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Africa and Nigeria's Economic Future Development.

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ABSTRACT: This paper analyzes the African and by extension Nigeria's economic future. The study adopted the dependency theory and the methodology is basically secondary data that were utilized for the analysis. In the findings, the paper found that despite the recovery in the second half of the past decade, economic conditions in Africa remain highly fragile. Only a handful of countries in Sub-Saharan Africa (SSA) have been able to combine relatively rapid growth with rising domestic investment and savings, but even in their case economic performance continues to depend heavily on conditions beyond their control, including commodity prices, capital lows, weather and political stability in their neighborhood. Projections for the region under recent trends with respect to key variables such as capital flows, terms of trade, and investment and savings rates, as well as growth prospects in the rest of the world economy, give around 3 per cent growth per annum for the first decade of the new millennium. Not only is this well below the rate of growth needed to attain the poverty reduction target set by the international community, but it is also considerably less than the growth rates projected for other developed and developing regions, implying further marginalization of Africa in the world economy. Also, the study found the analysis of African economy clearly indicates that without a major reorientation of international and domestic policies it would be almost impossible to change the fortunes of the region. By way of recommendations, the study points that the first area of action relates to aid. For African countries to generate the resources needed to sustain satisfactory growth and development there is need for aid. Also, structural adjustment and macroeconomic policies is important to affect poverty mainly through two channels: growth and income distribution.
KEY WORDS: Africa, Development, Undevelopment, Economy, African Economy

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I. INTRODUCTION

The history of Africa is replete with intervention through colonial conquest and the imposition of colonialism on Africa altered its history forever. African modes of thought, patterns of cultural development, and ways of life were forever impacted by the change in political structure brought about by colonialism. The African economy was significantly changed by the Atlantic slave trade through the process of imperialism and the economic policies that accompanied colonization. Prior to the "Scramble for Africa" or the official partition of Africa by the major European nations, African economies were advancing in every area, particularly in the area of trade. The aim of colonialism is to exploit the physical, human, and economic resources of an area to benefit the colonizing nation. European powers pursued this goal by encouraging the development of a commodity based trading system, a cash crop agriculture system, and by building a trade network linking the total economic output of a region to the demands of the colonizing state (Sheriff, 2015).

Africa prior to colonialism was not economically isolated from the rest of the world. Indeed, African states had engaged in international trade from the time of the pharaohs of ancient Egypt, and West Africa specifically had developed extensive international trading systems during the eras of Ghana, Mali, and Songhai. These huge empires relied heavily on the taxing of foreign trade to finance government expenditures. The wealth of these nations was dependent largely on the trade in gold, but also on the levying of customs, taxes, booty from foreign expeditions, and fees associated with administrative offices. However, even more significant to the era of colonialism is the era of the Atlantic slave trade.

African countries, Nigeria inclusive remain by and large dependent on the export of a few commodities, and terms of trade losses have further aggravated their capacity to invest in human and physical infrastructure. Present levels of national savings and investment are insufficient to ensure a process of accumulation necessary

to place Africa on a sustainable growth path. Despite commitments by the international community to assist Africa in its efforts to achieve accelerated growth, the support provided has fallen far short of expectations. Indeed, official development assistance has suffered a continuous downward trend, representing less than one-third of the internationally agreed targets.

CONCEPTUAL AND THEORETICAL DISCOURSE

Concept of Underdevelopment

The term underdevelopment is used in the social sciences to refer to certain areas of the world; it gained prominence in the late 1940's. Prior to this time, other derogatory terms has been used to quality and describe these areas as has noted, in the 18th century, such terms as "rude" and barbarous were used to describe countries in Asia, Africa and Latin America. In the 19th century, those terms were dropped in favour of new terms such as "backward" and primitive". In the 20th century, especially after the end of world war if the previous terms were equally abandoned in their places, new terms such as "underdevelopment" and "developing" were used.

At the moment, it has been suggested in some quarters that such tenures as "less developed", "developing", "poor", and emergent countries should use instead of underdeveloped countries. The reason for this suggestion as spotlighted by Walter Rodney, "is to avoid any unpleasantness which may be attached to it" and which may be interpreted as including such physical deformities as mental and moral underdevelopment (Rodney, 1974).

It is also been suggested that the previous derogatory terms should be dropped in favour of less offensive or mild ones such as "developing" or emergent. This is perceived as a calculated design or ploy by the west to mask or common flag economic stagnation and exploration exists in underdeveloped areas. It is contended for instance that the application of such terms as "developing" instead of underdeveloped gives an erroneous impression, that these countries are changing positively and thus are developing and that if the right policies are implemented, sooner or later these countries will definitely catch up with the developed countries of the world.

In view of this assumption, the Marxist Theorist prefer to use the term "underdevelopment" to describe the less developed parts of the world. The reason for this is that the term "underdevelopment" is believed to be best concept that can apply describe the state of stagnation and exploitation that is prevalent in these societies. We now shall examine the meaning of the concept of underdevelopment.

Concept of Development

Development as a concept has myriad of definitions. Todaro (1985) asserts development is a multi-dimensional process involving the reorganization and reorientation of the entire economic and social system. This involves in addition to improvement of income and output radical changes in institutional, social and administrative structures as well as in popular attitude, customs and beliefs. The main argument of Todaro is that development is both a physical process and or state of the mind. The transformation of institutions is one aspect. The other aspect is that the thinking of the people must change. Again, according to Todaro (2003), the concept of development implies improvement in productivity, income, attitudes, customs and belief and putting in place better institutional structures. This improvement is necessary condition for improving mass living standard. So, development is about improvement in every aspect of man in relation to his environment.

It is possible to have growth without development so also progress, modernisation and westernisation. While development is more than growth, progress, modernisation and westernisation, all these are sine qua non for development. So what is development?

According to Rodney (1972):

Development is a many-sided process implying for the individual, skills and capacity, greater freedom, creativity, self-discipline, responsibility, and material well-being. The process involves the development of tools, skills and the mobilisation of required resources for development purpose.

According to Nnoli (1979):

Development refers to checklist of technical artifacts. To him, the availability of schools, hospitals, road networks, electricity, boreholes and other infrastructural faculties are indications of development.

To V.I. Lenin (1968) development means:

A progressive movement, ascension from lower to higher stages and from simple to complex situations- the simple/lower stage(s) refers to the state of nature in which society finds itself in the process of social evolution.

According to Seers (1969:5) the question to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result development, even if per capital income doubled.

The World Bank in World Development Report (1991) believe that the concept of development has both economic, social and political attributes such as sustainable increase in living standards including consumption, education, health and environmental protection, equality of opportunity and liberties and political freedom.
From the variegated definitions above, there is clear indication that development does not have precise definition; nevertheless, the following viewpoints can be discussed as common grounds of agreement.

i. Development is a process and not a state and this process are many-sided.

ii. Development involves action which emphasises the conscious efforts of the state to induce development in the society.

iii. It focuses on quantitative and qualitative changes in the structure, composition and performance of the forces of production.

iv. It also emphasised an increasing capacity to make rational value and use of natural and human resources for meeting people's social ends.

v. It ultimately brings about qualitative improvement in the standard of living of the people.

Above all, a study of development provides you an insight to understanding the direction of societal change, its causes, and dimensions. The onus of providing theoretical and empirical explanations for these, strand by strand directly constitute the thrust of this study.

Theoretical Framework

This study adopted dependency theory to understand the trajectory of the African economy. Dependency as a concept is an externally tricky concept because of the increasingly integrated world economy. However, political independence means nothing without economic independence. It is within this context that Kwame Nkrumah (1965:98) former President of Ghana in his work: *Neo-Colonialism: The Last Stage of Imperialism* observed that:

The Third World Countries would not make a forward march towards economic independence until neo-colonialism or neo-imperialism was vanquished. To give credence to this assertion, decades after political independence for most of the Third World Countries, they have remained perpetually dependent.

What is Dependency? According to Offiong (1980) in Sheriff (2015) dependency refers to the situation that the history of colonial imperialism has left, and that modern imperialism creates in underdeveloped countries. According to Johnson (2002), dependency is imperialism seen from the perspective of underdevelopment. Dependency from this perspective is not an external factor but as a conditioning situation in which the specific histories of development and underdevelopment transpired in various societies.

To Dos Santos cited in Sheriff (2015:73-74):

Dependency refers to a situation in which a certain group of countries have their economy conditioned by the development and expansion of another economy, to which the former is subjected. The relation of interdependence between two or more economies and between these and world trade assumes the form of dependence when some countries (the dominant) can expand and give impulse to their own development, while other countries (the dependent) can only develop as a reflection of this expansion.
From the forgoing definitions, there seemed to be some common agreement by these scholars on some issues which include:

i) that development and dependency is relational.

ii) that global inequality in wealth and development is situated within the historical exploitation of poor societies (Third World Countries) by the rich countries (Advanced Countries).

iii) that the dominant (Advanced Countries) are capable of dynamic development responsive to their internal needs whereas the dependent (Third World) have reflex type of development.

iv) that the development alternatives open to the dependent nations are defined and limited by its integration into, and functions within the world capitalist market.

v) that the basic situations of dependence lead to a global situation in dependent countries that situated them in backwardness and under the exploitation of the dominant countries;

Therefore, dependency theory emphasizes that the condition of underdevelopment is precisely the result of the incorporation of the Third World economies into the capitalist world system which is dominated by the West and other western allies. And through policies like imperialism, colonialism and neo-colonialism, the developed nations conventionally manipulate the economic system to their advantage and to the detriment and continuous underdevelopment of the Third World.

FACTORS THAT LED TO AFRICA'S ECONOMIC UNDERDEVELOPMENT

The seemingly intractable nature of Africa's poverty runs counter to modern economic theory, leading to debate concerning its root causes. Endemic warfare and unrest, widespread corruption, and despotic regimes are both causes and effects of the continued economic problems. The decolonization of Africa was fraught with instability aggravated by cold war conflict. Since the mid-20th century, the Cold War and increased corruption and despotism have also contributed to Africa's poor economy (Moshoba, 2000).

Slave trade: The first tool that was used to create inequality in the global market was the Trans-Atlantic slave trade. The Africans that were taken from the shores of Africa more than 15 million. These people that were taken as slaves were the able-bodied young men that were supposed to work to bring about the development of the African society. So, Africa was starved of labour force that should have developed the society, as such, that underdevelopment of Africa led to the development of Europe (Hansen and Schulz, 1989).

The incorporation of the African society to the world economy: The world economy according to the World Bank Report of 2015, is controlled by the following 13 countries or regions have reached an economy of at least US$2 trillion by GDP in nominal or PPP terms: Brazil, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, the United Kingdom, the United States and the European Union. The 54 African states that have more than one billion people have the world richest mineral resources, but they are still the poorest in the world. This poverty is because of their incorporation into and their role in the world economy (Hansen and Schulz, 1989).

Colonialism: At the beginning of the 19th century, trade became the live wire of the global economy which was hijacked by the Europeans. This almost led a clash among the western countries. In 1885, the seven European countries met in Berlin Conference and partitioned Africa which brought about the genesis of colonialism. Colonialism intensified the underdevelopment of Africa which led to commodity production that fulfilled the needs of the Europeans. The effect of colonialism are myriad; besides the introduction of commodity production, and destroying African industries, it also imposed unfavourable division of labour which made Africa specialize in primary products to feed industries in Europe and lastly, it made Africa become a dumping ground (David, 1993).

Disarticulation of the economic system: The various sectors of the African economy have only few, if any, inter-sectoral exchanges. Thus, agricultural production is geared into exports rather than for the nation's food consumption requirements and as industrial raw material. Accordingly, countries with 80% of their population engaged in agricultural production are forced to import food. Raw materials are not produced for the consumption of indigenous industry on the other hand, they must import most of its capital goods and raw materials. So, there is little or no inter-sectoral connections and exchanges between the agricultural sector and the industrial sector of the underdeveloped economy (Hansen and Schulz, 1989).

Unevenness of productivity between sectors: Underdeveloped countries are characterized by relatively small, highly capitalized sectors on one hand and low productivity, backward agricultural sectors on the other hand. The low productivity sectors are big but subordinated to the world market rather than existing independently as traditional economies. These backward sectors articulate with the world market by producing primarily for the capitalists' market and only secondary for their own consumption. While at the same time, the small and highly capitalized sector which is a dependent industrial sector does not produce much even for both the local and international market and the wages of those working in this sector are depressed to a paltry sum due to the reserved army of labour of the backward agricultural sector (Baran, 1958).

Domination from outside: This is most production-whether agricultural, mining or industrial- is geared to conditions obtainable in the world capitalist system as a whole. Foreign capital generally controls the decisive sectors of the economy and the economic decisions of third world countries are generally circumscribed by external debts and constantly recurring need to borrow (Baran, 1958).

The role of the national bourgeoisie: The dependent relationship is further enhanced by the national bourgeoisie of the periphery country who facilitates the penetration and continued exploitation of their own economy. The national bourgeoisie is not a true bourgeoisie because it cannot innovate and invent the way the metropolitan bourgeoisie do. Instead, it functioned primarily as agent of metropolitan capital to facilitate imperialist penetration, its role is that of an intermediary- a middleman between the metropol and the periphery (Geoffry, 1975).

Lack of Infrastructure: significant limitations to economic growth and achievement of the Millennium Development Goals (MDGs). Infrastructure investments and maintenance can be very expensive, especially in such areas as landlocked, rural and sparsely populated countries in Africa. It has been argued that infrastructure investments will be contributed to more than half of Africa's improved growth performance between 1990 and 2020 and increased investment is necessary to maintain growth and tackle poverty. The returns to investment in infrastructure are very significant, with on average 30–40% returns for telecommunications (ICT) investments, over 40% for electricity generation and 80% for roads. In Africa, it is argued that to meet the MDGs, infrastructure investments would need to reach about 15% of GDP (around $93 billion a year). Currently, the source of financing varies significantly across sectors. Some sectors are dominated by state spending, others by overseas development aid (ODA) and yet others by private investors. In sub-Saharan Africa, the state spends around $9.4 billion out of a total of $24.9 billion (ECA, 1996).

Bad Governance: Although Africa and Asia had similar levels of income in the 1960s, Asia has since outpaced Africa. One school of economists argues that Asia's superior economic development lies in local investment. Corruption in Africa consists primarily of extracting economic rent and moving the resulting financial capital overseas instead of investing at home; the stereotype of African dictators with Swiss bank accounts is often

accurate. University of Massachusetts Amherst researchers estimate that from 1970 to 1996, capital flight from 30 sub-Saharan countries totaled $187bn, exceeding those nations' external debts. This disparity in development is consistent with the model theorized by economist Mancur Olson. Because governments were politically unstable and new governments often confiscated their predecessors' assets, officials would stash their wealth abroad, out of reach of any future expropriation (David, Paul, and Stephen, 1999).

Foreign aid: Food shipments in case of dire local shortage are generally uncontroversial; but as most famines involve a local lack of income rather than of food. In such situations, food aid - as opposed to financial aid - has the effect of destroying local agriculture and serves mainly to benefit Western agribusiness which are vastly overproducing food as a result of agricultural subsidies. Historically, food aid is more highly correlated with excess supply in Western countries than with the needs of developing countries. Foreign Aid has been an integral part of African economic development since the 1980s. The Aid model has been criticized for supplanting trade initiatives. Growing evidence is showing that foreign aid has made the continent poorer. One of the biggest critic of the aid development model is Economist DambisoMoyo, who introduced the Dead Aid model that highlights how foreign Aid has been a deterrent for development initiative and provides an alternate model. Today, Africa faces the problem of attracting foreign aid in areas where there is potential for high income from demand. It is in the need for more economic policies and active participation in the world economy. As globalization has heightened the competition for foreign aid among developing countries, Africa has been trying to improve its struggle to receive foreign aid by taking more responsibility at the regional and international level. In addition, Africa has created the 'Africa Action Plan' in order to obtain new relationships with development partners to share responsibilities regarding discovering ways to receive aid from foreign investors (Moshomber, 2000).

Low human capital development and underutilization of research development: According to Jawaharlal Nehru the first Prime Minister of India, "It is only science and technology and its application that can solve the problem of hunger, illiteracy, and superstition". With science and technology, a country can solve the problem of vast resources lying waste, and it will solve the problem of rich country looking down on the poorer nations.

Corruption: Corruption is one of the banes of African development because it has to do with greediness, nepotism, godfatherism and the misappropriation and misapplication that our leaders perpetrate while in office. Sit-tight syndrome is another thing that can count against the African society because instead of the leaders to develop Africa, they prefer taking away this money and stashing in the banks in western societies.

FACTORS AFFECTING GROWTH PROSPECTS OF THE AFRICAN ECONOMIES

No process of growth can be sustained without capital accumulation. While considerable productivity gains could be attained by more intensive and efficient use of existing resources, such gains would be one-off and unlikely to lead to rapid and sustained growth unless translated into investment in productive capacity, including physical and human infrastructure (Louis, 1981).

The difficulties in raising domestic savings to support rapid capital accumulation and growth in low-income economies unable to provide the basic needs of the population are well known. While appropriate policies may help raise the savings rate once sustained growth is under way, in such countries sizeable increases in domestic savings cannot be expected to take place as a pre-condition for acceleration of investment and growth.

The problem of inadequate resources for accumulation and growth is further aggravated in Africa by the adverse terms of trade movements that the continent has been suffering in the past two decades. Declines in real commodity prices, particularly for agricultural commodities, and terms of trade not only siphon off the resources needed for investment and growth, but also constitute disincentives for private capital accumulation, particularly where government intervention in agricultural pricing and marketing boards have been dismantled and producers are left to face constantly falling real prices. Under such conditions, attaining rapid and sustained growth would depend on the provision of external financing, not only to compensate for the resource drain through terms of trade losses but also to supplement domestic savings. Given that private capital flows, including FDI, lag rather than lead economic growth, such financing would have to rely on official sources (Robbok& Samuel, 2009).

On this score too, the recent trend is not very encouraging; not only has the region been unable to participate in the recovery of private capital flows to developing countries that began in the early 1990s, but it has also faced stagnant or falling official financing.

There can be little doubt that, even under a favourable external trading and financial environment, considerable domestic policy efforts would be needed to ensure that economies gradually become self-reliant in sustaining rapid growth. Successful examples of growth in East Asia show that while foreign savings play and important role in the earlier stages of capital accumulation, subsequently high rates of investment need to be supported by rising domestic savings. Again, foreign markets play a crucial role in this process. Export growth supports investment because it helps to earn foreign exchange needed for capital goods imports and advanced technology. New investment supports exports by providing the basis for productivity growth and increased

competitiveness and by allowing production to be shifted towards products with high income elasticity, thereby helping to avert terms of trade losses.

Successful examples of industrialization and growth are thus underpinned by rising rates of savings, investment and exports. While African countries have in the past experienced surges of investment and growth, they have not in general been able to establish a virtuous circle of investment, savings and exports (Abdullahi, 2009). The post-colonial growth surges in SSA mentioned above were too often followed by widespread investment slumps, rather than being translated into a virtuous growth process through complementary increases in domestic savings and exports. A close look at the recent trends and patterns in investment and savings and external trade and financing suggests that the current configuration of domestic and external factors is also far from establishing mutually reinforcing impulses of economic growth and structural change.

For the continent as a whole, both domestic savings and investment ratios dropped significantly in the 1980s compared to the 1970s, and the recovery in the latter half of the 1990s was not strong enough to restore the levels attained during the latter half of the 1970s. Indeed, both savings and investment rates of the 1990s are below the levels attained in the difficult years of the 1980s.

This trend has been greatly influenced by sharp drops in North Africa and RSA. In the former subregion both investment and savings rates show almost continuous declines since the 1970s; in particular the investment ratio underwent a sharp decline from more than one-third of GDP in the late 1970s to less than one-quarter in the late 1990s. The deterioration in the savings and investment ratios since the 1970s is greater for the rest of the region taken together (that is, SSA plus RSA) than for SSA alone (Supper, 2001). For SSA, both savings and investment rates experienced sharp declines during the 1980s, and while the investment rate registered a moderate recovery in the 1990s, the savings rate lagged considerably behind, resulting in a larger savings-investment gap and increased dependence on external financing. Moreover, even at the levels attained by the late 1990s, capital accumulation and savings rates in SSA were much lower than the levels reached two decades earlier and significantly below the levels required to meet the 6 per cent growth target.

There are considerable variations among the countries in the region regarding the evolution of their savings, investment and growth rates. This paper classifies countries according to changes in their average growth rates and savings and investment ratios between the 1980s and 1990s. The number of countries with better and worse performance during the 1990s in terms of savings and growth rates is roughly equal. On the other hand, investment rates show declines in 23 countries and increases in only 16 countries. A comparison between the first and second half of the 1990s shows a more favourable picture, with 29 out of 39 countries attaining higher GDP growth rates in the second half. However, this acceleration of growth is not accompanied by an equally widespread improvement in investment and savings rates; countries with higher investment and savings rates in the second half of the 1990s number 18 and 20 respectively, compared to 21 and 19 countries with declining investment and savings rates respective (Ianchovichina, Mattoo and Olarreaga, 2001).

THE FUTURE OF AFRICAN ECONOMY

A closer examination of African economy reveals different configurations of savings, investment, and growth rates, with different implications for growth prospects:

Savings

Firstly, a small number of countries show a virtuous process of accumulation, combining faster growth with rising savings rates. This group includes Mozambique, Uganda, Ghana, Mali and Nigeria, where acceleration of growth is quite significant, exceeding 2 percentage points per annum. A further group, consisting of Madagascar, Central African Republic and Benin, also falls into this category, but with moderate improvements in growth. In the majority of countries in this group, the recovery in investment rates exceeds the increases in savings rates, implying rising external deficits and increased dependence on external financing.

Secondly, a second group combines rising investment and growth rates with falling savings rates: Namibia with strong improvement in growth and Seychelles with moderate improvement. Clearly, such a process is not sustainable in so far as there are limits to external financing to meet the domestic savings gap.

Thirdly, a number of countries combine increased growth rates with declining investment ratios, with savings rates rising or falling. These include Niger, Côte d'Ivoire, Gabon, South Africa, Togo, Malawi, Mauritania and Tunisia, with the first three clearly, such growth results from improved or fuller utilization of the existing resources but cannot be sustained unless translated into increased investment.

Fourthly, a group of countries had declining growth rates despite rising investment ratios (Zimbabwe, Burkina Faso, and Chad). While this is often explained in terms of increases in capital-output ratios and rising inefficiency and wasteful accumulation, it can also reflect continued policy emphasis on accumulation despite under-utilization of existing production capacity due to balance-of-payments or demand constraints. Such a phenomenon was quite widespread in the 1980s, when external aid was made available for investment but not for general balance-of-payments support (Onishi, 1999).

Finally, many countries combine declining growth rates with lower investment ratios. Some of these had experienced relatively high growth and investment rates in the 1980s, and despite the subsequent slowdown these countries attained positive per capita income growth rates in the 1990s (Botswana, Egypt and Morocco). For others, deceleration in accumulation meant stagnation or decline in per capita incomes (Algeria, Kenya, Democratic Republic of the Congo, Cameroon, Burundi, Rwanda, Zambia, Comoros, Guinea- Bissau, Swaziland, and Congo). Most of the latter countries also experienced declines in savings rates (UNCTAD, 2001).

Thus, the recent trends in investment and savings rates in SSA suggest that a large majority of the countries in the region have not been able to move into a faster and sustainable growth path despite the improvement in their overall growth performance in the 1990s.

Of the 39 countries analyzed, only 5 have been able to combine a significant acceleration in growth with rising investment and savings rates in the 1990s compared to the 1980s. The rest show either stagnant accumulation and growth rates, or alone-off surge in growth not underpinned by rising investment and/or savings.

External financing and debt

The international community has repeatedly emphasized the role of external financing in closing the resource gap in Africa and raising investment levels so as to meet various targets set with respect to GDP growth and poverty alleviation, including the United Nation's growth target of 6 per cent per annum. However, while the gap between the level of investment needed and the domestic resources available has tended to rise during the past two decades, total net capital inflows to the region have stagnated or fallen.

Unlike many developing countries which experienced sharp declines in capital flows in the 1980s as a result of a drastic cutback in bank lending, total net capital inflows to SSA as a proportion of GNP registered a moderate increase in the 1980s compared to the 1970s, but they fell somewhat in the 1990s. Excluding Nigeria, total net capital inflows were lower in the 1990s than in the 1970s (Aja, 2009).

The decline is even more striking when capital flows are expressed in per capita terms or in real terms (i.e. deflating the current values by the import price index in order to express them in terms of their purchasing power over foreign goods). In per capita terms, capital inflows to SSA reached a peak in 1981, fluctuated around a declining trend until 1990 and fell thereafter almost continuously.

International trade

(a) Dependence on primary commodities and export performance: As in most other parts of the developing world, the emphasis on trade liberalization and exports in the past decade has meant an increased importance of international trade in economic activity in Africa. As a consequence, trade (merchandise exports plus imports) in SSA as a share of GDP increased from 38 to 43 per cent between 1988–1989 and 1999–2000.24 However, despite the increased trade orientation of SSA, the share of the region in world trade has declined because its exports have grown much more slowly than world exports, a phenomenon often seen as the marginalization of the region in world trade.

The composition of African exports has continued to be dominated by primary commodities, despite some progress in moving to manufactures. The increase in the share of manufactures in African exports partly reflects the effect of declines in the prices of commodities relative to manufactures in the past two decades among all developing regions. Again, while the ratio of debt to GNP fell or remained relatively stable in other regions, it tended to increase in Africa during the 1990s; at the end of the decade it was above the level attained at the beginning.

(b) Competitiveness of African non-traditional exports: In order to reduce dependence on traditional commodity exports, an increased number of African countries has been moving into exports of processed goods and manufactures. However, efforts have not always been successful in improving international competitiveness in such products, in large part because of low productivity and inappropriate exchange rates. The Summary therefore is that the findings regarding changes in international competitiveness of manufactured exports for nine African countries between 1980 and the late 1990s in terms of the evolution of unit labour costs in dollars, which vary positively with labour productivity and the real exchange rate and inversely with real wages.28 In such an assessment, it should be kept in mind that while the growth rate of exports is a key performance indicator, for countries which start from a very low base of exports of manufactures, high growth may be misleading.

II. CONCLUSION/RECOMMENDATIONS

Despite the recovery in the second half of the past decade, economic conditions in Africa remain highly fragile. Only a handful of countries in SSA have been able to combine relatively rapid growth with rising domestic investment and savings, but even in their case economic performance continues to depend heavily on conditions beyond their control, including commodity prices, capital lows, weather and political stability in their neighbourhood.

Projections for the region under recent trends with respect to key variables such as capital flows, terms of trade, and investment and savings rates, as well as growth prospects in the rest of the world economy, give around 3 per cent growth per annum for the first decade of the new millennium.42 Not only is this well below the rate of growth needed to attain the poverty reduction target set by the international community, but it is also considerably less than the growth rates projected for other developed and developing regions, implying further marginalization of Africa in the world economy.

The foregoing analysis clearly indicates that without a major reorientation of international and domestic policies it would be almost impossible to change the fortunes of the region. In this context, it is important to keep in mind that international and domestic actions are complementary rather than being substitutes. Just as greater domestic policy efforts cannot make up for shortcomings in the external trading and financial environment, increased aid and better trading conditions cannot offset the adverse consequences of misguided domestic policies.

While the primary responsibility for achieving the conditions for rapid and sustained growth lies with the countries themselves, the international community has also responsibility in securing consistency and coherence between international and domestic policy actions. This is because international actions exert a major influence not only on the external conditions facing Africa, but also on domestic policies through aid conditionality and stabilization and adjustment programmes supported by the Bretton Woods institutions.

i. The first area of action relates to aid. As noted above, there is now increased consensus that, even under the best possible policy regimes, African countries cannot generate the resources needed to sustain satisfactory growth and development. Various estimates of external resource requirements made in UNCTAD, the World Bank, ECA and elsewhere suggest that at least an additional $10 billion per annum would need to be maintained for a decade or so in order to lift the region onto a faster growth path. There can be little doubt that, in a number of countries, Governments can do a lot to help create the conditions conducive to inflows of the kind of private capital that can help close the resources gap.

ii. A key policy issue is the respective roles to be assigned to public and private sectors in economic activity and to government intervention and free market forces in generating incentives and guiding private sector behaviour. There can be little doubt that there is a need for a greater role for markets than had been allowed under the policy regimes of the post-colonial period.

iii. The exchange rate is the single most important price affecting trade performance and should not be left to shallow and volatile markets and to the vagaries of destabilizing capital flows. Stable and appropriately aligned exchange rates are difficult to achieve under an open capital account regardless of the exchange rate regime adopted, even in countries with more sophisticated and deeper financial markets and effective regulatory mechanisms.

iv. Structural adjustment and macroeconomic policies can affect poverty mainly through two channels: growth and income distribution. If policies fail to lift growth while creating greater inequalities in income distribution, the outcome would be rising poverty.

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