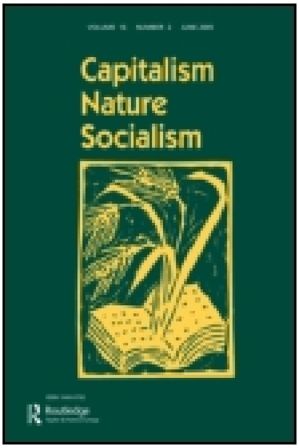


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# Kleptocratic Capitalism, Climate Finance, and the Green Economy in Africa

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# Kleptocratic Capitalism, Climate Finance, and the Green Economy in Africa[1]

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One of the most difficult issues of our times is the question of sustaining growth and development in Africa whilst at the same time protecting the environment and ensuring that growth benefits entire communities and not just a small minority. There are only two points I wish to make here. One is that Africa's development and growth model is seriously flawed. It has not translated into enhancing people's welfare over the last 40–50 years. And the second is to caution African countries and the African Union against ''outsourcing'' policy issues, especially those relating to international negotiations—such as the case with climate change—to ''experts'' from outside Africa.

In a recent paper, the UN Economic Commission for Africa argues that despite high growth rates in Africa there has been no improvement in employment and welfare of ordinary people. The paper gives Africa's commodity export dependence as the primary reason. I agree, but the main reason, in my view, is the global system of production and exchange of which Africa is a part (AUC/UNECA 2011).

The global system of production of wealth and its distribution is characterized by kleptocracy, primitive accumulation, and dispossession. Economists call it ''rent seeking,'' and they justify this with the argument that ''surplus'' from the rural and agricultural areas is needed in order for Africa to grow and industrialize—that this is how they did it in the West. That is historically true.

However, the early model of competitive capitalism of the 19th and the 20th centuries is not applicable to Africa today because we live in a different world. It is a world of *kleptocratic capitalism.* Some ''left'' intellectuals call it ''financialized capitalism''—a system where finance is king and production takes second place. But this term is limited to only its predominant economic characteristic. *In essence, in political-economic terms, kleptocratic capitalism is a system of economic production and exchange; creation of fictitious wealth without going through the production of real wealth; and political governance controlled by ''looters and daytime robbers.''* It is ''rent seeking'' by the rich nations, and within each nation by the rich economic and power

[1]This paper is a slightly edited version of a lecture delivered at the Go Green Afrique: Africa Fair And Conference, organized by Initiative Africa in Addis Ababa, June 23, 2011.

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elite. This creates at the opposite polar end the dispossession and disempowerment of the masses of the people.

This, when everything is said and done, is at the root of the rebellions by the masses in Tunisia, Egypt, Libya, Bahrain, Yemen, and other Arab and North African countries. This is a current that could swell into a tsunami tidal wave to other parts of Africa—if not today, then tomorrow or the day after. It is inherent within the very dynamics of kleptocratic capitalism's contradictions.

At the global level we have Ponzi schemes that create wealth out of thin air—money made without going through real production, money from fraudulent deals and speculation. The Madoff investment scandal in the U.S. is a good example. Bernie Madoff is now in jail, but for a long time he was the chairman of the NASDAQ,[2] a stock market that deals mainly with industrial and technology shares. But he is not the only one. *The global banking system is itself, by its nature, a huge Ponzi scheme.*

What is happening in Europe, for example, is a good indicator. German and French bankers buy Greek bonds guaranteed by the Greek government; the ostensible reason is to "bail out" a bankrupt Greek treasury. But in the process, the banks exert pressure through their governments, the European Commission, the European Central Bank, and the International Monetary Fund (IMF) to impose severe austerity measures on the people of Greece in order to ensure that the Greek government does not default on the loans. If it does, it would put into jeopardy the E.U. currency system, and possibly the entire European project that is largely pushed by European corporate and finance capital. The people of Greece and Ireland have to suffer so that the "system" survives. The system's survival is more important than the wellbeing of the people. The term "systemic risk" has become part of the vocabulary of economists since the 1997–98 financial/economic meltdown. Ireland was an "aid donor" to Africa only yesterday; today it is a beggar nation—beggared by the Ponzi-like global banking system.

Globalized capital (the so-called "foreign direct investments," or FDIs) and its several manifestations—banks, insurance companies, shipping agents, commodity speculators, wholesale traders, chain retailers, etc.—are in league with the local economic and power elites in the "recipient" countries, and their god is "accumulate, accumulate, and accumulate." Even China and India are not free from this virus—displacement of people from land is creating staggering problems in these countries. These "new" capitalist countries are still significantly underdeveloped from a science and technology perspective. The battles over intellectual property in the World

[2]NASDAQ is an acronym for National Association of Securities Dealers Automated Quotations. According to Wikipedia, it is "the largest electronic screen-based equity securities trading market in the United States and second largest by market capitalization in the world." The National Association of Securities Dealers set it up in 1971, and as of January 13, 2011, it had 2,872 listings.

Intellectual Property Organization (WIPO) and in the industrial-corporate world testify to this reality. Power in the global banking-financial market lies in the board rooms of a dozen or so big players including JPMorgan Chase, Citigroup Inc., Bank of America Corp., Morgan Stanley, Goldman Sachs, and Merrill Lynch. They operate in an unregulated market—i.e., largely outside of national control, not even that of the United States. Like an octopus, they have their tentacles everywhere, including in China, India, Brazil, and South Africa.

## Africa Undermined

Africa has been one of the major resource providers of global kleptocratic capitalism. By means of so-called "development aid" and FDIs, Africa's resources are exploited to sustain "the system." In real terms the investments and "aid" are a gigantic credit system that creates a mountain of debt that Africa has been paying in the form of transfer of real values—coffee, cocoa, cotton, cobalt, platinum, gold, chromium, manganese, uranium, titanium, and other valuable minerals.[3] In a recent article by Kandeh Yumkella, Director-General of the UN Industrial Development Organization (UNIDO), and Rob Davies (2011), South Africa's Minister of Trade and Industry, the authors say that Africa has 80–200 billion barrels of hydrocarbon reserves, but most of these are exploited by global corporations. Or in the case of African titanium sand, 1 ton brings Africa about $100 in export revenues, whereas a ton of titanium alloy brings $100,000 to countries outside Africa (Yumkella and Davies 2011)—a ratio of 1:1000.

The gross exploitation of Africa's resources is underpinned by a global credit system run by the World Bank, the IMF, and the aid industry. "Development aid" is a charade (Tandon 2008). What the IMF and the German-French dominated banking system have been doing to the peripheral European countries (Greece, Ireland, Portugal) in recent years is exactly what the IMF, the World Bank, and the so-called "donor" community have been doing to Africa for the last 50 years.

Africa has its own domestic over-consuming power and economic elite (the plutocrats) in league with their imperial overlords—the bank-robbers and global corporations—that exploit the masses of the people. One of the manifestations of their greed is the massive land grab that we are witnessing today, much of it done by these domestic plutocrats. In addition, many African governments are selling off or leasing agricultural lands to foreign investors from Europe, the U.S., India, China, the Gulf States, and further afield. There is a rush for all of Africa's resources, not just land, but also Africa's forests, oil, gold, and diamonds.

[3]Africa holds 90 percent of the world's deposits of cobalt, 90 percent of its platinum, 50 percent of its gold, 98 percent of its chromium, 64 percent of its manganese, 33 percent of its uranium, and 80 percent of its columbite-tantalite (Yumkella and Davies 2011).

The price of this intense exploitation is paid by the ordinary people. In recent court cases in South Africa, for example, tens of thousands of former mineworkers received little or no compensation for occupational lung diseases due to working in asbestos mines and other kinds of toxic environments. Hundreds of thousands of African rural people are displaced and dispossessed to make space for domestic and foreign land-grabbers—often, ironically, to grow food "for the poor"—using agro-chemicals or the magical biofuel "green gas" jatropha. These climatically displaced refugees (CDRs) are swarming rural countryside and peri-urban areas across Africa.

AGRA (Alliance for a Green Revolution in Africa) is one example of this kind of exploitation that is encouraged by mainstream African economists and power elites. Under the guise of providing Africa with "climate-sensitive" food crops and flowers, Rockefeller and Gates foundations-funded AGRA (with the blessings of former Secretary General of the United Nations, Kofi Annan) is pushing agro-chemical crops using multi-genome patents. Their objective—or at least the end result—is plain to see: the control over Africa's plant biomass to generate super profits for mega-chemical and seed corporations.

From Mali to Mozambique, small peasant farmers are resisting the takeover of their lands and meager means of sustenance. But they are scattered and too weak in political organization to mount an effective resistance. When the "Arab spring" hits the cities of these countries—as these uprisings inevitably will—the displaced and disempowered millions will enlist in droves into "rebel armies" to remove the neocolonial dictators of Africa from their perched thrones.

*This, in brief, is the first point. Africa is run by a global kleptocratic system that enriches a minute number of economic and power elite in Africa along with the global bankocrats and corporatocrats at the one end of the pole while it impoverishes the masses of African people at the other end of the pole. Economists call this "rent seeking," but it is simply looting.*

What can be done? Though it is too vast a subject to answer comprehensively, I will give two contrasting models that exemplify polar conceptions on how to go about addressing the challenges Africa faces. One is South Africa's second Industrial Policy Action Plan (IPAP-2) based on "market-based policy measures," mega-projects such as the Coega complex near Port Elizabeth, and carbon trading. This is the route of the trodden past—its outcome is predictable. The second is the pledge the government of Rwanda made at the ninth session Forum on Forests to alleviate poverty in "forest communities" with a 25-year plan to tackle ecosystem degradation and improve rural livelihoods. What is significant about the Rwandese concept is its dual objective of saving both the forests and the forest communities. For the environmentalists, forests are simply biomass that on the one hand provide fuel, and on the other hand function as carbon dioxide-absorbing "lungs" to help counter global warming. But besides the forests, there are also forest dwellers. *The challenge is to save the forests and the forest communities, the people as well as the environment.*

Those who are sensitive to the welfare needs of the people within African governments and African parliaments must support people's movements that take on this dual challenge. One example of this is the ROPPA (Network of Farmers' and Agricultural Producers' Organizations of West Africa), which coordinates and strengthens a number of rural women's associations working towards saving the communities as well as the environment.

## From COP-17 to Rio + 20 and Beyond

My second point is of more immediate concern. As I write in August 2011, there are only three months left from now to the 17th Conference of the Parties of the United Nations Framework Convention on Climate Change (UNFCCC), or COP-17, in November 2011 and less than a year to Rio + 20 (the United Nations Conference on Sustainable Development—UNCSD) that will take place May 14–16, 2012 in Brazil. In this short period, African governments and activist civil society organizations might draw lessons from the 2009 COP-15 in Copenhagen and the 2010 COP-16 in Cancún. Both these conferences were followed by widespread dissatisfaction on the part of those striving to save the environment as well as the communities that live off what nature provides them.

For the purposes of this conference, I wish to focus on just one lesson. And this is that Africa needs to be wary of the use of finance (or so-called "development aid") by the industrialized countries to divide and rule the developing countries. Globally, if there is a near-clear North-South divide, it is on the question of climate change. Until the 1990s, most scientific research and diplomatic negotiations on global warming focused on emission mitigation. The language of adaptation first emerged at the Kyoto Protocol in 1997 as a result primarily of pressure from the developing countries. The UNFCCC, which hitherto had focused on mitigation, now recognizes the significance of adaptation and the historical responsibility of the industrialized countries to compensate the developing countries for the damage they have caused to the environment during their period of industrialization. This historical responsibility is reflected in the UNFCCC's treaty provisions that oblige industrialized countries to provide new and additional financial flows (as well as technology transfers) to the developing countries to support the latter's costs for implementing UNFCCC measures and to undertake climate adaptation. The Kyoto Protocol endorsed this principle by placing these two categories of nations with common but differentiated responsibilities in, respectively, Annex 1 and Annex 2 categories.

At the international level, African countries are members of the Group of 77 and China (G77 + China), which forms the primary negotiating group for the developing countries in climate change negotiations. This group also includes members of the Organization of Petroleum Exporting Countries (OPEC). With such a differentiated group, it is natural that there should be differences amongst them on their concerns and priorities. The industrialized countries take advantage of these differences in order to "divide and dictate" to the developing countries the terms of the climate change negotiations. What makes Africa vulnerable is its dependence on the West for "development aid" and "technical experts."

One significant illustration of this is the manner in which the industrialized West used money and "technical assistance" as a means of ensuring an outcome at COP-16 in Cancún after they had failed to do so at COP-15. Europe and the U.S. mounted a coordinated offensive to break the ranks of the countries of the South. Some of this was quite overt and open, for example, through the use of "development aid" and other financial incentives. Other initiatives were covert and secretive, such as the use of U.S. spy networks—exposed, partially, by *WikiLeaks*.

The biggest "bribe" is the $100 billion per year in finance for adaptation and low-carbon development to poorer nations by 2020. This is just a pie in the sky. Africa should not hanker after it, for even if it materializes, it would be so firmly ring-fenced with "conditionalities" that it would auction away the sovereignty of African nations at the altar of "Green Capitalism" or "Good Governance." In early 2011, for example, the U.S. withheld about $350 million in grant money for Malawi disbursed through the Millennium Challenge Corporation to improve the efficiency of the country's energy sector on the grounds that Malawi had failed to observe governance and human rights issues. As for the annual fund of $100 billion, the fact that it will be administered by the World Bank strongly suggests those funds will be similarly ring-fenced.

In a February 2011 report, "Storm On the Horizon? Why World Bank Climate Investment Funds Could Do More Harm Than Good," Eurodad (a network of 57 NGOs from nineteen European countries) argues that the World Bank is not the best-placed institution for a legitimate and development-friendly climate finance architecture for the future. In general, many European NGOs are sympathetic to the concerns of Africa. My own experience working with a number of them on the issue of Economic Partnership Agreements (EPAs), which Europe is trying to foist on Africa, has been very positive. This said, it is important that African countries are self-reliant on matters related to policy issues, especially when it comes to negotiations in the global system. It is an easy (and cheaper) way out to "outsource" policy advice to "experts" from Western NGOs on the grounds that African countries do not have the experts or the money to finance them.

This is relevant in relation to climate change negotiations. As we move to COP-17 and Rio + 20, it is important that the African Union Commission builds its own network of experts to advise African countries on the technical and political issues that are likely to emerge in the months ahead. It is in this light that I need to caution Africa against the processes being put in place by several interested parties in the West to offer "technical advice" to "poor" African countries.

One such measure is the Climate and Development Knowledge Network (CDKN) initiative. The CDKN, founded in March 2010, is a consortium of consultancies and think tanks that helps decision-makers in developing countries design and deliver "climate-compatible development." CDKN claims that it can help African countries to maximize their opportunities to tap climate finance and build their capacity to manage these funds. It will also support them in assessing climate risks and vulnerabilities as well as provide legal advice through the Legal Response Initiative (LRI).[4] The CDKN offers "real-time, free legal advice to climate negotiators." This makes it suspect. Why should it offer "free" advice? What is its agenda? Who finances it? Is it not unfair to wonder whether somebody along the chain benefits from this "free" advice? Nothing comes "free."

The CDKN consortium includes the global accounting and business consulting giant PricewaterhouseCoopers; the Overseas Development Institute (ODI), an international development and humanitarian issues think tank headquartered in the U.K.; Ecuador-based Fundacion Futuro Latinoamericano (FFLA), an organization promoting sustainable development formed in response to the 1992 Earth Summit in Rio; SouthSouthNorth, a network of organizations focused on poverty reduction in the context of climate change with offices in South Africa, Brazil, Tanzania, Mozambique, and Indonesia; the Nepal-based private organization and development consultant LEAD International; and the U.K.-based International NGO Training and Research Center (INTRAC). I know some of them well from previous interactions with them. The ODI, for example, advertises itself as an "independent think tank on international development and humanitarian issues." From my own personal experience with the ODI on matters related to development aid, trade, and Economic Partnership Agreement negotiations, I can say without a moment's hesitation that it is really an arm of British foreign policy—the "soft arm" of British imperial diplomacy whose "strong arm" comprises instruments of force, including sanctions and war.

*"Policy making" is not something that African governments should "outsource" to anybody from outside Africa.* It is best for Africa to develop its own expertise rather than depend on outside help not only on negotiations on climate change but all matters of vital policy concern to Africa. It is, of course, understandable that individual African countries may have limited resources to create think tanks and research institutions. But they can take advantage of bigger institutions of which they are members. The most important collective organization is, of course, the African Union. But there are others. For example, African countries are significantly represented in the South Centre, which was created in 1995 under the inspiration of Third World leaders like Julius Nyerere and Mahathir Mohammed. The Centre is well placed to provide technical expertise on a range issues from trade negotiations to

[4]The LRI provides legal support and training for Least Developed Countries (LDCs) in the UN Climate Change talks. The LRI was set up in mid-2009 by attorneys from Oxfam GB, World Wildlife Fund U.K. as well as several practicing lawyers in London. See http://www.legalresponseinitiative.org/index.html.

intellectual property rights, finance for development, and, yes, climate change. The South Centre, for example, made a significant contribution to the African Union Commission's position on the EPA negotiations in a meeting the African Union Commission organized in Kigali in November 2010.

## Conclusion and Postscipt

Real knowledge comes not from information but from a thorough and deep understanding of Africa's situation. There is a vital and strategic distinction between information and understanding (*verstehen*)—an interpretive or participatory examination of social phenomena. *The fundamental reality of Africa is that it is integrated into a global system of kleptocratic capitalism characterized by primitive accumulation or "rent seeking" by the rich nations and within each nation by the rich power elite. This creates at the opposite polar end the dispossession and disempowerment of the masses of the people.* The present phase of the evolution of capitalism is caught up in its own contradictions, but capitalism is not about to disappear. It is a long road. In facing the challenges of the demands of a "Green Economy" that ensures "sustainable Africa," Africa has to balance the human rights and needs of the masses of its people with the imperative of protecting Africa's environment. Africa should not hand over policy matters and negotiating strategies to outside "experts," however benign they might appear. Above all, Africa must build a common united position on climate negotiations, in alliance with the other countries of the South, leading up to the COP-17 and then Rio + 20. The African Union and the South Centre can play a significant role in leading towards Rio and beyond.

There are larger issues at stake than just the negotiations at COP-17 and Rio + 20. At COP-16, where no binding international agreement was made on cutting emissions, Bolivia had taken the courageous stand to challenge the whole concept behind the negotiations and to raise the vital question of the "rights" of "Mother Nature." The Bolivian ambassador to the UN, Pablo Solón (2011), has since then made presentations at various international fora to elaborate on this revolutionary concept. Space does not allow elaboration. At the time of CO-16, Bolivia was isolated. But since then, Bolivia's position that the Cancún Negotiations of last December were not a step forward but rather a step back has been endorsed by the Group of 77, comprised of 131 developing nations including China.

In the meantime, civil society organizations the world over engaged in the climate change negotiations, have expressed anxiety that some of these technical and broader issues might not be seriously addressed at COP-17. The Climate Justice lobby in South Africa has voiced its concern at the lack of moral and political leadership in the country that is going to host COP-17, and that Trevor Manuel, South Africa's former finance minister and a known neoliberal enthusiast, was chosen as co-chair of the Green Climate Fund (Bond 2011).

The COP-17 conference is likely to be overwhelmed by other, more immediate and urgent, developments. Among these are the deepening economic and financial crisis engulfing the Western world; the possible meltdown of the European Union; the global effects of the downgrading of the U.S. credit rating; the war in Libya; the killing of more than 70 people in Norway by a psychopath who turned out to be not an Islamic terrorist (as the media had initially suspected) but a blue-eyed Norwegian; and the tumultuous rising of the marginalized populations within the Western world, including most recently (August 2011) in some of the bigger cities of the United Kingdom. These might (indeed are likely to) have a cumulative effect of downgrading the issues related to climate change in the hierarchy of priorities for the international community as we approach COP-17.

And yet, in times like this it is important that ordinary citizens of the world take a step back and look at the pandemonium and chaos that is engulfing the global kleptocratic capitalist system, and consider the climate change negotiations not in isolation but as part of the broader and deeper malaise that we face as humanity. It is a humanitarian crisis. It is a deeper crisis of which the utter failure of the global political elite to provide moral and political leadership on climate change is only one—albeit its most shaky, unstable—aspect. If cynical politicians and global bankocrats exploit the system for their own wealth and power accumulation, this does not invalidate people's legitimate call for justice, democracy, human rights, environmental security, and peaceful resolution of conflicts. It is a complex struggle, of course. But complexity is no reason for complacence.

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