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POLITICAL MANOEUVRE
Burundian president moves capital to a small provincial town

DRUG POLICY
USA and Colombia plan to destroy coca fields

DESERTIFICATION
Great Green Wall is built to stop the Sahara from expanding

Trade matters

In German in E+Z
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Title: Ship in the port of Dar es Salaam, Tanzania.
Photo: Ulrich Doering/Lineair

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FOCUS

Trade matters

Reasons for optimism

Since Donald Trump assumed office as US president, he has been disrupting international trade agreements. The tariff dispute he started with China is particurly worrisome. So far, however, he has not caused lasting damage. In our interview, Iwan J. Azis of Cornell University in New York state sees reasons for hope. **PAGE 18**

New opportunities

African governments are working on a continental free trade area. The idea is to boost private-sector companies' opportunities. Policymakers must yet rise to considerable challenges, write economists Mwanda Phiri and Kacana Sipangule. As a regional economic community, the ECOWAS has made solid progress, but Karim Okanla, a media scholar, sees further room for improvement. **PAGES 20, 22**

Driver of development

Ethiopia is considered a kind of economic miracle in Africa. Foreign trade plays a prominent role in the government's strategy, elaborates Alisa Kaps, a Berlin-based scholar. Christiane Laibach, the chief executive of the development finance institution DEG, explains why a liberal trade order facilitates development. The EU has been negotiating economic partnership agreements with Africa's regional economic communities since 2002. Monika Hellstern of D+C/E+Z assesses why the approach was always controversial and progress remains disappointing. **PAGES 23, 25, 28**

Iran looks isolated

To save the nuclear deal with Iran, Germany, France and Britain recently set up a special trading vehicle. The approach makes sense, but may prove too late, warns Maysam Behravesh, a PhD student at Lund University in Sweden. **PAGE 30**

Indian outlook

Emerging markets and developing countries figure ever more prominetly in India's evolving trade patterns. Praveen Jha of Delhi's Jawaharlal Nehru University reports. **PAGE 32**

OUR VIEW

Playing with fire

The system of world trade is in disarray. US President Donald Trump's "America first" agenda is only part of the problem. He did not start Brexit, and it is rocking the EU, the world's most important regional trade agreement. Moreover, the proliferation of bilateral and regional trade talks has been undermining the WTO for almost two decades.

Trade is an important driver of development. History shows that poor countries need export opportunities to generate employment, incomes and opportunities in general. The globalisation of trade has thus contributed massively to reducing poverty in emerging markets. China is the most spectacular, but not the only example. Least developed countries definitely need a liberal trade order.

While trade benefits all economies involved, it does not automatically benefit every person. Inequality has been increasing unacceptably in many places. As Paul Collier, the prominent development economist from Oxford University argues, policymakers have failed to spread the gains of globalisation fairly at the nation-state level. In his view, the current backlash against multilateralism thus results from a failure to make the most of globalisation's benefits at national levels.

Given that economic relations increasingly transcend borders, we should probably consider international regulations to limit and reduce inequality. It is bizarre, moreover, that we have no rules on international data flows in spite of their fast growing relevance. The greatest global challenge, of course, is to stop environmental destruction (see focus section of D+C/E+Z e-Paper 2019/02). Yes, the existing system of global governance needs to be improved, but no, dismantling the international trade order will not make it better.

The current escalation of tariff disputes and protectionism is distracting the global public from more urgent issues. Our top leaders should be focusing on achieving the Sustainable Development Goals (SDGs) that the UN has adopted in the 2030 Agenda. Instead, the global agenda is being set by irrational nationalists. The great irony is that the trade tensions will make all economies involved worse off. No nation will become "great" by turning its back on cooperation.

It is mildly encouraging that, so far, not much dismantling has taken place. The reason is that trade is beneficial, so a great diversity of stakeholders has a lot to lose. Governments normally avoid hurting constituents, and that has a bearing on trade diplomacy. That is why the new United-States-Canada-Mexico Agreement was negotiated so fast to replace the North American Free Trade Area (NAFTA) and only brought incremental change, not total disruption. In a similar way, the US-Chinese trade talks may yet result in viable compromise. That might also happen should Trump decide to impose additional tariffs on the EU. Moreover, a majority of British members of Parliament want to manage Brexit in a way to limit economic disintegration.

Nonetheless, brinkmanship in trade affairs is dangerous. Damaged trust takes a long time to repair. Perhaps the greatest risk is that some trade disputes overlap with military concerns. That is the case in the Middle East or the South China Sea, for example. Undermining multilateral agreements means to play with fire.

You'll find all contributions of our focus section plus related ones on our website – they'll be compiled in next month's briefing section.

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Photos: Leo Alvarez/picture-alliance/Sputnik/dpa; Colombian presidency/picture-alliance/AP Photo

Debate

Don't fan the flames

Venezuela's crisis is escalating. Both the opposition and the government are mobilising mass rallies. As Fabio Andrés Díaz Pabón, a PhD student in the Netherlands, argues in his first contribution in this issue, the threat of military intervention has acutally strengthened the hand of Nicolas Maduro, the autocratic president. **PAGE 11**

Tribune

Rekindling the war on drugs

Iván Duque, the president of Colombia, and Mike Pompeo, the secretary of state of the USA agreed to step up the war on drugs again by destroying coca fields with pesticides. Fabio Andrés Díaz Pabón explains in his second contribution why such repressive action may backfire. **PAGE 13**

Involve the local people

To limit desertification, a Great Green Wall of trees is being planted from coast to coast. The goal is to counteract the devastating impacts of the expansion of the Sahara desert on local people. Nnimmo Bassey, an environmental activist from Nigeria assess the efforts and emphasises the role of grassroots communities. **PAGE 15**

CHURCH-STATE RELATIONS

Prophetic speech and witness

Twenty-five years after the end of apartheid, South Africa is facing serious challenges. Majority rule has done too little to ease inequality. At the same time, corruption and state capture by private-sector interests have become important buzzwords. Church leaders are considering what role they must play in politics.

By Hans Dembowski

Thabo Cecil Makgoba is the Anglican Archbishop of Cape Town. He is in favour of engaging in what he calls "courageous conversations". The model case is a series of meetings with various stakeholders from South Africa's mining sector, which is marked by social tensions, especially after police killed dozens of miners in Marikana in 2012. The bloodshed shocked South Africa. It not only reminded people of the outrages of minority rule, but also made them aware of persisting inequality and poverty.

Participants in the courageous conversations include corporate managers, trade-union activists, members of the mining communities and officers of state agencies. The idea is to involve all relevant parties in coherent and comprehensive debate. Stakeholders must understand one another and take one another seriously if they want to find viable solutions. Makgoba hosts some meetings himself, but other clerics do so too, including a Muslim Imam.

Desmond Tutu and Nelson Mandela in Cape Town in 1995.

Photo: Holt/picture-alliance/AP Photo

Today, the Archbishop says courageous conversations could prove useful in regard to other conflicts. For instance, they might contribute to finding lasting solutions for land-ownership disputes.

Ndangwa Noyoo appreciates the concept, but thinks the churches should do more. He heads the Social Development Department at the University of Cape Town. Given that 80 % of South Africans are Christians, he considers the churches most relevant. Noyoo argues that the post-apartheid state is still marked by colonial lagacies. For example, the mining sector still relies on migrant workers.

In the professor's eyes, South Africa has a crude form of capitalism that lacks welfare institutions of the kind that are typical of Western European societies. Noyoo finds it unacceptable that 10 % of the people own 90 % of the wealth and insists that the role of big business in corruption needs to be examined. In his eyes, the churches would do well to put social justice on the public agenda more assertively.

Compared with today's political conflicts, the struggle against apartheid was simple. As racist minority rule was obviously immoral, the churches joined forces to oppose it, says Sithembele Anton Sipuka, the Catholic Bishop of Mthatha in the Eastern Cape Province.

Today, it has become more difficult to adopt a joint approach to politics. Sipuka considers social justice important, but acknowledges that some faith leaders emphasise spiritual issues and personal salvation. He warns, moreover, that it is not enough for people to be content with social grants they get from the government. He says faith leaders must teach the people that the role of the state is not to deliver handouts. Rather, it should empower everyone to take their fates into their own hands.

At the same time, Sipuka warns that the churches must engage in public discourse not only as speakers and teachers, but also as listeners and learners. Criticism in the media and civil society, for instance, contributed to the church's acknowledgement of sexual abuse scandals. The Catholic Bishop argues that all sides will benefit from open discourse and not shying away from sensitive issues.

In a similar sense, Nico Koopman, a professor of systematic theology at Stellenbosch University, argues that the goal is to build responsible citizenship. He is in favour of churches speaking "prophetically" in the sense of spelling out how things should be. Contemporary theologians also want them to bear witness, speaking truth

to power and indicating what is unacceptable.

PUBLIC THEOLOGY

Indeed, such courageous discourse is a foundation of democracy. Heinrich Bedford-Strohm, who chairs the board of Germany's Protestant churches, speaks of "public theology". In his perspective, faith-based organisations must be high profile actors in civil society. Accepting the authority of democratically elected governments, religious leaders must not be arrogant and should empathise with policymakers who face tough decisions, he says.

At the same time, the Lutheran theologian wants them to point out what policies are compatible with religious values. In Germany, Bedford-Strohm is a well known public advocate of refugees' rights. He finds it disappointing that journalists tend to quote his political statements, without mentioning that they are inspired by the gospel. Unlike hard borders and limits to migration, compassion and charity are fundamental Christian principles after all.

As Bedford-Strohm told a conference held in February by the Evangelische Akademie Tutzing, a Protestant institution, the churches are especially important in international political debate because of their vast global networks. Pope Francis' environmental encyclical Laudato Sí, for example, had global repercussions. According to the leader of Germany's Protestants, it was a valid, faith-based appeal for good stewardship of God's creation.

Isabel Phiri of the World Council of Churches, an international umbrella organisation of several hundred Protestant and Orthodox churches, similarly sees a global role for churches. She considers it to be a particular strength of major Christian denominations that they bridge the north-south divide.

Phiri emphasises that the Sustainable Development Goals are commensurate with the churches' Biblical mission. After all, the agenda includes social justice, peace and the protection of creation. At the same time, Phiri does not want the churches to adopt the SDGs uncritically. Indeed, she says that church action often goes beyond that agenda. She regrets the "religious illiteracy" of many governments, which is one reason why the SDG motto of "leaving no one behind" tends to resonate more strongly among faith-based organisations than government agencies.

We don't take orders from the government

Germany's constitution is called the Basic Law. It guarantees religious freedom among other unalienable human rights.

As Hans-Jürgen Papier, a former president of Germany's Constitutional Court, explains, religious freedom does not only mean that every person is free to opt for the belief of their choice. It also means that faith communities have the right to self-administration and that government agencies may not interfere in their affairs.

One implication, Papier argues, is that Muslim communities are entitled to receive funding from abroad to run Mosques in Germany. Another one is that Muslim women must be allowed to wear headscarves.

While church and state are separate in Germany, the Basic Law gives scope to extensive state-church cooperation. For instance, the national revenue service collects specific taxes from registered Protestants and Catholics. These taxes serve to fund the churches. In principle, Muslims could benefit too, Papier says. The reason they cannot do so is that mosques generally do not have a registered membership. That is in line with Sunni tradition, but does not fit the requirements of modern Germany's administrative system.

Moreover, German state-church relations are guided by the principle of subsidiarity. It means, for example, that many schools and hospitals are run by faith-based organisations with government funding. The government must ensure that facilities are available, but it must not run all of them itself and it must not obstruct institutions established by independent organisations. Faith leaders appreciate that the subsidiarity principle ensures the churches' autonomy.

In Germany, state-church cooperation extends to international-development affairs. Several faith-based charities get public funding for their development efforts. The most important are Misereor, a Catholic outfit, and Brot für die Welt (Bread for the World), a Protestant one.

According to Cornelia Füllkrug-Weitzel of Brot für die Welt, cooperation with the Federal Ministry for Economic Cooperation and Development (BMZ) is good. Brot für die Welt gets lump-sum funding and is free to use it according to its own guidelines, which the ministry appreciates.

Füllkrug-Weitzel wonders, however, whether Germany's Federal Government is similarly guided by the subsidiarity principle when interacting with agencies from developing countries. She notes that international donor institutions are increasingly interested in cooperating with faith-based organisations, and welcomes the establishment of PaRD (International Partnership on Religion and Sustainable Development) in this context. Members of PaRD include government agencies, international organisations, faith-based organisations and other civil-society agencies. The secretariat is hosted by the GIZ.

While recognising the value of cooperating with many partners, Füllkrug-Weitzel points out that churches and their charitable organisations aspire to be instruments of God. They don't see themselves as service agencies that take orders from governments or multilateral institutions. Accordingly, the subsidiarity principle is relevant in international relations. (dem)

LINK

International Partnership on Religion and Sustainable Development (PaRD):
http://www.partner-religion-development.org/

AFRICAN DEVELOPMENT

Continent of growth

At a discussion about German involvement in African development, a diplomat from Botswana and the CEO of an investment firm bring in African perspectives.

By Cema Tork

Gerd Müller, the Federal Minister for Economic Cooperation and Development, says that Germany's G20 presidency put Africa on the group's agenda, but that it needs to be put on the global agenda. At a recent panel discussion on economic growth in Africa in Berlin, he asked for support across policy lines to create broad societal alliances between Europe and Africa. Müller condemned tax evasion and corruption and questioned how long it would take for African countries to "catch up" to European standards. The themes he mentioned for this "catching up" to happen were repeated by the other speakers throughout the conference: green climate plans, human rights, women empowerment, anti-corruption authorities and democracy.

Hermann Gröhe of the CDU/CSU parliamentary group in the Bundestag also names values from the Marshall Plan with Africa, initiated by the Federal Ministry for Economic Cooperation and Development to support a European-African economic partnership, including the abolition of child labour and access to education for women. The Marshall Plan, published in 2017, lays out a ten-point plan outlining guidelines and goals for Europe's approach to African development. At the same time, the plan acknowledges the impracticality of applying a blanket solution across the entire continent of Africa, a point which Gröhe reiterates. He asserts that Germany's approach to supporting African development is not "western neo-colonialism" because Africans want investment in their development. Gröhe argues that fair-trade regulations would prevent disproportionate European profits at the expense of African workers. He emphasises that Germany did not achieve a successful economy on its own, and that African countries cannot expect to do so either. Gröhe refers to Africa as "the continent of growth" and calls upon parliament to give African development a priority in German politics.

A small business owner interested in investing in Ghana criticises the lack of support for German businesses wishing to invest in Africa, pointing out that German business owners have to bear the burden of an uncertain market. Mmasekgoa Masire-Mwamba, the ambassador-designate of Botswana in Germany, asked the audience to consider the difficulty of breaking into the market as an African business if doing so for a German company with capital and resources is already a challenge. She stresses the importance of supporting African initiatives and businesses, and defends the high capital requirements for foreign companies entering into the African market as a means of supporting African businesses against an influx of European companies.

Erick Yong, CEO of the international investment firm GreenTec Capital Partners, echoes Masire-Mwamba's views that African markets need to be protected from a takeover such as China's. He points out that European and American methods of development are not working for Africa. Rather than looking from a solely financial perspective, those playing a role in Africa's development should place themselves in the shoes of African entrepreneurs, he says. Yong's company assesses small companies in Africa individually, offering them resources tailored to their needs. He says that almost every project has potential, and that success lies in the resources provided.

Small businesses need personalised support: electronic supplies store in Uganda.

Photo: Schulten/picture-alliance/imageBROKER

LINK

Marshall Plan with Africa:
https://www.bmz.de/en/publications/type_of_publication/information_flyer/information_brochures/Materialie270_africa_marshallplan.pdf

ANTI-DEMOCRATIC POLICIES

The threatening danger of fascism

All over the world, anti-democratic, repressive and destructive forces are getting stronger. Madeleine Albright, the former secretary of state of the USA, warns of new fascist dangers.

By Dagmar Wolf

There is no general definition for "fascism", writes Albright, who is a political scientist. In her recent book "Fascism: A Warning", she defines fascism less as a political ideology than as means of gaining power and preserving it. In her view, fascism means that "a single party, speaking with one voice, controls all state institutions, claims to represent the whole people, and calls this illusory world the triumph of the people's will". She considers the term "populism", which is often used in a similar sense (including in D+C/E+Z), to be too imprecise. She argues that every political movement is partly "populist" in some sense, and that this is not bad per se, provided that political competition is given.

Albright's family originally came from Prague. As a child she had to flee from forces she calls fascist twice: first from the Nazis and later from the Communists. Finally, the family settled in the USA, where Albright became a member of the Democratic Party and rose to become secretary of state under President Bill Clinton from 1997 to 2001. Based on her own experience and her political career, she now assesses the reasons why fascist forces are rising once more.

In many countries today there is a climate that is reminiscent of the early 20th century:

- growing nationalism,
- economic problems,
- fear of technological change and the associated mass unemployment plus
- general dissatisfaction with governments.

Fascism feeds on that general mood, and fascists know how to use it, Albright states. They reduce complicated facts to catchy slogans and offer simplistic answers to complicated questions. Fascists split society, for example by claiming that one single enemy is behind many problems.

Undemocratic politics are increasing worldwide (see D+C/E+Z briefing "Populist politics"). Albright spans the globe from Latin America to the USA, Europe, Russia and Asia. She sees radical nationalist movements gaining attention through the media, conquer parliaments and poison public debate with prejudice and hatred in all world regions.

Madeleine Albright signing copies of her book in April 2018 in Washington.

For example, fascism is threatening the European idea, the former policymaker states. Problems such as over-bureaucratisation or the response to legal and illegal migration alienate citizens from the EU. Britain's exit negotiations are a culmination.

Of course, the book includes a chapter on Donald Trump. To Albright, he is by far the most undemocratic president in American history, seeing the world as a battlefield where each country intends to dominate the others. Albright accuses him of neglecting lessons learned from the Second World War. They included that nations thrive best when they strive for common security, shared prosperity and common freedom. She insists that helping partners to develop their economies or to create a collective defence against common threats is not charity, but serves the interests of all parties involved. To ignore the problems of other countries sooner or later increases the risks one faces oneself.

Today, fascism and fascist policies pose a more dangerous threat to freedom, prosperity and peace worldwide than ever before since the Second World War, Albright writes. What is dangerous about fascism is that it comes incrementally. Fascists are often democratically elected. Once in power, they try to eliminate democratic forces and institutions in order to consolidate their power, the author says. The temptation to close one's eyes and hope that the worst will simply pass by is great. But a look at history shows that this can be wrong. If we do not defend our freedom, one morning, we might wake up a fascist state, Albright warns.

BOOK

Albright, M., 2018: Facism: A Warning. New York, HarperCollins Publishers.

Photo: picture-alliance/dpa

FRAGILE STATES

A quarter-century-long task

Experience in Afghanistan has shown that help for fragile states must be administered over the long term.

By Theresa Krinninger

In Afghanistan, the radical Islamic Taliban still clashes daily with the government's security forces, despite ongoing international efforts to find a political solution. What's more, poverty rates in the country have climbed from 39 % to 54 % over the past five years even though donor countries have invested billions. At a conference hosted by the KfW Development Bank in January in Berlin, participants discussed how lessons learned from almost two decades of crisis work in Afghanistan should apply to other fragile states.

A training camp for Afghan police forces under the purview of the Bundeswehr.

According to data from the OECD, around 1.8 billion people currently live in 58 fragile states and regions, most of which are located in sub-Saharan Africa, the Arab region and central Asia (see article by Katja Dombrowski in D+C/E+Z e-Paper 2018/11, Monitor section). Their governments are either unable or unwilling to guarantee security, enforce the rule of law and provide basic social services. State institutions are weak, and arbitrary political action, violence, corruption and poverty are widespread. Fragility is a lasting and growing phenomenon.

According to the Aga Khan, the leader of 20 million Ismailites and founder of the Aga Khan Development Network (AKDN), one of the largest private development organisations (see article by Alphonce Shiundu in D+C/E+Z e-Paper 2017/12, Focus section), there are three essential principles for working successfully in fragile regions:

- concentrate on the local level,
- consult with everyone involved and
- invest in private enterprises and civil-society organisations.

"In fragile situations, it is easiest for donors to build trust and establish credibility at the local level," the Aga Khan said at the KfW event. The AKDN is an important partner of Germany's Federal Foreign Office and the KfW Development Bank in Afghanistan. Since 2010, they have jointly invested around € 100 million in infrastructure projects like schools, streets, bridges and government buildings in northern Afghanistan.

The Aga Khan's second principle reflects his commitment to pluralism. He believes that a society must make it possible for different interests and lifestyles to coexist peacefully. "In fragile contexts, therefore, everyone involved has to be consulted and every member of the community must benefit," he emphasised. Finally, he stressed the importance of civil-society organisations. "They provide continuity and stability in those places where the politics and security situation are unstable." According to him, Germany should remember these three principles in its future work in Afghanistan and other world regions. "The world needs Germany's principled and pragmatic leadership now more than ever."

Jürgen Trittin is critical of Germany's role, however, particularly with regard to Yemen. Trittin is a member of the Bundestag's Committee on Foreign Affairs and belongs to the Green Party. His warns that Germany's Federal Government "should not exacerbate the crisis situation by supplying weapons to the warring parties" in crisis areas. However, Saudi Arabia is an important buyer of German munitions and directly involved in Yemen's civil war. In the third quarter of 2018, the German government approved exports to Saudi Arabia amounting to roughly € 254 million.

A multi-front war has raged in Yemen since 2015, and no political solution is in sight. The UN has called it the largest humanitarian crisis in the world.

At the same time, the war in Afghanistan is entering its eighteenth year. That is how long Germany and NATO allies have been involved. Nevertheless, the Taliban have been able to regain control of large parts of the country. In spite of these difficulties, Trittin believes that long-term engagement is the key to stabilisation. "That includes the willingness to commit to the region for a quarter century and the courage to finance the operations from beginning to end," he says. The possible partial withdrawal of the US from Afghanistan that President Donald Trump announced in December is very problematic in his view.

If US troops pull out, Minister of Defence Ursula von der Leyen wants to end Germany's engagement in Afghanistan too. The security situation would probably deteriorate, which would also cause aid organisations to withdraw their employees. That would mean losing the most important thing: the trustworthy network that makes the work of organisations like the AKDN possible in the first place.

Photo: Kietzmann/picture-alliance/imageBROKER

Soldiers abduct protesting citizens

In January, Zimbabwe's President Emmerson Mnangagwa announced a fuel-price hike of over 150 %. In response, violent protests broke out across the country. The military quelled the protests. Since then, armed groups and security forces have abducted an unknown number of people.

In the night of 17 January, Andrew Muyendamberi was arrested by armed soldiers in a wave of crackdown on civilians, following protests against the fuel-price hike. Later on, soldiers came back to kidnap his wife. Their three children fled from home in fear. More than a month later, Muyendamberi's 29-year-old son Agrippa says his parents are still detained at Harare Remand Prison. Soldiers had beaten them, he claims, accusing them of "influencing violent anti-government protests in their area". According to Agrippa, however, his father's offence was "merely being vocal against the crisis in the country". Inflation in Zimbabwe is at 40 %, so many people cannot even afford food anymore.

Muyendamberi's case is not singular. Richmore Gura says that soldiers came to look for his brother Dan, a well-known political activist. "Dan was not at home, so the soldiers seized my sister instead. Three days later we found her – she had been raped, tortured and dumped naked by the roadside." Cephas Mashayamombe, the brother of Shadreck Mashayamombe of the opposition party MDC, was abducted by armed men wielding AK-47 guns and driving an unregistered vehicle. He was later found naked dumped in a ditch. He was so badly hurt that he now has to use a wheelchair. His brother is still on the run.

Human-rights lawyer Doug Coltart says that it is unclear who exactly conducts the raids. An investigation by the independent media outlet The Zimbabwean shows that forced disappearances and abductions are not a new phenomenon, but are "widely used as a form of intimidation, control, and punishment in Zimbabwe, particularly during times of political instability." According to the online news outlet, "state security agents have used abduction as one of many methods to reduce and threaten opposition support". Between 2000 and 2016, 5,894 abductions have reportedly been documented. "The vast majority of abduction victims in Zimbabwe are severely tortured," the report concludes.

Citizens are living in constant fear. "Men with their faces covered with balaclavas are going from door to door at night," says 30-year-old Mendisi Chuma, "and the next morning, more persons are missing." In January alone, about 700 people were arrested. The abductions have called the attention of foreign diplomats in Zimbabwe. The US embassy calls "on the government to respect human rights, hold accountable those responsible for human-rights violations, and immediately end all violence by government forces," according to a statement.

LINK

The Zimbabwean: Abductions in Zimbabwe 2000 to 2016.
http://www.thezimbabwean.co/wp-content/uploads/2016/03/Abductions-in-Zimbabwe-2000-2016.pdf

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LEFT-WING POPULISM

The currency of Venezuelan politics

In late February, Venezuela's political crisis was escalating. Both the government and the opposition used mass rallies to show their strength. The international community should not fan the flames.

By Fabio Andrés Díaz Pabón

The mobilisation of protestors in Venezuela is a response to the hardships people are facing. The government of President Nicolás Maduro has mismanaged the economy and curtailed political rights. People suffer food shortages, unemployment, hyperinflation and increasingly precarious health care.

The multitude of protest marches since January is not new. For more than a decade, similar demonstrations have been recurring. They are a standard tool of political mobilisation. Maduro's camp uses them too. Hugo Chávez, Maduro's predecessor, was a left-wing populist whose promise of social justice appealed to masses of people. Chavistas have always used rallies to consolidate their power.

The main difference between previous opposition protests and the current rallies is that marches against Maduro are now taking place in former Chavista strongholds and even include former Chavistas. Huge opposition rallies not only challenge the power of the government that claims to directly represent "the people". They fracture its legitimacy. In the same sense, mass mobilisation by the government boosts its credentials. Mass mobilisation is now the currency of Venezuelan politics.

Observers have counted more than 2,500 opposition marches this year. It is no coincidence that Juan Guaidó, the opposition leader and speaker of the legislature, swore himself in as interim president during a march. He has a reputation of a moderate who is not linked closely to the oligarchy. He appeals to people who are angry for a broad spectrum of different reasons, including political, economic and social grievances.

In response, the Chavistas are mobilising too. They want the domestic and international public to see that the opposition does not represent the whole population of Venezuela. At the same time, military drills are broadcast to prove that Maduro still enjoys the support of the armed forces.

Pro- and anti-Maduro rallies are happening in other countries, moreover, with repercussions in Venezuela. The so-called "international community" has an impact on the domestic balance of power.

A significant number of foreign governments, including from the EU, has taken an anti-Maduro stance. They demand a regime change. For several reasons, this approach is dangerous:

- Explicit threats of military intervention by the US administration were probably meant to intimidate Maduro, but they have actually strengthened him. Venezuelans value their sovereignty, and the military leadership is mostly rallying behind Maduro.
- Venezuela has the world's biggest oil reserves. Fears of escalating political violence are driving up the oil price, so the revenues of Maduro's government are increasing. The higher the oil price rises, the better his chances of staying in power become.
- International polarisation is pushing the Maduro government into the corner of China, Russia and other powers that want to enhance their global influence.
- US President Donald Trump and Brazilian President Jair Bolsonaro are unconvincing advocates of democracy in Venezuela, because they have shown contempt for relevant principles at home and abroad. It adds to the problems that Elliott Abrams, the special US envoy for the crisis in Venezuela, has a history of backing violent right-wing extremists in El Salvador, Nicaragua and Guatemala during civil wars in the 1980s.

The threat of military intervention is destructive. Ousting the regime of a resource-rich country by force has regularly resulted in civil war and the collapse of state institutions. There is no reason to believe things would be different in Venezuela.

Guaidó is aware of these risks. The opposition wants a political transition, not a civil war. Therefore, Guaidó offered amnesty to leading Chavistas – including Maduro – and the security forces. In this difficult situation, foreign governments must not fan the flames. The challenge is to support legitimate demands for democratic governance without playing into the hands of the Chavistas. Mexico and Uruguay are setting a good example by insisting on negotiations between Venezuela's opposition and government.

Opposition leader Juan Guaidó addressing a rally in Caracas in early February.

Photo: Leo Alvarez/picture-alliance/Sputnik/dpa

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GOVERNANCE

Burundi is moving its capital

As of the start of this year, Burundi officially has a new capital: Gitega. Bujumbura will remain the economic capital. According to critics, the small city of Gitega is not prepared to be the capital. They see the move above all as a political manoeuvre by President Pierre Nkurunziza.

By Mireille Kanyange

Interior Minister Pascal Barandagiye has given multiple reasons for moving the capital. First, he claimed that the move represents the will of the people, and that the president announced his intentions a long time ago. Second, the move would bring government agencies closer to the people: Gitega is located in the centre of the country, while Bujumbura lies far to the west along the coast of Lake Tanganjika. From this geographical position, Barandagiye argues, Bujumbura can no longer fulfil all of its important tasks. For instance, it is difficult to provide security because the army is stationed close to the lake. The ultimate goal, according to Barandagiye, is to deconcentrate Bujumbura. He also pointed out that the constitution permits the capital to be moved to "any other location in the republic" and also allows the political and economic capital to be separated.

In the National Assembly, which had to approve the bill, numerous representatives expressed the reservation that Gitega, a small city with about 30,000 residents, was not suited to become the capital. It had already been the capital until Burundi's independence in 1962 and was the traditional seat of the monarchy. Critics also cited a lack of infrastructure and a shortage of water and called attention to what the move would mean for the overstretched state budget and families separated by the approximately 100-kilometre-distance between Bujumbura and Gitega. Some also questioned why such a project was necessary before the upcoming elections in 2020. Nevertheless, representatives – including the opposition – overwhelmingly voted for the measure. There was only one "no" vote.

The senate has already moved, and the transfer of five ministries, multiple government commissions and the constitutional court is in the works. The move is scheduled to last a total of three years. Pascal Nyabenda, the president of the National Assembly, has warned against rushing and announced that the lower chamber had formed a committee to review the feasibility of the move. Decisions will be made on that basis, he says.

A commission was also formed and a master plan drafted to address the lack of offices, roads, restaurants, hotels and other infrastructure. A delegation from the African Development Bank visited Burundi in February and promised financial support for the project.

Critics believe that the true motive for the move is the fact that Nkurunziza lacks support in Bujumbura, which is considered an opposition stronghold, and therefore does not feel safe there. The president had already announced his intention to move the capital years ago. Since the attempted coup in May of 2015 he has not appeared at large public events in Bujumbura, though he did participate in the Unity Day festivities in Gitega Province on 5 February of this year. That was also where he launched the campaign for the controversial constitutional referendum in June of 2018 (see my article in E+Z/D+C e-Paper 2018/07, Debate) and where he ultimately signed the constitution and officially declared that he would not run in the 2020 elections. Some in the opposition go so far as to view the movement of the capital to the seat of the former kingdom as a symbolic step towards a return to monarchy.

President Pierre Nkurunziza has long preferred Gitega to the former capital of Bujumbura. He signed the new constitution there in June 2018.

Photo: Evrard Ngendakumana/picture-alliance/Photoshot

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VIOLENT STRIFE

Rekindling the war on drugs

In early 2019 Iván Duque, the president of Colombia, and Mike Pompeo, the secretary of state of the USA met in Cartagena. They discussed the issues of increasing coca cultivation and rising cocaine production in Colombia and the impacts of both trends on the USA. The policymakers agreed to step up the war on drugs again by destroying coca fields with pesticides.

By Fabio Andrés Díaz Pabón

The background is that the drugs crisis in the USA has been worsening. The New York Times reports that 70,000 people died of drug overdose in the USA last year. By comparison, the Vietnam War cost the USA about 58,000 lives. According to the National Institute on Drug Abuse, a government agency, 17% of the inhabitants of the USA over 26 years of age report that they have used cocaine in their lifetime. Moreover, the cocaine-related overdose death rate has increased by 3.5 times from 2010 and 2017.

When President Duque ran for office, he argued that the increase of coca crops was a consequence of the permissiveness of the previous government. Juan Manuel Santos, his predecessor, had stopped the spraying of illegal crops with pesticides. The chemicals were found to cause cancer. His decision, moreover, was an important signal in his government's peace negotiations with the FARC-EP militia.

Repressive action against coca farmers has contributed to escalating Colombia's long civil war in the past. Indeed, the drugs trade is intricately linked to the conflict. Illicit crops are grown and narcotics are produced where various armed groups have established themselves. They could do so because the state has proven unable not only to delivering development, but even to assert its role as a legitimate force.

Therefore, the issues of illicit crops, drug trafficking and rural development were high on the agenda of the peace talks. Agreements were made to develop the areas where coca is grown. Relevant measures included coca crop substitution, the formalisation of land ownership and infrastructure programmes. The idea was to bring the state closer to marginalised citizens. The Santos government launched voluntary coca-crop substitution programmes, many of which have run into difficulties however. As scholars from the Fundación Ideas Para La Paz (Ideas for Peace Foundation), a civil-society outfit, have pointed out, reasons include the change of government and bureaucratic hurdles which are compounded by the clientelistic nature of the state.

UNINTENDED SIDE EFFECTS

Experience shows that attempts to eradicate illicit crops by repressive action do not work. The idea behind chemical spraying or manual destruction of fields is basic: if coca harvests are reduced, cocaine producers will

By starting to destroy coca plantations with pesticides once more, Colombia and the USA are set to make organised crime stronger, not weaker: Secretary of State Pompeo (left) visiting President Duque in January.

Photo: Colombian presidency/picture-alliance/AP Photo

not be able to process the raw materials they need. That in turn, will make cocaine more expensive, which, in theory, should depress demand and, in a virtuous cycle, further reduce cultivation.

That reasoning is flawed. It ignores several important aspects:

- Production does not drive demand. It is the other way round. As drug consumption keeps increasing in the USA, which is the world's most important cocaine market, prices go up. Coca cultivation and cocaine production rises accordingly.
- Drug producers have demonstrated their ability to improve their productivity, making more cocaine with fewer coca leaves. At the same time, Colombia is a huge country, and there is a lot of land in remote areas where coca can be cultivated.
- Restricting supply does not lead to price increases that might make cocaine unaffordable. Users – and especially addicts – are willing to pay any price.
- The untended side effect of driving up cocaine prices are higher profit margins in the illicit drugs trade. Criminals are thus empowered to fund armed groups and to provide more incentives to coca farmers.

Colombia has a long history of trying to eradicate the cultivation of illicit crops (coca, marihuana and opium poppies). Since the 1970s, these efforts have not been successful. Tens of billions of dollars have been spent on spraying chemicals, but some crops always survived. Unfortunately, the belief that eradication will eventually work, has not died either.

There are two main drivers of the illicit drugs economy in Colombia: the growing demand in the USA and deeply entrenched poverty in Colombia, especially in remote areas. Unless these issues are addressed, any repressive policy is doomed to fail.

In 2015, Colombia's national census of rural husbandry (Censo Nacional Agropecuario) showed that 20 % of children aged between 5 and 16 years in rural areas did not go to school. More than 70 % of the age group 17 to 24 lacked access to any kind of formal education. The lower estimate for the poverty rate in rural areas was around 44 %. Such data reflect the social conditions of the places where coca is grown. The communities concerned simply lack alternative sources of income. They lack opportunities and are exploited by the illicit drugs industry.

Over the decades, repression has only alienated poor peasants from the Colombian state. It did not reduce the illicit drug trade's revenue, but actually helped it to entrench its business model and financed armed groups. To the grassroots communities concerned, state agencies became the enemy. Armed groups became defenders, and the state became an aggressor.

If the Duque and Trump administrations were serious about getting tough on the production of drugs and the coca crops, they would not start spraying pesticides again. That strategy has been tried, and it does not work. A more promising approach would be to increase the state's positive presence in the relevant areas, challenging the local supremacy of armed militias there. Apart from providing security, the state should build infrastructure and ensure that people get the public services they need – from electric power to health care and education. So far, the state is basically absent however, and since it has never done anything for poor farmers, it is then predictable that farmers side with whoever has a presence in their territories.

ISSUES OF HEALTH AND FINANCE

If demand decreased in the USA, that would obviously weaken the drugs trade. However, repressive policies in the USA have failed to achieve that. For decades, the authorities considered drugs a crime issue, but harsh law enforcement and mass incarceration have not reduce demand. The USA would be well advised to treat drugs abuse and addiction as health problems (see interview with Steve Rolles in focus section of D+C/E+Z e-Paper 2018/12). Doing so and addressing the cultural norms that relate to drugs consumption might make a difference.

At the same time, it would be important to focus on the finances. Restricting the flow of drug revenues to Colombia is critical. Huge sums are involved. It is unlikely, that this money entirely bypasses financial institutions. It is irritating that policymakers who claim to be tough on drugs hardly ever discuss issues that relate either to health or the financial sector.

Renewed pesticide spraying will lead to the disaster of armed violence escalating via the financial incentives for armed groups and traffickers. That will cause massive suffering. The deep irony is that the leaders who claim to bring order and fight drugs, in fact actually perpetuate both addiction and violent crime. Duque is popular among opponents of the peace process, and Trump, in spite of his many legal problems, thrives on law-and-order rhetoric. In a perverse way, leaders of this kind can become stronger not by solving problems, but by making them worse. Ultimately, their relationship with organised crime is symbiotic – whether they know it or not.

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CORRECTION, D+C/E+Z E-PAPER 2019/01, TRIBUNE, P. 13

One question in our interview with Joachim Nagel, the KfW board member, was too sloppy. It should have read: "The Inter-governmental Panel on Climate Change warns that we must decarbonise the world economy by 2050, and that means reducing emissions by half in the next 12 years…". Instead, we asked: "But we only have 12 years left for decarbonisation…". We apologise for the inaccuracy. Nagel's answer remains correct, he pointed out what action needs to be taken.

DESERTIFICATION

Involve the local people

Desertification is a major problem in large parts of Africa. It leads to social and economic problems and sometimes even causes violent conflict. Since 2007, a living barrier of trees is being created across the continent to stop the Sahara from expanding. Nnimmo Bassey, a Nigerian environmentalist, assessed the project in an interview.

Nnimmo Bassey interviewed by Katja Dombrowski

An 8,000 kilometre long belt of trees is being planted from Senegal to Djibouti. It will be the so-called Great Green Wall (see box next page). So far, 15 % of the work has reportedly been done. Will this project stop the Sahara from expanding?

The idea of building such an 8,000 kilometre long, 15 kilometre deep wall is great. The undertaking has many implications, and stopping the desert sounds like an interesting target. However, the desert is not marching like human beings. The trees cannot stop the Sahara from expanding unless they are well maintained and become an integral part of a complex ecosystem that supports the economic and socio-cultural activities of the communities in the zone. That way, the local people must support the project. In Nigeria, however, we don't see sufficient community buy-in so far. Over the years, the government has organised annual tree-planting exercises, but the people are not integrated in the process and don't see why they should help to maintain the trees planted in those ceremonies. They regard it as a government project, not as their own. Another problem is that in some places, the trees are not local species, so they don't survive under the given conditions or are simply not relevant to the people.

Did the tree-planting events start with the Great Green Wall project in your country?

No, it has been going on before. The Great Green Wall project has brought about more coordinated efforts at regenerating the vegetation in the belt.

A pan-African tree planting project to fight desertification.

Why and how does desertification take place?

Well, desertification means that certain places change into deserts. That can happen anywhere. Here in Nigeria there are two main causes: climate change and poor management of the environment. This includes the management of irrigation systems. Climate change causes water stress and drought. Among the man-made factors, pastoralism and overgrazing matter most.

What are the impacts of desertification?

It causes internal migration by displacing people from their homes. The main reason is water stress: fertile lands are lost, and agriculture is severely restricted. I would call the affected people climate refugees. Take Lake Chad in north eastern Nigeria as an example: it is almost dried up – less than five percent of its original size remain. Thousands of farmers, fishers and pastoralists have become refugees and left the area. Others have lost their homes and economic means. The displacement is a contributory factor to the violent conflicts in the area and Nigeria's middle belt (see Lea Diehl in D+C/E+Z e-Paper 2018/09, Monitor section).

What can be done to stop this trend?

The most important thing is that people need water, so watersheds must be protected. Tree-planting is crucial too. There are indigenous trees that are able to conserve water in the soil. Those species have to be used for the Great Green Wall. To make the project successful, local actions and knowledge must be utilised, and the local people must be fully integrated in the process of planning and execution of the project.

Can you give examples of such action?

Sure. Last year, two of the laureates of the Right Livelihood Award were recognised because they were able to restore dry lands. One of them is Yacouba Sawadogo, a farmer from Burkina Faso. He used a local technology or method called "zia" that involves stone ridges and the application of compost to grow a variety of trees and regenerate overall vegetation. The trees are now greening an area of Burkina Faso that would otherwise be semi-arid. The other person is Tony Rinaudo, an Australian agronomist and pioneer of farmer-managed natural regeneration. He brings roots back to life – it's almost like magic. He works with local farmers to prune and bring roots in the soil back to life. It is as if we were walking on forests, there are dormant roots beneath our feet! Both methods are very sustainable and re-

Map: picture-alliance/AP Images/Source: Green Wall Initiative

quire little external inputs. They should be copied in other places.

Stopping desertification is not the only goal of the Great Green Wall. Which other effects are important?

I think the other goal is to make the region a vibrant area of a mix of economic activities. The Great Green Wall must generate such economic activities. It is designed to stimulate agriculture and make people manage the soil better. We have to restore small-scale farming. Large monocultures don't help, they are environmentally destructive because they require so much water and chemical inputs. It is important that the Great Green Wall does not become a Great Green Plantation. If we don't restore and support smallholder farming, the livelihoods of most local people will keep deteriorating, and they will not see any reason to get involved in environmental action. So, in the end, it depends on how it is done. A Great Green Wall consisting of a monoculture of exotic or even genetically engineered trees will be absolutely worthless. But if it's done right, the wall will be very useful. Done well, it'll be direct economic and climate action, with masses of people involved. We are both hopeful and cautious.

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The Great Green Wall

The Great Green Wall initiative aims to restore Africa's degraded landscapes and in the process transform millions of lives in the Sahel region. It was launched in 2007 and is now about 15% underway. By 2030, the ambition is to restore 100 million hectares of degraded land, sequester 250 million tonnes of carbon and create a minimum of 350,000 jobs in rural areas. Once complete, the Wall will be the largest living structure on earth – an 8,000 kilometre long belt of trees stretching across the entire width of the continent.

The project is being implemented in more than 20 countries across the Sahel region, from Senegal in the West to Djibouti in the East. More than $8 billion have been mobilised or promised in its support. The initiative brings together African countries and international partners, under the leadership of the African Union Commission.

Amongst others, the Great Green Wall initiative promises to boost food security and resilience to climate change, create thousands of jobs for the communities along the path, especially women and young people, and address urgent threats to the people of this region such as drought, famine, conflict and migration.

Major progress has already been made in restoring the fertility of Sahelian lands, according to the UN Convention to Combat Desertification (UNCCD), one of the key partners in the initiative. Examples include:

- Ethiopia: 15 million hectares of degraded land restored. Land tenure security improved.
- Senegal: 11.4 million trees planted. 25,000 hectares of degraded land restored.
- Nigeria: 5 million hectares of degraded land restored. 20,000 jobs created.
- Sudan: 2,000 hectares of land restored.
- Burkina Faso, Mali, Niger: about 120 communities involved; a green belt created over more than 2,500 hectares of degraded and drylands; more than 2 million seeds and seedlings planted from fifty native species of trees.

The initiators emphasise that the Great Green Wall makes a vital contribution to the Sustainable Development Goals (SDGs) and that it is a global symbol for humanity overcoming its biggest threat: the rapidly degrading environment. On its website, the initiative states: "It shows that if we can work with nature, even in challenging places like the Sahel, we can overcome adversity, and build a better world for generations to come." (kd)

Overgrazing is one of the problems that turn grasslands into deserts, here in Namibia.

LINKS
The Great Green Wall initiative:
http://www.greatgreenwall.org
UN Convention to Combat Desertification (UNCCD):
https://www.unccd.int

Photo: Bannister/picture-alliance/NHPH/photoshot

The cut-flower industry is generating jobs and incomes in Ethiopia.

Photo: Ton Koene/Lineair

Trade matters

The rules-based system of international trade is under attack. So far, disruption does not seem to have caused lasting damage, though it is reducing opportunities around the world. Since exports have historically proven to be a driver of development, a liberal trade order serves the interests of small economies with poor populations. Strong trade relations, morevoer, make war less likely. Regional integration in economic communities makes sense, but is not substitute for the multilateral World Trade Organization.

This focus section directly relates to the following Sustainable Development Goals: SDG 8 (decent work and economic growth), SDG 9 (industry, innovation and infrastructure), SDG 10 (reduced inequalities) and SDG 17 (partnerships for the goals). It also has a bearing on the entire SDG agenda.

Not much is new, apart from the name: Enrique Peña Nieto, Donald Trump and Justin Trudeau (front row from left) celebrate the signing of the United States-Mexico-Canada agreement in November 2018.

"Light at the end of the tunnel"

For decades, US trade policy was basically geared to multilateral liberalisation. When US President Donald Trump took office in January 2017, he looked determined to take a different approach. One of his slogans was "America first". Two years on, Trump has certainly proved disruptive, not least by starting a tariff war with China. It is not clear, however, that he will manage to cause lasting damage. Iwan J. Azis of Cornell University sees reasons for hope.

Iwan J. Azis interviewed by Hans Dembowski

How do you assess the current trends in world trade?
Well, multilateral institutions such as the International Monetary Fund are scaling down their forecasts. World trade certainly is slowing down. While newly imposed tariffs have not necessarily caused all the problems, but they add to them. The European economy had slowed, the prospect in Japan remains uncertain, and the downward growth in China seems inevitable. The impending trade war makes things worse, even in the USA. The impact on some states and regions within the US varies. It is felt significantly in the Midwest where most products affected by China's tariff retaliation are produced, including agricultural products. The number of farmers' filing for bankruptcy (so called Chapter 12) in that region has been rising recently. The trade-war fallout also starts getting measured by the financial markets.

The USA and China have been imposing tariffs on one another, with US President Donald Trump having started the dispute. Is the WTO's multilateral regime still in force?
There is actually bad news and good news. The bad news is that the tensions are being dealt with exclusively at the bilateral level. Washington and Beijing are negotiating with one another, and that in itself undermines multilateralism. The good news is that both sides still refer to WTO rules, accusing one another of breaking them. In that sense, the WTO system is still in force, so it is possible to return to the multilateral order once the current dispute is settled.

There are several contentious issues. What is the main one? Trump seems to be obsessed with the USA's trade balance.
Yes, he is, but I do not think that is the main issue. What really matters are the disputes concerning:

- the protection of intellectual property rights,
- investors' rights to start subsidiaries in China without being forced to involve Chinese shareholders and

Photo: Sean Kilpatrick/picture-alliance/empics

- Chinese subsidies for specific company.

How the negotiations work out in the short run, is hard to predict. They may move ahead fast, but they may just as well stall. Things may get worse before they get better. In the long run, however, I am quite confident that China and the USA will reach agreements on the first two points. The reason is that it is really in China's own interest to reach agreements. On the other hand, I don't think China can compromise much subsidies because those subsidies are very important in terms of domestic policymaking.

The WTO actually has a mechanism for settling trade disputes, but it is not effective anymore. One reason is that the USA is now engaged in bilateral talks with China, but another one is that new adjudicators are needed, and Washington has been blocking new appointments. Has that problem been resolved?

No, it hasn't. The Trump administration certainly does not want the WTO to be strong. The big question, however, is whether it is being temporarily disruptive or will actually manage to dismantle the WTO system. There is reason to hope that the impacts will prove temporary.

What impacts does the US-China trade dispute have on developing countries and emerging markets?

It is hurting them. The main reason is that many economies were driven by exporting commodities to China in the past decade or even longer. To some extent, some countries are also involved in value chains that run through China. The demand for the goods and services they provide is dwindling. The greatest problem is that too many governments felt that their countries could prosper by exporting raw materials to China. That is even true of my home country, Indonesia. The current trade war shows that this expectation was misguided.

Do you have any advice for the governments concerned?

Yes, and it is the same as 20 years ago. It is important to diversify economies and to improve productivity. Unfortunately, the commodities boom diverted policymakers' attention. They did too little to boost industrial development.

The Trump administration has not only imposed tariffs on China. It has also started something like a regional trade war with Mexico and Canada, but both countries fast agreed to a renegotiation of the North American Free Trade Agreement (NAFTA). What is your take on this development?

Well, it is too early to say because the new agreement has not been ratified. There may yet be some frictions, not least because the Democrats, who oppose Trump, now control the House of Representatives. Ultimately, however, I think the new United States-Canada-Mexico Agreement, as it is now called, will be ratified. Apart from the name, not much has changed. So if you think continuity is encouraging, you can read this as good news. On the downside, it reinforces the trend towards evermore regional trade deals, which make the global trade regime confusingly complex. For developing countries that need export opportunities in order to build new industries, things would be easier if we just had one coherent multilateral trade system in the WTO context. However, the proliferation of regional bilateral agreements has been going on for a long time, so the renegotiation of NAFTA does not really make things worse.

Trump has to date backed away from imposing tariffs on the EU, though he has complained about the USA importing more from Europe than exporting there. Do you think he will eventually start a trade war with Europe?

I don't think anybody knows what Trump will or will not do. For the time being, it does not look as though there will be a US-EU trade war, and if Trump does impose new tariffs, on European cars for example, the EU will retaliate. The dispute may then well be settled as fast as the NAFTA dispute was, without causing much friction. At the same time, the EU and especially Germany may actually benefit from the US-China tensions. You export similar things as the USA does, so if tariffs make American goods more expensive in China, the EU could theoretically fill the gaps. That said, I think that Germany in particular should actually worry about trade balances. While Trump is over-obsessed with the matter, your government should be more concerned. World trade is wonderful and benefits all parties concerned, but if your partners suffer long-term current account deficits, problems are sure to arise. The German model of almost exclusively export-driven growth is not sustainable.

Germans like it, not least because of low unemployment. What's wrong with it?

Well, if all countries around the world copied it, whom would we all be exporting to? Excessive export surpluses are unhealthy. For one thing, if unemployment in your country is only low because of excessive exports, that means that unemployment in other countries is excessively high. Moreover, trade imbalances imply financial imbalances. As Germany's partners import more than they export, they have to incur debts, and excessive debts are destabilising, whether we are looking at private debts or government debts. Rising interest rates would fast increase the weight of the debt burdens moreover. In that sense it is good news that the Federal Reserve in the USA has recently backed away from raising interest rates, but serious risks remain.

What implications does the Brexit debate have for world trade?

It adds to the uncertainty, and it makes investors worry. On the upside, however, the EU looks increasingly stronger. It has been remarkably united in the Brexit negotiations, and no other country seems to be tempted to leave. The reason, of course, is that Brexit Britain looks increasingly isolated, and the advantages of the EU have become more obvious. Yes, the EU has serious problems, but Britain's problems look much worse.

So how do you see the future of world trade?

There is light at the end of the tunnel. Yes, we are experiencing difficulties and setbacks, but so far, no irreparable harm has been done.

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Going against the tide

African governments have embarked on establishing a continental free-trade area. It should improve countries' economic prospects, but considerable challenges lie ahead.

By Mwanda Phiri and Kacana Sipangule

The rules-based system that has governed international trade since the establishment of the General Agreement on Tariffs and Trade (GATT) in 1948 and its successor since 1995, the World Trade Organization (WTO), are seemingly under threat (see box next page). Nonetheless, free trade has not lost its appeal to all. In contrast to the UK leaving the EU and US President Donald Trump's "America First" rhetoric, African countries are taking strides towards the ratification of a continental free-trade area. A single market for goods and services is envisaged to span 55 African countries.

This course was set by a resolution of the African Union in 2012. A core objective of the African Continental Free Trade Area (AfCFTA) is to deepen economic integration by creating a unified market as well as facilitating the free movement of persons. As of mid-February 2019, 52 countries had signed the AfCFTA agreement, and 18 had ratified it. Twenty-two ratifications are needed for the AfCFTA to come into effect.

This dream of a borderless Africa that is independent from its colonial past is not new. After attaining independence in the 1960s and 1970s, many African policymakers called for more cooperation among newly sovereign nations. These efforts paved the way for the development of regional economic communities (RECs) in the 1980s. The AfCFTA is the obvious next step.

WHAT AFRICA HOPES TO GAIN

So what is in it for Africa? What matters most is the potential of the AfCFTA to stimulate much-needed industrialisation as well as economic growth that is both inclusive and sustainable. In the first phase of its implementation, tariff and non-tariff barriers are expected to be removed for 90 % of goods and services. Probable impacts include lower prices, lower transaction costs, better market efficiency, economies of scale, productivity gains and higher incomes.

It is widely recognised that, on their own, many African countries are too small and outmatched by highly industrialised countries in terms of skills, productivity, technology and economies of scale. Accordingly, they cannot compete favourably in global trade. Most African economies are geared to exporting commodities with low-value addition, so the scope to generate high-skills employment is limited. Removing intra-African trade barriers will create a huge market for goods and services estimated at 1.2 billion people with a collective GDP of more than $ 3.4 trillion.

Access to such a huge market and better factors of production can stimulate investments, drive increased commodity processing and catalyse other value-adding measures. Investments and knowledge transfer should make African products more sophisticated. Further, the harmonisation and coordination of trade liberalisation and facilitation should increase commerce between African countries.

While it is clear that gains will accrue to most countries, new modelling suggest that Central Africa will benefit the most (African Economic Outlook 2019). The reason is that this region currently faces the highest trade barriers. Other African regions have made more progress in lowering trade barriers and providing market access and infrastructure. The benefits of the AfCFTA are expected to trickle down to disadvantaged people. Women, farmers, small and medium-sized enterprises have so far not benefited much from trade. Indeed, trade in agricultural goods has been limited across Africa. Reasons include poor rural infrastructure and thus inadequate connectivity, low productivity and strict regulations and product standards. This has led many African countries to spend heavily on food imports from other continents. The AfCFTA is expected to make a difference by providing new market opportunities for African farmers.

Furthermore, the AfCFTA is expected to extend beyond facilitating free trade in goods and services to initiatives such as the free movement of persons or the establishment of the Single African Air Transport Market (SAATM). This will encourage the establishment of businesses across the continent in countries that offer competitive means of production.

ASSESSING THE CHALLENGES

The history of regional integration in Africa tells us that integration is easier to promise than to achieve. Regional economic communities (RECs) such as the East African

Truck and freight train at Nairobi's Inland Container Terminal.

Photo: picture-alliance/Photoshot

Community (EAC), the Southern African Development Community (SADC) or the Economic Community of West African States (ECOWAS) have made considerable progress, but have not fulfilled every important aspiration.

Sceptics warn that the challenges hindering the success of RECs such as differences in rules of origin and economic performance will retard the AfCFTA process. While shallow integration has been achieved by means of abolishing tariffs and quotas to a certain degree, deeper integration requires joint rules and pooled governance for more economic issues. The success of the Tripartite Free Trade Area (TFTA) that aims to consolidate SADC, EAC and the Common Market for Eastern and Southern Africa (COMESA) has already been held back by some of these hurdles.

Perhaps the greatest challenge presented by the AfCFTA is that businesses in small member countries are bound to be exposed to increased competition from bigger, and more advanced companies in larger member countries. Thus special interest groups are likely to oppose tariff reductions that might negatively affect them.

Compared with other African countries, South Africa, Nigeria, Kenya and Egypt have strong manufacturing industries. On the one hand, these companies can benefit from bigger markets, but on the other, they might fear being displaced by low-wage competitors. On all sides, there are fears of labour exploitation, environmental degradation and intellectual property theft. Compounding the problems, the quality of law enforcement differs from country to country, and open borders make it easier for organised crime and corruption to spill over from one country to the next. Furthermore, open borders imply that competition for jobs will increase in labour markets.

For reasons like this, Eritrea, Benin and Nigeria are still hesitant to sign the AfCFTA.

POWER IN NUMBERS

The fundamental question is whether Africa should integrate at a time when other industrialised countries are backing away from free trade principles. The answer is yes! Africa stands to gain from integrating, and not only for the economic reasons discussed above. It is often said that "there is power in numbers". The AfCFTA will potentially give Africa a bigger voice in international negotiations, especially in regard to trade issues, but also in other fields of policymaking. Notwithstanding the potential of the AfCFTA to advance, promote and safeguard Africa's trade interests, Africa needs to take cognisance of the potential risks and threats that are causing global discontent with free trade.

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Erosion of multilateralism

Brexit, US President Donald Trump's trade war with China and increasing protectionism are examples of how the established international trade regime is under threat. This trend is worrisome since international trade was created to promote peace and prosperity – and actually proved quite successful for a long time.

During World War II, mutually gratifying trade and economic cooperation were recognised as preconditions for peace and prosperity. People realised that the wave of retaliatory and discriminatory protectionism in the 1920s and 1930s had facilitated the rise of Hitler's Nazis in Germany. Protectionism that was supposed to protect countries from economic decline during the great depression actually led even deeper into the crisis.

In view of the devastation, policymakers wanted to prevent similar scenarios in the future. Western countries embarked on close economic cooperation. Apart from the World Bank and the International Monetary Fund, the General Agreement on Tariffs and Trade (GATT) was established. Five decades later, it gave rise to the World Trade Organization (WTO). From the start, the multilateral trade rules included free trade, reciprocity and non-discrimination. Free trade implies no restrictions on the movement of goods and services; reciprocity entails country B reducing a barrier to trade when country A reduces a trade barrier; and non-discrimination implies applying the same trade rules to everyone.

Presently, there is a growing disenchantment with globalisation and trade. Countries are imposing more tariffs in the name of safeguarding employment and protecting domestic industries from what they call "unfair" competition. In 2018, the WTO Trade Monitoring Report reveals that 137 new trade-restrictive measures had been applied by WTO members between October 2017 and October 2018.

WTO Members are not employing WTO instruments to address various trade concerns. This trend is eroding years of significant tariff reductions and cordial mediation of trade disputes between countries. From an African perspective, it is worrying. After all, the multilateral system was designed to promote peace and prosperity – and it did prove useful in both regards. Against the global trend of disintegration, African governments are moving forward towards creating a continental free-trade area (see main story). (ks/mp)

Like a magnet

ECOWAS is a less than perfect regional organisation, but it has made considerable progress and looks attractive to neighbouring countries.

By Karim Okanla

Right after World War II, when most of sub-Saharan Africa was still under colonial rule, West Africans made several attempts at regional integration. The first effort dates back to 1945 and was driven by France. The CFA franc was created as the joint currency of francophone countries. It had a fixed exchange rate with the French franc, tying the economies closely to the monetary policy of the colonial power. Today, the Central Bank of the UEMOA (Union Économique et Monétaire Ouest Africaine – West African Economic and Monetary Union) is based in Dakar, the capital of Senegal. The CFA franc now has a fixed exchange rate with the euro.

After several failed attempts to involve all countries of the region, regardless of language or size, in regional cooperation, Nigeria and Togo launched yet another initiative in 1972. It resulted in the Treaty of Lagos, which was signed on 28 May 1975 and established the ECOWAS (Economic Community of West African States).

The main goal was to foster economic cooperation and promote intra-regional trade. Because of chronic instability and civil wars, however, ECOWAS soon had to focus on issues of regional peace and security (see interview with Vladimir Antwi-Danso in D+C/E+Z e-Paper 2018/02, Focus section).

Vincent Foly is the editor of La Nouvelle Tribune, a newspaper in Benin. In his eyes, the ECOWAS is perhaps the most successful regional organisation in Africa. He says it has achieved much in terms of ensuring free movement of people and goods. An agreement on a customs union has boosted its reputation. The specialised agencies of ECOWAS are funded with a common import levy, and that system is running well.

The positive image of the regional bloc, says Vincent Foly, seems to be acting like a magnet. Morocco, a country in northern Africa, has applied for membership in February 2017. It is still awaiting official admission.

Mauritania, a former member state of the ECOWAS which left the organisation back in 2000, signed a new associate-membership agreement in August 2017. The step made economic sense: ECOWAS is home to 300 million people and covers about one-sixth of Africa.

On the other hand, it has not concluded an Economic Partnership Agreement (EPA) with the EU. Only a preliminary agreement is in force, which applies to Ghana and Côte d'Ivoire.

But not all works well within the bloc. Foly says ECOWAS has "feet of clay" because political rivalry amongst heads of state and government continues to undermine efforts at full integration.

Other observers see more serious flaws. Luc Fernand Kpelly, a journalism instructor, argues that ECOWAS basically only unites "heads of states who bribed their way to power". In Kpelly's opinion, moreover, the former colonial powers, namely France, Britain and Portugal, continue to manipulate the regional bloc for their own national interests. "France often hides behind Senegal and Côte d'Ivoire to torpedo all promising effort at full integration," he says.

Overall, the ECOWAS has not been able to achieve a full harmonisation of member countries' macroeconomic policies. There is also a lack of promotion of the private sector as the driving force towards achieving economic integration. Divergent and often counter-productive taxation policies in individual member states constitute another serious bottleneck. Stronger trade within ECOWAS could make the region more resilient to external shocks, but so far, governments have not done much to make that happen. Mass poverty remains a huge challenge, and the informal sector tends to keep people trapped in misery – for example in Benin (see my comment in Debate section of D+C/E+Z e-Paper 2018/10).

Plans to establish a monetary union for all ECOWAS members have been spelled out for a long time, but have not made much progress. In view of the problems the Euro-Zone has run into that may actually be a good thing. Indeed, some critics argue that UEMOA is hurting the francophone members by subordinating them to European exigencies.

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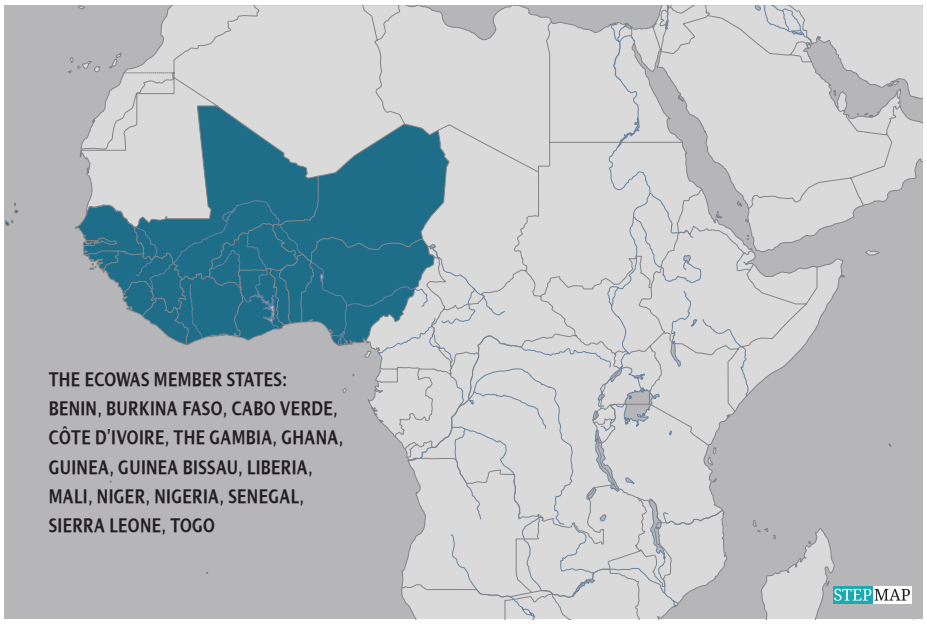

From agrarian country to industrial hub

Ethiopia is regarded as a kind of economic miracle in Africa. Foreign trade plays a key role in the government's development strategy.

By Alisa Kaps

No other country in Africa matched the progress made last year by Ethiopia. After decades of authoritarian rule, the continent's second-most populous country is taking its first steps towards more democracy under its reformist new prime minister Abiy Ahmed (also see comment by Ludger Schadomsky in our e-Paper 2018/05, Debate section). Since taking office in April 2018, 42 year-old Abiy has made peace with long-time arch-enemy Eritrea, released political prisoners, promised fair elections for the coming year and announced sweeping economic reforms.

But Ethiopia is not considered Africa's great hope only because of its new prime minister's appetite for reform. In the past two decades, the country has made substantial socio-economic progress, albeit starting from a very low level. Since the mid-1990s, school enrolment has increased more than five-fold as a result of high investment in education. Child and maternal mortality rates have dropped significantly due to the expansion of the health-care system. Life expectancy – the best cross-sectional indicator of human wellbeing – has risen by 15 years. The country's economic performance has also been impressive. For more than a decade since the mid-2000s, GDP growth has averaged more than 10 % a year – a sharper upturn than anywhere else on the continent.

BEYOND AGRICULTURE

Ethiopia owes much of its success to the well-defined development strategy pursued by successive governments. Their sights were set on transforming the country – which now has a population of more than 100 million – from a poor agrarian country into an emerging market that sells agricultural and light manufacturing products on the global market.

Ethiopia's leaders started by focusing on agriculture, which is where nearly every economic transition process has begun. Back in 1993, the government developed the "Agricultural Development Led Industrialization" (ADLI) strategy. It defined agriculture as a cornerstone for development progress and starting-point for industrialisation. Accordingly, Ethiopia started investing in the agricultural sector at an early stage, for example by creating a nationwide network of so-called agricultural development agents to help small farmers become more productive.

The decision to start by improving productivity in agriculture proved a wise one. Yields of cereals and other major crops have more than doubled since 1990 and the better harvests have helped significantly to reduce poverty in rural areas (where 80 % of the people live). Agricultural exports have also risen over the same period, driven partly by large commercial operations. The downside is that local communities in some parts of the country have had to give way to large-scale farming.

In 1993, Ethiopia's agricultural exports totalled $150 million. Twenty years later their value was 20 times higher at $3.4 billion. Revenues from coffee, which is the country's most important export good, increased six-fold in this period. What's more, Ethiopia has broadened its range of exports. In the mid-1990s, for instance, cut flowers were added to the mix and are now the country's sixth most important export product. Only neighbouring Kenya

Coffee is one of Ethiopia's principal exports: local farmer at work.

Photo: Crispin Hughes/Lineair

supplies more African flowers to the world market. Today, Ethiopia ranks among the world's biggest exporters of three agricultural products: cut flowers, sesame and coffee.

INVESTMENT IN INFRASTRUCTURE

To encourage foreign companies to invest in Ethiopia, the government has for years pressed ahead with massive infrastructure construction. Facilities range from new roads, water pipes and power and telecommunication lines to a new rail link between Addis Ababa and the Port of Djibouti. New industrial parks are also being built. Six such parks are already in operation, and another eight are under construction.

Infrastructure and industrial-park development is expensive. It depends on outside support, most of which comes from China. But the arrangement seems to work for Ethiopia. At the Hawassa Industrial Park, the flagship park 275 kilometres south of Addis Ababa, nearly 20 local and foreign companies – including companies from China, India and Sri Lanka – are now running manufacturing operations. The principal products are garments and fabrics for multinational corporations such as H&M, Walmart, Levi's and Guess. Foreign investors find a low-cost workforce in Ethiopia as well as diverse incentives ranging from power subsidies to preferential tariffs.

Foreign direct investment in Ethiopia totalled $3.6 billion in 2017 – more than any other sub-Saharan country could attract. And investor interest keeps growing, boosted by Prime Minister Abiy's announcement of more economic reforms. German companies are increasingly interested. On a visit to Ethiopia in January, German President Frank-Walter Steinmeier was accompanied by a delegation of business leaders that included executives from Siemens and VW. VW took the opportunity to sign a declaration of intent: the car maker wishes to operate in Ethiopia in the future and, among other things, build an assembly plant in the country.

ROCKY ROAD

Foreign investment will help to speed up the process of industrialisation in Ethiopia. The government's aim is to treble the contribution of manufacturing to GDP from around 6 % in 2017 to 18 % by 2025. Within that timeframe, Ethiopia hopes to become one of Africa's biggest manufacturing hubs and to join the World Bank's group of lower middle-income countries.

The Abiy government still needs to overcome many challenges of course. Ambitious development plans need to be implemented. Because of infrastructure development, the mountain of public debt is growing. Many investments have not yet delivered the anticipated benefits. For instance, delays in the construction of the Grand Ethiopian Renaissance Dam, a mega-dam project on the border with Sudan, mean that vital income from power exports is not yet forthcoming. Ethiopia's foreign-exchange reserves are dwindling because the country still imports more than it exports and at the same time needs to service debts. It is thus all the more important to attract foreign investors and donors. To generate the foreign-exchange inflow it needs, Ethiopia's government must prove that its commitment to reform is real and effective. On that front, the new prime minister seems to be succeeding.

At this same time, his government looks less successful in terms of holding together the nation of more than 80 different ethnic groups. Long-simmering ethnic conflicts keep bubbling up in the wake of Ethiopia's democratic opening. Violent clashes between different ethnic groups recurrently threaten the country's stability – and thus Abiy's reform agenda. Whether Ethiopia can consolidate its achievements made so far and become an African manufacturing hub will depend in part on whether it resolves internal conflicts. Without domestic peace, there is little chance of reforms taking hold.

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Industrial prospects

In the long term, Ethiopia will not secure sustained economic growth and rising incomes by just being a producer of agricultural products. While the country certainly needs to increase agricultural output further to feed its population – even after all the progress made so far – its attempts to process raw materials into higher-value manufactured goods make sense. Adding value means commanding greater profit margins on global markets.

Coffee, spices, fruit, vegetables and animal products such as meat and milk will be processed in so-called agroindustrial parks. This approach will not only maximise profit but also create jobs along the value chain. Ethiopia desperately needs those jobs for its growing working-age population.

But processing agricultural produce is not the only pillar on which Ethiopia's future manufacturing sector will rely. The country is looking to attract light manufacturing operations in the leather, textile and clothing sectors as well as in the chemical and pharmaceutical industries. According to government thinking, foreign investment should help to create 2 million new manufacturing jobs by 2025. (ak)

Bigger markets, more opportunities

Trade is a driver of development. DEG chairwoman explains the reasons.

Christiane Laibach interviewed by Hans Dembowski

Why do developing countries need free trade?
Economic history tells us that exports have always facilitated industrialisation and broader-based prosperity. Exports generate jobs and additional incomes. That was a driver of development in today's industrialised nations, and that has not changed.

Even a very populous country like Bangladesh, with twice as many inhabitants as Germany, needs access to global markets to propel forward its garment industries. Is the reason that, in view of widespread poverty, domestic demand is too weak?
Yes, domestic demand certainly matters. The economies of developing countries tend to be quite small and hardly diversified. That is particularly so in Africa. Small economies offer fewer opportunities. That is not only true in regard to selling consumer goods; it applies to every kind of good or service. In Germany, the demand for engineering goods is strong, and as a result, the German engineering industry is strong too. The bigger markets become, the more opportunities they offer.

The World Trade Organization (WTO) seems to be losing authority fast these days. Do regional organisations such as the East African Community (EAC) or the Economic Community of West African States (ECOWAS) and the trade agreements they strike with the European Union provide the opportunities their member countries need?
Access to the European market without tariffs or quotas is obviously valuable. Experience shows, moreover, that regional integration improves economic opportunities for all parties involved. Regional agreements are therefore very important, but the WTO's global coordinating role is of great relevance too, and it should not be in doubt.

So the plans for a pan-African trade agreement make sense?
Yes, they certainly do, but since it is not easy to adopt and enforce shared rules, integration is a big challenge. EU history tells us so. Where integration is accomplished, however, we see massive economic advantages. For example, regional integration helps to attract foreign investors because they see that they can now serve greater demand. Obviously, the outlook of domestic firms improves in the same way. As they expand, moreover, their demand for labour, supplies, factories, services et cetera increases. And to the extent that borders cause fewer costs and less time-loss, companies find it easier to become involved in international supply chains.

But doesn't that mean that small companies become subordinate to the interests of multinational corporations? Is that really desirable?
The companies concerned are keenly aware of the advantages that cooperating with international partners brings. For example, contributing components to international supply chains means benefiting from the transfer of technology and know-how. Inte-

Garment worker in a DEG-supported production facility in Nigeria.

Photo: DEG

gration in value chains means getting access to the world market with its huge potentials. Among other things, companies must comply with environmental and social standards, which are increasingly becoming the international norm. In our discussions with African business partners we notice more appreciation of the advantages of making business operations sustainable as well as more open-minded responses to related proposals.

What kind of private-sector company is particularly likely to drive social and environmental development?

Typically, small and mid-sized family enterprises play helpful roles. And once again, we have historical precedents in rich nations. Family businesses want to build something lasting. They are not interested only in short-term profit maximisation. Moreover, they are often engaged in community building – not least, because they know that their operations will benefit from a stable social environment. They fully understand, of course, that education and health facilities matter very much if they want to have motivated staff in the long run. The most important point, however, is that the private sector is the engine that drives employment and incomes. Without the private sector, there can be no prosperity. We do not only support relevant companies by providing finance, but also offer advice on things like energy efficiency or human-resources development. At DEG, we are proud of these "Business Support Services".

DEG is cooperating with businesses from Europe as well as from developing countries and emerging markets. What do German small- and mid-sized enterprises consider when contemplating investments in Africa?

They always want to understand the market potential and the local business environment. The number and purchasing power of possible customers is relevant, but so are things like people's level of education, electric power supply, the rule of law (see Christiane Rudolph in D+C/E+Z e-Paper 2019/01, Focus section) and so on. That is why we welcome and endorse the Compact for Africa, which the G20 launched according to a German proposal at the Hamburg summit in 2017. It is geared to improving the business environment systematically. All parties involved know that African markets are comparatively small and fragmented – and that this fact limits their long-term development opportunities.

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Start-up financing for Africa

DEG – Deutsche Investitions- und Entwicklungsgesellschaft – belongs to KfW Group and promotes German and local private-sector enterprises in developing countries and emerging markets, including, for example, garments factories in Bangladesh (see my contribution in the Tribune section in D+C/E+Z e-Paper 2017/05), a fruit-juice producer in Kenya or a solar park in the Caribbean.

The companies financed by DEG must meet certain criteria such as creating new local jobs, complying with labour standards and running environmentally sustainable operations. In 2017, DEG developed an instrument to measure the quality of jobs and the developmental impacts of the companies it finances (see Christiane Rudolph in the Tribune section in D+C/E+Z e-Paper 2017/10).

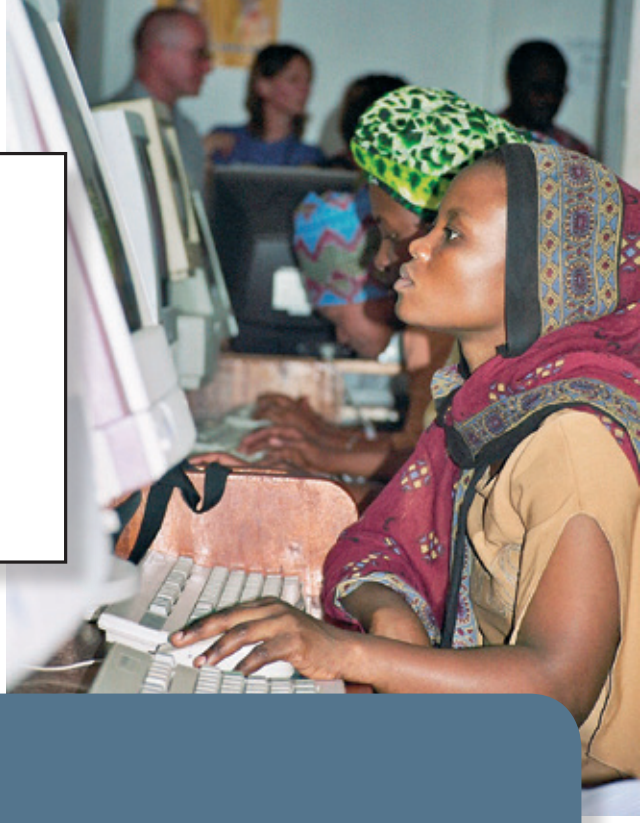
In 2018, DEG financed private investments in developing countries and emerging economies with the record sum of € 1.9 billion (2017: € 1.6 billion). In 2018, DEG commitments leveraged entrepreneurial investments totaling € 9.8 billion, says Christiane Laibach, chairwoman of the DEG Management Board. She adds: "The development in Africa is particularly pleasing." In Africa, DEG achieved a new record with equity commitments of € 438 million.

According to Laibach, DEG is striving to promote entrepreneurial initiatives in Africa in order to create prospects for the young, growing population. But, she admits that in many African countries, it is still very difficult to find investment partners. "The market potential is often too small, there is too little purchasing power, the framework conditions for financing and infrastructure are difficult, and there is a shortage of skilled workers," she sums up.

That is why initiatives by Germany's Federal Government and in particular the Federal Ministry for Economic Cooperation and Development (BMZ) are very important. They include reform partnerships for more investment in Africa as part of the Marshall Plan with Africa. Laibach cites the example of the German company Knauf International, which has just opened a training centre for young people in Accra, Ghana. It is running hands-on skills courses for architects, civil engineers, construction workers and craftsmen. Knauf is planning further drywall training centres in six African countries.

One focus of DEG's support is on small and medium-sized enterprises. To this end, DEG further expanded its instrument, the "German Desk – Financial Support and Solutions". The programme started in 2017, involving local partner banks and Germany's network of chambers of commerce abroad. The first German Desk was established in Bangladesh in 2018. So far, there are six. The Ghanaian one started working in February 2019. German Desks advise German companies wishing to relocate to the host country as well as their local partners. They even grant small loans.

Another focus is on projects that promote climate and environmental protection. DEG provided a total of € 641 million for this purpose in 2018. One example of this is the financing of the largest solar park in the Caribbean built with German know-how. Sabine Balk



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Workers from the South African poultry sector protest outside the EU headquarters in Pretoria in 2017. The protest followed plans by chicken producers to cut jobs, citing the impact of low-cost chicken imported from Europe.

Photo: picture-alliance/AP Photo

EU-Africa relations

Since 2002, the EU has been negotiating Economic Partnership Agreements (EPAs) with the African, Caribbean and Pacific Group of States (ACP countries). Based on the Cotonou Agreement signed in 2000, the EPAs are supposed to increase EU-ACP trade. However, especially the EPAs between the EU and African states have been highly contested ever since.

By Monika Hellstern

Relations between the EU and the ACP countries are at a turning point, according to German economist Helmut Asche. In 2020, the Cotonou Agreement between the EU and the ACP countries will expire. Currently, it unites more than 100 countries and represents over 1.5 billion people. It is the basis for ACP-EU development cooperation. The goal is to contribute to sustainable development and eradication of poverty.

Negotiations for a next-generation treaty kicked off in September 2018. The EU has set six priorities. They include economic development, environmental sustainability and peace. However, according to Asche, who is an economist with 35 years of experience in development cooperation with Africa and has taught at the universities of Leipzig and Mainz, the EU Commission has so far officially focused on youth and employment – a code for migration issues, the EU's true political interest. At an event held at Goethe-University in Frankfurt, Asche said that the EU considers that the EPAs have sufficiently settled trade issues. The problem, however, is that most of the EPAs are only provisional. The EU has failed to get the agreements with the Economic Community of West African States (ECOWAS) and the East African Community (EAC) signed, and many African countries show no intention at all to enter such a trade agreement.

According to Asche, economic integration at the regional level is deeply intertwined with global trade. Small nations with small markets benefit from creating larger

markets supported by pooled economic policymaking with their neighbours.

In technical terms, both regional economic communities (RECs) like the EU or the EAC and deals like the EPAs are regional trade agreements. The first facilitate trade between neighbouring countries within a region (intra-regional) while the latter facilitate trade between regional blocs (inter-regional). Policymakers must take into account that regional integration can boost inter-regional trade and vice versa. Unfortunately, inter-regional trade deals like the EPAs can also undermine regional groups, and this is exactly what is happening now.

Economists typically use a linear model of regional integration. There are at least five stages of integration:

- First, a preferential trade area reduces tariffs on specific products for member countries.
- Second, a free trade area completely eliminates tariffs between member countries.
- Third, a customs union establishes a unified external tariff towards non-members.
- Fourth, a common market allows for the free movement of capital, labour and services, though significant non-tariff barriers remain.
- Fifth, members share a common currency in a monetary union.

According to Asche, the assessment of individual EPAs depends on the state of integration of the African RECs. The EU is considered to be at stage five because of the euro and deep economic integration. African RECs, however, are at different stages. None has completed stage three, he points out, but some have elements of deeper integration. Indeed, due to a lack of data, it is difficult to determine at which stage they really are. Asche argues that more research is needed. Adding to the confusion, there are overlaps between various African RECs, because some countries belong to several RECs.

Intra-African integration is shallow. The integration of economic activities other than the trade in goods is only progressing slowly. Moreover, only 10 to 15 % of total African trade is done within Africa. Boniface Mabanza of the Ecumenical Service on Southern Africa (KASA), a German civil-society organisation, argues that there is a huge potential to be tapped through regional integration. Deeper integration could generate jobs and establish value chains within the region. On the other hand, he warns that the EPA approach has reduced regional integration to a stepping stone towards access to European markets and thus to global integration. Instead, regional integration should be seen as an end in itself.

Among many other regulations, the Most Favoured Nation Clause included in the EPAs is problematic, according to Mabanza. It requires African RECs to extend the same trade advantages to the EU that it gives other countries with a share of one percent or more in world trade. This prevents African countries from establishing strategic partnerships with emerging markets like Brazil or China, according to Mabanza.

Moreover, Brexit is another factor to consider. Many African governments are worried because about 30 % of their exports go to the UK. With Britain leaving the EU, the conditions and room for negotiation have changed, says Mabanza. On the upside, it means that the intra-regional dimensions of trade policy look more important again.

THE EPAS IN 2019

In regard to regional integration, Asche considers the current status of the EPAs in Africa to be thoroughly disappointing:

- The East African Community (EAC) and the Economic Community of West African States (ECOWAS) have not signed agreements with the EU due to some members' concerns on how it will impact their industrialisation efforts.
- Partial agreements have been signed with Southern African Development Community (SADC) countries. The "SADC-EPA" is an agreement between the EU and the Southern African Customs Union (SACU) plus Mozambique. The "ESA-EPA" is an agreement between the EU and four other SADC countries (Mauritius, the Seychelles, Zimbabwe and Madagascar).
- Additionally, the EU has signed Interim EPAs with particular countries which replace failed agreements with whole RECs.

Ideally, North-South trade agreements like the EPAs should support South-South agreements. The first should arguably not go deeper or progress faster than the latter. Considering that the EPAs establish a free trade area of goods between the EU and African RECs, but do not regulate services and foreign investment, they do not go deeper. They are less extensive than the EU had intended, according to Asche. However, by signing agreements with individual or certain groups of states instead of RECs as they are, the EU is compounding fragmentation instead of promoting integration – the opposite of the stated policy objective.

One of the problematic clauses, according to Asche, is the Infant Industry Protection clause. It is supposed to allow countries to temporarily protect nascent industries from European competition. Yet, in Asche's assessment, the EPA wording of the clause makes practical application and strategic industrial policy so difficult that it may indeed hamper industrialisation. This would be a good reason to accede to Nigeria's or Tanzania's requests and rephrase essential clauses in the treaties.

According to Asche there are four scenarios for the future of EU-Africa trade relations:

- Scenario 1: The EU will move forward with the EPAs, persuade more countries to sign and try to prove the benefits.
- Scenario 2: The EU could give up on the EPAs and go back to the Everything-But-Arms (EBA) scheme, which allows least developed countries to import all goods with the exception of armaments to the EU duty-free.
- Scenario 3: The EU and the African Union (AU) could negotiate a next-generation EPA, considering that the latter is pursuing a Continental Free Trade Area (CFTA). It has been signed by 44 of the 55 AU member states and will come into force once 22 countries have ratified it. By February 2019, 19 countries had done so.
- Scenario 4: The EU could substantially improve the EPAs and then conclude them with the existing African RECs.

The EU Commission is currently moving ahead with scenario 1, as if nothing had happened, says Asche. However, in his opinion, substantial improvements and strategic dialogue are necessary to achieve fair enough agreements for all involved. Asche will deliver an in-depth analysis of these issues in his forthcoming monograph "Regional Integration, Trade and Industrialization in Africa" to be published in 2019.

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How sanctions can cause war

In an attempt to salvage the Iran nuclear deal, Germany, France and Britain recently set up a new vehicle of non-dollar trade with the Islamic Republic. The policy is diplomatically valid, but in economic terms it may well prove too little, too late.

By Maysam Behravesh

The new vehicle is called Instrument for Supporting Trade Exchanges (INSTEX). According to a joint statement of the foreign ministers of the three European countries (E3), INSTEX "will support legitimate European trade with Iran, focusing initially on the sectors most essential to the Iranian population – such as pharmaceutical, medical devices and agri-food goods".

The idea is to allow companies to do business with Iranian partners without using the US dollar. The reason is that recently reinstituted US sanctions do not only target Iran, but its international partners too. Not using the US currency means to circumvent US sanctions. The E3 statement adds that "INSTEX aims in the long term to be open to economic operators from third countries who wish to trade with Iran".

It will take at least several more months to make INSTEX operational. The scheme is supposed to avert military dangers, but it may prove too little, too late.

The background is that the multilateral nuclear deal that was concluded in July 2015 has become extremely fragile. Back then, Iran agreed with Britain, China, France, Germany, Russia and the USA to curb its nuclear weapons programme in return for the lifting of international sanctions. The agreement is officially called the Joint Comprehensive Plan of Action (JCPOA).

In May 2018, however, US President Donald Trump pulled Washington out of JCPOA. He argued that American interest and security were threatened because the deal neither covered Tehran's ballistic missile programme nor its "destabilising" behaviour in the Middle East. It is actually not designed to do either, but the Trump administration adopted a policy of "maximum pressure" against the Islamic Republic. Some months after withdrawing from the nuclear deal, the USA reimposed comprehensive economic sanctions on Iran's oil and banking sector.

In contrast to Washington, the E3 point out that Iran has fulfilled its nuclear-deal commitments. They want the agreement to last, but they have not managed to thwart the impact of US sanctions. Major Europe-based corporations have responded to US pressure by drastically reducing or even ending their business dealings with Iran. Examples include the oil giant Total, the shipping group Maersk, car manufacturers Daimler and Renault, railway company Stadler Rail and pharmaceuticals producer Sanofi. The mass exodus has left thousands of Iranians jobless.

PROTESTS AND STRIKES

Indeed, the sanctions are taking their toll in terms of reduced oil exports (see box next page), rising unemployment and accelerating inflation. The nation-wide pain has prompted widespread protests and strikes. Most of the people involved blame their economic plight on poor governance, mismanagement and rampant corruption.

The unrest has encouraged the Iranian opposition abroad to intensify their

People visiting a military exposition in Tehran in February 2019.

Photo: Vahid Salemi/picture-alliance/AP Photo

campaigns against the Islamic Republic. In some cases, nostalgia for the rule of Shah Reza Pahlavi, who was toppled by the revolution in 1979, has been articulated. Since his downfall, a Shia Islamist regime has been running the country. Regime-change advocates in Washington hope to benefit from the current scenario, but things may easily turn out worse than they expect.

Iran's President Hassan Rouhani is currently struggling to contain the political impact. Islamist hardliners who are close to the Supreme Leader, Ayatollah Ali Khamenei, resent him. Now they say that the "moderate foreign policy" of his "centrist" government has failed.

On 31 January, Rouhani admitted that the economic situation is tough. He tried to divert criticism: "Today the country is facing the biggest pressure and economic sanctions in the past 40 years. (...) Our problems are primarily because of pressure from America and its followers, and the dutiful government and Islamic system should not be blamed."

Fiscal constraints have begun to affect the defence budget. That is unusual – particularly in times of growing international and domestic pressure – and can only be explained with fiscal bottlenecks. President Rouhani presented relevant plans in parliament in late December. The defence budget for the next fiscal year (21 March 2019 to 20 March 2020) will amount to the equivalent of almost $15 billion. That is 16 % less than in the current fiscal year. The defence budget includes spending for the Revolutionary Guards, the army, the police and all other kinds of security forces.

At this point, Tehran arguably lacks a coherent and long-term strategy to cope with the Trump administration's "maximum pressure" policy. On the one hand, the Supreme Leader has repeatedly called for the development of a "resistance economy". He wants to wean Iran off global trade and international finance. In his view, part of such a "self-sufficiency" strategy is to systematically boost domestic production, supply and demand. An obvious problem, however, is that, in lack of oil revenues, Iran does not have the financial means to kick-start such dynamism.

On the other hand, the Rouhani administration is doing its best to discredit the Trump administration's confrontational policy. They want to drive a wedge between the USA and the EU in regard to how to interact with the Islamic Republic. They got a boost on 3 October, when the International Court of Justice (ICJ) ordered the USA to ensure that sanctions against Iran do not affect humanitarian aid or the safety of civil aviation. Although unenforceable and rejected by US Secretary of State Mike Pompeo, the decision by the United Nations court encouraged the Iranian leadership to stay defiant.

Some hardliners want to do more. They are planning a revival of Iran's "look East" policy that was pursued in the latter part of Mahmoud Ahmadinejad's presidency (2005 to 2013). Now as then, the idea is to cooperate with Russia and China in order to reduce the economic impact of western hostility. To Tehran's disappointment, however, neither Russia nor China have shown willing to sacrifice geo-strategic advantages in order to protect Iran from western pressure.

Indeed, both powers tend to use Tehran as a bargaining chip in international affairs. Like the E3, however, they insist on the nuclear deal staying in force. Apart from that, Iran looks increasingly isolated.

To continue business exchange, moreover, the E3 want Tehran to implement the requirements of the multilateral Financial Action Task Force (FATF). Among other things that means passing laws against money laundering, the financing of terrorism and transnational organised crime. According to Majid Reza Hariri, a member of Iran-China chamber of commerce, most countries now share the E3's stance.

Accordingly, President Rouhani wants the parliament to pass bills in order to meet the FATF conditions, but powerful hardliners are obstructing their passage. They say the bills would infringe on Iran's national sovereignty and hinder its support for such Islamist groups as Hezbollah in Lebanon and Hamas in the Palestinian territories. Iran's Revolutionary Guards are involved in Syria's civil war and the regime is waging a proxy war against Saudi Arabia in Yemen.

So far, E3 action on establishing the special trading vehicle has been valuable in diplomatic but not economic terms to protect the nuclear deal. Iran's economy is deteriorating daily. No doubt, hardliners are eager to restart the nuclear weapons programme – especially because they see they know their power is more at risk today than at any time since the revolution 40 years ago. Rouhani may soon prove either unable or unwilling to prevent new nuclear activity – and the consequence could be a devastating war. It would ravage the entire Middle East and, most likely, world regions beyond it.

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Iran's oil exports have fallen by 60 %

In November 2018, when the second round of US sanctions took effect, Tehran's crude exports – the main driver of Iran's economy – dropped to below 1 million barrels per day (bpd), according to the news agency Reuters. By contrast, the normal level had been 2.5 million bpd before the USA withdrew from the nuclear deal. The current level resembles the one during previous sanctions. Oil exports to major Asian economies like China, Japan, South Korea, Taiwan and India are hardly making a difference. In order to prevent global oil prices from rising fast, Washington had granted several countries waivers or exemptions. In January, however, the US State Department has indicated that they will not be extended. (mb)

South-south exchange matters most

The patterns of India's foreign trade have changed in the past three decades. Exchange with emerging markets and developing countries has expanded spectacularly. India's imports, however, have expanded faster than the exports, so balance-of-payments problems may make the economy vulnerable.

By Praveen Jha

From independence in 1947 to the early 1990s, India was basically a closed economy that was governed according to socialist principles. Liberalisation began in the 1980s and then accelerated in the early 1990s. A balance of payment crisis forced the government to lend from the International Monetary Fund and the World Bank. The international financial institutions forced it to introduce reforms. Manmohan Singh, then the finance minister, used the opportunity to entrench liberal principles in economic policymaking (see interview with Salman Anees Soz in Focus section of D+C/E+Z e-Paper 2018/08).

Today, the formerly state-run economy is largely driven by market dynamics. This is true of India's foreign trade. India was a founding member of the World Trade Organization (WTO) in 1995, and had previously been involved in the General Agreement on Tariffs and Trade (GATT), which ultimately spawned the WTO. India is in favour of a multilateral trade regime.

The patterns of India's foreign trade have changed considerably since the early 1990s. From the financial year 1990/91 to the one of 2017/18, the total value of goods exports increased more than 16 times: from $18 billion to over $300 billion. During the same time span, goods imports increased almost 20 times: from $24 billion to more than $460 billion.

In the export basket, there is a noticeable shift away from traditional sectors such as textiles and agricultural commodities. The share of engineering goods has increased from 12% to 28%. India has also become the pharmacy of the world, exporting medically important drugs (see Deepak Sapra in Focus section of D+C/E+Z e-Paper 2016/02). Moreover, it is now the world's back-office because companies from rich nations have outsourced business processes and other IT-intensive and knowledge-based operations to Indian partners. The revenues from such services bolster India's balance of payments, and so do migrants' remittances, but they do not show up in the merchandise trade statistics.

By contrast, change has been less pronounced in regard to what kind of goods India imports. Oil still accounts for 20% to 35% of the total import expenditure every year, depending on whether the volatile oil price is high or low.

Change has, however, been evident in countries which India trades with. In the past nine financial years, two groups of countries each accounted for about 30% of India's imports: the industrialised nations of the OECD (Organisation for Economic Co-operation and Development) and the emerging markets of OPEC (Organization of Petroleum Exporting Countries).

Three decades ago, by contrast, almost 60% of India's imports came from the OECD countries, and only 15% from OPEC. In those days, about eight percent of the imports came from Eastern Europe, and 18% came from developing countries. The respective ratios today are a mere two percent for Eastern Europe and a stunning 37% for developing countries. Quite obviously, the collapse of the Soviet Union dominated Eastern bloc matters in this context. Imports from developing countries, on the other hand, include commodities from least developed countries as well as manufactured goods from China and other rising economic powers.

The export scenario has changed as well. The OECD share has dropped from 57% to 36%, while the OPEC share has increased from six percent to 19%. Developing countries used to buy 16% of Indian exports, but that figure has risen to 42%. By contrast, Eastern Europe's share has

Pharmacy in Bangalore: Indian drugs are appreciated at home and internationally.

Photo: Lineair

declined from almost 18% to one percent. It is evident, therefore, that India's foreign trade is increasingly geared towards south-south exchange.

STRENGTHS AND WEAKNESSES

Foreign trade certainly makes a difference in India's economic affairs. In the past 10 years, however, India's GDP expanded faster than its international trade did. The value of trade peaked at almost 46% of GDP in the fiscal year 2012/13, but has since declined to about 30% in 2017/18. The background is that India's economy was neither hit hard by the global financial crisis that started in 2008 nor by the slowdown of emerging markets in more recent years. Domestic growth stayed strong when the global economy weakened.

It is worth pointing out that the official statistics make foreign trade look more important than it actually is. The reason is that masses of Indians depend on small-scale agriculture, a large share of which consists of subsistence farming. It means that foreign trade has not really made a dent in mass poverty.

About 90% of the people still depend on small-scale agriculture and/or employment in the informal sector. While India has some high-technology industries that are internationally successful, they do create livelihoods for hundreds of millions of people (see Aditi Roy Ghatak in Focus section of D+C/E+Z e-Paper 2018/10). Compared with China's stunning economic success, Indian development is disappointing (see box below).

Another downside is India's persistent trade and current-account deficits. They indicate that the economy is vulnerable to external shocks.

We are living in turbulent times. Predicting the future has become even harder than it was a few years ago. So far, India's foreign trade has mostly relied on WTO rules. However, the WTO increasingly looks like a toothless tiger. There are several reasons, including the following:

- The WTO has not made much progress on concluding multilateral trade deals since 2001.
- Its dispute-settlement system has been weakened, and tariff-wars have begun to escalate.
- The proliferation of regional and bilateral trade deals has made the global trade landscape confusingly complex.

India's government has engaged in bilateral trade talks and concluded some deals, especially with Asian partners. Nonetheless, India has not been particularly active in this field, and has basically kept endorsing the multilateral approach. It is hard to tell what impact the ongoing China-US tariff dispute will have. To some extent, India may benefit if rising tariffs make some Chinese producers lose their competitiveness internationally, but on the other hand, India may suffer if the global economy slows down and international supply chains are disrupted.

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Allied rivals

The governments of India and China both like to cooperate on confronting the established economic powers in international settings. At the same time, they are rivals in geo-strategic terms. Due to its superior economic performance, China clearly has an edge. Comparing the two countries' performance is instructive.

While China has managed to increase the export of manufactured goods dramatically, India's track record in this field is rather modest. China is now considered to be the factory of the world, and Indian attempts to follow suit have so far not delivered convincing results (see Aditi Roy Ghatak in Focus section of D+C/E+Z e-Paper 2016/09).

According to the World Bank's WITS database, for example, China's exports of capital goods were worth 26 times more than India's in 2015. As for machinery and electrical goods, China's export volume was 41 times larger. Moreover, 25% of Chinese exports were high-tech in 2016, while the Indian figure was a mere seven percent. Clearly, India has to do a lot of catching up.

India has had a major problem of significant trade and current account deficits for much of the recent period, which again is in sharp contrast with China's consistent positive and large trade balances. In fact vis-à-vis China alone India's trade deficit has ballooned considerably over the last two decades and currently it is well over $50 billion. India's prowess in IT-services is useful, but does not plug the gaps. Unlike China's vast manufacturing industries, moreover, it does not generate mass employment. (pj)

India's Prime Minister Narendra Modi with China's President Xi Jinping in Wuhan last year.

Photo: Yan Yan/picture-alliance/AP Photo

More fairness and sustainability

High-profile members of Germany's Social Democratic Party (SPD) and scholars are convinced that world trade needs "fair multilateral rules" that take into account "all aspects of sustainability". In a recent policy paper, they speak out against a market-radical philosophy.

By Sabine Balk

Many people protested against EU plans to conclude free trade agreements with the USA (TTIP) and Canada (CETA). They criticised the non-transparent secret negotiations and argued that the agreements would give too much power to multinational corporations. In their eyes, workers' interests and the environment were being neglected. The SPD authors endorse that view. Negotiations on the TTIP agreement have been on hold since US President Donald Trump took office. CETA has been in force since 2017.

According to the authors, developing countries are disadvantaged in current trade relations. Poor countries face strong competition. The consequences include low wages and brutal labour conditions. Little value addition takes place in developing countries, as most high-revenue processing is done in richer countries.

For these reasons, the Social Democrats are calling for a reorientation of trade policy. In their opinion, it should be guided by the UN's 2030 Agenda with the Sustainable Development Goals (SDGs) as well as the Paris Agreement on climate protection. Items on their agenda include the regulation of the financial markets, a reform of agriculture and a corresponding new international-development policy. The authors argue that only those goods should be traded internationally that are produced in socially fair circumstances, compliance with human rights and respect for environmental health.

The Social Democrats see the World Trade Organization (WTO) as the forum for passing global rules as well as the authority for monitoring and enforcement. All countries, whether rich or poor, should have equal rights.

In practice, however, countries do not have equal power. That is one reason why the WTO's Doha Development Round hardly made progress after being launched in 2011. Its goal was to consider the problems of developing countries. But the EU and USA prioritized bilateral trade negotiations, not least, because it seemed easier to promote their particular interests, such as legal protection of foreign investors, bilaterally.

World trade must go along with fair working conditions and wages: garments factory in Dhaka, Bangladesh.

OBJECTIVES FOR IMPROVING WORLD TRADE

According to the authors, the EU should do more to democratise policymaking in trade affairs. They warn that the Trump-led USA will not play a constructive role in multilateral settings. They want to boost the role of the European Parliament in regard to international trade deals, and they also want to involve national parliaments and civil society.

In the Social Democrats' view, global trade rules must continue to be shaped in the WTO context, and all bilateral agreements must be WTO-compliant. That means that they may not counteract WTO rules, though they may go beyond them.

The authors' oppose international tribunals designed to protect foreign investors. Moreover, they insist that labour laws, social-protection systems and environmental legislation must not be considered trade-obstructing in legal terms. In contrast to current WTO-practice, they want ratification of the eight core labour standards of the International Labour Organization (ILO) to be a precondition for multilateral cooperation.

The authors propose reducing Germany's persistent trade surplus by boosting government spending on things like education and various kinds of infrastructure, including transport, digitalisation and clean energy.

LINK

Friedrich-Ebert-Stiftung, 2018: Fair Play im Welthandel. (Fair play in world trade – only available in German)
http://library.fes.de/pdf-files/iez/14746.pdf

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