

## Developing Under the New World Order: Africa's Economic Prospects in Fast Moving Global Currents

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サハラ砂漠以南に位置するアフリカ諸国は更なる経済の成長と展開とを望みながら 1990 年代の 10 年間を迎えた。国際経済情勢・国際政治情勢は一見めまぐるしく広範囲に変化を重ねていた。アフリカでは政治改革と経済「再編成」に見舞われた国も少なくなかった。これがまたその地域の経済再生の気運を醸成するようにも見えたのである。しかしこれらの処置はその地域の経済不振を克服するのに十分でないことが判明した。採られた処置が十分な効果を上げなかったような場合もあったし、経済と社会が何年にも渡って放置された結果、その間に生じた世界経済を動かす新しい力の影響もあって、サハラ以南地域は重要な役割を果たすことのない立場に甘んじなければならぬ場合もあったのである。

With respect to the economic prospects of sub-Sahara African countries, the decade of the nineties began with hope for improved growth and development. The world's economic and political landscape was undergoing changes that were seemingly rapid as well as widespread. There was a spate of political reforms and economic "restructuring" in a number of African nations. This, it was felt, would produce an environment that is conducive for economic resurgence in the region. These measures have not proven adequate to overcome the region's economic hardships. In some cases the measure may not have gone far enough. In others, years of economic and social neglect combined with the dynamics of new global economic forces to keep the sub-Sahara African region a marginal player.

**A**s we move to the closing days of the decade of the nineties and look beyond to the onset of a new century, questions regarding the future of the economies of sub-Sahara African countries seem less settled now than they have ever been since their independence. These questions reappear with new vigor and form in the light of recent international developments. While these new questions may not have yet fully crystallized, much less generate answers, there are, however, three points on which a general agreement is possible at this centennial juncture. These points are:

- 1) Africa's attempts at modernization over the last three decades have led to its economic affairs becoming more enmeshed with, and susceptible to global economic forces;
- 2) The momentous developments of recent years in both Eastern and Western Europe and the former Soviet Union will, in due course, generate some changes in the equations that have come to define global political and economic relations;
- 3) Given its great and growing susceptibility to external (global) economic forces, Africa is likely to face new and possibly greater challenges and outright risks to its economic prospects as a result of these changes.

The discussion in this paper proceeds by first presenting a more or less inclusive definition and interpretation of the new world order (NWO) as it relates to Africa's situation. Second, it takes a brief look at the current state of Africa's economies with a spot-light on their heavy dependence on their external sector. Finally, it explores possible implications of the changing global environment given the weight of this external dependence.

## **General Definition:**

A dictionary definition of "order" is a state or condition in which everything is in its right place and functioning properly. This definition is quite compatible with the thrust of the discussion in this paper. Will the new world order present a new state or condition in which everything is in the right place and functioning properly in so far as the interests of Africa's economies are concerned?

## **The New World Order:**

An early difficulty encountered in the writing of this paper is establishing what exactly is meant by the "new world order." Defining it proves as difficult as it is important for the purpose of this exercise. Social changes do not often occur in discrete, segmented, and isolated patterns that are confined to particular aspects of human life. Instead, such changes tend to register impacts that reverberate throughout society. Impacts of the NWO take many forms. What I have therefore done is to adopt a "shot-gun" approach and include in my discussion some of the more common manifestations of the NWO.

What constitutes the new world order? Among the developments that have earned this label are the following:

- The demise of the planned economies of East Europe and the Soviet Union accompanied by the retrenchment and eventual demise of Soviet military/political power;
- Emergence of the U.S. as the sole global super-power;
- The growing economic power of East Asia in general and Japan and China in particular;
- The movement towards the unification of Europe and the anticipated resurgence of Europe as a more important economic power;
- Accelerated movement towards "democratization" and the discard of dictatorships and single party rules;
- A greater role of multinational corporations (MNCs) in global economic activities;
- The growing significance of financial markets in the economic affairs of nations.

While it is quite possible to identify additional components of the NWO, the broad meaning with which the concept is being cast here can accommodate such additions without harboring glaring inconsistencies. Regardless of how one interprets the new order, it is hard to deny that there has emerged a qualitative difference in Africa's relevant global environment. A challenge for students of African affairs is to sort out the NWO's constituent elements with the aim of understanding their implications for the economic needs of the continent.

## **African Economies: Outward Oriented and Weak**

Weighing the merits and demerits of the economic performance of the majority of the African states since the early seventies, it is tempting for observers of the African scene to conclude that a new order of any origin can only hold promise

for improved outlooks. Clearly, Africa's record has been one of declining conditions across a wide spectrum of social and economic life. The growth rate of gross domestic product (GDP) has been in steady decline over the last three decades. Out of a total of forty-five Sub-Saharan countries, thirteen have registered negative growth. This means that people have, on average, less real income in the 1990s than they did in the 1960s.

That there has been little structural transformation (from a rural/agrarian economy to an urban/manufacturing one) *a la* the familiar Arthur Lewis Model is evidenced in the fact that the GDP share of agriculture *rose* from 30% to 34% between 1980 and 1987, and that of industry *dropped* from 33% to 28% for the same period.<sup>1</sup> The figure for industry improved somewhat at 30% GDP share in 1995<sup>2</sup>, but this was still below its 1980 level. Looking at the performance of the manufacturing sector, the situation does not indicate a marked improvement. Manufacturing as a share of Africa's GDP changed from 12% in 1980 to 15% in 1995.<sup>3</sup> The comparable figures for the economies of the East Asia region for the two periods are 27 and 32%, respectively. Arguably the most dynamic sector that often presages growing income and the modernization of economies elsewhere, the manufacturing sector in Africa has been perplexingly small and relatively inert. What accounts for the lag in Africa's industrialization? The following table presents some telling statistics.

Table 1  
Sub-Saharan Africa GDP, Structure of Demand, and Trade

	1965	1980	1987	1993	1995	1997
GDP (Millions of U.S. \$, 1987 prices)	27,758	202,323	134,483	269,414	296,748	320,252
<b>Structure of Demand (% of GDP)</b>						
Government Consumption	10	13	16	18	17	17
Gross Domestic Investment	14	20	16	16	19	18
Exports of Goods & Services	22	26	26	27	28	28
Gross Domestic Savings	14	22	13	15	16	18
<b>Merchandise Trade (millions \$)</b>						
Exports	4,891	51,729	30,258	61,743	72,847	--
Imports	5,182	46,147	33,596	59,567	77,574	--

Source: *Sub-Saharan Africa: From Crisis to Sustainable Growth*, IBRD, 1989.

*World Development Report* (IBRD) Oxford University Press, 1995 & 1997

Note: The trade figures for 1995 are stated in current dollars.

The data in the above table points to some of the factors underlying the serious problems that face Africa's economies today. The figures on the structure of demand indicate that only government consumption and exports as shares of GDP have increased steadily through 1995/'97. The average annual rate of growth of gross domestic investment went from a respectable 9.8% average for 1965-73 to an alarming minus 8.2% average for 1980-1987.<sup>4</sup> Gross domestic investment (GDI) has dropped by 20% and stagnated through 1993. Though it regained some of its lost ground by 1995, even the 1997 investment as a per cent of GDP still remained below its level in 1980. Domestic savings declined 41% between 1980 and 1987 to fall below its 1965 level. Measured as a per cent of GDP, the 1995 level of GDS was over 27% below its 1980 level.

The figures for Africa's exports are especially remarkable in the context of the theme of this paper. Exports of goods and services which accounted for 26% of GDP in 1980 and '89 moved up to 27% in 1993 and 28% in 1995. This compares "favorably" with the figures for selected countries and regions of the world. (Table 2 below)

Table 2  
Comparison of Exports as Percentage of GDP

Country/Region	Exports as percentage of GDP				
	1965	1980	1989	1993	1995
United States	6	10	12	10	11
Japan	11	14	15	9	9
East Asia	7	16	25	30	29
OECD Members	13	22	21	30	22
World Average	12	22	21	21	22
Sub-Saharan Africa	23	31	25	27	28

Source: *World Development Report 1991, 1995 & 1997*

However, a closer look at the region's trade performance reveals that the changes in revenues from export match neither the increases in the size of export as a percentage of GDP nor even the increases in the volume of export.

The figures for both export as a percent of GDP and volume of export showed increases between 1980 and 1995. Yet, the 1995 total revenue from export of \$72.847 billion was below the 1980 figure of \$77.237 billion.<sup>5</sup> Since these World Bank figures are stated in current dollars, the inflation adjusted figure for 1995 can be expected to show an even greater drop in Africa's export income between 1980 and 1995. With the drop in export income, the economy of the region found itself in a free fall. This is illustrated by the fact that the total GDP figure for the region changed from \$292.6 billion in 1980 to 296.7 billion fifteen years later in 1995. But with a 427%<sup>6</sup> cumulative GDP deflator over the same period, the 1995 GDP for the region collapses to \$69.5 billion when measured in 1980 dollars.

The picture that emerges is that of economies that have faced declines in income year in and year out, in spite of the fact, that they continued to rely heavily on their external sectors. They produce and supply markets abroad only to end up earning declining revenues for their efforts. African economies have thus been responding well to the call to be "external oriented." It is just that the benefits of that strategy have so far doggedly eluded them.

Along with East Asia, the region of Sub-Saharan Africa has boasted the highest level of export measured as a percentage share of its GDP. Its imports as a percentage of GDP are even more impressive, if one is to treat "external orientation" as a measure of economic prudence. What these indicate is that, notwithstanding the persistent charges of "misguided" protectionism and urges for further trade liberalization that a slew of economic experts and governmental as well as non-governmental agencies have directed at the continent, African economies have in fact been among the most outward oriented, as the preceding figures attest. Furthermore, this high dependence on the foreign sector has been a prevailing feature of the region ever since the time of independence from colonial rules and beyond. It is not a phenomenon that can be treated as just a transitional feature of the region's economies that merely reflects the windfall fortunes of oil exporting

countries such as Nigeria, as an example. Rather, it is a situation that has been long embedded in the structure of the region's economies.

To maintain an uninterrupted growth in their manufacturing industries, Europe's economies required a steady supply of such raw-materials as cotton, lumber, natural fibres, etc., much of which was obtained from non-European regions. For this industrial production to grow and prosper, more and more resources of industrial raw materials had to be discovered and exploited. Similarly, more and more market outlets were required to absorb the rapidly increasing supply of manufactured goods. Furthermore, both of these markets had to be established on a basis that promised permanence under the control of Europe. Hence, the successful growth of West European industries now necessitated the pulling and joining together of the very diverse world economic communities into one far-flung market system.<sup>7</sup>

Africa's considerable dependence on external trade is thus shaped by strong historical currents. In spite of their outward oriented economic structures, however, the economies of the Sub-Saharan African region have lagged behind other developing regions of the world. Tables 3A and 3B illustrate the situation.

**Table 3A**  
Comparison of GDP performance for Select Developing Regions 1970 & 1993

Region	GDP (millions of 1987 U. S. \$)		Factor of Growth	GNP per capita
	1970	1993		Av. Annual Growth
Sub-Saharan Africa	57,268	269,414	4.7	-0.8
East Asia and Pacific	158,653	1,285,142	8.1	6.4
Lat. America and Caribbean	165,819	1,406,254	8.48	-0.1
South Asia	73,654	313,869	4.26	3.0

Source: *World Development Report, 1995*

The economies of Sub-Saharan nations grew by a factor of 4.7 over the 23 years period between 1970 and 1993. This compares unfavorably with the GDP figures for East Asia and Latin America both of which grew by a factor of more than eight over the same 1970-1993 period. This in spite of the fact that Africa's economies have been as much export oriented as those of East Asia.<sup>8</sup> (See export component of GDP in Table 2 above)

Table 3B reveals a further deterioration of the economic problems that face Africa.

**Table 3B**  
Comparison of GDP performance for Select Developing Regions 1980 & 1995

Region	GDP (millions of 1987 U. S. \$)		Factor of Growth	GNP per capita
	1980	1995		Av. Annual Growth
Sub-Saharan Africa	292,557	269,414	1.01	-1.1
East Asia and Pacific	464,719	1,341,265	2.89	7.2
Lat. America and Caribbean	758,569	1,688,195	2.23	3.0
South Asia	219,283	439,203	2.00	2.9

Source: *World Development Report, 1997*

As the figures in Table 3B indicate, the GDP for Sub-Saharan Africa showed no sign of growth during the fifteen year period between 1980 and 1995. When population growth in the region is taken into account, the individual share of

income actually declined at an average of 1.1% a year during the ten year period between 1985 and 1995. Throughout the period, however, the external orientation of Africa's economies remained unflagging.

The preceding observation acquires a special significance when it is weighed against the trade performance of the region in which revenues from exports dropped by 42% between 1980 and 1987 (Table 1). Curiously enough, export as a percentage of GDP stood at a high of 26 at the same time that revenues from export suffered such a drastic downward adjustment. How can revenues from exports decline by over two-fifths and yet export as a share of GDP remain the same over the two periods? The explanation is both simple and startling: the GDP of the region itself dropped by 34 percent from \$202.323 billion to \$134.483 billion between 1980 and 1987.<sup>9</sup> By 1989, GDP rose to \$161.820 billion, which is still 20% lower than its 1980 level. The 1993 GDP figure of \$269.4 billion (Table 3A) may suggest a remarkable sign of resilience of African economies in that it represented a 33% increase over the 1980 level. But the GDP figure for 1993 is in current dollars and may, therefore, greatly over-state the gains since it has more than a decade of highly volatile inflation built into it.

It should be noted that these dramatic shifts in Sub-Saharan Africa's economic fortunes highlight the susceptibility of the region's economies to forces that are both destabilizing and difficult to control. The data on the terms of trade below points to one such economic force.

Table 4  
Terms of Trade (1987 = 100)

	1985	1993	1995
Sub-Saharan Africa	110	95	91
High-income Economies.	94	99	97

Source: compiled from *World Development Report*, 1995 p. 187

The terms of trade figures indicate that average prices for Africa's exports have been in decline relative to prices paid for imports. In other words, Sub-Saharan Africans have, on average, been paying more in price for their purchases of high value-added imported goods while, at the same time, they had to contend with falling prices for the low value-added goods that they reported.

Some may look at the above figures and point to the benefits of falling export prices in making the region's products competitive on the global market. It is a basic economic principle that, other things being equal, a seller's chances to sell a product improve with decreases in the price of the product, and, normally, such decreases in price will render the product more competitive on the market. So long as this results in gains in net revenue (i.e., price elasticity of demand is positive) such decreases in price may be justified.

However, it is also quite possible that such "competitiveness" is being achieved at the cost of ever declining net revenue. This results when such a decline fails to engender any boost in export volumes because the lower prices fail to stimulate significant increases in the purchase of the product (i.e., price elasticity of demand is negative). The outcome can only be falling incomes and greater economic hardships. Given the fact that the region boasts a relatively large external trade sector, falling export incomes in a context of rising or even stable prices of (and spending on) imports would only translate into persistent trade deficits. As receipts

from exports fall short of covering the bills for imported goods, countries in the region find it necessary to borrow from abroad so as to meet their international financial obligations. This may lead to a situation in which Sub-Saharan Africa will find in itself in the constant grips of depleted natural resources, persistent poverty, and worsening external debts. The following table offers an unmistakable evidence of such an outcome.

Table 5  
Africa's External Debt (A Comparison)

	Total External Debt (\$millions)		As percentage of			
	1980	1995	GNP		Total Exports	
	1980	1995	1980	1995	1980	1995
SS Africa	84,119	226,483	30.6	81.3	91.7	241.7
S. Asia	38,014	156,778	17.4	30.5	160.5	218.7
Latin America	257,266	636,594	36.0	41.0	201.8	212.0

Source: compiled from *World Development Report, 1997*

Both the direction and size of change of Africa's terms of trade do not seem favorable to the region's prospects for economic growth. For a region that is still heavily dependent on acquiring its capital goods (such as industrial machinery and equipment) from abroad, the size of its import bills carries as much significance to the viability of its economy as does its revenue from export. The rising costs of imported inputs combine with the falling prices of exported products to cause lagging economic activity and depressed income even in the relatively dynamic external sector of these economies. Beyond their adverse impacts on national income, the resulting wild swings in export revenues can only add to the difficulties faced by both business people and economic planners whose decision horizons span medium- to long-term economic programs.

Between 1987 and 1989, the region's merchandise trade rose from \$30.258 billion to \$30.884 billion in current dollars. This comes to about a mere one per cent annual growth rate. When we factor in inflation,<sup>10</sup> the region made no gains in merchandise trade during a period when the global economic environment favored such gains.

Economies of Sub-Saharan Africa appear unique in the economic anomaly that they face in that their export sectors are at once both very large and very weak. Given the region's overwhelming dependence on the sector, a stagnant foreign trade can form an important basis for a general social and economic crisis in the region.

There can be several explanations as to why this anomaly exists. The size of the sector is partly a result of the legacy of extraction and export, as already noted above, formerly promoted by colonial economic institutions with links to European metropolises. It is also a consequence of independent Africa's rush to generate foreign exchange in order to pay for imported inputs and facilitate programs of rapid industrialization. In the wake of political independence, policy makers made a conscious decision to adopt and continue with the already established outward oriented economic model in order to accelerate the goal of catching up with the industrialized world. After all, the capital goods required for building a modern economy can be bought on the international market provided that the African states obtained sufficient cash from revenues on any resources that could be sold abroad. That the colonial economic regime had left behind poorly developed domestic

economies helped make inevitable both the dependence on primary goods extraction and the outward orientation of the economies of post-independence Africa.

The weak performance is likewise caused by a number of factors that include the region's excessive reliance on a few key resources for its exports, the overwhelming share of primary products in export, and the income and price inelasticity of demand facing the typical exportable commodities from the region. These explanations are, of course, not exhaustive; nor are they of primary importance for exploring the region's future prospects in a changing global environment. Regardless of the paths that Africa took to arrive at its current state, its external dependence has combined with its weak bargaining position to render the region's economies both vulnerable and volatile. Can the new global order offer new means that will render Africa's problems less grave than they have been to date? It is to this exploration that this discussion now turns.

### **The New World Order: Risks or Opportunities for Africa?**

As it has throughout much of its recent past history,<sup>11</sup> Sub-Saharan Africa finds its social and economic life buffeted once again by powerful forces that originate from outside of the region. It may be that the region is not all that unique in this regard as there is hardly any country in the modern world that is spared the impacts of the new global forces with power to influence the lives of peoples practically everywhere. However, as the preceding discussion pointed out, perennial economic weaknesses combine with relatively large external (export dependent) sectors to make the African region particularly susceptible to influences from such changes in the global environment. Which current global changes are poised to impact on the region's future? Would these impacts aid or hamper the region's economic prospects? We will next examine each of the seven elements of NWO listed above with respect to their economic implications to the Sub-Saharan Region.

### **Demise of the Planned Economies of East Europe and the Soviet Union**

Of the seven variants of the elements of NWO listed above, the demise of the centrally planned economies of Eastern Europe and the former U.S.S.R. at the beginning of the decade was arguably the most precipitate. But what implications did this development hold for Africa's future? Aside from the diplomatic and military spin-offs that impact on a contested region of past super power rivalry, there are two areas that are worth examining. These include the economic consequences, both long and short term, and the demonstration effect of perestroika.

**Economic Consequences:** The economic implications and consequences to Africa of the collapse of the socialist bloc will probably require several years to be understood clearly. Even then, however, isolating cause and effect in a world of multiple and interacting causal factors will likely prove difficult. But there are some areas that may yield some clues even in the short to medium term. For instance, seven former members of the socialist bloc imported between themselves merchandise worth over \$1.25 billion from Africa in 1990.<sup>12</sup> This was a little over

4% of Africa's export of \$30.884 billion in 1989.<sup>13</sup> It must be noted that the level of trade between the two regions in 1990 reflected policies and commitments of earlier years since many of the former socialist states engaged their partners in multi-year trade and aid agreements. In the case of one country, the former East Germany, Africa can no longer count on export earnings which in 1989-1990 amounted to \$123.5 million.<sup>14</sup>

There are at least three considerations that will impinge on these states' future economic linkages with Africa. One, throughout the entire decade of the nineties, the new regimes in Eastern Europe and the U.S.S.R. have been too financially strapped to maintain past levels of imports from the rest of the world, including the African region. Two, any international credit they may be able to secure from the industrialized countries is likely to be tied to trade arrangements intended to benefit their creditor nations only. Three, these new regimes have, for the most part, neither the diplomatic experience nor the political will to deal with Sub-Saharan Africa and thus may not place resumption of trade with the region at the top of their international agenda. It is noteworthy that an early diplomatic foray of some of these regimes was directed at the cultivation of close relations with the former apartheid South Africa, and not at maintaining already established links with Sub-Saharan Africa.

Many of the seven East European nations had some form of assistance programs with a number of African countries. But following the collapse of socialism, not only were these programs scaled down or scrapped, but these same nations also began to compete for the traditional sources of bilateral and multilateral financial assistance on which some African economies have come to rely heavily. By August 1991, all seven nations had become new members of the World Bank, and the Bank was channeling 20% of its loanable resources to these countries. This new commitment could only further diminish the Bank's already strained capacity to meet the unabating needs of developing countries in Africa and elsewhere.

Object Lessons of Perestroika: Another aspect of the change in East Europe is the practical lessons that emanate from the experiences of countries that were undertaking major transformations of their economic and political systems. Did new developments such as Mr. Gorbachov's perestroika offer object lessons for Africa's less developed countries (LDC) to benefit by?

During the early stages of its articulation and popularization, perestroika came to symbolize a top-down, enlightened and determined commitment to streamline and regenerate a stagnant economy along market oriented and incentive based lines. Much was said about the lessons that countries such as those in Africa could learn from Mr. Gorbachev's experiments. The concept appeared to offer a new panacea to all the ailing economies of the world which have long been weighed down by the stultifying effects of rigid bureaucracies and heavy handed government interference in the economy. If a device were discovered that could stave off the collapse of the top-heavy, state dominated and foundering economy of the U.S.S.R., it was thought, then it could certainly bring great benefits to the similarly situated African economies as well.

What ever happened to these important lessons that perestroika and related developments held for Africa? Sufficient time has now elapsed to permit some tentative assessments.

As a universal prescription for economic ills, the global promotion of perestroika betrayed an implicit assumption that the causes and contents of economic problems in one region of the world are indistinguishable from those in another. If there were doubts as to whether the natures and origins of economic problems in the two regions were identical or even similar, they were not clearly enunciated at the time. Nor did the distinctions in the levels of development of the two regions seem to matter much. But didn't these distinctions exist? If so, how and with what implications to the transferability of perestroika? These are questions that are somewhat complex and well beyond the scope of this paper to investigate in sufficient detail here.

It must be noted, though, that neither the idea nor the person behind the idea did long survive in their own place of origin. In the event, perestroika served its function in dismantling an old and failed economic order, but it has so far failed to replace that with a new and more viable one.

Perhaps the ease with which perestroika initially caught on in popularity outside of the former Soviet Union is that it was so very much like those other related concepts of structural adjustment and outward orientation. Structural adjustment may have championed movements towards greater opening and outward orientation of economies, but the issue of whether either one of these two measures constitutes a sufficient (or even necessary) condition to effect economic development is far from being clearly understood. One wonders whether the popularity of both has not rested more on hoped-for outcomes and less on track records of realized benefits. As H.W. Singer argued with respect to "outward orientation," anticipations may be tainted by tendencies to confuse causes and effects.<sup>15</sup> A cautious look at both perestroika and structural adjustment will lead to a conclusion that these are concepts with promises. However, they hardly constitute tested and proven methods for overcoming economic problems.

### **Emergence of the U.S. as the Sole Super-power:**

Almost all the modern African states were born and nurtured in a bipolar world in which the two super powers, the U.S. and the U.S.S.R., played out their rivalries in virtually every aspect of social, economic and political life and in all regions of the world, including Sub-Saharan Africa. In Africa, these rivalries often trickled down to specific country policies and programs and often found expressions in the formation of various "ideological" warring factions. The costs of such conflicts have been debilitating to economies that are still in their fledgling stages. To the extent that the end of bi-polarity could promise the end of super power rivalry, there was an early hope that the future might promise a relatively stable environment in which the resources of Africa will, at long last, be channelled to improve the long neglected social and economic infrastructures of the continent. As an example, funds that in the past were allocated for armaments could now be freed for building schools and factories.

What sort of global changes can be expected to unfold in the wake of the end of the Cold War? Clearly many important changes can be expected under a new uni-polar global regime. There have already been changes in U.S. policies and practices in the economic, diplomatic, and military spheres with respect to various developing regions of the world, including Africa. That the U.S. has now assumed

sole control of the old U.S.-Soviet duopoly power that formerly dominated the globe, changes are bound to occur in the form and intensity of international constraints under which these policies are exercised. Views and behaviors that do not meet U.S. government approval are likely to be subjected to the wielding of "the stick" more often than to offers of "the carrot." The international system will show a reduced resistance to the application of major, overt, and immediate punitive measures that get directed at recalcitrant states. Likewise, pressures aimed at making these states receptive to U.S. interests and biddings will likely be more direct and less compromising. Whatever incentive that existed for big powers to bargain with weak states in the heyday of the Cold War will now be significantly diminished with the demise of bi-polarity. Without discussing the merits and demerits of the act itself, it can be safely observed that NATO's recent adventure in the Balkans would have been unthinkable in the era of the Cold War.

The super-power rivalries did not always undermine Africa's economies. Their efforts at expanding and protecting their respective spheres of influence caused each power to establish trade and aid arrangements with various African states. It may be argued that such arrangements would have emerged with or without these rivalries, but it is also difficult to deny that super-power turf wars instigated and sustained these arrangements. Assuming that ideology-driven geopolitical strategic considerations are no longer compelling decision factors, will these established trade and aid arrangements endure? Perhaps they will. But recent developments in Zaire, Kenya, Ethiopia, and Angola do not dispel this question. The West withdrew its accustomed uncritical support for the governments of Zaire and Kenya, and the sudden collapse of Soviet power left the governments of Ethiopia and Angola in the lurch.

### **The Growing Economic Power of East Asia:**

With respect to the economies of Sub-Saharan Africa, both the image and significance of East Asia has evolved and changed in keeping with the rapid economic transformation that has taken in the latter region. In the early years of Japan's rapid industrialization, developing countries in Africa derived from Japan's success some hope regarding their own future possibilities and prospects. Japan was a non-European developing country with limited natural resources that broke through and into the prestigious and well entrenched rank of the established industrialized countries. The subsequent successes of South Korea and Taiwan (the newly industrialized countries or NICs) were quickly seen by scholars and international agencies alike as viable models for Africa's development.

It is in this light that export promotion and outward orientation have received strong endorsements by agencies like the World Bank in a bundle of development strategy/guideline that boils down to an admonition: "Do like the NICs." The guideline has its appeal because rapid industrialization and export growth are what the African economies have been after all along. The record of achievement of the NICs so far seemed to provide ample evidence that the strategy ensured success. It had thus been tempting to conclude that other LDCs applying a similar strategy can be expected to accomplish rapid economic growth. Accordingly, and prior to the recent spate of currency crises that brought economic declines to the East and South-east Asian region, western governments and international agencies

urged African countries to adopt this export-driven and successful Asian model of economic development. This fact has engendered a great deal of interest in examining the process by which these NICs achieved their economic successes.

Some key questions inevitably arise when one seeks to universalize the implications of the economic experience of a country or a region. First is the question regarding cause-effect relationships. In other words, how important a factor is outward orientation in the rapid economic growth of the East Asian region? Can there be other equally, or perhaps even more, important factors that have played a role in facilitating rapid economic growth?<sup>16</sup> Even if there is an agreement on the critical role that is being played by the NIC's posture of outward orientation, how useful is it to prescribe the strategy to another region (Africa) whose economies already show a high bias for outward orientation? Beyond outward orientation itself, what significance should be assigned to variations in the type and composition of exported and imported goods and services? In light of the now famous bubble-and-burst economic experience of the region, exactly how applicable or appropriate was the model for emulation by others? To answer this, it is necessary to identify the path by which the NICs managed to arrive at their pre-1997 economic successes. Here we run into difficulty as we encounter different interpretations of the strategies of growth pursued by the NICs.

In examining the literature on East Asia's approach to economic development, there is no clear agreement that the NICs' success relied chiefly on outward orientation or even market forces within the parameters of structural adjustment proposals that were in vogue. It is not at all very clear whether outward orientation precedes or follows success in industrialization. If it precedes it, then Africa has everything going for it, as the earlier discussion on its export dependence indicates, and the region should be harvesting the benefits of industrialization just about now. If outward orientation follows industrialization, then judgements on the East Asian model's relevance and suitability for emulation must await answers to such questions as what other factors preceded and contributed to the rapid industrialization of the NICs? Just how important are the roles that these factors play? Are these or similar factors present in the African milieu? If not, should Africa look for alternative strategies that are more compatible with its own economic and social environment?

Aside from the issue of advancing the NICs experience as a viable role model for Africa, the growing economic power of East Asia poses both new challenges and opportunities for Africa's economies. The two areas in which Japan and the NICs will impact on Africa are trade, bilateral investment, and aid, in that order of importance.

Table 6A  
Percentage Share of Japan's Exports to Asia and Africa

	1960	1970	1980	1996
Asia*	37.7	28.2	33.9	44.0
Africa	8.7	7.4	6.2	1.4

Source: *Japan Almanac, Asahi Shinbun*, 1998 p. 116

\* Asia includes Middle East (west Asia) economies.

Table 6B  
Percentage Share of Japan's Imports to Asia and Africa

	1960	1970	1980	1996
Asia*	29.8	28.0	53.9	47.8
Africa	3.6	5.8	3.2	1.4

Source: *Japan Almanac, Asahi Shinbun, 1998 p. 116*

\* Asia includes Middle East (west Asia) economies.

Japan's exports of goods and services to Sub-Saharan Africa started during that country's early industrialization stage, and it mostly parallels and reflects the history of Japanese trade performances elsewhere in the world. Measured as percentages of its total exports and imports, Japan's exports to and imports from Africa have steadily declined since the 1960s. However the decline is only relative to the value of Japan's total global trade and is thus a consequence of the surge in the level of Japanese trade with other regions of the world, especially the industrialized countries. More recently, Korea and Taiwan have become major exporters to the African market as well, thus following the Japanese example of dependence on exports to developing country markets during its early stages of industrialization.

However, there has been limited trade reciprocity, and imports into Africa have consistently exceeded exports to these East Asian countries.<sup>17</sup> Furthermore, the composition of traded commodities in which Africa exports primary (low value-added) products and imports manufactured goods is one that does not bolster income and employment opportunities for the Sub-Saharan economies. Given the track record of consumers' preference for East Asia's products even in markets within the industrialized countries, Africa's balance of trade disadvantages *vis a vis* the region can only grow worse for the foreseeable future.

In part to deflect criticism against the large surplus in its trade balance, and also in part to forestall protectionist measures (especially in Western Europe and North America) that may be directed against her, Japan has successfully launched a strategy of direct foreign investment in key market regions of the world<sup>18</sup>. One common thread that links many of Japan's recent foreign investments has been the preference for large affluent consumer markets and the availability of a skilled work force. This is quite in keeping with the nature of the products that modern Japanese firms produce. Increasingly, these tend to be advanced electronic products and other high ticket items (unlike earlier products such as textile) that rely on both a highly skilled work force and an affluent market clientele. Lacking in both of these requirements, Sub-Saharan Africa was at a severe disadvantage in attracting investments throughout the eighties and nineties.

The net result is that, in spite of the accelerated global investment by wealthy countries such as Japan that took place during much of the decade, capital-craving regions such as Africa were left on the fringes of global economic trends in part because they lacked the type of social and economic infrastructures that high technology manufacturing thrives upon. The region finds that it must first invest in education—the type of education that builds a sound K-12 learning along with modern work place discipline and flexible job skills—before it can attract sizable Japanese or other Asian investors.

Also, beginning in 1989, Japan's official development assistance of \$8.949 billion placed her at the top of the OECD donors list, and its contribution exceeded

that of the U.S. for the first time.<sup>19</sup> Here again, initial evidence suggests that the bulk of Japanese foreign assistance is channelled to countries in East, South-east and South Asia where historical ties, existing cultural and commercial contacts, as well as geographic proximity render the Asian region an area of primary geo-political interest for Japan. Accordingly, over 60% of Japan's overseas development assistance for 1992 was made to such Asian countries as (in descending order of allocation of aid) Indonesia, China, the Philippines, India, and Thailand. Africa and Latin America each received 10 percent of Japan's ODA for the same year.<sup>20</sup> In addition, the share of the grant component in Japan's ODA is generally less than 40%, which is relatively low compared to the OECD average for 1990 of 79%.<sup>21</sup>

### **The Movement Towards A United Europe:**

If and when the full unification of Europe is consummated, African countries will face a major turbulence in what has been in recent history the most important area of their international relations environment. Traditional bilateral ties dating back to the colonial times will likely be severely tested as a united Europe develops its own set of rules and priorities for the conduct of its foreign relations. Where a new European political entity emerges, the historical affiliations and obligations former colonial powers is bound to be supplanted by relations built more and more around commercial interests alone. With Europe more harmonized and growing in economic power, the already weak and fragmented economies of Africa will find themselves in an even more weakened bargaining position in their trade and other economic dealings.

However, the outcome of European unification need not be all detrimental to Africa's economic interests. There are some possible areas in which it can be expected to bring benefits to Sub-Saharan Africa. A united Europe may usher in policies that will bring to an end the proxy wars and military adventures that individual European countries have conducted in Africa in the past.<sup>22</sup> It will also spell the end of the patron-client relationships between former colonizer and colonized states—relationships that enabled inept and corrupt regimes in Africa to hang on to power even in the face of strong domestic disenchantment and resistance. This will remove an important source of regional instability that has been sapping Africa's meager economic energy.

A major argument behind the European drive towards unification has been the anticipated economic boom that an enlarged and integrated European market will make possible, and if European unity leads to that continent's economic resurgence, this could trigger a new wave of global economic growth that may lift up other economies with it, including those of Sub-Saharan Africa.

### **Movements Towards Democratization:**

Of all the elements associated with the NWO, the movement towards western-style democratization is perhaps the least tangible and predictable. The hope is that the movement that seems to have caught on in Eastern Europe and Latin America will spread to Africa as well. But will it? There have already been some signs of political awakenings and reform in several African countries such as Zambia, Zaire, Kenya, Togo, Ivory Coast and others. Assuming that these signs can

be sustained, what will the movement toward democratization do for the economic prospect of the region? For economies that are so highly dependent on external trade and international flow of investment, the aura of stability and the rule of law that democratization implies can be a welcome development. Are these the beginnings of an inexorable drive towards democratic institutions in Sub-Saharan Africa? Can western-style democracy be imported and transplanted in the same way as a piece of equipment or technology. Once transplanted, will it take root spontaneously without regard to contextual prerequisites of supporting social and cultural institutions?

What sort of democracy can be expected to emerge?

It may be useful at this point to discern and explore a possible dichotomy between "democracy-in-form" and "democracy-in-substance."

In the context of the developing countries of Sub-Saharan Africa, democracy-in-form (hereinafter DEF) is more prevalent than democracy-in-substance (hereinafter DES). These two represent contrasting systems. DEF accommodates only the ceremonial and formalistic trappings of democracy. Its purpose is to serve as an elaborate political window dressing to earn international respectability for the government in power. In contrast to that, DES enshrines and enables those institutions (such as independent legislative and judiciary branches, a multiparty political system, secret ballots, free and fair elections, an independent press, and the supremacy of the law) that protect the freedoms and rights of individuals and thus help keep political supremacy in the hands of the electorate. DEF is handed down from the top, but DES is built and sustained by "grass-root" actions. DEF is aimed at preserving existing distribution of power and privileges, but DES implies the promise of equal access to social and economic resources. DEF serves as a deflector shield to frustrate potential challenges to autocratic rule, but DES would frustrate the emergence of autocracy itself. Seen in this light, the two types of democracy do not represent stages in a continuum but rather two separate arrangements whose implications are at total variance with each other. Where one finds the ostentatious celebration of democracy-in-form, one is unlikely to encounter there the application of democracy-in-substance. The ritualistic flaunting of the former is invariably and cynically intended to thwart the development of the latter.

In the context of most African LDCs where the institutions and cultures of western-style democracy are yet to be formed, democracy-in-form serves as a useful facade behind which regimes shelter institutions and practices that prove essentially anti-democratic. Some African regimes had in the past proven quite adept at innovating and experimenting with variations of democracy-in-form so as to legitimize and preserve the status quo with its elite monopoly of power. For instance, the Government of Kenya had in the past required that voters queue in front of the pictures of political candidates that they intended to vote for. This violated the principle of voting by secret ballots. It also created an intimidating political environment and denied voters a necessary protection for the free exercise of their political rights. Yet the election exercise itself was regarded useful as it helped the government deflect unfavorable international scrutiny and unwelcome pressures for reform. There results a paradox that, in those states where democracy-in-form gets inaugurated first, the development of democracy-in-substance may be blocked for a long time to come.

From the stand point of economic development, the issues of democracy and good governance became important to the extent that they create and sustain the institutions that protect property rights, ensure accountability in the management of public assets, and establish and maintain working rules for the smooth functioning of the market. However, the type of democracy that will emerge in a setting of extreme social and economic disparity may not necessarily lead to a rule of law, respect for civil liberties, due process, and property rights. Past experiments in "democracy" in a few African countries were short-lived either because the experiment tended to be riddled with distortions and so ended up discrediting itself, or it failed to take root long enough to show results because it lacked a mechanism with which to keep armed interventions at bay. Taken together, such experiences provide evidence that western-style democracy is yet to meet the right conditions to take a firmer root in Africa's political soil. This is unlikely to change soon solely because of the demonstration effect that originate in Eastern Europe or else where.

### **Greater Role of Multinational Corporations:**

A study by the U.N. Center on Transnational Corporations disclosed that multinational corporations (MNC) have steadily accumulated unprecedented global economic power. According to the Center's director, direct foreign investment (DFI) by the MNCs was the chief source of global economic growth. Between 1983 and 1989, DFI grew at a compounded annual rate of 28.9% while world trade and world GDP grew at the rate of 9.4% and 7.8%, respectively, over the same period.<sup>23</sup> Between 1980 and 1997, DFI flows grew more than seven-fold globally. In addition, studies indicate that DFI was being driven by the growing trends of mergers and acquisitions in conjunction with accelerated privatization of state-owned enterprises.<sup>24</sup> The increased flows of DFI to the European Union, NAFTA, and China market regions indicate the special considerations that market size and market growth prospects are accorded in such investment decisions.

Given the fact that the two chief causes of the rapid increase in DFI have been a) mergers and acquisitions and b) strategic market positioning in expanding economies such as the European community and China, it is not surprising that the frantic pace of DFI by MNCs has mostly by-passed the African economies. Of the considerable flow of DFI in the 1980's, over eighty per cent were apportioned between the three advanced economic regions of Western Europe, U.S., and Japan. Japanese MNCs are the largest source of DFIs, and the U.S. is the number one beneficiary of these investments. While the already industrialized countries have benefited from the growing DFIs, direct investment in the developing economies declined by more than 5% between 1980 and 1990.<sup>25</sup> The latest available figures show a marked increase in which DFI flows to developing countries represented 37% of total global DFI. However, over 30% of this was earmarked for just one developing country: China.<sup>26</sup>

China's success in attracting DFI is a far cry from the situation facing African economies. Africa's access to DFI at times seems to be constricted by an ever tightening noose of conditionality. A passage in a 1989 World Bank publication states:

Structural adjustment...links World Bank financing and bilateral financing directly to an agreed program of macroeconomic and sector policy reform. Greater efforts should be made to internalize the process and to provide more *ex post* support for measures already adopted rather than *ex ante* conditionality based on promises of action to be taken in the future. In the 1980s there was need for *ex ante* conditionality, but in the 1990s Sub-Saharan Africa will most likely be at a different stage.<sup>27</sup>

The above passage sounds like a warning to the African LDCs that, if they are too financially strapped to start their own projects first, they should not expect external assistance to generate seed money for such projects. In effect, an economy can be too poor to merit outside help.

Structural adjustment and "agreed" program of macroeconomic and sector policy reform refer to economic and social policy concessions that the Bank extracts from leaders in developing economies as conditions for allowing them to receive loans and other forms of external finance. Such concessions are often made with great reluctance on the part of these leaders as they often have to resort to reversals of policies regarding important (and popular) social and economic programs. For example, spending on such sectors as education and health have to be cut in order to trim the government budget and set the financial house of the economy in order. The Bank, in effect, acted as a clearing house for DFI sources looking for safe and profitable investment outlets, on the one hand, and developing economies seeking the Bank's nod and stamp of approval to receive such investment, on the other. The arrangement seemed to reinforce the influences and roles of both the Bank and DFI agents in their dealings with developing economies.

From the standpoint of leaders in developing economies, the increasingly stringent conditionality that the Bank promoted as a necessary step to create a DFI-friendly environment had another worrying implication. It brought with it the unwelcome prospect of direct external interventions in the economic as well as social and political decisions of the DFI host nation. Such interventions may be defended for ensuring the efficient allocation of scarce resources, although this may not be the sole motivation in every instance. But a long-term and more serious consequence of such intervention was its tendency to impose ready-made, one-size-fits-all decisions on the host nation. It could weaken the role of a country's institutions and leaders and diminish their powers to make and execute decisions of crucial national importance. As administrators of DFI grow increasingly bold in influencing the decision outcomes of governments and arrogate to themselves a role of unelected governments, they also threaten to render superfluous the actual or potential development of democratic rights and institutions. If this occurs, sub-Saharan Africa will find itself headed for a democracy that is effectively empty of its content of self-determination.

These developments will likely impact on the future economic prospects of Africa. Direct investments by MNCs are least amenable to multilateral (such as GATT and the various "trade rounds") or even bilateral attempts at redirection with an eye to facilitating regional economic redress or balance.<sup>28</sup> Accordingly, the economies of Sub-Saharan Africa find themselves facing a global reality that, while of immense significance to their own futures, they are not well prepared to influence or benefit from.

## Growing Significance of Global Financial Markets

The decade of the nineties can in one way be regarded as the decade of global financial markets. The leading financial markets of the world have early on taken to the new and rapidly evolving computer and communication technologies. Showing a remarkable versatility and an adaptability to new opportunities, the market quickly availed itself of the use of these technologies to patch together a network of global financial markets.

Three elements played important roles in facilitating the development of such a network. First is the large-scale flight of savings in western countries, especially the U.S., away from low interest rates of bank deposits and to the high returns of stocks and mutual funds. This was facilitated by the remarkable strength of the stock market that prevailed for much of the decade of the nineties. Second, the surge in the amount of savings flowing into the stock and mutual funds markets of these countries was much too large and sudden to be wholly absorbed in their domestic economies. Third is the promise of quick and high returns on investment in certain of the capital-craving developing economies during the first half of the nineties. The economies so favored were the ones that early on adopted the economic restructuring and reform formulae of the World Bank.

As a consequence of these developments, country stocks and regional (such as Southeast Asia, Latin America, etc.) stocks and global stocks became common features of the fund listings of major financial markets in the west. These stocks served as major conduits by which savings from the developed west were made available for (mostly speculative) investment in a select group of developing economies. These were economies that came to be regarded as "safe-bet" because of the restructuring and liberalizations that they had adopted or because they were credited with a demonstrated record of recent economic growth. A number of these economies also introduced policies aimed at financial, trade, currency, profit repatriation, and other regulatory procedures that consciously sought to instill confidence and trust among potential investors. These policy measures appeared to be vindicated as countries that adopted them were quickly rewarded by the rapid growth of stock funds that flowed into their economies. This, in turn, generated a demonstration-effect in which other developing economies sought to attract western stock funds by instituting their own financial, economic, and currency reforms.

The flow of investment funds targeted several developing regions of the world, including Sub-Saharan Africa. The following table indicated the size and directions of these flows.

**Table 7**  
**Net Private Capital & Direct Foreign Investment (DFI) Flows to Developing Regions**  
**1980 and 1996 Comparison (millions of dollars)**

	Net Private Capital		%	DFI		%
	1980	1996	Change	1980	1996	Change
Sub-Saharan Africa	\$ 195	\$4,376	2,244	\$ 834	\$3,271	392
South Asia	2,173	8,743	402	464	3,439	741
East Asia & Pacific	18,443	101,272	549	10,347	58,681	567
Lat. American & Carib.	12,601	95,569	758	8,188	38,015	464

Source: The World Bank, *World Development Report*, 1998/99 p. 231

What emerges from the data in Table 7 above is the growing importance of net private capital flow into the developing regions of the world. While both net

private capital (NPC) and DFI grew by several hundred percentage points between 1980 and 1996, the growth in the flow of NPC has been quite dramatic. With an increase of 2,244% in NPC flow between the two periods, Sub-Saharan Africa as a region seems to have benefited the most from this global surge in net private capital. While there was an increase of 392% in DFI over the same period, this falls far short of the increases observed in NPC flows to the region.

At first blush, Africa appears to be having an easier time of attracting net private capital than it has drawing foreign direct investment. Starting from a mere \$195 million in 1980, a level that was far below the flow of DFI at that time, NPC flow into the region's economies grew rapidly and was 25% greater than DFI by 1996. Looking at these numbers, it may be tempting to conclude that, at long last, the region is finding access to badly needed international capital to build and expand its modern sector. Is Sub-Saharan Africa about to emerge from the doldrums of international capital flows?

There remain at least three areas of problems that temper expectations about the beneficial impacts of NPC on Africa's economies. These include: a) the tendency for NPC flows to be concentrated in just a few countries or regions, b) the extreme ease of entry and exit of NPC capital, and c) the focus on quick short-term profits as opposed to returns on long-term investment.

**Concentration of NPC Flow:** In spite of the gains that the region appears to have made, Sub-Saharan Africa is still far behind the other three regions in the share of capital that it receives.

Much of the flow of such capital is destined for East Asia and the Pacific, which accounted for 48% of the NPC and 56.7% of the DFI flows in 1996. Sub-Saharan Africa's share of the surge in the flow of capital accounted for only 2% of the NPC and 3% of the DFI received by the four developing regions. Yet the region's share of population stands at 15%. Within the region itself, the flow of capital remains highly concentrated as just three countries, South Africa, Nigeria, and Ghana, received over 59% of the total 1996 NPC flow into the region<sup>29</sup>. Country risk ratings may contribute to this tendency for NPC flows to be concentrated in just a few countries. Funds get quickly herded into markets that are presented as high returns and low risk environment.

**Ease of Entry and Exit:** In just seven years between 1990 and 1997, stock market capitalization in the East Asia & Pacific region grew from U.S. \$86.52 billion to \$692.43 billion while that in low and middle income economies (which includes East Asia & Pacific) rose from \$375.528 billion to \$1.726 trillion.<sup>30</sup> The remarkable growth of global NPC flows is in part the result of the relative ease with which investment capital is both offered and received. Return on capital opportunities are maximized through quick investment decisions and channelling of funds to emerging markets of good promise. Likewise, risk to investment is minimized by means of the speed and ease with which funds can be withdrawn in response to perceived threats detected in readily available market signals. From the stand point of international investors, NPC flows enjoy an unprecedented ease of entry into and exit from emerging markets. The ease of entry allows ready access into markets with high investment returns. But the ease of exit also helps mitigate the usual risk related concerns that affect investment activities in relatively unstable developing economies.

While useful in mobilizing and directing international funds to developing economies, this ease of entry and exit of NPC may also be a key factor behind the currency crisis and financial instability that convulsed several of the emerging economies. Economies that depend heavily on external borrowed money are poorly prepared to manage the financial crises that arise when borrowed funds are withdrawn suddenly and without warning. Several of the emergent Asian economies found themselves in this situation beginning in 1997. The stage was set for this situation to emerge when these economies rapidly accumulated short-term foreign debt in order to meet a growing domestic demand for money by speculators in real estate and stocks. The short-term debts ensured the financial vulnerability of these economies, and the speculative frenzy with which the borrowed money was put to use made the crisis a certainty. A quick and easy exit was an option available to lenders but not to borrowers, so as to deflect the financial cost of the crisis. It was an option that was swiftly taken by international creditors. In the words of U.S. Treasury Secretary Robert Rubin, "Just as capital flowed into emerging markets indiscriminately, and that was a mistake, capital is now flowing out indiscriminately, likewise a mistake."<sup>31</sup>

If wild swings in the flow of global finance constitute a mistake, it is not one the responsibility for which can be assigned to any single agent. Instead, a combination of normal market activities interacting with the less than optimal social and economic institutions of the debtor country seems to produce the outcome that Secretary Rubin describes as a mistake. In the words of another economist:

Fickle global financial markets collide with entrenched national practices (poor bank lending, corruption, "crony capitalism") to produce highly unstable flows of capital into and out of developing countries. And the crisis has endured because it defies the power of any single country to resolve. There is no political, intellectual or institutional framework to impose a genuinely global solution.<sup>32</sup>

Such unstable flow of capital into and out of Thailand caused that country's stock prices to fall 75.3 percent in dollar terms in just 1997 alone. Net private capital in-flow turned into capital flight, and emerging economies were left submerged in a spiraling problem of growing debt, depreciated currency value, business bankruptcies, and worsening unemployment. The growing significance of global financial markets has thus brought with it not only the flow of capital to capital-craving economies, but, operating within the framework of existing domestic and international institutions, it has also injected a potentially destabilizing and disruptive force into those same economies.

Seen in this light, Africa's failure to attract NPC on the scale that other developing regions had may not be as costly to its progress as at first thought. This is not to deny the importance of an economy's ability and success in attracting international investors. But as the experience of Asia's economies indicates, attracting international investment is not the same thing as making optimal economic use of that investment. To make full use of such investment, Africa's economies must first undertake needed policy and institutional reforms. They must develop and have in place the mechanisms for extracting the maximum value out of each international dollar invested. Without such advance ground work, they too will discover that NPC flow promises prosperity only to deliver unexpected economic hardships.

## Conclusion:

The New World Order assumes different meanings and comes in different forms. Some aspects of it, such as the interdependence of economies, are expressions of developments that have long been in the making. Others, such as the changes in Eastern Europe and the former Soviet Union, are the results of abrupt and unexpected changes. The recent rise and fall of the Asian economic miracle is an aspect of NWO that has been both dramatic and significant. Whatever its meaning or form, the NWO found Africa's economies in their weakest and most vulnerable state since their independence. They face growing isolation as a result of the widening gap in technology and other modern economic resources that separates the continent from the industrialized regions of the world. In spite of a large and growing population, low economic activity and declining incomes have resulted in low effective demand. The limited size of the market combines with neglect in infrastructure development to keep investment incentives down. As a result, the region's economies have not succeeded in mobilizing badly needed domestic and international capital to expand their modern sectors. They run the risk of being sidelined by the swirl of currents and rapidly evolving economic forces and events under the NWO. Rapidly evolving developments in the fields of finance, information, communication and other forms of technology may fall beyond the reach of Sub-Saharan Africa. This threatens to relegate the region to further economic marginalization. The threats are real, and they are being manifested in several ways already. If the African economies as a community do not devise their own strategies and brace themselves to ride these changes, it is difficult to see any other force that will avert the onset of these threats. The dictionary definition of order, that everything is in the right place and functioning properly, will hardly apply to describe the condition that the region's economies will then face.

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## Notes

<sup>1</sup> The World Bank, *Sub-Saharan Africa: From Crisis to Sustainable Growth*, Washington, D.C., 1989 pp. 224-225.

<sup>2</sup> World Bank, *World Development Report*, 1997 p. 236.

<sup>3</sup> World Bank, 1997 p. 236.

<sup>4</sup> *World Development Report*, 1981.

<sup>5</sup> See *World Development Report*, 1997 pp. 242 & 243.

<sup>6</sup> Based on figures for GDP deflator for 1980-1990 and 1990-1995 in *World Development Report*, 1997 *Ibid.* p. 235.

<sup>7</sup> In Getachew Felleke, *The Socio-Economic Environment of Technology Underdevelopment in the Third World: The Case of East Africa*, 1984 (Dissertation) p. 181.

<sup>8</sup> The negative GNP per capita was average annual growth rates for both Africa and Latin America reflect the added burden on growth prospects brought about by rapid population growth in the two regions. The annual growth rate in Africa was 2.9% between 1980 and 1993. This rate is expected to endure through the year 2000, adding another 124 million people to the region's population in just seven years. Curiously enough, while all other regions of the world continue to gain in

population size, Sub-Saharan Africa's growth rate is projected to come to a screeching stop after the year 2000, with population size in 2025 at the same (683 million) level as that in the year 2000. *World Development Report*, 1995 p. 211.

<sup>9</sup> Africa suffered the worst terms of trade of any other region of the world during the mid-1980s. (see World Bank, *World Development Report*, 1990, p. 14) And given the very large size of its foreign sector, the resultant drop in export revenue was reflected in the marked decline in the region's GDP.

<sup>10</sup> The average annual inflation rate for Sub-Saharan Africa was 15% during the period 1980-1987.

<sup>11</sup> Africa's geographic location and its natural resources have drawn the continent into the orbit of major international developments of the last hundred years or so. Earlier examples of these are the Industrial Revolution of Europe and the resulting scramble for colonization of lands; World War II; the Cold War; the oil crisis of the early seventies, etc.

<sup>12</sup> *Directions of Trade Statistics*, September, 1991.

<sup>13</sup> *World Development Report*, 1991.

<sup>14</sup> It is possible for this slack in Africa's export to be picked by today's Germany. But to the extent that West and East Germany had different sets of trading partners, it is improbable that the former will match the latter's imports from Africa dollar for dollar.

<sup>15</sup> H. W. Singer, "The *World Development Report* 1987 on the Blessings of 'Outward Orientation': A Necessary Correction", *The Journal of Development Studies*, vol. 24, No. 2 January 1988.

<sup>16</sup> Other explanations for the rapid growth of the East Asian economies include the special economic breaks the region enjoyed as a result of western (especially U.S.) involvement and cooperation in the wake of the Korean and Vietnamese wars in the 1950s, '60s, and '70s. Also during subsequent periods, Japan's role in propelling the region's rapid growth looms quite large.

<sup>17</sup> For the first quarter of 1991 only, the African economies incurred trade deficits of \$194 million and \$108 million with Japan and Korea, respectively. Source: *Directions of Trade and Statistics*.

<sup>18</sup> The most recent incident involving the sale of Motorola's cellular phone products is indicative of the grudging stance that this economy has adopted with respect to trade reciprocity.

<sup>19</sup> *World Development Report*, 1991 p. 240.

<sup>20</sup> NHK Overseas Broadcasting Department, *A Bilingual Guide to the Japanese Economy*, Tokyo: Kodansha International Ltd., 1995 p. 333.

<sup>21</sup> NHK, pp. 333-334.

<sup>22</sup> At various times over the last three or four decades, various European countries, including Belgium, France, Spain, Portugal, and Britain, have conducted proxy wars in which they sought to influence outcomes of civil wars and cross-border conflicts.

- <sup>23</sup> *The Christian Science Monitor*, Monday, July 29, 1991.
- <sup>24</sup> UNCTAD, *World Investment Report 1998*, Geneva: United Nations Publications.
- <sup>25</sup> *The Christian Science Monitor*, *op. cit.*
- <sup>26</sup> UNCTAD, *op. cit.*
- <sup>27</sup> World Bank, *Sub-Saharan Africa: From Crisis to Sustainable Growth*, 1989, p. 181.
- <sup>28</sup> A cursory look at columns for private nonguaranteed external capital flow into Africa amply illustrates this point; the columns are filled with mostly zeros. See World Bank, *World Development Report*, 1991.
- <sup>29</sup> World Bank, *World Development Report*, 1998/99 pp. 230-231.
- <sup>30</sup> World Bank, 1998/99. p. 221.
- <sup>31</sup> Secretary Rubin is quoted in: "World Cools to Capitalist Ideals," in *The Christian Science Monitor*, September 17, 1998 pp. 1-2.
- <sup>32</sup> Robert J. Samuelson, A Global Economy—or Not? In *Intellectual Capital.com*, Thursday, February 18, 1999.