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Never forget the historical legacy of a continent looted.

Africa is still getting progressively poorer, with per capita incomes in many countries below those of the 1950s to '60s era of independence. If we consider even the most banal measure of poverty, most Sub-Saharan African countries suffered an increase in the percentage of people with income of less than \$1 per day during the 1980s and 1990s, the World Bank itself concedes.²

Not just poverty but also inequality must be central to the analysis, for Africa hosts some of the world's worst cases: Namibia, Botswana, the Central African Republic, Swaziland, Lesotho, South Africa, Zambia, Malawi, The Gambia and Zimbabwe.³ Women are the main victims of systemic poverty and inequality, whether in productive circuits of capital (increasingly subject to sweatshop conditions) or in the social reproduction of households and labour markets, thanks to unequal gender power relations. There are many ways, Dzodzi Tsikata and Joanna Kerr have shown, that markets and mainstream economic policy "perpetuate women's subordination."⁴

The pages that follow focus on one of the material processes that underlie Africa's underdevelopment: the depletion of natural resources. This is an area of research that has already helped catalyse the Publish What You Pay campaign and the ecological debt and reparations movements. It now has sufficient intellectual standing that even the World Bank, led by a notorious intellectual of the petro-military complex, Paul Wolfowitz, released a study entitled, *Where is the Wealth of Nations?*⁵

Multinational Capital's Responsibility for Africa's Resource Extraction Crisis

By Professor Patrick Bond¹

The story is not new, of course. We can never afford ourselves the luxury of forgetting the historical legacy of a continent *looted*: trade by force dating back centuries; slavery that uprooted around 12 million Africans; land grabs; vicious taxation schemes; precious metals spirited away; the appropriation of antiquities to the British Museum and other trophy rooms; the nineteenth century emergence of racist ideologies to justify colonialism; the 1884-85 carve-up of Africa into dysfunctional territories in a Berlin negotiating room; the construction of settler-colonial and extractive-colonial systems – of which apartheid, the German occupation of Namibia, the Portuguese colonies and King Leopold's Belgian Congo were perhaps only the most blatant – often based upon tearing black migrant workers from rural areas (leaving women vastly increased responsibilities as a consequence); Cold War battlegrounds – proxies for US/USSR conflicts – filled with millions of corpses; the post-Cold War terrain of unipolar power; other wars catalysed by mineral searches and offshoot violence such as witnessed in blood diamonds and other precious metals and minerals such as coltan (the cellphone ingredient found in the eastern Democratic Republic of the Congo); poacher-stripped swathes of East, Central and Southern Africa now devoid of rhinos and elephants whose ivory and other body parts became ornamental material or aphrodisiac in the Middle East and East Asia; societies used as guinea pigs in the latest corporate pharmaceutical test; and the list could continue.

But what is most striking about the exploitation of Africa today, perhaps, is the worsening trap of “primary product” dependence. Deindustrialisation has ravaged Africa, and there are few hopes for an India-style service sector boom. Overall, primary exports of natural resources accounted for nearly 80 percent of African exports in 2000, compared to 31 percent for all developing countries and 16 percent 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 percent, Congo 57 percent, Gabon 70 percent, Nigeria 96 percent and Equatorial Guinea 91 percent); copper (Zambia 52 percent); diamonds (Botswana 91 percent); coffee (Burundi 76 percent Ethiopia 62 percent, Uganda 83 percent), tobacco (Malawi 59 percent) and uranium (Niger 59 percent).⁶

Excluding South Africa, the vast majority (63 percent) 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 percent).⁷ 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.⁸

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 notwithstanding greater volumes of exports.⁹

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 typical-

Product, Unit	1980	1990	2001
Coffee (Robusta) cents/kg	411.70	118.20	63.30
Cocoa cents/kg	330.50	126.70	111.40
Groundnut oil dollars/ton	1090.10	963.70	709.20
Palm oil dollars/ton	740.90	289.90	297.80
Soya dollars/ton	376.00	246.80	204.20
Sugar cents/kg	80.17	27.67	19.90
Cotton cents/kg	261.70	181.90	110.30
Copper dollars/ton	2770.00	2661.00	1645.00
Lead cents/kg	115.00	81.10	49.60

Source: Touissant, E. (2005), *Your Money or Your Life*, Chicago, Haymarket Books, p.157.

ly 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 when oil and minerals – especially gold – temporarily soared. The subsequent fall in commodity prices took the index down steadily, well below 40 by the late 1990s.¹⁰

Commodity prices were extremely volatile in key sectors affecting Africa. Gold rose from \$35 per ounce in 1971 to \$850/ounce in 1981 but then crashed to as low as \$250 by the late 1990s. The 2002 to 2005 minor boom in some commodity prices reflected strong Chinese import demand and the East Asian recovery from the 1997 to 1998 depression in four key countries; from a very low base in early 2002, the prices of agricultural products rose 80 percent and metals and minerals doubled. Perhaps most spectacularly, the rise of the oil price from \$11 per barrel to \$70 per barrel from 1998 to 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.

Investment, production and exploitation

Under these circumstances, can foreign investors and minerals extraction processes save Africa? 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.*¹¹

In recent years, Africa has not been overwhelmed by interest from foreign corporate suitors. During the early 1970s, roughly a third of all foreign direct investment (FDI) to the Third World went to Sub-Saharan African countries, especially apartheid South Africa. By the 1990s, that statistic had dropped to five percent. Aside from oilfield 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 and profits, payments of patent and royalty fees to transnational corporations.

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. In the most brazen case, the oil sector demonstrates how profit and dividend outflows, often lubricated by corruption, have had extremely negative consequences. As demonstrated by 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.¹² 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 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.¹³

From a September 2005 conference in Johannesburg organised by the South African NGO GroundWorks, 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 violence and destruction of war. Another energy future is necessary: yours has failed!¹⁴

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 for-

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mation of standardised 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, Erinys 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.'¹⁵ The bottom line is enhanced profit for international capital and despotism for the citizenry.

Matters are likely to degenerate, not improve, with the entry of China into Africa. More than two-thirds of Africa's trade is with developed countries, although beginning in 1990, China's share rose from two percent to nine percent, in the process attracting growing controversy over geopolitics (because from Sudan to Zimbabwe to Angola, Chinese loans and investments propped up corrupt regimes) and deindustrialisation. 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 to 2005. Lesotho's garment industry collapsed when the Africa Growth and Opportunity Act benefits evaporated in 2005 once China joined the World Trade Organisation (WTO).¹⁶ The Chinese National Petroleum Corporation (CNPC) and two other large Chinese oil firms are active in 17 African countries. One is Sudan where \$2 billion of oil investments are underway notwithstanding the Darfur genocide, responsible already for of five percent of China's import requirements, along with Chinese-financed development of a home-grown 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 percent 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

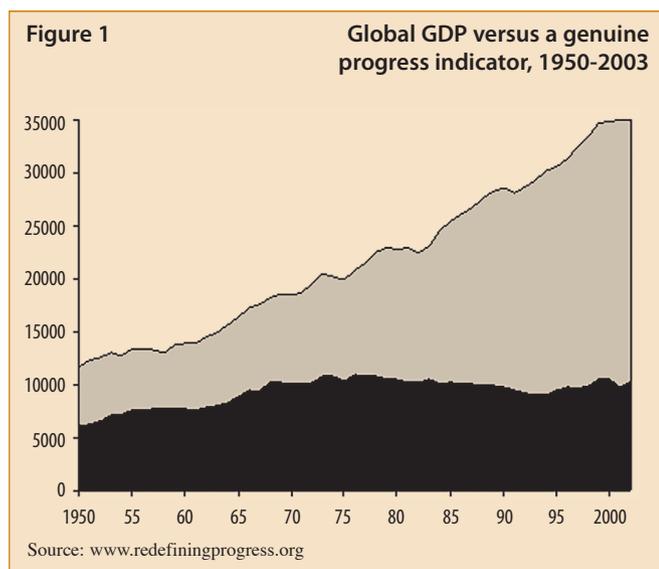
International, Chinese companies buy up to 75 percent of Sudan's ivory.

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'.¹⁷

In the wake of higher consciousness regarding full environmental accounting, some of the costs of this model are now being measured at even the World Bank. Along with this, we are entering a potentially fruitful period in which the depletion of natural resources plus associated negative externalities – such as the social devastation caused by mining operations – can now begin to be taken seriously as a way of envisioning a global commons. That entails at least a rough accounting of the costs associated with tearing resources from the ground, forests and fisheries, even as we continue to recognise 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 begun to address the question of resource depletion, in *Where is the Wealth of Nations?*, using the methodology of correcting bias in GDP wealth accounting.¹⁸ Not surprisingly, this is nowhere near as expansive as parallel efforts by groups such as San Francisco-based Redefining Progress.¹⁹ There, statisticians subtract from GDP the cost of crime and family breakdown; add household and volunteer work; correct for income distribution (rewarding equality); subtract resource depletion; subtract pollution; subtract long-term environmental damage (climate change, nuclear waste generation); add opportunities for increased leisure time; factor in lifespan of consumer durables and public infrastructure; and subtract vulnerability upon foreign assets. Using this approach and accounting for natural resource depletion, pollution and the other factors that, in the aggregate, comprise the onset of the era marked by neoliberalism, globalisation and the ecological crisis, global welfare began declining in absolute terms during the mid-



1970s. Nevertheless, the Bank’s tentative approach is at least a step forward in recognising that extractive investments may not contribute to net welfare, and indeed may cause national savings and wealth to actually shrink, along with their better known qualitative manifestations.

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 making estimates about the decline in a country’s wealth due to energy, mineral or forest-related depletion, the World Bank adopts a minimalist definition based upon international pricing (not potential future values when scarcity becomes a more crucial factor, especially in the oil industry). Moreover, the Bank does not fully calculate damages done to the local environment, to workers’ health and safety, and especially to women in communities around mines. And the Bank’s use of average – not marginal – cost resource rents also underestimates the depletion costs. 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.”²⁰

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 for 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 nine percent (as against the real GDP recorded), according to the Bank.²¹ 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 a much smaller role in the Nigerian economy today, with likely beneficial impacts on policies affecting other sectors of the economy.”²²

Table 2 Adjustment to Ghana’s 2000 savings rate based upon tangible wealth and resource depletion (per capita \$)

Tangible wealth	Adjusted net saving
Subsoil assets \$65	Gross National Saving \$40
Timber resources \$290	Education expenditure \$7
Nontimber forest resources \$76	Consumption fixed capital \$-19
Protected areas \$7	Energy depletion \$0
Cropland \$855	Mineral depletion \$-4
Pastureland \$43	Net forest depletion \$-8
Produced capital \$686	
Total tangible wealth \$2 022	Adjusted net saving \$16
Population growth 1.7%	Change in wealth per capita \$-18

Source: World Bank, *Where is the Wealth of Nations?*, pp.64-65.

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, non-timber 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 capita in 2000. The same year, the Gross National Saving of Ghana was \$40 per capita 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 capita in 2000. But, given a population growth of 1.7 percent, the country's wealth actually shrunk by \$18 per capita in 2000.²³

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.²⁴ The largest indigenous (and black-owned) mining firm in Africa, Ashanti, was recently bought by AngloGold, so it is safe to assume that 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 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

Table 3 African countries' adjusted national wealth and "savings gaps", 2000.

	Income per capita (\$)	Population growth rate (%)	Adjusted net saving per capita (\$)	Change in wealth per capita (\$)
Benin	360	2.6	14	-42
Botswana	2 925	1.7	1 021	814
Burkina Faso	230	2.5	15	-36
Burundi	97	1.9	-10	-37
Cameroon	548	2.2	-8	-152
Cape Verde	1 195	2.7	43	-81
Chad	174	3.1	-8	-74
Comoros	367	2.5	-17	-73
Rep of Congo	660	3.2	-227	-727
Côte d'Ivoire	625	2.3	-5	-100
Ethiopia	101	2.4	-4	-27
Gabon	3 370	2.3	-1 183	-2 241
The Gambia	305	3.4	-5	-45
Ghana	255	1.7	16	-18
Kenya	343	2.3	40	-11
Madagascar	245	3.1	9	-56
Malawi	162	2.1	-2	-29
Mali	221	2.4	20	-47
Mauritania	382	2.9	-30	-147
Mauritius	3 697	1.1	645	514
Mozambique	195	2.2	15	-20
Namibia	1 820	3.2	392	140
Niger	166	3.3	-10	-83
Nigeria	297	2.4	-97	-210
Rwanda	233	2.9	14	-60
Senegal	449	2.6	31	-27
Seychelles	7 089	0.9	1 162	904
South Africa	2 837	2.5	246	-2
Swaziland	1 375	2.5	129	8
Togo	285	4.0	-20	-88
Zambia	312	2.0	-13	-63
Zimbabwe	550	2.0	53	-4

Source: World Bank, *Where is the Wealth of Nations?*, p.66.

of the 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.²⁵

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);²⁶ 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 industrialised economy, the estimated value of natural wealth is nearly half of the measurable value of plant, equipment and urban land.²⁷

In part, minerals depletion and associated pollution costs are a function of expanded foreign direct investment. Even in South Africa, with a 150-year old organic mining-based bourgeoisie, mineral depletion today disproportionately benefits overseas mining houses (especially given that some of the largest Johannesburg firms relisted their primary share residences to London after 1994). In addition, CO₂ emissions plus a great deal of other pollution (especially SO₂) are largely the result of energy consumption by metal smelters owned by large multinational corporations (Mittal Steel, BHP Billiton and the Anglo group). Any assessment of FDI, especially in oil and resource rich countries, must henceforth take into account its contribution to the net negative impact on national wealth, including the depletion and degradation of the resource base. 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 in order to correct biases, and rigorously estimating an Africa-wide extraction measure in order to better account for the way extractive FDI generates net negative welfare and savings, still remain as important exercises.

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

"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."²⁸

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 percent 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."²⁹ 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 percent estimated that their own national transnational corporations (TNCs) were engaging in income shifting, and 70 percent deemed it a significant problem. The income-shifting behaviour of foreign-based TNCs was also appraised. Eighty-four percent of the developing countries felt that the affiliates they hosted shifted income to their parent companies to avoid tax liabilities, and 87 percent viewed the problem as significant."³⁰

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 2000,

Tandon listed export revenue denied the South because of northern protectionism of more than \$30 billion for non-agricultural products.³¹

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:

“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.”³²

In the first category, Martinez-Alier lists:

Unpaid costs of reproduction or maintenance or sustainable management of the renewable resources that have been exported;

- actualised 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 actualised value of irreversible damage;
- (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; and

- (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 Martinez-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.”³³

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.”³⁴ 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. Industrialised 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 percent of total emissions, some 3 000 million tons. Here, the increasing marginal cost of reduction is contemplated: the first 1 000 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.”³⁵

Excess use of the planet's CO₂ absorption capacity is merely one 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-industrialised economics have not begun to utilise 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: From looting to liberation

The looting of Africa dates back many centuries, 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 “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 to 1990s 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.

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 percent – 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 per 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.

Likewise, trade liberalisation has, according to Christian Aid, cost Sub-Saharan Africa \$272 billion since the early 1980s. Trade is especially difficult to rely upon for growth, given that agricultural subsidies accruing to Northern farmers rose from the late 1980s to 2004 by 15 percent, to \$279 billion, mainly benefiting large agro-corporate producers. Flows of people – a veritable brain drain – have also been formidable, but the value of wealth lost to the process is incalculable, given that more than 15 percent of Africa’s best-educated professionals now live abroad.

Non-financial investment flows are driven less by policy – although liberalisation has also been important – and

more by accumulation opportunities. Foreign Direct Investment to Sub-Saharan Africa began rising in the late 1990s after two decades of stagnation. But the vast bulk of investments were accounted for in two major processes: South African capital’s changed domicile, and resurgent oil investments (especially in Angola and Nigeria).

In the latter cases, a report by the World Bank acknowledges stagnant and net negative “genuine savings” in countries with high resource dependence and low capital accumulation. Moreover, much of Africa – including South Africa – has been victimised by privatisation-related foreign investment. Transparency International blames part of the “disappointment in many African countries” upon corruption. Other forms of corruption occur through tax fraud and transfer pricing. Ecological debt that the North owes the South, especially Africa, is also vast. Only some of these factors are incorporated in the alternative accounting systems of the World Bank and other ecological and social indicators such as Redefining Progress (which to be fair doesn’t specify country-level data in sites like Africa).

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 percent of the respondents agree that African governments are doing too little for people trapped in poverty.”³⁶ The challenge will be to 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. ■

“... About 75 percent of the respondents agree that African governments are doing too little for people trapped in poverty.”

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Endnotes

- 1 A longer version of the argument - under the title *Looting Africa: The Economics of Exploitation* - was published by Zed Books and University of KwaZulu Press in July 2006.
- 2 World Bank (2005), *World Development Report 2006: Equity and Development*, Washington, p.66. For a critique of the \$/day measure, see Reddy, S. (2005), 'Counting the Poor: The Truth about World Poverty Statistics', in L.Panitch and C.Leys (Eds), *Telling the Truth: Socialist Register 2006*, London, Merlin Press and New York, Monthly Review Press.
- 3 World Bank (2005), *World Development Report 2006: Equity and Development*, Washington, p.39.
- 4 Tsikata, D. and J. Kerr (2002), *Demanding Dignity: Women Confronting Economic Reforms in Africa*, Ottawa, The North-South Institute and Accra, Third World Network-Africa.
- 5 World Bank (2005), *Where is the Wealth of Nations?*, Washington, July.
- 6 Cited in Oxfam (2005), 'Africa and the Doha Round: Fighting to Keep Development Alive', Oxfam Briefing Paper 80, Oxford, November, p.21.
- 7 Commission for Africa (2005), *Our Common Future*, London p.250.
- 8 Cornia, G. (1999), 'Liberalization, Globalization and Income Distribution', United Nations World Institute for Development Economic Research Working Papers #157, Helsinki, March.
- 9 Barratt-Brown, M. (2004), 'Africa's Trade Today,' Paper for the Review of African Political Economy and CODESRIA 30th Anniversary Conference, Wortley Hall, Sheffield, 27 May. See also Barratt-Brown, M. and P. Tiffen (1992), *Short Changed: Africa and World Trade*, London, Pluto Press.
- 10 Leon, J. and R.Soto (1997), 'Structural Breaks and Long-term Trends in Commodity Prices', *Journal of International Development*, 9, p.350.
- 11 Rodney, W. (1972), *How Europe Underdeveloped Africa*, Dar es Salaam, Tanzania Publishing House.
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- 13 Olukoya, S. (2001), 'Environmental Justice from the Niger Delta to the World Conference Against Racism', Special to CorpWatch, 30 August, <http://www.corpwatch.org/article.php?id=18>
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- 16 Chiahemen, J. (2005), 'Africa fears "Tsunami" of Cheap Chinese Imports', Reuters, 18 December.
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- 18 World Bank (2005), *Where is the Wealth of Nations? Measuring Capital for the 21st Century*, Washington, Conference Edition, 15 July. For context and for a ruthless critique of the World Bank's move into environmental analysis and investments more generally, see Goldman, M. (2005), ??, www.redefiningprogress.org.
- 19 World Bank, *Where is the Wealth of Nations?*, p.39.
- 20 World Bank, *Where is the Wealth of Nations?*, p.55.
- 21 World Bank, *Where is the Wealth of Nations?*, p.55.
- 22 World Bank, *Where is the Wealth of Nations?*, pp.64-65.
- 23 World Bank, *Where is the Wealth of Nations?*, pp.64-65.
- 24 World Bank, *Where is the Wealth of Nations?*, p.66.
- 25 According to a different study by the United Nations Development Programme, the value of minerals in the soil fell from \$112 billion in 1960 to \$55 billion in 2000. See United Nations Development Programme (2004), *South Africa Human Development Report 2003*, Pretoria, Appendix 12.
- 26 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 subtracting 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. World Bank, *Where is the Wealth of Nations?*, p.179.
- 27 Cockcroft, L. (2001), 'Corruption as a Threat to Corporate Behaviour and the Rule of Law', London, Transparency International UK, p.2.
- 28 Cockcroft, 'Corruption as a Threat to Corporate Behaviour and the Rule of Law', p.2.
- 29 UN Conference on Trade and Development (1999), 'Transfer Pricing', Geneva, p.167.
- 30 <http://www.globalpolicy.org/soecon/develop/devthry/well-being/2000/tandon.htm>
- 31 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 obsolescence 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.deudaeologica.org
- 32 Martinez-Alier, J. (1998) 'Ecological Debt - External Debt', Quito, Acción Ecológica.
- 33 <http://www.globalpolicy.org/soecon/develop/devthry/well-being/2000/tandon.htm>
- 34 Martinez-Alier cites Parikh, J.K. (1995), 'Joint Implementation and the North and South Cooperation for Climate Change', *International Environmental Affairs*, 7, 1.
- 35 Cited in World Bank (2005), 'Meeting the Challenge of Africa's Development: A World Bank Group Action Plan', Africa Region, Washington, 7 September, p.5.