

Structural Adjustment Measures in Africa



Social, Political and Economic Consequences

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Key Questions

- African Integration and Unification
- Call on the General Assembly to abandon IMF policies.
- Structural Adjustment as Imperial domination
- African Opposition to Structural Adjustment
- Systematic fragility of the Global Economy
Capital flight from Africa
- Audacity and political Will



Nkrumah's plea for African Unity

Our objective is African union now. There is no time to waste. We must unite now or perish. I am confident that by our concerted effort and determination, we shall lay here the foundations for a continental Union of African States.



Agenda 2063

The Africa we want





Time Table for Unity

- the Continental Free Trade Area by 2017,
- Africa Customs Union by 2019,
- African Common Market by 2015, and
- Africa Monetary Union by 2030
- Then Union Government



AFRICA WE WANT

- A prosperous Africa based on inclusive growth and sustainable development
- An integrated continent, politically united and based on the ideals of Pan Africanism and the vision of Africa's Renaissance
- An Africa of good governance, democracy, respect for human rights, justice and the rule of law
- A peaceful and secure Africa
- An Africa with a strong cultural identity, common heritage, values and ethics
- An Africa where development is people-driven, unleashing the potential of its women and youth
- Africa as a strong, united and influential global player and partner



Key areas of transformation

- Agriculture and fisheries
- Energy and Water
- Infrastructure
- Information, Communication Technologies (ICT)
- Education
- Health delivery
- Housing and urban planning
- Environmental repair



Global Economy

- the system of industry and trade around the world that has developed as the result of globalization (= the way in which economies have been developing to operate together as one system):
- Africa has always been central to this global economy



Amilcar Cabral
Weapon of Theory

We will simply state that imperialism can be defined as a worldwide expression of the search for profits and the ever-increasing accumulation of *surplus value* by monopoly financial capital, centered in two parts of the world; first in Europe, and then in North America. And if we wish to place the fact of imperialism within the general trajectory of the evolution of the transcendental factor which has changed the face of the world, namely capital and the process of its accumulation, we can say that imperialism is piracy transplanted from the seas to dry land piracy reorganized, consolidated and adapted to the aim of exploiting the natural and human resources of our peoples.



Primitive accumulation

- History of primitive accumulation
- Process of the accumulation of capital
- Imperialism and super exploitation



Phases of Piracy on dry land

- Capitalism and slavery,
- Industrial revolution
- Imperialism, phases 1885-2011
- The end of world war and the attempt at international coordination
- Break down of Bretton woods.
- Attempts at new rules- Globalization and The WTO



Changed world

The Western financial crisis should be seen, in important measure, as an expression of this new global era and thereby also a portent of what is to come. Martin Jacques



Reaching a 1914 moment



I hope it is not a 1914 moment and I hope that we can be informed by history.

Christine La Garde, Managing Director of the IMF



Imperial opposition to African Unity

- All African Peoples Conference - 1958
- Independence and Decolonization in Southern Africa --- Lagos Plan of Action
- Union of the Peoples of Africa
- Imposition of Mobutism
- Structural Adjustment and Berg Report
- US Africa Command

“overall unfavourable international economic order”



IFI's

- International Monetary Fund
- International Bank for Reconstruction and Development
- International Development Association (IDA)
- Linked to Regional Development Banks
- Later WTO as reinforcement



Development Ideology and anti communism

- Walt Rostow

The Process of Economic Growth 1952

Stages of Growth: An Anti Communist Manifesto 1960

Developmentalism for depoliticization

McNamara From the Pentagon to the World Bank





Africa and Asia and Cold War

- Ghana and South Korea
- Democratic Republic of the Congo and Malaysia
- Relevant questions
- How did the West fight the Cold War in Asia and Africa?



Western Economic paradigm

- Created conditions favorable to perpetual warfare
- The extent of the destruction of the pacification project not yet fully explored
- Economic model separated people from their natural environment
- Model of crude resource extraction
- Very little investment in social or material infrastructure
- Economics of plunder



Structural adjustment

- a shift from growing diverse food production to the production of cash crops or other commodities (like rubber, cotton, coffee, copper, tin etc.) for export;
- abolishing food and agricultural subsidies to reduce government expenditures;
- deep cuts to social programmes - in the areas of health, education and housing and massive layoffs in the civil service;
- currency devaluation measures which increase import costs while reducing the value of domestically produced goods;
- liberalization of trade and investment and high interest rates to attract foreign investment;
- privatization of government-held enterprises.



IMF

- Convertibility of Currencies
 - Balance of Payments
 - Monetary system
-
- International Minister of Finance
 - Dollar and pound as reserve Currency
 - Dollar tied to Gold \$35 to an ounce of gold



Failure of the African intermediate classes

- Discourses to denigrate Africa
- Can states fail?
- Western alliance with dictators
- Love hate relationship with leaders
- Discourses on governance and private military contractors
- Transparency and financial institutions



Global Economic Forum

- The illicit economy is formed from the proceeds of illicit trade which is, in turn, largely rooted in organized crime. Whether it is human trafficking, arms trafficking, the illegal wildlife trade, counterfeiting or money laundering, these activities are incredibly lucrative and fuel the magnitude of the illicit economy



High Net worth Individuals by region

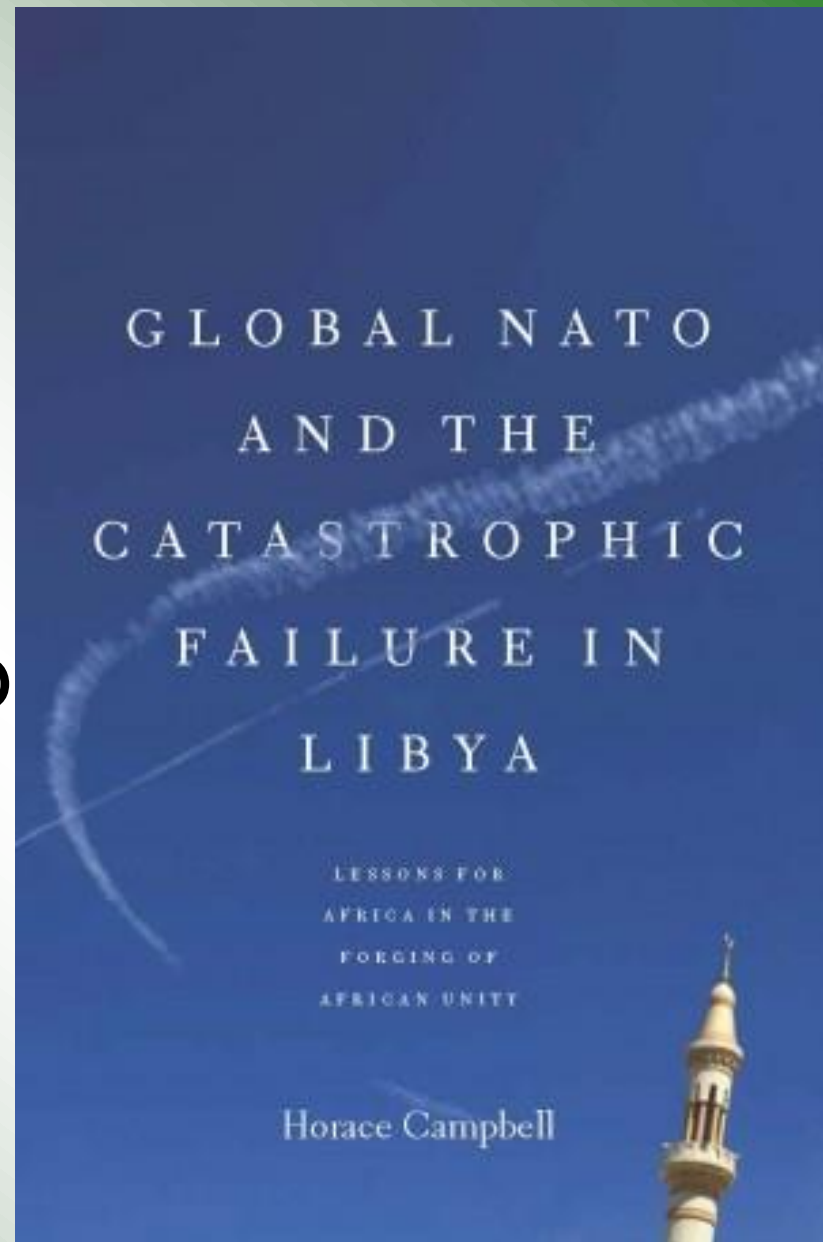


NATO and Libya

Italy and Abyssinia
1935

Intervention speeding up
Unity

Pressures for Currency
Union





Lost between \$854.b and \$1.8 trillion in illicit financial flows

- The annual average was between \$50 billion and \$148 billion (ECA, 2013).
- Commercial illicit financial flows (including tax evasion, trade and services mis-pricing and transfer pricing abuses by multi-national corporations) account for the largest proportion of illicit financial flows, followed by proceeds from criminal activities and corruption.



Three sources of Iff

- **Commercial** - illicit financial flows, including transfer pricing abuses by multinationals, tax evasion, laundered commercial transactions, aggressive tax avoidance (often through harmful tax holidays), duty waivers and mis-invoicing, **account for 60 per cent** of the global total
- **Organized crime**, including money laundering, drug trafficking, racketeering, counterfeiting, dealing in contraband goods and terrorist financing, accounts for **35 per cent** of illicit financial flows globally
- **Corruption** - **5 per cent** including theft of public assets and bribery), although this figure may be higher in Africa.



How illicit financial flows take place

- commercial activities as accounting for 65 per cent of IFFs,- Trade mispricing
 - Transfer pricing
 - Base erosion and profit shifting
- criminal activities for 30 per cent -Poaching; drugs, arms and human trafficking; oil and mineral theft; and other forms of crime
- corruption for around 5 per cent,



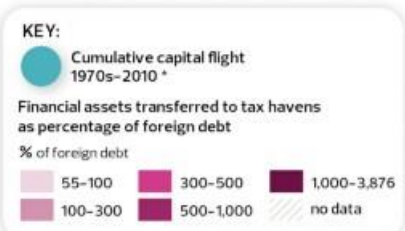
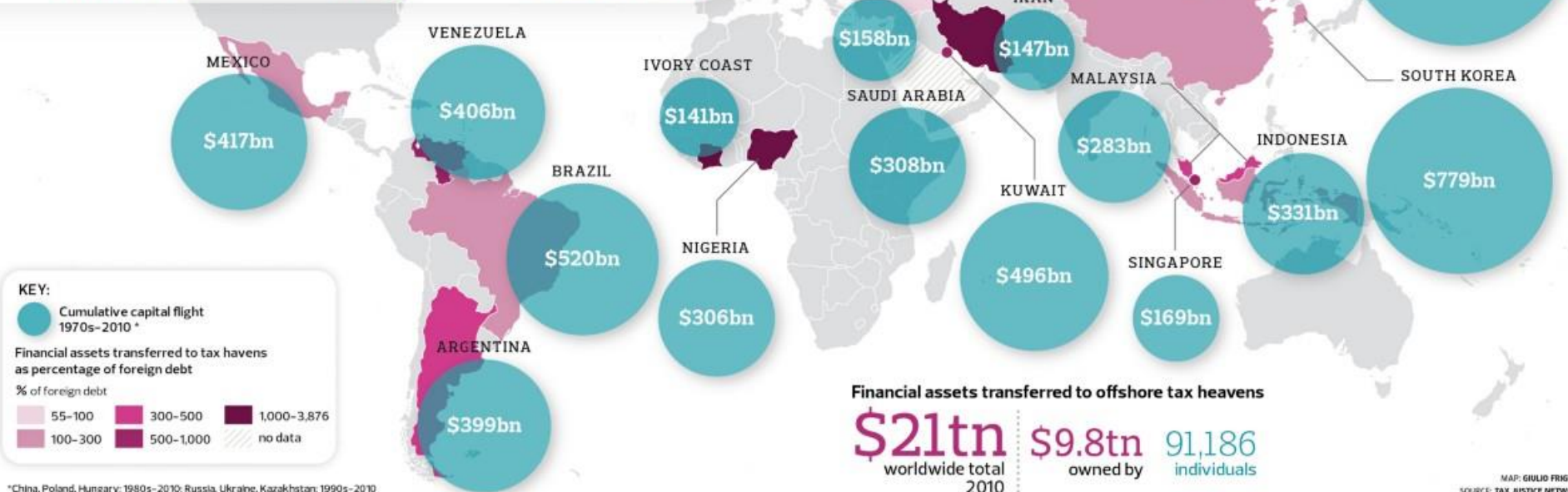
Capital flight

- Capital flight, which is sometimes driven by macroeconomic and governance factors, could be entirely licit
- Capital flight refers to capital leaving a country in response to what are seen as adverse economic conditions and can include a licit component as well as an illicit one. Illicit financial flows.
- Illicit financial flows - as money illegally earned, transferred or used

CAPITAL FLIGHT FROM DEVELOPING COUNTRIES: THE TOP 20 LOSERS

WHERE AND WHAT ARE TAX HAVENS?

A tax haven is any jurisdiction that uses the promise of secrecy for overseas investors to compete for financial flows. As well as a low-tax regime, or special rules that allow foreigners to slash their liabilities, a tax haven often has a network of lawyers and accountants who help the wealthy shield assets from their home country's tax authorities



Financial assets transferred to offshore tax havens

\$21tn worldwide total 2010

\$9.8tn owned by **91,186** individuals

*China, Poland, Hungary: 1980s-2010; Russia, Ukraine, Kazakhstan: 1990s-2010

MAP: GIULIO FRIGERI
SOURCE: TAX JUSTICE NETWORK

Context for Understanding the Panama Papers



Sources of illicit financial flows

- Laundering proceeds of crime
- Abuse of power
- Market/regulatory abuse
- Tax abuse



Panama Papers 2016

- 1.1 million documents
- Implicate banks such as HSBC, Societe Generale, Credit Suisse, UBS and Commerzbank
- \$18.5 trillion untaxed in tax havens
- Top 50 companies stashed US\$ 1.38 offshore
- Earned US \$4t in profits, only paid 26.5 %



US Banks and Money Laundering

- U.S. banks, through the correspondent accounts they provide to foreign banks, have become conduits for “dirty money” flowing into the American financial system and have, as a result, facilitated illicit enterprises, including drug trafficking and financial frauds. Correspondent banking involves one bank’s providing services to another bank to move funds, exchange currencies, or carry out other financial transactions. Foreign banks can establish U.S. correspondent accounts with any bank that is authorized to conduct banking activity in the United States, whether or not the bank’s parent company is domiciled here.



Banks

- Banks in Switzerland, London, and New York, among them Credit Suisse, Barclays, and Citigroup, serve very rich clients by directing transactions through more than twenty Caribbean tax havens
- **Deutsche Bank -Fed fines Deutsche Bank \$41 for anti-money laundering failures**
- HSBC, the Royal Bank of Scotland, Barclays and Coutts had waved through hundreds of millions of pounds of transactions linked to a major scam in Russia.
- **Bank of Credit and Commerce International (BCCI)**



Who defends

- Private military corporations and private equity- example of Cerberus and DynCorp, also Blackwater –Xe- **Academi**
- Carlyle Group and Booz Allen Hamilton
- G4S previously SECURICOR
- US Military
- In Africa US Africa Command



Cumulative iff's from Africa by region, 1970–2008

- 28% North Africa
- 38% West Africa
- 10% Central Africa
- 11% Eastern Africa
- 13% Southern Africa



Top ten countries

• Nigeria	217.7 b \$	30.5%
• Egypt	105.2	14.7%
• South Africa	81.4	11.4
• Morocco	33.9	4.7%
• Angola	29.5	4.1%
• Algeria	26.1	3.7%
• Côte d'Ivoire	21.6	3.0%
• Sudan	16.6	2.3%
• Ethiopia	16.5	2.3%
• Congo, Republic of	16.2	2.3%

• *Source: Track it, Stop it, Get it*



Military Management

- Military cover gave license for new ways to make money and make money under financialization
- Wall Street, Treasury- IMF revolving door
- The US military as the main basis for the currency



Financial wars and Asia

'Finance is the new form of warfare - without the expense of a military overhead and an occupation against unwilling hosts.

It is a competition in credit creation to buy foreign resources, real estate, public and privatised infrastructure, bonds and corporate stock ownership.

Who needs an army when you can obtain the usual objective (monetary wealth and asset appropriation) simply by financial means?'

Michael Hudson, Finance as Warfare



Systemic Fragility in the World Economy

- Transfer of wealth from poor to rich
- Devaluation – currency or labor
- Lowering wage rates
- Wage restraint and high unemployment
- Restrictive fiscal policy
- Character and nature of investment
- Incomes adjusted downwards for the 99 per cent



deepening of fragility within the system

- key variables of liquidity injection, debt, a shift to financial asset investing, a slowdown in real asset investment, disinflation and deflation in goods and services trends, financial system restructuring, labour market restructuring, and declining effectiveness of central bank monetary policy and government fiscal policies on historical multipliers and interest rate elasticities all together constitute the major trends underlying the long run*



Consequences of this development model

- Privatization, financialization and impoverishment
- Social consequences – intensified exploitation and inequality
- Political consequences _ xenophobia, sexism, racism, chauvinism and Islamophobia
- Increased Militarization
- Reconstruction and environmental repair



MEDIA Focus on the Individual



Not Focused on Fragility and growing protectionism



Rosa Whittaker

Make America Great Again' in Africa



Competition to control Africa

- US Africa Command
- EU and Marshall Plan for Africa
- FOCAC and Chinese engagement
- Engagement of India and Japan -TICA
- Even Turkey



Crypto Currencies or bitcoin

- Bitcoin is a new form of electronic money, launched in a paper published on 31 October 2008 by a pseudonymous person or persons calling himself, herself or themselves Satoshi Nakamoto
- From 2008 to date, no other technology has been the subject of such fervent debate. Irrespective of your opinion, the rise in popularity of cryptocurrencies cannot be ignored. Today, there are a number of [billion dollar businesses that accept Bitcoin](#) as a form of payment. These include Dell, Reddit, Expedia, PayPal, and most recently, Microsoft. So for the uninitiated who have not yet grasped what Bitcoin and other cryptocurrencies are, you ought to catch up. This is not something that should be ignored and there is a vast array of resources that explain the concept.... Wired



Kwame Nkrumah at Addis 1963

- Need to rapidly industrialize Africa
- Need for a common Market
- Continental Communication system
- Common Foreign Policy and diplomacy
- **Need unified economic planning for Africa**
- **A common currency from one common bank of issue**
- **A common defence system with African high command**



TRANSFORMATION OUTCOME

- Improvement in living standards
- Transformed, inclusive and sustainable economies
- Integrated Africa
 - Common market (2023)
 - Monetary union (2023)
 - Customs union (2023)
- Empowered women, youth and children
- Well governed, peaceful and cultural centric Africa in global context



African Universities as centers

- New outlook on international Finance and currencies
- Cannot await the next crash to engage the question of African Currency
- Asian Currency Unit and RCEP
- African Intellectuals to engage the African Monetary Institute
- Discourses on Global Governance to stop illicit flows
- Need vigorous discussion on Reparations



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