Global Governance and Economic Cooperation:

Opportunities and Challenges for Developing Countries

RIS
Research and Information System for Developing Countries
विकासशील देशों की अनुसंधान एवं सूचना प्रणाली

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PREFACE

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In continuation of RIS work programme on trade, investment and economic cooperation as well as global economic issues and South-South cooperation, it has been conducting the flagship Capacity-Building Programme on International Economic Issues and Development Policy (IEIDP) for officials, diplomats and scholars from other developing countries since 2001. This initiative is graciously supported by the Ministry of External Affairs, Government of India through its Indian Technical and Economic Cooperation (ITEC) programme.

In recent years, it was increasingly being felt that a new narrative on India's emergence and development transformations is taking shape in India very solidly based sustainable economic growth and inclusive development along with India's international commitments both as a contributor to strengthening global institutions as well as building long term development partnerships with fellow developing countries. At RIS we felt a strong need to share India's ideas and the unique narrative globally in support of a just global order thereby promoting sustainable and inclusive development. Keeping this objective in view, RIS has remodelled its different ITEC programmes with significant changes in their contents and pedagogy.

Subsequently, efforts have been made to showcase and demonstrate India's development experience both through rigorous orientation sessions and interactions, as well as through field visits to important institutions of repute. In this course, apart from the RIS faculty, we invited eminent Indian experts to give a comprehensive perspective on various aspects under the following modules: Multilateralism and Global Governance; Regionalism and Economic Cooperation; Sustainable Development and Indian Initiatives; Culture and Multi-stakeholder Partnerships.

This year the programme took place from 10 February 2020 to 6 March 2020 at RIS. Twenty eight participants comprising middle level government officials/diplomats, policy practitioners and scholars from 21 countries participated in the programme. We are glad that the participants enthusiastically engaged in technical sessions and group discussions. They identified critical areas to deliberate upon and eventually came up with status papers highlighting regional and global contexts and country experiences.

Based on their individual areas of expertise and inclination, they formed seven thematic groups leading to seven independent articles. RIS is pleased to publish this short Report comprising of contributions from each group. I am sure the Report will be found interesting and useful by scholars, policy makers, and practitioners from developing countries.

I take this opportunity to thank my colleagues Mr Augustine Peter, Dr P K Anand, Prof Manmohan Agarwal, Prof Milindo Chakrabarti, Mr Krishna Kumar, and Dr Priyadarshi Dash, for mentoring the group activity.

RIS is grateful to the Ministry of External Affairs, Government of India for their support and guidance in conducting this course. Thanks are also due to my colleagues Dr Sabyasachi Saha, Ms Prativa Shaw, Mr Abhinav Jha, Ms Aditi Gupta and the team led by Mr M. C. Arora for their efforts in organising this course. I also thank the publication team comprising of Mr Tish Malhotra, Mr Sanjay Sharma, and Mr Sachin Singhal for their efforts for timely publication of the report.

Sachin Chaturvedi

I

Neo-Liberal Development Strategy: Has it worked in Africa?

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Neo-Liberal Development Strategy: Has it worked in Africa?

Introduction

The last 70 years of African history have been marked by huge swings in the development paradigms implemented in Africa. Following their independence in the 1960s, a majority of African countries decided to promote a development paradigm aimed at industrialisation through import substitution. However, it failed since the African States individually established their national plans without taking into consideration the development priorities of the sub-regions. They ended competing against each other without any substantial outcome for any country.

The 1980s and 1990s saw the imposition of Structural Adjustment Plans (SAPs) by the Bretton Woods Institutions and the imposition of the neo-liberal framework of open market. Overseas Development Assistance was no longer regarded as the panacea to achieve development. The focus gradually shifted to trade rather than aid. The WTO became another vital instrument to implement the neo-liberal framework.

At the turn of the millennium, Africa slowly tried to reverse the trend by establishing the African Union (AU), the Regional Economic Communities (RECs) as building blocks for economic development and subsequently the NEPAD Initiative which within a neo-liberal framework tried to organise Africa as one economic and political unit.

In the last twenty years, Africa has re-established the development discourse in the driving seat and with the emergence of China, India and Turkey, South-South cooperation is seen as an alternative to the neo-liberal development path. This process is also greatly aided with the emergence of a multipolar world whose contours are not yet well defined. For the underdeveloped South, US unilateralism is also an opportunity to redefine the South-South Cooperation framework as a bulwark against nationalism and unilateralism. Africa can be a major link in this new world economic order.

The Bretton Woods Agreement

The international monetary system is the result of many upheavals that took place during the 20th century. The Bretton Woods Conference saw the dollar assuming the role of an international currency. This was officialised in the state of New Hampshire, USA, on 22 July, 1944 when the Bretton Woods Agreement was signed.

Thus, the economic and financial role of the United States became preponderant and their hegemony through the Bretton Woods agreements were sanctified. This paradigm shift in the international monetary system was influenced by the architects of the agreements, namely the economists Harry Dexter White who prevailed on John Maynard Keynes (Dhif, 2017).

Led by the United States and Great Britain, an international payments system capable of promoting the establishment of sustainable global prosperity came into being (Dhif, 2017).

The Bretton Woods agreements guaranteed the convertibility and stability of currencies. To ensure compliance with these rules, two new institutions were founded, namely the World Bank and the International Monetary Fund (IMF).

The Bretton Woods also represents the birth of a new international organisation. Specifically, it is the institution of an international monetary system to regulate transactions and maintain a fixed exchange rate regime. Representatives of states created a gold exchange standard based on a single currency, the U.S. dollar where all currencies are defined in dollars and only the dollar is defined in gold. The peg to gold, based on US$35 per ounce of gold, assumes that there will be no uncontrolled slippage on the part of the United States and that it will seek to maintain the "real" value of its currency. The Bretton Woods Agreement established a gold exchange standard system that made the dollar an international reserve currency, the only currency convertible into gold.

President Richard Nixon, on 15 August 1971, brought about the collapse of part of the Bretton Woods architecture by officially suspending the dollar's convertibility to gold. On 17 and 18 December 1971, the "Group of Ten" (the Six, Great Britain, the United States, Canada and Japan) concluded the so-called Smithsonian Institute agreement in Washington, D.C., whereby a new international financial framework became a reality and the exchange regime was dumped; the international liquidity creation now hinged on the US Dollar.

1973 Oil Crisis and Structural Adjustment Programme Imposed on Africa

Few events have produced, in history, deep and enduring economic consequences on the trajectory of the global economy, on the wealth of nations and on their populations than the first oil shock that took place in 1973. The implications that followed have shaped the global economic and political scenario for the incoming years and they are still playing a crucial role in policies of the Western and International economies. The shock provoked huge losses and gains. The oil price jumped and the global economic growth slowed down to 4 per cent annually till 1985, when between 1960 and 1973 it was about 5.1 per cent. The rate of GDP growth between 1967 and 1972 was around 6.1 per cent, while during 1975 it decreased to 4.1 per cent; a net loss of two points accompanied by substantial loss of employment. Contemporaneously, the heavy fluctuations in the exchange rates created instability in the financial system, as a result of which interest rates experienced huge fluctuations resulting in deficits of the balance of payments of those African countries which have contracted huge debts (Covi, Giovanni, 2014).

Despite the repeated promulgation of and insistence of the World Bank on the success of the SAPs (Mkandawire & Soludo, 1998), there are some proponents of the SAPs who themselves believe that they didn't fit on Africa, despite the belief of the World Bank that this is due to the lack of full implementation of

Table 1: GDP Growth Rate in Sub-Saharan Africa

	1981-1986	1987-1991
Large improvements	4.2	2.4
Small improvements	3.1	2.8
Deterioration	2.3	3.3
All countries	3.1	2.8

Source: Authors' compilation.

African states of the required SAPs rather than the existence of flaws in the SAPs themselves. The following Table 1 shows the GDP growth under adjustment — agricultural-growth rate (median), sub-Saharan Africa, 1981–86 and 1987–91.

A quick glance at the Table 1 reveals that the implementation of the SAPs by the African states didn't support in advancing the level of economic growth that was aspired for when these SAPs were designed. Furthermore, a study, based on data provided by the IFAD, showed an increase in the level of rural poverty during the period 1965 to 1988 for 10 Sub-Saharan African states which were implementing the SAPs. The SAPs are in fact questioned by some whether they are pro-poverty alleviation or not.

Additionally, it was argued by some (Lugalla, 2005) that the imposition of the SAPs and the associated requirements of the WTO have contributed towards integrating the African states in the international trade community, however at the expense of their own resources where they became more exposed for outer exploitation by a very competitive international community.

Increasing Criticism of IMF Conditionality

It is to be noted that while each African country had their own characteristics, they all suffered from some institutional weaknesses as follows:

- Weak banking sectors;
- Insecure state foundations;
- Agricultural sectors dominated by peasant farming;
- Deteriorating infrastructure dating back to the colonial days;
- Export sector dominated by primary products;
- Small and embryonic industrial sector which is uncompetitive; and
- Poor education and health care systems which are badly funded.

It also needs to be underlined that the success story of Asian industrialisation could not be replicated in Africa because in their 1980s and 1990s the world had become more competitive and the prices of primary products faced huge decline at the international level (Schneider, 1999).

Furthermore, conditionalities have increased by the IMF and the donor countries both in number and in the degree of intervention in the internal affairs of member countries. They range from general macroeconomic factors to direct interference in areas such as tax rates, banking regulation and even prices of commodities. As pointed out by Lowenfeld, '*…the boundary between international and internal concern seems to have largely disappeared*' (Lowenfeld, 2002).

Exceed jurisdiction

It is argued that the Fund has exceeded its jurisdiction, as conferred on it by the Articles of Agreement. Critics of the Fund argue that the Fund does not have the power to require countries to undergo substantial internal reform that may involve significant cultural and infrastructural changes which lie beyond the ambit of the Fund's authority, and that the Fund's conditions should essentially be limited to macroeconomic measures (Stiglitz, 2002).

Infringement of Sovereignty

A second interrelated argument concerns the sovereignty of the member countries. Critics of the Fund have argued that conditions in the Fund loans infringe on the sovereignty of the member states. In other words, conditions have included, *inter alia*, detailed reform in various fields, including corporate governance, banking regulation, tax reform, liberalisation of trade, eliminating ceilings on foreign investments, permitting foreign banks and companies to establish subsidiaries and price controls. These are all matters that are normally decided by the government in each country (Lowenfeld, 2002).

The then President of the World Bank, James D. Wolfensohn admitted that ''*more than ever the role of institutions is central to development effectiveness*''

(Schneider, 1999). Likewise, the IMF sees its approach as advising governments on how to manage public borrowing while providing more flexibility on their macroeconomic and public debt performance including well-developed debt management institutions. IMF members approved a general allocation of Special Drawing Rights, or SDRs**.** As one may know, SDRs are an international reserve asset, much like foreign currency holdings:

''The conditions on our financial arrangements have also been made more flexible. The goal is to focus IMF conditionality on reforms that are critical to economic success while ensuring that countries have the opportunity to follow policy approaches that are appropriate for their circumstances. We want to work with our members to explore a variety of options for economic reforms that will generate real progress''.

The new allocation of SDRs pumped some US$ 250 billion into the world economy, spread across 186 IMF members. Ghana's share was US$ 600 million. This boosted its gross international reserves by about 25 per cent. An adequate reserve cushion is extremely important to maintain confidence in a country's ability to meet its external financial obligations. Ghana has benefitted considerably from the new policies: One of the largest IMF operations in Africa in 2009 was the US$ 600 million three-year arrangement with Ghana. Countries from Cameroon to Tanzania and the rest of Sub-Sahara similarly benefited from IMF support (IMF, 2019).

Inherent Flaws in the Washington and the Monterrey Consensuses

The Washington Consensus propagates a market-led economic development strategy implemented since the 1980s. The renowned British Economist John Williamson, who coined the term himself in 1989, refers to specific ten neoliberal policy recommendations which range between trade liberalisation up to tax reforms and the adoption of the free market economy (Williamson, 2004). The term Washington Consensus refers to the set of policy recommendations that were agreed upon (or at least were commonly perceived to be agreed upon) by the US along with the two major International Financial Institutions (IFIs), namely the World Bank and the IMF. This strategy was viewed as the efficient policy solution for the developing countries, specifically the Latin American ones in order to overcome the harsh the economic crises in the 1980s.

These reforms, as Brian Khan (Kahn, 2004) has indicated, have proved to be somehow problematic overtime as according to former South African Finance Minister Trevor A. Manuel, the reforms prescribed within the Washington Consensus have proved to be unfeasible for application by many of the African states, especially with regard to reforms such as trade liberalisation and fiscal reforms. The former Minister further went on to question the relevance of these required reforms for the continent. According to him, deregulation and privatisation of the market could not apply to the African continent the same way they could apply to other regions in the world (Manuel, 2003). Furthermore, one of the most notable setbacks of the so-called Washington Consensus was the lack of sufficient focus on tackling institutional and structural limitations to economic growth, a significant part of this limitation was the lack of capacity to deal with international trade and the international financial structure (Kahn, 2004). A study that was conducted by the UNCTAD in 2003 (Kahn, 2004) pinpointed some of the economic challenges encountered by the African states in responding to these reforms prescribed as part of the Washington Consensus. Among these challenges, the decline of the continent's overall contribution towards global exports and imports from six to two per cent and from 4.6 to 2.1 per cent during the two decades period from 1980 to 2000 respectively was the biggest. Additionally, the study shows that Africa has not been able to compete with other developing states from the rest of the world with regard to exports in general and manufactured ones in particular. The study further elaborates on how the continent was not able to compete due to numerous deficiencies that the countries opted to adhere by the directives of the Washington Consensus with regard to the restriction of the state's intervention in trade. Another major impediment for Africa with regard to trade was market access, especially in view of the high tariffs that exist worldwide on the agricultural products which are considered as major exports for the continent. The enormous losses incurred by Africa in 2002 due to the heavy subsidies provided by the EU and US to their cotton producers is another manifestation of the strong challenges faced by the continent in this regard.

In March 2002 the city of Monterrey in Mexico hosted an international conference on financing for development with the participation of more than 50 Heads of State alongside the representatives of international financial and other major institutions such as the World Bank, the IMF and the WTO. The conference's main focus was on poverty reduction and it concluded with emphasising the need for developing states to take responsibility for their poverty reduction and for developed states to assist the developing ones in this endeavour by means of financial aids and more open trade. According to the paper published by the UN Economic Commission for Africa in 2007 (The Monterrey Consensus and Development in Africa: Progress, Challenges and Way Forward, 2007) the main areas that the Consensus focuses on are the mobilization of domestic financial and international resources; the promotion of international trade as a propeller; the increase of international financial and technical cooperation; external debt relief and sustainability; and addressing systemic issues, all done with development kept in mind as a greater aim. The paper found that among all these areas, only the external debt relief showed a significant progress for the African states, compared to the rest of the areas in which the African states made very little progress.

Patricia Adams (Adams, 1992) argues that Bretton Woods sister organisations, namely the World Bank and the IMF, have over time proved to be harmful and bear adverse impacts to local Sub-Saharan African development and even to their environment. Adams (1992) cites a number of agricultural and water irrigation projects that were financed by the two gigantic institutions in Sub-Saharan Africa as living examples of catastrophes made out of their financial ventures. In Ethiopia for example, the World Bank partially funded a large-scale agricultural project to turn wide spaces of the land in the Ethiopian Awash River Valley into an agricultural area to plant a number of crops. The project's plan included the construction of dams along this area to help irrigate the crops and to provide the capital city of Addis Ababa with electric power supply. The plan eventually led to that sprawling area of land becoming arid as a direct result of the dams-controlled irrigation, which in turn bore direct adverse impacts on the inhabitants of the area. Another downside of that project manifested itself when so many pastoralists were forced to move from that area with livestock, to make way for the new plantations, leading them eventually to encroach on their neighbours' lands and a doomed fate of tribal conflicts accordingly. Adams further elaborates how this apocalyptic view was not confined to Ethiopia but rather extended to other Sub-Saharan African countries like Nigeria, the Democratic Republic of Congo and Ghana, all with dam projects financed by the World Bank. The study ascribes such counter-developmental impacts of the World Bank, and its sister IFI, the IMF, to the nature and structure of these institutions which lack sufficient accountability for their loans and lending programmes and which even encourage the borrowing governments to become less accountable to their internal constituents. Lack of good governance, on one hand, and the financial autonomy provided by the two institutions to these governments, on the other hand, led them to feel financially independent, even if temporarily (and somehow maybe delusionary).

Role of regional economic communities

The financial architecture in the 1990s experienced a major transformation following the decision by the European Communities to convert into a union through the Maastricht Treaty (Treaty on European Union, 1992) resulted, *inter-alia*, in the liberalisation and the free movement of capital and labour. Likewise, with the conclusion of NAFTA in 1994 (NAFTA, 2014), another important member of the Trilateral, US liberalised movement of capital and labour. In doing so both trade blocs have decided to back investments of their trans-national companies across borders. FDI flows became more mobile and started to move into developing countries' markets on more than Most Favoured Nation (MFN) status. This new source of financing development was welcomed by developing countries in search of funds from international donors. Parallel to this development is the establishment of the WTO in 1995, following the adoption of the outcome of the Uruguay Round of Trade negotiations in Marrakesh, 1994. The scramble for market access is another pillar of the new neo-liberal agenda promoted by the developed world with the help of the World Bank and the IMF.

With the emergence of a neo-liberal development paradigm strongly embedded in an overtly capitalist framework at the global level, TNCs and MNCs had a free hand to organise production and decided on the allocation of resources. The integration of the African countries was mostly at the lower levels of the manufacturing chain with focus notably on the exploitation of minerals, commodities, textiles and clothing. African countries were encouraged to open their markets to processed agricultural products from the developed world and produce cash crops like cocoa, raw sugar, and the mining of minerals for further processing in the developed countries. The mining sector did attract FDI. However, except for the employment available in the clothing and textiles sector, the multiplier effects of FDI in the African countries were limited. On the other hand, it is observed that the most polluting activities were transferred from the developed world to the African countries, thereby jeopardising the health of the populations and the environments of those countries. In addition, revenues were low since the prices of commodities and mineral resources fetched low prices on the international markets. It is also observed that workers had no safety nets. The dual and informal economy, both features of the colonial mode of production, continued unabated and the African States were unable to obtain new forms of revenues through taxation. As a result, with the drastic reduction of tariffs, following WTO Commitments, which were bound at the WTO, and inability to raise new revenues the African States became heavily reliant on FDI and bilateral Overseas Development Assistance (ODA) which were always provided by the donor on conditionalities. Another negative externality of this growth model was the massive movement of people from the rural to the urban areas which was taxing for the cities and unsustainable, often resulting in social conflicts, if not political turmoil.

Cotonou Partnership Agreement

Against this reality, the EU in order to facilitate business of its MNCs and TNCs decided to review its relationship with Sub-Saharan African countries since according to them the old pattern of relations resulted in over-dependency on aid rather than trade. This was also the era popularly known as dominated by Thatcherism and Reaganomics which emphasised deregulation, privatisation and the allocation of resources by market forces. The new buzz word was partnership which resulted in the conclusion of the Cotonou Partnership Agreement (CPA) in 1998 after the phasing out of the fourth Lome Convention in 1996. The two parties also agreed to start negotiations on Economic Partnership Agreements (EPAs) at regional levels as from 2004 since, given the diversity among ACP States, the EU felt that it would not be possible to negotiate a single all-encompassing trade deal. With the negotiations of EPAs at the level of the RECs, the contours of the new framework of relationship between the EU and Sub-Saharan Africa were redefined (Economic Partnership Agreements (EPAs), 2018).

Market forces would now in theory determine the new rapport of relations. EU support would be in terms of consolidating the RECs and capacity-building of the ACP States. To this end, the European Development Fund (EDF) was remodelled and a major quantum of the total EDF was allocated to the RECs. Implementation would be through direct consultations between the Secretariats of the RECs and the European Commission, mostly the Directorate concerned with Development. At the same time, the EU decided to reduce the aid envelope to individual ACP countries, notably those considered as middle-income countries. Countries like Mauritius, which are middle-income countries, and also developing island States were provided reduced aid and were also unable to benefit from infrastructure projects on the African continent. It was against this reality that Mauritius was forced to leverage its web of DTAs with African and Asian as well as European States to develop its financial sector on grounds of the low level of taxation by the Mauritius jurisdiction. It was the case for many Caribbean States which could no longer produce raw sugar for exports.

Dismantling the Old Development Paradigm

In parallel to these readjustment, the EU also saw to it to end all those trade preferences like the Banana, Beef and Veal and Sugar Protocol, as well as, to abolish the System of the Stabilisation of Export Earnings from Mining Products (SYSMIN) which was a mechanism that helped ACP States, mostly in Africa, in the mining sector recoup loss of currency in situations of extreme fluctuations in world prices of minerals. STABEX (which stands for Système de Stabilisation des Recettes d'Exportation in French) is another instrument to stabilise revenues of commodity exporting ACP States was also revised to impose more stringent conditionalities. The Banana (WTO Secretariat) and Sugar Protocols (WTO Secretariat) were found to be WTO incompatible and following the Panel and Appellate Body Reports the banana and sugar exporting States had no alternative but to either move into new economic activities or restructure their respective sectors. The EU and the USA, on the other hand, were quick to reform their respective markets in the interests of their respective farmers and both refused to address the concerns of the ACP Cotton producing States, i.e. Mali, Burkina Faso, Benin and Chad (ACP-EU JOINT PARLIAMENTARY ASSEMBLY, 2004). Instead, the package that the four African States were given was in the context of Aid for Trade while they were more competitive than US cotton producers. Likewise, the long overdue agricultural reform process, which was mandated in the WTO Agreement on Agriculture, remained a dead letter and both the EU and the US managed to shift most, if not all, of their actionable domestic support in the Green Box. The hypocrisy of the Developed countries became even more glaring when at the height of the food crisis, Net Food Importing Developing Countries (NFIDCs) and the developing countries', led by India in the G33, attempts to clarify some articles of the WTO Agreement on Agriculture so that they could obtain more policy space to support their agricultures, were flatly rejected by the developed countries including Australia and New Zealand.

Hence, the philosophy of the new financial architecture, as implemented by the WTO, would be was harnessed to promote the liberalisation process which in many ways was very prescriptive. The WTO preached the virtues of free trade but tried to sweeten the pill for LDCs through the Aid for Trade initiative (International Trade Centre, n.d.). Likewise, the

G7 at each of its meetings took steps to forgive part of the sovereign debts of the African States while at the same time the Poverty Reduction Strategy Papers (PRSPs) (Poverty Reduction Strategy Papers (PRSP), 2016) were imposed so as to ensure that reforms are implemented as per the World Bank and IMF directives. Those African States, which agreed to implement trade and economic reforms, went through a painful readjustment process. It remains that African States which refused like Zimbabwe, Nigeria, to name two, were ostracised and are today facing huge economic and political problems.

Through such prescriptive dictates, the African States had no alternative but to agree to the donor policies. Therefore, the decision by the US Congress to enact Africa Growth and Opportunity Act (AGOA) in 1998, though a laudable initiative, should be seen within this donor driven framework. In fact, AGOA after more than 20 years has failed to diversify the economic activities of the Sub-Saharan States resulting in continuation on the exports of commodities and textiles to the US. Furthermore, the costs of doing business increased since African countries which were producing for the EU and USA markets had to abide by two different sets of criteria on rules of origins, including TBT/SPS.

Building Blocks of a New Development Paradigm

The Addis Ababa Action Agenda of 2015 (The Addis Ababa Action Agenda, 2015) promoted a framework whereby the developed world agreed to joint actions to reduce poverty and promote sustainable development through a combination of aid, trade and ODA in solidarity with LDCs. Hence, there is a continuity based on the neo-liberal thinking of market access and integration into the global system. While the African countries were not satisfied with the liberal paradigm, the indigenous plans developed by the African countries themselves namely the Lagos Plan of Action of 1981 (Lagos plan of action for the economic development of Africa), the Abuja Treaty establishing the African Economic Community in 1991, the NEPAD Plan of Action of 2001 (New Partnership for Africa's Development (NEPAD), n.d.), etc. were in many ways not drastically different from the Poverty Reduction Strategy imposed by the World Bank/IMF, the Monterrey Consensus of 2002, and the Addis Ababa Action Agenda of 2015. Indeed, one can state that there was only a difference in the sequencing of actions, otherwise both sets of development agendas more or less mirror each other.

There is also commonality between the two agendas on issues like good governance, accountability, liberalisation and the role of markets, regional integration, peace and security, role of Foreign Direct Investment (FDI) and democracy and rule of law.

Processes in Institution building :-

On the economic plane, the African countries were encouraged to allow market forces to determine the allocation of resources. Without any shadow of a doubt, the invisible hand replicated the colonial pattern of production. It remains that with the emergence of a new capitalist model of deregulation, the integration of the African States, thanks to technological changes notably in the services sector/digital revolution, enabled the Third World to bridge the technological gap notably in the area of services. In the 21st Century and with the emergence of global value chains (GVCs), African States learned the benefits of regional integration with the global value chains. This explains the decision by COMESA, SADC and the AEC to establish the Tripartite process which paved the way for establishing the Continental Free Trade Agreement (CFTA). The next step is the current negotiations on a broad cooperation framework with the EU at the Continental level which will pave the way for a deepening of the Economic Partnership Agreements concluded with the EU at the level of RECs. While the liberal order tried to impose a new development paradigm, it remains that with the limited policy space available for the African States and the assistance of the EU, Sub-Saharan Africa managed to start a development process which many observers regard as salvation for the global system.

The Good Governance Agenda imposed by the Bretton Woods Institutions and the major bilateral donors has also helped in the emergence of a new political paradigm which promoted the democratic tradition, rule of law and order, the establishment of strong institutions whereby Governments were elected through regular ballots, as a result of which governments became more accountable to their respective populations. All these helped the emergence of civil society which has assumed a major role in the development agenda in combating corruption, lack of transparency and instilling an element of accountability in decision-making processes. Governments were forced to pay heed to the need to address poverty eradication, to empower its population and to invest in human capital, etc. At the Continental level it led to the realization by the political leadership that the development of the African continent, being huge, would differ across regions.

Peace and Security Paradigm

With NEPAD (2001) the peace and security governance structure emerged in addition to the economic, regional governance and political/democratic governance. For the first time in African history, the African States agreed to a regime of sanctions (Article 5) by the Assembly should a Member of the Treaty fail to abide by the decision or regulation of the Community. Hence, the establishment of the Peace and Security Council at the level of the AU was a translation of a movement which started at the level of the RECs. In so doing, NEPAD introduced the issue of sustainable development at the core of the Millennium Development Goals (MDGs). NEPAD also innovated by establishing the African Peer Review Mechanism (APRM), a process of peer review whereby Member States conduct a review of each other's policies. The emergence of the Concept of State in Africa has undergone a new transformation with emphasis on a discourse privileging exchanges of experiences and best practices, democratic governance instead of reliance on crude power. While the Structural Adjustment Plans (SAPs) addressed the structural weaknesses of the economies of African countries within a neo-liberal framework, it is equally true to state that out of the interaction between African initiatives and the neo-liberal discourse a new development paradigm, which unleashed the African continent potential, was set in motion.

Challenges of dovetailing GVCs with Regional Value Chains

While it is a truism that Global Value Chains and Regional Value Chains can complement each other in the African context given the disparity in development levels of countries within each RECs the sequencing of production does pose a major challenge for a harmonious integration of each REC. The proposal to establish a continent-wide FTA, though a laudable initiative, might pose many insurmountable challenges. The AU is very actively promoting the Sustainable Developments Goals through Agenda 2063 (Planning-AUC) and areas of vital interest like agriculture, food security, poverty eradication, gender, climate change, infrastructure development, empowerment, health, education, safe and clean water, clean energy, connectivity, mobility of goods/labour/capital would be among the most prominent targets since Africa could become a functioning workshop if these major targets are met.

It remains that the AU and the RECs have no real resources at their disposals to achieve those objectives. Hence the African States would be required to tap resources available under mechanisms like the Green Environment Fund (GEF) and from the donor countries, notably EU countries. The EU will continue providing support under the European Development Fund (EDF) with focus on the regions. The future aid envelopes have not yet been agreed. It remains that each country would also be required to mobilise its own resources. Furthermore, frameworks like EU-Africa, India-Africa, Japan-Africa, Russia-Africa, Turkey Africa and China-Africa would also complement each other and it would be up to individual countries and regions to determine the support they would need.

Funding Challenges

The IMF and the World Bank remain the major institutions in terms of providing funds for restructuring the economy of African countries. While the World Bank has decentralised activities through the establishment of the African Development Bank it is to be underlined that focus is on LDCs and the Highly Indebted Poor Countries (HIPC) of Africa. Middle-income countries are barred from accessing funds at concessionary rates and grants. As a result, the African countries in that category are facing the middle-income trap. Unless the middle-income countries graduate out of this status, they would be unable to act as drivers to pull the other African countries out of their underdeveloped status.

It is equally true that both the World Bank and the IMF have not been reformed to take into account the realities of the changing world economy. The vote distribution in these bodies are skewed in favour of the developed countries as a result of which the concerns and priorities of developing countries are addressed only in terms of alleviating debts or providing loans and technical support whenever they face acute economic crisis. Often the developed countries take decisions based on their concerns and interests.

The G20 Compact with Africa

In 2017 under German Presidency the G20 launched the Compact with Africa (CwA) initiative under the G20's finance track. The objective is to encourage private investment in Africa. However, African countries who would sign, would be required to engage the Bretton Woods Institutions which need to give their assent. In a way it is the continuation of structural adjustment plans with the addition of two new components namely regulatory practices, business and financing frameworks.

The following African countries, namely Benin, Burkina Faso, Cote d'Ivoire, Egypt, Ethiopia, Ghana, Guinea, Morocco, Rwanda, Senegal, Togo, and Tunisia have joined the initiative. It is to be noted that the nature of the reforms, if implemented, might bring tangible results in the long-term. However, the neo-liberal framework of this initiative at a time when the African continent is investing in initiatives like the promotion of sustainable development, regional global values chain, food security. Etc. demand short-term results or else it would be impossible to unlock the potential of Africa with countries experiencing different development levels. Otherwise, Africa risks experiencing a continuation of the old pattern of development with a high dependence on developed country markets rather than the sustainable development of the African Continent.

Hence, though a laudable initiative, the G20 Compact is an initiative for Africa rather than an initiative which Africa as a continent has established. Often such initiatives in the past had failed and there is no guarantee that it would succeed in triggering a real promotion of FDI flows to Africa.

Belt and Road Initiative (BRI)

The concept propounded by President Xi Jinping of China when he launched the BRI in 2013 (China's Massive Belt and Road Initiative, 2020) and later the Maritime Silk Route heralded the emergence of China as a major source of FDI. This was well received by all those countries, which signed to the initiative. In fact, the Chinese initiative can be viewed as a major innovation in terms of infrastructure development which replaced the old development paradigm based on extracting minerals and raw materials from the hinterland to the ports for further processing in the developed countries. Along those belts linked by roads or rail the Chinese are developing a whole array of activities by establishing economic hubs ranging from producing and sourcing of raw materials and their processing by other hubs across borders. Hence the concept of linked development is being promoted as an alternate path to the traditional development strategy.

While Chinese FDI is a reflection of the emergence of China as a main source of FDI, it also heralds a willingness by China to assume greater responsibility at the international level. The FDI flows are primarily a combination of grants and loans at reduced interest rates. Another dimension is the technical assistance also provided to African countries lacking technology and trained people. Indirectly China is also getting its pool of young engineers, architects, etc. employed abroad, thereby alleviating pressures for jobs in China itself.

It is equally true that the terms and conditions of the Chinese investments are not known to third parties. As a result of a lack of transparency, there is an element of suspicion since a few African countries have already expressed their inability to repay the loans doled out to them resulting in complete take over of ports and other strategic assets by the Chinese. Such a situation has resulted in fears that China through the BRI and the Maritime Silk Road is primarily advancing its strategic objectives abroad so as to shape the world in its image.

It remains that China is a major player and to tame this giant it is high time for the US and the developed world to reform the Bretton Woods Institutions and establish a new governance structure so that China and other emerging States like India and ASEAN Counties along with the African and Latin American continents are also empowered and have a say in the running of those institutions.

NDB by BRICS and AIIB

The BRICS, in order to shake off from the hegemony of the existing International Monetary System led by the Bretton Woods Institutions, established alternative financing mechanisms such as the New Development Bank (NDB), Contingent Reserve Arrangement (CRA), Asian Infrastructure Investment Bank, as well as the Silk Road projects. Starting with an initial capital of $50 billion, the NDB member states will have to increase this amount overtime to $100 billion. It is noteworthy that the initial contribution towards the $50 billion is equally shouldered by the five members (Sen, 2016).

Environment – The Challenges of Achieving the SDGs

With the adoption of the UN Sustainable Development Goals (SDGs) in 2015, the international community recognised the importance of climate change and the challenges posed by huge fluctuations in temperature, rising sea levels resulting in humanitarian disasters.

However, the investment which would be required has been estimated as $50 trillion dollars. With the decision of the Trump administration to leave the Paris Agreement the message of the US is not very optimistic. The developed countries have pledged to provide funding but these are not without conditionalities. For example, Norway is interested in funding projects linked with SDG 14 but in return is urging the developing countries to support the WTO agenda pushed by developed countries on fisheries subsidies.

While France has pledged at the multilateral level it is observed that the support is being provided through bilateral MoUs including the conditionality of enlisting the participation of French or EU entities either in the stage of feasibility study or while designing projects and even on the sourcing of equipment and technology.

Conclusion

Africa after independence embarked on establishing a new development paradigm aimed at empowerment of its people and job creation by establishing import substitution industries. Up to 1979 this policy was supported by the World Bank and the IMF including former colonial powers like France. Unfortunately, for various reasons, by 1979 African countries had become poorer in terms of GDP/capita while East Asian states like South Korea, Malaysia, etc., which at the time of independence were poorer, had come out as emerging economies through the pursuit of export-oriented development strategy.

From the 1980s up to the turn of the century, African countries were forced to implement Structural Adjustment Plans and open their markets on the grounds that FDI would flow into Africa given its huge mineral resources. Regrettably, from the 1980s onwards, the prices of commodities and minerals also experienced drastic reduction as a result of which the expected growth rates never occurred.

By the turn of the century, through the establishment of the African Economic Committee and NEPAD, Africa managed to establish the foundations of a new paradigm which was more holistic in terms of integrating the African continent through the regional economic committees and advocating a new governance paradigm. This seems to work in the light of development growth experienced by various African countries ranging above 5 per cent per annum. It is also to be noted that initiatives like the continental free trade area and the tripartite between COMESA, SADC and the AEC, aimed at establishing a single free market in Southern and Eastern Africa, would undoubtedly result in a huge market which could trigger cooperation and integration of three of the most important economic blocs.

One can conclude that Africa has experienced the brunt of neo-liberalism and the effects of power politics. Following the breakdown of the Monterrey Consensus and the emergence of unilateralism pursued by the US resulting in a crisis in world governance, the probabilities for Africa to emerge as a potent voice cannot be discounted. Against this reality one also notes the emergence of economic giants like China, India and Turkey on the one hand, as well as regional blocs like ASEAN and the AU on the other. The chances that Africa could act as the catalyst for a new development South-South paradigm while binding the North and the South, given the special relations Africa has always maintained with the EU, seems plausible. It remains that for the latter to become a reality there is an urgent need for China, India and Turkey to take coordinated efforts at both the political and institutional levels, rather than go it alone in Africa.

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II

Challenges of Regional Integration: A Case Study of the European Union

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Challenges of Regional Integration: A Case Study of the European Union

Introduction

The chronological framework for what we know today as the different processes of regional integration, has been configured under conditions that require disciplines such as law, economics, international relations, among others, to try to give an accurate explanation. This phenomenon is relatively recent. Now, in the literature on regional integration, several definitions and categories are combined that have recognisable meaning in different disciplines, but which are interpreted differently talking about integration or international cooperation. Both supranationalism and inter-state relations are part of this theme (Pérez, 1992: 105).

Some authors refer to a schedule in which integrations are being formed at different levels until they reach a point of forming international organisations within the framework of international cooperation. However, the degree of complexity of this integration is so high that, for example, Jacques Deloirs – a former president of the European commission- once described the European Union as "an unidentified political object" (Pérez, 1992:4).

Regional integration processes are the result of interactions between dynamic states that permanently redefine themselves, while agreeing on the sovereign functions that they will yield to supranational entities. The emergence of supranational organisations tends to be recognised as a process of partial cession of sovereignty, but this happens because the functions of the State are confused with the sovereignty itself. The redefinition of the institutions that hold sovereign power within nations must be essential, as regional integration is the very exercise of sovereignty within the framework of interactions between different States. It is for this reason that it is very pertinent to study the specific case of the European Union (EU).

The recent exit of Britain from the EU has accentuated the issue of sovereignty as one of the shortcomings of regional integration. While it has been argued that justifying the exit of Britain from the EU on the basis of sovereignty was invalid, as integration of the EU member countries could not have been possible without an agreement to surrender parts of their sovereign right to a supranational regime for a common good (Jovanovic and Damnjanovic, 2013), others are of the opinion that "Brexit is rooted in imperial nostalgia and myths of British exceptionalism" (Isahaan 2019).

The reason for this research was borne out of the quest to investigate and reveal some possible factors that led to the exit of the UK from the European Union, not being unmindful of the implications of sovereign nations, coming together to collaborate on issues of mutual benefits. The EU has mostly been a success, establishing the European Economic Community, formed in 1957. It has succeeded in fostering economic cooperation between members by establishing a common market in which there was free movement of goods, services, capital and people. Politically, the

EU laid the foundation of an ever-closer union among member states, as reflected in the Treaty of Maastricht in 1992 (Brendon, 2019).

The concept of integration has traditionally been used in economic and political theory to designate, in the economic aspect, a process by which "two or more countries proceed to abolish, gradually or immediately, the discriminatory barriers between one another, with the purpose of establishing a single economic space" (Allen and Unwin, 1961). The EU is therefore not an isolated event, but a more asymmetric form of economic integration, to which the member countries decided to integrate, surrendering part of their sovereign rights. From the first trade agreements to its Monetary Union, the European project is a paradigmatic case of how international economic integration since the end of World War II, and especially the financial liberalization of the 1980s, forced countries (developed and in development) to align around the different world powers through agreements of all kinds (Barredo, 2012).

This paper argues that integration in the EU has advanced at a pace faster than envisaged earlier in its formation, following the 1993 Maastricht Treaty. Judging from the perspective of Interdependency theory, which states that "the essence of a group is not the similarity or dissimilarity of its members but their interdependence..., every move from one member will, relatively speaking, deeply affect the other members, and the state of the group" (Van Lange & Balliet, 2014, p. 65). The paper provides a profound understanding of the relationship between the EU and interprets its cooperative elements. It asserts that the EU's decision to form a common union makes member-states inextricably tied to one another, where joint economic decisions are made in Brussels.

The paper, however, tries to make the case that although there is no grand theory that specifically explained the exact reason for Brexit, but it argues that the Intergovernmental theory is apt to explaining the issue of Brexit. It views the European integration from the standpoint of nation states being primary actors in the integration process.

Intergovernmentalism represents a way for limiting the powers upon supranational institutions, halting the emergence of common policies. In the current institutional system of the EU, the European Council and the Council play the role of the institutions which have the last word about decisions and policies of the EU, institutionalising a de facto intergovernmental control over the EU as a whole, with the possibility to give more power to a small group of states. This extreme consequence can create the condition of supremacy of someone over someone else violating the principle of a "Union of Equals".

This underpins the idea that integration stands in contradiction to national diversity and, when these logics collide, national differences are likely to prevail. "Integration therefore has its core in economics, and it leaves state sovereignty untouched or it strengthens the national state", (Milward 1992: 2,3). As a consequence, "integration comes to a standstill once it affects high politics", (Hoffmann 1966: 868).

In this sense, even if it is an attempt to explain the regional integration of the EU from the aforementioned areas, many aspects that generate pros and cons of an integration process such as social, cultural, demographic, among others, remain without addressed due to its nature *per se* of an entire field of study.

Based on the concepts of regional integration, sovereignty, intergovernmentalism and interdependence, this document in the first section tries to espouse the idea of regionalism to explain the strong ties between the countries within the EU. The second section talked about the prospects of regionalism, while exploring the cost and benefits inherent in the breakup between the UK and the EU. The third section delved into the issue of Brexit, and the Economic

Perspective, while the last section focused on the crux of the paper, which is explaining why the concept of "Sovereignty", was the major reason for Brexit.

Regional Integration: Theories and Perspectives

"if you must live with regionalism, then it's best to contain it"

Regional economic integrations has become recently a common phenomenon that shapes the global environment, especially after the Second World War and the emergence of International Economic Agreements and Organizations, but what does regionalism means, how it arose and what are its forms? Regionalism has many names, definitions and shapes, maybe one of the relatively broad definitions is: "Regionalism is the deepening of intra–regional economic interdependence in a given region, through intra-regional trade, foreign direct investment and harmonization of commercial regulations, standard and practices. Regionalism is the movement towards the creation or expansion of regional trade organisation or associations." (May, Yeung & Perdikis, 1999: 17).

But what are the main reasons and motivations that make countries and nations gather in groups either in the same region or even among different regions? Actually, before answering this question, it is imperative that we shed some lights on the collective action theory or how individuals basically are linked.

At the individual level, individuals do take costly actions that effectively take the interests of others into account. On the other hand, individuals may callously ignore or viciously harm others depending on the setting in which they find themselves.

Sociologists and social psychologists have stressed the importance of how individuals may or may not be linked in a network when confronting various types of social dilemmas. They have posited that individuals who are linked in a network where A contributes resources to B, and B contributes resources to C, and C contributes resources to A—or any similar unidirectional linking—are more likely to contribute to each other's welfare than individuals whose resource contribution goes to a generalised pool from which all individuals obtain benefits.

Humans are capable of designing new tools—including institutions—that can change the structure of the worlds they face for good or evil purposes. They adopt both short-term and long-term perspectives dependent on the structure of opportunities they face (Boix & Stokes, 2007).

Actually in one way or another, same theory could be reflected on nations through its action for integrating into different shapes of entities or organizations.

We can underlay sets of causes that led nations recently to become more closely intertwined:

- The rapid improvements in transportation and communication technology made trade, migration, movement of good, people and money between nations much easier and cheaper, computers and telecommunication satellites have sharply reduced the cost of transmitting information internationally, and facilitated the financial activities like conforming and paying of transactions and made the world significantly much smaller. (Lanwrence,1996).
- Another important factor is the new world order and the wide spreading of globalisation, which creates global issues and problems that have also created global effects that countries can't face or act alone because it is beyond its capacities and capabilities, such as financial crisis that affects the world and needs a collaborative efforts to face and overcome it. Also some issues like health need a cooperation and high coordination among countries to defeat some health problems that hit the global

world (such as corona virus recently), food security or climate change requires several countries to work together and bear their share from responsibility.

Also national security led to political and military cooperation among countries, especially during the Cold War and the fear from launching a third world war makes several countries group itself and joined regional alliances in order to protect itself and pursuit for world peace.

The concept of a privileged group is the international relations theory of hegemonic stability. Hegemonic stability theory posits that heterogeneity promotes cooperation because large actors are endowed with more resources (including the power to coerce others) and are better able to produce a public good such as international peace whose benefits are provided to all whether they contribute or not. The theory predicts that when there are a limited number of larger states dominating international relations the collective good of peace is more likely to be provided, (Boix & Stokes, 2007).

Thus during the past few decades, most governments began to collaborate in a way or another to achieve different purpose, and the enormous new changes in the world trade and production facilitates this movement towards integration rapidly, especially the emergence of trade and investment agreements, which was created as a result of the international flow of goods, services, capitals and labor and accelerated by the rapid improvement of technology and transmitting information and the opening of investment markets.

The need for the Trade Regional Agreements among countries arose from the pursuit of economics of scales, as goods were produced mainly for home market which was small in scale and that means high cost production, and because of that these goods couldn't compete in the global market. Regional trading arrangements among developing countries were suggested as a solution for this dilemma. Larger production for regional market would enable the exploitation of economies of scales, lower costs of production and made the goods competitive in the world market. (Agarwal, 2004: 412) thus to enlarge market reduce the cost of production the countries felt the need of regional economic integration.

The Stages of Regional Economic Integration

Regional Economic Integration has a variety of levels ranging from loose co-operative arrangements to tightly structured agreements. They differ in their degrees of institutionalisation, but the common feature of regional trade organisation is that the members grant trade preferences to each other, and here are the main classification of forms of Regional Economic Integration (Winters,1996):

- **Free Trade Areas** (FTAs) are regional trade regimes, based on the elimination of internal trade barriers between members of all or group of goods, while member countries maintain individual external trade barriers and commercial policies toward non-member countries, an example on FTAs is ASEAN in 1992, also North American Free Trade Area (NAFTA)
- **Customs Union** (CUs) are similar to FTAs, but in addition the countries in CUs have a common external commercial and trade policy. In this case all imports entering the custom union are subject to the same barriers to trade regardless of the country of entry. Custom Unions have central administrative body responsible for policy coordination, facilitate communication and oversee operation, an examples of CUs are European Economic Community since 1968, The MERCOUSUR (Southern Common Argentina, Brazil, Uruguay, Paraguay) 2006.
- **Common Markets** (CMs) have the same features of (CUs) plus the free movement of labor and capital, and a high level of harmonisation and coordination among members of (CM) will be ensured, an example is the European Community since

1993 (establishment of the European Single Market).

- **Economic Union** requires a significant degree of coordination of national economic policies and a complete harmonization of government spending and procurement as well as the coordination of the operations of the central banks, a monetary union through the creation of a single currency will eliminates currency conversion and other transaction costs and more essential that the exchange rates can be fixed against one another, an example of Economic unions is the European Union today.

Regardless of the controversies surrounding regionalism and regional trade organisation, good or bad, regionalism, due to their political appeal, are likely to spread. Thus both advocates and opponents of regionalism would agree that if you must live with regionalism, then "it's best to contain it and shape it in a way so that it becomes maximally useful and minimally damaging and consonant with the objective of arriving at multilateral free trade for all" (Bhagwati, 1994, p. 165). Or in other words, "Regional integration among developing countries is a part of wider strategy to promote equitable growth as a regionally coherent liberalization strategy will reduce and smooth the cost of adjustment to an economy in the face of globalization" (Krugman, 1993: 73).

The Prospects of Regional Integration: The Case of EU

"The success of Brexit seems to have outweigh all the benefits of regional economic agreement"

The prospect for regional integration in the world had been featured with both optimism and skepticism over the years especially after the Second World War. This is because it partially deviated from the fundamental ideas that it was created to uphold. It is believed that it would manage emerging risks in the globalised world. Gottfried (1983), puts it clearly in the context of Europe, that "…it is meant to avoid future confrontation with neighbors following the outbreak of Second World War". Regional integration involves removal of barriers to international commerce by States that are in the same geographical area and interest, through regional integration agreements (RIAs) to foster trade, expansion of the economy, increase coherence, and major macroeconomic benefits across boundaries.

However, over the past years, these doctrines came under immense challenge. For examples, some countries started to exhibit Political and economic dominancy over other nations, the case in point of Germany and France in the European Union; the growing skeptism among small nations, for instance, the case in point of Uganda in African Union; the breakaway of powerful countries like the United Kingdom from the European Unions, among others, leave us in doubt of the future prospects of regional integration.

Benefits of regional integration (EU)

In regional integration, nations join with others in mainly trade or political bloc and they give up some national sovereignty for the good of common interest within the member states. Sovereignty on the other hand in the words of Krashner (2001) "…provides wealth of benefits, including international status, diplomatic protection, possible control over natural resources, seignorage[1] (the right to print money), and access to foreign aid from richer states and international financial institutions". This fundamental right in a sovereign state provides the basis of decision making in the international spectra.

Regional integration enables access to trade and commerce among member states. For example, EU membership gives member states in the bloc access to the European single market, which is invaluable for trade and enables the easy movement of goods, services and people across member states. As part of a member of about 500 people for the case of the European union, integration foster ways for a small nation to tap this huge market. It also enables member states to tackle threats to security, including terrorism and cross-border crime.

In the global world today, some nations are quite hesitant to join trade and political pacts. A case in point include disagreements among African Heads of states over the idea of "speeding up the idea of Pan-African government" as suggested by Libya in the ninth (9th) annual Summit (2007) and shows the growing level of discontent towards the idea of regional integration in favor of maintaining the status quo of Sovereignty. Nations often feel that international groupings are more likely to erode core values, traditional practices as well as democracy practices while offering diminished amount of power at the policy-making level.

In Europe, similar sentiments persist especially when poor nation's democratic, rule of law, human rights records are measured by big powers. For example, Michael Marder (2009), a Professor of Philosophy in International Relations at Stanford University argues that the impact of the Eurozone crisis on Greece, Portugal, Italy and Spain shows the extent to which the classical model of sovereignty has eroded…the nation-state "has lost the last shreds of its supreme authority to make decisions on domestic policy matters as they are bound by the standards imposed by extra sovereign bodies such as the EU, the Central Bank, and the IMF".

Challenges of Regional Integration (EU)

Integration limits the ability of member states to expand on their foreign affairs roles. This is part loss of sovereignty because most decisions have to be agreed upon in form of collective action by the members of bloc. For example, EU membership limited Britain's international influence by replacing Britain's independent seat at the World Trade Organization (WTO) by EU.[2]

Another challenge to regional integration is the sovereignty that will be further espoused later in the paper, as defined in the introduction, by joining a bloc its more likely that you have to part with some of your sovereign roles. In EU for instance, proponents of Brexit argued that Britain would have more control of its laws and regulations, without risk of having counterintuitive policies forcefully imposed.

Trade and business: Proponent of Brexit have also argued that the long EU bureaucratic rules subjects British entrepreneurs and businessmen to slow and inflexible bureaucracy principles, making it more prohibitive for smaller companies to do business.

Immigration laws that led to loss of Jobs: Nations such as Britain may benefit more on selective immigration than the EU agreed arrangement of taking quarters of immigrants. EU VAT contributions and agricultural subsidies policies always lead to loses.

Economic Perspective for UK after Brexit

"It is better to be the head of a small fish than the tail of a large whale"

On February 01, 2020, the European Union became smaller. On this day, the United Kingdom officially withdrew from the European Union. At first glance, the situation is ambiguous, and for three and a half years since the referendum, many political scientists, economists, politicians, and ordinary citizens have asked the question: "what next?". And it stirred the minds of people on both sides of the English Channel. Despite the surprise of this decision and the fact of the UK's withdrawal from the European Union, history provides a huge number of such examples.

Apparently, it is inherent in the very nature of man to live in different unions. The reasons for joining are very different, but the most significant and usually the main reason is to join forces with a goal. This can be protection from enemies or for the purpose of expansion. It is also possible that the strong member gets access to resources over the weaker ones.

Speaking about the UK's withdrawal from the European Union, it should be noted that the results of the referendum were a complete surprise, but it should also be said that in this case we are dealing with a "planned" exit of one state from the Union.

Figure 1 shows a new map of the States that make up the European Union from February 01, 2020. The most important thing to note when looking at this map is that the core of the countries that created the first European Union, which marked the beginning of the entire European integration, continues to be members of the European Union. At the same time, it is obvious that the numbers of participating countries have increased significantly at the moment, and the differentiation of these countries in terms of their contribution to the General budget of the European Union, as well as in most key economic indicators, is significant.

The one of the reasons for UK's withdrawal from the European Union was the dissatisfaction of taxpayers of the United Kingdom that their contributions were benefiting other countries of the European Union, which do not make a significant contribution to the overall budget. Of course, we cannot but note the political mood within the United Kingdom fueling the idea of self-sufficiency of the UK.

In our opinion, the dependence on the views of certain political forces in power in the country regarding the preservation or non-preservation of membership in the European Union is significant; moreover, determining. But this is more of a topic for another study. Figure

Figure 1: European Union

2 shows the dynamics of GDP in the EU as a whole and separately in the UK. Figure 3 shows the GDP dynamics for the main EU participants (France, Germany, and the United Kingdom). The data show that the UK, being a fairly large member of the European Union, demonstrates more stable trends in its development. Despite the fact that UK GDP is also subject to general dynamics, the chart shows that the UK's dynamics are more flexible and elastic. Even among large participants (Fig.3), the UK shows a more elastic GDP trade. If there is a fall, the level of decline is less than that of other countries, and the growth is also more plastic, although its level is lower than that of other major members of the European Union. This characterised the UK economy as stable and immune to stressful factors affecting the economy.

From the first trade agreements to its Monetary Union, the European project is a paradigmatic case of how international economic integration since the end of World War II, and especially the financial liberalization of the 1980s, forced countries (developed and in development) to align around the different world powers through agreements of all kinds (Barredo, 2012).

Figure 2: GDP Dynamics for the EU and the UK

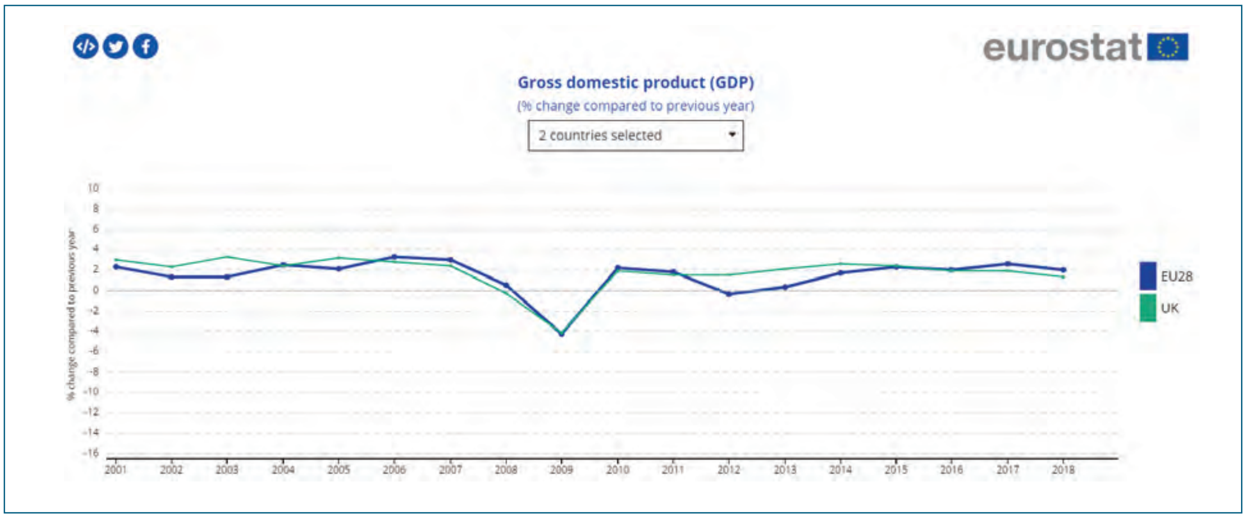
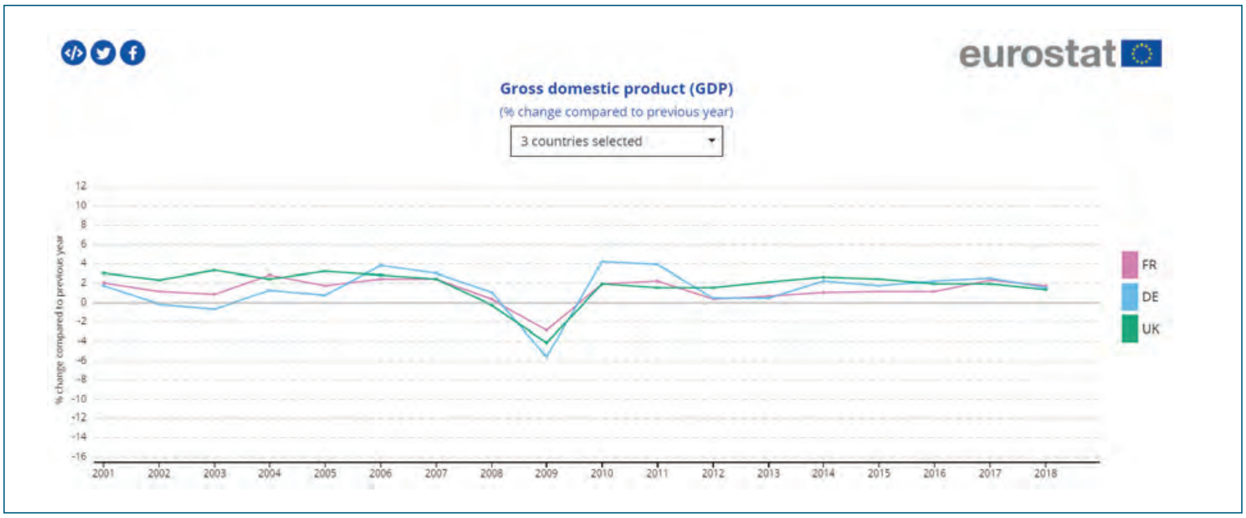


Figure 3: GDP Dynamics for the main EU participants (France, Germany, UK)



The association of powers multiplied throughout the globe with agreements of all kinds. Trade agreements, bilateral investment agreements, monetary anchors or even partial or total monetary integrations, the emergency and crisis of Southeast Asia, the dollarisation of Latin America, creation and expansion of the Euro, etc. are examples of economic integrations at different levels of the last decades. The powers seek to ensure stable access to markets and resources of less developed countries. The latter seek to annex their economies to the great powers by creating, through agreements, the most convenient atmosphere for the capitals of the power in an international scenario of growing financial instability.

The fact is that if that has been the dominant process, historically it has not been isolated or linear. In front of him and in parallel, a process of disintegration and secession, which has its origin in social mobilisation (e.g. the industrial revolution, urbanisation), has produced territorial fragmentation in Europe itself, Latin America and more recently in the African continent. It is then the balance between the two processes - assimilation and mobilisation - that would explain, according to that author (Barredo, 2012), at a given time.

Sovereignty and the exit of UK from the EU

¨If nations must unite, caution must be applied when considering the issue of sovereignty"

Sovereignty has always been a sensitive subject in Europe. It rears up not only at the national level but also among the smaller social groups within and across national frontiers. The process of integration in the EU has always involved some transfer of power away from the domestic government to an external court. Originally, the transfer merely concerned coal and steel but, as European integration accelerated, the scale of decision-making by supranational bodies has widened considerably. At the same time, national bodies have had the scope of their sovereignty diminished.

Coming together in a union of a political dimension, it is apt to compare such trend with a Federal Political System. Gareth Locksley (1990) in his book "The Single European Market and the Information and Communication Technologies", stated that the Political Integration of the EU was similar to the concept of the Federal Political System, where the federal government is chosen by direct elections, while democracy is extended and the prospects for consensus, harmony and other aspects of integration are enhanced (Locksley, 1990). Here, the federal supranational government operates unitary monetary, internal trade, fiscal policies in the realm of the economy. But supranational authority does extend to external relations, social security, health, education and welfare. The exact extent of supranational authority is determined by the objectives of integration where notions of consensus are important.

The transition of Britain to its modern, post-war democratic form after two World Wars and the drawing to an end of an Empire brought about some significant changes to its political arrangements. It remains a 'settled polity' and it has been a full democracy for the past 100 years (Gamble, 2019). Internally, within Westminster, Parliamentary sovereignty remains the supreme principle of the UK constitution. It makes Parliament the supreme legal authority in the UK, which can create or end any law; in that system, Acts of Parliament cannot traditionally be challenged in the courts. The Westminster system has been deeply embedded in the idea of accountability, which made it possible for the electorate collectively to hold the government of the day to account (King 2015: 19).

Taking back control of sovereign right has always been an objective of the British citizen. Amongst other causal effects of the exit of Britain from the EU, two prominent issues such as migration and the wish to escape the Court of Justice of the European Union (CJEU) jurisdiction and to write and judge on their own laws have been a long nurtured goal over the years. In other words, this is talking about the reclamation of British sovereignty from the European Union (EU).

Britain apparently intends to reassert itself as a proud, patriotic country that has control of its borders, represents itself on the world stage and makes its own law within its sovereign parliament (May, 2017). Theresa May further portrayed the vision of the UK as a new dominant player on the global stage, dominating the Commonwealth which, according to Isahaan Tharoor "Brexit is rooted in imperial nostalgia and myths of British exceptionalism" (Isahaan,2019). Moreover, a survey made by YouGov Eurotrack Survey in February 2017 showed that most British think the EU needs the UK at least as much as the UK needs the EU. According to the survey, 33 per cent of the Britons believe the EU needs Britain more than Britain needs the EU, 28 per cent believe that they need each other equally. The data displayed that Britons probably see themselves as a more important actor internationally than they maybe, in contrast to the other countries view of them.

The sovereignty issue is central. As argued by Prime Minister Boris Jonson while he was a Foreign Secretary, he avowed that "you cannot express the sovereignty of parliament and accept the 1972 European Communities Act (BBC, 2019). As it is well known, EU law prevails over domestic law in cases of conflict. In the UK the principle of the supremacy of EU law over national law was established in Factortame in 1991, when a British parliamentary act on ship registration was set aside by the CJEU after complaints by Spanish fishermen.

The question of sovereignty has, however, haunted the British EU debate for decades if not centuries. What parliamentary sovereignty implies, in its most conventional understanding, is as pointed out by Dicey: 'Parliament can make whatever laws it wishes; that no 'higher' constitutional laws or principles constrain Parliaments legislative authority; and that other institutions, including the courts, must accept as valid laws duly enacted by Parliament (Dicey, 2017).

According to this view, the fact that, for instance, the UK parliament respects fundamental rights is due not to a written constitution or supranational courts or conventions, but simply to a deliberate political choice made by parliament itself.

Whither the European Union

What, then, is keeping the other major players from repeating the UK's action? In the current situation, the most likely answer to this question is the economic feasibility of maintaining the existing situation. First, as already noted, the main participating countries that formed this Union remained in the EU. Second, we believe that there are stronger economic ties between the remaining participants, both large and small.

As expected, large EU member States have a positive trade balance and, therefore, determine the overall trade balance of the entire EU, while subsidised countries continue to use the proposed policy of "colchesia", that is, to be a subsidised member of the EU. The year 2020 was marked not only by the UK's withdrawal from the EU. This is also the year of the adoption of the next EU budget (adopted for seven years), which already provides for a reduction in support for subsidised countries. This circumstance is also one of the key challenges for the EU's existence, since without funding, subsidised countries will not be able to meet the criteria set for EU member States, even though these countries are both consumers of industrial products from the EU's" big four", but also suppliers of labor back.

KarI Deutsch, thinks integration consists, and must be understood, in a process of consolidation, cultural-territorial, by means of which human conglomerates that in fact dominate a territory are amalgamated to form, on occasion, confederate systems, federations or empires. This "additive" process of cultural and political assimilation would have as its goal a 'world government'. "Couldn't this process continue until there was only one single government for everyone?" (Deutsh, 1971)

A definition of integration has traditionally been used in economic and political theory to designate, in the economic aspect, a process by which "two or more countries proceed to abolish, gradually or immediately, the discriminatory barriers between them and the purpose of establishing a single economic space"; (Allen and Unwin, 1961) and in the politician - derived from the concern about the consequences that the elimination of economic barriers entails - a process through which the parties or "... participants transfer loyalties and attributions to regulate their relations within space to a more powerful entity or larger unit". (Hass and Schimitter, 1966).

The above definitions, which implicitly consider such integration as desirable and good despite recognising consequences, refer to national spaces, even if they could be thought of for subnational spaces. It is precisely when passing from one level to another when the problem appears clearly delineated: although at the national level an integrationist policy will seek to generate centripetal forces in order to eliminate the differences between the different (subnational) regions, in the international sphere centrifugal forces seem to oppose the integrators leading to failure attempts to transcend the nation-state; however, in both cases opposing forces are produced facing regional interests and needs with nationals (Graizbord, 1983)

The study of the effects and impacts that this conflict between opposing forces produces for Mexico, both internally and in its international relations, emerges as urgent and necessary (Brookfield, 1975). Urgent, because interdependence cannot be denied growth or, rather, border integration, in the case of neighboring countries; necessary, because when the parties explain their willingness to negotiate, intervene and mediate institutional conflicts or bilateral issues in order to resolve them and obtain mutual benefits from this complex relationship, it is essential to recognise that these are entities that are not equal (there are differences structural) and that the process is not linear (responds and generates complex and diverse situations of a cyclical nature). Both considerations involve differential costs and benefits.

Indeed, formally a geographical region bounded by a legally recognised dividing line at the international level constitutes a space that, by right, is the exclusive jurisdictional space of national institutions. The border is, in a nutshell, what territorially distinguishes a country from another. However, in the complexity of the multiple levels at which the interrelationships between national economic-political systems occur, the border is in fact a barrier that is not absolute but "porous" and "permeable" that can be opened or gradually close both formally and functionally.

Conclusion

The causes of Brexit lie within, rather than beyond Europe. The puzzle confronting theorists of European integration encompasses the origins, as well as the course and consequences of this landmark event.

Intergovernmentalism has engaged Brexit on two fronts. The first has been to challenge the claim that Brexit will have a substantive effect either on the UK or on the EU as a whole. "The view that Brexit is epiphenomenal is logically consistent with two core premises of intergovernmentalism: first, that the course of European integration depends on the benefits of cooperation mediated by intergovernmental bargaining; and second, that intergovernmental bargains depend not on referendum outcomes but on economic interests, relative power, and credible commitments" (Moravcsik 2016). On both grounds, Brexit can and has been regarded as a misleading event that has implications for UK domestic politics but not for the association of the UK with the European Union.

Endnotes

1. Seigniorage is defined by the economics times journal to mean the difference between the value of currency/ money and the cost of producing it. It is essentially the profit earned by the government by printing currency. Description: It can also be termed as a source of revenue for governments as the value of money printed is generally higher than the cost of producing it
2. The United Kingdom was formerly being represented by the European Union since the WTO was founded in 1995. However, it has the chance to retake her independent seat at the World Trade Organization after almost 46 years following the formal withdrawal from the EU in January 2020. *https://www.gov.uk/.../news/trade-secretary-lays-groundwork-for-independent-seat-at-wto*

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III

Effects of Free Trade Agreements in Developing Countries: Evidence from Thailand, Nigeria, Colombia and Vietnam

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Effects of Free Trade Agreements in Developing Countries: Evidence from Thailand, Nigeria, Colombia and Vietnam

Introduction

Globalisation and regionalisation have led to increased market integration and reduced the global importance of market size as a determinant of trade location; small countries can, therefore, trade and participate in global supply chains, with larger economies. These developments have been largely fuelled by several global trade agreements. In particular, since 1947, when the General Agreement on Tariffs and Trade (GATT) was created, the world trading system has witnessed eight rounds of multilateral trade liberalisation, as well as from unilateral and regional liberalisation. Indeed, the last of these eight rounds[1] led to the establishment of the World Trade Organization (WTO) to help administer the growing body of multilateral trade agreements. The advent of WTO and liberalisation of trade restrictions in recent times have expanded the trade between the international communities, Rabin (2008). Free Trade Agreements (FTA) are agreements by two or more countries on the terms of trade, i.e. tariffs and duties that they impose on imports and exports as a basis for international trade. In most situations, a free trade area is established.

Similarly, in relation to the scope of this paper, Vietnam and Thailand has agreements with countries in the Association of Southeast Asian Nations Free Trade Area (FTA), signed in January 1992 in Singapore. The Block is made up of countries like Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, Laos, Myanmar and Cambodia. The block has largely removed all export and import duties on items traded between the nations. It has also entered into agreements with a number of other countries including China, by eliminating tariffs on about 90 per cent of imported goods. Thailand has embarked on a free trade agreement with India form 2003, known as the "framework agreement for establishing free trade".

Likewise, in April 2011, the Lima declaration, established the pacific alliance, which is a commercial block formed by the countries of Chile, Peru, Mexico and Colombia as full members. This agreement seeks to deepen economic integration, create a free trade area among its members that allow the free movement of goods, services, capital and people, as well as serve as a negotiating block for the countries of Pacific Asia, on the basis of the bilateral trade agreements already signed between the parties previously. Besides, Colombia also entered in another agreement in May 2012 that enabled Colombian firms to export agricultural commodities to the USA.

In addition to this, Africa has been integrating along various dimensions for the past 60 years. Economic Community of West African States (ECOWAS) was established by the Treaty of Lagos in 1975, which set out several provisions aiming at creating an

ECOWAS Free Trade Area (FTA); Customs Union; Common market and Economic and monetary Union, Opanike and Aduloju (2015). Similarly, in Nigeria, the framework of the Forum on China-Africa Cooperation, known as FOCAC was established in 2000 and in 2001; the two countries signed agreements on the establishment of a Nigeria Trade Office in China and a China Investment Development and Trade Promotion Centre in Nigeria. The most recent agreement is the African Continental Free Trade agreement (AfCFTA) agreement which seeks to create a single continental market for the free movement of goods and services within the African continent. The Agreement came into force on 30 May 2019, after ratification by 22 AU member states. However, Nigeria became a signatory to the AfCFTA Agreement on 7 July 2019, Anderson (2019).

In this era of multiple trade agreements, all over the world, countries are evolving and the trade relationships amongst several developing countries have become very dynamic[2] (Tumbarello 2007; Mac phee and Sattayanuwat 2014). Developing countries have become much more important in world trade, this is because they now account for one-third of world trade, up from about a quarter in the early 1970s, Moreover, trade between developing countries has grown rapidly, with 40 per cent of their exports now going to other developing countries. IMF (2001). While many scholars and institutions and countries have argued for the continuous proliferation of trade agreements and as trade deals continue to expand, the debate on the benefits, that may be derivable from trade from trade especially for developing countries have intensified. However, a consensus is yet to emerge on the effects of such agreement for countries such as Vietnam, Columbia, Thailand and Nigeria. One school of thought is of the view that FTA is welfare reducing and creates several stumbling blocks for developing countries. (Bhagwati and Krueger, 1995; Bhagwati and Panagariya, 1996). Another view considers FTA as a means to raise global welfare (Ethier, 1998; Schott, 2004).

It is against this backdrop that this paper proposes to assess the above noted subject from the perspectives of developing countries using the Asian and African example. Specifically, we hope to firstly identify the agreements signed during a given period, discuss the details of the agreements, show the trade volumes of our sample countries, and analyse the behaviour of exports and imports from the period under review and show, using simple analysis how trade is connected to the free trade agreements in our countries of interest. The justification for the study, arises from the desire of the group members to contribute to the debate on the how free trade agreements have impacted trade volumes and if it is profitable for developing countries to continue to engage in trade negotiations in the long run. To achieve the above, the paper will rely on data from the databases of World Trade Organisation (WTO) and the local agencies responsible for the collection and publication of data in the various countries.

The paper is structured into six sections. Following this introduction, section two presents a survey and review of the literature on the potential effects of free trade agreements on the socio-economic development of member nations, while section three presents the methodology for the study. Section four focuses on trade trend analysis; section five presents the theoretical framework, model specification and empirical analysis, while section six provides summary, conclusion and recommendations.

Literature Review

Conceptual Issues

A Free Trade Agreement (FTA) is a PTA in which member countries do not impose any trade barriers (zero tariffs) on goods produced within the union. However, each country keeps its own tariff barriers to trade with non-members. This is usually referred to as "trade integration". A good example is the North American Free Trade Agreement (NAFTA) formed by the United States of America (USA), Canada, and Mexico in 1993. More specifically, paragraph (8) of article (XXIV) of the GATT defines a free trade area as follows:

"For the purposes of this Agreement: (b) A free-trade area shall be understood to mean a group of two or more customs territories in which the duties and other restrictive regulations of commerce are eliminated on substantially all the trade between the constituent territories in products originating in such territories." (quoted from Par.8, art. XXIV, GATT).

There are two main schools of thought on the impact of free trade agreements on developing countries in the literature. The first school is of the view that FTAs has proven a powerful means for countries to promote economic growth, development, and poverty reduction, IMF (2001). According to the IMF (2001), free trade agreements have been an engine of growth for since 1947, when the General Agreement on Tariffs and Trade (GATT) was created. Most developing countries have shared in this prosperity as incomes have risen dramatically. Many developing countries have substantially increased their exports of manufactures and services relative to traditional commodity exports: manufactures have risen to 80 percent of developing country exports, IMF (2001). However the negative impact of free trade agreements and integration has also been highlighted in the literature on integration.

Theoretical Issues

Viner's Traditional Customs Unions Theory

Viner's study was the first to identify concrete criteria to distinguish between the possible dvantages and disadvantages of economic integration. Viner's so-called "static analysis" of economic integration has divided possible effects of free trade argument into the well known trade creation and trade diversion effects. Trade creation refers to the case when two or more countries enter into a trade agreement, and trade shifts from a high-cost supplier member country to a low-cost supplier member country in the union.

Trade diversion may occur when imports are shifted from a low-cost supplier of a non-member country of the union (third country) to a high-cost supplier member country inside the union. This may be the case if common tariff after the union protects the high cost supplier member country inside the union.

Static and Dynamic Effects of Free Trade Agreements

Static Effects: The static effect focuses on the twin concepts of trade diversion and trade creation. Viner (1950) was of the view that economies of scale will be the case, in a larger free trade area. In other words, where the economic area of the customs union is large, the more likely is a customs union to reap the benefits of trade. The reverse is also true as he has also shown that size of a free trade area matters in the explanation of the possible effect on member states, thus he concluded that customs unions are unlikely to provide more economic gains than harm, unless strict circumstances prevail. This can be seen from the following paragraph taken from Viner's book, and cited in Hosny (2013).

"Customs unions are not important, and are unlikely to yield more economic benefit than harm, unless they are between sizable countries which practice substantial protection of substantially similar industries" quoted from Viner (1950). This conclusion is supported by the idea that trade-diverting effects of customs union may outweigh their trade-creating effects, even if the resulting union tariff is lower than the average level of the previous tariff (Martin 1951).

In a nutshell, Viner's theory basically stipulates that countries will only have incentives to integrate, if integration is likely to produce static gains more than losses, in other words when free trade areas have the potential for trade creation more than trade diversion.

Viner (1950) opines that negative welfare effects arises from trade diversion, which occurs when, countries outside a free trade area, offer a more competitively priced product, than members within the FTA area. This disadvantage usually results in trade diversion, as some members have incentives to expand production at the expense of other less efficient members within the FTA. On the other hand, the welfare effect of trade creation is positive as same internal tariffs stimulate greater competitiveness. Thus FTA countries are able to expand their share of the common FTA markets, this leads to greater productive and allocative efficiencies, Dent, M.C. (2006).

Dynamic Effects: The second effect is the dynamic effect[3], according to Hasson (1962) "static analysis of trade division and trade creation is insufficient" As a result, Balassa (1962), and Cooper and Massell (1965) have introduced another tool (dynamic effects) into the analysis of the welfare effects of economic integration, as a more efficient economic reason or rationale behind the formation of customs unions or economic integration schemes in general.

Their analysis added a new dimension to this area of study. Balassa's dynamic theory of economic integration proved that the static analysis in terms of trade creation and trade diversion is simply not enough to fully capture or analyse welfare gains from economic integration. According to Allen (1963), Balassa (1961) listed the principle of dynamic effects of integration as large-scale economies, technological change, as well as the impact of integration on market structure and competition, productivity growth, risk and uncertainty, and investment activity. Schiff and Winters (1998) summarized the definition of the dynamic effects of economic integration schemes as anything that affects the country's rate of economic growth over the medium term. This has been further divided into four other categories. These are the economies of scale, increased competition and efficiency, structural change and closer collaboration effects.

Economies of scale impact: This occurs as FTA area integration deepens. This creates enormous opportunities for firms of the FTA members to exploit economies of scale, as countries achieve cost efficiencies that in turn engender welfare gains. Specifically, individual FTA partner country specialises according to its own comparative advantages, being able to expand production within a larger FTA integrated market.

Increased competition and efficiency impact: FTAs intensify the competitive pressures exerted on domestic producers from rival firms from FTA partners over the long-term. This stimulates firms to invest in new technologies and improve efficiency in order to survive and prosper in the new competitive environment.

Structural change impact: countries can benefit from the structural changes brought about by both economies of scale and intensified competition this because efficiency gains will lower the prices of their imports from the FTA area, while FTA area demand for their exports could rise from the increased growth rates induced from those changes.

Closer collaboration impact: FTAs can help network together firms in joint ventures and other forms of strategic alliances through the market integration effects noted above or by government sponsored co-operative programmes that may be incorporated into the FTA. This collaboration should result in a greater transfer of technology and skills across the FTA and additional synergetic effects.

Empirical Issues

The empirical literature shows that the progress of integration has been uneven in recent decades. Progress has been very impressive for a number of developing countries in Asia and, to a lesser extent, in Latin America. These countries have become successful because they chose to participate in global trade, helping them to attract the bulk of foreign direct investment in developing countries. This is true of China and India since they embraced trade liberalisation and other market-oriented reforms, and also of higher-income countries in Asia, like Korea and Singapore, that were considered poor up to the 1970s, IMF (2001). However, progress has been less rapid for many other countries, particularly in Africa and the Middle East. The poorest countries have seen their share of world trade decline substantially, and without lowering their own barriers to trade, they risk further marginalisation, this is a description of about 75 developing and transition economies, Anderson and Yotov (2016), Cipollina and Salvatici (2009). In other words, in contrast to the experiences of developed countries, developing countries which are also a part of several free trade agreements have been marginalised in a complex way due to the traditional nature of their commodities, deep seated structural problems, weak policy frameworks and institutions and the need to protect their infant industries, Dai et. al. (2014), and Carrare (2006). Thus developed economies depend disproportionately on production and exports of traditional commodities producing countries. IMF (2001), Baier and Bergstrand (2006).

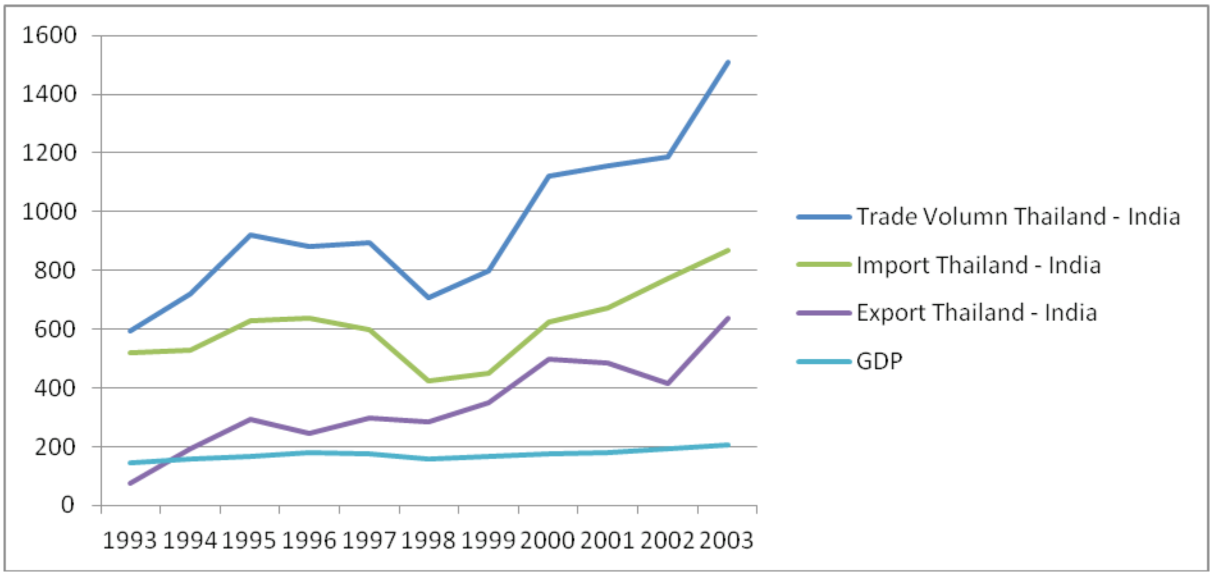
Methodology

The study employed both a trend analysis and a multiple regression analysis, based on neoclassical model, using the ordinary least squares technique, to estimate the impact of import and exports before and after FTAs were signed. Trade variables such as imports and exports of Thailand, Nigeria, Colombia and Vietnam were related to per capita GDP[4], as a measure of the socio-economic development for the four countries. We rely on the data from the period before specific agreements were signed and we also take accounts of developments arising from the period after such agreements took effect. The data used in this study are secondary data obtained from the World Development Indicators (2019) and the various agencies responsible for the commutation of data from the various countries under review.

Trade Trend Analysis Before And After FTAs

Firstly, we shall present a trend analysis and show the trade performance of the countries under review. Below are figures depicting the trade balance of our countries of interest before

Figure 1: Trade Performance before Bilateral FTAs Thailand – India



Source: Authors computation, based on data from Thai Customs Department data and Ministry of information and communication 2019.

and after they sign specific bilateral free trade agreements.

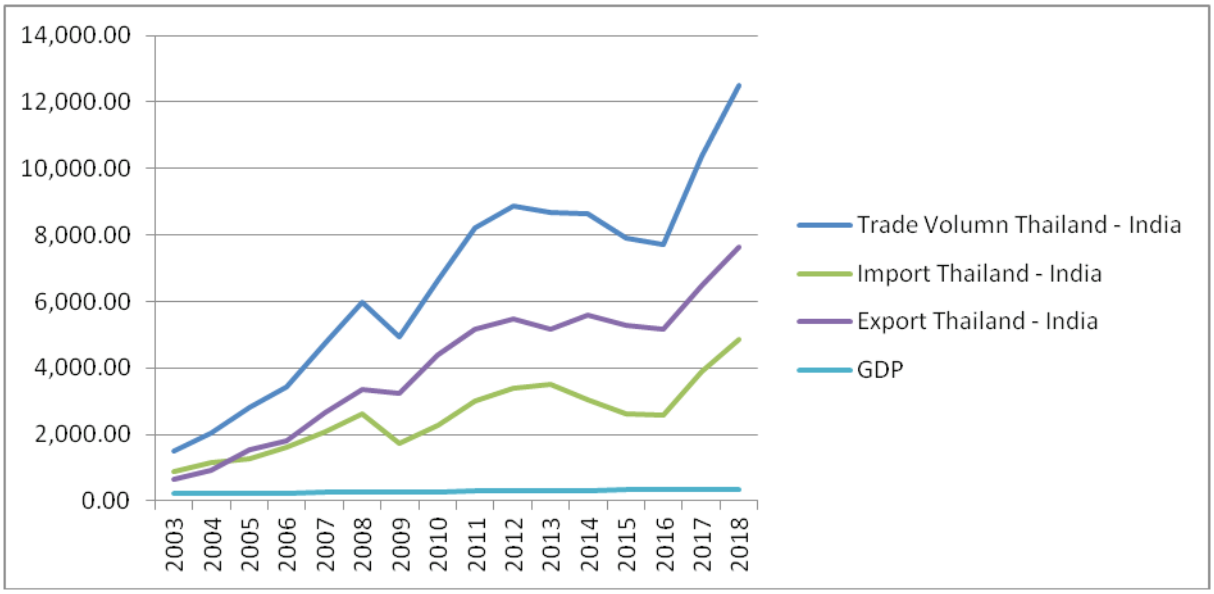
Figure 1, depicts the trade pattern of Thailand with respect to India. The y- axis shows the trade volume, whiles the x-axis reflects, the years, before Thailand entered into an agreement with India. It is clear from Figure 1, that the trade volume has been very unstable in the last ten years, from 1993 to 2003, particularly, in the last 7 years. However, the next three years witnessed an upward trend, which indicates a steady rise in the trade volume, up till 2003. The volume of exports and imports has also shown a rise in the trade between Thailand and India over time. Similarly, the per capita income has been barely stable, without much change as can be seen from the graph.

Figure 2, presents the trade relationship between Thailand and India after both countries had a bilateral trade agreement from 2004. From the trend presented in Figure 2, it is evident that trade volume reached a peak in the last 11 years, as export and import volumes have also grew. However, the per capita income for Thailand has reduced in the period after the trade agreement came in to force.

The major imports which Thailand exports to India include motor vehicle spare parts and accessories, air conditioning machines and it apparatus, telephone sets and mobile phones, other devices for the transmission or reception of voice, images or other data, within a wired or wireless platform. On the other hand, Thailand main imports include frozen fish, excluding fish fillets, parts and accessories of the motor vehicles, molluscs, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; smoked molluscs, flours and other meals.

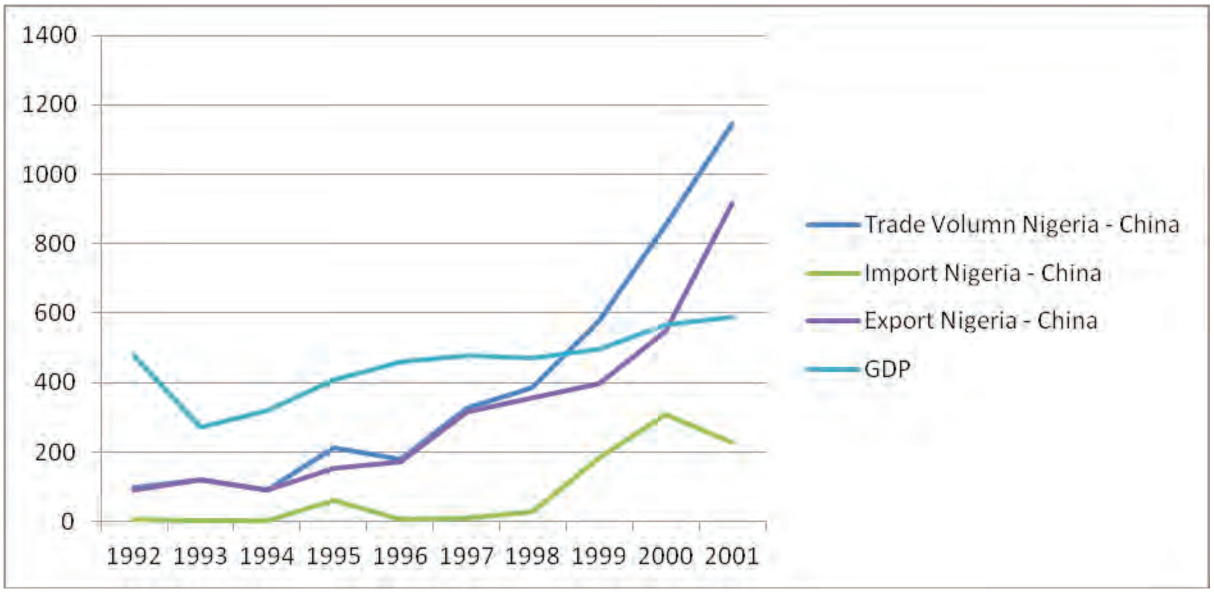
Figure 3 shows the interaction between trade volume, imports, exports and GDP per capita, between Nigeria and China, before a bilateral trade agreement was signed between both countries. The graph shows that while the trade volume and export from Nigeria has risen steadily over the period of 1992 to 2001, per capita GDP has experienced a rise after a sharp drop between 1992 and 1993, but rose after wards. Imports from Nigeria rose, with minor

Figure 2: Trade Performance before Bilateral FTAs Thailand – India



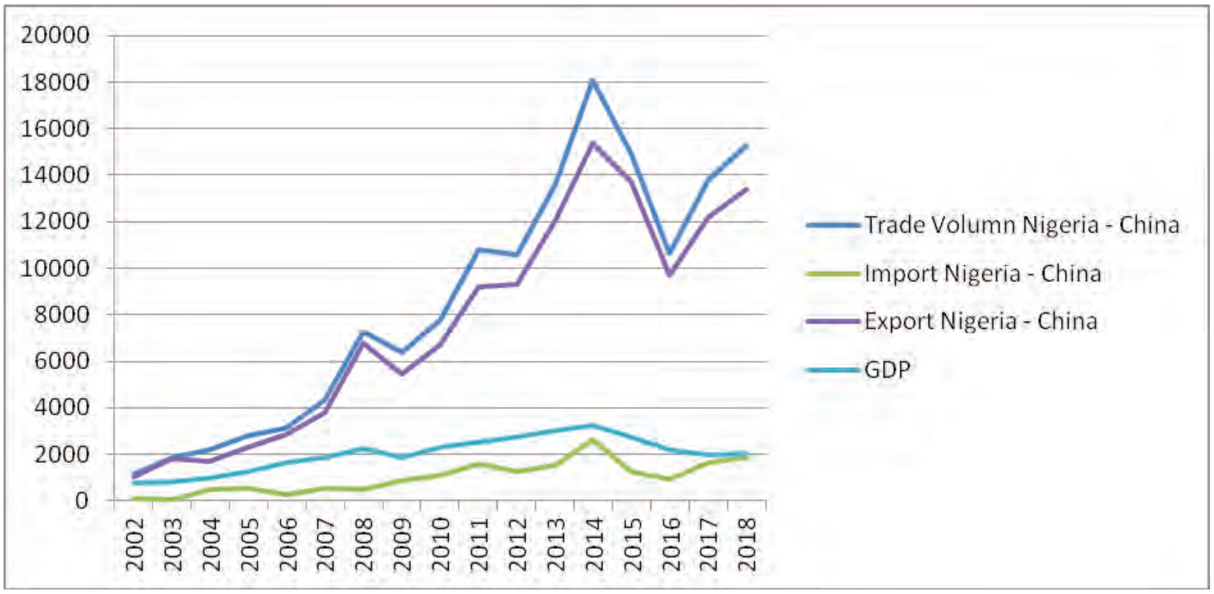
Source: Authors computation, based on data from Thai Customs Department data and Ministry of information and communication 2019.

Figure 3: Trade performance before Bilateral FTAs Nigeria – China



Source: Authors computation, based on data from UN comtrade 2019.

Figure 4: Trade performance After Bilateral FTAs Nigeria – China



Source: Authors computation, based on data from UN comtrade 2019.

fluctuations till around year 2000, and fell and did not recover from the fall after 2001.

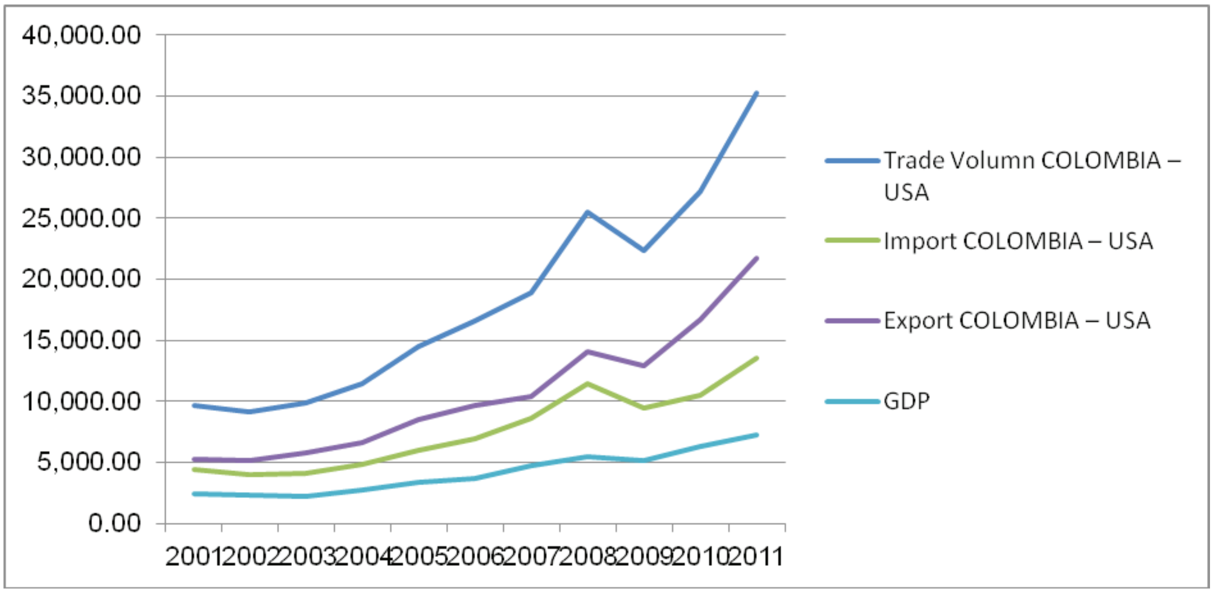
Figure 4 shows a close relationship between the trade volume between Nigeria and china and exports imports from Nigeria. However, import from Nigeria and GDP per capita has reached a peak of about US$ 3500 and US$ 2,300 respectively in 2014 and have fallen to about US$ 2000 in 2018.

A closer look shows that items imported from China include solid mineral products, manufactured products such as laboratory, hygienic/pharmaceutical glassware, motorcycles, machines, mineral fuels and product of their distillation, electrical machinery and equipment vehicles railway tram and roll-stock, articles of iron or steel, aluminium and articles thereof rubber and articles thereof art of apparel and clothing accessories, furniture, beddings, mattresses and cushion amongst others. While exports from Nigeria, include crude oil and other mineral products, wood and articles of wood, mineral fuels and product of their distillation ores, slag and ash, raw hides and skins and leather, copper and articles thereof, plastics and articles thereof oilseed, cotton oleaginous fruits; seed, fruit, etc.

The Figure 5 shows the trade relationship between the United States and Columbia from 2001 to 2011. The exports from Colombia was more dominant, importation and exports form the country indicates several periods of sharp volatility, within the period under review. The total trade shows the aggregate trade that took place between both countries. In spite of the high trade volumes, the per capita, was found to exhibit an increase, in other words, the per capita income of Columbia also responded to the large fluctuations in the trade volume from 2001 to 2011, before the bilateral free trade agreement was signed.

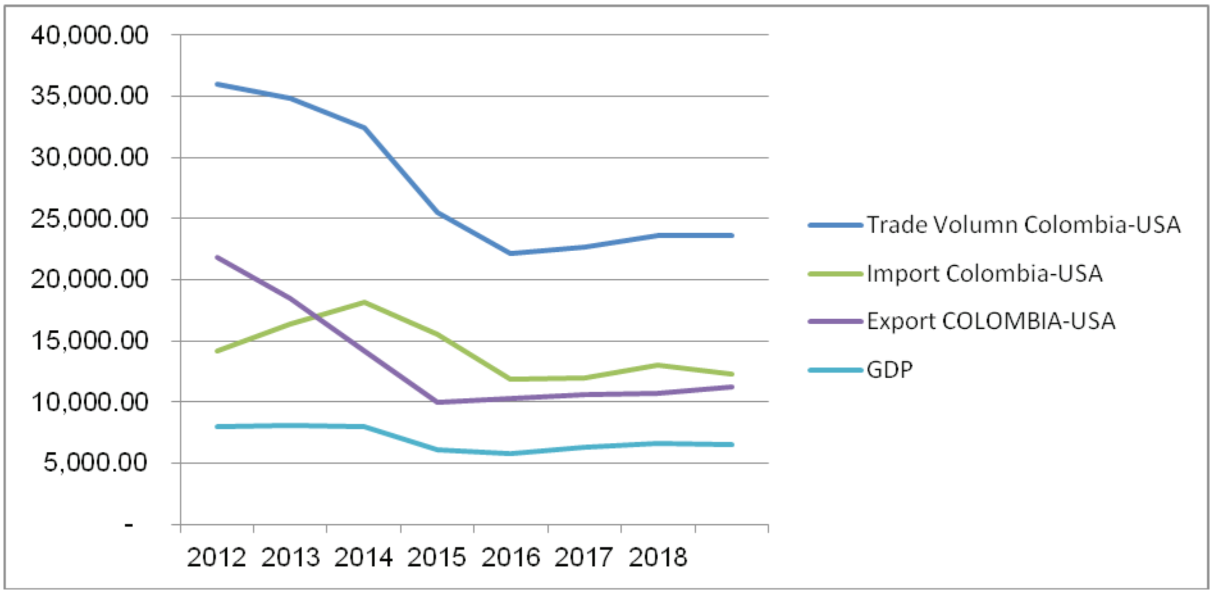
Figure 6 is a trend of trade between Colombia and the United States from year 2012 to year 2019, after the bilateral agreement between the two countries came into force. In Figure 5 import from both countries got to a peak and began a slow decline and rose insignificantly, afterwards. Similarly, the exports rose and

Figure 5 Trade Performances before FTAs Columbia and the US



Source: Authors computation, based on data from Ministry of Commerce and Tourism and National Administrative Department for Statistics Colombia 2019.

Figure 6 Trade Performances after Bilateral FTAs between Columbia and the US



Source: Authors computation, based on data from Ministry of Commerce and Tourism and National Administrative Department for Statistics Colombia 2019.

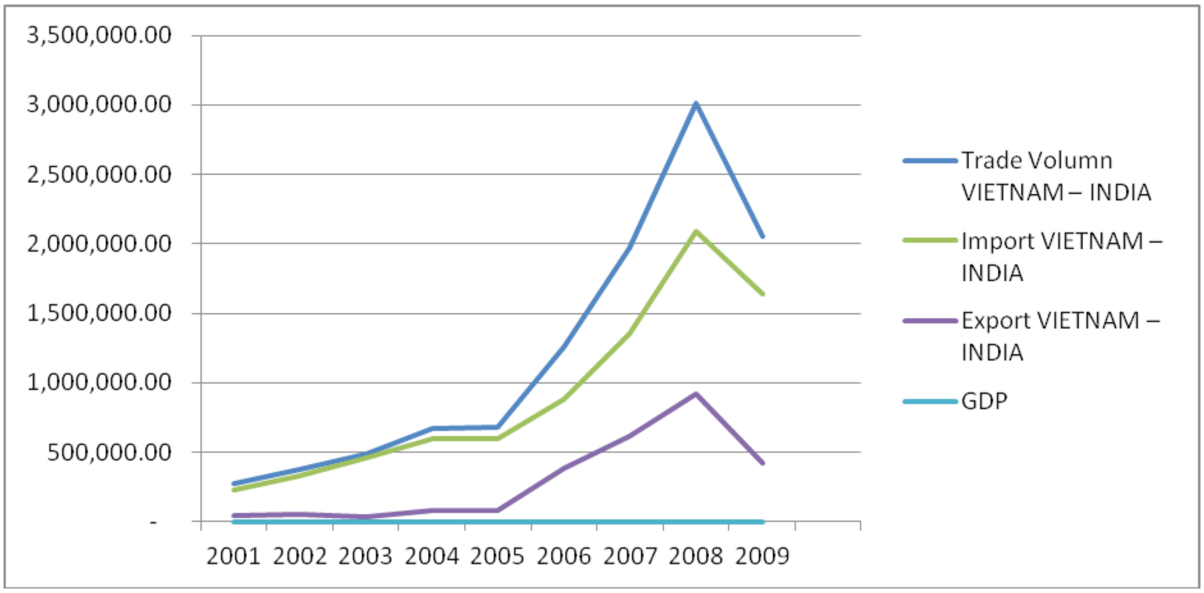
afterwards began to experience a sharp drop and did not recover to the initial volume till 2019. The per capita did not vary much from the movement in the period before bilateral trade agreement was signed. It is evident that the trade volumes rose to a peak initially after the bilateral agreement with the United States came into force. However, exports and imports began to decline from 2014.

Imports to Colombia from the United States comprise machinery and equipment, basic petroleum products and other chemical derivatives and spare parts for the Colombian auto motive industry, organic chemicals cereals (corn), soybean meal, soybeans, pork and pork products, and soybean oil. Colombian exports to the United States include oil, petroleum products, mineral fuels, coal, coffee, tea & spice, precious metal and gold, live trees and plants, bananas and plantain, processed fruit and vegetables.

Figure 7, shows the interaction between trade volume, imports, exports and per capita GDP. From the graph, it is clear that trade volume, imports, and exports rose steadily, till around 2008, when it the variables experienced a sharp drop and did not recover till the period of entering into the bilateral agreement. However, per capital GDP, has been relatively low and insensitive to the movements in trade volume, imports and exports in the period under review.

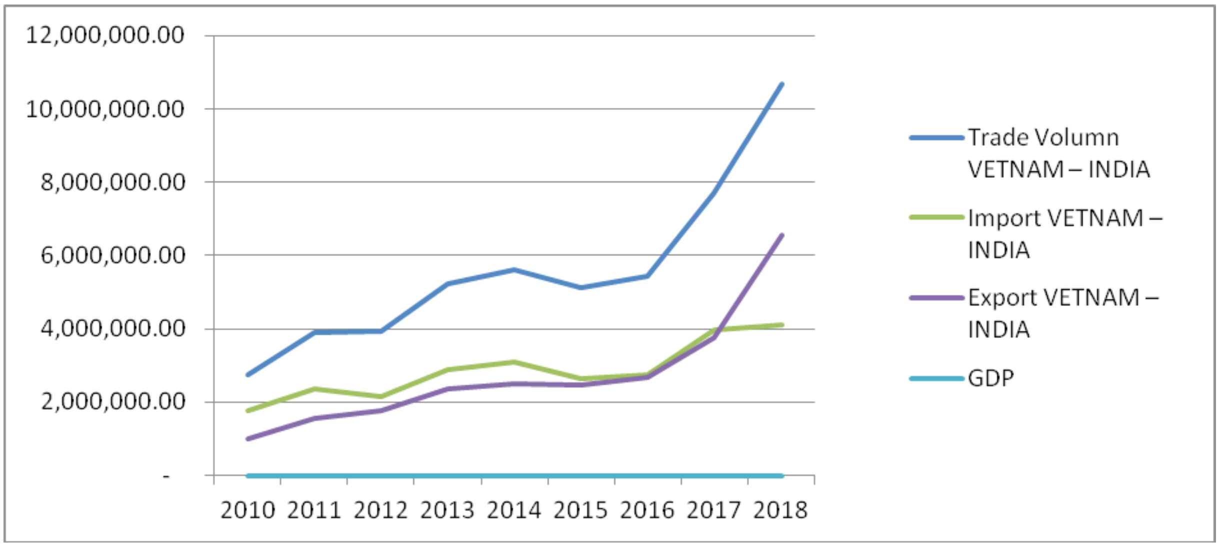
Figure 9 presents the trend on the trade pattern between Vietnam and India, after the bilateral agreement between both countries went into force in 2010. From the graph all the variables follow an upward trend, from the initial plunge in the previous period before any trade agreement was signed by both countries. However, per capital GDP was not influenced by the trade variables for the period under review. Major trade items between Vietnam and India include crustacean, cottons, groundnuts, maize, medicaments and flat rolled products of iron amongst others.

Figure 7 Trade Performances before Bilateral FTAs between Vietnam and India



Source: Authors computation, based on data from Association of South Asian Nations (ASEAN) Statistics 2019.

Figure 8 Trade Performances after Bilateral FTAs between Vietnam and India



Source: Authors computation, based on data from Association of South Asian Nations (ASEAN) Statistics 2019.

Theoretical Framework, Model and Regression Analysis

Drawing from Israr and de Sousa (2018)[5] the neoclassical models of international trade theory in general predict that a country will have a permanent gain in the long run from lowering its trade barriers. Consequently, this will promote a more efficient re-allocation of resources and the welfare of the citizens will improve. Similarly, fierce competition would induce greater productivity of output. To show the relationships of our variables, we employ a multiple regression analysis as shown in the model below.

$$GDPP = f(IMPT, IMPT, U)^{6} \quad (1)$$

Where:

GDPP: Gross Domestic Product Per capita

IMPT: Imports; and

EXPT: Exports

From the above, the functional form of the model in equation (3) can be expressed in explicit form as follows:

$$GDPP_t = \beta_0 + \beta_1 IMPT_1 + \beta_2 EXPT_2 + \mu_t \quad (2)$$

Where:

μ: error term

By transforming our model in equation 2 above into a log linear model we have,

$$LNGDPP_t = \beta_0 + \beta_1 LNIMPT_1 + \beta_2 LNEXPT_2 + \mu_t \quad (3)$$

Estimates of Regression Analysis[7]

Table 1 shows that trade for Thailand, Nigeria and Vietnam, where all positive both before and after the countries entered into bilateral agreements, only Colombia had negative relationship between imports, exports and GDP per capita, before they entered into bilateral FTAs. This implies trade has had a positive impact on welfare for Thailand, Nigeria and Vietnam, both before and after they signed any bilateral agreements. However, in the case of Colombia, trade only became welfare enhancing, only after the entered into a bilateral agreement with the US. On a general note, trade volumes grew larger for all countries after they went into bilateral agreements.

Table 1: Thailand and India before FTA[8]

S/N	Country	Variables	Coefficients	P-value	Adj R^2
1	Thailand-India before FTA	LNIMPT	0.0491	0.6301	0.4776
		LNEXPT	0.0926	0.0336	
2	Thailand-India after FTA	LNIMPT	0.1145	0.2479	0.8639
		LNEXPT	0.1080	0.1034	
3	Nigeria- China before FTA	LNIMPT	0.0781	0.2479	0.6550
		LNEXPT	0.0503	0.1034	
4	Nigeria- China after FTA	LNIMPT	0.1135	0.2479	0.8402
		LNEXPT	0.3634	0.1034	
5	Colombia- USA before FTA	LNIMPT	-0.0729	0.5994	-0.0318
		LNEXPT	-0.1307	0.2427	
6	Colombia- USA after FTA	LNIMPT	0.3017	0.0865	0.8498
		LNEXPT	0.3236	0.0077	
7	Vietnam-India before FTA	LNIMPT	0.4575	0.0124	0.9332
		LNEXPT	0.05014	0.5367	
8	Vietnam-India after FTA	LNIMPT	0.0683	0.8231	0.8872
		LNEXPT	0.3461	0.0596	

Source: Authors computation with eviews [9]

Summary Conclusion and Recommendations

The contribution of this paper has been to provide an appraisal of the experiences of selected developing countries relative to the relevant bilateral trade agreements they have entered into. The main purpose of this study was to examine the contributions of bilateral trade by the countries under review using annual data from various agencies in the countries responsible for collection of trade data. Efforts have been made to hinge the study on realistic theoretical and empirical foundations. In addition to the discussion of the potential effects of bilateral trade, as discussed widely in the literature, a model of linking the trade to per capita gross domestic product of the countries was specified. Econometric analysis was also applied to the available time series annual data.

The study concludes that in the case of Thailand, Nigeria and Vietnam, import volumes from India, China and India, and exports to the same countries, before and after bilateral agreements were signed have shown a positive impact on the per capita GDP for both countries, however, the trade volume rose significantly after the agreements went into force. However, for Colombia, the relationship between imports and exports before bilateral agreement was signed with the United States, was negative; it, however, became positive as a result of the bilateral trade agreement. The study, therefore, recommends that developing countries should embrace profitable bilateral free trade agreements, as the study has shown that FTA has to a very large extent raised trade volumes and has positively influenced welfare as shown in all the countries assessed in the study.

Endnotes

1. The "Uruguay Round" was completed in 1994
2. This has been described in the literature as "as a spaghetti bowl phenomenon" by Jagdish Bhagwati. This term refers to the potential problems arising from a lack of coherence among different overlapping agreements. There has been little effort toward regulatory harmonisation and consistency among agreements.
3. This has also been referred to as the second order effects in some literatures
4. This is denominated in US dollars.
5. This is consistent with Grossman and Helpman (1990), Romer (1990) and Barro and Sala-i-Martin (1997) argued that trade openness improves economic growth in the long run.
6. The variable for trade volume has been ignored to avoid the problem of multicollinerity in the model to be estimated.
7. Refer to the Appendix for the computer generated outcomes.
8. The dependent variable employed for our analysis is GDP per capita.

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Appendix

Results: Thailand and India before FTA

Dependent Variable: LNGDPP
Method: Least Squares
Date: 02/25/20 Time: 19:56
Sample: 1993 2003
Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.284305	0.548655	13.27667	0.0000
LNIMPT	0.049061	0.097985	0.500702	0.6301
LNEXPT	0.092643	0.036188	2.560030	0.0336

R-squared	0.582103	Mean dependent var	8.127197
Adjusted R-squared	0.477629	S.D. dependent var	0.078604
S.E. of regression	0.056811	Akaike info criterion	-2.671172
Sum squared resid	0.025820	Schwarz criterion	-2.562655
Log likelihood	17.69145	Hannan-Quinn criter.	-2.739577
F-statistic	5.571737	Durbin-Watson stat	0.940325
Prob(F-statistic)	0.030498		

Source: Author' computation

Results: Thailand and India after FTA

Dependent Variable: LNGDPP
Method: Least Squares
Date: 02/25/20 Time: 20:05
Sample: 2003 2018
Included observations: 16

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.772838	0.295354	22.93127	0.0000
LNIMPT	0.114519	0.094664	1.209743	0.2479
LNEXPT	0.108038	0.061692	1.751255	0.1034

R-squared	0.882061	Mean dependent var	8.535394
Adjusted R-squared	0.863916	S.D. dependent var	0.140055
S.E. of regression	0.051666	Akaike info criterion	-2.920686
Sum squared resid	0.034701	Schwarz criterion	-2.775826
Log likelihood	26.36549	Hannan-Quinn criter.	-2.913268
F-statistic	48.61314	Durbin-Watson stat	0.442295
Prob(F-statistic)	0.000001		

Source: Author' computation

Nigeria and China before FTA

Dependent Variable: LNGDPP
Method: Least Squares
Date: 02/25/20 Time: 20:20
Sample: 1992 2001
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.590410	0.488749	11.43821	0.0000
LNIMPT	0.078146	0.037362	2.091587	0.0748
LNEXPT	0.050319	0.104570	0.481205	0.6450

R-squared	0.731653	Mean dependent var	6.094414
Adjusted R-squared	0.654983	S.D. dependent var	0.242437
S.E. of regression	0.142403	Akaike info criterion	-0.816989
Sum squared resid	0.141950	Schwarz criterion	-0.726213
Log likelihood	7.084943	Hannan-Quinn criter.	-0.916569
F-statistic	9.542837	Durbin-Watson stat	2.060084
Prob(F-statistic)	0.010010		

Source: Author' computation

Nigeria and China after FTA

Dependent Variable: LNGDPP
Method: Least Squares
Date: 02/25/20 Time: 20:27
Sample: 2002 2018
Included observations: 17

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.634967	0.506436	7.177538	0.0000
LNIMPT	0.113543	0.100104	1.134248	0.2757
LNEXPT	0.363439	0.115050	3.158973	0.0070

R-squared	0.860136	Mean dependent var	7.525393
Adjusted R-squared	0.840155	S.D. dependent var	0.442885
S.E. of regression	0.177068	Akaike info criterion	-0.465782
Sum squared resid	0.438943	Schwarz criterion	-0.318744
Log likelihood	6.959146	Hannan-Quinn criter.	-0.451166
F-statistic	43.04857	Durbin-Watson stat	0.488850
Prob(F-statistic)	0.000001		

Source: Author' computation

Colombia and United States before FTA

Dependent Variable: LNGDPP
Method: Least Squares
Date: 02/25/20 Time: 20:32
Sample: 2001 2011
Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	19.09263	3.562603	5.359179	0.0007
LNIMPT	-0.072889	0.133301	-0.546805	0.5994
LNEXPT	-0.130726	0.103642	-1.261326	0.2427

R-squared	0.174510	Mean dependent var	15.15830
Adjusted R-squared	-0.031863	S.D. dependent var	0.423153
S.E. of regression	0.429842	Akaike info criterion	1.376202
Sum squared resid	1.478112	Schwarz criterion	1.484719
Log likelihood	-4.569110	Hannan-Quinn criter.	1.307797
F-statistic	0.845605	Durbin-Watson stat	0.264108
Prob(F-statistic)	0.464353		

Source: Author' computation

Colombia and United States after FTA

Dependent Variable: LNGDPP
Method: Least Squares
Date: 02/25/20 Time: 20:36
Sample: 2012 2019
Included observations: 8

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.039695	2.329316	1.734284	0.1434
LNIMPT	0.301744	0.141692	2.129573	0.0865
LNEXPT	0.323619	0.075279	4.298937	0.0077

R-squared	0.892738	Mean dependent var	15.74301
Adjusted R-squared	0.849833	S.D. dependent var	0.134109
S.E. of regression	0.051969	Akaike info criterion	-2.796334
Sum squared resid	0.013504	Schwarz criterion	-2.766544
Log likelihood	14.18534	Hannan-Quinn criter.	-2.997260
F-statistic	20.80742	Durbin-Watson stat	1.608090
Prob(F-statistic)	0.003768		

Source: Author' computation

Vietnam and India before FTA

Dependent Variable: LNGDPP
Method: Least Squares
Date: 02/26/20 Time: 16:55
Sample: 2001 2009
Included observations: 9

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.243158	0.974436	-0.249537	0.8113
LNIMPT	0.457528	0.129743	3.526433	0.0124
LNEXPT	0.050136	0.076534	0.655079	0.5367

R-squared	0.949963	Mean dependent var	6.522729
Adjusted R-squared	0.933283	S.D. dependent var	0.412683
S.E. of regression	0.106594	Akaike info criterion	-1.378374
Sum squared resid	0.068174	Schwarz criterion	-1.312632
Log likelihood	9.202683	Hannan-Quinn criter.	-1.520244
F-statistic	56.95512	Durbin-Watson stat	1.902408
Prob(F-statistic)	0.000125		

Source: Author' computation

Vietnam and India before FTA

Dependent Variable: LNGDPP
Method: Least Squares
Date: 02/26/20 Time: 17:00
Sample: 2010 2018
Included observations: 9

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.465844	2.362345	0.620504	0.5577
LNIMPT	0.068336	0.292641	0.233516	0.8231
LNEXPT	0.346145	0.149337	2.317881	0.0596

R-squared	0.915428	Mean dependent var	7.564921
Adjusted R-squared	0.887237	S.D. dependent var	0.212039
S.E. of regression	0.071203	Akaike info criterion	-2.185357
Sum squared resid	0.030419	Schwarz criterion	-2.119615
Log likelihood	12.83410	Hannan-Quinn criter.	-2.327227
F-statistic	32.47271	Durbin-Watson stat	1.029207
Prob(F-statistic)	0.000605		

Source: Author' computation

IV

Development Paradigm of Washington Consensus in Colombia, Indonesia, and Zimbabwe

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Development Paradigm of Washington Consensus in Colombia, Indonesia, and Zimbabwe

Introduction

Is there a shift from Washington consensus towards some new development policies? Was this policy good for this country? This paper, attempts to critically examine whether or not Colombia, Indonesia and Zimbabwe has moved from the policies made according to the recommendations of the Washington Consensus in the early 1980s. These were based on the neoliberalisation philosophy with greater reliance on market processes. This meant freer trade that would occur as a result of comparative advantages. It implied reliance on market forces as the new development paradigm that would lead to better development outcomes than the earlier policies based on extensive government interference in the working of market forces. It overlooked the necessity of designing a development strategy that takes into account the realities in each country in the context of the new millennium, new world order and the globalisation process that the world is metamorphosing into. Macroeconomics is about the reality and proper development, a continuous struggle against the poverty and hunger and the capacity of the state to bring to its people wellness and worthy life conditions.

In practice, the policies of the Washington consensus drove many developing countries into a continuous dependence on the credits such as the WB, BID, among others, in order to achieve some improvement in welfare in the process of development. Per capita incomes barely grew in the countries in Latin America during the 1980s and 1990s while those in the countries of Sub-Saharan Africa actually fell. The results after the last 30 years have shown a particular "positive" outcome on the practice of the Washington consensus in each country, but as a comparison to other countries that have not accepted the consensus, like Korea for instance, the results were much more consistent and sustainable.

The concepts underlying the Washington Consensus and even its naming were first presented in 1989 by John Williamson, an economist from the Institute for International Economics, an international economic think tank based in Washington, D.C.[1] Williamson used the term to summarize commonly shared themes among policy advice by Washington-based institutions at the time, such as the International Monetary Fund, World Bank, and U.S. Treasury Department, which were believed to be necessary for the recovery of countries in Latin America and Africa from the economic and financial crises of the 1980s.[2]

The consensus, as originally stated by Williamson, included the following ten broad sets of relatively specific policy recommendations:

- Fiscal policy discipline, with avoidance of large fiscal deficits relative to GDP;
- Redirection of public spending from subsidies ("especially indiscriminate subsidies") toward broad-based provision of key pro-growth, pro-poor services like primary education, primary health care and infrastructure investment;

- Tax reform, broadening the tax base and adopting moderate marginal tax rates;
- Interest rates that are market determined and positive (but moderate) in real terms;
- Competitive exchange rates;
- Trade liberalisation: liberalisation of imports, with particular emphasis on elimination of quantitative restrictions (licensing, etc.); any trade protection to be provided by low and relatively uniform tariffs;
- Liberalisation of inward foreign direct investment;
- Privatisation of state enterprises;
- Deregulation: abolition of regulations that impede market entry or restrict competition, except for those justified on safety, environmental and consumer protection grounds, and prudential oversight of financial institutions;
- Legal security for property rights.[3]

As it was shown, there are several policies that this consensus brought to developing countries. We will focus on the situations in Colombia, Indonesia, and Zimbabwe in particular cases. In this regard, the structure of the paper will include a critical examination of the implementation of a particular policy under the Washington Consensus for each of the three countries, followed by an overall conclusion and policy recommendations for all countries.

KEYWORDS: Neoliberalisation, liberalisation, Washington consensus, WB, IMF, BID, Chicago school, Washington Consensus WC.

Colombian Case and Framework

In macroeconomics policy, developing countries behave like children negotiating with their parents, who are the developed countries, in a sense parents wish the kids the best and can thus guide them on how to use the resources they give and how to carry out efficient money management. In the end that orientation is just that, a guide of actions that have to be followed if they want to be like them. But the developed countries do not want developing countries to become like them, on the contrary they want to perpetuate the current situation and maintain them as developing countries.

Some authors consider that the term (Washington Consensus) refers to the set of economic policy measures of neoliberal cut, applied from the eighties of the twentieth century, to deal with the reduction of the rate of profit in the countries of the North after the economic crisis of the seventies and as an exit imposed by the International Monetary Fund and the World Bank to the countries of the South in the face of the debt crisis through macroeconomic conditionality linked to the financing granted by these organisations[4]

In that world order, globalisation, neoliberalisation, free trade and opening of markets as economic policies to be followed by developing countries, became the paradigm and the guidelines to achieve development. They were to obey notions established by organisations such as the WTO, or the IMF, and countries such as the United States, UK and western European countries. But, in other case scenario, Japan seems to have had a split personality and in the IMF they recommended adherence to the policies recommended by the Washington consensus, and on the other hand, in the World Bank they rejected the notion that countries in East Asia had adopted such policies.

To find a point of reference, it is necessary to mention that "neoliberalism considers that the economy is the engine of the development of a nation, which is why all aspects of the life of a society should be subordinated to market laws, and defends free trade to promote greater dynamics in the economy"[5]

In another case study, professor Morè, mentioned in his book that Moreno (2004: pg 151) expresses that this radical change in the development paradigm is rooted in the event that international financial institutions and most Latin American governments interpreted the collapse of their economies as proof that the strategy of industrialisation by import substitution had reached a point of exhaustion. The Latin American crisis was perceived as a result of distortions in the allocation of resources, caused by protectionist policies and the persistent intervention of the State in the economic sphere. In this way, the public sector was considered inefficient and caused inflation. For Henry J. Bruton, 1998, "The emergence of an outward-oriented, minimal-government strategy is due to the success of Korea and Taiwan. This strategy fails to recognise that social learning requires a strong role for national agents and that this role can be penalised by undue openness. An effective strategy must protect and induce domestic learning without penalising exporting."[6]

Some others like to blame China for the failure of some of this policies, but professor Ha-Joon Chang who mentioned that those who remain committed to this story try to blame China in advance for all the economic evils that lie ahead. The Minister of Finance of the United Kingdom, George Osborne, is among those who warn of the "dangerous cocktail of new threats", in which the devaluation of the Chinese currency and the collapse of the price of crude oil (both situations originated in largely due to the slow economic growth of China). If our recovery derailed, he meant, it would be because China did not control its economy well.

Clearly, China is an important player in the world economy. In 1978, at the beginning of its economic reform process, the Chinese economy represented only 2.5 per cent of the world economy; now it means 13 per cent. But its importance should not be overstated. Until 2014, the US (22.5 per cent), the Eurozone (17 per cent) and Japan (7 per cent) together accounted for almost half of the world economy. The importance of the rich world is far superior to that of China. Unless the accusation is made by a developing country whose fate depends on exporting to China, the rest cannot hold their economic evils accountable to the slow growth of that nation.

What really happened is that North America and Western Europe never truly recovered from the 2008 crisis. According to the IMF, at the end of 2015, per capita income adjusted for inflation (in national currency) was lower than before the crisis in 11 of these countries (out of a total of 20). In five of them (Austria, Iceland, Ireland, Switzerland and the United Kingdom), it was very little higher: 0.05 per cent in Austria and 0.3 per cent in Ireland. In only four countries, Germany, Canada, the US and Sweden, per capita income was considerably higher than before the crisis.[7]

For Latin American countries there were a complex situation in the behavior of the high inflationary rates. The case of Colombia is different because it did not experience inflationary conditions in this way. Therefore the reforms that the president of Colombia Cesar Gaviria, implemented in the 1990s, were result of the pro-capitalist times of the 1990s, than a consequence of the conditionality of the international loans (Washington Consensus).

That is why the situation that was forged in the early 1990s in Colombia, brings together the characteristics of the alignment of globalisation policies such as those addressed by Professor Jagdish Bhagwati, who vehemently defends neoliberalisation as a mechanism to ensure free competition from markets and less interference from governments in that system, in such a way that market laws would bring an optimal result to the economy of the country, also defending the comparative advantages as a source of wealth and progress.[8]

In our opinion, once we have seen the results of the application of these policies, it can only be concluded that some states showed improvement in their development processes. It doesn`t necessary means that Washington Consensus path that was the best way. Instead, when the countries are facing the policy crossroads, choosing the path of WC was not the best decision. So there comes the question: Was it the right thing to do from the beginning?, The comparison with other countries that choose another path, showed a different outcome after 30 years, even better that the ones achieved by the countries that followed WC policies, the application of the development paradigm through the 10 guidelines presented in the Washington consensus, has been a sophistry of distraction for developing countries such as Colombia, which should implement strategies that are not aligned with these concepts and have results such as those demonstrated by China and Korea that departed from these WC guidelines.

The result after three decades shows that the non-alignment with these macroeconomic policies, despite of the access to the WTO or WB loans, could offer better choices and solutions to the development of the country. It is, therefore, suggested that Colombia should stop following these policies anymore, and make a different path that allows the country to enter into the process of globalisation being more competitive in other goods and services such as the ones that do not have a comparative advantage, as Professor Bhagwati says, and search for a development recipe to build competitiveness from scratch. Take for instance, the Korea process, in which, of course with limited natural resources they solved many macroeconomics issues such as the comparative advantages and break that paradigm and advance in other directions, demonstrating obvious success in the economic measures.

Colombia has also to improve to meet challenges and face a new direction in macroeconomics policies which in this could among others be: a. improving quality of education and researching programmes; b. exploitation of the natural resources which Colombia has in abundance, as well as the use of the land as Colombia could be the basket of the world but at present the landowners of the country of productive land do not use it in production purposes properly; c. build better highways, railways and use the rivers to connect the rural areas with the ports, because Colombia has access to the Pacific and the Atlantic Ocean; d. independence of the central bank from the constitution. There are many things to change in terms of application of rules within the country and reach a comprehensive rural reform that allows full use of natural resources, without relying on credits.

In the case of Korea the industry in the 1970s had a very marginal development in the postwar period. They depended on cereal and rice crops along with fishing, which allowed them to simply survive. With the non-application of the Washington consensus, not only gave the opportunity to explore many fields of production, and the industrialisation processes managed to push forward the automotive and technology companies that today compete with Europeans, Asians and Americans. This is why the comparative advantages should not refer to the production per se, but the ability to explore other activities to achieve results in the international markets based on quality in education and research. In this respect Korea leads the market, because they know in advance the needs of the market and focus on being able to offer what the world demands, in that we have a great way to go.

That is why the development paradigm that was intended to be implemented through the Washington consensus, does not go beyond what a good father wants for his son. It allowed to continue with a dependence on both external policy decisions. For example use of natural resources as a comparative advantage, as is the case of coffee. For many years it was believed that exporting green coffee beans as a raw material would achieve development in the country's exports. Given the "comparative advantages" that Colombia had for its production, it is clear that it could always be sold as a finished product; the same goes for oil and emeralds. Therefore, it is important to say that the change of development paradigm is necessary for Colombia. The central bank has an important task and its work should not be in the constitutional framework, nor should the State's commercial companies continue to be sold. There is need for improving processes of research, educational literacy, taking advantage of productive land, exporting finished products, having more refineries, giving subsidies for entrepreneurship. Leaving aside borrowing from the WTO, BID, IMF, would definitely lead to paradigm shift and enhance development in Colombia which is aspiring to emulate Korea or Singapore than the other countries that are aligned with the Washington consensus.

Indonesia Case and Framework

World Bank's Lending to Indonesia

Indonesia was one of the World Bank's biggest borrowers during the 1980s and formed a very close relationship with it. The oil slump in 1982 increased the Bank's influence in Indonesia and was behind much of the structural adjustment that took place from 1986.[9] Lending peaked in 1988-1991 with $6.2 billion in new loan approvals.

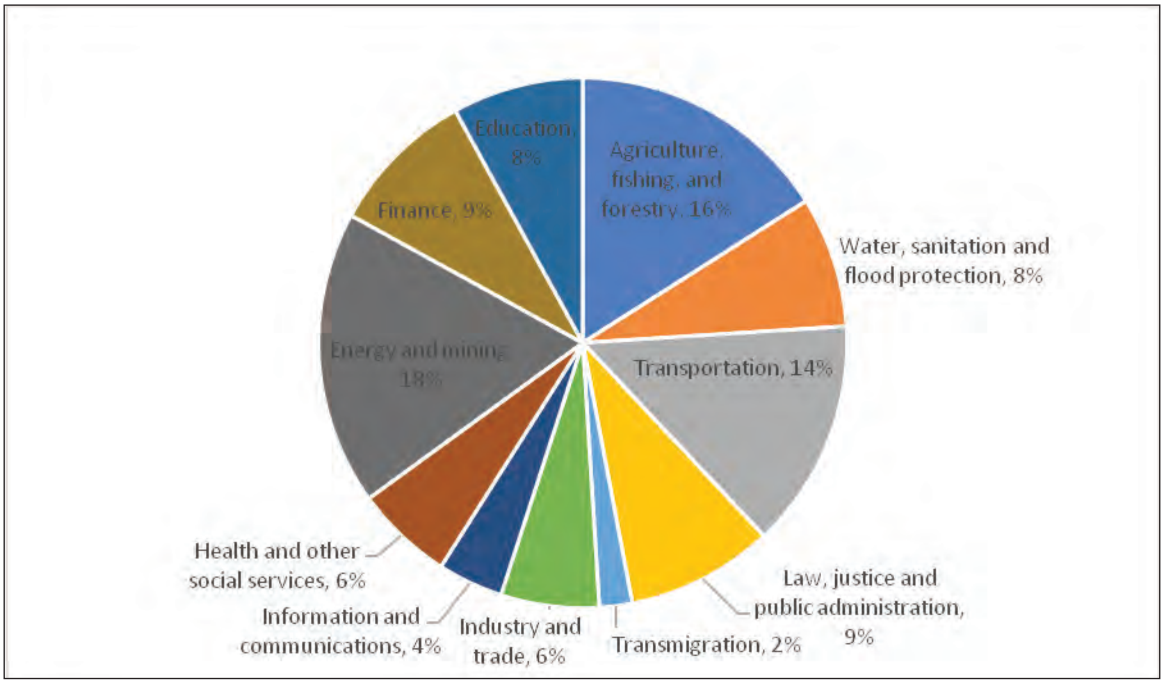
Washington Consensus Theme in the Country Assistance Strategy (CAS) Paper for Indonesia

In many CAS programme that the Bank approved for Indonesia, the loans had some objectives that indicates the predominance of the Washington Consensus, which is not always bad. For example, the 1994 CAS had the following objectives[10]:

- Maintaining economic growth with macroeconomic stability;
- Reducing poverty and enhancing human resource development;
- Enhancing private sector development and competitiveness;
- Improving public sector management;
- Improving environmental management.

Moreover, the Washington Consensus themes were also visible in the 1995 and 1997 CAS. It also dominated the 2001 CAS, where the

Figure 1 Shows World Bank's Lending to Indonesia by Sector



Source: World Bank projects database

first theme of sustaining economic recovery and promoting broad-based growth was little more than a reformulation of the 1994 CAS's economic growth and macroeconomic stability theme. The second priority was national institutions for accountable government, as a new expression for an old theme of efficiency and productivity in the public sector. The third theme, delivering better services for the poor, also rehashed the public and private sector efficiency theme.[11]

The 1997 CAS was approved by the Bank a week after the Thai Baht was floated (that triggered East Asian Financial Crisis) and it presented an essentially optimistic assessment of Indonesia's economic prospects, which was not very accurate. The 1997 CAS did note the fragility of the Indonesian banking system but failed to consider a crisis likely. Even in mid-August after the Rupiah depreciated 20 per cent, the Bank did not revise its strategy or develop a contingency plan for addressing the deteriorating situation. Rather, they reported to the Bank Board that the Crisis was under control.[12]

The Bank did have some response to the crisis. One of the solid responses was a technical assistance loan in the finance sector called Banking Reform Assistance Project which was worth $20 million. This loan project was not approved until December 1997. Seven months later, the Bank's large Structural Adjustment Loans (SALs) was approved.

Related to the Bank failures of the July 1997 CAS and the failure to develop contingency plans after the Crisis started, a 1999 Operations Evaluation Department Country Assistance Note classified that the Bank performance in Indonesia was "marginally satisfactory."[13] What was interesting is that in the Note, there were some messages related to corruption. The Bank seemingly has acknowledged that some significant portion of the loan was corrupted by the Soeharto regime (the sitting president of Indonesia). The Note translates that there was a special relationship between the Bank and Indonesia into an argument the bank operations there were fully client driven[14] and that this was the reason for it not pursuing 'unwelcome' policies.[15]

Washington Consensus Recommendation on Land Titling in Indonesia

One of the Washington Consensus recommendation was to provide legal security for property rights. In Indonesia case, the policy related to it was land titling. The Bank's interest in land titling in Indonesia derives partly from its lack of ease with the Indonesian Constitution's vesting of ultimate control of land, water, and airspace with the state because of its social function[16] (World Bank 1994d: 5). Combined with the Pancasila commitment to social justice (Pancasila is five philosophical values which become the basis of every government policy), land in Indonesia is not a mere commercial commodity as in the West (Thorburn 2004: 35). This is a problem for the Bank because they see that private ownership facilitates land markets that underpin modern economic development (World Bank 1994d: 2). Land markets as a way to create and reproduce private property are more than a core Washington Consensus condition, they are central to the liberal capitalist project that the Bank exemplifies (Susan Engel, 152).

Land titling is always an issue because of the fact that many Indonesians have no land certificates. In 1949, Indonesia's first President Soekarno started transmigration programme to move landless people from densely populated area to less populous areas of the country. In this programme, government moved people permanently from the island of Java, Bali, and Madura, to less densely populated areas including the island of Kalimantan, Sumatera, Sulawesi, and Papua. When the implementation of transmigration programme reached its peak in the early 1980's, around 2.5 million people moved under the transmigration programme Between 1976 and 1989, the Bank approved $630 million to support transmigration programme. This financed the official resettlement of over 2.3

million people. The Bank's loans were a catalyst for funding from other bilateral and multilateral donors. In 1987, the Bank decided against new funding for projects but in 1992, it began support for second-stage transmigration projects.[17]

The Integrated Swamps Development Project was a so-called second stage transmigration project, focused on rehabilitating original transmigration sites. Rehabilitation was necessity because transmigration loans were not only an environmental disaster, they often did little to improve the living standards of transmigrants, let alone those of local indigenous populations. This Integrated Swamps Development Project mission was to reduce swamps transmigration locations in Sumatera and West Kalimantan, included in it was water control, rural infrastructure, food and crop production, as well as land titling.

One of the problems is that the land titling component provided titles to original inhabitants of the land – most of whom did not receive titles whereas transmigrants did (World Bank 1994c: 15). Later in the 1990s, it was well known that transmigration projects had systematically violated the customary land rights of indigenous groups. One example is that transmigrants were able to sold their transmigration lands after 15 years. This led to indigenous people lost their indigenous lands. Yet the Staff Appraisal Report[18] claimed that "swamp lands are usually uninhabited before drainage, and therefore relatively free of land claims which often hinder large scale development elsewhere'.

Limited community and gender participation were also the features of the Land Administration Project.[19] The Land Management Project's gender analysis was slightly more developed than the Land Administration Project. The latter argues that women's right would be strengthened by land-titling because under Indonesian law, land that either partner owns prior to marriage remains their property. Thus, titling would ensure that women would retain their rights in case of marriage dissolution.[20] This ignores that in reality, women in Indonesia do not generally own land prior to marriage.

In general, Washington Consensus themes, especially in land titling, were aimed to ensure people's rights on land by liberalisation of land in Indonesia. However, it ignored indigenous rights of land that belongs to indigenous people. It also ignored the fact that women in Indonesia do not generally own land prior to marriage.

Furthermore, Washington Consensus recommendations should not be universal or fit for all. Recommendations might work in some countries, but not so much in other countries. Washington Consensus recommendations were built in an assumption that every developing country are the same, which is not. Developing countries might face same problems like poverty or corruption, but local context should be considered more in addressing these issues. This is what the recommendations of the Washington Consensus failed to do.

Paradigm change in Indonesia related to this is now there is formalisation or formal acknowledgement written in the law to indigenous lands. Government can determine based on certain conditions the existence of indigenous lands and local communities, and designate certain lands as indigenous lands that are protected by the law.

Zimbawe Case and Framework

The Washington Consensus: A comparison between the Washington Consensus and Home Grown Policies on Foreign Direct investment: the Case of Zimbabwe

Zimbabwe inherited a functional economy in 1980 after independence characterised by high growth rates averaging 10.2 per cent being largely driven by external factors like rising of metal prices and international trade liberalisation which promoted export growth. FDI was low due to slow growth of domestic capital formation and foreign exchange scarcity has always been a major hamstring on inflows of FDI since Unilateral Declaration of Independence in 1963.

From the late 1980s, the economy began a downward spiral due to a plethora of challenges from frequent droughts, weakened trade terms, exports of primary goods, high sovereign debt which later kindled FDI decline from 1983 to 1990. Furthermore, inefficiency in poor allocation of limited foreign currency reserves led to market irregularities and uncertainties which further depressed FDI levels.

In order to curb the impending economic catastrophe and to stop the decline in social standards of living, Zimbabwe submitted to the pressure from International Monetary Fund (IMF) and World Bank (WB) to liberalise the economy in 1990, through the infamous Economic Structural Adjustment Programme (ESAP). ESAP focused on liberalising the economy, foster export driven growth by liberalising foreign trade, exchange control, pricing and monetary system. Additionally, the government introduced market driven interest rates, tariffs, tax and export rebates. Moreover, in 1992, the Zimbabwe Investment Centre (ZIC) was born as a one stop shop center to promote inward FDI. The levels of FDI rose from US$ 2.8 million in 1991 to US$117 million in 1995 and the increase is attributed to the more favourable incentives under ZIC which allowed investors a 100% repatriation of original invested capital and 100 per cent remittance of after tax dividends.

In 1994, Zimbabwe established Export Processing Zones (EPZs) through an Act of Parliament Chapter 14:07. The EPZs initiative produced varied results. FDI responded positively rising from US$117 million in 1995 to US$444.3 million in 1998 (UNCTAD). An estimate of 205 companies were established within the EPZs, creating 32,512 jobs and generating about US$172 million in terms of cumulative investment and US$1.15 billion in terms of export earnings.

ESAP was abandoned in 1995 amid rising national inequalities and general economic hardship, decline of real wages, unemployment including political and economic volatility. The failure is attributed to the reduction of spending in enabling infrastructure in the energy and transport sectors. Reduction in agricultural subsidies and high interest rates due to fiscal stabilisation contributed to a decline in agricultural growth (WB, 2010). The liberalisation of trade exposed local companies to external competition leading to sluggish growth of companies. ESAP was thought to be donor driven and imposed externally and as such lacked the support and credibility to sustain them, (WB, 2012). The reforms failed to induce more rapid FDI growth and resultant fixed capital accumulation in the private sector that was needed to increase productivity.

Between 2000 and 2002, Zimbabwe adopted and implemented the Fast-track Land Reform Programme which resulted in the indigenous people invading farms previously owned by British and Dutch white farmers. The move resulted in an outright violation of property rights and breach of Bilateral Investment Promotion and Protection Agreements (BIPPAs) which culminated in an exodus of white farmers and industrialists from Zimbabwe resulting in huge disinvestment and company closures. Concurrently, FDI levels fell from US$44.3 million in 1998 to US$8.7 million in 2004, (UNCTAD, 2019). Due to the general failure of the EPZs to bring any meaningful contribution to investment flows, the Government moved on to merge the EPZs and ZIC to form the Zimbabwe Investment Authority (ZIA). The ZIA Act, (Chapter 14:30) of 2006 was meant to promote, facilitate and coordinate both foreign direct investment and local investment.

In tandem with the drive to promote local ownership attached with a desire to redress colonial imbalances and to win support from the electorate, Government introduced the indigenisation Act Chapter 14:33 of 2008, whereby locals were supposed to own up to 51 per cent stake in foreign companies. This proved a disaster as it only led to closure and relocation of foreign companies to other countries like

South Africa, leading to a further decline in FDI into the country. Government later on relented on their policy but the damage has already been done. Between 2009 and 2016, Zimbabwe adopted the use of the multi-currency regime with its associated advantages and although there was an improvement in FDI inflows, the quality was poor and without meaningful contribution to employment and export growth.

In 2016, the Government then adopted the Doing Business reform mantra from the World Bank in which was established a hundred day Rapid Results Initiative to address the challenges faced by companies in doing business in Zimbabwe. Some positive changes were noted with a little improvement in the DB ranking of the country howbeit with very minimal increases in investment. Furthermore, the Government enacted a law on Special Economic Zones, Chapter 14:34 of October 2016, but this is yet to be implemented. All these efforts are however being hampered by the political uncertainty and general economic turmoil prevailing in the country. According to the UNCTAD WIR 2018, FDI has been on a downward spiral since 2014 (421 million) and (218 million) in 2017.

The country got a new President, Emmerson Mnangagwa in 2018 who ushered in the beginning of a new dispensation era associated with 'different' policies on the macro-economic and investment front. Investors' hopes were awakened and the country's FDI rose from US$ 372 in 2016 to US$741in 2019 according to UCTAD, WIR (2019). This is, however, a paltry figure as compared to what other countries in Sub-Southern Africa are getting as FDIs. According to the same report, in 2018, Angola got US$5.7 billion, South Africa, US$5.3 billion, and Mozambique, US$2.7 billion. Under the new dispensation, Government is in the process of crafting a new Act, the Zimbabwe Investment and Development Agency (ZIDA) which amalgamates the SEZs, ZIA and the Joint Venture Acts in order to promote investment. The process which started in 2018 is, however, yet to see the light of day. Currently, the country's economy is at its weakest for decades on end and if anything, policy making process needs to be fast-tracked for the benefit of the populace.

The country recently signed up for another shot in the arm in form of another IMF SMP programmed in May 2019 which has ushered in a new era characterised by austerity measures encouraging fiscal tightening, privatisation, reduction of subsidies, reinstatement of the local currency, the RTGS$ among other issues. The SMP Programme coincides with a time when the country is hard hit with natural calamities caused by climate change which includes catastrophic Cyclone Idai in 2019 and the Elnino- effect induced droughts in 2018, 2019 and most likely to last until 2021 and huge sovereign debt of around US$16 billion, inflation, low industry capacity utilization and trade deficit, IMF (2019), RBZ (2020).

From the above discourse we can deduce that although the liberalisation of FDI was effected much earlier in Zimbabwe under the Washington Consensus there has not been any significant improvement on inward foreign capital into the country over the years since 1990. A summary of the factors contributing to low FDI and capital flight to neighbouring countries includes but not limited to the following: political uncertainty, violation of property rights, breach of investment agreements, indigenisation of foreign owned businesses, high levels of corruption, poor facilitation by the investment agency, unstable exchange rate regime and low foreign currency reserves among other challenges. Furthermore, the country has the second highest inflation, (563,9, RBZ (2020), in the world after Venezuela and this comes a little above a decade after the country broke world record of hyperinflation which reached a level of 231 million per cent in 2008, (Makochekanwa, 2008). According to the latest IMF Article IV consultation Report, the "climate shocks have magnified the social impacts of the fiscal retrenchment, leaving more than half of the population food insecure. With another poor harvest expected, growth in 2020 is projected at near zero, with food shortages continuing", (IMF, 2020).

In view of the forgoing, it is crystal clear that the solution for challenges in Zimbabwe requires a holistic approach which is multifaceted in order to grow the economy and to reinstate it on an upward growth trajectory. One of the major missing links from the solution mixture is the lack of positive support from the political fraternity within the economy. There is a lack of personal involvement in the promotion and implementation of developmental policies on the part of the country's leadership and an oblivious stance maintained in the face of high corruption, externalisation of foreign currency, misappropriation of funds, extortion and rampant squandering of public resources on luxury vehicles and personal benefit.

According to research, one of the most import determinant of FDI is availability of soft and hard infrastructure. Zimbabwe requires an injection of US$15 billion followed by US$2 billion per year up to 2020 in order to upgrade its infrastructure to modern levels in accordance with a 2018 report on infrastructure by the AfDB. In order to achieve the adequate level to attract FDI, Government could pursue the redirection of public spending from subsidies ("especially indiscriminate subsidies") toward broad-based provision of key pro-growth, pro-poor services like primary education, primary health care and infrastructure investment in line with the WC. Additionally, in tandem with the WC, Government could pursue fiscal policy discipline among other initiatives for domestic resource mobilisation in an endeavour to create extra resources for infrastructure development.

Moreover, promotion of the provision for Legal security for property rights under the WC is very critical for promoting FDI. The Land Reform Programme and the Indigenisation Policy violated this provision in a big way and as such, the country need to make concerted efforts to create a positive image and re-earn trust from the investment fraternity in order to attract FDI.

On the other hand, Government could try leveraging on the country's diaspora for financial support for infrastructure development. According to UNDP (2010), the estimated Zimbabwean diaspora population was 3 million by the end of 2009. There is a huge possibility that the population has doubled due to the recurrent economic turmoil and humanitarian crisis induced by consecutive drought. The Government could introduce Diaspora Bands and promote joint ventures with the diaspora for infrastructure projects development and lure Diasporas to invest in agriculture by giving them long term leases in order to promote food sufficiency. Furthermore, Government should enhance dialogue with the diaspora and accommodate their rights in order to win their support.

According to the IMF (2020), Zimbabwe has made significant progress on financial innovation, supervision and inclusiveness indicators. However, they noted that there is need for continued vigilance to ensure financial stability. The major challenges in the sector includes withdrawal limits, multiple pricing system (there is a different price for using either US$, RTGS$(local currency) and plastic money), long banking ques, high cost of online buying and exorbitant bank charges associated with the use of plastic money. This requires a mix of unorthodox, innovative solutions to solve the challenges. However, the country can learn a lot on this from India' experience on Digital Economy. India has developed a digital platform for the banking sector which makes it very convenient for Indians to conduct their banking, particularly money transfers and payments at zero cost. Such an innovation will cause a breakthrough for the country by eliminating the transaction charges associated with making payments and transfers. This will have a significant impact on inflation since many merchants incorporate transaction charges in their pricing system.

In conclusion, the Government has a lot of homework to do to revamp its investment regime in order to attract investment. The much hyped 'Zimbabwe is open for business' mantra is irrelevant without proper and clear structures for investment facilitation. Furthermore, the country requires a balanced approach by implementing both home grown policies and the Washington Consensus in order to make a U-turn from a looming depression to economic prosperity and sustainable development.

Conclusion

Has the paradigm of development changed? Yes indeed, now most of the developing countries are trying to follow a new strategies and policies to attain development.

As professor Ha-Joon Chang said, contrary to what is commonly believed, the performance of developing countries in the period of state-led development was superior to what they have achieved during the subsequent period of market-oriented reform. There were some spectacular failures of state intervention, but most of these countries grew much faster, with more equitable income distribution and far fewer financial crises, during the 'bad old days' than they have done in the period of market oriented reforms. Moreover, it is also not true that almost all rich countries have become rich through free-market policies. The truth is more or less the opposite. With only a few exceptions, all of today's rich countries, including Britain and the US – the supposed homes of free trade and free market – have become rich through the combinations of protectionism, subsidies and other policies that today they advise the developing countries not to adopt. Free-market policies have made few countries rich so far and will make few rich in the future.[21]

The free-trade, free-market policies are policies that have rarely, if ever, worked. Most of the rich countries did not use such policies when they were developing countries themselves, while these policies have slowed down growth and increased income inequality in the developing countries in the last three decades. Few countries have become rich through free-trade, free-market policies and few ever will.[22]

Indonesia, Colombia and Zimbawe have a very challenging path to cross in the way to achieve development, implementing policies in macroeconomics different from those implanted by other governments, and start a new paradigm of development.

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V

Towards Reduction of Poverty in Jordan, Syria, Liberia and Indonesia

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Towards Reduction of Poverty in Jordan, Syria, Liberia and Indonesia

Introduction

Poverty is a social phenomenon in which a section of society is unable to fulfill even its basic needs. Developing countries exhibit the existence of mass poverty the most, although poverty also exists in developed countries such as Europe in West. The concept of poverty is associated with deprivation of a minimum requirements of living through food, clothing, housing, health, etc. The UN Multi-dimensional poverty index includes health, education and standard of living. This paper discusses the effectiveness of policies taken by the governments to reduce poverty, with examples of cases from Syria, Jordan, Indonesia and Liberia.

The poor in these countries mostly reside in rural areas and urban slums. Nearly two-third of their population still depends on agriculture for livelihood. Thus, agricultural development is a critical condition for the overall economic development in. There has been a longstanding interest in understanding the relationship between agriculture growth, rural development and poverty reduction. Though agricultural growth plays a pivotal role in alleviating poverty, growth in the rural non-farm economy, and government expenditure on food subsidy and employment have also become equally important. The significance of government's developmental expenditure is that more benefits are likely to trickle down to the poor that further lead to growth which often reduces poverty by increasing means for consumption; the government expenditure also reduces poverty by increasing income and improving the wellbeing of poor people.

Gross Domestic Product (GDP), (PPP)

The theoretical basis for the GDP per capita in PPP terms is based on the fact that the exchange rate between one currency and another is at parity when their local purchasing power is compared implying that the purchasing power of the currency domestically must be comparable to its purchasing power abroad. For instance, a US dollar and 0.71 Jordanian dinar is at parity, if the goods and services that the dollar buys in the US is equal to the goods that 0.71 dinar buys in Jordan. Purchasing power parity literature includes the writings of the seventeenth-century merchants, but it later appeared in the writings of the Swedish economist (Gustav Cassel 1866-1945).

In this study, GDP was taken on the basis of purchasing power parity as shown in Figure 1, which shows that Indonesia was the highest in terms on GDP on the basis of purchasing power parity, as it reached US$1.54 trillion in 2005 and continued ascending to US$3.1 trillion in 2018. Jordan came second after Indonesia, where the gross domestic product of Jordan on the basis of purchasing power parity in 2005 was US$50.98 billion and this number rose significantly, until it reached US$83.73 billion in 2018, followed by Liberia in third place where the gross domestic product of Liberia on the basis of purchasing power parity in 2005 was US$3,02 billion and this number increase to US$5.59 billion in 2018. In the case of Syrian, the lack of official data for the Syrian Arab Republic made it difficult to compare Syria with the rest of the countries.

Through the previous data, per capita gross domestic product was calculated on the basis of purchasing power parity for each of the countries studied.The data showed that the per capita GDP in Jordan was the highest until 2011, whereas it was US$8,843 in 2005 and it increased to US$9,782 and after that the per capita gross domestic product decreased to US$8,410 in 2018.for Indonesia, where the per capita gross domestic product during 2005 was US$6,837,this number continued to rise significantly, till it reached approximately US$11,605 in 2018. Liberia's per capita share in 2005 was US$940 and increased US$1,161 in 2018, as shown in figure 1.

Poverty Rate

The intervention of governments in every country regarding poverty eradication reflected in the data on poverty eradication, and in relation to countries studies, availability of data on poverty rate varied. It is good to note that the poverty rates decreased in Indonesia to 9.4 percent in 2019, registering a decrease compared to poverty rates in 2015, when poverty rate was 11.2 percent. Asfor Jordan, the latest available data on poverty rates is for the year 2010 as published on the general statistics website, which indicates that poverty rate in that year was about 14.4 percent. the statements of the Jordanian Prime Minister indicated that poverty rates during 2019 were 15.7 percent, this implies that poverty rate in Jordan has slightly increased during the recent years.

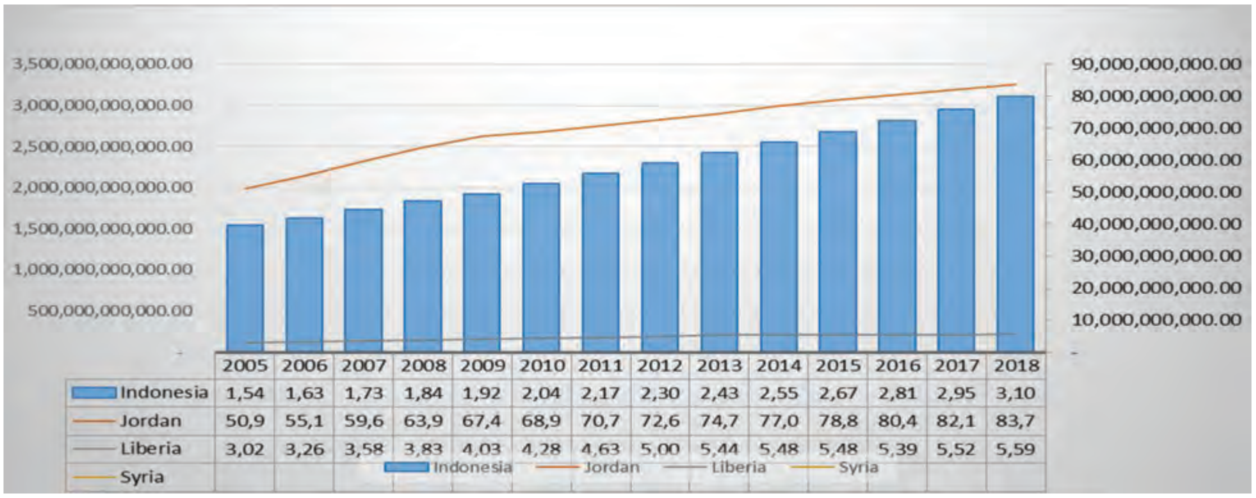
Liberia also does not provide data annually for poverty rate despite the presence of many official and unofficial reports that show that poverty rates in it exceed the barrier of 50 percent.As reports by the World Bank indicate that poverty rate in Liberia in 2007 was 63.8 percent and then it decreased to 54.1 percent in 2014, and it continued to decrease to 51 percent by 2018. In the case of Syria, it did not differ significantly from Liberia. In Syria the data on poverty rates was collected from a variety of sources, well studies indicate that the poverty rate in Syria before the beginning of the crisis, specifically in 2007, was 35 percent, and increased to 43 percent by 2013, and then slightly decreased to 41.5 percent by 2015.

Government Policies to Combat Poverty:

Jordan

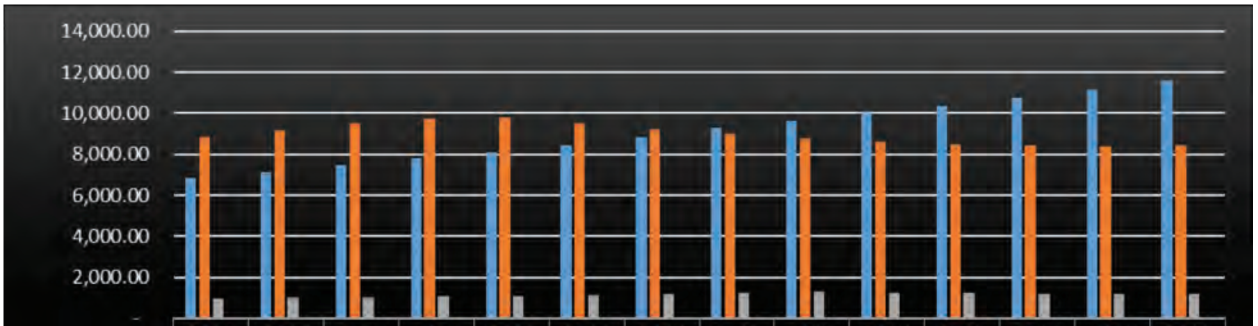
The strategy to combat poverty in Jordan is an ambitious and far-reaching one, but the funds allocated in the budget are limited.Therefore the state relies on implementing programmes on additional funding from the donor agencies.

Figure 1: GDP According to Purchasing Power Parity



Source: Data from the World Bank.

Figure 2: Gross Domestic Product Per Capita Through Purchasing Power Parity



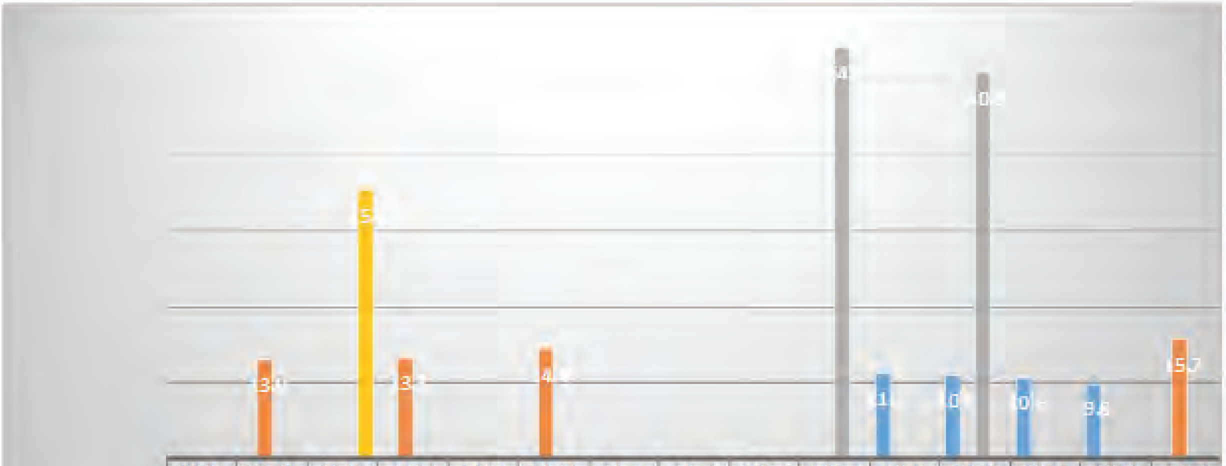
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Indonesia	6,837	7,118	7,470	7,815	8,069	8,457	8,859	9,267	9,651	10,00	10,35	10,74	11,16	11,60
Jordan	8,843	9,198	9,531	9,750	9,782	9,500	9,235	8,979	8,768	8,634	8,510	8,422	8,399	8,410
Liberia	940.1	981.8	1,034	1,063	1,076	1,101	1,154	1,211	1,281	1,257	1,225	1,176	1,175	1,161
Syria	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Data from the World Bank

The Jordanian state cares a lot as it launched the national training project for youth (Watan Service) in cooperation with Armed Forces, the Ministry of Labour, the Ministry of Social Development, and the National Aid FundThis programme aims to train unemployed young men and to women as a prelude to introducing them to the labour market and to substitute Jordanian workers with foreign worker. The government gives some incentives to young people to join this programme, such as granting young person a monthly salary during training and providing food and housing as well as transportation.

One of the important programmes currently to combat poverty in Jordan is the one to enhance

Figure 3: Poverty Rate in Indonesia, Jordan, Liberia and Syria



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Indonesia											11.2	10.9	10.6	9.8	
Jordan		13.0		13.3		14.4									15.7
Liberia										54.1		50.9			
Syria			35.2												

Source: Data from the World Bank

productivity, which is mainly concerned with rural communities and also works to expand the geographical scope and is run by the Ministry of Social Development. To combat poverty, this programme has contributed to establishing the daily income-generating projects for poor families.Another important programme that has focused on this field is the Provincial Development Fund, which was started in 2011 by the Jordanian Enterprise Development Corporation of Economic, as the government policy, through this program, was based on setting up projects in the governorates of the Kingdom to create more job opportunities. Number of projects funded from the beginning of this programme in 2011 and till end of 2018 was 126 projects have been finance with amount of 11 million dinars.

One of the important programmes that depends on direct spending in the poorest regions in Jordan is the governorates development programme, through which the Ministry of Planning works to implement small, medium and large projects in the poorest rural areas in Jordan In spite of these programmes, the poverty rate in Jordan in 2010 was 14.40 percent of the total population, being the statistics available on the website of the Department of Statistics, and it means that 1,045,661 residents were living below the poverty line. In recent statements model by the Jordanian Prime Minister the poverty rate in Jordan is 15.7 percent, which means that the number of poor people in Jordan in 2019 is 1,639,865, indicating that there has been an increase in the number of poor people in Jordan, despite the implementation of many government programmes to confront poverty.

Liberia

The Government of Liberia has laid down the foundation for rapid, inclusive and sustainable growth and development to eradicate poverty. Liberia is committed to developing institutions and supporting practices and attitudes that strengthen the prospects for sustainable growth The country is well-positioned to continuously expanding economic opportunities, delivering basic services throughout the country, and re-building an accountable government that is focused on poverty eradication. The strategy is carried in a manner sensitive to the needs of women, children and persons with disabilities, and to meet the challenges of environmental degradation and HIV and AIDS (The Ministry of Planning and Economic Affairs Website, Liberia).

While the strategy is considered to be achievable, inadequate management has left Liberia as one of the poorest countries in the world, with GDP per capita estimated at US$190.2. Poverty is pervasive, and is particularly acute in rural areas and the most remote corners of the country. Poverty has many dimensions, including low levels of income and consumption, poor nutrition and food security, low health and education indicators, and inadequate infrastructure. It is reinforced by inequities, especially in access to justice and economic opportunities (Liberia: Poverty Reduction Strategy Paper).

Syria

In the case of Syria, pre crisis Syria ranked among the most secure countries and it was "fast growing country from the lower middle income countries", and the poverty rate according to the highest national poverty line decreased from 33.6 percent in 2007 to 24.8 percent in 2010 (The National Programme for Post War Syria), but after the crisis, the proportion of the population below the general poverty line increased significantly as a result of the crisis to reach 68.9 percent of population in 2013, and then decreased in 2015 to 63.6 percent as a result of the positive developments in the stability of prices and the return of production in some regions that become free of terrorism.

In recent years, official data on the status and rates of poverty are not available, due to the war conditions and the crisis in the country is going through, and is difficult to conduct statistical surveys for poor families.

Today, despite all the challenges and economic sanctions that is imposed on Syria, the Syrian government is working on several programmes to combat poverty and finance development projects, and it works according to priorities to implement development and service projects, repair infrastructure, launch production in the public and the private sectors, secure basic needs of citizens, and improve income for rural families.

These programmes can be classified as follows:

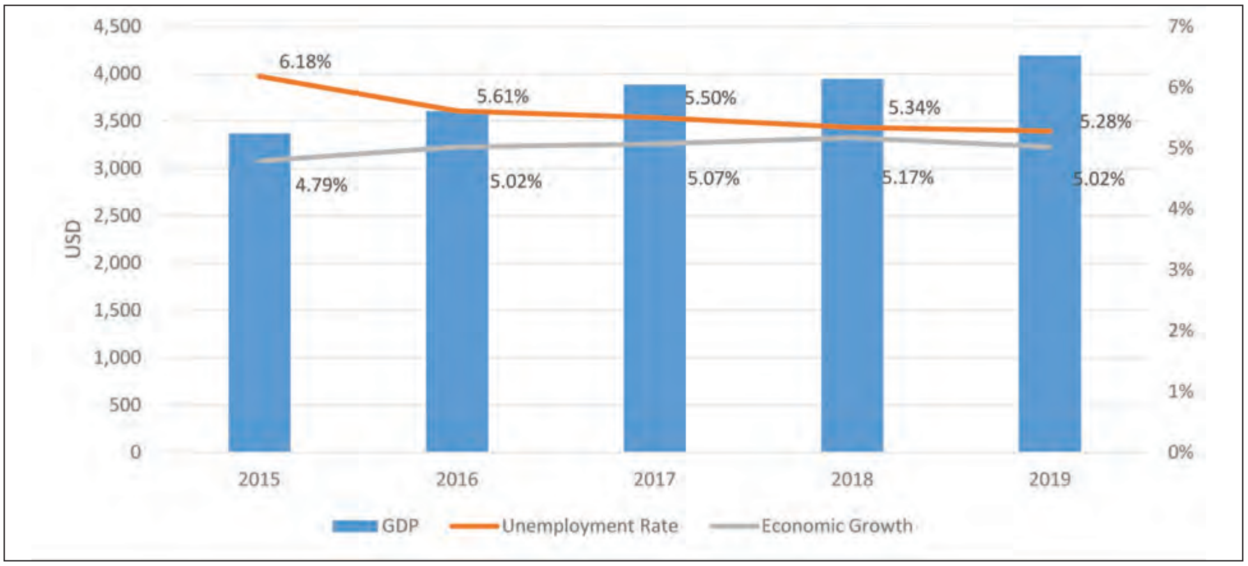
1. Programmes for poor individuals unable to work: Direct cash assistance to poor people unable to work (wounded, elderly, disabled) (The Ministry of Social Affairs and Labor Website, Syria).
2. Programmes that increase and support the ability of poor individuals to work, which are supervised by the Ministry of Social Affairs and Labor, and financed by the National Fund for Social Aid with allocation each year in the state budget:
   a. Financing of Micro-projects.
   b. Support programme for demobilized personnel from the army to establish their own business.
   c. Syrian countryside empowerment programme.
3. Support programmes for small and medium enterprises, which are supervised by the Ministry of Economy and Foreign Trade through the Small and Medium Enterprises Development Authority, with an allocation in the state budget:
   a. Women Enhancement Programme.
   b. Job seekers training programme.
   c. Programme for providing consultations regarding the establishment and continuation of projects.
4. The programme for supporting local production, which is followed by the government today:
   a. Import substitution replacement programme for which the most imported materials were studied, the reasons that prevented their production locally were diagnosed, and work was done to address them by providing the necessary government facilities that guarantee the production of these materials locally without relying on import. Under it sectors covered were industries (textiles, paper, modern irrigation supplies, machinery and production lines manufacturing, renewable energy components industry)
   b. The interest rate support programme, in within the government bears part of the interest on development loans directed to important productive sectors. This year 20 billion Syrian pounds has been allocated within the state budget to support interest rates.

Indonesia

According to World Bank data, in 2015 Indonesia was ranked ninth in the list of countries with the largest number of poor people in the world (Widi, 2015). To reduce poverty, the Indonesian government has pursued a number of policies. Government expenditure is used for infrastructure development in rural areas, especially outside Java (the most developed island in Indonesia).This development is intended to accelerate distribution channels, create jobs and increase economic growth. Infrastructure development includes dams, seaports, airports and highways. In addition, government expenditure is used for the implementation of pro-poor programmes, such as assistance for poor families, education assistance and health assistance.

The use of government expenditure is intended to achieve the nation's development goals and realize its long-term vision. Indonesia has a vision to become a sovereign, developed, just and prosperous country. To achieve this,

Figure 4: GDP per Capita, Unemployment Rate and Economic Growth



Source: Indonesia Central Bureau of Statistic, compilated\s

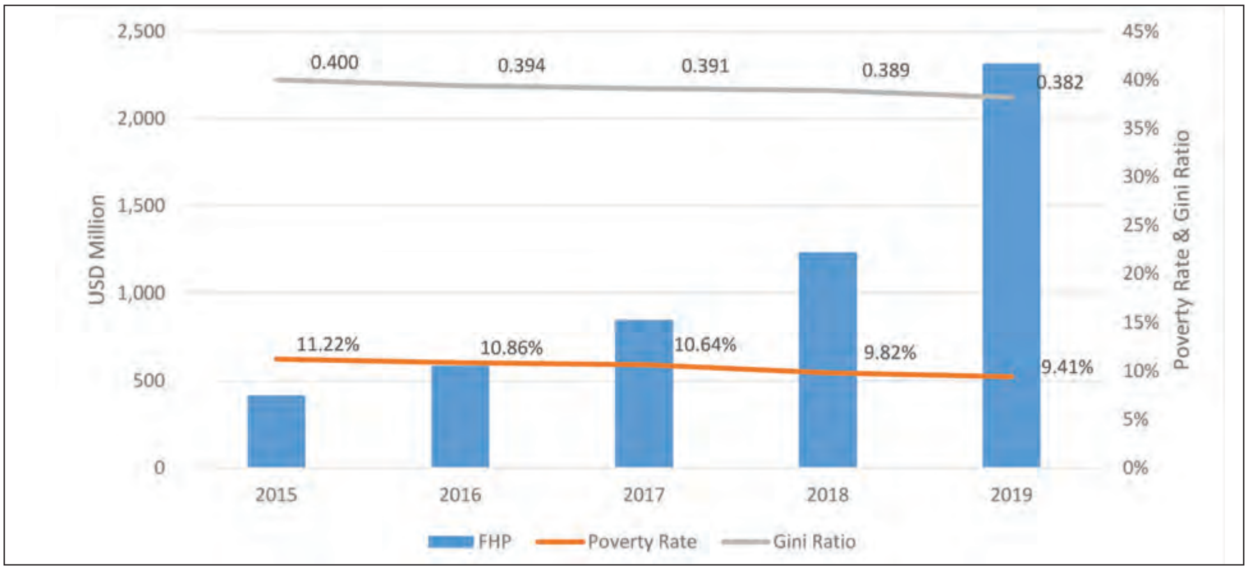
it is necessary to support fiscal policies that are designed appropriately so that Indonesian people have competitiveness and increase their welfare. Fiscal policy is directed to support the acceleration of the competitiveness of Indonesian people through innovation and strengthening the quality of human resources. Various policies in the education and health sectors are carried out to support poverty alleviation programmes. On the other hand, infrastructure development is carried out evenly, allocating economic resources more efficiently and effectively, and encouraging bureaucracies that are effective, serving, and free of corruption.

In order to provide services to the public, increase economic growth and to promote public welfare the Indonesian government makes the government expenditure through its budget. In 2015 the realization of government expenditure amounted to 135.17 billion USD which increased by 20.90 percent in 2019 to 163.42 billion USD. During this period there was an increase in GDP per capita from 3,368.13 USD in 2015 to 4,193.11 USD in 2019, which means an increase of 24.43 percent. While the unemployment rate has decreased from 6.18 percent in 2015 to 5.28 in 2019, as shown in Figure 4.

State expenditure is also intended to encourage economic growth. In 2019 Indonesia's economic growth reaching 5.02 percent slightly down compared to the previous year's of 5.17 percent, but better compared to 2015 having 4.79 percent. The economic growth of 5.02 percent needs to be appreciated amid the uncertainty of the global economy due to the trade war between China and The United States.

According to Indonesian Board of Statistics data from 1999 to 2018, the government has succeeded in reducing poverty from 23.43 percent to 9.82 percent (March 2018). For the first time in history, poverty levels in Indonesia are in single digits. Furthermore, in March 2019 the poverty level was successfully reduced again to 9.41 percent. In addition to the poverty level, it is also important to look at the development of national inequality shown by the Gini Ratio. In September 2015 the value of the Indonesian Gini Ratio was 0.4, which meant that the level of inequality was moderate. In March 2019 the value of the Gini Ratio reduced to 0.382 which means that the level of inequality is lower. Income distribution is more evenly distributed

Figure 5: Family Hope Programme, Poverty Rate and Gini Ratio



Source: Indonesia Ministry of Finance, Indonesia Central Bureau of Statistics, compiled

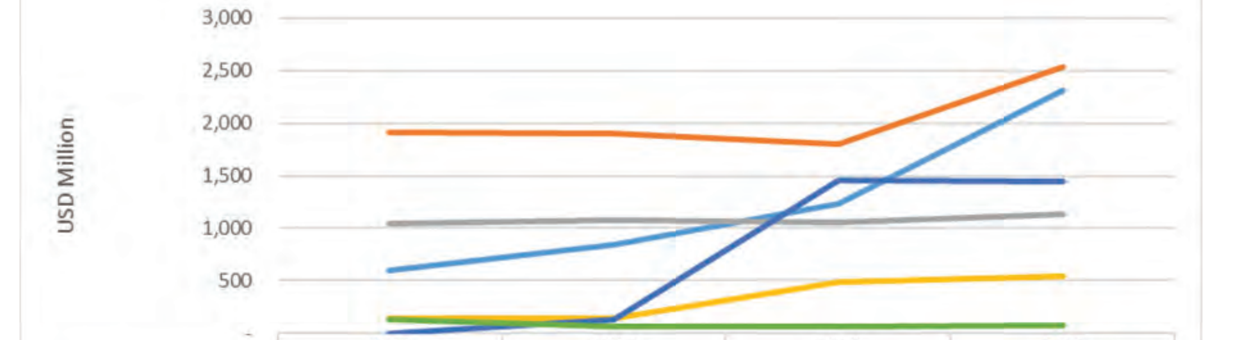
if the Gini Ratio value is close to zero so it can be concluded that in the last five years there has been an increase in community income with a more equitable distribution.

When compared with World Bank poverty measurements used for comparisons among countries, the Indonesian Poverty Line in March 2019 is getting closer to the International Poverty Line. To compare poverty rates between groups of countries, the World Bank uses estimates of consumption that are converted into USD Purchasing Power Parity (PPP). For lower middle income countries, the World Bank sets two sets of international poverty limits, namely 1.90 $ PPP as the extreme poverty limit and 3.2 $ PPP as the poverty limit. The value of Indonesia's poverty line in March 2018 is 401,220 rupiah/capita/month equivalent to 2.5 $ PPP/day (Ministry of National Development Planning of The Republic of Indonesia, 2018).

In the government expenditure there is social assistance spending for the improvement of community income. Improvement in the level of community income is one of the factors in reducing poverty and inequality ratios. The government's efforts to increase the income of the people, especially poor households, include providing of social assistance. In 2015 government of Indonesia regulated the distribution of social assistance expenditure. Social Assistance Expenditures are expenditures in the form of transfers of money, goods or services provided by the government to the poor and to protect the community from possible social risks, increase economic capacity and / or welfare of the community (Ministry of Finance of The Republic of Indonesia, 2015, 2016).

One of the type of social assistance provided is the Family of Hope Programme (FHP) which is a conditional social assistance programme (conditional cash transfer) for disadvantaged families who are designated as beneficiary families. FHP provides assistance to poor families, especially pregnant women and children, and encourages them to utilize various health care facilities and educational service facilities available around them (Ministry of Social Affair of The Republic of Indonesia, 2019). In addition, FHP also helps people with disabilities and the elderly to maintain and improve their level of social welfare. FHP

Figure 6: Government Social Assistant 2016 to 2019



	2016	2017	2018	2019
Family Hope	598.74	847.66	1,236.68	2,316.51
Health Insurance	1,916.91	1,906.29	1,800.05	2,540.45
Education	1,047.79	1,078.21	1,058.15	1,129.51
Disaster Relief	142.66	139.52	487.19	539.42
Food	-	127.01	1,453.46	1,444.85
Others	126.54	63.24	63.88	76.01

Source: Indonesia Ministry of Finance, compiled

social assistance is channeled by the Ministry of Social Affairs through banks and subsequently transferred to the recipient's account. In the last five years the distribution of FHP social assistance has increased significantly. In 2015, Rp5.58 trillion of FHP social assistance was distributed with to 3.5 million beneficiary families. In 2018 the distribution of FHP social assistance increased by 213 percent to Rp17.48 trillion with the coverage of 10 million families and thus, the number of FHP recipients has almost tripled. In 2019 the number of FHP recipients is still 10 million families but the FHP social assistance ceiling increased to Rp32.65 trillion, an increase of 186 percent compared to the previous year. Based on the results of calculations, FHP is a programme that has a positive effect in reducing poverty and inequality in recent years (Fiscal Policy Agency of The Republic of Indonesia, 2019). As described as in Figure 5.

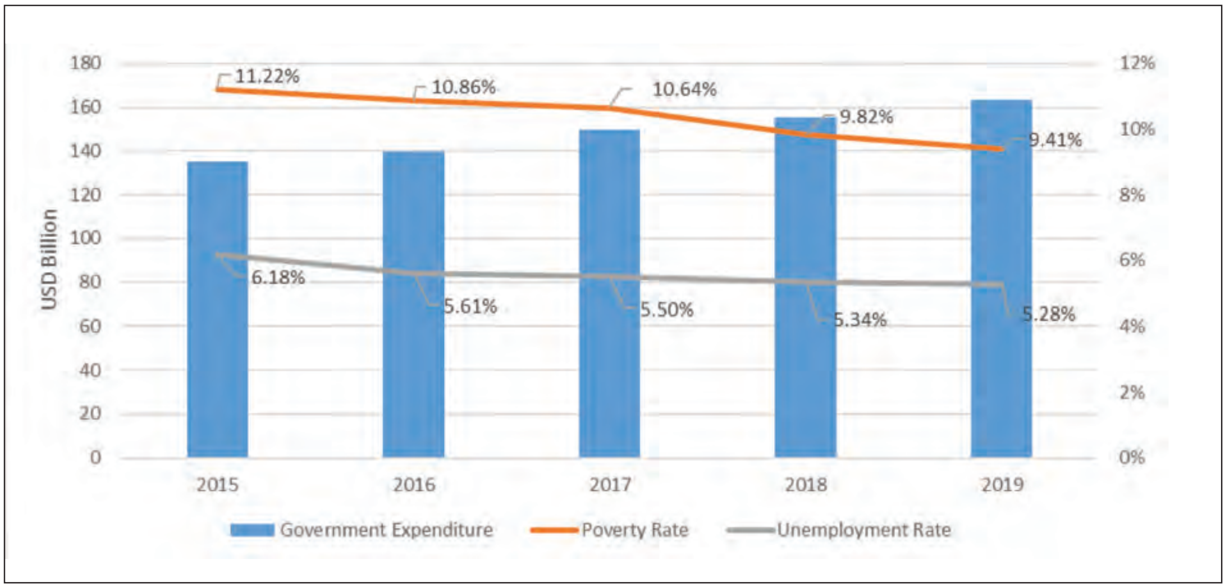
In addition to providing social assistance in the form of money to poor families, the government also provides social assistance in the form of non-cash food assistance in the form of rice and electronic money to buy rice and eggs. Food aid is purchased using electronic money provided by the government at designated rice and egg stalls/traders. Food assistance is given every month in the form of electronic money worth USD 7.78 per month per family which is equivalent to the price of 10 kilograms of rice, for certain and remote areas assistance is given in the form of rice.

To reduce poverty, in 2019 the government will also allocate social assistance expenditure to poor families in the form of health insurance contribution assistance to 96.8 million residents worth 2.54 billion USD and education assistance to 20.4 million students worth 1.13 billion USD. As illustrated in figure 6.

Based on the above data it can be concluded that government spending has been relatively used effectively and the government programmes in overcoming poverty have been running well on target.

In the period 2015 - 2018, an increase in government spending on 20.9 percent led to a decrease in the poverty rate by 1.81 percent and a decrease in the unemployment rate by 0.9 percent. As described as in Figure 7.

Figure 7: Government Expenditure, Poverty Rate, and Unemployment Rate



Source: Indonesia Central Bureau of Statistics, compilated

Although the Indonesian government's programme is considered successful in reducing poverty, there are still a number of problems encountered. In the family hope programme there are still inaccuracies in the distribution of social assistance funds because the beneficiary's family data is still inaccurate. In the food aid programme it is still constrained in the distribution of food aid cards, the recipient of the assistance may not conduct transactions if he is no longer entitled to receive assistance due to the inaccurate recipient data. In future the provision of social assistance needs to use a unique identity and use of social assistance security in the form of verification by using biometrics. Implementation of social assistance should be done transparently, by giving it directly to the beneficiaries and social assistance programmes should be done with accountability.

Conclusion

Poverty remains a major issue across the world. Though many organizations have been created to find solutions for this matter, no one institution can free to world completely from poverty. Poverty rate in Jordan in 2010 was 14.40 percent of the total population, and in recent statements the poverty rate in Jordan is 15.7 percent. Poverty rate in Syria decreased from 33.6 percent in 2007 to 24.8 percent in 2010 but after the crisis, the proportion of the population below the general poverty line increased significantly to reach 68.9 percent of population in 2013, and then decreased in 2015 to 63.6 percent as a result of the positive developments. In Indonesia poverty reduced from 23.43 percent in 1999 to 9.82 percent in March 2018, and further to 9.41 percent in March 2019.

The most common fact which we can realize when we consider information about poverty is that poverty is mostly occurring in developing countries due to War and Political instability, National Debts, Discrimination and social inequality and vulnerability to natural disasters. The precise definitions of poverty are controversial; according to one definition, poverty is having too little money so that one cannot pay for basic necessities, such as food and shelter. We can actually realize that the number of poor people in the present has decreased a little than in early 90's. Government need to continue taking the necessary steps to reduce the poverty in the world by providing proper health care, education, food and shelter for their citizens.

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VI

Promoting Bilateral Economic Cooperation with India: Perspectives of Madagascar, Liberia, Kyrgyzstan and Peru

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Promoting Bilateral Economic Cooperation with India: Perspectives of Madagascar, Liberia, Kyrgyzstan and Peru

Introduction

India is becoming an important player in the global economy. It is one of the fastest growing economies and its economy is mainly based on domestic consumption and as the second more populated country in the world is an attractive market for developing countries. This study will describe India and each of the mentioned countries bilateral relations in its own perspectives (included trade, investment) and aims to give recommendations to further develop it.

The relationship between India and Madagascar is very old. India opened a Consulate General in Antananarivo in before transforming it into an Embassy in 1960. There are about 17,500 persons of India origin in Madagascar. The first Indians settlers, mostly from Gujarat, arrived in Madagascar in 1880. Most of them are in trading but also manufacturing and other businesses. The role played by the Indian community and diaspora in economic development of Madagascar is appreciated at all levels. As a result, India and Madagascar have cordial bilateral relations in different forms and in different sectors. As far as our subject is concerned, we will deal with matters relating to trade, tourism and the transfer of skills.

In the case of Liberia, India's relationship has, for the recent years, centered on four main pillars which embodies India's development partnership approach: Capacity building and training; such as Indian Technical and Economic Cooperation (ITEC); Lines Of Credit (LOC) or concessional loans and grant assistance; trade; and investments.

Foreign Direct Investment is considered to be one of the potential sources of economic growth for deveoping countries. After the collapse of Soviet Union, many former Soviet republics began to open their economies. Together with other transition countries, Kyrgyz Republic also opened its doors to foreign capital in the early years of its independence. This OFDI has not only targeted both developing and developed countries but also addressed different sectors, among them agriculture, mining, energy & power, and high-technology. Historically, India has had close contacts with Central Asia, especially countries which were part of the Ancient Silk Route, including Kyrgyzstan. During the Soviet era, India and the then Kyrgyz Republic had limited political, economic and cultural contacts. Former Prime Minister Rajiv Gandhi visited Bishkek and Issyk-Kul Lake in 1985. Since the independence of Kyrgyz Republic on 31st August, 1991, India was among the first to establish diplomatic relations on 18 March 1992; the resident Mission of India was set up on 23 May 1994Historically, India has had close contacts with Central Asia, especially countries which were part of the Ancient Silk Route, including Kyrgyzstan. During the Soviet era, India and the then Kyrgyz Republic had limited political, economic and cultural contacts. Former Prime Minister Rajiv Gandhi visited Bishkek and Issyk-Kul Lake in 1985. Since the independence of Kyrgyz Republic on 31st August, 1991, India was among the first to establish diplomatic relations on 18 March 1992; the resident Mission of India was setup on 23 May 1994

India and Peru have 57 years of diplomatic relations, this relation has characterized for being friendly over the years but has not develop to its fullest potential. Peru and India has economic cooperation in trade, investment and training of human resources and also highlights the active development of its cultural relations.

So far, trade is the most important factor in bilateral relations. India is the third Asian trading partner of Peru after China and Korea, and the sixth in the world. During the period of 2011 - 2019 Peruvian exports to this country increased from US$ 248 million to US$ 1,612 billion. Peru's main exports to India are gold and copper accounting for 99 per cent of total in 2019. Imports accounted for US$ 991 billion in the same year where textiles and automobiles represented 23 per cent and 16 per cent of the total respectively. Currently it is being negotiated a Free Trade Agreement (the first of its kind in Latin America as Chile and MERCOSUR agreements are only on goods). Investment from India to Peru is mainly located in the mining, phosphates and services. India offers many scholarships through Indian technical economic cooperation programme and gives economic cooperation to establish ICT laboratories.

Madagascar

The relationship between India and Madagascar has already materialised in various forms but could continue in several areas. As far as our subject matter is concerned, this paper will address issues relating to trade, investment and partnership in other sectors, as well as the membership of the two countries in the same organization, the IORA. Our study will consider the future prospects for cooperation between the two countries.

Bilateral Trade between Madagascar and India

In terms of trade, India is the third supplier of Madagascar and also the seventh country of destination of the products exported by Madagascar. Bilateral trade has almost doubled since 2014, from US$ 262.48 million in 2014 to US$ 489.49 million in 2018. On the coast of Madagascar, the large Malagasy island also imports and exports from and to India.

Table 1: Evolving bilateral trade Madagascar – India 2014 – 2019 (Unit: in USD million)

Periods	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
India's Export	167.19	197.04	213.70	228.11	196.38
India's Import	95.29	141.74	119.82	167.67	293.11
Total Trade	262.48	338.78	333.51	395.78	489.49

Source: Embassy of India in Madagascar

Table 2: Evolution of the Imports of Madagascar from India and from the world (Value in USD Million)

	2015	2016	2017	2018	2019
Imports from India	181.0	193.6	273.3	254.6	314.0
Imports from the world	2960.9	2971.7	365446.7	392715.9	3896 47.2
Percentage of imports from India (%)	6.11	6.52	7.48	6.48	8.06

Source: Trademap (2020), accessed on February 12th, 2020

Imports

Last year, that is to say in 2019, the value of Madagascar's imports from India increased by 14.90 per cent compared to 2017 and by 23.35 per cent compared to 2018. Indeed, during these periods, the value of Madagascar's imports from India ranged from US$ 273 316 000 in 2017 to US$ 254 600 000 in 2018 before reaching US$ 314 043 000 in 2019. Compared to Madagascar's total imports from the world, the value of imports from India is 7.48 per cent, 6.48 per cent and 8.06 per cent in 2017, 2018 and 2019 respectively.

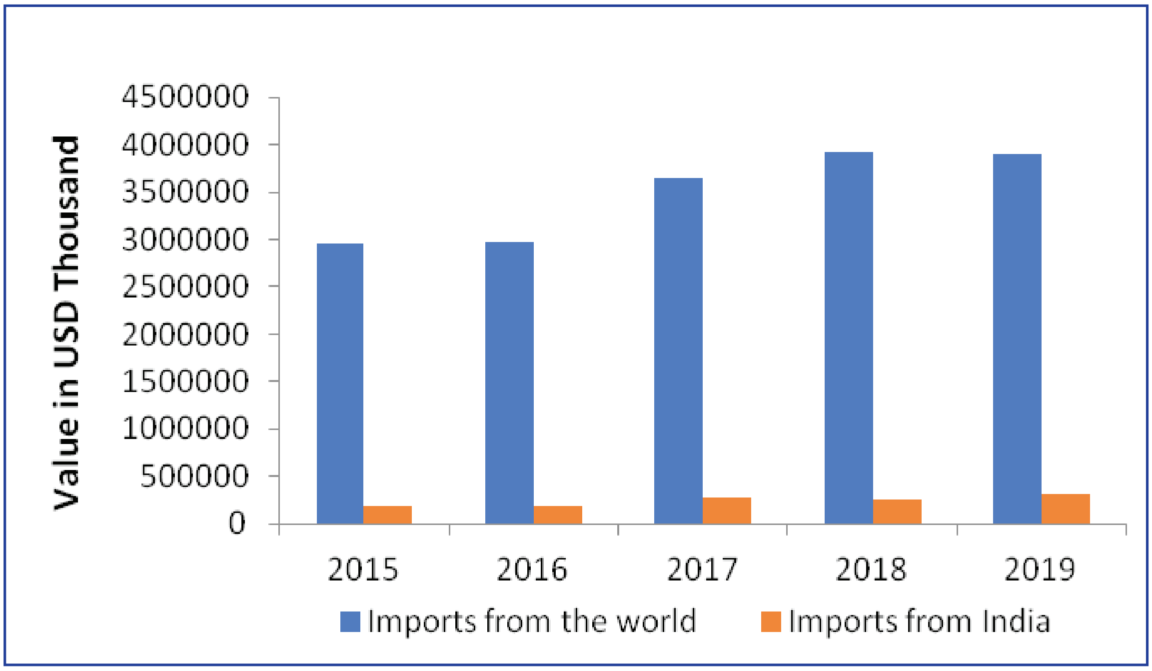
The products imported by Madagascar include "Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral products..."; "Pharmaceutical products"; "Cereals"; "Cotton" and "Residues and waste from the food industries; prepared fodder". The value of Madagascar's imports of most of these products has continued to increase over the past five years.

Exports

Regarding exports, over the past five years, there has been a decline in the value of the exports of Madagascar to the world. At the same time, the share of value exported to India also fell. Note that during this period, the average share of these value of the exports of Madagascar to India is only 3.57 per cent.

Other facts about the India – Madagascar trade relationship:

Figure 1: Imports of Madagascar 2015 - 2019



Source: Author

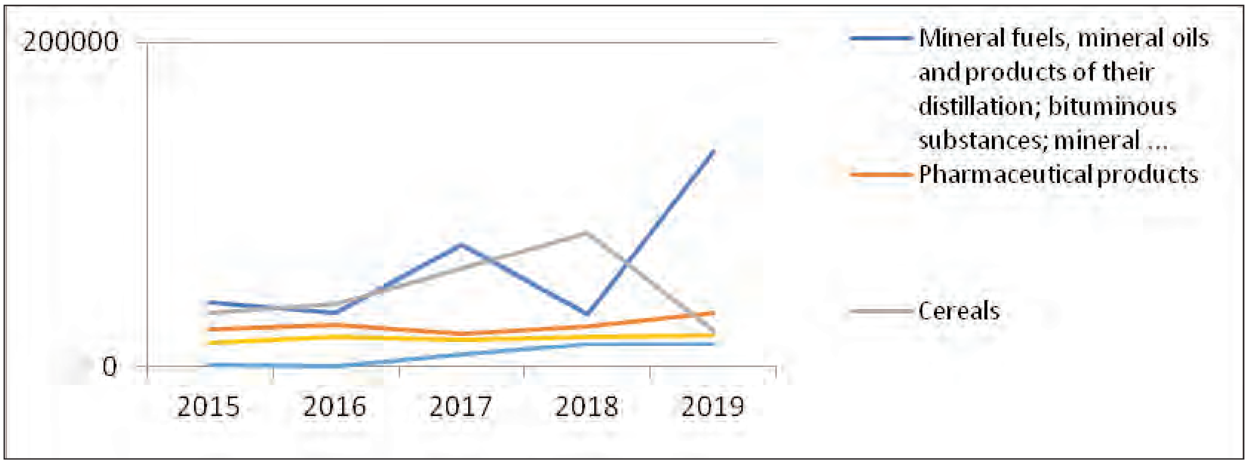
Table 3: Value of the most imported products by Madagascar from India (2015 – 2019)

(Unit: in USD thousands)

Products	2015	2016	2017	2018	2019
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	39 305	33 012	74 997	32 470	133 086
Pharmaceutical products	23 268	25 482	20 456	25 349	33 184
Cereals	33 234	38 379	60 481	82 168	22 644
Cotton	14 535	18 649	17 021	18 583	19 761
Residues and waste from the food industries; prepared animal fodder	1 462	285	7 737	13 734	13 590

Source: Trademap (2020), accessed on February 12th, 2020

Figure 2: Evolution of value of the main imported products



Source: Author, based on Trademap (2020), accessed on February 12th, 2020

Table 4: Evolution of the exports of Madagascar to the world and to India (In value)

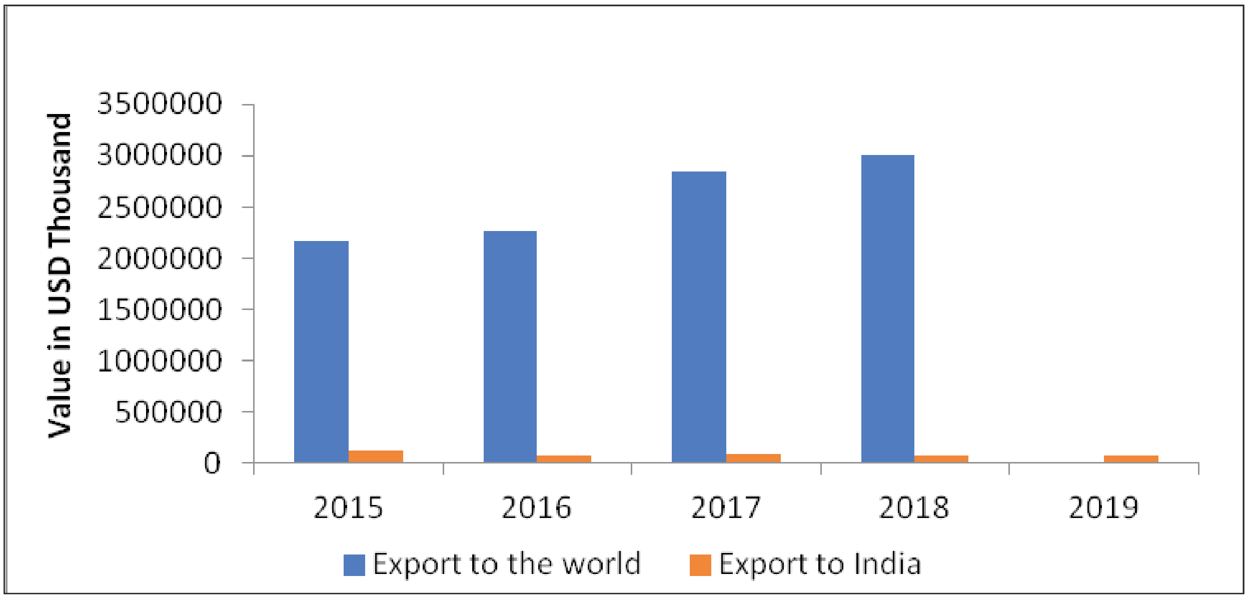
Unit: in USD thousands

	2015	2016	2017	2018	2019
Export to India	118 549	84 653	90 006	78 320	73 679
Export to the world	2 164 461	2 261 351	2 846 993	2 998 622	2 563 782
Percentage share of value exported to India	5.48%	3.74%	3.16%	2.61%	2.87%

Source: Trademap (2020), accessed on february 12th, 2020

As a developing country, Madagascar benefits from India's preferential tariff-free-tariff regime. Madagascar does not have significant formal non-tariff barriers to trade. Most imports into Madagascar are liberalised and do not require an import license, with the exception of a few categories of items considered strategic by the Malagasy government and which are specially regulated. Madagascar is a member of the World Customs Organization (WCO). Since November 2000, the Malagasy customs authorities have implemented the WCO definition of "transaction value". Customs duties are assessed based on freight, insurance and freight (CIF). However,

Figure 3: Evolution of exports of Madagascar to India and to the world 2015 - 2019



Source: Author, Trademap (2020), accessed on february 12th, 2020

Table 5: List and value of the most exported products to India (in US$ thousands)

Exports Products	2015	2016	2017	2018	2019
Coffee, tea, maté and spices	88633	51326	71346	50219	40 901
Essential oils and resinoids; perfumery, cosmetic or toilet preparations	3692	5802	4380	8688	11661
Edible vegetables and certain roots and tubers	13117	14023	3227	3330	8538
Salt; sulphur; earths and stone; plastering materials, lime and cement	1 846	3 062	1 973	2 511	3 286
Organic chemicals	0	0	1 526	3 339	3 007

Source: Trademap (2020), accessed on february 14th, 2020

Indian exports face difficulties due to poor connectivity and the absence of Indian banks in Madagascar.

If these were the major facts on the trade relations between India and Madagascar, we will now examine the exchange between the two countries in terms of Foreign Direct Investment

Madagascar and India in terms of FDI

- For Madagascar, the organisation responsible for promoting investments, called EDBM (Economic Development Board of Madagascar) put forward seven reasons for investing in the country.
- First, there are potential access to a global market of more than 600 million consummers in 34 African countries through strategic positioning at the gate of Africa.
- Indeed, Madagascar is member of the COMESA, SADC, IOC, IORA and EAC which include 57 per cent of the total African population.

Table 6: Evolution of FDI inflows in Madagascar (in Millions of US$)

Periods	2014	2015	2016	2017	2018
FDI Inflows	314	436	451	389	349

Source: UNTCAD/World Investment Report 2019

Table 7: Evolution of India's FDI outflows (in Millions of US$)

Periods	2014	2015	2016	2017	2018
FDI outflows	11 783	7 572	5 072	11 141	11 037

Source: UNTCAD/World Investment Report 2019

- Second, there are also the preferential customs arrangements to facilitate access to US and European Market.
- Third, there are a multiple investment opportunities in high potential areas: tourism, mining, textiles, renewable energy,...
- Fourthly, Madagascar has a many competitive advantages including labour costs, the costs of electricity (US$ 0,07/KWh in 2018) and water (US$ 0.37/KWh in 2018) .
- Fifthly, Madagascar is implemeting significant legal procedural and administrative reforms aimed at facilitating business practices and encouraging local and foreign investment. (The procedure for setting up a company currently takes 3 days instead of the 1 month.)
- Sixth, commitment by the Malagasy governement to structural projects affecting infrastructures and renewable energy sources.
- And last, as an island, Madagascar has a rich natural resource with a highest endemicity rate in the world.

Despite the efforts made by successive governments to demonstrate these advantages mentioned above, the inflows of FDI and the economic environment of Madagascar in general have still to be improved. In 2018, the country received FDI inflows of US$ 349 million, down from US$ 389 million in 2017 and US$ 451 million in 2016.

For India, according to UNTCAD data, FDI outflows for the period 2014 to 2018 averaged US$ 9,321 million annually. The major Indian investments were in the mining, oil and gas sectors, telecom sector and health sectors1. Sectors in which Madagascar has vast potential.

Business environment in some sectors that India could invest in Madagascar:2

Mining industry:

- 30% of export earnings
- 14% of tax revenue
- 40% of FDI
- 4.18% contribution to GDP
- Madagascar is the first African country to have implemented the mining cadastre system
- A mining business center of almost 7000 m2

Infrastructure and Energy

- Demand largely exceeds supply as the electrificity access rate remains low (National : 15%, Urbain : 54%, Rural : 6%)
- Electrificity access rate : 70%
- Generation : 7,9 GWh with energy mix : 85% from Renewable Energy 75% Hydro, 5% Solar and 5% wind
- Ongoing development projects: : Hydro 162 MW, Solar 33 Kw, wind turbine 177 Kw and Biomass 234 Kw

The India-Madagascar relationship is not limited only in terms of trade and capital flows, but there are also relationships in the form of various cooperation between the two countries: on tourism, energy, agriculture and education

Other cooperation in the form of aid, grant and experience sharing

Tourism: joint action in promoting tourism

In 2017, Madagascar welcomed 99,480 tourists but only 1,571 were from India while the number of Indian tourists leaving at that time was 23,943,000.3 A figure judges very unsatisfactory. For this reason, the two countries seek to undertake joint actions to promote the sector. In August 2019, the tourism promotion event in India "Incredible India" was organised by the embassy in collaboration with India Tourism Dubai and Air Mauritius. For its part, Madagascar Tourism has taken an initiative to organize road shows in India. And from July of this year, Air Madagascar plans to start a direct flight to India. And India will also be invited as a country of honour to the Madagascar International Tourism Fair (ITM) - 2020 this year.4

Energy, agriculture and education are also at the heart of cooperation in the form of skills transfers.

Experience sharing on Energy sector

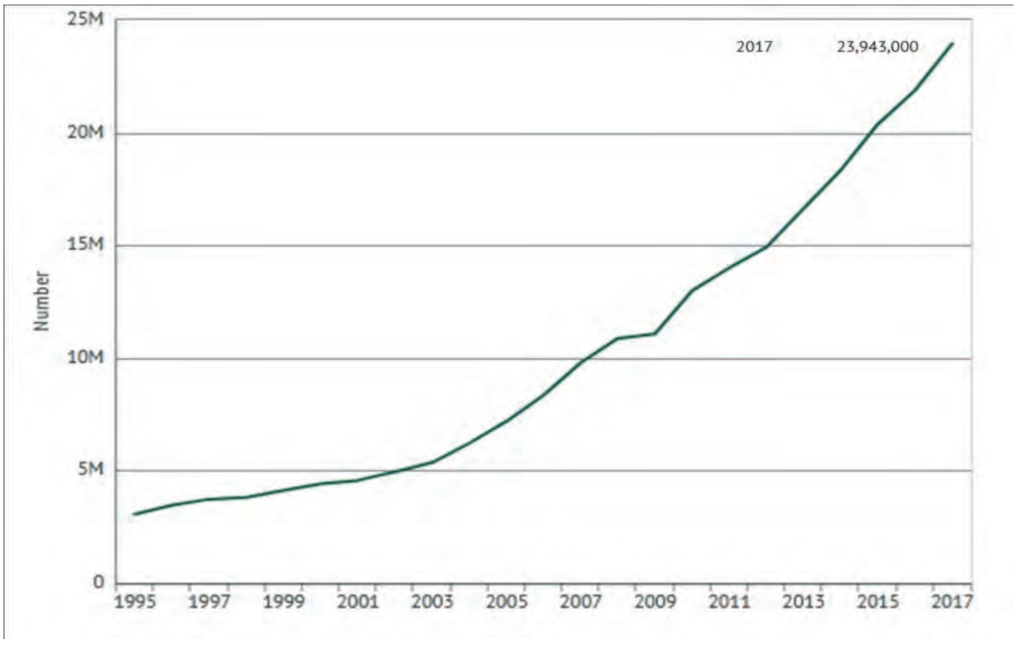
In the field of energy, India is advanced compared to Madagascar. And as we are striving towards achieving the objectives of sustainable development, the transition to renewable energy is one of the priority actions. To share their know-how, India has sent solar energy technicians to Madagascar to provide training in the use of solar panels last year. And recently, a practical training was organized by the embassy on the assembly of solar lamps within the framework of Gandhi Global Solar Yatra sponsored by the Energy Swaraj Foundation, IIT, Bombay for the students of the Lycee of the capital of Madagascar.5

Agriculture

On the agricultural level, the President of India, Ram Nath Kovind, confirmed the opening of his country and the strengthening of its cooperation with the Big Island.6

For it, an additional line of credit of US$ 80.72 million has been approved by the Government

Figure 4: Evolution of number of departures from India



Source: World Development Indicators (WDI)

Table 8: state of the utilization of the scholarships

Nº	Scholarship	Year (allotted and utilized)							
		2016-2017		2017-2018		2018-2019		2019-2020 (upto 31 Dec, 2019)	
		Allotted	Utilized	Allotted	Utilized	Allotted	Utilized	Allotted	Utilized
1.	ITEC	**70**	**80**	**70**	**80**	**80**	**97**	**107**	43
2.	IAFS	-	18	-	29	-	20		9
3.	CV Raman	1	1	1	1	0	0	0	0
4.	FSI Course	-	01	01	01	01	01	0	0
5.	ICCR	12	17	15	3	12	10	12	8

Source: Embassy of India in Madagascar (2020)

of India in 2019 for the development of irrigation, food processing projects and farm mechanisation in four regions of Madagascar.7

Education and capacity building programme

As part of South-South Cooperation, India's focus has been on capacity building including training in highly skilled/technical fields through courses which are offered under ITEC and India Africa Forum Summit Scholarships, which is widely appreciated by the local population. The utilisation of the scholarships is as per the detailed chart below:

In short, the relationship between Madagascar and India should materialise in two directions because the two countries have exploitable and profitable potential for each of them.

Outlook and recommendation

In terms of prospects in the area of trade and regional integration, the two countries must work together and discover their respective potentials.

Export potential India to Madagascar

For illustration, the products with greatest export potential from India to Madagascar are Semi-milled or wholly milled rice, Medicaments consisting of mixed or unmixed products, for retail sale, and Cane or beet sugar and chemically pure sucrose. Semi-milled or wholly milled rice shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth US$ 91.3 million.8

Export potential Madagascar to India

Likewise for Madagascar, apart from the products already exported, there are also other unexploited possibilities. The products with greatest export potential from Madagascar to India are Cloves, Nickel, not alloyed, unwrought, and Vanilla. Nickel, not alloyed, unwrought shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth US$ 56.9 million.9

India and Madagascar in the IORA

As a member country of IORA (Indian Ocean Rim Association) , the relationship between India and Madagascar could be strengthened in the coming years because the organization aims to promote regional cooperation and sustainable development in the Indian Ocean region through its 22 member states and 10 dialogue partners.

In the IORA Action plan 2017 - 2021, member countries, including Madagascar and India, will focus on nine priority areas: MARITIME SAFETY AND SECURITY(Promoting Maritime Safety and Security in the Region); TRADEAND INVESTMENT FACILITATION (Enhancing trade and investment cooperation in the region); FISHERIES MANAGEMENT

Table 9: India Trade With Liberia (In Millions US $)

Year	Exports	Imports	Total
2013-14	253.68	26.86	280.54
2014-15	206.53	57.68	264.21
2015-16	133.88	32.2	166.08
2016-17	146.3	7.65	153.96
2017-18	257.46	36.76	294.22
2018-19	182.22	53.73	235.95

Source: MOC GOI

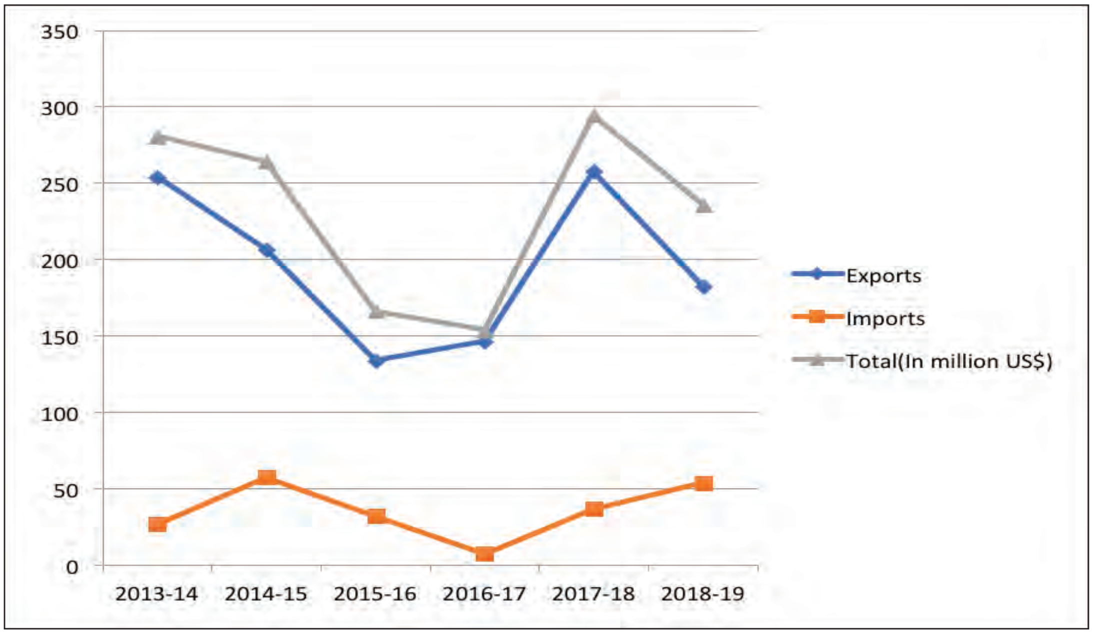
(Promoting sustainable and responsible fisheries management and development); DISASTER RISK MANAGEMENT (Improving resilience and responses to disaster risk management); ACADEMIC, SCIENCE AND TECHNOLOGY COOPERATION (Strengthening academic, science and technology cooperation); TOURISM AND CULTURAL EXCHANGES (Fostering tourism and cultural exchanges); BLUE ECONOMY (Harnessing and developing the Blue Economy in the Region); WOMEN'S ECONOMIC EMPOWERMENT (Promoting gender equality and the empowerment of women and girls); INSTITUTIONAL ARRANGEMENTS AND BROADENING ENGAGEMENT (Strengthening the IORA Secretariat and its collaboration with stakeholders).

LIBERIA

Overview of India-Liberia Relations-Trade and Investments

India-Liberia relations, goes back to over six decades, are warm and friendly. Liberia has concurrent accreditation of Ambassador of India to Cote d'Ivoire with residence in Abidjan.

Figure 5: Graphical Illustration of trade information



Source: MOC GOI

Table 10: Export-Import growth ratio

Year	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
EXPORT	206.53	133.88	146.3	257.46	178.81
%Growth		-35.17	9.28	75.98	-30.55
India's Total Export	310,338.48	262,291.09	275,852.43	303,526.16	330,078.09
%Growth		-15.48	5.17	10.03	8.75
%Share	0.07	0.05	0.05	0.08	0.05
IMPORT	57.68	32.2	7.65	36.76	141.21
%Growth		-44.18	-76.22	380.23	284.14
India's Total Import	448,033.41	381,007.76	384,357.03	465,580.99	514,078.42
%Growth		-14.96	0.88	21.13	10.42
%Share	0.01	0.01	0	0.01	0.03
TOTAL TRADE	264.21	166.08	153.96	294.22	320.02
%Growth		-37.14	-7.3	91.11	8.77
India's Total Trade	758,371.89	643,298.84	660,209.46	769,107.15	844,156.51
%Growth		-15.17	2.63	16.49	9.76
%Share	0.03	0.03	0.02	0.04	0.04
TRADE BALANCE	148.85	101.69	138.65	220.7	37.6
India's Trade Balance	-137,694.93	-118,716.67	-108,504.60	-162,054.83	-184,000.33

Soource: MOCI (India) ExportImport Trade Stats www.dgciskol.gov.in

Liberia too does not have a resident Mission in New Delhi.

There are about 2000 Indian nationals residing in Liberia. The Indian Community was mainly engaged in trading and providing services but now it is Manufacturing ventures too. It is well respected by Liberia due to their substantial contribution to the Liberian economy.

For the case of Liberia, India's relationship has, for the recent years, centered on four main pillars which embodies India's development partnership approach: Capacity building and training; such as Indian Technical and Economic Cooperation (ITEC); Lines Of Credit (LOC) or concessional loans and grant assistance; trade; and investments.

Economic Cooperation with Liberia

India and Liberia have always had favourable conditions for the promotion of economic cooperation. These cooperation ranges from trade and promoting business opportunities to enhancing the bilateral relationship between the two countries.

The overall bilateral trade has seen substantial ups and downs in the last five years. It rose to US$ 280.31 in 2013-14 from US$ 148.04 in the previous year registering an impressive growth of 89.35%. The main items of export from India are food stuff particularly cereals (rice), engineering goods, pharmaceuticals products, transport equipment, steel and iron, and plastic and rubber products. Imports from Liberia mainly include wood and articles of wood, metals scrap and natural rubber.

The fall in bilateral trade during 2015-17 could be largely due to the factors related to Ebola epidemic & aftermath. However, the ebola crisis, the economy experienced a slight growth. As a result, trade volume increased in 2017-2018 and 2018-2019. The trade volume represented almost 49 per cent increase in 2017/18 and almost 19 per cent in 2018/2019. Again, it is important to note that the main items of export from India are food stuff particularly rice, engineering goods, pharmaceuticals products, two wheelers, transport equipment, steel and iron, and plastic and rubber products. Imports from Liberia mainly include wood and articles of wood, metals scrap and natural rubber. These are the items that make the numbers.

Table 10 illustrates the ratio between India's total Export and Import to Liberia and the rest of the world. As indicated, India's average Export to Liberia for the last five (5) years represents just 0.06% of its total Export to the rest of the world. Similarly, it's import from Liberia for the last five (5) years represents 0.01% of its total import from the rest of the world. Additionally, the growth trend in the trade between the India and Liberia has been cyclical. That is an up and down movement.

Export

The Table 11 shows a comparative analysis of the trade performance index between India and Liberia. It shows the net export of each country with the rest of the world and the contribution each makes in global trade with the selected commodities. This information gives a picture of how each of the two countries can provide trading opportunities for the other and the rest of the trading partners.

Table 12 Shows the top 20 commodities exported to Liberia from India. In the table above, it is clearly seen that Cereals, Vehicles and Pharmaceutical products are the most commodities exported to Liberia. Exports of Cereal to Liberia experienced an increase of 16.74 Millions in 2019 coming form 100.25 millions to 116.19 millions. This shows that Liberia is a big market for India's cereal production. Also, there are big markets for vehicles for and pharmaceutical products.

The Figure 6 illustrates the average export summary by commodities. The chart clearly shows that India exports Cereal the most to Liberia for the period under review, with averaging over 100 millions for the last five years (2015-2019). There is also a big market for India's Pharmaceutical products.

Table 13 shows the top 14 commodities imported from Liberia. In the table above, it is clearly seen that, Vehicles and Pharmaceutical

Table 11: Liberia and India: Trade Performance Index by sector, Net exports (in thousand US$)*

	Liberia (World Rank)		India (World Rank)	
Sector	Value	Rank	Value	Rank
Fresh Food	79,757	70	14,604,906	5
Processed Food	0	NA	-2,191,354	152
Wood	15,909	41	-4,813,124	143
Textiles	NA	NA	12,505,732	2
Basic Manufactures	156,237	58	-72,313	44
Non Electronic Machinery	-250,337	47	-12,395,572	140
Electronic components	-52,078	34	-9,401,736	129
Transport equipment	-5,954,864	135	6,954,647	12
Miscellaneous manufacturing	-55,327	41	7,034,386	9
Minerals	-169,419	76	-66,608,671	162

Source: Trade Competitiveness Map

Table 12: Export summary by commodity

In Million US$

S.No.	Commodity	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
1	CEREALS.	100.7	73.74	91.09	100.25	116.99
2	VEHICLES	5.91	5.91	8.67	18.22	10.78
3	PHARMACEUTICAL PRODUCTS	11.95	11.95	8.68	11.7	8.99
4	ELECTRICAL EQUIPMENT	1.91	1.91	5.03	3.39	6.59
5	CERAMIC PRODUCTS.	0.1	3.62	4.1	3.5	4.35
6	NUCLEAR REACTORS	4	4	3.38	6.09	4.31
7	PLASTIC AND ARTICLES	2.39	2.12	2.12	2.76	3.13
8	BEVERAGES & SPIRITS	2.74	2.55	1.69	2.63	2.97
9	PAPER AND PAPERBOARD		2.12	1.22	1.8	2.45
10	MEAT	2.15	2.61	2.26	2.16	2.1
11	ARTICLES OF IRON OR STEEL	1.51	1.51	3.35	0.9	2.09
12	MINERAL FUELS	0.69	0.69	1.08	1.52	2
13	IRON AND STEEL	0.01	7.87	3.51	6.51	1.7
14	ALUMINIUM	0.8	0.8	2	0.98	1.42
15	OPTICAL, MED, SURGICAL INST	0.52	0.52	0.51	0.29	0.81
16	SALT & SULPHUR	0.68	0.68	0.74	0.54	0.72
17	DYEING EXTRACTS	0.73	0.73	0.76	0.95	0.71
18	ORGANIC CHEMICALS	0.21	0.21	0.66	0.69	0.65
19	RUBBER	0.42	0.42	0.29	0.22	0.55
20	EXPLOSIVES	0.04	0.54	0.38	0.4	0.46

Soource: MOCI (India) ExportImport Trade Stats www.dgciskol.gov.in

Figure 6: Export Summary by Commodities

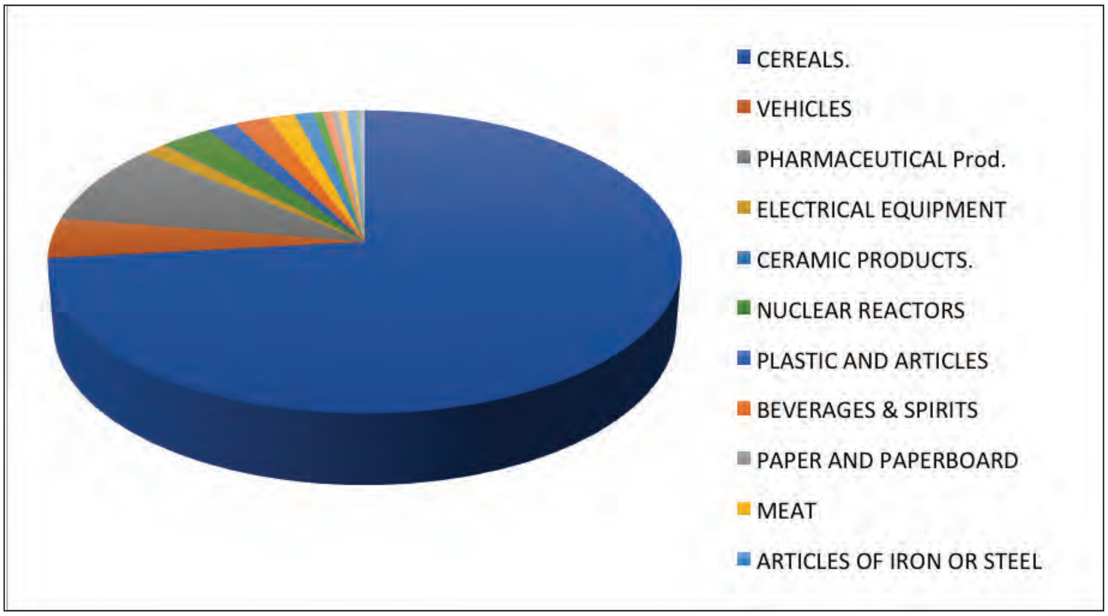


Table 13 : India Import summary by Commodity

		2016	2017	2018	2019
Commodity	**2014-2015**	**2015-2016**	**2016-2017**	**2017-2018**	**2018-2019**
CRUISE SHIPS, EXCURSION BOATS	49.12	21.33	0.15	22.17	0
FERROUS WASTE AND SCRAP;	4.48	7.24	2.05	4.13	3.45
ALUMINIUM WASTE	1.27	1.38	1.47	1.27	2.86
WASTE AND SCRAP OF PRIMARY CELLS	1.21	0.81	1	1.52	1.58
NATURL RUBBERR BALATA	0.68	0.43		0	
WOOD IN THE ROUGH	0.34	0.38	1.27	5.08	0.63
COPPER WASTE AND SCRAP	0.22	0.25	1.44	0.63	0.25
CONSTRCTN MATRL OF IRON	0.13	0.1			
LEAD WASTE AND SCRAP	0	0.09			
MACHINES AND MECHANICAL APPLNCS		0.08			
TUBES, PIPES AND HOSES, PLASTICS		0.05			
WOOD		0.05	0.03	0.13	
PRECIOUS AND SEMI PRECIOUS STONES		0.01	0.03		
PETROLEUM OILS FROM BITEMENS	0.05	0			131.82

Soource: MOCI (India) ExportImport Trade Stats www.dgciskol.gov.in

products are the most commodities exported to Liberia. Exports of Cereal to Liberia experienced an increase of 16.74 Millions in 2019 coming from 100.25 millions to 116.19 millions. This shows that Liberia is a big market for India's cereal production. Also, there are big markets for vehicles and pharmaceutical products.

The Figure 7 illustrates the average import summary by commodities. The chart clearly shows that India imports Eerrous waste and Aluminium waste the most from Liberia for the period under review, averaging over 22 millions for the last five years (2015-2019). There information shows that India could look into investment in the steel industry in Liberia. Those scrap could be turned into finished product.

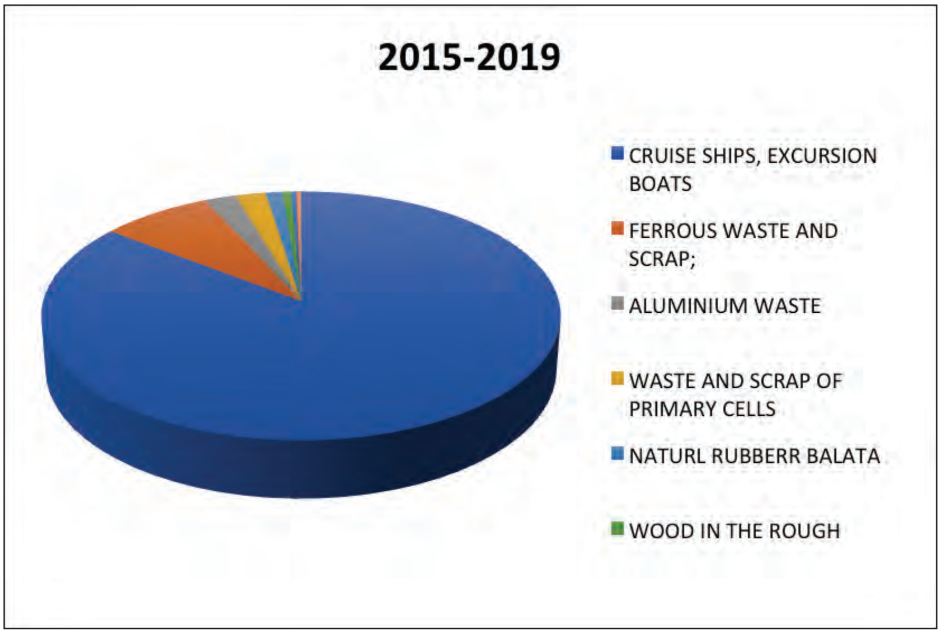
Indian Investment

India's investments in Liberia are mostly in the private sector. A giant steel company, Arcelor Mittal, a PIO company invested in mining started exporting iron ore from Liminco mine since July 2011. In addition, there are other smaller Indian-owned corporations operation. Few of them into manufacturing. It is also important to note that a large portion of them are into general merchandising.

Capacity Building And Assistance (Aid):

India has been contributing towards human resource development, capacity building and skills up-gradation of Liberians. India has provided 70 training slots to Liberia under the Indian Technical & Economic Cooperation (ITEC) Programme in 2017-18 and several others in the preeceeding years, including the 2020 Capacity Building Programme on International Economic Issues and Development Policy of which Alexander G. Kaydor of the Liberia Revenue Authority (LRA) and Mr. Oliver Clarke of the Ministry of Finance and Development Planning (MFDP) are a part. Additionally, ICCR has granted 6 fully paid scholarships in 2017-18 for postgraduate studies. Liberians have also been benefiting from other capacity building trainings in India under the decisions of IAFS as well as under the US-Liberia-India trilateral cooperation programme. India gifted 15 buses to Liberia, which were formally received on 11 December 2014 by the Foreign Minister, H.E. Mr. Augustine Kpehe Ngafuan

Figure 7: Export Summary by Commodities



in the presence President Sirleaf. India's gift of 25 buses in 2010 became the most eloquent and visible example of India's assistance, improving daily lives of thousands of Liberians. India provided agricultural assistance package consisting of pesticides and sprayers to the Liberian government in 2009 to help combat emergency situation caused by caterpillar infestation. India has announced gifting a CT scan machine JFK Medical Centre in Monrovia, Barefoot Vocational Training Centre, a Centre of Excellence in Information Technology and a Farm Science Centre to augment the medical and educational sectors in Liberia. The execution of work to install CT scan machine and setting up of Barefoot Vocational Training Centre is at advanced stage. Liberia was severely affected by Ebola Virus outbreak during 2014-15. It was declared Ebola free by WHO on 9 May 2015. GOI extended bilateral assistance of over US$ 50,000 to Liberia to fight Ebola. In addition, GOI provided cash assistance of US$ 500,000 to WHO as well as contribution of US$ 10 million to UN Fund for Ebola and additional US$ 2 million for purchase of protective gear to tackle Ebola for the three Ebola affected countries of West Africa including Liberia and Guinea. In August 2014, the Indian Community in Liberia also donated assorted anti-Ebola related material worth more than US$ 200,000 to the National Task Force on Ebola. The Liberian President received the donation personally. This was in addition to the GOI assistance. Hyderabad based L. V. Prasad Eye Institute is setting up modern eye clinic at JFK Memorial Hospital in Monrovia.10

Potential for Investments

While Liberia might not be a very big trading partner with India, there are lot of other unexplored opportunities which India can take advantage of. These are opportunities that Liberia currently provide in the trading space.

Kyrgyzstan

Historically, India has close contacts with Central Asia, especially countries which were part of the Ancient Silk Route, including Kyrgyzstan. During the Soviet era, India and the then Kyrgyz Republic had limited political, economic and cultural contacts. Former Prime Minister Rajiv Gandhi visited Bishkek and

Potential	Opportunities
Agriculture	- With agriculture contributing to more than 60 per cent of the GDP, there are numerous opportunities in all verticals of the sector. These include: Rubber: tyres and tubes, inflatables, sporting goods, and surgical products Palm oil: - Fishery: fish farming especially of high end fish varieties like lobster, tuna, blue marlin and shrimp, storage and packaging - Forestry: more than 40per cent of the country covered by forests, over 240 different species of timber including the highly valued African mahogany, highly attractive sector not only because of the export values but also because of the large labour absorption.
Mining	- Liberia possesses a wide variety of minerals including gold and diamonds. However, the country is largely unexplored. - Liberia's undeveloped mineral resources are base metals, such as cobalt, lead,manganese, nickel, and tin, and industrial minerals, such as dolerite, granite, lmenite, kyanite, phosphate rock, rutile, silica sand, and sulfur. - Cement production provides a lot of scope - Iron ore reserves in the country are estimates at 3,443 metric tons.
Energy	- As Liberia rebuilds its energy system, its vision is to be a carbon neutral country. This aspiration makes bio-fuels and hydroelectric power particularly important. - Liberia's favorable climate and abundant farmland make thermal generation from bio-fuels a promising area for investors. - here are also opportunities to generate energy from jatropha, sugar, oil palm, andother crops that already flourish in the country. - There is considerable potential for hydroelectric power; the studies have estimated a potential of approximately 1,100 MW to potentially export energy to the neighboring countries in years to come. - Liberia has significant potential to begin producing oil as well.
Manufacturing	- Surgical instruments and forestry products such as paper and furniture are the key sub-sectors, which represent investment opportunities. - Rubber goods like tyres and tubes, inflatables, sporting goods, and surgical products provide investment potential. - Decorative items made of rubber wood, which is currently used primarily as firewood,
Infrastructure	- The real estate sector is growing due to the requirement of increased security and the availability of mortgages and construction finance credit.

Issyk-Kul Lake in 1985. After the independence of Kyrgyz Republic on 31st August, 1991, India was among the first to establish diplomatic relations on 18 March 1992 maintained close bilateral ties during the last two decades. Political ties with the Kyrgyz Republic have been traditionally warm and friendly. The former Prime Minister of India Narasimha Rao visited Kyrgyzstan in September 1995. An important street in Bishkek was renamed after Mahatma Gandhi during the visit. From Kyrgyzstan's side Askar Akaev visited first in 1992. Akaev during his first visit reiterated Kyrgyzstan's commitment to secularism and opposition to Islamic fundamentalism and desire to collaborate closely with India in the foreign policy sphere.

One of the primary purposes of this study is to contribute to the existing knowledge of India's investments in Kyrgyzstan. For the purposes of this paper, the scope of study includes economic situation, foreign economic relations, bilateral investment, trade and economic relations of the two countries. In addition, this study encompasses a wide range of other areas of mutual interest to enhance economic development between the two countries. The study will provide the broadest possible basis for consideration of future actions by the governments of India and Kyrgyz Republic.

The main study questions of this thesis are as follows :

- What is the impact of India's OFDI for Kyrgyzstan's economy?
- How to develop economic cooperation between the two countries?
- What can stimulate India's investment in Kyrgyz Republic?

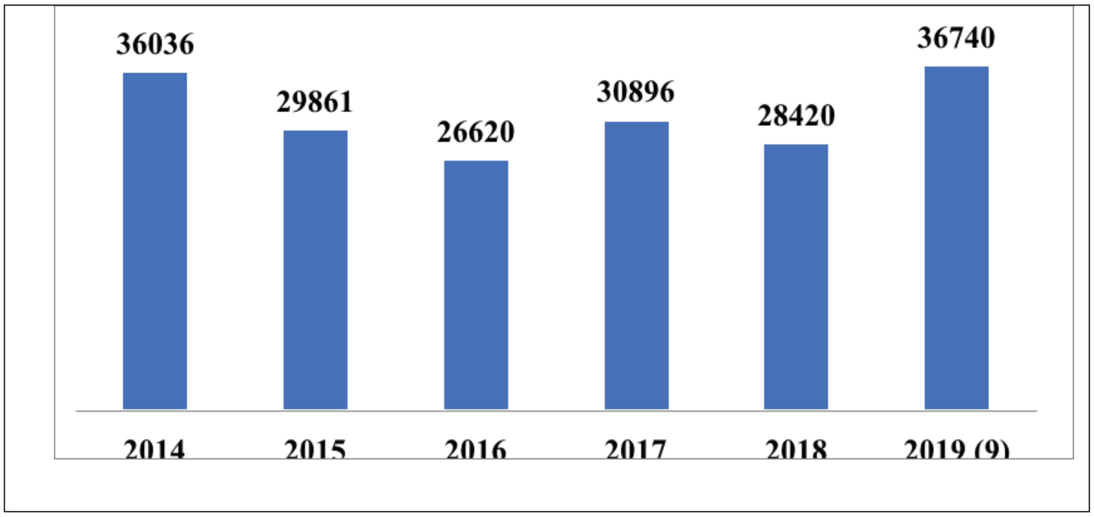
Political relations

Political ties with the Kyrgyz Republic have been traditionally warm and friendly. Kyrgyzstan also supports India's bid for permanent seat at UNSC and India's full membership in the Shanghai Cooperation Organization (SCO). Both countries share common concerns on threat of terrorism, extremism and drug–trafficking. Since the establishment of diplomatic relations in 1992, the two countries have signed several framework agreements, including on Culture, Trade and Economic Cooperation, Civil Aviation, Investment Promotion and Protection, Avoidance of Double Taxation, Consular Convention etc. At the institutional level, the 8th round of Foreign Office Consultation was held in Bishkek on 27 April 2016. The Indian delegation was led by Ms. Sujata Mehta, Secretary and Kyrgyz side was headed by Mr. Azamat Usenov, Deputy Minister of Foreign Affairs. An Indo-Kyrgyz Joint Commission on Trade, Economic, Scientific and Technological Cooperation was set up in 1992. The 8th Session of India-Kyrgyz Inter-Governmental Commission on Trade, Economic, Scientific and Technological Cooperation was held in Bishkek on 28 November 2016. The Indian side was led by Ms. Rita Teaotia, Secretary, Ministry of Commerce and Industry and the Kyrgyz side was headed by Deputy Minister for Health Mr. Amangeldy Murzaliev. India announced its Connect Central Asia Policy during the visit Minister of State for External Affairs, Shri E. Ahamed to Kyrgyzstan on 10-13 June 2012 with the first India- Central Asia Track-II Dialogue held in Bishkek. In his inaugural address, MoS E. Ahamed declared India's intention to establish e-Network in Central Asia to promote tele-medicine and tele- education.

Prime Minister Narendra Modi visited Kyrgyzstan on 11-12 July 2015. The visit by an Indian Prime Minister took place after a gap of 20 years. PM held meetings with the Kyrgyz President Almazbek Atambayev, Speaker Asylbek Jeenbekov and Prime Minister Temir Sariyev. During his visit PM laid wreath at Victory Square; gifted medical equipment to Field Hospital; visited Kyrgyz India Mountain Bio Medical Research Center; inaugurated Tele-medicine links between hospitals in Kyrgyzstan

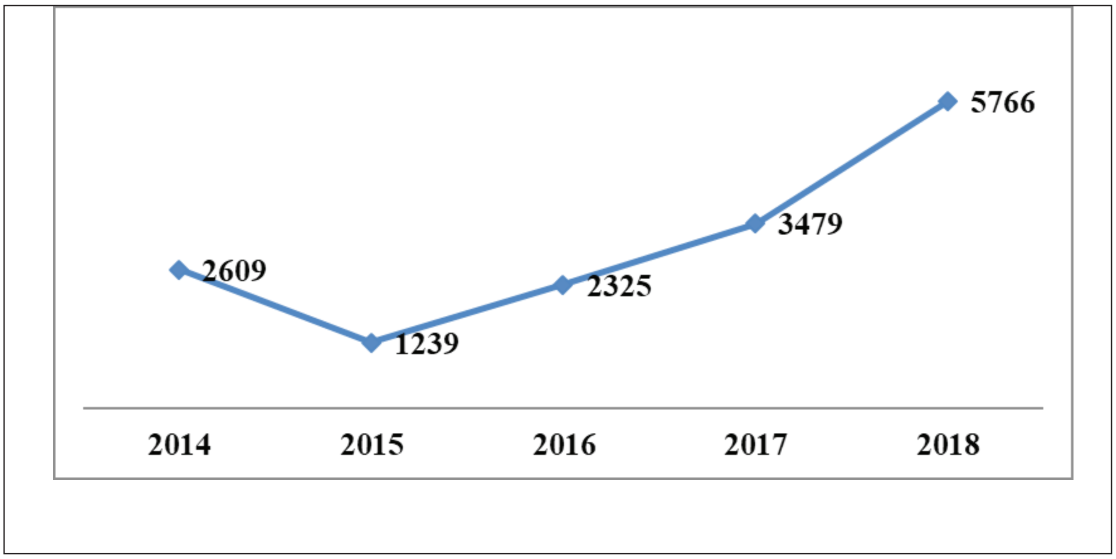
Figure 8. India's exports to Kyrgyzstan

(US Dollar thousand)



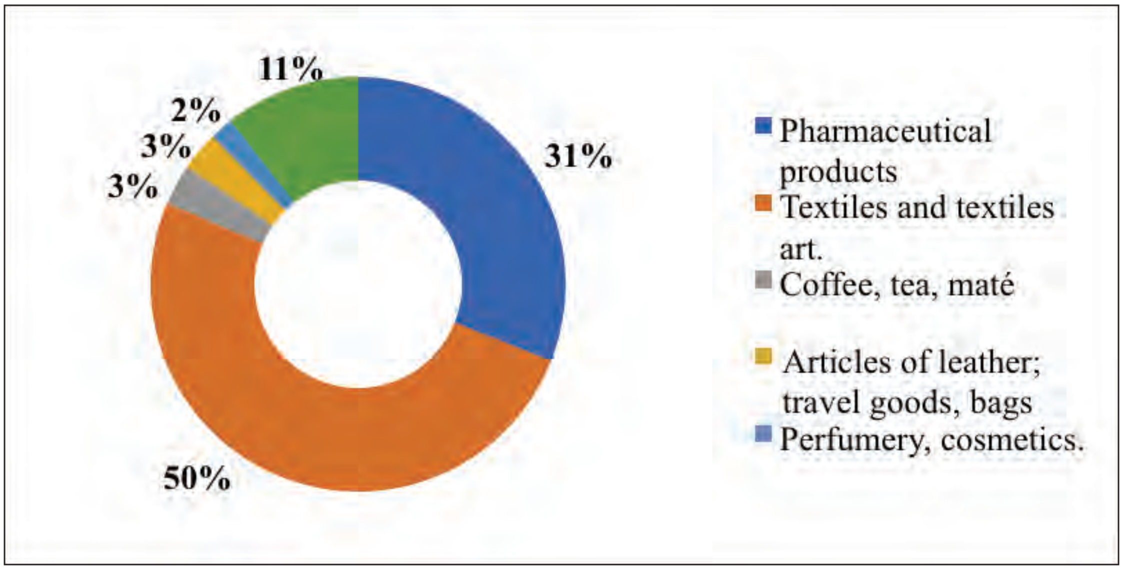
Source: Trademap.org, Ministry of Economy of the Kyrgyz Republic.

Figure 9. Kyrgyzstan's exports to India



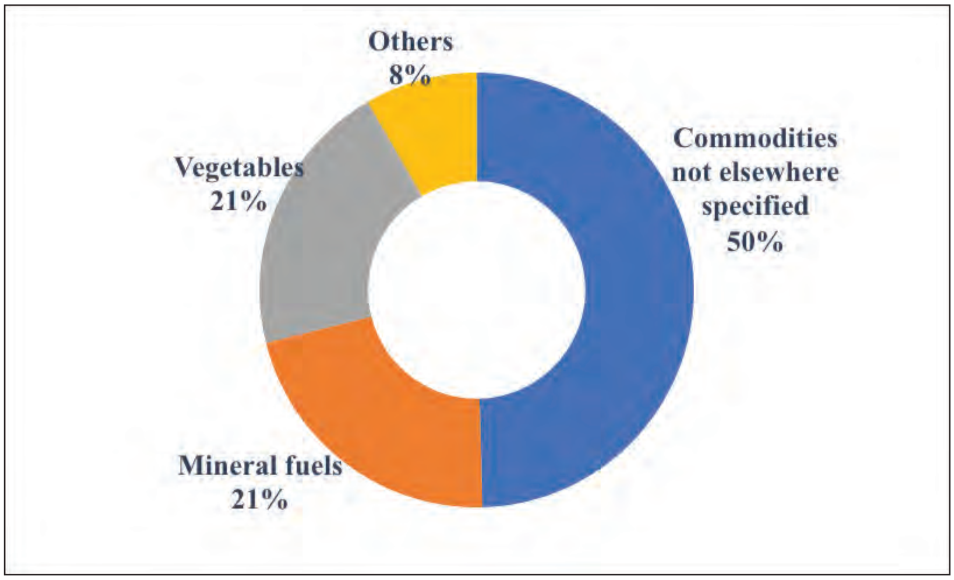
Source: Trademap.org, Ministry of Economy of the Kyrgyz Republic.

Figure 10. India's Top exports to Kyrgyzstan 2018



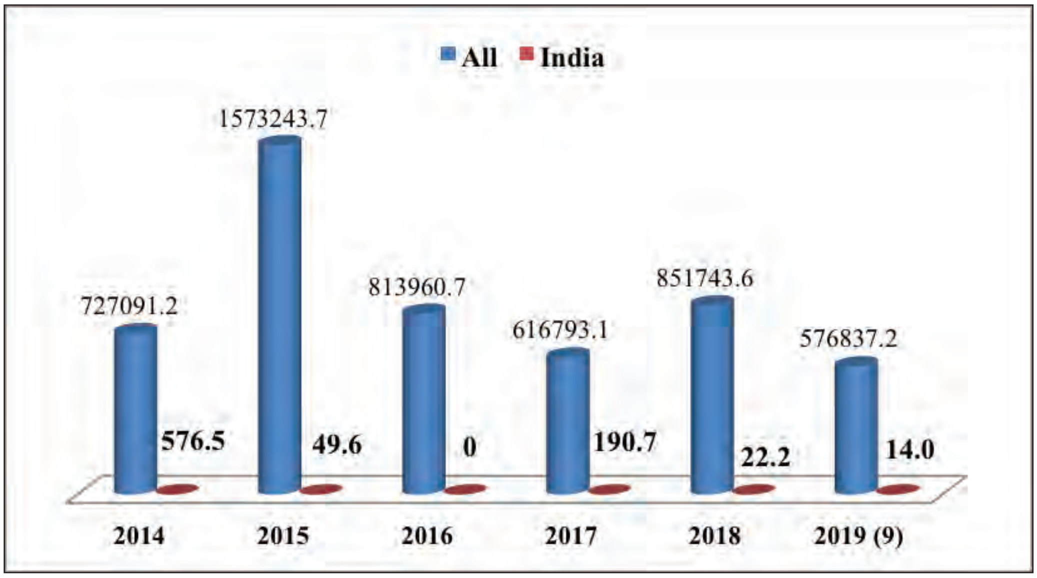
Source: Trademap.org, Ministry of Economy of the Kyrgyz Republic.

Figure 11. Kyrgyzstan's Top exports to India 2018



Source: Trademap.org, Ministry of Economy of the Kyrgyz Republic.

Figure 12. FDI to Kyrgyzstan 2014-2019



Source: Ministry of Economy of the Kyrgyz Republic.

with super specialty hospitals in India and unveiled Mahatma Gandhi statue. Four MOUs/ Agreements in the field of Defence Cooperation, Culture, Election and Standardisation were signed. MOS for External Affairs Sh. M.J. Akbar visited Kyrgyzstan to participate in the Shanghai Cooperation Organization Heads of Government (Prime Ministers) Meeting held in Bishkek on 2-3 November 2016. President of the Kyrgyz Republic Mr. Almazbek Atambaev paid a state visit to India from 18-21 December, 2016. This was his first visit to India in his capacity as President. He also led a high level delegation comprising of Ministers, senior officials and business leaders from the Kyrgyz Republic. He held meetings with President of India, Vice President of India and the Prime Minister. The Kyrgyz President also participated in the India-Kyrgyz Republic Business Forum. Seven Agreements/MoUs in the field of tourism, agriculture, youth development, cooperation between diplomatic academies, broadcasting, exchange of cadets, and investment promotion were signed.

Trade relations

India-Kyrgyz trade was US$ 39.56 million in November 2019. India's exports to Kyrgyzstan was US$ 36.74 million whereas Kyrgyz exports to India was US$2.82 million. Apparel and clothing, leather goods, drugs & pharmaceuticals, fine chemicals, and tea are some of the important items in our export basket to Kyrgyzstan. Kyrgyz exports to India consist of raw hides, metalifers ores & metal scrap etc.

India's investment in Kyrgyzstan

In 2018, FDI inflow from India amounted to US$ 21.8 thousand and decreased by 88.6 per cent compared to 2017 and was directed to the wholesale and retail trade, as well as car and motorcycle repair. The largest volume of FDI falls on 2013, which amounted to US$ 2.6 million. An analysis of the overall dynamics of FDI from India shows an increase in 2013 and a sharp decline by 2014 and in 2015. In 2017, there was a sharp increase in FDI, but in 2018 there was a decline in FDI. FDI inflows from India for 2016 were not observed. In 2018, FDI inflows from India amounted to US$ 22.2 thousand and

Table 14. Taxes in Central Asian countries

Tax	Kyrgyz Republic	China	Kazakhstan	Uzbekistan	Tajikistan
VAT	12%	17%	12%	20%	20%
Income tax	10%	5-45%	10%	10%	8-13%
Profit tax	10%	15-25%	10-20%	9-35%	15-25%

*Sour*ce: Investment Promotion and Protection Agency of the Kyrgyz Republic

were directed to the wholesale and retail trade, car and motorcycle repair.

Kyrgyz Republic, is rich in natural resources, has a high level of public education, occupies a geographically advantageous location between the world's largest economic players – China and Russia. The country has a vast potential for the development of industrial production, hydro power sector, agriculture, and tourism. Kyrgyz Republic presents a profitable platform for the development of the nearby markets of Central Asia, Russia, China and the Middle East. In 2015, the Kyrgyz Republic became a full member of the Eurasian Economic Union (EAEU), with a consumer market of 182.7 million people. There are well-established means of communication (logistic) and developed economic relations among the member states of the EAEU, which allows the countries to trade without any custom duties. Foreign companies considering opening a business in the Kyrgyz Republic will have secured access to these markets through the Eurasian Economic Union.

Kyrgyz Republic actively participates in the work of other international economic organizations such as being one of the founding states of the Shanghai Cooperation Organization, as well as the first state in the Central Asian to join the WTO. In the Central Asian region, Kyrgyz Republic provides investors with favorable regime, including, among other things, the possibility of repatriating the profits and dividends, liberal investment conditions, and the availability of other benefits and preferences. Changes have been made to national legislation to ensure full protection of investors against various risks associated with changes in subsequent legislation, including in the event of changes or additions to the investment, tax and customs legislation of the Kyrgyz Republic. This stabilisation regime applies to taxes and non-tax payments. Legislation provides foreign investors the same rights as the domestic investors, and also guarantees protection against expropriation, nationalisation, requisition or other equivalent measures, including actions or omissions by the authorised state bodies of the Kyrgyz Republic that led to the forced withdrawal of investor's funds or depriving him of the opportunity to use the profits of the investments. To date, the Kyrgyz Republic has concluded over 30 bilateral agreements on the promotion and protection of investments with countries such as Austria, Great Britain, Germany, India, Kazakhstan, Qatar, Turkey, China, Kuwait, Russia, the USA, Switzerland, South Korea, etc. and 28 Double Taxation avoidance Agreements with countries such as China, Turkey, India, etc.

Investors are free to:

- Export or repatriate their investments, property and information from the Kyrgyz Republic;
- Make cash transactions;
- form any legal entity in any organisational and legal forms provided for by the legislation of the Kyrgyz Republic;
- Open branches, representative offices, and choose any organisational and management structure for their company;
- Acquire property (except land), shares, other securities, including government securities;
- Participate in the privatisation of state properties;
- Create associations.

To date, there are 24 banks in the Kyrgyz Republic, providing a full range of banking services. In accordance with the legislation, Investors with respect to all payments related to investing in the Kyrgyz Republic are entitled to a free conversion of the national currency of the Kyrgyz Republic into any other currency. All investment-related remittances in foreign currency to and from the Kyrgyz Republic are carried out freely and without any hindrance.

Fiscal reforms have resulted in creating a liberal tax regime with taxes being one of the lowest in the region. Tax rate for non-cash transactions 0%. Kyrgyz Republic also has the lowest rates on electricity, water and labour force in the region.

Free Economic Zones (FEZ)

There are FIVE Free Economic Zones in the Kyrgyz Republic namely Bishkek, Maimak, Naryn, Leilek and Karakol with the following benefits and advantages:

- Partial exemption from all types of taxes, duties, fees and charges during the entire period of activity in the FEZ;
- Export of goods produced in the FEZ, the import of goods in the FEZ, as well as goods intended for re-export, are fully exempt from customs duties;
- Simplified mode of entry and exit of foreign workers;
- Simplified and accelerated registration of a business entity;
- Simplified customs procedures;
- Direct access to the infrastructure, including telecommunications, water supply, electricity supply and means of transportation of the FEZ.

It is safe, profitable and convenient to invest in the Kyrgyz Republic. The country is one of the most democratic states in the region, moreover, the government understands the need to attract investment to accelerate and stimulate economic development. Despite the existing investments from the USA, Canada, Europe, Turkey, Russia and China, the overall level of investments in the country remains low. Henceforth, the promotion of foreign direct investment has become a priority of economic policy, and therefore the public and private sectors have joined forces to attract additional investments. Sectors with the highest potential for investments include hydropower energy generation and other renewable sources of energy, tourism and agriculture. Also the government has created the Investment Promotion and Protection Agency of the Kyrgyz Republic, which is a government agency promoting foreign investments and assisting international companies in finding business opportunities in the Kyrgyz Republic. Investment Promotion and Protection Agency's primary objectives are to attract and promote inward investments into the national economy, to assist existing and potential exporters in promoting their products to overseas markets, as well as to develop mechanisms for public-private partnership.

Energy is one of the top priority sectors for the country and currently only 10 per cent of the 142 billion kW hydropower potential of the country is being utilized. There is also potential for the development of other renewable sources of energy such as sun and wind.

Kyrgyz Republic is also very rich in mineral resources particularly gold, mercury, antimony, tin and rare metals are present.

Tourism is actively developing and several travel magazines and news agencies have rated Kyrgyz Republic as one of the best places to visit and it opens up opportunities for early investors who may benefit from the development boom in the tourism sector, as there is opportunities to build large family oriented parks. Kyrgyz Republic also possesses a unique nature with a large number of nature reserves, biosphere zones and resort and recreational facilities, there are tremendous opportunities for organising ecotourism, mountaineering, hunting and other outdoor activities.

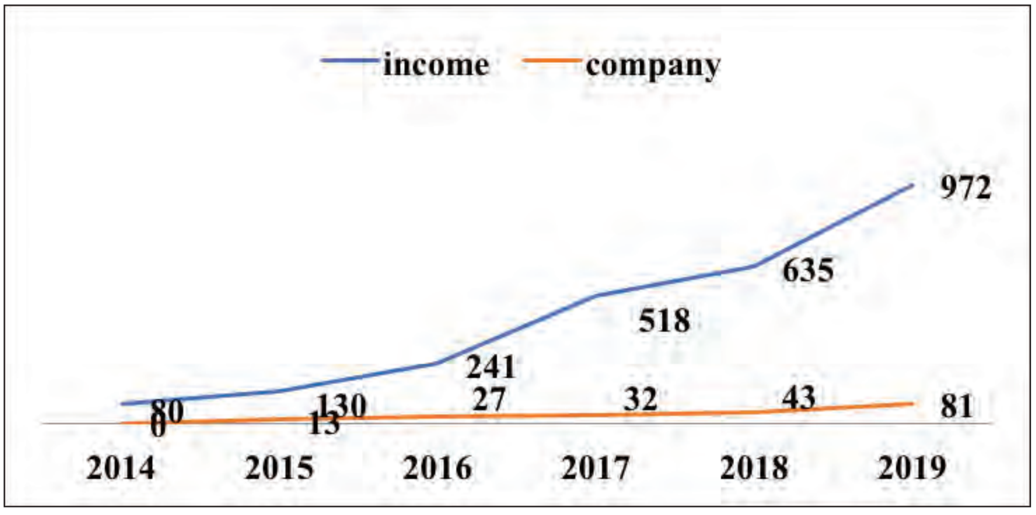
Agriculture is perhaps the most attractive industry as the government in 2017 exempted businesses from all taxes in subsidised regions of the country. These include 560 villages throughout the country, and the benefits related to such areas of business as the processing of agricultural products, light industry, food production and export-oriented goods. It should also be noted that the Kyrgyz Republic avails the GSP+ from the European Union, which allows businesses to export over 6000 goods to the EU without any custom duties. The same is possible with the US providing GSP to the Kyrgyz Republic and allowing the export of over 2000 goods to the United Stated of America without custom duties. Agricultural producers and agricultural commodity-service cooperatives, who are not located in the subsidised regions of the country, are exempted from income tax. Supplies by an agricultural producer of agricultural products of its own production, as well as products of its processing, are exempted from VAT.

Education, Cultural and Technical Cooperation

In October 1992, an agreement for Cultural Exchange Program, (CEP) valid for 1992-1994 was signed by two countries. This included cooperation in the areas of Culture, Arts, Education, Science, Mass-media and Sport. India offers six scholarship under General Cultural Scholarship Scheme of ICCR to Kyrgyzstan annually. The Centre for Indian Studies set up in Osh State University in 1997 has been useful in providing an exposure to Indian culture and civilization to academicians and intelligentsia in this country. However, in Bishkek, the mission on its own established an India Study Centre in the prestigious National Library of Kyrgyzstan in Bishkek on 14 November 2014. The Center is running with help of volunteers and imparts training in English and Hindi languages, Yoga and Kathak dance. Another center has been opened in Kara Balta a city at the distance of 80 km from Bishkek.

About 5500 Indian students are studying medicine in various medical institutions in Kyrgyzstan. Technical assistance under the Indian Technical and Economic Cooperation (ITEC) Programme, particularly in terms of Human Resources Development is the cornerstone of India's economic involvement in Kyrgyzstan. Since 1994, about one thousand professionals from Kyrgyzstan have been trained in India under the ITEC programme.

Figure 13. IT sector Kyrgyzstan 2014-2019



Source: High Technology Park of the Kyrgyz Republic

Table 15. Kyrgyzstan's IT service exports

Export	Som (mln)	increase	Export	Som (mln)	increase
USA	235	31%	China	22	63%
Ireland	109	38%	Australia	17	95%
Kazakstan	83	16%	UAE	14	
others	76	61%	Germany	12	221%
Russia	63	46%	Tadjikistan	11	119%
Cyprus	42	74%	Singapore	11	49%
Japan	36	26%	Vietnam	7	52%
Kuwait	34		Canada	5	
Georgia	26		France	3	
UK	24	102%	Turkey	2	4%
Ukraina	1		**India**	**2**	**73%**

Source: High Technology Park of the Kyrgyz Republic

The training programmes have contributed to capacity building and Human Resources Development in Kyrgyzstan.

According to the economic conditions and policies in India and Kyrgyzstan, I identify the following specific sectors for further investment cooperation: Medicine, IT and tourism.

IT sector is new and growing very fast in Kyrgyzstan. Kyrgyz IT specialist export IT service more than 20 countries as USA, Japan, UK and India. Digital Economy also needs IT experts. I hope Kyrgyzstan and India can cooperate in IT sector.

As one of the world's largest economic sectors, Travel & Tourism creates jobs, drives exports, and generates prosperity across the world. In our annual analysis of the global economic impact of Travel & Tourism, the sector is shown to account for 10.4 per cent of global GDP and 313 million jobs, or 9.9 per cent of total employment, in 2017. The right policy and investment decisions are only made with empirical evidence. For over 25 years, the World Travel & Tourism Council (WTTC) has been providing this evidence, quantifying the economic and employment impact of Travel & Tourism. The Kyrgyzstan side considers that the country can present a very competitive tourism package for foreign travelers, including affordable prime-class ski and leisure destinations and cultural tourism offerings.

The living kidney transplantation program in India has evolved in the past 45 years and is currently the second largest program after USA. In India the best hospital in the world as Apollo. From Kyrgyzstan also come to India for kidney transplant. It cost too much for Kyrgyz people to come in India. Patients spend money not only kidney transplantation also for tickets, donors, hotel, staying in India also need much money. I would suggest India's investors to invest in Kyrgyzstan to Medicine sector. Not only Kyrgyz people also from Kazakhstan, Uzbekistan, Tajikistan will come use medical service.

Peru

India foreign policy towards Latin America and economic relations

Latin America and the Caribbean (LAC) trade and investment with India still have a long way to go. Exports to India had an average growing rate of 147 per cent from 2010 to 2018 while imports an average growing rate of 59 per cent having a surplus in trade balance in favour to

Figure 14: Latin America and The Caribbean Goods Trade with India 2010-2018 (Thousand USD)

Source: Author's elaboration with data from TRADEMAP

LAC since 2014 (see figure 1). On the other hand, foreign direct investment from India to LAC from 2008 to 2018 was of 704 million dollars (Inter-American Development Bank, 2019).

According to data reported by India to United Nations (Trademap), Mexico and Brazil were its main export markets in LAC which represented 1.2 per cent and 1.1 per cent share of total India's exports to the world in 2018. On the other hand, Mexico and Brazil were the main sources of India's imports from LAC in 2018, representing 1 per cent and 0.9 per cent of its total imports from the world.

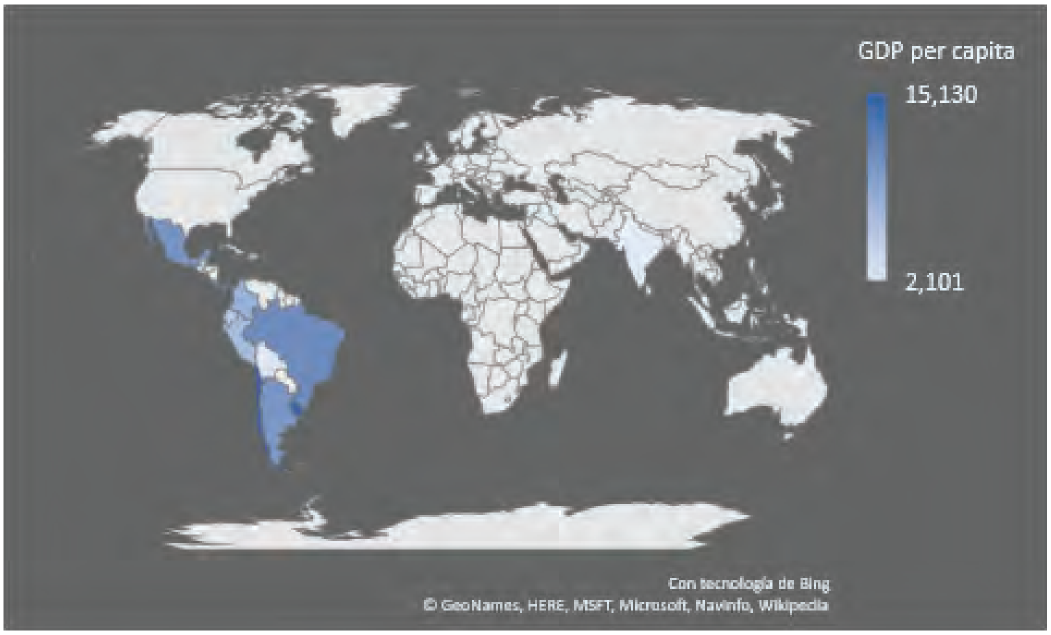
Trade with India and the region is asymmetric as LAC exports to India are mainly raw materials and imports from India are mainly manufactured products. The main LAC export products to India are Oil, soya bean oil, gold and raw cane sugar while main import products from India are preparations of petroleum, insecticides, medicaments and textured filament yarns of polyester.

Opportunities of more economic cooperation between India and LAC is yet in an emerging stage. LAC is an attractive market for India's products and investment from its companies as GDP per capita of LAC countries (9,224 USD) is larger than India (2,100 USD) like it can be seen in Figure 2.

India is also an attractive market for LAC for its 1.3 billion population and its growing middle class. According to a study by Homi Kharas of Brookings Institution of 2017, India's middle-class consumption in 2030 will represent 17% of world share after China and before US.

Up to date, India have two partial trade agreements (PTA) in force with Chile (2007) and MERCOSUR (2009) and is negotiating a comprehensive Free Trade Agreement with Peru. On the other hand, India has Bilateral Investment Agreements in force with Argentina (2002), Colombia (2012), Mexico (2008) and Trinidad and Tobago (2007).

Figure 15: Latin America and The Caribbean and India GDP per capita in 2018 Constant 2010 USD



Source: Author's elaboration with data taken from the World Bank

In a document by the Ministry of Commerce and Industry of India titled Foreign Trade Statement 2015-2020 (revised in 2017), India mentions LAC as an strategic region and lists a series of aims in an effort to further engage ties with it and states the wish to expand MERCOSUR Preferential Trade Agreement; strengthen economic ties with the Pacific Alliance; reach a FTA with Peru and a PTA with Colombia; to explore the increase of large-scale farming to increase agriculture exports; to give credit facilities and give promotion support to Indian export products in LAC; overcome distance and time constraints to increase exports competitiveness and; explore new trade agreements in Central America and the Caribbean region.

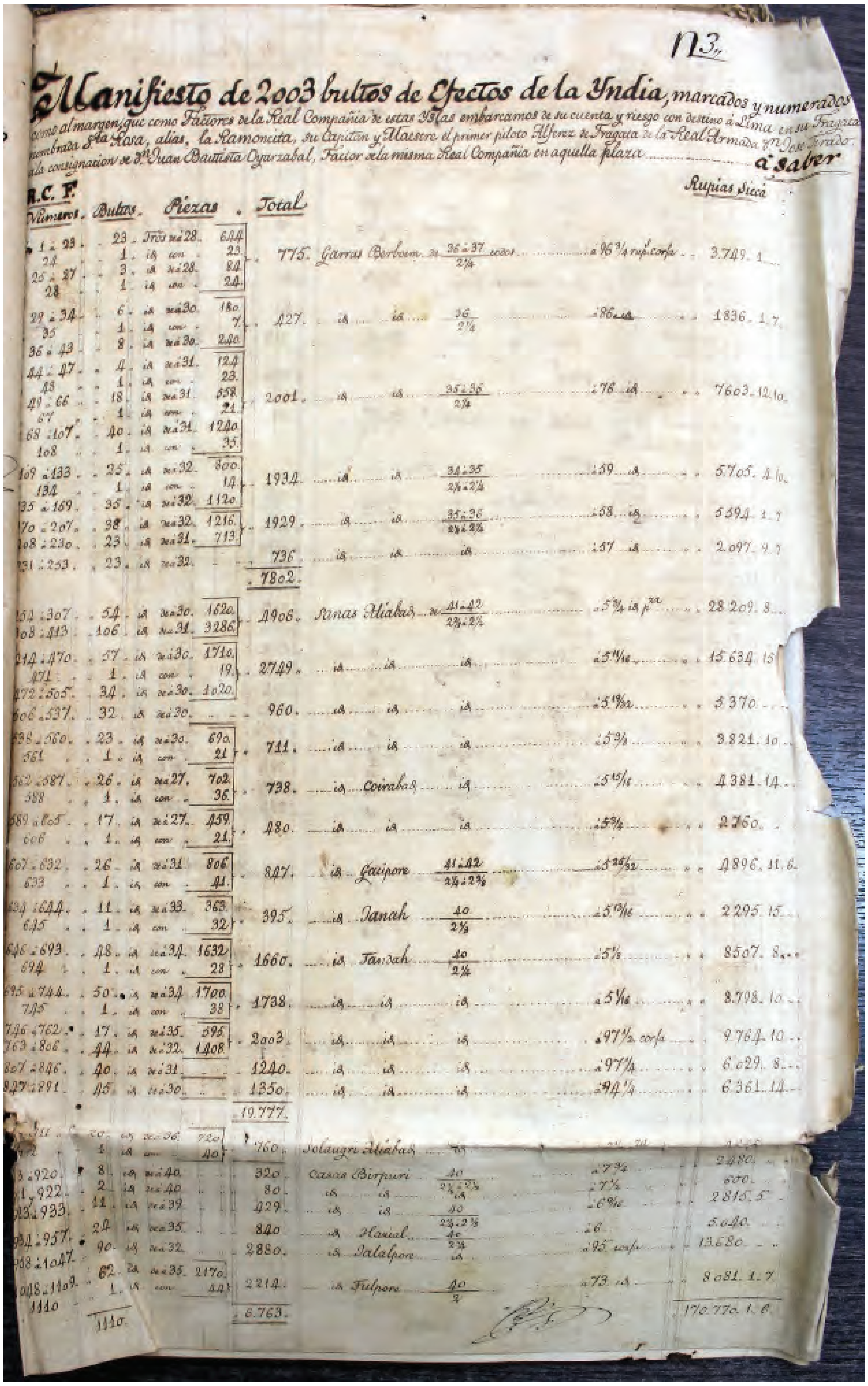
Peru Economic Cooperation with India

During the viceroyalty of Spain in Latin America from 1565 to 1815, there was the trade route of the Manila Galleon (Spanish ships) that used to sail from Manila port in the Philippines to Acapulco in Mexico with products mainly from China, Indonesia and India that after disembarking in Acapulco were commercialized in Mexico and in the other parts of the viceroyalty, including Peru through small vessels that collected the merchandise. Here I cite a small part taken of an article from The Hispanic American Historical Review Journal of 1918 by William Lytle Schrurz:

"However, at the end of the seventeenth century Peruvian ships were coming to Puerto del Marques, a few miles north of Acapulco, while in the early part of the next, English privateers tried to take the Lima Ship out of Acapulco harbor. "She arrives a little before Christmas," says Dampier, "and brings Quicksilver, Cacao and Pieces of eight. She takes in a cargo of Spices, Silks, Calicoes and Muslins and other East Indian commodities for the use of Peru."

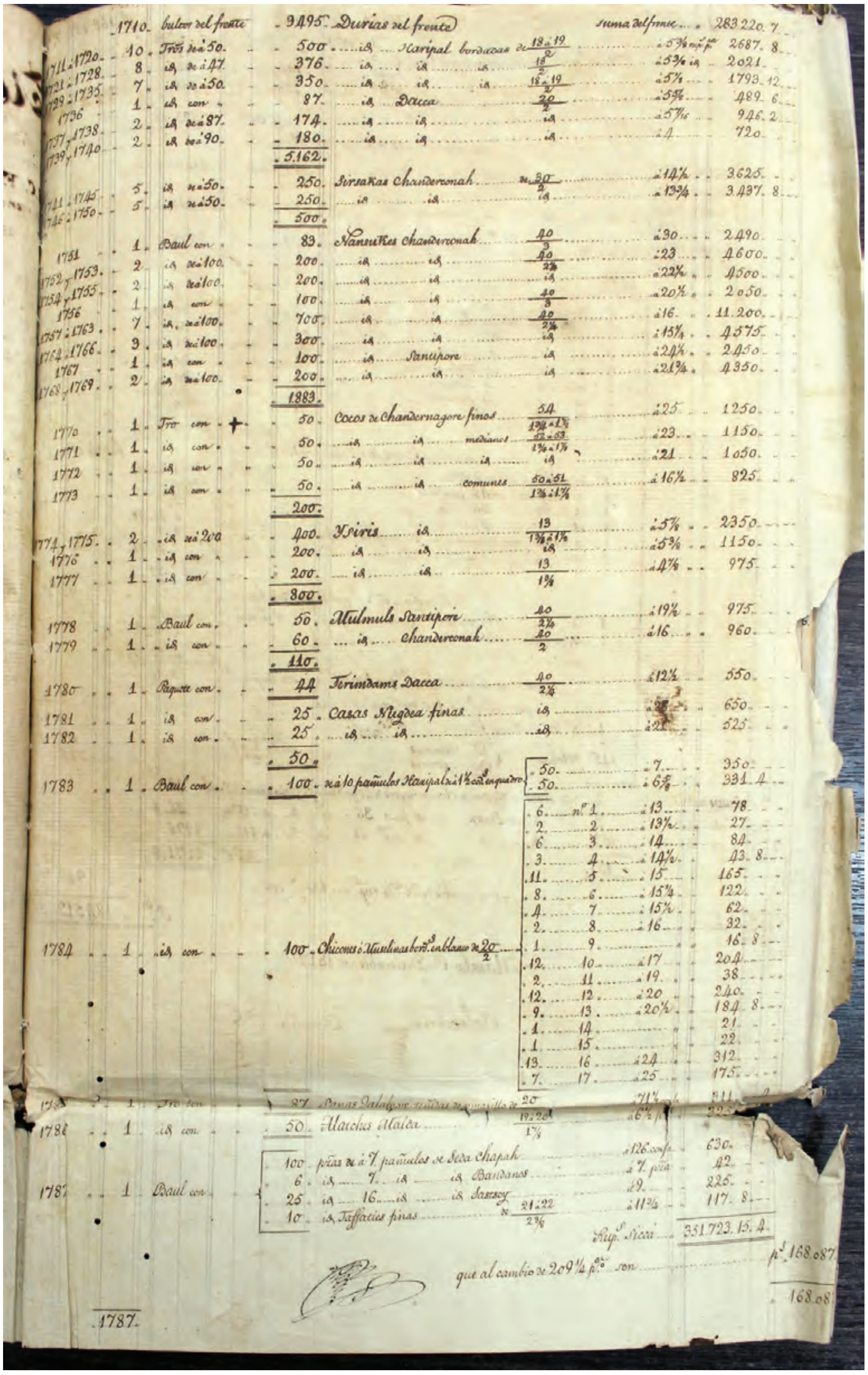
White muslin and mumuls fabrics as well as kerchiefs of Chapah Silk, Bandana and Taffeta to name a few, were part of many Indians products that came to Peru as it can be seen in picture 1 and 2, a Manifesto list of 2003 packages of Indian products priced in sicca rupee.

Picture 1: Manifesto list of 2003 packages of Indian products sent to Lima in 1812



Source: Photo taken from Peru's National Archive

Picture 2: Part of page 3 of Manifesto list: fabrics and kerchiefs from India in 1812



Source: Photo taken from Peru's National Archive

Diplomatic Relations

Peru and India will celebrate 57 years of diplomatic relations on March 26th of the present year and 60 years in 2023.

Negotiations to establish diplomatic relations dates back to the year of 1958 and on 26th march of 1963 they were set. On 6th April of 1966 Peru opened its Embassy in New Delhi and India did so in September of 1969 in Lima. The first resident ambassador from India to Peru took office on November of 1973 and the first Peruvian ambassador to India was accredited on June of 1964.

Relations started to develop when the first official visit was made by the Indian counterpart. Minister Shri A.K. Sen visited Peru as the representant of the Prime Minister in October of 1965 during the government of Fernando Belaunde Terry.

On the part of Peru, the first official visit to India was made by Vice President Edgardo Seoane Corrales on occasion of the II UNCTAD meeting held in New Delhi on March of 1968.

The first visit of a Peruvian president (maximum government authority) to India was made by Alan Garcia Perez in January of 1987 on occasion of India's Republic Day. On the part of India there have not been yet a visit from a Prime Minister but there have been visits from India's Presidents and Vice-presidents on many occasions.

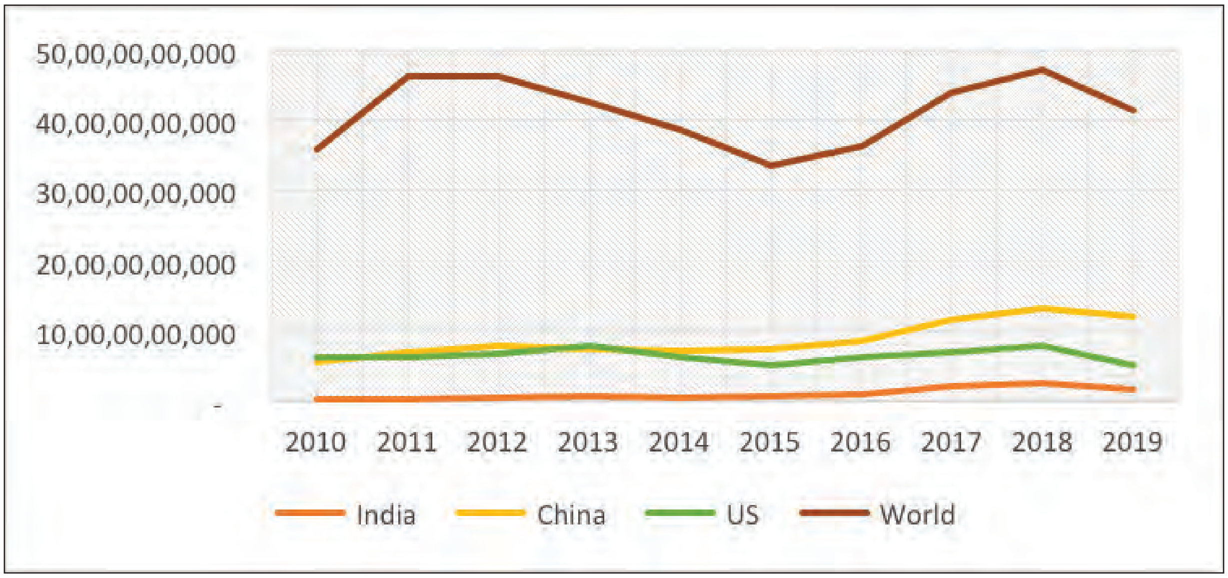
Bilateral Trade

During the last decade Peru's trade with Asia has increased in importance. In 2019 Peru exports to this continent accounted for 47.3% of the total, where exports to China, its main trade partner, accounted for 29.4% of the total. Peru exports to India accounted for 3.9% of the total in the same year, being the seventh largest market11.

Peruvian exports to India are mainly focused in the mineral sector which accounted for 98.6% of the total in 2018 where gold (86.2%) and copper (12.4%) were the main exported products.

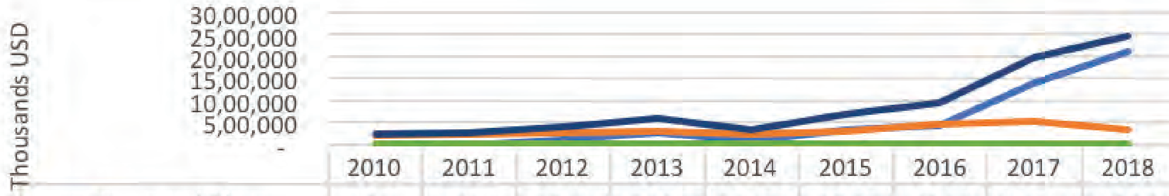
Peru imports from India are mainly textile and transportation goods.

Figure 16: Peru: Trade with its main trade partners, India and the world 2010-2019



Source: Trademap, PROMPERUSTAT

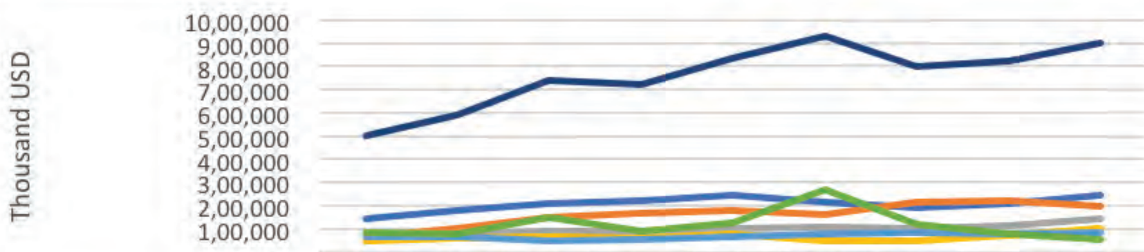
Figure 17: Peru exports to India by sector



	2010	2011	2012	2013	2014	2015	2016	2017	2018
Stone and Glass	69	70	1,07,142	2,74,535	93,165	3,55,878	4,49,890	14,10,21	21,38,81
Minerals	2,03,852	2,32,767	2,62,731	2,97,737	2,08,227	2,85,240	4,46,831	5,29,936	3,12,026
Metals	3,464	3,053	3,709	11,328	6,464	7,557	6,873	6,102	8,509
Textiles and Clothing	3,691	2,812	2,193	1,669	1,333	2,846	5,671	4,621	7,760
Food Products	1,210	1,610	2,036	970	1,554	3,649	1,787	3,546	5,030
Vegetable	3,532	3,005	4,438	2,162	3,610	3,279	6,060	4,023	3,286
All Products	2,18,988	2,48,183	3,86,544	5,92,835	3,21,253	6,76,794	9,31,392	19,64,21	24,81,16

Source: Author's elaboration with data from World Integrated Trade Solution (WITS)

Figure 18:Peru imports from India by sector



	2010	2011	2012	2013	2014	2015	2016	2017	2018
Textiles and Clothing	1,45,064	1,79,373	2,11,440	2,21,930	2,45,487	2,14,211	1,92,681	2,12,634	2,49,936
Transportation	69,702	1,03,659	1,50,602	1,67,942	1,80,955	1,63,452	2,14,804	2,25,923	1,99,076
Chemicals	71,822	75,708	86,580	88,905	98,507	1,06,234	1,01,463	1,10,904	1,45,282
Plastic or Rubber	46,748	61,405	64,829	63,684	79,858	52,168	49,105	70,330	1,06,017
Mach and Elec	61,806	67,022	46,033	51,339	67,321	77,782	82,884	74,651	85,454
Metals	87,195	83,585	1,51,441	93,533	1,25,749	2,74,757	1,20,318	78,676	58,456
All Products	4,98,591	5,89,363	7,42,366	7,23,879	8,35,632	9,34,106	8,02,491	8,22,377	9,02,166

Source: Author's elaboration with data from World Integrated Trade Solution (WITS)

Table 16: Peru – India: Development of events to reach a FTA

DATE	EVENT	PLACE
March 30th, 2015	Beginning of the preparation of the Joint Feasibility Study	
September 28th, 2016	Conclusion of feasibility study	Lima, Peru
August 8th-11th, 2017	First round of trade negotiations	New Delhi, India
April 09th-12th, 2018	Second round	Lima, Peru
December 04th-07th, 2018	Third round	New Delhi, India
March 15th, 2019	Fourth round	Lima, Peru
August 23th, 2019	Fifth Round	New Delhi, India

Source: Author's elaboration with data from different sources

Table 17: Comparison of tariff and non-tariff rates faced by Peru and Chile goods in the Indian market, export amount in dollars

Sectors	Peru				Chile	
	Export Amount in 2019	Equivalent ad valorem tariff faced	Number of non-tariff requirements	Revealed comparative advantage	Equivalent ad valorem tariff faced	Number of non-tariff requirements
Stone and glass				**6.5**		
o Gold	1,499,068,492	10	2		2	2
o Pumped safety glass for cars, aircraft, boats	563,954	10	4		10	4
Minerals				**6.6**		
o Copper	260,857,640	3	2		0	2
Metals				**0.05**		
o The other waste of alloy steels, except of stainless steel	2,343,976	5	63		1	63
o The other manufactures of cadmium	1,699,712	5	3		5	3
o Copper alloy copper-based copper - zinc (brass)	1,533,662	5	4		5	4
o Copper waste	1,528,873	5	154		5	154
o Waste and scrap of aluminium.	1,126,775	4	44		1	44
Textiles and clothing				**0.18**		
o The other cables of synthetic, acrylic or modacrylic filaments	1,857,774	10	4		10	4

o Fine animal hair, carded or combed of alpaca or llama	50,284	10	7		N.d	N.d
Food products				**0.24**		
o Cacao	1,872,245	30	50		30	50
o Fish flour	857,405	5	6		4	6
Vegetable				**0.04**		
o Fresh grapes	1,133,346	30	45		24	45
o Tare powder (vegetable products)	597,342	30	189		30	189
Chemicals				**0.02**		
o Zinc oxide	1,507,121	8	4		8	4
o Mercury	117,640	8	16		8	16
Machinery				**0.01**		
o Polling or drilling machines	2,439,310	8	52		8	52
o Weaving machines for weaving fabrics	104,514	5	52		5	52

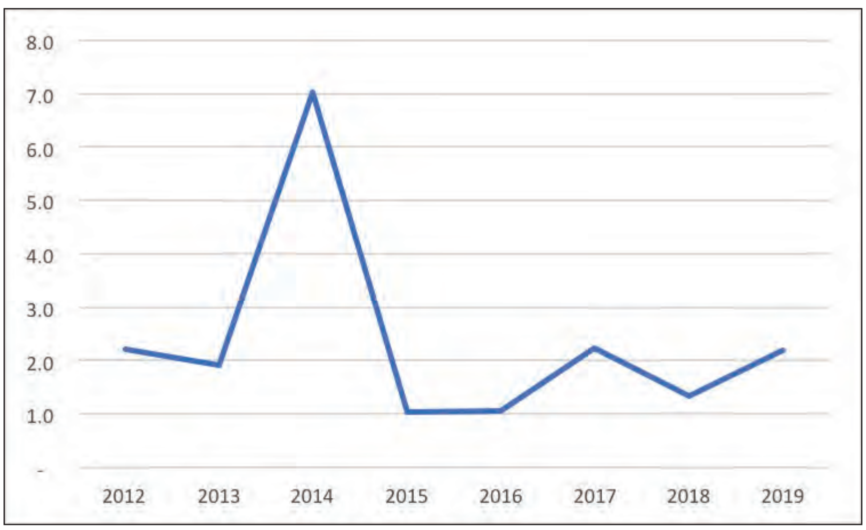
Source: Author's elaboration with data from acuerdoscomerciales.gob.pe and Foreign Trade Information System (SICE)

Currently Peru and India are negotiating a comprehensive Free Trade Agreement. Up to now there has been five rounds of negotiations as it can be seen in Table 1.

For Peru to enter the India market an FTA with this country is important because, for example, as Peru export some similar goods as Chile (copper, fruits) and as Chile already has a Partial Trade Agreement with India, as can be seen in the following Table, Chile faces a lower tariff rate when its goods enter the Indian market compared to Peruvian goods.

TBut there are some sectors in Peru that are not so eager to enter into a trade agreement with

Figure 19: Indian Investment in Peru, 2012-2019, USD million



Source: Author's elaboration with data taken from Reserve Bank of India

Table 18: Share of imports from India in some products imported by Peru, amount in thousand dollars

Code		Amount imported in 2018	Share in Perú's imports, %	Equivalent ad valorem tariff applied by Perú	Number of non-tariff requirements applied by Perú
	All Products	**902,166**			
Textiles and Clothing		**249,936**			
520523	Single cotton yarn, of combed fibres, containing >= 85% cotton	47,180	93	6	4
540233	Textured filament yarn of polyester (excluding that put up for retail sale)	29,488	49	6	N/A
Transportation		**199,076**			
870321	Motor cars and other motor vehicles principally designed for the transport of persons	83,657	76	6	48
871120	Motorcycles, incl. mopeds, with reciprocating internal combustion piston engine	24,067	15	6	1
Chemicals		**145,282**			
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes	31,615	8	6	231
300220	Vaccines for human medicine	10,943	11	0	24
Plastic or Rubber		**106,017**			
390760	Polyethylene terephthalate", in primary forms	34,422	17	n.d	N/A
390210	Polypropylene, in primary forms	30,087	11	0	N/A

Author's elaboration with data taken from TRADEMAP, WITS, PROMPERUSTAT

Table 19: Peru: Foreign Direct Investment from India by economic activity

USD million

Economic Activity	Invested Amount
Commerce	14.2175
Commerce And Manufacturing	0.2006
Commerce And Services	0.0115
Manufacturing	0.8107
Mining	3.6351
Services	0.1791
Total	19.0545

Source: Author's elaboration with data taken from Reserve Bank of India and National Superintendence of Customs and Tax Administration of Peru (SUNAT)

India because they complain of unfair India competition, especially in the textile sector. For example now there is an antidumping duty against fabric composed of polyester coming from India, in effect from April 2011 to April 202112.

As can be seen in the following Table 3 some Indian products already have a big presence in Peru imports, especially in the textile and transportation sector. Also it can be seen that Peru already apply very low tariff rates in many of the products imported. Peru in fact is a country with a very low average tariff rate and with many free trade agreements in effect13, all the contrary to India.

Investment

According to the Reserve Bank of India from the period of 2011 to 2019, FDI from this country to Peru is located in mining, services and manufacturing.

In the case of Peru investment in India there are several companies that are doing business there from several years. One of the biggest is the investment done by the company AJE Group that have a presence in India since 2011, and sells soft drinks like Big Cola14. Also Resemen SAC, a Peruvian company specializing in mining machinery, opened a subsidiary in New Delhi [15].

Technical cooperation and cultural exchanges

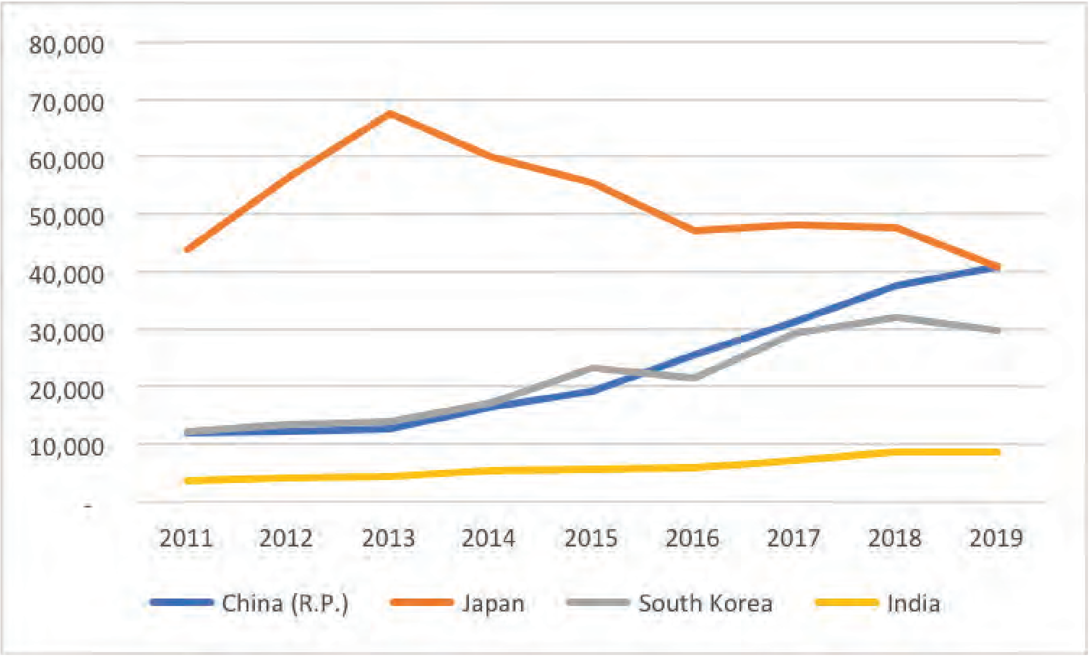
India gives technical cooperation to Peru from several years and every year dozens of Peruvians travel to India to take some courses. For example under the ITEC program, during the period 2019-2020 60 Peruvians will travel to India16.

Culture and people to people ties are increasing between Peru and India. Several Peruvians have travelled to India to learn yoga and be yoga professors in Peru. Also in Lima the Indian Cultural Center17, under the Embassy of India in Peru, offers several courses in yoga, Hindi language, and Bollywood dance and music classes, that are very popular. I myself have taken lessons of Hindi language. And from the middle of this month the Center of Asian Studies18 of Universidad Nacional Mayor de San Marcos (of which I am a researcher), the oldest University in the American continent, will offer yoga classes in association with the Indian Cultural Center.

Tourism

India represented 0.2 per cent of the total amount of international tourists coming to Peru in 2019 accounting for 9,505 tourists coming from this country which represented an increase rate of 8.7 per cent respect to 2018. India ranked

Figure 20: Peru: Amount of international tourists from main countries of Asia, 2019



Source: Ministry of Commerce and Tourism of Peru (MINCETUR). Own elaboration

in the 34th position of 70 countries listed in the annual report of the Ministry of Commerce and Tourism of Peru. India was in the 4th position as the country of Asia from which comes more tourists to Peru after China (41,067), Japan (40,734) and South Korea (29,652).

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VII

EU- Africa Relation, Changing Reality And G20 Priorities

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EU- Africa relation, changing reality and G20 priorities

Introduction

Europe and Africa as continents are bound together by a shared history, culture, geography. At its narrowest point, it's the Strait of Gibraltar, which is a 15 kilometers distance that separates Europe and Africa. Mainly due to their closeness, relations between the two continents have always been entwined. All over history the prosperity, stability, and security of one continent have directly affected the other.

Relations between African countries and Europe are old. In 1885 at the historical Berlin Conference, Europeans divided Africa without considering history, tradition and culture of the people which leads to paternalism, humiliation and exploitation that provoked conflicts and wars up to now. Relations between the two regions were based on a colonial history, important cultural and commercial exchanges, and obvious economic and political links (Thomas, 2018). Europe's external action is still finding its feet in the relationship to be established with the African countries: the colonial past of some EU member states sometimes creates an additional difficulty, while it can be the root of privileged relationships (ibid).

Sixty years ago, the signing of the Rome Treaty (1957) paved the way for Europe to engage in development cooperation, starting with African countries. The Joint Africa-EU Strategy (JAES), agreed in 2007, defines long-term policy orientations between the two continents, based on a shared vision and common principles. Within this framework, the African Union and the European Union work in partnership on a range of important issues.

In 21st century Europe and Africa share many common interests, such as a favourable economic and business climate or security issues. Migration, trade, energy, climate change, democratic governance, and human rights, are among the joint concerns for these regions bound together by history, culture, and geography. Indeed, it cannot be ignored that both Europe and Africa share a common future.

Many believe that for successful relationship the focus should be on fair trade, more private investment, more bottom-up economic development, more entrepreneurial spirit and more jobs and employment with African ownership and African solutions to African problems (Giorgio, 2017).

Economic Relationship between European Union and African Countries

Economic relations are important among countries of the world; it is not easy specially for developing countries to build good relations between developed countries.

Africa as a continent consists of many countries, some of them are very poor and some of them are in different stages of development such as Nigeria, Ghana and Kenya. They have good economic relationship with Europe. They require good negotiation techniques to build economic strategy both nationally and internationally. Thus it depends to European countries some of them are working honestly to have a good economic relationship and decrease poverty in African countries but some are not honest owing to their political interests (Windhoek, 2017).

It is easy to solve such kind of problem through negotiations and by improving economic sector. This could be done if a big push is given by European Union to reduce poverty in African countries and both have a good economic relationship, which can play a vital role in the economic development of African countries.

For promoting cooperation leadership is important. It can also build unity among the people. This would help countries to gain more from European countries because they are already developed and can help in the process of the development in African continent. Unfortunately, there is a problem of bribery which affects the growth in Africa. It also has weak governments which are not suitable for promoting strong good economic relationship.

From European side it is good to build a good economic relationship because they do not have sufficient resources to keep active their secondary sector, that is industrial sector. It brings in a win-win situation for both continents to gain from economic relationship. (Windhoek, 2017).

Importance of Economic Relationship between Africa and Europe

The good economic relationship between two continents brings a huge change over the world because Africa is continent rich in natural resources which can run the economic machine of EU because the latter are not rich in these resources. Thus the African countries should improve their governance system and put in place sound trade and economic policies to attract EU countries, as well as increase their negotiation power to achieve more because EU has good developed machinery and it can support African economies effectively (Dirk Kohnert, 2008).

On the other hand, it is also very important for both continents to build mutual economic relationship to support their weak points to bring in huge change for both sides and thereby change the whole economic structure of the world. There should be no one country to have a control on economic structure in the world. The world is going to fight for economic resources and if a country wants to develop, then there is need for more resources (Dirk, 2008).

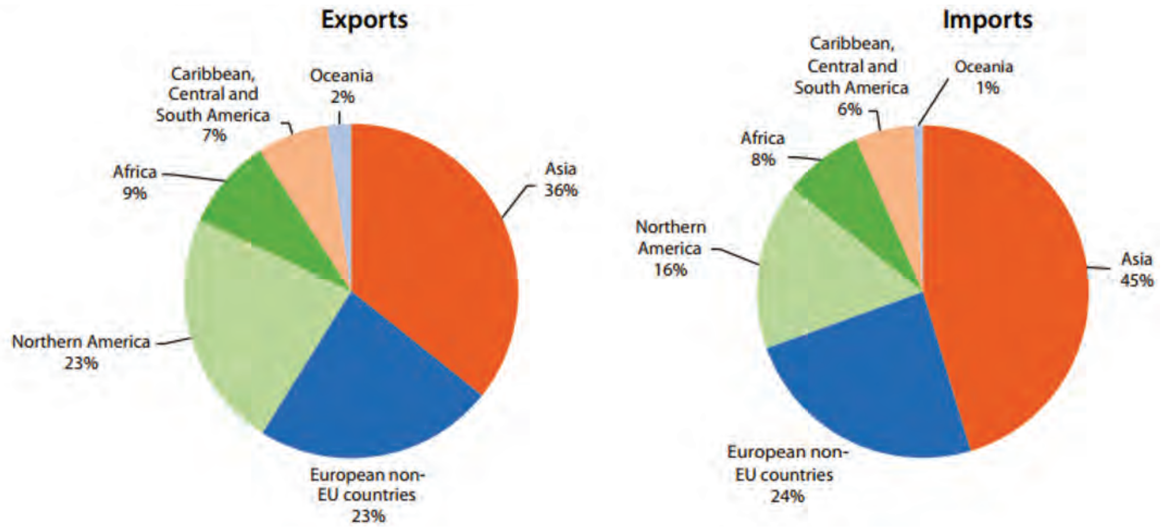
It is important for both sides to understand the significance of their strong economic relationship to evolve a win win strategy and continue to build it up further for achieving more. They must rise above their political differences and promote economic cooperation.

Trade and Foreign Direct Investment (FDI) between Africa and EU

Trading plays a very vital role in development of the countries of Africa continent. By having good trading strategy they reduce the aid which they receive from EU. They could also open their trade doors for EU to invest directly or indirectly in their economic sectors such as agriculture and industries and also in education. Thus EU should work in infrastructure which is very necessary to reduce poverty in Africa and capital formation that will economies of both continents and they will start with making huge profit.

For Africa it is important to establish a good transparent system of trading to encourage the European countries to invest more and as well for providing the capital security, trading security and money security. Until and unless African countries do not bring about these changes in their government system it would be very difficult for EU countries to have a beneficial trading with them. If the two continents can build and solve their political

Figure 1: EU-28 International Trade by Partner Region, 2015



Source: Eurostat (online data code: ext_It_maineu)

conflicts it would be good for both of them.

Africa and EU have long history of Trade and Investment. Trade involves exports and imports of goods and services. EU is largest trading partner of Africa, accounting for 36 per cent of its trade (exports and imports, with Euro 243.5 billion, followed by China 16 per cent, 107 billion and USA accounts 6 per cent of imports and exports of goods and services worth Euro 44.2 billion (Dirik, 2008) .

In the area of FDI in Africa also, the EU members states have a large share, accounting to 40 per cent of all FDI in 2016, worth Euro 291 billion. The USA is second to have FDI in Africa in 2016, accounting to 7 per cent, i.e. Euro 51.52 billion, followed by China which contributes 5 per cent of FDI in Africa, worth Euro 36.16 billion.

Argument

The economic relationship between these two continent is very important. If they build a good system among each other they would be highly benefited and it will take less time for development in African counties because EU is already in a developed stage and Africa is in a developing stage.

What EU countries need are natural resources and they are available in African countries which can run the secondary sector of EU. Raw material from African continent would keep active the industrial machines of EU.

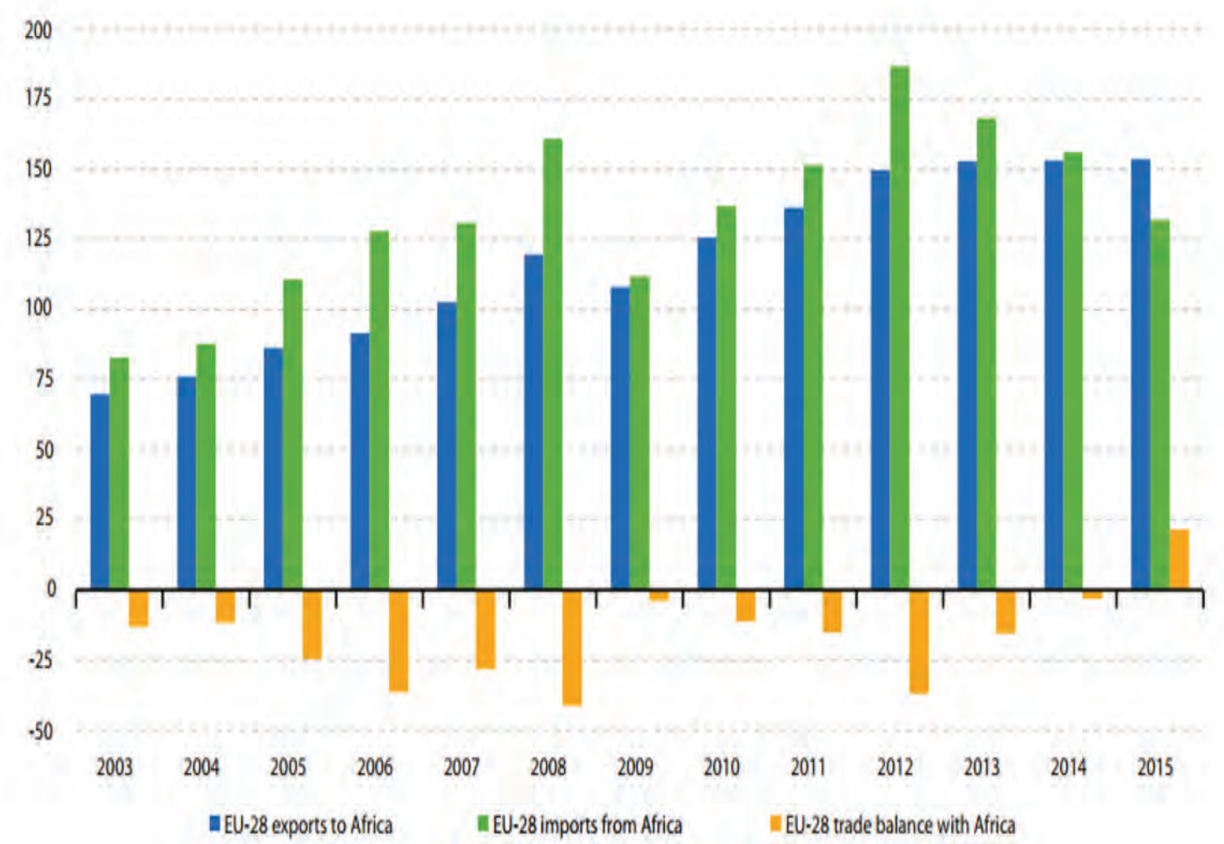
Good strong bilateral economic relationship between the two continents would be very beneficial for the African countries because they need advanced technology to promote their economic sectors such as agriculture, industries as well as other areas. The EU countries can benefit from natural resources of African countries and could help industrial countris like Germany. The most important issue which we find is that EU has done lots of work to support African continent. It is necessary for Africa to establish a good governance system.

Africa- European Changing Reality

African countries for several years were dependent on Europe for financial support for various activities. Europeans control Africa countries socially, politically and economically. Africa depends much on Europe due to emergence of alternating financing across globally. In this study three cases will be discussed to show the changing scenario of Africa dependency on Europe. The cases are BRICS, China and Brexit.

Figure 2: EU-28 trade in goods with Africa

(%)



Source: Eurostat (online data code: DS-018995)

BRICS and Africa

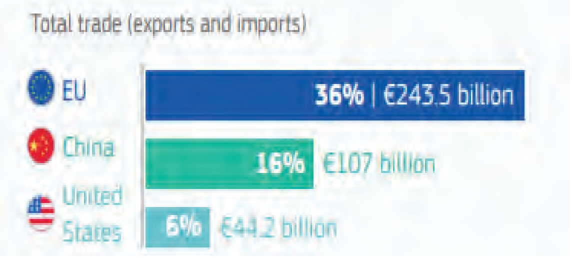
This section tries to explain the role of BRICS in Africa continent. The coming of BRICS also adds to the choices available to African Countries for financing its projects. BRICS is an organised group of five countries: Brazil, Russia, India, China and South Africa.

BRICS has been successful in providing alternative sources of credit flows, aiming for financial stability, growth and development (RIS-DP 205 (2016). The review by RIS –DP 205 (2016) revealed that, Africa had alternative source of financing rather than depending on Europ alone. Therefore, the control power of Europeans over Africa has decreased. African countries nowadays have many sources for financing their economic, political and social projects.

The New Development Bank (NDB) under G 20 has started slowly but has the potential to become an important source of finance, particularly for infrastructure development, which has remained neglected, particularly by bilateral donors. Concentration on infrastructure development alone would be justified if it was the only constraint to growth of agriculture and industry. Otherwise, this exclusive concentration on financing infrastructure development may have to be rethought. The NDB can bring in new ways of preparing and implementing projects which get away from the heavy handed mode of operation of the World Bank (RIS-DP 68 (2015)

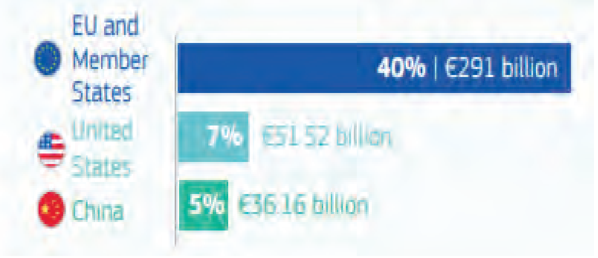
The Bank would lend its member countries, by complementing the existing efforts of other multilateral and regional financial institutions for global growth and development. The

Figure 3: Africa's trade in goods in 2017 per partner



Source: IMF

Figure 4: Foreign Direct Investment in Africa



Source: Eurostat, UNCTAD World Investment Report 2016, Japan External Trade Organisation

objective is to supplement the development agenda in member countries through efficient and result-oriented project financing, which is built on the best practices of ethics, compliance and governance. The Bank provides technical assistance for projects to be supported by the NDB and engage in information, cultural and personnel exchanges with the purpose of contributing to the achievement of environmental and social sustainability. (RIS-DP 68 (2015).

The NDB became important partner for Africa development by financing some of neglected projects. The NDB has changed a lot the previous relationship between European and African countries.

India Africa Trade and Investment

The business of India and Africa increased more than eight fold from US$ 7.2 billion in 2001 to US$ 59.5 billion in 2017, thus making India, Africa's fourth largest trading partner. India expect to double trade with Africa by 2021. (www.eximbankindia.in)

On other hand, Indian FDI stock in Africa rose from US$ 11.9 billion in 2010 to US$15.2 billion in 2014, over the same period. Africa's FDI stock in India rose from US$ 57 billion to US$ 73.3 billion USD; the commodities are oil, gas, retail, health care and telecommunication. (www.eximbankindi.in)

China and Africa Relations

China's growing and deepening engagement in Africa has been widely reported. Between 2000 and 2017, China extended €130bn in loans to African governments and their state-owned enterprises, predominantly on commercial terms. According to the China-Africa Research Initiative (CARI), China is now the largest bilateral creditor in the region, accounting for 20 per cent of Africa's external public debt. While China's FDI stock in Africa remains low compared to that of European countries accounting for just 5 per cent of the total–it is beginning to catch up. Between 2016 and 2018, its total FDI outflows to African countries were 12 per cent greater than the combined figure for the European Union (EU).

African governments look to China to provide political recognition and legitimacy and to contribute to their economic development through aid, investment, infrastructure development, and trade. To some degree, many African leaders hope that China will interact with them in ways that the United States and other Western governments do not — by engaging economically without condescendingly preaching about good governance, for example, or by investing in high-risk projects or in remote regions that are not appealing to Western governments or companies. Some Africans aspire to replicate China's rapid economic development and believe that their nations can benefit from China's recent experience in lifting itself out of poverty. (https://www.rand.org/pubs/research_briefs/RB9760.html). The Chinese and

African Countries have great relationship. The Investments of Chinese in African continent has changed position of European to African.

BREXIT and Africa

United Kingdom (UK) and Africa continent have great history. The UK's exit from European Union has changed the status of UK in African countries. For many years the plans of African countries were based on EU with UK.

Trade is an area where there is potential for significant change in a relatively short time. Figures from the Office for National Statistics (ONS) show that African exports to the UK account for approximately 4.8 per cent of total African exports. This may not appear to be a substantial figure, considering that China accounts for approximately 15 per cent of Sub-Saharan African exports. However, the UK leaving the EU may significantly impact certain African economies in the short term. For example, Kenya exports a significant percentage of its flowers to the UK. Consequently, Kenyan flower exporters would have to absorb any losses caused by a contraction in the UK economy triggered by Brexit, and will be concerned by the uncertainty surrounding the basis on which they will trade (https://www.nortonrosefulbright.com/en).

G20 Priorities on Africa

"I would also like to thank the G-20 under the leadership of Germany for this innovative initiative of emphasizing the private sector… in the past our cooperation has been mainly focused on the public sector, and it is high time that the private sector takes center stage… We in Rwanda have seen our long term development through the eyes of private sector development…The Compact with Africa comes at the right time, as many African countries have been reforming the environment to make it more conducive to private investment." Claver Gatete, Minister of Finance and Economic Planning, Rwanda.

In 2017, under the Presidency of Germany in the G20, the G20 Africa Partnership was launched. The objective of this launch was that the Africans countries can develop their goals and build on existing regional and international strategies in order to ensure alignment, coherence and ownership. For this Forum it is very important that all countries in the world improve their respective economics, political systems and social development. Africa represents the next step in that way, but only one country of this huge continent is part of G-20.

Inside this big partnership has been created the G20 Compact with Africa (CWA), which is governed through the G20 Africa Advisory Group (AAG), co-chaired by Germany and South Africa. The CWA has twelve[1] African participants and the African Development Bank Group (AfDB), the International Monetary Fund (IMF), and the World Bank Group (WBG) coordinates the initiative.[2]

The CWA wants to enhance private investments, especially in infrastructure, and create new jobs and possibilities for economic participation in Africa. This would also reduce incentives for African people to emigrate due to unfavorable prospects in their home countries. The compact claims to be closely aligned with existing development agendas, such as the African Union's Agenda 2063 and the 2030 Agenda for Sustainable Development. The main aim is that Africa can improve the FDI, as the continent has a lot of strategic natural resourses for the use of new technology, young force of labour, and in many countries the population is growing up rapidly and the expectation of life is improving, and finally there are huge lands for development of agricultural sector, to feed a lot of people in the world.

The initiative focuses on country-specific circumstances and priorities. The Compacts objective is that the macroeconomic conditions in Africa countries improve. Business and financing frameworks for private investment are strengthened through national and concerted action of all stakeholders keeping in view the priorities of the African countries, including in the form of capacity building measures.

To develop the plan, at first each country should state the commitment to working on the Compact of the G20 Presidency in the finance track. Secondly the countries in collaboration with the International Organisations specify their Compact priority areas in individual Investment Prospectuses for reforms and measures to better mobilise private investment. The third step is to have concrete reform measures for implementation.

G20 strategy is to consider Africa as a great chain of the development of the world economy. The continent can be transformed as a huge hub, using the strategic location between the most large economies of the world (China, India, UFS and EEUU).

The objective Business Framework is to make Africa more attractive for private investors. This includes improving the regulations and institutions; establishing investor protection and dispute resolution mechanisms; providing political risk insurance; improving project preparation; and standardising contracts.

The CWA is a unique model, which differs significantly from the usual direct relationship between reforms and financing. Usually developing country governments commit to undertake policy changes with an expectation of pre-defined international and bilateral support in return. While the CWA is a "compact", it is unlike traditional aid programmes or hybrid systems. The CWA is more similar to private sector models, whereby the private sector requires certain levels of good governance, a business-friendly environment, macroeconomic stability, etc., but the reciprocal "promise" of investment is not guaranteed.

The big question is how to integrate Africa into the global division of labour, at the terms of German/European outlook, with Africa playing the same old role of raw materials provider. For many scholars the private investment in these initiatives must be accompanied by a strong political will to pave a true path for Africa's development.

According to the G20 Compact with Africa, Japan 2020 "total FDI inflows to CWA countries amounted to $20 billion in 2017. The total annual volume of inbound FDI to all CWA countries increased by 36 per cent over the past five years, from US$ 14.9 billion in 2013 to US$ 20.2 billion in 2017. During the same period, investment flows to CWA countries increased as a share of total inbound FDI to Africa, rising from 29 to 48 percent of total FDI to the region, representing a combined US$ 92 billion in reported FDI for the five-year period."

In the Summit of Buenos Aires in 2018, in the Final Declaration the G20 members refer about G20 Africa and "recognising that South South and triangular cooperation have an important role to implement it. We underline our continued support to the G20 Africa Partnership, including the Compact with Africa, and other relevant initiatives."[3]

Last year (2019) in Osaka, Japan, the Final Declaration of the G20 also include a paragraph for the Africa G20: "… reiterate our continued support to the G20 Africa partnership, including the Compact with Africa (CwA), with strengthened bilateral engagement by G20 members and enhanced roles for WBG, African Development Bank, and IMF in implementing the CwA, and G20 initiative on supporting the industrialisation of Africa and other relevant initiatives that contribute to the realisation of the African vision as set out in the African Union's Agenda 2063. We remain committed to address illicit financial flows and will take stock at future Summits."[4] In this case the declaration was more extensive and include the idea of de AU Agenda 2063, that wasn't in the Buenos Aires Final Declaration.

The Osaka document includes another new paragraph refereed to the African continent. In this case G20 members compromise their works for "achieving a successful 19th replenishment of the International Development Association, as well as a 15th replenishment of the African Development Fund. We call for full and timely implementation of the capital increase package of the International Bank for Reconstruction and Development and the International Finance Corporation in view of their expanded roles."[5] In the G20 forum Africa has improved its importance as a developing continent, as an example in economic cooperation and as a place that need to grow up; Africa is the future of development.

Conclusion

It is absolutely clear that Africa and Europe cannot live without each other. However due to the current changing reality in global politics and in the two regions, they need win-win approaches in their relations. All in all, it is stated in the EU-Africa priorities, that the future EU and Africa relations should focus on the changing realities

The world is quickly changing and major developments are happening which have the potential to restructure Africa's relations with the rest of the world. The first important trend is the rise of emerging economies as major international players. Over the last few years, countries like China, Russia, Turkey and India have taken a more prominent role on the international arena. Not only has their voice become much stronger on global issues like climate change, but they have also increased their economic footprint in Africa through trade and investment, threatening the longstanding position of European countries.

Internal developments also are shaping Africa`s relation with the rest of the world. There are stronger desires to break away from Western dominance across Africa, especially among its youth. The growing anti-CFA franc movement in Francophone West Africa and the continuous attacks against the International Criminal Court are just a few indicators of the changing attitude of the African population towards the perceived Western dominance and intrusion into African domestic affairs. As today's youth will be tomorrow's ruling elite of the continent, building a good relationship with this youth is essential.

There is also a stronger commitment towards regional integration which inciting African countries to focus inward for growth and poverty reduction. After the dramatic failures of the rapid liberalisation policies imposed by international partners, the priorities on Africa's structural transformation agenda are now the deepening of regional integration and the increase of intra African trade.

Thus in their relations with EU, Africans demand treatment as an equal and valuable partner and respect for its policy. After all, an economically strong and politically stable Africa is not only good for Africa but also for the world. Not only will it solve security and migration threats, which are the main concerns of European countries at the moment, but it will also give other regions a credible trade partner with an ever-growing consumer market.

Promoting peace and security is a firmly anchored priority of the EU-Africa partnership. It is a precursor for the development and welfare of the citizens of both continents. Africa has made great progress in assuming responsibility for ensuring peace and security in its continent. The EU, alongside the UN, has been fully supportive of Africa's efforts at regional and continental level to develop its own capacity to manage, resolve and prevent crises.

Endnotes

1. Benin, Burkina Faso, Guinea, Côte d'Ivoire, Ghana, Egypt, Ethiopia, Morocco, Rwanda, Senegal, Togo and Tunisia.
2. The UN Economic Commission on Africa, the African Center for Economic Transformation (ACET) and the OECD also participate in the CWA.
3. http://www.g20.utoronto.ca/2018/buenos_aires_leaders_declaration.pdf
4. https://g20.org/en/g20/Documents/2019-Japan-G20%20Osaka%20Leaders%20Declaration.pdf
5. Ibidem

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