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Forging a maverick economy

SOUTH Africa is a laboratory of progressive economic thinking, Nobel laureate Joseph Stiglitz said at this week's Global Poverty Summit held in Joburg.



Nobel laureate Joseph Stiglitz believes that South Africa is well placed to lead the crusade against poverty

The economist was among 50 eminent academics, diplomats and UN representatives discussing global progress on trade and development at a three-day forum organised by the Brooks World Poverty Institute, part of the University of Manchester in the UK.

"South Africa is one of the countries saying: 'Let's try something new'," said Stiglitz, referring in part to the government's New Growth Path. The NGP champions job creation through state-supported industrial revitalisation rather than purely market-driven policies.

The prominent critic of unfettered capitalism also called on South Africa to manage its exchange rate in order to stave off the so-called "natural resource curse" experienced by many rawmaterial rich countries.

Because revenues from natural resource exports can cause an increase in the real value of the rand, making agriculture and manufacturing relatively more expensive and less competitive in world markets, the government should intervene to contain rising exchange rates, Stiglitz said.

"Flexible exchange rates have contributed to the de-industrialisation of Africa," he explained.

"Successful developing countries like China have always managed their exchange rates."

Stiglitz, who is also an advisor to Economic Development Minister Ebrahim Patel, was not the only one to single out the country as a global and regional development leader.

"South Africa has some of the most progressive ideas, particularly in the areas of social and economic rights," said development expert Professor Sakiko Fukuda-Parr.

"It is the centre of knowledge creation about development that delivers inclusiveness."

However, South Africa's international authority is severely undermined by the failure to meet its own key millennium development goals, or MDGs.

The far-reaching goals, a set of targets adopted by all 192 UN member states in the year 2000, consist of eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and female empowerment, reducing child mortality, improving maternal health, combating HIV/Aids, malaria, and other diseases, ensuring environmental sustainability, and

developing a global partnership for development.

"Our maternal mortality rates are appalling, quite excessive for a country of our economic development, as are infant mortality rates," said professor Julian May, Research Chair in Applied Poverty Assessment at the University of KwaZulu Natal who was not a participant at the forum. South Africa's current maternal mortality rate is a staggering 625 per 100 000 live births; its 2015 target is 38.

"A large part of maternal mortality are social attitudes: are women important enough to treat?" said Georgetown University Professor Katherine Marshall.

Improving the status of women can also have dramatic knock-on effects on economic and social development, said former WTO Director General Supachai Panitchpakdi, calling women "the most underutilised resources in Africa".

But Aids remains the largest contributor to maternal mortality, undermining the progress the country has made as a result of its good social policy programmes, such as access to ante-natal care.

"The intergenerational capital erosion caused by HIV/Aids" has also decimated the country's economic base by killing off millions of people in the prime of their productive lives, Professor Alan Whiteside, director of the Health Economics and HIV Research Division (Heard) at the University of KwaZulu-Natal, told forum participants.

While those participating debated the very validity of such broad, top-down and prescriptive standards as millennium development goals, they agreed that the goals help channel resources to priority areas and allow civil society activists and researchers to hold governments to account.

They have also transformed the way people think about poverty by engendering what Stiglitz called "a shift from poverty being inevitable to the eradication of poverty being inevitable".

At the same time, Marshall acknowledged that "telling people that, by 2015, only half of you will be poor is not good sermon material".

Despite these setbacks, Professor David Hulme, the Executive Director of the Brooks World Poverty Institute, sees the glass half full rather than half empty. "Most countries in Africa have been making progress on their millennium development goals. These have made a difference, though there is still much to be done," he said.

Much less progress has been made at the Doha Development Agenda, a stalled round of World Trade Organisation (WTO) negotiations focused on lowering trade barriers around the world.

Some forum participants criticised the Doha Development Agenda for favouring rich countries, with the UN's Jomo Sundaram declaring that "most of sub-Saharan Africa may not benefit from the Doha round".

But South Africa's ambassador to the trade organisation, Faisal Ismail, insisted on the necessity of less developed countries' participation in the global trade talks.

"The (Doha) round can in fact deliver for Africa," he said, adding that only by working within the WTO can African countries hope to turn it into an "inclusive and transparent" development institution.

"African countries have maintained solidarity in the WTO and are continuing to develop a common position", he said.

Underpinning this common position is a consensus that, in the words of forum organiser Professor Rorden Wilkinson, "market fundamentalism is a thing of the past".

Panelists rejected the prescriptive, Western-led neo-liberal policies that had once dominated the development and WTO agenda.

"We are seeing a global rebalancing", said International Relations professor and former Vice Rector of UN University Ramesh Thakur.

"For the first time in UN history, the Global South will be acting from a position of strength."

Delegates demanded non-reciprocal, 100 percent tariff-free access to Western markets and an end to agricultural subsidies.

Stiglitz passionately attacked the international copyright regime, while the outspoken Panitchpakdi caused a stir by imploring developing countries to spur both the advice and the conditional loans of the International Monetary Fund as his native Thailand did during the Asian Economic Crisis.

"Never again resort to the IMF; just stay away from them!"

Yet for all such denunciations of the so-called Washington Consensus, much less clear was what new international economic framework can replace it. And despite their unified opposition to Western trade barriers and farm subsidies, African countries continue to be very poorly integrated, with intraAfrican trade levels several times lower than trade among their counterparts in Asia and South America.

The situation led one exasperated civil society representative to demand: "How can you talk about African solidarity when milk from Uganda can't even enter Nigeria?"



Summing up the frustrations and challenges facing developing countries on Doha and millennium development goals, Lady Margaret Anstee, a retired senior diplomat who made history as the UN's first woman under-secretary, was blunt: "Any idiot knows what needs to be done. The question is how to do it."

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