Sub-Saharan Africa: Prospects of Development in the New Millennium

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The economic picture of Sub-Saharan Africa is gloomy. The region attracts a small amount of global investment and commands a small share in the returns from world trade. However, Sub-Saharan Africa is rich in natural resources and has the potential for becoming a market for global products. Though the current economic situation is cause for concern, the move by some countries toward democracy and economic reform indicates that the sub-continent has the ability to institute the necessary conditions for economic growth. However, continuing economic failures imply a need for new economic thinking. Emphases on investment in human capital, financial accountability, income equality and collective self-help must mark the new economic policies if a departure from the current economic malaise is to take place.

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> "Africa has a way of rearranging the known and the unknown."
> (Stevens 1989: 185)

Introduction

The future of socioeconomic development in Sub-Saharan Africa is contingent on the extent to which countries in the sub-continent are able to resolve a compound problem that centers more or less on their capacity to generate financial resources from global markets. However, available evidence confirms that the ability of Sub-Saharan African countries to maintain a foothold in the global products and services markets has eroded gradually since the early 1960s. Aside from the fact that global demand for the primary products that African countries export has gradually declined over the past 30 years or so, the domestic tax, trade and transport policies carried out by countries in Sub-Saharan Africa are biased against exports. Added to this situation, are the problems of financial mismanagement, corruption and political instability (Shaw 1982). The ultimate results are a precipitous decline in the share of Sub-Saharan Africa in the returns from global trade and an inconsequential foreign investment. By 1990, Sub-Saharan Africa's share in global exports stood at a mere 1.2% with combined annual financial losses that are estimated at more than \$60 billion in current prices (Yeats et al 1996: 38). Furthermore, current figures indicate that Africa (as a whole and not just the sub-continent) attracts less than 5% of the global foreign investment capital (The Economist 1998: 52). The consequences of the interplay of all of these factors are predictable: increased indebtedness, foreign aid dependency, inflation and shortages of foreign capital to support expanding appetites for foreign consumer commodities. Over the past twenty years, this combination of problems has translated into patterns which ranged from widespread hunger to political pressures and the downfall of governments in Sub-Saharan Africa. Sadly, the virtual lack of signs which indicate an upswing in the fortunes of the majority of the countries in persist. To those who closely monitor the situation, more than 30 years of decline in Sub-Saharan Africa's importance in global trade, disintegrating infrastructures and poverty are not that surprising.

Circumscribed Future Prospects

The advice most of the debt-burdened Sub-Saharan African countries get, or are forced to accept by international credit-lending institutions (especially the World Bank and the International Monetary Fund), prescribes alterations in the tax and incentive structures. In a few situations, and depending on the prevailing mood within the principal international credit-lending institutions, investment in some form of industrial growth (mainly in import-substituting industries) is encouraged. However, the economic growth policies implemented in Sub-Saharan Africa invariably emphasize the promotion of large-scale agricultural growth. The technical justifications for heavy investment in agriculture are usually premised on the grounds of comparative trade advantages.

One of the ironies is that in none of the African countries do we sense a change in domestic economic growth policies or in what is being dictated by the countries' external benefactors. Yet, the fact remains that despite efforts at structural economic adjustment (mainly through privatization, devaluations of local currencies and releasing of controls on foreign exchange markets), the collective share of Sub-Saharan African countries in the returns from global trade is shrinking. It is indeed paradoxical that more than three decades of World Bank and IMF involvement in the economies of Sub-Saharan Africa have resulted in economic decline.

It is also an irony that the tertiary segments of the economies of these countries are without the potential which allows them to emulate the growth of the information and producer services sectors in the industrialized countries. The main reasons are obvious. The services sector in the sub-continent continues to be manned largely by a poorly educated and trained labor force which possesses agricultural regulatory controls) limited to product redistribution. Furthermore, short-sighted development policies have not only ignored the services industry but have consistently resulted in sharp cuts in the already-small budgets for maintaining transportation, telecommunication and general infrastructures. Investment in education has not fared well either. The ultimate results are seen in the form of dilapidated roads, bridges and telecommunication equipment and a labor force that does not possess the necessary technical skills. Hence, the chances for the evolution of a full-fledged and technically sophisticated specialized services sector that is capable of successfully competing in the global services markets are severely handicapped by factors that are both internal and external to the sector. Although current estimates show that the services industry contributes about 30% or more to the gross domestic product (GDP) of many of the Sub-Saharan African countries, the industry will continue to remain isolated from the global services markets and incapable of supporting a growing industrial or agricultural base.

This is a rather unfortunate situation. But, it is no secret that the economic development plans of a large number of underdeveloped countries are premised on the assumption that industrialization is the next logical step to economic growth and development. It is also no secret that a large number of poor countries, either independently or through advice about the necessity of structural adjustment, have chosen the free market economy as a model to be emulated. Also no secret is the fact that the United States and the nations of western Europe and Japan are now being looked up to by many developing countries as examples of how economic growth and development can be realized.

However, over the past few years, the economies of many industrial nations have undergone a process of substantial restructuring. Successive economic shifts in the wake of gradual structural differentiation have resulted in contractions in the sizes of the agricultural and manufacturing sectors and the rapid growth of the services (especially producer services) and information management and expansion of the tertiary sector in the industrialized nations is not only enabling further restructuring of economic activity but is also continuing at a steady pace. This growth in developed countries is fueled by the availability of sophisticated computer technology, an appropriately trained labor force, highly developed transportation and communication infrastructures and an ever-increasing demand for specialized services and information by producers and consumers alike. Although the potential for a strong and effective demand for specialized services in Sub-Saharan Africa is indisputable, meeting such demand is highly doubtful given the current conditions which beset the services sector.

For a long time, the extent of industrial expansion in developing countries depended on the extent of their capability of acquiring industrial technology. In most cases, such capability was financial. Existing information points to the fact that only a few Third World countries have succeeded in procuring and maintaining the technology necessary for the creation of a viable industrial base. Indeed, a closer look will reveal that the technological gap between the developed countries and the majority of the underdeveloped countries remains unbridged and may even be widening at an alarming pace.

The expansion of the services and information industries in the industrial countries can be looked at as a step in a process which will further consolidate their hold on global economic and ideological powers. Given the historical patterns of technology transfers from the developed countries, there is no reason to assume that the technology which is necessary for further industrial or agricultural growth or for the growth of the services and information industries in poor countries will be made available in a different manner. For the majority of developing countries, the technology necessary for the growth of the tertiary sector must be purchased, just as the agricultural and manufacturing technologies were purchased in the past. With declining foreign exchange revenues, the majority of the countries in Sub-Saharan Africa are likely to forego such technology.

A Ubiquitous Menace

Whether there were historical imperatives to justify a need or not, all of the countries in Sub-Saharan African now have large, unproductive and very expensive armies. In the majority of countries in the sub-continent, the post-independence era witnessed a succession of military governments, a continuous growth in the size of the military forces and constant increases in the budgetary allocations to the military establishments. Increased spending on the military continued unabated at a time when public spending on education, health and infrastructure was declining precipitously, mainly as a result of mounting trade deficits. Periods of civilian rule did not alter this state of affairs. In fact, over the years, the slightest hint at reducing the level of expenditure or the size of the military was invariably answered by a coup d'ětat. And, despite media claims that Sub-Saharan Africa is democratizing, the fledgling democracies appear unable to curb the military's insatiable appetite for public resources. Plans calling for reductions in the respective sizes of the standing armies or in military budgets have yet to be designed or made public.

The historical acquiescence to the financial demands of the military produced a breed of arrogant military officers and an arrogant military culture throughout Africa. For more than a quarter of a century, military officers in many Sub-Saharan African countries succeeded in aborting political and financial reforms which have threatened the military establishment. The historical record of military meddling in governance and eccnomic development policy causes a degree of ambivalence about the futures of democracy and expedient economic reforms in the sub-continent. This is especially the case given the lack of signs which indicate that the end of the Cold War brought a change in the attitude of the military in Africa toward democracy and civilian rule. In the majority of countries in Sub-Saharan Africa, the military will continue to pose a threat to future economic reforms and is likely to frustrate future attempts at difficult at the moment.

Legitimizing Global Authority: Trade with Africa

The United States (US) emerged from the Cold War victorious and as the sole superpower. It is obvious that legitimizing and consolidating a global authority requires from the United States not only an ability to deploy a signiicant military might anywhere in the world but also to act in other ways which symbolize a world leader. The military forays in Somalia in the early days of its civil war and in Kuwait following its invasion by Iraq can be looked at as constituents of both historical and current attempts intended to validate the dominant presence of the United States in world affairs. The financial bailing out of Mexico following the drastic collapse of its currency (the Peso) in 1996, the continued aid to Russia and the newly independent states in Eastern Europe and the current effort to assist four of the so-called "Tiger" economies of Asia (Indonesia, Malaysia, South Korea and Thailand) out of a severe and sudden financial debacle which erupted in mid-1997 as a result of the collapse of the Asian stock markets reflect the United States' determination to further consolidate its role as the sole post-Cold War world leader. In the current state of affairs in global politics and finance, the US appears ubiquitous. It is rather difficult at this point in time to assume that the patterns of economic and political restructuring in Sub-Saharan Africa will evolve uninfluenced by the US.

Corruption and economic mismanagement in Sub-Saharan Africa have often led to the squandering of aid received from the industrial countries in the past and, consequently, to deep skepticism about the usefulness of aid to Africa. Donor fatigue, signifying the unwillingness of the developed countries to aid the continent, is an all too common phrase now. With such a badly blemished image, the extension of the United States' post-Cold War financial interventionism to Sub-Saharan Africa appears unlikely to win approval by a Congress which is quite aware of public skepticism, indignation and increased or political reconstruction overseas. Yet, for strategic reasons, Sub-Saharan Africa is indispensable, mainly due to its geographical proximity to the volatile but oil-rich Middle East and for its largely untapped natural resources and markets.

Emerging ideas about the ways in which the United States can financially engage Sub-Saharan Africa center around trade. The departure from aid gave the US policy makers promoting closer ties with Sub-Saharan Africa the necessary tactical advantage to gain initial bipartisan acceptance of legislation on trade with Africa in 1997. Finally, on March 11, 1998, the United States Congress passed the "African Growth and Opportunity Act", also known as the "Africa Trade Bill" and denoted as "HR 1432".

The new legislation is designed to encourage trade and investment in 48 Sub-Saharan African countries. Provisions in the trade bill give duty-free status to some of the products exported to the US by Sub-Saharan African countries, eliminate existing import quota restrictions on textile and apparel goods exported by Kenya and Mauritius and allow for the expansion of the activities of the United States Agency for International Development (USAID) and the Overseas Private Investment Corporation. However, to qualify for participation in the bill's program, Sub-Saharan African countries must individually promote a free market economy and free trade, uphold property rights, reduce import and corporate taxes, limit government intervention in the market, privatize public companies, ensure equal legal protection of individuals and respect human rights.

Apart from the property and human rights stipulations, the remaining requirements of HR 1432 are more or less identical to some of the terms dictated by the World Bank and the IMF for structural adjustment. The future development potentials of this new approach are doubtful, mainly because of the fact that the factors which caused the failure of the previous economic growth programs are still operative in the sub-continent.

Concluding Remarks

The present economic and political picture of Sub-Saharan Africa is rather gloomy. The region is in constant political turmoil and continues to attract a considerably small amount of global investment. Also, it commands a rather small and dwindling share in the returns from global trade. However, Sub-Saharan Africa is rich in natural resources and its potential for becoming a market for global products is undisputed. In fact, there are indications that people in the sub-continent are aware of both the possibilities of economic growth in the future and the obstacles they face. Though the gloominess of the current economic and political situation is cause for great concern, the recent gradual move by a handful of countries towar democracy, civilian rule and economic reform is an indication that the sub-continent has the ability to institute some of the necessary conditions for economic growth. However, the continuing economic failures in Sub-Saharan Africa imply a need for new economic thinking. Emphases on investment in human capital, financial accountability, income equality, democracy, human rights and collective self-help and reliance must mark the new economic growth policies to be carried out by countries in Sub-Saharan Africa if a departure from the current economic malaise is to take place. There is a growing consensus that these are constituents of a minimum threshold that marks the beginning of economic progress. There is also agreement that these are the necessary steps for a surefooted transition into the new millennium.

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