 20 US corporations with the greatest number of subsidiaries in tax havens; Johnson & Johnson is not far behind. All four were among the US corporations with the most money stashed overseas: at the end of 2016, these four companies alone held an astounding $352 billion offshore.

Pharma corporations’ “profit-shifting” may take the form of “domiciling” a patent or rights to its brand not where the drug was actually developed or where the firm is headquartered, but in a tax haven, where a company’s presence may be as little as a mailbox. That tax haven subsidiary then charges hefty licensing fees to subsidiaries in other countries. The fees are a tax-deductible expense in the jurisdictions where taxes are standard, while the fee income accrues to the subsidiary in the tax haven, where it is taxed lightly or not at all. Loans from tax-haven subsidiaries and fees for their “services” are other common strategies to avoid taxes.

Recent research by tax economist Gabriel Zucman estimates that nearly 40 percent of all corporate profits were artificially shifted to tax havens in 2015—one of the major drivers of declining corporate tax payments worldwide.

Drug companies are masters at taking advantage of the global “race to the bottom” on tax. Both corporations and governments are to blame. A dysfunctional international tax system allows multinational companies to artificially shift their profits away from where they sell and produce their products to low-tax jurisdictions. Companies are only too glad to take advantage of the broken system—and to invest millions in lobbying to further tilt the playing field in their favor.

More transparency would shed light on how unjust the current system is. None of the four drug companies publish country-by-country reporting (CBCR)—basic financial information for every country in which they operate, including revenue, profits, taxes paid, number of employees, and assets.

Nonetheless, it is possible to use the data that is publicly available to estimate how much tax these companies may be avoiding due to an unequal distribution of profits. In seven developing countries alone—and just from the small sampling of subsidiaries Oxfam was able to access—the four companies may have underpaid $112 million in taxes annually between 2013 and 2015, which is more than half of what they actually paid. Johnson & Johnson may have underpaid $55 million in taxes every year; Pfizer, $22 million; Abbott, $30 million; and Merck, $5 million.

These amounts are pocket change to these corporate behemoths. But they represent significant losses to low-income and middle-income countries. Developing countries could use the money to address the yawning gaps in public health services that keep many of the poorest people in the world from lifting themselves out of poverty.

The amount of money we estimate these companies may have avoided in tax is enough to buy vaccines for more than 10 million girls, about two-thirds of the girls born in 2016 in the seven developing countries Oxfam examined. India could buy HPV vaccines for 8.1 million girls, which is 65 percent of the girls born in 2016. In Thailand, where 4,500 women die each year from cervical cancer, the $18.65 million in taxes we estimate these companies underpaid per year would be enough to pay for HPV vaccines for more than 775,000 girls, more than double the number born in 2016.

One might think that pharmaceutical profits really are lower in poorer countries, where purchasing power is small and drugs are sold at a discount. But the data indicates a different story. In advanced economies with larger markets and ample purchasing power, the drug companies’ profit margins are just as slim as in developing countries. The corporations may have avoided even more in taxes in these larger markets, a total of nearly $3.7 billion annually—equivalent to two-thirds of the $5 billion they actually paid. Johnson & Johnson led the pack with an estimated $1.7 billion underpaid annually. Pfizer may have underpaid by $1.1 billion, Merck $739 million, and Abbott $169 million.

**Profits and innovation**

Tax dodging, high prices, and influence peddling help explain the extreme profitability of these companies—and the extreme benefits they offer their wealthy shareholders and senior executives. The 25 largest US drug companies had global annual average profit margins of between 15 and 20 percent in the period 2006–2015; the figure for comparable nondrug companies was 4 to 9 percent. These high profits, in turn, increase the incentive that these corporations have to shift profits and avoid tax.

The current system for biomedical research and development (R&D), a cornerstone of these corporations’ business model, is based on monopoly protection secured by intellectual property rules as pharmaceutical companies invest in development of products that can produce the highest profit. The IP-based system of R&D has failed to produce many medicines needed for public health. For example, there has been no new class of
antibiotics developed since 1987 despite the rising problem of antimicrobial resistance. 28

The companies claim they need superprofits so they can invest in discovering new medicines to treat the world’s ailments, but this simply isn’t true. Big drug companies spend more on whoppingshopping payouts to shareholders and executives than on research and development. In the decade from 2006 to 2015, they spent $341.4 billion of their $1.8 trillion in revenue on stock buybacks and dividends—equivalent to 19 percent. They spent $259.4 billion on R&D, or only 14 percent. What’s more, R&D expenses are tax deductible.

The cost of medicines, many of which were originally set at exorbitant prices, has continued to rise dramatically, with seven of the nine best-selling drugs sold by Pfizer, Merck, and Johnson & Johnson seeing double-digit price increases in 2017.0 For example, Pfizer raised the price of Lyrica—which treats diabetic nerve pain, has no generic competition, and generated $4.5 billion for the company in sales last year—by more than 29 percent in 2017.

New medicines are also set at sky-high prices from the start. Take, for example, Ibrance, a drug for metastatic breast cancer, which Pfizer put on the market for nearly $10,000 per month. These high prices are unaffordable in the US, where medical costs are the primary reason for individual bankruptcy. In low- and middle-income countries, such outrageous prices break public health budgets and place the burden of paying on sick people and their families, who cannot afford it.

As another example, a new medicine to treat multidrug-resistant tuberculosis, bedaquiline, was priced by Janssen—a subsidiary of Johnson & Johnson in South Africa—at $820 for the six-month course, which makes it unaffordable for most who need it, especially galling when researchers estimate a generic equivalent of the medicine could be made available for only $48.

In recognition of the global nature of this crisis in access to medicines, the UN Secretary-General set up a High-Level Panel on Access to Medicines that produced a report containing important recommendations to ensure innovation and access to medicines. Oxfam has called on governments and international health organizations to fully implement the recommendations of the High-Level Panel. Even while Pfizer hiked the price of dozens of drugs, the total compensation of Pfizer’s CEO leaped up by 61 percent in 2017, to $26.2 million. That year Johnson & Johnson’s CEO earned $22.8 million, Merck’s earned $17.1 million, and Abbott’s earned $15.6 million. The average compensation for a drug company CEO in 2015 was $18.5 million, 71 percent greater than the median earned by executives in all industries.

The companies’ R&D spending is also smaller than the billions they spend on marketing. In 2013, Johnson & Johnson spent more than twice as much on sales and marketing than on R&D ($17.5 billion vs. $8.2 billion). Pfizer nearly did as well ($11.4 billion vs. $8.6 billion), and Merck spent 20 percent more ($9.5 billion vs. $7.5 billion). These marketing costs are also tax deductible.

The reality is that the taxpayer-funded National Institutes of Health in the United States is by far the largest investor in health research, with European governments providing substantial funding, as well. All 210 drugs approved in the United States between 2010 and 2016 benefited from publicly funded research, either directly or indirectly. The source for these public investments, of course, is taxes. Patients thus often pay twice for medicines: through their tax dollars and at the pharmacy—or three times if we count the extra tax dollars we pay because the companies don’t.

Corporate social responsibility

Pharmaceutical corporations paint themselves as noble scientists leading the charge against disease. Pfizer’s code of conduct says: “Integrity is more than just complying with the law. It is one of our core values.” Johnson & Johnson’s corporate credo states: “We must be good citizens—support good works and charities and bear our fair share of taxes.” Unfortunately, the reality of these corporations’ business practices bears little resemblance to this rhetoric.

These companies should choose the high road. Rather than engage in elaborate schemes to hide their profits, they must pay their taxes in an open and transparent way. After all, the companies’ very profitability depends on publicly funded research, public drug certification, public procurement, and public protection of intellectual property.

Governments must do more to reverse their race to the bottom on taxation. They must mandate basic transparency measures that would prevent abuse by multinationals. They must also open up budget and spending processes to citizens to ensure that public spending meets citizen priorities. Oxfam’s Fiscal Accountability for Inequality Reduction (FAIR) program supports citizen engagement in government decisions on taxes, budgets, and expenditures, including on health, in dozens of countries around the world.

The way forward

Tax dodging, high prices, and influence peddling clearly victimize the most vulnerable. Abbott, Johnson & Johnson, Merck, and Pfizer funnel superprofits from people living in poverty to wealthy shareholders and corporate executives, driving ever wider the gap between the richest and the rest.

As with most drivers of inequality, exorbitant drug prices, aggressive tax avoidance, and excessive lobbying are not accidental. They result from deliberate choices made by companies and by the politicians under their sway. It is our hope that this report will encourage the four companies and others to reform their policies and practices, and that it will spur governments to enact rules that promote responsibility and benefit all society. We believe such a change is in the companies’ long-term interest. Just as extreme inequality is toxic for society, undermining public institutions is no recipe for a stable, profitable industry.

• Excerpts from Executive summary published by AfricaFocus Bulletin, an independent electronic publication providing reposted commentary and analysis on African issues and can be reached at africafocus@igc.org.
Crisis in multilateralism unfolding since UNCTAD-14

UNCTAD has been engulfed in a crisis that seems to question the very essence of ‘multilateralism’ in the global trade architecture, writes *Kanaga Raja.*

A crisis in “multilateralism for trade” has been unfolding in the two years since the fourteenth ministerial meeting of the United Nations Conference on Trade and Development (UNCTAD), the head of the organisation, Dr Mukhisa Kituyi, has said. “One of the casualties appears to be progress at the WTO,” he added.

This came at a meeting of UNCTAD’s Trade and Development Board (TDB) on 1 October, where Dr Kituyi, the Secretary-General of UNCTAD, presented the mid-term review report on the implementation of the Nairobi Maafikiano, the mandate that UNCTAD was given at UNCTAD-14 which took place in Nairobi, Kenya in July 2016.

Dr Kituyi told members attending the TDB meeting that for UNCTAD as an organisation, their deliberations summarised as the mid-term review represent a very important moment, taking stock of what has been happening since Nairobi and helping to “cast ourselves on the way towards UNCTAD-15.”

The Secretary-General recalled that the Maafikiano gave UNCTAD a unified mandate - cutting across divisional boundaries, calling us to work more closely with each other, and with other entities.

It was a first in the UN system in terms of setting a work programme on SDG implementation and the actions it spells out clearly define UNCTAD’s strengthened role, supporting gainful economic growth, multilateralism for trade and development, productive capacities for structural transformation, and implementation of the Agenda 2030.

These four Maafikiano sub-themes speak respectively to four principal SDGs - on inequality, on growth, on industry, innovation and infrastructure, and on renewed global leadership.

“As [it has] been known to many of you, a crisis in multilateralism for trade has been unfolding in the two years since Nairobi,” said Dr Kituyi.

“While we spoke in hushed whispers about the Brexit vote in the corridors of KICC in Nairobi in July 2016 [venue of UNCTAD-14], today we speak more openly about an escalating trade war that has consumed many of the major trading nations and threatens to harm the prospects for prosperity facing the most vulnerable among us.”

“One of the casualties appears to be progress at the WTO,” said Dr Kituyi.

Today we face a looming debt crisis. Global debt has ballooned to $250 trillion, three times the equivalent of global GDP, he pointed out.

Private corporate debt has exploded, especially in emerging markets and developing countries who now account for more than a quarter of global debt stocks.

“This year alone we’ve seen the value
of many currencies drop dramatically, from Argentina to Turkey, from Angola to Brazil, from South Africa to Russia,” said Dr Kituyi.

As interest rates rise as well, the spectre of damaging capital outflows is very real for the developing and emerging world, he cautioned.

He said besides the tit-for-tat tariffs, debt-fueled tepid growth, and growing risk of capital flight, we also must acknowledge that at the root of the “trade war” is a global showdown over leadership, not just in trade but also in the technology frontier.

This difficult environment affects UNCTAD, said Dr Kituyi, emphasising however that UNCTAD is prepared to weather this storm.

The difficult international environment impacts on the United Nations as a whole directly, as some of us witnessed in New York in the past one week, he noted.

“But while some may laugh at boastful declarations of self-interest, this laughter is at our own peril,” he said.

The global mood is souring towards the liberal international economic order, and confidence in global solutions is waning, leading to a difficult road ahead for work to support development.

“While the Maafikiano has strengthened UNCTAD, it has been within the limits of existing resources, which as some of you are aware, are not only constant but actually shrinking,” said the Secretary-General.

He pointed out that in the past two months, all secretariat agencies of the United Nations have surrendered 10% of their regular budget to headquarters.

“That has affected us and our delivery,” he said.

According to Dr Kituyi, this has led to mixed progress in the implementation of some of the work agreed in the Maafikiano, most notably the pledge for strengthening assistance to the Palestinian people, and strengthened workstreams on the digital economy, “where we are not able to meet the massive demand for our advisory services.”

Since Nairobi, the United Nations embarked on an ambitious reform agenda to better deliver as one in support of the Agenda 2030.

Dr Kituyi said that UNCTAD has been doing its part in this process, translating into practice its strengths and advantages, as outlined in his document “From Actions to Results” shared with members last December.

As called for in the Maafikiano, and as spelled out in the reforms, UNCTAD has deepened its engagement with United Nations development system entities, and has increased its footprint on the ground in line with the reform, in close partnership with other agencies.

For example, the Secretary-General highlighted the recently launched Angola Train for Trade II programme which is UNCTAD’s largest country programme ever, and represents a very practical way of delivering on the ground.

Similarly, UNCTAD continues to engage with other UN regional entities. “Also in line with the reforms, we’ve embraced a new way of working, growing our cross-divisional cooperation.”

“We have similarly strengthened our internal collaboration in statistics, on gender, financing for development and on South-South Cooperation,” said Dr Kituyi.

“And we have further implemented results-based management and the mainstreaming of gender equality in line with both the Maafikiano and UN-wide reform efforts.”

“In spite of the gloomy picture that we may have cast, it is important to also note that there are some glimmers of hope,” he said.

For example, he pointed to the signing of the African Continental Free Trade Agreement (AfCFTA) in March this year.

The work of UNCTAD has played a major role in the success so far of the negotiations. But there is much more work ahead and we expect that our office in Addis Ababa will rise to the challenge and assist the African Union Commission in the implementation of the mandate before them, he said.

Dr Kituyi also said the digital economy continues to grow and expand offering hope for new markets to revitalize globalization, notwithstanding the challenge that this poses in terms of concentration of market power and disruption to labour and product markets.

“These challenges make our own work on competition policy and consumer protection as well as on e-Trade readiness and digital entrepreneurship all the more urgent.”

The Secretary-General also pointed out that due to the unprecedented growth in popularity of UNCTAD’s annual e-Commerce Week, this coming December, Africa will play host to the first Regional e-Commerce Week to work towards practical ways in which Africa’s rejection of insularity, and its embrace of new technologies can help move beyond the challenges we face today.

He also noted that in just a few short weeks UNCTAD will welcome 5,000 investment stakeholders including 14 heads of state and government to the Palais des Nations for the 2018 World Investment Forum.

“It is my hope this Mid-Term Review will re-assure that we are on the right track, despite the difficulties that have arisen since Nairobi. It is also my intention that we can now begin preparations for UNCTAD-15, taking stock of where we are and identifying new momentum that can realise our contribution to Agenda 2030,” Dr Kituyi concluded.

Meanwhile, an UNCTAD Secretariat Note (TD/B/65(2)/CRP. 1) on mid-term review of the Nairobi Maafikiano summarised that midway through the delivery of the Nairobi Maafikiano and the Nairobi Azimio, much has been accomplished, but much remains to be done.

According to the document, persistent challenges to the gainful integration of developing countries into the global economy, such as the uneven global divisions between poverty and plenty, remain unresolved more than 50 years after the establishment of UNCTAD.

At the same time, new challenges continue to emerge, such as the widening digital divide and the transport connectivity divide, which threaten to leave developing countries even further behind.

Opportunities to address both persistent and emerging challenges are multiple; only the ambition of the international community holds back the resolution of many of these issues.

According to the document, UNCTAD will continue to deliver on the work programme agreed at UNCTAD XIV with the aspiration that further progress can be reached by 2020, in particular with regard to early-harvest targets under the Goals, such as the prohibition of certain forms of fisheries subsidies

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Here’s how economic inequality leads to starvation throughout the world

It’s impossible to ignore the growth of economic inequality in each corner of the planet, writes *Vijay Prashad.*

It was a very hot day at the outskirts of Ahmedabad, India, where I met with a group of men and women at a local bus stand. They were itinerant labourers, people who move from one part of India to another in search of work. The city of Ahmedabad in Gujarat has a population of about six million people; among them are about 1.5 million migrants. Official figures from the Indian government suggest that there are 139 million internal migrants in India. This is likely a low figure.

Rural distress brings these men and women to the city, where work in construction and light manufacturing as well as domestic service is their lifeline. Many of the migrants struggle to find work each day. One of them, a man from Bihar, tells me that the situation for him and his friends is dire. “Hunger,” he says, “is a constant sound inside [our] head.”

It’s impossible to ignore the growth of economic inequality in each corner of the planet. Vulgarity is the order of the day, with the very rich hoarding vast amounts of wealth while the poor scratch the earth for their livelihood. The British-based charity group Oxfam has done an important service by offering an annual indication of the gravity of inequality. This year, Oxfam noted that a mere 42 rich people have as much wealth as 3.7 billion poor people. What is most astounding is that in 2017, 82% of the social wealth produced by the world’s
people was vacuumed into the bank accounts of the wealthiest 1% among us. This is not an ancient problem, in other words, but a current problem posed by the structure of capitalism: goods and services are produced socially, but profit is sequestered privately — and with fewer and fewer hands able to seize this profit.

What is less digested is that increased inequality compounds not only poverty — which is obvious — but hunger. It is true that war and climate change are major factors that leave people without access to food. Starvation follows aerial bombardment and rising tides. But, it is even more important to focus on the much wider problem of inequality and poverty that make hunger a normal part of life — the constant sound in the heads of the impoverished.

Data on poverty should make any sensitive person pause. The United Nations and the World Bank keep track of poverty figures. There is always some disagreement about the methodology followed by the analysts. But, there is near consensus that half of the world’s people — in excess of three billion people — live on less than US$2.50 a day, the benchmark for poverty. Of these people, at least 1.3 billion live on less than $1.25 a day, the standard of extreme poverty. Hunger in this part of the planet is a normal part of life. As food costs rise, notes the World Bank, hunger increases. The rise of food prices in 2010 itself pushed 44 million people into poverty. UNICEF calculates that each day 22,000 children die due to poverty — most of them from malnutrition and starvation.

The majority of the poor live in rural areas or else migrate from rural areas to join the vast numbers of people who come into cities in search of a livelihood. Work and wages in rural areas have declined quite sharply. Blame for this rests on the domination by monopoly firms over agriculture — from seeds to supermarket shelves. Three monopoly firms — DuPont, Monsanto and Syngenta — control the global seed market, while an additional three monopoly firms — ADM, Bunge and Cargill — control the grain trade. Most of the processed food trade is controlled by a handful of monopoly firms, with only 10 firms owning every single major food brand — Associated British Foods, Coca-Cola, Danone, General Mills, Kellogg’s, Mars, Mondelez, Nestlé, PepsiCo and Unilever. These corporations, which make fabulous profits, suffocate those who work the land. These firms have forced down the prices paid to farmers and agricultural workers as well as increased the costs of processed foods. If you live in the countryside and work on the fields, neither are you getting paid enough nor are you able to afford to eat. No wonder that 300,000 Indian farmers have committed suicide over the past 15 years and that millions of farmers are on the move in search of any work at all.

The United Nations has made a pledge to end hunger by 2030 — Zero Hunger. This is an important standard. A decade remains before this task must be accomplished. But, all signs point in the opposite direction. There is simply no political will to constrain the power of the agri-business sector, none to provide a just economic foundation for farmers to survive as capitalism transforms the countryside into dystopia. The phrase “Zero Hunger” mirrors “Fome Zero” (Zero Hunger), a key policy of the Brazilian government led by Lula. It was under Lula and his Workers’ Party (PT) that Brazil almost entirely abolished hunger. The policies that Lula drove to do so are what earned him the blinding hatred of the oligarchy and its Western allies. The ruling bloc that conducted the “judicial coup” against the PT now presides over an increase in hunger. Sugary rhetoric at the UN to end hunger means nothing if little is done against the agri-business sector and if the political war against the Left (in this case, Lula) continues without challenge.

Two roads lie ahead before humanity. The first road leads to annihilation, with more and more people drifting into the arms of hunger, more and more people attempting to migrate to places where they believe they can survive. Rapacious growth of the power of agri-business, lack of state initiative to provide an alternative foundation for farmers and agricultural workers, inflation of food prices — all this will lead to more farmer suicides, more migration, more desolation. It could also lead to the food riot, the uprising of the hungry that erupts when prices of food rise. Examples of such uprisings are legion, from the bread riots of Egypt to the fuel riots of Haiti. These riots do not necessarily open the door to an alternative history. They are, as often as not, the last gasp of a desperate people before history closes in around them.

The second road leads to a new history. Recently, in New Delhi, two major marches — organized by the Left — took place. The first (on September 4) brought women to the city. They demanded jobs and dignity, an end to violence against women and an end to hunger. The second (on September 5) brought industrial and agricultural workers as well as farmers to the city — many of those in the crowd having been to the September 4 march as well. They demanded much the same thing, with an emphasis on pushing the state to manage prices and to produce a new basis for Indian agriculture. The agricultural workers and farmers ask a simple question: shouldn’t the state provide land, credit and fair prices to protect those who work the land from the irrational destruction of agriculture by monopoly firms?

What will end hunger? Not an empty pledge by the United Nations nor the expansion further of monopoly firms into the countryside. Onus is on the people’s movements, whose slowly growing political power must change the terms of the conversation about starvation. Fixation on efficiency and markets — the code words that mask the power of monopoly firms — rather than on an economic policy that understands the rhythms of agriculture will create profits for the large firms, but not food for people.

Hunger, that constant sound inside the head of the poor, has to be silenced. Human beings who can come to terms with the prevalence of hunger have lost their humanity.

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A new United Nations report has called for completely lifting the ongoing Israeli land, air, and sea blockade which has reduced the Gaza Strip to “a humanitarian case of profound suffering and aid dependency”. The blockade is now in its eleventh year.

The report by the United Nations Conference on Trade and Development (UNCTAD) calls for reunifying Gaza and the West Bank economically and helping to overcome the energy crisis as a matter of priority by, among other things, enabling the Palestinian National Authority to develop the offshore natural gas fields in the Mediterranean Sea discovered in the 1990s.

UNCTAD paints a bleak picture for the Occupied Palestinian Territory and faults Israel for the worsening of socioeconomic conditions in the past year, leading to a more than 27% rise – the highest in the world – in unemployment while per head income declined and...
agricultural production, contracted by 11 per cent.

The report, released on September 12, also notes that the adverse conditions imposed by Israeli occupation have disproportionately affected women and young people. It warns that declining donor support, a freeze in the reconstruction of Gaza and unsustainable, credit-financed public and private consumption paint a bleak picture for prospects for the Palestinian economy.

These, the report avers, are further clouded by the ongoing confiscation of land and natural resources by the occupying Power Israel.

Co-ordinator of the UNCTAD Assistance to the Palestinian People Unit, Mahmoud Elkhafif, said: “Under international law, Israel and the international community have responsibilities not only to avoid actions that impede development but to take affirmative steps to foster development in the Occupied Palestinian Territory.”

However, Israel has failed to ease restrictions and donor support has declined steeply to one third of its 2008 level.

The report accentuates that in 2017 and early 2018, construction of settlements accelerated, despite United Nations General Assembly resolution A/ES-10/19 of December 21, 2017, which “affirms that any decisions and actions which purport to have altered the character, status or demographic composition of the Holy City of Jerusalem have no legal effect, are null and void and must be rescinded in compliance with relevant resolutions of the Security Council”.

The report highlights evidence of incremental annexation of large parts of the West Bank that includes the transfer of Israeli population into settlements, the forcing out of the Palestinian population, investment of more than $19 billion in the construction of settlements, extending Israeli domestic legal jurisdiction to settlers and the proliferation of economic, social, political and administrative measures that deepen the integration of settlements into the Israeli State system.

Israeli restrictions on Palestinian trade include the dual-use list, which does not allow Palestinians to import a wide range of civilian goods that might have potential military application, the report says.

The list includes essential production inputs such as civilian machinery, spare parts, fertilizers, chemicals, medical equipment, appliances, telecommunication equipment, metal, steel pipes, milling machines, optical equipment and navigation aids.

This ban imposes heavy economic costs and exacerbates conflict and political instability by undermining the employment, wages and the livelihood of the Palestinian people.

Simply removing Israeli restrictions on Palestinian trade and investment could allow the territory’s economy to grow by up to 10%, while the blockade can only ensure the continuation of depression-level unemployment and extreme poverty, the report warns.

The report notes that the productive capacity of Gaza has been eviscerated by three major military operations and a crippling air, sea and land blockade. The 2008–2009 Israeli military operation erased more than 60% of Gaza’s total stock of productive capital, and the 2014 strike destroyed 85% of what was left.

“The productive capacity of Gaza has been eviscerated by three major military operations and a crippling air, sea and land blockade. The 2008–2009 Israeli military operation erased more than 60% of Gaza’s total stock of productive capital, and the 2014 strike destroyed 85% of what was left.”

Destroyed productive assets include roads, power stations, industrial and commercial establishments and agricultural land, as well as other infrastructure and related assets.

In 2012, the United Nations warned that unless ongoing trends were reversed, Gaza would become uninhabitable – unfit for humans to live in – by 2020. Since then, the report says, all socioeconomic indicators have deteriorated and conditions in Gaza are now worse.

Efforts at revival have been feeble and focused on humanitarian relief, the report says. This leaves few resources for development and resuscitation of the productive economy. Gaza’s present real income per head is 30% lower than at the turn of the century. Poverty and food insecurity are widespread, even though 80% of the people receive social assistance.

Furthermore, Gaza’s longstanding electricity crisis has deepened. In early 2018, households received, on average, two hours of electricity a day and shortages continue to seriously impact everyday life by crippling productive activities and impeding delivery of basic services.

The enduring deprivation of basic economic, social and human rights inflicts a heavy toll on Gaza’s psychological and social fabric, as manifested by the widespread incidence of post-traumatic stress disorder and high suicide rates. In 2017, for example, 225,000 children, or more than 10 per cent of the total population, required psychosocial support.

The UNCTAD report highlights the deleterious effects of the customs union established in 1967 and formalized by the Paris Protocols in 1994 under which free trade prevails between Israel and the Occupied Palestinian Territory and the two economies share the same external tariffs on trade with the rest of the world.

The customs union is inherently flawed because of the structural differences between the two economies and their vastly different levels of economic development. The outcomes of this union are made worse by the absence of cooperation and the selective, unilateral setting and application of its terms by Israel.

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Effectively, the Occupied Palestinian Territory is isolated from the more competitive global markets, which in turn fosters an extremely high level of a trade diversion towards Israel, the report says.

Analysis shows that, between 1972 and 2017, Israel absorbed 79% of total Palestinian exports and accounted for 81% of Palestinian imports. To break the cycle of dispossession and de-development, the UNCTAD report recommends replacing the outdated customs union by a new framework that guarantees the Palestinian National Authority full control over its customs territory, borders and trade and industrial policies.

UNCTAD analysis indicates there is no evidence that the budget deficit of the Occupied Palestinian Territory causes the trade deficit, and further suggests that the two deficits are symptoms of a resource gap fostered by an occupation that cultivates dependence on transfers from abroad and forces Palestinian workers to seek employment outside the Occupied Palestinian Territory.

UNCTAD argues that, under the present circumstances, policy prescriptions that call for further fiscal austerity could dampen growth and elevate unemployment without impacting the trade deficit.

The report warns that inappropriate fiscal austerity prescriptions could exact a high toll and add pressure to the already fragile socioeconomic and political conditions in the Occupied Palestinian Territory.

In the past year, UNCTAD has continued to assist the Palestinian people by providing advisory services, research and policy papers, technical cooperation projects and capacity-building and training for Palestinian professionals from the public and private sectors.

* The article is reproduced from IDN (In-DepthNews).
History may one day rule this was the fateful geopolitical moment when the European Union clinched its PhD on foreign policy.

Last week, EU foreign policy head Federica Mogherini and Iranian Foreign Minister Mohammad Javad Zarif, announced at the UN a “special purpose vehicle” (SPV) to deal with the Trump administration’s sanctions on Iran after the US unilaterally pulled out of the JCPOA, also known as the Iran nuclear deal.

Mogherini crucially emphasized, “in practical terms, this will mean that EU member states will set up a legal entity to facilitate legitimate financial transactions with Iran and this will allow European companies to continue to trade with Iran in accordance with European Union law and could be open to other partners in the world.”

The SPV, which according to Mogherini “is aimed at keeping trade with Tehran flowing while the US sanctions are in place,” could be in effect before the second stage of US sanctions begin in early November.

This single initiative means Brussels is attempting to position itself as a serious geopolitical player, openly defying the US and essentially nullifying the Iran demonization campaign launched by the White House, CIA and State Department.

It’s not enough to remember that the JCPOA is a UN-endorsed multilateral deal achieved after years of painstaking negotiations. The other JCPOA signatories apart from Iran and the US – Russia, China and the EU-3 (France, Britain and Germany) – have always been adamant to keep the deal going while supporting Iran on the civilian nuclear energy field.

It may have taken a few months, but the EU-3 have finally realized what Brussels sets up a ‘special purpose vehicle’ to bypass the US dollar and allow financial transactions with Tehran to continue, writes *Pepe Escobar.
Moscow and Beijing already knew: any business with Iran – which is in the interest of all players – must bypass the US dollar.

So now we come to a situation where the EU-3 will set up a multinational, state-backed, financial mechanism to help European companies conduct business with Iran in euros – and thus away from US financial enforcers.

In parallel, we will have Russia and China doing business with Iran in rubles and yuan.

Savvy energy traders knew that BRICS members Moscow and Beijing would continue to do oil and gas business with Tehran. BRICS member India, though, folded under American pressure.

The SPV will allow Iran to keep at least the 40% of its oil exports that go to the EU market in place and even allow investments by EU energy giants on Iranian infrastructure. It also opens an escape route for easily frightened energy customers such as India.

And in a total symbiotic way, the SPV opens another path for Russia and China as well. After all, the SPV mechanism will bypass the Belgium-based SWIFT financial network, on which the US interferes at will. SPV may become the preferred post-SWIFT mechanism, allowing for even more cross-border business across Eurasia and expanding to the Global South.

**Dollar de-weaponized?**

EU diplomats have conveyed to Asia Times a mood of absolute exasperation with the Trump administration in Brussels. A diplomat sums up the sentiment: “We are not going to be bullied by extra-territorial interference anymore. The JCPOA was the first EU foreign policy success. We worked very hard for it, and we are determined that the agreement won’t be undermined under any circumstances.”

On the other hand, US national security adviser John Bolton – not exactly a popular figure in Brussels – has vowed to keep imposing “maximum pressure” on Tehran, and is threatening the EU if the SPV is implemented.

For Brussels, preservation of the JCPOA is sacrosanct. It’s directly linked to the credibility of Brussels institutions that are always under siege. If they buckle, a potential disaster in the coming European parliamentary elections in May 2019 will become a certainty.

The game reveals its complexity when we consider that Iran has been the catalyst for the EU to finally stand up to the US – and potentially get closer to Russia and China. What we see emerging is the contours of a possible cross-Eurasia alliance, in multiple fronts, between Russia-China-Iran – the three key nodes of Eurasia integration – and the EU-3.

It’s a game worthy of a Persian chess master: involving energy wars, the balance of power in Southwest Asia, the absolute power of the US-controlled global financial system and the status of the US dollar – bolstered by the petrodollar – as the global reserve currency.

All these themes had been lurking in the EU corridors in Brussels for years – with commissioners and diplomats pressing for a more forceful euro in global trade (much as in Beijing in relation to the yuan).

Arguably, a concerted offensive spearheaded by the SPV will lead the euro, the yuan and the ruble to eventually establish themselves as credible reserve currencies. Dollar weaponization, beware.

*Pepe Escobar wrote this for Asia Times.*
When being ‘offensive’ or ‘morally improper’ online carries an indeterminate jail sentence in East Africa

The enforcement of the online content regulations has scared people from stating their opinions online in Tanzania, writes *Erick Kabendera.*

JamiiForums was Tanzania’s largest whistleblowing online platform, with one million visitors each day. But now some 90 percent of staff has been retrenched and the owners are considering shutting down their offices since the June implementation of the country’s online content communication law.

Across this East African nation, social commentators and celebrities have shut down their blogs as many cannot afford the hundreds of dollars required in licence fees to register them. And internet cafes may start closing down too as the new law requires them to install expensive security cameras.

A once-famous blogger in Dar es Salaam tells IPS he was forced to close down his blog because he couldn’t afford paying USD 900 in licence fees to register it in compliance with the new regulation.

In June many bloggers and content providers were contacted by the Tanzania Communications Regulatory Authority (TCRA) and asked to immediately shut down their services and apply for a licence within four days.

It was the beginning of the enforcement of the country’s Electronic and Postal Communications (Online Content) Regulations 2017. Civil society and digital rights activists have condemned the regulations as draconian.

This is what the law states:

- All blogs, online forums, content hosts and content producers must register online and pay licence fees of up to USD 900;
- Internet cafes must install surveillance cameras to monitor people online;
- Material deemed “offensive, morally improper” or that “causes annoyance,” is prohibited and a minimum fine of USD2,230 or 12 months in jail as a minimum sentence is recommended for anyone found guilty;
- Social media comments are even subject to the new regulations.

The regulation, however, doesn’t provide a maximum jail term, meaning a magistrate could send an offender to prison for an indeterminate period of time.

The source, who wished to remain anonymous, tells IPS that other bloggers he met in recent weeks who have paid the licence fees and registered with the TCRA have complained that they are registering a low number of visitors to their blogs. In addition, visitors have stopped leaving comments as they are afraid of being arrested and taken to court.

“The ordinary people are scared to make comments on blog posts. They are scared because a single post could either land a blogger or their followers in the hands of authorities,” Maxence Melo, one of the founders of JamiiForums, tells IPS. He adds that authorities are focused on implementing the law but have not educated bloggers about what is deemed “offensive, morally improper” or “causes annoyance”.

In addition, people can be charged for not having passwords on their computers, laptops and smartphones.

A senior government attorney tells IPS on the condition of anonymity, because he wasn’t authorised to speak on the matter, that this act will be used against people who post defamatory content or hate porn online but claim that a third party had access to their mobile phone or devices and posted the content without their consent.

Since the June implementation of the act, the impact has been far-reaching across the country.

The owner of a famous internet café in Tanzania’s commercial capital says he has at least 50 customers a day but he wasn’t aware of the new requirement for internet café operators to install CCTV cameras on their premises.

He tells IPS that one hour of computer use costs 35US cents, which is not
enough to sustain his business. So he supplements this with a stationary business in the cafe.

“Installing CCTV cameras would cost about USD500, which is a lot for a small business like mine. So if the authorities come and ask me to do it, I will have to shut down the business,” he tells IPS, requesting to remain anonymous.

These regulations together with other laws aimed at curtailing freedom of expression and press freedom are one of the reasons for Tanzania’s poor performance in the latest Freedom Index rankings. The country ranks 93 out of 180 countries across the globe.

There is also the Cyber Crime Act, which can be used to arrest dissenting journalists and citizens and the Statistics Act, which limits the publication of data to the government’s Bureau of Statistics. Both acts were passed before the 2015 elections and activists are worried that worse is yet to come as the country prepares for the 2019 local government elections and the 2020 general elections.

Rugemeleza Nshala, a prominent Tanzanian lawyer, tells IPS that freedom of expression is facing the biggest challenge in recent times here.

“We have reached a point where former Ugandan president Idi Amin’s famous quote when he said ‘there is freedom of speech, but I cannot guarantee freedom after speech’ is becoming relevant in Tanzania.

“Newspapers are shutdown unconstitutionally, and citizens criticising the president are arrested and magistrate, who want to please the president, jail suspects without hesitation,” Nshala tells IPS.

Last year alone, three newspapers were suspended:
- In June 2017, the Tanzania Information Services banned a weekly Swahili newspaper Raia Mwema for 90 days after it had published a story claiming that president John Magufuli would fail in his job as president;
- In September 2017, another weekly newspaper, MwanaHalisi, was suspended for 24 months;
- In June 2017, the Mawio newspaper was also banned for 24 months.

Nshala says that enforcement of the online content regulations has scared people from giving their opinion openly according to Article 18 of the Constitution of Tanzania, which grants citizens freedom of expression and opinion without interference.

And it seems that for now the online content laws have succeed in squashing the voice of JamiiForums.

Melo says that the impact of the country’s new online content law, together with three cases JamiiForums is facing in court—which has resulted in them appearing 122 time in court over the last two years—has made them retrench 64 employees. They have only eight now, and are considering closing down their physical offices.

In the past JamiiForums has been threatened and forced to share user data with the regulator or the police. In one incident, the TCRA forced them to reveal the identity of users who had leaked details of mass corruption in the country’s biggest port and the case has been pending since 2016.

That case, together with two other lawsuits that are pending against JamiiForums, made Melo cautious when the TCRA wrote requiring blogs to shut down before applying for a licence. Melo and his team decided to voluntarily shut down their website for 21 days and registered within four days. They have since had an opportunity to sit down with the regulator to express their concerns about the new law.

“We were concerned with sections of the law, which gives content providers only 12 hours to remove content deemed inappropriate from online. In one case, the regulator had submitted a letter to us at 5 pm asking us to take down content failing to do so could result in us ending up in court. The law doesn’t give us a room to consult with the source of information and your lawyers before removing the content,” Melo tells IPS.

Maria Sarungi, director of the social media citizen movement Tsehai, the Change Tanzania, tells IPS that prior to the enforcement of the regulations, the ability to freely post content online had liberated the media industry.

“There are limitations on the quantity and quality of posts that are being shared,” she says. “Some online TV [platforms] such as Millard Ayo started off as bloggers and have grown into full-fledged media houses because of the [former] liberal policies for online content,” Sarungi says.

However, Tanzania isn’t alone in establishing such repressive legislation against freedom of expression. Its neighbour Uganda introduced a daily fee of USD0.5 to anyone accessing social media after its president Yoweri Museveni had suggested the introduction of the law to curb online gossiping.

However, activists and lawyers have challenged the law in court. Uganda’s Prime Minister Ruhakana Rugunda said in parliament on Jul. 11 that the government was in the process of reviewing the law, which is commonly referred to as the “gossip tax”.

Rosebell Kagumire, a Ugandan blogger, says despite many young urban Ugandans using virtual private networks to avoid their location being detected and to bypass the tax, recent statistics show that Facebook usage went down by 75 percent in the first weeks.

She further says that apart from limiting access to information and freedom of expression, the tax has prevented young unemployed Ugandans from getting online in search of employment. In addition, small enterprises that have their base on social media have declined.

“Besides limiting access to information and expression, this tax is economically punishing the poor. Recent pressure against the legislation has seen the government come up with amendments but the fees (including the mobile money transfer tax) are anti-freedom of expression and hinder digital inclusion,” Kagumire tells IPS.

In Tanzania, for Nshala, it is not all doom and gloom.

He says the constitution gives final say to citizens about how they want the government to be governed and therefore citizens have to stand firm to protect the country’s democracy. He finally says political leaders must understand that they are servants of people and have to accept criticisms.

* Erick Kabendera writes for IPS from Dar es Salaam.
Tanzanian indigenous communities racing to secure land eyed by investors

Tanzania has attracted huge interest as a destination for large-scale agricultural investment but communities are taking actions to get strong legal protection for their communal land, writes *Kizito Makoye.

Helena Magafu smiled as she held a piece of paper that recognizes her as the sole owner of a disputed farmland in her village which was handed over to her, thus resolving a raging dispute with her neighbours.

“I am very happy, I don’t think anyone will ever again claim this is their land,” she said.

For the past eight years, the 53 year-old widow, who lives in Sanje village in the rural district of Kilombero – in Morogoro Region, south-western Tanzania – has been embroiled in a dispute with her neighbours who attempted to take 30 hectares of her family land when her husband died.

However, under the new government initiative aimed at increasing transparency and efficiency in the land sector, Magafu was recently confirmed as the right owner of the land.

Magafu, who grows maize, rice, sunflower and vegetables in her farm, has been issued with a document known as a Certificate of Customary Right of Occupancy (CCRO).

For her, getting the land title is an important milestone, providing a sense of security and harmony to spend more time working in the field.

“I have my peace of mind and the zeal to work hard and support my children,” said Magafu who earns around Tanzanian shillings 4,500,000 million (approximately $2000) a year.

Tanzania has attracted huge interest as a destination for large-scale agricultural investment due to sufficient land and cheap labour. While farmers use swathes of land for growing crops, fishing and animal keeping, they rarely have documented evidence to prove ownership.

For the communities, upholding land rights means possessing documented
evidence which secures tenure and can also be used as collateral for securing bank loans.

As traditional laws that once protected village land weaken, indigenous communities and farmers have repeatedly lost chunks of land in what analysts say is a huge land grabbing facilitated by foreign investors.

Without adequate tenure or security, the community land often becomes susceptible to grabbing by foreign companies colluding with corrupt village leaders.

Although Tanzania’s laws on land acquisition direct companies to obtain land through the Tanzanian Investment Centre – the state investment watchdog, some investors directly negotiate land deals with local villages.

This situation not only triggers conflicts but also erodes trust and had also undermined the potential for investors to receive government protection.

However, communities are not idly standing by but are adopting innovative strategies that are helping them to regain parcels of lost land as well as protecting their collectively-held land by staging protests, turning to courts and engaging in mapping and monitoring of the land.

With help from local charities, local village councils and district authorities, communities across the country are mapping and documenting their communal land to get strong legal protection.

In 2015, Maasai pastoralists in Tanzania’s northern Loliondo village sued the government at a regional court accusing it of intimidating witnesses supporting their legal claim for chunk of the village land seized during the 2014 eviction to make way for a wildlife corridor.

Land registration in Tanzania is a complex process often riddled by corruption and inefficiency, according to Transparency International’s 2014 Global Corruption Barometer.

In an effort to boost local understanding of the land rights in rural areas the United States Agency for International Development (USAID) has since 2014 been implementing a US$5.9 million Tanzania Land Tenure Assistance project to improve tenure security of local farmers in Tanzania’s southern highlands regions while issuing them with CCRO.

Under the initiative, district land planners were trained on land valuation, record keeping and were also equipped with conflict resolution skills.

Doug Hertzler, a Senior Policy Analyst for ActionAid said the move to strengthen land rights and protection of poor communities is important for fighting poverty. “It’s crucial that these land tenure programmes protect long term rights of communities and do not facilitate land grabbing by investors,” he said.

Agriculture is the backbone of Tanzania’s economy and more than 80% of the population depends on it for livelihood, but while the country has a total of 44 million hectares of land suitable for agricultural production, only 10.8 million hectares are currently being cultivated, according to Tanzania National Bureau of Statistics data.

Globally indigenous people and rural communities collectively hold more than half of world’s land, but they legally own just 10%, and even less of it is registered and titled, a new study finds.

A 2018 World Resources Institute study finds that globally rural communities and indigenous people face an uphill struggle to register their land claims as community land is increasingly targeted by powerful commercial interests.

While they toil for years to get their legal titles, wealthy companies with strong political connections are proving adept to navigate through government bureaucracy and acquire land in as little as 30 days, the study finds.

“In Tanzania, companies are supposed to consult with communities when obtaining village land… but companies may obtain right to land classified as ‘general land’...no consultations are required,” said Laura Notess Research Analyst, with World Resources institute.

As customary tenure arrangements for collectively held land continue to weaken, communities are facing obstacles to register and document their land rights, often forced to unwieldy navigate through complex procedures that drag on for years.

“A substantial burden is imposed on poor villages and individuals in obtaining various documents and approvals… this process often stretches the limited resources of districts which have large backlogs,” Emmanuel Sulle, a Tanzania researcher at the Institute for Poverty, Land and Agrarian Studies in South Africa.

While governments and companies are keen to acquire land to extract natural resources, grow biofuels; or simply hold it for speculative purposes, indigenous communities often lose ancestral lands – their primary source of livelihood, income and social identity.

“The determination of village boundaries…is often a recipe for disputes likely to challenge the resolve of the village since they require significant time and monetary investments,” Sulle said.

While national laws in many countries recognize customary rights, the legal protections are often weak and poorly enforced making community land especially vulnerable to being taken by more powerful actors.

After decades of enduring displacements, pastoralists and hunter-gatherer indigenous communities including the Maasai and the Hadzabe are being coached to take action against policies that prioritize foreign investors against traditional land use practices.

With the help of a local NGO Ujamaa Community Resources Team, the groups which constantly face the threat of losing their land, and with it their ways of life are fighting to secure their land.

Since 2003 the NGO has secured more than 200,000 hectares of land for the indigenous groups. The target is to get more than 970,000 hectares of land in northern Tanzania protected against invasion.

“We are confident to reach our target as we have planned, land is very important for indigenous communities,” said Edward Loure, the pioneer of the initiative.

* The article is reproduced from IDN (In-DepthNews).
Ghana is licking the wounds from its worst banking crisis ever. Seven bank closures within the space of one year, about 2,700 jobs on the line and government piling onto its debt 7.9 billion cedis ($1.7 billion) to pay for the difference between liabilities and assets of the collapsed banks to allow other lenders take them over.

“Poor banking practices, coupled with weak supervision and regulation by the Bank of Ghana has significantly undermined the stability of the banking and other non-bank financial institutions,” Central Bank Governor Dr. Ernest Addison, said in March when he placed the now defunct uniBank Ltd. under the administration of accounting firm KPMG.

“There was unusual forbearance by the Bank of Ghana, which resulted in the extension of significant amounts of emergency liquidity assistance to these ailing banks.”

It is not abnormal for banks to fall on the Central Bank’s Emergency Liquidity Assistance when they are short of cash to meet depositors’ demands once
A while. It is in the event of a bank consistently using this window to function as a financial institution instead of the normal practice of taking overnight facilities from other lenders that makes it problematic and draws regulator-probe. Just to be sure, such facilities from the lender-of-last-resort come at a punitive charge because under normal circumstances the interbank borrowing market should work for every bank.

Starting in 2015, UT Bank Ltd. took a total 860 million cedis and Capital Bank Ltd. received 620 million cedis in liquidity support from the Bank of Ghana. Coupled with rising non-performing loans and failure to meet capital adequacy ratios, the central bank was left with nothing but to ask state-owned GCB Bank Ltd. to take over their liabilities and selected assets in August 2017.

Leading up to the (resolution) dissolution of five other privately-owned local banks in August this year, one of them, uniBank, alone took 3.1 billion cedis between 2015 and June 2018 of which some 1.6 billion cedis was uncollateralized, posing risk to the central bank itself, according to Moody’s Investors Service. Already, Ghana spends about a third of its tax revenue on interest payments. With rising debt, investors will likely become less willing to lend to government to execute budget programs and other development projects, unless the government attracts them with higher interest rates. Higher interest rates would exacerbate the problem of non-performing loans the industry is currently battling and cause banks to tighten credit, with the attendant impact on GDP expansion. By the end of June this year, 22.6 percent, or 8.7 billion cedis of total industry loans were non-performing, according to the Bank of Ghana.

GCB Bank has sacked 450 staff of the two defunct banks it took over with plans to cut 250 more. Consolidated Bank Ghana has sacked 700 workers of former Beige Bank out of a plan to axe 2,000 workers from the five failed banks. The assets controlled by the current defunct banks are worth $2.1 billion.

Meanwhile, the government issued 2.2 billion cedis bonds to GCB Bank to meet its gap after UT and Capital Bank had been absorbed while Consolidated Bank Ghana got 5.7 billion cedis in bonds so assets could match liabilities assumed.

The bonds issued by the government together with other expenses to address the bank failures may shoot government debt to 72.4 percent of gross domestic product by the end of 2018, from 69.1 percent a year earlier, according to Moody’s Investors Service. Already, Ghana spends about a third of its tax revenue on interest payments. With rising debt, investors will likely become less willing to lend to government to execute budget programs and other development projects, unless the government attracts them with higher interest rates. Higher interest rates would exacerbate the problem of non-performing loans the industry is currently battling and cause banks to tighten credit, with the attendant impact on GDP expansion. By the end of June this year, 22.6 percent, or 8.7 billion cedis of total industry loans were non-performing, according to the Bank of Ghana.

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There was therefore adequate economic ground for the central bank to intervene to preserve confidence in the banking industry and curb systemic loss through depositors deciding to keep their funds in their rooms and break down the cultured interdependence of banks. While the government may not have needed to cough up 7.9 billion cedis if the banks were allowed to fail and fold up on their own and depositors left to their fate, the cascading effect of that approach could have resulted into much higher cost to the economy and social fabric of the country as some of the failures were negligence on corporate governance by the banks.

Banks would start showing signs of weakness, poor corporate governance and poor credit practices well before their falling into trouble and beginning to ask for large amounts of emergency funds.
liquidity support from the regulator. The question one therefore asks is why didn’t the central bank pick any signals ahead of 2015 when the banks began depending heavily on the emergency facility to meet depositors’ withdrawals? If they picked signals, what remedial actions did they instruct the banks to implement? If they did, was it followed through by the banks and if the banks did not, why were no major punishments meted until now that licenses have been revoked? Even if one bank was put under administration like uniBank was initially placed in March, that would have deterred a lot of the further wrong doing that later ensued.

Revelations after the crisis suggest that the central bank failed on almost all of the above questions, as Dr. Addison’s comment already noted. It has emerged that Bank of Ghana promised to give advisers to those who took larger than normal amounts of liquidity support in 2015, to guide them on how to deploy the facilities efficiently, however, this was not done, said Ace Ankomah, an Accra-based lawyer with Bentsi-Enchill, Letsa & Ankomah, in a news analysis programme on Joy FM, a local FM radio. Also, the emergency liquidity support is only dispensed after borrowers provide collateral, however, the central bank gave out the facility even in cases without security, said Governor Addison, who became governor of the Central Bank in April 2017.

As it turned out, majority of the emergency liquidity support received by the banks was misapplied. Dr. Addison in July this year made it known that uniBank loaned out some of its liquidity support to Belstar Capital Ltd. to acquire shares in Agricultural Development Bank Ltd., during its initial public offering (IPO) in 2016, to become one of the bank’s top three shareholders. In all uniBank extended 5.3 billion cedis to shareholders, related and connected parties, 3.7 billion cedis of which was not reported to the central bank and the rest did not follow due process before disbursements, Dr. Addison said. While this reveals poor corporate governance at the company, perhaps a bit of scrutiny by the central bank, how its liquidity support was being applied would have unearthed and averted other porous credit practices at uniBank and officials found culpable punished accordingly.

An investigative report by the Bank of Ghana, said UT Bank lent close to 300 million cedis to Ibrahim Mahama, a businessman and brother of former President Mahama. Apart from the fact that this is a politically exposed person and specific laid down procedure for such clients was to be followed before disbursement, the amount was also too big compared with UT Bank’s single obligor limit of about 20 million cedis. It was stated in the report, according to Accra based radio station, Joy FM that there were “poor credit management practices, poor credit governance and supervision” at the bank.

As Dr. Addison put it, “It was clear from banking supervisory reports that some banks and deposit taking institutions lacked good corporate governance structures and more worryingly, was the co-mingling of board and management responsibilities which significantly undermined credit and risk management policies. In fact, there were several owner/management conflicts in a number of banks.”

Ghana’s untamed budget deficits, high inflation and deprecating currency in the few years prior to 2015, played major role in building the disastrous pressures in the banking industry that would later explode into the crisis. The country’s budget deficit as a percentage of GDP hit 10 percent for a third straight year in 2014. The development, which put upward pressure on domestic prices also meant less resource availability to the private sector, as well as cheap deposits to banks. The inflation rate advanced to 17 percent at the end of 2015 from 10 percent at the beginning of 2013 with the central bank increasing its policy interest rate to 26 percent from 15 percent over the period.

The economic hardship made it difficult for companies and individuals to pay back debt thus setting the precedence for non-performing loans problems. It was therefore not surprising when the government agreed to an International Monetary Fund bailout program in April 2015 for an almost $1 billion to help address the economic environment. The program was extended by one year by the new administration and ends in April next year.

The troubling situation in the financial sector of Ghana, has led to an emerging loss of confidence in the sector with panic withdrawals by customers of some of the local banks. This also coincides with the crisis in the microfinance and savings and loans sub-sectors with default pressures in the banking industry that would later explode into the crisis. The economic environment, which would later explode into the crisis. The economic environment, has led to an emerging loss of confidence in the sector with panic withdrawals by customers of some of the local banks. This also coincides with the crisis in the microfinance and savings and loans sub-sectors with default pressures in the banking industry that would later explode into the crisis.”

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The new bank formed out of the five

African Agenda

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African farmers are facing serious challenges because of increased engineering of seeds and the determination of leading global agro-chemical corporations to dominate the African agricultural sector. The growing of food has multiple political, social, scientific and environmental considerations; arguably the control of the seed value chain is key. Farming policies can either weaken or strengthen community-based farming systems and livelihoods decision. Much depends on agricultural sector policies and leadership among African countries that strike the right balance of considerations. The tensions among these multiple priorities are simply side-lined when decisions are made based on deal-making between powerful agri-commercial interests and weaker nation states.

African rural economies that are often strapped for financial resources, have a legacy of powerful landed interests, and a citizenry unable to hold governments accountable could be cornered into farming policy-making that is short-sighted and that buys into the value proposition of "economic development" through foreign direct investments in the agricultural sector.

When corporate market dominance sells their agenda to national governments as the only real answer to either climate change or commercial agriculture (or both); this could put at risk family-run
farms, especially if they are not clear about their own food needs and agro-ecological priorities. Both family-run farms and commercial farms need to fully assess the political economy implications of competing hi-technology seeds, pesticides and fertilisers marketed by mega industry. The Monsanto-Bayer merger caps off three rounds of mega-mergers among global chemical corporations. These companies are consolidating and jockeying for better control of their market share of bio-technologies, agricultural seeds and agricultural data.

There needs to be a strategic counter-movement to invest resources in applied research in local seeds, in farmer-learning to grow quality seeds and in farmer seed distribution channels within and among African economies. The success of a strategic counter-movement rests on how informed and organised farming communities can be to hold their national governments accountable, to shift away from external input-dependent farm production methods, to better understand the exact implications and impacts of chemicalised agricultural systems and to be supported in cultivating alternative and diverse local food systems. Even more will depend on how active African rural women become once they fully realise both the potentials and dangers of chemical-intense farming, since it is likely that they stand to lose most if communal and collective farming and seed management systems are undone.

Mainstream politics, policies and business deals that underpin today’s agricultural investments seem to be at odds with the kinds of farming systems considered to be optimal for feeding the world; for species biodiversity; for gender equity in the agrarian sector and for climate-sensitive farming.

Taking advantage of present policy contexts in both the United States of America and the European Union, dodging environmental and safety regulations and undermining policy-making based on scientific evidence, agro-chemical industries are deepening their “unholy alliances” with nation states in their pursuit of profits and market share – holding governments to ransom to chemicalised farming systems and making profit-motivated cases for the use of chemicalised seeds and inputs as assurances for managing unpredictable seasons and climate change.

“If the Bayer-Monsanto merger is approved, the new merged company will control almost 30 percent of the global commercial seed market and 25 percent of the agrochemical market – making it the world’s largest supplier of seeds and chemicals. In South Africa, it would control about 30 percent of both markets. Already today, Monsanto is one of two companies in South Africa that employs 80 percent of the private sector breeders in maize and 100 percent of the breeders in soybean and sunflower breeders.” (African Centre for Biodiversity)

Bayer, BASF, DuPont, Dow Chemical, Monsanto and Syngenta are some of the dominant chemical companies in the world. Since 2016, they have been carving up their market shares through strategic mergers and consolidations. Between them, China National Chemical Corporation, Syngenta and DuPont-Dow can control about 60 percent of the global patented seed market and 64 percent of the agrochemical market.

While the ink has not dried yet on the proposed Monsanto-Bayer merger – which is the last of three big agricultural transactions that are reshaping global farming; the merger will happen – it is not a matter of if – but when.

The global commercial seed market has an estimated value of about US $53 billion and is expected to grow to US $113 billion by 2020 with the African market contributing less than two percent to the current value. Given the extent of arable land across the African continent, this presents a potentially lucrative market, but many obstacles have to be overcome to carry out a sustainably profitable business. Some of the bigger ones include lack of infrastructure, specialised knowledge, institutional arrangements and political bureaucracy.

In May 2016, Bayer proposed to buy US seeds company Monsanto for US $62 billion. Monsanto rejected the acquisition bid, seeking a higher price. Bayer’s next offer of US $66 billion was accepted and in October 2017, Bayer announced it would sell its seed and herbicide businesses to BASF for €5.9 billion (US $7 billion). On 21 March 2018, Bayer AG cleared one hurdle for its takeover of Monsanto Co., winning European Union approval for the deal after agreeing to bolster BASF by selling vegetable seeds, pesticides and digital agriculture technology to the world’s largest chemical company.

Very critically, both Bayer and Monsanto are also engaged in big data projects in the agricultural sector. One of Bayer’s prime interests in acquiring Monsanto is because it owns The Climate Corporation, which has the most powerful data science engine and the most extensive field research network. In addition, Monsanto has its foot in several important Genome Editing initiatives: it owns one of the two existing Clustered Regularly Interspaced Short Palindromic Repeats licenses and has started two joint ventures on precision agriculture with the agro-tech giants CNH and AGCO. BASF will license a copy of Bayer’s digital agriculture operations and research pipeline. This will allow “BASF to replicate Bayer’s position in digital agriculture” in Europe and ensure the race “in this emerging field remains open.”

Meanwhile BASF is lined up to buy Bayer’s global broad acre seeds and traits, including its research and development operations. The divestment plan covers oilseed rape, cotton, soybean and wheat as well as Bayer’s research on genetically modified traits. BASF will also purchase Bayer’s glufosinate assets and three research lines for herbicides, designed to replace glyphosate, a weed killer that some European countries are moving to ban.

What are the implications for farming communities and the agricultural sector in African countries? Could the power of this merger sentence the African continent to a form of farming that is chronically dependent on imported input, that is inorganic, not very climate sensitive and potentially destructive to peasant farming communities? Can farming communities afford to be complacent or complicit in this intensification of farm technologies? Does the existence of one threaten the other? Can
farming communities benefit from agricultural goliaths in their backyard?

The answer is mixed and one that begs for clear resolve and commitment from national leaders. On the one hand, access to quality seeds is clearly one important factor for adaptive and sustainable farming by both commercial producers and small-scale sustenance farming. Best practices in developing quality seed and involving farmers in localised science of seed promotion is critical.

On the other hand, value chain commodity markets are frequently held to very specific seed requirements, and these seeds often come bundled with finance, insurance, pesticide and fertiliser inputs, and some "guarantee" of a market for the product. By opening the door to big tech seeds purposefully imported in order to feed an international market, governments may deliberately or unwittingly be closing the door on local quality seed production and seed sovereignty.

Many African governments are committing to "commercial farming" policies, which support large-scale production, and welcome investments in full-scale technological approaches to farming. The Comprehensive Africa Agriculture Development Programme is the main policy backstop for "agricultural transformation, wealth creation, food security and nutrition, economic growth and prosperity for all". When it comes to agricultural seed policy – these usually serve the needs of large-scale commercial farmers, with a dominant focus on hybrid, improved and genetically modified seed.

The Access to Seeds Index evaluated and ranked the world’s leading global field crop and vegetable seed companies in four regions on their policies and practices to improve access to quality seeds for smallholder farmers in developing countries. Worldwide, over 2.5 billion people manage 500 million small farms and in Africa alone, smallholders produce 70 percent of the continent’s food supply. To increase production, improve nutritional quality and adapt to climate change, these farmers need access to appropriate and high quality seeds. At present, the private sector plays a minor role in reaching African smallholder farmers – only 2.5 percent of seeds used by smallholder farmers in sub-Saharan Africa come from seed companies. There is clearly a market need for quality seeds, and for organic seeds.

Farming systems that are rooted in local customs and contexts, that use less energy, that work in symbiosis with local flora and fauna, that practise integrated pest management and nurtures soil health can be considered organic. Organic farming is not directly and specifically supported by agricultural policy in most African countries, and sometimes it is actively hindered.

A United Nations Environmental Programme-United Nations Conference on Trade and Development report “Organic Agriculture and Food Security in Africa” compiled research over four years – 2004-2008 drawing from results in Uganda, Kenya and Tanzania. It states categorically that the reasoning for “chemical / industrialised farming can improve food security” are unjustified – and goes on to suggest that organic systems address fairness perspectives as well as health and ecological sustainability. The research submitted several cross-cutting conclusions – including:

1. Organic farming is not directly and specifically supported by agricultural policy in most African countries, and sometimes actively hindered. An enabling policy environment is critical to support and scale-up organic agriculture and its positive impacts;
2. More information on agro-ecological technologies is needed, this calls for a shift in emphasis in research and science budgets and for better linkages between science farmers and practice;
3. Organic farming builds on and stimulates the formation of human, social, financial, natural and physical capital;
4. The rise in fuel prices at the time made the case for less dependence on energy and external inputs even more critical;
5. Certified organic production can undoubtedly reduce poverty among farmers and in this way contribute to food security;

These findings are closely aligned with and further validate the findings and recommendations of the International Assessment of Agricultural Knowledge, Science and Technology for Development report released in 2008.

An unprecedented poll of farmers’ opinions on the Bayer-Monsanto merger was conducted between 26 January and 12 February 2018 by a coalition of farm groups who collected 957 responses from farmers in 48 states. Cumulatively, the farmers who responded to the poll cultivate close to two million acres and represent all sectors of farming.

• 91.9 percent of farmers are concerned that the merged company will use its dominance in one product to push sales of other products (79.6 percent very concerned/12.3 percent somewhat concerned);
• 91.7 percent of farmers are concerned that Bayer/Monsanto will control data about farm practices (79.5 percent very concerned/12.2 percent somewhat concerned);
• 89.0 percent of farmers think the merger will result in increased pressure for chemically dependent farming (77.1 percent very concerned/11.9 percent somewhat concerned).

Justus Lavi Mwololo [from the Kenya Small-scale Farmers Forum] said: “Farmers, we have to put forward our agenda.”

Farming men and women, communities in their wholeness, need to work together to define their agenda and to take decisions on their approaches to farming, food and natural resources for generations to come. Those rural communities whose ties to ecology and soil remain strong and secure – will be best equipped to reclaim their knowledge, their local economies and rebuild sustainable societies.

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Entebbe-Kampala Expressway - built by the Chinese