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AFRICAN ECONOMIC DEVELOPMENT: ROLE OF EXTERNAL ASSISTANCE

by

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I

EMERGENT AFRICA DEFINES ITS OWN NEEDS

By the end of 1960 the political map of Africa will be so altered that mapmakers will be hard pressed to find enough different colors to lend a distinctive and recognizable hue to each of the independent areas of Africa which have become independent entities since the end of World War II. The mapmaker will also be confronted with the need to make a series of delicate decisions as to how best to represent the new political configurations appearing on the African landscape.

There is hardly a suitable cartographic precedent to invoke to represent the recently proclaimed Ghana-Guinea "nucleus of a Union." The status of the twelve new African "autonomous republics" of the French Community confront the mapmaker with still another difficult decision. What kind of distinctions should he draw among the twelve republics, the "primary Federation of Mali" which is composed of several of these new republics, Algeria, and, in the Eastern Horn of Africa, the territory of French Somaliland? The forthcoming change

in political status in the British and French Cameroons and the possibility of the British Cameroons being divided into two parts with the northern part adhering to an independent federal state of Nigeria and the southern part adhering to the French Cameroons may well involve the mapmaker in the formidable task of drawing completely new territorial border lines. Such an exercise is likely to involve a series of decisions with respect to terrain features which will not always conveniently coincide with the political decisions.

By contrast, the economic geographer, even with the increasing level of economic activity and a growing diversification in certain of the African economies, will have far fewer problems, a discrepancy which illustrates one of the major problems of emergent Africa-- the pressing need for accelerating the sluggish rate of economic growth. The political revolution is at hand, and by and large its pressures are irresistible. However, although it is essential that economic development match, or at any rate not fall further behind, the phenomenal rate of political change now surging across the African continent, the economic revolution can hardly be said to have started in very large areas of Africa.

An inevitable result of this imbalance is the growing awareness on the part of the new African leaders of the crucial importance of economic growth to sustain and fortify their political independence. In fact, economic growth can be said to be increasingly the number one priority in the judgment of the new African leaders; and they are more and more assigning an urgent quality to their interest in inducing a rate of economic growth which will at least obviate a decline in the present low standard of living--a decline which could

indeed result if an accelerated rate of population increase outpaces the rate of economic growth. Moreover, obviously the aspirations implicit in the "growth of rising expectations" far exceed the minimal requirement of at least preserving the current low levels of per capita incomes of less than \$200 per annum, and sometimes far less than \$200, which are typical of most of the African continent. The leadership of the new African states is seeking what is tantamount to an economic breakthrough.

This objective was put perhaps most eloquently by Prime Minister Nkrumah of Ghana in his autobiography:

Once . . . freedom is gained, a greater task comes into view. All dependent territories are backward in education, in agriculture and in industry. The economic independence that should follow and maintain political independence demands every effort from the people, a total mobilisation of brain and manpower resources. What other countries have taken three hundred years or more to achieve, a once dependent territory must try to accomplish in a generation if it is to survive. Unless it is, as it were, 'jet-propelled', it will lag behind and thus risk everything for which it has fought.

Capitalism is too complicated a system for a newly independent nation. Hence the need for a socialistic society. But even a system based on social justice and a democratic constitution may need backing up, during the period following independence, by emergency measures of a totalitarian kind. Without discipline true freedom can not survive.¹ (Emphasis supplied.)

It is noteworthy that, in addition to the urgency he assigned to rapid economic growth, Nkrumah has related to this need a rationale for the use of authoritarian techniques to induce the desired "'jet-propelled'" level of development.

¹The Autobiography of Kwame Nkrumah, Thomas Nelson and Sons Ltd., New York, 1957, p. x.

Another new African leader, this time emerging from French West Africa, President Sékou Touré of Guinea, is characterized as follows in a recent interview: "However, if necessary, Sékou Touré promises to use Chinese mass labor methods to construct his earthen 'Aswan' on the Konkouré. Nothing must impede industrialization."² Here again there is the urgency of economic growth and an apparent willingness to employ authoritarian tactics to achieve the desired goal at a frenzied pace.

That Nkrumah and Sékou Touré are not alone in Tropical Africa, or for that matter in all of Africa, in assigning priority emphases to economic development was made evident at the meeting of the leadership of all of the independent African states at the first Accra Conference of April 1958. The resolution on "Economic Co-operation Between the African States" and the final "Declaration" of the Conference clearly demonstrate that stimulus to economic development is a primary policy objective of the independent African states. They also reveal an awareness of the need of external assistance as a means of furthering African economic development and, significantly, the determination on the part of African leaders to "encourage the investment of foreign capital and skills provided they do not compromise the independence, sovereignty and territorial integrity of our States."³

In addition to forcefully stating the terms on which they would be prepared to accept needed foreign economic assistance, seven of the eight Accra Conference powers have demonstrated their determination

²John Marcum, describing an interview with Sékou Touré, The New Leader (New York), Vol. XLI, No. 44 (December 1, 1958), p. 7.

³Conference of Independent African States, Declaration and Resolutions, Parliament House, Accra, April 22, 1958, "Declaration," pp. 1-2.

to resist interference in their independence of action in making economic and technical assistance arrangements of their own liking. At the Conference the attempt of the eighth Accra power, the United Arab Republic, to elicit an anti-Israel resolution was soundly rebuffed. The abortive United Arab Republic resolution was directed at Ghana as much as at Israel. Its objective was the disruption of the expanding Ghanaian-Israeli economic cooperation, which involves a growing two-way flow of trade, increasing public and private Israeli technical assistance to Ghana, a flow of Israeli technology, particularly in the agricultural and cooperative fields, and a mounting volume of Israeli private investment in Ghana. Liberia and Ethiopia stood firm with Ghana at the Conference in opposing the United Arab Republic initiative, and they have been evolving on a lesser scale economic and technical assistance arrangements with Israel analagous to those of Ghana.

Subsequent United Arab attempts to rupture these growing relationships have also failed. The latest attempt to obtain an anti-Israel resolution which would undercut existing economic arrangements was made at the All-African People's Conference of nationalist organizations, trade unions, and political parties held at Accra in December 1959. This attempt fared no better at the hands of the political leaders from all sections of Africa--dependent as well as independent--than the earlier attempts.

External assistance for economic development without external interference in the independence or independence of action of African states is certainly one of the significant messages out of the Accra Conference of Independent African States.

More recently Prime Minister Nkrumah felt called upon to underscore the African desire for development and improving the standard of living and of the desire, not only the need, of the independent African states for external assistance from the free world. In a forthright article in Foreign Affairs Mr. Nkrumah put the case in this way:

They [the people] expect political equality to bring economic equality There must be something to show for independence. And if there is nothing to show, popular discontent may split the country apart. . . . the leaders of the new Africa have no alternative but to look for outside assistance We have to modernize. Either we shall do so with the interest and support of the West or we shall be compelled to turn elsewhere. This is not a warning or a threat, but a straight statement of political reality.⁴

It is interesting to note that in North Africa President Habib Bourguiba of Tunisia has displayed a paramount interest in facilitating economic growth and improving living standards in his country, coupled with a clear-cut desire to receive free-world assistance to further such development. Typical of Mr. Bourguiba's many pronouncements on the subject is the following statement:

I want to develop among the Tunisian people the conviction that progress and prosperity are the direct fruits of cooperation with other countries. Tunisia cannot live alone. That is why we are glad to cooperate with the West.

Now the West in turn, by helping to ensure prosperity in North Africa, can prove to all the world that when a colonial people attains its freedom it can remain the friend of the former colonial power. But if--as with France presently in Algeria--you give a people unasked-for solutions and fail to satisfy their aspirations, the result is catastrophic.⁵

⁴"African Prospect," Foreign Affairs, Vol. 37, No. 1 (October, 1958), pp. 51 and 53.

⁵Quoted from an interview with William H. Stringer, Christian Science Monitor, January 29, 1959.

It may be fairly said that at the present time every independent African state exclusive of Egypt is receiving the bulk, and in most instances all, of its external assistance for economic development from the free world. This is true even of assistance administered through international organizations. With respect to loans for basic infrastructure in the public sectors it should be noted that the Soviet Union and a good part of the Communist bloc are not members of the International Bank for Reconstruction and Development. With respect to technical assistance it should be noted that the contributions of the Soviet Union and a large part of the Communist bloc to the UN Program of Extended Technical Assistance are marginal and in many instances rendered in the form of inconvertible currencies and with other conditions limiting their general usefulness.

Thus it may be seen that at the present time independent Africa has indeed defined its own needs. These are economic development, improving living standards, and external assistance which does not impair or threaten to compromise the independence and sovereignty of the recipient nations. Moreover, for the most part Africa is looking to the free world for assistance to meet those needs. It should also be noted that the African interest in receiving free world assistance is not limited to assistance financed by public funds. The leaders of the independent African states have proclaimed their interest in attracting private investment from the free world, and many of the states have adopted policies to attract such investment. A fairly typical example of the desire for private investment is the following official Sudanese statement:

The government has already indicated on several occasions its intention to encourage private enterprise and to create conditions which attract foreign capital to this country for such enterprises. . . .

Foreign industrialists must undertake to provide reasonable facilities for the training of Sudanese personnel and for the progressive participation of such personnel in their establishments.

The government accepts the principle that foreign industrialists should have the right to remit profits to the country of the origin of the capital and, furthermore, it would give an assurance in respect of the payment of fair and equitable compensation in the event of acquisition of any property for nationalization and will grant facilities for the repatriation of such compensation. It would further give an assurance of non-discrimination between foreign and local enterprise.⁶

Other African states have gone further than the Sudan. Ghana, for example, has entered into an agreement with the United States instituting the Investment Guaranty Program under which the United States would guaranty dollar investments of American citizens in Ghana approved by both governments against inconvertibility of Ghanaian sterling resulting from the investment and against expropriation and confiscation. In the event of expropriation Ghana has agreed to negotiate bilaterally with the United States and, failing a settlement, to submit the American claim to arbitration.

Although the foregoing analysis dwells primarily on the independent states of Africa, it should not be inferred that areas which have still not achieved independence substantially differ in their assessments

⁶"Exerpts from an Official Statement," Africa Special Report, Vol. 4, No. 1 (January, 1959), p. 20.

and aspirations with respect to economic growth, external assistance, and private investment. In anticipation of independence in October 1960, Nigeria has already undertaken to interest Western nations in her economic development; and the United States, in response to an active Nigerian initiative, has already established an economic aid mission and is in the process of elaborating a program of technical assistance. Nigeria has also opened relations with the International Bank and has recently concluded a loan agreement for \$28 million to finance railroad expansion.⁷ Nigerian leaders have also forcefully stated their desire to attract private Western capital.

Although other dependent areas now rapidly moving toward independence may not have taken as rapid a series of actions as Nigeria with respect to economic growth, the leaders of Somalia, French Togoland, and French Camerouns--all to become independent in 1960--have indicated their awareness of economic problems and have taken at least preliminary steps designed to launch invigorated development programs to coincide with the responsibility of assuming direct leadership of their respective countries. In fact, the U.S. Development Loan Fund has already extended a \$2,000,000 loan to Credite Somalia to make loans to small industry and processing plants as a first step in diversifying Somalia's weak economy, now largely dependent on subsidized exports of bananas to Italy.

⁷Federal Nigeria, Vol. 1, No. 4 (May, 1958), p. 1.

In short, throughout the vast areas of the African continent in independent and soon-to-become independent African areas there is a vivid, almost compulsive, urge to get on with economic development. There is also a common Western orientation with respect to the source of assistance. This orientation is, however, qualified to a degree by the appeal of non-Western authoritarian economic growth models. In these contradictory appeals lies a striking challenge to the free world.

II

THE BROAD STAGES OF GROWTH

A basic question which arises for the free world with respect to providing assistance for African development is to define the areas of economic activity which would be most likely to benefit from the injection of external assistance and tend to induce the growth of the African economies. The compulsion of African leaders to produce recognizable results over the short-range future suggests that political considerations are likely to play an important, and perhaps decisive, role in economic planning. It suggests that there will be necessary the kind of balancing operation which is implicit in the dependence of national resource allocation on political decisions--determining the time and place to accommodate the more irresistible of the political pressures. Nevertheless, it is necessary in the first instance to identify the basic features of any economy which requires, if it is to move as Nkrumah and others know the African economies must move, injections of investment capital and technological and scientific

skills of the more established modern societies.

Thus it is essential to recognize that for the preponderant area of Africa the basic stage of economic growth lies in concentration on the vitally important agricultural sector, on exploration and charting of the mineral potential and development of it whenever discoveries are made, on building an adequate transportation grid, and on developing the human skills and capacities indispensable to the growth of a modern economy. The next stage, building on the capital formation resulting from export earnings, an adequate transportation system, and increasing supplies of skilled and semi-skilled labor, looks toward the development of secondary industry, processing industry, and expansion of social overhead facilities to service the needs of growing economies.

The brief outline of the phases of growth for African economies undertaken in the following paragraphs is necessarily schematic and obviously needs adjustment to meet the situation of any specific country. It is intended to suggest a rough order of priorities and to offset to some degree the all too common belief that economic development is one big plunge from subsistence agriculture to heavy industry.

For a large part of Africa export earnings arising from cash crops are the major source of income, and they are likely to be so for some time to come. Development of the agricultural export sectors by improving their efficiency and broadening their base through diversification of the crops cultivated is of extreme importance. Primary producing economies, and particularly monocrop

economies, are particularly susceptible to the vagaries of world market demand and price fluctuations. Ghana and its dependence on cocoa for 65-70% of its export earnings, the Sudan and its reliance on cotton for 60-65% of its export earnings, and Ethiopia and its dependence on coffee for 60-65% of its export earnings are prime examples of the importance of the agricultural export markets to African areas to earn foreign exchange and the reserves necessary to finance internal development. They also vividly illustrate the heavy dependence on one key crop and emphasize the need to diversify the agricultural base of the economies.

The heavy stress on the export sector in agriculture sometimes obscures the importance of transforming subsistence agriculture into modern agriculture to supply the internal market. Expansion of food production is becoming increasingly important to meet the mounting requirements of urban centers and the growth of stabilized labor forces, to improve the present low diet levels, and to augment the purchasing power of the agricultural community as a stimulus to the development of secondary industry.

The importance of mineral development is clearly illustrated by the growing economies of the Belgian Congo and the Federation of Rhodesia and Nyasaland. In Sub-Saharan Africa (exclusive of the Union of South Africa) these two areas have the largest national incomes, the largest rate of growth of national income, and the highest rates of capital formation. The rates of capital formation in the Congo and the Federation respectively were 27% in 1950, 31% in 1953, and 31% in 1956, and 39% in 1952, 30% in 1954, and 35% in 1956.

There can be little question of the desirability of developing the mining sectors of African economies whenever possible. Such development would not only augment export earnings but also serve most quickly to diversify monocrop economies. An important prerequisite, however, topographical and geological mapping to locate promising areas for exploration and prospecting, still awaits accomplishment in a large area of Africa. Even the mineral-wealthy Congo has been far from fully explored. In the words of a recent report, "while the minerals of the higher areas to the east of the territory are exploited, the possible mineral wealth of the low-lying bulk of the territory has as yet been hardly explored."⁸ (Emphasis supplied.)

Another important aspect of mining possibilities is the attraction mining has for foreign venture capital. In both the Congo and the Federation there are significant amounts of foreign private investment. Surveying and mapping would serve to uncover promising prospects and help narrow down areas to those which hold the most promise for exploration and development by external private investment and, hopefully over the long run, in association with local private capital.

In the present stage of African development Lord Lugard's dictum is particularly apposite: "The material development of Africa may be summed up in the one word 'transport'."⁹ There can be little doubt

⁸OEEC, Economic Development of Overseas Countries and Territories Associated with OEEC Member Countries, Paris, 1958, p. 21.

⁹Sir F.D. Lugard, The Dual Mandate in British Tropical Africa, 2nd. ed., William Blackwood and Sons, London, 1923, p. 5.

that there is a pressing need to develop the transportation grid of Africa. At present it is all too much like a series of spokes radiating from the interior to the coastline without any cross-connections between the spokes. If an internal market is to be developed and if political cohesion is to be achieved, adequate transportation systems are essential. There is a particular need for integrated systems of all-weather and feeder roads to open up the hinterlands and widen the internal markets.

If economic development is to be sustained, there is a pressing need for improving the skills of African labor. All too frequently African areas are afflicted by the anomaly of labor shortages amidst potentially large pools of manpower. The need is two-fold, to increase agricultural productivity on the one hand, and on the other to achieve increasingly skilled and settled labor supplies for mining, transportation, secondary industry, and public and overhead service functions. Although more is being done currently than at any other time in African development, much remains to be done to develop the supply of trained and skilled labor fully committed to the industrial and commercial sectors of the economies.

The next stage of growth in the industrial sectors and in the area of basic infrastructure of society cannot be treated here, except to say that in many areas of Africa it is likely to follow naturally upon the growth of the sectors emphasized in the foregoing discussion and in others to develop pari passu, the pattern varying with the resources of the area, the developmental history up to the present, the presence or absence of settler groups, the flow of investment capital, and, of course, the type of economic planning decisions now

in the making by African states and areas more and more determined to move forward on the economic development scale.

It goes without saying that basic to African development and implicit in the growth process is the creation of an environment conducive to economic growth. Improved health, growing literacy and education, adequate public administration, and stable political structures and processes all have important roles to play in developing a context in which growth can occur at an accelerative pace and without costly interruptions.

In sum, the areas of economic activity critical for African development suggest the need for external contributions of development capital, technology adapted to African conditions, personnel to help train Africans, and, in the transitional period now being entered upon, personnel to help develop and operate essential services. Moreover, it is important for planning purposes and as an affirmation of confidence in the emergent states that assurances be given of a continuing and sustained free world interest which will ensure the expansion of external assistance as the absorptive capacity of the African economies grows.

III

PRINCIPAL SOURCES OF EXTERNAL ASSISTANCE

Western Europe

The bulk of assistance for African economic development now originates in Western Europe. For example, the United Kingdom, through its Colonial Development and Welfare Act, provided between 1952 and

1956 on the average about one-sixth of total investments in the public sectors projected in the development plans of its African territories,¹⁰ and France has financed nearly the entire development program in the public sectors of its African territories, of which only roughly ten per cent is repayable, ninety per cent being an outright gift.¹¹

The financing of private investment in the African territories also depends largely on capital of metropolitan origin. The exact amount of such capital is difficult to assess since capital movements are free within each monetary zone. Recent estimates of British private investment in the United Kingdom territories in Africa place it between 120-135 million dollars annually. In the French territories a large number of "Societies d'Economie Mixte" are operating in food production, mineral prospecting and mining, the development of electrical power, and so on. These mixed or parastatal societies are financed by both private and public capital, the latter having been provided by the French government. It has been estimated recently that the French government has invested some 15 million dollars of capital in various public or semi-public companies. The French government has also advanced roughly 35 million dollars in long-term loans to private concerns operating in the French territories.

The following table provides an approximate view of the flow of capital from metropolitan countries to their territories, exclusive

¹⁰ Colonial Development and Welfare Acts--Report on the administration and use of the funds provided under the Colonial Development and Welfare Acts--during the years 1952-1956, Command 9375, London, January 1955, p. 9.

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In addition, certain United Kingdom and French territories have received special grants in aid from their metropolitan countries to cover budget deficits and emergency needs.

¹² See L'Economie, No. 539, 10 Mai 1956.

of private equity investment, based on the most recent official information currently available. Given the difficulties encountered in breaking-down composite statistics, varying techniques used in the different countries in compiling statistics, and imprecise definitions accompanying various statistics used in constructing the table, the extrapolations should be viewed only as providing an order of magnitude.

SOURCES OF FINANCE OF CURRENT DEVELOPMENT PLANS

	Planning Period	Total Planned Expenditure (\$ million)	Metro- politan Grants	Loans From Metro- politan Government	Other Loans a/	Local Resources b/
					Percentage of total planned expenditure	
Belgian Congo	1950-1956	820 c/	6	21	50	24 d/
Ruanda-Urundi	1949-1958	102 e/	6	94	-	-
British Territories	1955-1960 f/	1,260	9	-	36	55
Federation of Rhodesia and Nyasaland g/	1957-1961	235	-	-	49	51
French Territories h/	1949-1957 i/	1,146 k/	65	34 j/	-	1
Portuguese Territories	1953-1958	142	-	30	-	70

Notes:

- a/ All other loans, internal and external.
- b/ Reserves and current revenue.
- c/ Actual expenditure 1950-1956.
- d/ Budget surpluses.

Notes cont'd.

- e/
f/ Includes expenditure from Fonds du bien-etre indigene. Basutoland, Bechuanaland and Swaziland 1945-1960, Kenya 1954-1957, Northern Rhodesia 1954-1959, Nyasaland 1957-1961 and Sierra Leone 1956-1959. Excludes expenditure on central and joint schemes (e.g. programs of East Africa High Commission).
- g/
h/ Federal government plan only; excludes Kariba Scheme. Including Reunion but excluding the Department of Algeria and the former protectorates of Morocco and Tunisia; also excluding the "general" section of the plans which are mainly for research activities or general programs of research and projects of interest to France and several territories simultaneously.
- i/ Totals extended under first and second plans up to 30 June 1957 (Reunion 31 December 1956); second plan terminates June 30, 1958.
- j/ Loans from the Caisse centrale de la France d'Outre-Mer, which is financed by French Government grants and loans.
- k/ In the period 1952-1956, the French Government provided public funds--grants and loans--to the Department of Algeria and Morocco and Tunisia an annual amount of between \$200 and \$300 million.

Sources:

- La situation économique du Congo Belge et du Ruanda-Urundi en 1956, Ministère des colonies, Brussels, 1957;
- The Colonial Territories 1956-1957, Cmd. 195, HMSO, London, 1957;
- High Commission Territories, Economic Development and Social Services, Cmd. 9580, London, HMSO, 1955;
- The Federation of Rhodesia and Nyasaland Newsletter, Federal Information Department, London;
- Bulletin hebdomadaire de statistique, No. 511, INSEE, Paris, 22 February 1958;
- Situation économique des colonies portugaises, Notes et études documentaires No. 1964, Paris, 1954;
- Bulletin mensuel de statistique d'Outre-Mer, Paris, July-October 1957.
- Economic Development in Overseas Countries and Territories Associated with OEEC Member Countries, OEEC, Paris 1958;
- Bulletin mensuel de la Banque Centrale du Congo Belge et du Ruanda-Urundi, 1958.

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The United States

The United States role as a source of external assistance to African areas is a relatively recent one, dating only from a modest start in 1948, on the advent of the Marshall Plan, with a limited flow of assistance to the dependent territories of the European metropolises participating in the European Recovery Program. In 1949

the Point Four Program got underway and technical assistance programs for independent areas in Africa came on the scene. Liberia and Ethiopia were the initial Point Four countries in Africa. There were also successive programs, variously entitled development of strategic materials and basic materials, starting with the Marshall Plan and continuing until quite recently. In fact, deliveries of materials in repayment of loans or pursuant to long-term purchase contracts entered into as part of these programs still continue and are likely to over the next five or eight years.

Currently the United States is providing substantial grant, loan, and technical assistance to the North African countries of Morocco, Tunisia, and Libya. Elaborate technical assistance programs have been in operation in Liberia and Ethiopia for some years. Newer and more modest technical assistance programs are under way in Ghana, Nigeria, and British East Africa. A substantial technical assistance and loan program is now in operation in the Sudan. In recent months the Development Loan Fund has approved two development loans in Liberia for a telecommunications grid and establishment of a sawmill totalling over \$3,000,000, a \$10,000,000 loan to the Sudan to develop a cotton textile mill, a loan to Credito Somalia for \$2,000,000 to make loans to new processing and light industry establishments, two loans to Tunisia for the national railways and to establish a pulp factory totalling over \$8,500,000, and one loan to Libya for a development of power in Tripoli in the amount of \$3,000,000.

The last year has thus witnessed an expansion in types and volume of U.S. assistance and in geographic area covered, and the prospect is for a continuing growth. The following table, which attempts a recapitulation of U.S. assistance to African areas (exclusive of Egypt), is necessarily an approximation. Assistance during the Marshall Plan period to European countries was not always clearly separated from assistance to their dependent areas, and dependent areas were not always carefully divided by areas of the world and within areas by territories. Assistance destined for the territories was not infrequently extended under special programs or circumstances, e.g. "Benton-Moody Amendment" Productivity Programs, Strategic and Basic Materials Programs, and special counterpart and local currency sales proceeds programs. The special programs are not always handled in the same way in statistical computations.

ICA AID: NET OBLIGATIONS AND EXPENDITURES
IN SELECTED COUNTRIES OF AFRICA
FISCAL YEAR 1952--SEPTEMBER 30, 1958

(Thousands of Dollars)

	Net Expenditures	Net Obligations
Ethiopia	18,821	27,797
Ghana	246	1,025
Liberia	9,478	13,565
Libya	33,670	54,282
Morocco	20,607	50,649
Tunisia	12,330	24,879
Overseas Territories	14,110	16,776
Regional	70	90
Sudan	356	761
TOTAL <u>a</u> / AFRICA	109,690	187,826

Note:

a/ Sums do not correspond precisely to given totals because of rounding.

Source:

International Cooperation Administration, Operations Report,
Data as of September 30, 1958, Office of Statistics and
Reports, Washington, D.C.

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Soviet Union and Communist Bloc.

There has been some expansion of Soviet and other bloc trade and a few agreements looking toward additional African trade; but there has been little or no Communist grant, loan, or technical assistance to African areas except Egypt. The Soviet and Communist bloc role at the moment is that of a potential source of assistance--a possible alternative to the free world as a source of external aid, as indicated by the thinly veiled suggestions of Prime Minister Nkrumah and President Bourguiba.

However, it is consistent Soviet policy to fish in troubled economic waters in accordance with Khrushchev's precept: "We value trade least for economic reasons and most for political purposes." In 1957, for example, the Soviet Union purchased a significant amount of cotton from Uganda at a time when Uganda's sale of cotton to India was in sharp decline, purchased coffee from Ethiopia at a price far above falling world market prices, and purchased in an uncertain market situation about 20% of Ghana's cocoa exports for the year to "commemorate" Ghanaian independence. The Soviet Union has made repeated attempts to purchase significant quantities of cotton from the Sudan at times when the Sudan was unable to dispose of its cotton crops to its usual customers in the West.

There has also been a marked--although still relatively limited-- activity on the part of other members of the Communist bloc in Africa. Within a matter of weeks of the achievement of Guinea's independence, East Germany had a trade mission there to negotiate an agreement for trade and commerce. Since the termination of the French protectorates in North Africa, Czechoslovakia has been particularly active in that area with trade missions to Morocco and Tunisia. There has, in fact, been some expansion of trade of African areas with the Communist bloc.

There is the very real possibility that Communist aid and trade may be accepted by African areas seeking needed assistance without reference to the container in which it comes. Once it is established, dependence on the Communist bloc as an outlet for exports, as a supplier of aid, as the source of technicians, and as the designer of the technological base of an economy could well mean commitments beyond the capacity of nascent African states to modify or terminate.

International Organizations.

It is not within the purpose of this paper to analyze the assistance being extended by international organizations to African areas. It is sufficient to note that in recent years the relatively minor allocations of assistance have increased and are likely to further increase with the appearance of additional independent states in Tropical Africa. This has certainly been the pattern with the UN funds and specialized agencies and with the International Bank for Reconstruction and Development (IBRD). There is every reason to believe this pattern will continue with the increasing representation

of African states in the United Nations and the growing membership of African states in the specialized agencies, the IERD, and the International Monetary Fund.

There has also been a series of new international organizations concerned exclusively with African development. The oldest of these, the Commission for Technical Cooperation in Africa South of the Sahara (CCTA), provides technical and scientific advisory and research services to its members, which, in addition to the United Kingdom, France, Belgium, and Portugal, include the Federation of Rhodesia and Nyasaland, the Union of South Africa, Ghana, and Liberia. An offshoot of the CCTA is the Foundation for Mutual Assistance in Africa South of the Sahara, with the same membership and a small budget to finance limited programs of technical assistance.

The Development Fund of the European Economic Community (Common Market), recently established, has resources pledged of about \$550 million for use over a five-year period for economic development in the African overseas areas associated with the European powers participating in the Common Market, primarily the areas of French West and Equatorial Africa--now eleven "autonomous self-governing republics within the French Community."

The most recent organization, the UN Economic Commission for Africa, which had its organizing meeting in December 1958 in Addis Ababa, is primarily a study, advisory, and research body. It may play a role in channeling some of the operations of the UN specialized agencies in Africa. It has no aid funds to administer.

It is not likely that the new international organizations now operating in Africa will become major sources of economic development assistance. They may well evolve into an important source of technical

information, research data, and over time, perhaps, of scientific and technical personnel.

IV

A PROGRAM FOR THE FREE WORLD

There can be little doubt, that, with the inevitable transformation of colonial relationships now fully in process, African economic ties with Western Europe will be altered too. A critical question is whether the economic ties can and will be adapted at a pace and in a way to be compatible with the new political realities and without causing ruptures and discontinuities. Is it possible to obtain political accommodations which will allow for adaptation and enlargement of existing economic ties between Western Europe and Africa which are mutually beneficial.

Even if there are peaceful and orderly political accommodations as there have been in Ghana and the Sudan, difficult problems arise. For example, United Kingdom guaranties of loans of these two former dependent areas from international institutions which require such guaranties or from other lenders requiring similar guaranties are no longer available. The absence of such guaranties is likely to make a significant difference in the ability of these areas to float loans. There has also been a tendency, more marked in the Sudan than in Ghana but present in substantial degree even under the most friendly accommodations between metropole and territory, in all newly independent African countries to "Africanize" their civil and technical services.

There has been a serious loss of European technicians; and the Sudan and Ghana have gone to some lengths recently to retain or attract anew British technicians.

There have been many more problems, of course, where arrangements have been reached in tense or unfriendly political contexts. French aid, trade, and flow of technicians to Morocco and Tunisia have been interrupted and resumed several times following somewhat the pattern of events in Algeria. The independence of Guinea, even with a series of recent accords keeping Guinea in the French franc zone and providing for French technical assistance, still leaves serious deficiencies in Guinea's financing of public development, in technicians, in administrators to operate public services, and so on.

Against this background it seems certain that the United States will be called on to provide more varied aid and greater amounts of aid. In the first instance there will be a mounting need for technical assistance and for personnel to teach, train, and demonstrate, and, moreover, to operate and administer public services. The United States will be looked to for assistance in these categories. There will also be a growing need for development capital as the absorptive capacity of the African countries expands. The United States will also be looked to for assistance in this category. Finally, there will be an increasing need for private investment. Here again the United States will be looked to as a source.

The United States has been building up its aid programs in Africa both in volume and variety. The entire store of assistance instruments

has been called forth--technical assistance, economic development assistance, budget-support, surplus agricultural commodities, private investment, and so on. The question of volume, as in any aid program, is a perplexing one in Africa, which for all practical purposes in the U.S. context is a new area with new needs posed in new ways. What may be ventured with respect to U.S. aid levels for Africa?

There are probably two principal sets of assumptions which should be considered in projecting approximate U.S. aid levels to Africa over the middle-range future.

First, there is the set of optimum assumptions which holds out the most promise for mobilizing external assistance resources for African development. The fundamental assumption in this sense is that a very substantial part of existing aid flows from Europe is to continue in a form adapted to the new political realities of Africa. Obviously there will be adjustments, and the composition of aid flows may well alter. The important thing is the maintenance of aid levels and the maximum leeway for augmentation where necessary and possible. Sharing importance is maintenance of the flow of essential technical and administrative personnel. The next assumption is that more and more free world nations will become interested in joining in a combined effort to maximize the free world contribution to African development. The final assumption is that existing international agencies, ranging from the UN and its specialized agencies to the Common Market Overseas Development Fund will increasingly be able to enlarge their assistance to African development.

In this context the likely pattern for U.S. assistance flows could be visualized as an inverted pyramid with the narrow point where we are now--approximately \$40 million of aid per annum in technical assistance and Development Loan Fund loans. It would seem likely that Africa could effectively absorb from the United States twice this sum annually for the next several years, and thereafter usefully absorb from the United States three times the current sum for some years. Beyond that, need and capacity will be determined by the course and rate of development the African economies take. It should be emphasized that "budget-support" or other special assistance not directly concerned with economic development is not included in the discussion at this point. If special assistance is to be provided by the United States, projections as to the level of U.S. development and technical assistance would have to be markedly enlarged.

The second set of assumptions, precisely antithetical to those set out above, would assume serious disruptions in current flows of external assistance from the metropolises to African areas, a failure to attract additional free-world resources for African development, and a failure of international organizations to augment their assistance to Africa. In the unlikely event that this set of assumptions obtained, it would be extremely difficult, if at all possible, to estimate the U.S. reaction and visualize the shape of U.S. aid. It seems most unlikely, however, that U.S. assistance would be multiplied sufficiently to compensate totally for the collapse of the existing aid structure and a complete failure of new free-world and international organization sources to materialize.

What seems more likely to develop than either of these alternatives over the next several years is an expansion of the present trend. This would mean a diminution of existing European aid flows and the uneasy maintenance of others. In French Africa, the independence of Morocco and Tunisia has led to interruption and reduction of aid flows from France. In British Africa, independence under the provisions of the current Colonial Development and Welfare Act, and also under the pending new Act, means the termination of grant assistance. This has not been a serious disqualification for Ghana, which has to a large extent been financing its own internal development. It could be serious in the case of Nigeria, which is to become independent late next year. It could also be serious for other British territories which are likely to become independent by 1965, the terminal date of the new legislation.

A significant amount of U.S. assistance to Africa during the last two years has been substituted for European aid which was being withdrawn. Although the most striking cases of this type have arisen in North Africa, comparable types of situations may arise in Tropical Africa. In fact, the forthcoming independence of Somalia in the Eastern Horn of Africa has already raised the problem of withdrawal and substitution of resources, and the recent independence of Guinea threatens to pose explicitly the same question. Frequently associated with the problem of withdrawal and substitution of resources, is the problem of extending assistance which is not directly related to economic development. This assistance may be for budget-support or other special purposes.

In the Fiscal years 1956-1958, Morocco received \$50 million in loans from the United States under the Mutual Security Program, the official rationale being that

Morocco suffers from capital budgets which were formerly covered by French loans. Of late these loans have been progressively declining, and the timing of their extension has been quite uncertain.¹³

Tunisia in the fiscal years 1956-1958 received \$25 million from the United States under the Mutual Security Program "for its economic problems which are more pressing than those of Morocco and which have also been aggravated by the decline of French expenditures."¹⁴

Thus, the flow of public funds from France to the two former North African protectorates--Morocco and Tunisia--has been interrupted, cut back, and made otherwise uncertain. There are problems on both sides of the Mediterranean revolving in large part about the struggle in Algeria. Much private French capital and substantial numbers of French personnel have been repatriated from North Africa. Two related questions arise: 1) to what extent should and must the United States be prepared to substitute its resources for those of the withdrawing metropole? 2) to what extent should and must the United States, in substituting its resources for those of the withdrawing metropole, be prepared to extend budget-support and other special assistance not directly related to economic development?

In the interest of African development, which is viewed throughout this paper as per se in the free world's interest, it would be the better part of wisdom to seek to augment free world resources for African development and make them available when needed rather than

¹³ICA, Report to Congress on the Mutual Security Program for the Six Months Ended June 30, 1958, p. 53.

¹⁴Ibid.

merely substitute one source for another within the same or a declining level of external assistance.

There is a related set of considerations equally, if not more, important than volume of assistance which the free world would need take account of in formulating a program for assistance to Africa.

First, it is essential that Africans be made aware of the long-term interest of the United States and the free world generally in their development. If the new nations of Africa are given to understand the serious and continuing nature of the free world interest, some of the pressure to plunge and obtain all the assistance they can now get from whatever source is available will be relieved, and perhaps dissipated.

Second, it is important that the African states understand that as their absorptive capacity expands, as they move upward on the development scale, as they develop stable political frameworks in which their economies can grow, the fund of assistance available to them is likely to keep pace. It is important to establish the conceptual scheme of orderly and systematic growth which in the event must at any rate yield to the pressures and shape of reality. Emphasis on the agricultural sector and on developing human skills may not make dramatic impacts. They will, however, lay the basis for all future development. They will provide much of the export earnings needed for financing development over the long haul. Similarly, emphasis on transportation grids may not have a short-range payoff, but there can be little doubt of its pivotal importance to on-going economic development. Finally, all of these plus basic mapping and exploration should lay the basis for attracting private investment to bring

into commercial production such mining potential as is uncovered by creating the indispensable preconditions to mineral development.

All of these will enhance the developmental capacity--ability plus willingness--of African states; all of these will augment the absorptive capacity of African economies; all of these are likely to engender additional developments; and all of these will accentuate and enlarge the need for external assistance--technical assistance and developmental assistance. Thus it is important to convey to the African states that the free world's interest envisages an expanding flow, pari passu, with Africa's need and capacity to absorb external personnel, technology, and assistance.

Third, it is of critical importance that a way be found to preserve and, if possible, to enlarge current flows from the metropolises of capital, technical assistance, technology, trade, and the other important economic factors. Necessarily there must be changes, modifications, and adaptations to reflect the new political and constitutional situations; the critical factors are the levels and channels. Of equal importance is the development of additional sources of external assistance in the free world. The United States looms large here. Other West European states such as Germany, Switzerland, and Sweden, all of which have had their baptism of experience somewhere in Africa, are potential sources. Canada, India, Israel, and Japan all have growing interests of varying types in Africa, and all should be available for at least modest amounts of assistance. In the vital area of personnel and technology Israel alone is playing a significant role in Ghana and expanding rapidly its role elsewhere in Africa. In trade too Israel, along with Japan, is playing an increasingly important role.

In short, it is extremely important to diversify the free-world aid base. Diversification would consolidate and enlarge resources now flowing or in the offing for African development and draw in entirely new resources. Diversification within a new multilateral framework would make it easier to retain and expand the critical aid flows between Europe and Africa by making it easier for Africa to receive and Europe to extend assistance. Finally, it would provide focus for assessing needs, finding resources, and allocating uses. A new grouping of free world nations synthesizing practices and procedures of the OEEC and the Colombo Plan and focused on African development would appear to be a possible line of approach worthy of serious examination.¹⁵

Fourth, it is urgent that African states be given in the context of the foregoing three premises the assurances and encouragement necessary to enable them to face up to the difficult, and at times painstaking, tasks of internal economic development and away from foreign adventures. It is vital that the energies of leadership and the human resources of the nascent states be concentrated on building viable economies and improving living standards to support their new and still immature political structures. Similarly, it is important that the scarce resources--and in the underdeveloped economies of Africa all resources are likely to be scarce--not be allocated to largely unproductive purposes, e.g. expensive and large military establishments, national monuments, and industrial white elephants.

¹⁵ See two articles by Arnold Rivkin, "An Economic Development Proposal for Africa: A New Multilateral Aid Organization," International Organization, Vol. XII, No. 3, and "Proposed Multilateral Approach to Economic Development in Emergent Africa," Africa Special Report, Vol. 3, No. 9 (September, 1958) for an exposition of the needs and uses of a new multilateral approach to African development and proposing a new organization.

Fifth, it is essential that the evolving African states be afforded an opportunity of seeking their future in the free world; that they be assisted and encouraged to establish political systems with free institutions and viable economies designed to upgrade living standards--in short, that they are not, for lack of a free world alternative, left to succumb to authoritarian development models, which have as already noted, an appeal for African leaders in a hurry for results.

The assessment of a prominent Indian social scientist just returned from Communist China of the price being paid by the Chinese for their dramatic "leap forward" on the economic development scale is apposite to the crucial issue--what path to economic development--now confronting the new leaders of Africa.

This is the commune where human beings are reduced to the level of inmates in a zoo. But there is a difference. The animals in a zoo do not have to work hard, and, what is more, they do not have to listen to the quasi-compulsory radio.

The lack of peace and quiet in the countryside, where no one can retire and reflect, and the lack of privacy and solitude are to me more terrifying than all the hells put together.¹⁶

It is the resolution of this issue which is at stake. An effective free world program of assistance soon launched could be decisive in deciding the issue in the common interest of Africa and the free world generally.

Cambridge, Mass.
May 14, 1959

¹⁶ Dr. Sripati handrasekhar, quoted by The New York Times, February 22, 1959.