

WHAT IS IN A NEW INTERNATIONAL ECONOMIC ORDER FOR THE LEAST DEVELOPED COUNTRIES OF AFRICA ?

By

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INTRODUCTION

The scramble for development assistance is increasingly becoming a major preoccupation of the developing countries of the world, and particularly of those least developed among them. One evidence of this is the number of countries which are eager to be placed among the ranks of the «least developed», all because of the temptation of obtaining increased international development assistance. Indeed, it appears as though attention today is being diverted away from basic and urgent demands which primarily concern domestic policy-making and action. Much is being left to a New International Economic Order (NIEO) yet to come, as if such an «order» would remove the socio-economic shackles of development in the poor countries of the world.

A reconsideration of recent world economic history would in fact hardly justify the expectation that a NIEO would soon be achieved. In the period of a quarter of a century before and after the 1974 United Nations Declaration, there have been continuous struggles to attain some of the basic goals of the NIEO. However, during this period, the relative economic position of the developing countries generally tended to worsen and the extent of poverty increased. And where there was search for a NIEO, based on genuine cooperation and interdependence, the tendency became one of the polarization of the world into giant camps euphemistically referred to as the «North» and the «South».

This paper seeks to demonstrate that, in fact the least developed countries of Africa are least justified to place much hope on international aid and trade to overcome the problems of development. First, it is readily apparent that the depth of poverty that prevails in these countries calls for a more determined domestic development effort rather than for increased international assistance. For, under the conditions that prevail, increased development assistance may only lead to increased dependence on external conditions which are largely responsible for the current economic crises in many of the least developed countries of Africa. Secondly, past experience regarding international economic relations hardly justifies the expectation

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of «greatly expanded assistance» as UNCTAD would have us believe. Thirdly, it will be shown that the least developed countries of Africa stand to benefit least even if agreement were to be reached on some of the substantive items of international negotiation which are expected to form the foundation of a NIEO. Trade liberalization involving tariff reduction and the removal of nontariff barriers by the industrialized world would benefit the more developed rather than the least developed of the developing countries. Debt cancellation or rescheduling hardly offers any material or lasting advantage to the least developed countries of Africa.

The conclusion reached in this paper is that the main hope of development for the least developed countries of Africa lies in a substantial reorientation of national development goals and strategies and in the creation and strengthening of the instrument of planning and economic management for the mobilization and more full and effective utilization of domestic resources. Under these conditions, international trade and aid can be expected to contribute more effectively to national development. The goals of the New International Economic Order can also be better realized if and when many of the least developed countries of Africa are prepared to face head on the challenge of establishing a new order at home.

THE DEVELOPMENT CHALLENGE OF THE LEAST DEVELOPED COUNTRIES OF AFRICA.

It is well-known that in 1971, the United Nations General Assembly designated a number of countries as least developed based on the recommendations of the Committee for Development Planning. The designation was made on the basis of the level of per capita GDP, the degree of industrialization, and the level of literacy. The number of countries classified as least developed has today reached 31 out of which 21 are in Africa. The Number of African Countries in the group would have been larger if some that had applied (Angola, Djibouti, Equatorial Guinea, Sao Tome and Principe and Seychelles) were not denied the recognition.

The African least developed countries do not constitute a homogenous category. One classification places these countries into four groups on the basis of per capita GDP ranging from a high of above U. S. \$ 110 to a low of below U.S. \$ 75. (table 1). These countries differ in other respects as well. Eleven of them are land-locked, two are island countries, and ten are drought prone. These differences as well as the differences in social and political conditions are not fully considered for the purpose of this paper. The attempt made in the following pages is to highlight only the main features of these countries thereby to emphasize the fact that their long-term development will critically depend on domestic economic policy and action than on the expectation of a reformed system of international economic relations.

Table 1. *Classification of African Least Developed Countries by Per Capita GDP.*

Group I – per Capita – GDP Above U.S. \$ 110	Group II – per Capita – GDP U.S. \$ 100–110	Group III – per Capita – GDP U.S. \$ 75–99	Group IV – per Capita – GDP U.S. \$ 65.
Botswana	Central African Republic	Benin	Burundi
Gambia	Malawi	Cape Verde	Ethiopia
Lesotho	Niger	Chad	Mali
Sudan	Somalia	Comoros	Rwanda
	Uganda	Guinea	Upper Volta

Source : *Quantitative Analysis of the Problems and Perspectives of the African Least Developed Countries in the Framework of the Third United Nations Development Decade*, Economic Commission for Africa, E/CN. 14/748, 1980, p.6.

Note : Guinea Bissau was classified as least developed at the Geneva meeting of ECO-SOC in April 1981; data on this country are unfortunately not available for inclusion in this paper.

A Profile of the Least Developed Countries of Africa

Population. The least developed countries of Africa are on the whole countries with relatively small population sizes. However, the total population of the 20 countries is estimated at about 125.8 million constituting around 30 % of the total population of the countries of developing Africa as a whole and 48.8 % that of the population of all least developed countries. Moreover, the rates of population growth are high, averaging about 2.5 % per annum. At this rate of growth, the total population of these countries would double every 29 years.

Life expectancy at birth of the least developed countries of Africa is estimated at 42, while it is 46 for developing African countries as a whole. The infant mortality rate is estimated at about 156 per thousand compared with 147 for developing Africa.

In these countries, as in all developing Africa, around 45 % of the economically active population is unemployed or underemployed. In a number of cases, a relatively large proportion of the adult population is dependent on neighbouring countries for employment.

Production, GDP, and Investment. In the least developed countries of Africa, over 81 % of the economically active population is employed in agriculture. On the average the share of agriculture in GDP is estimated at about 32 % in these countries, although in some cases the figure far exceeds 50 %. (Table 2).

In 1976, manufacturing contributed about 7 % to the GDP of the least developed countries of Africa. This amounted to 78 % of the figure for all least developed countries and about 41 % that of all developing countries. (Table 2). The share of developing African countries in total world industrial production is estimated to be less than 1 % and may rise to only 2 % by the year 2000.

Table 2. *Percentage Share of Agriculture and Manufacturing in Total GDP of Africa's Least Developed Countries.*

<u>Country</u>	<u>Percentage Share of Agriculture in 1976</u>	<u>Percentage Share of Manufacturing in 1976.</u>
Benin	38	9
Botswana	33	5
Burundi	35	6
Cape Verde	35	2
Central African Rep.	33	20
Chad	49	9
Comoros	47	9
Ethiopia	46	9
Gambia	60	2
Guinea	22	7
Lesotho	34	2
Malawi	43	13
Mali	38	11
Niger	44	15
Rwanda	59	4
Somalia	28	7
Sudan	39	9
Uganda	49	6
United Rep. of Tanzania	40	9
Upper Volta	34	13
Total Above	32	7
All Least Developed Countries	44	9
All Developing Countries	18	17

Source: *Basic Data on the Least Developed Countries*, Report by the UNCTAD Secretariat, TD/240/Supp. 1, 1979, Table, 3 and 4.

On the average, the 1977 per capita GDP of the least developed African countries was estimated at U.S. \$ 83, based on 1970 prices. The per capita GDP for all least developed countries was estimated at U.S. \$ 94 and for all developing countries at U.S. \$ 272 for the same year. Thus, the per capita GDP of the least developed countries of Africa was about one-third of all developing countries. (Table 3).

The relatively low level of per capita income of the least developed countries of Africa is in part the reflection of the poor performance of these economies in the 1970s. Between 1970 and 1977, per capita GDP actually declined in seven of these countries. Over this period, the absolute average increase in per capita GDP, excluding the relatively high figure for Botswana, was about U.S. \$ 1.80 or an average increase of about U.S. \$0.25 per year. In contrast, per capita GDP in all developing countries increased by U.S. \$ 52 over the same period or by over U.S. \$ 7.40 per year.

On the average, the agricultural sector grew at about 1.5 % per annum between 1970 and 1978. However, agriculture in four out of the twenty least developed countries actually showed a decline. (Table 4). Furthermore, as shown in Table 5, production of the main cereals in all developing Africa grew on the average at about half the rate of population growth in the decade of the 1970s.

Table 3. GDP Per Capita of the Least Developed Countries of Africa.

Country	1970	1977	Change
	(1970 Prices)		
Benin	81	80	- 1
Botswana	143	324	181
Burundi	66	67	1
Cape Verde	114	81	- 33
Central African Republic	127	101	- 26
Chad	74	78	4
Comoros	114	93	- 21
Ethiopia	72	70	- 2
Gambia	101	118	17
Guinea	82	84	2
Lesotho	74	113	39
Malawi	72	100	28
Mali	55	59	4
Niger	100	106	6
Rwanda	60	67	7
Somalia	79	102	23
Sudan	157	166	9
Uganda	135	110	- 25
United Rep. of Tanzania	97	109	12
Upper Volta	59	49	- 10
Total Above	75	83	9
All Least Developed Countries	89	94	5
All Developing Countries	220	272	52

Source: *Basic Data on the Least Developed Countries, op. cit.*, Table 1.

In those African countries with less than U.S. \$ 100 per capita GDP, manufacturing output grew by about 3.7 % per annum during 1970-1978 while the corresponding figure was 6.7% in all developing Africa. (1)

As can be inferred from the figures provided above, both the proportion of gross fixed capital formation of GDP and its growth rate were relatively low in the least developed countries of Africa in the 1970s. Gross fixed capital formation taken as share of GDP was probably around 15 % in 1978, as compared with 16.5 % for all developing Africa and 41.2% for major oil-exporting countries of Africa. (2) Gross domestic investment in real terms grew at an average annual rate of 5.9 % between 1970-1977 as compared with about 9.5 % for all developing countries. (Table 6).

Table 4. Growth of Agricultural Production in the Least Developed Countries of Africa 1970–1980.

Number of Countries	Average Growth Rates (%)
4	Negative
2	0–1
4	1–2
4	2–3
6	Over 4

Source : *The Present State and Development Prospects of the Least Developed African Countries: An Assessment of the Major Sectors*, ECA, E/CN. 14/758, 1980, p. 10.

Table 5. Growth of Output of Major Food Grains in Developing Africa 1970–1979.

Crop	Average Annual Growth Rates (%)
Wheat	2.13
Rice Paddy	1.11
Maize	1.51
Millet	0.83
Sorghum	0.89
Total Cereals (including others)	1.25

Source: *Survey of Economic and Social Conditions in Africa, 1978–79, Part I*, ECA, E/CN. 14/743/Part I, 1980, p. 42.

Table 6. Real Growth Rate of Gross Domestic Investment in Africa's Least Developed Countries 1970–1977.

Country	Growth Rate
Benin	1.7
Botswana	28.9
Burundi	14.3
Cape Verde	0.9
Central African Republic	1.7
Chad	2.8
Comoros	- 3.9
Ethiopia	- 6.8
Gambia	3.6
Guinea	5.6
Lesotho	8.5
Malawi	7.0
Mali	- 0.2
Niger	5.6
Rwanda	17.0
Somalia	11.6
Sudan	11.6
Uganda	-7.5
United Rep. of Tanzania	2.7
Upper Volta	13.6
Total Above	5.9
All Developing Countries	9.5

Source: *Basic Data on the Least Developed Countries*, op. cit., Table 5.

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External Trade and International Financial Flows. External trade is a relatively dominant feature of the least developed countries of Africa. In 1977, exports amounted to about 19.9 % and imports to 34.8 % of GDP as compared with 17 % and 20.8 % respectively, for all developing countries excluding the major oil exporters. (Table 7).

Per capita international financial flows to least developed African countries stood at U.S. \$ 18 in 1977, less than one half of the U.S. \$ 37 reported for all developing Africa. Concessional aid per capita in 1977 was estimated at U.S. \$ 15 for least developed African countries and at U.S. \$ 19 for developing African countries. Non-concessional financial flows per capita amounted to about U.S. \$ 4 in the least developed countries and to U.S. \$ 18 in all developing Africa. (3)

Total financial flows to the least developed African countries grew at the rate of 22.2 % per annum during 1970–1977. This is identical with the rate of growth of financial flows to all developing African countries. However, concessional financial flows grew by 21.6 % during the same period, a figure somewhat less than that of African developing countries as a whole. Interestingly, non-concessional flows grew by 24.6 % during 1970–77 as compared with 22.6 % for developing Africa as a whole.

Table 7. Exports and Imports of the Least Developed Countries of Africa As Percent of 1977 GDP.

<u>Country</u>	<u>Exports</u>	<u>Imports</u>
Benin	9.4	36.2
Botswana	58.8	64.7
Burundi	27.1	26.8
Cape Verde	2.6	66.2
Central African Republic	10.0	14.6
Chad	12.9	25.8
Comoros	12.2	24.3
Ethiopia	10.5	11.1
Gambia	38.7	62.9
Guinea	28.4	19.1
Lesotho	17.2	98.2
Malawi	24.3	29.3
Mali	21.1	27.0
Niger	18.6	16.9
Rwanda	21.6	26.8
Somalia	16.7	49.9
Sudan	13.6	21.7
Uganda	16.6	7.4
United Rep. of Tanzania	16.9	25.1
Upper Volta	11.2	42.4
Total Above	19.9	34.8
All Least Developed Countries	13.0	23.2
All Developing Countries (excluding major oil exporters)	17.0	10.8

Source *Basic Data in the Least Developed Countries, op. cit.* Table 6.

The least developed countries of Africa incurred debt-service payments amounting to about 12 % of total exports in 1977, this having risen from about 7.5 % in 1969. Debt-service payments by all developing countries were about 7.8 % of exports in 1977, having declined from 8.8 % in 1969. (Table 8).

Table 8. External Public Debt Outstanding and Debt Service Payments of the Least Developed Countries of Africa.

Country	Debt Outstanding in Millions of Dollars		Service Payments As Percent of Exports	
	1969	1977	1969	1977
Benin	41.2	113.4	5.4	16.5
Botswana	10.1	165.2	3.3	2.9
Burundi	6.0	23.7	5.0	2.9
Cape Verde	NA*	NA	NA	NA
Central African Rep.	19.8	79.0	5.8	12.8
Chad	30.1	95.4	9.4	18.3
Comoros	NA	17.4	NA	6.7
Ethiopia	135.4	429.5	16.3	8.5
Gambia	4.5	13.7	0.0	0.8
Guinea	214.0	871.5	2.9	57.3
Lesotho	6.4	15.4	4.3	1.8
Malawi	68.5	257.9	7.5	6.5
Mali	200.0	375.7	28.2	22.5
Niger	18.3	123.4	9.2	3.6
Rwanda	1.8	48.4	3.6	1.5
Somalia	53.1	277.2	2.2	10.8
Sudan	233.2	1292.1	9.1	27.8
Uganda	101.3	211.5	8.1	4.3
United Republic of Tanzania	153.3	910.4	6.2	6.6
Upper Volta	18.7	84.4	8.1	10.5
Total Above	1315.7	5405.2	7.5	11.7
All Least Developed Countries	1829.5	8883.4	9.7	13.6
All Developing Countries	35600.6	146021.8	8.8	7.8

Source: *Basic Data on the Least Developing Countries, op. cit.*, Table 32.

* Data Not Available.

Economic Growth Prospects. Projections of economic growth for the decade of the 1980s, based on extrapolation of past trends, showed that per capita GDP would on the average only grow by something around 0.5 % per annum; agriculture would continue to lag behind population growth; and industry would stagnate. (Table 9).

Table 9. *Economic Growth Projections Based on Past Performance of Africa's Least Developed Countries - 1980-1990 (Constant 1970 prices).*

Item	1980 - 1985			1985 - 1990		
	Group I	Group IV	All	Group I	Group IV	All
GDP Growth Rate	3.93	2.77	2.93	4.03	2.80	3.02
Population Growth Rate	1.72	2.34	2.35	1.72	2.34	2.35
Growth Rate of Agriculture	2.69	2.20	1.83	2.69	2.20	1.83
Growth Rate of Industry	5.54	4.06	4.45	5.54	4.06	4.51
Growth Rate of Consumption	6.77	3.75	4.24	7.21	3.96	4.55
Growth Rate of Investment	8.66	0.88	4.66	8.54	0.88	4.90

Source : *E/CN. 14/748, op. cit., 1980, Tables 46-51.*

A rate of growth of 6 % of GDP had been the accepted target for the developing countries during the U.N. Development Decades. The question may be asked as to what would be the implications of such a growth rate of GDP in the 1980s? Such a target would mean a rate of growth of 3.5 % of per capita GDP per annum and would necessitate a doubling of the growth rate of the agricultural and industrial sectors. It would also require a growth rate of about 7 % of investment in real terms. Yet, the increase of about 3.5 % per annum in per capita GDP, if achieved at all, can hardly result in any substantial improvement of the levels of living of the peoples in the least developed countries of Africa. For improvement in the level of living depends not only on a high rate of growth of per capita GDP, but also *inter alia* on fundamental socio-economic reforms, on the actual composition of production in agriculture and industry and on the provision of social services (4).

As stated at the outset, the foregoing general description of the economic conditions of the least developed countries of Africa has been intended to underscore that the main challenge of development belongs to the domestic rather than the international arena. It is clear that some of the least developed countries of Africa find themselves in danger of virtual economic collapse. This state of affairs has come about as a result of past development policies which have failed to lay the foundation for an internally directed and resource-based process of change. Already, many of the fragile economies of Africa's poorest countries are relatively heavily dependent on external trade and aid such that they have been unable to withstand the effects of a world economy under crisis.

It is not even certain that some of the countries can take full advantage of available international resources without first introducing major reorientations of development goals and strategies. Yet, the emphasis continues to be on increasing international assistance to these countries. As will be shown below, many of the countries in fact stand to gain little from the resolution of some of the issues on the agenda of discussions in the context of the NIEO. Yet again, they continue to be engaged in protracted international negotiations along with those more fortunate developing countries which stand to gain from such negotiations. Both the recently proposed measures of increased international assistance, and the likely effects of agreements on some of the international issues on the economies of the least developed countries of Africa, will be assessed in turn below.

THE PROSPECTS FOR INCREASED OVERSEAS DEVELOPMENT ASSISTANCE

The dominant view held by the developing countries seems to be that the key to the development of the least developed countries lies in increasing international economic assistance. Thus, on the basis of the Arusha Programme for Collective Self-Reliance and Framework for negotiations, the fifth session of UNCTAD adopted the following resolution regarding the least developed countries:

«Phase One: An immediate effort to meet the critical situation of the least developed countries in the form of an *Immediate Action Programme* 1979–1981 of greatly expanded assistance for the least developed countries, aimed at (1) providing an immediate boost to their economies and immediate support for projects for the provision of the most pressing social needs, and (2) paving the way for much larger longer-term development efforts,» and

«Phases Two: A substantial New Programme of Action for the 1980s for the least developed countries with the objective of transforming their economies toward self-sustained development and enabling them to provide at least internationally accepted minimum standards of nutrition, health, transport, and communications, housing and education as well as job opportunities to all their citizens, and particularly to the rural and urban poor». (5)

Two basic questions are raised pertaining to this resolution. First, can this resolution be regarded as a realistic one given the experience of the past two decades or more? Second, would the greater external assistance that is to result from the proposed measures enable these countries to break away from socio-economic conditions and patterns of resource use that have perpetuated the conditions of poverty?

Let us first consider the question of «greatly expanded assistance» to the least developed countries. It is common knowledge that the U. N. had adopted a target which called for the industrialized countries of the world to raise official development assistance to the developing countries to 0.7 % of their respective levels of GNP. However, as of 1978, official development assistance amounted to about half the target set a decade ago. The contribution of the U.S. had declined from 0.5 % of GNP in 1960 to 0.2 % in 1978! (6). Under these circumstances, it would indeed be highly optimistic to adopt a resolution calling for short order «greatly expanded assistance». How much more assistance can quickly be raised that would result in any lasting effect on the economies of the least developed countries of Africa? And if the record of fulfillment of past UNCTAD resolutions is any measure, it might be that the least developed countries are heading toward another episode of disappointment. UNCTAD has so far succeeded only marginally in implementing any of its resolutions.

Suppose however we assume that a relatively large increase in international economic assistance is obtained as a result of the on-going campaign. How would such assistance bring about a self-sustained process

of development in these countries? Is a highly expanded aid programme without fundamental policy changes on the domestic front likely to lead to a dynamic process of development? Isn't it more likely that the result would be increasing dependence rather than self-reliance? It is indeed a dangerous illusion to maintain that increased international assistance can be counted on to achieve the «objective of transforming» the economies of the least developed countries of Africa.

It is possible that the UNCTAD strategy may be mainly concerned about the alleviation of poverty in these countries by way of meeting what are popularly known as «basic needs». A careful reading of the resolution cited above gives one the impression that this might be a basic concern of both the Immediate Action Programme and the Substantial New Programme of Action. There can hardly be any objection to the admirable aim of meeting the «basic needs» of the most deprived peoples of the world. The fear is however that this, the newest international paradigm, might serve as a palliative rather than as a lasting cure for the chronic ills of underdevelopment in Africa. For, as Paul P. STREETEN has put it «A Basic Needs Programme that does not build on the self-reliance and self-help of governments and countries is in danger of degenerating into a global charity programme». (7)

Hence, UNCTAD's recent campaign for expanded international assistance for the least developed countries may be more concerned about attaining narrowly and statically conceived ends rather than meeting the demands of the actual process of self-generating development. And in any case, there is little basis for expectation that the «Immediate Action Programme» will soon materialize. The outcome of the recent U. N. Conference on the Least Developed Countries held in Paris is enough evidence. The draft of the resolution presented to that long-awaited Conference was prefaced with a statement of deepest concern at the failure to implement the Immediate Action Programme (1979–81) more than two years after its adoption. In spite of this fact, the list of the items of assistance requested by the least developed countries for the decade ending in 1990 was even more ambitious and included such proposals as the doubling, in real terms and early in the decade of the net flow of resources and the quadrupling of concessional aid in real terms by 1990. In order to achieve these targets, it was proposed that the donor countries commit a minimum of 0.15 % of GNP in the form of development assistance to the least developed countries during 1981–1985 and 0.2 % of the GNP in the remaining period of the decade. (8)

That all this was highly unrealistic was self-evident. The United States objected to the idea of setting targets of the type proposed. Indeed, only a few days after the close of the Paris Conference, the U. S. President declared in his opening address to the IMF and World Bank Annual Meeting that «no amount of aid will produce progress» unless the developing countries look into the critical matter of domestic economic policy. And even though the proposal to raise 0.15 % of the GNP by the donors for the benefit of the least developed countries will appear in some form in the final resolution of the Conference, few donors are likely to take it any more

seriously than the target of 0.7 % adopted over a decade ago as assistance for all developing countries. It is significant to note in this relation that there was objection on the part of donors to the use of the phrase «in real terms» as applied to future increase of assistance. If assistance were to be doubled in five years, and only in «monetary terms», this might amount to no increase at all (or perhaps to a reduction of assistance) in real terms.

What then can be expected soon by the least developed countries of Africa from the international community now that the Paris Conference has come and gone? There is little basis for any optimistic expectation. And as we shall see below this applies not only to increased international aid but also to the prospects of any gains from reformed conditions of international trade in the context of the aims of the NIEO. Yet, by a remarkable expression of perseverance, some people maintained that the North-South Summit which was to be held in Cancun, Mexico might offer some hope. But that meeting too came and went. Nothing tangible came out of that meeting with regard to measures relating to the least developed countries. The 22 countries represented at Cancun only agreed on the need for continued global negotiations, but with no agreement on how and when this will take place.

TRADE PROMOTIONS AND THE LEAST DEVELOPED COUNTRIES OF AFRICA

One of the central aims for the establishment of the NIEO has been to overcome the prevailing oppressive conditions of international trade. However, the actual benefits that might accrue to individual countries from the international trade negotiations will obviously depend on the type and magnitude of trade involved. It is found in particular that many of the least developed countries of Africa are not likely to gain much from the measures of trade liberalization which have been under discussion for many years.

It has been shown for example that the least developed countries of Africa stand to gain little even from a substantial reduction of tariff on the agricultural and industrial imports of the industrialized countries. Based on data of the 1970s, the total value of the increased agricultural exports that might result from a 60 % tariff reduction was estimated to be only U.S. \$ 19.6 million per year, this amount accruing to fourteen least developed countries of Africa. Four countries would gain nothing at all as a result of such a measure. (Table 10).

The removal of agricultural non-tariff barriers would also be of little or no consequence to most of the least developed countries of Africa. In this case, fourteen of the countries would not be affected at all; increased exports valued at only about U.S. \$ 0.6 million per year would accrue to four of the countries.

A 60 % tariff reduction applying to the manufactures (excluding textiles) of the least developed countries of Africa was also shown to yield only marginal benefits to a few of them. Thus, an increase of exports amounting to U. S. \$ 4.5 million per year would accrue to six countries only, the rest being unaffected by the measure.

Table 10. Estimated Increase in Annual Exports of Least Developed Countries of Africa Resulting from a 60 Per Cent Cut in Tariffs and Removal of Agricultural Non-Tariff Barriers. (1974 \$ Millions)

<u>Country</u>	<u>Agriculture</u>	<u>Manufacturing Excluding Textiles</u>	<u>Textiles</u>	<u>Agricultural Non-Tariff Barriers</u>	<u>Total</u>
Benin	1.7	0.0	0.0	0.0	1.7
Botswana	0.0	0.0	0.0	0.0	0.0
Burundi	0.3	0.0	0.0	0.0	0.3
Central African Rep.	0.7	0.0	0.0	0.0	0.7
Chad	0.0	0.0	0.0	0.0	0.0
Ethiopia	1.5	0.4	0.0	0.0	1.9
Gambia	1.6	0.0	0.0	0.0	1.6
Guinea	0.1	2.3	0.0	0.0	2.4
Lesotho	0.0	0.0	0.0	0.0	0.0
Malawi	3.6	0.1	0.0	0.1	3.8
Mali	0.3	0.0	0.0	0.0	0.3
Niger	1.0	0.0	0.0	0.0	1.0
Rwanda	0.2	0.0	0.0	0.0	0.2
Somalia	1.5	0.0	0.0	0.0	1.5
Sudan	0.6	0.3	0.2	0.2	1.3
Tanzania	3.2	0.4	0.2	0.2	4.0
Uganda	3.3	1.0	0.0	0.0	4.3
Upper Volta	0.0	0.0	0.0	0.1	0.1
Total:	19.6	4.5	0.4	0.6	25.1
Per Cent of 42 Low Income Developing Countries	18.0	5.5	0.3	5.4	7.8
Per Cent of All Deve- loping Countries	2.4	0.3	0.03	0.2	0.6

Source: Thomas B. Binberg, «Trade Reform Options: Economic Effects on Developing and Developed Countries» in *Policy Alternatives for a New International Economic Order*, (William R. Cline Ed.), Praeger Publishers, New York, 1979. Derived and computed from Table 4, pp. 271–276.

Who then would benefit from trade liberalization policy? It is the relatively well-to-do among the developing countries (and of course the industrialized countries themselves) that stand to benefit from such a policy. In particular, many developing countries in the upper middle-income group can obtain substantial gains from the removal of trade barriers by the industrialized countries. Thus, while a total of about U.S. \$ 2.6 billion per year was estimated to accrue to the 30 upper middle-income countries from the range of trade liberalization measures discussed (Table 11), only about U.S. \$ 3 billion per year might accrue to 42 low income countries, the country average gains of the former group of countries, being over ten times that of the latter group. It is found that over 90 % of the benefits would accrue to countries falling in the high income to low-middle income groups.

Table 11. *Estimated Increase in Annual Exports of All Developing Countries Resulting from a 60 Per Cent Cut in Tariffs and Removal of Agricultural Non-Tariff Barriers.*
(1974 \$ Millions)

Country Groups	Agriculture	Manufacturing Excluding Textiles	Textiles	Agricultural Non-Tariff Barriers	Total
42 Low Income Countries (Per Capita GNP Below U.S. \$ 300). (Of which 18 African Least Developed Countries).	108.9 (19.6)	81.7 (4.5)	121.7 (0.4)	11.1 (0.6)	323.3 (25.4)
33 Low Middle-Income Countries (Per Capita GNP U.S. \$ 300-699).	308.7	234.6	288.9	56.0	888.2
30 Upper Middle-Income Countries (Per Capita GNP U.S. \$ 700-2000).	302.6	946.1	1070.0	207.9	2626.5
14 High Income Countries (Per Capita GNP of Over U.S. \$ 2000).	75.9	125.4	73.2	2.5	277.1
Other (Regional Groups).	22.2	2.1	0.4	48.6	73.3
Total All Developing Countries.	818.3	389.9	1554.1	426.1	4188.4

Source: Thomas B. Binberg, *Op. cit.*, Derived and Computed from Table 4, pp. 271-276.

The picture remains much the same when one takes into account the population sizes of the various developing countries. On per capita basis, the extra exports accruing to countries with average income of over U.S. \$ 700 from a 60 % tariff reduction was estimated to be nearly 40 times that of the figure for the group with average income of less than U.S. \$ 300 (Table 12).

If the prospects for greatly expanded aid and trade are not too promising for the least developed countries of Africa, it does not appear that agreement on some of the other issues of negotiation between the North and the South can be counted on to result in the creation of the basis for sustained development in these countries. Trade stabilization agreements are obviously likely to benefit again those countries which can expect relatively large export earnings. And as will be shown below, even a measure widely considered to be of special advantage to the least developed countries, namely that of debt concellation or rescheduling turns out to be of dubious importance to them when considered from the point of view of their long-term development needs.

Table 12 Estimated Per Capita Extra Exports of Developing Countries from a 60 per cent Tariff Cut by Industrialized Countries.

Country Group	Per Capita Extra Exports U.S. Dollars.
Per Capita Income Below U.S. \$ 300	0.26
Per Capita Income U.S. \$ 300–700	3.20
Per Capita Income Above U.S. \$ 700	10.17

Source : William R. Cline, *Op. cit.*, p. 28.

EFFECTS OF DEBT CANCELLATION OR RESCHEDULING

According to the Economic Commission for Africa, the external debt of the least developed countries of Africa increased at the annual rate of about 20.3 % per year during the period 1969–1977, the total debt outstanding reaching U.S. \$ 5.4 billion by 1977. Debt-service payments increased to U.S. \$ 534.5 million in 1977, this being nearly five times the 1969 figure of U.S. \$ 111 million. (9).

The proposal for debt cancellation or rescheduling has therefore an appeal to many least developed countries. Yet, such a measure can hardly be expected to provide much more than a temporary respite even to those least developed countries of Africa with relatively large external debts outstanding. The matter of debt cancellation or rescheduling must be assessed in relation with the aim to quadruple concessional aid to the least developed countries. As explained above, the tendency has been for international aid to decline as a proportion of the GNP of major donor countries. It is therefore highly optimistic to think that the proportion will increase rapidly in the future under the conditions of the forgiveness or rescheduling of debts, if it had declined when the flow of debt repayment was uninterrupted:

«... Legislatures may well consider their total aid effort to include debt relief and therefore deduct from direct aid whatever they give through debt relief. The possibility of non-additionality is an especially realistic concern where reflows of interest and amortization become available for new aid lending; reducing reflows would directly reduce aid in this case.» (10).

The proposed measure of debt forgiveness or rescheduling is furthermore based on the dubious assumption that the least developed countries would as a result be able to save and invest from the stream of their future foreign exchange earnings. It is quite possible however that some of these countries are already approaching a stage of actual default.

«African least developed countries have been constantly in deficit since 1970 in both their trade and their current balance-of-payments, and the deficit has been increasing. The trade deficit alone grew at an average annual rate of 20.5 % per cent during 1970–1977. *To finance this increasing deficit the least developed countries had to draw on*

their reserves and rely more on external assistance. (11) (underlining added).

Thus, there is no guarantee that postponed or reduced liability will materially affect economic development in many of the least developed countries of Africa. Indeed the crisis of inability to pay «national» debts constitutes a dramatic stage in the progressive deepening of economic and financial dependence of the developing world on a few highly industrialized countries. It signifies that stage of dependence where borrower has come to plead for the magnanimity of lender, but only to prepare for circumstances where the former will in future become a more dependable client not only to borrow but also to continue to buy those industrial goods whose purchase is «tied» to the loan itself.

LINES OF ACTION ON THE DOMESTIC FRONT A CONCLUDING STATEMENT

Economic policy that stresses the importance of international trade and aid and assumes *mutatis mutandis* that development will follow in the least developed countries of Africa, assumes too much. If this assumption were correct, many African developing countries would at least not have been found in economic crisis today. Development is fundamentally a national, not an international question. It would hardly have been necessary to state this obvious fact if it were not for the increasing emphasis being placed on international economic relations in matters of national development. The basic problem that must be faced has to do with the extent to which the countries of the least developed countries of Africa have prepared themselves for the challenges of, and the sacrifices which, development will entail. What is primarily called for in many of these countries is a drastic alteration of development goals and means. As one ECA document has eloquently put it:

«This implies a number of breaks with the past:

- A break with a number of concepts and habits, starting with excessive mimicry in every field;
- A break with the obsessive accumulation of material and financial possessions and with the persistent confusion of growth with development which prevents the promotion of a policy aimed at a better distribution of income for the sake of a balanced endogenous development;
- A break with the evil of deceitful slogans and paperthin achievements in favour of a courageous attempt to tackle the embarrassing facts of life so as to be able to start today to prepare the future» (12).

It hardly seems necessary to state that a few of the least developed countries of Africa are striving to extricate themselves from the web of international economic relationships which have been abetted by past domestic economic policy. Certainly, the particular measures in each case

would have to be left to national development planners and policy-makers. We might however in concluding consider a few general and interrelated examples to indicate the direction of change of development goals and means called for in many of the least developed countries of Africa.

Let us first consider the question of income distribution mentioned in the quotation above. According to one study, only about one-third of the total GDP of the least developed countries of Africa accrued to over two-thirds of the population. The per capita GDP of the poorest 40 % of the population was found to be no more than 7.5 % of the per capita GDP of the richest 5 % of the population. (13) Now, therefore, if the aim of meeting «basic needs» is so ardently desired, wouldn't a fundamental aspect of the strategy for achieving it be the introduction of measures for the redistribution of income, or of the resources which generate that income? Such measures would lead to the enlargement of the market for more broadly based industrial development geared to meeting the basic needs of the majority of the population rather than those of a privileged minority, and thus also result in the expansion of employment opportunity, both of which are important elements of the «basic needs» approach.

The prevailing income distribution is of course, mainly the reflection of the pattern of control of land as far as most of the least developed countries of Africa are concerned. The highly uneven distribution of land results in the poor utilization not only of land but of labour as well :

«In most least developed countries there is a highly unequal structure of land ownership which is probably the single most important determinant of the existing inequitable distribution of rural income and wealth. It is also the cause of the prevailing low output and minimal economic advancement or retrogression. Indeed as a preliminary step in achieving people-oriented rural development, farm structures and the land tenure patterns should be adapted to the dual objectives of increasing food production and promoting wider employment and the distribution of the benefits of agrarian progress. In the least developed countries, labour had a much more significant role in the expansion of output than land. Combining these results for least developed countries, the elasticity of output with respect to labour is 0.88 while that with respect to acreage is 0.36. This highlights the importance of increased labour intensity in increasing production through land distribution and comprehensive land reform system.» (14).

Another example that might be considered has to do with the question of the much-discussed food crisis in Africa. Great emphasis is made on the need to raise food assistance and to increase production by way of greater investment in the agricultural sector. But what is often ignored is the fact that the food crisis is in part at least the result of wasteful processes of production and distribution. Indeed it is estimated that something in the range of 30–40 % of the food produced in developing Africa is wasted due to inadequate handling, storage, transportation, etc. (15) Under these circumstance, is it justifiable to exert so much effort in the search for external help to raise food assistance and to increase production? For, if

domestic efforts were made to reduce the wastage by about one-third or less of the present levels, the food crisis would be far from being a crisis in many countries. This is not an effort that is likely to require very much external financing, because it might often involve only an educational campaign, the more intensive application of the labour currently employed or the employment of additional labour of which there is plenty.

Other areas exist where greater domestic efforts can yield substantial returns in production, employment and foreign-exchange earnings. One study has found that export values for ten primary commodities could on the average be increased by over 150 % by greater domestic processing. (16) It is hard to imagine that the domestic means are entirely lacking to exploit such opportunities at least in part, or to understand how they have been by-passed by the international capital that has found its way into the economies of these countries. There is certainly no intention to argue here for an export-oriented development strategy but in defense of a strategy that would raise production and employment relying primarily on domestic effort and resources.

Much is also said and written about the subject of international transfer of technology, but little about the need for enlarging and effective utilization of the capacity to identify, adapt and build on imported technology. In some countries, even an adequate policy framework by which technological development is to be guided may be lacking. It is also not certain that existing research capacities, technical manpower, as well as much of the imported machinery and equipment are fully and effectively utilized.

There is hardly any possibility to exhaust the great many areas where action on the domestic front is critical. Such action can however be expected only if the political will exists to challenge and overcome deeply rooted socio-economic barriers to development. The success of action on the domestic front also depends on the adoption of a disciplined approach of development planning and economic management which focuses on the aims of mobilizing and transforming domestic resources, creating and strengthening internal economic linkages, and internalizing and innovating technological processes. Only under such conditions can international trade and aid be expected to contribute toward the achievement of national development. The attainment of the goals of a «New International Economic Order» can also be better served by stronger national economies forged by internally motivated and resource-based development efforts rather than by weak and dependent economies which become easy prey to the predatory force of international capital.

FOOTNOTES

1. *Survey of Economic and Social Conditions in Africa, 1978-1979, Part I*, ECA, E/CN. 14/743/Part I, 1980, p. 53.
2. *Ibid.*, p. 36.
3. *The Present State and Development Prospects of Least Developed African Countries*, ECA, E/CN. 14/758, 1980, p. 29.

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4. *Quantitative Analysis of the Problems and Perspectives of the African Least Developed Countries in the Framework of the Third United Nations Development Decade*, E/CN.14/748, 1980, p. 37.
5. *Strategies, Priorities and Policies for the African Least Developed Countries*, ECA, E/CN.14/775, 1980, p. 2.
6. *North-South: A Programme for Survival*, The Report of the Independent Commission on International Development Issues, under the Chairmanship of Willy Brandt, Pan Books Ltd., London 1980, pp. 224–225.
7. Paul P. Streeten, «Basic Needs and the NIEO, Must there be a Conflict?», *News and Views*, the World Bank, March-April, 1978.
8. *Draft Resolution Submitted by Peru on behalf of States Members of the Conference*, U.N. Conference on the Least Developed Countries, A/CONF. 104/L.2, Paris, Aug. 31, 1981, p. 12.
9. *The Present State and Development Prospects of Least Developed African Countries*, op. cit., pp. 27–28.
10. «The 'North-South Dialogue' in Retrospect», *In Policy Alternatives for a New International Economic Order* (William R. Cline, Ed.) Praeger Publishers, N.Y., 1979, p. 2.
11. *The Present State and Development Prospects of Least Developed African Countries*, op. cit. p. 27.
12. *Symposium on the Future Development Prospects of Africa Towards the Year 2000*, E/CN.14/698/Add.2, Monrovia 1979, p. 3.
13. *Survey of Economic and Social Conditions in Africa*, op. cit., pp. 132–133.
14. *The Present State and Development Prospects of Least Developed African Countries*, op. cit., p. 53.
15. *Plan of Action for the Implementation of the Monrovia Strategy for the Economic Development of Africa Recommended by the ECA Conference of Ministers Responsible for Economic Development*, ECA, E/CN.14/781/Add. 1, 1980, p. 85.
16. *The Present State and Development Prospects of Least Developed African Countries*, op. cit., p. 16.

RESUME

Il est de plus en plus fait appel aux relations économiques internationales pour parler du développement national. Pendant que la recherche d'un Nouvel Ordre Economique International se poursuit les pays en développement les plus pauvres s'appauvrissent. Il ne doit donc être plus question pour ceux des pays africains qui sont classés parmi les plus pauvres du monde de laisser leurs problèmes de développement au soin des conférences internationales ou de la bonne volonté du monde extérieur. Quoiqu'il en soit, il a été montré que les accords obtenus sur quelques aspects fondamentaux des négociations internationales dans le cadre de la recherche d'un Nouvel Ordre Economique Mondial profitent plus aux pays développés qu'aux pays les moins développés. D'autre part la suppression ou le réaménagement des dettes des pays pauvres de l'Afrique leur offrent à peine des avantages matériels : Donc le développement est avant tout un problème national dont la solution doit d'abord venir de l'intérieur. Un tel processus de développement ne gêne en rien la construction d'un Nouvel Ordre Economique International.