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Pages 1 – 6. EU-US Trade Disputes and its Impact on Africa: A short commentary on the recent World Trade Organization panel ruling in the decade-long transatlantic trade dispute on biotechnology products and its impact on the evolving regime for regulation of genetically modified organisms in Africa

Pages 7 – 12. China's role in Africa: foreign investment and transfer of technology, skills and know-how: This article discusses China's involvement in Africa which has significantly increased over the years. China is particularly interested in the extractive industries because it lacks sufficient reserves at home to sustain its rapid economic growth. China also conducts major infrastructure projects, but to what extent are technology, skills and know-how being transferred to local companies and staff?

Pages 13 – 15. Relevance of ICT Development in Africa to Poverty Alleviation: Africa's development has for a long time been inhibited by the problems of poverty and disease, which affect people's social, economic and political situations. This commentary explores the role of Information and Communication Technologies (ICT) in African societies.

Pages 16 – 18. The Impact of Foreign Direct Investment on Geo-Political and Economic Development in Africa: At present, large conglomerates are looking for growth and acquisition opportunities in regional as well as international markets. However, in some cases, foreign direct investment is stunted in African regions because of the inability of the governments of some nations to demonstrate transparency or stability. This paper examines if private investment, including foreign direct investment, could have a positive effect on Africa's economic and geo-political development.

Pages 19 – 21. Western complicity and Charles Taylor: The election of Ellen Sirleaf-Johnson as President of Liberia has finally ended the official political power of Liberia's former ruthless dictator, Charles Taylor. With the support of the UN and other international agencies, as well as significant aid from Western countries, it appears that

democracy has triumphed over two decades of inter-gang warfare and authoritarianism, in which 150,000 were killed and more than a million were displaced.

Pages 22 – 23. Life Change through Cookies: The Impressive Story of Alicia Polak:

Three years ago, Alicia Polak was an investment banker generating wealth for Merrill Lynch, but now she is working to build wealth for Khayelitsha, one of South Africa's largest townships, located in the outskirts of Cape Town.

Pages 24 – 25. The Positive Investment Climate and Sustainable Social Development in African Markets: "African political leaders are trying their best to create a positive investment climate and accelerate sustainable social development," said Mamphela Ramphele, a former Managing Director of the World Bank. "Their efforts include affirming good governance, building strong institutions, and fighting corruption."

Pages 26 – 28. Lack of access to antiretroviral drugs in Africa: when will this problem be solved? There are 24.7 million people living with HIV in Sub-Saharan Africa, where less than one quarter of the people that need antiretroviral therapy are getting it. The cost of the antiretrovirals (ARVs) is one of the main causes that can explain this issue.

The 6<sup>th</sup> paragraph of the Doha Declaration, in 2003, was an attempt to reduce the costs of these medications to low-income countries. Several plans were done to improve the access to antiretrovirals in Africa, but millions of people are dying in Africa because they can not afford to pay for the ARVs. Global action is needed now to ensure the affordability of the medicines needed.

## EU – US TRADE DISPUTE AND ITS IMPACT ON AFRICA

By Lakshmi Ravindran



### Introduction

This article is a short commentary on the recent World Trade Organization (WTO) panel ruling on the decade-long transatlantic trade dispute on biotechnology products and its impact on the evolving regime for regulation of genetically modified organisms (GMO) in Africa.

The dispute between the European Union (EU) and the United States (US) has been the subject of considerable international interest and controversy. It has also been instrumental in shaping the international regulatory framework on biotechnology products. The dispute, as raised before the WTO panel, brought to the fore many of the central issues that have been plaguing the international community vis à vis genetically modified (GM) foods, in particular the effectiveness of the protective cover offered by the *Cartagena Protocol On Biosafety* to GMO-importing countries in the light of the WTO regime, which assiduously abstains from addressing the issue. This article examines how the panel addressed the controversy, the compromise it achieved, and the implications of this compromise on

the domestic legal regime for GMOs devised by sovereign African nations.

### GM Foods And the African Regulatory Framework

The introduction of GMOs into the local environment has been a highly controversial issue in Africa, particularly in the context of international food aid, with GM-exporting countries seeking to provide GM food as part of the food aid given to the world's poor.

The right of nations to determine the manner in which products of a new technology may enter their market—if they may do so at all, is an essential aspect of their sovereignty, particularly when such technology may have adverse consequences on human health and the environment. In accordance with this, many African nations have begun to take serious measures to impose a regulatory regime for monitoring the entry of GMOs into their local environment. As of March 20, 2007, 39 African countries have ratified the Cartagena Protocol,<sup>1</sup> while almost all of them are signatories to the Protocol and the

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<sup>1</sup> See "Cartagena Protocol – Status of Ratification and Entry Into Force" available at <http://www.biodiv.org/biosafety/signinglist.aspx.sts=rf&ord=dt>

*Convention on Biological Diversity*, 1992 (CBD). As of February 2005, at least 25 countries had put in place some form of biosafety regime, with at least six of them addressing the issue of GMOs.<sup>2</sup>

Ethiopia has designated the Environment Protection Authority as the agency for authorization of GMOs. Uganda has submitted a draft law for consideration by the Parliament for regulating research into GM crops and the release of GM organisms. Kenya adopted *Regulations and Guidelines for Biosafety in Biotechnology* in 1998<sup>3</sup> which set standards for risk assessment, management and monitoring of operations involving GMOs, rDNA technologies and derived products. In Zimbabwe, the import, export, production, testing, use and release into the environment of GMOs is governed by the *Research Amendment Act* of 1998 and the *Research (Biosafety) Regulations* of 2000. In addition to this, *Biosafety Guidelines, Guidelines for Risk Assessment* and standard procedures for carrying out inspections have also been developed.<sup>4</sup>

The pioneer in promoting and leading the biotechnology initiative in Africa has been South Africa, which is the only country in the region to have commercial plantings of transgenic crops. The country passed the *Genetically Modified Organisms Act* in 1997,<sup>5</sup> which sought to provide measures to promote the responsible development, production, use and application of GMOs and to ensure that all activities

(including importation, production, release and distribution) involving the use of GMOs are carried out in such a way as to limit possible harmful consequences to the environment. Under the Act, *an Executive Council of Genetically Modified Organisms was formed*, with advisory and monitoring responsibilities concerning the development, production, use, application and release of GMOs, including the power to recommend the prohibition of importation of certain products. The Council has representatives from six national departments, i.e. departments of agriculture, science and technology, environment, health, labor and trade. Under regulations framed under the Act, the import, export, development, production, use, release or distribution of GMOs would have to be undertaken once a permit has been issued for the purpose. The procedure would not apply to certain notified varieties and for GMOs which were for use in research or academic facilities. Apart from this, the Department of Health has, in collaboration with the Department of Agriculture, established two legislative advisory groups on GM food labeling, which would develop an identity preservation system and review and advise the government on sampling and detection methods.

Two African nations have contemplated the issue of a ban on GMOs. Benin has successfully imposed a moratorium on GMOs since 2002, though it continues to accept international food aid which may contain GMOs.<sup>6</sup> Ethiopia also considered the

imposition of a ban by parliamentary resolution. The motion however was roundly defeated after legislators were impressed by the progress made with GM crops by South Africa.<sup>7</sup>

## Background To The EU –US Trade Dispute

The background to the trade dispute between the EU and the US on the issue of GMOs can be traced back to the roots of their respective domestic regulatory frameworks. Both these regions have vacillated between a precautionary and a preventive approach to monitoring GMOs. When the debate first began in the late 1970s and early 1980s, the EU had adopted a preventive approach while the US had adopted a precautionary stand. In the mid 1980s however, both regions witnessed a reversal of regulatory standpoints. This was seen in the shift in power between the authorities within the governmental set up, who were responsible for administering the biotechnology framework. In both regulatory regimes there was a tussle between scientists, producers and industry on one hand and environmentalists and consumer associations on the other. In the case of the EU the latter grouping gained power with the Directorate on Environmental and Consumer affairs playing the dominant role in devising and implementing regulations concerning biotechnology, while in the case of the US, it was bodies like the Food and Drug Administration (FDA),

<sup>2</sup> See African Centre For Biosafety, "GMOs in African Agriculture – An Overview", available at <http://www.realtech.co.za/biosafety/GMOagriculture.html>

<sup>3</sup> See Yvonne Apea, "Trade in GMOs and influence of interest groups in developing countries: focus on Africa", ICTSD, SUTRA Workshop on Vested Interest and Political Economy of Trade Reforms. January 2004, available at [http://www.agro-montpellier.fr/sustra/research\\_themes/trade\\_reform/doc/apea.ppt#7](http://www.agro-montpellier.fr/sustra/research_themes/trade_reform/doc/apea.ppt#7) See also Hannington Odame et al, "Innovation and Policy Process Case of Transgenic Sweet Potato in Kenya", Economic and Political Weekly, July 6, 2002

<sup>4</sup> See Biosafety Board of Zimbabwe, "Status of Biosafety in Zimbabwe", available at <http://www.biosafetyzim.ac.zw/statusofbiotech.htm>

<sup>5</sup> Act available on South African Government Information website at <http://www.info.gov.za/acts/1997/act15.htm>

<sup>6</sup> See "Foundations for GM crops are being built – A battle looms ahead", Grain, October 2006 available at <http://www.grain.org/seedling/?id=444>

<sup>7</sup> See Motion seeking to ban GMOs, available at

[http://www.absafrica.org/new/index2.php?option=com\\_content&do\\_pdf=1&id=19](http://www.absafrica.org/new/index2.php?option=com_content&do_pdf=1&id=19)

the US Department on Agriculture (USDA) and the Office of Science and Technology Policy (OSTP) which gained prominence.

Thus the US encouraged the widespread use of GM technology with the introduction of its guiding policy document on the regulation of biotechnology products, *The Coordinated Framework Regulation of Biotechnology*, which essentially advocated as a status quo its policy stance vis à vis GMOs. The consequent regulatory regime which had at its helm the FDA and the USDA, among others, promoted a strong preventive approach. Thus, for example, under the FDA regulations, most foods derived from GMOs were presumptively categorized as "generally recognized as safe" and exempted from prior regulatory market approval by the FDA.<sup>8</sup>

The EU on the other hand adopted the precautionary principle with its very first regulation on GMOs, the 1990 Council Directive 90/220/EEC on the *Deliberate Release of Genetically Modified Organisms*. This regulation imposed prior approval requirements for both the testing and marketing of GMOs, while giving member states the right to impose provisional prohibitory measures in the form of safeguards against GM products on justifiable grounds in the interest of human health or the environment. Despite the adoption of the precautionary approach, regulators failed to fathom the extent of opposition to the new technology. Community-wide opposition to the introduction of GM products

was felt with both domestic and international products, with problems regarding US-exported products emerging from the very first exported batch of soyabean, which was mixed with genetically altered varieties in 1996. This led to stricter labeling standards being adopted toward GM foods, as opposed to the normal *requirement of "novelty" as imposed by the Novel Food Regulation 258/97*.<sup>9</sup> However, even these measures failed to assuage the public, with the last batch of successful GM product applications for market approval being granted in October 1998. In June 1999, a declaration was made by five countries, namely Denmark, Greece, France, Italy and Luxembourg, stating that they would take steps to have *any new authorizations for growing and placing on the market suspended* until new rules ensuring labeling and traceability of GMOs and GMO-derived products were adopted by the EC. The determination was made in keeping with the need for a tighter, more transparent framework, in particular for risk assessment, with regard to the specifics of European ecosystems and with a desire to restore public confidence. This declaration constituted the clearest statement of intent on the part of the member states of the EU, as all the parties to the declaration collectively exercised sufficient clout to block any market approval at the EU level for GM products. Over the course of the next five years until the adoption of the next generation of regulations, statements made by EU

and member state officials would clearly indicate the existence of a moratorium, as would the fact that not a single GM product was cleared by the EU regulatory procedures for release in the open market. The strategy of the EU was not so much to impose a complete ban or halt on all procedures related to approval, as to give the semblance of the functioning of the approval procedure while stymieing the application at key stages of the process. It was during this time that the EU adopted in 2001, *Directive 2001/18 "on the deliberate release into the environment of genetically modified organisms and repealing Council Directive 90/220/EE,"* which essentially streamlined the process under the 1990 Directive while imposing stricter regulatory requirements.

In 2003, the desire of member states to have stricter regulatory norms addressing labeling and traceability requirements were finally addressed with the adoption of *Regulation 1829/2003 "on genetically modified food and feed" and Regulation 1830/2003 "concerning the traceability and labeling of genetically modified organisms and the traceability of food and feed products produced from genetically modified organisms and amending Directive 2001/18/EC."* It was only in May 2004 that a market approval for a GM product was given by the EU, though the US, Canada and Argentina alleged that the moratorium was in place until the conclusion of the Second Substantive Meeting between the parties to the WTO dispute in 2005.

<sup>8</sup> Though the predominant approach within the domestic regulatory regime remains the preventive one, several initiatives have been taken post 2001 at the federal and state levels to impose, among other things, pre-market approval and labeling requirements.

<sup>9</sup> Regulation 258/97 "concerning novel foods and novel food ingredients"

The moratorium of the EU had been the subject of much negotiation between the US and the EU as they tried to find a common ground on the question of regulation of GM products. However, despite several diplomatic initiatives, no consensus could be reached and the US finally approached the WTO on the issue.

The dispute between the US and allied GM producing countries and the EU was not just another trade dispute, but one which had global ramifications far beyond straining the immediate relations between the parties. It formed the backdrop for negotiations both under the WTO and the CBD for the creation of an appropriate international regime for regulation of GMOs. When efforts at the WTO were successfully blocked by the producing nations, the hitherto relatively non-controversial negotiations concerning the CBD Protocol on Biosafety became the new battle ground for these countries, as they both tried to ensure that their interests were adequately protected. One of the most crucial groupings was that of developing countries who were not producers of GM crops. These nations were by and large apprehensive of the negative impact of GM foods and the clout of the producing nations which would seek to force the entry of these products into their market. While the Cartagena Protocol provided some succor to these countries in implementing an international regulatory framework for monitoring the transboundary movement of GM products, its crippling weakness was its unenforceability against the binding

mechanism of the trading framework of the WTO. The panel dispute between the EU and the producing nations was to provide the forum to resolve this controversy.

The panel dispute was decided at a time of heightened opposition to GM foods among developing nations. As the US itself pointed out, it had initiated the proceedings not just to challenge EU procedure, but to ensure that the litigation would act as a deterrent to other developing countries, from imposing similar unreasonable measures.

### **EC Measures Affecting The Approval And Marketing Of Biotech Products<sup>10</sup>**

The proceedings against the European Community's regulatory framework were formally commenced in May 2003, by the United States, with a formal request for consultations. It was joined by Canada, Argentina and Egypt, though the latter subsequently withdrew from the proceedings. The challenge identified by the panel, three categories of measures allegedly imposed by the European Community ("EC") and its member states:

1/ The general moratorium imposed by the EC against the approval of all biotechnology products;

2/ The measures taken by the EC which affected the approval of specific products; and 3/ Measures taken by member states to prohibit the import and/or marketing of specific products which had already received EC approval and were known under EC law as safeguard measures.

Before ruling on the WTO inconsistency of the three identified class of measures, the panel made the following observations:

a/ In interpreting Article 31(3) (c) of the *Vienna Convention on The Law of Treaties*, the panel ruled that the Cartagena Protocol and the CBD would not apply to the relations between the parties to a WTO dispute unless all WTO members (i.e. parties to the WTO agreement) had ratified the protocol and convention. Since neither of these conditions was satisfied in this case, both the protocol and convention would not apply to the dispute. The panel also rejected the interpretative or evidentiary value of the convention and protocol in understanding the ordinary meaning of terms under WTO agreements;

b/ While refraining from commenting on the final status of the precautionary principle as a recognized general principle or customary principle of international law, the panel expressed reservations on its status on the grounds of the inability to find consensus on a clear definition or content of the principle. The panel ruled that it did not feel that it was required to make a final determination on the legal status of this principle to dispose of the claims in this dispute.

After negating the applicability of an external and alternate approach to the regulation of GMOs at the international level, the panel proceeded to decide on the consistency of each of the alleged measures with the WTO framework, holding:

1/ that there was a de facto EC moratorium from June 1999 till

<sup>10</sup> WT/DS291/R, WT/DS292/R, WT/DS293/R. Interim decision was taken on February 7, 2006 while the final decision on the case was taken on September 29, 2006.

August 2003. While the moratorium itself was not a WTO measure, it considerably delayed the due completion of EC approval procedures which were WTO measures. This resulted in an inconsistency with the requirements of the Sanitary and Phytosanitary Agreement (SPS);

2/ that product-specific approvals were also subject to undue delay, making the individual measures SPS inconsistent as well.

3/ that the member safeguard measures fell within the purview of the SPS agreement. As the safeguard measures had been imposed subsequent to an EC-wide approval of the products into the market based on positive scientific evidence by the EC Scientific Committee, in the absence of any contrary evidence supporting the prohibition of entry of those products being submitted by the States, it could not be said that there was insufficient scientific evidence for a proper risk assessment which would justify the imposition of a safeguard measure.

The panel did not make a ruling on the general safety of biotech products, whether they were substantially equivalent to their "conventional" products, or whether the EC approval procedures under Directive 90/220, Directive 2001/18 and Regulation 258/97 were WTO consistent.

### **Conclusion: Impact of WTO Ruling On Rights Of African Countries**

The decision of the panel in the dispute has had little effect on the regulatory regime of the EU, which has since repealed the alleged measures and replaced

them with an even more stringent approval regime under Regulations 1829/2003 and 1830/2003. However it does have considerable consequences for developing nations across the world, including those in Africa.

The main ruling of the panel places a damning imposition. It prohibits, in the first place, the imposition of a moratorium by a country against GM products, holding it to be WTO inconsistent. While this directly challenges existing moratoria which have been placed by countries like Benin, it also crucially cripples the right of several developing and less developed countries who do not possess sufficient scientific expertise or regulatory strength to control the introduction and the spread of GM technology and products in their domestic environment and who therefore would be completely incapable of regulating the damage that would be caused by the uncontrolled spread of such products. It does not afford these countries the liberty to prohibit the entry of such products until such time as it is able to devise a regime which is suited to its socio-economic, cultural and environmental concerns.

The second major impact of this decision is the burden which is placed on developing nations to provide positive scientific evidence in support of a ban on GM products. Rejecting the precautionary approach, the ruling has held that in the event that there is scientific evidence in support of

the introduction of a GM product, the onus lies on the regulator to provide counter-evidence to prove either uncertainty of risk or sufficient evidence against intro-

duction of the product. Given the unequal scientific capability and socio-economic resources possessed by developing and less developed countries vis à vis multinational corporations which produce these crops (and which have on occasion been known to suppress negative scientific evidence), the ruling presents a worrying scenario, where countries—for lack of scientific evidence and sufficient resources—would be forced to accept the new product into their markets.

Finally the rejection by the panel of the Cartagena Protocol and the inability to apply the precautionary principle on account of its ambiguous nature, crucially cripple the basis on which developing and less developed countries have hitherto and would in the future frame their regulatory regimes, leaving them completely open to challenge. Thus the ruling not only negates the only credible international framework for regulation of GMOs, it subjects domestic frameworks to a set of standards which, as many countries would argue, were not originally intended to be applied to new technologies like genetic modification. While recognizing the sovereign right of nations not to be bound by principles and conventions to which they are not a party, they have failed to recognize the corresponding obligation of these countries to respect the right of other sovereign nations to protect their interests in accordance with internationally accepted standards.



## CHINA'S ROLE IN AFRICA: FOREIGN INVESTMENT AND TRANSFER OF TECHNOLOGY, SKILLS AND KNOW-HOW

By Tamara Weel – van 't Wout

### African Development Bank Group 2007 Annual Meetings

The African Development Bank (AFDB)<sup>11</sup> Group held its 2007 annual meetings last May in Shanghai, China. The meetings are viewed as a platform for African countries and China to continue to develop their partnership, following the Beijing Summit of the China-Africa Cooperation Forum held in November 2006.

More than 2,500 high level government officials, business leaders, scholars, representatives of NGOs and the media attended the meetings. On the agenda were issues such as AFDB reform, development financing, debt management, aid to vulnerable countries and Asian-African cooperation. Three days prior to the annual meetings, symposiums and seminars were organized which focused on economic, trade, social and environmental issues. And on the sidelines of the AFDB board meetings, a number of workshops were organized to bring African and Chinese companies and entrepreneurs together to establish contacts and discuss deals.

It was the first time that the meetings were held in Asia, which reflects the increasing role that

China is playing in African economies. It is one of the 24 non-African shareholders of the African Development Bank, together with Britain, the United States, France, Japan and India. Since China established diplomatic relations with the continent in the 1950s, it undertook over 900 infrastructure projects, provided 50 African countries with 20,000 government scholarships, sent 16,000 medical staff to 47 countries and canceled US\$ 1.4 billion of Africa's debts to China.<sup>12</sup> Its trade with Africa reached US\$ 39.7 billion last year, which is four times that of 2000.<sup>13</sup> During the meetings, the experiences and achievements in Sino-African cooperation were discussed in two seminars and displayed in a photo exhibition that was organized by China and the Bank.

The President of the African Development Bank Group mentioned that 31 African countries were growing faster than the increase of its population: half of these countries were growing above 5% and nine were growing above 7%. Despite the positive outlook for some countries, there are still millions of Africans that are living in poverty.<sup>14</sup>

### Investments in extractive industries and infrastructure projects

China's increasing role in Africa is particularly in extractive industries and infrastructure projects. It is especially interested in extractive industries, such as oil, timber and minerals, because China lacks sufficient reserves of these natural resources to sustain its rapid economic growth. Africa, on the other hand, is very rich in these natural resources and through foreign investment and trade it can secure these resources. In addition, the development of infrastructure, such as roads, railways, dams, bridges are required for the extractive industries. In Sudan, for example, China is investing in oil exploration, chemical industry and railway transport. It is financing thermal power plants, such as the Quarre I and Al Jaily, hydropower projects, such as the Merowe and Kajbar, and the new railway line to Port Sudan, because all these infrastructure projects are required for the extraction and transport of energy and mineral resources. Other examples of China's investments in oil, hydropower, mining and infrastructure are located in Nigeria, Angola, Zambia, Democratic Republic of Congo, Congo-

<sup>11</sup> The African Development Bank was established in 1964 and currently has 77 members (53 from African countries and 24 from non-African countries such as the Americas, Asia and Europe). China became a member in 1985. [http://www.afdb.org/portal/page?\\_pageid=473,968615&\\_dad=portal&\\_schema=PORTAL](http://www.afdb.org/portal/page?_pageid=473,968615&_dad=portal&_schema=PORTAL)

<sup>12</sup> "African Development Bank opens annual meetings in Shanghai", People's Daily online, May 16 2007. [http://english.people.com.cn/200705/16/eng20070516\\_375023.html](http://english.people.com.cn/200705/16/eng20070516_375023.html)

<sup>13</sup> "African Development Bank to meet in Shanghai amid growing economic ties", International Herald Tribune, January 23, 2007. <http://www.iht.com/articles/ap/2007/01/23/business/AS-FIN-China-Africa.php>

<sup>14</sup> "A landmark in Africa-Asia cooperation", African Development Bank Group, 17 May 2007.

[http://www.afdb.org/portal/page?\\_pageid=293,174339&\\_dad=portal&\\_schema=PORTAL&press\\_item=19028245&press\\_lang=us](http://www.afdb.org/portal/page?_pageid=293,174339&_dad=portal&_schema=PORTAL&press_item=19028245&press_lang=us)

Brazzaville, Mozambique, Sudan and other African countries.

China invests in these large projects through the China Exim Bank, which is the Export-Import Bank of China. The Bank was established in 1994 and is the leading policy bank implementing state policies in industry, trade and foreign investment by promoting exports. The Exim Bank directly reports to the State Council and also fulfills a strategic position in strengthening the economic relations with foreign countries, in this regard between China and Africa. As the Bank is owned by the central government, it focuses on providing loans to primarily state-owned enterprises. Private companies are therefore forced to the private and informal lending markets in China. By the end of 2006, it is estimated that the bank supported more than 300 projects in Africa, with a total amount of US\$ 5.3 billion in outstanding loans.<sup>15</sup>

China's investments in Africa have been welcomed by many African governments, as the loans come without strict conditions, which is in contrast to the loans from Western nations and international financial institutions such as the World Bank and IMF. China's new role as a trade partner and financier is seen as a major opportunity for the development of the continent. As a result, south-south cooperation with other developing countries such as China means that Africa is less dependent on the West for its finances.

A less positive view is placed on China by various critics who focus more on the concerns and the

risks of China's "no strings attached" policy. Among the examples mentioned are the risks that China's investments could strengthen undemocratic, representative regimes such as in Sudan, undermine efforts to fight corruption or weaken social and environmental standards used in infrastructure projects. In this article, we will not focus on these aspects of China's involvement in Africa, but rather focus on the extent of technology, skills and know-how transfer from Chinese to African companies, as this is one of the beneficial factors associated with foreign investment for the host country.

### **Foreign investment and transfer of technology, skills and know-how**

Two of the benefiting factors of foreign direct investment (FDI) mentioned in international economics literature<sup>16</sup> are besides the transfer of capital, employment creation and the transfer of technology, skills and know-how. The investment activities of multinationals through their foreign subsidiaries are one of the clearest examples of FDI. Technology transfer takes place when local staff is trained by the foreign company and knowledge and practices are passed on to the local staff.

However, to be able to transfer technology, technology needs to be appropriate to the context to which it is transferred and this is dependent on a number of factors, such as the capacity of the recipient to absorb the technology (are there enough skilled technicians, scientist and engi-

neers to adjust and apply it to the local needs and conditions?) and whether the imported technology is compatible with local cultural and economic conditions (for example, will local resources be utilized). In another way, the recipient government can limit the repatriation of profits, get more appropriate technology and maintain more local control through the approval of the formation of joint ventures with local companies. However, the parent multinationals are often more reluctant to allow technology or managerial capacity to be transferred to joint ventures than to wholly owned subsidiaries.

In this regard, the recipient government also has a role to play, namely it has the responsibility to make sure that there is a sufficient pool of engineers and scientists in the country (to not lose them to the developed world), that there are national policies in place that stimulate transfer of technology and that the local industry is able to adapt the imported technologies. Therefore, higher education institutions should be focused on training engineers and scientists and price control mechanisms should be implemented to make appropriate technology cheaper and inappropriate technology more expensive. In addition, the government can provide subsidies for certain joint ventures with foreign technology suppliers.

The degree of skilled, trained engineers or scientists necessary to absorb and adapt it to the local context depends and varies per industry. For operations such as logging and open-pit mining, the

<sup>15</sup>Eximbank, World Bank unite for Africa", China Daily, 23 May 2007.

<sup>16</sup>For example, see "Economics of Development", Gillis, M., Perkins, D.H., Roemer, M., Snodgrass, D.R., W.N. Norton & Company, New York, 1996, p. 402-409.

local workers and supervisors require only a basic level of education and the willingness to work according to the work standards, schedules and pace of the foreign company. However, in natural resource based industries such as steelmaking, copper smelting and chemical manufacturing, the degree of absorptive capacity depends on the local presence of more highly trained technical personnel such as chemical engineers, geologists and experienced managers.

### **With China's increasing flow of foreign investment, to what extent are technology, skills and know-how being transferred?**

In general, Chinese companies are perceived as bringing with them their own laborers and underpaying the employed locals. A result of this perception, more frequent kidnappings and killing of Chinese laborers take place, with local workers frustrated about their low salaries and viewing Chinese companies as extracting all their country's natural resources.<sup>17</sup> In other cases, China is viewed as supporting the Sudanese government in the face of continued human rights violations in Darfur, as the Greater Nile Petroleum Operating Company

(GNPOC), which is in majority owned by the Chinese, only hires Chinese and northern (Muslim) Sudanese workers instead of also hiring southern Sudanese (non-Muslim) for its unskilled jobs.<sup>18</sup>

According to a study undertaken by the Centre for Chinese Studies, funded by the UK Department for International Development (DFID), which focused on the market entry of Chinese construction companies in Angola, Sierra Leone, Tanzania and Zambia, 85% to 95% of the total workforce were local staff, except in Angola. Although the majority of them were unskilled, there were cases where local personnel had jobs in administration and management mainly in companies that had been in the country for several years. In general, the companies that participated in the survey indicated that there was a lack of skills and a very high-turn over of local workers. In order to retain the good local staff these firms tend to pay them higher wages.<sup>19</sup>

Among the various industries in which Chinese companies are involved in Africa, there were some joint-ventures established. For example, Sinosteel signed a contract with South African company Samancor and the China

Nonferrous Mining Group Co. (CNMC) established a joint venture with Zambia's Cambishi (state-owned Consolidated Copper Mine Company), with the latter only owning 15% of the shares and 85% in the hands of the Chinese counterpart.<sup>20</sup> Joint ventures between China and Mozambique construction companies were characterized by the Mozambican partners that brought in one part of the resources, such as arable land, land containing minerals or labor and the Chinese counterparts providing the capital, knowledge and technology.<sup>21</sup>

In the construction industry, several joint-ventures were established in Angola, but none in Tanzania and only one in Zambia. Chinese companies seem to view the lack of trust of the local counterpart as the main problem in joint-ventures. Engaging with the local firms through subcontracting them for specific parts of the projects seemed to be their preferred mode of operation.<sup>22</sup> The Chinese companies also found it difficult to hire high skilled and trained people for example the construction of bridges, and in general it was viewed that few local companies had the capacity to undertake large scale infrastructure projects.<sup>23</sup>

<sup>17</sup>"Ethiopia opens search for abducted Chinese workers", International Herald Tribune, 25 April 2007.

<http://www.iht.com/articles/2007/04/25/europe/ethiopia.php> and "China's gamble: Ethiopia, Nigeria and other hotspots", African Path, 26 April 2007.

[http://www.africanpath.com/p\\_blogEntry.cfm?blogEntryID=654](http://www.africanpath.com/p_blogEntry.cfm?blogEntryID=654).

<sup>18</sup>"China's growing influence in Africa", American Thinker, 6 May 2005. [http://www.americanthinker.com/2005/05/chinas\\_growing\\_influence\\_in\\_af.html](http://www.americanthinker.com/2005/05/chinas_growing_influence_in_af.html)

<sup>19</sup>"China's interest and activity in Africa's construction and infrastructure companies", Centre for Chinese Studies, Stellenbosch University.

<http://www.dfid.gov.uk/pubs/files/chinese-investment-africa-summary.pdf>

<sup>20</sup>"Hu Jintao's Africa tour will help secure mining projects for Chinese companies", Interfax China, 2 February 2007.

<http://www.minesandcommunities.org/Action/press1353.htm>

<sup>21</sup>"China's engagement in the construction industry of Southern Africa: the case of Mozambique", Emmy Boston, 19-21 January 2006.

<http://www.ids.ac.uk/ids/global/AsianDriverpdfs/emmybostonpaper.pdf>

<sup>22</sup>"China's interest and activity in Africa's construction and infrastructure companies", Centre for Chinese Studies, Stellenbosch University.

<http://www.dfid.gov.uk/pubs/files/chinese-investment-africa-summary.pdf>

<sup>23</sup>"China's engagement in the construction industry of Southern Africa: the case of Mozambique", Emmy Boston, 19-21 January 2006.

<http://www.ids.ac.uk/ids/global/AsianDriverpdfs/emmybostonpaper.pdf>

Regarding the transfer of technology, different views were highlighted. In various speeches the Chinese government has emphasized the importance of building up the capacity of the local people for the development of the continent. In this regard it can be expressed according to a Chinese idiom which says: "it's better to teach someone how to fish, than to constantly supply them with fish".

Among the examples of technology, skills and know-how transfer, is the Chinese ZTE telecommunication Corporation which will set up 15 training centers throughout Africa to train more than 4,500 local staff every year,<sup>24</sup> and the provision of training in diamond and jewelry production in China to a group of South African diamond cutters.<sup>25</sup>

In the study undertaken by the Centre of Chinese Studies, it was found that the Chinese construction companies claimed that their employees received on-the-job training, particularly on the operation of machines, and that local engineers were also learning new techniques during on site visits to the Chinese construction projects. The exception was Angola, because there almost all their equipment, materials and labor was brought in from China. It was also mentioned that the Chinese companies were using low-technology which is relatively easy for African construction companies to imitate and in this sense the Chinese technology was viewed as 'appropriate' to be adopted by the African firms, as opposed to the specialized and often capital-

intensive equipment used by Western companies. Not all technology that Chinese companies are using is low-level, they are also using more high-level technology methods but using comparatively cheaper equipment of the larger local firms. Therefore, this can be a good opportunity for expansion for future technology transfer between Chinese and local firms.<sup>26</sup> However, in another study where South African and European construction companies were interviewed, they stated that the Chinese contractors were not training or transferring skills to staff and that they hardly subcontracted specific parts of projects to local or regional contractors.<sup>27</sup>

## Conclusion

Currently, there is no clear picture on the exact degree of technology, skills and know-how transfer from Chinese companies to its African counterparts. However, the importance of technology, skills and know-how transfer should not be underestimated as Africa's dependence on natural resources for growth and development is not sustainable.

In order for technology to be transferred, appropriate and institutional infrastructure needs to be in place within the country, such as national high education institutes and research institutes that focus on education and training of people so that technology innovations can be adapted and adjusted to the local contexts. In this regard, the African governments and the Africans also have to take

responsibility into their own hands instead of waiting for the Chinese to give it to them. Thus, the government should work with the local business community and the universities to stimulate the education and training of more engineers and scientists. Currently, more and more highly skilled Africans are migrating to developed countries – the brain drain – where they are offered high paying jobs. Investing in human resources is highly important in order for economic development and growth to be sustainable.

As China is also a developing country, technology from various fields could be more easily adapted and adjusted to the local context than the more specialized and often capital-intensive technologies from the West. Therefore, China also has a responsibility to train local staff, because their work is impacting communities, businesses and the environment and taking a more long-term perspective is necessary for development to take place in Africa. An area in which transfer of technology, skills and know-how could be highly beneficial is the African agriculture sector. For example, if African farmers could receive more foreign technology and assistance so that they could fight plant diseases and overcome other barriers to increase crop production, the need to import these crops would be reduced and it could reduce hunger and maybe poverty, and thus could be very beneficial to African agriculture and Africa as a whole.

<sup>24</sup> "China-Africa Cooperation to Break "Products-for-resources" Doctrine", People's Daily online, 6 January 2007. [http://english.people.com.cn/200701/06/eng20070106\\_338722.html](http://english.people.com.cn/200701/06/eng20070106_338722.html)

<sup>25</sup> "China to train South African diamond cutters", Antwerp Facets News Service, 28 February 2007. <http://www.hrd.be/index.php?id=280>

<sup>26</sup> "China's interest and activity in Africa's construction and infrastructure companies", Centre for Chinese Studies, Stellenbosch University. <http://www.dfid.gov.uk/pubs/files/chinese-investment-africa-summary.pdf>

<sup>27</sup> "China's engagement in the construction industry of Southern Africa: the case of Mozambique", Emmy Boston, 19-21 January 2006. <http://www.ids.ac.uk/ids/global/AsianDriverpdfs/emmybostonpaper.pdf>

## RELEVANCE OF ICT DEVELOPMENT IN AFRICA TO POVERTY ALLEVIATION

By Joan Mwai

The enhancement of Information and Communication Technologies (ICT) in Africa has provided a heaven-sent opportunity to further development. Africa's development has for a long time been inhibited by the problems of poverty and disease, which affect people's social, economic and political situations. A delay in implementing the benefits of ICT in this continent means a delay in raising living standards and banishing poverty, and a delay in the meaningful participation of Africa in the modern world. Such technology will have a positive impact on the economy in the areas of business, investments, food security, poverty reduction productivity, and the competitiveness of African economies.

The Internet has greatly contributed to facilitating effective communication by providing an invaluable opportunity for Africans to come together and discuss social, cultural, and economic issues affecting them at home and abroad. In less than ten seconds, messages can be sent anywhere around the globe, people are doing business online and most recently, people have been able to take advantage of voice-over-internet protocol (VoIP) service, which allows them to make calls through the Internet. This demonstrates the need for rapid development of ICT infrastructure in order to integrate the continent further into the international community, thereby enabling trade and social and cultural exchange to take place more easily and inexpensively.

Africa has risen through the ranks from using the dial-up system to connect to the Internet, to ADSL connectivity, and now plans are underway to construct a fibre optic cable in Africa to enable the continent to connect to the rest of the world. The absence of this cable thus far can be linked to high communication costs and the poor

quality of life experienced by many, given that communication is crucial to both personal and professional aspects of life. To address this concern, African countries have been planning to construct a regional fiber optic cable from South Africa to Eritrea via the Indian Ocean in order to improve the continent's global connectivity and provide cheaper telecommunication services.

The fiber optic cable, also known as the EASSy (East Africa Submarine System), will provide much faster connection speeds, thus reducing drastically the cost of internet connectivity. This is the beginning of serious economic development. Such growth in the implementation of better methods of internet connectivity has tremendously improved the living standards of people. Telecenters have been set up to provide services for various organizations abroad, thereby creating jobs. In addition, import and export businesses are now able to conduct their business much more quickly. Business people can easily identify whatever they want to buy or sell and can then negotiate and close deals in a short time.

ICT is also playing a major role in alleviating poverty in Africa. The unemployed can easily make a living by searching the Internet for organizations that wish to outsource some of their work. All that jobseekers are required to do is to subscribe to the websites, set up their profiles and indicate skills that they can offer the organizations of interest to them. They will then be able to access thousands of projects available from various organizations worldwide and place bids or set rates for the projects on which they would be willing to work. ICT has therefore tremendously reduced the cost of setting up offices and, depending on the type of business, may even eliminate the need to acquire licenses or go through a

registration process. Some of the people who have signed up with these organizations offering outsourced jobs work from their homes!

It is an undeniable fact that ICT has completely transformed our lives, from the way we do business and access information and services, to the way we communicate with each other and entertain ourselves. But what is the role of ICT in poverty eradication? Does ICT create new divisions between the rich and the poor or does it intensify existing socioeconomic divisions? Does it play any direct role in reducing poverty or is it just a luxury that the poor can ill afford? According to a paper by Anita Kelles-Viitanen for EVA, the role of ICT in the so-called digital divide has been hotly debated: does it exist and if it exists, is it narrowing? What is its relationship to poverty and does it reinforce existing divisions between the rich and the poor? No one can deny the fact that the digital divide exists, although there has been progress in reducing some of the gaps. A digital divide also exists within countries: between economically more and less-developed regions, between urban and rural areas, between the poor and the wealthy, between the educated and the illiterate, between men and women, and between the young and the elderly.

However, ICT does present opportunities for poverty reduction by increasing efficiency, competitiveness, and market access for firms in developing countries. Artists can sell their paintings and handicrafts directly to buyers in developed countries without having to use middlemen. ICT can also play a major role in enhancing the activities of the poor and increasing their productivity. It can help to increase access to market information or lower transaction costs of poor farmers and traders. Poor people

are often unaware of their rights, entitlements and the availability of various government schemes and extension services; through technology workers can get information on available jobs and minimum wages. In addition, given that timing is often crucial when it comes to the sale of produce, ICT can facilitate rapid delivery. These interventions, however, can only be successful when accompanied by other supporting infrastructure such as access roads and storage facilities, as well as access to competitive markets, including the global market.

Furthermore, it is important that women, who in many countries work as farmers, are targeted by ICT services. It has long been recognized that women are particularly disadvantaged with regard to access to rural extension services and technical, agricultural and market information. Firstly, their low educational status and high illiteracy rate incapacitates them and prevents them from benefiting and tapping into new information and improved practices. Secondly, their lack of a socially accepted decision-making role in production further exacerbates the challenges they face. These challenges can be addressed by incorporating women into efforts to develop ICT services.

ICT can also play a major role in helping to monitor food security related issues (weather, droughts, crop failures, pests etc.), and to inform governments of impending food scarcities and famines.

We also cannot overlook the political front where ICT can, indeed, play a major role in supporting a culture of democracy by promoting democratic processes and civic values that uphold a democratic system. Interventions regarding this so-called "e-democracy" usually involve processes based on electronic interaction between governments and citizens. For example, an e-Government strategy was drafted recently in Kenya in order

to enhance communication within the government's various departments. The Permanent Secretary and Secretary to the government, Ambassador Francis Muthaura believes that, "An effective and operational e-government will facilitate better and efficient service delivery to the citizens and promote productivity among the civil servants."

There are many success stories stemming from the role that ICTs play in promoting education of the poor. An example of one such story is a trial project using handheld computers that is being carried out at present in Kenya in order to help reduce the cost of education in poor communities. Since the Kenyan government introduced free primary education, there has been an influx of students, resulting in a scarcity of adequate resources, in addition to students having to share outdated textbooks. In an attempt to address this challenge, 54 students of Mbita Primary agreed to be guinea pigs in an experiment aimed at using technology to deliver education across the continent. In a project known as the Eduvision pilot project, textbooks are out and customized Pocket PCs—referred to as e-slates—are very much in. They are Wi-Fi enabled and run on license-free open source software to keep costs down. "The e-slates contain all sort of information you'd find in a textbook and a lot more," says Eduvision co-founder Maciej Sudra. "They contain textual information, visual information, and questions. Within visual information we can have audio files, we can have video clips, we can have animations. The handheld PCs were chosen in place of desktops because they are more portable, so the children can take them home at night, and also because they're also cheaper, making them cost-effective alternatives to traditional methods of learning."

In the final analysis, it is clear that Africa is in need of a comprehensive poverty reduction program to turn the vicious cycle of poverty into a virtuous cycle of well-being. Sustainable and pro-poor growth with investments in both physical and social infrastructure; inclusive social development programs that promote equity and empowerment of the poor; efforts to encourage good governance with effective policies and institutions; efficient and accountable public sector management and legal and judicial reform; and efforts in promoting participatory decision-making are some of the programs that need to be included.

ICT can contribute to poverty reduction if it is tailored to the needs of the poor and if it is used in the right way and for the right purposes. It can also boost economic growth that helps to reduce poverty, though this is unlikely to happen in countries where there are persisting and fundamental socio-economic inequalities. Complementary social policies are required to prevent market failures and to promote sustainable development.

However, like all technologies, ICT offers tools and applications but no solutions. The solutions to the problem of poverty are what they have always been: economic growth, enabling infrastructure, the improvement of livelihoods, education and healthcare, and sufficiently democratic government to ensure that economic benefits are not cornered by the powerful elites. By providing cheap and efficient tools for the exchange of information, ideas, and knowledge, ICT can become an enabling tool for wider socio-economic development. When properly used, it can greatly increase the ability of the poor to benefit from economic development and from development programs meant to help them.



## THE IMPACT OF FOREIGN DIRECT INVESTMENT ON GEO-POLITICAL AND ECONOMIC DEVELOPMENT IN AFRICA

By Crystal Byrd

It has been noted that greater private sector participation—in the form of foreign direct investment (FDI)—in building, financing and operating infrastructure in developing countries can promote economic growth and reduce global poverty. At present, large conglomerates are looking for growth and acquisition opportunities in regional as well as international markets. However, in some cases, foreign direct investment is stunted in African regions because of the inability of the governments of some nations to demonstrate transparency or stability. Consequently, there is a pressing need for African governments to foster an attractive environment for investment by creating a better climate for investors and increasing the competitiveness and openness of their national economies. To this end, the NEPAD–OECD Roundtable discussion that took place in December 2006, outlined several new tools to be implemented by governments to mobilize private investment; an example of one such tool being the Policy Framework for Investments. Key objectives targeted are to: (i) improve the business environment, (ii) enhance transparency, and (iii) implement procedural fairness in investment regulations. But this is just the beginning.

Additionally, the need to attract Foreign Direct Investment is pressing because the continent lacks sufficient domestic resources to achieve a growth rate of 8%, which is what would be required to achieve Millennium Developmental Goals (MDG) (UNCTAD 2006).

Despite these challenges, FDI is praised in the context of African economies because, according to the World Bank and various other International Donor Agencies, this is the best way out of poverty for Africa. Yet, what are the implications of foreign direct investment for the economic and geo-political development of the continent? Will such development be sustainable? These are questions one must ask in order to ascertain if FDI is beneficial or not.

According to a study carried out by the United Nations Conference on Trade and Development (UNCTAD 2006), global foreign direct investment (FDI) inflows grew in 2006 for the third consecutive year to reach US\$1.2 trillion. Increased corporate profits (and resulting higher stock prices) have boosted the value of the cross-border mergers and acquisitions (M&As) that constitute a large share of FDI flows. Continued liberalization of investment policies and trade regimes added further stimulus, although in

some countries in Africa and Latin America there were some notable changes in economic policy according a greater role to the State, as well as changes in policies that directly concern foreign investors or industries, in particular the natural resources industry.

Privatization from private sector participants has been championed as a means of reducing the size of the public sector, curbing the power of the state, and making public bureaucracy more productive and competitive. However, one may also argue that the impact of privatization on the public workforce remains a contentious issue among public employees and their unions given the threat it poses to a significant number of public sector jobs.

In contrast to the praise and the high expectations of privatization, it has been argued that privatization has failed on many counts, particularly in the goal of achieving the Millennium Development Goals (MDGs). More often than not, investors have tended to shy away from investing in the region, making it costly for governments to try to attract investors.

A recent United Nations Development Program (UNDP) Research brief noted that the

initial hopes for privatization were so high that donor spending on infrastructure fell in the expectation that the private sector would take up the slack; for example World Bank lending for infrastructure development declined by 50 percent during 1993–2002, with much of this directed towards preparing firms for privatization (Bayless 2007).

As good as FDI may sound to some, there must be a set structure in place when laying out the framework of what is required by investors in order for FDI to produce the intended positive effects. The governments of developing nations must first focus on several factors such as measuring the performance of the entities involved; harmonizing legal, institutional and regulatory issues; and sourcing project finance alternatives.

One must also consider the impact of corporate social responsibility (CSR). Corporate social responsibility is closely linked to the principles of sustainable development, which argue that enterprises should be obliged to make decisions based not only on financial and economic factors, but also on consideration of the social, environmental and other conse-

quences of their activities (available at <http://www.wikipedia.com> February 9, 2007).

In order for the FDI project to be most beneficial to all involved, plans that promote sustainable development must consider the effects that transactions will have on the people. Large increases in capital inflows run the risk of rendering the local currency uncompetitive, which in turn will not lead to sustained growth. Governments of developing nations must, therefore, exercise care in managing increases in foreign capital inflows in order to mitigate this risk.

In short, the United Nations Development Program (UNDP) has identified five criteria for a successful market: property rights, protection of stakeholder rights, introducing enforceable contracts, promoting the rule of law, and safeguarding civil liberties. With these criteria in place, the likelihood of progress in Africa becomes plausible and attractive to investors, both local and international.

If approached in the right way, foreign direct investment can be beneficial to all concerned parties. A framework of project

needs and project implementation is needed in the initial stages of negotiation. With this in place, all parties will know their responsibilities, which will in turn have a positive impact on the project. The governments of these nations must also employ stringent policies so that their economies are not overrun by capital inflows, and so that, in turn, their local currencies do not depreciate. Corporate social responsibility and sustainable development must also come into play when laying out the framework, as although there is a need for foreign direct investment to accelerate Africa's development, it is imperative that Africa develop in a sustainable manner, so that in the years to come Africa can continue to grow.

Whatever the route taken in the end, private investment, including foreign direct investment, could have a positive effect on Africa's economic and geo-political development. Implementation of the stringent policies that must be employed in order to attract such investments will result in a more stable and transparent government. Therefore, one may conclude that in real terms, FDI will create more jobs and promote growth in the region.

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## WESTERN COMPLICITY AND CHARLES TAYLOR

By Jaclyn Jacobsen

The election of Ellen Sirleaf-Johnson as President of Liberia has finally ended the official

political power of Liberia's former ruthless dictator, Charles Taylor. With the support of the UN and other international agencies, as well as significant aid from Western countries, it appears that democracy has triumphed over two decades of inter-gang warfare and authoritarianism, in which 150,000 were killed and more than a million were displaced. However, Charles Taylor, now indicted as a war criminal in the newly created Special Court for Sierra Leone, continues to wield considerable power behind the scenes. Although mandated by the UN to cease all contact to government ministers and key industry leaders, Taylor remains a potent force behind many transactions in West Africa, and is thought to be responsible for the attempted assassination of Guinean President Lansagna Conte in mid-January 2005. Policy analysts agree that Taylor represents a seriously destabilizing presence in western Africa, as Liberia, Sierra Leone, and Ivory Coast struggle to retain control over their territories. While Western nations have been among the strongest advocates in calling Taylor to stand trial for war crimes, their complicity enabled Taylor's gang-land regime to succeed and flourish in Liberia for years, while allowing Taylor to personally finance a range of brutalities that would erupt in neighboring Sierra Leone.

"Conflict diamonds" from Sierra Leone and Liberia made their way largely unobstructed to the ports of the European Union and the United States, revenues from which would finance the rape and murder of thousands of Africans.

"Conflict diamonds" are thus named because of their critical role in financing guerrilla tactics and enabling rebel groups, such as those answering to Taylor, to receive arsenals of arms and other military material. Usually obtained outside legal channels, and therefore far from the reach of any government oversight, conflict diamonds are smuggled onto ships and dispersed throughout the world. These gems are secondary-source stones, in that they are not extracted like higher-quality jewels. Often, such stones are found among river beds and banks. Due to their availability, it is difficult for authorities to adequately track the locations of these stones, which makes it considerably easier for illegal diamond traders to create false documentation and sell their gems abroad. According to the US State Department, 10 to 15 percent of diamonds sold internationally are illegal conflict diamonds. Taylor engaged extensively in this illegal diamond trading to provide the Revolutionary United Front (RUF) of Sierra Leone with weapons, logistical support, and shelter from Sierra Leonean authorities. Aware of Sierra Leone's vast diamond deposits, Taylor negotiated a deal with his good friend Foday Sankoh, head of the RUF, in which arms would be provided in return for diamonds. The RUF then used these arms to terrorize Sierra Leone, killing and brutally maiming thousands, which included children. To illustrate the scope of these exchanges, Liberia exported \$300 million worth of diamonds in 1999 alone.

It must be noted that these diamonds were purchased without reservation from both diamond traders and consumers throughout

the world. Belgian dealers are particularly noted for conducting diamond transactions in safehouses in Liberia, under the auspices and protection of Charles Taylor. While Liberian government agencies assert their non-compliance with Taylor's underhanded tactics, the Liberian International Ship and Corporate Register, the second-largest shipping registry in the world with 1600 registered ships, personally accepted directions from Taylor to divert nearly \$1 million to the coffers of arms dealers in Sierra Leone, and facilitated trades between the RUF and Al-Qaeda before September 11. The UN would not impose sanctions on Liberian diamonds until 2001, well after the start of armed conflict in the region. The World Diamond Congress, a blanket organization of diamond extractors, buyers, and traders, voted to impose severe restrictions on conflict diamonds in 2000.

Taylor did not limit his illegal trading to diamonds. Timber, rubber, and gold reserves were similarly exploited to fund his armies of child warriors and RUF thugs. Taylor has devastated vast swathes of forest, on which the rural population depends for income, to propel further exchanges with the RUF, while no rubber and gold resources in Liberia have remained untouched by Taylor's heavy hand. The UN would not impose restrictions on Liberian lumber, despite its blatant connection to fueling armed conflict in Sierra Leone, until 2003.

Political leaders in the West have also had some degree of collaboration with the

former dictator. Pat Robertson, a noted televangelist, has strong links with Taylor, as Taylor owned

10% of Richardson's Freedom Gold Company. When asked to comment, the vice president of Freedom Gold Joseph Matthews responded, "Dr. Robertson remains a friend of Liberia and is working to alleviate the suffering of the Liberian people." (Washington Post). Far more damning is the involvement of U.S. civil rights leader Jesse Jackson with the notorious leader. Working as a special envoy for the Clinton administration, it was largely at Jackson's insistence that Taylor be personally contacted by Clinton, who heretofore had distanced himself due to Taylor's notorious war activities. Jackson would maintain close contact with Taylor, even visiting him several times. According to a April 29, 1998 memo from the U.S. Embassy in Monrovia: "During his 24 hours in Liberia, the Rev. Jackson met several times privately with President Taylor and appeared to establish a strong personal bond with him. After Jesse Jackson's visit, President Taylor went out of his way to stress that Liberia is America's best friend in Africa, and that it was time to improve the bilateral relationship - a 180-degree change in direction" of Taylor's stance.

In an effort to encourage reconciliation within the warring groups of Liberia, Jackson would host a conference at his PUSH headquarters in Chicago, where he immediately curtailed any criticism of Charles Taylor or his tactics. Jackson insisted that those who opposed Taylor's policies leave the room, and discouraged participants from posting any information on Taylor's war atrocities on the Internet. Harry A. Greaves, an opponent of Taylor and founder of the Liberia Action party, called the conference "a PR exercise by Charles Taylor." Jackson would continue to shield Taylor from diplomatic isolation despite his brutal attacks on oppo-

nents and open disregard for international law. He even went so far as to extend his diplomacy to Taylor's friend Sankoh, who was in the midst of liquidating any obstacles in their quest to dominate Sierra Leone. After Sankoh had captured Sierra Leone's diamond mines, Jackson forced a meeting between the legitimate leader, Ahmad Tejan Kabbah, and Sankoh, in Togo, where he forced the elected ruler to sign a cease-fire with the bloody warlord, and ensured Sankoh's control over the lucrative mines and access to Taylor's arms arsenal.

Perhaps Jackson's most egregious gaffe occurred in mid-May 2000, as Sankoh's RUF murdered several UN peacekeepers, taking 500 more hostage. In the midst of negotiating an end to the hostage crisis, Jackson went so far as to compare the warlord Sankoh with Nelson Mandela. Immediate warnings were sent to Jackson by irate Africans, who threatened to assault him should he descend from the plane. After Jackson publicly commended Taylor for his role in securing the safety of the hostages, whose capture he had orchestrated, he was fired as special counsel to President Clinton (Kenneth R. Timmerman).

Although slow to respond to the ravages in West Africa, the international community has made an effort to contain the violence. Following the 2001 and 2003 sanctions on Liberian diamonds and timber, and the World Diamond Congress' restriction on importing conflict diamonds, the Kimberley Process has also sought to address the conflict diamond issue. In November 2002, NGOs and the international diamond industry met in Kimberley, South Africa to create the Kimberley Process Certification

Scheme, and introduced measures to regulate the previously unregulated rough diamond trade. These new procedures are designed to ensure that gang leaders and illegitimate dictators will not be the beneficiaries of any profits received from these rough diamonds.

Now that Taylor is undergoing trial for war crimes at the Special Court, analysts hope that conflict exports will no longer be used for arms purchases. However, statistics claim otherwise. According to Global Witness, an international watchdog group, between US \$75,000 and \$100,000 are made each month from Liberia's timber industry; in diamonds, profits are estimated at \$350,000 a month. Democratization is slow, and renegade rebels still have a significant foothold in these lucrative industries. In addition, the DDRR (Disarmament, Demobilization, Reconciliation, and Reintegration) program has not been able to adequately provide the numbers of former soldiers with stable employment, thus encouraging yet another wave of illicit global trading.

Continuing conflict in Ivory Coast, as well as the precarious stability of other neighboring states, impels the current leaders of Liberia to retain control of these natural resource reserves, and prevent the rise of another warlord or gang. Talk of repealing the sanctions is therefore too soon. "Lifting timber and diamond sanctions now would make matters significantly worse, opening up the region to a flood of illegal Liberian diamond and timber exports exported by armed ex-fighters that could ignite a regional war," says Natalie Ashworth of Global Witness.



## LIFE CHANGE THROUGH COOKIES: THE IMPRESSIVE STORY OF ALICIA POLAK

By Yuan Wenjin

Three years ago, Alicia Polak was an investment banker generating wealth for Merrill Lynch, but now she is working to build wealth for Khayelitsha, one of South Africa's largest townships, located in the outskirts of Cape Town.

Alicia Polak established the Khayelitsha Cookie Company two years ago and it now hires 11 women in Khayelitsha who once struggled for food and for shelter. The company produces the biggest and best range of baked goods - chocolate cookies, ginger snaps, nutty fudge brownies and shortbread biscuits, etc. and distributes them to restaurants, hotels and coffeehouses throughout South Africa.

For Polak, the business spirit means not only making money, but also doing more. "My mission was to create a company that could not only produce the best cookies in South Africa, but that could also radically change the lives of everyone involved in the company," says Polak.

### Creating Sustainable Business in a Poor Township

According to Polak, when she first arrived at Khayelitsha, she was shocked by the poor living conditions of the town. "Tattered bed sheets flutter through the township and there are no public restrooms here," says Polak. "You can not imagine it is home to nearly 1 million people."

Polak was determined to make a change. However, she did not use

the routine method of merely giving out donations. Instead, she tried to use entrepreneurial skills to help alleviate poverty and unemployment in a sustainable manner.

Khayelitsha Cookies Company was founded in a community center with two ovens in 2004. "Snowflake, a large South Africa Baking company, once used this center to start a training program" says Polak. According to her, the program failed for many reasons. First, Snowflake provided recipes written in English, but few women in the township knew English and many were even illiterate. When Polak looked at the recipes more closely, she noticed that sugar and butter were required. "That was definitely a joke. There is no butter in this township. That would be such a luxury item."

Polak's cookies do have butter in them, but she has a car and suppliers who are able to bring butter to the company. "Snowflake had asked the women to use their own methods of acquiring butter, but they had no vehicles and could not go out of the township to get butter," says Polak. "I really believe Snowflake had very good intentions, but the method was not really practical."

### From Investment Banker to Owner of a Cookie Company

As an investment banker, Polak traveled to many developing

countries and was moved by the poverty she saw. She decided to dedicate herself to development and intended to work for a specific kind of large international non-profit organization aimed at poverty alleviation. For this purpose, she returned to New York University to learn strategic management and organization skills. "Unfortunately, I can't even find a job in these organizations," says Polak. "You need to get in there through someone, if not, forget it. I struggled for years to land a job."

Finally, she got a job distributing wind-up radios to poor villages throughout Africa. At first, Polak actually believed that her job could make a difference in the lives of people there. "The wind-up radio was a simple product that could be a lifesaver in a disaster, like the floods that destroyed Mozambique in 2000," says Polak. "I loved what I was doing and the product was brilliant, but I still felt I was just giving something away."

She grew even more confused after an incident in Rwanda. She had just delivered a radio to a 16-year-old girl who was raising five siblings alone. Both of the children's parents had died: one in the recent genocide in that country, the other from AIDS. The girl and her family were very happy to have the radio, which was a precious gift for them, but as Polak walked away from the

home, she noticed that a group of men crammed into the house.

"My heart went cold," says Polak. "I was afraid I had just made the girl vulnerable to the men who would take the radio from her, possibly through violence." As she gradually began to question the established aid-distribution system, Polak, who was then living in South Africa, turned back to using her talents in business. One day she conceived of the cookie company, and within several months, she had it up and running using savings she had put aside during her banking career.

"For me, I finally realized that the business approach is better than a simple do-good approach," says Polak. "Through hiring previously

unemployed women from Khayelitsha and then training them and placing them in permanent, sustainable employment, their lives were changed."

Currently, South Africa's population is 44 million and the nation's 4 million whites control most of the buying power. Polak knew they would not be persuaded to buy cookies made by poor black women in a township. "Developing a plan to sell to them would never pay off," says Polak, "so I just turned to the tourists in the downtown hotels, who receive a Khayelitsha brownie on their pillows at night, as well as local restaurants and coffee houses." The company has sold more than 171,000 packs of cookies, and

Polak says she expects it to break even in the next few months. She has taken on some South African investment partners and hopes to make her employees part-owners in the business soon.

For the future of her business, Polak says that she is now trying to expand the company, possibly exporting the cookies abroad to other developing countries. She is also thinking of spreading this idea to other disadvantaged parts of Africa. "If we can do this in South Africa, we can also accomplish in other areas. The products could just be localized," says Polak.

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By Yuan Wenjin

"African political leaders are trying their best to create a positive investment climate and accelerate sustainable social development," said Mamphela Ramphele, a former Managing Director of the World Bank. "Their efforts include affirming good governance, building strong institutions, and fighting corruption."

A physician and anthropologist, Mamphela Ramphele was the first black South African woman to hold the position of Vice-Chancellor of the University of Capetown. She is also one of the founders of South Africa's black consciousness movement and partner of Steve Biko, the anti-apartheid leader killed by South African police. She was the Managing Director of World Bank from 2000 until August 2004.

According to Ramphele, although the continent was still struggling with many high-visibility economic and social problems—such as high crime, high inflation, AIDS, and political turmoil—many more achievements needed to be acknowledged. She preferred to discuss what she saw as an improved political and economic climate in Africa, including increased investment by South Africa in the rest of the continent, significant macroeconomic gains throughout the continent, a series of peaceful elections in 2006, and other positive developments.

### Investment booming in Africa

"There is an investment boom in Africa," said Ramphele. "Many South African companies gain

benefit from the positive investment climate – cheaper labor, less competition, cheaper rents, and therefore higher margins."

She cited as evidence a famous example: when the Vodacom Group, the Johannesburg-based cellular communications firm, first moved into the Democratic Republic of Congo in May 2002 in order to build up a branch for its transmission network, the company had to accept the appalling fact that not a single person in the country had a credit history. "However, within three weeks of operation, Vodacom had 50,000 customers. In six months it had 135,000 customers and was adding 1,200 a day, with revenue that surpassed its wildest predictions. Though South African companies have to bear the risk of African society's less stable political environment, it is obvious that they are being rewarded with greater profits. At the same time, the political environment is improving," Ramphele observed.

Ramphele also commented on the overall economic picture. "Average annual GNP growth in African countries has climbed to over five percent," she said, "and in countries like Mozambique, Benin, Ghana, Algeria, Nigeria and South Africa, the economies are getting stronger and stronger. Last year's acquisition of the South African Bank ABSA by Barclay's PLC was one of the largest acquisitions in the world. Major private equity companies like Blackstone and KKR are looking for deals on the continent, and the recently completed RFP

process for the development of the Cape Town waterfront attracted major investors from all over the world bidding to participate. Overall, the rewards remain high and the balance of risks has improved in Africa."

### The progress towards Democratization

Ramphele also cited a growing trend towards democratization. "The democratic impulse has taken hold. Since 1994, there have been over 100 elections held in Africa. In Angola's multiparty elections there were a reported 126 parties participating. Elections in Zambia occurred with relative calm, although they were hotly contested," Ramphele noted. Ramphele also used a well-known example to further validate her view—in Cape Verde, an island nation near the West African Coast, the incumbent government was defeated by just 17 votes in 2001, but peacefully ceded power.

Ramphele added that she believed that sustainable economic growth and a friendly investment climate are closely correlated with the political stability within an area. "Political instability, both within and among nations, sustains extreme deprivation, results in wasted human potential and often weakens prospects for overall prosperity and economic growth," Ramphele affirmed. "Luckily Africa is improving in both fields—economically and politically."



## LACK OF ACCESS TO ANTIRETROVIRAL DRUGS IN AFRICA: WHEN WILL THIS PROBLEM BE SOLVED?

By Bronner Pamplona Augusto Gonçalves

Although only 10% of the world's population lives in Sub-Saharan Africa, there are 24.7 million people living with HIV in that region. In 2006, roughly 2.8 million adults and children became infected with HIV and 2.1 million people died because of AIDS. As HIV prevalence levels are stable in some countries of this region, these figures mean that the number of people dying because of AIDS is equivalent to the number of people becoming infected. Less than one quarter of the estimated 4.6 million people that need antiretroviral therapy in this region are receiving it.<sup>1</sup>

In 1996, the effectiveness of combination of antiretroviral regimens in preventing AIDS-related illness and prolonging life was confirmed, but given that the cost of antiretroviral drugs (ARVs) is a major obstacle, this therapy remains beyond the reach of people living with HIV in low- and middle-income countries, especially in Sub-Saharan Africa where the epidemic is more severe.

And why do these medications have a high price? One of the reasons for this is the intellectual property law. This law, which was first established in the Paris Convention at the end of XIX century, protects the companies that developed these medications. Such companies argue that the patents are important to hasten the progress of research and the development of better medications. Pharmaceutical companies also argue that patents are central to the preservation of innovation.

The Agreement on Trade Related Aspects of Intellectual Property Rights joint-ventures were established in Angola, none in Tanzania and only one in Zambia. Chinese companies seem to

view the lack of trust (TRIPS), completed in 1994, revolutionized global patent law by requiring the standardization of intellectual property law among all World Trade Organization (WTO) members by January 1, 2005. In 2001, at Doha, the WTO declared that the 50 least developed member countries did not have to implement the patent law for pharmaceutical patents until 2016. According to TRIPS, the nations could break the patent law for pharmaceutical products only in public health emergencies, and to produce medication for their own population. This stipulation was problematic because most low-income countries did not have the structural conditions necessary to produce their own generic medication. To address this problem, the 6th paragraph of the Doha Declaration of 2003 stated that countries without manufacturing capacities could declare compulsory licenses and on that basis alone, legally import generic medications.<sup>2</sup> But significant international pressure exists against declaring compulsory licenses—as seen when Brazil recently threatened to issue compulsory licenses for efavirenz, lopinavir/ritonavir, and tenofovir. For these reasons, in part, only four countries — Malaysia, Indonesia, Zambia, and Mozambique — have issued compulsory licenses for ARV drug production, all of them in 2004.<sup>3</sup> Indian companies producing generic drugs have become the major suppliers of low-cost ARV regimens throughout the developing world.<sup>4</sup> Médecins Sans Frontières estimates that 50 percent of such medications are produced in India.<sup>5</sup>

The 2005 Human Development Report identified AIDS as the factor responsible for “the single greatest reversal in human development history.”<sup>6</sup> The Declaration of Commitment on HIV/AIDS, endorsed by the UN General Assembly in 2001, considered equitable access to care and treatment as a fundamental component of an effective global HIV response. In 2003, the World Health Organization (WHO) launched the “3 in 5” program, whose purpose was to treat 3 million people with HIV by 2005. They did not reach that number, but this initiative was important because it proved to the world that it is feasible to diminish the number of AIDS-related diseases and deaths in low- and middle-income countries. In January 2003, President Bush launched a five-year plan to allocate \$15 billion to global programs involved in HIV treatment and prevention—the President’s Emergency Plan for AIDS Relief (PEPFAR). This initiative aims to support treatment for 2 million people living with HIV/AIDS, to prevent 7 million new infections, and to support care for 10 million people infected with or affected by HIV/AIDS by 2008.<sup>7</sup> In July 2005, the Group of Eight (G8) committed to universal access to treatment for AIDS by 2010. Millions of people are dying in Africa because they cannot afford to pay for the ARV drugs. Although there has been some progress in the last few years, we cannot let 75% of the people that were supposed to be on ARV medication in Sub-Saharan Africa die because they do not have the money to pay for their treatment. Global action is needed now to ensure the affordability of these vital medicines.

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## AFRICA POLICY WATCH

The effectiveness of governance is related to policies and how well they are implemented. The policy framework of a nation drives both governmental and private machineries, which in turn are responsible for activities that promote development. Over several decades, various policies have been formulated and implemented by African governments and the international community; it will be interesting to assess how these policies have affected Africa both in the past and the present, and how they shape future challenges.

Africa Policy Watch is aimed at creating a "Town Hall" forum for policy makers, researchers, scholars, policy experts/analysts, development workers/experts within Africa and the international community, with the common interest of appraising the formulation and implementation of policies that make a positive and timely difference. It specifically provides a platform for unbiased feedback for policy makers, governmental and non governmental agencies, regional organizations, international and non-governmental organizations, to inform the public of past policies, and reasons for planned policies. It is expected that such exchanges will help to improve the participatory development of policies and promote ownership that is presently lacking in various sectors.

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The Centre for African Affairs and Global Peace's (CAAGLOP) mission is to encourage the involvement of Africans in national and regional development through the use of local knowledge and personal involvement in order to develop mechanisms that will obtain effective and sustainable results in the fight against hunger, poverty, unemployment, human rights abuses and the AIDS pandemic in Africa. Its activities are aimed at providing information to a large number of Africans regarding issues that affect their daily lives and to provide a forum for self-expression as well as interacting with others on various social, political, health, economic and educational issues.

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