The Road to Crisis, Adjustment and De-Industrialisation: The African Case

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RÉSUMÉ. - La crise mondiale actuelle a frappé l'industrie africaine d'une manière particulièrement dure, la bloquant pratiquement ou inversant les taux d'industrialisation déjà anémiques des pays africains après les indépendances. En réalité, dans certains pays africains, on assiste à un véritable processus de désindustrialisation puisque ces pays connaissent des taux de croissance négatifs dans leur industrialisation. Pour comprendre la crise actuelle de l'industrialisation en Afrique, il nous faut tenir compte de la place historique de l'afrique dans la division internationale du travail. C'est cette place qui détermine quelques-uns des paramètres les plus importants de l'environnement dans lequel a lieu le processus d'industrialisation. Dans la mesure où le processus d'industrialisation de l'Afrique était axé sur des importations intensives et dépendait de l'importation des intrants, la chute des termes de l'échange et les difficultés des balances de paiement conduisirent à une sous-utilisation des capacités, une absence de maintenance des équipements existants et de nouveaux investissements dans l'industrie. Le processus de désindustrialisation qui s'en suivit eut des conséquences politiques et sociales dramatiques. Au plan social, cela s'est traduit par une chute réelle des salaires, la réduction des dépenses et le gonflement du secteur informel. En dernière analyse, la désindustrialisation est essentiellement politique et implique une perte de légitimité et de souveraineté de la part des pays africains. Pour ce qui est de l'avenir, la désintégration actuelle des structures qui soutenaient de beaucoup l'industrialisation ainsi que les structures sociales plus que volatiles de l'accumulation feront encore en sorte que l'Afrique ne sera pas prête à profiter de toute occasion qui s'offrirait à elle au cas où il y aurait une amélioration sensible dans l'économie mondiale.

The current world crisis has hit Africa's industry particularly harshly, bringing it to a virtual standstill or reversing the already anemic rates of industrialisation that African countries experienced following the attainment of independence. Indeed in some of the countries we are witnessing a veritable process of "de-industrialisation" as these countries experience negative rates of growth in their industrialisation.

To talk of "de-industrialisation" in a continent that is least industrialised in the world, may seem merely faddish. Indeed one may plausibly argue that Africa is so low down that its sinking further is ruled out *ex definicione*. And yet, since independence, some progress has been made in the industrialisation process, and it is the reversal of this process that constitutes the de-industrialisation now taking place in Africa.

Let us start off with a truism. To understand the present crisis of industrialisation in Africa, we have to take into account the historical position of Africa in the international division of labour for it is this position that

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defines some of the most important parameters of the environment within which the process of industrialisation unfolds. There is no intention here to underplay or ignore the domestic factors by treating the African experience as simply an inevitable outcome of the immanent logic of the world capitalist system. Our intention is to bring out the "international context for national strategies" within which national initiatives are successfully or abortively launched[1]. Indeed as we shall argue below, management of the opportunities and obstacles generated by the world economy depends to a large extent on the national "social structure of accumulation" defined as the set of macro and micro class relationships and forms of pervasive state interventions underpinning capital accumulation[2]. It is this social structure that mediates the country's link to the outside world by determining the capacity of the State and policy-makers to perceive and capture whatever opportunities the international context may provide and to shield, if only partially, their economies from the vagaries of the world capitalist system. It is also this that determines the incidence of costs and benefits of the process among various social groups.

We shall therefore try to identify crucial changes in the international division of labour and to see how Africa fared while at the same time examining the internal socio-economic structures underpinning the interaction with the outside world. More specifically, we shall try to address ourselves to the question: what were the structural constraints, internal and external, that impeded Africa from benefitting from changes in the world economy which other Third World countries, albeit not all, seem to have made use of? It is important to answer this question if only to caution against some of the hopes that with the global "recovery" Africa will escape the present crisis. For if most of the structural factors that have over decades prevented Africa from launching creditable industrialisation strategies are present, then once again Africa will "miss" whatever opportunities the recovery may bring.

The Strange case of Africa

When one looks at such standard indices as rates of growth, capacity utilization, employment, export performance of Africa's industrialisation experience, one is struck by the rather peculiar behaviour of the African economies during various phases of capitalism's ineluctably cyclical life. Africa's performance through the various "booms and busts" of the global system is as if Africa was so structurally constructed as to be inherently out of phase with the global industrialisation process in the last 80 years or so. This

1 M.A. Bienefeld, "The International Context for National Development Strategies: Constraints and Opportunities in a Changing World" in M. Bienefeld and M. Godfrey(ed.) The Struggle for Development: National Strategies in an International Context (London: John Wiley and Sons, 1982).

2 David Evans and Parvin Alizadeh, "Trade, Industrialisation, and the Visible Hand" in Kaplinsky (ed). Third World Industrialization in the 1980s: Open Economies in a Closing World (London: Frank Cass, 1984).

peculiar characteristic has persisted into the post-independence period despite some efforts at industrialisation.

To bring out this peculiarity, we shall periodise the capitalist penetration of Africa in light of major changes in the international division of labour. The advantage with this approach is that it is possible to substantiate the different stages of capitalist development and the mechanism that are peculiar to each stage. It also allows one to examine the social structures at the national level spawned by these global processes or contending with these same processes.[1].

Looking at the last eighty or so years we can identify three distinct periods when there were spurts of industrialisation in the developing countries. Each of these periods was characterised by important changes in the international division of labour and flows in capital and trade. As would be expected the impact of these changed external circumstances on individual countries varied and the capacity to capture whatever opportunities or circumvent whatever obstacles such changes wrought depended to a large extent on the internal socio-political structures of individual countries. It should be noted that each of those periods bore within it a spectrum of "models" of industrialisation that were feasible. Changes in the logical imperative of the global context often manifested themselves in the intellectual sphere by changes in doctrine, albeit with a time lag. Although it is self-reassuring for academics to believe that changes from, say import substitution strategies to export-oriented strategies are evidence of the triumph of their theoretical models, it is more correct to view these changes as largely logical, although not inevitable, responses to a changing international context and to the domestic imperatives of accumulation and legitimation.

1914-45 Phase of Import Substitution by Default

The first of these periods was that of the First World War, through the Great Depression up to the end of the Second World War. During the first World World, the interruption of shipping routes and the decline in the production of non-military goods in Europe and the U.S. both created severe shortages in the world markets, raising prices of imported goods and thus improving the profitability of local industry. This provided stimulus and protection to industrial activities, especially in countries of Latin America[2]. However, with the end of the war and given the prevailing view that the

1 See, for example,James Petras, "Toward a Theory of Third World Industrialisation" in James Petras et.al.; Capitalist and Socialist Crises in the Late Twentieth Century (Totowa, N.J.: Rowan and Allenheld Publishers, 1984); Berch Berberoglou,"The Controversy over Imperialism and Capitalist Industrialisation: Critical Notes on the dependency Theory", Journal of Contemporary Asia, Vol. 14 No. 1984.

2 Werner Baer, "Import Substitution and Industrialization in Latin America: Experiences and Interpretations", Latin American Research Review Vol. 7 No. 1, 1972.;Albert Hirschman, "The Political Economy of Import Substitution In Latin America" in Quarterly Journal of Economics Vol. 82, No.1, 1968; Tom Kemp, Industrialisation in the Non-Western World (London:Longmans, 1983.

industrialisation that took place was an "aberration", local industry was immediately exposed to external competition and most stagnated:

> *"It was generally thought that WW1 had been an aberration from the natural order of things which was reflected in the world division of labour of the nineteenth century. Hence policy makers were reluctant to tamper with a movement back to normalcy"*[1].

However this movement to laissez-faire normalcy was to be jolted by the Depression which was in its turn to provide a far-reaching impetus to import substitution. The depression led to the fall of the prices of agricultural commodities and raw materials by almost 60 per cent between 1929 and 1934 and the main industrial countries erected high tariff walls and other trade barriers in order to protect their own industries. The virtual breakdown of international trade during the Second World War was to further compound problems of trade for the periphery. For much of the non-colonial periphery, this phase led to significant changes. Denied the foreign exchange wherewithal to continue the importation of goods from Europe and the United States, the uncolonised countries of Latin America and Asia were compelled to set up industries to produce some of the hitherto imported goods. Indeed, the combined effects of the import substitution measures was to produce far reaching structural transformation which still characterises the economies of a number of these countries up to the present.

There were three salient features of this industrialisation: the "political regime" and the nature of the state and the relation of local capital to the state, the financial basis of this industrialisation, and the "trade regime" that prevailed. The state had to enjoy sufficient autonomy from external political domination and could thus respond to local pressure to begin to actively take measures which were in favour of industrialisation through import substitution. Some form of independence or self-government was necessary. Secondly, this was a relatively autonomous process in the sense that it was carried out under the aegis of local capital and the state, despite heavy borrowing in the international market, especially by Latin American countries. However, given the portfolio character of this finance and the prevailing chaos in international financial markets, such a strategy could not be but dependent upon local capital controlled by a nascent "national bourgeoisie" as capital previously controlled by comprador elements of landed aristocracies was shifted to local industry. It should be recalled that this was before Bretton Woods and there were no such financial watchdogs as the IMF.[2]. Substantial amounts of the debts incurred were not to be repaid. Latin America started the defaults. Significantly, there were few defaults outside Latin America and Europe. Finally, the "trade regime" was characterised by high levels of protection through tariffs, import quotas etc.

1 Werner Baer,Ibid.

2 It should be recalled that this was before the Bretton Woods arrangemnt and the dominance of such financial watchdogs as IMF.

During this phase, much of Africa was under colonial rule and could therefore not avail itself of the opportunities provided by the "natural protection" of the Depression and the War and still less could the colonies introduce deliberate protection measures. *Ex deficione*, colonial rule could not permit the establishment of a state autonomous enough to initiate and pursue a process of industrialisation that was typical of "late comers" - protectionist, inwardlooking and large scale industry based.[1]. Colonialism did not simply allow for the emergence of the necessary "social structure of accumulation". It was, after all, imperial policy to treat colonies either as protected markets for its export industries or as monopsonised sources of raw material. The achievement of either goals was not likely to encourage any far reaching industrialisation. It discouraged local production for the domestic market of the colony while not encouraging exports of manufactured goods from the periphery[2]. Only the relatively more autonomous "settler" economies of Kenya, Southern Rhodesia and South Africa managed to set up some industry during this period.

As far as access to foreign financial markets to finance industrialisation was concerned, this was foreclosed by colonialism. It was imperial practice and intention not to allow colonies to borrow on international markets. It was, after all "a traditional canon of belief in English colonial" policy that a budget surplus (as well as an export surplus) was a sign of good, benevelent administration[3].

1 At a time when the the state is identified as the source of all evil, it is useful to recall Gershenkron's discussion of the activities that states in "late industrialisers" have generally assumed. Gershenkron, Economic Backwardness in Historical Perspective (Cambridge, Mass: Harvard University Press, 1952).

2 There is a current trend among historians to "revise" colonial history in such a way that colonial rule is only blamed for those activities where there was explicit policy statement while little is said about the structural outcomes of colonial rule itself, regardless of the subjective will of colonial officials. The argument is often directed at the presumably instrumentalist Marxist view of colonial rule. Thus Austen, while conceding that three is "clear evidence" in which colonial policy deliberately blocked industrialisation, argues that the colonial crime was more one of ommission than commission: the "major shortcoming" of colonial regimes, he says, was their failure to "actively promote" industrialisation. The absense of pressure is attributed to the absense of a local class of merchants and artisans who identified their own interests with the development of internationally competitive industries". The absence of such classes is in turn attributed to the "structural barriers" between local enterprise and the dominant sectors with which they were supposed to compete. This was of course, the "logic" of colonial rule. Having blocked the emergence of such classes, colonial powers did not have to explicitly legislate or act against industrialization. Ralph Austen, African Economic History, (London: Jame Currey, 1987).

3 Not only did colonies have to pay their way; they also had to generate surpluses for export to the metropolitan countries. Early Grey's dictum succintly summed up the conventional wisdom: "The surest test for the soundness of measures for the improvement of an uncivilised people is they should be self-sufficing". cited by Thomas R. De Gregori, Technology and Economic Development of the tropical African Frontier (London: The Press of Case Western Reserve University, 1969). De Gregori (Chapter 8) provides a very good account of the "financial transfers" from British Africa although his preoccupation is not so much with magnitudes involved (which he deems as "intrinsicantly..unimportant" without saying to whom) by the ideological un-

This belief remained gospel in British colonial Africa long after the Keynesian revolution in economics made it obsolete as a policy in the industrial countries[1].

Thus during the wave of default by underdeveloped countries during the Depression, African countries were not among the defaulters. There certainly were none among colonial governments in the British empire whose foreign liabilities carried a guarantee by the British government which required them to adopt a severe deflationary policy in order to ensure payment of their external obligations[2].

For much of Africa, whatever industry was set up depended more on the character of the product than on any deliberate policy of industrialisation or response to crises. Thus the few factories concentrated on articles that were highly perishable, or that cost too much to transport after assembly (furniture) or after the addition of a cheap local commodity (water for soft drinks). In short Africa did not start the process of industrialisation that for some countries such as South Africa, Rhodesia, India and Latin American countries was to lay the foundations for the post War industrialisation.

Era of Deliberate Import Substitution industrialisation: 1945-70

Following the end of the war, a number of countries immediately embarked on strategies of import substitution industrialisation or sought to deepen the process they had initiated in the previous period. In contrast to the preceding and more or less spontaneous process of import substitution industrialization was now a more deliberate strategy. The theoretical scaffolding for this new strategy was provided most notably by the "cepalistas" under the leadership of Prebisch. Although the "import substitution strategy" would be an *ex post* theoretisation of the preceding import substitution practice, it was to constitute a strategy adopted by spokesmen of the national bourgeoisie and populist movements in Latin America[3].

Here again there were certain prerequisites for the pursuance of such a nationalist strategy which, perhaps contradictorily, also had attracting foreign investment through setting up high protective walls, low taxes and artificially low interest rates and other incentives as one of its major premises. First and foremost a country had to enjoy enough sovereignty to be able to make legislation that would effectively attract foreign capital or protect those producing for the domestic market. Second, within the global context, the strategy had to be complimentary to rather than competitive with the accumulation process in the Centre economies. In the conditions of reconstruction and the high rates of growth induced by Keynesian macroeconomics the industrialisation in the periphery posed no serious competition to the advanced countries emerging from the ravages of War.

1 De Gregori Op. Cit.p. 284.

2 George Abbot, International Indebtedness and the Developing Countries, (London: Croom Helm, 1979).

3 Tom Kemp, op. cit.

Indeed the import substitution strategy was in many ways complimentary to the accumulation and reconstruction process in the advanced capitalist countries. Since the strategy was capital and import intensive, it created important markets for the industries of the advanced countries and since it was based on earning much of the necessary foreign exchange through the continued production of traditional primary product exports, it did not threaten industry in the advanced countries and did not therefore immediately suffer from any protectionism. The global environment was made further favourable by the U.S. hegemony which insisted on a global open-door policy and, in its crusade against communism accepted "development" as a legitimate objective of the nationalist regimes as long as this still left them within the "free world".

Internally the strategy involved a "triple alliance" embracing the State, transnational corporations (TNCs) and national capital. It was this alliance, assuming different forms but consisting of basically the same ingredients) which managed whatever form of "dependent" or "associated" industrialisation that took place in some countries[1]. Despite the many problems that the strategy was to later generate - high import intensity, low labour absorption, TNC dominance, extreme income inequality, low capacity utilisation - a number of countries that had pursued this strategy over both Depression and War period and the post-War period did set up a wide range of industries. This was particularly so in the larger economies which managed to deepen their industrialisation process so as to include intermediate and capital goods and for those countries which were able to attract foreign investment for the establishment of import substitution industry beyond the stage of light industry.

The Africa case

During the period 1945-60, African countries could not meet one of the preconditions of the new strategy of industrialisation since most of them were still part of the empirial economy and could not pursue independent policies of industrialisation as countries like India, Argentina and Brazil could. Although a number of African countries emerged from the war with substantial amounts of reserves accumulated in the metropolitan banks, they were not permitted to use these reserves for industrialisation of any kind.

Thus at independence, African countries were among the least industrialised. Table 1 gives a rough idea of Africa's position with respect to industrialisation. For sub-Saharan Africa as a whole, manufacturing accounted for 6.8 per cent of Gross Domestic Product.

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1 Peter Evans, Dependent Development: The Alliance of Multinational, State and Local Capital (New Jersey: Princeton University Press, 1979).

Even more relevant to our discussion was the "abnormality" of Africa's levels of industrialisation which were generally below the expected "historical norms"[1].

Table 1:

Selected Economic Indicators of Selected African Countries at Indendence

	Population	GDP Gross Domestic Product ($ m.)	Per Capita Income ($)	Manufacturing production ($m.)	share of manufacturing in GDP (%)
Benin	2.4	175	744.6	2.6	
Cameroon	4.7	511	109	30.6	6
Côte d'Ivoire	3.2	584	181	31	5.3
Ethiopia	20.7	1021	49	61.3	6
Gabon	0.4	131	294	8	6.1
Ghana	6.8	1503	222	94.7	6.3
Kenya	8.1	641	79	60.9	9.5
Nigeria	40.0	3500	88	157.5	4.5
Senegal	3.1	678	218	64.4	9.5
Sierra Leone	2.3	316	133	19.9	6.3
Soudan	11.8	909	77	43.6	4.8
Tanzania	9.6	671	.67	20.1	3
Togo	1.6	150	92	6.2	4.1
Uganda	6.7	583	87	37.9	6.5
Zaire	14.1	910	58	127.4	14
Zambia	3.2	511	155	28.1	5.5
Zimbabwe	3.6	751	206	120.2	16

Note: Manufacturing excludes utilities and construction All values expressed in U.S. Dollars.
Source: P. Kilby, "Manufucturing in Colonial africa" in Duigan and L.M. Gann Colonialism in Africa Vol. 4, The economics of Colonialism (Cambridge, 1975). p. 472

All in all the historian Boahen's summary of the colonial experience with industrialisation is apt:

> *"All Africa' states were... in accordance with the workings of the capitalist colonial economy, turned into markets for the consumption of manufactured goods from the metropolitan countries and*

1 On the basis of regression analysis linking manufacturing's share of GDP with GNP per capita and population, Gulahati and Sekkar found that the rates of industrialisation of Zambia, Kenya, and Tanzania were below the expected "Chenery norms". For Kenya, the observed share of value added in manufacturing to GDP was 45 per cent less than the expected one. Tanzania's shortfall was 80 per cent while Zambia's was 50 percent. Gulahati and Sekkar "Industrial Strategy for Late Starters: The Experience of Kenya, Tanzania and Zambia", Washington D.C. World bank staff working paper No. 457, 1981.

producers of raw materials for export. It is this total neglect of industrialisation by the colonial powers which should be chalked up as one of the most unpardonable indictments against colonialism. It also provides the strongest justification for the view that the colonial period was the era of colonial exploitation rather than the development of Africa"[1].

Independence and Industrialisation: The Nationalist Dream

"Economic development" was an important item in the nationalist programmes and since every known path of economic development has involved industrialisation and also partly because in no other sector was colonial blockage to accumulation so transparent, the struggle for independence closely linked nationalism with the "right to industrialise"[2]. In no other policy pronouncement does nationalism assert itself so vociferously as in that towards industry.

It was only with the attainment of independence that Africa could initiate industrialization through import substitution by first removing some of the cruder colonial hindrances to industrialisation. During the first decade of Africa's independence - 1960-70 - the global conjuncture was relatively favourable for the kind of industrialisation the new states sought. This period was generally marked by rapid industrial growth throughout the world. During the first half of the decade the growth rate of the underdeveloped countries as a whole matched that of the developed market economies. In the second half the developing countries performed better.

Between 1960 and 1975, Africa's industry grew at the annual rate of 7.5% annually. This compared favourably with the 7.2% for Latin America, 7.5% for South East Asia. However three things should be borne in mind: First is that Africa starting point in terms of manufactured value added (MVA) was extremely low. Secondly, within Africa itself there are great disparities in the levels and rates of industrialisation. Nigeria, Egypt, Algeria, Libya and Morocco together account for about 53% of Africa's industrial production while 27 others have a share in regional MVA of less than 1%. Obviously performance by the four countries will tend to exaggerate Africa's overall performance. Thirdly, growth rates over the fifteen year period were far from steady. Much of the growth actually took place in the first decade of independence as the most rudimentary type of industrial establishments were set up to produce such things as beverages, matches, textile. The second decade saw Africa lagging behind the rest of the Third World as most countries registered much lower rates of industrialisation than those achieved in the first decade of independence. Between 1970 and 1976, out of forty three countries for which information was available, ten had negative growth rates in the manufacturing value added and another fourteen had less than 5% and of

1 A. Adu Boahen "Colonialism in Africa: Its Impact and significance" in A. Adu Boahen, Africa Under Colonial Domination: General History of Africa, Vol VII(Neineman and Unesco, 1985.
2 Samir Amin, Class and Nation, (New York: Monthly Review Press, New York).

the ten with more than 10%, seven based their high performance on petroleum (Nigeria, Gabon, Congo, Libya, Algeria), new mineral finds or investment (Botswana and Mauritania) Table 2 tells the story of uneven development quite clearly.

One should also add here that the qualitative aspects of this industrialisation left much to be desired. ECA's characterization of Africa's industrialisation achievements is definitely not flattering:

> *"As of now, the industrialisation process in Africa has relatively speaking failed to provide the dynamic forces for the structural transformation of the African economy to attain self-sustainment. The sector remains small and enclaved accounting for only 9.8% of the region's GDP. Relative to world manufacturing output, Africa had a share of manufacturing value added of only 0.9% in 1980 compared to a share of 2.7% and 6% for South and East Asia and Latin America respectively. Thus Africa was by 1980 still the least industrialised region in the world. The industrial sector is not only small but also characterised by an inflexible structure concentrated in a small number of countries and limited to only a few lines of production"*[1].

The ECA goes on to list some of the characteristics of African industry and industrialisation. The region's industry is not only small but is characterised by an inflexible structure concentrated in a small number of countries and limited to only a few lines of production. There is hardly any production of capital goods and except for a "crude and relatively weak level of processing of mineral and agricultural raw materials" mainly for export, most of the industry is in light consumer goods. As a result of "overwhelming dependence" on imported capital goods the continent is saddled with all kinds of problems generated by such technological dependence: high cost of technological imports, inappropriate technology or scales of production, lack of convergence between the region's resource base and industrial structure, weak backward and forward linkages, indeed all the makings of serious structural crisis of industrialisation.

In addition industrialisation was characterised by a number of features that were pointed out in the dependency and "basic needs" critiques of the dominant strategies: skewed income distribution, inappropriate technologies etc.[2].

Nevertheless, with all these caveats in mind, the 1960-73 period witnessed some important first steps in the process of industrialisation in Africa. Most significantly wage employment in industry increased at rates that surpassed population growth although not as high as the highly accelerated rates of

1 UN Economic Commission for Africa, ECA and Africa's development 19832008: A Preliminary Perspective Study (Addis Ababa: UN ECA, 1983).

2 J. Rweyemamu(ed) Industrialisation and Income Distribution in Africa (Dakar: CODESRIA, 1978).

post-independence urbanisation. The period also witnessed significant gains in skills through the creation of institutions of higher learning and "learning-by-doing" within the new industrial structures.

Financing Industrialisation

We noted that for a number of countries the postwar import substitution strategy required attraction of foreign capital. Historically much of the foreign investment going to Africa had been directed towards the extractive industries. However since independence, with the possible exception of petroleum, investment in these industries has stagnated. Overall TNC direct investment to Africa has been "modest"[1]. The annual flow of direct investment from OECD to Third World countries more than doubled from 1.2 billion in 1967 to $ 4.3 billion in 1972. Direct investment to Africa did not keep up with worldwide increase and grew at less than a third (31%) of the worldwide rate. Thus, although Africa now had one of the preconditions for import substitution industrialisation - political independence - it failed to attract the foreign investment that often accompanied this type of industrialisation at least in Latin America, with TNCs directly investing in productive structures of highly protected markets.

It is often asserted that failure to attract foreign investment was due to the continent's ideological bent - nationalism, "African socialism" and etatist inclinations of the leadership. However, a close look at the first "National Development Plans" of most African countries shows that these were not their major characteristics. In general most of the plans were based on the assumption that while the State would provide the necessary social and economic infrastructure, private investment would be responsible for financing much of the industrialisation process. Nationalist leaders generally believed that the colonial regimes had blocked foreign investment or, at best, had encouraged only the capital from their mother countries. Independence was to mean opening the country to other capitalist countries. This was to be achieved through diversification of trade links and sources of foreign capital. However, despite the many incentives and overtures, the flow of investments to Africa was extremely low and in many cases was below the outflow of capital. In most cases, the "turn to the left" leading to nationalisation and a self-consciously interventionist posture of the state followed failure to induce private capital to reinvest profits let alone to bring in fresh capital from outside.The politics of Import Substitution industrialisation

1 L. Rood, "Foreign Investment in African Manufacturing", Journal of Modern African Studies, Vol. 13 No. 1, 1975.

Table 2 Growth of MVA in African countries 1963-81

	1963-73	1973-81
Angola	10.2	(10.0)
Benin	6.0	(4.2)
Botswana	6.2	17.3
Burkina Faso	18.3	4.1
Burundi	13.8	5.0
Cameroon	2.5	6.4
Cape Verde	9.0	3.2
CAR	6.6	1.5
Chad	5.4	(4.6)
Comoros	7.2	(5.1)
Congo	0.3	1.7
Ethiopia	8.2	3.6
Gabon	10.9	14.3
Gambia	3.5	(12.0)
Ghana	6.9	(0.5)
Guinea	3.3	2.6
Guinea Bissau	8.4	3.4
Ivory Coast	10.7	8.7
Kenya	8.6	6.8
Lesotho	34.3	3.8
Liberia	12.8	2.6
Madagascar	9.0	0.0
Malawi	14.9	6.4
Mali	4.8	3.8
Mauritania	5.1	6.8
Mauritius	2.8	9.5
Mozambique	13.6	(6.6)
Namibia	9.6	4.7
Niger	8.0	3.1
Nigeria	7.6	12.0
Rwanda	15.5	16.1
Senegal	4.2	0.9
Sierra Leone	4.5	0.2
Somalia	21.5	2.9
Sudan	5.6	(2.2)
Swaziland	18.1	11.5
Togo	14.0	(3.9)
Uganda	5.3	(5.8)
Tanzania	10.2	(2.8)
Zaire	12.5	(7.2)
Zambia	12.7	(0.7)
Zimbabwe	10.9	2.8
Average	9.2	2.0

Source: UNIDO, Africa in Figures, 1985

It is often asserted that failure to attract foreign investment was due to the continent's ideological bent - nationalism, "African socialism" and etatist inclinations of the leadership. However, a close look at the first "National Development Plans" of most African countries shows that these were not their major characteristics. In general most of the plans were based on the assumption that while the State would provide the necessary social and economic infrastructure, private investment would be responsible for financing much of the industrialisation process. Nationalist leaders generally believed that the colonial regimes had blocked foreign investment or, at best, had encouraged only the capital from their mother countries. Independence was to mean opening the country to other capitalist countries. This was to be achieved through diversification of trade links and sources of foreign capital. However, despite the many incentives and overtures, the flow of investments to Africa was extremely low and in many cases was below the outflow of capital. In most cases, the "turn to the left" leading to nationalisation and a self-consciously interventionist posture of the state followed failure to induce private capital to reinvest profits let alone to bring in fresh capital from outside.The politics of Import Substitution industrialisation

This phase of industrialisation was characterised by active state participation in the accumulation process. Behind this etatism was the nationalist quest for greater control of the economy in the absence of national industrial capitalists classes and to ensure accumulation in light of the reticence of foreign capital.

For the currently dominant neoclassical view, both these reasons for active state participation are not convincing. Nationalism simply introduced "irrationality in economic policy" while the reticense of private capital was reflective of the nonprofitability of industrialisation in Africa whose comparative advantage lay in primary commodities.

To explain the industrialisation that took place, the neoclassical economist posit "rent-seeking" coalitions that have induced "market distortions" in order to reap "rents" through minimum wages, food subsidies, import licences etc. Others have blamed the "urban bias" which has pushed industrialisation at all cost and to the detriment of the rural population. Time and space does not permit a detailed comment to these positions. Suffice it to note that at least as far as Africa is concerned such "coalitions" are merely asserted or assumed to exist simply because certain people presumed to belong to the coalitions benefit from them. There is never concrete demonstration that in fact beneficiaries of these policies are organised nor is the assumption of a pruralistic state juxtaposed to the reality of extremely repressive regimes in Africa.

Discussion of effects of colonialism on industrialization tends to confine itself to levels of production, often taking for granted the existence of a national bourgeoisie that availed itself of the opportunities created by the international division of labour. Symptomatic though these material examples

of "colonial neglect" are, they do not touch upon the crucial social inheritance that left African countries singularly unprepared for industrialization. We are not referring here to the "poor human resources" constraint rightly brought out in many "manpower" and "human capital studies" of African countries but to the class and state structures that made industrialization, no matter how subjectively willed, so socially "rootless" in Africa. There was not, as in India, an incipient indigenous industrial capitalist class that was to ride on the national wave for its own further accumulation, free of the many colonial shackles that may have impeded its growth[1]. There was no landed aristocracy that, as in Latin America, gradually transformed itself or was forcefully transformed into a capitalist class or, at least, provided the surpluses for industrialization. There was no merchant capital that would have been compelled by post-independence policies to enter into manufacturing.

Concurrent with this was one other more favourable outcome of this social heritage that has affected the "social structure of accumulation" in Africa, and that is that there was basically no domestic social class in Africa that was opposed to industrialisation, colonialism having seen to that by blocking the emergence of indigenous agrarian and merchant capital who might have opposed industrialisation especially of the import substitution type. With the exception of a few countries such as Ivory Coast, Malawi and Kenya where agrarian capitalist interests were strong, there were no organised agrarian interests or indigenous merchant capital that was strong enough to block industrialisation. The state was able to set up industries through wholly owned parastatals or joint ventures untrammelled by agrarian and merchant interests.

Consequently, the major form of national involvement in the process of industrialisation was to be through the state, in alliance with transnational corporations through joint ventures or management contracts. Industrialisation in Africa was strictly speaking not a "class project". It was essentially a nationalist programme and as such it lacked the sharpness and purposefulness of a class determined project. It was sustained by nationalist desires and bureaucratic experimentation. Its vehicle was the political party and the state and international bureaucracies. It was on the basis of this relationship between the political instance and the bureaucracy that some industrialisation was initiated. In this respect both avowedly capitalist and socialist states were to exhibit remarkable similarities in the degree of state involvement in industry, suggesting that the role of the state was more a response to a largely

1 As Pranab Bardhan observes for India: "The industrial capitalist class, mainly under the leadership of some top business families from western India, was reasonably strong at the time of Independence. It supported the government policy of encouraging import-substituting industrialisation, quantitaive trade restrictions providing automatically protected domestic markets, and running a large public sector providing capital goods, intermediate products and infractrsuctural facilities for private industry, often at articificially low prices", Pranab Bardhan, The Political Economy of Develpment in India (Dehli: Oxford University Press, 1984). Only the settler white economies and Egypt came anything close to this in the relationship between the state and the industrial classes.

nationalist quest for increased control and the need to assure accumulation in light of private capital's reticence than evidence of ideologigical idiosyncrancies of African leaders. It is also important to note that to the extent that nationalism was still broad-based and populist in character, the industrialisation policies were anchored to a basically populist ideology which accommodated such things as minimum wages and other aspects of the modern welfare state in labour legislation.

It is this social character that explains the much lamented "irrationality" of the process because it entailed a multiplicity of "success indicators' - national integration, regional balance, employment, profitability, indigenisation, efficient resource allocation according to some "Plan", legitimacy, accumulation, national development, patrimonial obligations etc. - that were not always compatible and in some cases were mutually exclusive. It is probably this lack of "social constraint" and accountability (rather than "urban bias", patronage, prebendalism, and patrimonialism) that was to account for the apparent recklessness of the industrialisation process in Africa.- Wastefully inefficient fertilizer plants could be set up without fear of organised protests from the ultimate users - the farmers[1]; contracts with foreign industrialists could be entered into without fear of protest from disadvantaged domestic industry or labour.

Debt-financed and Export-oriented Industrialisation: 1973-82

The falling rates of profit in the OECD countries partly due to discrepancy between the demands of labour and wage increases on the one hand, and lower productivity gains on the other hand began to undermine the prosperity in the capitalist countries[2]. The resultant low levels of investment in the industrialized capitalist economies led to increased bank liquidity and negative real interest rates. It is important to note that this process begun some years before the "oil Crisis" which was to enormously increase financial resources in the hands of the international banking system. With the availability of alternative sources of finance from what Petras calls "fictitious capital" (i.e. the rentier incomes from land and especially oil), a new type of industrialization was stimulated in the Third World[3]. This was largely based on redeployment of labour intensive parts of the industrial production process financed increasingly with the relative more fungible forms of capital from the Euromarkets. It was during

1 It may be interesting to note here that it is often those countries with weak agrarian social groups that have tended to set up fertiliser and tractor assembly plants that produce costly inputs to be sold to a captive market.

2 For refreshing interpretations of this "Golden Age of Capitalism" and the inherent contradictions that were to undermine the system, see the work from the UNU World Institute of Development Economic Research (WIDER) in Helsinki. For a summary of the major findings of this project see Stephen Marglin, Research for Action: Lesson of the Golden Age of Capitalism, For a succinct theoretical statement on the profit squeeze" see Stephen Marglin and Amit Bhaduri, Profit Squeeze and Keynesian Theory, Working Paper 39. See also the Alain Lipietz, Le Monde Enchanté (Paris Editions La Découverte, 1983).

3 James Petras, op. cit.

this period that the so-called "NICs" emerged. Two factors facilitated the process of industrialization in these countries. First was the dramatic rise in the availability of finance from the international financial markets funds which, because of their fungibility gave the borrower more room for manoeuvre than the direct foreign investment that had dominated the flow of capital in the previous period. Internally, the ruling classes could ensure political regimes that inspired the confidence of the banks and regimented the labour force towards the new industries.

Financial Flows

Griffith-Jones and Rodriques list the following salient characteristics of international flows during this period:[1].

(a) sharp deterioration of terms of trade for most oil importing countries and at the same time a rapid build up of gross domestic capital formation which outstripped the increase in domestic savings; (b) Increased "privatisation" of credit flows to deficit developing countries; (c) slower growth of direct foreign investment than other forms of external financing; (d) dominance of the eurocurrency market in the form of syndicated loans in private bank lending;(e) tendency of OPEC countries to replace the industrial countries as the main suppliers of credit; (f) the relatively small quantitative role played by the IMF in financing oil-importing countries.

Latin American countries, with the experience from their earlier debt-financed industrialisation were better poised to exploit the new opportunities for financing industrialisation. By enhancing import capacity, international finance permitted high levels of industrialisation than would have been the case if countries had relied entirely on their export earnings.

As Table 3 shows, between 1970 and 1981 there was a dramatic increase in the role of long-term bank credit investment over direct foreign investment. The share of the former rose from a mere 17.6 per cent in 1970-72 to close to 22.2 per cent in 1979-80. The shift away from direct foreign investment towards credit is made even more dramatic if we include export credits. While together these were about twice the level of direct foreign investment in 1970-72, there were three times the level of direct foreign investment in the 1979-81 period.

It may be recalled that much of the characterization of imperialism and dependence in the 1960s centred around the decline of portfolio investment and finance and the rise of industrial capital which directly controlled the means of production. This was supposed to contradict Lenin's thesis on imperialism with its emphasis on the role of finance capital[2]. The recent ascendance of finance capital has, however, brought usury to the centre stage as one major form of transfer of surplus from the periphery.

1 Griffith Jones, Stephany and Rodriques, "Private International finance and Industrialisation of LDCs" in R. Kaplinsky, op. cit.

2 Harry Magdoff, The Age of Imperialiasm (New York, Monthly Review,1968).

Table 3 : Net Long-term Finanacial Flows to Developing Countries From all Sources: 1970 1981 (Billion of Dollars)

Type of Flow	1970-72	1973-74	1976-78	1979-81
Aid	27.5	49.0	67.2	105.5
Nonconcessional Flows				
Direct Investment	11.2	18.1	30.1	38.4
Bank Sector	11.1	31.7	53.4	63.7
Bond Lending	1.1	1.3	7.1	6.7
Export Credits	8.3	11.2	31.6	39.2
Other Bilateral	1.7	5.8	7.2	20.7
Multilateral	2.6	5.7	8.7	14.0
Total	63.5	122.8	205.3	285.2

Source : OECD (1982)

The importance of direct foreign investment in the movement of capital should not, of course, be underestimated. The sums indicated above are still substantial. By the late 1970, debt-financed industrialisation became increasingly problematic because of the absence of major lender of international finance. Once again there was renewed interest in direct foreign investment including conversion of debt into equity.

Another important feature of this phase was the move towards outward-looking "trade regime" of the industrialisation. Tendentious reading of experiences of the "success stories" identifies the "trade regime" as "market-oriented". The fact is that the state played a central role in this phase of industrialisation as it had done in the previous ones. A number of countries were to dramatically increase their exports of manufactured goods through a whole range of State incentives to exporters. The industries producing these export goods had either been established in the previous import substitution phase, or were new ones financed largely by massive external borrowing especially in the more flexible euromarkets, or were the newly redeployed branches of industries dominated by transnational corporations.

This industrialisation was facilitated by trends in the international market. On the demand side, the industrialized countries were relatively speaking open to industrial goods from the Third World. The proportion of imports in the visible consumption of manufactured goods in the industrial nations rose from 11 per cent in 1970 to 17 per cent in 1978. More significantly, these nations' imports of industrial goods from the developing world increased during the same period from 1.4 per cent to 3.4 per cent representing an average annual rate of growth of 8.1 per cent.

The political economy of debt-financed Industrialisation

The political regime required for the debt-financed accumulation has been a subject of intense debate. Argument has centred on whether such regimes were merely contingent or were essential to the particular model of

accumulation. There is however, persuasive evidence that the participation by TNCs in the strategy required not only cheap, docile and disciplined labour, but "political stability" as well[1]. Most of the countries that benefitted from this process tended to be what O'Donnell characterised as Bureaucratic-Authoritarian regimes[2].

To summarise, during this phase only those strategies combining exploitation of the oportunities provided by the new sources of finance, the continued openness of the advanced capitalist countries and a political regime guaranteeing "disciplined labour" could achieve high rates of industrialisation.

Africa Misses Out Once Again

Once again Africa failed to benefit from these changes in the world economy. As for export orientation of its industrialisation, having had not experienced far reaching import substitution industrialization Africa simply had no industrial products to export. This is one point so often forgotten by those who harp on the need for African countries to change their trade policies. Part of the problem is the false dichotomy of import substitution versus export oriented industrialization. Except for the "City States" of Singapore and Hongkong virtually all the successful export-oriented strategies were preceded by import substitution industrialization. Primary import substitution is an important phase for a successful transition to the export-orientation sub-phases in that it provides physical infrastructure and expands entrepreneurial capacity[3].

Foreign Finance

In addition to this lack of an industrial platform on which to base the export thrust, Africa did not attract much direct foreign investment nor did it make much use of the international financial markets to raise capital for its industries. Africa's share in the inflow of direct foreign investment from OECD countries which had averaged 19.2 per cent in the period 1970-72 fell to 12.1 per cent in the period 1978-80.

As far as other sources of finance from the international financial markets is concerned the same story is true. While a number of developing countries rushed to the new international financial markets to finance their industrialization, Africa proved too conservative or too uncreditworthy when it came to borrowing. Even those African countries that scored high marks in the international financial system (Kenya, Nigeria and Cote Ivoire) avoided the

1 R.W. Cox, "Labour and Multinationals" Foreign Affairs, Vol. 54 No. 2; D. Nayyar, "Transnational Corporations and Manufactured Exports from Poor Countries", Economic Journal, Vol. 88, 1978.

2 Guillermo O'Donnell, "Reflections on the Patterns of Change in Bureaucratic-Authoritarian State", Latin American Research Review Vol. viii No. 1, 1978. See also the various articles in David Collier (ed.), The New Authoritarianism in Latin America (New Jersey: Princeton University Press, 1979).

3 Carlos Diaz-Alexandro, "Trade Policies and Economic Development in Peter Kenen (ed.) International Trade and Finance: Frontiers for Research (Cambridge: Cambridge University Press, 1975).

new sources of funds and in some cases were forced by the World Bank to turn to the low-interest financial markets that then prevailed.

In a comparison of actual debt ratios of Africa countries to the "normalised" ratios which would be expected from exogenous factors (level of per capita, GDP, population size and terms of trade), Mathonat demonstrates that sub-Saharan African countries are, in fact, in general less indebted than their "normalised" indebtedness both as far as debt ratio and debt service ratio are concerned. Their debt ratios are lower than would have been expected purely as a result of exogenous factors: the suggestion here is that:

"domestic policies can be considered to have had, on the average, a moderating influence on indebtedness, or in any case to have played a less important role in the increase of debt than in other developing countries"[1].

Much of the borrowing by African states occurred after the Second "oil crisis" of 1979 so that when African countries finally did enter the fray it was only under very harsh terms - high interest rates and rather short terms. More tellingly, Africa's borrowing was not related to any deliberate attempt to finance industrialisation but was "incurred in vain attempts to preserve investment in production in the face of falling earned import capacity"[2].

Sutcliffe succintly states the African tragedy of the low level of indebtedness of African economies:

> *"For other countries, the "debt crisis" tends to mean that they are too much in debt to the banks. Africa's debt crisis is in a sense the opposite - it has been scarcely able to get into private debt". and It is a dubious advantage since it has meant that the adjustment to various external shocks of the last decade (such as the increase in oil price) has had to be met in many African countries, not through borrowing which, even if it creates long-term problems, at least cushions instant impact. In Africa the effect of such shocks has been transmitted much more directly and immediately to the people in the form of enforced declines in living standards. Many Africans have paid an awesome price for not living in "creditworthy" countries, for being inhabitants of countries which the world capitalist system in an era of crisis has been able to marginalise. on marginalisation of African countries"*[3].

There are at least two explanations to Africa's failure to borrow when money was cheap. One of these was historical inertia of the inherited state structures. Contrary to the view that driven by the "revolution of rising expectations", the euphoria of independence and the nationalist promise,

1 Jacky Mathomat, "The Impact of External Factors and Of Domestic Policies on External Debt", Tore Rose, Crisis and Recovery in Sub-Saharan Africa. op. cit..

2 R.H. Green and Stephany Griffith-Jones, "External Debt: Sub-Saharan Africa's Emerging Iceberg", Tore Rose(ed.), Crisis and Recovery in Sub-Saharan Africa. (Paris: OECD, 1985).

3 Sutcliffe, Bob, "Africa and the World Economic Crisis", in Peter Lawrence, ed. World Recession and the Food Crisis in Africa (London: James Curey, 1986).

African governments went on wild expenditure binges, is the fact that at least compared to their Latin American counterparts, African regimes were generally fiscally conservative. Rates of inflation were quite low. For Francophone Africa, adhesion to the French franc effectively blocked the possibilities of monetary profligacy. Indeed most African countries behaved as if they accepted their historical role to merely export capital to metropolitan countries and to finance their industrialisation either through domestically generated mineral rents or surpluses extracted from a docile peasantry. The surplus transmission belts that colonialism had set up continued to move in the same direction.

The other constraint on borrowing had to do with credibility to capital of the political regime in Africa. We noted that debt-financed, export-oriented industrialisation of the 70's was associated with bureaucratic-authoritarian rule. During the first two decades of independences, African regimes were not in the same league as Brazil, South Korea, Iran, Argentina in both bureaucratic capacity and authoritarian exercise of power. And, as Hutchful rightly observes, although the political and economic ideologies associated with import substitution industrialisation in Africa were "strongly interventionist and incipiently authoritarian", they emphasised a certain element of redistribution expressed in varieties of "socialist and noncapitalist" ideologies[1]. Expenditure on social services, provision of subsidies, price controls were an important feature of state policy. These regimes could not gain the confidence of capital desirous of "law and order", cheap and docile labour etc.[2].

To be sure, by the 1970s the populist-nationalist coalition that may have sustained the immediate post-independence period had been undermined by the incapacity of the state to "deliver" and by the growing social differentiation in African society. And since then African regimes have become increasingly authoritarian. However, an interesting characteristic feature of African repression is that it has been generalised and unfocussed and in its nightmarish forms (Idi Amini, Nguema and Bokassa) assumed the character of generalised terror against civil society as a whole. More specifically, it was not structured around capital accumulation which would have demanded emphasis on control of labour and its cheap delivery to capital.

1 Eboe Hutchful, "The Crisis of the New International Division of Labour: Authoritarianism and the Transition to Free Market Economies in Africa" Africa Development, Vol. xii, No. 2, 1987.

2 The measure of Africa's "unattractiveness" is exemplified by a study by Root and Ahmed on the determinants of direct investment by transnational corporations in the nonextractive developing countries. Only Gabon, out of 19 African countries included in the study, was considered "highly attractive" by TNCs, followed by Ghana, Ivory Coast, Kenya and Malawi which were considered "moderately attractive". The rest were considered "unattractive". F.R. Root and A.A. Ahmed, "Empirical Determinants of Manufacturing Direct Investment in Developing Countries", Economic Development and Cultural Change, Vol. 27 no. 4, 1979).

Crisis, Adjustment and De-industrialisation

The full impact of the world crisis was to hit Africa's industrialisation efforts after the second "oil crisis" of 1979. For Africa the world crisis was channelled through declining terms of trade. Terms of trade of low income African countries declined by 1973-76 and by nearly 14 per cent during 1979-82[1]. African economies being extremely open, were particularly sensitive to these adverse changes in the international context. The industrialisation process in Africa was import intensive and dependent on imported inputs. Ironically, the import substitution process, by reducing the relative weight of consumers goods and some "luxuries", meant that imports were increasingly of the "essential" type, thus reducing the room for manoeuvre as regards levels of imports. The Balance of payments crisis led to underutilised capacity, lack of maintenance of existing equipment and no new investments on industry. Faced with serious balance of payments disequilibria, many African countries were forced to contract debts, not to finance industrialisation but to solve their short-term balance of payments problems. Forays into financial market were therefore characteristically unsystematic and unfocused. Significantly, by the time African countries became heavy borrowers, interest rates had jumped up dramatically. This ineluctably pushed them into the hands of the World Bank and the IMF for structural adjustment loans and various standby arrangements.

The IMF-World Bank teams have attributed the Africa crisis to a number of "market distortions". Of greater policy significance is the view that the ensemble of policy "biases" and predilections has led to a set of macroeconomic policies that have stifled agriculture leading to serious balance of payments disequilibria as a result of declining exports on the one hand and souring food imports on the other, inefficient industrialisation and underutilisation of scarce resources etc. The argument is based on a too often tendentious deployment of neoclassical economic doctrine about the market, the economy and the state. The first major restatement of neoclassical argument for purpose of policy formulation in the poor countries were the OECD case studies summarised in the influential book by Little, Scitovsky and Scott[2]. In the more strident formulations it is simply assumed that "good policy" for development is now well understood and involves decontrol, and favours a liberal trade regime and an outwardlooking frame of incentives[3]. The

1 Ajit Singh, "Exogenous shocks and de-Industrialisation in Africa: Prospects and Strategies for Sustained Development" in Africa Economic Development: An Agenda for Future (New Dehli: Reserach and information System for the Non-Aligned and other Developing Countries, 1987).

2 I. Little, T. Scitovsky, M. and Scott, Industry and Trade in Some Developing Countries: A Comparative Study London: Oxford University Press, 1970.

3 Anne Krueger, "Loans to Assist the Transition to Outwardlooking policies", World Economy, Vol. 4 No. 3,1981.

Localisation of these arguments to the African scene was made by Berg on behalf of the world Bank in a study that was to greatly influence the perceptions of state policies in Africa and the conceptualisation of what were to be the remedies[1].

In brief, the argument goes as follows: First, by sustaining overvalued exchange rates, the Import Substitution Strategies have encouraged inefficient and noncompetetive patterns of industrialisation. Unable to earn foreign exchange necessary for the importation of vital inputs, these industries have undermined the countries only source of foreign exchange by keeping returns to producers of agricultural export goods low in terms of domestic currency. In addition, forced to buy from highly protected and inefficient industry, agriculture has faced unfavourable terms of trade which have lowered returns on labour and therefore served as a disincentive to direct producers. In addition, in order to finance the process of industrialization, governments have heavily taxed the agriculture sector through the monopsonistic control by parastatals of virtually all export crops. This has led to the collapse of traditional sources of foreign exchange which has reverberated on the industrialisation process through the foreign exchange crunch.

With respect to the overall macroeconomic crisis of severe balance of payments problems and subsequent indebtedness, the new orthodoxy argues that the current accounts were mainly reflections of excess demand which can be removed by reducing expenditure without affecting the level of growth of real income, improving the competitiveness of the economy and by attracting foreign investment.As far as industrialisation process itself is concerned it is basically viewed as an unmitigated disaster. Because of state-induced "market distortions", it is too inefficient, having grown up under high protective tariffs; uses the wrong technology reflecting distortions in the capital and labour markets. Solutions include restructuring through privatisation, denationalisation and outright closure of a number of industries[2].

African countries have sought special arrangements with the international financial community. Currently 22 IDA eligible countries have major structural adjustments underway. In addition there are some of the "middle income" countries having similar arrangements. And with pressures from the IMF and the World Bank, "policy dialogues" with donors and internal changes in the configuration of state structures the orthodox prescirption is being widely adopted in Africa. Overvalued currencies are being devalued, food subsidies removed, parastatal monopsonies dissolved as "Market forces" are unleashed.

1 World Bank, Accelerated Development in Sub-Saharan Africa: An Agenda for Action (Washington D.C.: IBRD, 1981).

2 See for, instance Privatisation and Public Enterprise, Occasional Paper no. 56 (Washington, D.C. IMF, 1988).

Table 4 African Countries (a) with Major Structural Reform Programs Planned or Underway as of march 1987.

Burundi	Mali
Central African Republic	Mauritania
Chad	Niger
Equatorial Guinea	Rwanda
The Gambia	Senegal
Ghana	Sierra Leone
Guinea	Somalia
Guinea Bissau	Tanzania
Kenya	Togo
Madagascar	Zaire
Malawi	Zambia

(a) IDA-eligible SubSaharan African countries.
Sources: The World Bank and U.S. Treasury.

These arrangements with the IMF and World Bank are invariably accompanied by "conditionalities" which for African countries, at least, have become tougher in recent years as most countries have found themselves seeking loans with high conditionality. From 1973 to 1979 the increase in African states' borrowing occurred mainly under special credit lines designed to finance balance of payments deficits due to increased oil prices, temporary shortfalls in export receipts or to provide "soft" credit from the proceeds of the gold sales. But from 1979 African countries were prominent borrowers under the "regular" system for borrowing under "standby" or "extended" arrangements with higher conditionality. Of the total amount of IMF credit committed to all countries under such arrangements, African countries accounted for 30 per cent in 1979 and 1980 whereas they accounted for only 3 per cent over 1970 to 1980[1].

There are few studies on what the effects of these policies on industrialisation are. What one has had so far are either tendentiously positive accounts of the process by the IMF and World Bank or rather journalistic accounts of "successful" privatisation often based on briefings by these organizations. There is, however, growing evidence that in a number of cases the hope that liberalisation would lead to an inflow of direct foreign investment or the resurgence of the hitherto suppressed indigenous capitalist class has not materialized and so are there still have been no takers for privatised state firms largely because local capital does not have the means and foreign capital has viewed the proposition unattractive especially accompanied by removal of protection[2]. The enervation and "crowding out of the state" has been combined

1 Harris, Lawrence "Conceptions of the IMF's role in Africa" in Peter Lawrence (ed.).
2 Jeune Afrique Economie, Mai, 1988.

with absence of entrepreneurs to rationalise the denationalised parastatals or to exploit the incentives to tradeables. And so African economies find themselves denied use of the state which has been the major source of dynamism in industrialisation while awaiting, in the absence of indigenous capital, the arrival of foreign investments that remains sceptical of export oriented industrialisation in Africa. The result has been stagnation and de-industrialisation.

During this phase of adjustment, the weighted average growth rate of industry has been 2.4 (see Table 3). The high performance of such countries Botswana, Congo and Gabon is largely due to fortunes in their mineral exports. This tragic reversal of a process that started too late anyway, is further widening the gap between Africa and the rest of the world.

Social Effects

The orthodox critique of state policies towards industrialisation has tended to confine itself to the "trade regimes" generated by import substitution packages. However, parallel to the "trade regime", there was the "sociopolitical regime" and its ideological underpinning and there was the role of the state in direct production and in income distribution. The social effects of this process of de-industrialisation have been dramatic. First to bare the brunt directly have been the wage earners largely through decreases in real wages. Available evidence suggests that in the initial phases at least, adjustment took place less through retrenchment than through dramatic declines in real wages which has been "one of the principal ways in which the labour market has adjusted to economic slowdown and decline since midseventies"[1]. This was partly due to the significance of parastatals in industry and the political constraints imposed on their use of retrenchment of labour as an adjustment tool.

There is casual evidence that with the current wave of privatisation and general decline of parastatals, closure of private firms unable to deal with sudden opening up of the economy, retrenchment is now being increasingly resorted to. For neoclassical theory that informs the current policy initiatives of international financial organisations, the fact that excess supply exists in African urban markets, suggests that wages have not fallen low enough and so African governments are currently under pressure to further lower minimum wages, withdraw whatever subsidies enter the "social wage" and to generally let "market forces" find the equilibrium wage.

1 Dharam Ghai, Economic Growth, Structural Change and labour Absorption in Africa: 1960-85" UNRISD, Discussion Paper No.1 (Geneva, UNRISD, 1987. See also Vali Jamal and John Weeks, "The Vanishing Rural-Urban Gap in Sub-Saharan Africa", International Labour Review, Volume 127, No. 3, 1988.

Table 3 Average Annual Growth of Industry 1980-85

Benin	13.5
Botswana	21.1
Burkina Faso	2.1
Burundi	4.8
Cameroon	17.8
CAR	1
Congo	11.3
Ethiopia	2.8
Ghana	5.5
Guinea	0.1
Ivory Coast	1.5
Kenya	2
Liberia	6.7
Madagascar	6.8
Malawi	1.3
Mali	3.8
Mauritania	4.2
Mauritius	4.3
Mozambique	13.9
Niger	3.6
Nigeria	5.8
Rwanda	4.9
Senegal	4.5
Sierra Leone	2.5
Somalia	5.1
Sudan	4.3
Togo	2.8
Uganda	1.8
Tanzania	4.5
Zaire	2
Zambia	0.5
Zimbabwe	0.4
SubSaharan Africa*	2.4
Developing Countries*	3.5

*(weighted average)
Source: World Bank Report, 1987 (Table 2)

The retrenchment and the dramatic decline in real wages have had ramifications on the economy as a whole. In the urban areas, the fall of incomes of wage labours has not only added to the magnitudes of the population in the informal sector, but has, in addition lowered the demand for informal sector, forcing the sector to make costly adjustment. The situation in the rural areas is not clear.

The politics of de-industrialisation

Industrialisation and its reversal are quintessentially political. We have, albeit rather sketchily, tried to highlight the politics of the various phases of industrialisation or non-industrialisation in Africa.

Table 4: Trends in Real Official Minimum wages, 1980-86 (1980 = 100)

	1980	1981	1982	1983	1984	1985	1986
Burkina Faso	100	92	105	97	92	86	89
Burundi	100	90	148	136	119	115	
Cameroon	100	97	104	107	111	102	108
C. Af. R.	100	87	76	77	64	59	
Congo	100	85	76	70	67	64	61
Cote d'Ivoire	100	92	94	89	85	84	79
Ethiopia	100	94	89	89	82	73	77
Gabon	100	92	99	89	101	101	96
Gambia	100	94	98	89	73	65	
Ghana	100	105	86	80	80	133	150
Guinea	100	91	87	79	71	64	
Kenya	100	89	89	81	72	71	75
Liberia	100	93	88	85	84	85	83
Madagascar	100	90	81	68	68	65	64
Malawi	100	139	147	129	108	128	109
Mali	100	91	98	100	90	108	
Mauritius	100	89	84	81	79	77	76
Niger	100	87	78	80	74	75	77
Nigeria	100	148	138	115	81	79	
Rwanda	100	94	83	78	74	73	74
Senegal	100	99	91	94	84	78	16
Somalia	100	90	79	58	30	22	
Sudan	100	80	64	49	47	45	36
Tanzania	100	99	77	61	60	45	77
Togo	100	84	83	76	78	80	112
Zaire	100	76	64	91	163	164	
Zambia	100	88	93	88	81	75	

Source: World Bank (unpublished) cited by Dharam Ghai

The weak base of the industrialisation process is revealed by the fact that outside labour and a few nationalist groups, de-industrialisation has not received much resistance internally. The position of the emergent capitalist class has been ambiguous towards privatisation for a number of reasons. In most cases, privatisation means denationalisation and foreign control. Where there are no takers, privatisation simply means closure of enterprise. The ambiguity of the emergent capitalist interests is also a reflection of the fact the contradictory rationality of the state which on the one hand contributes to overall capital accumulation and opens opportunities to private capital both as

consumer and supplier of cheap inputs while, on the other hand, it is often engaged in activities which "crowd out" private capital. Conceptually one can expect "comprador" elements to rather opportunistically applaud not so much the de-industrialisation but the "trade liberalisation". The emergent agrarian capitalist interests may not, as importers of luxury goods and inputs, have much to say against the process but they may suffer from the loss of protected domestic "wage foods" markets due to falling wages, employment and liberalisation.

Given the social effects and the continued nationalist and populist view of industrialization as an item that must still remain on the "national agenda", the slowdown and reversal of the industrialization process causing urban unrest in a number of African countries has eroded the state's already low standing in African societies[1]. In addition, to the extent that privatisation still means foreign control for a large number of industrial activities for which local private has neither the capital and the managerial skills, and to the extent that adjustment programmmes have led to an unprecedented foreign presence in post-independence policy formation in Africa, the current process also leads to weakening of the state vis-a-vis external powers. Both these internal reaction and external presence have further undermined the legitimacy of the state.

What About The Next Time Around?

Only some few years ago, the question raised was whether "latecomer" countries such as those of Africa would be able to replicate the "miracle" of the "Four Tigers". This was before it became definitely clear that particular conjuncture of greater freedom of trade, easy availability of recycled petrodollars, and expansion of the developed countries had come to pass. So obviously whatever industrialisation "miracles" take place, or for that matter whatever reversal of the de-industrialization process Africa achieves it will be under radically different conditions. There can, however, be no doubt that the current process of de-industrialisation, the dismantling of structures that sustained much of the industrialisation, the institution of social structures of accumulation that are highly volatile will once again leave Africa unprepared to capture whatever new opportunities an upturn in the world economy may have.

1 In the recent elections of Senegal, a major point made by the opposition was that the state had accepted a restructuring that was leading to closure of factories and retrenchment. It accused the ruling party for not been nationalistic enough by laying to waste this national patrimony.