

Trans-national Policy Making: Towards Tri-Continental Perspective

Abstract

Introduction

The adverse impact of the neo-liberal reforms being aggressively pursued in the name of globalisation since the 1970s in Latin America and 1980s in Asia and Africa has resulted in certain common trends and patterns of underdevelopment. The Southern continents need to not only realize this but also learn from each other's experience and forge stronger political alliances and economic integration that they seem to be already moving towards independently in each of these continents. In the last three decades there has been a five-fold increase in the difference in the per capita income between the industrialized Northern and the developing Southern countries. Out of the 500 multinational corporations all over the world, 48 per cent belong to the US, 35 per cent to the Europe and 8 per cent to Japan. Global Capital that is moving into the Southern continents through 'structural adjustment' is, contrary to economic growth, creating inequality, and unemployment, and withdrawal of subsidy, social security and other protective measures.

Economic Reforms- Trans-national Trends

After the structural adjustment programme (SAP) in Africa, there has been a retrenchment of 1,70,000 public servants by the end of 2002 in Uganda. After the Government of Uganda passed the Uganda Investment Code announcing tax relief the FDIs increased from \$ 54.6m in 1993 to \$ 274.8m in 2000, while the number of jobs created by foreign investment in the entire third world during 1990-93 is not even equal to the number of people entering the job market in India alone in a single year. In Nigeria after pursuing the programme of privatisation of water, currently only 60 per cent of the households have access to improved drinking water and the Sub-Saharan Africa continues to have the largest population without access to water. Between 1980 and 1995 the external debt of Sub-Saharan Africa rose from \$ 84b to \$ 223b amounting to an increase by 165.5 per cent and countries such as Tanzania had to year mark 60 per cent of its exports to pay its debt (while Germany after the second World war for reparation did not allot more than 7 per cent of its exports). More aid to Africa has been accompanied by decline in standard of living as GDP per capita has declined over the years. The story

is not very different in Latin America. After receiving funds from the IMF for well over three decades Bolivia's per capita GDP remains what it was in 1975. More than 70 per cent of Bolivia's \$ 6.7b debt is externally mobilised from the multilateral lending agencies. Since 1994 with the beginning of NAFTA Mexico has signed additional eleven trade agreements with different economies accounting for a huge rise in its international trade, however continues to register low levels of growth, and high levels of poverty and unequal income distribution. Developing countries through trade agreements are increasingly losing policy options to promote industrialization. As for Asia, China remains the largest recipient of FDI in the developing world since 1993. It received 9 per cent of the world total FDI flows and 26 per cent of total flows to the developing world. In spite of China being better-off to open its economy due to its high rate of literacy and land reforms, it continues to face grave challenges in terms of loss of skilled workers (32 of the 169 senior managers of foreign banks at the end of 1999 were former employees of the Bank of China) and drastic decline in expenditure on R&D (local firms have spent less than 1 per cent of their sales revenue on R&D for more than a decade). In India, according to the NSS, while the per capita consumption of the top 20 per cent of the urban population increased by 40 per cent since 1989-90 for the bottom 80 per cent of the rural population, nearly 600million, it declined. In South-east Asian countries such as Indonesia, the annual growth rate which was around 8 per cent till 1976 declined negatively by 14 per cent in 1998. By 1998 32million i.e. 34 per cent of its labour force was unemployed and the average real wages declined from 1724 rupias to 969 in 1997 due to massive inflation.

Trans-national Policy Making: New Regional Groups

One way to resist the growing adverse impact of the neoliberal reforms is by forging strong political/ideological alliances and close economic integration between the three continents. In fact, alternative integration is already emerging as a way out in each of these continents. Most of the recently elected Governments in Latin America- Michelle Bachelet in Chile (2006), Evo Morales in Bolivia (2006), Nestor Kirchner in Argentina (2003), Lula da Silva in Brazil (2002), Tabare Vasquez of Uruguay (2005) and Hugo Chavez in Venezuela (2000) - seem to have a common agenda against the neoliberal reforms. The programme of integration began in Latin America with *Mercosur* (Common

Market of the South) between Argentina, Brazil, Uruguay and Peru. It was limited to the integration of the commercial market and private investment. Currently with the active initiative of the Hugo Chavez Government a new programme called the Bolivarian Alternative to the Americas (ALBA- meaning sunrise in Spanish) is being put in place. It is envisaged as an alternative to the US-led neoliberal Free Trade Area of Americas (FTAA). Already various programmes are underway by way of an integration that goes well beyond mere 'free trade'. Under 'Bavrio Adentro' thousands of Cuban physicians are working in Venezuela to develop a primary health care system in remote areas; under the 'Gran Gasoducto del Sur' a region wide pipeline is being planned to transport natural gas from Venezuela and Bolivia to the rest of South America. A pipeline between Argentina and Venezuela (worth \$ 20b) has already been formalized; there is 'Telesur' that would broadcast news from the point view of South America to the entire region; there is a proposal for South American development Bank to channelise South American international reserves from the banks in the north and Venezuela has already committed \$ 2.4b to Argentina in order to assist it to pay off debts to the multilateral agencies; to improve communication there is a proposal to build a 'bio-oceanic corridor' connecting the Atlantic with the Pacific side of the continent through Bolivia and Amazonia; it is envisaged that in near future there would be joint projects to enhance technology, infrastructure, security through defence arrangements, and energy concerns with special focus on nuclear energy and hydro-electricity. ALBA is not merely an economic integration but promises to gradually evolve into an Initiative of South American Region (IIRSA) marking the 'physical integration of the region' to emerge as a 'free zone' that is free of illiteracy, street kids and poverty. Similarly, in Africa there is the New Partnership for African Development (NEPAD) aiming at economic integration, inter-state trade corridor and free labour migration beneficial to all the states. As a result of such initiatives, South Africa has already emerged as the second largest exporter in the continent after EU. South African direct investments have doubled between 1994 and 2001 amounting to 20 per cent of the total foreign direct investments in Africa. Intra-continental trade is bound to increase with NEPAD. There is already a proposal to form the East African Federation (EFF) by 2013 with countries such as Kenya, Tanzania and Uganda among others. In Asia, there is the currently active Shanghai Cooperation

Organisation (SCO) with China, Russia, Kazakhstan, Kyrgistan, Uzbekistan and a proposal to include India, Pakistan and Iran. SCO aims to realize free flow of commodities, technologies and services in the Asian region. They have already agreed on 125 joint projects relating to trade and investment. Between China and Russia alone bilateral trade has reached \$ 30b, which amounts to an increase by 37 per cent from 2004. In order to boost other Asian economies China has already announced \$ 900m loans for the other SCO countries. There are now efforts to build a Secretariat for the SCO. There is also along with SCO the Conference on Interaction and Confidence Building Measures in Asia (CICA) with all the major countries in Asian region including China, Russia, India, Afghanistan, Pakistan, Turkey, Thailand, South Korea and the Central Asian countries. It would be a platform to act on matters of social development in the region addressing concerns such as underdevelopment, poverty, literacy etc. These new initiatives need to complement the earlier organizations such the ASEAN, and SAAARC.

Trans-national Policy Making: Possibilities and Limitations

These policies in regional integration need to work as prototype experiments for a larger South-South dialogue in the future. However, before that it needs to work on the institutional mechanisms to negotiate with the possible conflict of interests. In Africa, South Africa enjoys a favourable trade surplus- the overall trade balance recently stands at 5:1 in South Africa's favour. Will the South African MNCs reinforce the South African Governments foreign policy favouring the development of the entire region or merely use plans such as NEPAD to gain market access? Culturally Africa is a land of many languages. However, Swahili and Amharic are gaining prominence in intra-region communication replacing English. What is the difference in replacing English with other dominant languages in the region? In Latin America, to the contrary, Spanish is a common language for the continent making it culturally easy for regional integration. However, there are smaller indigenous communities such as the Kichwas and Huaoranis with cultural and linguistic specificities-how would they be integrated without making them a 'third world within the third world? The recent Cellulose processing plant by Uruguay on the Uruguay river bordering Argentina led to the problem of pollution and health hazards to the Argentinians, reflecting the need for a common industrial policy in any programme of integration. In Asia, there are concerns over free trade arrangements as

domestic producers in India have been already adversely affected by pepper imports from Srilanka, natural rubber from Thailand and Malaysia and tea and Coffee from Vietnam.

Research Questions

(a) Are there common socio-economic patterns emerging, concerning education, employment, and agriculture, among other issues, in the three southern continents post structural adjustment?

(b) What has been the focus of the new regional groupings such as the ALBA in Latin America, NEPAD in Africa and SCO in Asia? How effective are they in countering the adverse impact of the neo-liberal policies? Is there difference of approach between the various regional formations? If so, how do we understand it?

(c) What are possibilities of common interests prevailing and eventually leading to a larger South-South dialogue? What are the effective differences within and between the various regional groups? How do we understand the possible impact of the South-South dialogue on the North-South dialogue?

(d) How long lasting and effective can the alliance be between fragile economies? For instance, 45 per cent of exports and 35 per cent of the GDP of Cuba got affected after the Soviet Union collapsed.

Dr. Ajay Gudavarthy
Asst Prof
Centre for Political Studies
Jawaharlal Nehru University
New Delhi-67