

# Resource Extraction and African Underdevelopment \*

*Patrick Bond*

## Introduction: Looting Africa

Unequal trade and investment relationships are nothing new for Africa, although in recent months the world's attention has been drawn to the continent's plight as never before. However, in contrast to the strategy implied by some high-profile anti-poverty campaigners, Africa's deepening integration into the world economy has typically generated not wealth but the *outflow* of wealth. There is new evidence available to demonstrate this conclusively at a time when the current global-scale fusion of neoliberalism and neoconservatism consolidates.

In fact, the deeper power relations that keep Africa down (and, simultaneously, African elites shored up) should have been obvious to the world during 2005. It was a year in which numerous events were lined up to ostensibly help liberate Africa from poverty and powerlessness, to provide relief from crushing debt loads, to double aid, and to establish a "development round" of trade:

- The mobilization of NGO-driven citizens campaigns like Britain's "Make Poverty History" and the Johannesburg-based "Global Call to Action Against Poverty" (throughout 2005);
- Tony Blair's Commission for Africa (February);
- The main creditor countries' debt relief proposal (June);
- A tour of Africa by the new World Bank president, Paul Wolfowitz (June);
- The G8 Gleneagles debt and aid commitments (July);
- The Live 8 consciousness-raising concerts (July);
- The United Nations' Millennium Development Goals review (September);
- The return to Nigeria of monies looted by Sani Abacha that had been deposited in Swiss bank accounts (September);
- The IMF/World Bank annual meeting addressing debt and Third World "voice" (September);
- A large debt relief package for Nigeria (October); and
- The deal done at the World Trade Organization's ministerial summit in Hong Kong (December).

These all revealed global-elite hypocrisy and power relations which remained impervious to advocacy, solidarity and democratization. At best, partial critiques of imperial power emerged amidst the cacophony of all-white rock concerts and political grandstanding. At worst, polite public discourse tactfully avoided capital's blustering violence, from Nigeria's oil-soaked Delta to Northeastern Congo's gold mines to Botswana's diamond finds to Sudan's killing fields. Most of the London charity NGO strategies ensured that core issue areas—debt, aid, trade and investment—would be addressed in only the most superficial ways. The 2005 events also revealed the limits of celebrity-chasing tactics aimed at intra-elite persuasion rather than pressure. Tragically, the actual conditions faced by most people on

the continent continued to deteriorate.

Today, Africa is still getting progressively poorer, with per capita incomes in many countries below those of the 1950s-60s era of independence. If we consider even the most banal measure of poverty, most Sub-Saharan African countries suffered an increase in the percentage of people with income of less than \$1/day during the 1980s and 1990s, the World Bank itself concedes. Women are the main victims of systemic poverty and inequality, whether in productive circuits of capital (increasingly subject to sweatshop conditions) or in the “sphere of reproduction” of households and labor markets, where much primitive accumulation occurs through unequal gender power relations. There are many ways, Dzodzi Tsikata and Joanna Kerr have shown, that markets and mainstream economic policy “perpetuate women’s subordination.”

In particular, the denial of Africans’ access to food, medicines, energy and even water is a common reflection of neoliberal dominance in social policy, as people who are surplus to capitalism’s labor power requirements find that they had better fend for themselves—or simply die. Even in relatively prosperous South Africa, an early death for millions—disproportionately women—was the outcome of state and employer reaction to the AIDS epidemic, with cost-benefit analyses demonstrating to the state and capital that keeping most of the country’s five to six million HIV-positive people alive through patented medicines cost more than the people were “worth.”

The decimated social wage is one indicator of Africa’s amplified underdevelopment in recent years. In the pages that follow, however, we focus on the material processes of Africa’s underdevelopment via trade and extractive-oriented investment, largely through the depletion of natural resources. This is an area of research that has already helped catalyze the ecological debt and reparations movement, and that has sufficient intellectual standing to be the basis of a recent World Bank study, *Where is the Wealth of Nations?* (A similar critique could be levelled against financial processes, showing how the June 2005 G7 Finance Ministers’ debt relief deal perpetuates rather than ends debt peonage.)

The story is not new, of course. We can never afford ourselves the luxury of forgetting the historical legacy of a continent *looted*: trade by force dating back centuries; slavery that uprooted around 12 million Africans; land grabs; vicious taxation schemes; precious metals spirited away; the appropriation of antiquities to the British Museum and other trophy rooms; the 19<sup>th</sup> century emergence of racist ideologies to justify colonialism; the 1884-85 carve-up of Africa into dysfunctional territories in a Berlin negotiating room; the construction of settler-colonial and extractive-colonial systems—of which apartheid, the German occupation of Namibia, the Portuguese colonies and King Leopold’s Belgian Congo were perhaps only the most blatant—often based upon tearing black migrant workers from rural areas (leaving women vastly increased responsibilities as a consequence); Cold War battlegrounds—proxies for U.S./U.S.S.R. conflicts—filled with millions of corpses; the post-Cold War terrain of unipolar power; other wars catalyzed by mineral searches and offshoot violence such as witnessed in blood diamonds and other precious metals and minerals, like coltan (the cell phone ingredient found in the eastern Democratic Republic of the Congo); poacher-stripped swathes of East, Central and Southern Africa now devoid of rhinos and elephants whose ivory became ornamental material or aphrodisiac in the Middle East and East Asia; societies used as guinea pigs in the latest corporate pharmaceutical test; and the

list could continue.

As is also abundantly clear, Africa also suffers from systemic cultural and ideological misrepresentation by the North. International mass media images of Africans were nearly uniformly negative during the recent period. It was from West Africa that the neoconservative, neoMalthusian writer Robert Kaplan described for his frightened U.S. audience a future defined in terms of “disease, overpopulation, unprovoked crime, scarcity of resources, refugee migrations, the increasing erosion of nation-states and international borders, and the empowerment of private armies, security firms, and international drug cartels.” As the “dark continent,” Africa has typically been painted with broad-brush strokes as a place of heathen and uncivilized people, as savage and superstitious, as tribalistic and nepotistic. David Wiley has shown how Western media coverage is crisis-driven, based upon parachute journalism, amplified by an entertainment media which “perpetuates negative images of helpless primitives, happy-go-lucky buffoons, evil pagans. The media glorify colonialism/European intervention. Currently, Africa is represented as a place of endemic violence and brutal but ignorant dictators.” Add to this the “animalization of Africa via legions of nature shows on Africa that present Africa as being devoid of humans,” enhanced by an “advertising industry that has built and exploited (and thereby perpetuated) simplistic stereotypes of Africa.” Thus it was disgusting but logical, perhaps, that African people were settled into a theme village at an Austrian zoo in June 2005, their huts placed next to monkey cages in scenes reminiscent of 19<sup>th</sup> century exhibitions. In an explanatory letter, zoo director Barbara Jantschke denied that this was “a mistake” because “I think the Augsburg zoo is exactly the right place to communicate an atmosphere of the exotic.”

The picture is not entirely negative, for there has been a slight upturn in the terms of trade for African countries thanks to higher commodity prices associated with East Asian demand. But this should not disguise the profoundly unequal and unfair system of export-led growth, which has impoverished Africans in many ways. Ironically, the World Bank’s ecological economists have conceded as much in their calculations of natural resource depletion: petroleum, other subsoil mineral assets, timber resources, nontimber forest resources, protected areas, cropland and pastureland. As we explore below, the Bank calculates that the more its comparative advantage in resources is pursued, much of Africa grows poorer, not wealthier.

However, trade liberalization’s damage is not limited to the primary product export drive with all its adverse implications. In addition, African elites have lifted protective tariffs excessively rapidly, leading to the premature deaths of infant industries and manufacturing jobs, as well as a decline in state customs revenue. As a result, Christian Aid reports: “Trade liberalization has cost Sub-Saharan Africa \$272 billion over the past 20 years... Overall, local producers are selling less than they were before trade was liberalized.” Comparing African countries according to whether there was rapid or slow trade liberalization from 1987-99, Christian Aid found a close correlation between trade openness and worsening poverty. One reason was falling commodity prices in the 1980s and 1990s.

### **Commodity Export Dependency and Falling Terms of Trade**

The most important myth of neoliberal economics is that production for export inexorably creates prosperity. In reality, “unequal exchange” in trade—including the rising African trade

deficit with South Africa—is another route for the extraction of superprofits from Africa. The continent’s share of world trade declined over the past quarter century, but the volume of exports increased. “Marginalization” of Africa occurred, hence, not because of insufficient integration, but because other areas of the world—especially East Asia—moved to the export of manufactured goods, while Africa’s industrial potential declined thanks to excessive deregulation associated with structural adjustment.

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

More than two-thirds of Africa’s trade is with developed countries, although beginning in 1990, China’s share rose from 2 percent to 9 percent. This process has attracted growing controversy over geopolitics as Chinese loans and investments have propped up corrupt regimes from Sudan to Zimbabwe to Angola. Deindustrialization is also a profound threat to African industry. Nigeria lost 350,000 jobs directly (and 1.5 million indirectly) due to Chinese competition from 2000 to 2005. Lesotho’s garment industry collapsed when the Africa Growth and Opportunity Act benefits evaporated in 2005 once China joined the WTO.

But the main damage remains the long-term decline in primary product price trends. As Michael Barrett Brown explains: “The value added in making up manufactured goods has been greatly increased compared with the raw material required; synthetics continue to replace natural products in textiles, shoes and rubber goods; and the elasticity of demand for agricultural products (the proportion of extra incomes spent on food and beverages) has been steadily falling.” Notwithstanding the 2002-05 price increases—especially oil, rubber and copper thanks to Chinese import demand—the value of coffee, tea and cotton exports many African countries rely upon continues to stagnate or fall. Falling prices for most cash crops pushed Africa’s agricultural export value down from \$15 billion in 1987 to \$13 billion in 2000, notwithstanding greater volumes of exports.

**Table 1: Commodity Price Declines, 1980-2001**

Product, Unit	1980	1990	2001
Cafe (Robusta) cents/kg	411.70	118.20	63.30
Cocoa cents/kg	330.50	126.70	111.40

<b>Groundnut oil</b> dollars/ton	1090.10	963.70	709.20
<b>Palm oil</b> dollars/ton	740.90	289.90	297.80
<b>Soya</b> dollars/ton	376.00	246.80	204.20
<b>Sugar</b> cents/kg	80.17	27.67	19.90
<b>Cotton</b> cents/kg	261.70	181.90	110.30
<b>Copper</b> dollars/ton	2770.00	2661.00	1645.00
<b>Lead</b> cents/kg	115.00	81.10	49.60

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

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

Commodity prices were extremely volatile in key sectors affecting Africa. Gold rose from \$35/ounce in 1971 to \$850/ounce in 1981 but then crashed to as low as \$250 by the late 1990s. The 2002-05 minor boom in some commodity prices reflected strong Chinese import demand and the East Asian recovery from the 1997-98 depression in four key countries; from a very low base in early 2002, the prices of agricultural products rose 80 percent and metals/minerals doubled. Perhaps most spectacularly, the rise of the oil price from \$11/barrel to \$70/barrel from 1998-2005 meant that price volatility did indeed assist a few countries. But the soaring price of energy came at the expense of most of Africa, which imports oil.

A related problem is the northern agricultural subsidy system, which is worth several hundred billion dollars a year, whether for domestic market stabilization (in an earlier era) or export promotion. Overproductive European, U.S. and Japanese agro-industrial corporations exploit African markets in the form of dumped grains and foodstuffs. Rarely examined, however, are the differential impacts of subsidies, especially when associated with glutted global agricultural markets. This is a general problem associated with export-led growth, but it is particularly acute in the farming sector because of uneven access to state subsidies.

In addition to the lopsided playing field created by northern subsidies, the Third World has seen its productive potential drastically reduced as trade liberalization has decimated many local industries, including domestic farming. In the process, as Branco Milanovic notes, rapid trade-related integration caused growing social inequality. 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), consumers of imported goods, and politicians and bureaucrats who are tapped into the commercial/financial circuits.

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

The power of the agro-corporate lobby is substantial and getting stronger. The UN Development Program found that agricultural subsidies had risen 15 percent between the late 1980s and 2004, from \$243 billion to \$279 billion (a figure Vandana Shiva considers a vast underestimate), with Japan (56 percent) the most subsidy-intensive in relation to the total value of agricultural production, compared to the E.U. (33 percent) and U.S. (18 percent).

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

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

What impact would the removal of northern agricultural subsidies have in Africa? Explicit agro-export subsidies, which account for less than 1 percent of the total and are mainly provided by the E.U., will finally cease in 2013, thanks to concessions at the Hong Kong WTO summit. (Implicit E.U. export subsidies worth 55 billion euros will continue,

however.) This reform aside, the most important debate is over whether substantive reductions would genuinely benefit African peasants.

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

In sum, two crucial questions associated with subsidies and agricultural exports are typically elided by neoliberal economists and other pro-trade campaigners: which forces in Northern societies benefit from subsidies that promote export-orientation, in both the short- and long-term?; and, which forces in Southern societies would win and lose in the event exports are lifted? Furthermore, the crucial strategic question is whether self-reliant development strategies—which were the necessary (if insufficient) condition for most industrialization in the past—can be applied if low-income exporting countries remain mired in the commodity trap. The same points must be raised again below with respect to Africa's mineral exports, where depletion of nonrenewable resources drains the wealth of future generations. But a final reflection of trade-related power relations was also unveiled in Hong Kong, as India and Brazil structurally shifted their location from an alliance with 110 Third World countries, to the core of the “Five Interested Parties” (joining the U.S., E.U. and Australia) which cut the final deal.

### **Investment, Production and Exploitation**

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

One of the most careful analysts of foreign corporate domination of African economies, UN Research Institute for Social Development director Thandika Mkandawire, recently studied African economies' “maladjustment” and concluded, “Little FDI has gone into the manufacturing industry. As for investment in mining, it is not drawn to African countries by macroeconomic policy changes, as is often suggested, but by the prospects of better world prices, changes in attitudes towards national ownership and sector specific incentives.” Moreover, 14 percent of FDI was “driven by acquisitions facilitated by the increased pace of privatization to buy up existing plants that are being sold, usually under

‘fire sale’ conditions.” What little new manufacturing investment occurred was typically “for expansion of existing capacities, especially in industries enjoying natural monopolies (e.g. beverages, cement, furniture). Such expansion may have been stimulated by the spurt of growth that caused much euphoria, and that is now fading away.”

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

### **FDI and Resource Depletion**

Mining houses have been central to looting Africa for at least a century and a half, and the depletion of minerals and other non-renewable natural resources have had extremely negative consequences. The oil sector—the most brazen case, with its profit and dividend outflows often lubricated by corruption—illustrates this most clearly. As demonstrated by the Open Society-backed campaign, “Publish what you Pay,” elites in Africa’s oil producing countries—Angola, Chad, Congo, Equatorial Guinea, Gabon, Nigeria and Sudan—are amongst the world’s least transparent. In Nigeria, demands by the Ogoni people relate not only to the massive destruction of their Delta habitat, but also to the looting of their natural wealth by Big Oil. Diverse forces in society have moved away from considering oil merely a matter of private property, to be negotiated between corporations and governments, as was the case during much of the 20<sup>th</sup> century. Instead, these forces now treat oil as part of a general “commons” of a national society’s natural resource base. From a September 2005 conference in Johannesburg organized by the South African NGO groundWork, delegates petitioned the World Petroleum Congress:

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

In a remarkable essay, “Seeing Like an Oil Company,” anthropologist James Ferguson argues that “capital ‘hops’ over ‘unusable Africa,’ alighting only in mineral-rich enclaves that are starkly disconnected from their national societies. The result is not the formation of standardized national grids, but the emergence of huge areas of the continent that are effectively ‘off the grid.’” In the process, Ferguson says, there emerges “a frightening sort of political-economic model for regions that combine mineral wealth with political intractability,” ranging from African oil zones to occupied Iraq. The model includes protection of capital by “private military companies” (e.g., in Baghdad, Blackwater, Erinys and Global Risk Strategies), and protection of the “Big Man” leader (e.g., Paul Bremer, John Negroponte) “not by his own national army but, instead, by hired guns.” The bottom line is enhanced profit for international capital and despotism for the citizenry.

Remarkably, this latest stage in the disintegration wrought by capital is being registered

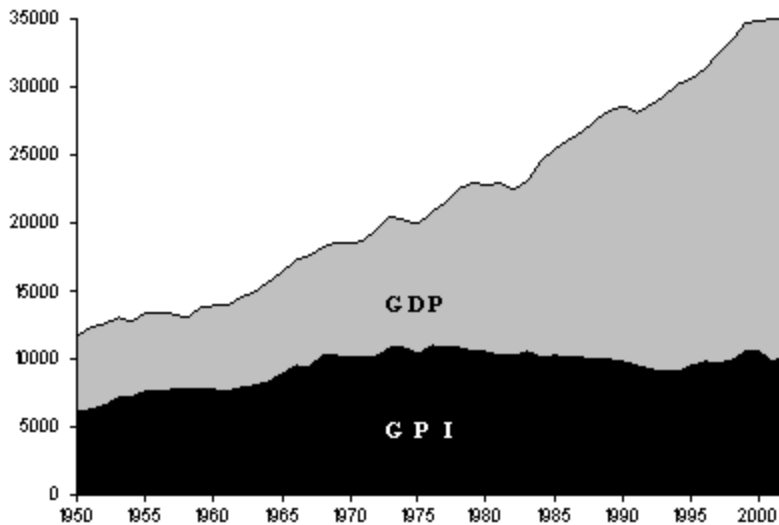


within that center of accumulation, the World Bank, which has begun to measure some of its costs. This opens upon a potentially fruitful phase of environmental accounting in which the depletion of natural resources plus associated negative externalities—such as the social devastation caused by mining operations—can now begin to be taken seriously as a way of envisioning a global commons. That entails at least a rough accounting of the costs associated with tearing resources from the ground, forests and fisheries, even as we continue to recognize that many aspects of valuation—human life’s worth, indigenous people’s traditions and culture, and aesthetics of the natural environment—are impossible to quantify.

### Accounting for Nature

With its 2005 study, *Where is the Wealth of Nations?*, the World Bank has begun to address the question of resource depletion, using the methodology of correcting bias in GDP wealth accounting. Not surprisingly, this is nowhere near as expansive as parallel efforts by groups such as San Francisco-based Redefining Progress. There, statisticians subtract from GDP the cost of crime and family breakdown; add household and volunteer work; correct for income distribution (rewarding equality); subtract resource depletion; subtract pollution; subtract long-term environmental damage (climate change, nuclear waste generation); add opportunities for increased leisure time; factor in lifespan of consumer durables and public infrastructure; and subtract vulnerability upon foreign assets. Using this approach and accounting for natural resource depletion, pollution and the other factors that, in the aggregate, comprise the onset of the era marked by neoliberalism, globalization and the ecological crisis, Redefining Progress finds that global welfare began declining in absolute terms during the mid-1970s (see Figure 2).

**Figure 2: Global GDP versus a Genuine Progress Indicator, 1950-2003**



Source: [www.redefiningprogress.org](http://www.redefiningprogress.org)

Indeed, as Michael Goldman brilliantly demonstrates, the Bank’s “green neoliberal project” fuses “*neocolonial* conservationist ideas of enclosure and preservation and *neoliberal* notions of market value and optimal resource allocation.” It does so in order to make

“particular natures and natural resource-dependent communities legible, accountable and available to foreign investors... by introducing new cultural and scientific logics for interpreting qualities of the state’s territory.” Despite this overarching function, the Bank’s tentative approach to valuation of depleted natural resources is a step forward in recognizing that extractive investments may not contribute to net welfare, and indeed may cause national savings and wealth to actually shrink, along with their better known qualitative manifestations.

The Bank’s first-cut method subtracts from the existing rate of savings factors such as fixed capital depreciation, depletion of natural resources and pollution, but then it adds investments in education (defined as annual expenditure). The result, in most African countries dependent upon primary products, is a net negative rate of national savings to Gross National Income (GNI). These effects are made to appear less severe by a number of methodological dodges. Thus, in making estimates about the decline in a country’s wealth due to energy, mineral or forest-related depletion, the World Bank adopts a minimalist definition based upon international pricing (not potential future values when scarcity becomes a more crucial factor, especially in the oil industry). Moreover, the Bank does not fully calculate damages done to the local environment, to workers’ health and safety, and especially to women in communities around mines. And the Bank’s use of average—not marginal—cost resource rents also underestimates the depletion costs. In particular, the attempt to generate a “genuine savings” calculation requires adjusting net national savings to account for resource depletion. The Bank suggests the following steps:

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

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

In many cases the differences are huge. Nigeria, a major oil exporter, could have had a year 2000 stock of produced capital five times higher than the actual stock. Moreover, if these investments had taken place, oil would play a much smaller role in the Nigerian economy today, with likely beneficial impacts on policies affecting other sectors of the economy.

A more nuanced breakdown of a country’s estimated “tangible wealth” is required to capture not just obvious oil-related depletion and rent outflows, but also other subsoil assets,

timber resources, nontimber forest resources, protected areas, cropland and pastureland. The “produced capital” normally captured in GDP accounting is added to the tangible wealth. In the case of Ghana, shown in Table 2, that amounted to \$2,022 per capita in 2000. The same year, the Gross National Saving of Ghana was \$40 per capita and education spending was \$7. These figures require downward adjustment to account for the consumption of fixed capital (\$19), as well as the depletion of wealth in the form of stored energy (\$0), minerals (\$4) and net forest assets (\$8). In Ghana, the adjusted net saving was \$16 per capita in 2000. But given population growth of 1.7 percent, the country’s wealth actually shrunk by \$18 per capita in 2000.

**Table 2: Adjustment to Ghana’s 2000 Savings Rate  
Based Upon Tangible Wealth and Resource Depletion (per capita \$)**

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

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

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

Ghana was an interesting example given that it has often played the role of World Bank poster child country. Other African countries whose economies are primary product dependent fare much worse, according to the Bank’s methodology. Gabon’s citizens lost \$2,241 each in 2000, as oil companies rapidly depleted the country’s tangible wealth. The Republic of the Congo (-\$727), Nigeria (-\$210), Cameroon (-\$152), Mauritania (-\$147) and Cote d’Ivoire (-\$100) are other African countries whose people each lost at least \$100 in tangible national wealth in 2000 alone. (Angola would certainly rank high amongst these, were data available for the Bank’s analysis.) A few sparsely populated countries did benefit, according to the tangible wealth measure, including the Seychelles (+\$904), Botswana (+\$814) and Namibia (+\$140), but the great majority of Africans saw their wealth depleted. (See Table 4.)

**Table 3: African Countries’ Adjusted National Wealth and “Savings Gaps,” 2000**

	<b>Income per capita</b>	<b>Population</b>	<b>Adjusted net</b>	<b>Change in wealth</b>
--	--------------------------	-------------------	---------------------	-------------------------

	(\$)	growth rate (percent)	saving per capita (\$)	per capita (\$)
Benin	360	2.6	14	-42
Botswana	2925	1.7	1021	814
Burkina Faso	230	2.5	15	-36
Burundi	97	1.9	-10	-37
Cameroon	548	2.2	-8	-152
Cape Verde	1195	2.7	43	-81
Chad	174	3.1	-8	-74
Comoros	367	2.5	-17	-73
Rep of Congo	660	3.2	-227	-727
Côte d'Ivoire	625	2.3	-5	-100
Ethiopia	101	2.4	-4	-27
Gabon	3370	2.3	-1183	-2241
The Gambia	305	3.4	-5	-45
Ghana	255	1.7	16	-18
Kenya	343	2.3	40	-11
Madagascar	245	3.1	9	-56
Malawi	162	2.1	-2	-29
Mali	221	2.4	20	-47
Mauritania	382	2.9	-30	-147
Mauritius	3697	1.1	645	514
Mozambique	195	2.2	15	-20
Namibia	1820	3.2	392	140
Niger	166	3.3	-10	-83
Nigeria	297	2.4	-97	-210
Rwanda	233	2.9	14	-60
Senegal	449	2.6	31	-27
Seychelles	7089	0.9	1162	904
South Africa	2837	2.5	246	-2
Swaziland	1375	2.5	129	8
Togo	285	4.0	-20	-88
Zambia	312	2.0	-13	-63
Zimbabwe	550	2.0	53	-4

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

In part, minerals depletion and associated pollution costs are a function of expanded foreign direct investment. Even in South Africa, with a 150-year-old organic mining-based bourgeoisie, mineral depletion today disproportionately benefits overseas mining houses (especially given that some of the largest Johannesburg firms relisted their primary share residences to London after 1994). In addition, CO<sub>2</sub> emissions plus a great deal of other pollution (especially SO<sub>2</sub>) are largely the result of energy consumption by metals smelters owned by large multinational corporations (e.g., Mittal Steel, BHP Billiton and the Anglo group). Any assessment of FDI, especially in oil and resource rich countries, must henceforth take into account its contribution to the net negative impact on national wealth, including the depletion and degradation of the resource base. Ironically, given the source of leadership at the World Bank (Paul Wolfowitz of the U.S. petro-military complex), the Bank's new accounting of genuine savings is a helpful innovation. Taking the methodology forward in order to correct biases, and rigorously estimating an Africa-wide extraction measure in order to better account for the way extractive FDI generates net negative welfare/savings, still remain as important exercises.

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

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

Official statistics have never properly picked up the durable problem of transfer pricing, whereby foreign investors misinvoice inputs drawn from abroad. Companies cheat Third World countries on tax revenues by artificially inflating their imported input prices so as to claim lower net income. It is only possible to guess the vast scale of the problem on the basis of case studies. The Oxford Institute of Energy Studies estimated that in 1994, 14 percent of the total value of exported oil “was not accounted for in national trade figures as a result of various forms of transfer pricing and smuggling.” According to a 1999 United Nations Conference on Trade and Development survey on income shifting as part of transfer pricing:

Of the developing countries with sufficient evidence to make an assessment, 61 percent estimated that their own transnational corporations (TNCs) were engaging in income shifting, and 70 percent deemed it a significant problem. The income-shifting behavior of foreign-based TNCs was also appraised. Eighty-four percent of the developing countries felt that the affiliates they hosted shifted income to their parent companies to avoid tax liabilities, and 87 percent viewed the problem as significant.

Another kind of corporate financial transfer aimed at exploiting weak African countries is the fee that headquarters charge for patent and copyright fees on technology agreements. Such payments, according to Yash Tandon, are augmented by management and consultancy fees, as well as other Northern corporate support mechanisms that drain the Third World. For the year 2000, Tandon listed export revenue denied the South because of northern protectionism that amounted to more than \$30 billion for non-agricultural products.

## **Production, Transport and the Ecological Debt**

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

The notion of an ecological debt is not particularly radical. Think of the environmental liabilities incurred by firms (under the United States Superfund legislation), or of the engineering field called “restoration ecology,” or the proposals by the Swedish government in the early 1990s to calculate the country’s environmental debt. Ecologically unequal exchange is one of the reasons for the claim of the

Ecological Debt. The second reason for this claim is the disproportionate use of Environmental Space by the rich countries.

In the first category, Martínez-Alier lists:

- Unpaid costs of reproduction or maintenance or sustainable management of the renewable resources that have been exported;
- Actualized costs of the future lack of availability of destroyed natural resources; and
- Compensation for, or the costs of reparation (unpaid) of the local damages produced by exports (for example, the sulphur dioxide of copper smelters, the mine tailings, the harms to health from flower exports, the pollution of water by mining), or the actualized value of irreversible damage;
- (Unpaid) amount corresponding to the commercial use of information and knowledge on genetic resources, when they have been appropriated gratis (e.g., “biopiracy”). For agricultural genetic resources, the basis for such a claim already exists under the FAO’s Farmers’ Rights.

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

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

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

The sums involved are potentially vast. Vandana Shiva and Yash Tandon estimate that biopiracy of “wild seed varieties have contributed some \$66 billion annually to the U.S. economy.” Moreover, in the case of CO<sub>2</sub> emissions, according to Martínez-Alier, “a total annual subsidy of \$75 billion is forthcoming from South to North.” Excess use of the planet’s CO<sub>2</sub> absorption capacity is merely one of the many ways that the South is being exploited by the North on the ecological front. Africans are most exploited in this regard, because non-industrialized economics have not begun to utilize more than a small fraction of what should be due under any fair framework of global resource allocation. The amounts involved would easily cover debt repayments.

A final way in which Africa’s wealth is depleted is via skilled labor migration. This problem has become important, even if it is slightly mitigated by the inflow of migrant remittance payments to families at home. Approximately 20,000 skilled workers leave Africa each year. The World Bank’s estimate of the share of Africa’s skilled workers with a tertiary

education who emigrate is more than 15 percent—higher than any other region. It is true that remittances from both skilled and unskilled labor flow back to Africa as a result, and in some cases represent an important contribution to GDP. But as the World Bank concedes, there are extremely high transaction costs (sometimes 20 percent) imposed upon the small sums that are transferred by migrants. For this reason, a great deal of migration-related inflows to Africa have become informal in nature, via black market systems, and in turn, once the flows reach their home destination, further problems often emerge.

The progressive position on migration has always been to maintain support for the “globalization of people” (while opposing the “globalization of capital”) and in the process to oppose border controls and arduous immigration restrictions, as well as all forms of xenophobia. In October 2005, North Africans were expelled from the Moroccan-Spanish border at Granada by lethal force, and the supposedly progressive Zapatero regime announced it would build the equivalent of Israel’s notorious apartheid wall at the border. It was, according to Slavoj Žižek, just another symptom of Fortress Europe:

A couple of years ago, an ominous decision of the E.U. passed almost unnoticed: a plan to establish an all-European border police force to secure the isolation of the Union territory, so as to prevent the influx of the immigrants. *This* is the truth of globalization: the construction of *new* walls safeguarding the prosperous Europe from a flood of immigrants...

The segregation of the people is the reality of economic globalization. This new racism of the developed world is in a way much more brutal than the previous one. Its implicit legitimization is neither naturalist (the “natural” superiority of the developed West) nor culturalist (we in the West also want to preserve our cultural identity). Rather, it’s an unabashed economic egotism—the fundamental divide is the one between those included into the sphere of (relative) economic prosperity and those excluded from it.

According to Yash Tandon and the UN Development Program, there is a substantial “loss of revenue on account of blockage on the free movement of people,” which they estimated to amount to at least \$25 billion annually during the 1980s. But setting such numbers aside, it is also important to recognize an important basis for superexploitation within patriarchal power relations in migration and many other forms of North-South power. Since it is women who disproportionately remain, and women who are radically disempowered across Africa, this enables the manifold processes discussed above—debt/finance, trade, investment and labor migration—to be maintained at inordinately high rates of exploitation.

### **Conclusion: From Looting to Liberation**

The looting of Africa dates back many centuries and may be traced to the point at which value transfers began via appropriation of slave labor, antiquities, precious metals and raw materials. Unfair terms of trade were soon amplified by colonial and neocolonial relations. These processes often amounted to a kind of ongoing “primitive accumulation,” by which capital of Northern countries grew by virtue of looting Africa. This was not a once-off set of problems, solved by the independence struggles of the 1950s through the 1990s. In recent decades, wealth extraction through imperialist relations has intensified, and some of the same kinds of primitive looting tactics are now once again evident. Moreover, key causes of Africa’s underdevelopment since the early 1980s can also be identified within the framework of *neoliberal* (free market) policies adopted nearly universally across the

continent and indeed the world, in part thanks to the emergence of local allies of the North within African states.

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

In response, progressive African activists and allied intellectuals should be increasingly capable of building upon their citizenries’ profound skepticism of ruling elites. According to *Afrobarometer* polls and the *World Values Survey*, “Africans care about equity and public action to reduce poverty. They are less comfortable with wide wealth differentials, and have a strong commitment to political equality. About 75 percent of the respondents agree that African governments are doing too little for people trapped in poverty.” The challenge will be to establish not only alternative conceptions of poverty and inequality so that the broader structural processes of accumulation by dispossession are clear—but also a different approach to public policy and politics.

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