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Trade wars on the horizon?

The Donald Trump administration is threatening to take action against countries it deems to be engaging in unfair trade practices with the US. Such moves could spark damaging trade conflicts which may roil an already fragile global economy.

Also in this issue:

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On the brink of a new trade war?

The world is on the edge of trade conflicts as US President Trump decides on actions to take against countries he calls "trade cheaters". *Martin Khor* considers the outlook for Malaysia, in this article originally written for a Malaysian daily.

Are we on the brink of a new trade war unleashed by the Trump administration?

It would appear so from reports that the United States President is preparing a variety of trade measures aimed at what he calls "trade cheaters". Donald Trump is obsessed with countries having a trade surplus with the US and wants to drastically turn that around.

Although China is on top of the US hitlist, Malaysians cannot be complacent.

First, in any trade war between giants, Malaysia will probably be caught in the crossfire. For example, if some Chinese exports are blocked from entering the US, Malaysian companies supplying components to the Chinese companies manufacturing the exports will have their business reduced, and jobs in Malaysia will be lost.

But more importantly, Malaysia is on the "hitlist" of 16 countries targeted by the US for investigation as to whether they have cheated or used unfair practices in their trade with the US. A US Commerce Department report on these countries, and what actions should be taken on each of them if found "guilty", is due anytime now.

Those countries with which the US has the biggest trade deficits are on the list. In 2016, the US had a $24.8 billion deficit with Malaysia. The deficits were $22 billion in 2015, $17.5 billion in 2014, and $11.5 billion in January-June 2017. Malaysia is by no means among the countries with the largest surplus against the US, but $25 billion is not a small amount.

Countries with the largest trade surplus vis-a-vis the US are China ($347 billion in 2016), Japan ($69 billion), Germany ($65 billion) and Mexico ($63 billion).

Other Asian countries being probed are Thailand, Indonesia, India and Vietnam. Many are outraged they are being investigated for being "trade cheaters."

"Malaysia is not taking advantage of the US in our bilateral trade", and the bulk of Malaysian exports to the US are electronic products made by US companies, Malaysia's Second Trade and Industry Minister Ong Ka Chuan told national daily *The Star* in April.

That is true. The US companies are indeed using the cheaper labour in Malaysia and enjoying higher profits by producing here and exporting components back to the US. That doesn't make Malaysia a trade cheat.

But in Trump's worldview, the relocation of American companies abroad is itself a corporate sin. "Thousands of factories were stolen from our country," he declared when announcing the probe on "cheaters."

The outcome is thus unpredictable. The report may exonerate Malaysia or it may instead recommend measures to "punish" the country. In the latter case, Malaysia would then need to plan with the other victims on what counter-measures to take.

Section 301 threat

Another sign of imminent trade conflict is the recent signal that US trade officials are planning to revive the American trade weapon known as "Section 301".

The US often made use of Section 301 of its domestic trade law in the 1980s and early 1990s to threaten and punish its trade partners whose exports troubled local producers or whose practices were seen as unfair.

To the rest of the world, the unilateral actions under Section 301 were seen as outright protection and were feared and detested. One key reason many countries agreed to set up the World Trade Organization was to counter Section 301; they were assured Section 301 and actions under it would become illegal under the new WTO rules.

Since the WTO's establishment in 1995, the US has restrained itself from using Section 301, except in some cases where it was successfully challenged at the WTO.

If the Trump administration were to revive the use of the hated Section 301 and apply it liberally, it would cause outrage and trigger retaliatory moves. That would be a straight route to increased trade protection and conflict, which the world cannot afford.

"The US trade law Section 301 violates US obligation under WTO agreements," said Bhagirath Lal Das, an international trade expert who was once Chairman of the General Council of GATT, the WTO's predecessor. "Even if no specific action is taken by the US Trade Representative in pursuance of this provision, the very existence of such a provision in the US trade law violates Article XVI(4) of the Marrakesh Agreement Establishing the WTO."

Another expert on the WTO, Chakravarthi Raghavan, Editor Emeritus of the *South-North Development Monitor (SUNS)* bulletin, wrote: "Any US moves to use Section 301 of its trade law to take action (other than those allowed under WTO agreements) would be a violation of US undertakings given to a WTO panel by the Clinton administration in one of the early disputes that came before the WTO. Any trade action or measure has to be in compliance with WTO obligations, irrespective of whether it is in accord with US law or not."

Trump's officials are debating whether to use Super 301 (which they know will cause a backlash) or some other measures such as "national security protection" and anti-dumping actions. Trump will then announce how the US intends to act against those they consider "trade cheaters" which have "stolen American factories and jobs."

Hopefully cool heads will prevail, so the actions are less harmful than the rhetoric. Otherwise the present trade tensions may progress to trade conflict and then trade war.

It's something we can ill afford, with the global economy in such a fragile state. But with the US being so unpredictable under the present President, anything can happen. ❐

Martin Khor is Executive Director of the South Centre, a think-tank for developing countries based in Geneva, and former Director of the Third World Network. This article was first published in The Star *(Malaysia) (14 August 2017).*

Indigenous peoples continue to face challenges to their rights

Exclusion and discrimination against the world's indigenous peoples remain rife despite growing recognition of their rights, according to the UN.

by Kanaga Raja

GENEVA: While progress has been made in the formal recognition of indigenous peoples in several countries, 10 years after the adoption of the UN Declaration on the Rights of Indigenous Peoples, they overwhelmingly continue to face discrimination, marginalization and major challenges in enjoying their basic rights.

This was the assessment provided as the United Nations commemorated the International Day of the World's Indigenous Peoples on 9 August.

"While indigenous peoples have made significant advancements in advocating for their rights in international and regional fora, implementation of the Declaration is impeded by persisting vulnerability and exclusion, particularly among indigenous women, children, youth and persons with disabilities," said more than 40 UN system entities and other international organizations in a joint statement on 8 August.

Grouped under the Inter-Agency Support Group on Indigenous Peoples' Issues (IASG), these UN agencies and other organizations said that the Declaration was the culmination of tireless efforts by indigenous peoples and member states, among others, to design an instrument that would recognize both the individual and collective rights of indigenous peoples.

As a result of such efforts, today, the rights contained in the Declaration constitute the minimum standards for the survival, dignity, well-being and rights of the world's indigenous peoples.

"The 2030 Agenda for Sustainable Development provides a unique opportunity for placing indigenous peoples at the centre of development as rights-holders and empowered agents of change. The 2030 Agenda and the Declaration are inseparable instruments for the implementation of the rights of indigenous peoples," they underlined.

The recent decision of the UN General Assembly to proclaim the year 2019 as the International Year of Indigenous Languages presents a unique opportunity to draw attention to the critical loss of indigenous languages and the urgent need to preserve, revitalize and promote indigenous languages and to take further urgent steps at the national and international levels, they further said.

"Making progress in realizing the objectives of the 2030 Agenda and the Declaration will require significant investments in building strong mechanisms and procedures for indigenous peoples' meaningful participation, as a central pillar of engagement."

This is needed to ensure that public policies, legislation and development plans take indigenous peoples' priorities and concerns into account, said the Group.

Landmark declaration

The UN Declaration on the Rights of Indigenous Peoples was adopted by the UN General Assembly on 13 September 2007, establishing a universal framework of minimum standards for the survival, dignity and well-being of indigenous peoples, according to a UN press release of 8 August.

The landmark document is the most comprehensive international instrument on indigenous peoples' collective rights, including the rights to self-determination, traditional lands, territories and resources, education, culture, health and development.

There are an estimated 370 million indigenous people in some 90 countries around the world. Practising unique traditions, they retain social, cultural, economic and political characteristics that are distinct from those of the dominant societies in which they live.

According to the UN press release, although some countries have taken constitutional and legislative measures to recognize the rights and identities of indigenous peoples, exclusion, marginalization and violence against indigenous peoples continue to be widespread.

Ahead of the International Day, a separate joint statement was issued on 7 August by Victoria Tauli-Corpuz, the UN Special Rapporteur on the rights of indigenous peoples, Mariam Wallet Aboubakrine, the Chairperson of the UN Permanent Forum on Indigenous Issues, and the Expert Mechanism on the Rights of Indigenous Peoples.

"The Declaration, which took more than 20 years to negotiate, stands today as a beacon of progress, a framework for reconciliation and a benchmark of rights," they said in that joint statement. "But a decade on, we need to acknowledge the vast challenges that remain. In too many cases, indigenous peoples are now facing even greater struggles and rights violations than they did ten years ago."

Indigenous peoples still suffer from racism, discrimination and unequal access to basic services including healthcare and education. Where statistical data is available, it shows clearly that they are left behind on all fronts, facing disproportionately higher levels of poverty, lower life expectancy and worse educational outcomes.

Collective effort

Meanwhile, in a statement issued on 8 August, the International Labour Organization (ILO) noted that the UN Declaration, along with the ILO's Indigenous and Tribal Peoples Convention, 1989 (No. 169), has been a reference point for affirming and advancing the rights of indigenous women and men. Together, these instruments have guided public policymaking from the local to international levels, and have empowered indigenous communities to pursue their own development priorities, it said.

However, said the ILO, the situation is still far from acceptable. Indigenous peoples constitute a disproportionate 15% of the world's poor whereas they are an estimated 5% of the world's population.

(continued on page 15)

First as tragedy, now as farce

In August 1982, a Mexican default set off a broader debt crisis that would undermine economic progress in the region. Thirty-five years on, and with the threat of debt distress looming over the developing world, it is high time to heed the lessons from the Latin American experience.

by Mark Perera

As the saying goes, history repeats itself because no one was listening the first time. August marks the 35th anniversary of an event that sparked a debt crisis across the developing world. It was a crisis triggered by low interest rates in the Global North, a reckless boom in lending and borrowing to Southern countries over-reliant on commodity exports, and a fall in the price of those same commodities. Sound familiar?

The parallels with today's developing-world debt crisis are stark, and looking back at how the 1980s crisis arose and how it was dealt with, there are worrying signs that very little has been learnt despite repeated calls by the European Network on Debt and Development (Eurodad) and other civil society organizations for a comprehensive, UN-backed debt workout mechanism.

A crisis begins

On 12 August 1982, Mexican Finance Minister Jésus Silva Herzog made a series of phone calls to the US authorities and the International Monetary Fund (IMF) to inform them that his country would no longer be servicing its outstanding debts. This unilateral halt on debt payments was unexpected – mainly because the warning signs had been largely ignored that Mexico, like many other developing countries, was in debt distress.

In a short space of time, many countries followed in Mexico's wake, with defaults occurring across the Global South: within four years, more than 40 countries had agreed some form of debt restructuring with creditors, 16 of them in Latin America alone. But the crisis, and the solutions designed to deal with it, deeply damaged the region's economic and social development, leading to rising poverty levels and widening inequality between 1980 and 1990. This period was subsequently dubbed the "lost decade for development" by the UN Economic Commission for Latin America and the Caribbean.

In the run-up to its default, the Mexican economy was heavily dependent upon oil exports, boosted by new reserves discovered in the mid-1970s. High oil prices had fuelled confidence in the country's prospects, and it borrowed heavily from willing lenders, mainly to fund physical capital investment.

In 1979, interest rates rose sharply on the back of moves by the US Federal Reserve to counter inflation caused by a hike in oil prices, and remained high as President Reagan took office, cutting taxes and financing increased defence spending with external and domestic credit. The high rates meant Mexico found servicing its debts increasingly difficult. As global oil demand waned, export revenues fell and international reserves depleted rapidly. Domestic currency devaluations caused the debt burden to increase, and the August 1982 default became inevitable. At the time of its default, Mexican sovereign debt amounted to around $80 billion, largely held by private banks in the US, Europe and Japan.

Like other commodity-rich developing states, Mexico had capitalized on a credit boom from commercial lenders. This was fuelled by an overabundance of liquidity in global capital markets and a hunger for returns in the face of low interest rates in the US and other industrialized countries. High commodity prices during the 1970s meant many countries in the Global South had seen steady growth – but many like Mexico were over-dependent on one or two key commodities, and inherently vulnerable to shocks in market prices. Overconfident lenders recklessly ignored warnings – including from the then Chair of the US Federal Reserve – and kept on lending.

It ain't over till it's over

While the debt crisis signalled that decisive policy action was needed, it took years for a sustainable solution to be agreed. The immediate response from an unprepared international community was to organize hasty bailouts in order to keep the debt service to the banks flowing artificially. But focusing on the solvency of overexposed Northern banks meant they also avoided facing the consequences of irresponsible lending decisions. As a result, debt stocks actually rose as countries took on more bridging loans while imposing harsh structural adjustment, ultimately shrinking their economies.

After repeated attempts at rescheduling debts, and years of negotiations, it was not until the 1989 Brady Plan that real debt relief by the private banks was agreed, and it took eight years for the Paris Club of official bilateral creditors to allow for minimal reductions in debt stocks for the poorest countries involved in the crisis. They had to wait until 1996 for the door to be opened to comprehensive debt reduction via the HIPC Initiative of the World Bank and the IMF. Nevertheless, it was not until the Multilateral Debt Relief Initiative in 2005 that debt levels in most low-income countries could genuinely be reduced to sustainable levels, allowing for a fresh start. This came a full 23 years after the outbreak of the crisis, during which the populations of the countries affected paid a heavy social cost.

Could such a crisis be resolved more swiftly and decisively today? For a start, none of the debt relief schemes mentioned above could benefit a developing country running into payment problems now. The continued lack of a regime for debt crisis resolution means countries would probably face the same chaotic and protracted process as Mexico did in the 1980s.

The need for a sovereign debt workout mechanism has long been championed by Eurodad, other civil society organizations and the UN: political will, particularly amongst leaders in the Global North, is vital to establish such a mechanism to ensure fair, speedy and sustainable solutions to debt crises. When devising these solutions, obligations to creditors need to be weighed against a country's non-financial obligations, such as those under international human rights law, to minimize the detrimental social costs for citizens. Of course, prevention is better than cure, and truly responsible lending and borrowing is critical to averting the emergence of unsustainable debt burdens in the first place.

If nothing else, the 1982 Mexico crisis shows that we cannot afford to ignore red flags when they are waving in front of us. A new developing-world debt crisis is already upon us – now is the time to act. ❐

Mark Perera is Senior Networking and Advocacy Officer with the European Network on Debt and Development (Eurodad). This article is reproduced from Eurodad's website (eurodad.org).

Leadership failure perpetuates stagnation

Seemingly in thrall to powerful oligopolistic interests, today's global leadership is shying away from pursuing the policies sorely needed to foster economic growth and recovery.

by Jomo Kwame Sundaram

What kind of leadership does the world need now?

US President Franklin Delano Roosevelt's leadership was undoubtedly extraordinary. His New Deal flew in the face of the contemporary economic orthodoxy, begun even before Keynes's *General Theory* was published in 1936.

Roosevelt's legacy also includes creating the United Nations in 1945, after acknowledging the failure of the League of Nations to prevent the Second World War. He also insisted on "inclusive multilateralism" – which Churchill opposed, preferring a bilateral US-UK deal instead – by convening the 1944 United Nations Conference on Monetary and Financial Affairs at Bretton Woods with many developing countries and the Soviet Union.

The international financial institutions created at Bretton Woods were set up to ensure not only international monetary and financial stability, but also the conditions for sustained growth, employment generation, postwar reconstruction and post-colonial development.

Debt bogey

In resisting painfully obvious measures, the current favourite bogey is public debt. Debt has been the pretext for the ongoing fiscal austerity in Europe, which effectively reversed earlier recovery efforts in 2009. With private sector demand weak, budgetary austerity is slowing, not accelerating, recovery.

Much has been made of sovereign debt on both sides of the north Atlantic and in Japan. In fact, US debt interest payments come to only 1.4% of annual output, while Japan's very high debt-GDP ratio is not considered a serious problem as its debt is largely domestically held. And, as is now well known, the major problems of European debt are due to the specific problems of different national economies integrated sub-optimally into the eurozone.

The international community has, so far, failed to develop effective and equitable debt workout, including restructuring, arrangements, despite the clearly dysfunctional and problematic international consequences of past sovereign debt crises. The failure to agree to sovereign debt workout arrangements will continue to prevent timely debt workouts when needed, thus effectively impeding recovery as well.

Earlier international, including US, tolerance of the Argentine debt workout of a decade and a half ago had given hope of making progress on this front. However, this has now been undermined by the present Argentine government's recent concession, on worse terms and conditions than previously negotiated, to "vulture capitalists".

Most major deficits now are due to the collapse of tax revenues following the growth downturn and costly financial bailouts. Slower growth means less revenue, and a faster downward spiral.

While insisting on fiscal deficit reduction, financial markets also recognize the adverse growth implications of such "fiscal consolidation".

Many policymakers are now insisting on immediate actions to rectify various imbalances, pointing not only to fiscal deficits but also to trade and bank imbalances. While these undoubtedly need to be addressed in the longer term, prioritizing them now effectively blocks stronger, sustained recovery efforts.

Recent recessionary financial crises have been caused by bursting credit and asset bubbles. Recessions have also been deliberately induced by public policy, such as the US Fed raising real interest rates from 1980.

Internationally, this contributed not only to sovereign debt and fiscal crises, but also to protracted stagnation outside East Asia, including Latin America's "lost decade" and Africa's "quarter-century retreat".

Yet another distraction is exaggerating the threat of inflation. Much recent inflation in many countries has been due to higher international commodity, especially fuel and food, prices. Domestic deflationary policies in response only slowed growth while failing to stem imported inflation. In any case, the collapse of most commodity prices since 2014 has rendered this bogey irrelevant.

Strident recent calls for structural reforms mainly target labour markets rather than product markets. Labour market liberalization in such circumstances not only undermines worker protections but is also likely to diminish real incomes, aggregate demand and, hence, recovery prospects.

Nevertheless, these have become today's priorities, detracting from the urgent need to coordinate and implement strong and sustained efforts to raise and sustain growth and job creation. Meanwhile, cuts in social and welfare spending are only making things worse – as employment and consumer demand fall further.

Financial short-termism

In recent decades, profits and rents have risen at the expense of wages, but also with much more accruing to finance, insurance and real estate (FIRE) compared with other sectors. The outrageous increases in financial executive remuneration in recent years, which cannot be attributed to increased productivity by any stretch of the imagination, have exacerbated problems of financial sector short-termism.

Regulations are urgently needed to limit short-termism, including the ability of corporations to reap greater profits in the short term while worsening risk exposure in the longer term, thus exacerbating systemic macro-financial vulnerability.

Growing income inequality in most countries before the Great Recession has only made things worse, by reducing consumer demand and household savings, and increasing credit for consumption and asset purchases – instead of augmenting investments in new economic capacities and capabilities.

Current policy is justified in terms of "pro-market" – effectively pro-cyclical – choices when counter-cyclical efforts, institutions and instruments are sorely needed instead.

Unfortunately, global leadership today seems held to ransom by financial interests and associated media, ideology and "oligarchs" whose political influence enables them to secure more rents and pay less taxes in what must truly be the most vicious of circles.

John Hobson, the English liberal economist in the tradition of John Stuart Mill, noted that "economic imperialism" emerged from the inherent tendency for economic power to concentrate and the related influence of oligopolistic rentiers on public policy.

Selective state interventions to bail out and protect such interests nationally and internationally, while not subjecting them to regulation in the national interest, must surely remind us of the dangers of powerful but unaccountable oligarchies in a systemically unstable market economy and politically volatile societies. *(IPS)* ❒

Jomo Kwame Sundaram, a former economics professor and United Nations Assistant Secretary-General for Economic Development, received the Wassily Leontief Prize for Advancing the Frontiers of Economic Thought in 2007.

After neoliberalism, what next?

With the established neoliberal order no longer capable of delivering growth or stability, *Jayati Ghosh* outlines the possible contours of a more equitable and sustainable framework of economic relations.

We may be living through one of those moments in history that future historians will look back on as a watershed, a period of flux that marked a transition to quite different economic and social arrangements. Unfortunately, in human history a "moment" can be a very long time, so long that it could be decades before the final shape of the new arrangements is even evident; and in the interim, there could be many "dead cat bounces" of the current system.

What is clear is that the established order – broadly defined as neoliberal globalized finance capitalism – is no longer capable of delivering on its promises of either growth or stability, even as it generates more inequality and insecurity across the world. In Marxist terms (as befitting the 150th anniversary of *Das Kapital*), the property relations under which production is organized have become fetters on the development of productive forces themselves, and generate more and more alienation. This may explain why, perhaps even more significantly, the system is also losing legitimacy in most countries, under attack from both right and left.

Whether we look at straws in the wind or green shoots in the ground, there is no doubt that there are incipient signs of change. But at this point there are many directions in which such change could go, and not all of them are progressive or even desirable. That is why it is important to get social and political traction for alternative trajectories that focus on more equitable, just, democratic and ecologically viable outcomes for most of humanity.

The question "What is your alternative?" is a familiar one for most progressives, and too often we are overly defensive or self-critical about our supposed lack of alternatives. In truth, there are many economically viable, socially desirable alternative proposals in different contexts. The problem is not their lack of existence but their lack of political feasibility, and perhaps their lack of wider dissemination. But it is certainly true that the alternative does not consist of one overarching theory (or even framework) that can subsume all others, since there are many good reasons for being sceptical of the days of the "grand theory" that supposedly could take care of everything.

While rejecting the totalizing theory, it is possible to think of a broad framework around which there could be much agreement, even among people who do not necessarily identify themselves as of the "left" but are nevertheless dissatisfied with current economic arrangements at both national and international levels.

Flawed strategy

Much current discussion on economic strategies for global capitalism is framed around the financial crisis of 2007-08 and its continuing repercussions. But it does not really need a crisis to show us that the past strategy for growth and development has been flawed in most countries. Even during the previous boom, the pattern of growth had too many limitations, paradoxes and inherent fragilities. Everyone now knows that the economic boom was unsustainable, based on speculative practices that were enabled and encouraged by financial deregulation. It also drew rapaciously and fecklessly on natural resources, and it was deeply unequal. Contrary to general perception, most people in the developing world, even within the most successful region of Asia, did not gain.

The financial bubble in the US attracted savings from across the world, including from the poorest developing countries, so that for at least five years the Global South transferred financial resources to the North. Developing-country governments opened their markets to trade and finance, gave up on monetary policy and pursued fiscally "correct" deflationary policies that reduced public spending. Development projects remained incomplete and citizens were deprived of the most essential socioeconomic rights.

A net transfer of jobs from North to South did not take place. In fact, industrial employment in the South barely increased in the past decade, even in the "factory of the world", China. Instead, technological change in manufacturing and new services meant that fewer workers could generate more output. Old jobs in the South were lost or became precarious and the majority of new jobs were fragile, insecure and low-paying, even in fast-growing China and India. The persistent agrarian crisis in the developing world hurt peasant livelihoods and generated global food problems. Rising inequality meant that the much-hyped growth in emerging markets did not benefit most people, as profits soared but wage shares of national income declined sharply.

Almost all developing countries adopted an export-led growth model, which in turn suppressed wage costs and domestic consumption in order to remain internationally competitive and achieve growing shares of world markets. This led to the peculiar situation of rising savings rates and falling investment rates (especially in several Asian countries) and to the holding of international reserves that were then placed in "safe" assets abroad. This is why the boom that ended in 2007-08 was associated with the South (especially in developing Asia) subsidizing the North: through cheaper exports of goods and services, through net capital flows from developing countries to the US in particular, through flows of cheap labour in the form of short-term migration.

The collapse in Northern export markets that followed the recession brought that process to a halt, and recent moves towards more protectionist strategies in the US and elsewhere, as well as the persistent mercantilist approach of surplus-producing countries like Germany, have made it more difficult since then. In any case, such a strategy is unsustainable beyond a point, especially when a number of relatively large economies use it at the same time.

In this boom, domestic demand tended to be profit-led, based on high and growing profit shares in the economy and significant increases in the income and consumption of newly globalized middle classes, which led to bullish investment in non-tradeable sectors such as financial assets and real estate as well as in luxury goods and services. The patterns of production and consumption that emerged meant that growth also involved rapacious and ultimately destructive exploitation of nature and the environment. The costs – in terms of excessive congestion, environmental pollution and ecological degradation – are already being felt, quite apart from the implications such expansion has on climate change.

There have been other negative impacts. Within developing Asia, for example, it led to an internal "brain drain" with adverse implications for the future. The skewed structure of incentives generated by the explosive growth of finance directed the best young minds towards careers that promised quick rewards and large material gains rather than painstaking but socially necessary research and basic science. The impact of relocation of certain industries and the associated requirement for skilled and semi-skilled labour led to increased opportunities for educated employment, but it also led bright young people to enter work that is typically mechanical and does not require much originality or creativity, with little opportunity to develop their intellectual capacities.

At the same time, crucial activities were inadequately rewarded. Farming in particular became increasingly fraught with risk and subject to growing volatility and declining financial viability, while non-farm work did not increase rapidly enough to absorb the labour force even in the fastest-growing economies of the region.

Restructuring economic relations

The boom was not stable or inclusive, either across or within countries. The subsequent slump (or "secular stagnation") has been only too inclusive, forcing those who did not gain earlier to pay for the sins of irresponsible and unregulated finance. As economies slow down, more jobs are lost or become more fragile, insecure and vulnerable; and people, especially those in the developing world who did not gain from the boom, face loss of livelihood and deteriorating conditions of living. This is why it is so important that we restructure economic relations in a more democratic and sustainable way.

There are several necessary elements of this. Globally, most now recognize the need to reform the international financial system, which has failed to meet two obvious requirements: preventing instability and crises, and transferring resources from richer to poorer economies. Not only have we experienced much greater volatility and propensity to financial meltdown across emerging markets and now even industrial countries, but even the periods of economic expansion were based on the global poor subsidizing the rich.

Within national economies, this system has encouraged pro-cyclicality: it has encouraged bubbles and speculative fervour rather than real productive investment for future growth. It has rendered national financial systems opaque and impossible to regulate. It has allowed for the proliferation of parallel transactions through tax havens and loose domestic controls. It has reduced the crucial developmental role of directed credit.

Given these problems, there is no alternative but systematic state regulation and control of finance. Since private players will inevitably attempt to circumvent regulation, the core of the financial system – banking – must be protected, and that is only possible through social ownership. Therefore, some degree of socialization of banking (and not just the risks inherent in finance) is inevitable. In developing countries this is also important because it enables public control over the direction of credit, without which no country has industrialized.

The obsessively export-oriented model that has dominated the growth strategy for the past few decades must be reconsidered. This is not just a desirable shift – it has become a necessity given the obvious fact that the US and the EU are no longer engines of world growth through increasing import demand in the near future. This means that both developed and developing countries must seek to redirect their exports to other countries and, most of all, to redirect their economies towards more domestic demand. This requires a shift towards wage-led and domestic demand-led growth, particularly in the countries with economies large enough to sustain this shift. This can happen not only through direct redistributive strategies but also through public expenditure to provide more basic goods and services.

This means that fiscal policy and public expenditure must be brought back centrestage. Calls to end austerity are becoming more widespread in the developed world and will soon find their counterpart in developing countries. Clearly, fiscal stimulus is now essential, to cope with the adverse real-economy effects of the current crisis / stagnation and to prevent economic activity and employment from falling, and then to put good, quality employment on a stable footing. Fiscal expenditure is also required to undertake and promote investment to manage the effects of climate change and promote greener technologies. Public spending is crucial to advance the development project in the South and fulfil the promise of achieving minimally acceptable standards of living for everyone in the developing world.

Social policy – the public responsibility for meeting social and economic rights of citizens – contributes positively to both growth and development. This means especially the provision of universal good-quality care services funded by the state, with care workers properly recognized, remunerated and provided with decent working conditions. This also helps to reduce gender and other social inequalities generated by the imposition of unpaid care work, and has strong multiplier effects that allow for more employment increases over time and generate a "bubbling up" of economic activity.

There must be conscious attempts to reduce economic inequalities, both between and within countries. We have clearly crossed the limits of what is "acceptable" inequality in most societies, and policies will have to reverse this trend. Globally and nationally, we must reduce inequalities in income and wealth, and most significantly in the consumption of natural resources.

This is even more complicated than might be imagined because unsustainable patterns of production and consumption are deeply entrenched in richer countries and are aspired to in developing countries. But many millions of citizens of the developing world still have poor or inadequate access to the most basic conditions of decent life, such as electricity, transport and communication links, sanitation, health, nutrition and education. Ensuring universal provision across the Global South will inevitably require greater per capita use of natural resources and more carbon-emitting production.

Both sustainability and equity therefore require a reduction of the excessive resource use of the rich, especially in developed countries but also among the elites in the developing world. This means that redistributive fiscal and other economic policies must be especially oriented towards reducing inequalities of resource consumption, globally and nationally. Within countries, for example, essential social and developmental expenditure can be financed by taxes that penalize resource-wasteful expenditure.

This requires new patterns of demand and production. It is why the present focus on developing new means of measuring genuine progress, well-being and quality of life is so important. Quantitative gross domestic product (GDP) growth targets, which still dominate the thinking of policymakers, are not simply distracting from these more important goals but can be counterproductive. For example, a chaotic, polluting and unpleasant system of privatized urban transport involving many vehicles and over-congested roads generates more GDP than a safe, efficient and affordable system of public transport that reduces congestion and provides a pleasant living and working environment. It is not enough to talk about "cleaner, greener technologies" to produce goods that are based on the old and now discredited pattern of consumption. Instead, we must think creatively about consumption itself, and work out which goods and services are more necessary and desirable for our societies.

This cannot be left to market forces, since the international demonstration effect and the power of advertising will continue to create undesirable wants and unsustainable consumption and production. But public intervention in the market cannot be knee-jerk responses to constantly changing short-term conditions. Instead, planning – not in the sense of the detailed planning that destroyed the reputation of command regimes, but strategic thinking about the social requirements and goals for the future – is absolutely essential. Fiscal and monetary policies, as well as other forms of intervention, will have to be used to redirect consumption and production towards these social goals, to bring about such shifts in socially created aspirations and material wants, and to reorganize economic life to be less rapacious and more sustainable.

Since state involvement in economic activity is now an imperative, we should be thinking of ways to make involvement more democratic and accountable within our countries and internationally. Large amounts of public money will be used for financial bailouts and to provide fiscal stimuli. How this is done will have huge implications for distribution, access to resources and living conditions of the ordinary people whose taxes will be paying for this. So it is essential that we design the global economic architecture to function more democratically. And it is even more important that states across the world, when formulating and implementing economic policies, are more open and responsive to the needs of the majority of their citizens.

These are general points and obviously leave much to the specific contexts of individual countries and societies. But finally, we need an international economic framework that supports all this, which means more than just that capital flows must be controlled and regulated so that they do not destabilize these strategies.

The global institutions that form the organizing framework for international trade, investment and production decisions need to change and become not only more democratic in structure but more genuinely democratic and people-oriented in spirit, intent and functioning. This is particularly the case with respect to the dissemination of knowledge, now privatized and concentrated thanks to the privileging of intellectual property rights. Financing for development and conservation of global resources must become the top priorities of the global economic institutions.

These proposals may seem like a tall order, but human history is replete with stories of major reversals of past trajectories and transformations that come when they are not expected and from directions that are unpredictable. What has been created and implemented by human agency can also be undone to bring in better alternatives. It may well be that the time is ripe in terms of greater social acceptance of such ideas and thoughts about how to refine and adapt them to particular contexts. ❐

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How EPAs can undermine African agriculture

The market-opening Economic Partnership Agreements (EPAs) the EU is negotiating with African, Caribbean and Pacific (ACP) countries could spell harm to the ACP economies, not least to their small farmers and food security. The following extract from a report by international farmers' rights NGO *GRAIN* examines the grave threat posed by the EPAs.

"A tonne of cocoa is roughly $1,300, while one 4x4 vehicle is now about $120,000. So you need about 92 tonnes of cocoa to exchange for one 4x4. But to get one tonne, you will need not less than 20 acres of land. The average cocoa farmer in Ghana has only around 2-3 acres, meaning it would take him or her well over 500 years to produce enough cocoa to buy a 4x4." – John Opoku, human rights lawyer and activist, Ghana

This statement highlights the dire terms of trade that Africans and other peoples of the Global South deal with on a daily basis. Since time immemorial, nations in the Global South have entered into unfair trade agreements with the rest of the world – keeping them in perpetual poverty. The nature of trade that follows these agreements and the benefits are always one-sided. Of specific interest are the so-called free trade agreements (FTAs) that keep popping up. One such FTA is the Economic Partnership Agreement (EPA).

Since September 2002, African, Caribbean and Pacific (ACP) countries have been negotiating EPAs as reciprocal trade arrangements with the European Union (EU) under the Cotonou Agreement. These EPAs are aimed at further liberalizing the economies of former European colonies, a move that would have far-reaching implications for farmers, fisherfolk, miners, workers and consumers across the concerned regions.

Before EPAs, the ACP countries had preferential trade arrangements with the EU. One of these arrangements was the Everything But Arms (EBA) initiative which offered unilateral non-reciprocal market access for least developed countries (LDCs) to the EU, thereby granting LDCs duty-free and quota-free market access to the EU. Despite this opening, ACP countries rarely ever managed to fill the allowable export quotas to the EU under the EBA. Uganda, for instance, has a 5,000-metric-tonne quota for sugar but its exports to the EU never attained this amount, partly because of the EU's stringent rules of origin and supply-side capacity constraints.

The premise used by the EU to switch from the EBA to the

EPA with the ACP countries was the argument that preferential trade was not in compliance with World Trade Organization (WTO) rules. This was a ruse, as exceptions to WTO rules are always possible. The idea really was to push liberalization further into the three regions for the benefit of European capital (exporters first, investors over the longer term), by creating a global market with the same rules everywhere. The ACP countries would supposedly reap more growth, jobs and technology transfer as a result.[1]

In fact, the promises surrounding the EPAs are not any different from the ones that we saw and heard regarding the much-heralded great things to come that were housed in the now-failed Structural Adjustment Programmes (SAPs) – effects of which are still being felt today! Both are rooted within a colonial framework which allows transnational corporations of the EU and the Global North to extract raw materials from these countries under their own terms. As with all FTAs, the EPAs need to be analyzed and understood as a series of interlinked events that are negotiated one after another with the sole purpose of crippling emerging economies.

Instead of pursuing bilateral FTAs with all 79 ACP countries, Europe divided the ACP countries into seven blocs – West Africa, Central Africa, Eastern and Southern Africa (ESA), East African Community (EAC), Southern African Development Community (SADC), the Caribbean and the Pacific. The process was touted as a way to promote regional integration. However, since it started in September 2002, much division and acrimony has been created, deadlines have gone unmet and the current situation (Figure 1) is quite messy, especially in the African continent.

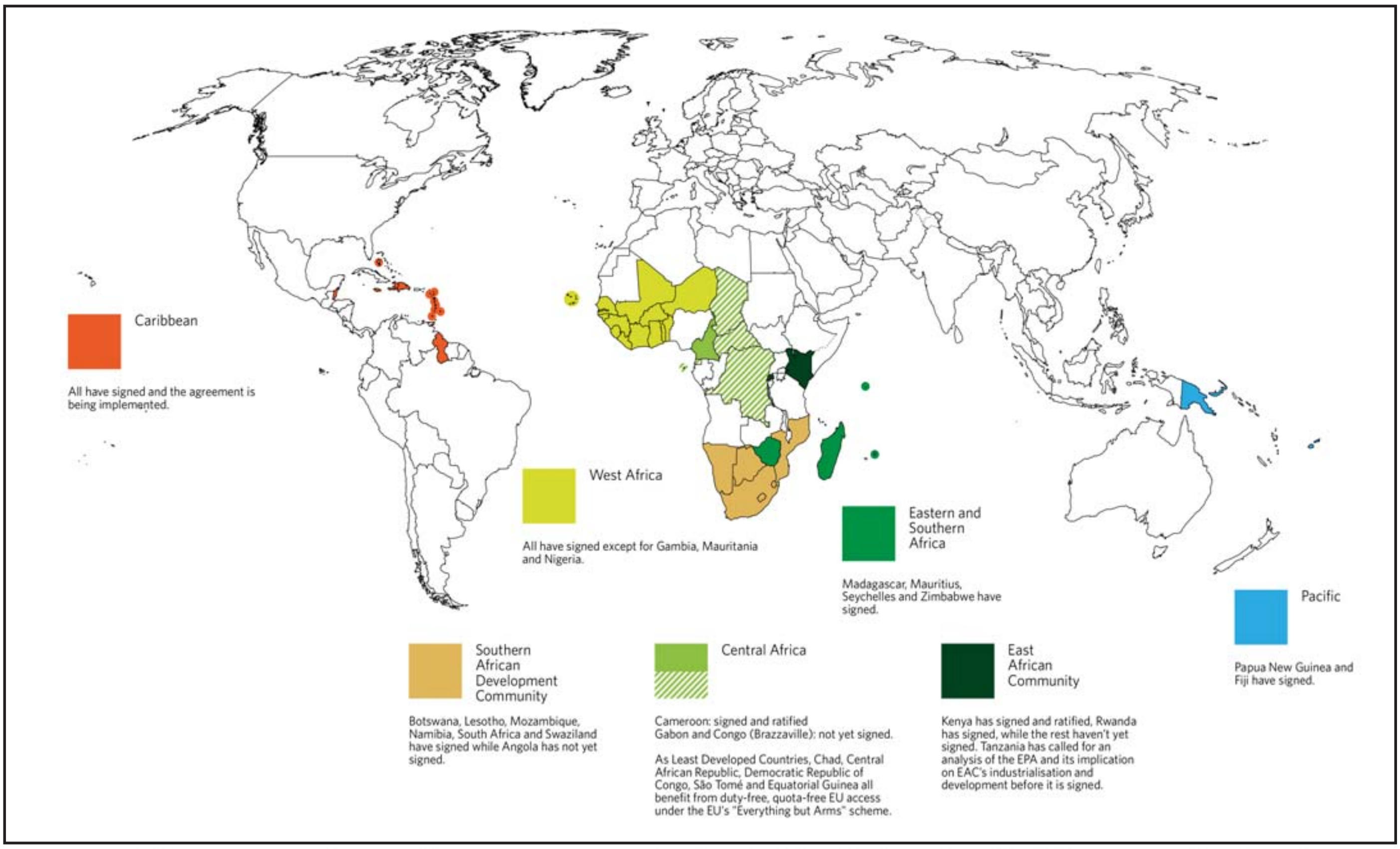
How the EPA affects food and farmers in Africa

Since inception, the EPA has been mired in controversy. This stems from certain clauses that have been included in the agreement which pose serious threats to human rights and force the privatization of critical sectors in national economies. This is particularly true in most African countries. Along with undermining national sovereignty, EPAs have destabilized regional integration processes, strangled local industries and withdrawn policy space from civil society. Of specific interest are the effects of the EPA on Africa's agriculture, especially smallholder farming, which is the backbone of most African economies.[2]

Smallholder farmers on the African continent account for 90% of all farms but have access to only 15% of the continent's agricultural lands; also, smallholder farmers supply 90% of the seed used on the African continent. Smallholders provide 80% of the food supply in these regions, while close to 43% of agricultural labour in Sub-Saharan Africa is comprised of women.

Also, it is estimated that the fisheries and aquaculture sector employs close to 13 million people in Sub-Saharan Africa. Pastoralism is a livelihood for 50 million people, 12-22 million of whom are in the Horn of Africa. Alongside this backbone, a plantation sector dominated by big capital produces export crops such as bananas, sugar cane, cacao, pineapple, tea and

Figure 1: Current state of EPAs



This illustration represents regional groupings at different stages of signing or negotiating the EPA. Currently, only the Caribbean has signed onto a full EPA while the agreements in Africa and the Pacific have been scaled back to interim texts that only concern trade in goods for now. In West Africa, for example, all countries have signed except for Nigeria, Gambia and Mauritania. In Central Africa, only Cameroon broke ranks and signed. It should be noted that under pressure from Brussels, all of these countries negotiated as regional blocs under the expectation that they would sign as a bloc. This means that Kenya, for instance, cannot enjoy certain benefits that come with the EPA until all EAC countries ratify the deal. It is therefore clear that this approach did not do much for the African regional integration process – on the contrary.

coffee.[3]

African smallholders produce to feed their local communities and markets, and do not have the capacity nor a real interest in producing for Europe. Under the lopsided free trade rules, the EU has lucrative access to African markets through the export of processed food products. Conversely, African countries are bound to the less lucrative and less sustainable business of exporting raw agricultural products such as coffee and cotton to EU markets.

Liberalizing the EAC market means that cheap and subsidized products from the EU can freely flow into the region, and ultimately cripple the industrial sector. Therefore, they have a lot to lose from an FTA with Europe that would see European foods displacing their own and that would open the door to European companies establishing more plantations, fish farms and other agricultural export operations that affect their access to land, water, seeds and markets.[4]

Experience already shows that agreements with Europe are not there to benefit Africans but to open up their borders for European companies to come in and produce for their own market.

Take the case of East Africa, where this arrangement is already affecting the food security of many and destroying the natural environment. East Africa is home to Lake Victoria, the second largest freshwater lake in the world. The lake has a variety of fish which are a source of livelihood for many across the region. Yet, ordinary East Africans can no longer afford fish. They can only afford to buy the pocket-friendly *mgongo wazi* (fish skeletons). *Mgongo wazi* are remnants from fish firms that process Nile perch for export. This, coupled with the production of flowers, cocoa, cotton, string beans and coffee, ensures that African production is essentially export-oriented towards the EU.

The EPA negotiations were meant to promote liberalization of African economies as well as increase access for European companies to African markets. As such, African countries, like many ACP countries, were obliged to progressively open their markets to European products, as illustrated in the EAC liberalization schedule (Figure 2).

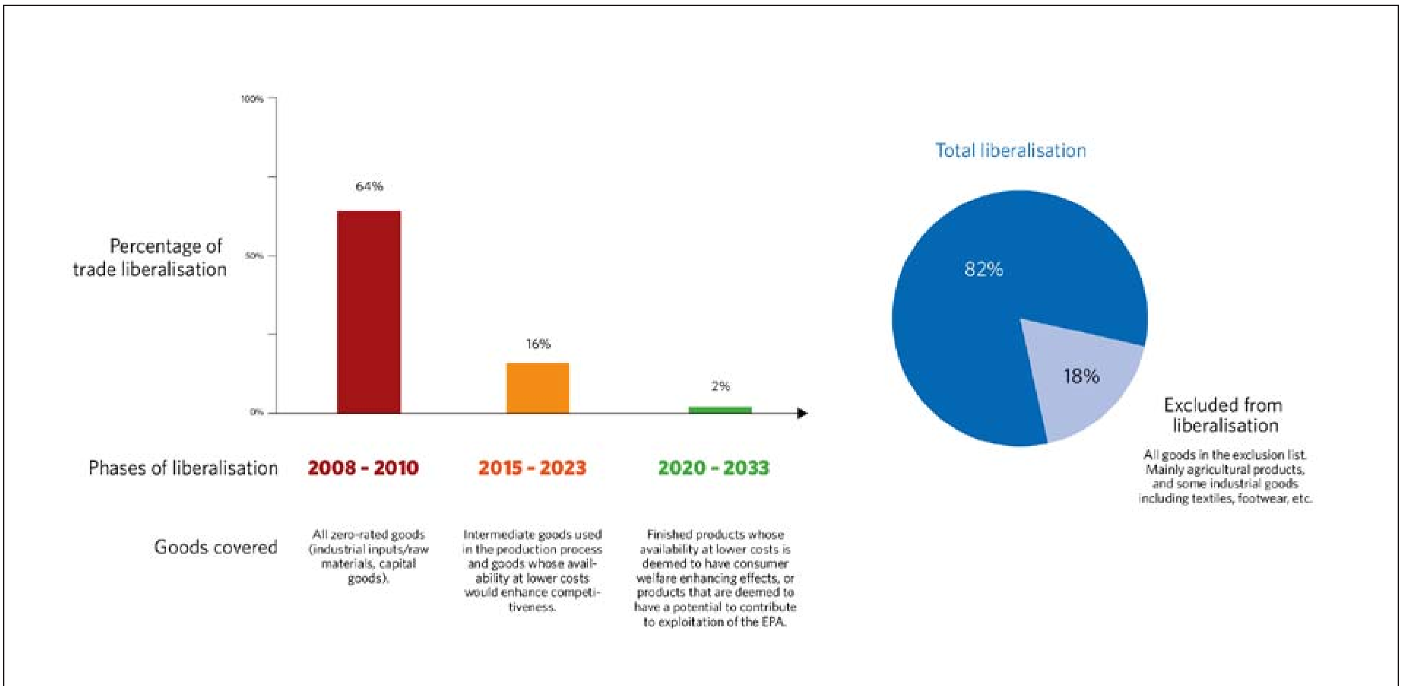
On the face of it, the schedule caters for the protection of infant industries and sensitive products. On careful examination, however, glaring contradictions in the schedules cannot be missed. For instance, on one hand, the EAC has protected maize flour at a duty rate of 50%. Yet, on the other hand, maize starch, which is a by-product of maize flour, has been liberalized. These contradictions equally apply to other products like potatoes. With such a liberalization schedule, value addition through agro-processing will be constrained and food security compromised given the supportive linkages between agriculture and manufacturing.

The colonization of agricultural markets in Africa

Some of the EU countries are also part of the G7's New Alliance for Food Security and Nutrition, which is directly supporting the expansion into Africa of major agribusiness companies like Bayer and Unilever. By extension, these countries are part of the agenda of increasing EU access to African markets so that they can sell their pesticides, transgenic seeds and cheap processed foods.

Seed companies are facing saturated markets in North America, Europe and Japan. They are therefore increasingly pressuring Africa to open up its markets for their products. For example, Syngenta's chairman Ren Jianxin aspires to

Figure 2: The EAC's market access offer under the EPA



This illustration highlights the EAC's market access offer. The offer consists of a commitment of the EAC countries to a three-phase gradual opening of their market to goods from the EU over a period of 25 years.

Source: Adapted from SEATINI (2014). EU-EAC-EPA Implementation: Maximising the opportunities and minimising the risks.

double the size of Syngenta in the next 5-10 years. Ren has already indicated that his expansion will happen mostly in India and in African countries.[5]

This context makes African countries more vulnerable to many unwanted products, including the infiltration of genetically modified organisms (GMOs). Once corporations and their lobbies succeed in getting some countries to accept them, it will be difficult for other African countries to say no. In many countries, GM foods are promoted as the panacea to food security.

Anne Maina, from the Kenya Biodiversity Coalition (KBioC), is concerned about the escalating infiltration of GMOs into Kenya.[6] Despite an existing ban on the importation of GMOs into Kenya, the country has had little control over the entry of GMO foods, especially in times of food shortage. For this reason, in 2017, Kenya's National Biosafety Authority (NBA) publicly warned traders on the continued importation of corn-based products like cereals, certain cornflakes brands and popcorns. Kenya has the strongest economy in East Africa and can set a precedent vis-a-vis other countries in the continent, particularly Nigeria and Ghana which are taking steps to improve national provision for biotechnology and biosafety.[7]

Under the EPAs, countries are expected to cut tariffs heavily. The EAC, for example, has committed to liberalizing 80% of its market for EU imports over a 15-year period. This includes raw materials and capital goods which already enjoy duty-free status. Such a move would expose the agricultural sector to unfair competition from the EU, which would undoubtedly shake the very core of regional trade, and displace local farmers due to competition from cheap products from the EU. For that reason, sensitive products will be excluded from tariff elimination and remain protected for now.

Dairy is one of the most sensitive products, as Africa is well supplied by small producers who cannot compete with subsidized European agribusiness. On a positive note, some regions have opted to protect their dairy sectors. In East Africa, all dairy products will be excluded from liberalization if the EPA is signed. For example, once the Kenyan government realized that the livelihoods of close to 600,000 dairy farmers would be negatively affected by the importation of milk powder and dairy products from the EU, it opted to list dairy products as a sensitive product. In West Africa, dairy is excluded except for powdered milk, of which Nigeria is the biggest importer. In the case of South Africa, some meat and dairy have been excluded, but not all.[8]

Fisheries are another sector threatened by the EPAs in African countries. Tariffs for trade in fish products are clearly designed to protect EU-based fish processors and provide them with as much flexibility as possible for sourcing fish products at the lowest price in African markets. As a result of the enormous differential between the tariffs for processed and unprocessed fish products to enter EU markets, African fisheries are forced to export unprocessed fish at low prices, while tinned fish products from the EU flood local markets.

Liberalizing the fisheries sector does not have any benefits at all for small-scale fisherfolk. Instead, what is being witnessed are increased cases of locals who cannot afford fish, illegal fish trawling around the coastal areas and decline in fish stocks due to over-fishing.[9]

Agreement to negotiate rights for the seed industry

The EU-African EPAs only concern trade in goods for now. But they do contain a clause which says that in five years' time, the parties will negotiate further chapters under the Rendezvous Clause. That Clause stipulates that parties should undertake to conclude negotiations in other issues within five years, once the agreement comes into force. This includes negotiations in areas of services, investment, government procurement, trade and sustainable development, intellectual property rights and competition policy.[10]

On intellectual property, if the Caribbean EPA is any model, African states can expect that the EU will present new rules that go beyond current international standards as established under the WTO. They will be asked to adopt the rules of the International Union for the Protection of New Plant Varieties (UPOV), which provide patent-like rights for plant breeders, to boost profits for multinational seed companies, and possibly join the Union.[11]

Agreement to give more rights to foreign investors

It is unclear how far the EU will go in demanding the liberalization of investment rules that EU companies enjoy under similar deals in other regions, including the powerful investor-state dispute settlement (ISDS) scheme. ISDS is a procedural mechanism that is provided for in international agreements on investment. It allows foreign investors to bring a case directly against a state where they have invested in before an arbitration tribunal, if they feel that the state has breached the rules set out in their agreement. If the latest negotiations are to be taken as models, the EU may push for the widest liberalization possible along with a modified version of ISDS that the EU secured in its recent trade agreement with Canada.

One major concern will be land. FTAs tend to promote the concept of "national treatment", which means that foreign investors should receive the same treatment as national ones. Unless African states take a stand on this, the EPAs could make it illegal to restrict access to farmland by foreigners. Beyond land, liberalizing rules on investment will ensure that European agribusiness companies and major retail chains – from Nestle and Danone to Carrefour – get ample benefits from building their presence in Africa. The devastating effects on the agricultural sector extend to the other sectors, the reality of which is mind-blowing!

Due to the unfair trade deals, the local food processing industry is in decay or struggles to grow in most African countries. In parallel, the farmers' capacity to produce food for their own communities and local markets is compromised and, with it, food sovereignty. The predominance of export-oriented cash crops in Africa is one of the signs that colonial exploitation is alive and well, 50-60 years after the independence of many African countries.

Production and processing

"If somebody is trying to plan with you based on where you are today when you are planning to move somewhere else, it will be wise to look ahead and make sure that the agreement anticipates where you are going. The problem with the EPA is that it does not anticipate where we want to be as an industrial economy." – Okechukwu Enelamah, Nigerian Minister of Industry, Trade and Investment[12]

Africa's manufacturing share is, without a doubt, so small that it has led the African Union (AU) to launch an initiative titled Action Plan for Accelerated Industrial Development in Africa (AIDA). AIDA was adopted in 2007. If manufacturing is already struggling, an EPA will not be the magic potion that Africa needs to grow its manufacturing sector.

When it comes to manufacturing, signing an EPA means that industry and products have to strictly adhere to European standards before they can be accepted for export to the EU. As John Opoku puts it, adhering to standards really means prioritizing Europe's manufacturing sector at the expense of Africa's. He argues that "even ordinary palm oil standards have to be met before they allow you to export. Fish has to meet certain standards, otherwise we cannot export fish. So you find that it became a means of restricting our production matrix and allow them to still bring their goods."[13]

This is true for almost all African economies which are still exporting unprocessed products that eventually make it back to the same country processed and more expensive. For example, Kenya is one of the biggest producers of coffee but an ordinary Kenyan cannot afford instant coffee. It is precisely these reasons that Tanzania and Nigeria have advanced for not signing the EPA.[14]

What's next

Another critical concern regarding the EPAs is Brexit. It is no secret that Britain is the biggest consumer of most products from most of these countries. For the EAC alone, Britain accounted for 35.5% of total EAC exports to the EU in 2015. Brexit calls for an immediate halt in the negotiations because the negotiating parties have changed. Africa Kiiza, from the Southern and Eastern Africa Trade Information and Negotiations Institute (SEATINI), argues: "We need to first assess the implication of Brexit … because we might not benefit, but the EU [minus Britain] stands to benefit in every way."[15]

Despite the obvious disarray that exists, the EU continues to push hard for the most recalcitrant blocs like East and West Africa to sign the EPA. All of this is happening against the backdrop of the imminent negotiation of a successor to the Cotonou Agreement, which expires in 2020. The ACP states have already announced that they want to shift their trade and investment relations with the EU from a free trade to a preferential basis under the new agreement.

Further to this is the Continental Free Trade Area (CFTA) that was established by the African Union Summit in an attempt to fast-track the continent-wide trade integration element of the 1991 Abuja Treaty. The CFTA is an attempt by the African Union to create an African Economic Community. Among other aspects, it will negotiate issues around tariff elimination, rules of origin, non-tariff barriers, sanitary and phytosanitary standards, trade facilitation and trade in services. It is expected to be completed at the end of 2017.

The EPA is running into all kinds of hurdles like Brexit, a growing rise of nationalistic tendencies and xenophobia as well as other national processes that are overshadowing regional and international agreements. There is increasing opposition towards FTAs in Africa and beyond. Even within the EU, there is mass mobilization by people who oppose them. As a result, governments are barely able to pass these agreements.

These setbacks present a perfect opportunity to renew the opposition against the EPA and other upcoming FTAs like the post-Cotonou arrangement that is currently being developed. This is the moment when the whole FTA agenda in Africa needs to be challenged and groups need to come together to push for a new deal. The time is now for African countries to prioritize their citizens and put their needs first, before FTAs are negotiated and signed.

The above is extracted from "Colonialism's new clothes: The EU's Economic Partnership Agreements with Africa", a report (August 2017) by GRAIN. The full report is available at www.grain.org. GRAIN is a small international non-profit organization that works to support small farmers and social movements in their struggles for community-controlled and biodiversity-based food systems.

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14. Interview with Justus Mwololo Lavi (June 2017).

15. Interview with Africa Kiiza (March 2017).

(continued from page 4)

"Indigenous women are commonly the poorest of the poor, discriminated against because they are indigenous and because they are women."

The ILO said that the marginalization and social exclusion faced by indigenous peoples must be addressed as part of the collective effort to achieve the Sustainable Development Goals of the UN 2030 Agenda for Sustainable Development.

"Our combined efforts – governments, employers' and workers' organizations, indigenous peoples and their organizations, UN partners and others – can go a long way in ensuring that indigenous peoples are not left behind."

A message was also issued on 9 August by Irina Bokova, Director-General of the UN Educational, Scientific and Cultural Organization (UNESCO), on the occasion of the International Day.

Bokova noted that indigenous peoples are custodians and practitioners of unique cultures and relationships with the natural environment. "They embody a wide range of linguistic and cultural diversity at the heart of our shared humanity. Protecting their rights and dignity is protecting everyone's rights and respecting humanity's soul, past and future."

The protection and well-being of indigenous peoples has never been so important. Despite their cultural diversity and homelands across 90 countries, they share common challenges related to the protection of their rights as distinct peoples.

Bokova noted that UNESCO's latest Global Education Monitoring Report provides concrete guidance and policy advice for the advancement of indigenous peoples' rights.

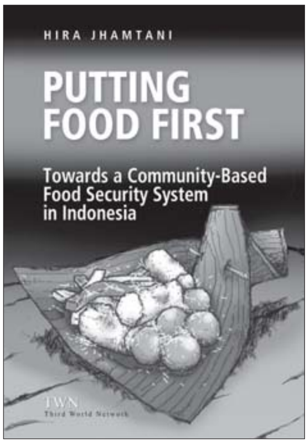
UNESCO also launched the Local and Indigenous Knowledge Systems (LINKS) programme in 2002 to support governments in creating synergies between scientific and indigenous peoples' knowledge.

"All this inspires UNESCO's ongoing work to develop a Policy on Engaging with Indigenous Peoples to ensure a stronger implementation of the UN Declaration," she said. *(SUNS8521)* ❒

PUTTING FOOD FIRST

Towards a Community-Based Food Security System in Indonesia

by Hira Jhamtani



ISBN: 978-967-5412-06-6 72 pp

Ensuring that every person in one of the world's largest and most populous nations has enough food on the table is understandably an undertaking of great import.

Putting Food First examines the food security situation in Indonesia with a view to determining how this can be done.

This book draws attention to serious shortcomings in food production and distribution in the country, which led to many cases of malnutrition, especially among children, in 2005. These flaws are ultimately rooted in policy failures, not only in the agriculture sector per se but also in the related spheres of trade, industrialization, rural development and environmental and natural resource management.

Recognizing the multidimensional nature of the problem, the author puts forward a set of short-and long-term policy recommendations aimed at attaining food security within a broader national framework of sustainable development. Realization of this goal will entail a shift from the existing industrial, monoculture-oriented farming system to a community-based and ecologically sound agriculture which indeed "puts food first".

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