

Africa is actually a Net Creditor to the Rest of the World | Interview with Prof. Ndikumana – PART 2

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acTVism (acTV): In the first part of this interview series, you defined “odious debt” and “capital flight” and also examined how they are impacting the domestic economies of African countries. In addition you talked about corrupt practices of African governments.

In this part we would like to focus on the role of Western governments, multinational corporations, financial institutions and the international banking system.

Could you talk about their respective roles and what they should do differently in order to improve the situation in Africa?

Léonce Ndikumana (LN): One point we emphasize in our research is that capital flight is a global phenomenon. So, for you to think about the effects and the responsibilities and so on you have to look at both sides, both ends of the transaction, not just the source of capital flight – which is African countries – but where the money is going. The role of government in the West is multifaceted. Let's go back to the case of loans: a majority of the loans given to African countries comes from governments, either directly or from institutions that are supported by government, the World Bank, the IMF – so one thing that Western governments could do is be more diligent in the management of the loans to African countries to ensure that the loans are really well tracked, are well monitored, and that the loans end up financing the purpose, the goals of the project that they were intended for. So, I think when money is being stolen, when money is being misused, the Western government has to ask themselves, what is my responsibility? Because that's your money and the public in the West has the right to ask their own governments how much oversight they are having on the money that they are sending to African governments. In the end I'm a taxpayer in the US so when the US give money as aid it's my money, so I have the right to know, is the US government monitoring carefully the loans that it's given to African countries, and (this is) true for other countries also.

But at the same time the Western governments should help in tracking stolen money that's being invested in their own economies in their own banks. So we have rules on the books about transparency in the banking system that banks should disclose the identity of people who deposit large sums of money who are not from the country. So we need the government to put rules and regulations that make sure that banks are transparent in reporting the appropriate information to their own government, but also to governments in African countries.

And this brings me to the case of the role of international banks sector. It's two things: transparency, accountability – they have to be transparent, they have to be accountable for their obligations vis-a-vis the government and vis-a-vis the public. So African governments should be able to get information about bank accounts held by their own citizens abroad, because those are known by the banks. So we are arguing that western governments should help African governments to actually get access to the information about the financial flows of their own citizens.

Multinational corporations: our key concern we raised is their practices vis-a-vis tax. We have concerns about tax evasion by multinational corporations, and this is especially important for African countries where you find that in many many sectors like resources, oil and minerals, the big players are foreign. They are foreign corporations and we find that they pay much less than what they should be paying because they are able to manipulate their accounts, they are able to manipulate their profits, showing that they have losses when they have profits, through what we call transfer pricing. Because these corporations are located in many many places, including in what we call secrecy jurisdictions or tax havens where they pay no tax, so they are able to show that they are incurring expenses which are above the true expenses. So you find that in African countries their profits are very very small and that allows them to pay very low taxes. That's a big concern this is again where Western governments can help because these are Western corporations.

Multinational institutions like the IMF and the World Bank can help in many many ways. One again, in ensuring diligence in monitoring of the loans that they give; I think these institutions have very well-crafted procedures about lending to developing countries. If those rules are followed I can bet you that there will be transparency about where the money is going. My concern is about the private lenders – whether they are doing the same. I

think we have to find a way of requiring private lenders also to follow the same procedures that say the IMF, the World Bank, follow, which are more transparent, which are more systematic in terms of where the money goes and how the money is being used. So especially I'm mentioning this because we see more loans being given by non-traditional donors including from emerging economies, China and other countries, but also from private lenders, banks. We need to be sure that those lenders are following very transparent rules that have been agreed upon from the traditional loan setup from the Committee on development cooperation.

Those rules are very very helpful because at least this sets the standards for what every lender should be doing, and you want everybody to be following those rules. Then giving African countries a seat at the table when these rules are being being discussed.

acTV: In an interview with The Real News Network when talking about capital flight in Africa you stated that "developing countries are financing the development of developed countries" Could you elaborate on this statement?

LN: Yes it's a very ironic situation, when I remember back in 2001 when we published our paper with a title that said that Africa is a net creditor to the rest of the world. Everybody was shocked, they said, "you're talking about the poorest countries in the world being lenders to the rest of the world – it's not possible". But we showed the numbers; we find that the amount of capital flight leaving African countries is by far greater than the amount of loans that are coming into the African continent. You do the math, that means that African countries are lending to the rest of the world.

So to your question, it means that actually Western economies are benefiting from capital flight because this money, first of all, goes into their own banking systems. So it's fuelling the financial system in Western economies in New York, in Paris, in London, in all capitals. So they are the ones benefiting from the resources coming from African countries. It defeats the purpose of going out and looking for more aid, looking for more FDI (foreign direct investment), if the loans come and end up being shipped abroad. In fact if the West was to effectively help African countries, the first thing to do is help African countries keep their own money. If African countries could keep their own money they would need less aid. They will need less loans. So my plea to Western governments is to see how to close the loopholes in their financial systems, to hold their banks accountable, to be transparent: to hold their multinational corporations accountable to paying taxes in African countries.

We would be in a much better shape to finance development in African countries without mortgaging the future of their generations because, really, when you borrow you're basically consuming the well-being of the future generations.

So if you look at African countries, they have the potential to mobilize the basic resources, they have the potential to create government revenue. The point is, how do they keep those resources without them being stolen and channeled abroad?

acTV: Why should western countries be concerned about abstract yet vital concepts such as "odious debt" and "capital flight" which you defined in part 1 of this interview series?

LN: I think one of the reasons is what I mentioned before: that some capital flight is financed by stealing money that's borrowed by the (African) government. So I want to remind our viewers that when the government of Germany, France, (or) the US, lends money to African countries, that comes from the government budget and remember where the budget comes from: the revenue comes from your pockets as taxpayers. So when that money is lent to an African country and (is) being stolen by a bureaucrat, your money's being stolen as a taxpayer. It's your money that's being being stolen. So the citizens should be outraged by a phenomenon where their government is lending money and the money's being stolen by politicians. That's the first reason. Every penny that's being stolen is somebody's tax. Okay?

The other reason why citizens in western countries should be concerned is that I believe that the majority – 99% of – the citizens in the West are very concerned about poverty in African countries. They are very concerned about people not being able to eat, they are concerned about kids not being able to go to schools, because here in the West we take those things for granted; every kid goes to school, every kid has food to eat. That's not true in many African countries. I believe as I live in this country (U.S.) and I talk to people (here): everybody (here) would like to see that every kid has a chance to go to school. So citizens in the West should be concerned about

capital flight because it prevents governments from providing schools, medication to the children and that should infuriate citizens in Europe, in Africa, in America, in Asia, and everywhere.

So another reason is a prosperous Africa is a good thing for Western citizens. First of all, there you have less pressure to actually give aid to African countries. Then you have less pressure for people to migrate because they can't eat. You have people who are fleeing because of poverty, because of conflicts which are – some of them – caused by lack of resources. If we could help African countries to keep their own resources, to finance their own investment, we would have booming economies; which by the way would be good markets for Western governments, for Western producers: so a prosperous Africa is a good thing for Western economies as well

acTV: In Germany the marketplace provides a wide range of products that are produced in African and labelled as "fair trade". These products claim to provide fair wages and better working conditions to African workers. Does the consumption of these products really assist the domestic economies of African countries?

LN: First of all, I do applaud these initiatives because they can change people's lives. Let me take the case of Fairtrade: if you look at the many countries in Africa, they rely on exports of primary commodities, including agricultural products like coffee trade, tea, cotton and so on. But when you look at the value chain you find that the producer of the coffee in Ethiopia, in Burundi, in Rwanda, gets a very small fraction of the value of the tea or of the coffee that you and I consume in the morning. You find that they get maybe two cents out of one dollar of the coffee and this is because of the lack of transparency in the pricing of the product. The farmers are shortchanged because they have no say about the valuation of the product.

So what Fairtrade is trying to do is give back the maximum portion of the value-added of the product to the producers, so that helps increase income going directly to the producers, that helps reduce poverty, that helps send kids to school and send people for medical treatment. So in a sense that would help improve access to the basic needs that people do not have in many many parts of the countries.

The other part where the NGOs, for example, could be helpful is be advocates for transparency and accountability. Really stigmatize this process, this phenomenon of capital flight and embezzlement of government resources. Also help demand more transparency on banks in their own countries; put more pressure on their own governments to put more pressure on their corporations so that they can be more transparent. So in that sense the NGOs could be partners with African countries in championing more transparency, more accountability, in the international financial system, in taxation, and that would make a big difference in reducing tax evasion and capital flight.

acTV: Thank you so much for participating in our 2 part video series. Your analysis shed light on the economic conditions endured by Africa today while also talking about solutions and alternatives. Before you leave however, can you talk about how people supporting this video can support your work?

LN: Thank you very much. For people who are interested in our work, the first place would be to look at our website which has all the information, I can send you the link and you can post it, maybe, on YouTube to your viewers. In terms of supporting our work, most of the work we do is part of our obligations; we are academics, what we do is research. We also have been fortunate to have support from foundations that have been very very generous, including the Open Society Foundations which has funded some of our work. The African Economic Research Consortium in Africa has been supportive of our work. So what I would say is that I would encourage people in their own countries to engage in this research to encourage their own universities and to teach about these issues. I would encourage NGOs to organize workshops about about these issues and encourage the governments to fund the research by their own citizens

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