Report from Africa

THE DISPOSSESSION OF AFRICAN WEALTH AT THE COST OF AFRICA'S HEALTH

Patrick Bond

This article synthesizes new data about the outflow of Africa's wealth, to reveal structural factors behind the continent's ongoing underdevelopment. The flow of wealth out of sub-Saharan Africa to the North occurs primarily through exploitative debt and finance, phantom aid, capital flight, unfair trade, and distorted investment. Although the resource drain from Africa dates back many centuries—beginning with unfair terms of trade, amplified through slavery, colonialism, and neocolonialism—today, neoliberal (free market) policies are the most direct causes of inequality and poverty. They tend to amplify preexisting class, race, gender, and regional disparities and to exacerbate ecological degradation. Reversing this outflow is just one challenge in the struggle for policy measures to establish a stronger funding base for the health sector.

The South–North drain of African wealth reduces the resources available for development, increases dependency on the global North, and—of considerable importance—can be radically altered by the adoption of bold national policies, notwithstanding an adverse international context (1). Redirecting resources so as to reverse the collapse of African health systems is of perhaps the most critical importance (2). But this will require a dramatic change in outlook by those in Africa with even a modicum of power to direct resources. Rhetorically, high-profile events during 2005–2006 hinted at prospects for change in the elite circuitry: Britain's governmental Commission for Africa and nongovernmental Make Poverty History campaign, the Live 8 concerts arranged by Bob Geldoff, the Johannesburg-based Global Call to Action Against Poverty, the main creditor

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countries' debt relief offer, the G8 Gleneagles aid commitments, and increased attention to the United Nations' Millennium Development Goals. In one case, Nigeria, monies looted by Sani Abacha and deposited in Swiss bank accounts were recently returned, and a large debt relief package was granted.

However, what becomes clear from all these events is the establishment's urge to merely revise and restate mainstream conceptions of Africa's plight. Witness Tony Blair's Commission for Africa report, for example (3, p. 13):

> Africa is poor, ultimately, because its economy has not grown. The public and private sectors need to work together to create a climate which unleashes the entrepreneurship of the peoples of Africa, generates employment and encourages individuals and firms, domestic and foreign, to invest. Changes in governance are needed to make the investment climate stronger. The developed world must support the African Union's New Partnership for Africa's Development (Nepad) programme to build public/private partnerships in order to create a stronger climate for growth, investment and jobs.

These sentences distill the mistakes of conventional wisdom regarding the continent's underdevelopment. Blair hosted the G8 and the European Union in 2005, and his chancellor of the exchequer, Gordon Brown, advanced several initiatives on debt, aid, and trade, deploying "Marshall Plan for Africa" rhetoric. Below, I consider the way the Africa Commission co-opted key African elites into a modified "neoliberal"—free market—project.

To set the tone at the outset, it would be more logical to reverse all of the above allegations in the Commission for Africa report and reconstruct the paragraph as follows:

> Africa is poor, ultimately, because its economy and society have been ravaged by international capital as well as by local elites who are often propped up by foreign powers. The public and private sectors have worked together to drain the continent of resources which—if harnessed and shared fairly—should otherwise meet the needs of the peoples of Africa. Changes in "governance"—such as revolutions—are desperately needed for social progress, and these entail not only the empowerment of "civil society" but also the strengthening of those agencies within African states that can deliver welfare and basic infrastructure. The rich world must decide whether to support the African Union's Nepad program, which will worsen the resource drain because of its pro-corporate orientation, or instead to give Africa space for societies to build public–people partnerships in order to satisfy unmet basic needs.

As mainstream economic policy gripped Africa tighter during the 1990s, poverty worsened, leaving three-quarters of the citizenry surviving on less than US$2.15 per day (3). Common—and incorrect—explanations mask both the causes of African poverty and the implications of recent global policy reforms.

The International Monetary Fund (IMF), for example, argues unconvincingly that African countries are failing because they have gone "off track" (4, p. 25). Moreover, global reform proposals of 2005 were based on the misperception that Africa is the (often unworthy) beneficiary of significant financial flows. A chart prepared for the Commission for Africa (Figure 1) 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 (3, p. 106). This analysis ignores the losses due to "phantom aid," the attribution of increased foreign direct investment to just three recipient countries since 1997, a net negative debt service payment since 1990, and the capital flight and brain drain (especially in the health sector) that significantly outweigh remittances.

By contrast, rigorous studies and analyses now confirm the negative consequences of neoliberal policies. A few of these critiques are even emerging from within the Bretton Woods and other institutions responsible for pressuring African countries to adopt structural adjustment and liberalization in the first place. For example, a mid-2005 study by London research/advocacy charity Christian Aid reaches devastating conclusions (5, p. 1; see also 6):

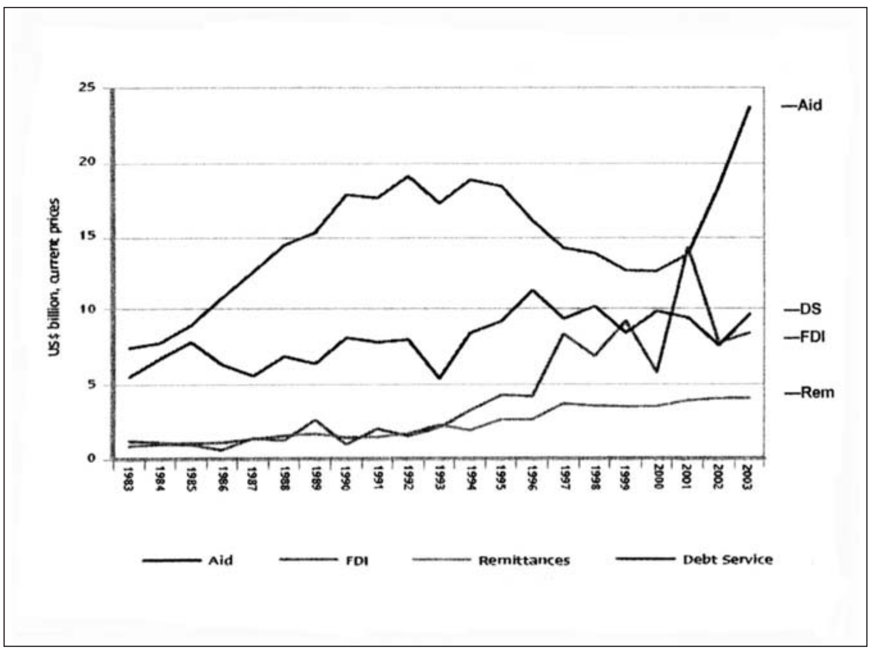

Figure 1. Africa Commission claims of financial/investment flows to sub-Saharan Africa: aid, debt service (DS), foreign direct investment (FDI), and remittances (Rem). *Source:* Commission for Africa (3, p. 106).

> Trade liberalisation has cost sub-Saharan Africa $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.

Overall, an analysis of the most recent data contradicts reform proposals to reverse African poverty through "a stronger climate for investment." The first step to effect genuine growth and deliver resources to health services, 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. Northern governments, multilateral agencies, and international banks and corporations maintain an explicitly financial stranglehold on Africa, with enabling collaboration from some African business interests and some governments.

Africa's political economists have, for many decades, documented the roles of finance, trade, and foreign direct investment in the continent's ongoing underdevelopment, and the following information largely updates rather than supplants the basic thesis of excess Northern power offered by Tajudeen Abdul-Raheem, Charles Abugre, Adebayo Adedeji, Jimi Adesina, Claude Ake, Neville Alexander, Samir Amin, Peter Anyang'Nyong'o, A. M. Babu, Ahmed Ben Bela, Steve Biko, Dennis Brutus, Amilcar Cabral, Fantu Cheru, John Daniel, Jacques Delpechin, Demba Dembele, Ashwin Desai, Yasmine Fall, Frantz Fanon, Ruth First, M. P. Giyose, Yao Graham, Pauline Hountondji, Eboe Hutchful, Khafra Kambon, Dot Keet, Rene Loewenson, Sara Longwe, Patrice Lumumba, Samora Machel, Archie Mafeje, Ben Magubane, Amina Mama, Mahmood Mamdani, Achille Mbembe, Henning Melber, Guy Mhone, Darlene Miller, Thandika Mkandawire, Dani Nabudere, Léonce Ndikumana, Trevor Ngwane, Njoki Njehu, Kwame Nkrumah Julius Nyerere, Georges Nzongola-Ntalaja, Oginga Odinga, Adebayo Olukoshi, Oduor Ongwen, Bade Onimode, Haroub Othman, Mohau Pheko, Kwesi Prah, Brian Raftopoulos, Thomas Sankara, Issa Shivji, Yash Tandon, Riaz Tayob, Aminata Traoré, Dodzi Tsikata, Kwame Ture, Ngugi Wa Thoing'o, Ernest Wamba dia Wamba, Harold Wolpe, Tunde Zack-Williams, and Paul Zeleza. As these and other authors have shown, resources are drained through finance (including debt and aid), through unequal trade, and through foreign direct investment. Consider each in turn.

DEBT, FINANCE, AND AID

North–South inflows in the form of "aid," loans, or investment come with conditions. Pressure through such funding—even on "concessional" (below-market interest rate) terms—intensified Africa's disadvantageous integration into the world economy. The reduction of barriers to financial transactions, and to movements of goods and capital (though not necessarily of labor) in the process, weakened state power that might otherwise have been used constructively. These neoliberal measures intensified a preexisting drain of African wealth.

To illustrate, Africa's debt crisis worsened during the era of globalization. The continent now repays more than it ever received, with outflow in the form of debt repayments equivalent to three times the inflow in loans and, for most African countries, far exceeding export earnings. The debt relief measures announced in mid-2005 by the G7 finance ministers have not disturbed either the draining of Africa's financial accounts or the maintenance of debt-associated control functions. Underlying the Gleneagles proposals was the notion of "sustainable" service repayments (varying by country but typically not exceeding 20% of export earnings). Africa has repaid more than it received in new loans since the 1990s. Overall, during the 1980s and 1990s, Africa repaid $255 billion (U.S. dollars), 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.

In 1980, inflow was comfortably higher than the debt repayment outflow, but soon thereafter Africa suffered from the U.S. Federal Reserve's tripling of U.S. interest rates. Paying abnormally high interest rates to service loans required new loans. By 2000, the net flow deficit reached $6.2 billion, as the new loans no longer paid the interest on old loans. For 21 African countries, the debt reached at least 300 percent of exports by 2002, and for countries such as Sudan, Burundi, Sierra Leone, and Guinea-Bissau, it was 15 times greater than their annual export earnings (7).

Moreover, in at least 16 African countries, according to Eric Toussaint (8), debt inherited from dictators could be defined as legally "odious" and therefore eligible for cancellation, because citizens were victimized both in the debt's original accumulation (and use of monies against the society) and in subsequent demands that it be repaid. These amounts easily exceed 50 percent of Africa's outstanding debt: Nigeria under the Buhari and Abacha regimes, 1984–1998 ($30 billion); South Africa under apartheid, 1948–1993 ($22 billion); the Democratic Republic of the Congo (DRC) under Mobuto, 1965–1997 ($13 billion); Sudan under Numeiri, 1969–1985 ($9 billion); Ethiopia under Mengistu, 1974–1991 ($8 billion); Kenya under Moi, 1978–2002 ($5.8 billion); Congo under Sassou, 1979–2005 ($4.5 billion); Mali under Traore, 1968–1991 ($2.5 billion); Somalia under Siad Barre, 1969–1991 ($2.3 billion); Malawi under Banda, 1966–1994 ($2.2 billion); Togo under Eyadema, 1967–2005 ($1.4 billion); Liberia under Doe, 1980–1990 ($1.2 billion); Rwanda under Habyarimana, 1973–1994 ($1 billion); Uganda under Idi Amin Dada, 1971–1979 ($0.6 billion); and the Central African Republic under Bokassa, 1966–1970 ($0.2 billion). Other nondemocratic countries—including Zimbabwe under Mugabe in recent years ($4.5 billion)—could also be added to this list (8, p. 150).

Aside from credits, other financial "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 U.N. Research Institute for Social Development, Thandika Mkandawire, observes: "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" (9, p. 7). 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 on South Africa's currency, with more than 30 percent crashes over a period of weeks during runs in early 1996, mid-1998, and late 2001 (10). In Zimbabwe, the November 1997 outflow of hot money crashed the currency by 74 percent in just four hours of trading (11). 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. Few exchange controls prevent foreign repatriation of dividends and profits from South Africa, including excessive outflows to the several huge London-registered corporations—Anglo American, DeBeers, Miller–South African Breweries, Old Mutual, Liberty Life, Didata—that were once South African (10).

Other problems emerge on the aid side of the financial accounts. Africa is commonly and mistakenly represented as the (unworthy) recipient of a vast aid inflow. Aid fell in the wake of the West's Cold War victory—dropping 40 percent during the 1990s—but the general decline had begun in the late 1960s. Moreover, purported aid figures must be corrected for tied aid (money spent in the donor country) and phantom aspects such as debt relief and aid bureaucracy. In any case, aid from most developed countries (except Scandinavia and the Netherlands) falls well below the 0.7 percent of gross domestic product (GDP), the U.N. target set 35 years ago. The U.S. and Japanese figures of 0.12 and 0.23 percent of GDP, respectively, are most egregious. Of total official aid, nongovernmental organizations estimate that just over a third takes the form of "real" aid that reaches poor people, according to Action Aid's 2005 study (12). 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."

At the 2002 Conference on Financing for Development, held in Monterrey, Mexico, governments agreed that debt relief should be considered "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 meeting in 2005. Belatedly recognizing the unsustainability of debt financing, the World Bank and IMF introduced the Highly Indebted Poor Countries (HIPC) initiative in 1996. Nine years later, in June 2005, the plan was augmented by the finance ministers' debt relief concessions for 18 countries that were near or at the HIPC "completion point." Of these, 14 are African: Benin, Burkina Faso, Ethiopia, Ghana, Madagascar, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Tanzania, Uganda, and Zambia (the other 4 are Bolivia, Guyana, Honduras, and Nicaragua). Ten other countries due for relief once they pass the HIPC initiative hurdles are Burundi, Cameroon, Chad, the DRC, the Gambia, Guinea, Guinea-Bissau, Malawi, Sierra Leone, and São Tomé and Principe. At least another 8 African countries are waiting to enter HIPC: the Central African Republic, Comoros, the Republic of the Congo, Côte d'Ivoire, Liberia, Somalia, Sudan, and Togo.

The first point to make in relation to this strategy is that HIPC debt relief has largely applied to loans that *weren't being paid in any case.* Most of the countries listed in Table 1 have vast debts—measured as a proportion of GDP—that can never be repaid; the countries are, in accounting terms, bankrupt. The notional reduction of these debts is effectively meaningless. The average official multilateral debt of HIPC completion-point countries in 1997–2001 was 80.3 percent of GDP, a figure reduced to 57.3 percent by late 2005. For all of sub-Saharan Africa, the equivalent figures fell from 44.0 to 26.4 percent. Yet only very small increases in available fiscal resources resulted, with even smaller social spending increments. Moreover, for 6 of Africa's 14 HIPC completion-point countries—Ethiopia, Ghana, Madagascar, Niger, Rwanda, and Uganda—there was insubstantial debt relief, leaving debt/GDP levels in 2005 at roughly the same burden as when the program started nine years earlier. In another 5 HIPC cases—Burundi, the Gambia, Guinea–Conakry, Malawi, and Sierra Leone—there has been no progress in paying down the debt (1).

A second point is that aid reductions and debt relief may simply cancel each other out in many cases. According to Alex Wilks, of the European Network on Debt and Development (13):

> The eighteen-to-thirty-eight beneficiary countries will eventually have their debts cancelled, but will also have a corresponding amount cut from the aid flows they were likely to receive. . . . Zambia will stop paying its debts to three creditors, but will not receive the equivalent amount in aid to spend, likely less than 20% of the amount of debt cancelled. In order to get what little extra money they are eligible for, the governments of developing nations will have to accept harsh World Bank and IMF conditions. This typically means privatization and trade liberalization, misconceived policy measures which often harm poorer people and benefit international traders.

Indeed, HIPC country programs and associated Poverty Reduction Strategy Papers still require macroeconomic austerity and services privatization. And in the most important non-HIPC country that received debt relief in 2005, Nigeria, a new Policy Support Instrument was applied with quarterly "on/off signals" for donors that include first and foremost, "macroeconomic performance and policies" but

Table 1

Sub-Saharan African debt to official creditors, 2005, as percent of gross domestic product

Oil-producing countries			
Angola	25.0		
Cameroon	34.0		
Chad	33.9		
Congo, Republic of the	71.4		
Côte d'Ivoire	48.4		
Equatorial Guinea	4.0		
Gabon	40.9		
Nigeria	32.4		
São Tomé and Principe	425.6		
Non-oil-producing countries			
Benin	35.9	Mali	60.5
Botswana	3.1	Mauritius	8.1
Burkina Faso	33.6	Mozambique	66.4
Burundi	191.5	Namibia	5.6
Cape Verde	46.6	Niger	50.6
Central African Republic	88.1	Rwanda	73.7
Comoros	75.9	Senegal	41.8
Congo, Democratic Republic of the	157.0	Seychelles	39.9
Ethiopia	69.6	Sierra Leone	103.5
Gambia, The	122.1	South Africa	2.2
Ghana	73.2	Swaziland	14.0
Guinea	87.7	Tanzania	47.1
Guinea-Bissau	282.3	Togo	93.2
Kenya	27.0	Uganda	49.6
Lesotho	51.6	Zambia	60.8
Madagascar	100.3	Zimbabwe	32.2
Malawi	144.1		
Total for sub-Saharan Africa	**26.4**		

Source: International Monetary Fund, *Regional Economic Outlook: Sub-Saharan Africa*, p. 27. Washington, DC, September 2005.
Note: The figures do not include commercial debt.

also "structural reforms that are either macro-economically critical, or within the Fund's core areas (e.g., tax system, exchange system, financial sector)" (14, p. 25). While it received a notional $30 billion in debt relief, the immediate cost to Nigeria was a huge debt payment. According to the leader of Nigeria's Jubilee network, Rev. David Ugolor (quoted in 15):

> The Paris Club cannot expect Nigeria, freed from over 30 years of military rule, to muster $12.4 billion to pay off interest and penalties incurred by the military. Since the debt, by President Obasanjo's own admission, is of dubious origin, the issues of the responsibilities of the creditors must be put on the table at the Paris Club. As desirable as an exit from debt peonage is, it is scandalous for a poor debt distressed country, which cannot afford to pay $2 billion in annual debt service payments, to part with $6 billion up front or $12 billion in three months or even one year.

The Global AIDS Alliance made similar remarks (16):

> The creditors should be ashamed of themselves if they simply take this money [$12.4 billion]. These creditors often knew that the money would be siphoned off by dictators and deposited in western banks, and the resulting debt is morally illegitimate. They bear a moral obligation to think more creatively about how to use this money. Nigeria has already paid these creditors $11.6 billion in debt service since 1985.

Finally, on the financial accounts, there is the matter of 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 (with the assistance of Damien Millet) estimates that the total overseas accounts of African citizens in Northern banks and tax havens in 2003 were $80 billion (8, p. 150). At the same time, African countries owed $30 billion to those very banks. The two leading scholars of capital flight, James Boyce and Léonce Ndikumana (17), conclude that "sub-Saharan Africa thus appears to be a net creditor vis-à-vis the rest of the world," since a core group of sub-Saharan African countries whose foreign debt was $178 billion suffered a quarter century of capital flight by elites—from 1970 to 1996—that totaled more than $285 billion (including imputed interest earnings). The sub-Saharan African countries with the worst capital flight problems are Nigeria ($98 billion more than its foreign debt, when interest on capital flight is also added), the Ivory Coast ($15 billion), the DRC ($10.1 billion), Angola ($9.2 billion), and Zambia ($5.5 billion) (17). Capital flight from Africa is a lower figure than that from other regions, but a higher proportion of a continent's GDP than anywhere else. More than $10 billion has left Nigeria, Côte d'Ivoire, the DRC, Angola, and Zambia collectively per year since the early 1970s. In 2004, the IMF found that resident African official outflows from Africa had exceeded $10 billion a year, on average, since 1998 (18, p. 196). A large portion of this amount 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 one-off impact.

While this sort of financial liberalization has taken root in Africa, even its proponents admit that it has manifestly failed to achieve growth and stability.

Nonetheless, the South African government is committed to providing a hub for global business, in order to amplify liberalization in sub-Saharan Africa. IMF researchers—including the then chief economist, Kenneth Rogoff—finally acknowledged in 2003 that two decades of financial liberalization had wrought severe damage. Rogoff and his colleagues (Eswar Prasad, Shang-Jin Wei, and M. Ayhan Kose) admitted "sobering" conclusions (19, p. 6):

> 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.

TRADE TRAPS

In addition to finance, trade has been a source of wealth depletion for Africa, dating back centuries to early versions of plunder, including 12 million slaves. In the past five years, a slight upturn in the terms of trade for African countries has only begun to mitigate the damage done by export-led growth policies foisted on Africa since the 1980s.

Given that many of the continent's elites and allied aid agencies persistently believe that it is possible to achieve growth through exports, a recent report by the World Bank is important to cite at the outset. By considering the natural resources depletion associated with extractive trade, even Bank economists now concede that much of Africa is poorer not wealthier than it would have been had the minerals, petroleum, and indigenous timber stayed put. The Bank report *Where Is the Wealth of Nations?* (20) finds that some countries have lost massive amounts of wealth. For example, Gabon's citizens lost $2,241 each in 2000, followed by citizens of the Republic of the Congo (–$727), Nigeria (–$210), Cameroon (–$152), Mauritania (–$147), and Côte d'Ivoire (–$100) (20, p. 66). This problem is particularly acute in oil-rich countries on the Gulf of Guinea. Most of the dollar value of Africa's exports in recent years is petroleum-related, largely from Nigeria and Angola.

This long-standing problem of dependence on export of primary products was identified by Frantz Fanon, just as the African countries were achieving independence (21):

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

Like financial imbalances, distortions in trade (and related currency valuation)—including the rising trade surplus that South Africa runs with the rest of the continent (while its deficit with the West grows)—are another route for the extraction of superprofits. The continent's share of world trade declined over the past quarter century, but the volume of exports increased. "Marginalization" of Africa thus occurred not because of insufficient integration, but because other areas of the world, especially East Asia, moved to the export of manufactured goods, while Africa's industrial potential declined thanks to excessive deregulation associated with structural adjustment.

To be sure, this is a long-standing problem of differential power relations in trade and exchange rate deviations (together termed "unequal exchange"), which according to Samir Amin and Gernot Köhler (as published by Köhler (22)), generated surplus transfers approaching $1.8 trillion per year by the late 1990s (Figure 2). Whereas the average currency value of Second and Third World countries (i.e., non-members of the Organization for Economic Cooperation and Development) in relation to First World currencies was 82 percent in 1960, it had declined to 38 percent by the late 1990s, according to Amin and Köhler.

Considered in another form, the importance of unequal exchange is witnessed in the difference between export volume and the value-added that goes into the exports. According to Jayati Ghosh, this is a matter not merely of dependence on primary commodity export but also of the nature of manufacturing output in the global division of labor (23):

> While developing countries as a group more than doubled their share of world manufacturing exports from 10.6% in 1980 to 26.5% in 1998, their share of manufacturing value added increased by less than half, from 16.6% to 23.8%. By contrast, developed countries experienced a substantial decline in share of world manufacturing exports, from 82.3% to 70.9%. But at the same time their share of world manufacturing value added actually increased, from 64.5% to 73.3%.

Whether it is a function of real currency changes or of the character of what is being produced (raw materials or low-value manufactured goods), the volatile trade-related underdevelopment captured in these figures is most important during epochs of "globalization" such as the 1910s–1920s and 1980s–1990s. The volatility is, of course, global in scale, as the U.S. current account also suffers from extreme trade/investment instability: from surpluses associated with the weak dollar in 1980, followed by dramatic declines to dangerous levels in the mid-1980s (–3.5% of GDP), reversed by surpluses during another weak-dollar period from 1991, but again falling rapidly from the mid-1990s (down to –5% of GDP and worse). Once the dot-com boom was finished in 2000, the U.S. share of global foreign direct investment also fell substantially, from $321 billion in 2000 to as low as $40 billion in 2003 (18, Appendix).

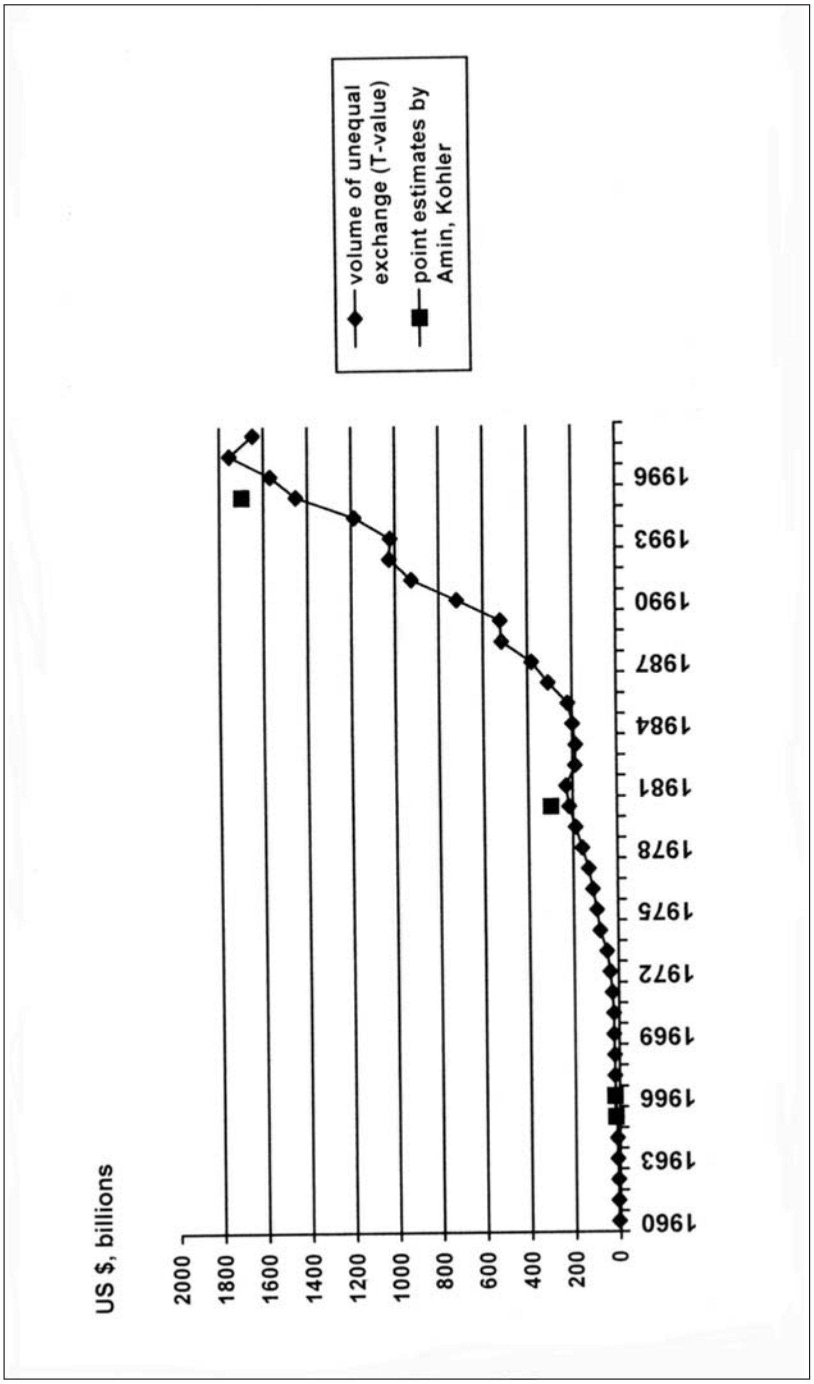

Figure 2. South–North "unequal exchange" transfers, 1960–1998. Source: Köhler (22).

Notwithstanding overwhelming evidence of the dangers of export dependency under these circumstances, the policy debate continues. As Nancy Alexander of the Services for All campaign in Washington, D.C., has shown (24), a 2002 World Bank paper promoting export-led growth revealed how two economists, David Dollar and Aart Kraay (25), creatively twisted data to prove their point that only exporting countries could finance internal growth. Dollar and Kraay termed certain countries "globalizers"—including China and India—and others "non–globalizers"—mainly commodity producers whose prices fell dramatically during the 1980s–1990s, even if during that period they were *more* not less dependent on the whims of globalized markets. By adding a commodity dependence dummy variable to the Dollar–Kraay growth equation, Alexander notes, the importance of openness to growth falls by at least half (24):

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

China and India have substantial tariffs to protect their own agricultural industries, as well as rigorous exchange controls that shielded them from the turmoil that rocked their Asian neighbors in 1997–1998, for example.

At least other Bank economists, Ataman Aksoy and John Beghin, were honest enough to admit that their employer "oversold" the benefits of exporting commodities in a context of diminishing world prices: "A development strategy based on agricultural commodity exports is likely to be impoverishing in the current agricultural policy environment" (26). They also 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 percent of their total GDP.

None of this is particularly new. Under colonialism, Walter Rodney showed (27):

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

In contemporary times, Northern agricultural subsidies have risen to the point, at several hundred billion dollars a year, that campaigners joke how a typical European cow receives a $2 per day subsidy for merely living, while a vast number of Africans are expected to survive on even less. According to Delhi-based agricultural trade researcher Devinder Sharma, Europe especially has taken advantage of Third World powerlessness in the World Trade Organization (28):

> 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 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.

FOREIGN DIRECT INVESTMENT AND DISINVESTMENT

Even within the narrow terms of the neoliberal argument, foreign direct investment fails to benefit African economies. Inflated risk factors discourage investment; common perceptions are based on overestimated investment levels; financial sector investment and acquisitions far outweigh investment in new "greenfield" manufacturing; and corrupt elites distort any potential prospects for reinvestment.

In the brief rise of foreign investment into sub-Saharan Africa noted by the Blair Commission (Figure 1), especially from 1997, peaks seem to be associated with special circumstances (Figure 3). 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 his looting of state resources and transfer to private Swiss and London accounts.

South Africa's investments were mainly accounted for by two processes: the partial privatization of the telecommunications parastatal in 1997 and the relisting of huge domestic corporations offshore from 1998 onward. The implications of the telecommunications investments are now well known, in the wake of the 30 percent share purchase in the state-owned Telkom by a Houston–Kuala Lumpur alliance. Critics such as the Freedom of Expression Institute (www.fxi.org) point to subsequent problems inexorably related to foreign direct investment and privatization, including the skyrocketing cost of local calls as cross-subsidization from long-distance (especially international) calls was phased out; the disconnection of 2.1 million lines (of 2.6 million new lines installed) due to unaffordability; the firing of 20,000 Telkom workers, leading to ongoing labor strife; and an initial public offering on the

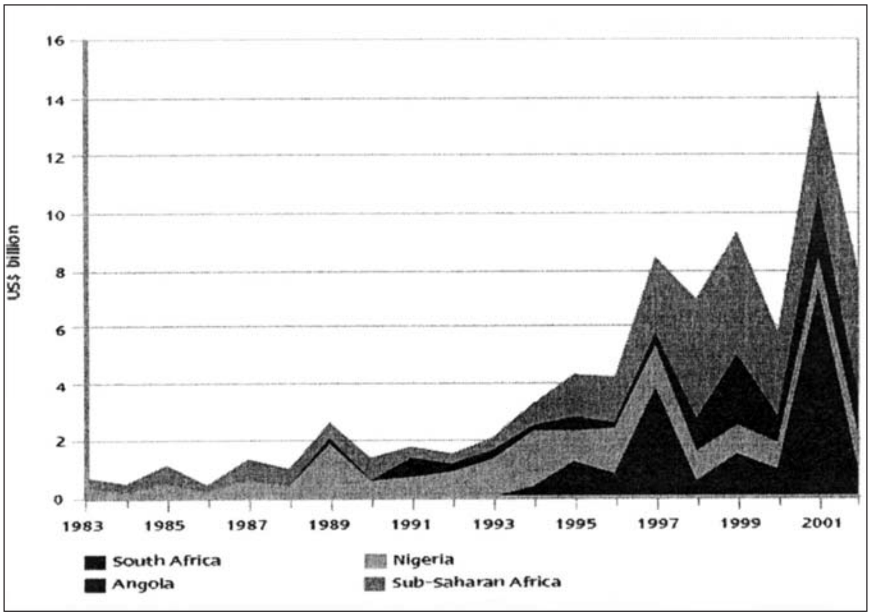

Figure 3. African recipients of foreign direct investment: sub-Saharan Africa (top, gray curve), Angola (second, black), Nigeria (third, gray), and South Africa (bottom, black). *Source:* Commission for Africa (3, p. 295).

New York Stock Exchange in 2003 that raised only $500 million, with an estimated $5 billion of Pretoria's own funding of Telkom's late 1990s capital expansion lost in the process. Ironically, the South African state repurchased the shares of Telkom held by the foreign investment consortium in 2004 (although Pretoria did not materially change policies and practices subsequently). There are several similar experiences with failed foreign investment in South Africa's other privatized state assets, including transport (renationalization in the cases of Sun Air and SAA), water (remunicipalization in the case of Suez in Nkonkobe, and likely to occur in Johannesburg), and electricity.

Aside from the expansion of automobile export and component parts manufacturing capacity in the late 1990s, the only other large foreign direct investment inflow occurred when Barclays purchased the country's largest bank in 2005 (with all that this entailed for shifting funding relationships). South Africa witnessed very few foreign investments in greenfield projects. Behind the overall slowdown in South African fixed investment lie not only global overcapacity combined with national industrial uncompetitiveness, but also South Africa's own overcapacity constraints to new investment, given the long-term decline in manufacturing capacity utilization resulting from overproduction and excessive oligopolistic concentration in the major industrial sectors. South Africa is thus a more complicated and perhaps extreme example of so many other African countries where the private sector was stagnant and in need of privatization opportunities yet, in spite of the fire-sale character of privatization, did not subsequently succeed in turning acquisition fire-sale investments into sustained productive investments (10).

As for the damage done by foreign direct investment in petroleum/mineral sector activity, it is partly economic (as *Where Is the Wealth of Nations?* (20) documents) but also political. With an estimated 3 million dead in Central African wars, thanks largely to the victims' proximity to coltan (a niobium- and tantalum-containing ore) and other mineral riches, conflicts worsened between and within the Uganda/Rwanda bloc, vis-à-vis the late 1990s alliance of the DRC, Zimbabwe, Namibia, and Angola (itself the site of a 30-year civil war fueled by oil and diamonds). Only with DRC leader Laurent Kabila's 2001 assassination and Pretoria's management of elite peace deals in the DRC and Burundi are matters settling, however briefly, into a fragile peace combining neoliberalism and opportunities for minerals extraction. Another particularly difficult site is Sudan, where U.S. Delta Force troops have been sighted in informal operations, perhaps because, although China broached oil exploration during the country's civil war chaos, U.S. firms have subsequently arrived. And bridging sub-Saharan Africa and North Africa—in another subregion of crucial importance to U.S. imperialism—not only is Libya being brought into the fold of weapons certification and control. Already, U.S. troops have been deployed for small-scale interventions in Mali, Chad, and Mauritania. In Chad, World Bank President Paul Wolfowitz has been active in managing (under the guise of funding control) corruption involving U.S. oil firms and Chadian government arms purchases and repression. A site of future extraction lies between northern Nigeria and southern Algeria, where gas pipeline options have been contracted by the U.S. multinationals Halliburton and Bechtel. The major petro prize remains the Gulf of Guinea, given that African routes to Louisiana oil-processing plants are many weeks less time-consuming for tanker transport than the Persian Gulf. West Africa's offshore oil fields have low sulfur output more attractive to U.S. refiners. Moreover, in settings ranging from oil-rich Sudan to Nigeria and Algeria, Africa remains an important site in Washington's campaigns against militant Islamic networks. The "resource course" thus is not just about the tendency of local elites to become rentiers, but is also inextricably tied to petro-military processes that link Texas oil barons, the Pentagon, the World Bank, Wall Street, and their European counterparts, with Pretoria generally serving as subimperial ally (1, 30, 31).

In a related category, the North owes the South, especially Africa, a vast amount in "ecological debt," because developed countries use or destroy a hugely disproportionate measure of the global "commons." A member of the U.N. International Panel on Climate Change calculates that forests in the South that absorb carbon from the atmosphere in effect provide Northern polluters with an annual subsidy of $75 billion (1, 32).

A pedestrian—if nevertheless crucial—query is also worth raising: to what extent do the foreign investors cover their own initial equity stake? The case of the partially privatized Airports Company of South Africa is instructive. Aeroporti Di Roma earned a vast profit—R785 million—on its initial 1998 investment of R890 million for 20 percent of the South African company. In September 2005, the South African state's investment arm bought back the stake for R1.67 billion. Adding the R180 million in dividends paid since 1998, the Italian firm took home more than a 108 percent rate of return over seven years—exceptionally high by any measure (1). At the same time, the repurchase of the company by a state agency showed there was no particular reason to have a foreign investor in the first place. Although "technical expertise" is sometimes considered a valid reason for inviting foreign investment, the South African air transport industry's management and logistics operations were always sufficiently sophisticated to handle the expansion of airports.

These experiences are not uncommon, according to Transparency International's Lawrence Cockcroft (33, p. 2):

> The most common and important form of corruption has been one in which, in spite of a conventional bidding process, an award has been made to a company which has committed itself to specific additional investment often amounting to large sums. The real, but very untransparent arrangement, has been that a key figure in the privatization 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.

Moreover, 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. One can only 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" (33; see also 2). According to a 1999 U.N. Conference on Trade and Development survey on income shifting as part of transfer pricing (34, p. 167):

> Of the developing countries with sufficient evidence to make an assessment, 61% estimated that their own national transnational corporations (TNCs) were engaging in income shifting, and 70% deemed it a significant problem. The income-shifting behaviour of foreign-based TNCs was also appraised.

> 84% of the developing countries felt that the affiliates they hosted shifted income to their parent companies to avoid tax liabilities, and 87% viewed the problem as significant.

In all of this, patriarchy is amplified in the South so as to maintain and increase the profitability of debt/finance, trade, and investment. It is impossible to put a monetary value on the loss of wealth to Africa that is due to persistent patriarchal repression. But it is now well recognized that women are the main victims of neoliberal policies, whether in (increasingly sweatshop-based) production or in the sphere of household and community reproduction. In areas characterized by migrant labor flows, such as southern Africa, the super-exploitation of rural women in childrearing, health care, and elder care is especially evident. More broadly, this is part of what Isabella Bakker and Stephen Gill term "the reprivatisation of social reproduction," entailing these trends (35, p. 136):

> - household and caring activities are increasingly provided through the market and are thus exposed to the movement of money;
> - societies seem to become redefined as collections of individuals (or at best collections of families), particularly when the state retreats from universal social protection;
> - accumulation patterns premised on connected control over wider areas of social life and thus the provisions for social reproduction;
> - survival and livelihood. For example, a large proportion of the world's population has no effective health insurance or even basic care.

For Africans, the denial of access to food, medicines, energy, and even water is the most extreme result; people who are surplus to capitalism's labor requirements find they must fend for themselves or die. The scrapping of safety nets in structural adjustment programs exerts greater pressure on the family during economic crises, which makes women more vulnerable to sexual pressures and, therefore, HIV/AIDS. A comprehensive African literature review by Dzodzi Tsikata and Joanna Kerr shows how patriarchal "biases have affected the perception of economic activities and have affected economic policies in ways that perpetuate women's subordination" (36).

POLICY AND POLITICAL OPTIONS

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

1. Bottom-up activism, in which policies and strategies draw from civil society campaigns and from grassroots and shop-floor social action movements, both historical and contemporary.
2. Global governance and policy reform, which tend to downplay the structural causes of outflows in the global and African political economy. Regrettably,

with the Bush regime in the United States, not even the welcome power shifts in Latin America are likely to change the global balance of forces in the near term so as to initiate and enforce positive global-scale measures (such as proposed ecological reparations, or taxes on currency transactions and arms deals). Much "global governance" reform is therefore a waste of time and energy.

3. National policy opportunities for progressive initiatives to reverse outflows of African wealth and divert resources toward health care and other genuinely needed investments.

But for the national policy space to open, and indeed for new governments to win election in Africa, popular campaigns to reverse resource flows are critical. These are already emerging from African grassroots struggles, such as:

- "Decommodification" movements to establish basic needs as human rights, rather than as privatized commodities that must be paid for
- Campaigns to "de-globalize" capital, such as defunding the World Bank, resisting biopiracy, and securing the right to produce local, generic medicines (especially anti-retrovirals) instead of suffering transnational corporate patent monopolies
- Demands for civil society oversight of national budgets
- Activism to ensure equitable redistribution of resources in ways that benefit low-income households, grassroots communities, and shop-floor workers

Urgently needed national policies to reverse the continent's socioeconomic collapse must draw on bottom-up activism and critiques from Africans themselves. Options that would immediately present themselves to policymakers in states with new, more progressive governments—and that have been successfully tried in recent years—include:

- Nationalization of natural resources
- Systematic default on foreign debt repayments
- Strategies to enforce domestic reinvestment of pensions and other funds
- Reintroduction of currency exchange controls and prohibition of tax-haven transfers
- Refusal of tied and phantom aid, along with naming and shaming fraudulent "aid"
- Inward-oriented import-substitution development strategies
- Refusal of foreign investments that prove unfavorable when realistic projections factor in costs such as natural resource depletion, transfer pricing, and profit/dividend outflows
- Reversal of macroeconomic policies that increase inequality

But intensified bottom-up African activism—as well as further examples from Latin American leaders—are the prerequisites for any such progress. If the top-down campaigns on Africa of 2005 taught the world anything, it is to treat Northern-centric, charity-oriented, and capital-integrating strategies with great skepticism. This is not just because the dispossession of Africa's wealth will worsen if the Global Call to Action Against Poverty continues to divert African activists' attention into fruitless campaigning for Millennium Development Goals, or Live8 concerts and rock stars such as Bono and Geldoff muddy the political terrain, or Oxfam succeeds with its export-oriented trade strategy, or the Make Poverty History coalition again legitimizes 10 Downing Street, other G8 elites, the World Trade Organization, and the Bretton Woods institutions (1). Not only did these efforts represent and reinforce status quo power relations, but it is obvious from the 2005 initiatives that they cannot work even on their own limited terms (1, 30). The G8 granted a very minor amount of debt relief (with intensified neoliberal conditionality); the increases in aid are still largely of a "phantom" nature, not alleviating poverty but instead serving geopolitical, administrative, or corporate-accumulation strategies; trade patterns have remained undisturbed; and investors today have even more capacity to dispossess Africa of its valuable resources through ongoing liberalization pressure.

In contrast, serious grassroots activism against accumulation by dispossession in Africa has recently included the following: Jubilee and reparations campaigners attempting to turn repeated "IMF riots" into longer-term strategies; Treatment Action advocates breaking the hold of pharmaceutical corporations on monopoly anti-retroviral patents; activists fighting Monsanto's genetically modified crops/food drive from the United States to South Africa to several African countries; blood-diamonds victims from Sierra Leone and Angola generating a partially successful global deal at Kimberley; Kalahari Basarwa-San Bushmen raising publicity against forced removals, as the Botswana government clears the way for DeBeers and World Bank investments; Lesotho peasants objecting to displacement during construction of the continent's largest dam system (solely to quench Johannesburg's irrational and hedonistic thirst), along with the actions of Ugandans similarly threatened at the overly expensive, corruption-ridden Bujagali Dam; a growing network questioning Liberia's long exploitation by Firestone Rubber; Chadian and Cameroonian activists pressuring the World Bank not to continue funding repression and environmental degradation; Oil Watch linking of Nigerian Delta and many other Gulf of Guinea communities; and Ghanaian, South African, and Dutch activists opposing water privatization.

How far these activist movements go depends in part on how far valued allies in the advanced capitalist financial and corporate centers recognize the merits of their analysis, strategy, and tactics—and offer the solidarity that African and other Third World activists can repay many times over, once the Northern boot is lifted from their countries' necks and they gain the space to win lasting, emancipatory objectives such as a sufficient flow of resources back into African health care.

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