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Africa: from the economic crisis to the crisis of co-existence

Africa is a Continent "at risk". The economic crisis and the consequent sharp fall in the prices of raw materials, coupled with the failure of market demand – consequence of the crisis of the technically advanced, so-called "developed" Countries – have provoked the loss of jobs and reduce large groups of the population to hunger.

To feel the effects are, principally, the inhabitants of the "mobile villages", the agglomerates of dwellings that rise close to the mining areas and move gradually as the mining advances. If the mine closes, then it is hunger for all. And while the West in crisis reduced aid, new projects arrive from Asia to exploit the African resources, and China, every day, signs new treaties of bi-lateral cooperation. The economic disaster of Countries like Zimbabwe and Zambia create

*areas of tension, while the democratization becomes more distant, the short cuts increase for the political crises which fuel the impulse of revolt. But this crisis could represent, according to certain analysts, as Franz **Gustincich** explains, also the occasion for liberation from the 'external' dependence and start an 'African via' to the market economy.*



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«Things start with economic problems. From the economic problems, just a small step is enough to arrive at social malcontent. And then another small step to endanger the democracy. And with the democracy in danger, the risk of war is a real risk». These are the words of Dominique Strauss-Kahn, Managing Director of the International Monetary Fund, reported in the Zimbabwe Telegraph on 20th March (1).

It would seem that Strauss-Kahn refers to Madagascar, the African Island in the Indian Ocean, which was the first to inaugurate the season of the popular uprising caused by the economic crisis. The President of the Island, Marc Ravalomanana, removed recently by a lightning stroke by the leader of the opposition, Andry Rajoelina, with the bloodless support of the military, now returns to make his voice heard.

The public that demonstrated against the former President – for three months tenaciously maintaining their support for Rajoelina, Mayor of Antananarivo – has now returned in favour of Marc Ravalomanana.

The power change was certainly anti-constitutional, as the UNO and the African Union sustained, seconded also by the international diplomacy.

But the point, however important, is not this. The revolt began because of the diminishing buying power of the citizens and of the doubling of prices for the goods of first necessity. The Country, it is well to remember, is included by the World Bank on the list of the 10 poorest in the world, with 70% of the population living on less than a dollar a day.

After this first case it is understood that many other African Countries run the same risk as Madagascar with, possibly, much more bloody outcomes. Zambia is among the Countries that risks the most suffering. The Kwacha, the local currency, has lost 70% on the American dollars, in the last three months. 10% of the labour force is employed in the mining activity, principally, copper, and now the demand for electrical instruments, electronic components and building installations is undergoing a very strong slow-down all over the world, the mining companies have begun to lay-off workers.

The drama is that there are many towns constructed around the mines and the closure of one of these could annihilate an entire citizen economy, reducing the inhabitants to starvation. The equation that best explains the situation could be: unsold food in the markets and empty stomachs. The first consequence of a similar catastrophe, recounts a mother of Luanshya – a small town of the so-called "copper belt", which runs from Zambia to Zimbabwe – with regard to education: we pay for the school or we eat. And from three meals a day, we are reduced to one only, but we don't know yet how long we will be able to

eat" (2) .

With the fall of the cotton prices in Tanzania, the petrol in Angola, Ciad and Nigeria, of the demand for diamonds and the major part of the goods produced in the various Countries, the well-being of numerous families, acquired over the last ten years, has suddenly evaporated.



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The contrast between poverty and wealth is very conspicuous in the diamond sector. From the shop windows of jewellers all over the world are invitingly displayed diamonds and precious stones, the prices of which are becoming more and more reduced, in inverse proportion to the carat, and even those used by industry, owing to the low demand, have undergone a considerable depreciation.

The large producers and the international brokers inform us that the price has fallen by circa 50% compared to last year, precipitating by 3 or 4% per month, with a nose-dive of 18% in only one month, that of last February. De Beers, the giant of the sector has begun to lay-off and foresees the "liberation" of 1,415 office positions throughout the African territory, by the end of the year.

Reuters writes (3) , in one of its analyses of

the crisis, that the «demand for uncut diamonds should drop by 60%, since the consumers have less cash in their pockets to spend on luxury goods» although the diamond merchants tell us that «love and the sense of guilt remain the insurance for our industry» (4) .

The producer Countries of diamonds, in Africa, are trying to take measures: less demand and lowered prices mean unemployment and a fall in the tax revenues.

A plan of assistance is being projected in Angola for the mining activity Countries, through the purchase of local diamonds by the State.

A similar plan has just been started in South Africa, but it seems that it is not functioning as it should, because also the State wants to buy at the lowered price, while the companies try to sell the worst quality minerals and put aside the best for better times ahead.

Sierra Leone, on the contrary, is experiencing a moment of optimism: some companies which have suspended mining activities for precious minerals, have ask for permission to extract gold, which had been interrupted in favour of the little white stones – uncut diamonds have this appearance – which guaranteed higher profits, and also, particularly, in the contraband industry, gold is easier to transport.

An illegal traffic of diamonds exists in many Countries, starting from the clandestine prospectors – generally exploited by the buyers – who live close to the diamond veins or in zones where the mining, at an industrial level, is not profitable

Entire "mobile" villages spring up around the diamond mines or other mines of precious minerals and stones, and constitute the basis of earnings of thousands of families who now, no longer have buyers. This tragic situation is experienced, however, principally, by the workers of the legal enterprises. These companies which usually pay by the day or by piecework, undergo a sudden slow-down and decide to cease activities while awaiting better days.

Even the diamond smugglers have seen a sudden fall in their illicit gainsand, in Freetown, in Sierra Leone, the clandestine market asks for only stones of 2 and 3 carats, the only individuals who, at the moment, have not suffered excessive downturns in their purchases. And the fear is that the experience of the diamond smugglers could cause them to divert their attention towards other shady affairs.

"Who is on the fringe of the financial market does not fear the global crisis that has hit the world" (5) .

According to this thesis, sustained by many financiers, economists and bankers, Africa should have passed immune through the long tempest of the markets, but perhaps things are not quite this way. Dambisa Moyo, an economist born in Zambia, who has spent numerous years working for Goldman Sachs, maintains, however, that for the developing African Countries, this crisis is an opportunity. In the first place, Moyo underlines that the West, with its low availability of capital, is reducing aid to development in Africa. He points out that Asia – China, in particular – still disposes of considerable monetary reserves and is in condition to be able to heavily invest in Africa, and with scarce competition. He concludes, therefore, that the African Continent can liberate itself on its own because it possesses immense wealth and must, consequently, turn to the market and not to the help.

Grandiose projects of tapping African resources reach us from Asia. The South Korean Daewoo Logistics is programming the rent of a million hectares in Madagascar – just as soon as the political crisis is over – to install extensive cultivation intended for exportation. India is investing 4 billion dollars in Ethiopia to cultivate grain and sugar cane.

A loan of a billion American dollars to Angola for agriculture has been announced from Peking, with the intention of obtaining options on the purchase of the cereals. China has also negotiated the purchase from Senegal of 10,000 tons of palm oil to consolidate the agreements in course with that Country on the minerals mining. Still from China, the news of the signing of an agreement of economic and technological cooperation with Benin. As we have seen, China is entering the African Continent with a pragmatism which distinguishes it in the ambit of business affairs and, to use a military term, with a considerable volume of gunfire. A pragmatism, nevertheless, which has created certain political problems for the West – employed in the attempt to end the Sudanese war of Darfur.

In fact, China has exercised, on various occasions, its right of veto in the Security Council of the United Nations, in order to impede the application of embargos on Sudan: even the Peace Mission of the UNO

and the dispatch of blue helmets was blocked by China with the inclusion of a clause that provides for the assent of the Sudanese regime which is, at the same time, one of the sides in conflict.

In Khartoum where, even a Westerner, if surprised consuming alcohol is subject to the sanction of 100 lashes, in the numerous Chinese restaurants, on the contrary, it is possible to drink in public. The tie between China and Sudan is consolidated by the oil: two thirds Chinese and one third Malayan, practically abandoned by the American companies following the inclusion of the Countries on the list of the rogue States.

One of the African paradoxes is the scarcity of fuel in the service stations, above all, in the producer Countries. This happens in Sudan, principally, in the southern regions, but also in Angola and Nigeria. The latter sells practically the entire production of crude oil abroad, often finding itself forced to import it, a fact which has, paradoxically, rendered the contribution of the criminality indispensable and the thefts of oil from the oil ducts of the Country for the functioning of the transport system itself.

Notwithstanding half of the twenty-six Countries declared to be "highly vulnerable" by the International Monetary Fund (IMF) (6) is in Africa, the growth foreseen for the African Continent for 2009 is 3%, in net downturn if compared with the preceding years (2008, 5.6%, 2007, 6.4%), but if we go to read the prevision of IMF for only the African sub-Saharan, we note a considerable inversion of tendency, with a growth of 6.7%.

This does not mean that there will be a catastrophic collapse in Northern Africa, but that – according to many independent analysts – the IMF bases its calculations on the inflow of the pre-announced investments.

The effects of the enormous investments that concern Africa, however, will not be felt, presumably, before several years, and few people believe in an effective spin-off of benefits for the populations.

Pope Benedetto XVI, during the Cameroon stage of his African visit, in March, diffused the preparatory document of the African Synod in which is affirmed: "Gradually, the multi-nationals continue to invade the Continent to take possession of the natural resources. They crush the local companies; purchase thousands of hectares of terrain, expropriating the populations of their land, with the complicity of the African governing classes". The text denounces also the neo-liberalist remedies of the great financial institutions, which would have proved to be "dire" (7).

"The fact is" as the Nigerian newspaper Punch (8) mentions "that the industrialized countries consume more than they produce, while in Africa it is the contrary".

Paradoxically, for certain Countries rich in resources, the GDP is constituted, to a large extent, of remittances of the immigrants, but also this is undergoing a downturn.

In the United States where, already in 2007, the sending home of money by the immigrant workers underwent a drop of 5%; a further drop of 6-10% is foreseen for 2009, always



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according to the World Bank. The African workers in the United States – a large number of whom are employed in the building sector – with the crisis of bricks followed by that of the mortgages, were among the first to cross the threshold of poverty, and with them, also their families in the Countries of origin.

The impact that the crisis will have on African migratory movements is still uncertain although two opposing theoretical interpretations are becoming evident: according to one, the return to the Country of origin of those immigrants who have lost their jobs is foreseen; the other, on the contrary, prophesizes a new migratory wave towards the West. A story in itself is that of Zimbabwe. In 1980, a small war of independence marked the end of what remained of Rhodesia and the departure of the last "white government".

Robert Mugabe became the new President of the Republic of Zimbabwe, but the great properties of land remained in the hands of a white elite.

The average size of a plantation of the second largest world producer of tobacco (after China) is equal to half the size of Umbria.

The veterans of the war of independence, without finding any obstacle, began to occupy the great plantations, often killing the owners. The situation gradually degenerated, forcing Portuguese, English and also some Italians to abandon their properties.

In this way, the "Agrarian Reform" took place, but the new owners had neither the knowledge of the land and farming, nor the ability to manage such gigantic concerns, and the harvests started to diminish. The largest African agricultural producer was reduced to starvation and, today, survives thanks only to the aid of the World Food Programme.

Zimbabwe has become the symbol of bad government, violence and African corruption, thanks also to inflation which, before the interventions of its Central Bank in January, 2009, had reached the record level of 15 billion % per monthly, with an annual rate of 516 trillion % (it is written: 516 followed by 18 zeros).

To eat a normal meal in a restaurant cost around 5 kilos of bank notes of 10,000 Zimbabwe dollars, and for this, some fun-loving persons wore a T-shirt stamped with "a down-and-out multi-millionaire".

Even today, the prices, quite the contrary of being stabilized, in October of 2008, doubled every 30 hours. The revolt was avoided thanks to the mediation of Tabo Mbeki, then President of South Africa, who convinced Robert Mugabe to accept a coalition government, putting the opposition leader, Morgan

Tsvangirai, at the Presidency of the Council. Far from being resolved, however, the problems of Zimbabwe – between the fights between the two highest offices of the State and the rising criminality – risk dragging in also nearby Countries, Zambia and Mozambique for a start, which for many years have suffered from the absence of trans-frontier exchanges, Harare having almost completely suspended the importation from its neighbours.

In one case Africa does not limit itself to undergo the crisis of others, but it is the direct cause. Since the Somali pirates, who infest the waters of the Gulf of Aden, have intensified the attacks on ships in transit through the Strait of Suez, the ship owners prefer to circumnavigate the entire Continent. The cost of the insurance which covers also possible ransom, by now, has exceeded the cost of almost two extra weeks of navigation.

Notwithstanding the efforts and results of the many Nations which, under the United Nations flag, patrol the Gulf with war ships, the piracy phenomenon is increasing. This is due to the impossibility of following the pirates on terra ferma in Somalia, the most unstable and unreliable Country of the entire African Continent.

The Africa of today, therefore, has not changed very much. The risks of worsening the stability of the Nations are always the same; the indexes of corruption vary very little, from year to year.

What is more important, however, is that the exploitation of the resources remains firmly in the hands of the multi-nationals, the presence of which in a determinate Country depends on commercial balances reached elsewhere, in a context of global inter-connection.

Well then, it is very possible that Dambisa Moyo is right in sustaining that there will be no emancipation as long as the Continent depends on aid supplied by foreign governments. A dangerous tie which although guaranteeing the survival of millions of people, continues to fetter it inexorably to the western market, and from today also that of the Chinese.

- (1) "Global crisis threaten Africa stability " in The Zimbabwe Telegraph, 20 Marzo 2009.
- (2) "Zambia's Copperbelt Reels From Global Crisis", in The Washington Post, 25 Marzo 2009.
- (3) "De Beers JV mine in Namibia to close for 3 months, Reuters, 25 marzo 2009.
- (4) Rapaport (<http://www.diamonds.net/news/NewsItem.aspx?ArticleID=25726>).
- (5) D. Moyo, Dead Aid, Allen Lane publisher, Penguin group, London, 2009.
- (6) "IMF lists 26 'highly vulnerable' countries" in Irish Times, 4 marzo 2009.
- (7) M. Politi, "Il Papa attacca le multinazionali: Basta affari ai danni dell' Africa" in La Repubblica 20 marzo 2009.
- (8) <http://www.punchng.com>.

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