



International Utopia MUN'20

# The Economic Affairs Committee of the African Union

Stimulating intra-African Trade to combat Economic Neo-Colonialism

## **ABOUT THE COMMITTEE**

The African Union (AU) is a continental body consisting of the 55 member states that make up the countries of the African Continent. It was officially launched in 2002 as a successor to the Organisation of African Unity (OAU, 1963-1999).

The main objectives of the OAU were to rid the continent of the remaining vestiges of colonization and apartheid; to promote unity and solidarity amongst the African States; to coordinate and intensify cooperation for development; to safeguard the sovereignty and territorial integrity of Member States and to promote international cooperation.

### **The Economic Affairs Committee**

The Department of Economic Affairs (DEA) promotes the work of the AU in the area of economic integration and private sector development and engagement.

The DEA is mandated to:

1. Initiate and promote policies and strategies to strengthen regional coordination and cooperation on economic integration initiatives
2. Support private sector development and investment
3. Mobilize development funding
4. Implementing Agenda 2063 programmes for the African Economic Platform (AEP) and African Financial Institutions: African Investment Bank and Pan African Stock Exchange; the African Monetary Fund and the African Central Bank.
5. Promote the establishment of an African economic and monetary union
6. Propose policy solutions for resolution of Africa's debt problem;
7. Provide a framework for harmonised statistics.
8. Organise the Congress of African Economists and meetings of the Specialised Technical Committee (STC) on Finance, Monetary Affairs, Economic Planning and Integration.

9. Support the establishment of the AU Institute for Statistics and the Statistics Training Centre.

## **Introduction**

In the immediate aftermath of the Second World War and in the changing scenario of world politics the previous imperialist power (Britain, France, Germany, Belgium, etc.) had collapsed and the neo-imperialist countries like the USSR and the USA appeared on the stage. The influence of these neo-imperialist countries led to the decolonization of Africa which began in the 1960s. But the colonial traditions and the economic power of the former and present imperialist power kept Africa within the iron curtain of neocolonialism. The African states achieved independence in politics, but they remained dependent on their colonial masters both economically and socio-culturally. As a consequence, Africa could not come out from the curse of poverty, hunger, corruption, and famine; and underdevelopment was a common term in their arena. Their sufferings remind the world of the stories of dead children in the famines of Sub Saharan Africa– Ethiopia, Eritrea, or Somalia. But why is Africa in this condition?

### **Neo-Colonialism: Introductory Remarks**

The term ‘neocolonialism’ was first coined by Kwame Nkrumah. For Kwame Nkrumah, “neocolonialism represents the final stage of imperialism. Neocolonialism is the worst form of Imperialism: for those who practice it, it means power without responsibility, and for those who suffer it, it is exploitation without redress” Predominantly Neocolonialism has no definite definition. It has western, Asian, and African versions of the definitions. Encyclopedia Britannica, the Worldwide accepted knowledge book where Sandra Halperin defined neocolonialism, “Neocolonialism, the control of less-developed countries by developed countries through indirect means.” Sandra Halperin has explained the ‘indirect means’ as the developed countries are dominating underdeveloped or developing countries indirectly by using colonial exploitation rules. For example, in the contemporary world, The Latin American and African underdeveloped or developing countries are affecting perniciously by the imperialist countries. She added “the term neocolonialism was originally applied to European policies that were seen as schemes to maintain control of African and other dependencies. Neocolonialism is a process

by which colonial mother country exposed exploiting rules and regulations to her newly independent underdeveloped countries or less developing countries for indirect dominating; the dominating can be economic and political or cultural. Predominantly neocolonialism has been noticed in economics, although this economic exploitation is cloaked by political and cultural exploitation. Scholarly said, after the Second World War, the colonies were acquiring independence politically but the imperialist countries didn't give those states economic independence. The newly acquired independent countries must have to depend on their colonial country.

### **Colonialism and Africa: A Story Told?**

The colonial story of Africa is not disparate from other colonial countries like India, China, Myanmar, Indonesia, and Malaysia. Rather, their history of disparity and oppression is very coequal. The African colonial history had begun from the Berlin conference on 13 November 1884- 26 February 1885. The foremost agenda of the conference was how to allocate African regions among the European powers. At the end of the meeting, the European powers were lunged to apportion Africa. Following the way, the European powers had occupied the whole of African regions except Ethiopia and Liberia within 1900. After the Second World War, the colonial oppression rules became flimsy and the nationalist leaders were demanding the full independence of Africa. During the postwar world, the United States and the Soviet Union had appeared as a world superpower and the world system had become changed. The two superpowers had taken anti-colonial steps to collect new allies in the polarized world. The United Nations also limpidly declared on UN charter article 73: Members of the United Nations which have or assume responsibilities for the administration of territories whose peoples have not yet attained a full measure of self-government recognize the principle that the interest of the Inhabitants of these territories are paramount, and accept as trust the obligation to promote to the utmost, within the system of international peace and security established by the present charter, the well-being of the inhabitants of these territories, and, to this end. Following the way, the decolonization of Africa had begun in the 1960s. In this decade more than 15 African colonies achieved independence. But the colonial powers did not give those states economic independence. Hence, Kwame Nkrumah said, African independence was one kind of farce. He

critiqued this capitalist system as 'neocolonialism'. We will elucidate the neocolonialism effect in Africa from four major perspectives such as economic, political, cultural, and literature.

### **Economic Ne-Colonialism in Africa: Regulatory Factors**

The economy is the driving force for the development of any country. Without economic development, no country can achieve development. In the African context, imperialist countries had applied economic tools as an arm to dominate the newly independent countries. After the decolonization, the African states have had must victims of the imperialist powers. During the decolonization Kwame Nkrumah, the president of Ghana, stated, Neocolonialism is the worst form of imperialism and the highest stage of capitalism (Nkrumah, Neocolonialism ix). For Nkrumah, it is such a system by which colonial power like Britain, Germany, France, and Belgium gave liberation to the colony on one hand but on the other hand, they robbed this liberation. He thought, without economic independence, political independence is vain and absolute liberty will not come. On 30 December 1965, a neocolonial critique was published in the Daily Azad, the prominent newspaper of the then East Pakistan, where the editor had explained the ultimate goal of the neocolonialism was to transform into a newly independent country to underdevelop the country and at any cost, the imperialist countries wanted to do so. As a consequence, the sovereign country lost its sovereignty and colonial exploitation became a continuous process to this country and the intriguing was substantializing by the capitalist country like the USA. But the meaning of neocolonialism was not that had to stop investing in underdeveloped countries but the real meaning would invest in less developed countries that countries would get most of the profit of the investment. On the other hand, the war of neocolonialism is greater than the political war. Kwame Nkrumah said, "we again rededicate ourselves in the struggle to emancipate other countries in Africa; for our independence is meaningless unless it is linked up with the total liberation of the African continent". This 'meaningless independence' referred to the economic exploitation of Africa and the process was begun from the colonial rule. Moreover, African states have an estimated 53% of the world's industrial minerals and metals reserves. Nkrumah claimed, "but her resources have been and still are being used for the greater development of the overseas interest."

Such exploitations were not the only way of colonial economic exploitation but colonial power exploited Africa in several ways those were beggar descriptions. As follows, Africa was unable to grow capital, technologies, experts, and stand of management to run new independent states. The agents of the former imperialist countries, the World Bank, IMF, and IFIC had taken this opportunity appropriately to bound Africa in the neocolonial iron curtain. The WB and the IMF are lending loans to African states with hard terms and conditions. Debt recipient countries have to pay back with interest that was more than that they had accepted from the agents. Because of lacking capital, technologies, and experts the agents compel to depend fully on them. The reality is African states have no options to be free from the imperialist curtain. The World Bank is lending to more than 140 countries in the world, among the countries, 41 African states are the +most debt recipient's countries in the world. Those states have the lowest per-capita incomes and life expectancy without South Africa and Botswana. The Harvard scholar Garikai Chengu elucidated African neocolonialism in global research; he said Africans' second liberation war is continuing against neocolonialism. He explained in his research paper: The World Bank estimates that a staggering 65 percent of sub-Saharan Africa's best arable land is still controlled by white settlers or multinational corporations. The World Bank also estimates that as much as 70 percent of the net wealth in sub-Saharan Africa is owned by non-indigenous Africans or foreigners. Nowhere is this racial disparity more acute than in Africa's richest nation. South Africa is the continent's most powerful nation; however, it is the continent's most economically colonized nation. The American investment bank, Citi group, recently ranked South Africa as the world's richest country, in terms of mineral reserves, worth an estimated \$2.5 trillion. South African whites and western foreigners own a staggering 80 percent of this wealth.

### **Politics and Neo-Colonialism: Understanding the Implications**

Though African states achieved independence in the 1960s, the former colonial powers are still holding their bobbin. As follows, African and anti-colonialist scholars said, without economic liberty, political liberty is totally vain. Besides, economic unity makes political unity. Kwame Nkrumah said, "economic unity to be effective must be accompanied by political unity. The two are inseparable, each necessary for the future greatness of our continent, and the full development of our resources." He further said in his *Africa Must Unite* (1963), the colonial powers had divided Africa by the balkanization. By using balkanization a group of small and

large countries was created and in this way, Africa became weak and reliant on former imperialist countries (Nkrumah, Africa Must Unite 173). In 1961, Nkrumah explained his vision in his book, *I Speak of Freedom*, “divided we are weak; united, Africa could become one of the greatest forces for good in the world.” During the cold war, Africa became pivotal to the USA and the USSR. Throughout the cold war, two superpowers were attempting to dominate in Africa. As a consequence, through the cold war, political instability, civil war, and coup d’état were becoming an ordinary issue in Africa. Anti-western scholars said, from 1961 to 1973 six prominent African leaders Patrice Lumumba (Congo), Kwame Nkrumah (Ghana), Sylvanus Olympio (Togo), Mehdi Ben Barka (Morocco), Amilcar Cabre (Guinea and Cape Verde) and Eduardo Mondlane (Mozambique) had been excluded by the pro-western coups. Still, now, Africa is the only continent where more than 130 military coups were held. On the other hand, the fate of president Gadhafi is not unknown to us. It is claimed that anti-western activities were responsible for the exclusion of president Gadhafi.

### **African Continent Free Trade Area: A Shift from Neo-Colonialism?**

The AfCFTA is an opportunity for countries and companies to help each other grow, but trade liberalization and Western control can harm the poor and local producers in these countries, and Africa will repeat the mistakes of the European Union.

Although infrastructure is improving very slowly, there is still a long way to go to facilitate trade between countries. It is impossible to build a supply chain across the continent when there are countless customs stamps, signatures, and certificates required to simply move a container from one country to another.

But as the experts above have pointed out, Africa must take all possible precautions to avoid reproducing colonial relations. In addition to local protectionism, there must be a legal and fiscal framework that can put an end to the ongoing looting of African resources.

It might go without saying that it is time to abandon the current CFA franc system, which makes it easy and legal to withdraw large amounts of capital. As we wrote earlier, the new ECO currency is not a solution to the problem, because it will still be attached to the Euro, and thus to the large banking system of the West. Experts emphasize that simply renaming the currency will

do no good, it must be transferred from Paris to currency coordinating centers in African capitals.

The most critical step is to buck the IMF and the World Bank, the earlier the better. Just the other day, it was announced that Nigeria will receive \$3.4 billion from the IMF to overcome the serious economic consequences of COVID-19 and the sharp fall in oil prices. This is the largest tranche in the world from the Coronavirus Recovery Organization. This only shows that supranational corporations are seriously afraid of Africa's potential flourishing, and are struggling to prevent the development of its infrastructure with gifts and loans.

One of the development community's most often cited priorities is the need for African economies to "formalize" their economies. This means shifting business activities from operating outside a country's legal framework toward a status recognized and protected by law. There are many benefits to formalization. Registered companies have greater productivity and investment, create more jobs and growth, and enjoy legal protection against fraud for both themselves and their customers. They also have access to credit and capital, which provides opportunities for growth.

Studies conducted across Sub-Saharan Africa estimate the informal economy accounts for some 50 to 80 percent of the region's GDP, 60 to 80 percent of employment, and as much as 90 percent of new jobs. This shadow economy is a natural response to the stifling restrictions governments place upon businesses.

## **Investments**

the largest investors by number of projects in 2019, as listed by the Africa Attractiveness Report by EY, in Africa were the United States, France, and the United Kingdom, respectively. Notably, China was the largest investor in terms of total capital, investing more than twice the dollar amount of France or the U.S. The report states that FDI flows from traditional investors are partially driven by strong historical relationships: France, for instance, is a key investor in

francophone Africa. Emerging partners, including China, the United Arab Emirates (UAE), and India, are playing an increasingly important role in Africa, accounting for 34 percent of total projects and over 50 percent of jobs created and capital investments. Additionally, intra-African investment continued to grow in 2018: South Africa remained the most extensive investor in other African countries, and Kenya and Nigeria contributed significant FDI to East and West Africa respectively. Egypt and Morocco are major investors in North Africa.

## **China**

With its involvement in the infrastructure sector beginning in the 1960s, China has established an active presence across the African continent. Trade between China and Africa has surged drastically from US\$1 billion in 1980 to US\$128 billion in 2016. Since 2000, it has provided cumulative loans of US\$143 billion in Africa, with half of them given over the last four years alone, making it Africa's largest bilateral creditor.[4] At the 2018 Forum for China–Africa Cooperation in Beijing, China offered Africa US\$60 billion for development financing until 2021

### **China's Massive Belt and Road Initiative**

China's colossal infrastructure investments may usher in a new era of trade and growth for economies in Asia and beyond. But skeptics worry that China is laying a debt trap for borrowing governments.

Launched in 2013 by President Xi Jinping, the vast collection of development and investment initiatives would stretch from East Asia to Europe, significantly expanding China's economic and political influence.

Some analysts see the project as an unsettling extension of China's rising power, and as the costs of many of the projects have skyrocketed, opposition has grown in some countries. Meanwhile, the United States shares the concern of some in Asia that the BRI could be a Trojan horse for China-led regional development and military expansion. Under President Donald J. Trump, Washington has raised alarm over Beijing's actions, but it has struggled to offer governments in the region a more appealing economic vision.

China's return on investment from increased port access and supply chains is not all about economics. In five cases—Djibouti, Walvis Bay (Namibia), Gwadar (Pakistan), Hambantota (Sri Lanka), and Piraeus (Greece)—China's port investments have been followed by regular People's Liberation Army (PLA) Navy deployments and strengthened military agreements. In this way, financial investments have been turned into geostrategic returns.

Evidently, African Nations are still heavily and increasingly depended on the rest of the world economically.

### **Conclusive Remarks**

The imperialist trends of the 18th and 19th centuries continued till 1945 when the Second World War ended. After the end of the War, imperialism attained a new phase in the polarized world. Consequently, during the post-war period, despite achieving independence, colonial countries like those in Africa and Asia could not free themselves from the clutches of neo-colonialism. The spirit of imperialism remained unchanged. It is the objective of the Economic Affairs Committee to combat this evil and ensure complete economic independence of the member nations of the African Union.

### **Questions to ponder**

1. What is the key to achieving economic freedom?
2. How can we legitimize beneficial but currently technically illegal activities?
3. How can we power the region's economies?
4. What policies should African countries adopt to make Foreign Direct Investment more profitable for them?
5. Which sectors should African governments be investing in and developing?
6. How can we sustainably and optimally utilise natural resources in Africa to the region's benefit?
7. Is the belt and road initiative a wise choice for African economic independence?