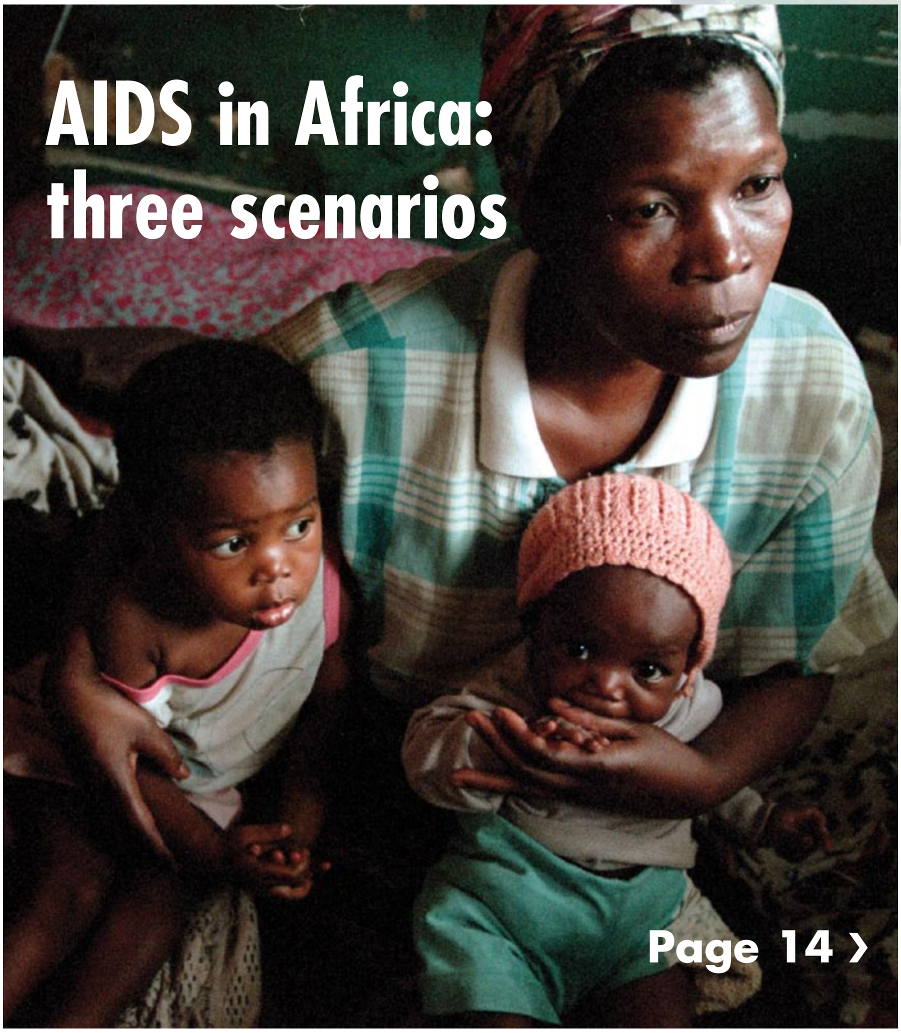
GLOBAL dialogue

AN INTERNATIONAL AFFAIRS REVIEW PUBLISHED BY THE INSTITUTE FOR GLOBAL DIALOGUE VOLUME 11.1 MAY 2006



Why SA should become Africa's hegemon

Page 4 ›

CONTENTS

Study of deviant states clarifies rules of good conduct

A systematic study of aberrant state behaviour also allows the distillation of a set of rules of good state conduct, writes **Deon Geldenhuys**

LIKE any human society, the community of states has always had its non-conformists. These are countries that challenge or contravene commonly accepted standards of behaviour, thereby placing themselves at odds with others supposedly playing by the rules. One of the harshest penalties for objectionable conduct is exclusion from the society of respectable states, thus losing the benefits of normal interaction with other countries. The 20th century produced an assortment of delinquent states, including Bolshevik Russia, Weimar Germany, Fascist Italy, Francoist Spain, the People's Republic of China, Rhodesia, and, more recently, the quartet of 'pariahs': SA, Israel, Taiwan, and Chile.

Rogue states

The passing of the cold war has not ended wayward state behaviour. The Americans were alarmed by what they saw as the rise of a new class of dangerous states, dubbed 'rogues', and later members of an 'axis of evil'. Iraq, Iran, North Korea, and Libya were considered the standard-bearers of iniquity. Many other states are currently transgressing the rules of good behaviour.

But, like individuals, states mostly uphold rather than break established standards of conduct. Probably for this reason, scholars of international relations have shown scant interest in the systematic and comparative study of aberrant state behaviour.

The terrorist spectacular of 11 September 2001 demonstrated that gravely offensive behaviour in the realm of high politics – directly threatening the peace and security of states – is not necessarily confined to fellow states. Non-state actors, especially terrorist organisations, can also wreak death and destruction on a massive scale.

Scholarly interest in non-state actors has lately focused on terrorist groups such as al-Qaeda, but precious little effort has been spent on a comprehensive enquiry into various types of deviants among non-state actors. Therefore, to broadly understand deviant behaviour in international affairs, it is important to consider both state and non-state actors. But whereas previous studies of errant states tended to concentrate on their punishment by their peers, a more valuable exercise is to focus on the rules of conduct violated by the states involved.

Sociological theories of deviance define deviant behaviour in terms of breaking the established norms of a particular social group. Norms, in turn, refer to collective expectations of the proper behaviour of actors. Norm transgressions typically elicit some disapproval, anger, or indignation from other (rule-abiding) members of the group, who may decide to express their displeasure by punishing the offender in one way or another.

Since all modern societies are differentiated along ethnic, class, and other lines, disagreement is bound to arise over the kinds of behaviour judged proper in any given situation. There is even greater diversity between states, making global consensus on acceptable standards of state behaviour difficult – but not impossible.

We can distinguish among three levels of international agreement about deviant behaviour. Higher-level consensus attaches to an act generally serious enough to earn a relatively large measure of public agreement that the act is indeed deviant, such as international terrorism, and 'ethnic cleansing'. The rules in question constitute settled norms of world politics. Where an act is generally less serious, and attracts less public consensus on its 'deviant reality', it can be designated as lower-consensus deviance; illegal whale hunting and espionage are examples. Non-consensual deviance refers to acts deemed deviant by a single state whose parochial interests are at stake, such as the US conflict with Cuba over its communist political order. Where a sole power's expectations of proper conduct are involved, we can speak of a non-settled norm.

Since the essence of deviance is the violation of norms of proper behaviour, comparative analysis allows us to identify the major international standards that contemporary deviant states have infringed. The emphasis is on norms in the high-consensus, settled category, meaning they have been widely endorsed by states.

Major norm-violating actions

The eight major norm-violating actions committed by deviant states are threats to international peace and security, mainly through the pursuit of weapons of mass destruction (WMD); terrorism; the possession of vast arsenals of conventional weapons; regional aggression; a lack of democracy and human rights; crimes against humanity; war crimes; and the export of revolution. Drug trafficking is a ninth offence, but has yet to result in the collective, substantive, and sustained punishment of guilty states. The norms proscribing these actions have been formalised in international conventions, treaties, and other instruments. Two lesser transgressions, involving informal and largely unilateral norms of conduct, are anti-westernism and assertiveness in foreign relations.

The most grievous offence committed by non-state deviants

Iranian president Mahmoud Ahmadinejad in front of a picture of the Ayatollah Khomeini … rule-breaking states expose themselves to increasingly drastic action by respectable states. *AP Photo*

is one shared by deviant states, namely international terrorism. The other four, typical of non-state offenders, are armed rebellion against legitimate governments, trade in so-called blood diamonds, mercenarism, and transnational crime.

Three other main elements also pertain to an analysis of deviant conduct in world politics, namely rule defenders, the measures they can take against deviant actors, and, finally, the possible reactions of deviants when subjected to external pressure.

Foreign actors

The foreign actors trying to uphold international norms by acting against deviant behaviour fall into four categories. At the global level, the UN is obviously the main institution for 'naming and shaming' rule-breaking states or non-state actors, and for ordering mandatory punitive measures against them. Secondly, at the subglobal level, regional bodies such as the EU can act against norm violators. Thirdly, great powers have traditionally assumed major responsibility for protecting international norms and world order. Finally, a range of NGOs can mobilise international opinion against state and non-state deviants.

Those acting against deviant states want to see the targets end their rule-breaking conduct. In some cases a change of policy may suffice, but an end to seriously deviant behaviour may require a change of government or even of regime (a fully fledged political transformation affecting norms, values and authority structures). For some non-state deviants, the price of compliance may be even higher. Crime syndicates, for example, are expected to contract themselves out of existence because they cannot be reformed and rehabilitated. Others like terrorist organisations and mercenaries could, however, mend their ways or 'reinvent' themselves.

The array of possible responses to errant conduct can be arranged on a continuum from the most to the least drastic action. The measures, in declining order of severity, are military attack, deterrence, anti-proliferation measures, containment, isolation, subversion, international supervision, legal prosecution, verbal censure, engagement and, at the other end of the spectrum, socioeconomic upliftment.

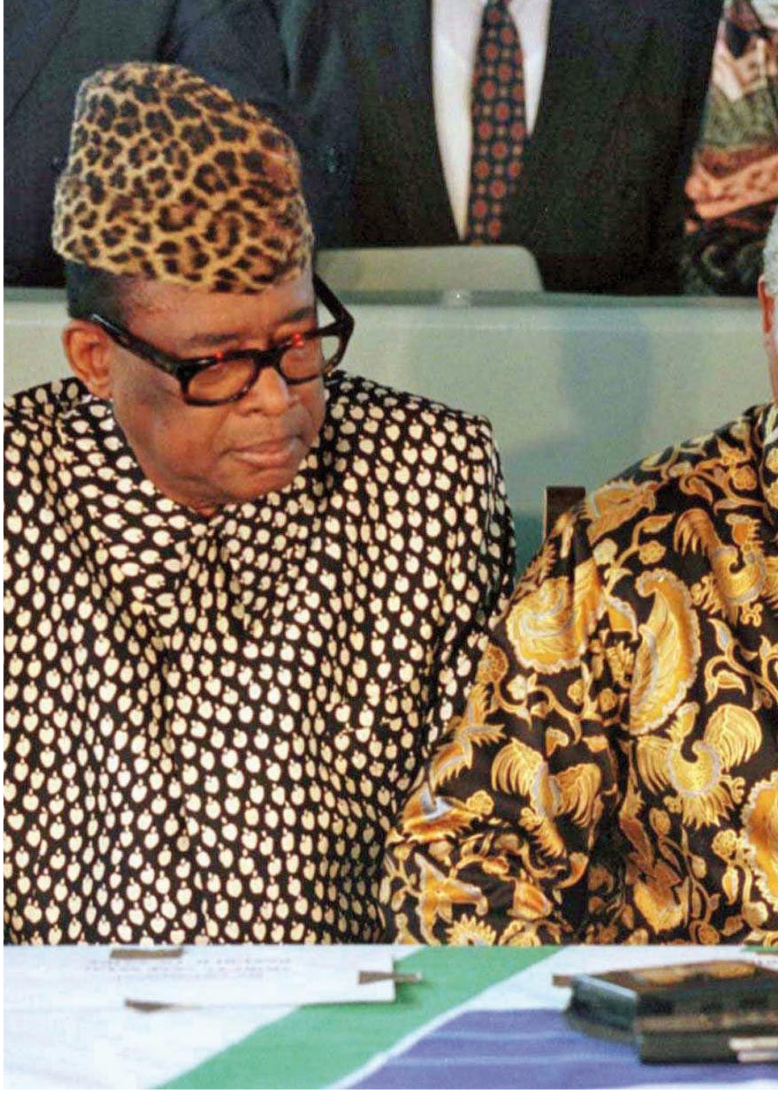
Classes of rule-breakers

Different levels of external action against deviants allow us to distinguish three classes of rule-breakers. First-order or global deviants are countries or non-state actors assigned this status by the UN. Their conduct is judged offensive by the world community at large, and the quest to effect change is a truly universal one. Second-order or regional rule-breakers are seriously at odds with others in their respective regions. A country that finds itself in conflict with only a handful of other states, or with only a major power, could be called a third-order deviant. Not all those patently in breach of settled international norms are subjected to international punishment. Such actors could be described as nominal deviants.

The fourth and final issue to consider is deviant states' possible responses to external pressure aimed at changing their behaviour or political structures. At the one extreme, a deviant could simply capitulate to outsiders' demands. At the other end of the spectrum, a deviant country could defy external pressure for change through actual or threatened military action. Between these two opposites are several lesser forms of both compliance (adapting to or adopting expected forms of behaviour) and defiance (refusing to heed external demands).

In conclusion, the inventory of transgressions allows one to infer a set of rules of good state conduct. Today's respectable states should at a minimum eschew WMD; resist terrorism; live in peace with their neighbours; keep conventional armaments commensurate with defence needs; uphold universal standards of human rights; refrain from crimes against humanity and war crimes; refuse to export by force or coercion their domestic political formulas; and respect global anti-narcotic norms. ■

Deon Geldenhuys is professor of politics at the University of Johannesburg. This article is based on his latest book, Deviant Conduct in World Politics *(Palgrave Macmillan, 2004).*



Adam Habib and **Nthakeng Selinyane** argue that SA should become more than a pivotal state in Africa, and play an unambiguously hegemonic role. However, every hegemon needs to be constrained, and this task should be undertaken by a resurgent civil society

Why SA should play a hegemoni

THE SA state, especially under Thabo Mbeki's presidency, has been criticised for paying too much attention to improving Africa's international status and reforming the global economic order, at the expense of addressing national problems of growth and redistribution. This charge is unjustified, for what is important is not the state's voracious appetite for an international role, but what that role entails.

The fundamental question is: can the SA state deliver democracy and welfare at home while simultaneously creating a stable, rules-based global community? Stability is central to realising the dual objectives of democracy and economic growth in Africa and SA. Given SA's moral standing and its economic and military resources, it will always be expected to play a hegemonic role in the region and beyond. At present, however, this role appears to be ill-defined. This has resulted in contradictory postures by SA's foreign policy officials, and confusing signals sent to both citizens at home as well as other regional powers.

We argue here that SA should play a hegemonic role in Africa, but that the government should be checked by civil society in order to prevent it from lapsing into chauvinism or authoritarianism.

SA is widely viewed either as an emerging middle power on the continent, or as a selfish hegemon. Some analysts see SA as playing the role of an emerging middle power – a synthetic term that draws on the twin theses of middle power and emerging power. Among other things, the term 'middle power' is used to denote states with a size and rank that gives them an opportunity to exert moral influence over the global system. A middle power tends to operate along multilateral avenues, since it cannot impose its vision on the world on its own.

Pivotal role

Emerging powers are regional powers (such as Brazil or India) which shoulder responsibility for stability and order in their regions. They are expected to keep their backyards neat, with the support of the big powers, and to enforce global rules. They also have a moral status that enables them to exert influence in certain cases where the big powers cannot. In this view, what makes SA a good candidate for middle power status is its deliberate attempt to refrain from hegemonic behaviour while continuing to play a pivotal role in its region.

Other analysts have also approvingly stressed SA's pivotal

SA president Nelson Mandela with Zairean president Mobutu Sese Seko and rebel leader Laurent-Desire Kabila aboard the SAS Outeniqua … stability, development, and democracy will only be achieved when a regional hegemon is prepared to underwrite these objectives. *AP Photo/Philippe Wojazer*

ic role in Africa

rather than hegemonic role on the continent. The term 'pivotal' is an important one; by using it to describe SA's role on the continent, these analysts praise and support SA's rejection of a hegemonic role. It is this projection of a pivotal as opposed to a hegemonic role that is important, for it implicitly stresses partnership, multilateralism, and non-assertive behaviour in SA's foreign policy.

These perspectives assume that partnership and hegemony are mutually exclusive options. But any careful study of hegemonic behaviour, in both global and regional contexts, would demonstrate that partnership is as much a modality of engagement, as are other more aggressive interventions. This implicitly leads to caricatures of what hegemonic and partnership models involve. Also, much of the literature emanating from progressive quarters romanticises partnership and engagement, and refuses to consider other options on the grounds of 'political correctness'. A hegemon is a global or regional leader in military, political, economic, and often cultural affairs. Whereas the definition of a pivotal state is merely descriptive, the definition of the hegemon stresses leadership; it goes beyond mere description to emphasise agency.

Every hegemon is a pivotal state – but it also has to be more. Hegemons not only aspire to leadership, and are not only endowed with military, economic, and other resources. They also have – necessarily – a political and socioeconomic vision of their transnational environments, and a political willingness to implement such a vision. If that vision is one of security, stability, and development, as is often the case, then the hegemon undertakes to underwrite the implementation of these goals. Again, that does not mean that a hegemon does not have partners in this enterprise. It often does, but it takes responsibility in the last instance to ensure that the features of its vision are operationalised in the region it sees as its sphere of influence.

More importantly, a hegemon should be prepared to compromise its own dominance in respect of market share, balance of trade, and military overlordship should that be in the interests of fulfilling this vision.

SA's role should in fact be one of hegemon. Simply being a pivotal state, albeit an important one, means rejecting the role of leadership. This is not in SA's interests, nor those of the region. Stability in the region, and as a result development and democracy, will only be achieved when a regional hegemon is prepared to underwrite these objectives. So long as that does not happen, SA's economic goals will remain compromised. For as President Thabo Mbeki has often stated, the fate of a democratic SA is inextricably bound up with what happens on the rest of the continent.

Analysts often assume that SA foreign policy is consistent and homogeneous, whereas this is clearly not the case. SA foreign policy only has fractions of these attributes. In some cases, it has acted in a hegemonic manner to establish and guarantee stability, while in others where necessity was equally visible it has hesitated to intervene effectively. SA foreign policy may thus be described as schizophrenic.

A schizophrenic foreign policy

The schizophrenic character of SA's foreign policy is evidenced by its ability to play a leadership role in Africa and persuade others to subscribe to its vision on the one hand, and being pulled by pragmatic factors and becoming only one among many regional actors on the other. The latter trait demonstrates a reluctance to lead, using multilateralism as an excuse, and emphasising the country's important yet not dominant position in the region. Its foreign policy since 1994 consistently reflects both these characteristics.

A lack of leadership is reflected in its engagement with Nigeria during the Abacha period. When, in November 1995, the Abacha regime executed various members and activists of the Movement for the Salvation of the Ogoni People (MOSOP), including its leader, the author Ken Saro-Wiwa, SA rightly took a critical stand, calling for comprehensive sanctions against Nigeria and its expulsion from the Commonwealth. However, it quickly revised its position as the western capitals rushed back to flank Abacha's regime only a year later. Taking its cue from the slant of the major powers, its convictions had come full circle to a position of constructive engagement by the 1997 Commonwealth meeting where the fast deteriorating situation in Nigeria was under review.

A similar pragmatism influenced SA's relationship with the Polisario. In 1996 SA went back on a commitment made in 1995 to recognise Polisario diplomatically in order to procure a trade and joint co-operation agreement with Morocco, which continues to gerrymander around UN resolutions against its occupation of the Western Sahara. SA has since stopped short of recognising the Western Sahara Democratic Republic, ostensibly to avoid a direct confrontation with France and the US.

But perhaps SA's lack of leadership has been most patent in respect of its relations with Mobutu's Zaire, Zimbabwe and Swaziland. In all three cases, initial hegemonic leadership was effectively abandoned. In 1997, in the twilight of Mobutu's kleptocracy, SA played a double role of mollycoddling the regime in Kinshasa while also helping to establish contacts between SA companies and the rebels in Lubumbashi – thereby risking its credibility as a resolute catalyst for regional stability.

In the case of Swaziland and Zimbabwe, SA has been condemned for its classic multilateralist stance: arguing that the problems of democracy can only be resolved by the peoples of these countries on the one hand, while pledging that it will only act within the SADC framework, and with the blessing and co-operation of other SADC members, on the other. This has not, however, prevented SA from warding off international condemnations of Zimbabwe's human rights and governance record. It may be more useful to typify SA's stance on Zimbabwe as one of appeasement, and that on Swaziland as being informed by an absence of strategic interests. Given that SA needs Zimbabwe's support to exercise regional leadership, and Zimbabwe shares Swaziland's despotic credentials, it becomes practically inadvisable for SA to adopt a tough stance towards the latter.

Assertive leadership

Yet in certain instances SA has cast off the cloak of multilateralism and assumed the yoke of regional leadership. Its involvement in the Lesotho crisis of 1998, the second civil war in the DRC, and the Burundian conflict all illuminate this point. On rejoining the push for Congolese peace in early 1999, SA introduced a clear plan that stressed ceasefire and troop standstill, a conference of reconciliation and reconstruction, an all-inclusive transitional government, a new constitution, and general elections. In November 1999 it pledged R1,2 million towards a joint military commission in the DRC, and for more than a year the SA minister of local government, Sydney Mufamadi, was tasked with bringing together the belligerents. So determined was SA's involvement in this initiative that in August 2002 Mbeki announced a 90-day target to return peace to the DRC, after Paul Kagame and Joseph Kabila had signed a deal on 30 July 2002 under a Mbeki-Annan brokership, and in the presence of the SADC chairman, Bakili Muluzi of Malawi. Indeed, in December 2002 the final agreement was concluded, and in June 2003 the transitional government was inaugurated in Kinshasa, demonstrating the success of this intervention. As then deputy president Jacob Zuma appropriately reminded the Congolese, 'persistent pressure got the ANC to the negotiating table … and kept both sides there through the convoluted CODESA process'. SA has conspicuously failed to bring this kind of pressure to bear on Swaziland and Zimbabwe.

Lesotho is another case where SA's emphasis on multilateralism did not constrain its ability to intervene hegemonically in order to bring about and guarantee stability. When, in 1998, the government of Lesotho was rendered ineffective by election protests, SA deployed its military power to restore order, and remained involved in diplomatic efforts towards a smooth transition to general elections and the creation of a stable multiparty parliament acceptable to all the major national constituents.

SA has perhaps led most unambiguously in building institutions for continental integration, and representing Africa's interests on the world stage. Mbeki, in partnership with Olusegun Obasanjo of Nigeria, has successfully sold the NEPAD idea to

President Thabo Mbeki at the inter-Congolese talks at Sun City … the inauguration of the transitional government in the DRC has demonstrated the success of SA's intervention. *PictureNET Africa/Nadine Hutton* the G8, the EU and the UN. The transformation of the OAU into the new AU under SA's leadership has imbued the organisation with a more developmental ethos. SA has also used its position in UNCTAD, the NAM, and the international financial institutions to advance third world and African concerns about the international political and economic order. It has also, however, been guilty of eccentricity in this respect, as evinced by its castigation of demands for reparations for slavery, colonialism, and apartheid at the World Conference Against Racism (WCAR) in 2001, and its breakaway from third world ranks against the Washington Consensus at the UN Conference on Development Finance in Monterrey, Mexico, in 2002.

Taking the baton from former president Nelson Mandela in Burundi, Jacob Zuma worked assiduously alongside the deputy minister of foreign affairs of Gabon to salvage the transitional government of November 2001, formed after the August 2000 power-sharing agreement. And for the past two years, SA has maintained a peacekeeping force in Bujumbura, as part of an AU buffer contingent.

An SA soldier orders members of the Lesotho Defence Force to return to their barracks … SA's hegemonic intervention in 1998 helped to restore stability, and enable peaceful elections. *AP Photo/Karel Prinsloo*

Some patterns thus become visible: in those cases where an unambiguous hegemonic intervention has been attempted (Lesotho and the DRC) there is a visible promise of political stability, without which the project of redeeming democratic institutions and economic regeneration will remain a mirage. However, in cases where SA has been less than willing to act as a hegemon to bring about stability (Swaziland, Zimbabwe) political instability continue to spiral, at great cost to the SA and regional economy and inimical to the endeavours of building a national and regional consensus on democratic norms.

Strategic lesson

This then suggests a policy and strategic lesson for the SA government. If it is to remain committed to economic rejuvenation and democracy in Africa, stability is needed. In the absence of such stability, it should be created by means of leadership and hegemony. As an economic and military power, SA must play an unambiguously hegemonic role. But unconstrained hegemonic behaviour can also have undesirable consequences, such as spawning and bolstering an apartheid-style constellation of authoritarian regimes in the region. SA's political and economic elites must therefore be prevented from pursuing hegemony in a way that furthers their own narrow interests at the expense of regional stability and development. What options exist for constraining the hegemon?

The history of American hegemony in the western hemisphere is instructive. After World War 2, the US assumed a leadership role in western Europe and became the insurer of its development project. Given that region's hunger for capital, the US had to provide investment finance to restart Europe's ravaged economies. The perennial challenge that had indirectly triggered the war had come back to haunt Europe at its end: how could state elites generate the wherewithal to sustain their citizens and retain their loyalty to the nation-state as a framework for the conduct of politics? Without a prompt resolution of this question, there was a real threat of revolutionary pressures and of communist influences spreading to Western Europe. The American answer to this challenge was the Marshall Plan, massive state-to-state aid patently meant to salvage the American vision of a stable world order. This was supplemented by substantial direct investment excited by the anticipation of profit.

The US was also prepared to underwrite the new monetary order by providing the dollar as an anchor currency – without this initiative, global trade would have remained clogged and volatile, providing the potential for a return to war. By creating and funding NATO, the US also demonstrated its willingness and ability to provide the security and stability needed for the project of rebuilding capitalism in the west, a commitment of crucial import in a world that had twice gone to war in as many decades.

But why did the US undertake such a systemically beneficial action? Three factors provide an answer to this question. Firstly, the US stood to make big profits from its capital investments in the vast yet inert European market. Secondly, many Americans had a European heritage, and regarded Europe as their ancestral home. This created a strong civil society-based yearning for continental reconstruction, complemented by transnational corporate endeavours. Thirdly, the presence of a counter-hegemonic power in the form of the Soviet Union fostered the commitment of American political and economic elites to western Europe. The same factor also ensured the birth of a strongly welfarist state whose economy was punctuated by a series of corporatist arrangements, thereby guaranteeing that the common identity around state and enterprise was not compromised. The dialectical link among these three elements is what prompted the US to make concessions that had systemically beneficial results in a sustainable western capitalist order.

SA capital

Can any lessons be learned from this experience? We believe so. First, SA capital clearly stands to benefit from a reconstruction of the African continent. Indeed, it already discovered this potential. By early 2003 SA capital was active in at least 20 countries, with operations spread across at least 14 sectors ranging from mining, manufacturing, and energy to aviation, telecommunications, and research and development. But it is important to ensure that such investments contribute to a developmental goal. This requires that the SA state should start harnessing SA capital in the region to unlock the private accumulation regime outside the realm of the African state. The challenge is for the state to encourage SA capital to enter countries that observe certain minimum precepts of stability, and to shun non-conformist cases.

Second, the new ethos of an African dawn, as encapsulated in the ideology of an African renaissance associated with Mbeki, binds SA to the continent. This is largely accepted as a SA vision, and NEPAD, which has already been adopted as the official programme of the AU, provides a framework for a thoroughgoing commitment of resources to this cause. Indeed, NEPAD's success is inextricably linked to the fate of SA's leadership of the continent. Questions have been raised about the life chances of an African renaissance in the framework of a plan informed by neoliberalism, which has allowed unbridled excesses on the part of elites.

The key to a different, pro-people, outcome is to put in place institutions to ensure that the benefits of stability, democracy and development are not scooped up by avaricious power elites

The African Peer Review Mechanism (APRM) provides an entry point for monitoring the performance of states in terms defined by themselves. This is laudable as a baseline, but does not prevent hegemons from having free rein. In this respect it is preferable to have a counter-hegemon, and here Nigeria is a case in point. Analysts increasingly agree that, while Nigeria is not as strong as SA in military and economic terms, it has been more decisive than the latter in leading initiatives to stabilise West Africa, including the commitment of troops to peace missions. This presence of a potential counter-hegemon prepared to act decisively should provide sufficient stimulus for SA to seek a more hegemonic role, and to play such a role in a systemically beneficial way. But this leaves us with an idyllic scenario of self-restraining hegemons.

The key to a different, pro-people, outcome is to put in place institutions to ensure that the benefits of stability, democracy and development are not scooped up by avaricious power elites. This can only truly be guaranteed by a strong, democratic civil society in individual states and in the transnational environment. Moreover, a hegemonic foreign policy slant must also enjoy the support of civil society in SA itself, which is currently seriously wanting.

SA's welfare is interdependent with politico-economic developments on the continent. To achieve its developmental goals, SA must seize the opportunities presented by the global environment, and simultaneously engage in a creative manner with the constraints imposed by the embedded asymmetries of the prevailing world political and economic order. The predominant challenges of this order are the continued marginalisation of the backward regions from global decisions and the benefits of investment and trade, of which Africa has absorbed the brunt throughout the period of post-colonial sovereignty. While the post-Cold War period has unleashed new forms of regional and national conflicts, it has also given peripheral regions space for self-determination, and allowed the emergence of regional powers capable of resolving a new generation of conflicts. The fear expressed at the turn of the millennium that Africa would be marginalised by the diversion of investment in the post-Cold War period has in fact materialised.

This is the sea of challenges that SA has had to navigate with delicate ingenuity during its first decade as a democracy. As a continental economic and military power, expectations of its leadership have been high, but these have also been accompanied by fears of potential abuse of SA's dominance. Its discharge of its regional role has been a variegated tapestry of hesitancy and enthusiasm. It has been instrumental in reviving the profile of the continent on the world stage, and mobilising African states around a consensual political and economic vision. Its leadership of the continent is borne out by the efforts it has spearheaded to transform the OAU, and speed up its developmental tempo. Although the inflow of financial resources from the developed world in support of NEPAD has been meagre, its function as a rallying point for the continent's leaders and its acceptance by the EU,US and UN has validated the world's acknowledgement of Africa's reawakening. The spectacular explosion of SA investment in Africa, with the state's deliberate backing, has demonstrated the country's willingness and ability to anchor NEPAD and general continental economic regeneration. Its able leadership of the African constituency against the Iraqi war in early 2003 reaffirmed its ability and determination to construct and uphold an independent, distinctly African, position in international affairs.

In boldly advancing developing countries' concerns at the WTO, including the campaign for debt cancellation and calling for third world accommodation in the UN Security Council, SA has not only consolidated its position as a credible emerging power, but also raised Africa's profile in international affairs. Its immediate regional role has been evident in determinate

Continued on page 28

Troika of threats requires integrated response

Oil depletion, climate change, and monetary instability present major – and interlinked – threats to global trade, writes **Jeremy Wakeford**

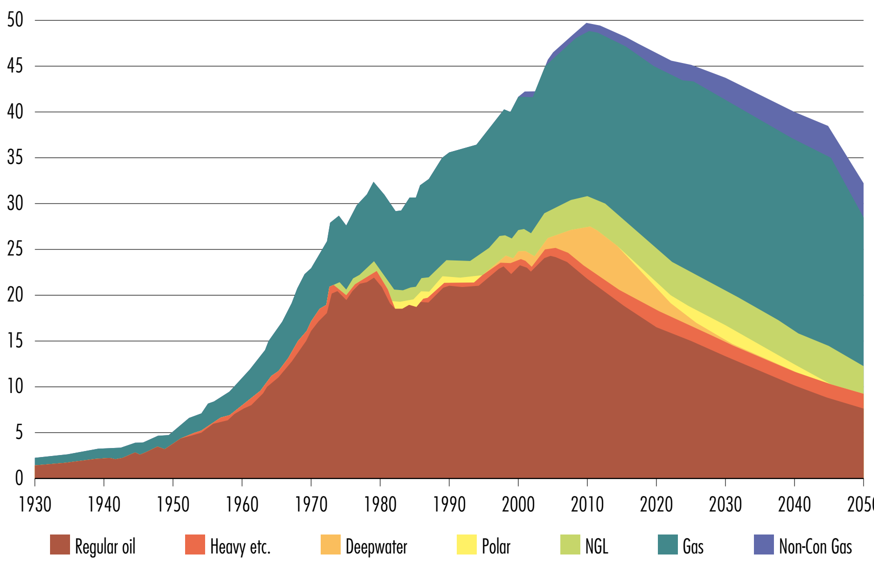
RECENT decades have witnessed an unprecedented globalisation of trade, driven mainly by technology and ideology, and underpinned by the availability of cheap energy. However, there is mounting evidence of significant risks to the globalisation of free trade, mostly in goods but also in certain services. This article identifies three main risk areas: crude oil depletion, climate change, and instability in the world financial system. While important in their own right, these risk factors are closely interconnected. To properly assess their potential impact on the world economy and international trade, they need to be considered together.

The end of cheap oil

Our integrated global trading system is highly dependent on the availability of relatively cheap crude oil to fuel transport networks. A steep rise in the price of oil over the past few years has led to concerns about when depletion of this finite resource will begin to affect the world economy.

In the 1950s the petroleum geologist M King Hubbert theorised that oil production in a given region would follow a rough bell curve, rising to a peak when about half of the oil reserves had been extracted and thereafter gradually falling to zero. Hubbert correctly predicted the 1970 peak in oil production in the lower 48 United States. He hypothesised that world oil supply would follow a similar curve, mirroring the pattern of (earlier) oil discoveries, which peaked in the 1960s. Oil production and use have exceeded new discoveries since 1981, and more than half of the 44 significant oil-producing nations have already passed their individual production peaks. Most geologists currently using Hubbert's method predict a global oil peak between 2005 and 2016. The Association for the Study of Peak Oil & Gas (ASPO) estimates that regular oil peaked in 2004, and expects all liquids plus gas to peak in 2010 (see figure 1). Recently, even some large oil companies – including ChevronTexaco and Shell – have acknowledged that 'easy' oil production has peaked. The peaking of oil production implies the end of *cheaply available* oil. With steadily falling supply, demand will have to adjust downward via higher prices.

Figure 1: ASPO's oil and gas depletion scenario



Source: Association for the Study of Peak Oil & Gas (ASPO)

No substitute

While there is considerable scope for increasing energy efficiency and reducing consumption, both have limits, especially given current energy and transport infrastructure. Given its versatility as both a fuel (especially for transport) and an input in the petrochemical industry, as well as its high energy density, there is no other source of energy that can fully substitute for oil. Natural gas is expected to peak within a few decades, while coal is highly polluting. Switching to an economy based on renewable and nuclear energies will require massive and costly investment, and will take at least a decade to begin making an appreciable difference. The crux of the matter is whether new energy and transport investments can be made before the peak of oil production is reached; after the peak, economic conditions will be far less conducive to doing so. Either way, a transport network on anything like the present scale does not seem feasible with existing non-fossil energy technologies.

On the downslope of the Hubbert curve, the world faces an endless sequence of supply-side oil shocks, with prices fluctuating around an upward trend. This will create inflationary pressures, and put a brake on global economic growth. At least in the near term, whether or not higher oil prices cause an outright recession depends to a large degree on monetary policy responses. If central banks allow the higher energy prices to work through the system, then the increasing scarcity of fossil fuels will manifest itself appropriately in altered relative prices. But if energy prices rise steeply, central banks will probably counter inflationary pressures by raising interest rates, which may induce an international recession (as in 1980). The crucial timing may not be the actual date of the oil peak, but rather when a critical mass of investors wakes up to the inevitability of the peak. This realisation could spark widespread panic, with potentially devastating effects on financial markets and the global economy.

Sectors at risk

Certain sectors are particularly at risk. First, the transport sector – which is clearly crucial to the international goods trade – will experience rising costs. Uncertainty arising from oil price volatility is likely to put an additional brake on international trade flows, as it will increase the risks faced by importers and exporters. Second, oil scarcity will have a significant impact on agricultural production. Not only is today's highly mechanised agribusiness dependent on oil for machinery and transportation; it also uses large amounts of petroleum-based chemical fertilisers and pesticides. In addition, the marine fishing fleet relies on oil for fuel. We can thus expect significant drops in agricultural production and increases in food prices after oil peaks, which has food security implications for food-importing countries. Third, the volume of manufacturing production will also be negatively affected by rising energy prices, especially in the petrochemical, plastics, and pharmaceutical sectors.

As a result of rising transport costs and falling output in key sectors, the aggregate volume of international trade flows is likely to decline significantly. If peaking oil production triggers economic recession, this will further reduce trade flows. Furthermore, we can expect a rise in the terms of trade of energy-intensive output (eg commodities) relative to non-energy-intensive activities. Labour-intensive sectors will benefit, while capital-intensive sectors will decline. International and domestic tourism will be less affordable as travel costs mount. Intra-industry trade will make less and less economic sense.

Global trade is also threatened by geopolitical risks related to oil. Competition over dwindling energy and food resources looks set to increase dramatically in the years ahead, which may precipitate trade wars or – worse still – military wars. It is also reasonable to expect increasing terrorist activity, especially considering that around two thirds of the world's remaining oil and gas reserves lie in the Middle East. Terrorism can have serious consequences for the global economy and financial markets by raising risk aversion and reducing consumption and investment.

Declining oil production may in the long term halt or even reverse the globalisation process – at least in terms of goods trade – as local production and consumption become relatively more competitive. While sacrificing economic efficiency, increasing localisation could bring socioeconomic benefits to poorer and peripheral regions. For example, by encouraging labour-intensive local production it could help to reduce unemployment, inequality, and poverty. However, this will depend on whether production patterns can respond positively in a context of energy scarcity and possible recession.

Efforts to move to renewable energy sources must be accelerated dramatically if we are to avoid the worst effects of climate change

Most climate scientists agree that the earth's atmosphere and oceans are warming as a result of the burning of fossil fuels. Global warming is already manifesting itself in the increasing prevalence and severity of extreme weather conditions, such as heat waves, droughts, floods and storms. In addition, sea levels are rising owing to the melting of ice caps and glaciers as well as thermal expansion of the oceans. The potential economic impacts of climate change are complex, wide-ranging, and uncertain. However, three areas are especially vulnerable, namely agriculture, transport infrastructure, and financial risk.

Although some regions may benefit from climate change in terms of agricultural productivity, on balance climate change is expected to reduce crop yields globally. Less stable weather means greater susceptibility to droughts and floods, as well as greater uncertainty inhibiting agricultural investment. Furthermore, the melting of glaciers threatens stable water supplies for agriculture in some areas. In addition, rising sea levels may compromise agricultural production in some low-lying regions. Rising greenhouse gas concentrations and global warming also threaten fish stocks by damaging coral reefs and raising the acidity level of oceans. Climate change thus poses a threat to water and food security in many regions, which in turn raises the risk of social upheaval, conflict over resources, and consequent disruptions to trade.

Climate change also has negative implications for the transport infrastructure supporting international trade, for two reasons. First, the increasingly destructive power of storms is threatening shipping activity and energy supplies, and increasing uncertainty surrounding trade logistics. Second, in the longer term rising sea levels may threaten port infrastructure. At the very least, these effects are likely to raise the costs of shipping, thereby curtailing long-distance trade. In the worst case, entire coastal settlements may be inundated, forcing mass evacuations to higher-lying areas and vast new infrastructure to be built.

Losses to the insurance industry from natural disasters, many related to global warming, have been growing by about 10 per cent a year since the 1970s. Mounting losses – or a particularly severe catastrophe – could potentially bankrupt the insurance industry, and lead to systemic capital market collapse. More specifically, destruction wrought by storms means that resources have to

Displaced people in Somalia … the UN has appealed to Arab nations that have benefited from soaring oil prices to help millions in Africa suffering from worsening droughts. *AP Photo/Tony Karumba*

be diverted away from new investment or consumption towards reconstruction. This can retard economic growth and trade, and place increasing financial burdens on individual governments. Thus, although climate change is a long-term phenomenon, it may have serious impacts in the short to medium term.

Climate change may indirectly constrain economic activity and trade by forcing nations to cut back on fossil energy consumption to reduce carbon emissions. To make a serious difference to the global warming problem, however, the Kyoto Protocol will have to be extended to include the largest polluters – the US and China – and have stricter emissions targets. While oil depletion raises the question of whether concerns about future carbon emissions are overstated, the problem is the likelihood that coal will be substituted for dwindling oil and gas, especially in the US, China, and India. Since coal produces more CO_2 per energy unit than oil and gas, this could mean increasing net emissions, and faster planetary warming. Some commentators argue that we cannot afford to burn all the remaining oil, let alone gas and coal reserves. Global warming may already be so far advanced that future emission reductions – whether voluntary or involuntary – will not spare us from upheaval. But this does not imply that efforts to reduce carbon emissions should be relaxed; on the contrary, efforts to move to renewable energy sources must be accelerated dramatically if we are to avoid the worst effects of climate change.

US deficits

To a large extent, world economic growth is driven by consumption spending in the US. Recently, the massive and growing 'twin deficits' in that country have become an increasing source of concern. The federal budget deficit has been growing steadily since 2001, owing mainly to huge tax cuts and the costs of the wars in Afghanistan and Iraq. The current account deficit has been growing since the early 1990s, reaching 5.7 per cent of GDP in 2004. Two thirds of this amount was effectively financed through loans provided by the world's central banks at low interest rates. In a dangerously unsustainable dance, China, Japan, and other Asian countries effectively peg their currencies to the US dollar, increasing their holdings of US dollars and treasury bills so that they can continue to export large volumes of goods to the US. Meanwhile, oil-producing nations are stockpiling dollars received from their windfall exports, and Europe – via financial flows to the US – is helping to prop up the dollar so as not to lose too many jobs.

This global trading and financial arrangement is inherently unstable. For one thing, there is already a visible trend towards increasing protectionist backlashes in the US and EU to cheap Asian imports. For another, the US economy is arguably on an unsustainable path. Added to its twin deficit problems are large and growing levels of private and national debt, a negative private savings rate, and signs of a housing market bubble. Thus both households and the federal government are highly exposed financially.

What could trigger a correction? Four main risk factors can be identified. First, if US interest rates continue to rise – which seems likely, given the inflationary pressures of high oil prices – at some point the property bubble might burst, causing a debt crunch for consumers and a substantial drop in demand. Second, natural disasters are placing increasing strain on the federal (and state) budgets; as global warming intensifies, the risk grows. Third, there may be a collapse in confidence in the

Continued on page 31

Election of woman president crowns hopes for Liberia's reconstruction

The election of Ellen Johnson-Sirleaf as president of Liberia has broken the 'glass ceiling' in African politics and created new hopes that this small country will surmount its formidable developmental challenges, writes **Ezekiel Pajibo**

THE recent election of Ellen Johnson-Sirleaf as president of Liberia has presented the Liberian nation with a new opportunity to recreate itself. According to Johnson-Sirleaf, her election as Africa's first woman president has broken the 'glass ceiling' in African politics. Liberians have generally welcomed her election, and a sense of elation and hopefulness pervades, notwithstanding the protest against the election results by football star turned presidential hopeful George Weah. He has since withdrawn his protest, and been invited to join the government of 'national inclusion'. The nation is resolute in its commitment to build a new, democratic society in which the living conditions of the Liberian people will be improved.

Civil war

The Liberian nation was engulfed in 14 years of civil war that resulted in the collapse of the state. During the war, 250 000 Liberians are believed to have died, infrastructure was destroyed, heinous human rights abuses committed, and the economy left in ruins. Liberia was the epicentre of instability in West Africa. Sierra Leone's civil war was a by-product of the Liberian war; attempts to destabilise Guinea have been traced to Liberia, and the overthrow of the civilian government in Gambia in the early 1990s was inspired by events in Liberia. Liberian mercenaries are now involved in the conflict in the Ivory Coast. The Special Court on Sierra Leone, established by the government of Sierra Leone and the UN, has indicted Liberia's former president, Charles Taylor, on 17 counts of war crimes and crimes against humanity.

The decades of war and military dictatorship have left Liberians living in poverty: 70 per cent of the population live below the poverty line, and half in absolute poverty. The country's unemployment rate is a staggering 85 per cent. The 15 per cent of Liberians said to be employed, mostly civil servants, go unpaid for periods ranging from three to six months. In many parts of the country, there is no access to health care.

In August 2003, parties to the Liberian conflict signed a peace accord in Accra, Ghana. This sought to establish several objectives, including: the cessation of hostilities; the establishment of a transitional government; the deployment of peacekeeping troops; the demobilisation, disarmament, reintegration, and resettlement of former combatants; and the holding of democratic elections.

During the peace conference in Accra, the Special Court on Sierra Leone unsealed an indictment against president Charles Taylor, thus precipitating his resignation as head of state and eventual exile to Nigeria. In the same month, the Economic Community of West African States (ECOWAS), led by Nigeria, deployed a Monitoring Group (ECOMOG) as a vanguard peacekeeping force. In October the ECOMOG peacekeeping force was replaced by a 15 000-strong UN Mission in Liberia (UNMIL) peacekeeping force. UNMIL deployment in Liberia coincided with the inauguration of the national transitional government of Liberia.

The deployment of UN peacekeepers in Liberia – described at the time as the largest peacekeeping force ever – signalled significant international engagement with the country, and enhanced prospects for ending the civil strife. This enhanced engagement by the international community, coupled with the successful conduct of the general and presidential elections in 2005, opened the way to the consolidation of Liberia's peace process and democracy. Importantly, the election of the first woman president in Africa opened a floodgate of goodwill towards this small country of about 3.3 million people. These two phenomena, once properly exploited, harnessed, and directed, can serve as a basis for the construction of a robust deliberative democratic order in the country.

Whirlwind tour

Since her election, Johnson-Sirleaf has undertaken a highly successful whirlwind tour of West Africa, Western Europe, and the US. There is a sense that she is best placed to sustain international engagement, and create a conducive atmosphere in the country. This will encourage the return of Liberians from refugee camps and the diaspora, and help to attract investment to jump-start the economy.

The country is endowed with natural and mineral resources. About 75 per cent of land is arable; among other things, it is home to Africa's largest rubber plantation. It may harbour significant deposits of gold, iron ore and alluvial diamonds, as well as oil. The National Oil Company of Liberia is said to have sold offshore drilling rights to prospective oil companies.

With this resource base, enhanced international engagement, enormous international goodwill, and a democratically and popularly elected government, the country is poised for take-off.

Liberia is saddled with a debt of about US$3.3 billion, a largely unskilled and uneducated population (the illiteracy rate is about 75 per cent), and a ruined economy. The unemployment rate of 85 per cent is a serious challenge. More importantly, the war displaced more than 70 per cent of Liberians, either internally or as refugees in neighbouring countries. Efforts at integrating and resettling them have been haphazard at best, and grossly inadequate at worst. For example, the resettlement package for returning refugees is not enough to assure access to housing. The enforced urbanisation of more than half of the population has created an opportunity to promote commercial agriculture against traditional agricultural practices, which were mainly subsistence. The country continues to grapple with the problem of reintegrating and resettling more than 100 000 former combatants, and providing them with productive livelihoods. Some could be absorbed by the agricultural sector.

The national transitional government of 2003–5 has been described as the most corrupt government ever to rule Liberia. Several audit reports funded by the European Commission revealed massive abuses and misuse of public funds. The new government has prioritised corruption, and indicated that the national transitional government will be audited.

Economic takeover

During 2005 the EU and western multilateral agencies foisted a Governance Economic Management Assistance Programme (GEMAP) upon the country. GEMAP seeks to ring-fence government revenue, and ensure that public funds are legally spent. Liberian politicians have embraced GEMAP as a bitter but necessary pill. Critics of GEMAP have portrayed it as a virtual take-over of Liberia's economic management by foreigners and foreign interests. They point to the fact that foreign management firms will effectively take over and run government revenue agencies and be co-signatures to government expenditure accounts for three years. Proponents of GEMAP, particularly the EU, portray it as a capacity-building venture that will equip Liberians to take over the management of these agencies once the tenures of the foreign management firms expire. GEMAP has also pledged to instigate legal actions against public officials who abused public funds.

Ensuring political stability and a predictable investment climate is another major challenge. UNMIL has been restructuring the national police force, but the country remains severely underpoliced. By October 2005 fewer than 2 000 police officers had been trained and deployed. Many parts of the country still lack a police presence. In areas where there is a police presence, albeit minimal, there may be no prisons or courts.

Levels of public mistrust of the police remain high, and the force continues to be plagued by corruption and inefficiency. An attending difficulty is the full establishment of local governments throughout the country.

The Accra Peace Accord intimated that the US would play a 'lead role' in restructuring the national army. The Americans have interpreted that role to be exclusive. As a result the US Department of State contracted a private military firm, DYNCORP, to train the new Armed Forces of Liberia (AFL). There is a clear disjuncture between the pronounced defence policy of the government and the restructuring exercise undertaken by DYNCORP. On 11 February 2006, Johnson-Sirleaf, in a national broadcast on Armed Forces Day, declared that she envisioned an army that would play a major role in the country's nation-building efforts, and would be able to respond to natural disasters. DYNCORP maintains that its job is to train men to shoot and kill.

Continued on page 28

Ellen Johnson Sirleaf … the election of Africa's first woman president has been widely welcomed. *AP Photo/Joe Giblin*

Three AIDS scenarios in Africa, and the politics of hope

Pieter Fourie summarises the findings of three scenarios of HIV/AIDS in Africa to 2025, which show that choices made today by governments and others will have a very significant impact on the future course of the epidemic, and the fate of the continent

According to the most recent report of the Joint UN Programme on AIDS (UNAIDS), released in mid-2004, more than 3 000 SADC citizens died of AIDS daily in the course of 2003. This equals one 9/11 attack on SADC citizens every day of the year – and the number is steadily rising. A statistical breakdown of the incidence of HIV/AIDS in SADC member states in 2003 appears in table 1.

Despite the horror of these statistics, SADC heads of state have not declared 'war on AIDS', and there are almost no co-ordinated prevention or treatment regimes in sub-Saharan Africa. Could this inaction be due to the lack of hope that these figures instil? How can anyone – especially governments in resource-poor environments – hope to overcome any nemesis so steeped in the politics and industries of sex, death, and culture?

What factors will drive Africa's and the world's responses to the AIDS epidemic, and what kind of future will there be for the next generation? It is precisely this last question that a recent UNAIDS research project attempts to answer. The report, entitled *AIDS in Africa: Three Scenarios to 2025*, was published last year, and I was fortunate enough to be a member of the research team that put the study together.

Scenarios and futures studies are used to provoke innovative thinking about the future – not the future based on a single set of assumptions about the present (for that would be mere forecasting, or an attempt at crystal gazing), but rather a set of futures based on different assumptions about the present, as well as the different paths that might be taking us to alternative futures.

These qualitative analysis is then combined with quantitative methods, and the different sets of assumptions are modelled by economists, demographers, actuaries, and so on. The key strength of scenarios is that they reveal to us what might happen, rather than what we want the future to be – they help us to move beyond our own mental maps, to think the unthinkable, and to plan accordingly. In short, scenario-building implies choice – and therefore hope.

The UNAIDS project produced three scenarios of the impact that HIV and AIDS might have in Africa between 2005 and 2025.

Scenario 1: Tough Choices

The first scenario is called 'Tough Choices'. It is a story in which African leaders choose to adopt tough measures that reduce the spread of HIV in the long term, even if it means difficulties in the short term. Leaders and communities work together, rather than against each other, in order to legitimise policy measures that might be unpopular. This is a SADC in which the state/government is seen to be more important than western notions of individual human rights: the state is pragmatic in intervening in rather than kow-towing to outside insistence on so-called 'best practice' – for instance, women are 'protected', rather than given greater freedom.

States do not hesitate to take tough and at times violent measures to manage dissent. For instance, there simply aren't enough resources to treat everyone who needs anti-retroviral drugs (ARVs), so the state and other centres of authority allocate these to those sections of society who are seen to need it most in order to perpetuate society: teachers, civil servants, members of the security services, the economically active, and so on. Therefore, this is a future in which AIDS interventions are targeted and strategic rather than generalised.

Cover picture: A woman with AIDS with her HIV-positive children in their eight-square-metre flat in Harare, Zimbabwe. *PictureNET Africa/Henner Frankenfeld*

Table 1: Incidence of HIV/AIDS in SADC member states, 2003

Country	Adults and children with AIDS	HIV prevalence rate (%) in adults aged 15–49	Number of AIDS orphans	AIDS deaths in 2003
Angola	240 000	3.9	110 000	21 000
Botswana	350 000	37.3	120 000	33 000
DRC	1 100 000	4.2	770 000	100 000
Lesotho	320 000	28.9	100 ,000	29 000
Madagascar	140 000	1.7	30 000	7 500
Malawi	900 000	14.2	500 000	84 000
Mozambique	1 300 ,000	12.2	470 000	110 000
Namibia	210 000	21.3	57 000	16 000
SA	5 300 000	21.5	1 100 000	370 000
Swaziland	220 000	38.8	65 000	17 000
Tanzania	1 600 000	8.8	980 000	160 000
Zambia	920 000	16.5	630 000	89 000
Zimbabwe	1 800 000	24.6	980 000	170 000
TOTAL/AVERAGE	14 400 000	17.9	5 912 000	1 206 500

Source: UNAIDS.

Table 2: Main qualitative modalities of the three UNAIDS scenarios

Branching Points	Tough Choices	Traps and Legacies	Times of Transition
How is the crisis perceived?	AIDS is but one manifestation of a broad development crisis	Largely as a medical crisis. HIV is tackled in isolation from its social and economic context	AIDS is a metaphor for global crisis
And by whom?	African leaders	By many, but no effective, co-ordinated action	Civil society, Africa, and the global community
Will there be the incentive to address the crisis?	Yes. Although HIV is seen as one of many challenges	Yes. However, funding drives a so-called 'AIDS industry'	Yes. AIDS is a key catalyst for a reconfiguration of international and national priorities
And the capacity?	Yes. Major national efforts to rebuild capacity to respond to the epidemic. Key emphasis on prevention and antiretroviral therapy to maintain essential capacity	No. High level of resources initially leads to wasteful duplication and uncoordinated efforts. AIDS strips out capacity to respond in high HIV prevalence countries	Yes. Major mobilisation of national and international resources

As resources are finite, governments target prevention rather than more expensive treatment strategies, making appeals to cultural traditions rather than implementing a human rights-centred approach for the sake of global popularity. Given the perpetual paucity of donations from the outside world that actually reach the poorest of the poor, the west's 'donor and AIDS fatigue' vis-à-vis Africa as a whole, and the shift in its attention to eastern Europe and Asia, the focus locally turns towards nation-building and more patriotic tendencies rather than impotent attempts to please the global powers-that-be via globalisation (which does not benefit Africa in any case).

Scenario 2: Traps and Legacies

The second scenario is called 'Traps and Legacies', and tells a story in which SADC as a whole fails to escape from its more negative legacies. AIDS deepens the traps of poverty, underdevelopment, and marginalisation in a globalising world. This is a SADC in which deep colonial divisions remain, at times leading to violent conflict at the inter- as well as the intrastate levels.

The cycle of poverty and AIDS becomes endemic across the region, and as one country after the other succumbs to the pressures wrought by the epidemic, and governance structures collapse, so the region as a whole descends into a collective whirlpool of anarchy. As for the epidemic, governments find it increasingly difficult to invest in longer-term interventions, eventually leading to quixotic, short-term and quick-fix solutions that benefit no one. Rather, self-serving AIDS industries siphon off the little resources that are spent on battling the epidemic. SADC becomes increasingly marginalised from the rest of the globalising world – except for those parts of especially oil-rich states that are bought up and controlled by foreigners, with energy profits leaving the African continent for foreign shores. Private armies guard whichever commodities foreign multinational corporations hold in Africa.

As time goes by, even SA buckles under the strain, with large portions of this once powerful country outside the main urban centres effectively becoming ungovernable. Towards the end of the scenario time line SADC is extremely aid-dependent, but overseas development assistance (ODA) is steadily diminishing.

Scenario 3: Times of Transition

The third and final scenario is entitled 'Times of Transition', a story of what might happen if all of today's good intentions were translated into the coherent and integrated development response necessary to tackle HIV and AIDS in Africa. AIDS creates a global perception of crisis - not only about disease and a global health apartheid, but about all global inequity. In doing so, AIDS becomes a catalyst for a truly global transformation. The result is the rapid and worldwide roll-out of treatment and prevention strategies: large pharmaceutical companies relinquish their intellectual property rights over ARVs and other life-saving drugs, and an active civil society works with governments to roll out comprehensive AIDS regimens. National policy responses focus on reducing poverty, which is one of the main vectors of all epidemics. Africa and external partners democratise institutions such as the WTO, IMF, World Bank and UN in order to fast-track key changes in global trade in particular, and to prevent conflict and promote peace and security. As time goes by, crucial changes in male–female relations mean that men stop hiding behind notions of 'culture' in order to rationalise and perpetuate inequality and death.

Scenarios enable most insight when they are read as a unit, and the main qualitative modalities of the three UNAIDS scenarios are summarised in table 2.

Some key lessons

Collectively, some of the key lessons of the scenarios are the following:

- HIV and AIDS manifest themselves differently in different SADC states. Even within countries there are vast differences from one locality to another. Multiple epidemics at multiple levels require multiple responses.
- Therefore, there is no single 'best practice', but this does not mean that different governments in SADC should not co-operate; on the contrary, the epidemic is geographically systemic.
- A sufficient response to the epidemic in SADC is not guaranteed.

Continued on page 29

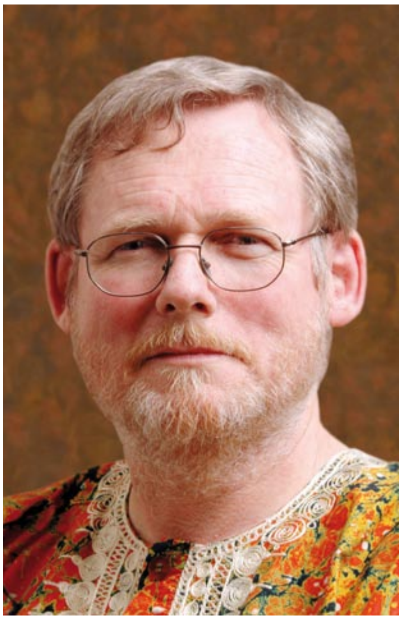
Rob Davies

As deputy minister of trade and industry, **Dr Rob Davies** is playing a key role in the formulation of industrial policy. **Brendan Vickers** interviewed him in Pretoria

Dr Rob Davies was appointed as deputy minister of trade and industry in June 2005. He has been a member of parliament since 1994, and was a member of the SA ministerial delegations to the World Trade Organisation (WTO) meetings in Seattle (1999), Doha (2001), Cancun (2003), and Hong Kong (2005).

Previously, Davies was co-director of the Centre for Southern African Studies at the University of the Western Cape.

He is a member of the central committee and political bureau of the SACP. He holds a PhD in political studies from the University of Sussex.



Dr Rob Davies … department needs a more effective skills retention strategy.

What were the key institutional challenges confronting the dti when you were appointed as deputy minister, and to what extent have these been addressed?

One key challenge was the heavy expectations of government departments in an economy characterised by major skills shortages. There are significant vacancies in the department, particularly at the skilled level. This challenge is not unique to the dti; it confronts the public sector in general. Since salaries are more attractive in the private sector, significant numbers of people are passing through government departments rather than staying on and building institutional memory.

The dti went through a fairly dramatic restructuring exercise from about 1999 onwards. More recently, we have concluded that there is no real need for another major restructuring. The broad divisions we now have make sense, although some small adjustments may be needed.

What we do need desperately is a more effective and more focused skills retention strategy. We must aim to create an attractive working environment in all the different structures of the department and in the broader Council of Trade and Industry (COTI) institutions that encourages people to join and stay, even if the salaries are not as attractive as in the private sector.

This challenge still exists, and reflects on the area in which I do most of my work, namely the industrial policy sector. There has been a significant turnover and shortage of personnel in the different sectoral groups, and in some international trade negotiating areas. We have particular challenges in both those areas.

The government is finalising a new industrial strategy. What are its main features, and how will it impact on our multilateral, regional, and bilateral trade negotiations?

The new industrial strategy, which has been widely negotiated, and must still go through cabinet, is a broad framework. The argument for an industrial policy in a developing country is well rehearsed, and is widely accepted in SA. There have been pockets of success, and some elements of an industrial policy, but thus far we have not had a sufficient impact on industry, except in specific sectors.

There are several broad features we need to recognise and share. First, industrial policy must be informed by a strategic and analytical process that involves key stakeholders. In fact, work has been done based on previous industrial policies at a sectoral level in the production of what are called customised sector programmes (CSPs). They have worked best in those areas where stakeholders were intensively consulted, and where the way forward and the key problems in those particular sectors have been clearly identified.

Second, we now need a higher level of customisation of incentive programmes. There are WTO rules around incentives, and they have to be respected. But the design of generic incentives needs to be informed by the outcomes of the CSP processes, so that a particular incentive that may apply across sectors is nonetheless recognised as something that a number of the key strategic sectors would need.

Third, there should be a greater degree of conditionality. We would expect some quid pro quos for incentives that may be forthcoming. When we provide resources in support of business, we would expect some change in their behaviour – after all, we want to support 'business as unusual'.

Finally, a series of cross-cutting measures and a matrix of possible interventions have also been identified.

Industrial policy is no longer seen as something cast in stone, but as subject to periodic reviews. That is one of the reasons why we are drafting the new framework.

But the sector processes are crucial. Some of them – such as business process outsourcing and offshoring, developed together with the Business Trust

– are fairly far advanced. So is the clothing and textiles CSP process. Most of the priorities currently on the agenda are sectors identified at the Growth and Development Summit in 2003. They are fairly broad, and some criteria for new sectors that may be subject to CSP processes are outlined in the framework.

There is a need for much greater interaction between the dti's industrial policy and trade negotiations divisions than has been the case until now. There is a need for a two-way process: the industrial policy division should be better equipped to provide advice on the implications of the different proposals that are emerging at, say, the WTO. To some extent that has happened with the positions we have taken in the current WTO process, as in the case of non-agricultural market access (NAMA). But too much emphasis has been placed on the defensive side and not enough on the offensive side. In other words, we need to decide what we need to seek offensively, and what our bottom lines are in that respect.

While manufacturing is a vital component of industrial policy, the industrial policy direction now embraces links among services, manufacturing, and agriculture. What I mean is that our offensive interests could be better influenced by industrial policy analysis. Within the dti, we have started to improve our two-way flow through conversations, discussions, and seminars. We now interact far more, and this is seen as something that industrial strategy should seriously address.

Can the Doha round of world trade negotiations be concluded by the end of this year, and what needs to be done to achieve this?

This is a big ask. It is probably even harder to ask for a development outcome. It was recognised before Hong Kong that there wasn't enough political will to reach full modalities on the fundamental issue of agriculture, and then the relationship between agriculture and the other issues. We felt there was a danger in the run-up to Hong Kong of the outcomes becoming inverted in the sense that, for a developmental outcome, we would expect the biggest adjustment to take place in the most distorted sector, namely agriculture, and the biggest adjustments to be made by the biggest distorters and the biggest economies.

However, extremely modest proposals were made on domestic support – ie, the main forms of agricultural subsidies – and wholly inadequate proposals on access to the EU's markets for agricultural products. Moreover, these proposals were coupled to very ambitious demands directed at advanced developing countries on NAMA and services. So there was the danger that the whole situation would become inverted.

The EU does not seem to have the political will to improve its offer on agricultural access, and this is the major blockage at this point

We did win an important clause through a lot of hard lobbying in Hong Kong. Paragraph 24 states that there will be a proportionately high ambition in both agriculture and NAMA; in fact, it states that there must be some relationship in the level of ambition in both. Although the wording of paragraph 24 is not quite what the NAMA-11 grouping wanted, it is a point of reference. We would have wanted to say that the level of adjustments for agriculture must be higher than the level of adjustments in other areas, and the level of adjustments borne by developed countries must be bigger than the level of adjustments borne by developing countries. We didn't win it in that form. But there is agreement now on proportionality between the level of ambition in the various subjects.

There is a lot of work going on in Geneva, with lots of small consultations. It will require a major effort to try to agree on something like modalities by the end of April, and a hard ask to reach an agreement by the end of the year. Whether such an agreement becomes something we can actually call a development outcome is a different and bigger question. The EU does not seem to have the political will to improve its offer on agricultural access, and this is the major blockage at this point.

Several scenarios are possible. The first is Doha light, in which we have a fairly modest proposal on agriculture and a fairly modest set of proposals on NAMA and services, but that's as far as it goes. What we would fear is the second scenario, namely an outcome that is light on agriculture and heavy on NAMA and services, which we would not be able to accept. The third – and this seems the most difficult to achieve – would be an outcome rooted in a recognition of the need by the developed world to make the necessary adjustments in agriculture, and not at an inordinate price in terms of demands on developing countries. In the final scenario, the process would just fizzle out or break up. These are the four basic scenarios; for me, any one of them is possible.

If the April deadline for full modalities is not met, there will be a bit of leeway, but not much. The WTO director-general has spoken of all the processes that have to follow for the round to be concluded, including the time frames for putting commitments into legal form, and individual commitments to be made by countries. It is a tough call to finish this all by the end of the year and the middle of next year, when trade promotion authority in the US expires.

How has SA used the G20+ and NAMA-11 groupings to advance a southern developmental agenda? How effective are these groupings, given the power dynamics within the WTO?

The G20 emerged out of the Cancun meeting, and brought together a number of developing countries on the single issue of agriculture. The G20 held the position – and still does – that agriculture is the locomotive at the front of the whole negotiating train. If there is going to be any movement, this has to move first. But, of course, there are divergent views among G20 countries on all the other subjects, and no attempt was made, for very good reasons, to try to reach common positions on any of those.

NAMA-11 was formed much more recently in Hong Kong, but it followed a couple of processes. The first was the tabling in the WTO of a document entitled 'Reclaiming Development', signed by a number of countries. Its fundamental point was that there was a danger of inverting the developmental content of the process, and that we had to reassert the proportionality issue and the priority of development as we understood it. A number of countries also submitted another document on the specific issue of the flexibilities in the NAMA and their interpretation of the agreement on flexibilities in the July Framework. This rejected notions that the flexibilities should be read together with the coefficients – basically an idea promoted by some that, if you had flexibilities, you would get a lower coefficient.

We felt there was a strong possibility that Hong Kong would endorse a simple Swiss formula with two coefficients. NAMA-11 was a combination of groups opposed to that proposal, or groups that demanded a higher price to agree to it. NAMA-11 did manage to assert a presence in Hong Kong, which was a major achievement. The main achievement was that the Hong Kong declaration does not endorse a simple Swiss formula – it speaks of 'coefficients', so the number is still open. Possibly the more important achievement was paragraph 24: the proportionality principle. Those were the main gains.

All groupings of countries of the South must view their achievements against the power relations as they were in the past, which were stacked in favour of advanced developed country groups. These still hold enormous sway in the WTO. At a meeting in Hong Kong, a prominent negotiator from the South pointed out that, too often, the discourse was one where developing countries made polite proposals and developed countries talked about red lines, vetoes, and no-go areas. So it's still like that.

However, through the formation of the G20, NAMA-11, and other developing country groupings – for example, LDCs are beginning to find their voice through the leadership of Zambia – the South has begun to assert itself and to develop some influence. But it's still influence within an organisational structure that continues to reflect the balance of forces in the world economy. We are a lot better off having formed these groups. The G20, for instance, has had a major impact on the way in which the agriculture negotiations are conducted.

What is the current state of the EU-ACP EPA negotiations, and what concerns and issues have SA raised in support of its SADC partners' negotiations with Brussels?

SA is not just supporting other SADC members; we are a party to the negotiations, although officially we are active observers. We actually sit in the SADC negotiating group, which includes the Southern African Customs Union (SACU) – Botswana, Lesotho, Namibia, SA, and Swaziland – as well as Angola, Mozambique, and Tanzania.

Some of the issues there are that the EU has clearly demonstrated over many years of negotiations around the post-Lomé process that for it, development concerns in the African, Caribbean and Pacific (ACP) nations are largely accommodated by the introduction of reciprocal trade agreements, and everything else is secondary to those FTA agreements. Most of the ACP countries are not convinced about that. They would prefer to have a more developmental negotiation in which real economy issues and constraints are addressed. For instance, technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) issues are major factors explaining the obvious empirical fact that despite Lomé preferences, ACP exports to the EU have declined rather than increased.

All groupings of countries of the South must view their achievements against the power relations as they were in the past, which were stacked in favour of advanced developed country groups

These negotiations have reflected different paradigms. The one that has prevailed up to now has been the EU approach in shaping the agenda: reciprocal FTAs with each of the regions. In our region, there is the complication that we as SA already have a reciprocal Trade, Development and Co-operation Agreement (TDCA) with the EU, which is currently under mid-term review. The reciprocal obligations in terms of this agreement also apply to the other SACU members.

One of the challenges is to align all these processes: the TDCA review and its impact on the BLNS (Botswana, Lesotho, Namibia, and Swaziland) countries. An argument has been formulated and put to the EU that the issue of reciprocity has effectively been dealt with in this particular negotiating configuration by virtue of the TDCA. The other non-SACU members are LDCs; they are entitled to non-reciprocal duty-free and quota-free access to the EU market under the EU's Everything But Arms (EBA) arrangement.

What should be discussed in our region's negotiation is access to the EU for products from the BLNS countries, particularly where TDCA access is worse than the previous Lomé access. The EU has more or less indicated that it will consider duty-free and quota-free access as the basis for the EPA outcomes. We should then also address issues such as TBTs and a development package. That should be the substance.

The current state of the negotiations is that there have been a couple of opening rounds, meetings of officials, and discussions about the architecture of the negotiation. The EU still needs to respond to all of this.

The negotiations should be completed by 2007. If the sort of direction proposed by the SADC negotiating configuration is accepted, the negotiations should be fairly simple and straightforward. But if the EU insists on Angola, Mozambique, and Tanzania providing reciprocal access for EU products, it will be far more complex. That will mean getting out the tariff books and having that kind of discussion. In the case of the TDCA, tariff negotiations took four years to complete. If we are going to have an even-handed negotiation rather than one where all the proposals are formulated in Europe and suddenly presented for signing by all the other regions, a lot of work remains to be done.

The SA government's international relations, peace and security (IRPS) cluster has highlighted the importance of enhancing intra-regional trade in southern Africa, and the need to develop an SA strategy around this. What are some of the proposals for, and challenges in respect of, increasing SA trade with the region?

The first challenge is the full implementation of the SADC Trade Protocol, and addressing some of the outstanding issues, such as rules of origin. That should be part of the process. We have an asymmetrical FTA. SA has undertaken to reduce tariffs more substantially and more rapidly than other SADC member states, and has done much of this already. But then, if one looks at actual intra-regional trade, some gaps are visible. That raises some serious questions.

SA automotive workers assemble cars for export … 'effective sectoral strategies are crucial to industrial development'. *PictureNET Africa/Henner Frankenfeld*

We need to go back to the debate about what kind of integration programme we need in developing regions. This is not the same kind of programme one finds in developed countries. The biggest barriers to intra-regional trade in developing country regions are often not tariffs and regulatory regimes, but inadequate infrastructure and underdeveloped production structures. Going back to probably the most comprehensive of the studies conducted on promoting regional integration in Southern Africa before 1994 – the African Development Bank report – the fundamental conclusion was that what our region needs is not an integration programme in isolation, but a programme that combines sectoral co-operation, functional co-ordination, and integration into a single developmental integration programme.

The challenges are to recapture more of that. Unfortunately, other models, like the EPA process, are trying to promote a narrower vision of regional integration as the first step to integration with the world economy. We are encouraged to put in place a process of tariff reduction on a regional basis and form customs unions, with very little appreciation of whether these schemes are feasible, and whether they will promote economic growth and development.

There is too much intrusion into the debate of rather orthodox models of integration that simply ape processes that occurred in the EU. That is one of the problems we need to come to terms with. Another challenge is that, for various understandable reasons, we have seen a proliferation of regional integration institutions, with countries often having multiple memberships. As the AU has noted, we need to bring about some rationalisation as a priority. In that respect, the EPA process has now introduced a further complication in that half of SADC have gone off to the Eastern and Southern African region – which is neither COMESA nor SADC – and the rest of SADC remains in the SADC EPA negotiating configuration. The EU is supposedly going to promote regional integration in each of these blocs. The whole model is becoming increasingly complex. This is a time for us, together with our partners in the region, to reflect rather seriously on where we are going.

The SACU-US FTA negotiations have been fraught with difficulties, with Washington intimating that it may drop the idea. What are the main challenges in these negotiations, and what are the alternatives to an FTA?

What SACU was looking for was to lock in AGOA access, and to conclude an agreement similar to the TDCA. However, we were presented with a negotiating mandate that included a whole range of new-generation issues: intellectual property, competition policy, labour, environment, and so on. These issues that have been the fundamental problem.

One of the challenges is that SACU does not have a common intellectual property, competition policy, or services regulatory regime, but now needs to negotiate international trade agreements. For a start, reaching unity on these questions is not feasible. If issues such as intellectual property, services, and competition policy are to be discussed, it would not simply be a matter of accommodating the offensive demands of the US. There would have to be an equitable exchange on these issues, and SACU is not yet in a position to do this.

What scope is there for domestic and regional civil society actors to help shape SA trade policy?

The SA delegation in Hong Kong was the only one that included civil society actors; representatives of the various NEDLAC constituencies were part of the official delegation. The delegation also interacted quite actively with other civil society groupings present in Hong Kong.

The dti is willing to discuss and engage on these issues, although at the end of the day we need to take deci-

Continued on page 30

Taiwan holds intriguing lessons for developing countries

The economic resurgence of mainland China has presented prosperous Taiwan with major new challenges. In the meantime, writes **Nhamo Samasuwo**, its development experience undermines the reigning dictum that democratisation is a prerequisite for economic growth

FOR most people, Taiwan evokes the standoff between Taipei and Beijing, with the latter regarding the former as a renegade province. Actually, the story of Taiwan is much more complicated. Among other things, Taiwan's 'economic experience' or 'miracle' has helped to shape development thinking, particularly around the role of the state in promoting industrialisation. This article briefly examines the island's economic experiences, and its lessons for developing countries. It concludes by looking at Taiwan's development challenges in the context of China's emergence as a major global economic player.

What is striking about Taiwan is how a small island state with no natural resources managed to turn itself into a world player in terms of commerce, trade, technology, capital accumulation, productivity, and investment. Although the notion of the country's Confucian capitalist culture has been noted as a key variable, experts on Taiwan's economy generally agree that the state played a central role in the country's industrialisation.

In 1949 the Nationalist government moved to Taiwan, took control of the island's war-ravaged economy, and immediately embarked on a system of equitable land reform. This helped to restore property rights to tillers, and was instrumental in creating an indigenous agrarian capitalist class that provided the initial base for the country's economic miracle. For Taiwan, a state-led import substitution industrialisation (ISI) strategy was an unavoidable imperative in the light of post-war reconstruction demands and severe foreign currency shortages. All ISI industries received tariff protection, foreign currency, and targeted loans from the state. Once viable, they were offered as 'model' companies to the private sector on easy terms.

By 1955 Taiwan's economy had recovered and was gradually turning outwards to exploit export markets. With its nascent light industries protected by tariff barriers, the state adopted an export-oriented industrialisation strategy (EOI) in the 1960s. Thus the export market became the engine of growth, and emphasis was placed on the promotion of small or medium family-run enterprises (SMEs). By the beginning of the 1970s, and with the help of the state, labour-intensive export-oriented industries had quickly surpassed agriculture in total output, levels of employment, and exports. The same period saw the state deepen Taiwan's industrial base by promoting heavy chemical industrialisation. At the same time, basic education and technical training were expanded to provide a sustainable basis for Heavy Chemical Industrialisation (HCI), and lay the early foundations for a knowledge-based economy.

Taiwan's ability to retool its economy in the light of the 'Chinese threat' will revolve around the state of cross-strait relations

In the 1980s the government promoted strategic and technology-intensive industrial sectors such as electronic precision machining and industrial automation. More importantly, the government established science parks which today act as the backbone of Taiwan's research and development (R&D) strategy. By the close of the 1990s, Taiwan's manufacturing industry had become increasingly knowledge-based. Industrial science parks such as Neihu and Hsinchu helped to bring back Taiwan's best scientists and engineers from the diaspora.

What is interesting about Taiwan is that the government was and still is heavily involved in subsidising research (by universities and the private sector) aimed at searching for economic alternatives and retooling the local industry with the high-end technology needed for the country's economy to stay globally competitive. Currently, the government is involved in a new strategy to turn Taiwan's economy into the centre of insurance, shipping, banking, and financial services in the Far East. Since Taiwan now has a serious problem with environmental and ecological pollution, this policy shift towards services is part of a broader strategy of 'greening' the economy. With no foreign debt to talk of, and an estimated US$300 billion in foreign reserves, Taiwan's seems poised to take on any future challenges to its growth. However, it remains to be seen how it will deal with the rise of China as a global power.

Taiwan's ability to retool its economy in the light of the 'Chinese threat' will revolve around the state of cross-strait relations. While economic relations across the Taiwan Strait have grown in recent years, political antagonism has persisted. The politics of how to handle the lure of doing business with its nemesis on the Chinese mainland will no doubt complicate matters for Taiwanese planners. The situation would have been different ten years ago because Taiwan did not then have China as an economic competitor.

There is a real danger of Taiwan's economy being slowly hollowed out by China's growing economic clout. While politicians argue for or against independence from China, Taiwanese manufacturing capital continues to flow to the mainland in search of cheap labour, land, and markets. In fact, China has become the factory of choice for traditional Taiwanese business seeking a cheaper operating environment. Estimates of Taiwanese investment in China vary widely because of the circuitous routes taken by many investors, due to political sensitivities. At the moment, Taipei has no option but to play up the risks of investing on the mainland in the hope that its business people are listening. For Taipei, greater financial flows to the mainland would only encourage Beijing to play hard-ball, and increase its leverage over the 'renegade province' it still claims as its own.

However, China can bide its time and simply concentrate on the functional aspects of its relations with Taiwan, such as allowing the free movement of tourists, and opening up air links. For China, even these developments may only be modest steps in a measured journey of a thousand years. The question remains whether Taiwan can change gears quickly enough to survive the challenge posed by low-wage factories in China.

The truth of the matter is that some of Taiwan's largest companies have their eyes set on substantial projects in China - where larger and quicker returns on capital are available than at home. Thus Taiwanese businessmen may not be willing to sacrifice profits for the sake of the politics of sovereignty. Indications are that the current flow of capital into the mainland may yet turn into a flood. With more than 150 universities churning out hundreds of thousands of graduates, an increasing number of young Taiwanese graduates openly speak of China as a fertile job market for their skills. As it is, Chinese companies are already heavily dependent on Taiwanese executives for know-how.

The question is how long Taiwan can afford to politically alienate China. The problem is that, in the absence of a political compromise, Taiwan's regional and global competitors will gladly exploit the political space this provides, and provide China with the technology it needs. Already Taiwanese officials acknowledge that Taiwan's amassed wealth has hedged it sufficiently against China's campaign to isolate their country in all spheres of the multilateral arena.

What makes Taiwan's position more difficult is that efforts to retool its economy will necessarily be capital-intensive because of the higher costs of labour. By contrast, returns are higher, and technology companies can enjoy economies of scale on the mainland. The irony is that Taiwan's manufacturers now actually need the Chinese market to develop their economies of scale against regional or global rivals. Though unpalatable, it makes economic sense for Taiwan to re-examine its cross-strait policy with China. But such a move will undoubtedly require a huge leap of faith on the part of Taipei, if less so on the part of Beijing.

Some key lessons

Although some liberal scholars would like to explain Taiwan's economic achievements as a direct result of massive inflows of foreign direct investment, and the adoption of a neoliberal, export-oriented economy, what is clearly distinctive about its industrialisation strategy is the role of an autonomous state. The state laid the foundation, through land reform, for the growth of indigenous agrarian capital which, in turn, created a foundation for the development of smaller and nimbler industries. What happened was that agriculture provided the first base (1950s), followed by light industry (1960s), heavy industry (1970s), and, lastly, advanced technology (1980s onwards). On the whole, Taiwan's economic experience confirms the need for a strong and autonomous state as a key variable in late-comer industrialisation. In this case, the state was not 'de-linked' from the global economy. Rather, it remained embedded and autonomous. More recently, the rise of China seems to have complicated matters for Taiwan. While the latter sees itself as a sovereign state, the challenges presented by its next phase of development may actually be met by realigning its political and economic imperatives with those of mainland China. Otherwise, the latter could adopt a wait-and-see approach, coupled with a strategy

Continued on page 29

Taipei residents protest against China's anti-secession law and its growing military buildup against Taiwan … the island state may need to realign its political and economic imperatives with those of mainland China. Kyodo/MAXPPP

Tilting left in Latin America: towards a new Andean-Amazonian capitalism?

While hardly a 'left-wing revolution', the resurgence of centre-left political movements and leaders in Latin America is a significant development with numerous implications for developing countries, writes **Brendan Vickers**

In recent years, Latin America has been awash with truculent popular opposition to the perceived shortcomings of traditional politics and economic orthodoxy. Amid growing poverty, inequality, and disenchantment with two decades of neoliberal reforms, a growing number of centre-left political parties and leaders are being propelled to power. Beginning with Hugo Chavez in Venezuela in 1998, the political dominoes have fallen leftwards in Brazil, Ecuador, Peru, Argentina, Uruguay, Bolivia, and Chile. But this is not simply an electoral backlash against neoliberalism. There are various reasons for this changing political landscape, and talk of a radical left-wing revolution sweeping Latin America is something of a hyperbole.

New recruits?

Bolivians are still celebrating the electoral victory of Evo Morales, a poor indigenous coca farmer and leader of the Movement Toward Socialism (MAS). With 60 per cent of the population living in poverty, Morales campaigned to 're-establish the nation on a new basis' and formally 'end neoliberalism'.

However, undoing 20 years of Washington Consensus policies is easier said than done. Already the proposed nationalisation of Bolivia's hydrocarbons industry – the clarion call of the social movements that thrust Morales into power – has succumbed to pragmatism. Bolivia has the second largest gas reserves in Latin America after Venezuela, but substantial new investments are needed if they are to be exploited.

Given that these gas reserves could yield huge profits, which could be used to alleviate poverty, the incumbent regime in La Paz needs international partners. Thus Morales has so far proven to be not only pragmatic but ingenious as well: among other things, he has doubled teachers' salaries and created 3 500 new teaching jobs, largely by cutting the salaries of senior government officials.

Chile, Latin America's great economic success story, is hardly a newcomer to this 'pink revolution'. Rather than a shift leftwards, the election of Michelle Bachelet represents a continuity with the social-democratic impulses of the post-Pinochet era. Handpicked by outgoing president Ricardo Lagos, she leads the fourth successive government of the centre-left Concertación that has successfully balanced its neoliberal inheritance with greater social spending. Of more interest here is her election as a woman president of Latin America's most socially conservative country. Having included several liberal technocrats in her cabinet, Bachelet will continue with business as usual, maintaining strong relations with the US. Bullish copper prices and seven consecutive years of economic expansion – 6.3 per cent last year – will finance plans to improve education and health care, and reform the privatised pension system.

The first domino in this leftward shift fell in Venezuela in 1998 with the election of Hugo Chavez

The first domino in this leftward shift fell in Venezuela in 1998 with the election of Hugo Chavez. Leading a 'Bolivarian Revolution', Chavez has used his nation's vast oil wealth to finance ambitious social programmes. Although poverty has certainly been reduced, it has not been on the scale anticipated, particularly from the windfall oil profits. Compounding this situation, his regime confronts many challenges, not least US support for domestic destabilisation, as manifested in the failed April 2002 coup.

Other leftward turns

There have been other leftward turns as well. In 2001 Alejandro Toledo won power in Peru on a centre-left political campaign (he has since shifted to the centre, or for some even centre-right). In 2002 Brazilians elected Luis Inácio Lula da Silva as their first socialist president since the 1960s. He has since steered a steady ship, maintaining fiscal rectitude. His social policies – prioritising better income distribution, developing the domestic market, and agricultural reform – face the daunting challenge of ameliorating the socioeconomic pathologies of one of the world's most unequal societies. As he stated following his election: 'The market must understand that Brazilians need to eat three times a day, and that many people go hungry.'

In that same year, Lucio Gutiérrez won power in Ecuador on an anti-neoliberal platform, styling himself an 'Ecuadorian Chavez'. He was later driven from office by popular protests.

Argentineans still reeling from their devastating economic crisis in 2001–2 backed Nestor Kirchner in 2003. He has adopted a more interventionist and nationalist economic model, dubbed the 'Buenos Aires Consensus'. However, most of his policies are still market-driven and it is these – combined with China's thirst for natural resources – that have spurred an economic recovery to 9 per cent growth. Argentina has also repaid its entire debt to the IMF. Uru-

Venezuelan president Hugo Chavez looks out over a sea of supporters … his election was the first domino in the leftward shift. *AP Photo*

guay followed suit in 2004, with Tabaré Vásquez leading a heavily left-wing coalition to power.

What then accounts for this leftward turn? More importantly, what does it signify for other developing nations engaged in similar struggles for socio-economic development?

Its first notable feature is widespread popular dissatisfaction with two decades of market fundamentalism and ensuing hardship. Except in Chile, perhaps, neoliberalism – and its broader systemic narrative, globalisation – have palpably failed to substantially improve living conditions and social indices (although macro stability has been achieved in some cases).

Following *dependencia*-inspired import substitution industrialisation, the 1980s debt crisis and the globalising 1990s saw the region drift rightwards. Following a brief moment of economic euphoria, the ideological harassment of Washington Consensus policies soon wreaked political, economic, and social havoc in Latin America: growth rates are well below those of other areas, and lower than those of Latin America itself between 1940 and 1980.

According to the Economic Commission for Latin America and the Caribbean (ECLAC), the region is home to 222 million poor people, or 42.9 per cent of the total population. Of these, some 96 million (18.6 per cent of the population) live in extreme poverty. The 1990s have rightly been described as a second 'lost decade' in social terms.

Social movements

The second notable feature of the shift to the left is the growth and politicisation of Latin American social movements, largely in response to the pernicious impacts of liberalisation, privatisation, and deregulation. A seminal event was the uprising in early 1994 by a group of armed peasants, the Zapatistas, in Mexico. Since then, the Porto Alegre world social forums and their successors have become the symbolic antithesis of the annual elitist meetings of 'Davos Man'.

Social deprivation, rising poverty, and years of oppression by the white elite have catalysed numerous movements for social justice. These include Brazil's Movement of the Landless and the various workers, peasants, and indigenous groups that thrust Morales to power in Bolivia. Indeed, Morales's victory has less to do with leftist ideology than the centuries-old marginalisation of the majority indigenous population. Significantly, Latin American social movements have managed to translate their popular struggles and mobilisations into alternative politics rising to government.

Some Latin American voters – particularly in Uruguay, Bolivia, Venezuela, and Ecuador – are also questioning the merits of traditional politics and parties. In Uruguay, for example, Vásquez capitalised on popular disillusionment with the failure of the Colorados and the Blancos – the two dominant/dynastic parties since 1830 – to resolve crippling economic and social problems.

This ostensible left-wing resurgence in Latin America points to a number of interesting conclusions. First, the shift is perhaps more complex than simple analysis permits, particularly regarding

Continued on page 32

Trade in agricultural goods and services is another WTO battlefield

The WTO has begun to debate the liberalisation of trade in environmental goods and services – but, once again, the playing field seems tilted in favour of the developed world, writes **Michelle Pressend**

The WTO Doha ministerial of 2001 consented to negotiations on trade and the environment; more specifically, the Doha declaration agreed to negotiations on 'the reduction or, as appropriate, elimination of tariff and non-rariff barriers to environmental goods and services', with a view to enhancing the mutual supportiveness of trade and the environment. This implies potential gains for both developed and developing countries. It suggests that developed countries are looking for new markets for their environmental goods and services (EGS), and that developing countries will gain from accessing these, resulting in a 'win-win-win' scenario in which trade, environment, and development benefits are realised. But this is more easily said than done. The WTO still lacks a satisfactory definition of EGS, and without one it will be difficult for members to arrive at an amicable agreement.

The negotiations also raise a number of key issues for developing and least developed countries. At present, firms in OECD – or developed – countries account for 90 per cent of total trade in EGS; however, the demand in those countries has slowed down. Should these firms seek new markets in developing countries – which they clearly intend doing – what impact will this have on the ability of developing countries to build their own EGS sectors? Technology from developed countries may not be appropriate to the needs of developing countries, and it is uncertain whether the EGS negotiations will provide mechanisms for protecting developing countries against import surges and dumped products. Another aspect of trade in technology is that intellectual property rights remain in the hands of the 'owner'. How, then, could trade in EGS facilitate technology transfer and capacity-building? Moreover, most environmental services are public services, and have some socioeconomic implications in terms of employment, local service providers, and affordability.

Definitions of EGS

The OECD defines the environmental industry as 'activities which produce goods and services to measure, prevent, limit, minimize or correct environmental damage to water, air and soil as well as problems related to waste, noise, and ecosystems'. Besides capital technology goods, environmentally preferable goods are also being mooted as part of the definition. These include products that cause significantly less harm to the environment, such as bio-fuels; goods produced in an environmentally friendly way, such as organic coffee, tea, cocoa, chemical-free cotton, and timber from sustainable forests; or goods that contribute to the preservation of the environment, such as bio-pesticides.

When it comes to the WTO negotiations, the lack of a clear definition of EGS remains a problem. As the World Wildlife Fund (WWF) International has noted, these negotiations appear to be mainly 'supply-driven (ie, developed countries are seeking increased market access for goods and services) rather then demand-driven (ie, proceeding from a set of challenges in assessing how trade can assist in solving the problem)'.

While the EGS negotiations seem altruistic, at least in theory, the current debate largely centres on the self-interest of developed countries. Therefore, EGS liberalisation under the WTO may have negative consequences for developing and least-developed countries.

The WTO services negotiations under GATS is about regulation, and GATS has implications for governments' right to determine domestic regulation. In terms of the concept of national treatment under GATS, foreign service suppliers are meant to be treated in exactly the same way as domestic ones. For example, this means government and local authorities calling for tenders and bids for environmental impact assessments, environmental remediation, and so on would be obliged to treat foreign companies in the same way as local bidders. Under GATS, all domestic regulations have to comply with certain rules, aimed at facilitating market access. Among other things, they must not create unnecessary barriers to trade, and new regulations must be contemplated at the time of entering the commitment. Also, once a services offer has been made, it cannot be reversed. This makes it crucial to make offers only when there is real or immediate benefit.

Environmental services within the WTO framework may be classified as sewage, refuse removal, sanitation and similar services, and other services (cleaning of exhaust gases, noise abatement, nature and landscape protection and so forth). One concern about this classification is the potential overlapping of environmental services with services such as technical analysis services, business and engineering, and others which are classified elsewhere under GATS.

However, many developed countries view this classification as outdated, and are proposing a new one. The EU, for instance, has proposed a seven-part classification for core environmental services, namely 1) water and waste water management; 2) solid and hazardous waste management; 3) the protection of ambient air and climate; 4) remediation and clean-up of soil and water; 5) noise and vibration abatement; 6) the protection of biodiversity and the landscape; and 7) a catch-all subcategory of other environmental and ancillary services.

Services negotiations are advanced through bilateral requests and offers in specific sectors and under specific modes. Negotiations in environmental services have progressed slowly. Developed countries have therefore become more aggressive, and are attempting to make plurilateral requests mandatory, and to initiate sectoral approaches. Some considerations surrounding environmental service commitments are:

- Countries drawn into unintended commitments in professional and environmental services and support sectors in all modes of supply may find themselves committed as a consequence of liberalisation in construction, engineering, legal, accounting, auditing, and management consulting services.
- The opening up and privatisation of environmental services such as water services is likely to have a major impact on the provision of basic services. There is growing evidence that water privatisation impedes rather than advances the provision of water to poor people, particularly in terms of access and affordability.
- Committing services under the category 'protection of biodiversity and landscape' may have implications for promoting community-based natural resource management initiatives, transborder conservation areas, and indigenous knowledge systems.

While deadlines are looming for service commitments, developing and least developed countries require further research and investigation before making any offers, and need to clearly understand the implications before acceding to any environmental services requests.

Nuances in EGS negotiations

EGS negotiations centre on formulating criteria for and devising an approach to trade liberalisation of these goods in order to achieve environmental and developmental objectives. These negotiating outcomes must take into account the interests of developing countries by including the principles of special and differential treatment (SDT), and less than full reciprocity. Any approach to tariff reduction must be flexible, so that developing countries can apply it to their existing levels of development and domestic capacity. In the case of environmental goods liberalisation, for example, developing countries require flexibility so that their local firms can build and maintain their competitive capabilities.

The environmental goods debate is also closely linked to the non-agriculture market access (NAMA) discussions, as these negotiations will determine the tariff cuts in respect of particular environmental goods, including 'environmental' products and technologies as well as natural resources such as minerals, forest products, and fisheries.

Three approaches – the 'list approach', the 'environmental project approach', and the 'integrated approach' – are on the table. The list approach is most favoured by developed countries, and requests members to compile a list of products for tariff reductions. Proposed by India, the environmental project approach is based on establishing national projects to improve environmental performance, and tariff cuts will be allowed in respect of goods required for the project.

Proposed by Argentina, the integrated approach attempts to develop a list of goods in various categories at the multilateral level, and the goods agreed to would be applicable for tariff reduction and could be used for national environmental projects.

The reduction and/or elimination of non-tariff barriers (NTBs) is another important aspect of the EGS negotiations. Certain national laws and regulations governing environmental and health standards are widely viewed as non-technical barriers to trade. Friends of the Earth International has identified 212 challenges to environmental and health standards, including labelling and certification requirements, national standards and regulation, export restrictions, restrictions on foreign investment, and measures to promote local and economic development. These challenges could unravel years of negotiations on environmental and health safety standards by both developed and developing countries.

It is vital that any approach agreed to is a flexible one that will allow developing and least developed countries to continue building their EGS sectors. For this to happen, negotiators

Continued on page 29

Air pollution in Kuala Lumpur … environmental services from developed countries may not be appropriate to the needs for developing countries. *AP Photo/S Thinakaran*

Responsible partnership

In January this year, SA became chair of the Group of 77. Ambassador **George Nene** sets out the important responsibilities associated with this position, and SA's intended approach

ON 12 January this year, the SA Minister of Foreign Affairs, Dr Nkosazana Dlamini Zuma, accepted the chairmanship of the Group of 77 (G77) in New York. Speaking at the hand-over ceremony, attended, among others, by Kofi Annan, UN secretary-general, and Jan Eliasson, president of the UN general assembly, Minister Dlaminin Zuma noted that 'SA's foreign policy is committed to the realisation of a just and equitable global economic order. We believe that in order to achieve a better life for all, we must pursue development from a global perspective. We are committed to the development of Africa, and of the entire developing world.'

Largest coalition

Established in 1964 by 77 countries, but with 132 member states today, the G77 is the largest coalition of developing countries in the world. It operates mainly within the UN system, and provides a vehicle for countries of the South to articulate and promote their collective economic and development interests, and enhance their negotiating capacity on all major international economic and development issues. It also promotes South–South co-operation, and strengthens economic and technical co-operation among developing countries themselves. The importance to developing countries of co-ordinating their positions on global issues is increasingly being recognised.

The birth of the G77 was a historic development, as the marginalised nations of the world had found a common voice and built a common platform. By joining forces in this way, they acquired a collective bargaining strength which they would never have mustered individually.

The G77 was born out of the need for developing countries to articulate their priorities for creating a fair and equitable trade and development regime, and initially focused on trade and development issues. Subsequently, it brought its collective will to bear on the pursuit of common goals in the related fields of money, finance, external indebtedness, food, agriculture, industrialisation, intellectual property rights, health, education, the environment and sustainable development, and science and technology, and has helped to shape economic and social multilateral diplomacy.

Its guiding principle has been to aproach international issues in a spirit of co-operation and non-confrontation, and it functions on the basis of the interdependence of nations and the shared values and common destiny of the peoples of the world. It strives for equity and justice in international economic and financial relations in the belief that this can help create a solid foundation for world peace and prosperity.

The G77 has made a notable contribution to the effective functioning of the UN, and can claim a large part of the credit for the UN system moving towards becoming a global convening power in the economic and social fields. It has thus played a major role in the evolution of multilateralism, also within the UN system. In her acceptance speech in New York, Minister Dlamini Zuma stressed the need for the G77 to 'continue strengthening the ability of the UN to build international consensus, and at the same time encourage our development partners to support the various aspects of the development agenda'.

The G77 recognises civil society has an important role to play in promoting the development objectives and goals of developing countries. Responding to both old and emerging challenges require adaptation to the realities of today's world. Civil society, the business community, and parliamentarians all play a crucial role in development. The G77 pursues a more systematic relationship and co-operation with non-state actors supportive of development.

Draft resolutions

The chair of the G77 introduces close to 200 draft resolutions to the UN general assembly and its committees every year. SA will have to prepare the first drafts of these resolutions, co-ordinate discussions aimed at reaching consensus among G77 member states, and then engage with other UN members on behalf of the group. SA will also have to prepare and deliver statements on behalf of the Group on these issues.

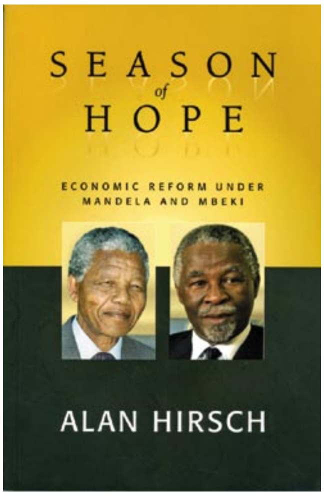
The chair of the G77 also makes statements and leads negotiations in the UN's Economic and Social Council (ECOSOC) and other subsidiary bodies and sponsors, and negotiates resolutions and decisions at major conferences and other

Continued on page 30

Season of Hope

Alan Hirsch's defence of the ANC's economic policies during its first decade in power provides a welcome glimpse into events behind the scenes – but leaves important questions unanswered, writes **Bill Freund**

IN this book, Alan Hirsch, a senior economic advisor in the Presidency, has produced a defence of the economic policies of the ANC during its first decade in power. This is a reasonable and accessible work that deserves to appeal to a significant audience. One might call it a book that would have had to exist in virtual space if it had not been written; government supporters have been very reticent about producing a sustained policy defence. All we have in book form are swingeing attacks on the ANC from the left, notably the important works of Patrick Bond and Hein Marais. As a result, this volume is very welcome in furthering debates about economic policy in SA.



Season of Hope; Economic Reform under Mandela and Mbeki
Alan Hirsch
University of KwaZulu-Natal Press and International Development and Research Centre (Pietermaritzburg & Ottawa, 2005)

Policy actors

Most of it covers areas of discussion in which Hirsch has been involved, either peripherally or directly. In contrast with William Mervyn Gumede's recent assessment, Hirsch is discreet and invariably polite, but the glimpses he provides into events and processes behind the ANC and government curtain are the most fascinating feature of the book. He considers financial, industrial and trade policies; the emergence of GEAR; and the role of the Reserve Bank. He also examines attempts at summits to work out policies relating to skills and job creation, small business stimulation, and black economic empowerment (justified particularly in terms of the highly concentrated character of much of the extant economy of SA), all from a perspective sympathetic to the government. While a number of policy actors are personalised in the volume, Hirsch's hero par excellence is Trevor Manuel, the first 'black' minister of finance. Manuel is described as the tough guy who stuck to his guns and made sure that coherent macroeconomic policy formation came into play under his management – 'a good manager and leader, and as tough as teak' (94).

It is fortunate for Hirsch's line of argument that the last two years have finally produced a spurt of genuine growth in the SA economy, growth which allows him to portray the Manuel tough guy years as a necessary foundation. Until 2001 real achievements, as Hirsch admits, were few. It is questionable whether Manuel's conservative fiscal policies, which bolstered inequality and failed to attract investment, have really played this foundational role, or whether the country is not simply benefiting from the arrival of a new era of high prices for raw materials such as platinum, which it happens to possess.

In the field of secondary industry, as Hirsch points out, no successful and coherent industrial policy has yet emerged. Our greatest achievement has been the retention and restructuring of protection for the crucial automobile industry (still, however, import-dependent and with little local R&D), through measures that violate the norms of the WTO. The extremely expensive Coega project, suspiciously reminiscent of the big-scale minerals and energy developments of the apartheid era, also seems to be a white elephant. (This is mercifully left undiscussed by Hirsch, as is Denel and the arms deal.) In general, state economic policies have only modestly improved the lives of the majority of the population. In every survey, it is the child support grant – more widely diffused than before 1994, albeit smaller – that scores as the most positive intervention undertaken by the governing ANC.

Welcoming signals

As a result of GEAR, SA is now certainly judged to be a responsible and acceptable partner by the powers-that-be of the capitalist world. This is probably the strongest part of Hirsch's argument. He stresses the vulnerable and potentially weak position that SA occupied in this regard in 1994. This was a result of the deteriorating situation of the previous two decades, and how little trust there was at that time in any black majority government administering anything. In the 1990s the ANC did steer the ship in a way that reduced disinvestment, and sent so many welcoming signals to international financiers and investors that the opprobrium of the radical associations of the struggle years was gradually dispelled. Perhaps, like so many SA team athletes, Manuel's achievement lies largely in his successful defensive play.

Issues directly related to that steering exercise took over government policy early on. Hirsch comments interestingly on the transition years, and tries to explain why the Macroeconomic Research Group (MERG), whose largely expansive and essentially Keynesian alternative was rejected, did not offer a coherent or convincing alternative to the supply-side, tight-money approach adopted at the time. Less easy to explain is the abandonment of Marxist understandings of the economy which had until that point dominated opinion on the left. In this context, Hirsch notes, the enemies of GEAR increasingly seemed disloyal – a cardinal sin – to the political leadership of Mandela and Mbeki.

It is striking that while the first pages of the book dwell on the harshly unequal conditions doled out to the black population under apartheid, the main thrust of the narrative then shifts somewhat seamlessly to the duelling around macroeconomic issues. Only very long afterwards are welfare and poverty issues again taken up. For Hirsch these are difficult questions to resolve, with deep roots in national history, which now need to occupy centre stage. In better financial straits, the government has in recent years increasingly spent money on redistributive payments, and he highlights in this regard the Sector Training Authorities (SETA) skills programme as well as the enhanced emphasis on public works. Yet, by the kindest of estimates, these payments have done little to kick-start the so-called second economy. This term essentially represents a return to the dual economy approach of anti-apartheid liberal economists of the past who did believe that a prosperous first economy, shorn of the disfigurements of apartheid, could eventually mop up the second, W Arthur Lewis style.

It remains unclear how much truth – if any – there is in this, especially for our era. Hirsch defends the ANC as 'moderately social democratic … with a consistent economic philosophy that had the following elements … it is the state's job to underwrite the improvement in the quality of life of the poor and to reduce inequalities, but with a firmly entrenched fear of the risks of personal dependency on the state and of the emergence of entitlement attitudes' (3). Is it social democratic, or simply incoherent, and rife with contradictions? Or primarily oriented towards the creation of a new power elite that transcends the public and private spheres? Whether the overwhelmingly nationalist-minded ANC is really striving as its top priority 'to reduce poverty and inequality' (264), as Hirsch concludes, is certainly still open to debate. ■

Bill Freund is professor of economic history at the University of KwaZulu-Natal.

Election of woman president crowns hopes for Liberia's reconstruction – continued from page 13

There is no appreciable debate about the nature, character, and content of the new army. Moreover, no security threat analysis foregrounds the restructuring exercise, and no known military doctrine has been elaborated. These are important public policy issues, as the national army has historically had hostile relations with the majority of Liberians. It has played a predatory and repressive role to rein in dissent; brutally crushed strikes by workers and students; and used to collect taxes from rural people, who were manhandled if they refused to pay their taxes or could not afford to do so.

The Johnson-Sirleaf administration has a daunting task ahead. Liberians have high expectations. The government would do well to parcel up international goodwill and generosity alongside its democratic credentials to set about rehabilitating the country's economy. Key issues that must be addressed include massive unemployment; the restoration of safe drinking water and electricity; and investment in road networks, schools, and hospitals. Given the small size of the country, its ample resources, and international goodwill, these are not necessarily insurmountable. Generous investment in labour-intensive projects in the areas of infrastructural development, specifically road repairs and commercial agricultural production, could halve the unemployment figure in three to four years. If the government can restore electricity and safe drinking water within a reasonable period of time, and is perceived to be investing in social services, it will retain the support of the people.

The new government needs to outline its long-term objectives, and encourage public debate, discussion, and consultation. This should include the definition of a new security paradigm that embraces human security; economic recovery that puts citizens first, and ensures that local communities benefit from natural resources extraction; constitutional reforms that enhance checks and balances; and streamlined government that efficiently delivers services and provides equal access to justice. ■

Ezekiel Pajibo is executive director of the Centre for Democratic Empowerment in Liberia.

Why SA should play a hegemonic role in Africa – continued from page 8

interventions to bring peace and stability to Lesotho, Burundi, and the DRC.

However, its foreign policy has also been marked by lapses in its determination to assume the full mantle of leadership. Disparaging its path-finding ventures, it opposed the calls for reparations for slavery, colonialism and apartheid at the WCAR. In equal measure, it dealt a blow to its own anti-debt campaign by endorsing a Washington Consensus outcome at the UN Conference on Finance and Development. Regionally, it has turned a blind eye to the breakdown of the rule of law in Zimbabwe and Swaziland. And the state has not been able to inject a social ethic into capital's foreign ventures, despite demonstrable political and entrepreneurial involvement in SA's economic 'conquest' of the continent.

These reversals raise questions about

SA's readiness to safeguard stability and democracy. Our discussion shows that this role is both feasible and desirable from the point of view of the SA state. Ambivalence on the part of SA on the continental and world platforms, however, vitiates its already established profile, and panders to a vista of uncertainty. SA must begin to play the role of a firm and visionary hegemon on the continent. Only in this way can it safeguard its well-earned, yet currently gelatinous, status as a continental leader, and an advocate of redress in global relations.

It has a veritable arsenal of attributes that can help it to accomplish this role. First, the state should direct SA investment in Africa in ways that promote the continental project of political stability. Second, the existence of a second potential hegemon on the continent in the form of Nigeria should help SA to walk the aisle in this regard. While Nigeria may not command the economic resources of SA's magnitude, its political and military engagements in West Africa have established it as a reference point in terms of the upkeep of its backyard. Finally, the creation of a national and regional civil society that upholds the protocol of democracy is vital to both regional stability and national economic renewal. It will provide a necessary bulwark against hegemons behaving in ways that narrowly benefit their own elites to the detriment of the region. Civil society has always been conceived as a check on rampant state elites. What better force could there be for the task of constraining the unconstrained? ■

Adam Habib is the executive director of the democracy and governance research programme of the HSRC; Nthakeng Selinyane is a doctoral fellow of the Centre for Civil Society of the University of KwaZulu-Natal. This is an edited extract from their contribution to In Full Flight – South African foreign policy after apartheid*, edited by Philip Nel and Walter Carlsnaes (IGD, 2006).*

Three AIDS scenarios in Africa – continued from page 15

- How the crisis is defined, and by whom, will make a fundamental difference to the outcome of attempts to address the crisis.
- Local, decentralised responses are vital.
- Not everything can be done at once.
- There is no magic bullet. The focus should be on long-term interventions.
- The range of actors involved in the AIDS epidemic will make a fundamental difference to the outcome.
- Policies and actions to empower women have not been well implemented, and will be a key feature of any future success.
- Orphans and vulnerable children are set to become a crisis within this crisis.
- We should not underestimate the psychological impact of the epidemic.
- We should be careful about romanticising notions regarding the positive aspects of ubuntu and the extended family; societal resilience in SADC should not be taken for granted.
- The death toll will rise no matter what we do. However, appropriate interventions today can have a significant impact on HIV incidence in future.
- AIDS has a lot to teach us about the kind of society that we want to be – we should heed the epidemic's potential transformative lessons. ■

Dr Pieter Fourie lectures in politics at the University of Johannesburg. His book The Political Management of HIV and AIDS in SA: One burden too many? *will be published later this year.*

Taiwan holds intriguing lessons for developing countries – continued from page 21

to cut out Taiwan multilaterally.

It is also instructive to note that Taiwan's post-war economic experience occurred under a long period of martial law (1949–87). Until the late 1980s, Taiwan was decidedly non-democratic. This refutes current post-Washington Consensus thinking that development occurs only when certain democratic prerequisites have been met. In Taiwan's case, it would seem that development freed Taiwanese democracy, not the other way around. Strangely, if lessons are to be drawn from the experience of the 'Asian tigers', African countries may have to 'unlearn' that democracy is a fundamental prerequisite for economic growth. Taiwan's current dilemma is that all countries can ignore China only at their own peril. Such is the new physics of Chinese power, not just in shaping new global economic thinking but also in recasting the calculus of multilateral politics. ■

Dr Nhamo Samasuwo is programme director: multilateral at the IGD.

Trade in agricultural goods and services is another WTO battlefield – continued from page 25

should ensure that market access for these goods addresses the problems currently confronting developing countries, through (i) ensuring the transfer of 'clean' technologies, and offering developing countries technical and financial assistance to achieve the environmental goals of Multilateral Environmental Agreements (MEAs); (ii) observing the principles of special and differential treatment, and less than full reciprocity; (iii) improving market access for products of interest of developing countries; and (iv) allowing developing countries to maintain adequate mechanisms to protect their markets from dumped products and import surges.

These negotiations are arduous, and realising a 'win-win-win' scenario in which trade, environment, and development benefits are achieved seems unlikely. Members have competing interests, so inevitably those countries with the productive capacity and 'know-how' will gain significantly from EGS trade liberalisation. Furthermore, access to cheaper products as a result of EGS trade liberalisation in terms of 'end-of-pipe' technologies or end-use products may only partially clean up dirty industries, and may fail to address sustainable economic development issues.

Developing countries may be at risk of making commitments in respect of EGS in exchange for developed countries' vague commitments to reduce agricultural subsidies. Tthroughout the WTO negotiations, developing countries and LDCs have made numerous concessions without solid returns, and EGS should not be used at the expense of potential gains in these circumstances. Addressing global environmental challenges through the transfer of 'environmentally friendly' technology and capacity-building have been conceded under existing technology transfer commitments of Agenda 21 and several MEAs, through which developed countries are already obliged to provide technology transfer. For trade to contribute to global environmental improvement and sustainable development, it must be in line with the frameworks of existing multilateral environment agreements. The outcomes of these negotiations must ensure that developing and least developed countries retain sufficient flexibility, and their right to develop their EGS sector in a way appropriate to their development needs. ■

Michelle Pressend is senior researcher: multilateral at the IGD.

Interview: Rob Davies – continued from page 19

sions. There may not always be total agreement or unanimity on all the positions taken at the WTO and in other negotiations, but we are certainly open to discussion.

What we don't sufficiently do is to reinforce each other in our different spheres. For example, in the US – obviously a different constitutional order – the legislature and the positions of Congress are fundamental. US negotiators are bound by congressional mandates that set their bottom lines, and which they won't cross. We often go to negotiatons with our bottom lines assumed to be infinitely malleable. I think it is important that the various constituencies do begin to establish an independent voice on these issues, and create some realities that our formal negotiators would need to take into account.

Traditionally and historically, parliament ratifies trade agreements that have already been agreed at the executive level. Over the years, parliamentarians have tried to become more proactive, and our government will encourage them to do so.

But there are also other kinds of forces involved in different forums – for instance, we should be mobilising and lobbying in Europe about agricultural trade policy, etc.

What happens too often is that civil society groups want to lobby the government delegation to take a particular position. But at the end of day in the WTO, you are faced with the question whether you can live with the outcomes, even if they do not fully represent all your aspirations. You have to ask if it is a small step forward compared to the past.

To lobby government is part of the process, including the NEDLAC consultations. We have been able to draw very strongly on the technical work of some of our NEDLAC partners, with NAMA being one example. But there is a need for civil society formations to find a common voice across boundaries, and to create a broader climate in which negotiators can push some of their positions more effectively. ■

Brendan Vickers is senior researcher: multilateral trade at the IGD.

Responsible partnership – continued from page 26

meetings held under the aegis of the UN. The G77 has seven chapters (New York, Geneva, Vienna, Rome, Paris, Nairobi, and Washington DC), of which New York is the leading chapter. It is financed by its members. The chair rotates annually among Africa, Asia, and Latin America and the Caribbean, and SA was preceded by Jamaica, Qatar, Morocco, Venezuela, Iran, Nigeria and Guyana in recent years. The SA permanent representative to the UN will be responsible for leading the G77 on a daily basis. SA will also be responsible for overseeing the G77's work programme and budgets, which are administered by its Secretariat in New York. SA will also need to manage the process of prioritising the Group's goals for the year.

SA will also lead the participation of the Group in numerous meetings outside New York. As chair, it plays a facilitation role, and is expected to be neutral. The chair of the G77 receives its mandate from member states, and then is expected to defend that mandate.

Besides the heavy workload involved in keeping the G77 functioning smoothly, assuming the chair holds tremendous responsibilities for SA. The year 2006 poses many challenges and opportunities for advancing the development agenda of the South. Numerous international meetings are scheduled to take place, which will demand the sustained and collective focus of the group, facilitated by the chair. SA will also be expected to maintain the close co-operation between the G77 and the Non-

Aligned Movement (NAM), especially given that the 14th NAM summit will take place in Havana, Cuba, this year.

Expectations of SA's tenure as chair are very high, on the part of developing member states as well as the developed nations. This is probably the result of the reputation SA has carved out for itself in the international community as a serious and responsible partner.

A particular priority for SA is to maintain and strengthen the efficacy of the G77. Considering the diverse needs and priorities of its 132 member states, caused by their differing levels of development, and their diverse cultures and religions, the levels of cohesion and solidarity in the Group are remarkable. The main strengths of the G77 have indeed been its unity and cohesion, its vision of fair and equitable multilateral relations, and the commitment of its members to the well-being of the peoples of the South and to mutually beneficial co-operation. These have provided the Group with considerable power and influence in the UN.

Several items on the G77's inaugural agenda in 1964 remain valid. These include securing adequate resource flows and strong and stable commodity markets, reducing the debt burden, and dismantling protectionist barriers. However, given accelerated globalisation, these issues now have to be pursued even more vigorously. Moreover, new issues such as the environment, sustainable development, social justice, equity, and inclusion – as goals in their own right as well as preconditions for development – and both national and international governance have appeared on the multilateral agenda, often at the cost of the older items. These issues are highly complex, and only amenable to an interdisciplinary approach. SA is determined to lead the G77 effectively in addressing these challenges.

Priorities for SA will be to ensure that Africa's development challenges as well as those of other groups of vulnerable countries, such as least-developed countries (LDCs), are addressed; ensure that progress is made towards achieving the Millennium Development Goals (MDGs) as well as the broader development agenda of the South; ensure full implementation of the outcomes of all major UN conferences and summits, particularly the Johannesburg Plan of Implementation, the Monterrey Consensus, and the World Conference against Racism; improve the global governance of economic and financial matters; and promote the building and strengthening of the scientific and technological capacities of developing countries.

Its overarching objective will be to enhance the standing of the G77 as a constructive and responsible partner in promoting North–South relations, in support of the development agenda of the South. As Minister Dlamini Zuma stated in January, 'we can assure you that we will spare no effort in ensuring that we collectively enhance the development agenda of the South'. ■

George Nene is deputy director-general: multilateral of the SA Department of Foreign Affairs.

Troika of threats requires integrated response – continued from page 11

dollar. Asian countries may decide at some point that the risks of continuing to support the dollar outweigh the benefits in terms of boosting their exports. Meanwhile, Europeans are growing weary of indirectly financing America's war in Iraq, and its citizens' excessive consumption. Moreover, certain significant oil-producing nations (including some OPEC nations and Russia) may decide to denominate their oil exports in Euros. Fourth, rising oil prices are putting additional strain on the US trade balance. Even if the US economy manages to keep growing for several years, it will eventually encounter the effects of peaking oil production, which is likely to be the final straw for both consumers and the government.

The greater the deficits and debts become, the higher the likelihood of a sharp adjustment. What would be the implications of a hard landing? One immediate result of a significant devaluation of the dollar would be a drastic fall in US imports, which would hurt many exporting countries, especially in East Asia. More seriously, if property and consequently equity prices in the US were to collapse, this would lead to curtailed investment and possibly an economic recession. Conceivably, such a slump in the US could induce a worldwide recession.

Feedback loops

Each of these three risk factors could have substantial negative consequences for economies and societies, and seriously inhibit the international flow of goods and services. Moreover, they are connected by several complex feedback loops, which raise the probability and magnitude of adverse outcomes. If this web of risks is not managed appropriately, in an integrated manner, a downward spiral of economic depression, conflict, and suffering is quite likely.

The role of technological change has always been central to economic development, and it will no doubt play a key role in the future as humanity grapples with these challenges. Indeed, many of the requisite technologies are already available. However, their potential depends on political will, and the wisdom with which they are employed. Successful management of the risks will arguably require both mitigation and adaptation strategies, involving a mix of market signals and government intervention. Crucially, delaying appropriate responses in the short to medium term will merely compound the problems in the long run.

In some ways, these challenges represent opportunities to shift to more democratic, egalitarian, and ecologically sound global and local economic systems. Whether these prospects will be realised will depend on the active participation of and co-operation among all sectors and levels of society. The future is ours for the making. ■

Jeremy Wakeford is a lecturer in economics at the University of Cape Town.

Tilting left in Latin America – continued from page 23

state–societal relations. Few leaders – with the exception of Chavez, who is in a league of his own – are adopting traditional leftist policies such as natural resource nationalisation, the expropriation of foreign assets, and coercive redistribution.

There are profound differences between Latin America's new coterie of left-wing leaders. While they all reject the unbridled neoliberalism of the past, a more nuanced analysis reveals two emerging left-wing streams.

The first group are social-democratic reformers. They count among their number the left in Chile, Brazil, Uruguay, and possibly even Nicaragua. Recognising the limits and realities of the current neoliberal world order, they have abandoned their radical pasts in socialism, communism, and Castroism and refashioned their politics. This has translated into an acceptance of orthodox macroeconomics and fiscal prudence, but balanced by a strong emphasis on social policies: education, anti-poverty programmes, health, and housing.

The others are populists, notably Chavez, and arguably Morales and Kirchner. They have espoused fiery economic nationalism and adopted antagonistic positions vis-à-vis the US and the international financial institutions. Should he win the Mexican presidency later this year, López Obrador, the left-leaning former mayor of Mexico City, may join their ranks.

Motley resurgence

This motley resurgence of the left may significantly reshape regional politics. Already Venezuela is using its oil diplomacy to win hearts and minds, both in the region and north of the Rio Grande. It has become the region's de facto lender of last resort, committing US$2.4 billion to Argentina's IMF debt settlement. Uruguay has restored relations with Cuba. Mercosur has agreed to admit Venezuela as a fifth full member, and may invite Bolivia soon. And there has been talk of two pan-regional initiatives: Petrosur, a Latin America-wide petroleum company; and Telesur, a region-wide television channel.

However, Latin solidarity may be tenuous, as there are many fault-lines too. Bolivians, for example, see Argentina, Brazil and Spain – not simply the US – as the real 'imperialists' in the region, and nurse an historical grudge against Chile over lost access to the sea. Uruguay, like Paraguay, is dissatisfied with its market access under Mercosur and has shown interest in a free trade deal with the US. More significantly, support from Latin American leaders for Chavez and his alternative paradigm has yet to move beyond rhetoric.

Two considerations

Can Latin America provide the countries of the South with an alternative development model? Two considerations emerge. First, the Latin American left have a unique historical opportunity to pursue their highly ambitious social agendas, funded on the export of natural resources, and China's boom.

Second – and except perhaps for Chavez – the left are hardly rejecting liberalism and adopting unorthodox, radical, and transformatory economic visions. Instead, many appear to be reviving post-Washington Consensus ideas about the role of the state and public institutions in promoting development. They are thus crafting the parameters of a new reformist Andean-Amazonian capitalism that accommodates globalisation, but places greater emphasis on social spending and regional trade initiatives, such as Mercosur.

Unlike the Washington Consensus that removed the state from the economy, the Latin American left are seeking a far more active role by public institutions to promote fundamental social rights and welfare, and reduce poverty. This resonates with the current debate on the developmental state in SA and elsewhere. ■

Brendan Vickers is senior researcher: multilateral trade at the IGD.

Global Dialogue is published by the
Institute for Global Dialogue
IGD House, Block 12
Thornhill Office Park
Bekker Street
Vorna Valley, Midrand
SA

P O Box 32571, Braamfontein 2017

Tel (011) 315 1299
Fax (011) 315 1249
e-mail: info@igd.org.za
www.igd.org.za

ISSN: 1560-8743

Produced by
Acumen Publishing Solutions
(011) 482 2823

Printed by The Bureau,
Johannesburg