"A serious challenge to the prevailing strategy of development"

DEBT & TRADE: THE VIEW FROM AFRICA

by Robert S. Browne

Prodded by flickering images on the evening news—images of human wastage and suffering on a scale difficult to conceive—the world's attention has finally been drawn to the tragic famine that has been plaguing Africa for the past two years. Meanwhile, another disaster is brewing in Africa, one the world may fail to recognize until it is too late to remedy. Unnoticed because of the more compelling nature of famine, and also because most of the world has had its own problems with recession and sluggish economic growth, Africa's economy has been deteriorating at an alarming rate for most of the last ten years. This deterioration is evidenced in declining per capita food production even in areas untouched by drought; in declines in the production of both manufactured goods and commodity exports; in deterioration of the transport and communication infrastructure; in downturns in a whole range of statistical indicators that generally record social and economic progress; and in such financial variables as depleted foreign exchange reserves, chronic balance of payments deficits, and burgeoning international debt obligations whose servicing is clearly beyond the debtors' capabilities. Leaders of the fifty African states and the World Bank agree that a serious problem exists, but there is considerably less harmony when both groups analyze the source of Africa's economic difficulties and prescribe a cure.

As early as 1976, the Economic Commission for Africa, a regional commission of the United Nations, had recognized that something was amiss in the manner in which the continent was pursuing its economic development. The document it issued, "Revised Framework of Principles for the Implementation of the New International Economic Order in Africa," advocated the substitution of an inward-looking development strategy for the externally oriented one inherited from the colonial era, and it placed the development of the domestic rather than the foreign market at the heart of Africa's economic efforts. This proved to be the forerunner of what has come to be known as the *Lagos Plan of Action* (LPA).

The LPA, Africa's own blueprint for a continental development strategy, was completed at a special summit meeting of African leaders in Lagos in April of 1980 and bears the signatures of all fifty African heads of state or government. When one reflects on the heterogeneous nature of Africa's leaders—the differences in ideology, in background, in age (from the ninety-year-old Hastings Banda of Malawi to the thirty-year-old Sergeant Doe of Liberia), and the resource bases and states of development in their individual countries—agreement to a common document is remarkable indeed. Its achievement is also undoubtedly a measure of their alarm at the economic deterioration of the continent.

It is not difficult to understand that alarm. During the 1960s, characterized as the first decade of African independence, most of the countries had fared reasonably well. Rates of economic growth were generally strong, and such social indicators as school attendance and infant mortality showed dramatic improvement. Because this was also a period of sustained growth in the developed countries, Africa experienced strong demand for most of its exports. As a result, foreign exchange reserves were fairly plentiful and Africa was able to embark on extensive infrastructural development—roads, water and sewer systems, schools, and other facilities.

This picture changed dramatically in the '70s, however, as the West was hit by the combined effects of recession and inflation, a situation further aggravated by the sharp increase in the price of oil in 1972-73 and again in 1978-79. It is said in Africa that "when the West sneezes, Africa catches cold," and in the 1970s this proved to be true with a vengeance. The terms of trade turned sharply against Africa as mineral prices and, later, commodity prices fell in the face of reduced demand. At the same time, the price of the manufactured goods that constitute the bulk of Africa's imports rose steadily. The political response to this squeeze was the demand by the Third World for a New International Economic Order to redress some of the systemic bias against the developing countries that was felt to be responsible for the increasing gap between them and the developed nations. It was a demand that elicited little support from the big powers and even now remains a "pending agenda" in the international arena.

The Third World's economic response to this deteriorating situation was a massive increase in commercial borrowing. Borrowing offered a way for African and other states to continue their development programs even as their

Robert S. Browne, former Executive Director of the African Development Fund, is a Senior Research Fellow at Howard University's African Studies and Research Program.

earnings were drying up. Moreover, loanable funds were readily available thanks to the masses of petrodollars that the newly rich oil exporters had entrusted to the international banking system. Africa's debt rose from $17 billion to more than $80 billion over the decade. Real interest rates were low, and for a brief while the underlying economic disequilibrium that Africa was experiencing was effectively masked in many countries.

For Africa, with an external debt estimated at about $120 billion and several countries obliged to devote more than 25 per cent of their export earnings merely to meet interest and principal payments, the debt crisis remains unresolved as we enter 1985. President Julius Nyerere of Tanzania, current chairman of the Organization of African Unity, has suggested that the African states consider withholding further servicing of these debts until they can be renegotiated at reasonable terms. As it now stands, some of the world's poorest countries are making a net transfer of capital to some of the world's richest countries.

Borrowing was not the only route Africa had used to ease the financial crunch precipitated by the recession in the West and the hike in energy prices. As balance of payment accounts turned negative and reserves began to dwindle, most African countries—including some that had borrowed heavily—were obliged to slash their imports, including both consumer goods and products upon which their nascent manufacturing sectors depended. Eventually, such imported agricultural inputs as fertilizer (whose price had risen substantially owing to its petroleum content) and farm equipment were also in short supply. By 1980 the shortages of fuel and of spare parts for vehicles, tractors, and industrial machinery had become endemic to many African countries, and malfunctions in one sector were feeding upon others. The collection and marketing of agricultural products, themselves reduced by the lack of inputs, was handicapped by the considerable deterioration of internal transport systems, the result of growing numbers of disabled vehicles and undermaintained road networks. Factories were operating sporadically, often at only 25-30 per cent of capacity, more from an absence of inputs than from lack of effective demand for their output. The health sector declined similarly: In the face of declining agricultural output and a rising population, imports of medicines, medical supplies, and equipment were waived in favor of imports of food.

ANOTHER AGENDA

The deteriorating situation also caused concern among the African governors of the World Bank (basically, African ministers of finance), who requested the World Bank to undertake a special analysis of Africa's economic performance. *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* was completed in 1981. It became a bible of sorts for the international donor community and clashed head-on with the Lagos Plan.

The basic tension between the two documents arises from a different analysis of the causes for Africa's economic crisis, leading to two different prescriptions for action. The World Bank document (popularly referred to as the Berg Report after its principal author), although recognizing the negative effects on Africa's economic growth created by such external factors as the West's recession, the escalation of energy prices, deterioration of the

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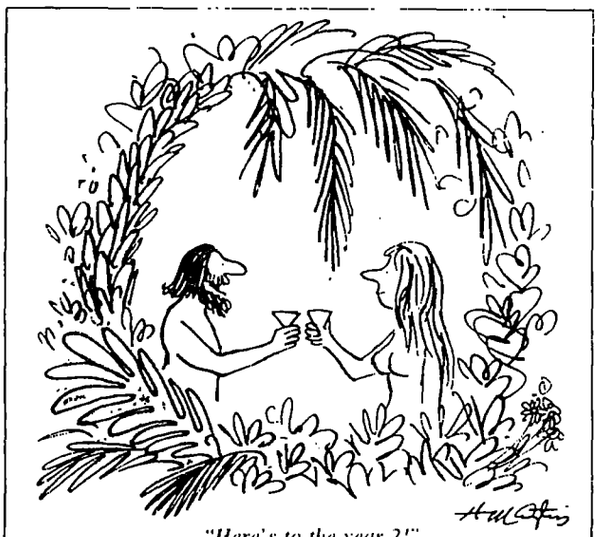
terms of trade, the drought, and high interest rates, nevertheless chose to identify as principal culprits the policies and performance of the African governments. Improper pricing of agricultural produce, overvalued exchange rates, and overly expanded public sectors, coupled with administrative inefficiencies and corruption both petty and grand, were said to be most at fault. Correct such policies and practices and Africa would have a chance to recover, said the World Bank. The Berg Report then devoted itself to suggesting ways in which the Africans might pursue more effectively the existing strategy of export-led development. Nowhere did it entertain the prospect that other strategy options might merit attention.

To the African leaders who adopted the Lagos Plan, their economies' dependence on the developed countries was the very heart of the problem—that, and the fact that the relationship was an unequal one. Africa has had no control over the prices of the items it exports or over those it imports, yet its survival has depended upon both types of transactions. Furthermore, it has had little if any control over the volume of its exports, as was so clearly shown during the West's recession. These African leaders were now rejecting the strategy by which Africans extract from the soil various commodities and minerals they do not consume and ship them abroad in exchange for cash that can be used to purchase the products they want. In place of export-led development they were proposing an all-out effort to use their natural resources to satisfy their needs directly, depending on external sources for only those products, skills, and technologies they find absolutely essential. Exports there still would be, but not as a central focus.

The essential thrust of LPA is collective self-reliance, based on a clear recognition that the division of Africa into fifty often competing political units—half of which are unviable as economic entities—constitutes a major obstacle to breaking the dependency syndrome that characterizes the continent's relationship with the developed world. Essential to this strategy is the building of a sense of collective responsibility among African leaders, and especially among those whose countries are neighbors to one another. The encouragement of subregional trading units is also afforded a particularly high priority; and the LPA's ultimate objective is the achievement of an African common market, leading to an African Economic Community. The year 2000 is mentioned as a target date, but emphasis is on process rather than on rigid adherence to a schedule.



"Here's to the year 2!"

THE LPA AT FIVE

There are a host of reasons why the LPA has not yet become a serious challenge to the prevailing strategy of African development. One is the greater urgency of the immediate crisis in Africa, which has overshadowed the less visible, longer-run illness of the continent. With so much attention focused on the famine, there is little energy left among overseas donors or Africa's leaders for strategic analysis and long-term planning. Another deterrent is the incompatibility of the LPA with Africa's current political and social structure. Finally, the industrialized countries, upon which Africa relies so heavily for financial and other assistance, are probably unfavorably disposed toward the LPA and are likely to perceive any effort to delink Africa's economy from their own as a step in the wrong direction. (It may be said, in fact, that the bilateral and multilateral assistance that the developed countries continue to provide to Africa actually undermines the LPA, because such aid reinforces the nationalist approach to development rather than the Plan's collective one. With the current restrictive mood in Washington regarding development assistance financing, any novel funding initiatives in support of such a program would be unlikely, of course, and even the maintenance of current funding levels and programs may be considered an achievement.)

The Africans themselves must bear much of the blame for the obscurity of the Lagos Plan, however, because its implementation does not appear to have been one of their major priorities. To be sure, there is frequent reference to it in the official communiqués of African leadership meetings, and Africa's three region-wide institutions—the Organization of African Unity, the African Development Bank, and the Economic Commission for Africa—proclaim their commitment to the LPA at every opportunity. But the LPA remains largely the visionary program of Africa's intellectuals rather than an instrument for shaping policy.

In April of this year the LPA will be five years old. A recent conference sponsored jointly by the Economic Commission for Africa and Dalhousie University of Halifax, Nova Scotia, attempted an informal assessment of the LPA. The general consensus was that only marginal progress had yet been made in implementing the Plan. The Conference cited the greater urgency of the hunger crisis, the donor nations' disposition to favor the World Bank's analysis and prescription, and especially the failure of African opinion to rally around the LPA in any discernible way.

This picture could change quickly, however, for the rationale that underlies the LPA is sound, and acceptance of its logic appears to be growing. Even the World Bank, in its more recent reports on conditions in Africa, seems to admit to the inadequacy of a purely export-led development strategy as a model for Africa. Should Africa continue its slide into economic chaos, a demand for a new direction will inevitably arise. Meanwhile, LPA's supporters are busy refining the Plan and fleshing it out, aware that history may soon call their number. **WV**