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## SOME TRENDS OF DEVELOPMENT OF AFRICAN ECONOMIES

Having gained political independence, the African countries have been concentrating on the development of productive forces to approach the economic level of the present-day industrially developed states.

The key trends of the economic policies of Africa's independent states can be summed up as the encouragement of the production of foodstuffs and staple exports in farming, the development of mining and processing, the extension of transportation and power-generation facilities, the attraction of foreign capital and the mobilization of domestic sources to increase savings, the intensification of the role of the state in economic activity and the introduction of planning, and the training of national high-skilled workers and specialists. The policy has already yielded some positive results, expressed above all in the growth of production, consumption, export and capital investment.

At the same time, the experience of the independent existence of African countries has revealed a number of difficulties impeding their economic development. These difficulties include a rapid growth of population, a trend towards lower prices for raw materials, a shortage of foodstuffs, a low level of saving, a narrow domestic market, an exceptionally acute deficiency of national man-power, the currency fragmentation of the continent, a strong economic influence of the former metropolis countries, etc. Many of these difficulties are typical of all (and not only African) developing countries and they are reflected sufficiently well in the economic literature. The present paper does not aim at comprising all economic problems. Rather its authors concentrate on some selected trends in the economic development of the independent African countries since these are especially important, in their opinion.

The rate of economic growth is exceptionally important. Several indices evidence that the economies on the African continent are developing at a rapid pace. This especially applies to industrial production and export. According to the UN Economic Commission for Africa, the continents's output of processing industries was worth 8,600 million dollars in 1965, a 20 per cent rise over the previous year's.



Africa's farming has also registered fairly good results. In 1960 to 1965 the annual growth in this sector (excluding the RSA) came up to 3.1 per cent. Africa was second only to Western Europe in this respect.

The African continent's total gross product (excluding the RSA) was estimated (at the market prices of 1956-1958) at $ 29,700,000,000 in 1963 as against $ 16,800,000,000 in 1950 [1]. The rates of its growth were as follows: [2]

| | |
|---|---|
| 1950 to 1955 | 4.3 per cent |
| 1955 to 1960 | 4.7 per cent |
| 1960 to 1964 | 4.0 per cent |

Between 1950 and 1963 Africa registered an annual gross-product growth of 4.5 per cent which corresponds to the rate of economic growth of the capitalist world as a whole and is somewhat higher than the annual gross-product growth in the developed capitalist countries. In 1960 to 1964 the rate of growth of production dropped to 4.0 per cent but picked up in the next two years. The present-day rate of growth is a substantial achievement for Africa since in the first half of the 20th century the rate of African economic growth was close to 1 per cent a year. Compared with its past, the present-day dynamics of the African economies displays considerable vigour. Essentially, the African economies have acquired a new quality: growth, development. Nevertheless, the rate of African economic growth is below that of the other developing continents: Asia (5.2% in 1960 to 1964) and Latin America (4.4%).

It can be supposed that the rate of production and income growth will be still higher in the next decades. This forecast proceeds from the fact that (1) by no means all economic resources have been brought into play; (2) the present rate has originated essentially on the basis of the old, not yet modified economic structure, (3) technological advances have not yet practically influenced production in Africa and (4) the basic factors responsible for the acceleration of African economic growth continue to operate, and there is no apparent cause likely to terminate their operation.

The basic factors of African economic growth are, in our opinion, a wider demand for African exports, larger capital investments and the state's greater role in economic activity.

A rather favourable trend—a rapid growth of export—has emerged in the foreign trade of African countries in recent years. Export has been growing more rapidly than import. In 1964 the African continent's export and import (excluding the RSA) almost balanced, while at the close of the 1950's the trade deficit accounted for one-fourth to one-third of the total sum of export. In 1965 the trade balance was favourable.

The growth of export appears at present to be the most effective tool for developing the African economies. According to some estimates, African export exceeds roughly four times other revenues in the form of development assistance and foreign investment. In this connection a rapid growth of export and the elimination of the foreign trade deficit points no doubt to essential changes in the economy of the African continent.

However, the overall improvement of the foreign trade balance involves differently different African countries. Africa's growth of export has occurred mainly due to increases in oil extraction and export. Characteristically, Libia whose export accounted in 1960 for 0.2 per cent of Africa's total (excluding the RSA) is at present Africa's exporter No. 1, which accounts for more than 10 per cent of the total value of African exports ($ 709,000,000 in 1964). Nigeria has also increased its export—owing to oil too. "With the aid of oil we have scaled the sound barrier of our economy", said the Nigerian Minister of Economic Development in September 1965. To some extent this applies to the foreign trade of the entire African continent.

The Ivory Coast, Rhodesia and the Equatorial Customs Union Countries have doubled their export since 1960. Considerable increases have since been registered in the export of Uganda, Morocco, Zambia and Tanzania. At the same time in the U.A.R., Ghana, Tunisia, the Sudan, Senegal, Cameroun, and the Malagasy Republic the value of exports has been almost at the same level. For these countries which are currently industrializing themselves, the development of the export sectors of production constitutes a major premise for a high rate of economic growth.

Essential changes have emerged in African exports as compared with the colonial period. Briefly, these changes reduce to the following: (1) larger exports of staple goods by expanding the trade with new (including socialist) countries, (2) development of new export sectors in farming and industry, and (3) increase of the value of export by the primary processing of exported raw materials. These changes are in evidence to a varying extent in all African countries.

Changes are also in evidence in capital investment. Characteristic of most countries of the Northern and Western Africa is a higher proportion of investment in the use of gross national product. Thus, in Nigeria this proportion increased from 6 per cent in 1950 to 10 per cent in 1957 and to 16.4 per cent in 1962. [3] In Mali capital investment accounted for 10.2 per cent of the national product in 1959 and for 15.8 per cent in 1962, [4] in the Sudan the figure was 7 per cent in 1955 and 15 per cent in 1962, etc.

In the countries of the Eastern and Central Africa the proportion of investment has decreased considerably (per cent):

| | 1954 | 1963 |
|---|---|---|
| Kenya | 22.3 | 11.7 |
| Madagascar | 12.2 | 9.3 (1962) |
| Tanzania | 18.4 | 10.5 |
| Uganda | 14.5 | 11.0 |
| Zambia | 27.1 | 16.0 |
| Rhodesia | 27.9 | 14.8 |
| Congo (Kinshasa) | 27.3 (1956) | 16.1 (1964) |
| Malawi | 11.3 | 2.3 |



For the African continent as a whole (excluding the RSA) capital investment accounted in 1955 to 1964 for 16 per cent of the value of the gross national product. In 1964 their absolute annual volume of capital investment came up close to $ 4,700,000,000. [5] For comparison let us note that the present-day rate of capital investment in the European countries varies within 16 to 25 per cent.

Along with new factors, the old features such as backwardness, dependence and imperialist exploitation are extremely strong and virile in the African economies. The present paper is concerned with the problem: to what extent the new features have weakened their old counterparts; what are the trends and prospects in the interrelation of the new and old features. Thus stated, the problem seems to us extremely useful and timely since quite often attention is focused on the new features, while the old ones are underestimated. The result is an oversimplification of the problems and difficulties facing the young countries of Africa in the sphere of economic activity.

The complex and contradictory struggle of the African countries for an economic emancipation, for the elimination of the rule of foreign capital and for economic progress raises problems which are still awaiting interpretation and treatment. The experience of development of the young sovereign countries indicates that the economic literature has not always estimated soundly the difficulties facing these countries and has often suggested unjustified hopes and forecasts. The underestimation of the actual economic situation, and the desire to skip several stages of economic development and emulate the economic and social structure of the developed countries is characteristic of many African statesmen as well. Any wishful thinking is bound to lead to errors and disillusionments and simultaneously to discredit the new and progressive elements and envigorate the reactionary ones.

It is important not only to testify to the presence of new and old qualities of development but also to describe the new qualities in quantitative terms. Referring to the growth of production in Africa, and in particular, its rates, we should take into account that extremely low level this growth started from. The indices demonstrating the underdevelopment of the African economies are notorious. Africa's national income per capita is from $^1/_{10}$ to $^1/_{15}$ of the developed capitalist countries'.

While noting with satisfaction the growth of production in Africa, we should bear in mind that the reference is to comparatively small quantities. All countries of Africa (excluding the RSA) account for only 2.5 per cent of the capitalist world's gross product. If, besides, we take into account the fact that production in Africa is fragmentary and consists mainly of raw materials, we can gauge the relativity of Africa's economic advances and the immensity of the problem of eliminating its economic backwardness.

Moreover, those rates of growth of production which would have been significant for Africa before are obviously inadequate from the point of view of the current problems, and in particular the problem of eliminating economic backwardness. Production per capita is growing more slowly in Africa than in the developed capitalist countries. Here are the comparative data:[6]

| | Gross product per capita, $ | | | Annual growth of production per capita, per cent | | |
|---|---|---|---|---|---|---|
| | 1950 | 1955 | 1960 | 1950-1960 | 1950-1955 | 1955-1960 |
| Total capitalist world . . . | 451 | 520 | 551 | 2.1 | 2.9 | 1.4 |
| Developed capitalist countries . . . . . . . . . . | 1080 | 1277 | 1410 | 2.7 | 3.4 | 2.0 |
| Africa (excluding the RSA) | 93 | 104 | 113 | 1.9 | 2.2 | 1.6 |

Since Africa (excluding the RSA) accounts for only 2.5 per cent of the gross product put out in the capitalist world, it is quite natural that even at the same rates of growth the absolute gap in the levels of production between Africa and the developed countries keeps increasing as a whole. This is an inevitable stage in the process of development. What is important, however, is not the absolute level but the annual increment of output per capita. Now, the latter is lower in Africa than in the developed countries. It is true that between 1955 and 1960 the gap decreased considerably as against 1950 to 1955. However, it did not continue to decrease in the 1960's since the developed countries displayed fairly high rates of growth while in Africa the population kept growing versus a moderate rate of economic growth.

Futhermore, the growth of production in Africa has not been accompanied by any essential changes in the economic structure. In 1963 industrial production in Africa (excluding the RSA) came up to 15 per cent of the total gross product as against 10 per cent in 1950.[7] This increase is traceable mainly to the industrial growth in the northern countries of the continent. In the eastern region the share of industrial production in the general economic pattern has not changed, while in the countries of the central region it has even decreased.[8]

The experience of the last ten to fifteen years suggests that essential changes in the African economic structure are rather improbable in the forthcoming decade as well. Most African countries are at the initial stage of industrialization. Besides, while determining the rates of industrial development, an African country has to take into account the available currency and food resources. A food shortage impedes economic and social progress in many countries of Africa and is becoming acuter with each passing year. Food accounts for approximately $^1/_5$ of the entire value of imports into Africa, and the figure is



even larger for some countries: the U.A.R., Algeria and Morocco. The solution of the food problem will call for additional funds to invest in farming, finance purchase prices and carry out other measures aimed at improving agriculture. It is not impossible that Africa's concentration of means and efforts on the problems of farming will slow the rates of development of other sectors as well as the rates of structural change throughout the national economy.

The old colonial structure persists not only in the sectoral production of marketable goods but (which is no less important) in the sale of these goods. Export orientation is still the predominating feature of the African economies. An overwhelming portion of mining products and a considerable section of marketable farm products are exported. Nor has the pattern of exports changed: raw materials still account for 90 per cent of its value. Export earnings are used to pay for the import of manufactured goods and foodstuffs consumed in Africa. Export and import in the economies of African countries have a much larger share than in other developing countries. Import accounts for 30 per cent and export for 23 per cent of the continent's gross national product. Export earning per capita is 6.4 times higher in Africa than in India.

As a result of such a high proportion of foreign trade in the realization of the national product, the rate of economic growth of Africa depends more than that of the other developing countries on the world demand for its export. Africa is tied especially closely to the market of Western Europe which accounts for 67 per cent of African exports and 62.6 per cent of its imports.

The unfavourable consequences of Africa's dependence on the foreign market and its prices are too notorious to be discussed again. It is important, however, to stress the following point. Africa's economy is not independent either in economic reproduction itself or in economic development. In this respect it is especially dependent on Western Europe. It is not impossible that the deceleration of economic development in Western Europe which started in 1966 will affect the rate of African economic growth as well.

The dependence of the African economies on the leading capitalist countries is not limited to foreign trade. A specific feature of Africa in saving is a high proportion of capital coming from foreign sources. The rate of flow of foreign capital is higher than the financing of capital investments from domestic sources. The dependence of the African economies on foreign capital investment is a well known fact. The extent of this dependence can be gauged from the fact that to preserve the rate of investment at the level of 15 to 16 per cent of national income, some African countries provide in their programmes and plans a flow of foreign capital accounting for 5 to 6 per cent of the gross national product.

The economic relations between the African countries and the capitalist states, evolved during a definite historical epoch, have a stable character today. Their violation may provoke a sharp crisis in the African economies. In this connection it should be emphasized that the struggle for the economic liberation of African countries from imperialism may take the form of using the evolved relations in each country's national interest rather than the form of breaking off these relations. The development of African national economies should proceed from the actual relations and indeed rely on them. However, the terms of these relations should keep changing in favour of the African countries.

The economic relations of the African countries and the capitalist states include two aspects: one is the exploitation of the African countries in the process of exchange of goods and export of capital; and the other is the possibility of acquiring goods and services the production of which is absent in the African countries and cannot be organized very soon. By importing such goods the African countries accelerate their development considerably. Naturally, while the former aspect of these relations is of interest for Africa's capitalist partners, it is the latter aspect that is only important for the African countries themselves. For Africa the disruption of its economic ties with Europe would not only mean the elimination of the former aspect of these relations, but would also automatically deprive it of their latter aspect.

Consequently, the disruption of these relations may occur only to such an extent to which an adequate or more advantageous substitution is available. For this reason the economic liberation of the African countries from imperialism cannot be a single event, but requires a prolonged period of national economic development, change of the economic structure, and change of foreign economic relations on its basis.

The need of preserving and using the current relations with imperialist countries impels the African governments to adhere to a policy of compromise, shown especially graphically in the foreign investment codes and the attitude towards the nationalization of foreign property.

Nearly all sovereign countries of Africa have adopted investment codes guaranteeing foreign capital against nationalization and establishing definite privileges for foreign enterprises depending on their national economic importance.

At the present stage conditions for the general nationalization of enterprises owned by foreign firms do not seem to be ripe in most African countries, especially in industry, since this type of nationalization may entail a decrease of production and inevitably, a decrease of revenues to the state budget, reduction of economic development programmes and growth of unemployment. Investment of foreign capital in those sectors or projects which the government or private national capital is unable to finance is an important tool for modernizing the African economies. Many projects constructed with the aid of foreign capital are of major national economic importance. The appropriation by foreign investors of a considerable portion of



profit from the enterprises in which they have made investments is an inevitable but lesser evil in the current situation of imperialist domination. The other part of the profit is known to accrue to the state budget as taxes, rents, profit deductions, etc. Besides, it is up to the government to nationalize a foreign enterprise if necessary.

Taking into account the economic underdevelopment of many African countries and the impossibility for them to eliminate their economic bottlenecks by relying on their own domestic resources, we have to state that there is bound to be a period of coexistence of private foreign, private national and state-owned national enterprises as well as mixed enterprises involving all the three or two of the above owners.

What has been said above does not reject or diminish the importance of nationalization of foreign property as a major tool in the struggle against foreign capital. Whenever the activity of a foreign enterprise is detrimental to an African country's national interests by exhausting its resources without producing their proper equivalent, running counter to the country's economic policy or failing to contribute adequately to the development of its productive forces, it is obvious that nationalization is the best and most effective means of terminating the operation of the enterprise in question. A case in point is the United Arab Republic which has nationalized an overwhelming majority of foreign enterprises.

Understanding and explaining the forced necessity of attracting foreign capital, we have yet to note that in some African countries (The Ivory Coast, Senegal, Cameroun, the Malagasy Republic, etc.) the key sectors of national economies are being transferred to private foreign capital.

All this indicates that the relations of the independent African countries with foreign capital constitute a major section of the struggle against neo-colonialism. Taking advantage of the economic difficulties of the African countries and their acute need for capital, the imperialist monopolies are striving to keep Africa within the range of their influence and utilize its natural resources and man-power for their enrichment.

At the same time the disintegration of the colonial system has brought forth or intensified new processes and peculiarities in the activity of foreign capital in the African countries as well as developing countries in general. Definite changes are in evidence in the relation of the basic components of the flow of long-term capital from the developed capitalist countries into the developing states. On the one hand, a violation of political stability in the countries which attracted foreign firms by profitable spheres of application of capital has decelerated the rate of flow of private capital into them or even caused it to flow out. On the other hand, official donations bulk large in the international flow of long-term capital into the developing countries.

Africa: Percentage Distribution of Net Flow of Long-Term Capital and Official Donations, by Type (Per Cent)

| | 1951-1955 * | 1956-1959 * | 1960 | 1961 | 1962 |
|---|---|---|---|---|---|
| Total | 100 | 100 | 100 | 100 | 100 |
| Incl.: | | | | | |
| Private capital | 24 | 13 | 12 | 8 | 5 |
| Official capital | 51 | 37 | 33 | 34 | 32 |
| Official donations | 25 | 50 | 55 | 58 | 63 |

* Annual averages.

NOTE: The data for 1951-1959 do not quite compare with those of 1960 to 1962 since the countries do not completely overlap in the periods under review.

Sources: *International Flow of Long-Term Capital and Official Donations, 1951-1959*, U.N., New York, 1961, Tab. 9; *International Flow of Long-Term Capital and Official Donations, 1960-1962*, U.N., New York, 1964, Tab. 13.

The growth of the proportion of the official donations in the net flow of long-term capital into Africa was especially appreciable in the second half of the 1950's. According to the UN data published in 1961, this proportion rose from 25 per cent in 1951-1955 to 50 per cent in 1956-1959; during the same period the proportion of private capital fell from 24 per cent to 13 per cent. According to another UN publication in 1960 the proportion of official donations accounted for 55 per cent, in 1961 for 58 per cent, and in 1962 for 63 per cent of the net flow of long-term capital into Africa. The data on the proportion of official donations in the subsequent years are not available, but judging by absolute figures, we can suppose that during 1963-1964 this proportion decreased, while the proportion of private capital went up.

Africa: Net Official Flow of External Resources Industrial Market Economies and Multilateral Agencies *
($ 000,000)

| | 1960 | 1961 | 1962 | 1963 | 1964 |
|---|---|---|---|---|---|
| I. Bilateral donations and loans | 1317 | 1537 | 1583 | 1545 | — |
| (a) donations ** | 1067 | 1246 | 1280 | 1201 | — |
| (b) loans | 250 | 291 | 293 | 344 | — |
| II. Donations and loans of International organizations | 157 | 121 | 145 | 112 | — |
| Total | 1474 | 1658 | 1718 | 1657 | 1722*** |

* As reported by the source.
** Including loans repayable in recipient's currency and net transfer of resourses through sales for recipient's currency.
*** Preliminary.

Sources: "The Flow of Financial Resources of Less-Developed Countries 1956-1963", OECD, Paris, 1964, pp. 169-170; *International Flow of Long-Term Capital and Official Donations 1961-1965*, U.N., New York, 1966, pp. 30-33.



The overall data for the continent as a whole incorporate essential differences for different countries. The net flow of official donations and loans increased between 1961 and 1964 in Congo (Kinshasa) from $ 87,000,000 to $ 115,000,000, in the franc zone countries [9] from $ 367,000,000 to $ 447,000,000, in Nigeria from $ 33,000,000 to $ 54,000,000, in the U.A.R. from $ 127,000,000 to $ 238,000,000 and in Malawi from $ 8,000,000 to $ 32,000,000. The same years witnessed decreases in the net flow of official donations and loans from $433,000,000 to $ 252,000,000 in Algeria, from $ 65,000,000 to $ 53,000,000 in Kenya, from $ 87,000,000 to $ 71,000,000 in Tunisia, from $ 36,000,000 to $ 16,000,000 in Libya.

The summary data of the table comprise all independent countries of Africa, [10] as well as Portuguese, British and French colonial territories. However, data on the net flow of private capital have also been published for a more narrow group of countries. [11]

The net flow of long-term private capital into this group of countries increased by approximately 60 per cent in 1964 against 1961, and 3.5 times against 1962 (see the table on p. 32). The flow increased owing to countries like Ghana, Nigeria, Libia, Ethiopia, and Tunisia, oil extraction accounting for a bulk of the new investments of private capital in both Libia and Nigeria.

A comparison of the data published on the flow of private and official capital into the above group of countries confirms to a certain degree the conjecture that the proportion of official donations in the net flow of foreign capital into Africa decreased in 1963-1964 as compared to 1960-1961 while that of private capital went up (see table on p. 32).

In our opinion, there is no need to assume that the rate of net flow of private capital into Africa will essentially increase in the next few years. The instability of the domestic situation in some countries, aggravated by a series of military coup d'états, prompts foreign firms to postpone heavy investments until the situation has settled. We can also hardly expect any considerable increase of Africa's proportion in the net flow of private capital into all developing countries. In 1960 and 1961 this proportion amounted to 16 per cent and in 1962 it dropped to 8 per cent. In the same years Africa's proportion in the net flow of official donations and loans into developing countries increased from 37 per cent to 44 per cent and from 31 to 32 per cent respectively, while in the net total flow of long-term funds it rose from 31 per cent to 33 per cent. [12]

However, the fact that Africa's proportion in the net flow of private capital into developing countries has decreased and the proportion of private capital in the net flow of long-term funds into Africa has dropped, especially if compared with the first half of the 1950's does not automatically imply that the financial dependence of the African countries has weakened or the exploitation of these countries by the imperialist powers has diminished. Foreign firms continue to obtain fabulous profits from the investments already made.

Africa: Net International Flow of Long-Term Capital and Official Donations *, 1961-1964
(Data for 10 Countries **, $ 000,000)

| | 1961 | 1962 | 1963 | 1964 *** |
|---|---|---|---|---|
| Private capital . . . . . . | 157 | 65 | 190 | 246 |
| Incl.: | | | | |
| Nigeria . . . . . . . . . . | 70 | 42 | 113 | 158 |
| Libya . . . . . . . . . . | —2 | —5 | 6 | 49 |
| Ghana . . . . . . . . . . | —13 | 22 | 31 | 27 |
| U. A. R. . . . . . . . . . | 4 | 6 | —8 | —7 |
| Official donations . . . . . | 177 | 130 | 151 | 74 |
| Incl.: | | | | |
| Nigeria . . . . . . . . . . | 7 | 7 | 7 | 18 |
| Libya . . . . . . . . . . | 29 | 29 | 29 | 14 |
| Ghana . . . . . . . . . . | —3 | 0 | 0 | —2 |
| U. A. R. . . . . . . . . . | —8 | —4 | —9 | 2 |
| Official loans and credits . . | 420 | 399 | 502 | 552 |
| Incl.: | | | | |
| Nigeria . . . . . . . . . . | 94 | 46 | 85 | 84 |
| Libya . . . . . . . . . . . | 3 | —1 | 1 | 0 |
| Ghana . . . . . . . . . . | 131 | 45 | 60 | 48 |
| U. A. R. . . . . . . . . . | 106 | 184 | 234 | 268 |
| Total: . . . . . . | 754 | 594 | 843 | 873 |
| Incl.: | | | | |
| Nigeria . . . . . . . . . . | 171 | 95 | 205 | 260 |
| Libya . . . . . . . . . . | 30 | 23 | 36 | 63 |
| Ghana . . . . . . . . . . | 115 | 67 | 91 | 73 |
| U. A. R. . . . . . . . . . | 102 | 186 | 217 | 257 |

* As reported by the recipient country.
** Ethiopia, Ghana, Libya, Morocco, Nigeria, the former Federation of Rhodesia and Nyasaland, Somali, Tunis, U. A. R., Sudan.
*** Data for 1964 are preliminary and do not include Somali and the former Federation of Rhodesia and Nyasaland.

Sources: *International Flow of Long-Term Capital and Official Donations 1961-1965*, U.N., New York, 1966, pp. 38-41.

Analysis of the international economic relations of the sovereign African countries indicates that the rates of growth of profits derived from foreign capital and transferred from the African countries into the imperialist powers are ahead of those of other current operations of these countries (such as the export and import of goods). This points to the growing scale of exploiting the African countries by the export of capital.

It should be borne in mind that relative decrease of the rate of net flow of private capital as reflected in the balances of payments may be and indeed is accompanied by the growth of capital investments owing to the re-investment of profits which is by no means reflected adequately in the balances of payments. The process is the capitalization of surplus value created in the developing countries while the growing absolute size of this value makes it possible to



transfer simultaneously a considerable portion of these profits into the investor countries and carry out the re-investment of profits.

Thus, foreign capital is obtaining an ever increasing sum of profits from the exploitation of the African countries. Of major interest in the estimation of the role of foreign capital is the problem of the relation of the net flow of new capital and outgoing profits. In many countries the annual net flow of private capital still exceeds considerably the foreign investors' profits transferred abroad. However, in some countries we witness a more rapid rate of increase of incomes transferred abroad compared with the rate of net flow of new capital. In several countries we observe an excess of incomes from private investments and other non-commodity operations (freight, insurance, tourism, etc.) over the net flow of new private capital.

It is worthwhile to compare the annual averages for extra-economic operations of a country for several years. The comparison makes it possible to detect a steady trend and single it out from among spontaneous changes caused by accidental influences. The steady trend appears to be the approach of the curve of growth of net flow of private capital and that of export of profits derived from that capital; in some countries the export of profits exceeds the import of new private capital (or the export of profits is paralleled by the repatriation of private capital). A case in point is Ghana, countries which were once part of the Federation of Rhodesia and Nyasaland as well as the RSA, the private domain of foreign mining companies. In Ghana the profits from direct investments exceed several times the new net flow of these (see the table).

The data are quite indicative. In 1955 to 1959 £3,200,000 of profits from direct foreign investments were on the average transferred abroad from Ghana every year. At the same time the balance of private capital flow was unfavourable (—£1,700,000), the net outflow for direct investments amounting to £3,000,000 a year on the average.

In 1960 to 1964 the average annual income derived from direct investments and transferred abroad increased 2.5 times compared with 1955 to 1959 and came up to £ 8,100,000, which exceeded 4.5 times the annual flow of new direct investments into the country (£ 1,800,000).

A steep increase in the flow of official and banking capital is conspicuous (see table on p. 34).

A rather similar picture is observed on Ethiopia's balance of payments. In 1947 to 1952 the annual transfer from Ethiopia of incomes from direct private capital investments averaged 43 per cent of the net inflow of direct investments of capital, while in 1953 to 1958 the figure averaged 67 per cent and in 1959 to 1964 to about 70 per cent (Eth. £13,200,000 out of Eth. £19,400,000).

The following data give an idea of the amount of profit derived by some monopolies operating in Africa (see table on p. 34).

The drain of the national resources of African countries, especially in the form of profits from direct investments, narrows the possibili-

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Selected Items From Ghana's Balance of Payments
(Average Annual Data for Five-Year Periods)

| | 1955 to 1959 (£000,000) | 1960 to 1964 (£000,000) | 1960-1964 increase compared with 1955-1959 |
|---|---|---|---|
| Export | 90.2 | 104.4 | 1.16 times |
| Import | 87.8 | 120.9 | 1.38 » |
| Balance | —15.1 | —27.4 | 1.82 » |
| Incl.: | | | |
| Incomes from investments | —1.2 | —6.1 | 5.08 » |
| (a) direct | —3.2 | —8.1 | 2.53 » |
| (b) all others | +2.0 | +2.0 | 1.00 » |
| Private investments (Balance) | —1.7 | +5.5 | |
| Incl.: | | | |
| Direct | —3.0 | +1.8 | |
| Official and banking capital (balance) | +2.6 | +37.9 | 14.58 » |

Source: *Balance of Payments Year Book*, Washington, Vol. 13-16.

ties for domestic savings in these countries. A gradual restriction of the activity of foreign firms and the establishment of adequate control of their activity constitute an important premise for the development of independent national economies.

The scale which the outflow of capital from the developing countries has assumed is naturally a matter of concern for both statesmen

Profits of Copper Mining Companies in Zambia (£ 000,000)

| | Mufulira Copper Mines [1] | | Nchanga Consolidated Copper Mines [2] | | Rokana Corporation | |
|---|---|---|---|---|---|---|
| | Profit [3] | Dividend [4] (%) | Profit [3] | Dividen [5] (%) | Profit [3] | Dividend [5] (%) |
| 1959 | 6.4 | 27.5 | 7.8 | 62.5 | 4.9 | 200 |
| 1960 | 8.9 | 39.1 | 21.4 | 35[6] | 10.2 | 35[6] |
| 1961 | 6.8 | 30 | 20.2 | 35 | 8.3 | 35 |
| 1962 | 7.9 | 42.5 | 20.8 | 35 | 8.4 | 35 |
| 1963 | 9.1 | 74.5 | 17.5 | 35 | 6.2 | 35 |
| 1964 | 11.9 | 55 | 20.3 | 33.75 | 6.8 | 33.75 |
| 1965 | 14.3 | 82.5 | 22.2 | 33.75 | 5.8 | 35 |
| Total: . . . | 85.3 | | 130.2 | | 50.6 | |

[1] Data for the fiscal year ending June 30.
[2] Data for the fiscal year ending March 31.
[3] Only profit from the sales of metal, before taxation, profits from securities are not included.
[4] Before taxation.
[5] After taxation.
[6] On augmented capital.

Source: *The South African Financial Year Book*, Cape Town; *Mining Year Book*, London.



and international organizations dealing with economic development (the UN Economic and Social Council, and the UN Economic Commission for Africa). Appropriately enough, the need is voiced for setting up a fund of grants or loans bearing no interest via which the countries deriving incomes from private investments in the African countries could compensate the latter for the drainage of capital through the channels of private firms.

Apart from being a definite contribution to the economic development of Africa, the implementation of this measure would redeem to a certain extent the Western powers' moral, political and historical responsibility for the exploitation of Africa, for its economic and technological backwardness and for the system of onerous international economic relations imposed on the continent.

* * *

As long as foreign capital maintains strong economic positions, the activity of the state and in particular the extent of its participation in economic performance becomes of major importance for the development of independent national economies. Even in the developed capitalist countries the government's activity has become a major factor in stimulating the rate of growth of production. According to UN data, in most countries of Western Europe about a third of the national income is channelled at present through the state sector while the governmental expenses on purchasing goods and services along with the capital investments of the state-run enterprises absorb from 15 to 25 per cent of the gross national product.

In the countries of Africa, emphasis on the role of the state in production and distribution is becoming a major factor of economic development. The state's influence on economic activity in Africa involves not so much the rate of development as the creation of modern means of production and its structure. The state's influence is especially strong in the process of saving, the training of personnel and the stimulation of technological progress. State capital investments constitute a major form of development of productive forces in Africa. The state sector is also a form of concentration of production as well as national financial and material resources.

The state's influence in economic activity is manifold: the state's direct economic activity through the state-owned enterprises; mixed companies; direct financing of private enterprises including loans; the government's financial measures, the training of personnel; the establishment and maintenance of various forms of cooperation and public work programmes; and measures in general control and planning.

The state's influence on economic activity differs in Africa from country to country. This is especially evident in the sphere of capital investments. In some countries state capital investments are increasing more rapidly than private investments and account for half and more of total investments. In the early 1960's these countries included the U.A.R., the Sudan, Tanzania, Tunisia and Senegal.

Proportion of State Capital Investments (per cent)[13]

| Country | Total Investments | Including | | |
|---|---|---|---|---|
| | | Goods | Infrastructure | Services |
| U. A. R. | 65 | ... | ... | ... |
| Sudan | 60 | 58 | 71 | 56 |
| Senegal | 55 | 30 | 100 | 63 |
| Tanzania | 53 | 46 | 93 | 44 |
| Morocco | 48 | 32 | 94 | 63 |

There is also another group of countries in which the growth of state investments is behind that of private investments. These include Nigeria and Kenya. Between 1958 and 1962 state capital investments in Nigeria increased by 11 per cent while private investments by 40 per cent [14]. In Kenya state capital investments decreased from £14,400,000 in 1960 to £9,500,000 in 1962. [15]

As has been mentioned above, the extent of the state's influence on economic activity differs from country to country. However, despite the differences, there is a distinct trend towards a greater proportion of the state in the use of the gross national product. Through their budgets as well as domestic and foreign loans, the African governments accumulate and use in a centralized way an ever greater proportion of the gross national products.

According to our estimates [16] (on the basis of UN data) the state's share in the use of the gross national product was as follows (per cent):

| | | |
|---|---|---|
| U. A. R. | 1964-1965 | 25.0 |
| Ghana | 1960-1962 | 22.8 |
| Morocco | 1965 | 17.5 |
| Nigeria | 1960-1961 | 16.4 |
| Senegal | 1964 | 16.1 |
| Sudan | 1960-1961 | 14.3 |
| Tanzania | 1960-1962 | 17.0 |
| Tunisia | 1963 | 27.7 |
| Zambia | 1964 | 23.3 |
| Malawi | 1962 | 28.4 |
| Rhodesia | 1964 | 18.5 |

As is clear from the above data, the state has become a major factor of economic development. It should be noted that the enhancement of the state's proportion in general expenses, and especially investments, is typical of those African countries which have proclaimed the building of socialism as their goal, as well as those who adhere to the capitalist way of development. Nevertheless, the state's proportion in the use of the gross national product is much lower in most African countries than in the developed capitalist states.



In the African countries the state has another exceptionally important aspect. It is the only real force capable of opposing the pressure of foreign capital or acting as an equal partner of foreign firms in joint construction projects, consortia, banks, etc. In this connection the consolidation of the state sector is a major national tool of fighting against the domination of foreign firms in the economy. A well-developed anti-imperialistically oriented state sector may become basic to the transition of the African countries to non-capitalist forms of production and distribution. For the time being the development of the state sector and the enhancement of the state's share in the national income reflect in Africa above all the construction of national economy. Since the economic relations in the imperialist countries are close and foreign capital receives all-out encouragement, the offensive of the state sector is considerably weakened in many countries of Africa.

In conclusion it should be emphasized that the present-day state of the African economy constitutes a major advance as against its past state. This advance is reflected in the rate of growth of production, in the rate of capital investments.

However, the old features of the African economies—backwardness, dependence and exploitation by the imperialist countries—have not changed very much qualitatively. The elimination of these features of the African economies will require a rather prolonged period and all-out use of the present-day economic relations of the African countries with the developed states.

As has been shown by experience of the last 10 to 15 years, the expansion of African exports into the capitalist countries has been the principal factor of the economic growth of the African countries.

To secure the national interests of the African countries in their relations with the capitalist states, various forms of state control should be intensified. The state sector is a progressive national form of economic development.

NOTES

[1] "Policy Aspects of Industrial Development in Africa", UN, *ECA*, E/CN. 14/AS/11/2/K/1, December 1965, App. A, p. 3.

[2] "Development Assistance Efforts and Policies. 1966 Review", OCDE, pp. 20-21.

[3] *The Nigerian Journal of Economic and Social Studies*, March 1965, p. 4.

[4] S. Amin, *Trois éxperiences de développement: le Mali, la Guinée et le Ghana*, Paris, 1965, p. 80.

[5] "A Survey of Economic Conditions in Africa, 1960-1964", UN, *ECA*, E/CN. 14/397, May 1967, Vol. I, p. 84.

[6] *World Economic Survey, 1963*, UN, New York, 1964, Part I, p. 21.

[7] *Policy Aspects of Industrial Development in Africa*, App. A, p. 3.

[8] The gross national product is estimated by the method adopted at the UN Economic Commission For Africa.

[9] Excluding Morocco and Tunisia.

[10] Excluding the RSA.

[11] Ten countries: Ethiopia, Ghana, Libya, Morocco, Nigeria, the former Federation of Rhodesia and Nyasaland, Somali, Sudan, Tunisia and U. A. R.

[12] *International Flow of Long-Term Capital and Official Donations* 1960-1962, UN, New York, 1964, p. 25.

[13] *World Economic Survey*, 1964, UN, New York, 1965, Part I, p. 33.

[14] *Annual Abstract of Statistics*, Lagos, 1965, p. 146.

[15] *Government of Kenya. Economic Survey* 1964, Nairobi, p. 52.

[16] The table is compiled by summing up the portion of public consumption and state investments. In the calculation we assumed that the proportion of the state investments equals 50 per cent of total capital investments in all these countries except the U.A.R. in which the state investments account for 65 per cent of all capital investments.