

# Pertinent Economic Research Issues and Challenges Facing Africa<sup>1</sup>

## Introduction

The general context of this article is the deepening of the systemic crisis of global capitalism and, with it, the discredit of the neoliberal paradigm. The current turmoil on financial markets will worsen, even if leading capitalist centers succeed in taming the beast temporarily. The world is witnessing the acceleration of the demise of capitalism. It is irreversible and inexorable. The agony may last longer but the end is the only horizon. Leonardo Boff, a Brazilian theologian and philosopher, said recently that the current crisis of capitalism is not temporary, it is “terminal”.

Capitalism can only survive by destroying more human lives and nature. Already, tens of millions of men and women are out of work, even in “developed” countries. In Spain, Greece, Portugal, the average jobless rate is in double digits. The young people are the main victims of the high level of unemployment in those countries. Things will only worsen as governments and central banks attempt to “calm” markets by taking more austerity measures in response to the crisis of sovereign debt and under the threat of speculators and credit rating agencies.

The ecological destruction will keep worsening as imperialist powers scramble for the control of natural resources in order to solve the crisis and preserve their hegemony against rising powers from the South. The festering crisis may bring about authoritarian regimes, even fascism, as the growing influence of right-wing racist, xenophobic political parties in Europe, shows. Already, in the United States and Europe, the reference to “terrorism” has become an excuse to impose severe measures against all those who contest the dominant system.

With the demise of market fundamentalism, people and institutions everywhere are freeing their mind from the shackles of the neoliberal ideology. Even in the leading capitalist centers, the pillars of the neoliberal ideology are being challenged by some of its erstwhile most zealous proponents.<sup>2</sup>

**Demba Moussa Dembele**  
African Forum for Alternatives  
& ARCADE  
Dakar, Senegal

## Daring to Think Outside the Box

So, the only alternative left to people, countries and nations is to step up the struggle against global capitalism, against rampant fascism, against imperialist wars of aggression to control and plunder the resources of the planet.

For Africa, it is an opportune time to free itself from the domination of neoliberal thinking and the nefarious influence of the International Monetary Fund (IMF) and the World Bank. It is time to put an end to their hegemony on the debate on development in Africa. Now is the time for Africa to begin thinking and acting by itself. Africa must definitely put aside all the models imposed upon it by Western powers and multilateral institutions. A new and bold thinking is needed. Africans must look at the world from Africa, not from Paris, Washington or Brussels. This is the big challenge and Africa must meet that challenge now, not later! And CODESRIA has an important role to play in this regard.

## Pertinent Research Issues and Challenges Facing Africa

### *Macroeconomics*

In this section are outlined some of Africa's most critical challenges:

### *Industrialization and Domestic-led Growth model*

Industrialization is a must, and there is no alternative to it. Africa must transform, domestically, its raw materials and commodities for two major reasons. First, this would add value and, therefore, create and increase wealth that would remain on the continent. Second, this transformation would provide jobs and revenues for Africans. These will in turn create the right conditions for a viable domestic market at the regional level. Then, it will

be possible to shift to a domestic demand-led growth strategy as opposed to the export-led growth model.

On the other hand, industrialization will lead to a greater use of endogenous knowledge and technology, and stimulate research and development. However, a viable and credible industrialization strategy should be envisaged at the regional level. Indeed, past experiences have demonstrated that industrialization within small countries has little chance of succeeding. It is even more difficult now to imagine a successful industrialization at the national level, except for a very few countries. Therefore, it is fair to say that regional integration may provide the right framework for industrialization and a sustainable domestic demand-led growth strategy.

### *Natural Resources and Commodities*

Are natural resources and commodities in Africa a curse or a boon to African countries? It is legitimate to ask this question, given the growing military intervention from Western countries (Côte d'Ivoire, Libya), the numerous wars and conflicts in several African countries around the issues of natural resources (Sierra Leone, Liberia, DRC, Niger Delta, etc.). The big issues are: How can Africa be able to control its natural resources and use them for the African people? What strategy should African countries pursue in order to take advantage of the strong demand for its resources, while avoiding their plunder by foreign countries and corporations? Obviously, these require walking a tight rope, given the extreme weakness and vulnerability of African countries and the difficulty to forge a common policy in Africa. In any case, this is one of the most critical challenges facing Africa, and the search for solutions that are in the best interests of the continent should be given utmost attention.

### *Land Grabbing and Food Sovereignty*

The ownership of land by foreigners, which social movements have called ‘land grabbing’, has become a big and controversial issue in recent years. This has raised serious concerns from farmers and

agricultural specialists, partly because it has a direct link with food production. Food sovereignty is one of the pillars of national sovereignty, because a country that cannot feed itself remains vulnerable and can be subjected to blackmailing by foreign countries. This is one of the reasons why food production is considered a national security issue in developed countries, especially in the United States. In light of this, the issue of land grabbing and its impact on food production deserves serious attention and should be top on the list of CODESRIA's research agenda.

### *Climate Change*

Africa is among the most vulnerable regions in terms of climate change, and this has become a major development issue. Already, desertification, deforestation, floods and drought, among others, are creating climate displaced persons in several African countries. From all indications, it is obvious that climate change is having a huge impact on the continent's development prospects. Therefore, several African associations and networks are now focusing attention on the issue, to alert African governments and institutions on the urgent need to tackle it. No African government or institution can afford to ignore the impact of climate change. Therefore, CODESRIA should look into the matter and conduct research in collaboration with other institutions, to assess the global impact of climate change on the development of African countries. The research may focus on the economic and social impact, possible solutions, the issue of financing for adaptation and mitigation.

### *Finance*

Financing Africa's development has been, and still remains, one of the most intractable issues since independence. The influence of the IFIs, the dependence on external "aid" and debt, the abject poverty in most parts of the continent, are all linked to the inability of African countries to mobilize resources for their development. This inability results from several factors, among which are weak state apparatus and misguided fiscal and monetary policies. After more than 50 years of "independence" and the failure of international development cooperation, African countries must come to grips with the reality that they should first and foremost count on their own resources to finance their development.

So, research on sources of financing should focus on the following areas:

1. **Internal Revenue Generation:** This requires restoring capital control to limit capital flight, and new monetary and fiscal policies aimed at improving domestic savings and stimulating job creation. Up till now, African Central Banks have been following the neoliberal policy of targeting inflation at the expense of growth and job creation. However, the financial crisis has shown that such policy has failed, with interest rates near zero in the United States and Europe, without stimulating growth. Therefore, African Central Banks need to rethink their monetary policies and give priority to stimulating economic growth and creating jobs.
2. **Development Finance:** The necessity to restore development banks and institutions has become obvious in light of the failure of "international cooperation", especially in official development assistance (ODA) and the external debt crisis.
3. **Regional Currencies:** The first objective is to give more autonomy to African countries and strengthen regional integration. Another objective is the need to get rid of neocolonial currencies, like the CFA franc, which have constituted an obstacle to the development of some African countries.

### **Role of the State**

Now, it is widely acknowledged that African countries should build "developmental states". The subject is the focus of the 2011 ECA Economic Report on Africa (ERA). Prior to this, UNCTAD had issued a report on the subject in 2007. Obviously, the international financial crisis and the collapse of market fundamentalism have provided the momentum to challenge the notion of "state minimal intervention" and the orthodox policies.

The attention given to the role of the state in Africa by United Nations institutions is a welcome development. It has come to strengthen what African research institutions like CODESRIA, social movements and networks, have been advocating all along. The need to restore the role of the state has been one of the major criticisms levelled against the IMF and World Bank, and neoliberal policies in general. So, the context is right for CODESRIA to further strengthen the idea of restoring a strong role for the state in economic and social development.

### **Role of Social Movements**

The state no longer has the monopoly over the design and implementation of public policies. Over the last two decades or so, African social movements, including research institutions, have joined the main actors on development, both in the African context and at the international level. They have made major contributions to the critique of neoliberal policies and the IFIs. The latter's crisis of legitimacy is partly the result of African social movements' criticism. They have played an important role in exposing the continent's illegitimate debt and the hidden agenda of the European Union in its drive to impose the "free trade" agreements called Economic Partnership Agreements (EPAs).

African social movements did not just criticize, they have also proposed alternative policies on several of the key issues at the heart of Africa's development. In the process, they have gained more credibility and become a key actor in the debate on Africa's development. It is therefore important to look into their multifaceted contribution and how it would strengthen the strategic goal that "Africa must think and act by itself".

### **International Relations**

#### ***Africa and Global Economic Governance (UN, IFIs)***

Africa is part of the world, even though it plays a marginal role in world affairs. Africa bears the brunt of economic and financial policies, often decided without its opinion. It has little say at the institutions of global governance, such as the IMF and the World Bank. Even at "its" own institution, the African Development Bank (AfDB), Africa has lost much of its autonomy in shaping the institution's policies for the continent. Even with the changes that have taken place after the break of the international financial crisis in September 2008, with the birth of the G20, Africa has only one representative, South Africa, while all other continents have several representatives. In the same vein, the observer status granted the African Union Commission does not compensate in any way for the negligible spot given to Africa.

Therefore, it is critical to look at potential changes at the level of global governance and see how Africa should position itself in order to play a more significant role.

What should be Africa's position and proposals regarding the reforms of the international financial institutions? Should Africa propose new, more democratic and representative institutions, or should it accept the kind of reform being advocated by Western countries, which are trying to preserve their hegemony, one way or the other?

New groups are changing the face of global economic balance of power with the rise of the BRICS, which now include South Africa as a full member. What does this mean for Africa? How should Africa use this new group as a counter weight to traditional Western "partners"?

### **South-South Cooperation**

Research in this area should focus on the opportunities the rise of the South presents for Africa, in both geopolitical matters (change in the balance of power at the UN and other international institutions, possible alliances in those institutions, etc.) and economic terms (new partnership, new sources of financing, technology transfer, new markets, etc.).

On the other hand, research should look at some of the most important experiences taking place in the South, and which could be of relevance for Africa. Examples include the process of integration in Latin America, like ALBA, the South Bank project; or experiences in Asia, like the Asian Monetary Fund.

Research should also look at what cooperation from the Middle East (Arab countries and Iran) could be to Africa in terms of financing, investments, market access, etc.

### **Militarization: AFRICOM and Western Military Intervention**

The scramble for Africa's resources has a strong military component, as illustrated by the NATO attack on Libya. Faced with a deep crisis, Western countries are likely to resort more and more to military intervention as a "solution" to their economic and social woes. In Africa, the United States is using the "war on terror" to strengthen and expand its military presence, with the creation of the African Command (AFRICOM). This is part of its

strategy aimed at strengthening its position in the struggle for the control and plunder of African resources, especially oil.

After the imperialist aggression against Libya, Western powers will not hesitate under the doctrine of "right to protect" to attack other African countries with a view to occupying them and grabbing their resources. Therefore, it is of utmost importance to undertake research on militarization and its impact on Africa's development.

### **Notes**

1. This article was first presented as a 'think piece' at the CODESRIA Planning Meeting of its Economic Research Program in Dakar, 29–30 September, 2011.
2. See in particular World Bank President, Robert Zoellick's speech at Georgetown University (Washington, DC) in September 2010, titled "Democratizing Economic Development".