UNIT 8 AFRICA AND WORLD ECONOMY

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8.1 INTRODUCTION

Our discussion in this Unit is about Africa in the world economy in general. However, African continent as is normally understood has North African countries such as Algeria, Egypt, Morocco, Libya; Tunisia as well as a large number of Sub-Saharan African countries (SSA).

Africa is the second largest continent with an area of more than 30 million sq. kms., three times the size of Europe or USA. The sheer size of its landmass, its diverse climatic conditions and demography present a unique environment with far-reaching implications for economic and social development. However, Africa has a disproportionately short coastline compared with several other countries. Many countries are land-locked and located in areas prone to unpredictable climatic changes. Desertification is a major obstacle to increased agricultural productivity especially in countries of the Sahel region. Africa has Sewer major river systems—the Nile, Congo, Niger and Zambezi, but they are less navigable over long distances. The continent suffers from high transportation costs both for domestic and international traffic. Means of communications are also costly,

The dawn of the new millennium offers an appropriate opportunity to take stock of Africa's long-term economic growth potential. Despite the similarities of the problems affecting these countries, they have widely diverging economic structures and chequered history of the processes of their economic development, particularly since 1970.

8.2 POSITION OF AFRICA IN INTERNATIONAL ECONOMY

Africa has been rich in both mineral and agricultural resources. For example, Southern Africa has nearly 90 per cent of known world reserves of platinum group metals; 85 per cent of chromium; 75 per cent of manganese and 50 per cent of gold. With rich fauna and flora resources, nature has been bountiful to the region to produce a variety of tropical commodities for meeting its domestic as well as external demand. However, African countries have lagged behind considerably in developing their resources during the years following independence.

African econoinies are small in terms of population and purchasing power. Out of 54 countries in the continent, nearly 30 have population less than 10 million, hardly indicating optimum size of the market for a viable manufacturing plant for a range of manufacturing products.

Over the years, Africa has witnessed declining share of its GDP in total world output from a low of 1.25 per cent in 1960 to 1.1 per cent in 1997. That indicates fall in *per* capita income in contrast to doubling of the average global per capita income. Further, Africa has had the categories of Fast growth economies such as Botswana and Mauritius (more than 5 per cent growth *per annum*); second tier countries with growth of 3 per cent to 5 per cent *per annum*; slow growth economies with less than 3 per cent growth rate and very poor countries such as Burundi, Democratic Republic of Congo, Sierra Leone and Somalia.

South Africa with a per capita income of $3310 is the region's most prosperous state followed by Botswana $ 3070; Namibia $1940 in contrast to *per capita* income of $200 in Malawi and Mozambique and $330 in Zambia and $350 in Angola.

Deriving mostly their GDP from mineral and agricultural sectors, the share of manufacturing in the GDP of Africa has been very low even by the standards of other developing regions. In 1995, for instance, it was only 11.5 per cent compared with 21 per cent for Latin America; 24 per cent for South and East Asia. Further, Africa's share in manufacturing value added (MVA) of all developing countries was only 5.5 per cent in 1995, a decline from the low level of 6.9 per cent in the mid-1980s.

Africa: Macroeconomic Indicators: 1995-2000

(percentage)

Indicators/Years	1995	1996	1997	1998	1999
Real GDP growth	2.8	5.5	3.4	3.7	3.5
Per capita GDP growth	0.1	2.7	0.7	1.1	0.9
Inflation	32.8	24.8	13.3	10.0	9.8
Investment-GDP Ratio	19.5	18.4	18.8	20.5	20.8
Exports growth	9.4	5.5	5.9	-1.0	1.9
Imports growth	11.5	3.3	7.1	4.8	4.2
Current account balance ($ billion)	-13.4	-5.5	-6.5	-21.0	21.9
Debt Service (% of exports)	24.4	20.4	20.2	21.2	24.6

Source: ADB, *African Development Report* 2000 (Oxford University Press, 2000) p.2.

Africa enters the new century facing enormous challenges with close to 350 million people living below $1 a day or less. Up to 150 million children live below the poverty line. Thus Africa is the only region in the world having such a magnitude oi'poverty.

Africa's share of the world stock of FDI is both very small and has been continuously declining over the years. An indication of the marginalisation of the continent in the world economy is the very low absolute value of its exports and its decreasing share in world trade in the post-independence period.

Africa has been engulfed in heavy foreign debt burden during 1980s and 1990s. From $42.5 billion in the 1970s, Africa's debt rose to $1 04 billion in 1980; $171.3 billion in 1986. However in case of Sub-Saharan Africa, the value of external debt has been falling, from $235 billion in 1995 to $215 in 1999 and $203 billion in 2001. This is because net debt flows were negative since 1998, meaning thereby that outflows exceeded inflows. Other non-debt creating flows did register considerable increase during the above period. Despite that, the burden of debt servicing has not eased; rather high debt service ratios have affected the social welfare programmes and viable economic projects adversely.

8.3 AFRICA'S ECONOMIC PERFORMANCE SINCE INDEPENDENCE: AN OVERVIEW

Ever since its independence, Africa's economic growth experience can be divided into five phases. First, the immediate post-independence period, i.e. 1965-73 witnessed rapid economic expansion till the first oil shock when the region was hit severely. Adjusting to the first oil shock and world recession during 1973-80 was the second phase of its development in the continent. Third, the period of adjustment to the second oil price hike and consequent massive terms of trade losses, high world interest rates and cutbacks in external financing characterised the years 1980-85. It was followed by the period of Structural Adjustment Programmes (SAPs) during 1986-95in the fourth phase. Economic reforms were underpinned by external support and financing by the international financial institutions. Lastly during 1995-99, economic recovery was achieved to some extent, but was soon marked by the Asian financial crisis and resultant shortfall in commodity prices at the end of the last century. This is an aggregative analysis of three and a half decades but underneath there have been wide divergences in the economic performance in different regions of the continent.

After growing rapidly in the late 1960s and early 1970s, SSA experienced decline since the mid-1970s. GDP per capita fell by15 per cent between 1977 and 1985; export performance collapsed—from a growth of almost 10 per cent per year in the early 1970s to a hefty decline in the early 1980s. By mid-1980s, food imports accounted for more than 15 per cent of the total imports of Afsica. Between 1974 and 1990, cereal imports by SSA alone rose at the rate of nearly 4 per cent per annum and food aid by 7 per cent per annum.

8.3.1 Structural Adjustment Programme

To reverse the economic decline, many African countries undertook Structural Adjustment Programmes (SAPs) since the mid-1980s as a necessary step on the road to sustainable poverty-reducing growth. Although there has been turnaround in growth in a number of countries, economic performance for the region as a whole has been disappointing. This poor economic record has sparked debate on the adjustment process itself: does Africa's poor performance represent a failure to implement the needed policy reforms? Or, is it a failure of the design of adjustment policies themselves? Has growth been adequate? Has the supply response been strong? Do investment-GDP ratios show improvement? What role has been played by external financial flows? And, have adjustment policies hurt the poor?

Numerous studies of the World Bank show that Africa's inability to improve growth is mainly the result of a lack of sustained reform, not a failure of the reforms themselves. Indeed in the few countries that have implemented and sustained major policy reforms, there has been renewed growth. Many countries have yet to implement the reforms needed to restore growth. And even among the highly adjusting countries, no country has gone the full distance in putting a stable macroeconomic framework in place. There is also a viewpoint that if implemented fully, adjustment policies alone are not enough to put African countries on a sustained, poverty-reducing growth path. Development requires much more than just good policy. For instance, it requires sustained investment in human capital and infrastructure, strong institutions and good governance.

SSA encountered severe economic and social crisis during 1980s. This was retlected in declining and even negative GDP growth rates, negative *per capita* GDP and falling gross domestic investment. At sectoral level, agriculture suffered badly during 1980s and while its growth rate declined to 2.8 per cent in 1987-91 from 3.1 per cent in 1981-86, *per capita* output growth remained negative. The industrial sector too, showed an unimpressive record at an annual average growth rate of 2 per cent during 1980s, much lower than the 1970s growth rates. Despite the poor performance of the agriculture sector, manufacturing failed to increase its share of GDP during this decade except for a small group of countries (Mauritius, Zimbabwe, Cote d' I'voire) and made a negligible contribution to manufacturing value added, which in turn was reflected in the negligible share of SSA manufacturing exports in total world trade.

According to many, African problems are not really unique, but are part of the contemporary global forces. Africa's predicament could be situated in a larger historical perspective at the global level and seen in terms that are neither unique nor inherently pessimistic. There are definite limits to what states can do, as opposed to the past view that they could do virtually everything and anything. Unprecedented changes in global system brought about by the end of the Cold War, the collapse of the Soviet Union, the fall of the Berlin Wall and bi-polarity in world politics had fir-reaching impact on Africa. Market and democratisation have been the hallmark of the transformations of 1980s and early 1990.

In the walte of independence in the early 1960s, Africa was considered to have enormous growth potential particularly compared to Asian countries because of large *per capita* availability of land mass and mineral wealth. However, the continent's performance has worsened from one decade to another. The possible reasons are the following:

African economies are small in terms of population. Out of 54 countries nearly 30 have a population of less, than 10 million; about 10 countries have population of more than 20 million, making inward-looking development strategies unviable. Agriculture sector provides livelihood for two-thirds of population; export dependence on a few primary commodities persists but with declining market share.

Weak physical and social infrastructure and a low level of technological capabilities coupled with highest rate of growth of population, unmanageable debt and high debt service obligations and heavy dependence on foreign aid eroded the autonomy of the African states. Thus African development came to be increasingly characterised as "donor-driven development policies".

In the adoption and implementation of SAPs mostly under donor pressure since the early 1980s, these resulted in devaluation of local currencies, liberalisation of trade and financial sectors, removal of subsidies, introduction of user charges, cost recovery measures, privatisation and abolition of state trading organisations in most African countries.

However, SAPs Failed to solve Africa's poverty and underdevelopment, rather these made those countries more dependent on external forces and increased economic hardship for majority of the population. In the name of economic restructuring these countries witnessed closure of industrial plants, savage cutbacks in public expenditure and massive retrenchment of labour.

8.4 AFRICAN FOREIGN GRADE: KEY FEATURES

An indication of the marginality of Sub-Saharan Africa (SSA) in tlie world economy is the very low level of its exports and its diminishing share in world trade in tlie post-war years. In 1995, tlie value of total merchandise exports from SSA was $73 billion equal to $74 billion in Malaysia and $125 billion in South Korea alone in the same year.

Africa's total share in world exports was 5.3 percent in 1950. While in 1960s and 1970s, this share, on an average, declined to 4.3 per cent. From a small rise of 4.6 per cent in 1980, the sliare again fell to 3.2 percent in 1985; 2.3 percent in 1990 and nose-dived to 1.6 per cent in 1995. In case ol' SSA, this sliare has a sharp fall, reaching 1.1 per cent in 1996 from a high of 3.5 per cent in 1950 and an average of 2.5 per cent during 1960s and 1970s.

On the import side also, the picture remained dismal for tlic whole of Africa. From a high of 5.7 per cent of world imports in 1950, this sliare averaged around 4 per cent in 1960s and 1970s but recorded continuous fall i.e., from an average of 2.5 per cent in 1980s to slightly less than 2.0 per cent in tlie first half of 1990s. In the case of SSA, its imports share was 3.10 per cent in 1950, averaged not more than 2.5 percent till 1980 but declined to an average of 1 per cent only till mid-1990s.

It is not only the staggering fall in share of world trade, but Africa's terms of trade also worsened during 1980s and 1990s. For example, the terms of trade of SSA non-oil countries fell by more than one-third between 1977 and 1993 compared with a decline of 20 per cent for other non-oil developing countries. By 1993, tlie SSA needed to increase tlie volume of their exports by more than 50 per cent above their 1977 level in order to be able to import the same volume of goods. These averages conceal more than what they reveal. In some cases, for example, terms of trade deteriorated 50 per cent or even more than SO pel-cent. Fur example in 1996, Ghana (42); Uganda (36); Ethiopia, Madagascar and Nigeria (54,56,51 respectively) were some of tlie worst cases to witness considerable fall in terms of trade.

A glance at export composition and resource endowment of African economies indicates that primary commodities i.e., traditional ones constitute the bulk of their exports. While some of the dynamic primary commodities—semi-processed or so have begun to be exported from tliis region primarily comprising intra-African trade, tlie sliare is still minuscule. Further, manufactured exports form a tiny proportion of total exports. In two-thirds countries of SSA, manufactured exports account for only 15 percent of total exports. Nonetheless, the individual countries share varies significantly. For example, share of Mauritius in such exports is alone 70 per cent, followed by South Africa and Zimbabwe accounting for 30 per cent and Kenya, Senegal and Sierra Leone around 20 per cent in 1990.

Direction-wise, African countries have been traditionally trading more with Western Europe and still more than two-thirds of their exports and imports flow to and originate from that region alone. Intra-African trade has recently not accounted for more than 10 per cent of their total trade.

Factors responsible for low share of Africa in world trade include i) continent's small share in global output and hence low share in world trade; ii) slow growth in traded goods sector and hence a decline in the sliare of exports in GDP during 1980s and 1990s; iii) inadequate infrastructure facilities; iv) inappropriate economic policies and unfavourable climate conditions. Thus empirical evidence suggests that levels of infrastructure development, misalignment of exchange rates appear to be much more important factors than openness of these economies. High transport cost is another important barrier. Another factor inhibiting the diversification of primary exports from this region is vulnerability to natural calamities and also price instability and low price arid income elasticities of these exports in major export markets of Western Europe.

As a consequence, these African countries have suffered and even continue to suffer from import compression. Given however tlieir crucial dependence on imported capital and intermediate goods, low productivity and output growth affects exports adversely, Nor for that matter, performance of industrial sector has been encouraging in their post-independenceperiods. Available data indicate that manufacturing share in the GDP of Africa is low even by the standards of their developing region. In 1995, for example, it was only 11.5 per cent in Africa, compared with 21 per cent for Latin America; 24 per cent for South and East Asia, Further, among of all the developing countries, Africa's share in manufacturing value added (MVA) was only 5.5 per cent in 1996, a decline from the low level of 6.9 per cent in the mid-1980s. MVA grew only slightly between 1980 and 1990 in the African continent.

8.5 FOREIGN DIRECT INVESTMENT (FDI) IN AFRICA

FDI inflows into Africa in 1998 amounted to $8.3 billion as against $9.4 billion in 1997. The decrease *was* largely accounted for by South Africa where privatisation related FDI fell in 1998. Overall, Africa benefited from an increase in FDI inflows since the early 1990s compared to the levels in 1980s. However growth in FDI inflows was much less than that of other developing countries. Africa is still awaiting the realisation of its potential of FDI, hardly accounting for five per cent of total FDI inflows to developing countries.

FDI inflows to Africa are concentrated in few countries. While Nigeria and Egypt accounted far one-third of FDI inflows in 1998, South Africa, Botswana, Cote de' Ivoire and Tunisia are other major candidates to attract FDI. Further, 33 least developed countries (LDCs) in Africa registered an increase in FDI inflows during 1991-98. Their share in total FDI inflows in Africa rose from 20 per cent in early 1990s to nearly 25 per cent by 1998. A select number of countries such as Equatorial Guinea, Ethiopia. Mozambique, Uganda and Tanzania, Angola accounted for much of the iincrease in FDI during I 990s. Sectors which attracted FDI included natural resources (Equatorial Guinea), manufacturing and services (Ethiopia and Mozambique), petroleum and natural gas (Angola).

The main sources for FDI into Africa have traditionally been France, UK, USA and to a lesser extent Germany, Japan. Others such as Canada, Italy and Netherlands have recently been important suppliers of FDI to this continent. In 1997, USA (topping the list with $3.7 billion), Belgium ($1.2 billion), UK ($1.0 billion) and France (with $600 million) were major investors in Africa.

Mergers and acquisitions (M&As) characterise FDI in South Africa for, many South African firms are regarded as rewarding partners for foreign companies. Prospects for higher FDI into South Africa at the beginning of new millennium include sectors such as mining, manufacturing and telecommunications. Factors influencing FDI in South Africa include the pursuit of regional integration and market liberalisation within the South African Development Community (SADC), the conclusion of trade agreements with both USA and EU, as well as domestic economic and political development.

An interesting aspect of FDI is its outtlows from Africa. It accounts for less than 5 per cent of total FDI outflows from developing countries. In 1998, African TNCs invested nearly $2 billion. South

Africa has invested in its neighbouring countries such as Namibia, Swaziland, Lesotho and Mozambique. Mauritius is another important country, which has invested nearly $900 million in India during 1990s as investors enjoy the benefits of double tax avoidance treaty between the two countries.

Prospects for increased FDI inflows into Africa, according to a survey conducted by UNCTAD of 44 African Investment Promotion Agencies (IPAs) indicate that there is a significant improvement in tlie FDI climate during 2000-03 and negative image of Africa has changed for more than 30 countries — South Africa, Nigeria, Botswana, Cote de' lvoire and Tunisia are mentioned the most attractive destinations in Africa for FDI because of conducive business-friendly environment.

8.6 DEBT PROBLEM O'F AFRICA: RESPONSE AND POLICY MEASURE

Although the Third World debt crisis loomed large during 1980s, tlie African continent was worse affected by this debt problem. First, the continent's debt-repayment is very much limited and restricted on account of the 'monoculture curse' of its economies and the pulls and pressures of exogenous factors beyond its control. Second, a large proportion of sub-Saharan countries debt remained on official and multilateral account and, therefore, any default and consequent rescheduling under the aegis of the Paris Club posed the same set of conditionality clauses as the major debtors had to bear under commercial bank rescheduling.

According to World Bank estimates, the total external debt of sub-Saharan Africa reached $143.2 billion in 1989 from a level of $96.2 billion in 1985 and $56.2 billion in 1980. This implies a slightly less than three-fold increase in the decade of 1980. The major component of this was public and publicly guaranteed medium and long-term debt, representing about three-fourths of the total in 1989. While the level of short term debt for the region averaged $1 3 billion during 1985-89; use of IMF credit spurted from $3 billion in 1980 to $7.5 billion in 1987, and is estimated to have fallen to $5.3 billion in 1989. Another component, interest arrears also increased to $5.9 billion in 1988 from a low 0.2 billion in 1980.

Both exogenous and endogenous factors contributed to the external debt crisis situation in sub-Saharan Africa. While the former included slow growth in world demand for primary commodities, fluctuating oil prices, protectionist overtures in Western economies, structural changes in the flow of financial resources to the continent, the hardening of the terms and conditions of external borrowing and rising real interest rates, the latter comprised domestic mismanagement and pol icy failures, excessive public sector borrowings, inappropriate development strategies, low domestic savings ratio and lack of suitable monetary and fiscal policies in those countries . Let us briefly analyse these factors.

Beginning with the recessionary trends in world economy in early 1980s, the demand for primary commodities decelerated and sub-Saharan Africa's six main primary commodities suffered heavy terms of trade losses. For instance, during 1985-88, terms of trade loss for the continent was minus 10.1 per cent of its GDP.

Structural changes in the flow offinancial resources are reflected in easy access to international private banks' lending to sub-Saharan countries such as Senegal, Togo, Kenya, Zambia, Liberia as well as the oil exporting countries.

The fallout of the easy access to bank lending resulted into a sharp decline in non-debt creating flows (including direct investment) and a rapid increase in debt creating flows during 1970s and early 1980s. Second, within the debt creating flows, there was also a shift from concessional to non-concessional flows.

The structural transformation in the debt of these countries affected adversely the terms and conditions of these borrowings. The countries mainly affected were Niger, Zaire, Malawi, Kenya, Liberia, Senegal, Zambia, Zimbabwe, Botswana, Ivory Coast, Mauritius and Nigeria.

Apart from exogenous factors, domestic mismanagement and policy failures also contributed to the worsening economic situation in sub-Saharan Africa. Excessive public sector borrowings, inappropriate development strategies, low domestic savings ratio and lack of suitable monetary arid fiscal policies confounded the debt problem in the region, beginning with the decade of 1980.

8.6.1 Responses and Policy Measures

The debt problem of sub-Saharan Africa called for two different approaches, one for current outstanding loans and the other for external obligations likely to be contracted in the future. It is, however, important to keep in mind that the perception and response to the debt problem differed between creditors and debtors. The debtor country set goal to maximise welfare of its population. For the debtor country accelerating GDP growth is a crucial component not only to raise consumption levels but also to meet the debt service obligations. On the contrary, international banking community presumably has profit maximising financial objectives. The official creditors are, more often than not, guided also by extraneous considerations such as trade and military relationship with the debtor country.

To redeem the situation mainly on account of exogenous developments, various pronouncements of the regional leaders from time to time indicated that the region is seized of the massive debt problem. For instance, former president Nyerere of Tanzania at the OAU Summit Meeting in 1984 advocated that terms of "negotiated moratorium" would have to be worked out between the countries of sub-Saharan Africa and their foreign creditors within the framework of a programme of medium term rehabilitation and structural adjustment of the region. In a similar vein, Kenneth Kaunda, former president of Zambia, called on African nations 'to stop over-reliance on foreign aid'. It may be recalled that Zambia tried to limit debt service payments to 10 per cent of its exports earnings and that too, after deducting the foreign exchange required to service the state-owlled copper mines and the national airline as well as fuel and fertiliser imports.

To salvage the debt crisis situation in sub-Saharan Africa, international response reflects a variety of measures undertaken since early 1980s. Not only did the multilateral institutions offer various financial facilities, bilateral efforts have also not lagged behind and ranged from extending more credit to debt relief measures for the poorer countries of the region. HIPC initiative has been the latest weapon in the armoury of the IFIs to tackle the severity of debt in this region.

8.7 MULTILATERALISM AND REGIONALISM: AFRICAN EXPERIENCE

During the second half of 20th Century, while world output expatided five-fold, world trade grew by 16 times at an average annual growth rate of 6 per cent. Almost 60 per cent of world trade took place within regional trading blocks. Multilateralism, regionalism and bilateralism had come to coexist by 1990s and the trend seems to be unabated in the new millennium. The new wave of regionalism in 1980s and 1990s led to the emergence of regional trading arrangements (RTAs) on the premise that an ever-expanding set of free trade areas could achieve world-wide free trade.

Africa, like the rest of the world, has witnessed these regional integration waves. The new wave of regionalism coincided with renewed interest within Africa in revitalising regional groupings. This was partly viewed as a response to the deepening and widening of integration blocks in the rest of the world and partly to the increased marginalisation of Africa in the global economy. In 1991, the Abuja (Nigeria) Treaty envisaged an African Economic Community (AEC) by 2025. Based on the philosophy and principles of the 1980 Lagos Plan, the Treaty came into effect in 1994 following its ratification by two-thirds of the signatories. Its principal objectives are solidarity and collective self-reliance; a self-sustained and endogenous development strategy and a policy of self-sufficiency in basic needs.

In retrospect, some of the major integration arrangements in Africa include the Arab Maghreb Union (AMU) in North Africa; Economic Community of West African states (ECOWAS); the West African Economic and Monetary Union (WAEMU) and the Mano River Union (MRU) in West Africa; the Central African Monetary and Economic Community (CEMAC); ECCAS AND CEPGL IN Central Africa; East African Community in East Africa; SACU; SADC and Common Market for Eastern and Southern Africa (COMESA) in Southern Africa.

8.7.1 An Assessment *of* African Experience

An overall assessment of Africa's experience with regional integration shows that these arrangements achieved limited success. There has been no significant increase in intra-regional trade; rather the same declined as a percentage of their total exports between 1970 and the early 1990s in case of major regional groupings. While intra-regional trade remained stagnated, the continent also experienced increased marginalisation in global trade. Africa's share in global exports fell from 4.5 per cent in 1977 to 2 per cent in 1997. Further the share of Africa's exports in total developing regions exports dropped from 15.5 per cent in 1981 to 9.2 per cent in 1997. Second, Africa's regional economic groupings failed to attract sizable FDI; rather its share in total global capital flows declined gradually up to the second half of the 1980s and the continent was marginalised as a destination for FDI. With the collapse of oil prices in mid-1980s, FDI flows to Africa dried up. Its share in the total FDI flows to developing countries in 1997 was 4.7 per cent as opposed to 23 per cent in 1970.

Factors responsible for this state of affairs may be grouped in three categories. First, structural characteristics of these countries militate against successful regional integration. Second, integration project and programme design failed to achieve the desired results, Third, implementation failures have had their share in the limited results. However, the significance of these factors differs from one regionally integrated area (RIA) to another. Table given below provides a summary of the objectives, membership, instruments and achievements of major regional integration groupings in Africa.

Thus, RIA's in Africa shows that virtually in all cases, the volume of intra-regional trade has stagnated or even declined somewhat. Further, no structural change could be discerned during this period. Structural factors like low income and large intra-country distances explain to a great extent low volume of trade. More so, the continent has shown hardly a few features that are normally associated with successful trade-focussed regional integration schemes. With a view to promoting overall African economic growth and development, it seems appropriate to embark on a road map other than trade-focussed approach alone. The Abuja Treaty of 1991, as mentioned earlier, could serve the new approach to integrate African productive capacities, build African institutions but also establish new relationships between Africa and the rest of the world. The model of integration under the Abuja Treaty, unlike the previous models, is conceived as a long-term development strategy. Achieving collective self-reliance leading to an autonomous and self-sustained development seems to be the cornerstone of this strategy in the African continent.

8.8 SUMMARY

Developing countries experiences show that economic reforms without political reforms are incomplete and hardly evince credibility. As has been rightly said by some observers that if the logic of market economy is to free individual market forces as actors in the market place, it should be accompanied by political reform which also free individuals to participate in the political market place. Africa's experience also shows that SAPs worsened the economic situation and regional economic integration has provided little leeway to the ethnic strife-torn region in the recent years. One obvious lesson from Africa invariably seems to be to identify the forces of growth and development from within the region rather than seek salvation from outside agencies-government or non-governmental institutions.

8.9 EXERCISES

1) "Africa's dismal performance is a result of both exogenous and endogenous factors". Critically examine this statement.

2) Describe briefly Africa's debt problem and evaluate the response and policy measures of the African policymakers and international financial institutions in this regard.

3) "Why has Africa been marginalised and peripheralised in the world economy"? Analyse this with reference to the structure of its foreign trade and FDI inflows into these economies.