

Some Problems of Economic Development in Africa

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With political independence won for a large part of the continent, attention is now shifting to economic issues in Africa.

The information that is at present available about the economy of the continent is scanty. The Economic Commission for Africa is making a great effort to fill the gaps in knowledge and to initiate new programmes.

The Commission has a long way to go still, but its third session held in Addis Ababa in March last provided some insight, into the working of the African economy.

ALTHOUGH the African economy shares many of the characteristics of underdeveloped economies the world over, it has its own problems which demand specific solutions. The African economy, for one thing, is very closely linked with the West European and American economies. Any adverse movement of prices or sudden changes in terms of trade can plunge parts of Africa in serious crisis.

The mild recession in Europe and America in 1958 illustrates this very well. By 1959, industrial output had gone up by more than one-eighth over the previous year in America; it had increased by 6 per cent in the OEEC countries and, even in Britain, it had risen by 7 per cent. In most of these countries wage increases, however, did not keep pace with the growth of productivity in industry. This played an important role in maintaining price stability. But what contributed most to this stability was a decline in prices of primary commodities imported from Asia and Africa. The decline in prices had set in during the year of recession but when recovery came to Europe, the prices of imported primary commodities did not rise even though the volume of imports of many primary products increased.

Africa benefited little by any increase in exports because while primary commodity prices are highly responsive to industrial contractions in the importing countries, the volume of their imports is not much affected. On an average, the export proceeds of African countries decreased by 4 per cent during 1958. As the value of manufactured goods imported into Africa did not fall to the same extent, their adverse balance of trade

was further aggravated. This was not, however, the end of African troubles. By the time industrial activity in the West recovered from the recession, African production of primary goods had increased. Between 1958 and 1959 the quantum of exports from the primary-commodities-exporting countries as a group expanded by 8 per cent, a record figure as compared with the average annual increase of only 4 per cent over the last decade. The prices of these commodities, however, declined further by three per cent during this period and thus the aggregate value of exports went up by only 5 per cent. Coupled with this is the fact that the industrial countries, taken as a whole, imported more from industrial countries than from primary-producing countries. This, too, has been a persistent post-war trend.

Prices of Primary Commodities

This is partly the result of the growing share of durable goods and services in the total output of industrial countries. This tends to reduce their imports of primary commodities as a proportion of their total imports. But there are also other important factors like increasing economy in the use of raw materials due to improved production techniques, growing use of synthetic substitutes and agrarian and industrial protectionism in Western Europe and America. *The World Economic Survey* for 1959 showed that the share of primary-producing countries in the total imports of industrial countries fell to 36.9 per cent in 1955 from 43 per cent in 1950. In the first half of 1959 this share was estimated to have further declined to a little over 34 per cent. This is not a short-term problem but a long-term trend. For example, in America the value of gross output in 1950

was eight times that of the raw materials used, compared with four times in 1900.

All this points to the urgent need for an enlightened attitude towards prices of primary commodities, without which a great deal of the financial aid now being made available to African countries will be useless. At the same time, however, it must be recognised that the basic problem in Africa is that of growth. In the long run only economic development can make a real difference to the African economy. It is by no means certain, however, that at present such an approach to the economic problems of the continent is shared by all African States with the exception of a few like Guinea and Ghana.

The expansion of economic activity in America between 1958 and 1959 did increase the demand for industrial raw materials, but South-east Asia benefited, from this more than Africa did. Economic assistance received represents a greater proportion of Africa's export earnings (18 per cent) than is the case for all underdeveloped countries as a whole (13 per cent). The proportion varies a great deal within Africa itself. As in the case of other underdeveloped countries, the external indebtedness of all African countries has increased appreciably in recent years. During the three-year period ending December 1958 it had increased from \$ 5 million to \$ 291 million in the United Arab Republic, from \$ 371 million to \$ 516 million in the Federation of Rhodesia and Nyasaland, and so on. Debt servicing has thus become an acute problem for many African countries. The growing volume of aid will make this problem even more urgent in the future. Another factor

with some bearing on international assistance is the time gap between allocation of capital and the starting of a project in Africa. Very often this is due to lack of experience in planning projects. The selection and planning of projects is proposed to be speeded up by the Economic Commission and the various lending bodies with a view to making assistance more effective.

Table 2 : African Trade by Currency Areas

	(Million U.S. dollars)		
	1957	1958	1959
Total			
Exports	5,700	5,570	5,809
Imports	7,530	7,560	7,190
Balance	-1,830	-1,990	-1,381
Sterling Area			
Exports	2,620	2,500	2,840
Imports	3,400	3,360	3,240
Balance	-780	-860	-400
Franc Zone ^a			
Exports	1,507	1,654	1,411
Imports	2,443	2,554	2,323
Balance	-936	-900	-912
Other Countries			
Exports	1,573	1,416	1,558
Imports	1,687	1,646	1,627
Balance	-114	-230	-69

Excluding the French Somali Coast, the Comoro Islands and Reunion; including Guinea,

Source: Unesco, Economic Commission for Africa.

Pattern of Trade

African trade has shown very little change in its nature or geographical distribution, as should be clear from Table 1. The overwhelming importance of Western Europe and France and associated countries in the Franc Zone in Africa's foreign trade is indicated in Table 2. But within Western Europe the shifts are more marked. The six members of the European Economic Community have increased their share of African trade, mainly at the expense of Britain. EEC countries bought 38 per cent of Ghana's exports in 1959 compared with 33 per cent in 1958. They also bought 34 per cent of Nigerian exports in 1959 compared with 31 per cent in 1958. The share of West Germany has increased faster than that of the other members of EEC. The importance of North American and Canadian markets for African exports has declined although they are still important for particular African countries, Japan, on the other hand, seems to be determined to play a greater role in African trade. With the exception of the United Arab Republic, Guinea and

Ghana, African trade with the Communist countries is still on a small scale. The position may however, change in the near future. The growth of intra-African trade has so far been slow but its importance for African economic development is great.

African trade is not of a uniform character. Agricultural products account for nearly two-thirds of the total value of all African exports excluding gold. Minerals, including metals and metallic ores, but excluding gold, come next in importance and account for more than 20 per cent of exports. Gold exports account for 12 per cent of total exports. Other export items include fish, timber, a small quantity of manufactured goods like cotton textiles, leather goods, and miscellaneous primary products. The advantage gained by a slight increase in prices of some of the minerals in 1959 was offset for Africa as a whole by a fall in prices of agricultural products. Only a small number of African countries

like South Africa the Congo and the Federation of Rhodesia and Nyasaland produce minerals and so the greater part of Africa had no share in this prosperity.

Changing Imports

Although the volume of African imports has been severely limited by its inability to sell more, some significant changes have taken place in the pattern of imports. Textiles, for instance, have rapidly lost ground to capital equipment basic materials and fuel oils. It is ironic, however, that owing to the predominance of cash crops in African agriculture, thanks to the colonial imposition, it has to import great quantities of foodstuffs. The import of wheat and flour into Africa was nine times as high in 1959 as the average in the pre-war period. Potatoes, canned meats and dairy products are also imported in ever larger quantities. But the diet of the majority of the people is so poor even now that, according to Professor Ritchie Calder, "laboratory rats

Table 1 : Trade of Selected Countries with Africa

Exporting or importing country	(Million U.S. dollars)					
	Exports to Africa			Imports from Africa		
	1957	1958	1959	1957	1958	1959
United States ^a	657.2	609.8	647.2	584.2	161.3	596.8
Canada ^a	70.7	68.0	75.5	35.0	29.5	33.5
Total: North America	727.9	677.8	722.7	619.2	590.8	630.3
United Kingdom	1357.2	1393.1	1285.3	1172.0	1071.3	1170.0
Belgium-Luxembourg	257.1	236.5	186.2	316.3	277.8	329.1
France	1732.1	1871.4	1769.7	1524.2	1525.1	1230.9
Germany, West	449.1	455.2	498.6	480.4	467.4	525.4
Italy	202.7	207.6	202.1	246.2	231.5	268.4
Netherlands	168.8	181.9	181.0	151.0	177.0	202.9
Austria	39.8	25.7	30.9	29.4	36.6	24.6
Denmark	22.7	22.5	26.5	4.6	6.6	11.4
Finland	17.4	16.6	13.2	13.8	5.9	7.1
Norway	42.6	41.6	36.4	32.3	28.7	46.1
Portugal	100.9	102.7	100.7	72.7	82.8	81.6
Sweden	75.3	84.6	91.9	45.2	42.7	52.2
Switzerland	67.5	67.9	69.8	53.7	51.1	52.7
Spain	27.5	45.5	46.8 ^d	30.7	42.7	39.2 ^d
Yugoslavia	20.2	27.1	23.1	14.8	19.0	20.0
Greece	8.8	5.8	3.6	12.9	12.6	13.5
Turkey	3.9	1.2	3.2	2.2	3.5	1.0
Total: Western Europe	4593.6	4786.9	4569.0	4202.4	4082.3	4076.1
India	116.6	87.9	91.0	109.4	105.0	113.5
Japan	498.1	415.1	409.1	103.0	83.7	128.4
Singapore	34.8 ^e	17.3	22.0	10.6 ^e	7.4	5.6
Hong Kong	41.8	36.6	36.3	24.9	22.4	27.3
Pakistan	16.3	15.9	26.9 ^b	1.5	1.2	2.9 ^b
Indonesia	6.0	1.8	2.1 ^b	8.8	22.3	6.5 ^c
Thailand	4.5	4.8	6.3 ^b	0.4	0.2	0.5 ^b
Australia ^a	27.5	25.7	34.5	31.8	36.6	38.7
Argentina	9.6	8.1	6.0 ^b	8.9	17.2	8.2 ^b
Total: for all countries ^f	6076.7	6077.9	5926.6	5120.9	4969.1	5037.6

^a Countries whose imports are 100%

^b Yearly figure on basis of 11 months

^c Yearly figure on basis of 10 months

^d Yearly figure on basis of 9 months

^e Data refer to Malaya and Singapore

^f Total is the sum of all countries listed

Source: Unesco, Economic Commission for Africa.

fed on a typical African diet will rat their own offspring".

Africa has emerged as a supplier of a number of industrial raw materials. But the trends in world trade in a number of commodities have not been favourable to it. Take the case of coffee, Africa produces nearly one-sixth of the total world production of coffee. But as the quality of African coffee is not very high, prices have continued to fall. United States is the main buyer of African coffee, but recently Brazil has captured the U S market so successfully that many African countries are beginning to doubt the usefulness of the recent International Coffee Agreement. Cocoa is another typical item. Africa produces nearly two-thirds of the total world production of cocoa. Ghana produces about half of the entire African output and its economy is heavily dependent upon cocoa exports. The United States is again the main buyer but per capita consumption in the U S fell from an average of 4.71 lbs in 1936-10 to 3.55 lbs in 1955-58. Consumption of cocoa also fell in the United Kingdom but this has been offset by a sharp rise in demand in West Germany, the Netherlands and Japan. Recently Ghana has also made an agreement with Russia to dispose of its surplus stocks of cocoa. But the fall in demand for cocoa and consequently in its prices can have a crippling effect on a country like Ghana where cocoa accounts for more than 60 per cent of the total exports of the country. In the Republic of Cameroon, too, cocoa accounts for more than 40 per cent of total exports. Cotton can also be taken to prove the same point. Africa produces only about 13 per cent of the world production of cotton. But cotton accounts for more than 70 per cent of Egyptian and 60 per cent of Sudanese exports. While world production of cotton is rising, the production of man-made fibres is rising even faster. This may have far-reaching consequences for the cotton-based economy of several African countries.

Rapid Industrialisation

In programmes for African development, industrialisation must receive top priority. Industrialisation need not mean the establishment of only basic and heavy industries.

These should be established where the necessary minerals are found. Manufacturing industries producing consumer goods of a wide range also need to be established. At present Africa is living off its exports of agricultural goods and industrial raw materials. This cannot go on for ever. Sooner or later a crisis will overtake it unless correctives are applied now. It is a great pity, therefore, that at present most of the investment in mining industries is limited to extraction of the minerals. Under western persuasion many African countries are opening up mines merely to export raw minerals. One can only hope that soon they will start processing these minerals. Even more important is the need to shift the pattern of agriculture away from cash crops to foodgrains so that the dependence on imported foodstuffs can be reduced. At the same time, the important cash crops, too can be improved in quality and yield by the application of modern methods.

Political Problems

All this can be done, and will no doubt be done in due course, But it requires capital in the form of aid from outside. This is the first uncertain factor conditioning African development. The second uncertain element is the lack of unity in Africa which is accentuated by the policies of the colonial powers. To overcome this, the urgent need is to develop intra African transport and communication complexes. The fragmented political set up in Africa with innumerable frontiers and customs barriers is another stumbling block to progress. No matter how much Africa can export to Europe or Asia or even America, the long-term development of the continent depends on a vigorous growth of intra-African trade. There is some awareness of this problem but its urgency is not always realised, even in Africa. Lastly, there is the big problem of Africans relationship with the colonial powers in the light of the new economic groupings in Europe.

The social and political problems of development in Africa are equally complex. Foremost is the problem of land tenure. The traditional system has become corrupt and chaotic. In far too many places land has been cut into tiny uneconomic holdings. In any programme

for regeneration of African agriculture, land reform, therefore, will have to be given a high priority. What sort of reforms will be actually introduced will depend upon the ruling elite. It is at this point that grave doubts begin to be felt about the future development of Africa. Political power in most African countries is being transferred to a small but rich and powerful oligarchy. The exceptions to this rule are few. Only a mass movement can force these oligarchies to part with their power and riches. Present signs are that this will not happen for a while yet. Meanwhile, the rich will grow richer while the poor will have to be content with marginal improvement in their living conditions.

The problem of urbanisation is also there in Africa but it is not quite as insoluble as in Asia. The African cities are not yet, with few exceptions, very large. Careful planning now can prevent the acute problems of rapid urbanisation with a low standard of living. But another decade of unchecked growth will reduce African cities to a cesspool of slums. Lastly, the problem in Africa is to plan an economy which will take into account the break-up of traditional society and values under the impact of industrialisation and modernisation while at the same time preventing too abrupt a break leading to total alienation. Given the will and leadership, none of these problems is insoluble. But they will take time and Africa is a continent in a hurry.

Small Savings

THE sale of prize bonds during the four months, April to July 1961 came to over rupees one crore. The total sales since the prize bonds scheme was introduced in April 1960 to the end of July 1961, were Rs 16.6 crores.

The net small savings collections during 1960-61 amounted to Rs 103.79 crores. This is the first time that during the Second Five Year Plan the net small savings collections exceeded Rs 100 crores, During the four months, April to July 1961, the net small saving collections amounted to Rs 16.12 crores.