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What Free Trade is Doing to Africa!

By Gregory Elich

So often we are told that the free market is the path to economic prosperity. All an impoverished nation needs to do is privatise, deregulate, reduce the size and role of government, cut tariff protections and open its economy to foreign investors, and it too can become a developed model economy. This gospel is preached by the US and Western European nations and enforced through international financial institutions such as the IMF, World Bank and the World Trade Organisation (WTO).

The neoliberal economic model, it is claimed, is beneficial for all nations and in all circumstances. But is it true? These assertions never acknowledge the actual experience of developing nations that implement these policies. To do so would dispel such notions. The effect of free trade on agricultural development in sub-Saharan Africa provides a characteristic example.

Ghana faithfully enacted structural adjustment programmes in the 1990s in accordance with agreements it had signed with the IMF and World Bank. Subsidies to farmers were ended and the state-run seed company was closed down. The removal of subsidies caused the price of fertiliser to skyrocket, with a predictable fall in consumption and its consequent effect on agricultural production levels.

Government programmes that actively supported farmers were ended, and loans by commercial banks to agricultural producers nearly dried up. Import tariffs were dramatically reduced and in many cases eliminated altogether. This led to a flood of cheap imports from abroad. Domestic smallholders were compelled to compete with imports from subsidised large-scale Western agribusinesses.

In the US, Western Europe and Japan, many billions of dollars are provided to rice growers each year, allowing them to set an export price at well below the cost of production. Local growers in sub-Saharan Africa simply cannot compete on equal terms, especially as they must manage without subsidies due to IMF/World Bank strictures.

Such "free market competition" has brought only hardship to Ghanaian farmers. Surveys in 2002 and 2004 found that two-thirds of rice growers in Ghana operated at a loss. "Why are we suffering?", a Ghanaian farmer asked. "Maybe the international lenders want us to be totally dependent on them."

Heavily subsidised tomato paste imports from the US and Western Europe into Ghana increased by more than five times in the decade ending in 2002. The wholesale closure of domestic tomato processing plants and storage facilities resulted, hampering the prospects of success for growers. On top of that, many plants were forced to shut down due to IMF-imposed structural adjustment plans. Offered for privatisation, these plants in many cases found no buyers, and thus had to cease operations in accordance with neoliberal principles.

One farmer commented on the local cannery in his area, which had "made things easier for us". But now it is closed. As a state-run firm, it was no longer allowed to operate without a buyer. "Selling our tomatoes is a game of chance," he said. "It's heartbreaking to stand here and watch the fruit go rotten."

Not surprisingly, given such factors, imports now account for 90% of the tomato paste sold in Ghana, leading the King of Asante, Otumfuo Osei Tutu II to comment recently: "We used to grow enough tomatoes here for our needs. We even used to have a tomato-canning factory in the north [of the country]! Today we import tomato paste from wherever, why? Why are we importing everything? You cannot be a mighty country or continent lying in bed and importing everything."

In Senegal, import levels of tomato paste have increased by a factor of 15 times, leading to a halving of local production. Throughout sub-Saharan Africa similar patterns are developing.

Poultry imports into Ghana have increased so much that many domestic farms are having to slaughter thousands of chickens a week due to market saturation. Hatcheries are operating at under half of their capacity. In Senegal, poultry imports over the six-year period ending in 2002 increased by a factor of 33 times, causing 40% of poultry farmers to go out of business.

Under WTO agreements, Ghana is permitted to raise the tariff on poultry to as high as 99%. But when the nation actually attempted to raise its tariff from 20% to 45%, the IMF threatened to halt future loan disbursements and the tariff increase was never put into effect.

Kenneth Quartey, owner of one of the largest poultry farms in Ghana, has had to slash operations and reduce staff due to competition from imports. "What you're breeding is a culture of dependency," he pointed out..

Agriculture is of primary importance to the economies of sub-Saharan Africa. Free trade and free market policies have brought only hardship. "Interestingly, in the countries where they subsidise, only about 5% of the population are farmers," comments the National Union of Cotton Farmers of Burkina Faso. "Here, farmers represent some 80% of a population that is becoming increasingly impoverished on land that is itself becoming poorer, without the least help from the state."

Christian Aid calculates that over the past two decades, sub-Saharan Africa has lost $272 billion from the effects of trade liberalisation. That money did not vanish. It is being transferred to wealthy corporate pockets in the developed nations.

It is worth noting that none of the developed nations achieved their economic status through free trade policies. Protectionist measures were essential for development. And nations such as South Korea that managed to successfully leap from developing conditions to developed economies did so through policies that ran counter to free market principles.

The free market mantra, as spouted by the West, is self-serving. It is only Western corporate interests that gain from neoliberal orthodoxies, which bring only privation to the many. What is needed is fair trade, not free trade.

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