SOUTHERN AFRICAN
PEACE AND SECURITY STUDIES
VOLUME 5 NUMBER 1

Profiting from the State: Internal and External Dimensions

Virgil Hawkins
Osaka University, Japan

The notion that political leaders are selfless public servants sacrificing themselves to contribute to the greater good of the society that they govern tends to carry little currency anywhere in the world, no matter how 'developed' or 'mature' democratic institutions are considered to be. There is very often a broadly held suspicion that political leaders position themselves and their policies in such a way as to bring benefit to themselves (and/or those that support and sustain them) in some form, whether tangible or intangible. But there are varying degrees at which such suspicions are held (or confirmed). At one extreme is what William Reno (1999) calls 'warlord states', in which predatory leaders' purposes of holding power is primarily to strip the assets of the state. At the other extreme we might consider leaders who, on the whole perhaps, appear to have relatively good intentions about working towards the welfare of the state and its people, but at the same time make certain policy decisions with a view to securing re-election, fostering a positive legacy, and/or positioning themselves for a prosperous post-retirement.

Many southern Africa states, needless to say, fall somewhere between these two extremes. The Democratic Republic of the Congo (DRC) and Angola are closest to what could be considered 'predatory' regimes. In the DRC, billions of US dollars in public funds, much of it associated with the mining industry, are thought to be diverted by state agents for private gain – a large proportion of domestic government revenue. State authority remains weak in much of the country and per-capita GDP is one of the lowest in the world. In oil-rich Angola, revenues from the extraction of this resource were long considered a state-secret, and nepotism, patronage and general corruption remain pervasive and highly damaging to the state's capacity for the provision of public services. As a result, chronic poverty coexists with opulence in the capital Luanda, which is one of the most expensive cities in the world.

At the other end of the spectrum are Mauritius and Botswana, countries that are considered models of democracy and good governance on the continent. Mauritius, for example, has topped the Mo Ibrahim Index on Good Governance consecutively for a decade. Botswana, which is praised for the management of its diamond industry, is rarely far behind. By the same token, graft and nepotism continue to be of concern in both countries, and, in the case of Botswana, the same political party has held power since independence in 1966.

Concerns about the diversion of state resources, and importantly, the institutionalisation of this practice at all levels of government, are also notably on the rise in South Africa. This is reflected in two of the articles in this issue. Michaela Elsbeth Martin and Hussein Solomon's article on the phenomenon of 'state capture', examines the degree to which economic and political power have become intertwined, and corruption institutionalised, in that country. At the same time it recognizes the difficulties in overcoming this state capture. Leon Hartwell's article also deals with the issue of power and corruption in South Africa, focusing in particular on the defeat of the impeachment motion against President Jacob Zuma in 2016, and its negative impact on South

Africa's constitution. Both articles portray an alarming level of state capture.

There is no doubt that political and economic elites can and do take advantage of the state and its resources in countries in which power is concentrated and institutional checks and balances are weak – and they often actively work to keep things that way. But in a globalized world, external dimensions also form a major part of the puzzle. Foreign and multinational entities collaborate with local entities in diverting resources belonging (or owed) to the state. A considerable portion of these resources end up leaving the region.

In some cases, this may involve collusion among political elites at both ends. A 1996 deal between Angola and Russia, for example, which saw the restructuring of debt relating to Cold War-era arms sales, ended with the diversion of more than 700 million US dollars, a significant portion of which allegedly ended up in the pockets of various Angolan officials, including President dos Santos, and of at least one member of the Russian parliament. While the bulk of the money remains unaccounted for, a large portion is known to have gone to businessmen who, through an investment company set up solely for the purposes of making this deal, acted as a go-between for the two governments.

As the above (and many other) example demonstrates, economic actors play an important role in this regard. This may be about businesses that are locally based but operate internationally. The role of the Gupta family in South Africa's economic and policymaking arenas, as discussed in the article by Martin and Solomon, is a case in point. But in a region in which economies are largely reliant on the exploitation of mineral resources, much of which is conducted by foreign (or multinational) corporations, such actors form a key link in the chain in which resources are diverted.

In the extraction and export of mineral resources, the diversion of finances occurs primarily through the practice of trade misinvoicing. This typically involves the undervaluing of the minerals exported, and/or the overvaluing of imports (machinery and other inputs for extraction, for example), to avoid or minimize export and import duties, royalties and taxes on profits. Undervalued exports are restored to market prices through (often secret or camouflaged) subsidiaries in tax havens before being traded to the intended buyers. Research conducted by groups such as Global Financial Integrity has revealed the sheer scale of this form of diversion. The illicit outflows (in the case of Africa as a whole, for example) are many times greater in value that inflows in the form of official development assistance, and contribute significantly to the state of affairs in which total financial outflows from the African continent exceed total financial inflows (GFI 2010).

The diversion of finances in this manner may or may not implicate official parties in the host state (in a deliberate sense). Multinational corporations of course put considerable efforts into obfuscating the practice of trade misinvoicing, and the host state may not be aware of illicit outflows. In some cases, however, officials may actively become involved in facilitating the process, or be paid to look the other way. But even in cases in which officials are not actively complicit, weak state machinery and the minimal allocation of resources to prevent or punish it, means that such states are unable to combat such outflows. Furthermore, the flow of finances from these countries cannot happen in the absence of compliant state regulation in the secondary countries through which the funds flow. In the Southern African region, Mauritius and the Seychelles, for example, continue to serve as tax havens and secrecy jurisdictions. The domestic democratic credentials of a country like Mauritius, are of little comfort if it serving as a conduit for the spoils of corruption and illicit financial flows from other countries in the region.

Needless to say, the fusion of economic and political power, and the associated diversion of state resources have security implications. The diversion of state funds on such as scale as is being witnessed in countries such as (but certainly not limited to) the DRC, Angola and South Africa, reduce by great measure the funds available for the provision of public services (law and order included). The lack of such public service delivery in South Africa, for example, is currently resulting in the outbreak of protests and/or violent episodes on a daily basis. Furthermore, the perception of corruption, nepotism and patronage among the population also serves to damage not only the credibility of the government in power at the time, but also the institutions of the state as a whole, further eroding its already limited ability to maintain a stable, effective and comprehensive system of governance.

This first article in this issue is not directly related to the problem of the diversion of state resources. It looks at issues of peace and security in the region and beyond (from the perspective of Angola) in a more traditional sense. The article, by Luís Manuel Brás Bernardino and Gustavo Plácido dos Santos, focuses on the Angolan Armed Forces (FAA) and the African Peace and Security Architecture. It observes recent developments in the FAA and examines Angola's strategy in Africa, and in the Southern African Development Community (SADC) in particular. In the sense that weaknesses in the FAA are being identified in this article, and considering the levels of the diversion of state funds in Angola as a whole (although this is beyond the scope of the article), future research might also do well to consider the impacts of the issues discussed above on the state of the armed forces in that country.

References

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