

POWER STRUGGLE AND CRISIS IN AFRICA: IMPLICATIONS FOR FOREIGN DIRECT INVESTMENT

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Abstract

This paper examines the nature of power struggle and crisis in Africa and its implication for Foreign Direct Investment (FDI). It argues that the Struggle for power has over time hindered the economic expansion of African countries. It attempts to explicate the root causes and its underlying implication for foreign direct investment drive. It maintains that investment is an important driver of growth in both developed and developing countries and there has been a significant increase in domestic investment in Africa over the past two decades. It argues that foreign direct investment (FDI) can play an important role in bridging this gap but Africa accounts for a very low share of global FDI flows (2.8 per cent) and, more importantly, FDI flows to the continent are concentrated in a few countries and largely in the extractive sector due to power tussle, internal conflict and political crisis. The latter has reinforced Africa's dependence on commodity exports and the vulnerability of African countries to external demand and speculation-driven commodity price movements. The paper concludes that the success of investment is predicated on sustainable peace and security; hence Africa could experience economic retardation resulting from power struggle and conflict, which would affect critical infrastructural development, job creation, technology transfer and gross domestic product (GDP). Therefore there is the need to strengthen democratic institutions to enhance sustainable peace and security to attract foreign direct investment and economic growth.

Keywords: Power Struggle, Crisis, Foreign Direct Investment, Stability and Economic growth.

Introduction

African countries have fallen victim to power struggle, political unrest and civil wars for various reasons. This has turned most parts of the continent into a theatre of war over the past decades. This development is likely to impact negatively on foreign direct investment (FDI) and gross domestic product (GDP) in the nearest future. Today, many African countries are enduring civil unrest similar to earlier examples in history, namely Ethiopia, Eritrea, Rwanda and Sudan, which are plagued by disastrous armed conflicts that have caused catastrophic breakdown of law and order and opened the floodgate of carnage, social dislocation, hunger and famine. Mindful of the political and communal turmoil of the recent years in Burundi, Democratic Republic of Congo, Congo-Brazzaville, Central African Republic, Liberia, Sierra Leone, Cote d' Ivoire and a host of others, one can surmise that these countries have the potentials of inching their way to the status of a failed state. Rwanda has been bogged down by the vicious cycle of revolt by Hutus and repression by Tutsis. In Rwanda, the communal feud led to the world-shaking genocide of April- June 1994, in which about 800,000 Tutsis, along with moderate Hutu politicians, were slaughtered by Hutu extremist militias (the Interahamwe) and members of the former Hutu-led national army (Amnesty International USA: 1995).

The Democratic Republic of Congo (formerly Zaire) is not immune to the widening battlefields in the Great Lakes or Central African region. At present, the country is recovering from a devastating civil war that provoked the violence and unrest that led to the downfall of the corrupt, despotic and tyrannical regime of Mobutu SeseSeko in May 1997. The war, seen as Africa's "First World War," on account of the involvement of Uganda, Rwanda, Burundi, Zimbabwe, Namibia, Angola and Sudan on the side of different groups in the country, claimed an estimated three million lives and depleted vast mineral resources there. From the somber and dire picture of catastrophic armed conflicts in Africa's Great Lakes region, one cannot dismiss suggestion that the pernicious ideologies of Hutu supremacy (or power) and Hima-Tutsi empire, which have found vent in the fierce communal rivalry in the putative states of Rwanda and Burundi, could have convulsive impact on the region and beyond.

Noticeably, the seemingly intractable crisis has already spawned a culture of xenophobia, deep-seated resentment, extremism and ethnic cleansing in the neighboring DR Congo, where the Banyamulenge (Tutsi of Rwandan extraction) who provided the bulk of the fighters that ousted the Mobutu regime in 1997, are restive. In Congo's Northeastern Ituli region, the Hema and Lendu tribesmen have been entangled in mutual assured killings and destruction. Another anxiety over Hutu-Tutsi animosity is that the conflict in Rwanda and Burundi could seep into the laps of Uganda and Tanzania, which have a sizable population of the two antagonist ethnic nationalities as immigrants. So far, Uganda is struggling to contain the atrocious rebellion of the millennial cult guerrillas of the Joseph Kony-led Lord's Resistance Army (LRA), which is operating in the North from Sudan (Ngwane, 1996). In Congo-Brazzaville and Central African Republic, the nefarious activities of heavily armed militia groups, supported by insurgents from DR Congo, have paralyzed governments and institutions in the two countries, just as the insurrection of the rag tag rebels in the

neighboring Chad. In Cote d' Ivoire, formerly seen as a haven of peace and economic stability in the emerging volatile West Africa - as observed in the chaos and madness of the horrific civil wars of the recent past in Liberia, Sierra Leone and Guinea Bissau - political intolerance, nationality question and xenophobia have ignited a divisive civil war. There are valid fears that the potentially expensive crisis in that French-speaking country could have severe repercussion in other parts of the region if the fragile peace plans of ECOWAS and France aimed at defusing the problem hit the hurdle. Nudging other states in Africa towards the precipice of a failed state is the new potential grave danger of religious extremism, which has gathered sheer momentum on the continent since the end of the East-West rivalry (the Cold War) in 1989. In Egypt and Algeria, wild bearded Islamic zealots with AK-47 assault rifles and bombs are waging vicious campaigns to wrest power from their secularist governments (Amnesty International USA: 1995). Kenya and Tanzania have become the centers of Al-Qaeda inspired anti-Western, anti- Israeli struggles in Africa, as buttressed by the spate of suicide bombings by hard-line Islamic militants in the East African countries in the recent past. Political unrest and crisis in various African countries have affected the economic growth and expansion, thus, making it difficult to attract foreign investments.

Power Struggle and Crisis in Africa Overtime

In the 1960s, 70s and 80s, most countries of Africa were battling with the destabilizing and debilitating forces of colonialism, neo-colonialism (imperialism), apartheid, the Cold War and political authoritarianism. With the disappearance of these centrifugal forces, except neo-colonialism and political authoritarianism, several African states have started to recover their souls and move towards normality. For example, while the Cold War inspired brutal armed conflicts in Southern Africa (Mozambique and Angola) and the Horn of Africa (between Ethiopia and Somalia) have ceased, the post-apartheid South Africa has made sufficient progress towards becoming the economic and techno-industrial powerhouse of sub-Saharan Africa. Ghana, Mali, Nigeria, Niger, Benin Republic, Togo, Cote d' Ivoire, Chad, Guinea, Equatorial Guinea, Malawi, Zambia, Zimbabwe, Kenya, Cameroon, Gabon and others - though in some of these countries, the process of democratization has been captured under the guise of competitive elections (sometimes bitter and divisive), by the authoritarian groups already in control of power (Ngame, 1996).

Despite the hopes and dreams brought by the end of the Cold War and apartheid in Africa, the new era could as well be described as tumultuous times on the continent. Capturing this development that seems like taking one step forward and two steps back are the enduring dilemma of political, social, and economic crises in many African countries today. These crises include maladministration, political repression and instability, electoral fraud, virulent ethnic nationalism, religious fundamentalism, civil unrest, armed conflict, proliferation of illicit arms, violent crimes, economic crunch, famine, hunger, poverty, emerging and reemerging diseases (AIDS, Ebola, malaria and tuberculosis), environmental degradation and underdevelopment. Somalia is a profile in the crisis of instability in contemporary Africa. Since after the popular upheaval that snowballed into the overthrow of the oppressive regime of Mohammed SiadBarre by various notorious clan warlords and their militias, this Horn of

African state has been in turmoil and fragmented into self-recognized independent republics of Somaliland, Puntland and South West Somalia. Today, due to the civil war, chaos, anarchy, bloodshed, horror, barbarism and devastation in Somalia, many watchers of African politics, including these writers, have seen the country as a clear indication of the extreme difficulty of state building in Africa. This is the only political society on the continent (that is, Somalia) which is a nation in the real sense of the word because of ethnic, religious and cultural homogeneity of her people, but yet, she is atomized across the fault line of clan. In the light of this, many Western analysts have come to associate Somalia with an egregious example of a failed state. When extrapolated and explained, the term depicts a polity where political, economic and social institutions have crumbled, as a result of longstanding and protracted crises like intra-state conflict, war, maladministration, corruption, mismanagement, economic distress, deepening poverty, violence, crime, social chaos, and anarchy (Furley, 1995).

However, some factors could be adduced as responsible for the perennial power struggle and crises plaguing African countries:

a. Ethnic Nationalism: Ethnic/micro nationalism is also a potent force to reckon with in the crisis of instability in Africa. In this regard, Nigeria is, in recent years, becoming volatile, a kind of powder keg, on account of frequent nasty inter-ethnic and religious riots, fuelled by years of bubbling communal discontent and frustration across the country. In Western Sahara, Sudan (in the South), Senegal (in Casamance), Angola (in Cabinda), Ethiopia (in Oromoland, Ogaden and Haud), Comoros (in Anjouan), Niger (in Agadez) and Mali (in Alawak), disaffected ethnic nationalities have been waging armed separatist struggles for autonomy or outright independence. In recent years, Namibia and Cameroon have increasingly become volatile since the beginning of the agitation for national self-determination by San people of the Caprivi Strip and English-speaking Cameroonians respectively. Inter-State conflicts have added to the sources of violence and instability in Africa. Such conflicts include the long time standoff between Nigeria and Cameroon over the oil-rich Bakassi Peninsula and the continued tension between Ethiopia and Eritrea over the Badme territory. Such conflict has often had the ominous implication of undermining African unity and investment drive.

There is no question that political and social crises that inform the unfolding failed state syndrome in Africa are partly responsible for afro-pessimism, the notion by western scholars and commentators that the future of the continent is bleak, gloomy and depressing because of multiple and endless crises. Karl Maier, in his book *Midnight in Nigeria*, "This house has fallen", has captured such pessimism, painting a gory picture of the uphill task of nation-building in Nigeria, bedeviled by a medley of political, ethnic and religious turbulence. Economically, the outlooks for some of the African states are bleak, as some of them are being relegated in international finance and trade of the post-Cold War era, as well as in the emerging order of globalization and information and communication technology (ICT). Oddly enough, except, to some extent, South Africa, Egypt, Tunisia, Libya, Botswana, Mauritius, Senegal and Uganda, the economies of many political configurations on the continent are not dynamic and booming (Smock, 1996).

b. Resources: All across Africa citizens are confronted with various conflicts of different levels of intensities. Available statistics indicate that a total of 26 armed conflicts erupted in Africa between 1963 and 1998, affecting 474 million people in Africa, or 61 per cent of the population. Some 79 per cent of people were affected in Eastern Africa; 73 per cent in Central Africa; 64 per cent in Western Africa; 51 per cent in Northern Africa; and 29 per cent in Southern Africa (ECA 2001). Environmental resource capture in particular mineral resources have been a fundamental cause of these conflicts and insecurity in many parts of the continent. Countries such as the Democratic Republic of Congo, Sierra Leone, Liberia, and Angola are slowly emerging out of conflicts that were fuelled by years of contest over mineral resources. Some other conflicts appear to be simmering in petroleum endowed countries such as Sao Tome and Principe and Guinea Bissau. Also, incidences of community dissentment against and conflicts over mining, oil, gas, fisheries, timber projects, and general environmental resources are widespread and growing in Africa. Sometimes the conflict is between ethnic groups; and another time it is between local communities, informal small-scale resource producers, transnational corporations, and the State. In many cases these conflicts have turned violent and resulted in human rights violation. There are instances where communities have suffered militaristic attacks from government and mining companies. Some have had their water sources polluted, their land taken without fair and adequate compensation; and others have had their sources of livelihood completely destroyed.

c. Legal Systems and the Influence of Colonialism on African Nations: The existing legal systems (i.e. the constitutions, statutes and other rules) in most African States constitute both a significant cause and the worst victim of civil unrests (which include riots, coups and civil wars) in these countries. Politicians and other radical sectarian leaders invariably cite injustice and the violations of the constitution as a major reason for their resort to the extra judicial measures such as riots and war in demand of social change. In the extreme case of armed rebellion, including military coups, the often stated justification is that “armed struggle” is the only option left for dissenters because the existing legal system is intolerant of accommodating opposing views and irredeemably incapable of resolving conflicts through a fair and orderly process. What is tragic, of course, is the use of one evil to cure another evil, the choice of disregarding the legal system as a means to stop its abuse. Indeed, because the nature of civil unrest is defiance of the established legal system, all civil unrests in one form or the other weaken and or alter the very legal system which it ostensibly seeks to restore. The experience of Liberia proves that a civil unrest inflicts its maximum damage to the legal system at the time of its resolution. In particular, the pattern of settling conflicts in Africa whereby State power is traded to the rebels in exchange for their disarmament does not only amount to society’s acceptance of willful defiance of the law, but also represent a somewhat glorification of the use of arms to gain power, particularly if the rebels are not held accountable for their criminal conduct and human rights violations during the unrests. An effective strategy for conflict resolution and prevention in Africa, as a whole, and Liberia in particular, therefore requires a multi-pronged effort to begin with addressing the structural, philosophical and logistical inadequacies of the existing national legal systems, followed by implementation of an enforceable mechanism that demands every social change to be pursued

through the framework of the improved national legal systems and imposes stringent requirements of consequence for non-expected deviations.

African nations being generally less developed, their legal systems, like other social institutions, are consequentially less developed in terms of age, experience and manpower. In addition to the young age of African constitutions, the original designs and contents of African legal systems are one set of factors that create a recipe for many of the social unrests and upheavals that have plagued the continent for the most part of its post-independence history. Most of the constitutions of African States are patterned after those of their colonial masters in almost every respect, from the structure of the State to the adopted system of economic planning, and incorporating little or nothing from the system of government and economic organizations that existed in Africa for numerous centuries. These constitutions also disregarded or downgraded local African realities and cultural practices.

Trends in Foreign Direct Investment to Africa

With regard to trends in FDI inflows, in 2011 Africa received \$42.7 billion representing 2.8 per cent of global FDI inflows and 2.3 per cent of Africa's gross domestic product (UNCTAD, 2012a). Africa's share of FDI flows to developing countries fell from 9 per cent in 2008 to 6 per cent in 2011. Table 1 shows that the amount of FDI inflows to Africa in 2011 represents a major decline compared to the 2008 figure of \$57.8 billion. In fact, since the onset of the global economic and financial in 2008, FDI inflows to Africa have been on the decline (UNCTAD, 2012a). However, when FDI flows are disaggregated by sub region, important differences emerge between North Africa and sub-Saharan Africa in terms of recent trends in FDI inflows. For example, while FDI inflows into North Africa declined significantly in 2011 because of political instability in Egypt and Libya, inflows into sub-Saharan Africa actually increased from \$29 billion in 2010 to \$37 billion in 2011. Nevertheless, the increase in inflows into sub-Saharan Africa was not enough to offset the decline in inflows to North Africa resulting in a decrease in inflows into Africa.

One of the stylized facts associated with FDI flows to Africa is that they are highly concentrated in a few countries, mostly resource-rich or large African countries, while smaller and resource-poor countries have been largely unable to attract significant FDI inflows. For example, three countries (Algeria, Nigeria and South Africa) accounted for about 41 per cent of FDI flows to Africa in 2011. In this context, one of the challenges facing African countries is how to reduce the geographic and the sectoral concentration of FDI flows in order to maximize the developmental impact of FDI. Although FDI flows to Africa go mostly to the extractive sector, there are indications that a sectoral shift is occurring particularly into services. In fact, data on greenfield projects over the past three years indicate that the relative importance of the primary sector is declining (UNCTAD, 2012a).

Table 1: Inward foreign direct investment flows across selected groups

Year	Measure	World	Developing economies	Africa
1980	in billion \$	54.1	7.5	0.4
	% of global FDI	100.00	13.83	0.74
	% of GDP	0.46	0.29	0.09
1990	in billion \$	207.5	34.9	2.8
	% of global FDI	100.00	16.80	1.37
	% of GDP	0.93	0.89	0.57
2008	in billion \$	1 790.7	650	57.8
	% of global FDI	100.00	36.30	3.23
	% of GDP	2.92	3.70	3.68
2011	in billion \$	1 524.4	684.4	42.7
	% of global FDI	100.00	44.90	2.80
	% of GDP	2.19	2.87	2.26

Source: UNCTAD database.

Implications for Foreign Direct Investment in Africa

Barring certain exceptions, struggle for power, armed conflict and terrorism, policy uncertainty, macroeconomic instability and inadequate and corrupt legal systems in specific African countries, and regions, have historically tainted foreign investors' perception of Africa as an investment destination. Subsequent to the 2008 financial crisis, however, Africa, with its high growth rates, burgeoning population, growing middle class, perceived improved political and macroeconomic stability and vast tracts of arable land and attractive geology, has become more attractive to foreign investors (Anyanwale, 2007).

During the five year period ended 2014, total foreign direct investment ("FDI") inflows to Africa have increased by 20%. Southern Africa achieved the largest increase in FDI inflows over this period, followed by Central and East Africa. FDI inflows to both North and West Africa have declined since 2010 (UNCTAD 2012a). The question as to what influences FDI inflows into Africa can be split into two separate factors, namely, Africa's significant natural resources and, secondly, the political and business environment which is impacted by security factors, infrastructure and government policies. FDI inflows to African countries with exceptional mineral or oil and gas resources continued in 2014, despite the downturn in certain commodity prices. The Republic of Congo, Nigeria and Mozambique both featured in the top five FDI inflow host countries in Africa in 2014, despite their low rankings in the 2014, Transparency International Corruption Perception Index and the 2014, World Bank Ease of Doing Business Survey. Other African countries with high-potential natural resources but challenging business environments, that are receiving high levels of FDI inflows, are the Democratic Republic of Congo, Equatorial Guinea, Tanzania and Uganda. This supports the view that if the natural resources in a country are sufficiently attractive to investors, they will

look for solutions to difficulties in starting and running businesses and corruption issues in a particular country.

The other important consideration for potential investors is the political landscape and business environment. The political situation incorporates political stability and security factors. The business environment includes factors such as infrastructure, corruption, onerous regulations, taxation regime and the conduciveness of the regulatory environment to the starting and operating of a business in that jurisdiction. As can be seen from the reduced FDI inflows to North and West Africa, armed conflict, political uncertainty and security threats are the biggest deterrents to FDI inflows, regardless of the quality of a countries geological base.

However, countries that are politically stable and that have better infrastructure, lower levels of corruption and business environments that are more conducive to investment as well as a more diversified economy, do attract higher levels of FDI inflows. A good example of this trend is South Africa, which is still considered to have an attractive business environment. This has helped South Africa weather the reduced FDI inflows storm despite lower commodity prices and on-going labour unrest. Other examples of this trend are Kenya, Morocco and Rwanda. The business environments in both Zambia and Ghana are conducive to foreign investments but these two countries have been impacted by the downturn in certain commodity prices and high levels of foreign currency denominated debt.

Conclusion

African countries that have outstanding natural resources continued to experience strong FDI inflows during 2014 and presently despite poor governance and business environments, provided that the security and political situations in those countries was stable. In our view, all other African countries stand to gain in the FDI inflow rankings if they have business environments that are more conducive to the conduct of a business in that particular country. A diversified economy is also an attractive feature, particularly during the current cycle of lower prices for certain commodities. It is expedient to note that what basically attracts investment flow into a region apart from size of the market force is sustainable peace and security; hence Africa could experience economic retardation resulting from power struggle and conflict, which would affect critical infrastructural development, job creation, technology transfer and gross domestic product (GDP). The resultant consequence of this could be devastating to socio-economic development of the continent. Therefore, there is the need to strengthen democratic institutions to enhance sustainable peace and security to attract foreign direct investment and economic growth.

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