

An Historical Evaluation of the Myth of Foreign Direct Investment and Western “Looting” Cloked as Aid to Africa: Oceans of Poverty in Africa

¹Anis Mahomed Karodia (PhD), ²Dhiru Soni (D.Phil), ³Joseph, E. David (PhD)

¹Professor, Senior Academic and Researcher, Regent Business School, Durban, Republic of South Africa

²Professor, Director of Research, Regent Business School, Durban, Republic of South Africa

³Head City Administration eThekweni Municipality (City of Durban) and Academic at the Regent Business School, Durban, Republic of South Africa

ABSTRACT

The paper looks at the myth of foreign direct investment into African countries by the Western nations and shows how African political leadership has been succored into accepting foreign direct investment (FDI). In this sense much hope is placed on foreign direct investment to deliver capital for African countries. Foreign direct investment is part of a global capitalist financial system that is directed at the impoverishment of Africa and thus creates and enhances the dependency syndrome which keeps African countries poor. It maintains and reproduces inequality. African leaders live under an illusion that FDI will get them out of their development crisis. In addition the paper outlines the existence of oceans of poverty in Africa and asks the question – who is really benefitting from the continents unprecedented growth? The paper explores the issue through the works of Yash Tandon, Martin Meredith and others. On the other hand, in order to reinforce the arguments in this paper, the writers postulate that Western governments, China and other countries use aid to Africa as a smoke screen to hide the sustained looting of the continent of Africa. The hegemony of NATO is outlined briefly in order to exemplify the points being discussed in the paper. Finally, an attempt is made to show that perhaps, given these scenarios that nationalization alone will fix capital’s crime. The paper does not pretend to capture all of the issues that permeate these issues and, is geared to stimulate discussion among business schools and those interested in these issues.

Keywords: Myth; Foreign Direct Investment; Aid, Investment; Dependency; Exploitation; Poverty; Wealth

INTRODUCTION

The arguments put forward in this paper are not to dismiss FDI’s but to provide a framework as Yash Tandon Argues in his paper “Rethinking the role of global investment in Africa’s development. In other words it provides for an analytical and critical understanding of ‘capital, how it is generated, and what its real function is. On the other hand Africa loses \$60 billion dollars, about R600 billion rands a year through tax evasion, climate change mitigation and the flight of profits earned by foreign multinational companies, a group of nongovernmental organizations (NGO’s) has claimed over time. The paper will also explore nationalization alone will fix capital’s crime and proffer arguments in relationship to South Africa and Anglo American Platinum’s decision, after labours justified strike of over five months by South African miners, to sell its most labour intensive South African mines. It is perhaps good riddance because Anglo American has caused much devastation to the South African economy.

RESEARCH METHOD

The paper does not follow the parameters used in classical research, because it is a discussion paper that relies on the critical analysis of the writers and uses some literature from the press and the paper of Yash Tandon the Ugandan academic on FDI. This does not in any way dilute the thrust of the paper but, in reality adds to the debates that surround these important issues. It therefore, posits that alternative thinking is important to political, economic, management and academic discourse. The

**Address for correspondence*

akarodia@regent.ac.za

paper is not all encompassing but attempts to analyze the issue, from some aspects of an historical evaluation of the myth of foreign direct investment.

FINDINGS

There are no finite findings that the paper unpacks. The findings are dispersed throughout the discussion in the paper and, it is hoped that these findings will assist the reader to unpack these issues, broaden knowledge and enhance the discourse in relationship to FDI, Western aid and nationalization of the platinum mining sector in South Africa.

DISCUSSION

What is meant by foreign borrowing? It is important to delineate this issue concisely in order to understand this phenomenon. Musgrave and Musgrave (2004: 592) state that often, it is concluded that development requires capital formation and that capital formation requires saving. Public investment which is financed by borrowing does not add to capital formation, if it merely diverts funds otherwise available for private investment. This recognition also underlies various facets of taxation.” It must be clearly noted that the situation is different, if borrowing is from abroad. It must be noted also that borrowing is accompanied by increased imports. The borrowing provides additional resources for investment and permits financing a given growth rate with a lower rate of tax and a higher rate of current consumption. Even though the net gain to future generations will be less than it would have been with tax finance, their surrender of consumption according to Musgrave and Musgrave (2014) “their surrender of consumption in order to service the foreign debt will be less burdensome than tax finance would have been to the initial generation. The reason is that other factors of production, such as labour share in the productivity gain generated by the increased rate of capital formation.”

However, cognisance of the growth aspects, the future cutback in consumption is made out of a higher level of income, and since marginal utility of consumption declines with rising consumption levels, the resulting burden could be less severe but this has not generally been the case in respect of foreign direct investment in terms of the modalities used to payback this borrowed investment. It is therefore obvious that the proponents of FDI will argue that the income gain to domestic factors which automatically renders foreign borrowing such an important instrument of development policy, as articulated by local politicians who push the hidden agenda’s of those involved from abroad in FDI. It is often argued that “other useful functions of capital import in the form of FDI include the provision of foreign exchange and the collateral advantages gained from the introduction of advanced technology and managerial know how” (Hirschman, 1971). It must be remembered according to Musgrave and Musgrave (2004) state that FDI or foreign borrowing has tremendous risks, especially when obligations of debt service exceed what can be accommodated with a country’s balance of payments constraint. The crisis in which many of the less – developed countries now find themselves illustrates this danger” and exemplifies the myth of FDI. Politicians and the predatory elite are aware of this and yet enter into such agreements generally and thus mortgage their countries to the highest bidder, from whom they gain large monetary kickbacks.

On the other hand, we need to ask what the incentives to Foreign Capital or FDI are. Does it really play an important role in development or does it add to the burden of exploitation of so – called “Third World” economies? From the national viewpoint, the role of tax incentives to foreign capital differs from that of incentives to domestic capital. The latter merely involve transfers between the treasury which loses revenue and the investor who gains, but tax relief granted to foreign investors reduces the whole country’s share in the profits earned by foreign capital. This is the crux of the issue. This loss must be compensated for by the gains from additional capital influx if the tax incentive is to pay its way. Heller and Kauffman (1963) indicate that “there is little advantage to the host country in foreign capital which brings its own resources with it and uses the foreign location as a production site only. Tax incentives therefore should be linked to domestic value added which the foreign capital induces and should be designed to encourage reinvestment and permanent operation within the local economy. This is seldom done and achieved. It should not just be a case of repatriation of large profits and exploitation of the local labour force as was seen at Marikana, this year (2014), with a protracted mining strike that lasted over five months, within the platinum mining belt of South Africa by Lonmin, a foreign capitalist investor and exploiter. All done and said capitalist investment in the form

of FDI should be discouraged if it is not clearly defined in terms of the benefits to the local economy and the quick – kill types must be discouraged, in respect of investment.

RETHINKING THE ROLE OF GLOBAL INVESTMENT IN AFRICA’S DEVELOPMENT

Yash Tandon (2014: 1) asks the question what is money and provides an answer as follows: “that capital is simply savings of the past used for production along with other factors of production such as land, labour and enterprise. It is not the same thing as money. Essentially, money is a system of credits and debts, two sides of an accountant’s ledger. You create debts as you create credit.” He further states that capital is money used to add value to production and that part of this added value goes to wages and other uses but a good part goes to profit accumulation. In other words Tandon (2014) indicates that capitalism has reached a stage called ‘financialized’ capitalism where finance is privileged over production, everything is collateralized and securitized, and local and national markets are destroyed to the benefit of a couple of hundred global corporations and banks. These were the culprits engaged in greed that destroyed the world economy with the sub – prime crisis in the United States, which had a ripple effect on the world economy since 2008 and this economic meltdown continues unabated even today. The world is in an economic recession for over six years and there are no real signs of improvement. We need to recall what happened in Greece, Spain, Portugal, Cyprus, and Italy, Ireland and other European countries, including some emerging markets. Over the last five decades there is no doubt that the world has become more unequal with a few rich getting richer whilst the poor live in squalor, disease, unemployment, poverty and inequality. In other words the rich – poor gap has widened and is further widening, while the predatory elite throughout the world together with many corrupt countries amass great and vulgar wealth at the expense of the poor.

Given the greed of today, the poor political climate worldwide, the investment in war by the richer countries like the United States and its allies even the ‘egalitarian states of the advanced economies such as Germany, Denmark and Sweden the rich – poor gap is now a reality and the welfare gap is growing to perhaps to a point of break point. Tandon (2014) states that “there is no possibility of a ‘distributive solution’ within the present system, which is structurally engineered to produce inequality.” There is no doubt and observation throughout the world and amongst weak and strong nations, rich and poor countries the political and social forces are in a state of flux, shambles and are weakening in relation to the power exerted by global corporations together with the reality of global bankruptcy and bankocracy. As concerns the role of so called development Aid Yash Tandon (2014) states that “it is totally misunderstood or deliberately misrepresented and that such aid is corruption and asks why? His answer to this is that such aid corrupts government policy and therefore African governments are obliged to surrender policy space to the ‘donors’ and the International Monetary Fund (IMF) and says, what can be more corrupt than that”?

What in actual fact does this aid do? It corrupts good governance, creates a dependency syndrome, it brings about a false sense of security, impoverishes African nations, makes the predatory elite more corrupt, reinforces poverty and exacerbates the plight of the poor. It is nothing but money capital or a credit line which involves production and marketing knowhow and technology and, is not provided on the basis of any philanthropy or deal with the manifest challenges and problems of development within African countries. Foreign Direct Investment has to be negotiated by governments with the owners of capital. This is negotiated by the hawks such as the World Bank and other lending agencies and large corporations at a price and the complexities of financial and legal Jargon, couched in a manner that locks in governments This is disempowering and sooner or later developing countries are in trouble. This is basically selling their countries to these capitalist hounds, with the sanction of local political leadership and the predatory elites of African countries. Yash Tandon (2014) states that “that a strong country like China with a huge domestic market can use its power to negotiate a useful FDI package but Africa is nowhere near China and India in leveraging such deals because most of them are hostages to the global corporate owners of capital and technology.”

It has to be clearly understood, analyzed and appreciated that global corporations do not act alone on the all embracing reality that they have the ability to secure the power of their mega – states to support such negotiations and that investments are technically and generally made within the framework of Bilateral Investment Treaties (BIT’s). It must therefore be appreciated and fully understood that BIT’s are now recognized by many countries by government bureaucracies that, they are an exercise in

undermining the independence and sovereignty of receiving FDI states and countries. What do BIT's achieve? They achieve the trampling upon poorly resourced countries, exploitation, extra – territorial rights and gains for the owners of capital and secures that their interests are not in any way expropriated, the free transfer of vulgar profits and excessive royalties for protracted periods. It secures litigation in terms of international arbitration. For example, Uganda, according to Yash Tandon is “being subjected to immense and tremendous pressure by the United States of America to secure a bit agreement with it and there is no doubt that, if signed, it will effectively undermine the sovereign rights of the Ugandan nation, stymie development and hold the country hostage and in bondage by these capitalist forces through a process of vulgar and hegemonistic policies of subjugation.”

Given this nefarious and untenable situation that has unfolded in particularly “Third World” countries and the recent Africa Conference of African political leaders called by United President Barak Obama in the United States and committing an amount of \$33 billion dollars for African development is not being undertaken on the basis of any philanthropy; but in reality that the US has lost economic ground to China and is a ploy to attempt to undermine the BRICS initiatives; and moreover an attempt to placate African leaders to understand that the United States is friendly towards Africa. This friendliness and economic input in the form of aid to Africa, in reality is setting the pace to further subjugate African leadership on the continent to toe the line and play into the hands of capitalist forces. It should be understood that, all of this has to lead to a way forward for African countries to counter this capitalist onslaught. In other words, Yash Tandon says that “at the global level there needs to be a structural adjustment of redistribution for purposes of global justice that requires systemic and systematic transformation; that legal and institutional reform is insufficient and for all intents and purposes misguided, because reform of the existing system can never achieve more than marginal redistribution. This is the reality on the basis that structural and social class inequality is an intrinsic of the existing capitalist order.” Thus the notion of investment needs to be redefined urgently and be led away from the capitalist market logic and domination that keeps people and nations poor on the African continent.

Is there a savings gap in Africa? This is flawed logic and therefore this gap must be filled by the capitalist forces of rich Western nations. As though they are the saviors of the African continent and that African governments require them and this can be achieved by FDI for purposes of development. In reality, such intervention annihilates innovation in Africa and impoverishes the continent and creates a dependency syndrome. In reality Africa must be guided and allowed to handle its own economic and financial affairs; that development must be steered by Africans themselves, who have recognized the gross inequalities that exist in their societies. Africa does not require the tutelage of Western intermediaries that pursue their own diabolical agendas. Africa is a rich continent with great wealth, a large labour force, and huge savings but, these savings are looted and drained by multinationals, corruption by state officials and the bureaucracy. Illicit flows of capital, money laundering and the evasion of taxes and the repatriation of vulgar profits adds to Africa's economic and financial burden and stymies development and the promotion of the general welfare and the enhancement of the public good. What is required by Africa is that a deeper analysis which should lead to the conclusion that instead of looking for aid and bail outs from capitalist forces of the West; it should plug the whole in its savings bucket and attempts to stay clear of foreign investment strategies in respect of aid and FDI. It should therefore define the agenda on its own, have the necessary controls put into place and keep the hawkish West at bay. Autarchy is not desirable and everything cannot be equated in terms of money; the recognition that globalization is not inevitable and nor is it desirable. More important is human dignity, sound value systems, enhanced governance, less government, a cohesive work ethic, productivity, the enhancement of children's and women's rights. Not everything must be allowed to become a commodity. If this is done, there can be no hope in South Africa and Africa to evolve into countries that can hold their own on the world stage.

Heroic efforts have been made by some communities in Africa to distance themselves from this system by the production of goods and services based on exchange without using money and have attempted to delink from national currencies that keep them in subjugation and thus maintain the capitalist status quo. It is a structural and political leadership problem. It must be recognized that capitalism has no future in Africa and there have been attempts to “Africanize” capitalism in some countries such as South Africa, Kenya and Nigeria, but over the last fifty years, this has failed, Africa

is dominated by the capitalism of large global corporations, especially in the mining, finance, commodities and service sectors. South Africa saw the wrath of this capitalist onslaught in the recently ended protracted strike, which lasted for five months with the unrelenting capitalist class that controls the platinum resources of the country. This dependency has to be broken. “The much spoken about growth rates in Africa running at 5 and 10 percent is a conceptual and statistical trick played by institutions such as the IMF and the World Bank and the ruling elites in Africa,” says Yash Tandon (2014). Capitalism has no future and indeed socialism is a distant goal. Self – reliance and not FDI’s or aid is the way forward for Africa. Socialism has been vilified by the West in Africa and, it is astounding that the same West, which was the cause of the 2008 economic and financial crisis, which continues even today and has wreaked havoc on poor nations and poor people in the world, have used socialist intervention strategies in an attempt to solve the capitalist problem. What hypocrisy by a system and its controllers that have lost the moral high – ground and the moral compass. The world has to be taken away from their parochial interests.

WESTERN “LOOTING” CLOAKED AS AID TO AFRICA

There is no doubt that Western countries are using aid as a smoke – screen to hide the increasing and sustained “looting” of the continent of Africa. The continent according to Mark Anderson loses over \$60 billion per year (R600 billion South African Rands). This is achieved through tax evasion, climate change mitigation and the flight of profits earned by foreign multinational companies. Sub – Saharan Africa receives R134 billion each year in loans, foreign investment and development aid but a group of NGO’s from the United Kingdom and Africa has pointed out that \$192 billion leaves the region, leaving a \$58 billion shortfall. This report has revealed that Western countries send about \$30 billion in development aid to Africa every year, but more than six times (Over \$200 billion) leaves the continent. (This is double the economy of South Africa). This money is repatriated to the Western countries that provide the so – called aid.” This arrangement can be termed wholesale looting by the West and assists in keeping Africa in bondage, economic slavery and perpetuates corruption and consolidates under – development of African nations.

The perception that such aid is helping African countries “has facilitated a perverse reality in which the United Kingdom (UK), the United States and, other wealthy Western governments celebrate their so – called generosity and tap themselves for contributing to Africa’s development. In reality there is no truth to this based, on the reality and fact that these countries in reality are assisting their home companies to drain Africa’s resources? ” (Mail and Guardian, 2014: 17). It points out that multinational companies siphon \$46 billion out of sub – Saharan Africa each year, and \$35 billion is moved from Africa into tax havens around the world annually. The study also notes that African governments spend \$21 billion a year on debt repayments. It is therefore vitally important that this vulgar looting of the wealth of Africa has to be stopped and the system has to be overhauled and made more open. Aid sent in the form of loans serves only to contribute more than significantly to the continent’s debt crisis. This aid and loans must be very carefully scrutinized by recipient countries. It is looting and not generous giving and we must recognize that the city of London is at the heart of the global financial system that facilitates this looting and thuggery, which adds to Africa’s plight in respect to poor development, poor health services, poor housing and sanitation, the broad social ills of corruption, with the aid of African governments, their bureaucracies and the predatory elite. All of this therefore is the precursor of Africa’s poverty, inequality and unemployment woes.

Research by Global Financial Integrity (In Anderson, 2014: 17) shows that “Africa’s illicit outflows were nearly 50 percent higher than the average for the Global South from 2002 to 2011 and further that, last year over half of large corporate investment in the Global South was transmitted through a tax haven.” In order to deal with this diabolical plot by Western countries led by the UK. It is more than important that Africa now puts into place supporting regulatory reforms that would empower African governments to control the operations of investing foreign countries. Binding agreements must be drawn up on global corporations to protect Africa and thus secure human rights. On the other hand Africa has to expose this issue on the international arena and hold politicians accountable in both Africa and Western countries. “The report was authorized by 13 NGO’s, including Health Poverty Actions, Jubilee Debt Campaign, World Development Movement and Friends of the Earth” (Mark Anderson, 2014).

Tackling inequality between Africa and the rest of the world means tackling the root causes of its debt dependency, its loss of government revenue by tax evasion and the ways the continent is being plundered and slowly annihilated at the expense of its poor population, poor education, poor health services, in fact poor everything. The UK government has to intervene and there can be no excuses as concerns this. The UK must place tax transparency in the fore – front of its campaign and to this end there can be no excuses by the UK government. Developing countries must be in a position to collect the taxes they are owed.

WESTERN RE – COLONIZATION AND PRESIDENT OBAMA’S BIG JOKE

There is no doubt that Western re – colonization of Africa is underway and there is no doubt whatsoever that United States – Africa led summit engineered by Obama was aimed at African political leadership being succored into this dastardly plot of further subjugation of Africa. “This stance by the United States under Obama is nothing but pledges of investment and must be compared to the wholesale looting of Africa’s resources. It is also aimed at destabilizing the continent through increased military intervention” according to Lokongo (2014: 1). Senouci (In Lokongo, 2014) states that “slavery and forced conversions to Islam and Christianity have disappeared in Africa and that it is now clear that this new world order has not led to the widespread economic welfare. This welfare is confined to the West and the liberation of African people remains largely theoretical because their former colonial powers continue to dictate their political and economic paths and even influence the selection of African leaders.” For as long as the unfair market relationship exists and continues within the realm of the 21st century between Africa and the West, “the African continent will be further blighted with the incremental paradox of the development of under – development with the grave consequences of political instability and social tensions” says (Lokongo, (2014).

Observation historically and even today reveals the structural dependency of Africa on the West was the key factor as it is in the 21st century as concerns the disarticulation of the continent’s internal economic integration. It has to be realized and clearly understood that Africa is being hoodwinked by Obama and the West, on the basis that that the Africa summit encapsulates more than the truth about the designs and selfish imperatives of the recently held USA – Africa summit. “African leaders at the summit applauded Obama in terms of investments totaling \$33 billion, which if divided reveals that Africa’s 54 countries will receive peanuts totaling \$6million each (plus / minus R60 million South African Rands each)” (Lokongo, 2014). Obama astutely covers up like a household “nigger” the doings of his masters, says nothing tangible about the atrocities of Gaza, the destruction of the Middle East under his watch, whilst problems and war escalate in many parts of Africa and the world. Obama is one of the biggest disappointments of our times and probably barring George Bush, one of the worst Presidents of the United States of America. Who does Obama attempt to fool when one considers that “oil, gas and mineral exports worth \$382 billion in 2011 alone left the continent? On the other hand other figures are too ghastly to contemplate, for example, illicit financial outflows from Africa to the West, including the United States are estimated at up to \$200 billion” (Oxfam, 2013, in Lokongo, 2014). What we are witnessing is the recolonization of Africa with the consent of Africa’s political leadership. Robert Mugabe was not invited to this kind of ‘Second Berlin Conference’ because of his relationship with China, his ability to speak truth to power, call the big bluff of the West and the United States. So much for Western values, its warped democracy and very poor human rights record and for interfering with the geopolitics of the world, placing tyrants in power in all parts of the world, splitting the Muslim world into different religious groupings, blaming everything on so – called “Islamic Fundamentalism, led by the “evil” United States, which is the self - proclaimed policeman of the globe, whilst it plunders and loots the developing world, especially the African continent. Leaders such as Yoweri Museveni of Uganda and Paul Kagame of Rwanda have committed genocide and the former has stood for a third term and America says nothing and, has condoned their actions. Tyrants and worst criminals in the 21st century were invited. This is Western and United States double standards. They want this political leadership of Africa to be in power because they would assist in Africa’s economic disarticulation, structural adjustment according to their desires and all of this would impact on any new emerging global financial and economic architecture.

The militarization of America’s Africa policy is a simple analytical framework which is aimed to counter and depress Chinese influence in Africa. This does not require Solomon’s wisdom to understand and digest. America has the uncanny knack to divert attention from issues in which it is

directly involved throughout the world. An example of this diversion is from the world recognizing Israel’s genocide and ethnic cleansing in Palestine with its spurious argument that Israel has the right to defend itself from Hamas. The aid dispatched by China to African countries affected by the Ebola virus is a case and point of China’s commitment of wanting to assist Liberia, Guinea and Sierra Leone in West Africa. What has the United States actually done? There is no doubt that China has already shared different technologies with Africa. This is a development approach that China is engaged in with Africa. On the other hand the United States and its Western allies have a Cold War mentality and the United States is building military bases throughout Africa and targets those countries that are rich in natural and mineral resources. By the same token, it has deliberate strategy of pitting some African countries against others under the cover and misguidance of military support programmes. In the end the more nefarious strategy is to reek in huge monetary profits from these African countries by manipulating African leaders. It armed Rwanda and Uganda to invade Congo. Paul Kagame of Rwanda is shielded and protected by the United States for purposes of being held accountable for genocide in Congo. In reality, he is playing an Anglo - American proxy in Congo and continues to do so for more than 20 years under the auspices of the United States of America. All of this is geared and master – minded by the United States because, it is woefully aware of China’s constructive engagement in Africa and, in this regard Lokongo (2014) points out that the volume of Sino – African trade has already reached \$280 billion and this volume is increasing and this is why China was at the centre of all the debates of Obama’s USA – Africa summit. The hegemony, capitalist greed and subjugation by the United States in terms of misguided Foreign Direct Investment (FDI) into African countries is one sided and in its interests, in order to consolidate its power in Africa, at the expense of the people of Africa. This FDI is therefore a myth, coupled with its hegemony and this must be dealt with decisively by exposing its diabolical plot on the continent of Africa.

The United States has stoked wars in proxy in Libya, DRC and a host of other Middle East countries and blames it on “Islamic fundamentalism.” This is far from the truth. The Brics countries are a threat to the United States of America as China and India exert themselves within the agenda of Brics, in order to set the development agenda of “Third World” countries. It is afraid and United States power is on the wane and thus it is a weakening of the monopoly of global financial governance of the Breton Woods institutions. In other words Africa will emerge against this background and the world, especially the “Third World” will see through the misguided agenda of the United States and sooner or later African political leadership will realize the myth of Foreign Direct Investment (FDI).

OCEANS OF POVERTY IN AFRICA BECAUSE OF EXPLOITATION

Given the analysis undertaken thus far, it begs the question – Who is really benefiting from the African continents unprecedented growth? Marin Meredith (2014: 7) rightfully points out that “China’s pragmatic approach has fitted well with the patrimonial systems of government that African leaders employ and that the unfolding pattern is one of dysfunctional and unsustainable urban geographies of inequality and human suffering” that exemplifies the African continents reality in spite of foreign direct investment. This investment is cloaked in the looting of Africa and thus extreme oceans of poverty exist in the continent, almost 60 years after the first country in the form of Ghana that attained independence from the yoke of imperialism and British colonialism.

There is no doubt that at first sight, it appears that the fortunes of Africa have improved dramatically in the 21st century, and that powerful new factors have driven economic activity forward. China’s growing involvement and overt interest on the African continent has in many ways transformed large portions of the landscape and this transformation is epitomized by the influx of a large number of Chinese citizens into Africa. On the other hand, Western interest in Africa has waned and lost ground to China and it is now attempting to recoup lost ground economically to China. China’s move into Africa has been fuelled by its appetite for raw materials – oil, copper, aluminium, iron ore, cobalt, diamonds, uranium, timber. Its design is simple, to become the most influential foreign player in Africa. This has resulted in huge deals with African leaders. China has also built road networks, railroads, refineries, schools, stadia, including telecommunications and a host of other economic activities. Chinese businessmen have bought large tracts of land, built factories, investing in farms, retail outlets and restaurants. They have developed mega China towns and dominate business in many parts of Africa to the peril of local business enterprises and even displace small local businesses.

Meredith (2014: 7) reports that “about one million Chinese have moved into African towns and cities and between 2000 and 2010, trade between China and Africa grew tenfold, reaching \$115 billion (R1.2 trillion rands).”

Western powers continue to lecture African governments, about corruption, transparency, human rights and democracy, but China makes no such demands. The tragedy is that China is prepared to make deals with dictators, despots and unsavoury businessmen and politicians including African bureaucrats, with no strings attached. Western countries according to Meredith (2014) complain that “China undermines efforts to foster good governance and that it is a new form of imperialism. They violate labour laws, damage the environment and flood the markets with cheap products that ruin local markets.” China is also involved in the illegal ivory trade that is decimating Africa’s elephant population. It is a scramble for new Africa. Oil and gas exports have trebled from Angola, Mozambique and Algeria to more than \$1trillion and Meredith (2014) further reports that “foreign corporations began to scour Africa for arable land to buy or lease land and Ethiopia, Sudan, Congo – Kinshasa, Tanzania, Mozambique where among the favoured locations for foreign investors.” This has put paid to large measure subsistence farming in many African countries. The cell industry has given impetus to African consumer societies. An additional boost has come from Western aid programmes and debt relief. All of this in some ways has given rise to a consumer class with some degree of purchasing power.

It has to be appreciated that in spite of this superficial boom and despite improved economic performance, Africa remains at the bottom of many of the world’s league tables. It is still the poorest region in the world, with lower levels of life expectancy and is riddled with poor education, very poor health services, mass unemployment, increasing poverty and large inequality. Although mining, oil and the gas sectors contribute to large revenues, they create little employment and these sectors are dominated by exploitation and very poor wages to workers. Meredith (2014: 7) points out that “Africa’s share of the world’s economic output remains a small fraction of about 2.7 percent and the Gross Domestic Product (GDP) of the entire continent amounts to only \$1.7 trillion, a figure equivalent to the output of a single country such as Russia.” The revenue that Africa generates allows for huge profits nevertheless to be made by the capitalist predatory elites and Western imperialists including Chinese businesses. Much of the wealth flows to other parts of the world and African governments are the major players that facilitate such deals at the expense of local populations and the continent as a whole by means of secret deals, tax breaks, kickbacks, some shareholding and large economic favours. As gatekeepers to economic activity Africa’s ruling elites have been the main and continue to be the main beneficiaries in terms of self – enrichment, hiding looted funds in foreign banks and buying foreign property. Meredith, (2014) in this regard states that “a report by the African Union in 2003 estimated that corruption cost Africa \$148 billion annually, more than a quarter of the continents entire Gross Domestic Product (GDP).” The landscape of Africa within cities and towns and beyond the periphery encompasses miles of slums and shantytowns. The urban population of Africa has expanded at a faster rate than any other continent and that most urban inhabitants lack basic amenities such as clean water, sanitation systems, paved roads and electricity with very poor education and health facilities. The overall situation is seething with discontent in the continent and the population of Africa has continued to expand at the fastest rate in the world.

There is no doubt that African governments assist imperialist and capitalist classes of the world including China and the West to exploit the continent and keep it impoverished to the advantage only of African politicians, their bureaucracies and the African elites. They lack the political will and the means to tackle the crisis. This crisis is one of disjointed, dysfunctional and unsustainable urban geographies of inequality and massive human suffering aided and abetted by the Western powers and Chinese designs. This has allowed a rich continent to succumb to oceans of poverty and with very few islands of wealth. Such a situation leads to the instability of Africa and the entire world.

EUROPEAN AND UNITED STATES HEGEMONY THROUGH THE USE OF NATO TO ENFORCE WESTERN STRATEGIC AND ECONOMIC INTERESTS

The above caption is a truism that cannot be denied by the West. It is a truism based on the fact that NATO (North Atlantic Treaty Organization) is kept in force to look after the interests of the West and the United States, in order to subjugate and threaten the world as they continue to subjugate the world in terms of enforcing western strategic and economic interests. The North Atlantic treaty Organization

(NATO) may not be at the centre of Barack Obama and David Cameron’s plans to ramp up intervention in the Middle East and wipe Isis (Islamic State of Iraq and Sham) out of existence. But after 13 years of bloody occupation of Afghanistan and a calamitous intervention in Libya, the Western alliance has at last has an enemy that seems to fit its bill. According to Milne (2014: 21) “Swinging through the former Soviet Republic of Estonia, the United States president declared that NATO was ready to defend Europe from Russian aggression. Cameron calling Vladimir Putin Hitler and NATO’S secretary general Anders Fogh Rasmussen, who insisted as Danish Prime Minister in 2003 that Iraq has weapons of mass destruction and has now released satellite images supposed to demonstrate that Russia has invaded Ukraine. All aimed to deter Russia from invading Ukraine. Russia was described as a terrorist state with no proof whatsoever but plain rhetoric in order to declare war.” Both Europe and the United States given their capitalist greed and poor economies must find an excuse to declare war in order to boost their armaments industry and restore their exports to Russia. It has to be acknowledged that this ploy by the West and the USA is aimed at drawing the Ukraine into a military alliance hostile to Russia, despite the opposition of most Ukrainians.

In reality NATO has been the cause of the escalating tension and war, which is how it’s been since it was founded in 1949, at the height of the cold war, six years before the Warsaw Pact, supposedly as a defensive treaty against a Soviet threat. It’s often claimed the alliance maintained peace in Europe for 40 years, when in fact there is not the slightest evidence the Soviet Union ever intended to attack. After the USST collapsed, the Warsaw Pact was duly dissolved. But NATO was not, despite having lost the ostensible reason for its existence. If peace had been the aim, a collective security arrangement including Russia, under the auspices of the United Nations, could have been formed. Instead, it gave itself a new out of area mandate to wage unilateral war, from Yugoslavia to Afghanistan and Libya, as the advanced guard of a US dominated new world order” (Milne, 2014: 21). In other words the United States and Europe use NATO as their buffer of threats in order to expand their hegemonic agenda’s, in attempt to impose an illegal economic order and their strategic interests, at the expense of the entire world at a cost of billions, whilst the world starves and is annihilated by their greed. It is afraid of Russia and the emergence of China and India and the consolidation of the Brics partnership. But, it must be remembered that NATO members have often included fascist governments in the past, has never been too fussy about democracy. This is the type of foreign policy and intervention strategies that NATO powers such as the US, Britain and France have been busy doing all over the world in order to consolidate their influence, drive their hegemonic capitalist agenda’s, supporting illegitimate governments and in the guise of Foreign Direct Investment, buying off African and world leaders to consolidate their influence, keep their arms deals intact irrespective of the wanton destruction of nations and innocent populations particularly in the so – called “Third World.” They have done this from Nicaragua, to Syria, To Libya to the Central African Republic, to Palestine, to Afghanistan and Pakistan, to the entire Middle East, in reality throughout the developing world.

The proxy war between NATO and Russia is ugly and dangerous to the world order and it must be recognized that NATO and the European Union (EU), not Russia that sparked the crisis and that it’s the Western powers that are resisting the negotiated settlement. There has to be no NATO and any settlement will have to include federal autonomy, equal rights for minorities and military neutrality as a minimum. NATO likes to see itself according to Milne (2014) “as the international community. In reality it’s an interventionist and expansionist military club of rich – world states used to enforce Western strategic and economic interests. As Ukraine, clearly shows the world that far from keeping peace, NATO is a threat to peace.

“NATIONALIZATION ALONE WILL FIX CAPITAL’S CRIME”

This is a vexing issue which will court much criticism from various quarters, but given the arguments put forward in this article, it is important to project on this issue in spite of the possible criticisms. The National Union of Mineworkers in South Africa (NUM) was shocked by Anglo American Platinum’s decision to sell its most intensive South African mines. Given the wholesale looting by Western countries of Africa’s wealth and resources, given the massive unemployment, poverty and inequality which seemingly is the state of play since African independence in 1956, it could be concluded as good riddance. Indeed it evokes a fear of massive job losses followed by the protracted strikes of over five months in the platinum belt of South Africa. South Africans and Africans across Africa must be

considerate about the extremist views of the Workers and Socialist Party and the views of the Economic Freedom Fighters (EFF).

The Union blames Amplats for creating and prolonging the labour instability that has racked the platinum belt of South Africa. In fact the vast majority was in favour of the strike. In reality the mining bosses that control Amplats were intransigent throughout the negotiations. “This is exemplified by the fact that Anglo American is under obligation to achieve a 15 percent return on capital employed. They were promising this return to shareholders because they signed a wage agreement that was higher than normal, in reality shareholders would have doubled their wealth in seven years. It is nothing but a part of the self – serving capitalist conspiracy. Given the economic crisis caused by the West, the wholesale looting of Africa, the poverty and unemployment in South Africa and Africa, in fact that the workers suffer under unbridled capitalism, the sooner the South African mines are taken away from avaricious capitalists and given to the state to run, the better. In other words nationalize the mines in South Africa. Corruption in South Africa must not be equated with the capitalist corruption that holds African countries in bondage. There is also massive corporate corruption in South Africa and a massive illicit financial flow, billions and billions of rands are leaving the country illicitly and mining is one of the main culprits” (Chris Barron, 2014: 9).

Maximizing profits from the mines at the expense of social stability is not in the long term interests of workers. Pensioners need a functioning economy that is not plagued by the kind of economic disaster and social upheaval that is the inevitable consequence of supporting wages to achieve 15 percent returns on capital. Better wages are good for the economy, but if they lead to retrenchments which are now on the cards by the mines, of what use is this to workers? “It is a political decision of the owners of capital because they do not like to have profits cut. The hunt and quest of higher profits which is a necessary condition of capitalism is a recipe for military government. The only way to avoid this is to nationalize the mines” according to Chris Barron (2014: 9). These are not dreams of the left or a delusion by them and all of this has been empirically proven over the last several years in South Africa.

A CRITIQUE OF CAPITALISM

It is doubtful that there is any political leader in the underdeveloped world whom is not familiar with the works of Walt Whitman Rostow and the stages of economic development. His theory was presented to political leaders and scholars in the poor and rich nations as an alternative theory to the self - defeating pattern of capitalist growth written about Karl Marx. The “Stage of Economic Growth” written by Rostow was financed and published by the Central Intelligence Agency of the USA. Rostow’s description of the international society is quite similar to Hagen’s low – level equilibrium economy. Rostow’s economic growth, custom bound, lacking in significant economic growth concentrates on the peasant economy and is characterized by authoritarian personality, long – run fatalism, and a low ceiling of attainable output per head because of the primitive nature of its technology. In the second stage of growth the so – called pre – conditions for take – off are developed and this is a period of significant economic changes. In this regard Offiong (1982: 41) states that “the noneconomic aspect of change is the appearance of the new elite who consider economic modernization as being both possible and desirable. But there could be a rise of political Risorgimento in reaction to incursion from the wealthy nations. This was observed in Japan in the 1850’s which saw the rise of capital accumulation above the rate of population growth, and the training of labour for large scale production.” At the third stage, the resistance to steady growth is vanquished and growth becomes an integral part of society. “After this comes mass – consumption shifting to durable consumer goods and services and therefore, basic demands of shelter and food are no longer the concerns of the capitalist classes. Rostow’s stages – analysis is one of many theories that side with the capitalists but does not apply in any meaningful way to a broad sweep of development experience” (Baldwin, 1972 : 29).

Most economists feel that Rostow has not fulfilled the requirements for a valid stages theory. His theory was used by the capitalist classes and the United States to subjugate the “Third World” and create exploitation and dependency. His concepts were accepted by the CIA and the United States although it lacked fundamentally historical experiences and was not a rigorous, scientific analysis. One of the sharpest critics of Rostow’s theory was Andre Gunder Frank (1969 and 1972), “He states that Rostow’s stages are incorrect because they fail to correspond to the past and present conditions of

the under – developed countries and claims that under – development is an original state; he attributes history to the developed countries while denying the same thing to the under – developed ones. None of the under – developed societies today resembles what it was fifty years ago. Western imperialism of the past and even today in the 21st century together with its exploitation and capitalistic agenda forced them to change. The first two stages of Rostow’s theory are fictional while the remaining two are utopian.” All of this does not explain the underdevelopment of Africa. Africa has been exploited and bled and is still bleeding even today by the capitalist forces and the West. The Western and European sociology of development does not explain African underdevelopment and has carefully avoided the issue of dependency and colonial imperialism as crucial factors in African underdevelopment.

In other words, underdevelopment, far from being an original or “natural condition according to Offiong (1982: 50) “of poor societies, is a condition imposed by the international expansion of capitalism and its inalienable partner, imperialism. The phenomenon associated with imperialism include exploitation, monopolistic privileges and preferences, plunder of raw materials, seizure of territory, enslavement of the indigenous population, nationalism, racism and militarism” (Think of Palestine today and the Middle East). Today, we see that the entire West has combined their forces to subjugate Africa with a new form of capitalism and imperialism. “The European community’s follow the same old policies with new means. The old colonial policies had left the colonized societies exploited, penetrated and fragmented. There is a lack of equitable treatment. Dependency is the situation that the history of colonial imperialism has left and that modern imperialism creates in underdeveloped countries. Dependency is imperialism seen from the perspective of underdevelopment because, it is not an ‘external factor’ as often erroneously believed. It is a conditioning situation in which the specific histories of development and underdevelopment transpire in various societies” (Johnson. 1973: 71 – 77).

In other words dos Santos (In Offiong, 1982) states that dependency is “a situation in which a certain group of countries have their economy conditioned by the development and expansion of another economy, to which the former is subject. The relation of interdependence between two or more economies, and between these and world trade assumes the form of dependence when some dominant countries can expand and give impulse to their own development. This brings about exploitation and underdevelopment. This permits the exploiter, the Western countries to impose conditions of exploitation and extract part of the domestically produced surplus.” In other words historical situations of dependency have conditioned contemporary underdevelopment in Africa. It must also be recognized that dependency relations have also shaped the social structure of underdevelopment. “The international system or world market upon which Africa depends implies a structure that is, a structure of institutions, classes and power arrangements. The dynamic process that takes place within that structure is called imperialism. This imperialism is an institutionalized system of control which systematically shapes the institutions and structures of dependent, dominated countries and limits their freedom of action, if they are to avoid the systems sanctions, to system – defined alternatives” (Cockcroft, 1972). It must therefore be clearly understood that, the international system dominated by the West is not merely economic, it is a stratified system of power relations aimed at the exploitation of the weaker countries. In this regard Cockcroft (1972 in Irving Louis Horowitz book titled “Three Worlds of Development: The Theory and practice of International Stratification states that “At the core of power relations within the International System are the multinational corporations and that there are four main features of these global giants:

- Horizontal integration, the tendency to take advantage of a profitable opportunity to buy out their opponents who produce similar commodities, and vertical integration, the tendency to own the plant, produce their own raw materials, and also become their own wholesaler, thus monopolizing the three stages rather than one “stage of production.”
- The tendency toward conglomeration or diversification.
- Mounting “internationalization” or “multinationalization” of the operation of capital.
- The growing cooperation among the capitalist world as opposed to the rivalry and the growing disunity of the “secondary capitalist powers thus far to offer a serious challenge to American Hegemony.”

Has anything changed in the 21st century in terms of the hegemony of the United States in terms of the political, social, cultural, and economic subjugation of the people of the world, particularly the majority of “Third World” countries? Nothing has changed in spite of world criticism against its politics and preferred foreign policy, even if goes against the tide of international opinion, for example, what we see in Palestine and its support of the apartheid state of Israel or for that matter, what is happening in the Ukraine. It leads the campaign against Russia in respect of sanctions, in an attempt to isolate Russia. It is a dangerous game and could fuel the rise of a new cold war. These are the double standards it displays on behalf of the unbridled capitalist agenda it pursues at the expense of innocent people and weak countries. It begs the question as to why it cannot intervene, when it disagrees with Russia, India and China, as it does with weaker nations. The United States has in reality destructed the Middle East and has placed puppet rulers in many of these countries that have no option but to side with them. We saw this most recently with the removal of Prime Minister Al Maliki in Iraq, who they put into power and replaced him without warning or for that matter they were an enemy of Bashar Al Asad of Syria but suddenly they support him in respect of dealing with Islamic State (IS) insurgents. Double standards to the core are the hegemony of the United States, the trampling upon of human rights and consolidating its imperialistic and capitalist agenda at the expense of poor and defenseless people. When there is a backlash to their political designs, organizations and people are declared terrorists and hunted down. What of Guantanamo Bay and Barak Obama’s announcement that the camp will be shut down. It is nearing a decade without action and innocent people are languishing in this torture camp.

The characteristics of modern capitalism have prompted a need for cooperation among the multinational corporations with respect to their overseas operations. There has arisen according to Rupert Emerson and O’Brien (1967; 1971) “a need to control the production process, from the sources of supply, for example, oil and gas and the processing of raw materials to markets and outlets for commodities” This has led to long – range planning, maximum security, occupation, war, avoidance of risk and the preservation of favourable climates with illegitimate monarchies, puppet governments and dictators, in order to preserve and consolidate their economic interests, basically for long – range profits.” Furthermore, increase in the scale of monopolistic concentration, conglomeration and internationalization of private capital leads to reduced dependence upon immediate profit returns from overseas investment. It must be clearly understood that the so – called western welfare imperialism stymies African development because, it is controlled by the needs of foreign corporations, rather than a response to African needs. They are thus able to shape the foreign policies of their countries to annihilate and trample upon “Third World” countries. They are thus in a position to promote the economic elites of their countries and prop up the predatory African elites in many countries, who assist in subjugating the masses of many “Third World” countries. In other words history and moreover recent history in the 21st century has clearly shown how United States business in a dependent country entitles the US to become very actively involved in the domestic politics of the people in “Third World” countries and many African countries by means of buying and selling local politicians in terms of their vulgar and nefarious designs.

Colonialism, Imperialism, exploitation of “Third World” economies, the degradation of human development, development in general and all the facts that encompass Foreign Direct Investment historically and, as seen in the 21st century is encapsulated and forcefully emphasized in the words of Lord Macaulay’s address to the British Parliament on the 2nd of February 1835 as follows:

“I have travelled across the length and breadth of India and, I have not seen one person who is a beggar, who is a thief, such wealth I have seen in this country, such high moral values, people of such caliber, that I do not think we would ever conquer this country, unless we break the very backbone of this nation, which is her spiritual and cultural heritage and therefore, I propose that we replace her old and ancient education system, her culture, for if the Indians think that all that is foreign and English is good and greater than their own, they will lose their self esteem, their native culture and they will become what we want them, a truly dominated nation” (Lord Macaulay, 1835).

This is what capitalism, colonialism, imperialism is all about. The British decimated a proud nation, exploited its wealth, created division and havoc, killed and maimed the people of India and in reality divided a great nation into two nations, in terms of its imperial designs. It has the temerity to espouse fair play on its own terms. It is an exploiter and continues to exploit weaker nations even today. It is the subjugation of the developing nations, which continues into the 21st century. What has really

changed since 1835, Nothing? In actual fact the designs of the West are being intensified even today. It was with gun powder and the bible that these colonial exploiters annihilated nations to their extreme advantage and pillaged and continue to pillage the resources of these countries. Foreign Direct Investment (FDI) is the form of the new imperialism and colonialism of the West. “Third World” countries have to stand – up to this exploitation and the time has come for developing countries to exert themselves in the economic milieu of the geopolitics of the world. This exertion must be based on human values and the time has come to call the bluff of the West and hold them accountable to the protocols that govern the world. It can no longer be business as usual. The developing world must define the development and economic agenda and the time has come to get rid of the leadership that are puppets of the West. FDI if not reevaluated will hold “Third World” economies in bondage and developing nations will remain poor, destitute and with low self esteem. The hegemony of the West must be broken once and for all. There is no other answer and no other way. The West must be dealt a decisive blow. It is time that we in Africa and the larger developing world set our own agenda in terms of development and as to who and how we will conduct business with.

CONCLUSION

In understanding the concept of dependency, it becomes essential to understand the state of play in terms of the capitalist and imperialist designs of the West and particularly the role and nefarious designs of the United States. This understanding must also be extended to the myth of foreign direct investment (FDI) which this paper attempted to deal with. Western European administrations and trading companies as pointed out by Walter Rodney (1974) shows that “they have worked hard to bring about the underdevelopment of Africa. It is because, it has caused and perpetuated the present economic problems and caused disequilibrium between the poor and rich economies. In addition Africa served as a dumping ground for the cheap and surplus products and had to cede their natural resources to these vulgar parasites. Africa served European interests and this great imbalance or disequilibrium has remained a fundamental problem and cancer in respect of African development. This continues even today and therefore Africa must rid itself of its self – serving politicians and its predatory elites, if it wants to liberate herself from economic dependence and the myth of foreign direct investment. This must be the struggle for economic emancipation. If this can be achieved then true development is possible in Africa.

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