**“Trade is more effective than aid in reducing disparities of global wealth”. Discuss this statement [15]**

**Paper one** of your final examwill examine the core unit of work and is the same regardless of whether you are doing SL or HL. Paper one is broken into two sections. The first half has four structured questions that you must answer. In the second half of the paper you must answer one 15 mark question, from a choice of three. This question is an example of the kind of question that can come up in this section. Using class work and research (use the articles below and your own research) you must answer the question above. There are different ways to approach answering this question but here is a suggested structure:

**Paragraph One:** Introduction – what is the essay going to be about and what are the two arguments? Define trade and aid.

**Paragraph Two:** Tackle trade – in what ways has trade been effective in reducing disparities?

**Paragraph three:** How has trade been ineffective at reducing disparities?

**Paragraph four:** In what ways has aid been effective in reducing disparities?

**Paragraph five:** In what ways has aid been ineffective in reducing disparities?

**Paragraph six:** Conclusions – ensure you return to the original question and give your opinion

Ensure that you give lots of examples throughout the essay. You will need to research to add some more examples (such as an example of an NGO aid project that has been successful).

**PLEASE HAND THESE BOOKLETS BACK WHEN YOU HAVE FINISHED WITH THEM**

**Citing and referencing sources**

Although you are not expected to reference and cite information in an exam, you are in your internal assessments and extended essays and therefore you need to get into the habit of doing this in every piece of work. I am expecting to see citations (i.e. the author and year) in brackets throughout the text, where you are using someone else’s information. You then need a complete bibliography. Any work that you have in your bibliography should be cited someone in the text. You are expected to reference using the Harvard system.

<http://libweb.anglia.ac.uk/referencing/harvard> this site has a very useful guide! These examples below are taken directly from the above website but only demonstrate how to references two types of sources – books and online news articles. You will need to consult a guide EVERY time you write a bibliography as it is impossible to remember how to reference every source.

**Books:**

Author, Initials/first name., Year. *Title of book.* Edition. (only include this if not the first edition) Place: Publisher.  **(e.g.) Baron, David P., 2008. *Business and the organisation.* 6th ed. Chester (CT): Pearson.**

**Online News Articles:**

Author or corporate author, Year. Title of document or page. *Name of newspaper*, [type of medium] additional date information.  
Available at: include web site address/URL(Uniform Resource Locator) and additional details of access, such as the routing from the home page of the source. [Accessed date].

**(e.g.) Chittenden, M., Rogers, L. & Smith, D., 2003. Focus: ‘Targetitis ails NHS. *Times Online*, [internet] 1 June. Available at: http://www.timesonline.co.uk/printFriendly/0,,11-1506-669.html   
[Accessed 17 March 2005].**

Is trade, not aid, the answer for Africa?

Donors are now focusing less on charity and more on the continent's small entrepreneurs

[**Alex Duval Smith**](http://www.guardian.co.uk/profile/alexduvalsmith) in Cape Town - [guardian.co.uk](http://www.guardian.co.uk/), Monday 25 May 2009 16.31 BST [online] <http://www.guardian.co.uk/business/2009/may/25/africa-entrepreneurs-charity>

After years when billions have been spent on aid projects in Africa, donors are now picking up on a new trend to put money on the continent's [entrepreneurs](http://www.guardian.co.uk/business/entrepreneurs). Next month, a meeting of the World Economic Forum on Africa in Cape Town is set to reinforce the message that "trade not aid'' represents salvation for a continent whose average 5% growth in the past five years is projected to fall to 1.5% this year amid the global economic downturn.

Now entrepreneurship is being presented as a panacea. Earlier this month, the Africa Commission, an initiative by the Danish government, launched a "guarantee facility" worth $3bn to mobilize loans for small businesses. Until now, such entrepreneurs – typically street vendors wishing to own a shop but with needs exceeding the scope of micro-credit – have been ignored by local banks. Donald Kaberuka, a commission member and president of the African Development Bank, said the move was "the most innovative initiative launched in Africa in decades, which will create millions of productive and decent jobs".

A bestselling book by the Zambian economist Dambisa Moyo called Dead Aid argues that western assistance has given rise to a dependency culture in developing countries. It has sparked a furious response from aid organisations angered by the attention given to the former Goldman Sachs strategist, named this month by Time Magazine as one of the top 100 most influential people in the world. But the question is: what should aid be replaced by? Aid experts, businesspeople and civil society groups warn that unless the new social entrepreneurs, as they are being called, must be helped not only to get on their bikes but to stay on them.

The world financial crisis has increased protectionist tendencies among rich countries, worsening Africa's access to markets. The crisis has set back efforts such as Gordon Brown's Business Call to Action, which last year asked corporations to help to achieve the United Nations Millennium Development Goals by 2015. It is estimated that 60% of Africa's population is aged under 25. Only one in four children go into secondary education and, of those, only 5% enter vocational training courses. Business studies are mostly absent from curriculums and apprenticeships often mask child exploitation.

African business people welcome the Africa Commission's move. But Sudanese-British entrepreneur Mo Ibrahim – who made his fortune in Africa through the Celtel mobile phone company – said supporting small business was only part of the solution. Ibrahim, 63, said: "Africa has no venture capital industry – the kind that supported the Googles and Microsofts of this world. So the guarantee facility is helpful, but what we really need are local funds to become involved. We need local investors whose motivation is profit. The Africa Commission must not become another handout industry."

He also welcomed the move to raise the glass ceiling of micro-credit, but said African governments must not be let off the hook. "The World Bank should refuse to fund any project which is not regional. African governments must be pressed to regionalise their economies and stop being 53 little countries, each with their flag, jealously watching each other."

Microsoft Africa chairman Cheick Diarra, 57, warned that encouraging entrepreneurs will build wealth only if bureaucratic obstacles are removed. "Politicians are doing very little to dynamise their economies or empower their people. Governments should be dealing with infrastructure development, such as electrification."

Diarra, from Mali, who made his name as an interplanetary navigator for Nasa, also believes "bad aid" is responsible for many of the continent's ills. "In 2002, I ran the Virtual University in Nairobi, providing distance-learning by internet. But dealings with most of the donors were a frustration because they set rigid terms and would rarely adapt to the rapidly-changing conditions on the ground."

African business development does not represent a threat to rich countries. The continent has 20% of the world's population but only a 2% share of its trade. Nevertheless, even before decolonisation in the 1960s, rich countries have behaved as though they wished to keep Africa poor. The one exception to the rule is Coca-Cola, which since 1928 has been fostering entrepreneurship on the continent. Critics of the Africa Commission say its focus on entrepreneurs implies that it will help urban businesses, but that 65% of Africa's people are rural. Danish development minister Ulla Tornaes said farmers need to become businesslike and added: "We cannot dictate to African countries on agriculture."

In African civil society – where western-funded lobby groups and welfare organizations have had sharp budget cuts as a result of the downturn – there are fears that the focus on entrepreneurship is a creeping privatisation of aid. Vuyiseka Dabula, spokesman for the South African Treatment Action Campaign, said: "HIV is not in [recession](http://www.guardian.co.uk/business/recession) and we are not a business. About 80% of our funding comes from international donors and most of them have had 25% budget cuts."

Oxfam's head of research, Duncan Green, said the move to promote entrepreneurship smacked of repackaging. "Suddenly people are saying that social entrepreneurship is going to get millions of people on to solar energy and that kind of thing. It's interesting, but it must not be seen as the new magic bullet."

**PERGAU, MALAYSIA**

 The Pergau dam, built on the Malaysian-Thai border with £234 million of British overseas aid, has become a byword for patronage politics and the illegal use of aid money. The contracts for the dam were awarded jointly to Balfour Beatty — a company with close links to the British Conservative Party — and Cementation International, a company which employed the son of the then Conservative Prime Minister, Margaret Thatcher, as an adviser. Balfour Beatty, a major donor to the then-ruling Conservative Party, won civil works contracts for the dam — without competitive bidding. The works included a 75-metre high zoned earthfill dam, power tunnels and shafts, an underground power cavern and a 24 km water transfer tunnel, together with a pumping station.

Britain's aid agency, the Overseas Development Administration (ODA), opposed the funding of Pergau. However, Thatcher made an oral offer to fund the dam during a visit to Malaysia in 1989, conditional on a full economic appraisal. In 1990, an ODA review of Malaysia's power sector identified a number of alternative projects and concluded that Pergau would not be an economic proposition until the year 2005 at the earliest. Nonetheless, the government agreed to fund the project in February 1991. At the time, Alan Clark, the UK Defence Procurement Minister, argued that withdrawal of support for Pergau "would have an adverse impact on UK relations with Malaysia in general and defence sales in particular."

Documentary evidence subsequently revealed that the aid package was linked in writing to a reciprocal arms deal whereby the Malaysian government agreed to buy over £1,000 million worth of British military equipment in return for the UK funding Pergau. A judicial review brought by a British NGO, the World Development Movement, against the Foreign Office led to a High Court ruling that aid for Pergau was in violation of the 1966 Overseas Aid Act, which forbids British aid money being used for the purchase of arms. Conservative ministers in parliament had consistently denied the link between aid for the dam and arms.

Subsequently, the "revolving door" between Whitehall and the City, which has long ensured a place for ex-Ministers and top civil servants in the boardrooms of corporate Britain, saw Sir Charles Powell, Thatcher's foreign affairs adviser until 1990, become a director of Trafalgar House, which owns Cementation. Both Lord Prior, a former minister under Thatcher, and Lord King, ennobled by Thatcher, have also been linked to the affair. 17

In July 2000, Gregory Palast of *The Observer* interviewed barrister Jeremy Carver, an advisor to Transparency International. "I went to a DTI reception. I was introduced to someone who identified himself as the chairman of a company and we were talking about corruption. He announced with enormous pride that he personally had handed over the cheque to the government minister for the Pergau Dam `bribe' in Malaysia." The corporate honcho, the chairman of Balfour Beatty, was not confessing, but boasting about the payment which he may have considered not a bribe but just the cost of doing business Malaysian-style. Carver noted that the then Tory Trade Minister, learning of the pay-off, publicly congratulated Balfour Beatty on its "patriotic competitiveness."

RECENT CASES OF CORRUPTION INVOLVING UK COMPANIES AND UK-BACKED INTERNATIONAL FINANCIAL INSTITUTIONS

**Select Committee on International Development available at:**

<http://www.parliament.the-stationery-office.co.uk/pa/cm200001/cmselect/cmintdev/39/39ap06.htm>

You will need to access the above website in order to get enough information to properly reference this article!

Can African countries achieve the Millennium Development Goals without foreign aid?

[online] <http://www.guardian.co.uk/katine/katine-chronicles-blog/2009/dec/16/millennium-development-goals-aid>

A UN representative has said relying on foreign aid to achieve the Millennium Development Goals did a disservice to Africa, and has called on African governments to find alternative funding sources and clean up their act

Can the Millennium Development Goals be achieved without aid?

African countries need to find alternative sources to money to finance their national budgets, rather than rely on overseas aid, according to an official from the [UN millennium campaign](http://www.endpoverty2015.org/).

At a media workshop for journalists from east Africa, organised by the NGO Panos and the UN millennium campaign earlier this month, Sylvia Mwichuli, the UN millennium campaign communications coordinator, said depending on foreign aid to achieve the Millennium Development Goals (MDGs) did a disservice to Africa.

"African governments must find ways of financing development; we are calling for a paradigm shift in financing of development, not depending on donors," she said.

Once African governments are able to finance their national budgets without foreign aid, which usually comes with strings attached, they would be in a position to allocate resources according to local priorities and would make more headway in meeting the MDGs by 2015. However, Mwichuli warned that managing without aid would only be possible if governments stopped wasting money.

She pointed to Kenya as an example of a country that had cut back on foreign aid. Only around 6% of its budget is foreign funded. In [Uganda](http://www.guardian.co.uk/world/uganda), donor support will account for 32.6% of the country's resources in the 2009-10 financial year, according to the minister of finance's budget speech.

"I get disgusted with countries that entirely depend on donor budgets," said Mwichuli. "What then do we pride in as African countries, if we have no control over our own national budgets and affairs?"

She added: "In Tanzania, government was told to discuss and fight corruption as one of the conditions for donor funding. Why should we discuss corruption just because some donor is saying so? Can't we discuss corruption because we feel it is necessary?"

But while Mwichuli believes having control over national budgets will ultimately lead to the achievement of the MDGs, given the nature of African governments it is not an obvious leap.

Most African governments and key players in the field of development have repeatedly said that the MDGs will not be met by 2015.

According to Mwichuli, lack of financial resources and a hostile economic environment are the most visible hurdles. But little mention is made of the lack of political will and misuse of existing resources.

Under the Abuja declaration, countries agreed to increase funding for the agricultural sector to 10% of the national budget. However, the Ugandan government allocates less than 4% even though nearly 90% of its population earn a living through the land.

A big chunk of the budget goes to the defence ministry, buying luxury vehicles for ministers and meeting the [salaries of resident district commissioners](http://www.monitor.co.ug/News/National/-/688334/819934/-/wfl3qx/-/index.html), who represent the interests of the president in every district, monitoring government programmes and chairing meetings. Some people see them as merely a burden on public expenditure.

The Ugandan government also spent billions of shillings on hosting the Commonwealth Heads of Government meeting in Kampala in 2007.

"African governments' come with good plans but don't finance them. They need to follow up. Most ministries of health in east Africa do not spend 50% of their budgets. Why? The problem is procurement issues. For instance, in Uganda... when it comes to procuring drugs they talk about procurement procedures. Greed and corruption is taking billions in east Africa that would have helped develop the poor," added Mwichuli.

According to Panos's executive director for eastern Africa, Luther Anukur, the amount of money stolen in Uganda is equivalent to the foreign aid it receives.

This, he says, is a result of failed elections in east Africa, where "we have people in power, whom we are not sure that they should have really got there, but we have to just live with them. As a result corruption has been institutionalised".