

Kleptocratic Capitalism: Challenges of the Green Economy for Sustainable Africa

Africa's development or growth model is seriously flawed. It has not translated into people's welfare over the last 40-50 years. *The fundamental reality of Africa is that it is integrated into a global system of kleptocratic capitalism characterised 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.* This paper seeks to caution African countries and the African Union against "outsourcing" policy issues, especially those relating to international negotiations -- such is the case with climate change -- to neoliberal "experts" who advocate opening up Africa to global industrial, trading and banking corporations. Above all, in alliance with other like-minded countries of the South, Africa must build a common united position on climate negotiations.

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This meeting seeks to address one of the most difficult issues of our times – 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.

Kleptocratic Capitalism

In a recent paper the UN ECA 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 for it. I agree, but the main reason, in my view, is the global system of production and exchange of which Africa is a part. (AU/UNECA issues paper: "Governing development in Africa - the role of the state in economic transformation", 22 March 2011)

The global system of production of wealth and its distribution is characterised 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 industrialise; that this is how they did it in the West. That is historically true.

However, the early model of competitive capitalism of 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 "financialised capitalism" – finance is king; production takes a 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 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 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 of the people 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 out money without going through real production, money out of fraudulent deals and speculation. The Madoff investment scandal in the US is a good example. Madoff is now in jail, but for a long time he was the chairman of NASDAQ, a stock market that dealt 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.* I cannot go into a detailed explanation here. But 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 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 EU 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.

Globalised 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 Intellectual Property Organisation (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 China, India, Brazil and South Africa.

Africa undermined

Africa has been one of the major resource providers of global kleptocratic capitalism. By means of the 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 which Africa has been paying in the form of transfer of real values

– coffee, cocoa, cotton, cobalt, platinum, gold, chromium, manganese, uranium, titanium, etc. (Africa holds 90 % of the world's deposits of cobalt, 90 % of its platinum, 50 % of its gold, 98 % of its chromium, 64 % of its manganese, 33 % of its uranium, and 80 % of its columbite-tantalite). In a recent paper by Kandeh Yumkella, DG of UNIDO, and Rob Davies, South Africa's minister of trade and industry (from which the above figures are taken), the authors say that Africa has 80-200 billion barrels of Hydrocarbon reserves, but most of these are exploited by global corporations. A ton of African titanium sand, to give but one example, brings about \$100 in export revenues, whereas a ton of titanium alloy brings \$100,000 but to countries outside Africa – 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. (See, Yash Tandon, *Ending Aid Dependence*, 2009). What the IMF and the German-French dominated banking system has 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. They have been sacrificing the welfare of the people of Africa so that the "system" of corporate greed and "rent seeking" by the rich and powerful can survive and prosper. It is no wonder that people in Africa remain poor and unemployed.

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. A lot of the land grabbing is done by these domestic plutocrats. Also, many African governments are selling off or leasing agricultural lands to foreign investors from Europe, the US, 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.

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 working in asbestos mines and other kinds of toxic environment. 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 bio-fuel "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 the 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 life-saving meagre means of sustenance. But they are scattered and weak in political organisation to mount an effective resistance. When the "Arab spring" hits the cities of these countries -- as inevitably they will -- these displaced and disempowered millions will enlist in

droves into “rebel armies” to remove the neo-colonial 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 and the global bankocrats and corporatocrats at the one end of the pole and impoverishes the masses of African people at the other end of the pole. Economists call this “rent seeking”, but it is, bereft of linguistic and technical finesse, simply looting.

What can be done? It is too vast a subject to take on. 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 tackling 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 the forests and also the “forest communities”. For the environmentalists forests are simply bio-mass that on the one hand provide fuel, and on the other hand carbon dioxide absorbing “lungs” as a counter against 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 that 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' Organisations of West Africa) which co-ordinates 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. There are only five months left from now to the COP-17 in November 2011, and less than a year to the Rio+20 (the United Nations Conference on Sustainable Development -- UNCSDD) that will take place from 14-16 May 2012 in Brazil. In this short period, African governments and activist civil society organisations might draw lessons from the 2009 COP-15 in Copenhagen and the 2010 COP-16 in Cancun. Both these conferences were followed by widespread dissatisfaction on the part of those that are striving to save the environment as well as the communities that live off what nature provides them for their sustenance without these being expropriated by global corporations and commodity speculators.

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 the so-called “development aid”) by the industrialised countries (ICs) to divide and rule the developing countries (DCs). 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 DCs. The UNFCCC, that hitherto had focused on

mitigation, now recognises the significance of adaptation and the historical responsibility of the ICs to compensate the DCs for the damage they have caused to the environment during their period of industrialisation. This historical responsibility is reflected in the UNFCCC's treaty provisions that oblige ICs to provide new and additional financial flows (as well as technology transfers) to the DCs to support the latter's costs for implementing the UNFCCC 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 ICs take advantage of these differences in order to "divide and dictate" to the DCs the terms of the climate change negotiations. What makes Africa vulnerable is its dependence on the West for the so-called "development aid" and "technical experts".

One significant illustration of this is the manner in which the industrialised west used money and "technical assistance" as a means of ensuring an outcome at COP-16 in Cancun after they had failed to do so at COP-15. Europe and the US mounted a co-ordinated 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. Others were covert and secretive, such as the use of US spy network -- exposed, partially, by the WikiLeaks. (see *Pambazuka* 510, Dec 2010).

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 materialises, it would be so firmly ring-fenced with "conditionalities" as to auction away the sovereignty of African nations at the altar of "Green Capitalism" or "Good Governance". In early 2011, for example, the US withheld about \$350 million grant to improve the energy sector to be disbursed to Malawi through the Millennium Challenge Corporation (MCC), on the grounds that Malawi had failed to observe governance and human rights issues. As for the annual fund of \$100 billion, the certainty that it will be similarly ring-fenced is the fact that it will be administered by the World Bank.

In a February 2011 report -- "Storm On the Horizon? Why World Bank Climate Investment Funds Could Do More Harm Than Good" -- the Eurodad (a network of 57 NGOs from 19 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 the Economic Partnership Agreements (EPAs) that 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 a relevant and important point 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 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 in put in place by several interested parties in the West to offer “technical advice” to “poor” African countries.

One such is the CDKN initiative. The Climate and Development Knowledge Network, 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 maximise their opportunities to tap climate finance and build their capacity to can manage these funds. It will also support them in assessing climate risks and vulnerabilities, and work to reinforce the Legal Response Initiative (LRI). The CKDN 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? It is not unfair to reason that somebody along the chain benefits from this “free” advice. Nothing comes “free”.

The CDKN consortium includes PricewaterhouseCoopers (PWC), the Overseas Development Institute (ODI), Fundacion Futuro Latinoamericano (FFLA), SouthSouthNorth, LEAD International and 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 knowledge of the ODI (on matters related to development aid, trade and EPA negotiations, for example) I can say without a moment’s hesitation that it is really an arm of British foreign policy. It is the “soft arm” of British imperial diplomacy whose “strong arm” comprises of 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 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 organisation is of course the African Union. But there are others, For example, African countries are significantly represented in the South Centre that 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 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 AUC organised in Kigali in November 2010.

Conclusion

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 characterised 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”, who advocate opening up Africa to global industrial, trading and banking corporations, however benign they might appear. Above all, in alliance with other like-minded countries of the South, Africa must build a common united position on climate negotiations leading to COP-17 in COP-17 and then Rio+20. The African Union and the South Centre can play a significant role in leading towards Rio and beyond.