Fair aid

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Global free trade: a good deal for who?

The best way to help Africa is to thoroughly reform international trading laws and to acknowledge that international aid is not working.

This controversial claim appears in *The Independent* (05 March 2004) and is drawn from a speech made at the Royal Geographical Society by Richard Dowden, Director of the Royal African Society.

Dowden suggests that aid donations are rooted in a 'missionary approach' to African development that needs to be critically re-examined. 'Billions of pounds worth of aid has poured into Africa in the past fifty years. I suggest as a starting point that the development of peoples, of societies, can only be done by those people themselves. It cannot be done by outsiders'.

However, this is only half of the process of change that Dowden advocates. For Africa to develop, MEDCs must further recognise that the current global terms of trade established by European and American nations are actively leading to the *underdevelopment* of Africa. This is due to a number of inter-related consequences:

- Huge subsidies paid to European farmers under the Common Agricultural Policy (CAP) make African imports relatively expensive to buy in comparison to European produce. This applies to any crop that can be grown within a European climate, such as most cereals and citrus fruits.
- Protective trade tariffs encircling the European Union (EU) force up the cost of African goods further when they are imported.
- To remain competitive, farm wages throughout the African continent have been forced down to such a low level that many cash-cropping farmers now experience poverty, whereas when they were subsistence farmers they did not.
- African farmers must compete for trade amongst crops that are not easily grown in Europe, such as coffee. Competition and over-production drives the prices of these crops down too.
- Aid could become unnecessary if MEDCs truly practiced free trade and extended it, through institutions such as the World Trade Organisation (WTO), to fully embrace agricultural produce and not just the manufactured goods and services that the West produces.

What are Britain's aid commitments?

Each year, the UK public donate £200 million to charities such as UNICEF and Oxfam. However, most aid consists of money raised by general taxation that is then given directly to other nations or international funding agencies by the British government. Currently, the UK spends £4 billion a year on international aid in this way. This compares with a £38 billion defence budget and £45 billion spent on education.

To reach the *Millennium Development* goals established at the turn of the century, we need to double the current global aid fund, to £8 billion, according to Clare Short MP, addressing the Global Development Forum last year (29 October 2003). However, many of the countries we give aid to are also numbered amongst our major trading partners. Why does this trade not bring them enough benefits without the need for additional aid? How do *terms of trade* figure in this picture?

Ending protectionism: a need for *real* free trade?

Aid is given to countries that are making insufficient profits from their trade to fully fund economic and social development. However, if Western protectionism were to end, argues Richard Dowden, then many African nations might not *need* to be given aid in the first place. For instance, it is difficult to import competitively priced cereals into the EU, due to the CAP subsidies given to European farmers. As a result, too many LEDCs are competing for coffee trade (a crop which cannot easily be grown within EU due to climatic reasons).

World coffee prices are now at a 30-year low but how much would this cup cost in the high street? ©FreeFoto.com

World coffee prices are now at a thirty-year low, with a price that is just 25% of the 1960 level in real terms. In the ex-British colony of Uganda – a major British Commonwealth aid recipient – national coffee earnings have fallen from $443 million in 1994 to $110 million in 2000, even though more beans were actually sold latterly! The same is true of Ethiopia, which is an important coffee exporter to the UK as well as being a frequent recipient of aid (notably money raised by the 1985 *Live Aid* concert that followed the devastating drought of 1984)

No wonder more aid is needed when incomes are in a state of freefall. At the same time, according to research by the Consumers' Association, EU food subsidies now cost the UK around £5 billion a year – the equivalent of £16 per family of four per week! (*The Guardian, Food* supplement, 17 May 2003). This exceeds the UK's total aid budget, much of which is, of course, aimed directly at major food-exporting nations.

Fairer trade?

Until CAP reforms occur, many British consumers are trying to make a difference to quality of life in African nations and other LEDCs by buying *Fair Trade* goods. These brands promise to return a greater share of profits to the farmers – just adding one pence to a jar of coffee can double the wages paid to the farmer. Newspaper reports last week confirmed that Fair Trade sales are rocketing upwards in the UK, as more and more consumers begin to consider the ethical issues involved here. Sales for all UK Fair Trade companies, such as Café Direct, have risen by 46% this year to £100m. All coffee sold in Co-op supermarkets is now Fair Trade sourced (*The Guardian, Jobs and Money,* 06 March 2004).

Commonwealth Day: are there *patterns* of international aid?

Yesterday (8 March 2004) was Commonwealth Day. 1.7 billion people, living in 54 countries, belong to the British Commonwealth, a voluntary association of countries that was established as the British Empire was ending in 1949. Many Commonwealth members are major recipients of British aid, as historical ties continue to inform the patterns, processes and flows of contemporary globalisation. Which African nations are included in the Commonwealth? Which other African nations might benefit from aid given by different MEDCs, and why?