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AFRICA AT THE CROSSROADS
IN THE AGE OF GLOBALIZATION

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ABSTRACT

This paper looks into the origin, scope, and nature of the development crisis in Sub-Saharan Africa. In briefly tracing the causes of the African crisis from a historical perspective, greater attention is given to the factors external to the continent. The analysis is then concerned with the influences on African development of global economic and political forces—in particular, the changing roles of the Bretton Woods institutions. After a careful assessment of their developmental implications, the paper concludes with a discussion of economic governance in the context of globalization along with some suggestions about possible elements of a development strategy for Africa.

RESUMEN

Este artículo analiza el origen, alcance y naturaleza de la crisis de desarrollo en el Africa Subsahariana. Al indagar brevemente en las causas de la crisis africana desde una perspectiva histórica, se presta mayor atención a los factores externos al continente. El análisis se ocupa entonces de las influencias de las fuerzas políticas y económicas globales sobre el desarrollo africano, en particular los roles cambiantes de las instituciones surgidas del acuerdo de Bretton Woods. Luego de sopesar cuidadosamente sus consecuencias para el desarrollo, el artículo concluye con una discusión del gobierno de la economía en el contexto de la globalización, junto con algunas sugerencias sobre los posibles elementos de una estrategia de desarrollo para Africa.

1. Introduction

If there is any developing region whose living standards are as poor today as they were some 30 years ago, it is Sub-Saharan Africa (hereafter referred to as Africa). As of 1997 the region is made up of 46 black republics with different historical heritage and economic characteristics and has the total population of some 700 million. Sub-Saharan Africa's 1997 GDP per capita, including South Africa, was $560 (in US dollars) as compared to average per capita income of $4,230 for Latin America, $750 for China, and $24,710 for the industrialized world (Appendix Table 1).

The grouping of countries for this region, as initially devised by the World Bank (1979), is based on geographical location and per capita GDP. The region should not be regarded as a homogeneous and monolithic economic unit: The population size of these countries varies from that of Nigeria (80 million) to the Seychelles (100,000), while per capita GNP in 1997 ranged from South Africa's $3,370 to Nigeria's $440 (Appendix Table 1).[1] The region also includes three oil-exporting countries, Nigeria, Angola, and Gabon, whose patterns of economic development can be distinguished from those of the rest of the continent. Despite some discernible variations, however, the region as a whole has faced roughly similar development problems. The continent has the largest incidence of poverty on this planet. In 1990 the region's share of the world's poor was 30% and projected to rise to 40% by the year 2000 (UNDP 1991, 23).

Economic performance in the region south of the Sahara since the first global oil shock in the early 1970s has been just dismal. While a few countries such as Botswana, Cameroon, Gambia, and Mauritius have better weathered the development crisis that has afflicted the region, the rest of the continent has seen more than three decades of economic stagnation and decline. The recent figure of 4.0% average annual growth rate in 1995–7 points to some hopeful signs of economic recovery in Africa. Yet, given the high population growth rate of close to 3% per annum, this translates into about 1% annual growth in per capita income. Moreover, the high growth in 1995–7 did not reduce the actual numbers of poor in the continent. The World Bank estimates that an annual growth rate of at least 4.7% will be needed to achieve a reduction in the absolute size of the continent's poverty (World Bank Human Resources and Poverty Division 1994). There is also the question of how long Africa's growth can be sustained in view of the current financial turmoil in the developing world.

[1] In a recent World Bank report (1998/99), seven African countries—Botswana, Gabon, Mauritius, Mayotte, Reunion, Seychelles, and South Africa—are listed as belonging to the Upper Middle Income Group (defined for per capita income range; $3,126–$9,633). Note that, except South Africa, the group consists of small countries (Gabon and Botwana) and island republics.

This paper examines the origin, scope, and nature of the development crisis in Sub-Saharan Africa (Section 2), looking at the causes of the crisis from a recent historical perspective (Section 3). While there are competing and complementary explanations for the causes of the African crisis, special attention is given to the external factors in the global economy (Section 4). African economies are primitive and fragile in relation to other regions of the developing world. They are also highly vulnerable to external shocks. Global economic and political forces have thus played a critical role in determining the patterns of development in Africa. The paper concludes with a discussion of the elements of development strategy that would be required for economic recovery—or sheer survival—in the context of the contemporary global economy (Section 5).

2. The Development Crisis: Nature and Dimensions

Postindependence Africa had experienced a modest economic growth until the early 1970s when the first global oil shock hit the continent (Table 1). The period for about a decade and half after independence witnessed inflows of concessional foreign capital as well as relatively favorable terms of trade for African exports, which were helped by booming economic growth in the industrialized world. Many African countries were able to improve their industrial infrastructures as well as health, educational, and other social services.

Table 1

Growth rates of real per capita GDP, 1966–98.

	1966–73	1974–90	1991–7	1998 estimate
World	2.9	1.1	0.8	0.3
Sub-Saharan Africa	2.0	–0.9	–0.2	–0.5
Industrialized world	3.8	2.0	1.4	1.1
Asian NIEs	7.9	6.7	5.6	–3.0
Other Asia	2.9	4.3	6.9	1.0
Latin America	3.9	0.3	1.5	1.0
Middle East & Northern Africa	5.8	–2.0	0.6	–0.5
Eastern Europe & Central Asia	5.0	2.1	–4.7	0.0

Source: World Bank data

As oil prices quadrupled in 1973, virtually all energy-dependent African countries were severely affected. With the soaring trade deficits that resulted in the beginning of the accumulation in external debt, a process of deindustrialization followed. Without leaving an adequate period for structural adjustment from the first shock, the second oil shock ensued several years later in the late 1970s. It delivered another devastating blow to African economies. Moreover, the two oil shocks were followed by declining trends in African export prices. Table 2 shows that in the seven years from 1985 to 1992 Africa's terms of trade fell by annual average of 3.85%, which was the largest decline in the developing world.

Table 2

Trade Structure, Terms of Trade, and External Debt by Regions

	Terms of Trade Averages 1985–92	Exports of Primary Commodities as % of total exports (1991)	Total External Debt as % of GNP (1991)	Debt Service as % of total exports (1991)
Sub-Saharan Africa	–3.85	90.7	101	25.3
Latin America	–0.20	30.0	40	30.1
Asia	–3.63	73.7	56*	18.2*
All Developing countries	–2.60		40	21.3

*Only for Southeast Asia.

Sources: IMF, World Bank, UNDP data; also Mengistead (1996, Table 3.4).

Yanesane (1996, 19) points out that during the 1980s the sharpest declines were in coffee and cocoa prices. Cocoa prices were already at a fifteen-year low by 1980. These products were major export products on whose revenue some fifteen African countries depended to meet their capital goods import needs. For raw-material exporting countries, the declines in export prices resulted largely from the development in the industrialized world of synthetic substitutes for primary products.

The decade of the 1980s was a period of a hostile global environment for Africa in other aspects. The industrialized Western countries began to resort to increasingly protectionist trade policies as the globalized oil shocks induced recessions in their own economies. African nations soon faced rising OECD trade barriers. More stringent conditions were imposed on obtaining loans from the multilateral financial institutions. Rising protectionism in the 1980s reflected a surge in the West of the counterrevolution for economic liberalization—an ideology that called for market reforms in Africa and free trade but no aid.

Africa's plight has been compounded by the continent's poorly endowed human and physical capital base.[2] Low productivity, high costs of investment, and excessive interference of inept governments in many African nations have turned away Western investors. The result of falling export prices, protectionism in the West, and dissipating private resource inflows is that most African countries have perennial trade deficits that are financed by the external debt incurred by their governments. Since the early 1970s African debt has been rising at a rate faster than the region's GDP. By 1991 Africa's total debt exceeded its regional GDP (Table 2).

The economic stagnation throughout the 1980s and the early 1990s culminated in steadily declining living standards, general political crises, and ethnic conflicts in a number of African countries. As African governments failed to shelter their citizens from the deepening economic crisis, they began to lose their political legitimacy. It is well to note that African governments are generally perceived as self-serving predatory institutions, partial in the distribution of meager resources among different ethnic groups, religious entities, and social classes within their nations. In the midst of the economic downturn, political crises and social conflicts intensified throughout the region, which posed a major threat to nation-building as well as a stumbling block to prospects for foreign investment.

The conclusion of the Cold War towards the late 1980s further isolated Africa from the global economic system. As the United States emerged as a hegemonic power in the global economy, a new global economic order began to be established. Global economic integration, trade liberalization, and freer mobility of capital and production facilities across borders have become the hallmark of the new global order. The industrialized West has been disengaging from Africa.[3] During the Cold War era African countries, like other developing nations, were able to obtain many economic concessions from the West and the East. They often derived benefits from playing off the two superpowers against each other. The Western European trade and capital that were traditionally directed to Africa have been diverted to Eastern Europe, and official foreign aid to Africa from the United States as well as from multilateral donor agencies diminished with the enforcement of a global liberal economic regime.

Sub-Saharan Africa is now perhaps the most marginalized developing region in the world. In 1990 the share of Africa in total world output and exports was no more than 1.5% and 0.7%,

[2] No attempt is made in this paper to assess the relative weight of internal factors versus external conditions in causing the African crisis. In addition to the difficulty in obtaining necessary data, this involves conceptual and ideological problems in defining the operational meanings of 'external' and 'internal.'

[3] For example, trade between the United States and Africa in recent years has been insignificant. Despite its population of 800 million in 1997, Africa accounted for only 1% of US trade. Africa exported $16.4 billion to the United States in that year, of which 70% consisted of oil sales from two countries, Nigeria and Angola.

respectively (IMF 1993, 125), whereas the African share in the world population was close to 7.5%. That is so marginal that on a map scaled according to the size of a country's GDP, the entire Sub-Saharan African region, exclusive of South Africa,[4] comes in about equal to Belgium (Figure 1).

As for the gravity of Africa's deepening crisis, Africa has now become the only continent in which poverty is rising. As shown by Table 1, the decline in real per capita income persisted in Africa during most of the period from 1974 to 1998. Recent United Nations estimates show that the self-sufficiency rate in cereals for the region as a whole fell from a high of 97% during 1969–71 to 86% in 1988–90.[5] Daily calorie intake is at only 92% of requirements, compared with 109% in all developing countries (UNDP 1994). Malnutrition, starvation, and disease are more widespread today in Africa than they were a generation ago. According to the same UN report, the crisis either will become worse or at least is expected to continue for a long time to come. By 2010, in the absence of a major effort to drastically boost indigenous food and livestock production, some 300 million people, which is about one-third of the continent's population, will suffer the scourge of chronic malnutrition. The continent, already deep in financial crisis and heavily dependent on food aid, faces the prospect of net cereal import needs that are expected to more than double to some 20 million tons a year by 2010.

Related to the economic decline, population explosion and environmental deterioration reflect additional dimensions of the development crisis that touch on the very question of biological survival of humanity in Africa. The continent's overall fertility rate, estimated at 6.5% in 1992 was almost twice the developing world average and among the highest in the world (UNDP and World Bank data). With a declining mortality rate, the net annual population growth rate was estimated at 3% and its population of 503.5 million in 1992 was projected to reach about 1,200 million by the year 2025. This will account for about 7.5% of the total world population, while African GDP accounts for a meager 1.1% of the world total. As a result of high fertility and declining child mortality, almost every African country now exhibits a demographic pyramid, a structure of age cohorts in which the child population is large at the base, tapering off rapidly with older ages.

This age structure implies a high burden of dependents on African workers. In an environment of slow growth and limited employment opportunities, African governments' already overburdened capacity to render social services will continue to be further stressed. Rapid population growth is likely to exacerbate poverty in Africa.

Rising poverty coupled with rapid population growth—particularly of the rural poor—periodic droughts, and the communal nature of Africa's land tenure systems all together

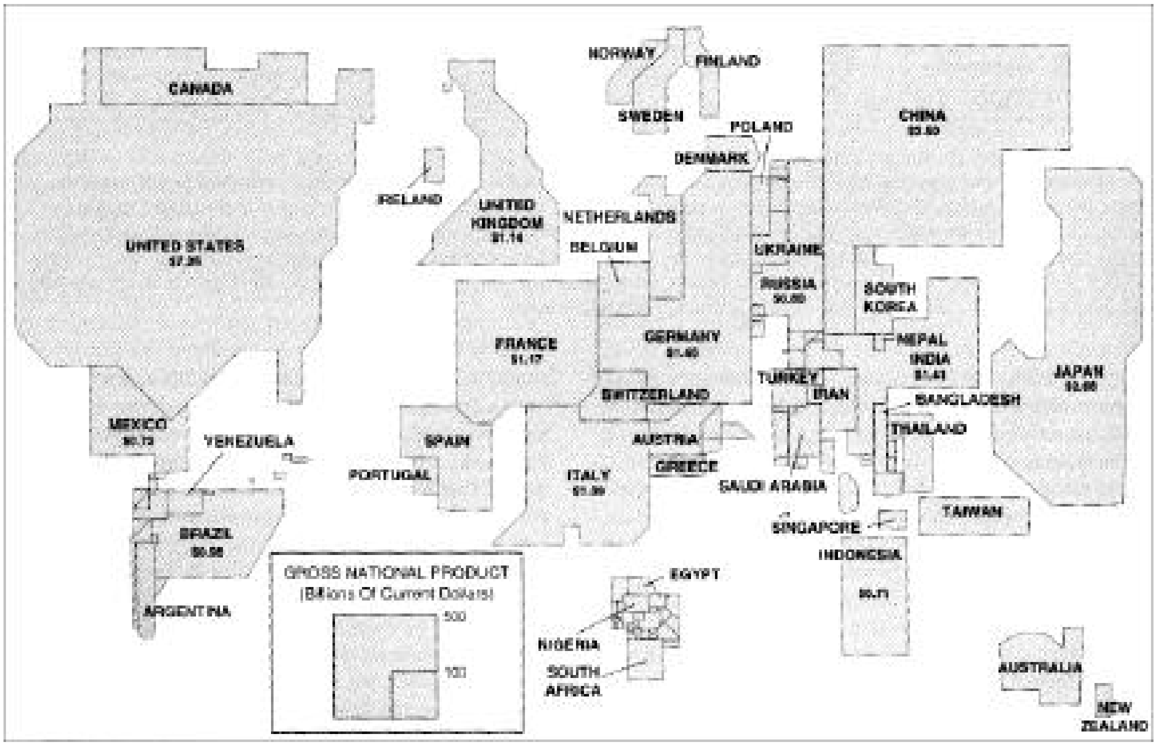
[4] South Africa accounts for about 40% of the region's total GDP.

[5] UN (1993–4: 8). The self-sufficiency rate for all developing countries in 1988–90 was 91%.

have contributed to severe environmental degradation. Deforestation in Africa takes place at the annual rate of 0.9% of the total forested area (UNDP 1994). It has adversely affected the production of such cash crops as coffee and cocoa by making the land too dry. Potable water and firewood have become scarce in many areas, severely lowering the already woeful standard of living. Poor and insufficient farming and grazing lands have become serious problems especially in countries of the Sahel and the Horn of Africa.[6]

Figure 1

Gross National Product Cartogram


CANADA
UNITED STATES
$7.25
MEXICO
VENEZUELA
BRAZIL
ARGENTINA
IRELAND
UNITED KINGDOM
$1.14
FRANCE
$1.17
SPAIN
PORTUGAL
ITALY
NORWAY
FINLAND
SWEDEN
POLAND
DENMARK
NETHERLANDS
BELGIUM
GERMANY
SWITZERLAND
AUSTRIA
GREECE
UKRAINE
RUSSIA
TURKEY
IRAN
SAUDI ARABIA
CHINA
SOUTH KOREA
NEPAL
INDIA
BANGLADESH
THAILAND
JAPAN
TAIWAN
SINGAPORE
INDONESIA
EGYPT
NIGERIA
SOUTH AFRICA
AUSTRALIA
NEW ZEALAND
GROSS NATIONAL PRODUCT
(Billions Of Current Dollars)
500
100

Source: Stutz & de Souza (1998, 10)

With growing poverty and malnutrition, Africa is facing a health-care crisis. For example, the AIDS epidemic is very serious, especially in the central African region, and is beyond the

[6] There have been chronic conflicts between nomads and sedentary peasants—particularly in East Africa—over access to and control of land. Land degradation has been a key factor contributing to the increased frequency of these conflicts.

control of the resource-strapped states of the region. Even curable infectious diseases, such as malaria, continue to kill millions of people throughout the continent.[7] As shown by Table 3, Sub-Saharan Africa's human development indicators in every aspect of measurement have been grim and substantially below those of other developing nations.

Table 3

Africa's Human Development Indicators

	All Developing Countries	**Sub-Saharan Africa**
Population in absolute poverty (% of total)	31	54
Percentage of population with access to health care	81	59
Daily calorie supply as % of requirements (1988–90)	109	92
Infant mortality per 1,000 births (1992)	69	101
Annual population growth rate % (1967–92)	2.2	2.8
Projected population growth rate % (1992–2000)	1.9	3.4
Total fertility rates (1992)	3.8	6.5

Sources: UNDP (1994).

Although the long-term indicators such as life expectancy, child mortality, and adult literacy show some improvements over the years, other social and economic indicators seem to have stagnated or declined. One further disturbing picture that emerges from this dismal landscape is unjust distribution of social services. In most African countries access to educational, health, and social services has been far better for the richer groups in society, where the needs are less (World Bank data). Underclass Africans—relatively more in market-oriented African countries—remain deprived of access to sanitation, clean water, basic health care, and education.

Finally, the confluence of these intricately intertwined economic, political, social, and environmental problems has culminated in a deep-seated general crisis. Prolonged crisis can trigger more civil wars and the breakdown of state governance. The effects of civil wars and

[7] According to recent World Health Organization estimates, there are up to 500 million cases of malaria worldwide, with fatalities ranging between 1.5 and 3 million people annually. About 90% of these cases occur in Africa.

violence in Africa have already produced the largest number of refugees from any one region of the world. By the end of 1993 there were close to six million refugees from the African continent, which accounted for 35.8% of the total number of world refugees (US Committee for Refugees 1994, 40).

3. The Neoliberal Response to the Development Crisis

Africa's economic crisis, which gradually intensified since the early 1970s, presented a difficult challenge to the development community. As the crisis worsened, the lender countries as well as other multilateral donor institutions perceived urgent needs for changes in policy measures to reverse the declining trends and to place African economies on a path of sustainable growth. In the early 1980s the policy response to the African crisis emerged in the form of structural adjustment programs (SAPs). SAPs were formulated and supported by the two Bretton Woods Institutions of the International Monetary Fund (IMF) and the World Bank. Both institutions have played a critical role in determining the pattern of African development. The World Bank, although it has not deviated from the original conceptual framework for macroeconomic reforms, began to focus in later years on microeconomic institution building to enhance Africa's sustainable capacity for development.

The thrust of SAPs for Africa is liberalization of the economy through disengagement of the state from economic activity. It is based on the conventional economic theory that an optimal allocation of resources can only be obtained in a competitive, free market where prices reflect relative scarcities of the resources. To 'get the prices right' it is necessary to minimize the role of the state in economic affairs. Much of the African crisis has been seen as related to the pervasive intervention of self-serving African states.

It is worth noting that many African nations, including Nigeria, Tanzania, Guinea, and most postindependence socialist regimes (Ethiopia, Congo-Brazzaville, Angola, Mozambique, Somalia) showed a great deal of reluctance and reservations about the IMF's conditionally. These states were going through hard economic times and had little choice but to accept the IMF loans as they feared a loss of international credibility.

As Mengisteab (1996) notes, SAPs typically consist of two segments: the first deals with macroeconomic stabilization measures, which are under the IMF governance, and the second with structural adjustment measures, under the World Bank governance. Stabilization policies are intended to restore macroeconomic stability and the required adjustment period is conceived to be a short term. Structural adjustment aims at a longer-term, sustained growth through improved resource allocation and more efficient management at both the micro- and macroeconomic levels. In the case of Africa, an agreement on stabilization measures must be made with the IMF before a country enters into any structural adjustment program. Aid-donors and commercial banks often have insisted that the receiving country conclude an agreement with the IMF and/or the World Bank as a precondition for economic support.

The IMF and the World Bank have governed the economies of some 30 African countries. Many African governments, given the dire need for capital, have little choice but to embark on market reform measures, as dictated by these multilateral agencies. Although several countries experienced gains in economic growth, those adjustment polices cannot by and large be judged as successfully attaining sustainable economic growth and reducing poverty in the continent. On the contrary, the austerity requirements of SAPs appear to have further exacerbated the already severe human misery in Africa. The development crisis that engulfed the continent has worsened. At the aggregate level, for instance, Africa's GNP fell by an average of 2.2% per year in the 1980s. In those African countries with IMF–World Bank programs spending on health fell by 50% and on education by 25% during the 1980s. Throughout Africa health systems have been collapsing for lack of medicines, and educational institutions are suffering from a debilitating lack of libraries, laboratory and other facilities.

Even in the countries that are believed to have made progress in the process of adjustment, the growth rates have been very low. The World Bank itself acknowledges that after a decade of implementing structural adjustment programs, not many African countries have succeeded in a sound macroeconomic policy.[8] For instance, Ghana, which the Bank considers the showcase of the IMF–World Bank intervention, is now slated for a bleak economic prospect: it is projected that the average poor in Ghana will not cross the poverty line for another fifty years.

In retrospect, many of the adverse consequences of SAPs are attributable to fundamental strategic flaws. The IMF makes loans to troubled countries but insists that the governments should cut their expenditures—which leads to reduction of social spending and benefits for workers and the poor—and sell their assets to foreign investors. The purpose of these programs is to make a country attractive to foreign investors and to encourage cheaper exports. The result has generally turned out to be rising profits for multinational corporations and increasing poverty and unemployment for Africa's working people. In this context some African critics view SAPs as an international device inadvertently supporting an indigenous capitalist class against the national interest of poverty-stricken masses of the population (Mkandawire 1992).

The neoliberal solution for Africa stands at odds with African reality concerning poverty. SAPs are in essence designed to promote economic growth by enhancing economic efficiency via a market system. Redistribution of income is left to the market system. In reality, however, it has

[8] United Nations (1993–4, 18). Direct foreign investment in Africa is so paltry it is not even measured in the latest World Bank study.

been shown that progressive redistribution of income rarely works spontaneously in a market economy. This is particularly the case for Africa where poverty is largely a phenomenon of the subsistence peasantry, which is the dominant mode of production in agriculture. Most of the poor (about 60% of the total population) in Africa depend on subsistence agriculture for living, whereas much of SAPs have been intended to deal with economic activities operating within the formal market system. For example, a typical IMF package includes price decontrols, devaluation, and export promotion. The benefits of this package have essentially been confined to a small number of export-oriented, cash-crop producers.[9]

Furthermore, the pervasive poverty in Africa is not caused so much by low productivity of the economy as by other social forces that generate fundamental imbalances in resource use. Often it is an ineffective and corrupt system of governance that results in a lopsided distribution of resources to a self-serving elite. For instance, politics inhibits progress in land reform; Africa's rural poor are remote from the capital and do not affect the political elite in cities, and as a result they have not been a target population to be concerned with. The rural poor have limited access to credit, land, and extension services; lack of both genuine political commitment and strong public sector support for rural producers is another major factor exacerbating rural poverty. In this context, structural adjustment policies, which tend to focus on macroeconomic financial problems, have failed to benefit the rural poor and are blamed for exacerbating poverty.[10]

In summary, SAPs have not proven effective in arresting the declining economic trends in Africa. More importantly, they have been short on concrete measures to alleviate poverty, which is the most urgent issue in Africa as widespread hunger is prone to escalate into famine, political violence, and armed conflicts.[11]

4. Global Integration and Deepening Crisis

A related flaw in the SAP solution is the contestable premise that attributes the African crisis primarily to factors internal to the domestic economy. From hindsight Africa's problems can be seen as equally or perhaps more importantly attributable to factors external to the domestic economy. In fact, the economic situation deteriorated as African countries—under the prodding of international donor agencies—intensified efforts to integrate their economies with the global

[9] In this regard, a survey by the World Bank (1995b) shows that between 1985 and 1992 the proportion of Sub-Saharan African population living below the poverty line rose 1.5%.

[10] The failure of SAPs was officially recognized at an international conference on African economic recovery in Khartourm in March of 1988. The Khartoum declaration sharply criticized the austerity programs and their dehumanizing impacts on Africans.

system beginning in the early 1980s. The main elements of policies for global integration consist of the opening of the economy and disengagement of the state from economic activity. Most African countries have been undertaking domestic market reforms and liberalization of foreign trade and investment.

The integration strategy that has been implemented to derive maximum benefits from international markets has paradoxically reinforced marginalization of African economies from the global system. It is important to note that Africa has been as much open to global markets as any other developing regions have been. Mengistead (1996, Table 3.2) notes that the share of the total trade in GDP for Africa in 1990 was 46% compared to 42% for all developing countries. The problem with the strategy for openness and export promotion is that African exports are primary commodities produced with marginal participation of the peasantry and often at the expense of the internal food needs. Apart from the volatile market problems inherent with primary products in international markets, African exports are not simply competitive with more mechanized, government-subsidized European or American farm products.

African nations throughout the 1980s ended up with worsened terms of trade for their primary goods exports, falling foreign investments, and a crippling external debt burden that stood at US $313 billion for the region in 1994. Recent estimates by the World Bank (1994a) indicate that Africa’s terms of trade plummeted by about 15% between 1987 and 1991, compared with a 1% decline for all developing countries, and continued to downslide by an average of 2.87% annually between 1991 and 1994. Studying Africa’s vulnerability to global markets, Lewis (1986, 480) calculated that the impact of OECD import growth and Africa’s barter terms of trade together accounted for over 80% of the variations in the growth rates of African economies between 1960 and 1990.

As a result, Africa’s debt burden continued to increase, sapping the regional economy’s capacity to import and invest. As shown by World Bank data, between 1991 and 1995 African economies grew by an average of a mere 1.5% per year. Per capita income has continued to decline. Industrialization has been almost at a standstill: growth in manufacturing output averaged only 2.3% in the 1980s though it did rise slightly to just under 4% in the first half of the 1990s.

These factors partly explain Africa’s debt crisis but they do not tell the whole story (Table 2). The global energy crises during the 1970s proved to be the genesis of Africa’s crippling debt crisis in the 1980s. The oil crises led to recessions and protectionist policies in the West which hit African economies severely. Meanwhile the oil shocks resulted in a massive inflow of petrodollars into the Euro-currency market, followed by infusions of loans to the desperate African countries.

[11] Towards the late 1980s there was a shift in the World Bank SAPs to pay greater attention to

Encouraged by favorable interest rates and despite growing trade deficits, Africa's borrowing continued unabated to keep up the increased level of government services required for maintenance of domestic tranquility. African countries' plights began to surface when African export prices continued to decline and the debtors were forced to reschedule their loans at higher interest rates towards the mid-1980s. African governments had to scale back government services and cut back on social services. With high debt services and little capital investments from the West, net capital flows changed direction and began flowing out of Africa to the West.[12] The unforeseen external events have aggravated Africa's deepening crisis.

The economic situation in Africa further deteriorated in the post–Cold War era as trade liberalization unfolded on a global scale. There was erosion in the favorable trade arrangements between Third World nations and their market partners. During the Cold War era African and other developing countries were able to exert some influence on the international system. The European Economic Community–African, Caribbean, and Pacific (EEC/ACP) agreements and the generalized system of preferences of the General Agreement on Tariffs and Trade (GATT) were some concessions of the Cold War era from which African states derived benefits. In the wake of the collapse of the Berlin Wall in 1989, Africa was seen as politically less useful from the perspective of the West, and the importance of Eastern Europe superceded Western interest in Africa. The continent became more isolated from the industrialized world. Along with large reductions in official aid to Africa, access to foreign markets and private capital that had been available to Africa in the preceding two decades drastically diminished. For example, foreign direct investments in Sub-Saharan Africa as a ratio of the total foreign investments in developing countries fell markedly throughout the early 1990s (World Bank 1994b, 1995b, 1996).

In addition, Africa is the only region of the world which is expected to be adversely impacted by GATT's new Uruguay Round—at least in the short run (Yeats 1995). The new agreement will likely diminish African export revenues as the existing tariff preferences for Africa are eroded under multilateral trade liberalization. While African countries that specialize in primary products exports are likely to lose competitiveness in global markets, food-importing countries in Africa will be hit hard by higher world food prices brought on by gradual reductions in agricultural

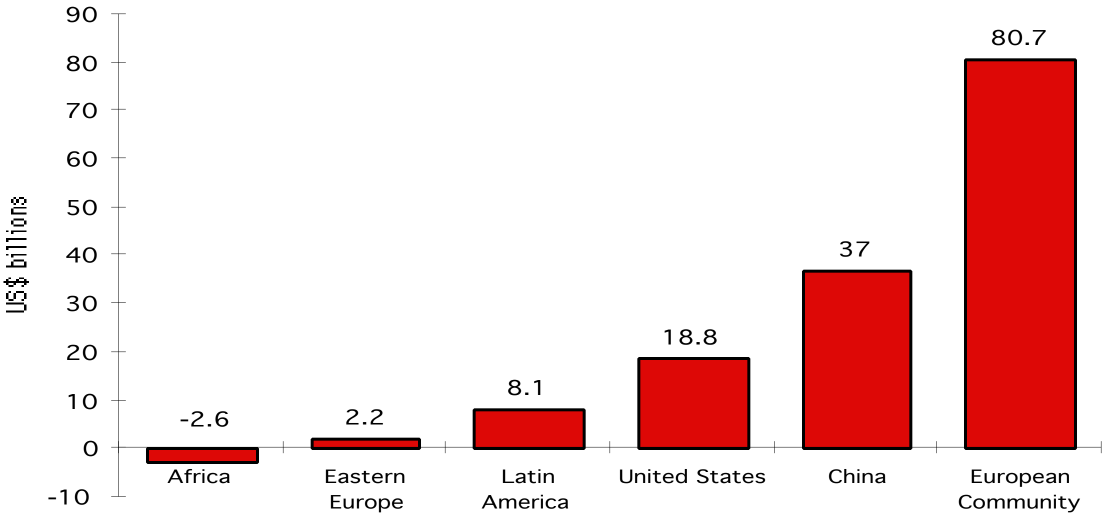
human resource problems and public institutional reforms in Africa.

[12] The severity of external debt can be best illustrated in the following report by a UN aid worker in Sudan, 94% of whose citizens live below the poverty level: "These days, famine-stricken Sudan is receiving about $26 million a year in international development funds while paying out $60 million a year to service Its debt to the IMF, its main creditor. On a per capita basis, it means that each Sudanese man, woman and child is receiving about one dollar in development aid while owing $800 to foreign creditors, this in a country where a doctor or teacher earns about $15 a month."

subsidies in European and other developed countries.[13] Furthermore, because of the failure to bring the Multi-Fiber Agreement under GATT discipline many African countries will experience reductions in growth rates of textile exports. Recent OECD calculations, as shown in Figure 2, show that net annual losses for Africa will reach $2.6 billion in the period up to 2002. In contrast, the industrialized countries will reap $135 billion or 64% of total annual gains in world income from the new GATT (Goldin et al. 1993).

Figure 2

Revenue Effects of the New GATT by Regions (Projections to 2002)



Source: UN (1993–4).

5. Conclusion: Elements of the Challenge

Africa today faces a daunting challenge for economic recovery. Over the past three decades and a half African countries have been impoverished by a combination of factors internal and external to their national economies. Whereas the continent's development crisis has been partly caused internal factors, related largely to poor governance by often corrupt African

[13] In the short run, imports from Europe whose agricultural producers are still subsidized by their governments will likely continue, displacing possibilities of African agricultural exports.

governments, the focus of this paper is on the external factors. The paper makes a point that in relation to other regions of the developing world, Africa has been more adversely affected by the changing global environment since the early 1970s. Admittedly, much of the adverse impacts on small, open economies can be seen as endemic in the nature of the global market system. Nonetheless, the mindless neoliberal formulas of austerity, currency depreciation, privatization, and deregulation have exacerbated the process of marginalizing Africa and impoverishing Africa's working population (Mengisteab 1996; Mkandawire 1991 and 1992; Hope Sr. 1997; Onimode 1988).

The new reality facing Africans today is that they must take charge of their own fate against the backdrop of the post–Cold War global order. In the new age much of the global economy has returned to pre-Depression capitalism—a Darwinian economic system that rewards rich and punishes poor nations. While neoliberal economists see global integration as the key to rapid growth in the developing world, we also witness how the emerging markets of East Asia, Russia, and Brazil have been brutally subjugated to global market forces. For most African countries the long-accumulated debt burden in the region has already turned into an inhibiting factor diminishing the possibilities of economic revitalization. Moreover, from the perspective of profit-seeking multinational investors, the continent is now economically unimportant. Politically, the West regards Africa as irrelevant in the post–Cold War era. This attitude is exhibited by the West's diminishing enthusiasm in responding to economic distresses in Africa. Prospects of securing new resources from outside sources for Africa—official and private—seem more remote today than a decade ago.

What must and can be done for the continent? This takes us far beyond the scope of this essay. It suffices here to mention a few elements of development strategy that need to be taken into account in overcoming the crisis.

First of all, the process of economic restructuring in the context of the contemporary Africa has to be pragmatic, eclectic, calculating, and incremental in transition. Restructuring efforts cannot be based on an all-or-nothing choice between the market's 'invisible hand' and the state's 'grip of the fist.' The market model, while it may have improved performance in many areas of economic activity, has in the past intensified poverty, starvation, and inequality by lowering wages and social incomes of the underclass. Such a model is ill suited to deal with African poverty. The strategy for the alleviation of poverty must include changes in social structure—specifically, the empowerment of the working poor and women.[14] The masses of underclass Africans must have access to opportunities for education and productive resources so that they can seek their own

[14] For a discussion on gender bias as a cause of poverty in Africa, see Kasliwal (1995, chapters 3–4).

solutions. Under a recessional environment over the past several decades, provisions of basic education, training, health care, and even food security have been neglected in Africa.

Doubts must also be raised as to whether neoliberal reforms can lend themselves to a deep-seated structural transformation, which calls for concrete policy measures in moving into high value technology sectors (Adei 1996), diversifying from monoculture, reducing export dependence and foreign concentration in industry.[15] These are economic activities essential for the future survival of Africa which cannot be resolved by private-sector initiatives alone and should involve the actions of the state.

Apropos of the role of the state, it is well to emphasize that governance has to be recognized as a critical component in African development. If good governance is understood in the sense that the fundamental role of the state is to serve the people, and not to control the people, there is a grave concern with the governance of African states. Economic collapses in Africa have too often been accompanied by the crises of governance, as evidenced by ethnic, clan, and religious conflicts; rising crime and violence; human rights abuses; and widespread rent-seeking activities. Self-serving authoritarian regimes cannot induce sustainable development of a competitive private sector that can lead future growth. In African reality state reforms seem imperative in order to build sustainable democratic institutions—in particular, an institutional infrastructure that promotes integration among different ethnic and social groups. Only a reformed African state could safeguard any success in economic reforms as well as the safety nets for the working poor and the underprivileged.

As regards external relations, this paper has questioned the relations between trade and development in the context of the contemporary Africa. The point has been made that externally driven development is unlikely to succeed over the short term in Africa.[16] Contrary to the received theory, the sheer abundance of low-cost labor by itself will not ensure a comparative advantage in Africa’s primary goods exports. Few African economies have currently the necessary capital and technical infrastructure to engage their labor resources productively. There is thus no denying the economic imperative that African economies must remain in contact with wider global markets. The tenuous linkage between Africa’s regional and the global economy can nonetheless work as a limiting factor for economic development, at least until the time when African economies are adequately equipped for export competitiveness in global markets.

In this context, the least the industrialized West can do would be to forgive or reschedule the continent’s external debt. For many African nations debt services alone have far exceeded net capital inflows. For instance, in 1997 Africa had a negative trade balance with its export revenue

[15] For a fuller analysis on this issue, see Stein (1995) and Kim (1993).

declining by 17% over the previous year. Net resource flows to the continent fell by nearly 40% from $4.5 billion in 1997 to $3 billion in 1998. The cost of debt-service for Africa, on the other hand, rose to $35 billion in 1998, which accounted for more than 30% of the region's exports (*Financial Times* 1999). The debt reduction initiative alone may not significantly affect Africa's burden but will be an important step needed to keep up Africa's structural reforms in order to encourage private investment and to promote growth. Moreover, also from the lender's perspective debt relief for Africa can be seen as more than a moral imperative.[17] There are compelling reasons in the long run for the international community to help Africa. It will be in everyone's interest to see a stable and steadily developing Africa participating in an interdependent global system.

If sizable foreign investment in the continent is seen as unlikely for the foreseeable future, a viable option for the industrialized world will be to help create space for nongovernmental organizations (NGOs)' activities. As official aid declines, there has in recent years been an increased involvement in African development of civil society organizations, including NGOs or other multilateral donor institutions. NGOs can be seen as playing a potentially instrumental role in facilitating the building of democratic institutions and human capital infrastructure at the grassroots level.

Apart from the aid issue, an urgent and extended agenda for Africa towards the external world will be promotion of region-based economic cooperation among neighboring states. Effective regional cooperation could result in a robust, regionally integrated economy relatively more secure and independent from uncertain global markets but capable of exploiting the advantage that the pooling of national markets and resources makes possible.[18] Moreover, regional integration can be considered as a stepping stone to a wider global-scale integration.

The task for African recovery is enormous and daunting but not impossible. The history of economic development is not unkind in this respect. Some forty years ago newly industrialized countries in East Asia were in no better economic shape than today's African economies. African development must not be written off as a lost cause.

[16] For importance of some degree of self-determination in African development, see Yanesane (1996).

[17] In this context, it is significant that the Pope and the Council of Bishops have called for a debt-relief jubilee for Africa to coincide with the year 2000. (This point was brought to the author's attention by a referee).

[18] For a study of the promising case of integration in Southern Africa, see Kim (1988a); and for a case of failed integration in East Africa, see Kim et al. (1979). Theoretical arguments favoring regional integration for Africa are discussed in Mengisteab (1996).

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Appendix Table 1

Growth of Real Per Capita GDP, 1966–1998

(current 1997 dollars and 1987 prices and exchange rates—average annual percentage growth)

	1997 GDP per capita (US$)	1966–73	1974–90	1991–97	1997	1998 estimate
World	5,175	2.9	1.1	0.8	1.8	0.3
High-income economies	24,710	3.8	2.0	1.4	2.2	1.1
Industrial	25,895	3.9	2.0	1.3	2.2	1.4
G-7	27,200	3.8	2.1	1.3	2.1	1.1
United States	28,950	1.9	1.5	1.9	2.9	2.2
Japan	33,325	8.4	3.2	1.0	0.6	–2.8
G-4 Europe	22,960	3.8	2.1	1.2	2.0	2.3
Germany[a]	25,590	4.0	2.1	1.1	1.8	2.5
Other industrial	19,970	4.1	1.7	1.5	2.6	2.7
Other high-income	13,500	6.6	4.7	5.1	3.9	–2.8
Asian NIEs	12,960	7.9	6.7	5.6	4.9	–3.0
Low- and middle-income economies	1,370	3.9	1.2	1.6	3.2	0.4
Excluding Eastern Europe and former Soviet Union	1,200	3.6	1.2	3.6	3.5	0.7
Asia	730	2.9	4.3	6.9	4.9	1.0
East Asia and Pacific	990	4.8	5.6	8.5	5.9	0.2
China	750	6.2	7.5	10.6	8.1	6.2
Indonesia	1,075	4.4	4.5	5.6	3.2	–16.4
South Asia	395	1.2	2.6	4.3	3.1	2.7
India	395	1.4	2.6	4.8	3.2	3.0
Latin America and the Caribbean	4,230	3.9	0.3	1.5	3.5	1.0
Brazil	5,020	7.7	1.2	2.0	1.7	–0.6
Mexico	4,185	3.4	0.8	0.1	5.1	2.7
Argentina	9,050	3.1	–1.1	2.4	7.4	3.6
Europe and Central Asia	3,190	5.0	2.1	–4.7	2.5	0.0
Russian Federation[b]	3,060	5.6	2.7	–7.0	1.2	–4.7
Turkey	2,965	2.3	1.8	2.4	5.4	3.2
Poland	3,510	6.8	–0.8	4.9	6.8	5.4
Middle East and North Africa	1,865	5.8	–2.0	0.6	0.6	–0.5
Saudi Arabia	6,585	8.8	–4.6	–2.7	–0.4	–5.7
Iran, Islamic Rep.	1,660	7.0	–3.7	1.9	0.9	–1.0
Egypt, Arab Rep.	1,250	1.9	4.3	2.2	3.6	2.0
Sub-Saharan Africa	560	2.0	–0.9	–0.2	0.5	–0.5
South Africa	3,370	2.6	–0.4	0.3	–0.1	–1.6
Nigeria	440	5.7	–2.1	–0.3	1.0	–1.0

Source: World Bank data and staff estimates.

Note: Growth rates over intervals are computed using least squares method.

[a] Data prior to 1991 covers the Federal Republic of Germany.

[b] Data prior to 1992 covers the former Soviet Union.