

The dispossession of African wealth at the cost of African health



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EXECUTIVE SUMMARY

The South-North drain of African wealth reduces the resources available for health and development, increases dependency on the global North. This drain can be reversed by citizen activism and bold national policies. Africa has been drained of resources that – if harnessed and shared fairly – would meet the needs of the peoples of Africa.

The UK Blair government's 2005 Commission for Africa report leaves the impression of a continent receiving a vast inflow of aid, with rising foreign investment, sustainable debt payments and large remittances from the African diaspora to fund development. This paper tells a different story: of significant flows of resources out of Africa northwards, draining the continent of the important resources needed to address its own development, including in health. The paper synthesises data about the outflow of Africa's wealth, to reveal factors behind the continent's ongoing underdevelopment, as the basis for proposing policy measures to reverse these flows.

This resource drain dates back many centuries, beginning with the appropriation of wealth, consolidated through slavery, colonialism and unfair terms of trade, and amplified today through current forms of neoliberal free market globalisation.

The outflows have risen dramatically in recent decades, as most African countries have liberalised finance, trade and investment policies. Even the World Bank now concedes the problems that resulted when exchange controls and other financial regulations were loosened or removed. Nevertheless, 'fast-track financial market integration' is being promoted across the continent. This trend has been associated with a falling contribution of manufacturing to the GDP and a rising contribution of credit, real estate and stock market investment and of other financial speculation.

Africa's debt crisis worsened during the era of globalisation. The continent now repays more than it ever received, according to the World Bank, with outflow in the form of debt repayments equivalent to three times the inflow in loans and, in most African countries, far exceeding export earnings. During the 1980s and 90s, Africa repaid \$255 billion, or 4.2 times the continent's original 1980 debt. Repayments are equivalent to three times the current inflow of loans, with a net flow deficit, by 2000, of \$6.2 billion. For 21 African countries, the debt reached at least 300% of exports by 2002. While 'debt relief' rose from around \$1.5 billion in 2000 to \$6 billion in 2003, it continues to be provided in a way that deepens, not lessens, dependence and Northern control.

The myth that production for export inexorably brings progress continues to be contested as African countries experience growth without development. Unequal exchange in trade is a crucial route for the extraction of superprofits from Africa. Liberalisation has decimated many local industries and lowered Africa's industrial potential. Analysis of African countries from 1987 to 1999 showed a close correlation between trade openness and worsening poverty. Trade liberalisation has exacted an estimated toll in sub-Saharan Africa of \$272 billion over the past 20 years. Dependence on primary commodities, worsening terms of trade, northern subsidies and long-term falling prices for most exports together grip African producers in a price trap, as they increase production levels but generate decreasing revenues.

Across Africa, four or fewer products make up three quarters of export revenues. 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. Trade-related processes cost Africa an estimated 4% of GDP each year during the 1970s and 80s, an income loss twice as high as that of other regions, while the cumulative loss from declining terms of trade cost non-oil exporting African countries 119% of their total GDP. Agricultural subsidies to Northern farmers (mainly corporate producers) have risen steeply and developing countries lose \$35 billion annually as a result of industrialised countries' protectionist tariffs, \$24 billion of this as a result of the Multifibre Agreement. In this context of unequal exchange, 'production for export' can not lead to real growth.

Flows of private African finance shifted from a net inflow during the 1970s, to gradual outflows during the 1980s, to substantial outflows during the 1990s. Official outflows from Africa by residents have exceeded \$10 billion a year, on average, between 1998 and 2004. The total overseas accounts of African citizens in Northern banks and tax havens was estimated at \$80 billion in 2003, while African countries owed \$30 billion to those same banks.

While outflows have increased in recent decades, inflows have not. **Foreign direct investment (FDI) has been low relative to returns and failed to benefit African economies. Financial sector investment in a handful of stockmarkets and mergers and acquisitions far outweigh investment in new 'green field' manufacturing.** During the 1970s roughly one third of Foreign Direct Investment (FDI) to the 'Third World' went to Africa. By the 1990s, this had fallen to 5% (Africa Commission 2005). Portfolio investment has mainly taken the form of 'hot money' – highly risky speculative investment in stock and currency markets – with erratic and overall negative effects on African currencies and economies.

Privatisation-related FDI (14% of total recent FDI) has proved disappointing or worse throughout the continent, including in South Africa where foreign investors have made exceptionally high returns on privatised assets – 108%, for example, on shares in Airports Company of South Africa. Tax fraud, transfer pricing, corruption and other multinational corporate techniques for financial extraction has also reduced Africa's income.

Africa is commonly and mistakenly represented as the (unworthy) recipient of a vast aid inflow. Aid flows in fact dropped 40% during the 1990s. Purported aid figures must be corrected for tied aid (moneys spent in the donor country) and phantom aspects such as debt relief and aid bureaucracy. Contributions from almost all developed countries fall well below the UN-agreed target of 0.7% of GDP, with 0.12% of US GDP and 0.23% of Japanese GDP as extreme examples. The phantom aid that flows back to the source countries in technical and administrative costs was estimated in one study to be \$42 billion of the 2003 total official aid of \$69 billion, leaving just \$27 billion in 'real' aid to poor people.

Northern investors exploit Africa by depleting non renewable resources, and also in their consumption of the global commons, particularly the earth's clean air. In any fair framework of global resource allocation, the amounts owed to the continent would easily cover debt repayments. For example, according to the UN Development Programme, the estimated value of minerals in South Africa's soil fell from US\$112 billion in 1960 to US\$55 billion in 2000. Forests in the South absorbing carbon from the atmosphere are estimated to in effect provide Northern polluters an annual subsidy of \$75 billion. A method for measuring resource depletion, used also by the World Bank suggests

that a country's potential GDP falls by 9% for every percentage point increase in a country's extractive-resource dependency. This implies, for example, that Gabon's people lost \$2,241 each in 2000, based on oil company extraction of oil resources, with little investment in return and few royalties provided.

These outflows deplete the resources available for productive and human development. They are felt most heavily by women and poor communities, and undermine progress towards the achievement of human security for the majority of African people.

This analysis contradicts reform proposals to reverse African poverty through 'a stronger climate for investment and market access'. The first step to effect genuine growth and deliver welfare and basic infrastructure is, instead, for African societies and policymakers to identify and prevent the vast and ongoing outflows of the continent's existing and potential wealth.

Current global reform agendas do not address these outflows. While they point to the debt and unfair trade, they do not seek to reverse the outflow of African wealth. More directly relevant proposals, such as taxes on currency transfers (Tobin Taxes) and ecological reparations, have not yet gained global purchase, despite some action taking place around them within regions and groups of countries.

Campaigns to reverse resource flows and challenge perverse subsidies are emerging from grassroots struggles and progressive social movements, such as:

- movements to establish basic services as human rights, rather than as privatised commodities that must be paid for;
- campaigns to 'de-globalise' capital and property rights, such as de-funding the World Bank and securing the right to generic anti-retroviral medicines;
- demands for civil society oversight of national budgets; and
- activism for equitable redistribution of resources in ways that benefit low-income households, grassroots communities and shop-floor workers.

These struggles can be consolidated by national governments and regional co-operation to improve disclosure of financial flows and apply redistributive policies within Africa, including , for example:

- systemic Third World default on debt repayments,
- well-tested strategies – such as prescribed assets – to enforce domestic reinvestment of pension, insurance and other institutional funds;
- national-scale regulation of financial transfers from offshore tax havens, in order to control capital flight, as part of re-establishing exchange controls;
- refusal of offers of tied or phantom aid;
- for trade relations, pursuing inward-oriented import-substitution strategies and using judicious tariff and quota policies to develop and protect infant industries;
- careful calculation of the costs of FDI (not simply the benefits), including natural resource depletion, transfer pricing and profit/dividend outflows;
- refusal of investment where such calculations are not favourable;
- resistance to macroeconomic policies (fiscal austerity, monetarism, privatisation, liberalisation) that intensify inequities; and
- intensified civil society oversight of budgets.

1 INTRODUCTION

The South-North drain of African wealth reduces the resources available for development, increases dependency on the global North, and – importantly – can be reversed by bold national policies. As African scholars have argued for decades, the continent has been drained of resources that – if harnessed and shared fairly – would meet the needs of the peoples of Africa.

Poverty across Africa worsened in 1990–2001, with 77% of the citizenry surviving on less than \$2.15/day (Commission for Africa 2005). Women in poor communities bear the brunt of this burden (Bakker and Gill 2003). Many global goals in human development and human security are far from being reached in many African countries.

Common – and incorrect – explanations mask both the causes of African poverty and the implications of recent global policy reforms. The IMF argues that African countries have gone ‘off track’, while 2005 global reform proposals are based on the misperception that Africa is the (often unworthy) beneficiary of significant financial inflows. A chart prepared for the Commission for Africa (2005) leaves the impression of a vast inflow of aid, rising foreign investment, sustainable debt payments and adequate remittances from the African diaspora to fund development. This analysis ignores the losses to the continent in resources outflows through a range of routes, including ‘phantom aid’, a net negative debt service payment and capital flight.

By contrast, rigorous studies and analyses now show the negative consequences of neoliberal policies. A few of these critiques are even emerging from within the Bretton Woods and other institutions responsible for pressurizing African countries to adopt structural adjustment and liberalisation in the first place.

Interpreting updated figures, a mid-2005 study by London research/advocacy charity Christian Aid reaches devastating conclusions:

Trade liberalisation has cost sub-Saharan Africa US\$272 billion over the past 20 years. Had they not been forced to liberalise as the price of aid, loans and debt relief, sub-Saharan African countries would have had enough extra income to wipe out their debts and have sufficient left over to pay for every child to be vaccinated and go to school. Two decades of liberalisation has cost sub-Saharan Africa roughly what it has received in aid. Effectively, this aid did no more than compensate African countries for the losses they sustained by meeting the conditions that were attached to the aid they received.

This paper updates the traditional critique of poverty and inequality by outlining the major South–North (and Africa–South Africa–North) flows of resources and identifying policy proposals that would secure greater sovereignty over and value for African resources, and for their use within the continent.

2 DISPOSSESSING AFRICA

Analysis of the latest data contradicts reform proposals to reverse African poverty through 'a stronger climate for investment and improved market access'. The first step to effect genuine growth and deliver welfare and basic infrastructure is, instead, for African societies and policymakers to identify and prevent the vast and ongoing outflows of the continent's existing and potential wealth.

Resources are drained through adverse financial flows (including debt, aid and capital flight), through unequal trade, and through forms of investment and production that deplete Africa of its natural resources.

Excessive debt repayments, speculation in African currency and stock markets, and inadequate aid (a large proportion of which is actually spent within donor countries) are among the key financial factors that keep African economies mortgaged to Northern interests. Capital flight – outflows of private African finance – during the 1980's and 1990s exceeded the continent's debt by almost three times.

While structural adjustment programmes have removed infant-industry protection and proscribed subsidies in African and other developing regions, Northern governments have continued to increase subsidies and protectionist tariffs that benefit (especially large-scale) producers and industries in their own countries. African governments have been told to adopt export-oriented policies which exacerbating trade inequalities as prices for African exports of primary products decline and costs of imported products rise.

Foreign direct investment (FDI) in Africa – as opposed to portfolio investment – has dropped sharply since the 1970s. The existing investors all too commonly drain excessive profits out of Africa through tax fraud, transfer pricing and 'fire-sale' privatisation deals. New methods developed by the World Bank, summarised below, are beginning to assess the true cost of extractive FDI by factoring in the depletion of natural wealth. Other calculations draw attention to the ecological debt owed to Africa in particular as a result of the North's unequal consumption of the global commons.

2.1 DEBT, FINANCE AND AID

Northern governments, multilateral agencies, international banks and corporations maintain a financial stranglehold on Africa, with enabling collaboration from some within the continent.

North-South inflows, as investment or aid, come with conditions. Pressure through such funding – even on 'concessional' (below-market-interest rate) terms – has ensured intensified market integration. The effect is to reduce international barriers for financial transactions and to movements of goods and capital (though not necessarily of labour), in the process weakening state power that might otherwise be used constructively. These neoliberal measures have led to a net drain of Africa's wealth.

2.1.1 Debt repayment

Africa's debt crisis worsened during the era of globalisation. The continent now repays more than it ever received, according to the World Bank, with outflow in the form of debt repayments equivalent to three times the inflow in loans and, in most African countries, far exceeding export earnings by several times. The debt-relief measures announced in mid-2005 by G8 finance ministers do not change the process of draining Africa's financial accounts or the maintenance of debt-associated control functions.

Underlying the G8's 2005 Gleneagles debt concessions is the notion of sustainable service repayments. But Africa has actually repaid more than it received since the 1990s, due to compound interest on debt arrears. Overall, during the 1980s and 90s, Africa repaid \$255 billion, or 4.2 times the original 1980 debt. For some countries (including Cameroon, the Gambia, Mauritania, Senegal and Zambia), servicing the debt far exceeded government health spending.

Africa's debt and repayments: 1980 → 2002

Derived from World Bank, *Global Finance Tables*, 2002

Total foreign debt:	\$61 billion (1980)	→	\$206 billion (2002)
Debt to GDP ratio:	23% (1980)	→	66% (2002)
Loan to repayment ratio:	\$9.6 bn : \$3.2 bn (1980)	→	\$3.2 bn : \$9.8 bn (2000)
Net flow:	+\$6.4 bn	→	-\$6.2 bn
Overall repayment:	\$255 billion (1980s-90s)	or	4.2 times original 1980 debt

In 1980, with inflow comfortably higher than the debt repayment outflow, Africa continued to pay abnormally high interest to service loans, and did so with new loans. By 2000, however, the net flow deficit was \$6.2 billion, so new loans no longer paid the interest on old loans. Those resources were now squeezed from already impoverished economies. For 21 African countries, the debt reached at least 300% of exports by 2002, and for countries such as Sudan, Burundi, Sierra Leone and Guinea-Bissau, it was 15 times greater than annual export earnings.

In at least 16 countries, according to Eric Toussaint (2005), debt inherited from undemocratic governments could be defined as legally 'odious' and therefore eligible for cancellation since citizens were victimised both in the debt's original accumulation (and use of monies against the society) and in subsequent demands that it be repaid. These amounts are estimated to exceed 50% of Africa's outstanding debt.

Sub-Saharan African debt repayments, 2003 (\$ billion)

Commission for Africa, *Our Common Future*, 349

	bilateral lenders 'donor' deals	multilateral lenders World Bank, IMF, African Development Bank	private lenders	Total
HIPCs*	1.1	1.1	0.1	2.3
Other low-income	1.1	0.7	1.8	3.6
Middle-income	0.3	0.2	2.3	2.7
TOTAL	2.4	2.0	4.2	8.6

* Heavily Indebted Poor Countries

2.1.2 Financial portfolio investment

Portfolio investment has mainly taken the form of 'hot money' – highly risky speculative investment in stock and currency markets – with erratic and overall negative effects on African currencies and economies.

The director of the UN Research Institute for Social Development, Thandika Mkandawire (2005) observed,

It is widely recognised 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.

Recent experience confirms this view. In 1995, for example, foreign purchases and sales were responsible for half the share trading on the Johannesburg Stock Exchange once exchange controls were relaxed. Such flows have had devastating effects upon South Africa's currency, with 30%+ crashes over a period of weeks during runs in early 1996, mid-1998 and late 2001 (Bond, 2003). In Zimbabwe, the November 1997 outflow of hot money crashed the currency by 74% in just four hours of trading (Bond and Manyanya, 2003).

The result has been extremely erratic performance by the eight major African stock markets (in South Africa and, to a much smaller extent, Nigeria, Kenya, Zambia, Mauritius, Botswana, Ghana and Zimbabwe), sometimes returning impressive profits to foreign investors and sometimes generating large losses. No exchange controls prevent foreign repatriation of dividends and profits from South Africa, including excessive outflows to the several huge London-registered corporations which were, until the late 1990s, South African.

2.1.3 Aid ebbs, flows and phantoms

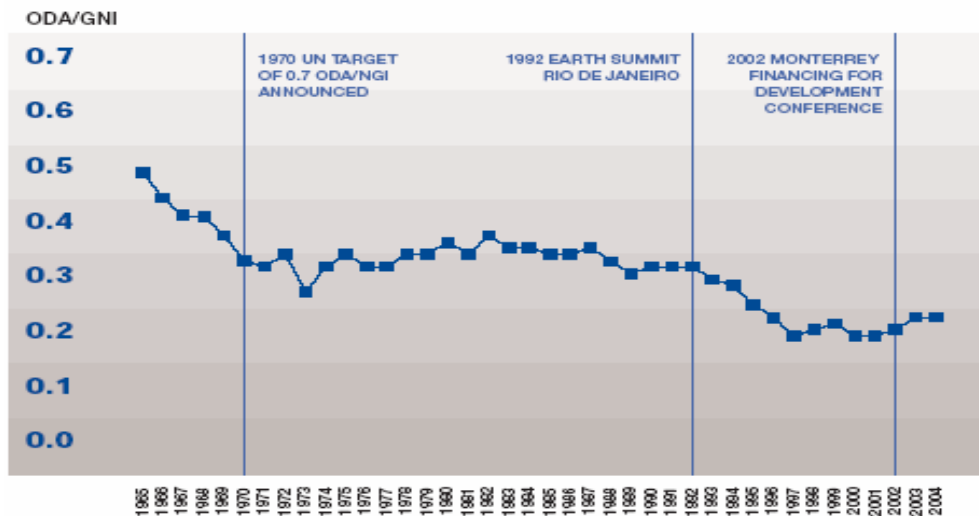
Africa is commonly and mistakenly represented as the (unworthy) recipient of a vast aid inflow. While aid fell in the wake of the West's Cold War victory – dropping 40% during the 1990s – the general decline had begun during the late 1960s. Moreover, purported aid figures must be corrected for tied aid (moneys spent in the donor country) and phantom aspects such as debt relief – which should be differentiated from aid- and aid bureaucracy.

Aid from most developed countries (except Scandinavia and Holland) falls well below the 0.7% of GPD, the UN target set 35 years ago. The US and Japanese figures of 0.12% and 0.23%, respectively, are most egregious (ActionAid, 2005).

Of total official aid, NGOs estimate that just over a third takes the form of 'real' aid that reaches poor people (ActionAid 2005). The rest is spent in the donor country or is otherwise reported to be consumed by aid bureaucracy, corruption or foreign consultants. Levels of per capita aid do not correlate with indicators of need, like lower UNDP Human Development Index ratings (UNDP 2005).

Third World aid trends, 1965-2004

Wealthy countries' overseas development aid as percentage of gross national income
 ActionAid, *Real Aid: An Agenda for Making Aid Work*, 2005



The 'strings attached' to much foreign aid oblige recipients to purchase uncompetitively priced imports from the richer nations. Only a small proportion of aid is technically 'untied'. That amount rose from \$2.3 billion in 1999 to \$4.3 billion in 2003, but declined as a proportion of total 'aid'.

Total aid: 'real' aid

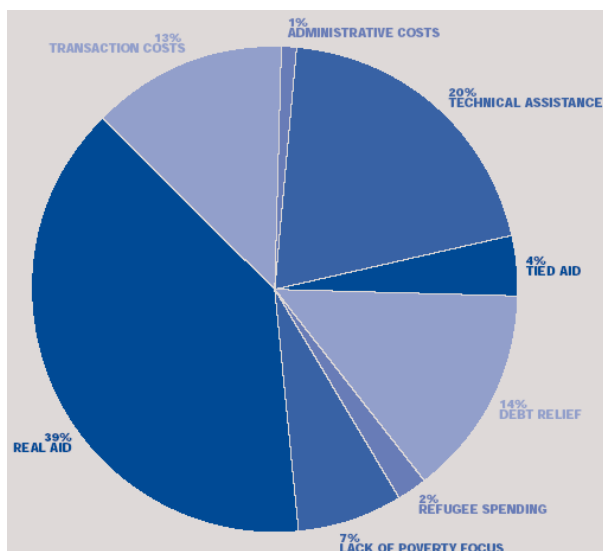
ActionAid 2005

Total aid (2003)	\$69 billion	'Real' aid	\$27 billion
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At the 2002 UN Forum on Financing for Development in Monterrey, Mexico, governments agreed that debt relief should be 'additional' to existing and rising aid, not used to boost aid figures - a promise broken when exaggerated aid commitments were made at the Gleneagles G8 summit in 2005. So-called 'debt relief' - around \$1.5 billion in 2000 rising to more than \$6 billion in 2003 - is provided with economic conditions that deepen, not lessen, dependence and Northern control.

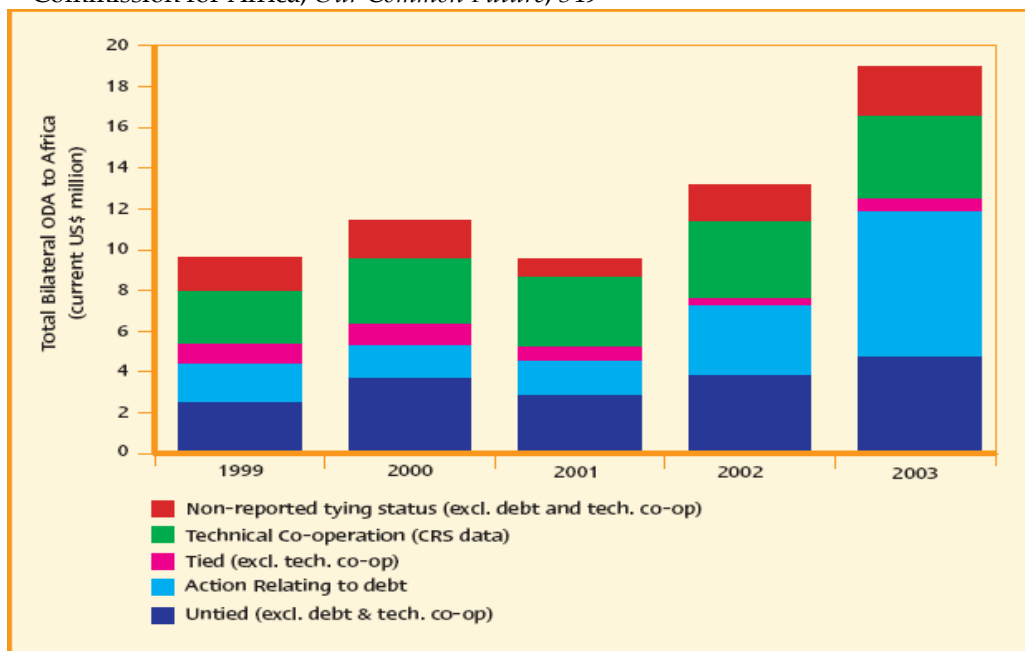
Phantom aid components

Action Aid, *Real Aid*, 18



Tied aid

Commission for Africa, *Our Common Future*, 349



2.1.4 Capital flight

Flows of private African finance shifted from a net inflow during the 1970s, to gradual outflows during the 1980s, to substantial outflows during the 1990s. Using Bank for International Settlements data, Eric Toussaint and Damien Millet (2005) estimate that the 2003 total overseas accounts of African citizens in Northern banks and tax havens amounted to \$80 billion. At the same time, African countries owed \$30 billion to those very banks. **The two leading scholars of capital flight, Boyce and Ndikumana (2000), conclude that 'sub-Saharan Africa thus appears to be a net creditor vis-à-vis the rest of the world.'**

Capital flight from Africa is, in absolute terms, a lower figure than that from other regions, but in relative terms is a higher proportion of a continent's GDP than anywhere else. In addition, more than 15% of Africa's tertiary graduates have emigrated, a far higher rate than in any other region of the world. More than \$10 billion has left Nigeria, the Ivory Coast, the DRC, Angola and Zambia collectively per year since the early 1970s.

Sub-Saharan countries with worst capital flight problems

Boyce and Ndikumana, 2000

Nigeria:	\$98 billion more than its foreign debt, when interest on capital flight is added
Côte d'Ivoire:	\$15 billion more
DRC:	\$10.1 billion more
Angola:	\$9.2 billion more
Zambia:	\$5.5 billion more

In 2004, the IMF found that resident African official outflows from Africa exceeded \$10 billion a year, on average, from 1998. A large portion of this reflects changes in South African capital controls that permitted residents to offload shares of the largest Johannesburg firms to London purchasers. However, very high outflows continued even after those share deals had their once-off impact.

Capital flight: versus foreign debt

Boyce and Ndikumana, 2000

1970-96 capital flight from group of African countries (+ interest)	\$285 bn	1970-96 outstanding debt owed by same countries	\$178 bn	difference	\$107 bn
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Eric Toussaint, 2004

2003 total African residents' overseas accounts	\$80 bn	2003 African countries' foreign debt to same banks	\$30 bn	difference	\$50 bn
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2.1.5 Financial liberalisation

While liberalisation has taken root in Africa, even its proponents admit that it has manifestly failed to achieve growth and stability. Nonetheless, liberalisation policies are being strongly promoted in sub-Saharan Africa.

Having pursued liberalisation with a vengeance during the 1980s and 90s, the World Bank noted in 2005 that most sub-Saharan African financial systems are weak, that limited savings are mobilised from domestic or foreign sources, that credit to the private sector is limited and costly, and that, with a few exceptions, ratios of money and credit to GDP have not increased.

IMF researchers - including the then chief economist, Kenneth Rogoff - finally acknowledged in 2003 that two decades of financial liberalisation had wrought severe damage. Rogoff and his colleagues (Eswar Prasad, Shang-Jin Wei and M. Ayhan Kose) admitted 'sobering' conclusions:

A systematic examination of the evidence suggests that it is difficult to establish a robust causal relationship between the degree of financial integration and output growth performance.... Recent crises in some more financially integrated countries suggest that financial integration may in fact have increased volatility.

Nonetheless, the official agenda of many governments is to amplify liberalisation. In South Africa, for example, markets are being opened to African and global financiers with the aim of keeping trading costs and risk low, and providing a global hub for financial business process outsourcing. Johannesburg firms, meanwhile, channel increasing financial flows - including bank profits and dividends - from African countries to South Africa, and then to London.

Impact on South African economy

SA Reserve Bank national accounts

Contribution to SA GDP	1994	2002
Manufacturing	21.2%	18.8%
Financial intermediation	16.4%	19.5%

Even a large economy like South Africa is affected by the consequent increased volatility. Pretoria removed its main exchange control - the Financial Rand - in 1995 and permitted the offshore listing of the largest firms in 1998-2000. During a period of alleged post-apartheid macroeconomic 'stability', there were severe currency crashes in 1996, 1998 and 2000-01, followed by very high interest rate increases, which exacerbated South Africa's already serious problem of stagnant investment. (Bond 2003) .

2.2 TRADE AND UNEQUAL EXCHANGE

The most important myth of neoliberal economics – that production for export inexorably brings progress – continues to be contested as African countries experience growth without development. Like financial imbalances, unequal exchange in trade, including the rising African trade deficit with South Africa, is a crucial route for the extraction of superprofits from Africa.

The continent's share of world trade declined over the past quarter century, despite the fact that the volume of exports increased. Special terms for export production in 'enclave' sectors (*Financial Mail*, 13 May 2005) benefit the foreign investors (and powerful local interest groups) rather than the economy in general or the poor in particular. The result is deepening dependency on the North.

Africa has been marginalised in the global marketplace, not because of insufficient integration in the world economy, but because other regions – especially East Asia – moved to the export of manufactured goods, while Africa's industrial potential declined thanks to the excessive deregulation associated with structural adjustment.

2.2.1 Primary commodity export dependency

Across Africa, four or fewer products make up three quarters of export revenues in many countries, with the continent's producers and economies vulnerable to rapidly changing – and mainly declining – world prices.

Despite generally falling prices and declining market shares in the late 20th century, few African economies have made the necessary switch from reliance upon primary export commodities. Strategic institutions such as state marketing boards have continued to conduct trade in primary products at extremely low prices (even at a loss) simply to acquire the foreign currency needed to service large debts.

Natural resources as percentage of total exports in 2000

Commission for Africa, *Our Common Future*

Africa: 80%	All developing countries: 31%	Advanced capitalist economies: 16%
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Angola, Botswana, Burundi, Congo, Gabon, Guinea, Niger, Nigeria, Somalia, Uganda, and Zambia rely upon a single product for at least 75% of their export earnings. The only countries that diversified their exports so that they claim at least 25% of their export earnings from more than four products are the Gambia, Lesotho, South Africa, Swaziland, Tanzania, and Zimbabwe.

Excluding South Africa, the vast majority of exports in recent years have been petroleum-related, largely from Nigeria, Angola and other countries in the Gulf of Guinea. The rise of the oil price from \$11 to \$70/barrel from 1998 to 2005 meant that price volatility does indeed assist a few countries, in this exceptional case. But this has come at the expense of higher prices for oil-dependent Africa, contributing to a deterioration of terms of trade.

2.2.2 Terms of trade

African exports continue to increase in volume, but during the 1980s-90s, decreased in value on the international market.

Commodity price declines, 1980-2001

E. Touissant, 2005, *Your Money or Your Life*

For Africa as a whole, terms of trade began to worsen around 1973. Once they experienced debt crises, many African countries were compelled to adopt export-oriented policies. At the same time – the 1970s and 80s – prices for export cash crop and minerals experienced their worst declines in modern history. During the 1990s, these prices fell even further. Because import prices rose simultaneously, the decline in Africa’s overall terms of trade during the 1980s-90s was severe.

Product, Unit	1980	1990	2001
Cafe (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

Africa’s export value

Derived from Michael Barratt-Brown, 2004

Agricultural exports:	1987: \$15 billion	→	2000: \$13 billion
Oil exports*:	1987: \$18 billion	→	2000: \$28 billion

* benefiting only Angola, Cameroon, Congo, Gabon and Nigeria

During the early 2000s, some prices did finally move up, thanks to rising Chinese demand for minerals. But over the longer term of post-independence African economic development, there was no way out of the price trap, even by producing more (as the international financial institutions and donors demanded). Because virtually all Third World countries pursued export-led growth strategies since the 1970s, Africa’s market share of world commodities also shrank drastically.

Falling African market shares - 1970s and 80s

(UN Conference on Trade and Development)

Cocoa:	75 → 58%
Palm oil:	58 → 18%
Sisal:	48 → 36%
Coffee:	35 → 20%
Crude oil:	15 → 8%
Cotton:	12 → 7%
Copper:	10 → 6%

Abraham Elbadawi and Benno Ndulu’s far-ranging 1996 study of terms of trade calculates that trade-related processes cost Africa an estimated almost 4% of GDP during the 1970s and 80s, an income loss about twice as high as that of other countries. A mid-2005 study by London research/advocacy charity Christian Aid to account for the

extreme liberalisation processes from the mid-1980s finds GDP loss in key sites such as Ghana and Malawi in the 8-10% range.

Two World Bank economists, Aksoy and Beghin (2005), admitted recently that the Bank ‘oversold’ the benefits of exporting commodities in a context of diminishing world prices. They conceded that from 1970 to 1997, the cumulative loss resulting from declining terms of trade for sub-Saharan African non-oil exporting countries amounted to 119% of their total GDP, and concluded that:

A development strategy based on agricultural commodity exports is likely to be impoverishing in the current agricultural policy environment.

2.2.3 Trade liberalisation

Liberalisation has, in effect, decimated many local industries and lowered Africa's industrial potential. Analysing African countries according to rapid or slow trade liberalisation from 1987 to 1999, Christian Aid found a close correlation between trade openness and worsening poverty.

Cost to sub-Saharan Africa of trade liberalisation: US\$272 billion over the past 20 years. (Christian Aid, 2005)

In their in-depth 2005 study, Christian Aid describe the typical process and consequences of liberalisation:

When trade is liberalised, imports climb steeply as new products flood in. Local producers are priced out of their markets by new, cheaper, better-marketed goods. Exports also tend to grow, but not by as much. Demand for the kind of things sub-Saharan African countries tend to export – such as raw materials – doesn't change much, so there isn't a lot of scope for increasing exports. This means that, overall, local producers are selling less than they were before trade was liberalised. In the long run, it's production that keeps a country going – and if trade liberalisation means reduced production, in the end it will mean lower incomes. Any gains to consumers in the short term will be wiped out in the long term as their incomes fall and unemployment rises.

Even the World Bank now concedes that rapid trade-related integration has caused or exacerbated social inequality. In a 2002 working paper for the Bank, Branko Milanovic concludes that 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 designed for the domestic market) and politicians and bureaucrats who are tapped into the commercial/ financial circuits.

2.2.4 Perverse subsidies

African agricultural exports must compete on international markets glutted with subsidised northern production. Termed 'perverse', these subsidies damage rather than benefit economies and environments.

Agricultural subsidies rose 15% in the North between the late 1980s and 2004, to over \$360 billion per year. (UN Development Programme)

Because these subsidies overwhelmingly benefit large agrocorporate producers, they exacerbate inequities in northern countries as well as North-South trade.

Northern export subsidies were reduced from \$7.5 billion in 1995 to \$3 billion by 2001 because they were deemed 'trade-distorting' and other subsidies are targeted for elimination on the same grounds. However, the US government, which makes large counter-cyclical payments to US cotton producers when the price declines, has proposed

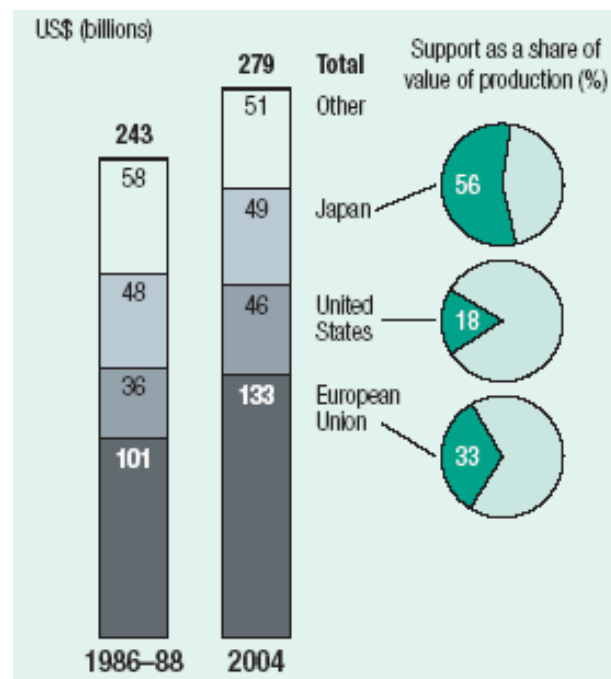
that these be considered non-distorting, even though the WTO itself agreed with Brazilian complaints that the subsidies pervert trade by increasing US output and lowering world prices. Generally, the complexity of this debate reflects Northern capacity to maintain their subsidies but continually dress them up in new language.

Two crucial – and separate – considerations arise: 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? As Devinder Sharma (2005) points out, Europe especially has taken advantage of Third World powerlessness in the World Trade Organisation (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 like tomato, cut flowers, peas, sunflower, strawberries and vegetables.

Agricultural subsidies: Japan, EU, US
UN Development Programme

But precisely what impact would the removal of northern agricultural subsidies have in Africa? And would substantive reductions in these subsidies – currently at least \$360 billion each year, according to the UNDP – genuinely benefit African peasants? One problem is that the huge cartels that handle shipping and distribution usually gain the first round of benefits when prices change. A second problem is the danger that, with further cash crop incentives, plantation-based export agriculture will crowd out even more land used for food cropping by peasants. No reliable studies exist to make definitive statements. Indeed, some African heads of state in food-importing countries advocate continuing EU agricultural subsidies for a third reason, because lower crop prices reduce their own costs of feeding their citizenry.



For African policymakers, the crucial strategic question is whether self-reliant development strategies – which were necessary for most industrialisation processes in the past – are possible in this situation.

2.3 INVESTMENT, PRODUCTION AND EXPLOITATION

Even within the narrow terms of the neoliberal argument, foreign direct investment (FDI) fails to benefit African economies. Inflated risk factors discourage productive investment; common perceptions are based on over-estimated investment levels; and financial sector investment and acquisitions far outweigh investment in new 'green field' manufacturing.

Aside from oil, the only substantive foreign investment flows over the last decade were to South Africa, for the partial privatisation of telecommunications and for the expansion of plant activities within global vehicle assembly lines. This latter inflow was by far offset by outflows to transnational corporations (as dividends, profits and patent or royalty fees) since the South African government allowed the country's largest corporations to relocate their financial headquarters to London. Much of what looks like FDI in Africa is the distortion caused by this relocation.

Nonetheless, the futile search for FDI seems to have grown increasingly frantic, especially since the launch of African Union's New Partnership for Africa's Development (NEPAD) programme, and despite the evidence. The director of the UN Research Institute for Social Development, Thandika Mkandawire (2005), notes that:

[Portfolio] 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.

Around 14% of recent FDI represented acquisitions of existing plants under 'fire-sale' conditions of rapid privatisation, according to the Commission for Africa (2005). What little new manufacturing investment occurred, Mkandawire reports, was typically 'for expansion of existing capacities, especially in industries enjoying natural monopolies (such as beverages, cement, furniture). Such expansion may have been stimulated by the spurt of growth that caused much euphoria and that is now fading away.'

Mkandawire points out that, ironically,

returns on 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 continent 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.

2.3.1 Contemporary FDI

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%. However, in absolute terms FDI to Africa began rising again in the 1990s, largely as a reflection of the major two forces on the continent: South African capital and resurgent oil investments.

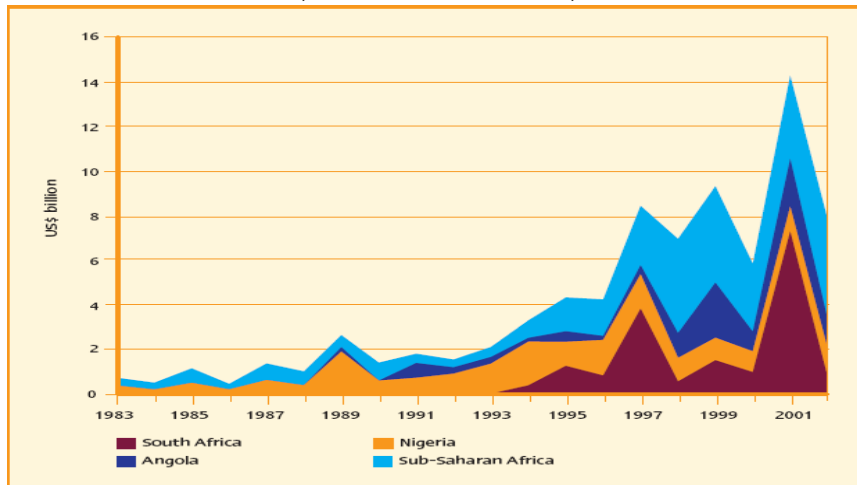
From 1994 to 2004, South Africa was the 'new kid on the block' in the African marketplace, and also frequently 'the only show in town'. However, that process seems to have run its

course, as many of the most profitable, low-hanging investment fruits were quickly plucked.

In the brief rise of foreign investment into sub-Saharan Africa, especially from 1997, peaks appear to be associated with special circumstances. The Angolan 1999 oil investment peak was limited to the offshore Cabinda fields at a time of civil war. The 1990s investments in Nigerian oil occurred largely under Sani Abacha's 1990s military rule, and were offset by outflows to European banks. The rise in FDI in South Africa was shortlived and fell in 2001.

African recipients of FDI

Commission for Africa, *Our Common Future*, 295



2.3.2 Natural resources depletion

There is a growing consensus that natural wealth and its depletion should be factored into calculations of economic growth. Assessed from this corrected perspective, World Bank analysis reveals some of the damages and negative effects on wealth that result from extractive FDI.

The fierce contestation over oil extraction has proven illustrative. From considering oil as private property to be negotiated between corporations and governments, diverse forces in society have proposed that oil be treated as part of a general 'commons' of a country's natural resources, and that use of these resources pay special attention to affected local communities (Olukoya 2001).

The San Francisco group, Redefining Progress, tracks other forms of natural wealth along with oil. Their findings demonstrate that global GDP has been declining in absolute terms since the mid-1970s, if calculations account for natural resource depletion, pollution and other factors. For example, according to the UN Development Programme (2004), the estimated value of minerals in South Africa's soil fell from US\$112 billion in 1960 to US\$55 billion in 2000.

The World Bank for one has begun to take into account the net negative impact on national wealth, including natural capital, of extractive FDI in oil- and resource-rich countries. The Bank now calculates that, for every percentage point increase in a country's extractive-

resource dependency, that country's potential GDP (as against the 'produced capital' normally captured in GDP accounting) falls by 9%.

To be sure, the World Bank's method for correcting GDP wealth accounting does not provide the whole picture because the calculations:

- are based on international pricing (not potential future values when scarcity becomes more crucial, especially in the oil industry);
- do not include damage to the local environment, to workers' health/safety, or to women in communities around mines; and
- use average - not marginal - costs (the depletion costs of, for example, extracting the last section of a forest are much higher than those for cutting down the first trees).

Despite these limitations, the method does adjust net national savings to account for resource depletion, generating a 'genuine savings' figure that will prove essential as the basis for effective policy.

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

World Bank, *Where is the Wealth of Nations?*, 64-65

Tangible wealth	Adjusted net saving
Subsoil assets 65	Gross National Saving 40
Timber resources 290	Education expenditure 7
Non-timber 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 2022	Adjusted net saving 16
Population growth 1.7%	Change in wealth per capita -18

Taking Ghana as an example, this more nuanced breakdown of estimated 'tangible wealth' attributes \$12 of Ghana's \$18 per capita decline to mineral and forest-related depletion. As Africa's largest black-owned mining firm, Ashanti, was recently bought by AngloGold, an increasing amount of Ghana's wealth will now flow out of the country.

Other primary-product-dependent African economies fare much worse than Ghana, as the table below attests. In the worst case, Gabon's people lost \$2,241 each in 2000, as oil companies depleted the country's tangible wealth. Sufficient data would place Angolans amongst those who each lost more than \$100 in tangible national wealth in 2000 alone. A few African countries did benefit, including the Seychelles (+\$904), Botswana (+\$814) and Namibia (+\$140), but the majority saw their wealth depleted.

Although less reliant on minerals extraction since the 1980s, South Africa still recorded a \$2 drop in per capita wealth in 2000 using this methodology. Given the constant depletion of its natural resources, South Africa's official gross national savings rate of 15.7% should be adjusted downwards to a 'genuine savings' of just 6.9% of national income. Not only is mineral depletion biased to benefit overseas mining houses, the CO2 damage is largely produced by the smelters owned by large multinational corporations.

African countries' adjusted national wealth and 'savings gaps', 2000

World Bank, *Where is the Wealth of Nations?*, 66

	GNI per capita	Population growth rate (%)	Adjusted net saving per capita	Change in wealth per capita	Saving gap % GNI
Benin	360	2.6	14	-42	11.5
Botswana	2925	1.7	1021	814	
Burkina Faso	230	2.5	15	-36	15.8
Burundi	97	1.9	-10	-37	37.7
Cameroon	548	2.2	-8	-152	27.7
Cape Verde	1195	2.7	43	-81	6.8
Chad	174	3.1	-8	-74	42.6
Comoros	367	2.5	-17	-73	19.9
Congo, Rep.	660	3.2	-227	-727	110.2
Côte d'Ivoire	625	2.3	-5	-100	16.0
Ethiopia	101	2.4	-4	-27	27.1
Gabon	3370	2.3	-1183	-2241	66.5
The Gambia	305	3.4	-5	-45	14.6
Ghana	255	1.7	16	-18	7.2
Kenya	343	2.3	40	-11	3.2
Madagascar	245	3.1	9	-56	22.7
Malawi	162	2.1	-2	-29	18.2
Mali	221	2.4	20	-47	21.2
Mauritania	382	2.9	-30	-147	38.4
Mauritius	3697	1.1	645	514	
Mozambique	195	2.2	15	-20	10.0
Namibia	1820	3.2	392	140	
Niger	166	3.3	-10	-83	50.3
Nigeria	297	2.4	-97	-210	70.6
Rwanda	233	2.9	14	-60	26.0
Senegal	449	2.6	31	-27	6.1
Seychelles	7089	0.9	1162	904	
South Africa	2837	2.5	246	-2	0.1
Swaziland	1375	2.5	129	8	
Togo	285	4.0	-20	-88	30.8
Zambia	312	2.0	-13	-63	20.4
Zimbabwe	550	2.0	53	-4	0.7

2.3.3 Privatisation

Despite the fire-sale character of privatisation, acquisition investments have generally not been turned into sustained productive investments. In South Africa, several privatised institutions have been successfully re-nationalised or re-municipalised, questioning the reason for a foreign investor in the first place.

Mid-1990s expectations around privatisation proved empty and the process has proved a disappointment across African countries. Moreover, foreign acquisitions of existing, domestically-owned plant and equipment have had unintended negative consequences. In perhaps the worst case, Anglo American invested in Zambian copperfields during the late 1990s but then simply closed down one of the most important mining sites, leaving thousands of retrenched miners.

Even South Africa has suffered from privatisation-related FDI, as these two cases demonstrate:

Telkom	Airports Company of South Africa	
US-Malaysian alliance: 30% share, 1997	Aeroporti Di Roma: 20% share, 1998	R
Impact: <ul style="list-style-type: none"> • cost of local calls skyrocketed without cross-subsidisation from long-distance calls; • 2.1 million of 2.6 million new lines disconnected as unaffordable; • 20,000 Telkom workers fired, leading to ongoing labour strife; • transparency decreased still further in the telecommunications sector 	Initial investment 1998 SA gvt repurchase 2005 Profit Dividends since 1998 Total rate of return "Exceptionally high by any measure" (September 2005 <i>Business Report</i> article)	890 mill 1.67 bill 785 mill 180 mill 108%
2003: IPO on the New York Stock Exchange: only \$500 million. Estimated \$5 billion of Pretoria's own funding of Telkom's late 1990s capital expansion lost in the process. 2004: SA state repurchase of foreign consortium's shares; not much change to policies and practices.	Repurchase by a state agency: no reason to have a foreign investor in the first place. 'Technical expertise'? SA air transport industry sufficiently sophisticated to handle airport expansion.	

These experiences are not uncommon. Further, Lawrence Cockcroft of Transparency International (2001), points to where privatisation provides openings for corruption, such as where:

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.

2.3.4 Tax fraud and transfer pricing

Other modes of surplus extraction through FDI involve swindling, especially in relation to corporate failure to pay taxes and state failure to collect them. Official statistics do not reflect the related problem of transfer pricing – the technique foreign companies employ to cheat Third World countries on tax revenues by artificially inflating their imported input invoices so they can claim lower net income.

In 1994, Cockcroft (2001) notes, an estimated 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'. African countries are exploited through a range of income transfers, according to Ugandan political economist, Professor Yash Tandon (2000), including:

- agreements between affiliates of TNCs to charge (often arbitrary) patent and copyright fees on technology agreements;
- management and consultancy fees (through 'aid' contracts);
- loss of export revenue through industrialised countries' protectionist tariffs (developing countries lose \$35 billion annually, \$24 billion of it as a result of the Multifibre Agreement);
- loss of revenue on account of blockage on the free movement of people (an estimated \$25 billion annually during the 1980s);
- loss of capital through biopiracy (wild seed varieties have contributed some \$66 billion annually to the US economy).

2.3.5 Ecological debt

Northern investors exploit Africa in their consumption of the global commons, particularly the earth's clean air. In any fair framework of global resource allocation, the amounts owed to the continent would easily cover debt repayments.

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. The 'carbon sink' function provides one well documented example. Jyoti Parikh (1995), a member of the UN International Panel on Climate Change, calculates that forests in the South absorbing carbon from the atmosphere in effect provide Northern polluters an annual subsidy of \$75 billion:

Current average emissions	1 tonne per person per year
Industrialised countries (IC) produce	$\frac{3}{4}$ of all emissions
IC proportion by population	$\frac{1}{4}$
Difference	$\frac{1}{2}$ total emissions (3,000 mill. tons)
Cost to reduce first 1,000 million tons	approx. \$15 per ton
Allowing for subsequent increase, average cost	\$25 per ton
Thus, total annual subsidy from South to North	\$75 billion

'The notion of an ecological debt is not particularly radical,' Martinez-Allier (1998) points out. US legislation imposes environmental liability on industries, for example, while in the early 1990s, the Swedish government proposed calculating the country's environmental debt. Africa's credit in these terms would include:

- costs of the future lack of availability of destroyed natural resources;
- compensation or reparation for local damage produced by exports (for example, the sulphur dioxide of copper smelters, health damage from flower exports, the pollution of water by mining);
- amounts corresponding to the commercial use of information and knowledge on genetic resources, when they have been appropriated gratis ('biopiracy');
- reparation or compensation for the impact of imported toxic waste;
- costs of free disposal of gas residues (carbon dioxide, CFCs, etc).

Each part of this ecological balance sheet is highly contested, and information is imperfect. Tropical rainforests used for wood exports, for example, have an extraordinary past and ongoing biodiversity whose destruction is impossible to evaluate precisely. Even without precise estimates the debt owed for natural resource depletion is enormous.

3 POLICY OPTIONS

Responses to the outflow of wealth from Africa fall into three main areas:

1. **Bottom-up activism.** Policies and campaign strategies can draw from civil society and from grassroots and shopfloor social action movements, both historical and contemporary.
2. **Global policy.** Due to the adverse balance of forces, international reform proposals, especially around finance and debt, downplay the *structural* causes of resource outflows from Africa, with little current evidence of positive global-scale measures in the near term.
3. **National policy.** Between local action and international trends, possibilities exist for progressive national policies to reverse outflows of African wealth and divert resources towards effective growth and development.

3.1 BOTTOM-UP DEMANDS

Existing civil society declarations and campaigns spanning ecological, community, feminist and labour activism present a basis for skeletal programmatic development and policy options. The challenge is to establish, from existing struggles for social justice, social policies stressing 'decommodification' (basic services as human-right entitlements, rather than as commodities to be paid for), capital controls and inward-oriented industrialisation strategies that would allow democratic control of finance and production. All of these struggles have a common concern for gaining greater control over African resources that could be made more explicit.

A great deal of organic activism across the Global South is setting the terrain for potential progressive policies. Examples include:

- popular mobilisations for AIDS treatment, other health services and reconnections of water/electricity,
- land and housing occupations,
- labour strikes,
- anti-GMO and pro-food security campaigns,
- women's organising,
- municipal budget campaigns,
- student and youth movements,
- community resistance to displacements caused by dam construction,
- anti-debt and reparations movements,
- environmental justice struggles, immigrants' rights campaigns, and
- political and civil society alliances movements to use state power, such as in Bolivia, Argentina and Venezuela.

Forward-looking national and regional strategies can also be drawn from sectoral activism across borders, races, classes and political traditions, addressing:

- land (Via Campesino),
- healthcare (International Peoples Health Council),
- free schooling (Global Campaign for Education),
- water (the People's World Water Forum),
- energy/climate change (the Durban Declaration),

- debt (Jubilee South),
- democratic development finance (IFIs-Out! and World Bank Bonds Boycott),
- trade (Our World is Not for Sale).

Examples of growing social action for environmental justice and against the privatisation of Africa's basic services include:

- women staging sit-ins at the local offices of multinationals in the oil-rich Nigerian Delta in mid-2002, oil workers protesting over wages and broader community struggles to enforce legitimate social and ecological demands,
- resistance to privatisation of water, electricity, municipal waste, health and education, beginning in Accra and Johannesburg in 2000 and quickly attracting global solidarity,
- indigenous peoples in Botswana fighting against DeBeers, the World Bank and their government's land grab,
- Jubilee Africa debt activists insisting on default and reparations – partially succeeding in Nigeria with powerful campaigning,
- movements against displacement caused by dams and other dubious projects, and
- World Social Forum, Africa Social Forum and other transnational, intersectoral collaborations.

A first step would be an effective form of 'deglobalisation of capital' (not of people), in order to gain space to fight to decommodify and turn basic needs into genuine human rights. The World Bank Bonds Boycott (<http://www.worldbankboycott.org>) is targeting defunding the institution, while South African and other activists have demanded and won generic anti-retroviral medicines instead of branded, monopoly-patented drugs. Similar struggles are underway to de-globalise food, especially transnational corporate GMOs; to halt biopiracy; and to expel water and energy privatisers.

De-commodification demands in different southern African countries include:

- free anti-retroviral medicines to fight AIDS (disempowering Big Pharma);
- 50 litres of free water per person per day (ridding Africa of water privatisers);
- 1 kiloWatt hour of free electricity for each individual every day (reorienting energy resources from export-oriented mining and smelting, to basic-needs consumption);
- extensive land reform (de-emphasising cash cropping and export-oriented plantations);
- prohibitions on service disconnections and evictions;
- free education (halting the General Agreement on Trade in Services);
- a free 'Basic Income Grant' of \$15/month (a South African church/union campaign)..

All such services should be universal (open to all, no matter income levels) and, as Gosta Esping-Andersen (1991) argues occurred in Scandinavia, financed progressively, in part through penalties for luxury consumption.

Alongside innovative strategies in the northern court system – from reparations lawsuits to ecological debt claims – this potentially unifying agenda reflects real, durable grassroots struggles across the world. It could potentially serve as a basis for the type of social change needed to reverse the resource flows which have made life so miserable for Africa's people and environment.

3.2 GLOBAL REFORMS

Very little on offer in current global reforms appears likely to change the trajectory described above, of resource outflow and underdevelopment.

There has certainly been greater popular attention to debt, trade and aid issues. The reforms proposed by governments do not, however, yet confront the powerful trends outlined in this paper. The reform agenda on finance and debt, for example, has led to disappointing outcomes for the South in recent experience. This is further signalled by a conservative leadership of the Bretton Woods institutions and a lack of any increase in African 'voice' at the IMF, the World Bank and the UN Security Council.

Prior to the Gleneagles G8 summit, the G7 finance ministers announced a relief package for up to 38 countries (11% of the Third World). This has so far yielded relatively little: conditional future cancellation of a proportion of debt owed by some countries, along with an initial amount that will boost by only 6.5% the collective budget of 18 of the poorest countries, who make up only 5% of the population of the Third World. Critiques underscore how small a share this debt comprises of Africa's total external debt of \$300 billion, and of the Third World's total debt, estimated at a staggering \$2.4 trillion.

The 2005 Hong Kong summit of the World Trade Organisation similarly did not confront trade related outflows. In exchange for major concessions on privatisation of basic services and lower manufacturing protection, Third World countries won a tiny pittance on the agricultural subsidies front.

3.3 NATIONAL POLICIES

What if, instead of global-scale reform proposals that fail to address the issues fully and that badly miscalculate power relations, more vigorous national and regional policies were applied by bolder African rulers? What if national governments co-operated regionally to advance these policies?

As a prerequisite this calls for greater public disclosure of financial flows. In the interests of transparency, for example, Cockcroft (2001) proposes that governments require corporations to:

- 1) publish codes of conduct with explicit anti-bribery provisions;
- 2) announce that any approach for a bribe will be publicised;
- 3) publish the fees and services of 'agents' in large-scale contracts;
- 4) ensure implementation of the company's anti-corruption strategy by all parties;
- 5) fully disclose all contributions to political parties;
- 6) report all payments to government (taxes and fees), as UK-based companies must.

Further policy options that may emerge in future months and years from bottom-up activism and critiques from Africans themselves – as well as from Latin American leaders – include:

- systemic Third World default on debt repayments, under the slogan 'Don't Owe Won't Pay';

- well-tested strategies – such as prescribed assets – to enforce domestic reinvestment of pension, insurance and other institutional funds;
- national-scale regulation of financial transfers from offshore tax havens, in order to control capital flight, as part of re-establishing exchange controls;
- refusal of offers of tied or phantom aid, along with intensified international ‘naming and shaming’;
- for trade relations, inward-oriented import-substitution-industrialisation strategies – entailing infant industries and judicious tariff and quota policies – as an alternative to the treadmill of raising physical output in exchange for declining revenues, as prices for non-petroleum exports continue to fall;
- careful calculation of the costs of FDI (not simply the benefits), including natural resource depletion, transfer pricing and profit/dividend outflows;
- refusal of investment where such calculations are not favourable;
- resistance to macroeconomic policies (fiscal austerity, monetarism, privatisation, liberalisation) that intensify inequities; and
- intensified civil society oversight of budgets.

A policy agenda that builds on grassroots struggles, strong state action and regional co-operation could serve as a basis for the type of social change needed to reverse the resource flows from Africa and bring control over the resources for health and sustainable development back within the continent.

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Equity in health implies addressing differences in health status that are unnecessary, avoidable and unfair. In southern Africa, these typically relate to disparities across racial groups, rural/urban status, socio-economic status, gender, age and geographical region. EQUINET is primarily concerned with equity motivated interventions that seek to allocate resources preferentially to those with the worst health status (vertical equity). EQUINET seeks to understand and influence the redistribution of social and economic resources for equity oriented interventions, EQUINET also seeks to understand and inform the power and ability people (and social groups) have to make choices over health inputs and their capacity to use these choices towards health.

EQUINET implements work in a number of areas identified as central to health equity in the region:

- Public health impacts of macroeconomic and trade policies
- Poverty, deprivation and health equity and household resources for health
- Health rights as a driving force for health equity
- Health financing and integration of deprivation into health resource allocation
- Public-private mix and subsidies in health systems
- Distribution and migration of health personnel
- Equity oriented health systems responses to HIV/AIDS and treatment access
- Governance and participation in health systems
- Monitoring health equity and supporting evidence led policy

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