Trade, Investment and the Looting of Africa

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Introduction

This conference on Economic Partnership Agreements (EPAs) poses a challenge: “Our collective responses to the EPAs must take several forms that would include a firm rebuttal of the EPAs based on solid scientific facts, as well as sound counter proposals for more socially inclusive and democratic development models within the continent, and more equitable and just relationships between Europe and Africa that would favour the economic and social development of Africa.”

This paper develops a critique of the overemphasis on trade with Northern buyers that characterises neoliberal economic policy conditionality, and the failure of those who promote trade especially in non-renewable resources (and multinational corporate investment in the petro-mineral-forestry sectors) to adequately factor in the harm done by premature extraction. In doing so, it promotes a different strategy – keep the resources in the ground – until the democratic political integration and economically just unification of Africa would allow for a much greater potential return on investment and trade. At present, EPAs and similar free trade strategies (including the New Partnership for Economic Development) have the effect of looting Africa (the title of a book from which the following pages are drawn).

Trade traps

There was an uneven upturn in the terms of trade for African countries in recent years but this should not disguise the profoundly unequal and unfair system of export-led growth, which has impoverished Africans in many ways. Given that many of the continent’s elites and allied aid agencies believe that it is possible to achieve growth through exports, a draft mid-2005 report by the World Bank is important to cite at the outset. By considering natural resources depletion – petroleum, other subsoil mineral assets, timber resources, nontimber forest resources, protected areas, cropland and pastureland – associated with trade, the Bank calculates that much of Africa is poorer not wealthier.

The Bank report, Where is the Wealth of Nations, makes several crucial adjustments to gross national income and savings accounts, and by subtracting fixed capital depreciation, adding education spending, subtracting resource depletion and subtracting pollution damage, the Bank finds that some countries are vast losers via export processing. For example, according to this methodology,
Gabon’s citizens lost $2,241 each in 2000, followed by citizens of the Republic of the Congo ($727), Nigeria ($210), Cameroon ($152), Mauritania ($147) and Cote d’Ivoire ($100). Even the continent’s strongest economy, South Africa, has lost net wealth in large part via trade. In addition to mineral depletion worth 1% of national income each year, the Bank acknowledges that South Africans lose forests worth 0.3%; suffer pollution (‘particulate matter’) damage of 0.2%; and emit CO₂ that causes another 1.6% of damage. In total, adding a few other factors, the actual ‘genuine savings’ of South Africa is reduced from the official 15.7% to just 6.9% of national income.\(^1\)

This problem is particularly acute in oil-rich countries on the Gulf of Guinea. Most of the dollar value of Africa’s exports in recent years have been petroleum-related, largely from Nigeria and Angola. Overall, primary exports of natural resources accounted for nearly 80% of African exports in 2000, compared to 31% of all developing countries and 16% of the advanced capitalist economies.

However, trade liberalisation’s damage is not limited to the primary product export drive with all its adverse implications. In addition, African elites have lifted protective tariffs excessively rapidly, leading to the premature deaths of infant industries and manufacturing jobs, as well as a decline in state customs revenue. As a result, according to Christian Aid, ‘Trade liberalisation has cost Sub-Saharan Africa $272 billion over the past 20 years... Overall, local producers are selling less than they were before trade was liberalized.’\(^2\) Deconstructing African countries according to whether there was rapid or slow trade liberalisation from 1987-99, Christian Aid found a close correlation between trade openness and worsening poverty.

**Figure 1: Poverty and free trade**

(Bar chart showing relationship between change in US$1-a-day poverty levels in least-developed countries to extent of trade liberalisation, 1987-89 to 1997-99)


### Commodity export dependency and falling terms of trade

\(^1\) World Bank (2005), Where is the Wealth of Nations?, Washington, Table 5.2, p.66.

The most important myth of neoliberal economics is that production for export inexorably creates prosperity. That myth was contested by Frantz Fanon just as African countries came to independence:

The national economy of the period of independence is not set on a new footing. It is still concerned with the ground-nut harvest, with the cocoa crop and the olive yield. In the same way there is no change in the marketing of basic products, and not a single industry is set up in the country. We go on sending out raw materials; we go on being Europe’s small farmers who specialize in unfinished products.3

Like financial imbalances, ‘unequal exchange’ in trade – including the rising African trade deficit with South Africa – is another route for the extraction of superprofits from Africa. The continent’s share of world trade declined over the past quarter century, but the volume of exports increased. ‘Marginalisation’ of Africa occurred, hence, not because of insufficient integration, but because other areas of the world - especially East Asia - moved to the export of manufactured goods, while Africa’s industrial potential declined thanks to excessive deregulation associated with structural adjustment.

Overall, primary exports of natural resources accounted for nearly 80% of African exports in 2000, compared to 31% for all developing countries and 16% for the advanced capitalist economies. According to the UN Conference on Trade in Development, in 2003, a dozen African countries were dependent upon a single commodity for exports, including crude petroleum (Angola 92%, Congo 57%, Gabon 70%, Nigeria 96% and Equatorial Guinea 91%); copper (Zambia 52%); diamonds (Botswana 91%); coffee (Burundi 76%, Ethiopia 62%, Uganda 83%), tobacco (Malawi 59%) and uranium (Niger 59%).4 Excluding South Africa, the vast majority (63%) of Sub-Saharan exports in recent years have been petroleum-related, largely from Nigeria, Angola and other countries in the Gulf of Guinea. The next largest category of exports from the subcontinent (and not including South Africa) is food and live animals (17%).5 The problems associated with primary product export dependence are not only high levels of price volatility and downward price trends for many natural resources. In addition, especially for minerals, production is highly capital-intensive, offers low incentives for educational investments, and provides a greater danger of intervention by parasitical rentiers.6

More than two-thirds of Africa’s trade is with developed countries, although from the early 2000s, China became a bigger factor, in the process attracting

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3. Fanon, F. (1963), The Wretched of the Earth, New York, Grove Press.
growing controversy over geopolitics (because from Sudan to Zimbabwe to Angola, Chinese loans and investments propped up corrupt regimes) and deindustrialisation. Well grounded concerns over employment practices and product quality turned into xenophobia against Chinese merchants (leading to ‘yellow peril’ sloganeering from otherwise internationalist activists within the Southern African Social Forum in late 2005). The Chinese threat to African industry is profound, with Nigeria losing 350,000 jobs directly (and 1.5 million indirectly) due to Chinese competition from 2000-05. Lesotho’s garment industry collapsed when the Africa Growth and Opportunity Act benefits evaporated in 2005 once China joined the WTO.7

**Figure 2: Sub-Saharan Africa’s trading partners, 1970-2004**

But the main damage remains the long-term decline in primary product price trends. As Michael Barrett Brown explains: ‘The value added in making up manufactured goods has been greatly increased compared with the raw material required; synthetics continue to replace natural products in textiles, shoes and rubber goods; and the elasticity of demand for agricultural products (the proportion of extra incomes spent on food and beverages) has been steadily falling.’ Notwithstanding the 2002-05 price increases – especially oil, rubber and copper thanks to Chinese import demand – the value of coffee, tea and cotton exports many African countries rely upon continues to stagnate or fall. Falling prices for most cash crops pushed Africa’s agricultural export value down from $15 billion in 1987 to $13 billion in 2000.8 Far greater declines were witnessed for most agricultural commodities dating to around 1980.

In historical terms, the prices of primary commodities (other than fuels) have risen and fallen according to a deeper rhythm. Exporters of primary commodities, for example, fared particularly badly when financiers were most powerful. The cycle for an exporting country typically begins with falling commodity prices, then leads to rising foreign debt, dramatic increases in interest rates, a desperate intensification of exports which lowers prices yet further, and bankruptcy. Using 1970 as a base index year of 100, from 1900 to 1915, the prices of commodities rose from 130 to 190, and then fell dramatically to 90 in 1919. From a low point of 85 in 1930, as the Great Depression began, the commodity price index rose mainly during World War II to 135, as demand for raw materials proved strong and shipping problems created supply-side problems. Prices fell during the subsequent globalisation process until 1968 (to 95 on the index), but soared to 142 at the peak of a commodity boom in 1973. The subsequent crash of commodity prices took the index down steadily, well below 40 by the late 1990s. In Ethiopia, to illustrate, coffee exports rose from 1992, with the volume of output doubling by 2003. But the export value fell from $450 million to less than $100 million during the same period, according to the United Nations Development Programme.

Falling prices were sometimes arrested, even for a few years. The 2002-05 minor boom in some commodity prices reflected strong Chinese import demand and the East Asian recovery from the 1997-98 crash. From a very low base in early 2002, the prices of agricultural products rose 80% and metals/minerals doubled. Most spectacularly, the rise of the oil price from $11/barrel to $70/barrel from 1998-2005 meant that price volatility did indeed assist a few countries. But the soaring price of energy came at the expense of most of Africa, which imports oil.

Supporters of the status quo argue that there are mitigating factors in the world trading system designed to offer Africa a safety net. But ‘preferential access’ that permits somewhat greater Northern imports from Africa represents only 1% of

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Table 1: Commodity price declines, 1980-2001

<table>
<thead>
<tr>
<th>Product, Unit</th>
<th>1980</th>
<th>1990</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cafe (Robusta) cents/kg</td>
<td>411.70</td>
<td>118.20</td>
<td>63.30</td>
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<tr>
<td>Cocoa cents/kg</td>
<td>330.50</td>
<td>126.70</td>
<td>111.40</td>
</tr>
<tr>
<td>Groundnut oil dollars/ton</td>
<td>1090.10</td>
<td>963.70</td>
<td>709.20</td>
</tr>
<tr>
<td>Palm oil dollars/ton</td>
<td>740.90</td>
<td>289.90</td>
<td>297.80</td>
</tr>
<tr>
<td>Soya dollars/ton</td>
<td>376.00</td>
<td>246.80</td>
<td>204.20</td>
</tr>
<tr>
<td>Sugar cents/kg</td>
<td>80.17</td>
<td>27.67</td>
<td>19.90</td>
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<tr>
<td>Cotton cents/kg</td>
<td>261.70</td>
<td>181.90</td>
<td>110.30</td>
</tr>
<tr>
<td>Copper dollars/ton</td>
<td>2770.00</td>
<td>2661.00</td>
<td>1645.00</td>
</tr>
<tr>
<td>Lead cents/kg</td>
<td>115.00</td>
<td>81.10</td>
<td>49.60</td>
</tr>
</tbody>
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world trade volume. And the ‘Special and Differential Treatment’ (SDT) concessions grudgingly provided some Third World exports are typically hard-fought and minimal; as Tetteh Hormeku of the Africa Trade Network explains:

Countries at different stages of growth and development should not assume the same level of responsibilities in international agreements as these are unequal partners. But by end of the Uruguay Round the spirit of SDT was reduced to a narrower concept: developing countries had to essentially accept the same obligations as developed countries, and may be exempted from implementing some measures, as well as allowed different time scales. But almost all obligations would be adopted by them… [At Doha,] over 200 proposals were made relating first to strengthening SDT and second to resolving implementation issues. Since the Round has been launched, all discussions on SDT and implementation issues have made no progress, except on 22 issues which are widely described as of having little or no commercial value.¹¹

Notwithstanding overwhelming evidence of the dangers of export dependency under these circumstances, the policy debate continues. As Nancy Alexander of the Services for All campaign in Washington has shown, a 2002 World Bank paper promoting export-led growth revealed how two dogmatic economists - David Dollar and Aart Kraay - tortured trade data until, as the saying goes, the numbers confessed.¹² Dollar and Kraay termed certain countries ‘globalisers’ – including China and India – and others ‘non-globalisers’: mainly commodity producers whose prices fell dramatically during the 1980s-90s, even if during that period they were more not less dependent upon the whims of globalized markets. By adding a commodity dependence dummy variable to the Dollar-Kraay growth equation, Alexander notes, the importance of openness to growth falls by at least half:

These findings are significant because, whereas some development experts assert that low-income countries are caught in a ‘poverty trap’, they are actually caught in a ‘commodity trap’ - signified by a long-term decline of commodity prices, especially relative to the cost of manufactures… In their calculation of the impact of openness on growth, Dollar and Kraay use changes in the volume of trade as a proxy for changes in trade policy. However, volumes of trade vary due to many influences other than policy changes... Openness is generally the outcome of growth rather than its cause; its ‘fruit, not its root.’ The most successful globalisers in the World Bank study, such as China and India, follow heterodox policies, rather than

those advocated by donors and creditors.\textsuperscript{13}

China and India have substantial tariffs to protect their own agricultural industries, as well as rigorous exchange controls which shielded them from the turmoil that rocked their Asian neighbours in 1997-98 for example.

At least other Bank economists, Ataman Aksoy and John Beghin, were honest enough to admit that their employer ‘oversold’ the benefits of exporting commodities in a context of diminishing world prices: ‘A development strategy based on agricultural commodity exports is likely to be impoverishing in the current agricultural policy environment.’ They also conceded that from 1970-97, the cumulative loss resulting from declining terms of trade for Sub-Saharan African non-oil exporting countries amounted to 119\% of their total GDP.\textsuperscript{14}

Finally, in another embarrassing reversal just before the Hong Kong WTO summit, two other Bank economists – Kym Anderson and Will Martin – released a report on ‘Agricultural Trade Reform and the Doha Development Agenda’ which claimed a $287 billion benefit world GDP gain from a successful WTO.\textsuperscript{15} But as the Center for Economic and Policy Research pointed out, Anderson and Martin conceded several following crucial countervailing facts:

- Removal of all rich country agricultural export subsidies and domestic support programmes would actually cause a net loss for developing countries. This is mainly because the removal of these subsidies would raise the world price of food and agricultural products.
- The developing countries as a group would gain $86 billion, or 0.8\% of GDP from complete trade liberalisation. However, about half of these gains would come from liberalisation of developing countries’ own trade barriers. This means that even if the Doha round were to collapse, much of the gains from liberalisation would still be available to these countries since any country can liberalize its own imports at any time, without any rule requiring them to do so.
- The $287 billion gains are for complete liberalisation, which is not expected from the Doha round; the Bank’s estimates of gains from various more realistic scenarios are much smaller gains for the world: between $17.9


\textsuperscript{14} Aksoy, A. and J.Beghin (2005), Global Agricultural Trade and Developing Countries, Washington, World Bank.

\textsuperscript{15} http://web.worldbank.org/WEBSITE/EXTERNAL/TOPICS/TRADE/0,,contentMDK:20716308-pagePK:64020865-piPK:149114-theSitePK:239071,00.html; see the Anderson

billion and $119.3 billion, or just 0.04 to 0.28% of World GDP. Again, much of this very small gain would still be available to developing countries even if the Doha round collapsed.

- Even a very successful Doha round would barely make a dent in poverty rates: according to the study, the number of people living in poverty in 2016 would be reduced by somewhere between 0.4 and 1% (2.5 to 6.3 million people).\(^{16}\)

**Rural inequality and perverse subsidies**

Under colonialism, Walter Rodney showed,

The unequal nature of the trade between the metropole and the colonies was emphasised by the concept of the ‘protected market’, which meant even an inefficient metropolitan producer could find a guaranteed market in the colony where his class had political control. Furthermore, as in the preceding era of pre-colonial trade, European manufacturers built up useful sidelines of goods which would have been sub-standard in their own markets, especially in textiles.\(^{17}\)

In contemporary times, northern agricultural subsidies worth several hundred billion dollars a year, whether for domestic market stabilisation (in an earlier era) or export promotion, have been an enormous bone of contention. Inefficient European, US and Japanese agro-industrial producers find African markets in the form of dumped grains and foodstuffs. Rarely examined, however, are the differential impacts of subsidies, especially when associated with glutted global agricultural markets. This is a general problem associated with export-led growth, but is particularly acute in the farming sector because of uneven access to state subsidies, especially affecting export crops.

It is not only a matter of much lower national-scale productive potential in the Third World than would have been the case had liberalisation not decimated many local industries, including domestic farming. In the process, rapid trade-related integration caused growing social inequality, as Branco Milanovic of the World Bank has reported.\(^{18}\) Those who benefited most include the import/export firms, transport/shipping companies, plantations and large-scale commercial farmers, the mining sector, financiers (who gain greater security than in the case of produce

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designed for the domestic market), consumers of imported goods, and politicians and bureaucrats who are tapped into the commercial/financial circuits.

Agricultural subsidies are merely one aspect of growing rural inequality. Farm subsidies today mainly reflect agro-corporate campaign contributions and the importance of rural voting blocs in advanced capitalist countries. (In the 1930s, the first generation of US farm subsidies instead reflected the dangers of agricultural overproduction to society and ecology, for the ‘dust bowl’ phenomenon in the Midwest emerged when many family farmers simply left their failing lands fallow after markets were glutted.)

The power of the agro-corporate lobby is substantial and getting stronger. The UN Development Programme found that agricultural subsidies had risen 15% between the late 1980s and 2004, from $243 billion to $279 billion (a figure Vandana Shiva considers a vast underestimate), with Japan relatively most subsidy-intensive in relation to the total value of agricultural production.

Unlike earlier periods when farming was smaller-scale and atomized, advanced capitalist countries’ agricultural subsidies today overwhelmingly benefit large agro-corporate producers. Subsidies in the EU’s fifteen major countries are even more unequally distributed than the US, with beneficiaries in Britain including Queen Elizabeth II ($1.31 million), Prince Charles ($480,000) and Britain’s richest
man, the Duke of Westminster ($1.13 million).\textsuperscript{19} Studies of the Gini coefficients of northern agriculture subsidy recipients, as reported by the UNDP, confirm that large farming corporations benefit far more than do small farmers. In 2001, the EU 15’s Gini coefficient was 78 and the US coefficient was 67, both far higher than income distribution in the world’s most unequal countries.\textsuperscript{20} Were political power relations to change, a massive redirection of subsidies to small, lower-income, family farmers in the North would be more equitable and could have the effect of moving agricultural production towards more organic (and less petroleum-intensive) farming.

A detailed debate regularly occurs over whether subsidies are ‘trade-distorting’. If they represent export subsidies or price supports, these subsidies belong in what the WTO terms an ‘Amber Box’, targeted for elimination. Export subsidies of $7.5 billion in 1995 were reduced, as a result, to $3 billion by 2001. Formerly trade-distorting subsidies were reformed by the EU, with the new aim of limiting production of crops (farmers are paid to simply leave land fallow), and are hence ‘Green Box’: not subject to cuts. In a transition from Amber to Green Box subsidies, another category - ‘Blue Box’ - subsidies are allegedly less damaging. But the US government proposed that the large counter-cyclical payments it makes to US cotton producers when the price declines be considered Blue Box, even though the WTO itself agreed with Brazilian complaints that the subsidies still distort trade by increasing US output and lowering world prices. Generally, the complexity associated with the subsidy regimes reflects Northern capacity to maintain their subsidies but continually dress them up in new language.

According to Delhi-based agriculture trade researcher Devinder Sharma, Europe especially has taken advantage of Third World powerlessness in the WTO:

Between 1995 and 2004, Europe alone has been able to increase its agricultural exports by 26%, much of it because of the massive domestic subsidies it provides. Each percentage increase in exports brings in a financial gain of $3 billion. On the other hand, a vast majority of the developing countries, whether in Latin America, Africa or Asia, have in the first 10 years of WTO have turned into food importers. Millions of farmers have lost their livelihoods as a result of cheaper imports. If the WTO has its way, and the developing countries fail to understand the prevailing politics that drives the agriculture trade agenda, the world will soon have two kinds of agriculture systems - the rich countries will produce staple foods for the world’s 6 billion plus people, and developing countries will grow cash crops

\textsuperscript{19} Sharma, D. (2005), ‘Farm Subsidies: The Report Card’, ZNet commentary, 27 November. Sharma argues that in response, ‘Developing countries should ask for: agricultural subsidies to be classified under two categories: one which benefits small farmers and the remaining which goes to agri-business companies and the big farmers/landowners; and since less than 20% of the $1 billion farm subsidy being doled out every day genuinely benefit small farmers, the remaining 80% subsidies need to be outright scrapped before proceeding any further on agriculture negotiations.’

like tomato, cut flowers, peas, sunflower, strawberries and vegetables.\textsuperscript{21}

What impact would the removal of northern agricultural subsidies have in Africa? The explicit export subsidies that are most damaging – less than 1% of the total and mainly provided by the EU – will finally cease in 2013, thanks to concessions at the Hong Kong WTO summit. (Implicit EU export subsidies worth 55 billion euros will continue, however.) This trivial reform aside, the most important debate is over whether substantive reductions from at least $360 billion in current annual subsidies would genuinely benefit African peasants.

One problem is that power relations prevailing in the world agricultural markets allow huge cartels to handle shipping and distribution, and they usually gain the first round of benefits when prices change. A second problem is that local land ownership patterns typically emphasise plantation-based export agriculture, with the danger that further cash crop incentives will crowd out land used for food cropping by peasants. No reliable studies exist to make definitive statements. There are, indeed, African heads of state in food-importing countries who advocate continuing EU agricultural subsidies for a third reason, because lower crop prices reduces their own costs of feeding their citizenry.

In sum, two crucial questions associated with subsidies and agricultural exports are typically elided by neoliberal economists and other pro-trade campaigners: which forces in Northern societies benefit from subsidies that promote export-orientation, in both the short- and long-term; and which forces in Southern societies would win and lose in the event exports are lifted. Furthermore, the crucial strategic question is whether self-reliant development strategies – which were the necessary (if insufficient) condition for most industrialisation in the past – can be applied if low-income exporting countries remain mired in the commodity trap.

The same points must be raised again below with respect to Africa’s mineral exports, where depletion of nonrenewable resources drains the wealth of future generations. However, before doing so, consider problems associated with trade negotiations as the action moved to Hong Kong in December 2005.

\textbf{From Doha to Hong Kong}

The Doha Development Agenda – the name of the post-Uruguay round of WTO liberalisation negotiations which began in November 2001 – did not address most of the distortions in international markets that keep Third World exporters down and limit national sovereignty, especially with respect to food security.

Interimperial rivalry between the major exporting blocs is an issue, to be sure. Competition was, for example, a factor limiting US arrogance in the largely unsuccessful attempt by Monsanto to introduce genetically modified (GM) agriculture in Africa, mainly via South Africa and Kenya. In opposition, Zambia,
Zimbabwe and Angola rejected World Food Programme and US food relief during the early 2000s because of fears of future GM threats to both their citizens, and not coincidentally, to immediate European market access, given the banning of GM crops in the EU.

Linking its relatively centralized aid regime to trade through bilateral regionalism, the European Union regularly tries to win major Africa-Caribbean-Pacific (ACP) country concessions on investment, competition, trade facilitation, government procurement, data protection and services. Along with grievances over agriculture, industry and intellectual property, the ACP’s rejection of EU pressure was the basis for withdrawal of consent from the Cancun WTO summit in 2003.

Subsequently, the EU’s ‘Economic Partnership Agreements’ (EPAs) under the Cotonou Agreement (which replaced the much more generous Lome Convention) signified a new, even harsher regime of ‘reciprocal liberalisation’ to replace the preferential agreements that tied so many African countries to their former colonial masters via cash-crop exports. If the EPAs are agreed upon, what meagre organic African industry and services that remained after two decades of structural adjustment will probably be lost to European scale economies and technological sophistication. An April 2004 meeting of parliamentarians from East Africa expressed concern ‘that the pace of the negotiations has caught our countries without adequate considerations of the options open to us, or understanding of their implications, and that we are becoming hostage to the target dates that have been hastily set without the participation of our respective parliaments.’ Even Botswana’s neoliberal president Festus Mogae admitted in 2004, ‘We are somewhat apprehensive towards EPAs despite the EU assurances. We fear that our economies will not be able to withstand the pressures associated with liberalisation.’

As for the WTO, a July 2004 deal in Geneva permitted the elites a chance to regroup. Notwithstanding continued recalcitrance by the EU and US on agricultural subsidies, the selection of Pascal Lamy – the EU’s former trade commissioner – as WTO head confirmed the unbalanced power relationships, and Blair’s appointment of Peter Mandelson to replace Lamy at the EU was a final signal that hard-line neoliberalism would continue. Mandelson let slip his trading bloc’s agenda in late 2005: ‘Through regional market building and the Doha Development Round of trade negotiations, we need to chip away at the tariff walls that still surround many individual developing countries in Africa’. Of particular importance were

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23 Cited in Curtis, ‘17 Ways the European Commission is Pushing Trade Liberalisation on Poor Countries’. The 17 strategies were as follows:
   1. Through unfair deals
   2. Through Economic Partnership Agreements
   3. Through bilateral trade agreements
   4. By pushing for market access for agricultural exports
the residual industries of Africa and services such as national and municipal utilities ranging from telecommunications and energy (often highly profitable) to water. According to Mark Curtis, the EU’s liberalisation agenda spanned the following areas:

- agricultural produce, industrial goods, services, investment policy, public utilities, the role of companies, intellectual property, competition policy, and government procurement. Many of these areas in reality go well beyond countries’ trade policy as such; the EU’s push for liberalisation is in reality a push to promote neoliberal domestic economic policies in all countries. It is to deepen the process of corporate globalisation primarily to benefit businesses in the rich world.24

As Walden Bello correctly predicted a month before the December 2005 WTO summit, ‘The only possible deal that could emerge out of Hong Kong is a deal that would have the developing countries make damaging concessions in agriculture, non-agricultural market access (‘Nama’), and services while the EU and US make cosmetic concessions in agriculture and pursue offensive interests in the other areas.’25

In Hong Kong, a series of vibrant street protests – especially by militant South Korean farmers (arrested in their hundreds by Chinese police) - were not enough to prevent most of the Third World delegates from caving in to EU/US pressure. With mandatory openings replacing the previous, more flexible, request-offer system in the General Agreement on Trade in Services, Third World privatisations will intensify. Moreover, there will be severe deindustrialisation in many more Third World locations (Mexico, for example, has seen its maquiladora sector devastated), especially as the Chinese expand their exports. And any hopes that trade ministers from the South might stand up to Lamy, Mandelson and other Northern negotiators were also dashed. As Vandana Shiva summed up,

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5. By pushing for market access for industrial goods
6. By trying to open up markets for services
7. By using aid to promote trade liberalisation
8. Through its ‘Trade barriers regulation’
9. Through the WTO’s ‘Dispute settlement’ mechanism
10. Through pushing new issues onto the agenda
11. By seeking to liberalize government spending contracts
12. By seeking new rules on international investment
13. By seeking new rules on competition policy
14. By seeking to strengthen intellectual property rights
15. By promoting business interests
16. By decreasing regulation of corporations
17. By offering not very special treatment

24 Curtis, ‘17 Ways the European Commission is Pushing Trade Liberalisation on Poor Countries’.
25 Bello, W. (2005), Email communication, 10 November.
Total failure of the WTO Doha round was averted by the fig leaf of withdrawal of export subsidies in agriculture by 2013 (while most of the $400 billion subsidies for rich-country industrialized corporate agriculture will remain) and the fig leaf of ‘aid-for-trade’. The agreements on liberalisation of services and industrial goods which had been totally rejected by the developing countries were sneaked in through a divide and rule policy of US and EU which have started to treat Brazil and India as ‘developed’ thus splitting the unity of the G-20 forged in Cancun, and turning into a empty shell the new forged alliance of the G-20 and G-90. If the G-110 had negotiated as G-110, instead of merely announcing the grand alliance, services and Nama would not have gone through.26

Sharma likewise concluded,

Despite making loud noises, threatening and fuming over the injustice done to the poor and developing countries, the trade ministers of the G-110 countries, comprising the entire developing world, finally bowed before the rich and mighty… Developing countries have agreed to a ‘high level of ambition for market access in agriculture and non-agriculture goods.’ The text links the market access in both areas, stating that the ‘ambition is to be achieved in a balanced and proportionate manner.’ This is what exactly the developed countries had been keenly looking forward to, and this is where the developing countries gave in.27

For Bello, the most disturbing political development was that India and Brazil structurally shifted their location from an alliance with 110 Third World countries, to the core of the ‘Five Interested Parties’ (joining the US, EU and Australia) which cut the final deal:

In the end, the developing country governments caved in, many of them motivated solely by the fear of getting saddled with the blame for the collapse of the organisation. Even Cuba and Venezuela confined themselves to registering only ‘reservations’ with the services text during the closing session of the ministerial… The main gain for Brazil and India lay not in the impact of the agreement on their economies but in the affirmation of their new role as power brokers within the WTO. 28

According to Bello, South Africa was a problem insofar as it sold out on services privatisation at the last moment (alongside Indonesia and the Philippines). Pretoria’s

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27. Sharma, ‘Much Ado about Nothing’.
stance compared favourably with earlier negotiations, when Alec Erwin was trade minister and a ‘Friend of the Chair’. But the demise of the G20 as an allegedly counterhegemonic force – so highly touted by Erwin in Cancun – reveals the larger problem of subimperial interests, a topic revisited in Chapter 6.

**Investment, production and exploitation**

From trade to direct investment, the patterns of exploitation are similar. Walter Rodney described foreign direct investment in stark terms:

> Under colonialism the ownership was complete and backed by military domination. Today, in many African countries the foreign ownership is still present, although the armies and flags of foreign powers have been removed. So long as foreigners own land, mines, factories, banks, insurance companies, means of transportation, newspapers, power stations, etc. then for so long will the wealth of Africa flow outwards into the hands of those elements. In other words, in the absence of direct political control, foreign investment ensures that the natural resources and the labour of Africa produce economic value which is lost to the continent.29

In recent years, Africa has not been overwhelmed by interest from foreign corporate suitors. During the early 1970s, roughly a third of all FDI to the Third World went to Sub-Saharan African countries, especially apartheid South Africa. By the 1990s, that statistic had dropped to 5%. Aside from oil field exploitation, the only other substantive foreign investments over the last decade were in South Africa, for the partial privatisation of the state telecommunications agency and for the expansion of automotive-sector branch plant activity within global assembly lines. These inflows were by far offset by South Africa’s own outflows of foreign direct investment, in the forms of relocation of the largest corporations’ financial headquarters to London, which in turn distorted the Africa FDI data, not to mention the repatriation of dividends/profits, payments of patent/royalty fees to transnational corporations.

To consider investment/production with the rigour required compels us to also dwell upon a wide range of historical processes and production issues which cannot be reduced to foreign firms’ holdings in Africa. Such firms have many different and sometimes contradictory agendas, and the economic and eco-social impacts of their investments are diverse and often incalculable. Moreover, investment and production systems of the North have an indirect – and sometimes direct – adverse effect in Africa because the global commons, such as the world’s carbon sink capacity, are subject to looting. Hence it is appropriate to consider, amongst the investment/production-related exploitation issues, the ecological debt that the North owes the South, especially Africa. Another feature of foreign investment activity is distortion of local African politics, a feature taken up in the

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29 Rodney, How Europe Underdeveloped Africa, .
next chapter.

Many authors can be cited to document the economic logic behind foreign corporate domination of African economies. One of the most careful, UN Research Institute for Social Development director Thandika Mkandawire, recently studied African economies’ ‘maladjustment’ and concluded, ‘Little FDI has gone into the manufacturing industry. As for investment in mining, it is not drawn to African countries by macroeconomic policy changes, as is often suggested, but by the prospects of better world prices, changes in attitudes towards national ownership and sector specific incentives.’ Moreover, 14% of FDI was ‘driven by acquisitions facilitated by the increased pace of privatisation to buy up existing plants that are being sold, usually under “fire sale” conditions.’ What little new manufacturing investment occurred was typically ‘for expansion of existing capacities, especially in industries enjoying natural monopolies (e.g. beverages, cement, furniture). Such expansion may have been stimulated by the spurt of growth that caused much euphoria and that is now fading away.’

African elites’ futile search for FDI seems to have grown increasingly frantic, especially with the 2001 New Partnership for Africa’s Development. According to Mkandawire, leaders have not applied their minds fully to the evidence:

It is widely recognized that direct investment is preferable to portfolio investment, and foreign investment in ‘green field’ investments is preferable to acquisitions. The predominance of these [portfolio and acquisition] types of capital inflows should be cause for concern. However, in their desperate efforts to attract foreign investment, African governments have simply ceased dealing with these risks or suggesting that they may have a preference for one type of foreign investment over all others. Finally, such investment is likely to taper off within a short span of time, as already seems to be the case in a number of African countries.

Thus, for Ghana, hailed as a ‘success story’ by the Bretton Woods Institutions, FDI, which peaked in the mid-1980s at over $200 million annually - mainly due to privatisation - was rapidly reversed to produce a negative outflow. It should be noted, in passing, that rates of return of direct investments have generally been much higher in Africa than in other developing regions. This, however, has not made Africa a favourite among investors, largely because of considerations of the intangible ‘risk factor’ nurtured by the tendency to treat the contingent as homogenous and a large dose of ignorance about individual African countries. There is considerable evidence that shows that Africa is systematically rated as more risky than is warranted by the underlying economic characteristics.

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The critique of foreign investors in Africa must now extend beyond the EU, US and Japan, to China. For example, the Chinese National Petroleum Corporation (CNPC) and two other large Chinese oil firms are active in seventeen African countries. One is Sudan where $2 billion of oil investments are underway notwithstanding the Darfur genocide, responsible already for of 5% of China’s import requirements, along with Chinese-financed development of a homegrown Sudanese military capacity. (Arms sales to Robert Mugabe are also dubious.) As Ben Schiller reports,

> Concerns have been raised over the environmental impact of various Chinese-run mining operations in Africa, including copper mines in Zambia and Congo, and titanium sands projects in ecologically sensitive parts of Mozambique, Kenya, Tanzania, and Madagascar.

> Moreover, China is a major importer of illegal timber from forests in Indonesia, Cameroon, Congo, and Equatorial Guinea. Though accurate figures are hard to access, www.globaltimber.org.uk says that up to 50% of all timber imported to China in 2004 was illegal. Chinese businesses have also been implicated in ivory smuggling, notably in Sudan and Zimbabwe. According to Care for the Wild International, Chinese companies buy up to 75% of Sudan’s ivory.

> In its rush to expand, development experts say China is reinvigorating an older, crude style of development, re-establishing an era of ‘white elephants’ and ‘prestige projects’ with little benefit to local people. In Ethiopia, the Chinese state-owned Jiangxi International built $4 million worth of new housing, after a flood left hundreds destitute. But instead of accommodating the homeless, the blocks ended up being used by military officials. A Jiangxi manager later told the Wall Street Journal: ‘It was a political task for us and so long as Ethiopia officials are happy, our goal is fulfilled.’

Another feature of Chinese investment overseas is the use of Chinese rather than local workers. Thousands of Chinese labourers and engineers have been imported to build Ethiopia’s $300 million Takazee Dam. In Sudan, Chinese workers have constructed an oil pipeline; 74,000 Chinese remain in country, 10,000 employed by CNPC. Chinese workers are also being used in Namibia, Zimbabwe, and a host of other African states.

Given that mining houses have been central to looting Africa for at least a century and a half, it is fitting to next consider the damage done by depletion of minerals and other non-renewable natural resources.

**FDI and natural capital depletion**

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Notwithstanding the recent drought, in absolute terms the volume of FDI to Sub-Saharan Africa began rising again, overtaking financing by private lenders in 1988 and from 1991 staying level with financial flows. The story of FDI becomes more complex at that stage, during the late 1990s, particularly when factoring in the major two forces on the continent: South African capital and resurgent oil investments.

A great deal of nuance is required to deconstruct the brief rise of investment into Sub-Saharan Africa, especially from 1997, for it appears that the peaks are associated with special circumstances. The Angolan 1999 oil investment peak was limited to the offshore Cabinda fields, while on the Angolan mainland, a repressive, corrupt state regime waged war against a rightwing guerilla army. The 1990s investments in Nigerian oil occurred largely under Sani Abacha’s dictatorial rule, and were negated by his looting of state resources to private Swiss and London accounts. The other peak of foreign investment, into South Africa, reflects statistical accounting changes associated with the relisting of the country’s largest firms to London.

The oil sector is a clear case whereby in which profit and dividend outflows, often lubricated by corruption, have had extremely negative consequences. As demonstrated by the Open Society-backed campaign, ‘Publish what you Pay’, elites in Africa’s oil producing countries - Angola, Chad, Congo, Equatorial Guinea, Gabon, Nigeria and Sudan - are amongst the world’s least transparent.33 In Nigeria, demands by the Ogoni people relate not only to the massive destruction of their Delta habitat, but also to the looting of their natural wealth by Big Oil. According to Sam Olukoya,

Reparations is a crucial issue in the struggle for environmental justice in Nigeria. Many of the ethnic groups in the Niger Delta have drawn up various demands. A key document is the Ogoni Bill of Rights which seeks reparations from Shell for environmental pollution, devastation and

33. www.opensociety.org
ecological degradation of the Ogoni area. Shell’s abuses in Ogoniland were made infamous by the late playwright and activist Ken Saro-Wiwa, who was executed by the Nigerian government.  

In all these respects, diverse forces in society have moved away from considering oil merely a matter of private property, to be negotiated between corporations and governments, as was the case during much of the 20th century. Instead, these forces now treat oil as part of a general ‘commons’ of a national society’s natural capital. George Caffentzis explains:

There are three levels of claims to petroleum as common property, correlating with three kinds of allied communities that are now taking shape, for there is no common property without a community that regulates its use:

- first, some local communities most directly affected by the extraction of petroleum claim to own and regulate the petroleum under its territory as a commons;
- second, Islamic economists claim for the Islamic community of believers, from Morocco to Indonesia, and its representative, the 21st century Caliphate in formation, ownership of and the right to regulate the huge petroleum fields beneath their vast territory;
- third, UN officials claim for the ‘coming global community’ the right to regulate the so-called global commons: air, water, land, minerals (including petroleum) and ‘nous’ (knowledge and information). This imagined global community is to be represented by a dizzying array of ‘angels’ that make up the UN system, from NGO activists to UN environmentalist bureaucrats to World Bank ‘green’ advisors.

From a September 2005 conference in Johannesburg organized by the South African NGO groundWork, delegates petitioned the World Petroleum Congress:

At every point in the fossil fuel production chain where your members ‘add value’ and make profit, ordinary people, workers and their environments are assaulted and impoverished. Where oil is drilled, pumped, processed and used, in Africa as elsewhere, ecological systems have been trashed, peoples’ livelihoods have been destroyed and their democratic aspirations and their rights and cultures trampled...

Your energy future is modeled on the interests of over-consuming, energy-intensive, fossil-fuel-burning wealthy classes whose reckless and selfish lifestyles not only impoverish others but threaten the global environment, imposing on all of us the chaos and uncertainty of climate change and the

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violence and destruction of war. Another energy future is necessary: yours has failed!\textsuperscript{36}

We turn to the political implications of these different claims to the commons at the end of the book. But it would be a mistake to neglect another political feature created in the process. In a remarkable essay, ‘Seeing like an oil company,’ anthropologist James Ferguson argues that ‘capital “hops” over “ unusable Africa,” alighting only in mineral-rich enclaves that are starkly disconnected from their national societies. The result is not the formation of standardized national grids, but the emergence of huge areas of the continent that are effectively “off the grid.” In the process, there emerges ‘a frightening sort of political–economic model for regions that combine mineral wealth with political intractability,’ ranging from African oil zones to occupied Iraq. The model includes protection of capital by ‘private military companies’ (in Baghdad, Blackwater, Eriny and Global Risk Strategies), and protection of the ‘Big Man’ leader (Paul Bremer, John Negroponte) ‘not by his own national army but, instead, by hired guns’.\textsuperscript{37} The bottom line is enhanced profit for international capital and despotism for the citizenry.

Of interest, though, is that because of the environmental movement, some of the costs of this model are now being measured at even the World Bank. If we take as given that there is some merit in considering ‘natural capital’ (a ghastly phrase) as a global commons, its depletion plus associated negative externalities – such as the social devastation caused by mining operations – must, by all accounts now, be taken seriously. That entails at least a rough accounting of the costs associated with tearing resources from the ground, forests and fisheries, no matter that many aspects of valuation – human life’s worth, indigenous people’s traditions and culture, aesthetics of the natural environment – are impossible to quantify.

**Accounting for nature**

Because of the legacy of environmental economists such as Herman Daly, even the World Bank has addressed the question of natural capital depletion, in *Where is the Wealth of Nations?*\textsuperscript{38} The Bank methodology for correcting bias in GDP wealth accounting is nowhere near as expansive as that, for instance, of the San Francisco group Redefining Progress, which as shown in Chapter 2, estimates that global GDP began declining in absolute terms during the mid-1970s, once we account for natural resource depletion, pollution and a variety of other factors. Nevertheless, the Bank’s tentative approach is at least a step forward in recognizing that extractive investments may not contribute to net GDP, and indeed may cause net national savings and wealth to actually shrink.

\textsuperscript{36} www.groundwork.org.za


The Bank’s first-cut method subtracts from the existing rate of savings factors such as fixed capital depreciation, depletion of natural resources and pollution, but then adds investments in education (defined as annual expenditure). The result, in most African countries dependent upon primary products, is a net negative rate of national savings to Gross National Income (GNI). Notwithstanding some problems, the Bank’s methodology at least indicates some of the trends associated with raw materials extraction. In particular, the attempt to generate a ‘genuine savings’ calculation requires adjusting net national savings to account for resource depletion. The Bank suggests the following steps:

From gross national saving the consumption of fixed capital is subtracted to give the traditional indicator of saving; net national savings. The value of damages from pollutants is subtracted. The pollutants carbon dioxide and particulate matter are included. The value of natural resource depletion is subtracted. Energy, metals and mineral and net forest depletion are included. Current operating expenditures on education are added to net national saving to adjust for investments in human capital.

Naturally, given oil extraction, the Middle East region (including North Africa) has the world’s most serious problem of net negative gross national income and savings under this methodology. But Sub-Saharan Africa is second worst, and several years during the early 1990s witnessed net negative GNI for the continent once extraction of natural resources was factored in. Indeed, for every percentage point increase in a country’s extractive-resource dependency, that country’s potential GDP declines by 9% (as against the real GDP recorded), according to the Bank. African countries with the combined highest resource dependence and lowest capital accumulation included Nigeria, Zambia, Mauritania, Gabon, Congo, Algeria and South Africa. In comparing the potential for capital accumulation – i.e., were resource rents not simply extracted (and exported) and resources depleted – on the one hand and, on the other, the actual measure of capital accumulation, Bank researchers discovered that,

In many cases the differences are huge. Nigeria, a major oil exporter, could have had a year 2000 stock of produced capital five times higher than the actual stock. Moreover, if these investments had taken place, oil would play

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\[39\] In making estimates about the decline in a country’s wealth due to energy, mineral or forest-related depletion, the World Bank has a minimalist definition based upon international pricing (not potential future values when scarcity becomes a more crucial factor, especially in the oil industry). The Bank does not fully calculate damages done to the local environment, to workers’ health/safety, and especially to women in communities around mines. Moreover, the Bank’s use of average – not marginal – cost resource rents also probably leads to underestimations of the depletion costs.


a much smaller role in the Nigerian economy today, with likely beneficial impacts on policies affecting other sectors of the economy.42

A more nuanced breakdown of a country’s estimated ‘tangible wealth’ is required to capture not just obvious oil-related depletion and rent outflows, but also other subsoil assets, timber resources, nontimber forest resources, protected areas, cropland and pastureland. The ‘produced capital’ normally captured in GDP accounting is added to the tangible wealth. In the case of Ghana, that amounted to $2,022 per person in 2000. The same year, the Gross National Saving of Ghana was $40 and education spending was $7. These figures require downward adjustment to account for the consumption of fixed capital ($19), as well as the depletion of wealth in the form of stored energy ($0), minerals ($4) and net forest assets ($8). In Ghana, the adjusted net saving was $16 per person in 2000. But given population growth of 1.7%, the country’s wealth actually shrunk by $18 per person in 2000.43

<table>
<thead>
<tr>
<th>Tangible wealth</th>
<th>Adjusted net saving</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsoil assets $65</td>
<td>Gross National Saving $40</td>
</tr>
<tr>
<td>Timber resources $290</td>
<td>Education expenditure $7</td>
</tr>
<tr>
<td>Nontimber forest resources $76</td>
<td>Consumption fixed capital -$19</td>
</tr>
<tr>
<td>Protected areas $7</td>
<td>Energy depletion $0</td>
</tr>
<tr>
<td>Cropland $855</td>
<td>Mineral depletion -$4</td>
</tr>
<tr>
<td>Pastureland $43</td>
<td>Net forest depletion -$8</td>
</tr>
<tr>
<td>Produced capital $686</td>
<td></td>
</tr>
<tr>
<td>Total tangible wealth $2022</td>
<td>Adjusted net saving $16</td>
</tr>
<tr>
<td>Population growth 1.7%</td>
<td>Change in wealth per capita -$18</td>
</tr>
</tbody>
</table>


How much of this exploitation is based on transnational capital’s extractive power? In the case of Ghana, $12 of the $18 decline in 2000 could be attributed to minerals and forest-related depletions, a large proportion of which now leaves Ghana.44 The largest indigenous (and black-owned) mining firm in Africa, Ashanti, was recently bought by AngloGold, so it is safe to assume than an increasing amount of Ghana’s wealth flows out of the country, leaving net negative per capita tangible wealth. Other mining houses active in Africa which once had their roots here – Lonrho, Anglo, DeBeers, Gencor/Billiton – are also now based off-shore.

It is, hence, logical to assume that an increased drive by London, New York and Sydney shareholders for profits results in accumulation of capital within Africa being systematically stymied. The central question is whether any of the

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42 World Bank, Where is the Wealth of Nations?, p.55.
43 World Bank, Where is the Wealth of Nations?, pp.64-65.
44 World Bank, Where is the Wealth of Nations?, pp.64-65.
financial capital that returns to Africa - by way of royalties on minerals or profits to local shareholders (still significant in the case of South Africa) - is reinvested, or merely becomes the source of further capital flight.

Ghana was an interesting example given that it has often played the role of World Bank poster child country. Other African countries whose economies are primary product dependent fare much worse, according to the Bank methodology. Gabon’s citizens lost $2,241 each in 2000, as oil companies rapidly depleted the country’s tangible wealth. The Republic of the Congo (-$727), Nigeria (-$210), Cameroon (-$152), Mauritania (-$147) and Cote d’Ivoire (-$100) are other African countries whose people lost more than $100 in tangible national wealth each in 2000 alone. (Angola would rank high amongst these, were data available for the Bank’s analysis.) A few countries did benefit, according to the tangible wealth measure, including the Seychelles (+$904), Botswana (+$814) and Namibia (+$140), but the majority of African countries saw their wealth depleted.\footnote{World Bank, Where is the Wealth of Nations?, p.66.}

<table>
<thead>
<tr>
<th>Country</th>
<th>Income per capita ($)</th>
<th>Population growth rate (%)</th>
<th>Adjusted net saving per capita ($)</th>
<th>Change in wealth per capita ($)</th>
<th>Saving gap % GNI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin</td>
<td>360</td>
<td>2.6</td>
<td>14</td>
<td>-42</td>
<td>11.5</td>
</tr>
<tr>
<td>Botswana</td>
<td>2925</td>
<td>1.7</td>
<td>1021</td>
<td>814</td>
<td>n.a.</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>230</td>
<td>2.5</td>
<td>15</td>
<td>-36</td>
<td>15.8</td>
</tr>
<tr>
<td>Burundi</td>
<td>97</td>
<td>1.9</td>
<td>-10</td>
<td>-37</td>
<td>37.7</td>
</tr>
<tr>
<td>Cameroon</td>
<td>548</td>
<td>2.2</td>
<td>-8</td>
<td>-152</td>
<td>27.7</td>
</tr>
<tr>
<td>CapeVerde</td>
<td>1195</td>
<td>2.7</td>
<td>43</td>
<td>-81</td>
<td>6.8</td>
</tr>
<tr>
<td>Chad</td>
<td>174</td>
<td>3.1</td>
<td>-8</td>
<td>-74</td>
<td>42.6</td>
</tr>
<tr>
<td>Comoros</td>
<td>367</td>
<td>2.5</td>
<td>-17</td>
<td>-73</td>
<td>19.9</td>
</tr>
<tr>
<td>Rep of Congo</td>
<td>660</td>
<td>3.2</td>
<td>-227</td>
<td>-727</td>
<td>110.2</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>625</td>
<td>2.3</td>
<td>-5</td>
<td>-100</td>
<td>16.0</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>101</td>
<td>2.4</td>
<td>-4</td>
<td>-27</td>
<td>27.1</td>
</tr>
<tr>
<td>Gabon</td>
<td>3370</td>
<td>2.3</td>
<td>-1183</td>
<td>-2241</td>
<td>66.5</td>
</tr>
<tr>
<td>The Gambia</td>
<td>305</td>
<td>3.4</td>
<td>-5</td>
<td>-45</td>
<td>14.6</td>
</tr>
<tr>
<td>Ghana</td>
<td>255</td>
<td>1.7</td>
<td>16</td>
<td>-18</td>
<td>7.2</td>
</tr>
<tr>
<td>Kenya</td>
<td>343</td>
<td>2.3</td>
<td>40</td>
<td>-11</td>
<td>3.2</td>
</tr>
<tr>
<td>Madagascar</td>
<td>245</td>
<td>3.1</td>
<td>9</td>
<td>-56</td>
<td>22.7</td>
</tr>
<tr>
<td>Malawi</td>
<td>162</td>
<td>2.1</td>
<td>-2</td>
<td>-29</td>
<td>18.2</td>
</tr>
<tr>
<td>Mali</td>
<td>221</td>
<td>2.4</td>
<td>20</td>
<td>-47</td>
<td>21.2</td>
</tr>
<tr>
<td>Mauritania</td>
<td>382</td>
<td>2.9</td>
<td>-30</td>
<td>-147</td>
<td>38.4</td>
</tr>
<tr>
<td>Mauritius</td>
<td>3697</td>
<td>1.1</td>
<td>645</td>
<td>514</td>
<td>n.a.</td>
</tr>
<tr>
<td>Mozambique</td>
<td>195</td>
<td>2.2</td>
<td>15</td>
<td>-20</td>
<td>10.0</td>
</tr>
<tr>
<td>Namibia</td>
<td>1820</td>
<td>3.2</td>
<td>392</td>
<td>140</td>
<td>n.a.</td>
</tr>
<tr>
<td>Niger</td>
<td>166</td>
<td>3.3</td>
<td>-10</td>
<td>-83</td>
<td>50.3</td>
</tr>
<tr>
<td>Nigeria</td>
<td>297</td>
<td>2.4</td>
<td>-97</td>
<td>-210</td>
<td>70.6</td>
</tr>
<tr>
<td>Rwanda</td>
<td>233</td>
<td>2.9</td>
<td>14</td>
<td>-60</td>
<td>26.0</td>
</tr>
</tbody>
</table>
Even Africa’s largest economy, South Africa, which from the early 1980s has been far less reliant upon minerals extraction, recorded a $2 drop in per capita wealth in 2000 using this methodology. According to the World Bank, the natural wealth of $3,400/person in South Africa included subsoil assets (worth $1,118 per person); timber ($310); non-timber forest resources ($46); protected areas ($51); cropland ($1,238); pastureland ($637). This sum can be compared to the value of produced capital (plant and equipment) and urban land (together worth $7,270 per person in 2000). Hence even in Africa’s most industrialized economy, the estimated value of natural capital is nearly half of the measureable value of plant, equipment and urban land.

Given the constant depletion of this natural capital, South Africa’s official gross national savings rate of 15.7% of GDI therefore should be adjusted downwards. By substracting consumption of fixed capital at 13.3%, the net national savings is actually 2.4%, added to which should be education expenditure (amongst the world’s highest) at 7.5%. Then subtract mineral depletion of 1%; forest depletion of 0.3%; 0.2% pollution damage (limited to ‘particulate matter’, a small part of South Africa’s waste problem); and CO2 emissions worth 1.6% of GDI (a serious undervaluation). In total, the actual ‘genuine savings’ of South Africa is reduced to just 6.9% of national income. How much of this deficit from the 15.7% savings rate can be attributed to foreign investors? Not only is mineral depletion biased to benefit overseas mining houses, CO2 emissions and a great deal of other pollution (especially SO2) are largely the result of energy consumption by metals smelters owned by large multinational corporations (Mittal Steel, BHP Billiton and the Anglo group).

In sum, the role of extractive FDI in oil and resource rich countries must take into account the net negative impact on national wealth, including natural capital. Ironically, given the source of leadership at the World Bank (Paul Wolfowitz of the US petro-military complex), the Bank’s new accounting of genuine savings is a helpful innovation. Taking the methodology forward to correct biases, and rigorously estimating an Africa-wide extraction measure in order to better account

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47. World Bank, Where is the Wealth of Nations?, p.179.
for the way extractive FDI generates net negative welfare/savings, still remain as important exercises.

**Foreign investment in privatisation**

The other concern noted above is the manner in which foreign acquisitions of existing domestically-owned plant and equipment also have unintended negative consequences. Perhaps the worst case was on the Zambian copperfields, when Anglo American invested during the late 1990s but then simply closed down one of the most important mining sites, leaving thousands of victims in its wake.

But even South Africa has been victimized by privatisation-related FDI. Indeed, the large foreign investments in South Africa that appear as a blip on the FDI graph are mainly accounted for by the 1997 privatisation of the telecommunications sector and the 2001 rejigging of statistics to claim large formerly domestic corporations as foreign, once they had changed their primary share listing to London. The implications of the telecommunications investments are now well-known, in the wake of the 30% share purchase in the state-owned Telkom by a Houston/Kuala Lumpur alliance. Critics such as the Freedom of Expression Institute\(^49\) point to subsequent problems as being inexorably related to FDI and privatisation, including the skyrocketing cost of local calls skyrocketed as cross-subsidisation from long-distance (especially international) calls was phased out; the disconnection of 2.1 million lines (out of 2.6 million new lines installed) due to unaffordability; the firing of 20,000 Telkom workers, leading to ongoing labour strife; and an Initial Public Offering on the New York Stock Exchange in 2003 which raised only $500 million, with an estimated $5 billion of Pretoria’s own funding of Telkom’s late 1990s capital expansion lost in the process. Ironically, the South African state repurchased the shares of Telkom held by the foreign investment consortium in 2004 (although Pretoria did not materially change policies and practices subsequently). There are several similar experiences with failed foreign investment in South Africa’s other privatized state assets, including transport (where renationalisation occurred in the cases of Sun Air and SAA), water (where remunicipalisation occurred in the case of Suez in Nkonkobe and is likely to occur in Johannesburg) and electricity.

Meanwhile, South Africa witnessed very few foreign investments in ‘greenfield’ projects (as opposed to existing acquisitions). Behind the overall slowdown in South African fixed investment lies not only global overcapacity combined with national industrial uncompetitiveness, but also South Africa’s own overcapacity constraints to new investment. In manufacturing especially, there has been a long-term decline in capacity utilisation, due to overproduction and excessive concentration in the major industrial sectors. South Africa is, thus, a more complicated and perhaps extreme example of so many other African countries where the private sector was stagnant and in need of privatisation opportunities, yet in spite of the fire-sale character of privatisation, did not subsequently succeed in

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\(^{49}\) [http://www.fxi.org.za](http://www.fxi.org.za); see also [http://www.helkom.co.za](http://www.helkom.co.za).
turning their acquisition investments into sustained productive investments.

Another query is also worth raising: to what extent do the foreign investors cover their own initial equity stake? The case of the partially-privatized Airports Company of South Africa is instructive, for Aeroporti Di Roma earned a vast profit - R785 million - on its initial 1998 investment of R890 million for 20% of the company. In September 2005, the South African state’s investment arm bought back the stake for R1.67 billion. Adding R180 million in dividends paid since 1998, the Italian firm took home more than a 108% rate of return over seven years, exceptionally high by any measure. At the same time, the repurchase of the company by a state agency demonstrated that there was no particular reason to have a foreign investor in the first place. Although ‘technical expertise’ is sometimes considered a valid reason for inviting foreign investment, the South African air transport industry’s operations management and logistics operations were always sufficiently sophisticated to handle the expansion of airports.

These experiences are not uncommon, according to Transparency International’s Lawrence Cockcroft:

The most common and important form of corruption has been one in which, in spite of a conventional bidding process, an award has been made to a company which has committed itself to specific additional investment often amounting to large sums. The real, but very untransparent arrangement, has been that a key figure in the privatisation panel has taken a bribe for the award of the contract and will ensure that no further investment need be made, and even that the initial downpayment should be very modest. This is certain to have disastrous consequences for the long term viability of the operation in question.

Foreign investment, tax fraud and transfer pricing

There are many other modes of surplus and resource extraction through FDI, involving swindling. For example, corporate failure to pay taxes and state failure to collect them is a point stressed by Cockcroft:

Most African countries operate some form of tax break for new investors, with varying degrees of generosity. In fact such incentive schemes are frequently deceptive in that the real deal is being done in spite of them and alongside them, with a key cabinet minister or official coming to an alternative arrangement which may well guarantee an offshore payment for the individual in question as well as a ‘tax holiday’ for the company concerned…

One of the most common instruments of state sponsored corruption is the award of import permits to well placed individuals which undermine this legitimate protection. The Kenyan sugar industry and the Nigerian feedmilling and poultry industry have been ruined for several years at a stretch through this process.

As access to prime land becomes more and more competitive in African countries where there is a formal market in land the corruption surrounding the award of title has become more and more severe. A recurrent problem is one in which a title, once awarded, is re-awarded to a competitor by the Registrar of Lands or the senior politician who controls the Registrar. Facilitation payments, also known as grease payments, may be usefully defined as payments designed to ensure that a standard service is performed more quickly than would be the case without the payment. The clearance of customs and the installation of a telephone are illustrations of such cases. Obviously payments of this kind are regarded as standard practice in many countries of the world, and Africa is no exception to this. They have been permitted under the US Foreign Corrupt Practices Act since its revision in 1988, and in a guarded form are permitted under the 1997 OECD AntiBribery Convention.

Official statistics have never properly picked up the durable problem of transfer pricing, whereby foreign investors misinvoice inputs drawn from abroad. Companies cheat Third World countries on tax revenues by artificially inflating their imported input prices so as to claim lower net income. It is only possible to guess the vast scale of the problem on the basis of case studies.

The Oxford Institute of Energy Studies estimated that in 1994, 14% of the total value of exported oil ‘was not accounted for in national trade figures as a result of various forms of transfer pricing and smuggling’.\textsuperscript{52} According to a 1999 United Nations Conference on Trade and Development survey on income shifting as part of transfer pricing, ‘Of the developing countries with sufficient evidence to make an assessment, 61% estimated that their own national transnational corporations (TNCs) were engaging in income shifting, and 70% deemed it a significant problem. The income-shifting behaviour of foreign-based TNCs was also appraised. 84% of the developing countries felt that the affiliates they hosted shifted income to their parent companies to avoid tax liabilities, and 87% viewed the problem as significant.’\textsuperscript{53}

Similarly, another kind of corporate financial transfer aimed at exploiting weak African countries is the fee that headquarters charge for patent and copyright fees on technology agreements. Such payments, according to Yash Tandon, are augmented by management and consultancy fees, as well as other Northern corporate support mechanisms that drain the Third World. For the year

\begin{footnotesize}
\begin{thebibliography}{9}
\bibitem{52} Cockcroft, ‘Corruption as a Threat to Corporate Behaviour and the Rule of Law’, p.2.
\end{thebibliography}
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2000, Tandon listed export revenue denied the South because of northern protectionism of more than $30 billion for non-agricultural products.\textsuperscript{54}

Production, transport and the ecological debt

Most of the systems of unequal exchange have been identified (aside from labour which is considered below), although the ecological implications have not been. In an indirect manner, such that victims are not aware of the process, another crucial outlet for Northern investors to exploit Africa is in their consumption of the global commons, particularly the earth’s clean air. During the early 1990s, the idea of the North’s ecological debt to the South began gaining currency in Latin America thanks to NGOs, environmentalists and politicians (including Fidel Castro of Cuba and Virgilio Barco of Colombia). According to Joan Martinez-Alier,

\begin{quote}
The notion of an ecological debt is not particularly radical. Think of the environmental liabilities incurred by firms (under the United States Superfund legislation), or of the engineering field called ‘restoration ecology’, or the proposals by the Swedish government in the early 1990s to calculate the country’s environmental debt. Ecologically unequal exchange is one of the reasons for the claim of the Ecological Debt. The second reason for this claim is the disproportionate use of Environmental Space by the rich countries.\textsuperscript{55}
\end{quote}

In the first category, Martinez-Alier lists:

- Unpaid costs of reproduction or maintenance or sustainable management of the renewable resources that have been exported;
- actualized costs of the future lack of availability of destroyed natural resources;
- compensation for, or the costs of reparation (unpaid) of the local damages produced by exports (for example, the sulphur dioxide of copper smelters, the mine tailings, the harms to health from flower exports, the pollution of water by mining), or the actualized value of irreversible damage;

\textsuperscript{54} http://www.globalpolicy.org/socecon/develop/devthry/well-being/2000/tandon.htm

\textsuperscript{55} Martinez-Alier, J. (2003), ‘Marxism, Social Metabolism and Ecologically Unequal Exchange’, Paper presented at Lund University Conference on World Systems Theory and the Environment, 19-22 September. Martinez-Alier elaborates with examples of ecological debt that are never factored into standard trade and investment regimes: ‘nutrients in exports including virtual water… the oil and minerals no longer available, the biodiversity destroyed. This is a difficult figure to compute, for several reasons. Figures on the reserves, estimation of the technological obsolence because of substitution, and a decision on the rate of discount are needed in the case of minerals or oil. For biodiversity, knowledge of what is being destroyed would be needed.’ Some of these cases are considered in the discussion earlier concerning depletion of natural capital. See also www.deudaecologica.org
(unpaid) amount corresponding to the commercial use of information and knowledge on genetic resources, when they have been appropriated gratis (‘biopiracy’). For agricultural genetic resources, the basis for such a claim already exists under the FAO’s Farmers’ Rights.

In the second, he cites ‘lack of payment for environmental services or for the disproportionate use of Environmental Space’:

- (unpaid) reparation costs or compensation for the impacts caused by imports of solid or liquid toxic waste;
- (unpaid) costs of free disposal of gas residues (carbon dioxide, CFCs, etc), assuming equal rights to sinks and reservoirs.

These aspects of ecological debt defy easy measurement. Each part of the ecological balance sheet is highly contested, and information is imperfect. As Martínez-Alier shows in other work, tropical rainforests used for wood exports have an extraordinary past we will never know and ongoing biodiversity whose destruction we cannot begin to value. However, he acknowledges, ‘although it is not possible to make an exact accounting, it is necessary to establish the principal categories [of ecological debt] and certain orders of magnitude in order to stimulate discussion.’

The sums involved are potentially vast. Vandana Shiva and Tandon estimate that biopiracy of ‘wild seed varieties have contributed some $66 billion annually to the US economy.’ As Shiva observes, oligopolistic concentration in the firms that transform ecology into profit is now an ‘epidemic’:

- the world’s top 10 seed companies have increased their control from one-third to one-half of the global seed trade;
- the top 10-biotech enterprises have raised their share from just over half to nearly three quarters of the world biotech sales; and
- the top ten pharmaceutical companies control almost 59% market share of the world’s leading 98 drug firms (previously the top ten accounted for 53% market share of 118 companies).

A 2005 study commissioned by the Edmonds Institute and African Centre for Biosafety identified nearly three dozen cases of African resources captured by firms for resale without adequate ‘Access and Benefit Sharing’ agreements between producers and the people who first used the natural products. The values expropriated are impossible to calculate but easily run into the billions of dollars. They include a diabetes drug produced by a Kenyan microbe; a Libyan/Ethiopian

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58. Shiva, ‘Beyond the WTO Ministerial in Hong Kong’.
treatment for diabetes; antibiotics from a Gambian termite hill; an antifungal from a Namibian giraffe; an infection-fighting amoeba from Mauritius; a Congo (Brazzaville) treatment for impotence; vaccines from Egyptian microbes; multipurpose medicinal plants from the Horn of Africa; the South African and Namibian indigenous appetite suppressant Hoodia; antibiotics from giant West African land snails; drug addiction treatments and multipurpose kombo butter from Central and West Africa; skin whitener from South African and Lesotho aloe; beauty and healing from Okoumé resin in Central Africa; skin and hair care from the argan tree in Morocco; skin care plus from Egyptian ‘Pharaoh’s Wheat’; skin care from the bambara groundnut and ‘resurrection plant’; endophytes and improved fescues from Algeria and Morocco; nematocidal fungi from Burkina Faso; groundnuts from Malawi, Senegal, Mozambique, Sudan and Nigeria; Tanzanian impatiens; and molluscicides from the Horn of Africa. As author Jay McGown concluded,

It’s a free-for-all out there, and until the parties to the Convention on Biological Diversity solve the problems of access and benefit sharing, the robbery will continue. They’ve got to declare a moratorium on access until a just protocol on access and benefit sharing is finished and implemented. Until they slog through that terrible work - and that includes all the hard questions indigenous peoples and local communities are asking and all the hard questions about the sources of biodiversity mentioned in patent applications - until that work is done, the biopirates will keep on shouting in the ears of their victims, ‘There’s no such thing as biopiracy!’

Moreover, in the case of CO2 emissions, according to Martinez-Alier,

Jyoti Parikh (a member of the UN International Panel on Climate Change) [argues that] if we take the present human-made emissions of carbon, the average is about one tonne per person per year. Industrialized countries produce three-fourths of these emissions, instead of the one-fourth that would correspond to them on the basis of population. The difference is 50% of total emissions, some 3000 million tons. Here the increasing marginal cost of reduction is contemplated: the first 1000 million tons could be reduced at a cost of, say, $15 per ton, but then the cost increases very much. Let us take an average of $25: then a total annual subsidy of $75 billion is forthcoming from South to North.

Depletion of minerals and other nonrenewable resources, dumping of toxics, biopiracy and excess use of the planet’s CO2 absorption capacity are merely some


of the many ways that the South is being exploited by the North on the ecological front. Africans are most exploited in this regard because non-industrialized economics have not begun to utilize more than a small fraction of what should be due under any fair framework of global resource allocation. The amounts involved would easily cover debt repayments.

Conclusion

The looting of Africa dates back many centuries, and may be traced to the point at which value transfers began via appropriation of slave labour, antiquities, precious metals and raw materials. Unfair terms of trade were soon amplified by colonial and neocolonial relations. These processes often amounted to a kind of ongoing ‘primitive accumulation’, by which capital of Northern countries grew by virtue of looting Africa. This was not a once-off set of problems, solved by the 1950s-90s independence struggles. In recent decades, wealth extraction through imperialist relations has intensified, and some of the same kinds of primitive looting tactics are now once again evident. Moreover, key causes of Africa’s underdevelopment since the early 1980s can also be identified within the framework of neoliberal (free market) policies adopted nearly universally across the continent and indeed the world, in part thanks to the emergence of local allies of the North within African states.

Is there any current offset through donor activity in Africa? The mainstream impression – e.g., Tony Blair’s Africa Commission – is mistaken when citing what appears as a vast inflow of aid, for more than 60% - so-called ‘phantom aid’ - is redirected backwards to the donors or otherwise misses the mark in various ways. Instead of a sustainable level of debt service payments, as claimed by those supporting the elites’ limited debt relief schemes, Africa’s net financial accounts went negative during the 1990s. And although remittances from the African Diaspora now fund a limited amount of capital accumulation, capital flight is far greater. At more than $10 billion/year since the early 1970s, collectively, the citizens of Nigeria, the Ivory Coast, the DRC, Angola and Zambia have been especially vulnerable to the overseas drain of their national wealth. In addition to the lifting of exchange controls, a major factor during the late 1990s was financial deregulation. In South Africa, for example, financial liberalisation included the relisting of the primary share-issuing residence of the largest South African firms: from Johannesburg to London.

In response, progressive African activists and allied intellectuals should be increasingly capable of building upon their citizenries’ profound skepticism of ruling elites. According to Afrobarometer polls and the World Values Survey, ‘Africans care about equity and public action to reduce poverty. They are less comfortable with wide wealth differentials, and have a strong commitment to political equality. About 75% of the respondents agree that African governments are doing too little for people trapped in poverty.’ The challenge will be to

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establish not only alternative conceptions of poverty and inequality so that the broader structural processes of accumulation by dispossession are clear - but also a different approach to public policy and politics.

Those conceptions are not limited to a set of policy reforms (though such can be provided whenever necessary, drawing upon real experiences in history and across the contemporary world). Most importantly, the solution to the looting of Africa is to be found in the self-activity of progressive Africans themselves, in their campaigns and declarations, their struggles – sometimes victorious but still mainly frustrated – and their hunger for an Africa which can finally throw off the chains of an exploitative world economy and a power elite who treat the continent without respect.

To illustrate, consider the grassroots, coalface and fenceline demand by civil society activists to leave the oil in the soil, the coal in the hole, the resources in the ground. This demand emanated in a systemic way at the Kyoto Protocol negotiations in 1997 from the group OilWatch when it was based in Quito, Ecuador, as heroic activists from Accion Ecologia took on struggles such as halting exploitation of the Yasuni oil. This work led President Rafael Correa to declare in 2007 that the North should pay Ecuador roughly $5 billion in compensation for its commitment to permanently forego exploitation of Yasuni (albeit with concern amongst indigenous people about nearby oil extraction especially by the voracious Brazilian firm Petrobas). In 2007, at the World Social Forum in Nairobi, many other groups became aware of this movement thanks mainly to eloquent activists from the Niger Delta, including the Port Harcourt NGO Environmental Rights Action.62

One way that Africans might consider a strategy of resisting exploitative trade and investment in non-renewable resources is to put sharp conditions on their use: strict limits on the use of water and greenhouse gas emissions in resource extraction; realistic land reclamation plans (including a financial deposit large enough to cover full-cost reclamation up-front); no further subsidies for the production of dirty energy; provisions for energy security for Africans (since so much of Africa’s petroleum is exported to the US); and much higher economic rents on dirty energy to fund a clean energy industry. These kinds of provisions would strictly limit the extraction of resources, and permit them to leave the soil only under conditions in which much greater socio-ecological and economic benefit is retained within Africa.

62. The legacy of resisting fossil fuel abuse goes back much further, and includes Alaskan and Californian environmentalists who halted drilling and even exploration. In Norway, the global justice group ATTAC took up the same concerns in an October 2007 conference, and began the hard work of persuading wealthy Norwegian Oil Fund managers that they should use the vast proceeds of their North Sea inheritance to repay Ecuadorans some of the ecological debt owed. Canada is another Northern site where activists are hard at work to leave the oil in the soil, specifically the tarsands of Alberta which are reputed to have more potential oil than anywhere in the world aside from Saudi Arabia.
There are many other examples where courageous communities and environmentalists have lobbied successfully to keep nonrenewable resources (not just fossil fuels) in the ground, for the sake of the environment, community stability, disincentivising political corruption and workforce health and safety. The highest-stake cases in South Africa at present may well be the Limpopo Province and Northwest platinum fields and Wild Coast titanium finds, where communities are resisting foreign companies’ extractive strategies. With African leadership, this strategy may catch on more broadly, and may apply to the most crucial problem our descendents in Africa will face: climate change.

My sense is that these efforts have great potential when linked up with other progressive African strategies to decommodify aspects of life threatened by multinational trade and investment agendas. The most spectacular success has been African Treatment Action Campaign advocates breaking the hold of pharmaceutical corporations on monopoly antiretroviral patents; activists fighting Monsanto’s GM drive from the US to South Africa to several other African countries; blood-diamonds victims from Sierra Leone and Angola generating a partially-successful global deal at Kimberley; Kalahari Basarwa-San Bushmen raising publicity against forced removals, as the Botswana government clears the way for DeBeers and World Bank investments; Lesotho peasants objecting to displacement during construction of the continent’s largest dam system (solely to quench Johannesburg’s irrational and hedonistic thirst), along with Ugandans similarly threatened at the overly expensive, corruption-ridden Bujagali Dam; a growing network questioning Liberia’s long exploitation by Firestone Rubber; Chadian and Cameroonian activists pressuring the World Bank not to continue funding their repression and environmental degradation; Oil Watch linkages of Nigerian Delta and many other Gulf of Guinea communities; and Ghanaian, South African and Dutch activists opposing water privatisation.

How far they go in part depends upon how far valued allies across Africa, and elsewhere, recognise the merits of their analysis, strategy and tactics — and offer the solidarity that these activists can repay many times over, once the boot of multinational trade and investment is lifted from their countries’ necks and they gain the space to win lasting, emancipatory objectives. In any case, only from that process of praxis can durable knowledge be generated about how to solve the problems posed by EPAs in a just way.