

Committee: World Trade Organization (WTO)

Topic: Creating Greater Opportunity for African Economies



Report of the Chairs

Theme of the Conference:

Last year, at Austin High's inaugural conference, we challenged delegates to "compromise and collaborate" in order to come to equitable solutions. While our topics were of great nuance, they offered little complexity when it came to negotiation itself. The current roster of topics is thematically centered around the overcoming of this simplicity, including topics of debate that require successful delegates to not only understand relevant content and their national perspective but that they apply heightened diplomatic skills. A simple compromise that allows two sides of a debate to meet in the middle becomes problematic with topics like euthanasia or intellectual property theft. Creativity, as well as a willingness to negotiate from new angles, will be required if acceptable, or novel, solutions are to be found.

As delegates, we believe you will find, both through the deliberate encouragement of the chairs and execution of our background guides, that our topics this year will elevate debate beyond simple compromise.

I. Rationale

Africa is the second most populous continent, containing almost 17% of the world's population (Worldometer), but accounts for less than 3% of the world's GDP (GeoHive). Africa is the most impoverished continent, one in three people in sub-Saharan Africa are below the global poverty line of \$1.90 a day (BorgenProject). Africa is plagued with disease, corruption, and violence, significantly impairing economic activity in the region. The poverty Africa faces affect many facets of life for Africans all across the continent. While many more affluent nations have created programs and taken initiative to help the African people, the help these nations provide is not able to successfully combat poverty throughout the whole continent. Huge gaps in infrastructure further increase poverty and prevent international trade. At first glance the World Bank may seem to be helpful to the continent of Africa, however, after further examination, a

much darker history is revealed. New regulations or contracts must be created in order to allow the world bank to provide aid to African economies without negative repercussions. The World Bank's "Structural Adjustment Programs" should be removed or changed to favor African countries.

II. Background of the Topic

From the beginning, The World Bank has been injuring African countries' economies. In order to receive aid from the World Bank, African countries have had to open their nations up to western countries and corporations. Loans only became available to countries who would privatize many industries, and allow Western countries to take their resources through Structural Adjustment Programs or SAPs. The World Bank's intentions may be good, however they have done the opposite of what they intended to do. Beginning in the 1980's, the USA became the largest contributor to The World Bank, and has been increasingly using The World Bank as an extension of its power. These SAPs were implemented to provide a structure to give aid to developing nations. However, the SAPs have caused more harm than good and are in need of changes and renegotiation.

III. Contemporary Evidence of the Topic

In a recent study by the Structural Adjustment Participatory Review International Network, 4 major problems were cited. SAPs have destroyed domestic industry and led to widespread unemployment in African countries. After the implementation of SAPs in the 1980's, the GDP of Sub-Saharan countries fell by 25%. In Zimbabwe unemployment peaked between 35-50% unemployment, a significant increase largely due to the SAPs. The reduced tariffs and import tax rates forced by the SAPs led to the closure of many companies in Zimbabwe. Furthermore, the manufacturing in Zimbabwe continued to fall more than 20% between 1991-2000. SAPs also require the cutting of public funding and subsidies. This cutting of subsidies put many rice farmers in northern Ghana out of work, because without these subsidies, they could not keep up with competitive pricing.

Another large problem with these SAPs is that they have increased debt in African countries. Under these programs Africa's debt has increased by 500% since their implementations, totaling to over 300 billion dollars. 3/4ths of countries in Sub-Saharan Africa

are considered heavily in debt by the World Bank. Africa pays 15 billion dollars in debt to the richest countries in the world per year, which is money many of these countries do not have to spare. Under the World Bank, debt is being used as a weapon to manipulate African countries into being used to further Western economic gain.

Structural Adjustment Programs have also been used to essentially steal resources from African countries. SAPs make it easier for corporations to not only extract resources, but to also raise prices on fundamental commodities such as water and electricity. In the SAPRIN study it is stated that “liberalization, deregulation and privatization of the mining sector have enabled transnational corporations to remove resources and profits from poor countries while failing to generate sustainable economic growth that is of net benefit to national or local economies.” The SAPs are being used to control and attain resources, as well as forcing cheap exports to richer countries. SAPs have been used to exploit African countries’ financial crises for the financial gain of corporations.

Finally, The World Bank has stripped third world countries of its fundamental rights. SAPs leave countries no other choice than to privatize their water and healthcare sectors, and drive up prices. SAPs require governments to cut subsidies, forcing large amounts of food to be imported and putting many farmers out of work. While the majority of the African continent does not have access to clean drinking water, The World Bank, instead of helping, has only made the matter worse.

While The World Bank was created to provide aid and help countries in need, it has morphed into something different. Structural Adjustment Programs have begun to exploit African countries and are exacerbating the already prominent poverty in these countries. The World Bank should be used to help those in need, and not marginalize them. There is clearly need for modifications and new contracts from the World Bank in order to help correct these damages, and alleviate poverty on the African continent.

These SAPs, although they cause great harm, exist for a fairly logical reason. In a recent SAPRIN report, Muzaffer Ahmad defended SAPS by saying “The structural adjustment programme the Washington consensus claim is designed to eliminate distortions and elementary economics tells us distortions create allocative and distributive inefficiency. The programme was

aimed to stimulate growth in developing economies most of whom stagnated due to effects of external and internal shocks.” In order for the World Bank to provide loans to countries in need, there has to be structure in these nations. SAPs are aimed to cause economies to shift closer to market economies, minimizing the government’s role. By making this shift, countries will focus on exporting and producing, thus leading to growth. Structural Adjustment ensures that money loaned by the World Bank will be put to good use, and eventually lead to growth in impoverished countries.

Another issue adding to the complications behind the World Bank is the development of the Asian Infrastructure Investment Bank. The AIIB’s ambitions such as a reinvention of the silk road popularly known as “One Belt One Road”, have worried Western leaders for a variety of reasons. The AIIB could potentially provide aid to countries and push Chinese interests and a separate Chinese agenda onto these countries. This would mean that countries would negotiate with China for aid, and leverage their resources with China. This would allow China to gain increasing influence in developing countries across Asia and the rest of the world. The AIIB potentially undermines the World Bank's influence. Edward Prasad, a professor at Cornell called the AIIB “ an instrument for China to lend legitimacy to its international forays and to extend its sphere of economic and political influence even while changing the rules of the game,” (NYT). While the AIIB will surely have some stipulations, their aid could be much more accessible for countries not willing to completely morph into a market economy.

While Structural Adjustment has a logical base, SAPs have caused many problems on a continent already plagued with problems. Many feel that Structural Adjustment is not necessary and that the World Bank should respect national sovereignty. However, without Structural Adjustment, the World Bank has no assurance that their money will be well spent, or returned. The growing threat of the AIIB undermining the World Bank also calls for changes to SAPs. The UN must renegotiate the way aid is loaned on the continent of Africa and in the rest of the developing world. Structural Adjustment should be changed in order to allow developing countries to develop, but also provide assurance that loaned money is being put to good use.

IV. Note to the Delegates

Delegates please feel free to contact us with any questions you have regarding the conference or your individual research. You can email us at:

Grace Meinzer- gracemeinzer@yahoo.com

Elise De La Fuente- lafuente2016@gmail.com

V. Delegations

Algeria

Angola

Cameroon

Chad

China

Democratic Republic of the Congo

Egypt

Ethiopia

Germany

Ghana

Guinea

India

Japan

Kenya

Libya

Morocco

Mozambique

Nigeria

Rwanda

Senegal

South Africa

Tanzania

Tunisia

United States

Zambia

VI. References

- “Africa Population (LIVE).” *Population of Africa (2017) - Worldometers*,
www.worldometers.info/world-population/africa-population/. Accessed 21 Feb. 2017.
- “The GDP (in US\$) of Continents, Regions and Countries.” *GeoHive - GDP by Continent, Region and Country*, www.geohive.com/charts/ec_gdp4.aspx. Accessed 21 Feb. 2017.
- “10 Poverty in Africa Facts.” *The Borgen Project*, 25 Jan. 2017,
borgenproject.org/10-quick-facts-about-poverty-in-africa/. Accessed 21 Feb. 2017.
- Perlez, Jane. "China Creates a World Bank of Its Own, and the U.S. Balks." *The New York Times*. The New York Times, 04 Dec. 2015. Web. 15 Mar. 2017.
- Tructural. *STructural A Djustment P Articipatory R Eview I Nternational N Etwork* (n.d.): n. pag. Web.