

Africa subject to billions in illicit capital flight

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11 February 2015

A report adopted by the African Union on February 1 indicates that African governments are losing some US\$5 billion a year in unpaid taxes, royalties and other charges as companies, criminals and wealthy individuals illegally siphon money from the continent.

The report ranks South Africa third, behind Nigeria and Egypt, in terms of cumulative losses between 1970 and 2008, which it says amounted to US\$81.8 billion or 11.4 percent of Africa's total illicit capital outflows. It was authored by a panel established in 2012 by the United Nations Economic Commission for Africa and headed by former South African president Thabo Mbeki.

Speaking at the report's launch, Mbeki contrasted the estimated US\$50 billion annual outflow to the total inflow of US\$25 billion of aid and foreign direct investment. However, thanks to its opacity, the unlawful expatriation of capital from Africa is hard to quantify.

A 2008 study covering the years 2002 to 2006 found that the continent lost US\$859 billion in cumulative capital flight. This compares to a 2010 study of the period 1970 to 2008, which arrived at a figure of between US\$854 billion and US\$1.8 trillion in illegally lost capital.

Whatever the actual figures, they represent a huge loss of revenue for African states, with mining and fossil fuel companies accused of being the worst culprits for the continent's capital loss and resulting underdevelopment. A report by Sarah Bracking and Khadija Sharife on the South African diamond mining sector put the 2011 value of all uncut production at US\$1.73 billion. The authors found that the biggest companies, De Beers and Petra Diamonds, accounting for 95 percent of all production, paid just US\$11 million in royalties for 2010 to 2011.

Other studies expressed illegal capital flight as a ratio of gross domestic product (GDP). According to

research cited by Jeff Rudin, associate researcher at the Alternative Information and Development Centre (AIDC) in Cape Town, illicit capital flight increased from 9.2 percent of GDP in 1994 to 23 percent in 2007. "This means," Rudin observes, "that, at the same time the government was implementing Thatcherite neoliberal policies to bring foreign investment to South Africa, a vastly greater volume of capital was leaving our country."

What does he recommend? "The time is ripe," Rudin writes, "for a formal Commission of Enquiry to replicate in South Africa what Mbeki is heading in Africa."

Unfortunately for Rudin's credibility, Mbeki was deputy president and then president of South Africa from 1994 to 2007. Therefore the Thatcherite neoliberal policies Rudin deplores were implemented under Mbeki's watch and with his imprimatur. This expresses the essential bankruptcy of the ruling African National Congress (ANC) and other former liberation movements across Africa, Asia and South America, which cannot define a perspective even marginally independent of imperialism.

It also exposes that groups such as the AIDC represent no real political alternative to the ANC.

The AIDC advised and represented mineworkers at the Marikana Commission of Inquiry into the shooting death of 32 miners by police in August 2012. But like so many other organisations to the nominal left of the ANC—the Economic Freedom Fighters, the planned United Front of the National Union of Metalworkers of South Africa, the Congress of South African Trade Unions, the Stalinist South African Communist Party, the Association of Mineworkers and Construction Union as well as the Workers and Socialist Party—it acts only as a safety valve on behalf of capitalism.

One of the effects of capital flight was apparent this month in a Statistics South Africa (StatsSA) report—of

5.1 million unemployed, 1.5 million have been jobless for more than five years. This is more than triple the figure of 974,000 around the start of the global economic crisis in 2008. According to the agency, duration of unemployment is critical in that the longer a person is unemployed, the less likely they are to find work. “In addition, skills deteriorate and future earnings may be negatively impacted,” read the report.

Some of the architects of South Africa’s capital flight gathered under the aegis of the F. W. de Klerk Foundation in early February. The dignitaries celebrated 25 years since de Klerk, the last apartheid-era president, made the speech announcing the unbanning of liberation movements such as the ANC, and the release of political prisoners including Nelson Mandela who succeeded de Klerk and, jointly with him, was awarded the Nobel Peace Prize for laying the foundations for a democratic South Africa.

Businessman Johann Rupert, patriarch of the richest South African family with some US\$7 billion in assets, said at the event that demands for higher wages were not sustainable. In terms of spreading opportunities more evenly, he explained, “My family has always held that one must repatriate wealth to South Africa.”

His words were at odds with remarks attributed to Johann van Loggerenberg, the South African Revenue Service (SARS) executive in charge of enforcement and investigations who abruptly resigned on February 4. Van Loggerenberg was suspended last year amid allegations of running a “rogue” unit, which among other accusations is said to have run a brothel and spied on President Jacob Zuma. When suspended, he was overseeing an investigation into an apparent tax avoidance scheme of British American Tobacco, a multinational controlled by Rupert and which Van Loggerenberg said was illegally withholding about R1 billion (US\$89 million) due to SARS.



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