

**UCLA**

**Ufahamu: A Journal of African Studies**

**Title**

Africa's Major Development Obstacles

**Permalink**

<https://escholarship.org/uc/item/2jg1b8zc>

**Journal**

Ufahamu: A Journal of African Studies, 26(2-3)

**ISSN**

0041-5715

**Author**

Kendie, Daniel

**Publication Date**

1998

**DOI**

10.5070/F7262-3016621

**Copyright Information**

Copyright 1998 by the author(s). All rights reserved unless otherwise indicated. Contact the author(s) for any necessary permissions. Learn more at <https://escholarship.org/terms>

Peer reviewed

## The Internal and External Constraints to Development in Sub-Saharan Africa

Daniel Kendie

**Abstract:** The major objective of this study is to examine the internal and external causes of Africa's marginalization in the world economy,<sup>1</sup> and to investigate the possibilities for changing this situation. Economically, since the mid-1980s, Africa has become increasingly marginalized in the world economy. In 1955 for example, the continent's share of world trade stood at 3.1%. By 1990, however, this share had fallen to 1.2%. In 1992, the combined GNP of the countries of Sub-Saharan Africa did not even equal that of the Netherlands. In 1973, Africa's debt burden was \$13.1 billion, but by 1997 it had mushroomed to more than \$315 billion. The debt exceeded Africa's total GNP. Even levels of public and private assistance to Africa have considerably declined. The vacuum in assistance is being filled by the World Bank and the International Monetary Fund (IMF), whose support is contingent upon austere structural adjustment programs that include wholesale privatization, removal of trade barriers, diminished protection for national industries, reduced corporate taxes, elimination of state subsidies on food, fuel, education, health and transport, devaluation of currency, and the scaling back of bloated bureaucracies.

### Background

Conventionally speaking, Africa, Asia, South America and some territorial pockets around these regions are referred to as the poor, the underdeveloped countries of the world, or the South. On the other hand, the nations of Europe, North America, Japan, Australia, and some others, are recognized as rich, the developed countries, or the North. We should note that, even within these groups, there are differences in development and income. Nevertheless, rich countries, with economic indicators already in orbit, have accumulated wealth that multiplies by compounded interest. The poor, on the other hand, do not only lack this motor; they have not even completed early savings let alone moved towards take-off—that is, made the transition from a pre-industrial society to a growing industrial one.<sup>2</sup>

Regarding the gravity of the continent's situation, the late U.S. President John Kennedy said before the 16th Session of the United Nations (UN) General Assembly that "political sovereignty is but a mockery without the means of meeting poverty, illiteracy and diseases, and that self-determination is but a slogan, if the future holds no hope."<sup>3</sup>

In an attempt to reform the system of international economic relations, which holds so many disadvantages to the underdeveloped countries of the world, the leaders of these nations made a series of demands. These included the creation of a capital fund from which they could receive grants or obtain low-interest loans; the establishment of the UN Conference on Trade and Development to help increase their export trade with developed countries, in order to earn more capital for development; the establishment of the International Development Association as an affiliate of the World Bank, to grant soft loans; and the creation of a New International Economic Order, which would replace the existing world economic system with one in which the nations of the developing world would receive higher prices for their commodities and accelerate their development.<sup>4</sup>

As a result, the UN General Assembly designated the 1960s the first United Nations Development Decade (1960-1970), at the urging of the developing countries, and convened its first session in Geneva in 1964. The theme of this session was the role of trade in relation to economic development was its theme, but the meeting also examined the place of international trade in narrowing the gap between the rich and the poor. While its short-term aim was the adjustment of market forces, its long-term goal was the rationalization of the market itself.<sup>5</sup> This was to be done by way of improving the terms of international trade, and by increasing the flow of aid from the rich nations to the poor nations.<sup>6</sup> To that end, the first UN Development Decade aimed at enabling the less-developed countries to stabilize commodity prices, to sell more of their products at remunerative prices in expanding markets, and to propose to rich countries the extension of most-favored-nation treatment to the poor nations. Moreover, the rich countries were expected to assist the development efforts of the poor by creating conditions for the flow of capital to reach 1% of their gross national products (GNP). This proposed strategy, coupled with supplementary measures in international trade, was intended to significantly improve conditions of the underdeveloped nations and even to narrow the gap between the rich and the poor.<sup>7</sup>

With such rectifications, it was hoped that Third World countries would finance their own development plans from their earnings and domestic savings, that their national incomes would increase by 5% yearly by 1970, and that they would continue to expand at this annual rate thereafter.<sup>8</sup> It was even anticipated that personal living standards could be doubled within twenty-five to thirty years,<sup>9</sup> and that by the year 2,000, we would be living in a world that would have overcome poverty—i.e., a world without want.<sup>10</sup>

Since then, there have been a series of UNCTAD conferences. But the possibilities of redressing historic inequities and of bridging the gap between the rich and the poor have not looked bright thus far. It was observed that the developing countries have achieved the ability to garner votes through sheer numbers, but have failed to sway the rich nations to meet their demands.

#### Sub-Saharan Africa

An analysis of Sub-Saharan Africa reveals the disparity between the anticipated outcome and reality. While the African continent accounts for over 11% of the world's population, its share in world trade is small and has been declining. In 1991, this percentage was only 2%. If the oil exporting countries of the continent were to be excluded from the computation, the figure would be reduced to 0.9%.<sup>11</sup>

Between 1960 and 1973, Africa's average annual rate of economic growth was 5.3%. Between 1980 and 1983, the growth rate fell to 0.5% per year. Between 1980-1990, world trade grew at an annual rate of 6%. Yet, the exports of Sub-Saharan Africa declined by 2.1%.<sup>12</sup> In 1960, Ghana was on par with South Korea in terms of its gross domestic product (GDP) per capita. This is no longer the case today.<sup>13</sup>

African countries were virtually self-sufficient in producing food twenty-five years ago; by 1995, however, one out of every four people in Sub-Saharan Africa was homeless and jobless, thus affecting the continent's agrarian output. Indeed, Sub-Saharan Africa's agricultural growth rates have declined from an annual average of 2.2% (1965-1973), to 1.0% (1974-80), and then to 0.6% (1981-85).<sup>14</sup> The situation has hardly improved in subsequent years. In fact, from 1980-1992, per capita food production declined considerably leading to an increase in food aid from 1.6 million tons to 4.2 million tons.<sup>15</sup> The average per capita GNP was recorded as declining at a rate of 0.8%



a year between 1980 and 1992.<sup>16</sup> Figures for the flow of exports out of Africa, and of private investment capital into Africa, suggest that the continent has virtually dropped out of sight as a participant in the world economy. Africa's world market share of non-oil primary produce exports fell from 7% to 4% between 1970 and 1985, while returns on investment in the continent dropped from 30.7% in the 1960s to a mere 2.5% in the 1980s.<sup>17</sup> It should also be noted that the recorded GDP of the whole of Sub-Saharan Africa in 1992, which was \$270 billion, amounted to less than that of the Netherlands.<sup>18</sup> In 1990, the continent's total exports were U.S.\$70 billion—an amount that is almost equal to South Korea's exports in the same year. U.S. exports to Africa in 1996 amounted to only 7% of the African market, which is a mere \$11 billion<sup>3/4</sup> i.e., less than half of South Korea's \$27 billion. In fact, from the mid-1950s to 1990, Sub-Saharan Africa's share of global exports fell from 3.1% to 1.2%. This decline implies annual export earning losses equivalent to \$65 billion in 1990.<sup>19</sup>

Manufactured goods accounted in 1990 for 11% of the exports of Sub-Saharan Africa. According to the 1994 forecast of the World Bank, between 1994-2004, the exports of the region will increase at a lower pace than those of Asia and Latin America.<sup>20</sup> The total international investment that was globally generated was \$300 billion, or an annual average increase of 34%. Yet, of this sum, Sub-Saharan African countries could attract only \$11 billion.<sup>21</sup>

In 1973, Africa had a debt of \$13.1 billion. Currently, the debt of the 52 Sub-Saharan African countries has reached \$315 billion, mostly to the International Monetary Fund (IMF), the World Bank, the African Development Bank, and individual governments. Only 14% of this total is commercial debt. The debt owed to the U.S. is \$4.5 billion.<sup>22</sup>

The situation has been aggravated by international transport costs, which have had a negative impact on exports and the manufacturing activity in Africa. African net payments for transport services are very high relative to other developing countries and have considerably increased over the last two decades. As such, a large share of foreign exchange earnings that might have otherwise been employed in productive capacity building investments is being utilized for payments to foreign transport services.<sup>23</sup>

Moreover, the countries of Sub-Saharan Africa spend more each year on repaying their debts than they spend on education or public health. For example, of the \$44 billion Africa earned from exports

in 1986, a sum of \$19 billion was paid to its creditors. In 1996, Uganda spent only \$3 per person on health care, while spending \$17 per person on the repayment of its debts. Meanwhile, one in every five Ugandan children dies from a preventable disease before reaching the age of five.<sup>24</sup>

During the same period, Mozambique spent twice as much money, making timely interest and principal payments, on its debt as it spent on health and education. One out of four children in Mozambique dies before reaching the age of five due to infectious diseases.<sup>25</sup> In the case of Ethiopia, debt payments are four times more than what goes for public health expenditures.<sup>26</sup>

In nearly all of the countries of Sub-Saharan Africa, especially in those that have been identified as the "Least Developed," many people are starving, and still more are being ground into abject poverty. Children are deprived of education, medical care and nutrition. Societies are being strained to the verge of disintegration. These countries have the highest rate of illiteracy, the lowest GDP, and the lowest net capital formation. They have the fewest doctors and the fewest hospital beds. The infant mortality rate is high and life expectancy is low. Many of them are unable to feed their populations.<sup>27</sup> Where a surplus of any commodity is to be found, it is a formidable problem to transport the good because of weak transport linkages. Unemployment in the cities is rampant. Millions are either homeless or live in slums, and the social fabric is unraveling.

What hope do these nations have for the immediate future? The prospect is very gloomy. In fact, unless there is rapid action, backed by adequate resource allocations, current trends indicate that most Sub-Saharan African economies are bound for a decade of continuing stagnation, poverty, mass misery and deprivation.<sup>28</sup>

### The Causes of Their Poverty

Given this background, let us then raise important questions. After over thirty-five years of international effort, even if largely at the level of abstraction, why are Sub-Saharan African countries now being described as economies in either continued "stagnation" or "regression"? Why are they encountering a progressive deterioration in their capacities to carry out even basic functions? In short, what are the causes of their marginalization in the world economy?

If we briefly survey the changes in attitude that have emerged

in the last forty years about the problems of development, we find the following:

1. the dirigiste period of the early 1960s, with an emphasis on growth and planning through active state involvement;
2. the distributive period of late 1960s, characterized by income distribution concerns and the basic needs approach;
3. the neo-classical and renaissance period of the 1980s and 1990s emphasizing free market principles and the removal of government intervention in regulating the economy.

In sum, it has been claimed that government actions often promote the interests of special groups like the privileged elite and the army, that medium-term development planning has failed, that parasitical enterprises have been inefficient and required costly subsidy, and that agriculture has been neglected. Whatever little industrialization occurred, it was done without providing due attention to efficiency. Moreover, undue hostility to multinational corporations have perpetuated inward looking approaches to development that have been damaging. Arguments have been made that the free market approach is fine but that the positive role of the state is necessary in such areas as agricultural research, the provision of extension services, the building of the infrastructure, and so on. As a result, some have proposed that a more balanced mixed economy approach would be more appropriate.

We should note at the outset that no systemic solution can generate economic development from poverty to wealth, but rather, what is needed is cumulative social learning of the kind and type that increases the productivity of labor. This cumulative process in turn depends on the proportion of resources, which are devoted to it, and on the efficiency of their use.

International trade is usually referred to as "the engine of growth," in so far as it provides opportunities for further economic growth and development. In Sub-Saharan Africa, colonialism created social and economic institutions and processes. Plantation agriculture, mining, and some manufacturing were also introduced by the former colonial powers. Such commercial ventures were accompanied by the creation of ports, railroads, and financial and commercial institutions that stimulated growth. However, these infrastructural improvements alone could not produce a spread effect, because it is possible to have



growth without development, which includes a decent quality of life and the promotion of basic needs and welfare of the majority of the people in a given society.<sup>29</sup>

Incorporation into the global system resulted in the creation of economic dualism, in which the peasantry was largely marginalized. Furthermore, these poor countries had been subjected to long-term exploitation by the European colonial powers, a situation that prevented poor countries from lifting themselves out of the bottom of the world system. What was considered development by the colonial powers became poverty and underdevelopment for the Africans. At the end of the day, when they gained independence, it was discovered that political independence from colonialism only succeeded in replacing one elite with another—an elite which failed to meet the demands for political and economic freedom of the peoples of Africa.

There are, therefore, two fundamental problems which could explain why African economies are either stagnant or in regression: first, the existence of major obstacles to development, which are largely internal, and second, barriers to the growth and development of these countries, which are largely external.<sup>30</sup>

### The Internal Causes

The internal causes for the stagnation or regression of the countries of Sub-Saharan Africa include, among others, the existence of governments without legitimacy, in so far as citizens believe that such governments do not work in their interests. We could also add, the problem of political corruption and lack of transparency and accountability in public transactions, the government's inability to solve internal conflicts that tear at the very fabric of national unity, and the diminished capacity of the African countries to manage domestic affairs. Numerous analysts including Robert Klitgaard have concluded that the state in Africa has been operated to enrich national leaders, not primarily to extend the fruits of development to the general population.<sup>31</sup> Other causes include inter-state conflicts, such as border disputes that force these countries to divert scarce resources from urgently needed development projects into armaments, unreliable judiciary, insecurity of property, the inadequacy of trained manpower in all sectors of the economy, and the lack of industrial, as well as capital and infrastructure, bases. Added to these obstacles are adverse weather conditions, including drought, exhaustion of



soil, and deforestation that rapid development has exacerbated.

In many of these countries, there is also an acute need for a private sector willing to cooperate with the government in pursuit of the shared goal of industrial development. In fact, the growth of the private sector has been retarded precisely because governments have not established the stable legal and economic framework necessary for markets to flourish, to attract capital, or influence private business interests to make long-term investments.

### The External Causes

The external causes of Sub-Saharan Africa's stagnation and marginalization include: the traumatic effects of rising oil prices; policies advocated by the World Bank and the IMF; the crushing burden of international debt and interest rates, which forces the restructuring of economies to earn foreign exchange only to pay debts and thus compromise genuine development; the lack of adequate capital flow and transfer of technology; high tariff barriers by rich economies, or quotas that protect domestic economic interests from the competition of primary products from the poor countries. Other problems include the production of substitutes and synthetics that compete with natural products; terms and conditions of external aid; the increasing decline of aid; deterioration of the terms of trade (i.e., the amount of a given raw material that they must export to get a manufactured product whose cost keeps on growing); and globalization.<sup>32</sup>

Moreover, the exports of most Sub-Saharan African countries do not pay for their imports, but merely meet service debts. If imports are reduced, there will be a shortage of essential supplies, which will in turn affect economic activity and capital formation. The deterioration of the terms of trade cancels out the financing of investment plans and production, as they make a direct transfer of resources to the rich countries as a result of the deterioration in export prices.

Imports of these countries have grown more rapidly than their exports, especially imports of capital goods needed for development. The resulting excess of foreign payments has been met by foreign loans. However, since loans must be paid with added interest, the problem of having sufficient export generated revenue to pay for needed imports remains unsolved. Furthermore, falling commodity prices for most African agricultural and mineral exports have forced Africans to export twice as much in order to earn the same revenue. It

should also be noted that the average cost of imported machinery and transport equipment has been increasing year by year.

The rapid expansion of various man-made substitutes such as synthetic rubber and plastics for natural materials has also aggravated this situation. Improvements in technology have increased the efficiency of the industrial use of raw materials. The United States, for instance, can produce practically everything it needs, except coffee, and chemists may even produce a viable substitute for that. The consequence of such an invention would be a disaster for countries like Kenya, Ethiopia, the Ivory Coast and others, where the mainstay of whose economy is coffee. Likewise, the technology of the advanced countries can, for example, produce a substitute for binder twine, which is only half the price of sisal. From the point of view of industrial concerns, it is economical. But for a country like Tanzania, it will be disastrous. Synthetic fibers are now competing with cotton, wool, jute and sisal, and synthetic rubber is displacing natural rubber and leather. The range of exports available to countries producing these goods is diminished. If Sub-Saharan African countries cannot sell their raw materials even at low prices and buy the capital goods that they need for their development, what are the implications and consequences of this situation? Does it mean that these countries will have to produce themselves much of the heavy engineering products and chemicals that they had hitherto imported from the developed countries?

#### What about Foreign Investment?

There is no doubt that receipts from the exports of goods and services are the main source of foreign exchange for poor African countries. The purpose of earning foreign exchange is, in the first place, to buy from abroad goods and services that cannot be produced domestically as cheaply or to such a high standard. But domestic savings are in local currency, which do not automatically buy goods and services in other lands, especially after structural adjustment plans by the IMF and World Bank have devalued these local currencies. Since the possibilities of earning more foreign exchange are dwindling, what should these countries do? What alternative development strategies are available to them?

Economic growth is essentially the economics of capital accumulation, investment, productivity of labor, and effective management. External investment provides significant benefits in

creating a policy environment conducive to innovation and entrepreneurship, strengthening the infrastructure, improvement of access into export markets, diffusion of technological and management skills, and increases efficient production and competition. In this regard, foreign investment should continue to play an important role in the growth of the economies of the African countries.

However, there are two fundamental problems to consider. Foreign business invests primarily for profit. No one would object to that. But the problem comes when the profits are not domestically retained and re-invested either to expand existing concerns or to start new ones, but rather, are repatriated abroad and invested elsewhere. This practice detracts from capital accumulation. The second problem concerns the nature of the technology of the advanced countries, which has evolved from labor intensive to capital intensive, where "jobless growth" prevails. How would such technology create employment in Africa, when the technology itself is shifting towards automation, computers and self-regulating machines that use very little labor? As the Nobel laureate economist Wossily Leontief warned in 1983,

The role of humans as the most important factor of production is bound to diminish in the same way that the role of horses in agricultural production was first diminished and then eliminated by the introduction of tractors.<sup>33</sup>

### Structural Adjustment Program

The World Bank and the IMF have now designed a package of economic and social reforms broadly described as "Structural Adjustment"—a term coined in 1979 by the then World Bank President Robert Macnamara—aimed at integrating "developing" countries into the world trading system.<sup>34</sup> It was hoped that this process would help accelerate their growth and development efforts.

The World Bank and the IMF are recommending a survival-of-the-fittest type of system; the very premise of this system as a model of development should be questioned. There is the assumption that the path to economic and political success for these countries is essentially the same path followed by rich, industrialized countries. Rich countries started down that path earlier and, thus, they are more advanced than newly independent countries. Therefore, the way for the latecomers to catch up is to emulate the early birds. Indeed, if less-



developed states were to adopt development strategies similar to those strategies devised by Britain, France, the USA, and the other rich countries, before too long, they would progress down the same path blazed earlier by those countries and enjoy the fruits of modern prosperity thereafter.<sup>35</sup>

Such a theory is based on the assumption that Western institutions, cultural values, and ways of life are superior to those of the non-Western world. Unless one also accepts the economic theories formulated in Western textbooks as universal, it does not stand to reason that the application of the theories to the different cultures of Africa, Asia and South America will automatically yield identical economic results. All countries do not move in a linear fashion along the same trajectory. In fact, dependency theorists such as Andre Gunder Frank, Walter Rodney and Theotonio Dos Santos have argued that development and underdevelopment are closely related processes in which one causes and consolidates the other.<sup>36</sup> Surplus, they contend, is constantly extracted from Third World countries and transmitted through a series of satellites to the metropolis and that economic progress in the rich Northern countries was essentially based on the exploitation of the currently underdeveloped regions. If the latter were to follow the pattern of development of the North, they would have to look for colonies to exploit.<sup>37</sup>

Needless to say, structural adjustment embodies the goals of neo-classical economic theory. It places the market at center stage, assigns the state a secondary role in development, and puts its faith in the potential of unfettered individual initiative, creativity, and ingenuity. It comes at the cost of lost capacity of the state to make important long-term investments,<sup>38</sup> and has become a means of redistributing economic and political power, making the rich richer, and the poor poorer.

If the immediate objective of structural adjustment was to rescue Northern banks that had become overextended in the Third World, the long-term objective was to further integrate Southern countries into the North-dominated world economy. In such a set-up, the system still pulls Africans away from a relatively secure local economy, even if miserable, and puts them on the bottom rung of the global economic ladder. Moreover, in the rich countries of the North, rural communities have been steadily dismantled. For instance, in the United States, small farms are rapidly disappearing, leaving only 2% of the population farms the land.<sup>39</sup> How could one recommend

such a model to African countries, where the majority of the people earn their living as farmers?

#### World Bank and International Monetary Fund Prescriptions

As noted earlier, the World Bank and IMF promote a market-oriented approach to economic management that rests on the assumption that economic "rationality" is constant across all societies, regardless of the level of development. Controlling budget deficits and money supplies, and liberalizing the foreign exchange regime, which, in turn, would ensure that the market was given freedom to allocate resources within the economy, would rectify the distortions created by undue and inefficient state intervention in economic management.<sup>40</sup>

In this regard, some of the World Bank/IMF prescriptions include: shrinkage of government bureaucracies, deregulation of the economy, removal of government involvement from economic activities, cut-backs in government expenditures, especially in social spending and subsidies introducing user fees in education and health care, increased food prices, cutbacks in or containment of wages, privatization of state-owned enterprises, devaluation of the currency, elimination of or reduction in protection for the domestic market, less restrictions on the operations of foreign investors, and so on.<sup>41</sup>

As a result, in many African countries state participation in the economy is being drastically curtailed, government enterprises are passing into private hands, protectionist barriers on imports are being eliminated, restrictions on foreign investment are lifted, and export-first policies are implemented with quasi-religious zeal. Since governments are forced to reorient the economy towards exports in order to earn the foreign exchange required for servicing the national debt, they have become correspondingly more dependent on the global economy. In the process, the power of these governments to provide necessities to their populations is being reduced.

Then, there is the problem of privatization. The issues surrounding privatization need clarification. To begin, the debate has been stimulated by the budget maximization thesis because of the alleged 'inefficiency' of public enterprises, which need constant state subsidy, and is a reflection of the shift in values among governments in Western Europe. It has now been extended to Africa and elsewhere as part of the general spread of ideas and policy conditions attached to assistance. Privatization may mean allowing public expenditures to

be cut and a reduction in taxation and government borrowing. As a result, resources can be released for the payment of foreign loans.

The assumption that public enterprises are "inefficient" is dubious. Efficiency for whom? In many ways, one cannot ignore the interest of foreign capital in preaching this self-serving ritual, which is likely to increase damaging inequalities. This thesis advances the interests of central and policy-level officials at the expense of jobs, worsens the conditions of rank and file state employees, and reduces the services the state should provide to the masses. Public enterprises and services have public duties and are not meant as merely profit-making instruments. It would be inappropriate to judge the performance of an enterprise by the simple test of the market because society's needs are too complex to be reduced to that criterion. The assumption that public enterprises are "inefficient" when compared to private enterprises is not supported by empirical evidence. When an industry is privatized, the managers and the workers are the same as those who managed the old public firm the day before. Thus, any change that may occur is not because of the structure of ownership, or the character and abilities of management, but of the constraints in which the firm operates. Competition between the private and the state sector could determine efficiency. Nevertheless, instead of state assets being sold to investors, it would be much better if shares could be given to citizens.

However, many countries in Sub-Saharan Africa have been subjected to structural adjustment programs. Governments are being forced to cut spending on social services in order to save money, which can then be used to repay external debts. Faced with the threat of a cut-off of external funds needed to service the mounting debts, the African countries have no choice but to implement the painful measures. But at the end of the day, Africa has not been transformed. Rampant injustice, social dislocation, and job insecurity abound. The prescriptions have brought neither growth nor debt relief. Africa still remains mired in poverty, unemployment, malnutrition, homelessness, diseases, and environmental degradation. The total external debt of the continent has now become 110% of its GNP.<sup>42</sup>

The reasons for why inequality and social injustice have become prerequisites for growth and development appear to be a metaphysical, and not economic issues. Even the formulators of the prescription cannot provide adequate economic explanations. No doubt, conventional economic thinking emphasizes output at the



expense of distribution. In fact, it is argued that wealth has to be created before it is distributed, and that, in the early stages of "development," economic growth results in inequality of incomes. This inequality is necessary and essential for generating the savings needed for investment. Such development strategies often lose sight of what they are supposed to be improving, namely, human conditions.

In much of Sub-Saharan Africa, there is hardly a private sector. The state sector has been the major employing agency. To lay-off civil servants and workers from their jobs, is to deny them their means of livelihood. The interests of the few who benefit from the system need not necessarily coincide with those of the whole, and even if there is an increase in output, there would be no effective demand to absorb the output without income distribution. Lack of income and low purchasing power among a large segment of the population are, after all, a major constraint on development and growth.

Because these countries cannot pay for their debts, there will be a rescheduling of the debts, accompanied with the provision of further loans, so that the insolvent debtor will be able to service current debt obligations. This is invariably accompanied by a drastic devaluation of the national currency and the "stifling" of internal inflation by cuts of budget deficits. The macro-economic logic of these cures cannot be disputed in principle. But who foots the bill? Devaluation makes sense if the objective is to reduce balance-of-payments deficits. Exports can be promoted because they become cheaper for foreign buyers. But this will happen if export demand reacts flexibly to lower prices. Even if the currency is devalued, one cannot be absolutely certain that adequate quantities can be sold. In the process, imports can become more expensive through devaluation, which, in turn, leads to the reduction of imports.

There was a debate between the World Bank and the United Nations Economic Commission for Africa (ECA) regarding the policy of structural adjustment and its relevance to the continent. Using the same data and different measures of economic performance, both have arrived at contrary conclusions. The World Bank claimed that reforming states performed significantly better than weak-reforming and non-reforming ones.<sup>43</sup> The ECA, on the other hand, argued that there was little evidence of recovery. I found that in terms of growth rates, weak-reforming and non-reforming

countries actually did better overall between 1980 and 1987 than strong adjusters, and that Structural Adjustment has led to worsening economic performance and social welfare.<sup>44</sup> IMF economist Mohsin Khan agrees that economic growth was lower in countries that underwent stabilization and structural adjustment programs from 1973-1988, compared to those which did not. The aggregate evidence shows that during the decade of structural adjustment in much of the continent, growth slowed and agricultural output failed to keep pace with population growth, leading in turn to increased food imports. Manufacturing did not increase its share of total output, investment dropped, consumption plummeted, per capita incomes declined, and unemployment rose.<sup>45</sup> Cuts in government spending are hindering human-capital formation and the development of a pool of skilled labor, managerial talent, and engineering capacity. The policy puts countries back in the syndrome out of which they tried to break long ago when structuralists first identified the problem of declining terms of trade.<sup>46</sup> With regard to privatization also, we should note that it seems to offer very little to African countries. Public-sector reform, coupled with policies to encourage new private investment, would have been the best policy.<sup>47</sup>

In March 1998, the U.S. House of Representatives passed the African Growth and Opportunity Act. The plan, among other things, would expand African access to U.S. markets by extending, for a ten-year period import tariff concessions under the Generalized System of Preferences by eliminating U.S. import quotas on textiles and apparel manufactured in Sub-Saharan Africa.<sup>48</sup> The new U.S. initiative, however, reinforces an unbalanced emphasis on market liberalization and global economic integration rather than encouraging sustainable and equitable development. It contains provisions that would obstruct equitable development by requiring countries to adopt market-oriented policy changes similar to those imposed by the World Bank and the IMF. Since their infant industries are not ready to compete globally, how would these weak economies benefit from global integration? What is surprising is that First World governments go to great lengths to shelter their own industries, and will impose quotas on Third World exports, if they undercut those of First World products.<sup>49</sup>

Most African countries are unlikely to realize substantial benefits from programs that do not emphasize social investment in education and health care, poverty reduction, food production, debt

eradication initiatives, broad-based economic growth, and fair employment opportunities. Market liberalization alone does not ensure long-term growth of the economy. It does not necessarily reduce poverty, or promote development of local industries, or stop capital flight. Structural constraints like the lack of infrastructure and poor education are also key elements of long-term growth. Many African nations do not have the capacity to exploit new markets. They do not have the required international connections, expertise, and financial resources to fully exploit these new opportunities. Even worse, African economies do not yet have developed industries that can take advantage of the opportunities. The arrival of cheap imported goods may even discourage local entrepreneurs from moving into industry.

If the countries of Sub-Saharan Africa are to grow and to develop, the notion of a *laissez-faire* system under which the intervention of the state in economic matters, should be confined to the barest practical minimum, is a cynical joke that should not be taken seriously. The validity of the development model, which is implicit in its assumption as a policy prescription, can be challenged. It runs counter to historical evidence. In fact, it appears as though the less developed a country is, the greater its need for strong state intervention.<sup>50</sup> The weakness of the indigenous entrepreneurial classes, the lack of capital, and the difficulty of creating and maintaining effective economic organizations beyond the level of the small family demands a strong state that will plan the economy, actively enhance the stability of prices, mobilize resources for investment in education, public health, and the general infrastructure, and promote growth.<sup>51</sup>

Indeed, as planning is a deliberate activity, someone must initiate and undertake it. And since it operates by affecting the behavior of economic agents, authority must back its measures. Besides, only the state can use monetary and fiscal policy to achieve a stable level of prices, to promote specific industries, to resort to an industrial policy that includes the selective use of instruments like taxes, and interest rates. Such a state can implement a careful policy of tariffs to regulate the import of locally-produced goods in order to safeguard jobs and resources. It can provide tax breaks and create the conditions to tap local entrepreneurial talent, which in turn could recycle profits into further capital investment, and generate additional employment.



### Some Lessons From the Past

The Dutch "Golden Age" of the 17th century was made possible by a strong state intervention in trade and manufacturing.<sup>52</sup> Britain managed to stimulate industrialization in its textile industry in the 18th century by imposing tariffs on imports from India and China.<sup>53</sup> In the 18th and 19th centuries in the U.S., the north specialized in industry and the south in agriculture. By resorting to a system of autarky and a highly protectionist trade policy, the country sped up its industrialization program with the government as the "engine of growth." The leaders of the time, including Alexander Hamilton and John Adams, were strong believers in economic nationalism and opposed the policy of free trade. The government subsidized mass education, the transport system, industry, and agriculture, to the extent that a considerable volume of new capital formation took place in the public sector.<sup>54</sup>

However, the private sector and private enterprise did not pull the U.S. out of the Depression in the 1930s and 1940s. Private business did not help in the recovery program because there were no profits to be made. It simply speculated, or invested overseas. The government of President Franklin Roosevelt, with the New Deal (1932-1940), and other measures, created jobs for more than nine million Americans, including 50,000 teachers and 3,000 artists and writers. Under his administration the public university system was established, as were the federally-supported agricultural research and extension services. Infrastructure improvements included the inter-state highway and railroads system, 75,000 bridges, 2,500 hospitals, 13,000 play grounds, 8,000 parks, 125,000 public buildings, 40,000 schools, 1,000 airports, 650,000 miles of roads, and the creation of the Tennessee Valley Authority (TVA), which covers a seven-state area, and was designed to supply cheap electricity, prevent floods, improve navigation, and produce nitrates.<sup>55</sup>

In the case of the U.S., the Depression lasted only eight years. But for Africans, the depression is a daily occurrence. To tell Africans to opt for free trade would therefore be to behave like someone who immigrates to a prosperous land and then calls for a halt to immigration.

In the recent past, the national governments of France and Italy nationalized many enterprises in the productive sector. For

instance, as late as 1957, in France, public enterprises generated 10% of the national income, employed 7% of the labor force, and accounted for 25% of all gross investment in the country. In Italy, public enterprises mined all the iron-ore, extracted nearly all of its natural gas, generated nearly all of its electric power, and produced 50% of the country's steel.<sup>56</sup> Indeed, between 1950 and 1960, 20.8% of the national income was saved in Italy for domestic investment, largely through measures taken by the government. In the case of Sweden, it was 21.3%, in West Germany, 24%, in Canada, 24.8%, and in Norway, 26.4%.<sup>57</sup>

The Japanese government set in motion all the major industrial projects of the country's first break-through. During the Meiji period (1868-1912), the government carried out a land reform program, created a central bank, established the basis for a sound fiscal system, laid down the foundations for the merit-based recruitment of state officials, made education compulsory, sent students abroad, imported technicians, and established and operated factories for silk, brick, glass, cement, textiles, shipyards, and so on.<sup>58</sup> The Meiji government invested heavily in telegraphs, postal services, water supply, coastal shipping, ports, harbors, bridges, lighthouses, railways, electricity, gas and technical research.<sup>59</sup>

With regard to the newly emerging Asian countries, the World Bank itself has admitted that state intervention was crucial to East Asian development.<sup>60</sup> All of the East Asian countries—the Asian Tigers—use protectionist policies to develop infant industries. Even after the shift to an export-oriented strategy, the regime of South Korea achieved spectacular growth rates through a command economy, in which government incentives, subsidies, and coercion fueled the drive for heavy industry in such areas as iron and steel production. Without such measures, market forces would have rendered these industries uncompetitive in the early stages. Scholars analyzing the success of the Asian Tigers have often emphasized the pattern of extensive state intervention in the market. Most Anglo-American development economists have a mistaken understanding of Korea and Taiwan as low-interventionist countries, especially with reference to trade, and they rely on this misconception to validate a low-intervention prescription elsewhere.<sup>61</sup>

In Korea, between 1963 and 1979, the government invested in education, infrastructure and industry, with nearly 25% of this investment coming from public sector allocations and socio-overhead capital.<sup>62</sup> In Singapore, the state not only vastly expanded traditional

infrastructure but also provided low cost fully serviced factories available for the rapid establishment of new industrial ventures.<sup>63</sup> In Hong Kong, the government made land available through leasing arrangements for industrial estates at a fraction of their market value. The government has also been active in other areas of infrastructure with a mix of ownership, subsidization and close regulation when infrastructure has been privately controlled.<sup>64</sup>

In Malaysia, government intervened heavily to promote the industrial sector.<sup>65</sup> Japan, Taiwan and Korea emphasized local capital accumulation between 1868 and 1891, and resisted large-scale foreign investment. In the most extreme case, Meiji Japan virtually banned foreign investment in 1891.<sup>66</sup> Structural adjustment, in contrast, encourages an open door policy and the institution of new legal guarantees that protect against nationalization and ensure the repatriation of profits to investors.<sup>67</sup>

In all Asian cases, the state steadily increased its support of education. In Taiwan, during the crucial phase of early industrialization, government spending increased in 1952 from 7.8% of the total budget to 17.6% in 1972.<sup>68</sup> Yet, in Africa, between 1980 and 1987, spending per student fell from \$32 to a mere \$15. This decrease combined with the introduction of user fees, has led to a steady erosion in primary enrollment rates which fell from 79% in 1980 to 67% in 1990.<sup>69</sup>

Between 1972 and 1980, real per capita state spending on health care in Singapore rose by 90%. In contrast, the austerity of structural adjustment programs in Sub-Saharan Africa was taking its toll on social spending. Real per capita government spending on health care in the region fell by 42% between 1980 and 1987.<sup>70</sup>

### The Need for Reform

If the economies of the countries of Sub-Saharan Africa are to be productive, reform is essential. But reform is a product of change. Reform and change occur when the dynamics that created the status quo are altered. The purpose of reform is to enhance economic-well being, which is often measured by quantifiable yardsticks, such as employment, national income, exports, or inflation. There is no universal blueprint for reform. But almost all successful reform episodes in developing economies have had one common feature: they were crafted by dynamic leaders, who shepherded changes through



complicated political terrain. Such leaders seize opportunities as they appear, but they also create them by identifying public problems and reaching out to the masses, reshaping institutions, and articulating a compelling and achievable vision for the future. Honest and intelligent political leadership is particularly important in African countries that often lack trust and cohesion among different social groups. Leaders must instill a sense of common purpose that minimizes polarization.<sup>71</sup>

The State must, therefore, be brought back into development. In fact, an active and effective state role is critical in the least developed countries of Africa where poor infrastructure and markets are causing producers to slide backward. Only a greater state role will tackle such problems.<sup>72</sup> African states, however, can barely keep up with the demands of the rapidly growing cities for proper sanitation, policing, schools, public housing, hospitals, transportation, electricity and water supplies. They can do even less for the rural areas that provide them with most of their revenue. Corruption and abuse of power are so widespread that citizens in many African countries regard their state with suspicion at best, with hostility at worst.<sup>73</sup> In many cases, the opposition is suppressed, and the press is muzzled. Encircled as some of the "leaders" are by sycophants and hirelings, one wonders if they are even aware of the reality of the situation. Deplorable as the situation is, it does not follow that private enterprise should replace the state, as if it can improve the situation. The future of millions of citizens is too serious an affair to be left to the whims of seven or eight businessmen.

Development is about people. It is a result of the emergence of a certain type of mental activity in which ideas clash. It is the result of the stimulus evoked by the friction of one group of ideas upon another. Hence, different ideas on the same subject necessarily evoke comparison, discussion, more thinking and research. From such a condition springs development. Devising a system of checks and balances, making law institutional rather than personal, respecting the independence of the judiciary and the courts, establishing a relevant educational system that encourages honesty, hard work, and critical thinking, liberalizing the press, and creating a balance of power between the state and civil society, and between the state sector and the private sector of the economy are all decisive for sustainable development.

### The Developmental State

According to theorists at the Institute of Development Studies of the University of Sussex, the developmental state includes the following features. First, the state makes development its top priority and encourages the people to forego the benefits of growth so as to maximize investment, using repression if need be to achieve this goal. Second, the state keeps wages low to attract investment and redistributes land to expand the national market and sweep aside the potential opposition of landed oligarchies to industrialization. Third, the state gives a highly skilled, technocratic bureaucracy the autonomy it needs from societal interest groups to impose discipline on the private sector. Fourth, and most important, the state guides the market extensively, exercising strict control over investment flows.

Developmental states can be ardently nationalistic in restricting foreign investment in preferred sectors, using multifaceted import restrictions, regulating the terms of interaction between industry and agriculture, altering the incentive structure of the economy—getting some prices wrong if this is seen to benefit an emerging sector—promoting technological change, and protecting selected infant industries. At the same time, having chosen which industries it will protect and nurture, the developmental state opens the rest of the economy to foreign competition and penetration, even allowing poorly performing firms within the favored industries to wither on vine. Finally, developmental states invest heavily in human-capital formation, in particular targeting the development of the technical and engineering corps necessary to modern industry.<sup>74</sup>

Outside grants and loans can play a complementary role to efforts initiated with local capital and skills. But self-sustaining growth cannot be achieved simply by foreign aid. It requires the governments and peoples of the African countries to take positive steps to remove institutional and cultural obstacles to development, and to reform and change wherever necessary. The transformation of African economies would certainly require changes both at the local and at the international level. The damaging effects of incorporation on a subordinate basis into the global economy could only be contained by reducing one's exposure to international trade and capital, and attempting as far as possible to rely on one's own internal human and material resources.<sup>75</sup> Community-based, localized, and highly

diversified economies can be established by creating a direct and mutually beneficial link between urban consumers and small rural producers. The possibilities include establishing community banks, loan funds, local tool-lending "libraries" to enable people to share tools at the community level, and conducting "buy local" campaigns to stimulate internal trade.

Sub-Saharan African countries, although underdeveloped and poor, are at different stages of growth and development. When one talks of reform, the political and social structures of these states should be taken into account. Consequently, as Galbraith rightly points out, what is appropriate at one stage is wrong at another.<sup>76</sup> Undoubtedly, places like Somalia are not yet formal economies. Hence, much of their early development is pre-economic. They would have to develop the qualities, attitudes, and institutions that favor material progress. They would also have to concentrate on the shaping of attitudes and the creation of workable institutional structures. Even if aid were to be provided to such countries in massive quantities, it will not automatically lead to growth and development. This is so because economic seeds would have to be planted in a cultural soil, which has been at least partly, if not fully, prepared to accept them.

In the case of Somalia, as a result of the civil war of 1991, feuds between Somalia's multiple clans have flared up. Since then, the country has degenerated into a number of ill-defined and constantly feuding clan fiefdoms that are dominated by warlords. Somaliland and Puntland, which have emerged as two such ethnic enclaves with some semblance of order, may provide a 'model' for the other ethnically divided countries of Africa.<sup>77</sup> Given the lack of interest in Africa by the countries of the North, multi-national investment corporations that enter into such ethnic enclaves could hire private armies to maintain order, thus perpetuate the division of existing states, and push for corporate re-colonization of much of the continent. Countries like Ethiopia that have made ethnicity the basis of their fundamental state structure, are prime candidates for such re-colonization. Ethiopia has destroyed the administrative status of its historic provinces<sup>3/4</sup>the cradle of Ethiopian history, culture, civilization, nationalism and statehood, and replaced them with ethnic and tribal enclaves called "killil." The nation is paying for it very dearly.<sup>78</sup>

African countries do not suffer from a lack of national resources, but rather from an under utilization of their existing resources. A major reason for this lies in the fact that they are



principally short of capital. Even if capital is made available to such countries in massive quantities, growth and development will occur only if the capital is effectively used. In the case where a given country is richly endowed with natural resources, it lacks the trained manpower and technical skills required for speedy development. Training in skills and in the application of the large pool of scientific and technological knowledge is needed. A backward country will encounter difficulties in the use of modern technology, if it neither has nor produces chemists, engineers, research scientists, economists, biologists, market research specialists, material scientists, food technologists, etc.

As pointed out earlier, if the tragic trend in Sub-Saharan Africa is to be averted, domestic reforms and internal structural changes should be carried out and improvements made in the external structure in their favor. These countries should pursue domestic economic, social and administrative policies that are conducive to rapid economic growth and poverty alleviation. They should also think of industrialization, at least at the beginning, primarily for the local market, based on the basic needs of the population and the availability of domestic raw materials. On balance, they are being given aspirations that they cannot meet, and artificially inseminated needs that they do not require. Rather than blindly accepting the ideas, technology and institutions of the developed countries, in the future, they might well be advised to question these values, and look to their own cultural heritages for a more positive and satisfactory approach to development. As for the past record, one might well ask whether development is learning the over-kill of eating a banana with a knife and fork.<sup>79</sup>

With regard to external structures, the decline in external resource transfers must be averted, and additional resources should be deployed to stabilize and rehabilitate the economies of the African countries. Debt rescheduling should also be carried out, leading to interest reductions or write-offs, and resource transfer should be made consistent with relief, rehabilitation and development.<sup>80</sup>

Since African countries are late-comers and have lost potential advantages, the task of breaking out of the state of economic dependency and advancing an economic position beside the major industrial powers would be a formidable task.<sup>81</sup> One might then ask: what about the strategy of import substitution and export promotion? In view of the fact that industrialization can not be considered wholly independent unless the country concerned contains within its borders a wide range of industries, including economically strategic capital

goods industries, the strategy does not look promising. Moreover, the process of import substitution has come up against inherent difficulties that prevent the progressive improvement of the industries thus established, and that have even failed to save these countries from the balance of payments difficulties. Furthermore, since foreign techniques tend to be highly capital intensive, the income of poor countries is concentrated in a few hands, thus reinforcing the tendency for the tastes of the minority to duplicate the tastes of more advanced countries.<sup>82</sup>

Moreover, in most instances, rapid industrial growth has been based on import substitution, where, at some stage, opportunities for further growth diminish. Industrialization is based on the production by foreign capital and techniques of goods identical to those previously imported. The demand for these, usually luxury consumer goods, reflects income distribution, which in turn reflects social structure. The production of such goods by capital-intensive methods inevitably reinforces that income distribution and social structure.<sup>83</sup>

#### Sub-Regional Cooperation/Integration

What about sub-regional cooperation or integration as a means of accelerating development? An empirical study of Latin America, for example, shows that this region stands to gain less from free trade agreements with the U.S. than the U.S. stands to gain from such agreements with them.<sup>84</sup> If we compare the situation in Africa to that in Latin America, it is widely recognized that Latin American countries do stand to gain significant long-term export benefits from free trade amongst themselves. But in the case of Africa, regional trading has not so far been successful, basically because of the lack of capacity in production of manufacturing goods.<sup>85</sup>

What African countries could do is to produce as much of their own food, goods, and services as they possibly can. Only goods that cannot be provided nationally should be obtained from outside. They could give greater access to one another's market and form sub-regional or regional groupings to encourage the exchange of manufactures so as to obtain the economies of scale and specialization. One may even be tempted to recommend sub-regional integration, as in the cases of the Economic Community of West African States (ECOWAS), the Southern African Development Community (SADC),

and the Preferential Trade Area for Eastern and Southern African States (PTA). However, without internal structural change and national integration, this would be highly superficial. It may be realistic to give priority to national integration and, at the same time, to proceed with sub-regional cooperation schemes and projects that will assist in laying the foundations for future regional integration. Such an arrangement could help to mobilize resources over wide areas, to minimize internal friction, and to maximize political independence. African countries should prioritize infrastructural development in order to be better organized for greater cooperation and integration among themselves. They must form cartel groups, struggle for significant concessions from the existing world economic system, diversify their economies and markets, and find development patterns that are capable of linking the rate of domestic resource use to domestic demand, and of promoting the growth of indigenous technology. In the meantime, they could give priority to importing the technology from other developing countries like China, India, South Africa, South Korea, Singapore, Taiwan, Mexico, Argentina, and Brazil, whose structural deformities they share, and whose technology suits their conditions.

Cooperation among developing countries offers several benefits. First, it allows producers to take advantage of complementarities. Some cotton-producing countries could specialize in textile production; metal-producing countries could specialize in metal industries, and so forth. Second, it reduces strains on foreign exchange. Trade on the world market is generally carried on in a small number of First World currencies, notably the U.S. dollar. The more imports one seeks, the more U.S. dollars one needs; therefore, one must export more primary goods to obtain U.S. dollars. This investment in primary production absorbs an increasing amount of a country's resources, inhibiting the development of an industrial sector. However, if a group of African countries could agree to use their own medium of exchange instead, the need for foreign exchange would decline, and resources could be concentrated in the development of secondary industry. Third, such trade can lead to the production of goods that are more appropriate to African countries. Because, for example, African soap producers compete with soap companies from the First World, they must match their products in terms of promotion, packaging, and a number of other features that raise the price of soap. If, however, a regional soap market were closed off to First World imports, and only local producers



were allowed to sell, this strategy would enable African soap producers to develop a product that might be more suited to local needs. This sort of protectionism is not the same as import substitution. It is more akin to the structure of the European Community or the North American Free Trade Agreement (NAFTA), whereby inter-regional trade co-exists with insulation against much of the world economy. Finally, cooperation can help these countries to build new comparative advantages because they can concentrate on developing their manufacturing industries rather than rely on primary exports. Although trade between such countries accounts for only about 5% of all world trade, 60% of the goods traded are manufactured goods.<sup>86</sup>

The major objective of cooperation among African countries is to enhance self-reliance by means of trade, create multinational corporations, research and technical institutions, establish producer associations for raising and stabilizing raw material prices for export, and create regional free trade areas or customs unions. Cooperation can also help raise growth rates and contribute to structural transformation and it may create a convergence between domestic resource use and domestic demand. It can induce the development of transport and communication media. An enlarged market could help expand the capacity of industrial output. The possibilities of building a developed industrial infrastructure based on the common interests of a whole sub-region in Africa may also increase considerably. Scarce capital and skills may also be distributed more rationally to make better use of natural resources. Cooperation between African countries could enrich the possibilities of expanding trade and adapting technology to suit the specific conditions of the African countries, the training of skills necessary for industrialization, the coordination of economic plans, the construction of industrial enterprises through joint finance, and so on.

Since African countries are dependent on the developed nations, one must also ask whether these industrialized countries would be willing to provide technical assistance in the various fields to cooperative regional groups. Could some of the accepted rules of international trade be adjusted in favor of regional groups? Will the developed countries be willing to provide the extensive financial and technical assistance to developing countries that need at strategic points to ease the difficulties of economic renewal? What about the injury that such an arrangement could potentially cause to the trade interests of the developed countries?

There are two problems to consider here. First, the developed countries are themselves producers of primary goods. Second, African countries are competing with each other in producing similar goods and thus make the supply exceed the demand. One may therefore suggest diversification. But how could this problem be solved in such a way so that all coffee producers do not turn to tea, in the event that the demand for tea exceeds the supply? How do we diversify so as not to produce unwanted surplus for a group of producers? How do we fix prices high enough to reward producers, and low enough not to discourage consumers?

The developed countries of the North could move out of the production of certain labor-intensive primary goods and simple technologies like textiles and semi-manufactures, and buy these goods from the African countries. By shifting into more elaborate industries that do not require quotas and protection, the rich could help in the establishment of a fair division of labor in the world.

But Africans face the double goal of obtaining an acceptable standard of living and of catching up with the developed countries of the North. What is crucial is that children should not die of malnutrition and exposure, that adults should enjoy life with a maximum of health, comfort, and leisure necessary for physical and mental peace, and that the extremes of poverty that shorten and cripple the values of human life must be lessened. If these countries could feed, clothe and shelter the vast majority of their citizens and create such conditions that will enable them to enjoy acceptable standards of living, this first step would be no small achievement.

### Endnotes

<sup>1</sup> Marginalization here should be understood to mean being located at the fringe or a level at which productive economic activity cannot be continued under normal conditions.

<sup>2</sup> The deprivations of the world's poor includes hunger, malnourishment, illiteracy, and early death.

<sup>3</sup> As quoted by Luthur Evans (1966), *The Decade of Development* (Dobbs Ferry, NY: Oceana Publications) 1.

<sup>4</sup> Pressure from the less developed states was primarily responsible for the establishment in 1964 of the UN Conference on Trade and Development (UNCTAD) as an autonomous organ of the UN General Assembly. See G A Res. 1955 (XIX), December 30, 1964. On UNCTAD, see Richard N. Gardner (1968), "The United Nations Conference on Trade and Development," *International Organizations* XXII: 99-130.

<sup>5</sup> Daniel Kendie (1971), "The United Nations Development Decade (1960-1970) for the Third World", unpublished M.Sc. thesis, USL, University of Prague.

<sup>6</sup> The terms of trade between the developed and developing countries have, over the last

fifty years, tended to improve for the industrially advanced countries, and to decline for the poor countries.

<sup>7</sup> See United Nations (1965), "UNCTAD: Retrospect and Prospect," *Annual Reviews of the UN Affairs: 1964-1965* (New York: NYU Press) 52.

<sup>8</sup> United Nations (1962), *United Nations Development Decade Report of the Secretary General* (New York: United Nations) VI.

<sup>9</sup> *Ibid.*

<sup>10</sup> Paul Hoffman (1963), *World Without Want* (London: Harper and Row Publishers) 142.

<sup>11</sup> S.M. Shafaeddin (1996), "Risks of Further Marginalization of Sub-Saharan Africa in International Trade," *Journal of Developing Societies*, 12.2: 254-274.

<sup>12</sup> See United Nations (1993), *Report of the United Nations Conference on Trade and Development* (Geneva: United Nations).

<sup>13</sup> John Rapley (1996), *Understanding Development: Theory and Practice in the Third World* (Boulder: Lynne Rienner) 124.

<sup>14</sup> See Organization for African Unity (OAU), "Africa's Priority Programme for Economic Recovery" adopted at the OAU Summit Conference in July 1985, Addis Ababa.

<sup>15</sup> *Ibid.* See also Christopher Clapham (1996), *Africa and the International System: The Politics of State Survival* (Cambridge: Cambridge U. Press) 164.

<sup>16</sup> Clapham, 164.

<sup>17</sup> *Ibid.*

<sup>18</sup> *Ibid.*

<sup>19</sup> Shafaeddin, 255. See also Azita Amjadi et al. (1996), "Did External Barriers Cause the Marginalization of Sub-Saharan Africa in World Trade?" *World Bank Discussion Paper* 348, 2; see also Bill Powell (1997), "The Asian Contagion: Hiccup? Or Global Meltdown?" *Newsweek* (Dec. 29): 46-48; and Howard Fineman (1998), "Bill's Last Chance," *Newsweek* (Jan. 5).

<sup>20</sup> Shafaeddin, 257.

<sup>21</sup> *Ibid.*, 262.

<sup>22</sup> Special Session of the UN General Assembly on the Critical Economic Situation in Africa, A/AC/229/2, April 23, 1986. The current data comes from the Africa Policy Information Center, Washington D.C. Some debt reduction initiatives including, the Highly Indebted Poor Countries Initiative (HIPC), exist.

<sup>23</sup> United Nations, 1962, "Executive Summary", p. VII.

<sup>24</sup> Africa Policy Information Center, Washington D.C.

<sup>25</sup> *Ibid.*

<sup>26</sup> *Ibid.*

<sup>27</sup> The Least Developed countries in Africa are: Benin, Botswana, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea-Bissau, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Sierra Leone, Somalia, Sudan, Togo, Uganda, Tanzania, Zaire and Zambia. See the United Nations (1981) *Report of the United Nations Economic and Social Council*, 36th Session, A/36/512 2 (New York: United Nations) and United Nations (1997), *The Least Developed Countries 1997 Report* (New York: United Nations).

<sup>28</sup> United Nations (1981).

<sup>29</sup> Growth is an addition to the existing stock of capital or labor. Development includes improvement in human conditions and social betterment in terms of education, health, nutrition, jobs, and the environment.



<sup>30</sup> Shafaeddin, 271.

<sup>31</sup> See, Robert E Klitgaard (1990), *Tropical Gangsters* (New York: Basic Books); and John Mukum Mbaku, "Bureaucratic Corruption and Reform in Africa," *The Journal of Social, Political, and Economic Studies* 19.2 (Summer 1994): 147-176. For a study that provides the World Bank's perspective, see Alexander Yeats with Azita Amjadi, Ulrich Reincke, and Francis Ng (1997), *Did Domestic Policies Marginalize Africa in International Trade?* (Washington, DC: World Bank).

<sup>32</sup> For a study that provides a World Bank perspective on the issues, see Amjadi et al. See also Refik Erzan and Peter Svedberg (1991), "Protection Facing Exports from Sub-Saharan Africa in the EC, Japan and the US," in Jonathan Frimpong-Ansah, Ravi Kanbur and Peter Svedberg (eds.) (1991), *Trade and Development in Sub-Saharan Africa* (Manchester: Manchester University Press); and Francis Ng and Alexander Yeats (1997), "Open Economies Work Better: Did Africa's Protectionist Policies Cause its Marginalization in World Trade?" *World Development* 25.6 (June): 889-905.

<sup>33</sup> As quoted by Jeremy Rifkin in "New Technology and the End of Jobs," in Jerry Mander and Edward Goldsmith, eds. (1996), *The Case Against the Global Economy, and for a Return Toward the Local* (San Francisco: Sierra Club Books) 109.

<sup>34</sup> World Bank (1981), *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* (World Bank: Washington D.C.); see also Willi Wapenhans "Structural Adjustment: Context, Assumptions, Origin and Diversity," in Rolph van der Hoeven and Fred der Kraaij, eds. (1994), *Structural Adjustment and Beyond in Sub-Saharan Africa: Research and Policy Issues* (Portsmouth: Heinemann) 18-35 and chapter 3.

<sup>35</sup> Lee James Ray (1995), *Global Politics*, 6<sup>th</sup> ed. (Boston: Houghton Mifflin) 283.

<sup>36</sup> Andre Gunder-Frank (1967), *Capitalism and Underdevelopment in Latin America* (New York: Monthly Review Press); Walter Rodney (1972), *How Europe Underdeveloped Africa* (Dar es Salaam: Tanzania Publishing House); Theotónio Dos Santos (1970), "The Structure of Dependence," *American Economic Review* 60 (May): 231-236.

<sup>37</sup> Dos Santos.

<sup>38</sup> As an example of its economic philosophy, notice the following: "An economy is considered production efficient, if the supply of any good, or service cannot be without reducing the supply of some other good," World Bank (1983), *World Development Report 1983* (New York: Oxford U. Press), 42.

<sup>39</sup> Helena Norberg-Hodge, "Shifting Direction: From Global Dependence to Local Interdependence," in Mander and Goldsmith, 396.

<sup>40</sup> Clapham, 169-170.

<sup>41</sup> Arthur S. Banks, ed. (1997), "U.N. Specialized Agencies," *Political Handbook of the World* (Binghamton: CSA Publications, Binghamton U.), 1126-29. There are those who argue that market reforms are designed to prevent the economic transformation of the developing countries. For example, Walden Bello, Shea Cunningham and Bill Rau (1993), "Creating a Wasteland," *Food First Action Alert* (Winter); and Samir Amin (1993), "Don't Adjust-Delink!" *Toward Freedom* (April/May). Marc Breslow (1992), "How Free Trade Fails: How GATT and NAFTA Harm Democracy, Ecology, and the Third World," *Dollars & Sense* (October); and David Korten (1993), "Global Integration; Global Rule," *In Context* (Fall); and Mander and Goldsmith (eds).

<sup>42</sup> Africa Policy Information Center, Washington D.C.

<sup>43</sup> World Bank (1989), *Sub-Saharan Africa: From Crisis to Sustainable Growth, A Long Term Perspective Study* (Washington D.C.: The World Bank).

- <sup>44</sup> United Nations Economic Commission for Africa (1989), *Africa's Alternative Framework to Structural Adjustment Programme for Socio-Economic Recovery and Transformation* (Addis Ababa: UNECA): 3-10. See also Sayre P. Schatz (1994), "Structural Adjustment in Africa: A Failing Grade So Far," *Journal of Modern African Studies* 32.4 (Dec.): 679-692; and Howard White (1996), "Review Article Adjustment in Africa," *Development and Change* 27.4 (Dec.): 785-815.
- <sup>45</sup> Armand Gilbert Noula (1995), "Ajustement structurel et développement en Afrique: l'expérience des années 1980," *Africa Development* 20.1: 5-36.
- <sup>46</sup> John Rapley (1996), *Understanding Development: Theory and Practice in the Third World* (Boulder: Lynne Rienner) 82.
- <sup>47</sup> *Ibid.*, 87.
- <sup>48</sup> See Douglas Tilton (1998), "U.S.-Africa Economic Initiative" *Foreign Policy in Focus* 3.11 (May 1998). Rep. Philip Crane primarily sponsored the bill, H.R. 1432. Total U.S. aid to Africa has been reduced from more than \$2 billion in 1985 to just over \$1 billion in 1997, and development assistance has been cut from \$826 million in 1991 to \$541 million in 1996. U.S. trade with Africa, which was \$22.5 billion in 1997, constitutes less than 2% of overall U.S. foreign trade. Petroleum products, mostly from Nigeria, Angola, and Gabon, account for two-thirds of U.S. imports from Africa.
- <sup>49</sup> Rapley, 88.
- <sup>50</sup> *Ibid.*, 108.
- <sup>51</sup> Clapham, 174-75.
- <sup>52</sup> Wim F. Wertheim (1992), "The State and the Dialectics of Emancipation," *Development and Change* 23.3 (July): 257-81.
- <sup>53</sup> *Ibid.*
- <sup>54</sup> See David Hounshell (1984), *From the American System to Mass Production, 1800-1932: the Development of Manufacturing Technology in the United States* (Baltimore: Johns Hopkins U. Press); also Stuart Weems Bruchey (1965), *The Roots of American Economic Growth 1607-1861* (New York: Harper & Row).
- <sup>55</sup> William Leuchtenburg (1963), *Franklin D. Roosevelt and the New Deal* (New York: Harper & Row Publishers).
- <sup>56</sup> Gregory Grossman (1967), *Economic Systems* (Berkeley: University of California Press).
- <sup>57</sup> *Ibid.*
- <sup>58</sup> W.G. Beasley (1970), *The Modern History of Japan* (New York: Praeger Publishers) 134-195.
- <sup>59</sup> Howard Steins, "Policy Alternatives to Structural Adjustment in Africa: An Introduction," in Timothy M. Shaw ed. (1995), *Asian Industrialization and Africa, Studies in Policy Alternatives to Structural Adjustment* (New York: St. Martin's Press) 7.
- <sup>60</sup> World Bank (1993), *The East Asian Economic Miracle: Economic Growth and Public Policy* (London: Oxford University Press).
- <sup>61</sup> Robert Wade (1992), "Asia's Economic Success," *World Politics* 44 (Jan.): 284.
- <sup>62</sup> Steins, 8
- <sup>63</sup> *Ibid.*
- <sup>64</sup> *Ibid.*
- <sup>65</sup> *Ibid.*, 20.
- <sup>66</sup> *Ibid.*, 12-13.
- <sup>67</sup> *Ibid.*, 13.
- <sup>68</sup> *Ibid.*, 6.
- <sup>69</sup> *Ibid.*, 7.

<sup>70</sup> Ibid.

<sup>71</sup> World Bank (1997), *World Development Report* (New York: Oxford University Press) 154-155.

<sup>72</sup> Rapley, 129.

<sup>73</sup> Ibid., 136.

<sup>74</sup> Ibid., 125.

<sup>75</sup> Clapham, 163.

<sup>76</sup> John Kenneth Galbraith (1962), *Economic Development in Perspective* (Cambridge: Harvard University Press) 37-49.

<sup>77</sup> For more on Somalia, see Ali Jimali Ahmed, ed. (1995), *The Invention of Somalia* (Trenton: The Red Sea Press).

<sup>78</sup> Theodore Vestal (1999), *Ethiopia: A Post-Cold War African State* (Westport, Conn.: Praeger)

<sup>79</sup> Ibid., 182.

<sup>80</sup> See the stimulating article by Nicholas Hildyard (1974), "Ethiopia Sellout," *Ecologist* 4.7 (August): 15-25.

<sup>81</sup> The Paris Club which consists of creditor countries, and which has as its members mainly the countries of the OECD, does conduct negotiations on debt rescheduling and debt relief.

<sup>82</sup> Bob Sutcliffe and Roger Owen (1973), *Imperialism and Industrialization in the Third World: Studies in the Theory of Imperialism* (London: Longmans) 173.

<sup>83</sup> Ibid.

<sup>84</sup> Ibid, 174.

<sup>85</sup> Shafaeddin, 266.

<sup>86</sup> Stewart Frances (1994), review of *South-South Trade and Development: Manufacturers in the New International Division of Labour* by Steen Folke, Niels Fold, and Thyge Enevoldsen, *World Economy* 17.4 (July): 623-24.