COURSE GUIDE

POL 862
POLITICAL ECONOMY OF AFRICA

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INTRODUCTION

Although political economy was reduced to a Marxist venture in most African universities since Claude Ake wrote his book titled *A Political Economy of Africa*, political economy is however, more diversified and cover the non fundamental Marxist concepts such as money, profit, price, rent, interest, market, inflation, multinational corporations, capital, trade, economic growth, production, savings, investment, migration, population, security, state, poverty, development, civil society, environment, unions, power and sanctions. It exists at both micro (narrow/ national) and macro levels (inclusive/universal). Hence, it is possible to speak of Political Economy of Africa, especially in the Post Cold War era that witnessed intensification of global movement of capital. Africa remains at the receiving end of globalization as poverty and underdevelopment have intensified. Although poverty and underdevelopment in Africa are treated by most Western observers as an original historic condition, the land of Asia, Africa, and Latin America have long produced great treasures of foods, minerals and other natural resources which explained why the Europeans and North Americans went through all the trouble to plunder them and the impact of this great plunder remains rife. Several decades after formal political independence, Africa continue to import finished products from these technological workshops and intra-African trade remains marginal despite the various efforts by African states to increase their level of economic collaboration through economic integration.

COURSE AIM AND OBJECTIVES

The general aim of this course is to expose students to the fundamental and advanced issues in understanding African political economy.

The specific objectives of the course are to:

- educate learners on history of Africa's political economy
- guide learners on the theoretical understanding of underdevelopment and dependency
- expose learners to the relationship between Africa and the Bretton woods institutions
- enlighten learners on problems and prospects of African economy amidst contemporary challenges
- educate students on meaning, rational and hindrances of economic integration in Africa

COURSE DESCRIPTION

Contending theories of African underdevelopment and dependency, the state economy and society. Major issues of policy debate; colonialism, neo-colonialism, strategy of industrialization and rural transformation, structural adjustment programmes, multinational corporations and relations of production discussed in the context of contemporary African social structure, nationalism and the search for self-reliance in domestic and foreign policy.

WORKING THROUGH THE COURSE

Students are required to study the units and other related materials. The students will also be required to undertake self - assessment exercises and submit them after each unit. Hence, they will need writing materials.

At the end of the course, students will be expected to write the final examination.

THE COURSE MATERIAL

In all of the courses, you will find the major components thus:

- Course Guide
- Study Units
- Textbooks
- Assignments

STUDY UNITS

There are 21 study units in this course. They include:

Module 1 History Of Political Economy Of Africa

Unit 1 Historical Development of Political Economy
Unit 2 Pre-Colonial economy of Africa
Unit 3 Colonialism and African political economy
Unit 4 Neo-Colonialism and African political economy

Module 2 Theoretical Understanding of Underdevelopment and Dependency

Unit 1 Theory
Unit 2 Underdevelopment
Unit 3 Dependency Theory
Unit 4 Modernization theory
Unit 5 How Africa Underdeveloped Africa

Module 3 Africa and Bretton Wood Institutions

Unit 1 International Monetary Fund
Unit 2 World Bank
Unit 3 World Trade Organisation
Unit 4 Impact of Bretton Wood Institutions on African economy

Module 4 African Economy amidst Contemporary Challenges

Unit 1 Multinational Corporations (MNCs) and Africa
Unit 2 Foreign aid
Unit 3 Debt crisis
Unit 4 Africa and the global world

Module 5 Economic Integration in Africa

Unit 1: Meaning and levels of Economic integration
Unit 2: Rationale for economic integration in Africa
Unit 3: Sub-regional Experiences of Economic Integration in Africa and the African Continental Free Trade Area
Unit 4: Hindrances to African Economic integration

TEXTBOOKS AND REFERENCES

At the end of each unit, you will find a list of relevant reference materials which you may yourself wish to consult as the need arises, even though I have made efforts to provide you with the most important information you need to pass this course. Meanwhile, graduate students are encouraged to also read from the original literature.

COURSE OVERVIEW PRESENTATION SCHEME

There are 21 units in this course. You are to spend one week on each unit. One of the advantages of Open and Distance Learning (ODL) is that you can read and work through the designed course materials at your own pace.

All the units have similar features. Each unit begins with the introduction and ends with possible answers to Self-Assessment Exercises (SAE).

Units	Title of Work	Week Activity	Assignment (End-of-Unit)
Course Guide			
Module 1	**MODULE 1: HISTORY OF POLITICAL ECONOMY OF AFRICA**		
Unit 1	Historical Development of Political Economy	Week 1	Assignment 1
Unit 2	Pre-Colonial economy of Africa	Week 2	Assignment 1
Unit 3	Colonialism and African political economy	Week 3	Assignment 1
Unit 4	Neo Colonialism and African political economy	Week 4	Assignment 1
Module 2	**THEORETICAL UNDERSTANDING OF UNDERDEVELOPMENT AND DEPENDENCY**		
Unit 1	Theory	Week 5	Assignment 1
Unit 2	Underdevelopment	Week 6	Assignment 1
Unit 3	Dependency Theory	Week 7	
Unit 4	Modernization theory	Week 8	Assignment 1
Unit 5	How Africa Underdeveloped Africa	Week 9	Assignment 1
Module 3	**AFRICA AND BRETTON WOOD INSTITUTIONS**		
Unit 1	International Monetary Fund	Week 10	Assignment 1
Unit 2	World Bank	Week 11	Assignment 1
Unit 3	World Trade Organisation	Week 11	Assignment 1
Unit 4	Impacts of Bretton Wood Institutions on African economy	Week 12	Assignment 1
Module 4	**AFRICAN ECONOMY AMIDST CONTEMPORARY CHALLENGES**		
Unit 1	Multinational Corporations (MNCs) and Africa	Week 13	Assignment 1
Unit 2	Foreign aid	Week 14	Assignment 1
Unit 3	Debt crisis	Week 15	Assignment 1
Unit 4	Africa and the global world	Week 16	Assignment 1
Module 5	**ECONOMIC INTEGRATION IN AFRICA**		
Unit 1	Meaning and levels of Economic integration	Week	Assignment

		17	1
Unit 2	Rationale for economic integration in Africa	Week 18	Assignment 1
Unit 3	Sub-regional Experiences of Economic Integration in Africa and the African Continental Free Trade Area	Week 19	Assignment 1
Unit 4	Hindrances to African Economic integration	Week 19	Assignment 1
	Revision	Week 20	
	Examination	Week 21	
	Total	21 Weeks	

WHAT YOU WILL NEED IN THE COURSE

The course developer has included some relevant literature at the end of each module that you are expected to study. Some of these texts will be available to you in libraries across the country.

TUTORS AND TUTORIALS

The course provides twenty (20) hours of tutorials in support of the course. You will be notified of the dates and locations of these tutorials, together with the name and phone number of your tutor as soon as you are allocated a tutorial group.

ASSESSMENT EXERCISES

There are three aspects to the assessment of this course. First is the Self Assessment Exercises, Tutor Marked Assignments and the written examination at the end of the course. Ensure that you register all your courses so that you can have easy access to the SAE, tutor marked assignment and examination. Your score in the online assignments will account for 30 per cent of your total coursework and the final examination will account for the other 70 per cent of your total course mark.

TUTOR-MARKED ASSIGNMENTS (TMAs)

Usually, there are four online tutor-marked assignments in this course. Each assignment will be marked over ten percent. The best three (that is the highest three of the 10 marks) will be counted. This implies that the total mark for the best three assignments will constitute 30% of your total course work. You will be able to complete your online assignments successfully from the information and materials contained in your references, reading and study units.

FINAL EXAMINATION AND GRADING

The final examination for POL 862 will be of three hours duration and have a value of 70% of the total course grade. The examination will consist of multiple choice, fill-in-the-gaps and essay questions which will reflect the self-assessment exercises and tutor-marked assignments you have previously encountered. All areas of the course will be assessed. It is important that you use adequate time to revise the entire course.

HOW TO GET THE MOST FROM THIS COURSE

1. There are 21 units in this course. You are to spend one week in each unit, except in units 2 and 3 in module 3 and units 3 and 4 in module 5 that are discussed within a week. In distance learning, the study units replace the university lecture. This is one of the great advantages of distance learning; you can read and work through specially designed study materials at your own pace, and at a time and place that suites you best. Think of it as reading the lecture instead of listening to the lecturer. In the same way a lecturer might give you some reading to do. The study units tell you when to read and which are your text materials or recommended books. You are provided exercises to do at appropriate points, just as a lecturer might give you in a class exercise.

2. Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit, and how a particular unit is integrated with other units and the course as a whole. Next to this is a set of learning objectives. These objectives let you know what you should be able to do, by the time you have completed the unit. These learning objectives are meant to guide your study. The moment a unit is finished, you must go back and check whether you have achieved the objectives. If this is made a habit, then you will significantly improve your chance of passing the course.

3. The main body of the unit guides you through the required reading from other sources. This will usually be either from your reference or from a reading section.

4. The following is a practical strategy for working through the course. If you run into any trouble, telephone your tutor or visit

the study centre nearest to you. Remember that your tutor's job is to help you. When you need assistance, do not hesitate to call and ask your tutor to provide it.

5. Read this course guide thoroughly. It is your first assignment.

6. Organise a study schedule - Design a 'Course Overview' to guide you through the course. Note the time you are expected to spend on each unit and how the assignments relate to the units.

7. Important information; e.g. details of your tutorials and the date of the first day of the semester is available at the study centre.

8. You need to gather all the information into one place, such as your diary or a wall calendar. Whatever method you choose to use, you should decide on and write in your own dates and schedule of work for each unit.

9. Once you have created your own study schedule, do everything to stay faithful to it.

10. The major reason that students fail is that they get behind in their coursework. If you get into difficulties with your schedule, please let your tutor or course coordinator know before it is too late for help.

11. Turn to Unit 1, and read the introduction and the objectives for the unit.

12. Assemble the study materials. You will need your references for the unit you are studying at any point in time.

13. As you work through the unit, you will know what sources to consult for further information.

14. Visit your study centre whenever you need up-to-date information.

15. Well before the relevant online TMA due dates, visit your study centre for relevant information and updates. Keep in mind that you will learn a lot by doing the assignment carefully. They have been designed to help you meet the objectives of the course and, therefore, will help you pass the examination.

16. Review the objectives for each study unit to confirm that you have achieved them. If you feel unsure about any of the

objectives, review the study materials or consult your tutor. When you are confident that you have achieved a unit's objectives, you can start on the next unit. Proceed unit by unit through the course and try to space your study so that you can keep yourself on schedule.

17. After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved the unit objectives (listed at the beginning of each unit) and the course objectives (listed in the course guide).

CONCLUSION

This is a theoretical course and so, you will get the best out of it if you can read wide, listen to, as well during tutorials.

SUMMARY

This Course Guide has been designed to furnish you with the information you need for a fruitful experience in the course. In the final analysis, how much you get from it depends on how much you put into it in terms of learning time, effort and planning.

I wish you all the best in POL 862.

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MAIN COURSE

CONTENTS

MODULE 1 HISTORY OF POLITICAL ECONOMY OF AFRICA

INTRODUCTION

In order to understand the development of political economy in Africa, we traced the historical development of political economy to Adam Smith and Karl Marx. We then examined the pre-colonial economic era, colonial economic era and neo-colonial economic era. In the pre-colonial period, African economy was based on simple manufacturing, gathering, mining, hunting, agriculture and so on. The system in that period was based on communalism or collectivism. The colonial era ushered in capitalist mode of economy which brought about exploitative mode of economy with little benefit on the side of Africans leading Africa into a state of underdevelopment. And the third era which is the neo-colonial period, that is the period of Africa dependence till date or period of political independence without economic independence. Many scholars irrevocably agreed that, Africans were given political independence without economic independent. This therefore railroaded Africa into the state of dependency. Find below a breakdown of the units treated in this module:

Unit 1 Historical Development of Political Economy

Unit Structure

1.1 Introduction

This unit traced the historical development of political economy to classical economists like Adam Smith and David Ricardo. It examined the various Marxist phases in the development of political economy and highlighted the significance of Keynesian political economy which emerged in the aftermath of the Great Depression.

1.2 Learning Outcome

By the end of this unit, students will be able to:

- trace the history of development of political economy as an area of study.

1.3 Historical Development of Political Economy

Political economy is a very old discipline in the social sciences that focuses on the dynamic interaction and parallel existence between the state and economy. It dates back to the world of the classical economists like Adam Smith and David Ricardo who applied *Says law*. This law viewed saving or thrift or parsimony as the moving force of the entire economic system. Hence, the volume of savings determined the volume of investments and the investment in capital equipment was financed by additional savings. Those who saved and did not consume were responsible for capital accumulation and growth. Notably, Adam Smith and the other writers who are today known as the classical political economists did not regard themselves as classical; rather, the classical economists referred to themselves as political economists. It was Karl Marx (who is also regarded as a student of and successor to the classical political economy) that branded them classical. In his words, classical political economists are:

> …those economists who since the time of William Petty, have investigated the real internal framework of bourgeois relationship of production as opposed to vulgar economists who only floundered around with the apparent framework of those relations (Marx, 1867:174-175).

Marx distinguished four phases in the development of political economy.

1.3.1 The period of classical political economy

The major contributors to the classical political economy are Adam Smith -*An inquiry into the nature and causes of the wealth of nations,* David Ricardo- *Principles of political economy and taxation,* Thomas Robert Malthus- *Principles of political economy and* John Stuart Mill- *Principles of political economy.* Scottish enlightenment as well as the emergence of the modern state and economy provided the background for the advancement of the classical political economy (Grossman, 1941). This phase was marked by the birth of modern/industrial capitalism. Put differently, the rise of classical political economy synchronized with the growth of the capitalist order out of a feudal and mercantilist past. Hence, the classical economists were concerned with the growth and development of capitalism; factors that facilitated or impeded the growth and development of capitalism and the benefits of the growth and development of capitalism to various groups in the society. Classical political economists used the doctrine of productive and unproductive labour to distinguish the relationship between the bourgeoisie and the preceding classes. They explained the labour of the preceding societies which bore the stigma of slavery as unproductive while the labour of the capitalist system was productive. The central question that challenged most speculative minds during this era was: On what does the general progress and wealth of a nation depend? The generally acceptable answer was the surplus. Other questions that engaged bulk of the classical political economists according to (Bharadwaj, 1994:6) were:

- What does surplus consist of and what determines its size Where does it originate?
- Among whom is it distributed
- What determines its growth over time
- What happens to the relative shares of surplus accruing to the different classes of revenue appropriators as the size of the surplus increases? How in turn do these distributive relations affect the process?

Despite the great individual differences, one could glean from the responses of these classical political economists. They were united by the notion that there is a distinction between processes of production and those of circulation from the point of view of generation of surplus. Again, they argued that surplus is generated in production rather than through trade. When the bourgeoisies had consolidated their power in the course of economic development (assumed dominance over the state and reached a compromise with the feudal classes), the proletariats and their theoretical representative arrived and developed the labour theory of value. This theory equipped the proletarian class to spot gaps in the classical political economy. Aina (1986) observed that the works of these classical political economists contained salient weaknesses and omissions. First, information and tools of analysis limited their inquiry. Second, in terms of their explicit value judgments and value positions, they were immature to the contemporary standards of positive economics. Third, their engagement with issues of vested interest was not sufficiently balanced; they often tilted toward favouring the industrial sector. The development of the labour theory of value and the proletarian intelligentsia helped to brew the vulgar economics.

1.3.2 The era of vulgar economics

Some of the scholars associated with this era are Thomas Chalmers, MacCulloch, J.B Say and C Harnier. The vulgar economics of the 1820s and 1830s was known as the metaphysical period of political economy. Notably, the advancement and stabilization of industrial capitalism which was followed by massive prosperity redirected the attention of these neo-classical economists to the study of economic behavior instead of the macro issues of early theorists. Many classical economic principles were rejected and focus was shifted to theory of market price formation and problems of economic formations. Social structural forces were under-emphasized and arguments as well as methods began to emulate the natural sciences. Over reliance on abstract models for analysis ensued as mathematization became dominant. These removed economic analysis from the concern of political economy. With the enthronement of the behavioural paradigm in social sciences, political economy retreated leaving the stage for individual academic disciplines.

Although this brand of political economy can explain aspects of the development challenges faced by the new states, they often do not help to explore the dynamic interactions and parallel existence between the state and the economy. This analytic framework either employs exogenous variables or treats the state and the economy as though they exist independent of each other. This predisposes them to deviate from the basic roles of the state in production enterprise in a given socio-formation (Okolie, 2012).

1.3.3 The period following the July Revolution in the 1830s and 1840s in England

It was a time of sharpening class antagonisms, and an ever growing number of proletarian critiques of the prevailing social order in England and France. It was a period which also saw the first attempts by the working class at political organization.

1.3.4 The period after 1848

It was a period in which class antagonisms became fully developed and visible in the June battles in Paris, when for the first time, the working class struggled for its own aims.

Marx had formulated a theory of history (historical materialism) which became the guiding principle of his work as well as an important influence on the works of other social theorists as well as dialectical materialism which is the building block of Marxist theorizing. It is essentially a synthesis of Hegel's dialectics and Feuerbach's materialism blended with historicity. Marx integrated the best of three nineteenth century sources (German philosophy, French socialism, and English political economy) to coagulate the dominant heterodox thought of the twentieth century (Essia, 2013). For Karl Marx, dialectics depict the laws of the development of nature, society, and thought. The universe is conceptualized as an integral whole in which things are interdependent. In fact, formulation dialectical and historical materialism proved to be the central force behind the rise of social sciences. Howard & King (1985) summarized Marx's best notion of materialist conception of history. According to them, neither legal relations nor political forms could be comprehended whether by themselves or on the basis of the general development of the human mind but on the contrary; they originate in the material conditions of life. Hence, Marx's theory of history asserts the primacy of the economic structure in explaining the other aspects of the society generally known as the superstructure.

The crises of the Marxist political economy led to the emergence of several schools of Marxism including the post-Marxism, neo-Marxism and analytical Marxism. Post-Marxism and neo-Marxism have been frequently misconstrued. Meanwhile, Bidet & Kouvelaskis (2008) distinguished between post-Marxism and neo-Marxism. According to Bidet & Kouvelaskis (2008:xii):

> Although it is not easy to distinguish between the two, they are differentiated in principle in as much as the one seems to proclaim the exhaustion of the Marxist paradigm, whereas the other introduces problematic which while maintaining a special relationship with certain ideas derived from Marx, reinterpret them in new contexts or combine them with different traditions. The notion of neo-Marxism is opposed to that of some quintessential Marxism, inscribed in the empyrean of ideas.

Neo-Marxist political economy takes on many themes and conclusions of the Marxian school but do not rigorously apply the classical Marxian theory rather the school tried to avert the transformation problem which bedeviled the old Marxian. Interestingly, Burris (1987) argued that neo-Marxist perspective occupies a middle position between the classical Marxist and Weberian theories and forces us to rethink some of the traditional oppositions between these two theoretical schools. This radical version of political economy which draws on concepts used in Marxian critiques of capital influenced was also influenced by other disciplines in social sciences. Some of the notably scholars who resurrected and restructured old Marxian analysis are Maurice H. Dobb, Joan Robinson, Paul Sweezy, Paul Baran and Ernst Mandel. The major outlets for popularization of this neo-Marxist political economy were *New Left Review*, the *Monthly Review Press*, and later on, the *Review of Radical Political Economy*.

In line with the neo-Marxian method, Baran (1957) argued that under monopoly capitalism, there is no tendency for prices to base on mark-up. He believed that the source of crises is in the tendency for a rise in surplus and there is a need for an external source of demand and profitable outlets for investment. These make monopoly capitalism more aggressively outward-looking than competitive capitalism. This tradition broke open a tidal wave of work in the 1960s and 1970s. The most notable off-shots of neo- Marxian political economy are the dependency school of development associated with Raul Prebisch and Andre Gunder Frank and the world systems school associated with Immanuel Wallerstein. Scholars of the developing countries such as Raul Prebisch and Andre Gunder Frank confronted the explanations and projections of these conventional social sciences with neo- Marxian political economy (Nikitin, 1983). Although these scholars vary in their slants of economic paths, a number of consensuses exist among them. These include: First, they argue that the underdevelopment of the developing countries began with the integration of the economy into the global capitalist economy. Second, they argue that the underdeveloped countries are the satellites while the developed countries are the metropolis. Third, the surplus of the satellite countries are drained and expropriated by the metropolis.

Another historic phase in the development of political economy was brewed by the Great Inter-War- Depression. Keynesian political economy emerged in the aftermath of the Great Depression (the most system-threatening event in the history of capitalism) to manage the frightening world of mass unemployment which the classical political economy could not manage (Sheehan, Nd). To John Maynard Keynes, classical writer refers to everyone except for the heretics and Thomas Robert Malthus who had written before him. This variant of political economy associated with the goal of full employment was developed by John Maynard Keynes, the greatest political economist of the 20^{th}

Century. He influenced his age with his book titled *General Theory of Employment, Interest and Money.* Keynes sets out both a distinctive analysis of how capitalism worked at the macro-economic level and a programme for saving capitalism from its internal contradictions.

Keynes established a school of political economy known as the middle-way. The middle way called for reform capitalism where the state and the market worked hand in hand to promote full employment and prosperity for all. It promoted the market where possible and the state where necessary to plan the economy and reduce inequality of income. Hence, during the late1920s and early 1930s, Keynes propounded reform policies for devaluation, revenue tariffs and public works programmes though at that time his fellow economists found these policy slants distasteful. As one of the delegates sent by the United Kingdom to the Bretton Woods conference in 1944, Keynes carried over some of these principles and advocated for a new commercial and trading system to address trade imbalances and promote job creation (Sheehan, n.d). No doubt, these Keynes' policy reforms were adopted to facilitate the recovery of Western Europe after the Second World War. Today, International Financial Institutions (IMF and World Bank) often force developing countries of African, South Asia and Latin America to adopt these reforms as the only condition for assistance to enable them to escape their economic crises.

Today, the most psychologically satisfying framework of analysis in social science, especially, in Africa is the Marxist political economy (Ayodele, 2007; Ezeibe, 2010). These scholars argue that the method which is embedded in the Marxist science of knowledge production permits multidisciplinary analysis. Political economy was therefore seen as a Marxist venture especially after the critique of bourgeoisie political economy. In fact, since Claude Ake wrote his book titled *A Political Economy of Africa*, foundations of political economy was reduced to foundations of Marxian political economy in most African universities. Arguably, this variant of political economy which adopts dialectical materialism as its method and class relations as its tools of analysis developed the most scientific application of political and economic thoughts exemplified in the works of Karl Marx, Friedrich Engels and V.I. Lenin.

1.4 Summary

Political economy is a very old discipline in social sciences that studies the dynamic interaction and parallel existence between the state and economy. It identified the four phases in the development of political economy including the first as the period of classical political economy; the second phase was the era of vulgar economics; the third phase of political economy was the period following the July Revolution in the 1830s and 1840s; and the fourth phase of political economy was after 1848. This was a a period in which class antagonisms became fully developed and visible in the June battles in Paris, when for the first time, the working class struggled for its own aims. Another historic phase in the development of political economy was brewed by the Great Inter-War- Depression. It concluded that about five decades after the near exclusive application of Marxian political economy to explain social problems in Africa and the rest of the areas regarded as the developing world, inequality gap widens and the political class (dominant class) has becomes more exploitative. This notwithstanding Marxist Political Economy in the hands of critical social scientists have proven over time as a potent tool for unmasking the political and economic currents for the understanding of any society. Whilst it may not pointedly proffer immediate solutions, it aids our understanding and appreciation of the workings of societies.

Self-Assessment Exercise (SAE)

1. Identify the four phases in the development of political economy.

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1.6 Possible Answers to Self-Assessment Exercises

1. The first was the period of classical political economy.
2. The second phase was the era of vulgar economics.
3. The third phase of political economy was the period following the July Revolution in the 1830s and 1840s.
4. The fourth phase of political economy was after 1848. It was a period in which class antagonisms became fully developed and visible in the June battles in Paris, when for the first time, the working class struggled for its own aims.

Unit 2 Pre-colonial Economy of Africa

Unit Structure

2.1 Introduction

Pre-colonial economy of Africa was characterized of many engagements. With regards to trading, Africa as of 1000 AD was known to be an exporter of Gold to Western Europe. There was some diversification in economic activities such as hunting and gathering, agriculture, mining and simple manufacturing. They had their local blacksmiths who helped them in manufacturing farm implements, and also had their means of transportation. This segment of the work is a discourse of African political economy before colonial domination.

2.2 Learning Outcomes

By the end of this unit, you will be able to:

- understand the mainstay of the pre-colonial economy in Africa
- link between culture, social organization and the pre-colonial African economy

2.3 Pre-colonial economy of Africa

Anoba (2017) asserts that in pre-colonial Africa, people valued the prosperity of every member of the community and they work in unity towards common goal. Land was the mainstay of the precolonial economy. The people worked on their farms to provide food for themselves, their families and surplus production for exchange. For instance, African societies such as Xhosa and the Zulu encouraged the ideals of mutuality and community before the individual, As observed by Green (2016) Africans in the pre-colonial era were engaged in hunting and gathering, agriculture, mining and simple manufacturing. The period was more of agricultural era because it involves almost all the people. Green added that in tropical forest zones, there are two most important means of production; these are agriculture and mining. As of 1000 AD, West Africa was the major gold supplier to Western Europe. As of the forest region, agriculture was the main economic activity.

African peoples abandoned primitive tillage at the early stage and switched to systematic land cultivation and Africans were acquainted with the use of stall-manure, others developed advanced method of terrain-building and artificial irrigation. This could be traced back to present Tanzania: the Usambara area, and Wahehe, . Africans were also renowned in cloth manufacture and in the arts of dying. Examples of this are people from Western Sudan and Upper Guinea (Buttner, 1970). Ethiopian agriculture was unique for they developed intensive agriculture and the use of ox-ploughs. The biggest expansion of plough in Ethiopia happened between 16th and early 20th centuries. The plough made the farming activity more efficient, they were able to produce surplus. This agricultural technology boosted their economy which brought about the development of centralised political system (Green, 2016).

Economically, classical liberals out rightly advocated for free market economy chiefly run by individual choices and price, this was common in most traditional Africa. Markets were open to everyone and less regulated. For example; centralized communities in Africa like Buganda (Uganda), Hausa/Fulani (Nigeria) Akan (Ghana) and the Zulu (South Africa) were large, open and less regulated markets which attracted people from other communities at least hundreds of miles away (Anoba, 2017). Newly cleared forest land were carried out with iron axes and digging sticks. Such area of land was very fertile. People grew oil-palms, yams and plantains (Green, 2016). According to Ugwuja (n.d) the tools used for farming were simple implements like machetes, diggers and hoes and were made by local blacksmiths. Buttner (1970) noticed that Africans were not acquainted with the plough, for they used hoe for extensive and intensive cultivation of land. Similarly, the use of wheel as a means of transportation remain largely unknown. At a very early stage, Africans were known with art of metal production and processing. Therefore, Africans developed their own art of iron working, system of production and processing.

The emergence of iron played an important role in the social progress of people with regard to creation of city-trading centres along crossroads of external trade. The trade acted as catalytic agent of states formation. In West Africa for example, bronze and brass casting flourished remarkably. Archaeologists and art-historians had it that, bronze statues and sculptures of Benin that originated between 14th and 16th centuries stand highly distinct and above European bronze products of that period (Buttner, 1970).

Agriculture as of 19th and 20th centuries was the most pervasive economic engagements of West African, and even till date and is likely to continue to the distant future. The 19th and 20th century's Agricultural engagements in West Africa are categorized into three and these are: Food crop production; animal rearing and; fishing, hunting and gathering (Ugwuja, n.d).

In West Africa particularly, three types of transport systems were used and these are: human porterage, animal transport and water transportation. Human porterage has to with man as the carriage of goods who also transports himself at the same time. Animal transportation is the use of animals like donkey, horses, mules, bullocks and camels to transports goods and people. Finally, water transportation is the use of rivers as the carriers of trade or goods (Ugwuja, n.d).

2.4 Summary

This unit examined the nature of African economy before colonial domination. The unit proved that, Africa economy was developed in its own way before the colonial invasion and domination. There were presence of production in different aspect which include Agriculture, mining and manufacturing. Africans produce and manufacture for their families and surplus production is used for exchange. The trading activities in the pre-colonial Africa do not end within the society, it also involves export. Like we have seen earlier, West African was the major supplier of gold to Europe.

Despite the unity and mutuality that existed in African communities, Anoba (2017) noted that the advent of territorial wars, migration and increased community populations brought about expansion of groups which led to conflict of interests among groups and reduction in their association.

Self-Assessment Exercise

What was the mainstay of production during the precolonial era?

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2.6 Possible Answers to Self-Assessment Exercises

Land was the mainstay of the pre-colonial economy. The people worked on their farms to provide food for themselves, their families and surplus production for exchange. For instance, African societies such as Xhosa and the Zulu encouraged the ideals of mutuality and community before the individual. As observed by Green (2016) Africans in the pre-colonial era were engaged in hunting and gathering, agriculture, mining and simple manufacturing. The period was more of agriculture era because it involves almost all the people.

Unit 3 Colonialism and African Political Economy

Unit Structure

3.1 Introduction

African economy in colonial era is characterized by oppression, dehumanization, repression, subjugation, domination, forced labour, and redistributed land by colonialist. It is a rule over Africa by external forces deciding for Africans what and how to produce; colonies were subjected to produce raw materials such as, “rubber, fibres, cocoa, vegetable oils, sugar and tropical fruits. The era witnessed monetization of African economies. Western Europe succeeded in changing the scope of African economy through imperial subjugation and incorporation of their socio-economic structure. Also subjecting the indigenous population to imperialism, establishing unequal division of labour and institutional structures and factors of production.

3.2 Learning Outcomes

By the end of this unit, you will be able to:

- define colonialism in your own words;
- explain the role played by colonialist in transforming African economy; and
- identify methods and strategies of colonial penetration and domination.

3.3 Colonialism and african political economy

3.3.1 Meaning of colonialism

According to Okechukwu (2017) colonialism refers to the control by one power over a dependent people or area. And colonialism is actuated by the impulse of capitalist greed in order to acquire raw materials, advantageous market investment and proper area for exploitation. Ogbaji (2010) sees colonialism as the logical outcome of imperialism which means foreign political domination and subordination of overseas territories not really to develop them politically neither economically, but rather to have effective economic exploitation to the affluence of the greater metropoles. For Africa, Asia and Latin America, colonialism was a common evil of the 19th and 20th centuries. In other words colonialism is premised on foreign direct rule and capital accumulation.
African colonization spanned from 1800-1960 after which they many obtained their political independence. Even after sixty years of independence some African countries still wallowed in poverty, hunger, disease and corruption. It is painful to see Africa being depicted with instances of starvation, epidemics and underdevelopment. Some of the countries are barely managing to exist and in fact at the verge of collapsing. African condition caused division among scholars; Rodney (1972) and Fanon (1961) criticized colonialism as the cause of Africa's problems while Eurocentric scholars like Gann and Duignan (1975) blame internal factors like; lack of economic, political and organizational abilities to transform the continent (Dimkpa, 2015).

3.3.2 African Political Economy in the Colonial era

The abundant economic blessings Europeans envisaged ushered in imperialism that caged Africa in bondage for centuries. Africans suffered a lot of misfortunes such as unfair taxation, cultural confusion, and expropriation of land, exploitation of labour and loss of their mineral wealth to Europeans. Not only these, Africans also partook in assisting Europeans in capturing and selling off their own native peoples in exchange for mirrors and alcohol (Dimkpa, 2015).

Dimkpa (2015) further noted that colonization was not the best thing that happened to Africa but the inability of the natives to recognize the resources embedded in their land gave colonialist free access to penetrate, invade and exploit those resources. In response to colonialist rule in Africa, Omemma (2017:88) asserts that "the task of the one who is down is to get up to his feet. The vagaries of the colonial laws without any pretension yoked Africans to the bondage of oppression, dehumanization, repression, subjugation and domination". Another crucial tool colonialist used to penetrate Africa or colonize African states according to Chilaka (2017:103) is by "monetization of African economies". In addition to this, Ake (1981) in Chilaka (2017:103-104) further added that, Europeans succeeded in monetizing African economy by:

…. annihilating the pre-colonial currencies which had represented a rudimentary monetization, but which were so limited as currencies that they would have been serious obstacle to fundamental monetization. They were annihilated by depreciation and displacement so that the way was paved for the development of a modern monetary system. With pre-colonial currencies displaced, the European currencies firmly installed in their places, the real task of monetization began.

Colonialism is nothing but an enterprise established to underdevelop Africa (Chilaka, 2017). This can further be seen in the works of Rodney (1972), and Ake (1981), (1996). African economy under colonialism was determined by Europeans. To further achieve their self-motives, they imposed taxes on Africans, instituted forced labour, redistributed land, deciding for Africans what and how to produce. Colonialist were exploitative and rapacious in their acts. The experience from colonialism were dependency and underdevelopment. The only positive development about colonialism was the time it ended. African Economy were plundered and permanently tied to satisfy Europeans (Chilaka, 2017 and Rodney, 1972).

Furthermore, Dimkpa (2015) asserts that, classic scholars like Walter Rodney and Frantz Fanon in their works out-rightly blamed colonialism for the present situation of Africa. Dimkpa found these perspectives more realistic by not only blaming the colonial powers as the cause of African present state. He rather sees a collaborative efforts played by Africans themselves during colonial era. No wander Berge (2013) asserts that Africans were themselves agents in their own history. On the other hand, some scholars like Gann and Duignan in an opposite manner described Africa's predicament as a result of their total lack of economic, sociopolitical and also organizational inabilities to transform their continent (Dimkpa, 2015).

The Western World succeeded in changing the scope of African economy through imperial subjugation and incorporation of their socio-economic structure. Also subjecting the indigenous population to imperialism, establishing unequal division of labour and institutional structures and factors of production. The nature of this imperialist division ushered in division of labour between Africa and capitalist nations. For instance, Africa assumed the role of suppliers of cheap labour and raw material products to Europe and at the same time importers of industrial products from the European centre (Ogbaji, 2010). In addition:

> Under these circumstances, the traditional society was distorted to the point of being unrecognizable; it lost its autonomy, and its main function was to produce for the world market under conditions which because they impoverished. It deprived the members of any prospects of radical modernization. This traditional society was not, therefore, in transition to "modernity"; as a dependent society it was complete, peripheral, and hence at a dead end. (Samir Amin in Ogbaji, 2010:8).

New capitalist relations established in Africa changed the mode of African economy. This brought about class alliance among the owners of land and the emerging industrialists and at the same time growth of a powerful national state (Ogbaji, 2010). Mwinuka (2015) said colonies were subjugated and subjected to produce raw materials such as, "rubber, fibres, cocoa, vegetable oils, sugar and tropical fruits. Colonialism transformed labour of the African territories, restraining them to produce what they do not consume and at the same time consumer what they do not produce. At the end of colonialism Africans only witnessed political independence instead of both. What emerged in Africa even after the end of colonialism are politically independent states controlled by external forces. The newly emergent nations of Africa were economically backward, underdeveloped and structurally dependent in international division of labour (Ogbaji, 2010).

According to Audu (2020) capitalism in Africa trace it root through imperialism which was shrouded in the garment of colonialism. Colonialists used their exploitative instruments to create both political and economic environments for the capitalist mode of production to strive in their colonies.

Audu (2020) enumerated two features of the capitalist mode of production as:

i. The means of production are unevenly distributed;
ii. The second major characteristic of the capitalist mode of production is commodity production.

In addition to these, Marx in Audu (2020:41) distinguished capitalist mode of production by stating that:

i. It produces its products as commodities.
ii. The production of surplus value as the direct aim and determining motive of production.

3.3.3 Methods and strategies of colonial penetration and domination

One may wander and ask how colonialists have penetrated and taken over African countries? And at the same time what they used to keep them under their control? What is the effect of their domination? These are some of the questions that will be addressed here. Ocheni (2012) noted that they aimed to have full control of the African economy and administration and to achieve these they used several methods and strategies. The methods and strategies drawn from the work of Ocheni (2012) are as follows:

1. The colonialists compelled Africans to submit to colonialism and colonial administration. They achieved this through the use of conquest. This strategy helped them to have direct control and effective occupation of African territories.
2. In order to dominate trade, they stormed Africa with gunboat diplomacy. The central and general effect was to undermine the power and sovereignty of African states. This took place in 1810 when the British fleet inaugurated four ships with a total of ninety-eight guns and sent out to patrol some three thousand miles of the West African coast. This mission team had two aims; first is to enforce British law of 1807 that declared the slave trade illegal and the second was to protect British legitimate' traders. The arrival of the fleet on the shores of Africa weakened military and political leaders and made them powerless before the colonialists.
3. The next strategy or method is the colonialist maintenance of direct and effective control of African territories through the use of forced labour.
4. Another strategy used by the colonialists was taxation and
5. The use of Europeans currencies.

3.4 Summary

The unit examined colonialism, and the role played by the colonialists in transforming African economy; and methods and strategies of colonial penetration and domination in Africa. Colonialism in African context is a foreign control of the African territory which resulted in change of political and economic system. The advent of colonialism on the African shore brought unfair taxation, cultural confusion, and expropriation of land, exploitation of labour and loss of mineral wealth. Africans in this era witnessed oppression, dehumanization, repression, subjugation and domination. Furthermore, Africans were imposed with the role of supplying cheap labour and raw material products to Europe which continue till date. In penetration and domination of Africa, they used method like compelling, gunboat diplomacy, taxation, their currencies, direct and effective control of African territories.

Like we know colonialism is the direct control of one country by another through the use of political and economic domination. Africans encounter with Western Europe changed their mode of economy structure by creating division of labour and subjected Africa to produce primary and Agricultural products (such as; sisal, wool, palm-oil and kernels, cocoa, cotton, rubber and groundnuts) in order to supply to their industries at the same time making Africa a market ground for sales of their expensive finished products. Africans continued to play this role till date i.e. suppliers of raw materials and consumers of imported products.

Self-Assessment Exercises

1. What is colonialism?
2. Identify the methods or strategies of colonialist penetration and domination of Africa.

3.5 References/Further Reading and Web Resources

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3.6 Possible Answers to Self-Assessment Exercises

1. Colonialism refers to the control by one power over a dependent people or area. And colonialism is actuated by the impulse of capitalist greed in order to acquire raw materials, advantageous market investment and proper area for exploitation. It means foreign political domination and subordination of overseas territories not really to develop them politically neither economically but rather to have effective economic exploitation to the affluence of the greater metropoles.

3. The colonialists conquest.

- In order to dominate trade, they stormed Africa with gunboat diplomacy.
- The use of forced labour.
- Another strategy used by the colonialist was taxation and
- The use of Europeans currencies.

Unit 4 Neo Colonialism and African Political Economy

Unit Structure

4.1 Introduction

Neo colonialism is the continuous imperialist control of the African countries even after their independence. African independence ought to be both political and economic; but in this aspect, Africans only had political independence without economic independence. African political economy after independence was characterized by underdevelopment and dependency. It is the era of economic woes in Africa. Africa destiny to be tied to Western Europe and the Bretton Wood Institution by continuous dependency.

4.2 Learning Outcomes

By the end of this unit, you will be able to:

- Understand what neo-colonialism is and
- Discuss the nature of African economy after independence.

4.3 Neo Colonialism and African Political Economy

4.3.1 Neo Colonialism in Africa

Neo-colonialism refers to the indirect political and economic control of a weaker state by a stronger state. The lucrative nature of unequal relation during colonialism led to the consolidation of neo-colonialism after formal colonialism ended. At political independence, structures of dependence were transferred to the postcolonial states and this manifests in neo-colonialism. This is the period of African dependency caused by underdevelopment. In this era, Africa knows little about being politically independent. And it appears that Africa has never changed from its role of raw materials supply. Africa frequently borrow to meet up with contemporary challenges. The economic woes in Africa countries began slightly between 1950s and 1960s. Europe and America emphasis during that period was towards industrialization and capital accumulation to facilitate savings, investment and Gross National Product (GNP) growth rates at the expense of agriculture and the informal sector. The outcome of these greatly affected Africa because it relied heavily on exporting agricultural products

Njiri (n.d:2) observed that:

By the end of this period, Africa was faced with a myriad of challenges such as increasing socio-economic disparities, abject poverty, rising balance of payment deficits, shrinking terms of trade since industrial countries enforced protectionism, massive capital flight from Africa to the West through multinational corporations, growing dependence on food aid and food imports and dependence on foreign capital.

By 1970s the economy of Africa was worsened due to oil crisis leading to mass unemployment, increasing deterioration of terms of trade, underpayment of labour and the rising balance of payment deficits. Between the period of 1970 and 1985:

- Egypt had an increase in deficit from US$ 145 million to US$ 208 million;
- the Kingdom of Morocco had an increase in deficit from US$ 124 million to US$ 889 million; and
- the Republic of Senegal had an increase in deficit from US$16 million to US$ 338 million (Njiri, n.d:2-3)

In the neo-colonial period, Bretton Wood Institutions, Multinational Corporations (MNCs), and their programmes played the role of the colonialists. For example the draconian nature of the Bretton Wood Institutions to the African economy with the exacerbated economic problems in Africa caused by the reforms became unbearable to African countries and more importantly the pain of paying debts caused by high interest rates imposed by Bretton Wood Institutions is a food for thought. For example, it was estimated that Sub-Saharan African countries between 1980 and 2000 paid approximately US$ 240 billion which was four times the amount of debt in 1980. In a similar manner, Federal Republic of Nigeria borrowed the sum of US$ 5 billion in 1978, but by year 2000 Nigeria owed IMF US$ 31 billion after paying US$ 16 billion (Njiri, n.d).

The IMF and World Bank blame African governments for the failure of economic reforms in their domain. They attributed the failure to certain factors like inadequate liberalization, improper means of financial liberalization, poor corporate governance, incomplete liberalization, state cronyism, corruption, inadequate prudential regulations and too much industrial policy (Stein, 2010; Njiri, n.d).

Africa witnessed gross underdevelopment as the result of debt crisis of 1980s. As of this period, the economy of Africa was on its knees in the 1980s because of the sudden fluctuations in commodity prices, skyrocketing interest rates and the oil crisis. These economic catastrophes made Africa to witness high levels of unemployment, underpayment of labour, urban explosion as a result of rural urban migration, and rising balance of payment deficits. The experience forced Africa to borrow from Bretton Woods Institutions, of which they were given but with a price to pay (Njiri, n.d).

A painful thing about this borrowing from the Bretton Woods institutions is the conditions attached to it. The conditions come in form of Structural Adjustment Programmes (SAPS) which had been termed 'draconian' to the circumstances in Africa. Another difficult task on Africa is the payment of debt due with higher interest rates imposed on them by these Bretton Woods Institutions (Njiri, n.d).

Africa kept borrowing from IMF and World Bank to resolve their economic crisis. For example; Republic of Kenya turned to the IMF in 2020/2021 to borrow a loan worth Ksh260 billion. The IMF gave conditions to Kenya as usual which Kenya had to accept or not. Many other African countries approached Bretton Woods Institutions during the period of Covid-19 for financial assistance. Some of the requests approved by IMF include:

(a) The IMF approval of US$ 689.5 Million for the Republic of Cameroon;
(b) The IMF approval of US$ 1.52 billion for the Democratic Republic of Congo;
(c) The IMF approval of US$ 1 billion for the Republic of Uganda (Njiri, n.d:1-2).

Despite the conditionality and criticisms towards Bretton Wood institutions, Africa still do not have an option than to relate with Bretton Woods institutions for financial assistance. Between the years 2018 and 2021 some of the African countries that engaged in borrowing credit facilities from the IMF include: Kenya, Cameroon, Uganda, Democratic Republic of Congo and Ethiopia gladly accepted the conditions attached to the credit facilities (Njiri, n.d).

4.4 Summary

The unit examined the dependent nature of African economy on the West to meet up with its economic demands. Neo colonialism is the period of political independence without economic independence. In this era, Western Europe and BrettonWood institutions through their policies and programmes dictated and determined the state of African economy. If Africans continue with the beggarly attitude they have their future and destiny will be decided on Western tables.

Self-Assessment Exercise

1. What is neo-colonialism?

4.5 References/Further Reading

Dimkpa, P. (2015). Colonialism, Independence and Underdevelopment in Africa. The Pre- eminence and Blame Game. African Studies.

Njiri, K. N. (n.d). International Monetary Fund and World Bank in Africa: The Role of the Bretton Woods Institutions in the Economic Development of Africa. Available at http://dx.doi.org/10.2139/ssrn.4038128 (18 February, 2022)

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4.6 Possible Answer to SAE

Neo-colonialism refers to the indirect political and economic control of a weaker state by a stronger state. The lucrative nature of unequal relation during colonialism led to the consolidation of neo-colonialism after formal colonialism ended. At political independence, structures of dependence were transferred to the post colonial states and this manifests as neo-colonialism.

MODULE 2: THEORETICAL UNDERSTANDING OF UNDERDEVELOPMENT AND DEPENDENCY

INTRODUCTION

The backwardness of African state and its economy can be understand through the lens of the concept of underdevelopment and dependency. The failure of African states and its southern counterparts of the world is a matter of debate among political scientist all over the world. The arguments as to what and why Africa is underdeveloped and dependent were basically among two group of theorists i.e. modernization theorists and dependency theorists. This module therefore seek to provide explanation as to the origin and causes of African underdevelopment and dependency and impacts of developed world on African economy in the vast competitive world. Below are the sequence of the units treated in this module:

Unit 1 Theory;
Unit 2 Underdevelopment;
Unit 3 Dependency Theory; and
Unit 4 Modernization theory.
Unit 5 How African Underdeveloped Africa

Unit 1: Theory

Unit Structure

1.1 Introduction
1.2 Learning Outcomes
1.3 Theory
 1.3.1 What is Theory?
 1.3.2 Purposes of theory
1.4 Summary
1.5 References/Further Readings and Web Resources
1.6 Possible Answers to Self-Assessment Exercises

1.1 Introduction

In this unit, theory has been defined. Theory play three crucial roles and these are; understanding (description), explanation and prediction of a phenomenon.

1.2 Learning Outcomes

By the end of this unit, you will be able to:

- Know what theory is all about; and
- identify the purposes of theory

1.3 Theory

1.3.1 What is Theory?

Theories "are lenses through which we see the world. It is a deliberate systematic body of knowledge that helps the scholar to speculate, but also interpret, describe, explain and predict global politics" (Onuoha, 2008:32). More so, theory can be seen as a logical set of ideas with a correlation causation of a phenomenon and its effects. Theory play three crucial roles and these are; understanding (description), explanation and prediction of a phenomenon (Okeke, 2015). Theories of modernization and dependency will be examined so as to help us with the understanding of why many African states remain underdeveloped and dependent.

1.3.2 Purposes of theory

Osual (2001) in Arugu (2018:250) sums up the purpose of theories as follows:

1. Theory synthesizes isolated bits of empirical data into a broader conceptual scheme of wide applicability and predictability. It permits deeper understanding of data and translates empirical findings into a more readily understood, more readily retained, and more readily adaptable form.
2. Theory permits the prediction of the occurrence of phenomena and enables the investigator to postulate and eventually, to discover hitherto unknown and unobserved phenomena.
3. Theory acts as a guide to discovering facts; it pinpoints questions to be answered. By identifying areas in need of exploration it stimulates research in areas that are lagging.
4. Theory is based on the assumption that detailed empirical findings are special cases of more general laws, and that progress cannot be made as long as observations are simply accumulated. Theories cannot develop without experimental facts any more than the discovery of experimental facts can proceed far on the basis of grossly inadequate or incorrect theories. For example, the

progress of psychiatry as a science will continue to be limited as long as the insane are viewed as possessed by a devil.

5. Just as facts underlie theories, theories underlie facts, each raising the other on a spiral to ever more precise scientific formulations. Research and theory go hand in hand; theory guides and stimulates research while research tests and stimulates theory development, resulting in more adequate theories and better and clearer facts.

In addition to the above, Alemika (2002) in Arugu (2018:251) identified the purpose of theory as follows:

i. It defines appropriate methods for a research problem.
ii. It specifies the nature (including type, scope and level) of data required by a research problem.
iii. It offers conceptual framework or scheme for the collection; organization analysis and interpretation of data.
iv. It predicts facts or outcomes (deterministic, causal or probabilistic).

Self-Assessment Exercises

1. What is a theory?
2. What are the purposes of theory?

1.4 Summary

Theory is a lens through which we subject phenomena to examination. It is also a tool, an integrated concept or a set of idea that provide explanation, that present systematic view or explanation of problem or phenomena.

1.5 References/Further Readings and Web Resources

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1.6 Possible Answers to Self-Assessment Exercises

1. Theories "are lenses through which we see the world. It is a deliberate systematic body of knowledge that helps the scholar to speculate, but also interpret, describe, explain and predict global politics

2. Purposes of theory

a) Theory synthesizes isolated bits of empirical data into a broader conceptual scheme of wide applicability and predictability.
b) Theory permits the prediction of the occurrence of phenomena
c) Theory acts as a guide to discovering facts. It pinpoints to be answered.
d) Just as facts underlie theories, theories underlie facts
e) It defines appropriate methods for a research problem.
f) It specifies the nature (including type, scope and level) of data required by a research problem.
g) It offers conceptual framework or scheme for the collection; organization analysis and interpretation of data.

Unit 2: Underdevelopment

Unit Structure

2.1 Introduction

Africa despite being endowed with human and natural resources wallowed in the state of underdevelopment and dependency. The issue of African underdevelopment is a matter of continuous and unending debate among scholars of the world. This unit tries to explain the concept of underdevelopment, the features which is the common among African countries; and causes of Africa’s economic underdevelopment.

2.2 Learning Outcomes

By the end of this unit, you will be able to:

- define underdevelopment;
- identify different features of underdevelopment; and causes of African’s economic underdevelopment.

2.3 Underdevelopment

2.3.1 Conceptual Clarification of Underdevelopment

Despite being blessed with both human and natural resources yet African countries still remain underdeveloped. The term underdevelopment is not absence of development neither natural resources. But rather inadequate or insufficient level of development as a result of exploitation or under-utilisation of their endowed human and

material resources. This can also happen as a result of both exploitation and under-utilisation human and natural resources (Okeke, 2015).
In his view, Ogbaji (2010) pointed out that underdevelopment is not natural neither divine. By this it means it is caused by human action. The roots of underdevelopment in Africa can be traced back to the contact between Europe and Africa. Ogbaji sees underdevelopment as the subjugation and domination of certain socio-economic structure by another social formation. This is characterized by:
. . . a disarticulation of mode of production, absence or low levels of proletarianization, over marginalization of the peasantry, low levels of productivity, high rates of unemployment and under-employment, chronic foreign debt and balance of trade problems, dependence on raw materials, exports and industrial product imports, low levels of living, absolute poverty, inadequate food and poor nutrition, low income, dictatorial and corrupt leaders etc. (Ogbaji, 20107:8).

To Rodney (1973) underdevelopment is not actually the absence of development, for every people are developed in one way or the other and to the greater or lesser extent. Underdevelopment only becomes reasonable when looked upon the scale of comparison. This is tied to the fact that, human social development remains uneven and from economic point of view human groups advanced further by producing more and become wealthier.

Rodney added that underdevelopment in modern term expresses relationship of exploitation i.e. the exploitation of one country by another. To him, all the countries seen as underdeveloped are exploited by others. Underdevelopment therefore is an outcome of capitalist, imperialist and colonialist exploitation. African and Asian countries were developing at their own speed and pace until colonialists took over the societies directly or indirectly. This brought about exploitation, and export of surplus ensued, depriving them the benefits of their natural resources and labour which serve as their integral part of underdevelopment.

Underdevelopment can occur as a result of external forces like; slave trade, colonialism, Western capitalist system, imperialism and so on. It can also occur as a result of internal forces like; bad governance, corruption, political instability etc.

Take corruption for example. Corruption according to Dimkpa (2015) is the biggest cause of Africa’s underdevelopment. Politicians and even presidents in Africa divert financial resources that could have been used to develop the continent to foreign banks for their own selfish interests without prosecution or being jailed . The corrupt processes have eaten deep into the African system becoming a cultural phenomenon.

Dimkpa further added that Western aid to Africa as of 1960-1997 skyrocketed to more than $500 billion. Ironically, Africas' external stock of capital held overseas is as much as $700 billion to $800 billion not including missing billions in export earnings from oil, gas, diamonds, and other minerals. Similarly, World Bank review states that, at least 40% of Africa's total wealth are stored in foreign banks account. Therefore, Africa can overcome their predicament if African leaders, politician and her business tycoons decide to bring these funds and reinvest it back home (Dimkpa, 2015).

Farah (2011) asserts that colonization of Africa distorted and retarded her pace and tempo of cultural growth and its trend of civilization. Farah went further to say that the economic effects of colonialism is in the progressive integration of Africa economy into the world capitalist system within which Africa functions as the ground for the production of raw materials for western industrial production. Colonial economy also diverted and narrowed African agriculture towards the production of primary and cash crops.

The colonial social impacts includes family individualism, fragmentation of family/social relations, rapid urbanization which led to mass migration of people from rural to urban, decline in proficiency of African languages, division between the elite and the masses etc. (Farah, 2011).

2.3.2 Features of Underdevelopment

Underdeveloped states like those of Africa and its counterparts across the world have certain synonymous features that can be seen among them. These underdeveloped countries are often called less developed, developing world, third world, backward and so on. Let us note however, that for purposes of progress it is better to call them developing world, as they aspire to one day also be like the advanced industrialized countries.

The features of such countries according to Okeke (2015:15-16) are as follows:

- Imperialism, Slave Trade, Colonialism, Exploitation and Dependency
- Export of Primary Commodities (such as cotton, rubber, cocoa, groundnut, palm oil, crude oil etc)
- Low Manufacturing Activities
- Corruption and Bad Governance

- Political and Social Instability
- Inadequate social infrastructure (such as electricity, potable water, good roads, well equipped schools and functional hospitals, etc)
- Weak Economy
- Weak Institutions
- Obsolete Technologies
- Low Per Capita Income
- Low Standard of Living
- Low Life Expectancy
- High Poverty Rate
- High Unemployment Rate
- High Crime Rate
- Insecurity
- Living on Charity

2.3.3 Causes of Africa's economic underdevelopment

Negussie (2018) rightly put it that Africa is endowed with gold, diamonds, oil and many other coveted natural resources. Yet, she is unable to capitalize on its nature given resources. The state of its infrastructure is underdeveloped, and small and unsophisticated economy and its people suffer in poverty. In comparison with other parts of the world, Africa's economy is dismal and prospects for the new millennium are bleak. Africa as a continent is made up of 54 countries but remain the least developed continent in relation with other developing countries in spite of the immense wealth of mineral and natural resources.

Internal causes

1. **Lack of political commitment**
   Poor performance of African economy is tied to the kind of choices made by African leaders. African leaders are highly lackadaisical to change and innovation of new ideas. Mostly implementing policies alien to them instead of policies suitable for her own system. African rulers or leaders have been and are still being used as instruments by foreign and powerful governments instead of serving as agents of transformation and development in their continent (Negussie, 2018).

2. **Religion**
   The diverse nature of Africa in religion, culture, tradition and ways of life has been a source of unity and at the same time conflict and civil wars. Such a situation has diverted the diverted

the attention of government to security matters instead of economic development (Negussie, 2018).

3. Institutions/ Bad Governance

Institutions are basic tools that usually bring about sustained and desirable change or development. Well-structured and strong institutions contribute to the development of any given country and at the same time, poor designed institutions result in underdevelopment oeven if the country is blessed a reservoir of resources needed for economic development. African institutions are usually characterized by corrupt bureaucratic processes, corrupt officials and professionals (Negussie, 2018). Draper (2010) critically observed that where there is bad governance and bad policies, state failure is inevitable

4. Geography/ Landlocked Area

Geography plays a crucial role in development and economic growth. In regard to this, most African countries are land locked which limit them in the competitive international trade Negussie (2018). Landlocked countries in the view of Draper (2010) depend on their neighbours for their economic infrastructure, access to the sea, and also export markets.

5. Conflict and terrorism

Peace and security are fundamental to all aspects of human development. And whether poor or rich all aspire and deserve peace and security in order to obtain happiness and quality of life. The prerequisite of these were undermined in Africa since three decades ago, because African states hardly enjoy internal peace and security. This is as a result of; dictatorial rulers who breed a culture of fear and silence, gross violations of human rights, civil wars, and oppressive governments (Negussie, 2018). In addition to this, Draper (2010) posits that Africans find it difficult to develop because of conflict trap. After their independence, wars and coups were a contagion problem. Today Africa is still bedeviled by conflicts. She remains prone to war because of poverty, stagnation, and over dependence on primary commodities (Draper, 2010).

External causes

1. Colonialism

Negussie (2018) reference colonial history as 'dark spot for Africa'. Europeans according to him were guilty except in countries like Ethiopia, and Liberia. During colonial control of Africa, the European main mission was not only to exploit natural resource of Africa, but also the Africans as the labour. Colonialism left Africa psychological damaged. The whiteman established their continent's economy with Africa's unpaid labour and virgin natural resources such as land and minerals. Negussie (2018) went further by saying, that the colonialist stole not only the continent's physical resources but also her history and culture. Others culprits include: slave trade, neo-colonialism, Bretton Wood Institutions and their policies and programmes etc.

2.4. Summary

The cause of African underdevelopment include both internal and external factors. Internal factors consist of corruption, conflicts, bad governance, and religion. The external factors are colonialism, neo-colonialism, imperialism, capitalism etc.

The cause of Africa's underdevelopment remain a continuous debate among scholars as blame game plays goes on. Many scholars especially Africans blame external forces like; colonialism, neocolonialism and imperialism as the causes of African economic failure. On the same note, Eurocentric scholars blame internal factors like corruption, political instability, lack economic, sociopolitical and organizational inabilities to transform the continent by Africans. At this point, Africas underdevelopment in both colonial and post-colonial periods were caused by the collaborative efforts of Africans and elements from the Western world.

Self-Assessment Exercise

1. Discuss the internal causes of African underdevelopment.

2.5 References/Further Reading and Web Resources

Dimkpa, P. (2015). *Colonialism, Independence and Underdevelopment in Africa. The Pre- eminence and Blame Game*. African Studies.

Draper, P. (2010). *Rethinking the (European) Foundations of Sub-Saharan African Regional Economic Integration: A Political Economy Essay*. OECD Development Centre Working Paper No. 293

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2.6 Possible Answer to self assessment exercise

Internal causes

a) **Lack of political commitment:** Poor performance of African economy is tied to the kind of choices made by African leaders. African leaders are highly lackadaisical to change and innovation of new ideas. Mostly implementing borrowed policies instead of policies suitable for her own system. Rulers or leaders have been and are still being instruments of foreign and powerful governments instead of agents of transformation and development in their continent (Negussie, 2018).

b) **Religion:** The diverse nature of Africa in religion, culture, tradition and ways of life has been a source of unity and at the same time conflict and civil war. Such situation diverted the attention of government to security matters instead of economic development (Negussie, 2018).

c) **Institutions/ Bad Governance:** Institutions are basic tools that usually bring about sustained and desirable change or development. Well-structured and strong institutions contribute to the development of any given country and at the same time, poor designed institutions result in underdevelopment even if the country is a reservoir of resources needed for economic development. African institutions are usually characterized by corrupt bureaucratic processes, corrupt officials and professionals (Negussie, 2018). Draper (2010) critically observed that, where there is bad governance and bad policies state failure is inevitable.

d) **Geography/ Landlocked Area:** Geography plays a crucial role in development and economic growth. In regard to this, most of the African countries are land locked which limit them in the competitive international trade Negussie (2018). Landlocked countries in the view of Draper (2010) depend on their neighbours for their economic infrastructure, access to the sea, and also export markets.

e) **Conflict and terrorism:** Peace and security are fundamental to all aspects of human development. And whether poor or rich all aspire and deserve peace and security in order to obtain happiness and quality of life. The prerequisite of these were undermined in Africa since three decades ago, because African states hardly enjoy internal peace and security. This is as a result of dictatorial rulers who breed a culture of fear and silence, gross violations of human rights, civil wars, and oppressive governments (Negussie, 2018). In addition to this, Draper (2010) posits that Africans find it difficult to develop because of conflict trap. After their independence, wars and coup was a contagion problem. Today Africa still wallow in the conflict-prone systems. Africa remain vulnerable to war because of poverty, stagnation, and over- dependence on primary commodities (Draper, 2010).

Unit 3: Dependency Theory

Unit Structure

3.1 Introduction

Dependency theory derived its inspiration from the Marxist school of thought as a response against the underdeveloped nature of the African economy argued by many to have been caused by the Western Europe. Dependency theory believes that the world capitalist system with its counterpart the developed core are the primary cause of African underdevelopment. This unit intends to explain the concept of dependency; present basic arguments of the dependency theory, paradigm of the dependency perspective; and the shortcomings.

3.2 Learning Outcomes

By the end of this unit, you will be able to:

- Explain the concept of dependency;
- Discuss the basic arguments of the dependency theory,
- Understand the paradigm of the dependency perspective and
- Examine the shortcomings of the dependency theory.

3.3 Dependency Theory

Dependency theory is used interchangeably with the Underdevelopment theory, the Radical School of Thought or the Neo-Marxist theory. The theory emerged as an opposition to the modernization theory which fail to explain why the core are developed and the periphery is underdeveloped. The proponents of this theory include; Andre Gunder Frank, Frantz Fanon, Walter Rodney, Samir Amin, Claude Ake etc.

(Micah, 2017). Paul Baron was the first comprehensive writer to develop dependency theory in Marxist perspective. Baron argued that, development of capitalist system and of western world owes a lot to the exploitation of the Less Developed Countries (LDCs). He further asserted that extracted profit from the LDCs is sent to core or home countries leaving the periphery countries with little for food and other basic needs. The LDCs hardly have capital to carry out investment and development. He considers the capitalist system of underdeveloping the LDCs (Gillani, 2021).

Dependency theory had its inspiration from the Marxist school of thought. It opposes the modernist position concerning underdevelopment. Dependency theory argued that the world capitalist system with its counterpart the developed core are the primary cause for underdevelopment and the extension of poverty (Gillani, 2021). The theory is basically Marxian in nature and based on the exploitation notion of weaker or less developed countries (LDCs) by the advanced developed countries. This theory identified two distinct systems. One of the system is macrocosmic also known as the core system which comprised of economically and militarily advanced, stronger and better organized countries. And the second is the microcosmic or periphery which is less organized, weak and dependent on the core. The case of these systems is a 'two-system zero-sum game' where by the gain of the core system is the equivalent loss of the periphery (Gillani, 2021).

Dependency theory views development and underdevelopment as two sides of the same coin which means they are inevitable results and also the visible manifestations of the World Capitalist System and its inherent contradictions and exploitation. The theorists classified the world into two. As noted, these are; the Core or Centre (also known as advanced, industrialized, capitalist nations, developed, first world etc.) and the Periphery or satellite (this is made up of colonized and poor countries of the world known as underdeveloped, backward, less developed, third world etc.) (Micah, 2017).

Patrick Bond simplified dependency theory as the North getting richer the more it exchanges with the South, while the South in turn gets poorer as the result of value transferred. Value transfer take place when African countries import capital and consumer goods with high surplus value and at the same time exports local products with low value (Bond, 2017).

The bedrock of dependency theory has also been developed on the ground of colonialist relations with Africa, right from King Leopold's Congo, the plantation systems, and settler colonial taxes, to exploitation related to multinationals of this day. Patrick Bond and other scholars believes that dependency theory still remain significant even moreso in this era because North-South system of extraction is more severe due to international trade (Bond, 2017).

The theory further argued that African underdevelopment is as a result of the export of capitalism by the West to other parts of the world and its outcome of colonialism and neo-colonialism and these are the causes of African underdevelopment and dependency. The prime aim of capitalism as comprehended is profit maximization through the search for cheap raw material, cheap labour and markets for finished goods (Okeke, 2015). The dependency theorists see underdevelopment as a condition caused by capitalist world which resulted to global poverty (Gillani, 2021).

V. I. Lenin once said “imperialism is the highest stage of capitalism”. Colonialism and neo-colonialism brought about the incorporation of Third world economies into single capitalist economic system. This has two consequences across the world. These are; development in capitalist states and underdevelopment/dependency in the colonized countries of Africa (Okeke, 2015).

Dependency theorists further argued that underdevelopment of African countries is as a result of the impact of the activities of the Industrialised Capitalist Nations who exploited the resources of their former colonies through imperialism and neo colonialism. They achieved this by subjugating the African countries to produce primary products like cash crops i.e. cocoa, cotton, rubber etc. and making them dependent on the finished products manufactured by the Industrialised Capitalist Nations like milk, radio, tea, car, television, refrigerator, air-conditioner, generators, computers, phones, etc. (Okeke, 2015; Rodney, 1972).

3.3.1 Concept of Dependency

Dependency is a Marxist concept to describe the level an economy is subordinated to the other. The concept of dependency was coined by Brazilian sociologist Fernando Henrique Cardoso. The term dependency is an outcome of imperialism and colonialism. In the African context, dependency refers to the extent an economy is structurally disadvantaged in the international division of labour or the lack of one’s autonomous capacity to exploit, control and manage its natural, economic and human resources without falling prey to the dictates of foreign economic and other interests (Ogbaji, 2010). The origin of dependency theory can be traced back to the 1950’s in response to the gap between rich and poor countries and that economic growth of advanced capitalist countries hinders the growth of the poor countries (Agbebi, 2017).

3.3.2 Paradigm of Dependency Perspective

Among the paradigm of the Dependency Perspective discussed by Mwinuka (2015) are as follows:

1. **Dependence as an externally imposed condition:** the state of dependency is not natural but artificial creation. The state of dependency or underdevelopment began with the domination of advanced capitalist countries over the less developed. They sustain this through foreign aid and debt.
2. **Dependence as an economic condition:** dependency is as a result of unequal economic exchange between the core and the periphery. Economic dimensions of colonialism like de-industrialisation, export of agriculture produce and the transfer of economic surplus are the cause of institutionalisation of the clientele social classes. Countries are dependent not because they do not have capital, entrepreneurial skills, or democratic institutions but because dependency arises as a result of the economic activities of external forces.
3. **Dependence as incompatible with development:** the present circumstances of dependency in Third World is not conducive for efforts to attain substantial and autonomous development. Reality proves that even after independence Third World still depend on the West.
4. **Dependence is a general process:** dependency theorists applied their theory to almost all developing countries regardless of their differences.
5. **Dependence as regional polarisation of the global economy:** dependency is considered a polarisation of the global economy. Dependency theorists argued that dependence policy divided the world in two parts. The first part of this is the Third World nations where constant outflow of surplus take place and the second part is the developed countries or Western World. They acquire surplus through the economic exploitation of Third World nations.

3.3.3 Shortcomings of Dependency Theory

Dependency theory which is associated with the Underdevelopment School of Thought is not blameless of shortcomings. The theorist sees underdevelopment as the consequence of colonialism and neo-colonialism which led to the exploitation of African resources by incorporation of their economies into the global capitalist system at a subjugated position which led to the exploitation of their resources (Okeke, 2015). Below are some of the shortcomings of Dependency theory reviewed from the work of Okeke (2015).

1. First of all, Dependency theorist's notion of Centre-Periphery relations in the global economy system is ambiguous. The notion of "centre" or "metropole" assumes commonalities among either capitalist or socialist. And their notion of "periphery" or "satellite" assumes that there is same level of underdevelopment and exploitation among the underdeveloped countries. It is important to note that there is variation in the world of reality. The theory also believe that advanced capitalist world exploits the Third world. Recently, countries like China and Russia have joined the capitalist West in the exploitation of the developing countries. At this point, there is a need for the Dependency theory to revisit the notion of Centre – Periphery classification and tools and come up with a better tool of analysis. Perhaps, this is why Johan Galtung came up with the Structural Theory of Imperialism in 1971 to capture and explain the discrepancies between the different countries of the Core and Periphery.
2. In addition to the above, the Dependency School blamed the West for exploiting Africa and its Counterparts but fails to put into consideration factors of political instability, mismanagement of human and material resources, bad governance, corruption and many more as predisposing factors for African underdevelopment. But rather overemphasizes imperialism and the neo- colonialism as the causes of the underdevelopment. Their attribution of underdevelopment crisis on the West only is faulted as other internal factors mentioned above also contribute to their state of underdevelopment.
3. In their recommendations, Dependency theorists advice Africa and its counterparts across the world to delink from the West capitalist system so as to overcome underdevelopment. This is known as Autarky. They argued that the Third world cannot develop if they remain incorporated with the capitalist system. This notion too is faulted with what we see with the Asian Tigers like Singapore, Taiwan, and South Korea. It means it is possible to get rid of underdevelopment in our engagement with the global capitalist system. Therefore, isolation or delinking cannot be the way forward.

3.4 Summary

Dependency theory is an opposition of the modernization theory and considers Western Europe as the cause of African underdevelopment, making Africans dependent. The argument of the Dependency theory revolves around two distinct systems. One of the system is macrocosmic also known as the core system which comprised of economically and militarily advanced, stronger and better organized. They are also known as developed countries, advanced countries, technologically advanced states, industrialized states etc. And the second is the microcosmic or periphery which is less organized, weak and dependent on the core. They are also known as; developing nations, less developed, third world countries, southern states and so on. The theorist further argued that African underdevelopment is as a result of export of capitalism by the West to other parts of the world and the impact of colonialism and neo-colonialism is the cause of Africa underdevelopment and dependency.

Self-Assessment Exercises

1. What is Dependency?
2. To what extent would you argue that the Dependency Theory explains the African condition?

3.5 References/Further Reading and Web Resources

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3.6 Possible Answers to Self-Assessment Exercises

Dependency refers to the extent an economy is structurally disadvantaged in international division of labour or lack of Afric's a autonomous capacity to exploit, control and manage its natural, economic and human resources without falling prey to the dictates of foreign economic and other interests.

b. On the second question, student should discuss to what degree Dependency Theory can be argued to still affect the economies of the Post-colonial African countries using indices of economic measurement and analysis.

Unit 4: Modernization Theory

Unit Structure

4.1 Introduction
4.2 Learning Outcomes
4.3 Modernization Theory
  4.3.1 Rostow's five stages to attain economic growth.
  4.3.2 Paradigm/basic assumptions of Modernization Theory
  4.3.3 Shortcomings of Modernisation Theory
4.4 Summary
4.5 References/Further Readings and Web Resources
4.6 Possible Answers to Self-Assessment Exercises

4.1 Introduction

Modernization theory takes its root from the liberal theoretical tradition. Modernists, believe that under development and poverty can be done away with if underdeveloped countries like Africa and its counterparts follow Western societies. The theorists see development from western civilization or industrialisation and modernity which are propelled by Western industrialised capitalist nations. This unit examines modernization theory, Rostow's five stages to attain economic growth, the paradigm/basic assumptions of modernization theory and shortcomings or limitations of Modernisation Theory.

4.2 Learning Outcomes

By the end of this unit, you will be able to:

- Explain the modernization theory,
- Discuss Rostow's five stages to attain economic growth,
- list and explain paradigm/basic assumptions of modernization theory; and
- Discuss the shortcomings of the Modernisation theory.

4.3 Modernization Theory

The origin of Modernization Theory can be traced back to 1950s and 1960s. That is the period of African decolonization and that of other third World countries. Modernisation theory sees development from the angle of western civilisation. The major proponents of this theory include: Gabriel Almond, Bingham Powell, David Coleman and Lucian Pye. Some the classical exponents include Adam Smith, W.W Rostow, Henry Maine, Ferdinand Toennies, Emile Durkheim, Max Weber, and so on. In the view of this School of Thought, the focus is on industrialisation and modernity which are propelled by Western industrialised capitalist nations (Okeke, 2015). Modernization theory takes its roots from liberal theoretical tradition and its core assumptions of representative democracy and free trade. Modernists, believe that underdevelopment and poverty can be done away with. The school of thought urges the underdeveloped countries to follow the developmental paths of Western world so as to attain development (Gillani, 2021).

Also, some Western sociologists try to distinguish why the West is developed and Africa and its counterparts are not. They also explain how to achieve development. Henry Maine posits that development is a movement from a society characterized by status to the one characterised by contract. A status society here prescribe ascriptive, particularistic and non-individualistic dispositions, while a contract society is achievement oriented, universalistic and individualistic (Okeke, 2015).

Modernisation theorists sees development from the western civilization prism. Here development entails industrialisation and modernity or Westernisation. To them, the West is developed because of the socio-political and economic attributes that are amenable to positive change and development. Therefore, underdeveloped states like Africa lack such characteristics that is why they are not developed. The theorist argued that Africa can attain development if they follow the steps of the West, that is the western culture of capitalism or globalization that advocates liberalisation and market economy (Okeke, 2015).

4.3.1 Rostow's five stages to attain economic growth.

Walter Rostow argued that, all countries of the world need to undergo five stages to attain economic growth. His five stages are: traditional society, pre-conditions for take-off, take-off, drive to maturity, age of high mass consumption (Mwinuka, 2015).
Mwinuka (2015) discussed the five stages of Rostow as seen below:

Stage 1: Traditional society: this stage is characterised by primitive technology, hierarchical social structures, production and trade is based on custom and barter. This is compared to pre-seventeenth century Britain. Social and economic challenges are not much observed here.

Stage 2: Pre-condition for take-off: this stage is characteristics by improved technology and transport, increased investments and trade, economically based elites with centralized national states gradually emerged, expansion of markets, and development of new industries. To move from this stage of development to another, Rostow argued there is a need to stimulate the economy so as to get to the next phase. The three stimuli of Rostow are: firstly; political revolution in order to restructure major institutions in the country. Secondly; technological innovation and thirdly favourable international environment with rising export demands and prices.

Stage 3: Take-off: this is the most important stage to Rostow. This involves; rapid economic growth, more sophisticated technology and considerable investments, especially in manufacturing industry. Capital and resources are needed in this stage to increase the rate of productive investments from 5% to 10% of the national income.

Stage 4: Drive to maturity: at this stage, noticeable characteristics are; self-sustaining growth, more sophistication of technology, diversification in the industrial and agricultural sectors, fall in imports, and increasing investments between 10 and 20 percent of national income.

Stage 5: Age of Mass Consumption: this stage is characterized by rise in welfare, increase in consumer goods and services. Europe attained this stage after the Second World War and USA attained the year 1920s and 1930s. To Rostow, lack of productive investments is the cause of The Third World underdevelopment. The way forward to them is to provide aid in form of capital, technology, and expertize (Mwinuka, 2015).

4.3.2 Paradigm/basic assumptions of Modernization Theory

Mwinuka (2015) comprehensively discussed the Paradigm/basic assumptions of modernization theory as seen below:

1. **The process of modernisation is one way in direction:** the theorists believe that, social changes in the society happen to be moving in straight line; that is from primitive state to a more advanced stage and from a traditional society to a modern society. The societal movement from lower state to a higher state. For underdeveloped countries to attain development they need to be like Western societies because they are model in this aspect.

2. **Modernization is a sequential process:** the theorists believe that, there are stages or taps that need to be followed for modernization to take place in the society. The good example of this is Rostow's stages discussed above.

3. **Modernisation is a homogenising process:** The theorists believe that developed societies have similar characteristics and values. No wander Levy once said; "as time goes on, they and we will increasingly resemble one another [...] because the patterns of modernisation are such that the more highly modernised societies become the more they resemble one another"

4. **Modernisation means economic development and industrialization:** Modernisation theorists argued that economic theories play a significant role on the developments that come from disciplines like sociology, psychology, and political science.

5. **Modernisation is a Westernisation process:** The industrialised capitalist countries (European countries and United Sates.) are basic examples of modernization process. For developing countries to develop economically they need to embrace the West.

6. **Modernisation is an irreversible process:** process of modernization take place once developing countries are in a contact with the modernised societies. Once the modernization process is triggered nothing can stop it.

7. **Modernisation is a transformative process:** the theorists divide the society into two; modern societies and traditional societies. Modern societies are developed and organized while traditional societies are backward and disorganized. They encourage traditional societies to undergo the process of modernization i.e. by transforming themselves.

8. **Modernisation is a systematic process:** Parsons in his theories was interested in systems. Each system would in turn be sub divided into sub-systems, the sub-systems are interdependent, they work together to maintain the whole system. Therefore, when the process of modernization began it first attacks the whole social system in the society. That is tradition, values and traits which undergo a modernisation change. This development occur as a gradual process.

4.3.3 Shortcomings of Modernisation Theory

Modernization theory like any other theory has shortcomings and some of these limitations according to Okeke (2015) are discussed below:

1. Modernisation theory is euro-centric, ethnocentric, and teleological. It recognizes western culture and institutions as the best and superior to other nations' cultures. The theory project western values as progressive and amenable to development, while others are not. The theorists see Western culture as the only means to development. History has proven that other societies without Western culture or institution also witness development. A good example of this is China, Ancient Egypt and many others. It is important to note that, no culture is superior to other.
2. Another shortcoming of modernization theory is the argument that for any to witness development they must acquire the artifacts of Western civilization or Western technology. This is a fallacy because African countries have been importing Western-made technological devices, cars, electronics, textiles (suites, shoes etc), and even western type of buildings, yet the African countries are still not-developed.
3. Modernisation theory is value-laden because it is unscientific and imperialistic in nature. The theorists only try to impose on the developing world western ideology of capitalism as the way out of underdevelopment. For instance, Africa and other Third World adopted capitalist ideology, they go further by embracing globalization, opening up their economies, removing national barriers to foreign trade and investments, privatising their public enterprises and deregulating yet they could not witness economic development as emphasized by modernization theorists.
4. Modernisation theory was further criticized for being ahistorical. The theory failed to put into consideration the role played by history in shaping the cause of development around the world. Modernisation theory deemphasizes the role played by slave trade and colonialism on how they affected the African countries differently.
5. Modernisation theory is riddled with fallacy of taxonomic dualism. The world was and is divided into two societies- the haves (capitalist countries) and the have not's (underdeveloped or poor countries).
6. Another defect of modernisation theory is its concern with order and system maintenance, considering development as static status when it is a known fact that development is dynamic in nature. Similarly, the theory advocates for the maintenance of the status quo in an ability to maintain system stability or equilibrium, while it is crystal clear that many societies experienced

development through a revolution or radical departure from the status quo. Example of such is Russia after the Bolshevik revolution and China after the Chairman Mao's revolution.

4.4 Summary

This unit examined modernization theory, Rostow's five stages to attaining economic growth, paradigm/basic assumptions of modernization theory, and shortcomings or limitations of modernisation theory.

Modernisation theory sees development from the western civilization prism. This entails industrialization, modernity or Westernization. Mordernization theorists argued that Africa can attain development if they follow the steps that the western culture of capitalism or globalization advocates like liberalisation and market economy. It is important to note that European development pattern is not a mathematical formula that guides and lead to a logical conclusion of development across the world. The word development is relative and relatively achieved.

Self-Assessment Exercise

Outline and discuss Rostow's five stages of economic growth.

4.5 References/Further Reading and Web Resources

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4.6 Possible Answers to SAE

Stage 1: Traditional society: this stage is characterised by primitive technology,

Stage 2: Pre-condition for take-off: this stage is characteristics by improved technology and transport.

Stage 3: Take-off: this is the most important stage to Rostow. This involves; rapid economic growth, more sophisticated technology and considerable investments, especially in manufacturing industry.

Stage 4: Drive to maturity: at this stage, noticeable characteristics are; self-sustaining growth, more sophistication of technology,
diversification in the industrial and agricultural sectors,

Stage 5: Age of Mass Consumption: this stage is characterized by rise in welfare, increase in consumer goods and services. Europe attained this stage after the Second World War and USA attained this between 1920s and 1930s.

Unit 5: How Africans Underdeveloped Africa

Unit Structure

4.1 Introduction

A significant portion of the literature on development argue that Africa's underdevelopment is caused by European colonization. Hence, the integration of the African economy into global capitalism driven by Adam Smith's free market ideology created the framework for the exploitation and exploration of Africa and their resources. Proponents of how Europe underdeveloped Africa such as Rodney (1972), Ake (1981), Nnoli (1980), Offiong (1980; 2001) often glossed over how Africans underdeveloped Africa through poor political leadership and corruption after the wind of political independence from the 1940s that reached its climax by 1960s.

5.2 Learning Outcome

By the end of this unit you will be able to:

- explain how Africans underdeveloped Africa.

5.3 How Africans Underdeveloped Africa

After more than four decades of the formal ending of European colonization of Africa, the nightmare of hunger, rampant civil wars, backward technology, absence of infrastructural amenities, unstable government, poor healthcare delivery system, poor educational scheme, illiteracy and other indices of underdevelopment remain rife in Africa.

Recently, neo-colonialism has been the most attractive argument in support of European underdevelopment of Africa. After the underdevelopment of Africa during colonialism, the Europeans continued under neo-colonialism to indirectly control the politics, economies and ideologies of their former colonies. Umez (2005) reiterated that if Europeans continue to be responsible for African's underdevelopment after independence, then Africans and her leaders suffer from inferiority complex. Although pro-Europe underdeveloped African scholars adequately explained the socio-political and economic realities of post independent decades in Africa up till the end of the cold war, they devoted undue time to explaining the imports of successive visionless leaderships and political corruption on underdevelopment in Africa.

The entry of theories of corruption, weak democratic institutions and lack of confidence have dwindled the colonial legacy framework- (the argument that European colonizers left destructive legacies in Africa with deleterious impact on state building and nation building) had continued to dwindle (Umez, 2005).

Notably, the problem of corruption has become intractable in Africa. In September, 2002 for instance, African Union estimated that corruption costs African economies more than US$ 148 billion annually. Similarly, the President of World Bank in 2006 estimated that corrupt Nigerian politicians have stolen over US$300 billion since 1960. Meanwhile, most of the loot from African governments' treasuries are used by politicians to live above their means. Rarely are the loot resources invested locally (Igwe, 2010). These lootings rob national governments of economic development opportunities because they are mainly deposited in foreign banks.

Despite the prevalence of anti-graft commissions in Africa, corruption continues to eat deep into the roots of most African economies. Africa has lost over $400 billion to corruption and illicit funds transfers to foreign countries (UN Office on Drugs and Crime, 2005). Economic and Financial Crimes Commission Report (2006) observed that pervasive corruption in Africa bleeds the continent of $148 billion each year, representing 25 percent of its GNP.

In Nigeria, there was no President or Head of State that carried out strong campaign against corruption like Chief Olusegun Obasanjo. The President established the Economic and Financial Crimes Commission (EFCC) and Independent Corrupt Practices and Other related Offences Commission (ICPC) to fight corruption in Nigeria yet the annual reports of Transparency International (TI) from 1999 to 2020 (mainly under President Obasanjo's administration, 1999-2007) showed Nigeria as one of the most corrupt countries in the world. Nigeria was the most corrupt nation in 2006 and second most corrupt nation in 1999 and 2001. The index related the perceptions of the degree of corruption as seen by business people and risk analysts and ranges between 10 (highly clean) and 0 (highly corrupt). In fact, the rank of Nigeria in the TI annual reports fluctuates like the price of petroleum in the global oil market. As governments was committing huge sums to tackle the world's most pressing problems (instability of financial markets, climate change and poverty), corruption remains an obstacle to achieving much needed progress. The 2010 Corruption Perceptions Index showed that nearly three quarter 3/4 of the 178 countries in the index scored below five, on a scale from 10 (highly clean) to 0 (highly corrupt). These results indicate a serious corruption problem.

To address these challenges, TI advocated stricter implementation of the UN Convention Against Corruption, the only global initiative that provides a framework for putting an end to corruption. While Denmark, New Zealand and Singapore were tied at the top of the list with a score of 9.3, followed closely by Finland and Sweden at 9.2, bringing up the rear are Somalia, Nigeria and most of the SSA countries trailing behind the table. United Nations (1989) found evidence that bureaucratic malpractice manifests in the diversion of public funds to where bribes are easiest to collect. This implied that there is a bias in the composition of public funds towards low-productivity projects at the expense of value enhancing investments. Again, there is a two-way causal relationship between corruption and economic growth: bureaucratic rent-seeking do not only influence, but it is also influenced by the level of development. Krueger (1993) describes the promotion of rent seeking activities as one form of corruption today. Treisman (2000) observed that rich countries are generally rated as having less corruption than poor countries with as much as 50 to 73% of variations in corruption indices. This accounted for variations in per capita income levels between the rich and the poor nations. Cross-country differences in the incidence of corruption owe much to differences in the level of prosperity because corruption provides ways of bypassing regulation.

The link between corruption and economic growth can be gleaned by accessing the impact of corruption on the lives or welfare of the people. Rose-Ackerman (1997) listed several channels through which poor people are hurt by corruption. Firstly, the poor will receive a lower level of social services. Secondly, infrastructure investment will be biased against projects that aid the poor. Thirdly, the poor may face higher tax or fewer services. Fourthly, the poor are disadvantaged in selling scale enterprise. Similarly, Gupta, Daoodi, and Alonso-Terme (1998) identified several channels through which corruption worsens poverty. They include:

- corruption lowers economic growth
- corruption biases the tax system to favor the rich and well-connected

- corruption reduces the effectiveness of targeting of social programs
- corruption biases government policies towards favouring inequality in asset ownership
- corruption lowers social spending
- corruption reduces access to education by the poor
- corruption increases the risk of investment by the poor

Most past and current African governments have engaged in corrupt practices yet, they were not prosecuted. In defense of democracy, Sorensen (1993) claimed that authoritarianism leads to arbitrary rule and corruption while democracy promotes accountability and transparency which encourages economic growth and development. Meanwhile, we observed that corruption is not peculiar to any style of government and its effects are monumental and far reaching.

5.4 Summary

While majority of the literature on development argue that Africa's underdevelopment is caused by European colonization because they facilitated the integration of African economy into the global capitalist economy. After more than five decades of the formal end of European colonization of Africa, the nightmare of hunger, rampant civil wars, backward technology, absence of infrastructural amenities, unstable government, poor healthcare delivery system, poor educational scheme, illiteracy and other indices of underdevelopment remain rife in Africa in the mist increased vision-less leadership and political corruption.
In Africa for instance, corruption adversely affects the rate of investment and growth of total income. It undermines development, ruins efficiency of bureaucracy and cripples merit based institutions and systems.

Self-Assessment Exercise

What are the various channels through which corruption worsens poverty and underdevelopment?

5.5 References and Further Readings

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5.6 Possible Answers to Self-Assessment Exercises

- corruption lowers economic growth
- corruption biases the tax system to favour the rich and well-connected
- corruption reduces the effectiveness of targeting of social programs
- corruption biases government policies towards favouring inequality in asset ownership
- corruption lowers social spending
- corruption reduces access to education by the poor
- corruption increases the risk of investment by the poor

MODULE 3 AFRICA AND BRETTON WOOD INSTITUTIONS

INTRODUCTION

The Bretton Woods Institutions were established to bring orderliness in the economic development of the world in the post-World War II era. These institutions comprise of the International Monetary Fund (IMF), International Bank for Reconstruction and Development (IBRD) known today as the World Bank (WB) and World Trade Organisation (WTO). These institutions play crucial roles in both the developed and developing World. The policies of these institutions seem to impact advanced capitalist states positively, while Africa and its counterparts are negatively affected. This module seek to examine these institutions and their impact on African political economy. My below the units treated in this module:

Unit 1 International Monetary Fund;
Unit 2 World Bank;
Unit 3 World Trade Organisation; and
Unit 4 Impact of Bretton Wood Institutions on African economy.

Unit 1 International Monetary Fund

Unit Structure

1.1 Introduction
1.2 Learning Outcomes
1.3 International Monetary Fund
 1.3.1 Origin of Bretton Woods Institution (BWI)
 1.3.2 International Monetary Fund (IMF)
 1.3.3 Structural Adjustment Programme (SAP)
1.4 Summary
1.5 References/Further Readings and Web Resources
1.6 Possible Answers to Self-Assessment Exercises

1.1 Introduction

The International Monetary Fund (IMF) was established to promote international monetary co-operation through international monetary consultations and collaborations, expand economies of member countries, increase international trade with full employment achieved in exchange rate stability, remove trade barriers/restrictions, and facilitate the settlement of international indebtedness and so on. It is quite unfortunate that Africans are either left behind or partially beneficiaries of this institution’s policies and programmes. This unit examined the origin of Bretton Woods Institution (BWI), International Monetary Fund (IMF) and the Structural Adjustment Programme (SAP).

1.2 Learning Outcomes

By the end of this unit, you will be able to:

- explain the origin of Bretton Woods Institution (BWI)
- discuss International Monetary Fund (IMF), its policies and programmes and
- discuss the origin and impact of the Structural Adjustment Programme (SAPs) on African economy.

1.3 International Monetary Fund

1.3.1 Origin of Bretton Woods Institution (BWI)

The Bretton Woods Institution (BWI) originates from United Nations conference on monetary and financial matters held in 1944 at Bretton Woods which resulted in naming the institutions after the city. The Bretton Woods Institutions are often called the International Financial Institutions (IFI) (Ifedayo, 2015). The Bretton Woods institutions were established to bring orderliness in the economic development of the world in the post-World War II era (You, n.d).
From historical point of view, the central idea behind Bretton Woods system according to CBN (2021:1)
…was to create a coalition for international capitalism, including banks, farmers, and unions, premised on full employment and increasing prosperity. The objectives were to reinvigorate trade, capital mobility, and fast track the reconstruction of Europe, following the devastation of World War II. Bretton Woods were to serve as the face of a post-war international economic order. Between July 1-22 1944, in New Hampshire, USA, 730 delegates from 44 countries (nations that were united against fascism, including Latin American nations and Western Europe), deliberated and signed the Bretton Woods agreement.

The deliberation and negotiations were dominated by two representatives; Henry Desmond White a Treasury Official of the United States, and John Maynard Keynes the British Economist. The agreement was all about the creation of International Bank for Reconstruction and Development (IBRD) which was obliged to fast-track the reconstruction of Europe; while the International Monetary Fund (IMF) was to fix problems like balance of payments imbalances, avert financial crisis and also to create conducive system for coordinating exchange rates to help countries to facilitate trade without relying on the gold barrier of standard gold exchange rates. This did not last as expected, national currencies were expected to be pegged against the dollar at a fixed exchange rate; with the dollar anchored on gold at a fixed price of $35 per ounce. Adoption of US dollar as the gold standard gave US more influence in political and economic matters. No wonder US enjoys effective right of veto over certain pivot decisions of the IMF and the World Bank (CBN, 2021).

The quarter century after the creation of Bretton Wood institutions, the world experienced greatest prosperity in human history across the world except in much of Africa and parts of Asia (You, n.d).

1.3.2 International Monetary Fund (IMF)

IMF started formally on December 27, 1945 after its inception at the Bretton Woods Conference of 1944. The institution was originally founded by 44 countries.

The aim and objectives of IMF are as follows:

1. To promote international monetary co-operation through international monetary consultations and collaborations.
2. To bring about an expansion of the economies of member countries.
3. To increase international trade with full employment
4. To achieve exchange rate stability.
5. To remove trade barriers/restrictions
6. To facilitate the settlement of international indebtedness (Ifedayo, 2015:36).

The conditionality, dominance and power in the decision making of IMF caused a lot of atrocities in Africa. For example Muhumed (2016:45) observed that:

To receive loan from IMF, countries must first accept certain macroeconomic conditions and/or adjustments. These macroeconomic adjustments include: reducing budget deficit, devaluating currency, increasing interest rate and reducing domestic credit expansion, and other structural adjustments like making prices free of any control, reducing trade restrictions and privatizing state enterprises.

In addition to the above, CBN (2021:9) asserts that access to IMF Lending Facilities is typically conditional on the recipient country's undertaking certain agreed policy measures and these include:

- Commitment to implementing specific policies and measures aimed at resolving balance of payments problems, as stipulated in the arrangement between the IMF and borrowing country. Adherence to the commitments is used as performance benchmarks.
- Formulation of an economic programme which underlies the arrangement is done by the country, in consultation with the IMF.

Besides lending facilities CBN (2021:10-12) posits that the Fund also provides support programmes and policy initiatives to member countries including Nigeria and African countries. These programmes fall into four broad category: policy advice, technical assistance, training and financial support for policies and programmes, and Nigeria for instance benefits from these initiatives, under the underlisted frameworks:

1. **The Medium-Term Strategy (MTS):** this is aimed at adopting institution to the meet the demands of 21st-century globalisation. It encompasses capacity-building and technical assistance. The MTS put into consideration the significant role played by technical assistance in surveillance and the design of IMF lending programmes, and at the same time in helping rebuild and strengthen institutions in post-conflict countries. MTS in nutshell help in figuring, prioritizing, designing and implementing technical assistance programmes.

2. **Poverty Reduction Strategy Papers (PRSPs):** these are prepared by member countries through a participatory process involving domestic stakeholders as well as development partners, including the World Bank and International Monetary Fund. The first Nigerian programme of this kind focused on rapid and sustainable non-oil growth and poverty reduction which gave birth to National Economic Empowerment and Development Strategy (NEEDS) and many more like the Economic Recovery and Growth Plan (ERGP), and the Nigerian Economic Sustainability Plan (NESP), that embody the Sustainable Development Goals (SDGs). The country receives technical assistance from the IMF in realizing the related SDGs.

3. **Surveillance Activities:** The IMF identifies risks to global and financial stability through the surveillance of national, regional, and global economic developments.

4. **Structural Adjustment Programme (SAP):** This programme was introduced in March 1986 in order to help member countries especially African countries restore and maintain payments viability, through structural reforms so as to achieve high and sustainable growth. For instance, to reverse the worsening

economic fortunes as a result of the collapse of oil price and petroleum output, Nigeria adopted SAP in June 1986 with emphasis on fiscal consolidation, liberalization, and privatization of government-owned enterprises.

5. **Technical Assistance (TA) Projects:** Technical assistance is meant to boost and update the operations of member-nations economic institutions to ensure a better working economy by offering high quality, typical and effective technical assistance and support. It also helps in training staff and designing economic policies necessary for sound macroeconomic and structural policy reforms.

1.3.3 Structural Adjustment Programme (SAP)

Towards the end of 1980s, Sub-Saharan African states faced remarkable problems which involves: high population growth, poor level of investment and savings, inefficient use of resources, weak institutions, and human capacity, and contagion set back in income and standard of living (Heidhues, 2011). In response to the crisis, major international financial institutions and African leaders recommended different remedies so as to reverse the negative impacts of 1970s. The first set of policies put on ground then were Lagos Plan of Action (LPA) of 1980 and the Regional Food Plan for Africa (AFPLAN) which can be traced back to Bandung Conference of 1955; with the aim to build a bourgeois national state in the Third World in order to provide solution to underdevelopment. Countries that implemented the LPA and AFPLAN strategies experienced difficulties in implementing these plans (Heidhues, 2011).

The failure of the LPA and AFPLAN led to the establishment of the latter which was the Structural Adjustment Programmes (SAPs). The policy greatly influenced strategies and programmes for agriculture, nutrition security, food and above all economic development. This policy was a response of WB and the IMF to 1970s African economic crisis which was introduced across Africa in 1980s and continued to operates in 1990s. The Bretton Wood Institutions i.e. WB and the IMF collectively worked together. The role of the IMF in their relationship of responsibility was setting the macroeconomic development and policy agenda, while WB provided structural adjustment lending (Heidhues, 2011). With regards to the impact of SAPs in Africa, Muhumed (2016:43) argued that:

In Africa, the adjustment programs resulted in slow growth, higher poverty, lower incomes, increased debt burdens, low human development indicators and deteriorating social services such as healthcare, water and education. For instance, between 1960 and 1980, GDP per capita of Sub Saharan Africa grew by 36 percent, and then fell by 15 percent between 1980 and 2000. Between 1994 and 2003, the number of people living under the poverty line ($1 a day) increased 75 percent (from 200 million to 350 million). Estimated per capita income in Africa was the same in 1960 and 1990, while it decreased 25 percent in most Sub Saharan countries during the 1980s

As to the impact of SAPs this caused intense debate. The World Bank claimed that "adjustment is working" in countries that lived by its prescriptions especially agriculture and industry. Many studies proved with the exception of Ghana and Uganda, that SAPs had negligible effect on growth in African countries. Some studies also proved that, SAPs brought about growth and reduction of poverty in Africa (Heidhues, 2011).

Since mid-1980s however, IMF ruined the economies of various African states through Structural Adjustment Programmes (SAP). African countries that accommodated conditionality of the adjustment policy the programmes of the Fund and Bank had worse economy than they were adjusted. Countries like Nigeria, Zimbabwe and Kenya are good examples of such experience. SAP virtually abolished all forms of subsidy and privatization of programme led to transfer of public assets to private individuals which resulted to states' loss of revenue (Agbese, 2014).

Albert (2017) put it that the implementation of SAPs led to downsizing of state i.e. partial withdrawal of states from its role of welfarist disposition to rule making and rent collection. According to Albert SAPs conditionalities include downsizing and rationalization of work force, removal of subsidies in major services rendered by state, privatization and commercialization of states owned enterprises, letting market forces to decide price of goods and services. This degenerated to tension and agitation among people especially Africans.

Albert (2017) asserted that the SAPs as implemented in Nigeria in the year 1980s degenerated to conflict between military government and civil society organizations. It also led to the overthrow of two governments. SAPs failed to achieve its designed objectives especially in addressing development challenges in Africa Heidhues (2011). SAPs policies were widely adopted in Africa but their impact in area of economic development, food and nutrition security is debatable. In fact, the policies implemented were poor - only stop-and-go and halfhearted in most countries.

1.4 Summary

This unit examined origin of Bretton Woods Institution (BWI), International Monetary Fund and Structural Adjusment Programme (SAP). The decision making in Bretton Woods Institution that gave birth to IMF and other international institutions were dominated by United States and British. This took place against a backdrop of the weakness of African institutions post-independence, and their policies, aims and objectives were in the favour of the West. The most noticeable impact of IMF and its programme/policies were in reducing budget deficit, devaluating currency, increasing interest rate, reduction of domestic credit expansion, and other structural adjustments like making prices free of any control, reduction of trade restrictions and privatization of state enterprises.

IMF was and is widely criticized by many scholars across the world. The criticism cut across areas and programmes they failed to deliver. These include programmmes on economic growth, education, currency crisis, and poverty and income distribution. There is also a critique that IMF served the interests of the West through their policies and these policies hurt and hindered development generally. The Structural Adjustment Prgrammes imposed by IMF and its counterpart World Bank affected developing countries especially Africa severely. Their imposition of adjustment policies on loans, liberalization of prices; liberalization of trade and shift toward export, and privatization of government sectors had a multifaceted and negative implications on the continent

Self-Assessment Exercise

1. Identify three aims of IMF.

1 What are the major features of SAP in Nigeria?

1.5 References/Further Reading and Web Resources

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1.6 Possible Answers to Self-Assessment Exercises

1. The aim and objectives of IMF are as follows:
   - To promote international monetary co-operation through international monetary consultations and collaborations.
   - To bring about an expansion of the economies of member countries.
   - To increase international trade with full employment
   - To achieve exchange rate stability.
   - To remove trade barriers/restrictions

2. The major features of SAP in Nigeria are
   - Fiscal consolidation
   - Liberalization
   - Privatization of government-owned enterprises.

Unit 2: World Bank

Unit Structure

2.1 Introduction
2.2 Learning Outcomes
2.3 World Bank
2.4 Summary
1.5 References/Further Readings and Web Resources
2.6 Possible Answers to Self-Assessment Exercises

2.1 Introduction

The World Bank was one of the institutions of Bretton Woods which was established to assist in the reconstruction and development of territories of members countries destroyed during the World Wars, promote private foreign investment by means of guarantees and or loan to support such productive investments, etc. Policies of World Bank like its counterpart IMF has not been in favour of the African countries and other developing countries. Therefore, this unit examined World Bank.

2.2 Learning Outcomes

By the end of this unit, you will be able to:

- Examine World Bank, its aims and impacts.
- Know the role of World Bank and IMF in Africa

2.3 World Bank

The International Bank for Reconstruction of Development (IBRD) metamorphosed into the World Bank Group by creating new affiliates such as: IFC in 1956, IDA in 1960, ICSID in 1966 and MIGA in 1988. World Bank's mission was to intermediate between the capital market and the governments in need of finance for reconstruction and development projects (You, n.d). Similarly, for Muhumed (2016), the WB was originally established to provide financial mechanism to rebuild Europe after the Second World War. United States wanted to have direct control over the reconstruction funds which was moved to Marshall Plan. This made the World Bank to shift focus to assist the developing countries. The World Bank provides financial and technical assistance to developing countries. In the aspect of finance, WB provides low-interest loans, zero to low-interest credits and grants. More so, it accelerates and to some extent offers trust-fund partnerships with donors. On the contrary, it provides research and analysis, policy advice and technical support (World Bank 2016; Muhumed, 2016).

The origin of International Bank for Reconstruction and Development (IBRD) can be traced back to 1945. The institution was formed to lend to European countries for rebuilding of their economies affected by World War II and the Great Depression of the 1930s. IBRD was the first multilateral development bank in the world. The bank provides technical assistance to member states for the purpose of developmental programmes through foreign investment, international trade, and long-term finance (CBN, 2021)

By the year 1960 the International Development Association (IDA) was established to play the role of concessional lending or soft loans to the poorest nations. IDA beneficiaries of loans are usually given 10 years of grace, after which they have a maximum of about 40 years to repay the loan. The IBRD and IDA became jointly known as the World Bank. These two are part of the five (5) institutions referred to as the World Bank Group (CBN, 2021).

The other three (3) institutions are the International Finance Corporation (IFC) set up in 1956 to provide sovereign guaranteed loans to the private sector; the International Centre for Settlement of Investment Disputes (ICSID), established in 1966 to assist countries in the arbitration of investment disputes; and the Multi-Lateral Investment Guarantee Agency (MIGA), introduced in 1988 to promote investments in developing countries, by offering guarantees to investors against losses from non-commercial risks (CBN, 2021).

channel loans or guarantees towards more useful and urgent small and large projects for fast development in core areas such as Agriculture, Water supply, Electricity, Mining, Trade etc. Other activities of the IBRD include training, technical assistance, research and its aims and objectives are as follows:

1. To assist in the reconstruction and development of territories of member countries destroyed during the World Wars by facilitating capital investment in productive ventures such countries and in less- development countries.
2. To promote private foreign investment by means of guarantees and or loan to support such productive investments.
3. To promote long-term growth of international trade and maintain equilibrium of Balance of payment in member countries.

4. To arrange and settlement of investment dispute (Ifedayo, 2015:36-37).

As the major bearer of channeling funds from industrialized countries to the poor and non-industrialized countries, the World Bank's focus evolved overtime particularly in the areas of interest, responsibility and activity. Between 1950s and 1960s WB assisted developing countries in the area of infrastructure necessary for industrialization. By the year 1980s it provided policy reform necessary for growth. With the rise in environmental degradation, income inequality and other global issues, the WB focus on fields of environment, poverty reduction, private sector improvement, promoting the role of women in governance and development (Muhumed, 2016; Miller-Adams, 1999).

According to Muhumed (2016) and World Bank (2016) noted that WB's 2030 vision aims at:
1. End extreme poverty by reducing the percentage of people living on less than $1.90 a day to three percent at maximum and
2. Promote shared prosperity by fostering the income growth of the bottom 40 percent for all countries

2.3.1 The Role of World Bank and IMF in Africa

There are many achievements and roles played by Bretton Woods Institutions in Africa. Some of these roles presented from the work by Njiri (n.d) are as follows:

1. **Liberalization of the economy:** World Bank and IMF imposed and pressured Africa between 1980s-1990s to liberalize their economies. For the external looking economy, they advocate for minimal participation of state in the economy, elimination of subsidies, and control, allowing the market forces to determine prices.

2. **Privatization of state corporations:** They also advocate for privatization of economies which was criticized by Africans because of the crucial role government plays in economic development.

3. **Provision of financial assistance to African countries facing the economic effects of pandemics:** pandemics led to numerous problem like massive losses of job, increase in unemployment, decrease in countries productivity, hardship etc. IMF at that point in time offered Africans credit facilities especially those African countries that were affected by pandemic.

4. Building capacity of low income countries in Africa through funding from Poverty Reduction and Growth Trust (PRGT) to boost domestic revenues, manage public finances and monetary policy, and regulate their financial systems.

5. Reducing poverty in Africa through funding from Poverty Reduction and Growth Trust (PRGT) and International Development Association (IDA).

2.4 Summary

This unit examined the origin, aims and objectives and vision of World Bank. The International Bank for Reconstruction of Development (IBRD) which was later metamorphosed into the World Bank plays an intermediary role between the capital market and the governments. The WB which was originally established to provide financial mechanism to rebuild Europe extended helping hand to Africa. The impacts felt through this institution by Western Europe and the Africa are two sides of the same coin. African relations with the WB in the past was not encouraging as discussed in Unit Four. But with WB's 2030 vision, we hope to see better change.

The World Bank's positive impacts are more felt positively in the West than in the African continent. World Bank policies or programmes and the foreign aid rendered to Africans may not be the way out of African economic hardship and stagnation. There is a need for Africans to rise up on their feet and seek for innovative ideas and policies that will pave way forward than depending on World Bank and her Bretton Wood counterparts. Looking at the African condition the aid allotted by WB and other western donors to Africa are contributing factor of her economic condition. Documentaries proved that, no country in the world attains development through foreign aid.

Self-Assessment Exercise

Discuss the roles of World Bank and IMF in Africa.

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2,6 Possible Answers to Self-Assessment Exercises

i. **Liberalization of the economy:** World Bank and IMF imposed and pressured Africa between 1980s-1990s to liberalize their economies. For the external looking economy, they advocated for minimal participation of state in the economy, elimination of subsidies, and control, allowing the market forces to determine prices.

ii. **Privatization of state corporations:** They also advocated for privatization of economies which was criticized by Africans because of the crucial role government plays in economic development.

iii. **Provision of financial assistance to African countries facing the economic effects of pandemics:** pandemics led to numerous problem like massive losses of job, increase in unemployment, decrease in countries productivity, hardship etc. IMF at that point in time offered Africans credit facilities especially those African countries that were affected by pandemic.

iv. **Building capacity of low income countries** in Africa through funding from PRGT to boost domestic revenues, manage public finances and monetary policy, and regulate their financial systems.

v. **Reducing poverty in Africa** through funding from Poverty Reduction and Growth Trust (PRGT) and International Development Association (IDA).

Unit 3 World Trade Organisation

Unit Structure

3.1 Introduction

In this unit, key objectives of World Trade Organization has been outlined. The World Trade Organization like Bretton Wood Institutions counterparts play a significant role in both developed and developing countries and its major functions include to implement trade agreements, provide forum for trade negotiation and resolving trade disputes.

3.2 Learning Outcome

By the end of this unit, you will be able to:

- identify key objectives of WTO

3.3 World Trade Organisation (WTO)

World Trade Organization is located in Lac Leman in Geneva, Switzerland. It is the hub of an international political system under which governments negotiate, enforce, and revise rules to govern their trade policy. The Uruguay Round negotiations which led to the signing in Marrakesh, Morocco on 15 April 1994,and also on l January 1, 1995, brought about government transformation of GATT into the present WTO and assume the role of governing International trade relations (Monineath, 2014).

Herbert (2020:51-52) identified six key objectives of WTO as follows:

(i) setting and enforcing rules for international trade;
(ii) providing forum for negotiation and monitoring of further trade liberalisation,
(iii) resolving trade disputes;
(iv) increasing transparency in the decision-making processes;

(v) enabling cooperate with other major international economic institutions involved in global economic management and

(vi) Providing help to developing countries to take full benefit of the global trading system.

3.4 Summary

The World Trade Organization like Bretton Wood Institutions counterparts play a significant role in both developed and developing countries and its major functions include to implement trade agreements, provide forum for trade negotiation and resolving trade disputes. WTO facilitate the implementation, administration and operation and further the objectives of agreement and Multilateral Trade agreements. The fact remains that, African countries are yet to build sophisticated technology in order to benefit from the stable international trade system that ATO seeks to promote.

Self-Assessment Exercise

Identify six key objectives of WTO.

3.5 References/Further Reading and Web Resources

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3,6 Possible Answers to Self-Assessment Exercises

i. Setting and enforcing rules for international trade;
ii. providing forum for negotiation and monitoring of further trade liberalisation,
iii. resolving trade disputes;
iv. increasing transparency in the decision-making processes;
v. enabling cooperation with other major international economic institutions involved in global economic management and
vi. Providing help to developing countries to gain full benefits of the global trading system.

Unit 4: Impacts Of Bretton Wood Institutions on African Economy

Unit Structure

4.1 Introduction

Objectively speaking, Bretton Wood Institutions have good aims and objectives; but these eventually ended up affecting the member states particularly Africa economy negatively than positively. IMF, WB and WTO proved in their activities to be a clear dichotomy between the rich countries and the poor countries. This is clear in decision making, disbursement of loan, trade relations, and use of power. This unit examined the positive and negative impacts of Bretton Wood Institutions.

4.2 Learning Outcomes

By the end of this unit, you will be able to:

- discuss the mix impacts of Bretton Wood Institutions on African economy.

4.3 Impacts of Bretton Wood Institutions on African Economy

From the thorough review of Ifedayo (2015) Bretton Woods Institutions generally have good aims and objectives. In which some of these impacted positively the economies of the member states while others affected negatively when not properly executed. Some of the states that were negatively affected is as a result of the inequalities in the strengths, opportunities, weaknesses and capabilities of member states. A crucial example of the negative contribution of WB is the gap or dichotomy between the creditor (the advanced member states) and the debtor (the poorer or developing states). The creditor/lender countries dictate the conditions attached to the borrowing while the debtor/borrower states like Africa and its counterparts only live under their mercy and this further worsen economic of Africa.

The modalities of lending by the institutions caused a lot of criticisms and contention among the developed countries who are the major shareholders and the less developed countries who are the victim of borrowing. The WB and IMF are the two giant institutions across the globe obliged with the role of trade and finance. These two institutions force Africa and other least developed countries to open their economies to Western penetration and also increase the exports of primary goods to Western World. This drew a lot of criticisms making many African Scholars see IMF and WB an agents of neo-colonialism and neo-imperialim due to their mode of operations (Makaure, 2015; Ismi, 2004). The IMF and World Bank loans hindered economic growth (Muhumed, 2016; Przeworski, 2000; and Barro, 2003), widened the economic gap between the rich and the poor countries of the world (Gilbert, 2009 and Muhumed, 2016). The global economic instability and the conditioned loans weakened the economic freedom and sovereignty of the borrower countries by imposing policies against their will (Muhumed, 2016).

Makaure (2015) noted that the influence of IMF and the WB over economic policies is an important factor that lags behind Southern African Economic Countries particularly Zimbabwe in the twenty first century. In addition to this, many African states were caged in the trap of dependency to repay their debts. IMF possesses the power to declare countries credit worthy or not. Amidst this, loan approval can only be given when countries dance to their tune by adjusting to the conditionality of Structural Adjustment Program stipulated by International Monetary Fund and World Bank.
Moghalu (2013:9) asserted that:
. . . economic policies enunciated by the Bretton Woods Institutions – The International Monetary Fund, the World Bank, and the World Trade Organization – led to lost decades of development opportunities and outcomes. Structural adjustment and liberalization without the proper foundations as a core condition led to the effective de-industrialization of the continent by weakening the manufacturing sector, increased incomes inequality, and marked drops on average per capita incomes in African countries. Trade liberalization under WTO regimes has not brought benefits. It has removed incomes from tariffs previously available to African countries, and these incomes have not been replaced by effective internal resources mobilization through taxes and other methods.

As of the period of pandemic, many African countries facing the economic challenges of pandemics were assisted. The pandemic hit African economy badly and this had negative impacts on job, health sector, productivity of the countries and many more. Africa economy was bastardized by epidemics like Ebola Virus, HIV/AIDS, Rift Valley Fever, Malaria, Yellow Fever and Covid-19. To address these problems particularly during the Covid-19 pandemic many African countries sought resorted to credit facilities to resuscitate their economies. IMF offered them Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI) (IMF, 2021; Njiri, n.d). Some of these African countries include:

- The Republic of Kenya which was offered a Rapid Credit Facility worth US$ 739 million on 6th May 2020;
- The Republic of Lesotho which was offered a Rapid Financing Instrument worth US$ 32.6 million and a Rapid Credit Facility worth US$ 16.5 million on 29th July 2020;
- The Republic of Liberia which was offered a Rapid Credit Facility worth US$ 49.98 million on 5th June 2020;
- The United Republic of Tanzania which was offered a Rapid Credit Facility and Rapid Financing Instrument worth US$ 567.25 million on 7th September 2021;
- The Republic of Rwanda which was offered a Rapid Credit Facility worth US$ 111.06 million on 11th June 2020 and a Rapid Credit Facility worth US$ 109.4 million on 2nd April 2020 (IMF, 2021; Njiri, n.d).

Despite divergent criticisms of Bretton Woods Institutions' role in Africa, the institutions has contributed to the development of African economy. Some of the major and positive impacts of the Bretton Woods Institutions according to Njiri (n.d) include:

1. The Bretton Woods institutions have contributed to the liberalization of economies of African countries;
2. The Bretton Woods institutions have contributed to the privatization of some of the state corporations in Africa.
3. The Bretton Woods institutions have provided financial assistance to African countries that face the economic effects of pandemics.
4. Reducing poverty in Africa through funding from Poverty Reduction and Growth Trust (PRGT) and International Development Association (IDA).
5. Building capacity of low income countries in Africa through funding from PRGT to boost domestic revenues, manage public finances and monetary policy, and regulate their financial systems etc.

4.4 Summary

In this unit, we noticed the contagion problem Bretton Wood Institutions had on African economy although we cannot debunk the positive impacts they have made. The theoretical aims and objectives of the institutions are quite impressive but the practical implementation of their policies and programmes in Africa is a different story. The Structural Adjustment Programmes of WB and IMF draw a lot of criticisms because of their impacts on African economies. Another point of criticism is rendering of loan which resulted in compounding economic and debt crises in African countries. Their policies and programmes widened the gap between Africa and western world, created economic instability, and weakened economic freedom and sovereignty of African countries.

International Monetary Fund, World Bank and World Trade Organisation play interwoven roles in most instances in Africa. IMF contributed to African economic growth and stability by providing technical support and financing. The WB on the other hand rendered developmental assistance by providing technical and financial assistance. But their negative impacts are much felt than the positive.

Self -ssessment Exercise

Identify the major positives impacts of the Bretton Woods Institutions in Africa

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4.6 Possible Answers to Self-Assessment Exercises

Positive impacts of the Bretton Woods Institutions:

a. The Bretton Woods institutions have contributed to the liberalization of economies of African countries;
b. The Bretton Woods institutions have contributed to the privatization of some of the state corporations in Africa.
c. The Bretton Woods institutions have provided financial assistance to African countries that face the economic effects of pandemics.
d. Reducing poverty in Africa through funding from Poverty Reduction and Growth Trust (PRGT) and International Development Association (IDA).
e. Building capacity of low income countries in Africa through funding from PRGT to boost domestic revenues, manage public finances and monetary policy, and regulate their financial systems etc.

MODULE 4 AFRICAN ECONOMY AMIDST CONTEMPORARY CHALLENGES

INTRODUCTION

Africa's lack of stamina to compete with the rest of the world particularly the highly industrialized capitalist states has cost Africa a lot. Contemporary world surprised Africa with contemporary challenges. For Africa to overcome such surprises then, it has to take extra ordinary steps so as to overcome. These challenges arise as a result of globalization, the rise of Multinational Corporations (MNCs) in Africa, and foreign aid which metamorphosed to debt crisis across the continent. This module examined the issues in the units below for better understanding of Africa's contemporary challenges:

Unit 1 Multinational Corporations (MNCs) and Africa;
Unit 2 Foreign aid;
Unit 3 Debt crisis; and
Unit 4 Africa and the global world.

Unit 1 Multinational Corporations (MNCS) and Africa

Unit Structure

1.1 Introduction
1.2 Learning Outcomes
1.3 Multinational Corporations (MNCS) And Africa
    1.3.1 Origin of Multinational Corporations (MNCs)
    1.3.2 Meaning of Multinational Corporations (MNCs)
    1.3.3 Impacts of Multinational Corperations (MNCs) in Africa
1.4 Summary
1.5 References/Further Readings and Web Resources
1.6 Possible Answers to Self-Assessment Exercises

1.1 Introduction

There is an ongoing argument or debate among scholars regarding the impacts of Multinational Corporations (MNCs) in development of Africa and other developing countries of the world. This debate divides scholars and even policy makers into three categories. The first category argue that MNCs contributes positively to the development of Africa. The second category debunk that by saying the activities of MNCs contributes negatively to the development of African, while the third category are of the view that MNCs contributed both positively and negatively to African economy. This unit examined the origin and meaning of MNCs and the same time the impacts of Multinational Corperations (MNCs) in Africa.

1.2 Learning Outcomes

By the end of this unit, you will be able to:

- discuss Origin of Multinational Corporations
- explain Meaning of Multinational Corporations
- discuss the Impacts of Multinational Corperations

1.3 Multinational Corporations (MNCS) And Africa

1.3.1 Origin of Multinational Corporations (MNCs)

The earliest origin of transnational corporations dates back to the major colonization and imperialist ventures from Western Europe notably England and Holland. This began in the 16th century and proceeded to several hundreds of years. As of that period, British East India Trading Company was formed to promote trading activities or acquisition of territories in the Far East, Africa and America (Ngwu, 2017). Transnational corporation as it is known today did not appear until 19th century with the emergence of industrial capitalism and its consequences such as development of factory system, more capital intensive manufacturing processes, advanced storage techniques, and faster means of transportation (Ngwu, 2017).

As of the period of 1970-2000 the world experienced enormous growth of multinational activities. Record had it that 7,000 MNCs existed in the year 1970, there were as many as 63,000 parent firms with about 690,000 foreign affiliates in year 2000 (Kolodner, 1994; UNCTAD, 2000 and Ngwu, 2017).

1.3.2 Meaning of Multinational Corporations (MNCs)

Multinational corporation (MNC) also known as transnational corporations refer to any registered corporation that operates in more than one country at a time. The corporation generally have headquarters in one country with wholly or partially owned subsidiaries operating in other countries (Ngwu, 2017). Multinational Corporations (MNCs) are segment of non-state actors in the international system that plays a crucial role. Multinational Corporations (MNCs) are sometime use interchangeably with Transnational Corporations (TNCs). MNC's refers to national companies that have foreign subsidiaries. Simply put they are clones of the parent company. TNC's on the other hand have a local perspective in regard to service, public relations, sales, and legal affairs but have global phase when it comes to parts, planning, machines, research and development, finance, marketing, pricing and management (Okeke, 2015).

More so, MNCs are foreign private enterprises with their parent companies or headquarters at home countries. MNCs also usually have subsidiaries spread across different parts of the world. Subsidiaries' management and operation are directly from the headquarters which is located in the home countries. Some of the example of MNCs in Nigeria are: Chevron, Shell Petroleum, UAC, LG, Toyota, Kia, Nokia, SAMSUNG, Thermocool, Standard Chartered IBTC, MTN and many more (Okeke, 2015).

Dunning (1992) in Ngwu (2017) see multinational corporations as an enterprise that engage in foreign direct investment (FDI) which owns or controls value added activities in more than one country. Dunning identified ways of assessing degree of multinationality of a specific firm as follow:

(1) They have many foreign affiliates and subsidiaries in foreign countries;
(2) They operates in a wide variety of countries around the globe;
(3) The proportion of assets, revenues, or profits is high;
(4) Their employees, stockholders, owners, and managers are from many different countries;
(5) Their overseas operations are much more ambitious than just sales offices, including a full range of manufacturing and research and development activities (Dunning 1992 cited in Ngwu 2017:226-227).

1.3.3 Impacts of Multinational Corperations (MNCs) in Africa

Ogbaji (2010:82) consider MNC'S as the "major agents or the frontiers of Contemporary Imperialism". He further added that asserts that MNCS play the role of anti development in the developing countries. MNCs have been operating in host (developing) countries for long periods of time yet their impact is not substantial compare to the degree of their exploitation. This shows the harm they do to developing economies as well as the well-being of their own home economy. Kapfer (2006) observed that MNCs are often seen as predators in Africa as they strive to achieve their self-interested ambitions by penetrating and securing "effective economic and political dominance" over the less developed state (Walters 1972).

Okeke (2015) put it that MNCs have been found wanting in Africa because of many atrocities contributing directly or indirectly to Africa underdevelopment. It was discovered that, MNCs secretly engage in Child labour. Similarly, they usually site their subsidiary plant in more populated countries where there is cheap labour and mostly under pay the workers. And after producing goods, they export them to other countries with high price.

Onimode in Ogbaji (2010:82) further unveiled the extreme devastation and catastrophe caused by MNCs on the economies of Third World countries particularly Nigeria:

… Ownership and control of enterprises in Nigeria, the surplus transfer associated with this, the technological castration of the country, structural distortions of the economy, the neo-colonial class structure cultivated by the multinationals their politics of instability, cultural domination …

Kapfer (2006) asserts that MNCs have sophisticated technology that give them more advantage over the local or domestic firms which allowed MNCs to dominate local markets and reap considerable profits.

MNCs relationship with state can lead to conflict because, MNCs operate independently of states and state policies. We can say that, MNCs act is a threat and at the same time a challenge to national sovereignty because it possess certain amount of power (Walters 1972; Kapfer, 2006).

Another thing Africans have against MNCs is in the aspect of employment. For instance when they employ Africans they pay them less compare to their foreign counterparts either in host country or home country. For example a Nigerian manager working with Chevron collecting 400 thousand naira for his monthly salary, a foreign manager with even less qualification may be earning 20 thousand dollars monthly. Comparatively, the foreign manager earn higher than Nigerian (Okeke, 2015). In addition to the above critique Ogbaji (2010:82-83) further observed that:

. . . the strange and unequal relationship engendered and sustained by the MNC'S in their host countries and the Third World at large, has worked to the effect of perpetuating, mass poverty, rural decay, urban crimes, and slums which are all manifestations of the impacts of Imperialist-pillage, the widening unequal development between Nigeria (the exploited developing nations) and her (their) imperialist exploiters.

The outcome of this massive exploitation of resources by capitalist states is the huge imports of consumer and other goods, also resulting consequently to high indebtedness of these countries presently (Ogbaji, 2010).

Other consequences of MNCs operating in developing countries:

(a) The interest of these companies is not tied with the nation they are operating. They are therefore not in a position to assist these nations in solving their economic problems.
(b) They encourage more of commercial activities than productive activities. Therefore third world countries are turned into trading output.
(c) They discourage local production activities
(d) They blackmail government into giving them concession enabling them to repatriate huge sums of profits.
(e) The money made from host nations are not used to develop them
(f) They shift and take control of the more profitable sector of the economy like petroleum.
(g) They compound the developmental problems of third world countries by sending them over-priced obsolete equipment like vehicles, computers etc.
(h) They retard the progressive government of third world countries through blackmail and sabotage.
(i) They engage in monopolistic capitalism e.g. Coca-Cola Company that do not want any other foreign or indigenous soft drink company in African nations where they operate.
(j) They encourage members of host countries to patronise their products in lieu of indigenous products which they brand inferior.
(k) They encourage privatization of indigenous enterprises and buy the larger shares in such privatised enterprises (Clark 2010 and Chukwuemeka, 2010: 104).

Onimode in Ogbaji (2010:82) critically put it that:

The MNCS are the most active catalysts of foreign monopoly capitalism, whose domination of the Nigerian economy constitutes the basic generating cause of underdevelopment … From their hey-days as the economic conduits of British colonialism to their current neo-colonial role as the purveyors of multilateral imperialism, the MNC’S in Nigeria, is elsewhere in the third world, have relentlessly nurtured some of the worst abuses of dependency exploitation and backwardness.

MNCs contribute significantly to their home countries development through loyalty, taxes and revenue. They also provide employment to the indigenes of their host communities. Indigenes of were MNCs are operating usually get employment in the companies. This help in reducing unemployment. MNCs also help in road constructions, building of schools, electricity, hospitals and many others (Okeke, 2015).

1.4 Summary

This segment examined the origin and meaning of Multinational Corporations (MNCs), and its impact in Africa. We realized that MNCs have sophisticated technology that give them more advantage over the local or domestic firms which help them to dominate local markets and reap considerable profits. They take control of the more profitable sectors of the economy like petroleum. Not only that MNCs discourage local production activities. All these acts displayed and still being practiced by MNCs cannot be favorable to African economy.
Multinational Corporation (MNC) also known as transnational corporations have been operating in developing countries for long periods of time yet their impact is yet to be felt. In fact the surplus gain from developing countries are not used to develop such places but rather their home countries. They operate as predators in African countries through which they achieve their self-interested ambitions by penetrating and securing effective economic and political dominance. MNCs contributes a lot to their host countries development through loyalty, taxes and revenue. Another ill act of MNCs is that, they encourage privatization of indigenous enterprises and buy the larger shares. More so, they usually site their subsidiary plants in more populated countries where there is cheap labour and mostly under pay the workers.

Self-Assessment Exercise

1. What are the consequences of MNCs operating in developing countries?

1.5 References/Further Readings and Web Resources

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1.6 Possible Answers to Self-Assessment Exercises

(a) The interest of these companies is not tied with the host countries. They are therefore not in a position to assist these nations in solving their economic problems.

(b) They encourage more of commercial activities than productive activities. Therefore third world countries are turned into trading outputs.

(c) They discourage local production activities.

(d) They blackmail government into giving them concession enabling them to repatriate huge sums of profits.

(e) The money made from host nations are not used to develop them.

(f) They shift and take control of the more profitable sectors of the economy like petroleum.

(g) They compound the developmental problems of Third world countries by sending them over-priced obsolete equipment like vehicles, computers etc.

(h) They retard the progressive government of third world countries through blackmail and sabotage.

(i) They engage in monopolistic capitalism e.g. Coca-Cola Company that do not want any other foreign or indigenous soft drink company in African nations where they operate.

(j) They encourage members of host countries to patronise their products in lieu of indigenous products which they brand inferior.

(k) They encourage privatization of indigenous enterprises and buy he larger shares in such privatised enterprises

Unit 2: Foreign Aid

Unit Structure

2.1 Introduction

Foreign aid is a topic of debate among scholars across the globe because of the mixed outcome. Some see it as a tool used to dictate the affairs of Africa by the West and giant international institutions like IMF and WB while others see it as an assistance rendered to the country in need for developmental purposes. Foreign aid meant for development of needy countries sometimes tend to be more deadly than insecurity in Africa because of the negative implications it has over the continent.

2.2 Learning Outcome

By the end of this unit, you will be able to:

- explain foreign aid thoroughly and how it has affected the African economy.

2.3 Foreign Aid

Dependency theorists consider foreign aid or debt as neo phase of economic dependency, because the developing countries must follow the dictates of western capitalist countries and institutions that give them loans or capital (Gillani, 2021). Foreign aid is an important tool of dependency which Africa need to break out from. In its economic relations with the rest of the world, Africa was and is tied down with what I called trap of economic dependency. Available statistics prove that, more than half of the African population at the dawn of the 21st century live on less than US $1 per day. Child mortality rate below five years of age is 140 per 1000. The life expectancy of birth was 54 years. Only approximately 58 percent of the African population have access to safe water and with 41 percent of the people above 15 years as the rate of illiteracy. Africa contributes 1 percent of the global trade though with business done outside the continent than within. Most of the sub-Saharan countries rely on foreign aid to make over 50 percent of their annual national budget (Audu, 2020).

Poverty and Africa's state of backwardness is in contrast with enormous prosperity of the Advanced Capitalist Countries. Africa is indisputably the resource base of the global community yet the poorest (Audu, 2020). White (1974) in Ali (:107) defines aid as:
any transfer of resources from rich countries to poor countries which the former choose to call "aid", i.e. any transfer the effectiveness of which is publicly assessed, though perhaps hypocritically assessed, in terms of the benefit to the recipient.

Foreign aid is a help rendered to any country in need by another country or international aid agencies. This can be material and immaterial financial help. Foreign support is provided in different ways for different purposes. The reason can be to clear financial subsidies, concessional loans and some shared technical expertise. One of the institution that handle aid is World Bank. The reason behind the aid could be to reduce poverty through economic development, it could also mean to promote democratic governance, human rights and so on (Audu, 2020).

Similarly, foreign assistance is in different forms as seen above. It can be financial assistance, material (food, medicines, building materials, weapons, etc.) or human assistance (such as; medical doctors, rescuers, lawyers, engineers, etc) from a donor country to a recipient country in need. Most of the developed countries has an aid agency established to render help to the poor countries like that of Africa (Audu, 2020).

The chief instrument that underdeveloped Africa as a continent is foreign aid. For several decades now, billions of dollars were allotted to Africa as development assistance by Western countries and other international development financial institutions yet all failed to make positive developmental impacts. In fact, many aid dependent African countries are worse today than they were a half-century ago (Moghalu, 2013). Similarly, Moyo (2009) in Muhumed (2016:43) that:

More than US$2 trillion of foreign aid has been transferred from rich countries to poor over the past fifty years Africa the biggest recipient, by far. Yet regardless of the motivation for aid giving economic, political or moral- aid has failed to deliver the promise of sustainable economic growth and poverty reduction. At every turn of the development tale of the last five decades, policymakers have chosen to maintain the status quo and furnish Africa with more aid.

From the work of Moghalu (2013) I tried to identify certain realities about foreign aid that are necessary to understand and these include:

1. Many fail to understand that foreign aid may not necessarily pull out poor countries out of poverty. If Africa economy has not witnessed development and also an end in poverty after approximately seven decades of foreign aid it means hope of economic development is not external but internally motivated.
2. Aid is an instrument for projecting worldviews-of soft power, domination and influence. Donors of aid particularly developed country assistance (also known as bilateral aid) and international institutions (known as multilateral aid), provide such an assistance to recipient states in order to promote certain geopolitical or economic self-interests so as to have influence on domestic policies, obtain commercial benefit, spread pet ideologies, and also obtain diplomatic support from such countries in international conferences.
3. It is also important to note that, aid always has strings attached to it. The condition can be written or unwritten and such constrain the freedom of choice and action of the recipient states. In most cases foreign aid is all about giving with right hand and taken back with left hand.
4. Foreign aid as for the international institutions and global charities is a business model therefore aid to poor countries is the matter of sustaining institutional and career.

Concern Worldwide US (2022) stated that United States in the year 2021 budgeted $38 billion purposely for foreign aid spending. As of this report US disbursed over $32 billion. About 25% of that budget has gone to just ten countries:

1. Ethiopia ($1.13 billion)
2. Jordan ($1.03 billion)
3. Afghanistan ($860 million)
4. South Sudan ($821 million)
5. Congo ($814 million)
6. Yemen ($814 million)
7. Nigeria ($803 million)
8. Syria ($774 million)
9. Sudan ($488 million)
10. Somalia ($475 million)

Melesse (2021) asserts that, many African countries still depend heavily on foreign aid. Research has proven that foreign aid has failed woefully to deliver sustainable economic growth and poverty reduction target across Africa. More than 75% of the world’s poor populace live in Africa today. The figure as of 1970 was 10%. By forecasts suggestion it could increase to 90% by 2030

Foreign aid is not a problem by itself, but what limits its ability of positively impacting the continent is corruption, misallocation of resources, and bad governance. South Korea's Ambassador to South Africa once said, aid becomes ineffective where there is bad governance, and unnecessary where there is good governance (Melesse, 2021).

Zambian economist Dambisa Moyo in 2009 challenged many speculations about aid in her book, *Dead Aid*. According to her, aid has not only failed to achieve its purpose but had also compounded Africa's problems (Melesse, 2021).

2.4 Summary

In this unit, we learned about foreign aid and its impacts on Africa. Foreign aid is not the way forward for Africa because it a tool of dependency. In economic relation, the receiver is a subject to the giver who can have either direct or indirect influence over the receiver. Foreign aid may not necessarily mean to assist or help the poor countries but a means to the end motive. Through aid, donors exercise soft power over the receivers i.e. the developing countries. With all the aids received in Africa no substantial development is visible. It is more of a curse than blessing.

One detestable thing about aid is the strings attached to it. Such constrain the freedom of choice and action of the recipient states. . In most instances, foreign aid is like giving with right hand and taking back with left hand. Aid to poor countries is the matter of sustaining domination and control.

Self-Assessment Exercise

What do you understand by foreign aid?

2.5 References/Further Reading and Web Resources

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2,6 Possible Answers to SAE

Aid refers to any transfer of resources from rich countries to poor countries which the former choose to call “aid” of which is publicly assessed, though perhaps hypocritically assessed, in terms of the benefit to the recipient.

Unit 3: Debt Crisis

Unit Structure

3.1 Introduction

Debt is a vehicle through which the developed capitalist countries and their counterpart international financial institutions like the IMF, WB and private commercial banks siphon billions of dollars from African countries through debt servicing. Debt crisis makes development very difficult in developing countries especially Africa. They are trapped down by debt (debt peonage) to the extent that almost all their foreign exchange are spent on debt servicing. For better understanding, this unit examined debt crisis and its impact on Africa.

3.2 Learning Outcomes

By the end of this unit, you will be able to:

- discuss Foreign debt and
- identify the impact of debt crisis in Africa.

3.3 Debt Crisis

Foreign debt or external debt is the sum of debt/capital a country owes to its creditors outside the country. This was often argued by many analysts that foreign debt has a significant indirect impact on poverty, that is because of the enormous resources the underdeveloped countries devote for debt payment instead of to education and health (Gillani, 2021). Many African states after their decolonization felt the need to improve their national income, but there was no entrepreneurship and capital to enhance that. To achieve this, African states exploited their resources which needed huge amounts of capital. This made them turn to the developed countries of the West to borrow capital. Their failure to pay back the borrowed capital and pay for its services landed Africa into a severe cycle of indebtedness known as debt crisis (Dawelbait, 2015).

Debt crisis is a condition in which the large sum of debts owed by certain individuals, organizations or countries become unbearable or threaten to overwhelm them and they are unable to service their debts which may end up destabilizing the stability of larger structures (Dawelbait, 2015).

Agbese (2014:7) asserts that:
The neo-colonial control of the African economy by the West is maintained through the instrumentalities of aid, debt, foreign investment and trade. Aid serves two major interlocking purposes: first, aid is a form of compensation provided by the Western capitalist countries for their puppet regimes in Africa to protect and sustain their narrow economic, political and strategic interests and; second, is to provide financial and economic strength to enable pliant African Regimes survive minimally.

Debt according to Agbese (2014) is a designed vehicle through which the developed capitalist countries and their counterpart international financial institutions like the IMF, WB and private commercial banks siphoned billions of dollars from African countries through debt servicing. At various intervals, indebted African countries pay the interest on the debt incurred and not the principal, compounding the inability of indebted African states to repay.

3.3.1 Factors that led to African Debt Crisis

Variety of factors led to African debt crisis. The major factor is over borrowing. Sub-Saharan Africa experienced a drastic increase in external debt burdens. The aggregate debt have risen from US$6 billion in the year 1970 to US$126 billion in year end of 1987 and also with short-term debt of US$7 billion. The debt service payments increased from US$1 billion in 1970 to US$9 billion in 1987 (Greene, 1990). In addition to this, Ismi 2004 cited in Muhumed (2016:43) that:

The debt crisis in the 1980s gave Washington the opportunity to "blast open" and fully subordinate Third World economies through World Bank-IMF structural adjustment programs (SAPs). Starting in 1980, developing countries were unable to pay back loans taken from Western commercial banks which had gone on a huge lending binge to Third World governments during the mid to late1970s when rising oil prices had filled up their coffers with petro-dollars. The World Bank and the

IMF imposed SAPs on developing countries who needed to borrow money to service their debts. The World Bank's SAPs, first instituted in1980, enforced privatization of industries (including necessities such as healthcare and water), cuts in government spending and imposition of user fees, liberalizing of capital markets (which leads to unstable trading in currencies) market based pricing (which tends to raise the cost of basic goods) higher interest rates and trade liberalization. SAPs evolved to cover more and more areas of domestic policy, not only fiscal, monetary and trade policy but also labor laws, health care, environmental regulations, civil service requirements, energy policy and government procurement.

Debt crisis makes development very difficult in developing countries. They are trapped down by debt to the extent that almost all their foreign exchange are spend on debt service. Between the period of 1970 and 1992 developing countries' debt external debt rose from $68.4 billion to just under $2trillion, this skyrocketed more than 2,000%. The debt crisis has negative consequence on the economy of Africa and other developing countries (Audu, 2020).

Debt crisis in African became worse within the time frame when external debt to gross domestic in Sub-Saharan product ratio skyrocketed from 51% in the year 1982 to 100% in 1992, and its debt grew four times its export income in the early year of 1990s. As at 1998, sub-Saharan Africa's debt stock was estimated to be $236 billion, and that of the entire African continent was over $300 billion. This made Africa's debt burden twice of any other region in the world. Africa carries 11% of the developing world's debt, with only 5% of its income. GNP in sub-Saharan Africa is $308 per capita, while external debt stands at $365 per capita (Dawelbait, 2015).

Apart from other factors, foreign debt further compounded development crisis in developing countries. Ghali (1992) in describing the nature of African external debt, posited that it is a millstone around the neck of Africa and this creates difficulty in the recovery and development of their economy as for many African countries, multilateral debt servicing is very large, unbearable and burdensome, this fear away domestic and foreign investors (Audu, 2020).

African countries' debt during pandemic collectively rose to US$625 billion. With Africa inclusive, countries around the world during pandemic spent a lot of money in 2020 to curtail health and economic disaster caused by the coronavirus. Though even before the pandemic, African countries were nearing to the limit of their spending. In spite of the existing strain, debt across Africa increased to US$45 billion or by

8% in 2020. Twenty-one countries in Africa are either bankrupt or at high risk of going bankrupt (Robertson, 2021).

Robertson (2021) further added that Africa's debt payments will remain high. Africa was expected to pay the sum of US$69 billion in 2021 for debt repayments, with amount of US$185 billion due between the year 2022 and 2024. Foreign debt payments were 15.5% of Africa's exports in 2020 — up from 11.7% in 2019 and three times the 5.3% in 2011.

3.3.2 Impact of Debt Crisis in Africa

Dawelbait (2015:27) highlight some of the impact of debt crisis in Africa as follows:

1- The drastic rise in debt services undermined developing countries hard currencies, crippled developing countries' economic and social programs.
2- Rise of external debt services leads to increasing the ratio of debt to gross domestic product. This ratio reach 38.40 % in 1987 compared to 15.8% in 1970.
3- Increase in the ratio of debt to gross domestic product explains the extent to which the developing countries depend on external debt to solve their economic problems.
4- All this these lead developing countries to deploy a disproportionate ratio of their national income to pay for external debt.
5- Debt crisis affect children. The Progress of Nations, 1999 report by UNICEF, suggests that debt is killing children. It is pointed out that as countries are diverting resources away from social provisions to repay debt; those most affected are the poor, especially women and children. UNICEF's 2000 report says 30,000 children die each day due to poverty. That is just under 11 million children each year.

While blaming developed countries for our crisis, it is important to also examine the efforts they put in place to come to Africa's rescue. It is so sad that the aid or loan usually given to Africa are not most of the time put into the project intended. Political leaders end up siphoning the money into their private pockets. No wander Easterly (2005:3) noted that:

….. this is the tragedy in which the West has spent $568 billion on foreign aid to Africa over the past four decades and has still not managed to get 12-cent medicines to children to prevent half of all malaria deaths; The West has spent $568 billion on foreign aid to Africa and still has not gotten $4 bed nets to people to prevent malaria. The West has spent $568 billion on foreign aid to Africa and still has not got around to spending the $3 per new mother that would prevent millions of child deaths.

With all the blame we pour on the West, it will also be extremely good to condemn the acts of our political leaders who are responsible of the capital allocated for development. They know nothing about patriotism and national responsibilities. They end up investing such capital given in their self-centered businesses or divert to their private account instead of executing on national projects for public good; sinking the countries of Arica into severe debt crisis zone.

3.4 Summary

The inability of a state or any borrower to pay back the sum of financial assistance borrowed lead to debt crisis. Debt is a means of extending dependency control of developing countries on the Western industrialized countries. Debt makes development impossible for the recipient states who end up servicing the debt with huge amount or enormous resources. The large amount of debt on most of the African countries threaten to overwhelm them. The debt compounded development crisis and trapped down the economy to the extent that almost all their foreign exchange are spent on debt service. Such has negative consequences on the African economy.

Drastic rise in debt services and crisis led to devaluation of African currencies and also undermined economic development. This has crippled hard currencies and stagnate development of Africans economy and social programs. The consequences of debt lies more on poor citizens especially children and women.

Self-Assessment Exercise

1. outline the impact of debt crisis on Africa.

3.5 References/Further Readings and Web Resources

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3.6 Possible Answer to SAE

a) The drastic rise in debt services undermined developing countries hard currencies, crippled developing countries' economic and social programs.

b) Rise of external debt services leads to increasing the ratio of debt to gross domestic product. This ratio reach 38.40 % in 1987 compared to 15.8% in 1970.

c) Increase in the ratio of debt to gross domestic product explains the extent to which the developing countries depend on external debt to solve their economic problems.

d) This led to developing countries transforming a significant ratio of their national income to paying external debts.

Unit 4 Africa and the Global World

Unit Structure

4.1 Introduction
4.2 Learning Outcomes
4.3 Africa and the Global World
 4.3.1 What is Globalization?
 4.3.2 Dimensions of globalization
 4.3.3 Impact of globalization in Africa
4.4 Summary
4.5 References/Further Readings and Web Resources
4.6 Possible Answers to Self-Assessment Exercises

4.1 Introduction

Globalization implies a borderless society; a world of inter-connectedness, interrelatedness and interdependences. In this era of globalization, only the strongest (Advanced World) enjoy the benefits that come with the era. The role of sovereignty here is null and void. For people carry out economic transactions across the borders of the state without barriers or limitations of earlier border challenges. Globalization has different dimensions like; economic, political and socio-cultural. The technologically advanced countries like Western Europe impose their domination via all these. The fact remains that, only the countries with sophisticated advanced technology can meet up with the challenges of the era. This unit examined globalization as a concept, the dimensions of globalization and the impacts of globalization in Africa.

4.2 Learning Outcomes

By the end of this unit, you will be able to:

- Have a better understanding of Globalization;
- Understand different dimensions of globalization; and
- Discuss the Impact of globalization in Africa.

4.3 Africa and The Global World

4.3.1 What is Globalization?

Moghalu (2013:8) sees globalization as:
….. the process of increased interconnectedness of the economies of previously well demarcated nation states; the phenomenon of the instant transmission of ideas, events and culture over long distance through the instrumentality of technology, and the impact of these processes on local environments. It closes the gap of distances between nations and peoples, and create a perception of the decline of sovereignty to the extent that sovereign states are increasingly less able to control global commercial and financial flows or to censor the information available to their citizens.

According to Jacob (2007) in Audu (2020:61), sees globalisation as the "creation of a united global market and global division of labour in international arena". Globalization becomes more successful because of the trade and information technology. More so, agencies like IMF, WB, and WTO fastened the process and the state where it is today. Jacob (2007) discussed two agents or instruments of globalization and these are trade and Information Technology. Trade according to him remains the major propelling force behind economic integration across the world. This resulted in expansion of world economy or opening of new markets. This was the factor that engendered contradiction in the capitalist system that led to imperialism and later colonialism (Audu, 2020). While information technology is the reason behind the world drastic change in social, political, economic and technological spheres, particularly the use of computer. The advancement in information technology enhanced the information transmission and business transaction across the world (Audu, 2020).

4.3.2 Dimensions of globalization

Johari (2012) discussed the three dimensions of globalization and these are: economic, socio-cultural and political.

Economic Dimension: this dimension mainly deal with economic affairs, and it is a process of deepening economic relations or integration; with increase in economic openness and growing economic interdependence among countries across the world in the world economy. This shapes the dimension of relation be it production, investment, trade, finance or technology (Johari, 2012).

Socio-cultural Dimension: this dimension of globalization has to do with the process where information, communication and images, produced in one part of the world penetrates through global flow that tends to neutralize cultural differences between countries and individuals across the world (Johari, 2012). The impact of this is seeing today in our mode of dressing, language, what we eat and so on.

Political dimension: this dimension of globalization advocates for the universalization of the democratic system. Political globalization manifests in the growing significance of international organizations like; United Nations, Interenational Labour Organisation, International Monetary Fund, World Bank, World Trade Organisation etc. (Johari, 2012).

4.3.3 Impact of globalization in Africa

Globalization has both positive and negative impacts on African economy. It has led to positive innovation. On the positive aspect as seen by Johari (2012) globalization shift the pace and patterns of the developed and developing countries of the world. This can be seen in the qualitative removal of trade restrictions and tariffs, reduction of tariffs, drastic change in patent regimes and at the same time in the areas of investment patters, rules guiding dumping and anti-dumping measures, adoption of safe guard etc. Ogbaji (2010) posits that globalization contributed positively in the areas of sharing of basic knowledge, technology, modern investments, resources, and ethical values.

On the negative aspect, globalization according to Adamu (2017) has negative, disruptive and marginalizing aspect. The opening of Africa borders led to the decline and decay of national industries and enterprises. The reason lies in the activities of multinational companies which renders domestic industries inferior and incompetents. Not only this, globalization induced into African societies illicit in drugs, pornography, prostitution, and human trafficking and in fact national cultural identities are under threat. According to Johari (2012:739) "globalization as a process of trade and unbridled flow of trade, investment, technology, information and culture across territorial borders, has enabled the industrialized countries to control the destinies of the poor and backward countries of the world".

Adamu (2017) in respect to ecological degradation, Africans witnessed serious trades, dumping of harmful waste and environment depletion by the activities of MNCs. The activities of MNCs affected the productivity of agricultural products in Africa continent. Most of these corporations ignored their sole responsibilities of poor waste management, gasflaring, youth restiveness and so on. Adamu added that, globalization made our local product fake, sub-standard, inferior and without international recognition. Globalization policies aim towards subordinating African product with the purpose of devaluating African currencies making it more dependent

Johari (2012) globalization has been to the advantage of industrialized countries but at the detriment of the developing countries like Africa and its counterparts across the world. It has resulted to a lot of harm to the poor, backward and underdeveloped countries devoid of resources and technology. Johari added that, poor countries find it difficult to compete with industrialized countries in the international market.

Economic dimension of globalization has hurt Africa. The opening up of African countries to international farces without adequate preparation internally had limited and over-weighed the continent in engagement with economic globalization. The economic policies implemented by Bretton Wood Institutions resulted to lost decades of development opportunities and outcomes (Moghalu, 2013). Moghalu added that trade liberalization enunciated by WTO left Africa is the disadvantaged side for that did not bring any good to Africa. It removed incomes from tariffs previously benefited by African countries and no internal replacement was done to generate income. Ogbaji (2010) noticed that globalization among the negative impacts led to the spread of spread of diseases, illicit drugs, increase in crime, terrorism, and illegal or uncontrolled migration.

The IMF and the World Bank as agents of globalization usually impose certain conditions when disbursing loans to African countries. One of these conditions is structural adjustment programmes. These programmes constitute the detailed instructions on what countries need to do, to bring their economies under control. The programmes build on neoliberalism. This is aimed towards promoting free markets involving the privatization, deregulation and trade liberalization (Ogbaji, 2010).
Albert (2017) posits that the proliferation of MNCs and TNCs particularly in the gas sectors and their production in order to meet up with global demand has led to unprecedented risk to both lives and properties. Albert added that globalization caused environmental damage largely through industrial production such as: depletion of ozone layer, greenhouse effect, and in Nigeria activities of oil companies breeds conflict among citizens, making soil, water and vegetation unuseful. He added that, oil spillage and leakage caused by exploratory activities of firms, bunkering and vandalisation of pipelines led to pollution of drinking water, disruption of farm lands and fishing.

4.4 Summary

This Unit examined the phenomenon of globalization, its dimensions and impact on Africa. Globalisation does not know borders therefore, developing countries need to strategize to meet up with the trend if not, blame and excuses will remain the order of the day. The strategizing has to do with self-driven and internally motivated development. Johari (2012:736) said “globalization is a game between the gainers and the losers”. Globalisation is the creation of international market with more populated losers (the periphery) and least gainers (the core). Globalization is a superlative means of penetrating independent states without restriction. Under era of globalization, we can say that the world is divided into two; the technologically advanced and technologically poor. The technologically advanced tend to be the celebrated while those with poor technology are the spectators in the world economic market. Indeed, we can say that, the present state of the African economy is as a result of globalization.

Self-Assessment Exercise

Discuss both the positive and negative impacts of globalization on Africa.

4.5 References/Further Readings and Web Resources

Adamu A (2017). African Political Economy and the Quest for Free Market: Challenges and Prospects. *Review of Public Administration Management* 5: 221. doi:10.4172/2315-7844.1000221.

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Johari, J. C. (2012). *Contemporary Political Theory: New Dimensions, Basic Concepts and Major Trends*. New Delhi: Sterling Publishers.

Moghalu, K. C. (2013). *Emerging Africa. How the Global Economy's Last Frontier' can Prosper and Matter*. Ibadan Nigeria

Ogbaji,U. and Ajie, O. (2010). *Imperialism in Africa: Politics of Development and Underdevelopment*. Awka: Sintax

4.6 Possible Answers to Self-Assessment Exercises

Impact of globalization in Africa

On the positive aspect

The positives include: the qualitative removal of trade restrictions and tariffs, reduction of tariffs, drastic change in patent regimes and at the same time in the areas of investment patters, rules guiding dumping and anti-dumping measures, adoption of safe guard. Globalization contributed positively in the areas of sharing of basic knowledge, technology, modern investments, resources, and ethical values.

On the negative aspect

Globalization has negative, disruptive and marginalizing aspect. The opening of African borders led to the decline and decay of national industries and enterprises. The reason lies in the activities of multinational companies which renders domestic industries inferior and incompetents. Globalization facilitates shipping of illicit in drugs, pornography, prostitution, and human trafficking to Africa. National cultural identities are under threat.

MODULE 5: ECONOMIC INTEGRATION IN AFRICA

INTRODUCTION

Economic integration is odious but it appears to be an emergency. It has become increasingly clear that further delay to integrate economically might lead to extinction of Africans in the face of mounting poverty, hunger, diseases and general crises of development. The quest for African integration began in earnest since the establishment of the OAU in 1963. The static inter-governmental organization had an over-arching mandate for the liberation of the continent. By 1999 OAU had began to wind down, the year 2000 saw a new union called the AU, while in 2002 the AU plan was completed in Durban Summit. This module discusses economic integration within four main units as follows:

Unit 1: Meaning and levels of Economic integration
Unit 2: Rationale for economic integration in Africa
Unit 3: Sub-regional experiences of Economic Integration in African
Unit 4: Hindrances to African Economic integration

Unit 1: Meaning And Levels Of Economic Integration

Unit Structure

1.1 Introduction
1.2 Learning Outcomes
1.3 Meaning and Levels Of Economic Integration
 1.3.1 Meaning of Economic Integration
 1.3.2 Levels of Economic integration
1.4 Summary
1.5 References/Further Readings and Web Resources
1.6 Possible Answers to Self-Assessment Exercises

1.1 Introduction

Since the unification of few North American States in the 18th Century began to translate into political and economic strength for United States of America, other regions of the World began to favour regionalism. The European Union, African Union and Asian league all emerged because of the relative political stability and attendant economic growth that flows from regional integration. The end of World War II had ignited new zeal among states for regional unions. In fact, the number of regional groups a state belongs to determines the relevance of such state in the Cold War and Post Cold War era.

1.2 Learning Outcomes

By the end of this Unit, the students will be able to:

- explain the meaning of economic integration
- discuss the four levels of economic integration

1.3 Meaning and Levels of Economic Integration

1.3.1 Meaning of Economic Integration

Economic integration refers to the combination of several national economies into a larger territorial unit. It involves the elimination of economic boarders (obstacle which limits the movement of goods and services) at national, regional or international levels. In fact, economic integration through agreements seeks to eliminate ridiculous tariffs, import quotas, establish common tariffs and quotas, allow free flow of goods and services, harmonize competition, and economic policies.

One of the fundamental factors that has affected the character and pace of economic integration is improvement in the technology of transportation and communication- This reduced the costs of transporting goods, services, and other factors of production; the changing tastes of individuals and societies taking advantage of the opportunities provided by declining costs of transportation and communication through increasing economic integration and public policies (Mussa, 2000).

In the modern era, industrial capitalism emphasized the importance of socialization of production and need for acquisition of colonies as ready markets. This justified the imperial actions of integrating African, Latin American and Asian economies into the economy of Western Europe in the 19th and 20th centuries. Offiong (1980:53) observed that:

> …more than 60 million people have been killed in wars generated by imperialism. As many as 110 million people have been crippled, tens of addition millions have died of diseases and epidemics all generated by wars of imperialism. Some 11 million men, women and children have been slaughtered in gas chambers , shot or hanged,

> not less than 3 million have been killed by air raids, by napalm bombs…Since 1870, the imperialist have conducted 121 wars and military operations against the people of Africa and the result has been the staggering casualties of 5, 300,000 Africans.

It is therefore, common for African political economists to link underdevelopment of Africa to the obvious unequal integration of African economy into the global capitalist system (Ake, 1981, 1996; Onimode, 1985).

1.3.2 Levels of Economic integration

There are four major levels of economic integration. They include agreements on: free trade area, customs union, common or single market and economic and monetary union. The objectives of the parties in concluding this agreement are: to establish a free trade area that will promote market opportunities for goods, services and investment between them; to strengthen the relationship between them; to establish a cooperative framework for further promotion and enhancement of economic, trade and investment relations; to liberalize and promote trade in goods and services between them and to establish a transparent, predictable and facilitative investment regime; to improve the efficiency and competitiveness of their goods and services sectors and expand trade and investment between them; to establish a framework of transparent rules to govern and regulate trade and investment between them; to maximize opportunities for cooperation between them in logistics sectors and in services, such as telecommunication, maritime and banking; to promote and facilitate cooperation activities between them; to facilitate and enhance economic cooperation and integration with other economies in the Americas and the Asia-Pacific region; and to build upon their commitments at the World Trade Organization, and to support its efforts to create a predictable, and more free and open global trading environment (http://www.fta.gov.sg/psfta/c1_psfta.pdf).

1. Free trade area (FTA)

According to Mirus & Rylska (2014), Free trade area (FTA) is the first level of economic integration. It entails modest integration by means of agreement to apply symmetric treatment of imports and assign supporting functions and institutions to jointly operated institution. One successful story of a FTA is the North Atlantic Free Trade Area (NAFTA). It is a preferred option for group of countries unable or unwilling to embark on higher level of integration. Roles of origin are agreed upon to determine which products to be transferred duty –free. Dispute often arise in borders of countries enjoying FTA over origin and this tends to delay turnover.

2. Custom Unions

The second level of economic integration harmonizes instruments/ items over which parties retain control and through which obstacles to common market exist. It refers to where two or more countries agree to remove the restrictions on mutual trade and adopts a common system of tariffs and import quotas vis a vis non members. The German Zollverein and the European Community for Coal and Steel are examples of successful Custom Unions.

3. Common or single market

This is the first stage of deep economic integration. In addition to free movement of goods, services and capital people also move freely inside a common market. In addition to adoption of a common external tariff (CET), common market also adopts uniform regulations to guide movement of people, capital, goods and services among members.

4. **Economic union**

This is the highest/deepest level of economic integration. It adds coordination of national policies and creation of supranational entities which covers beyond economic interests includes political interests. It creates common central bank to print common currency. A typical example is the European Union (EU). It harmonizes monetary and fiscal policies among members (Mirus & Rylska, 2014).

1.4 Summary

This Unit considers the conceptual foundations on which economic integration is based. It also highlighted the various levels of economic integration including FTA, Custom Union, Custom or single market and economic union.

While the desire for economic integration have increased across developed and developing regions, most actors at local and global levels do not understand the meaning of economic integration and the various levels of integration strong.

Self-Assessment Exercises

1. What is economic integration?
2. List the four levels of economic integration.

1.5 References/Further Readings and Web Resources

Ake, C. (1981) *A Political Economy of Africa*. London: Longman.

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Mussa, M. (2000) "Factors Driving Global Economic Integration", Retrieved from http://www.kc.frb.org/publicat/sympos/2000/mussa.pdf on 16th October, 2014.

Offiong, D. (2001) *Globalization: Post-Neo-dependency and Poverty in Africa.* Enugu: Fourth Dimension Publishers.

Onomide, B. (1985) *An Introduction to Marxist Political Economy.* London: Zed Books Ltd.

1.6 Possible Answers to Self-Assessment Exercises

1. Economic integration refers to the combination of several national economies into a larger territorial unit. It involves the elimination of economic boarders (obstacle which limits the movement of goods and services) at national, regional or international levels

2.
   i. FTA
   ii. Custom Union
   iii. Custom or single market
   iv. Economic union.

Unit 2: Rationale For Economic Integration in Africa

Unit Structure

2.1 Introduction
2.2 Learning Outcome
2.3 Rationale for Economic Integration in Africa
2.4 Summary
1.5 References/Further Readings and Web Resources
2.6 Possible Answers to Self-Assessment Exercises

2.1 Introduction

Economic integration involves removal of customs barriers between developed states to improve production, consumption and trade patterns. Economic regionalism in Africa serves as a means of improving competitiveness, attaining development and self-sufficiency. It is also believed that economic integration would help to control conflicts between states in Africa.

2.2 Learning Outcome

By the end of this unit, the students will be able to:

- Explain the rationale for economic integration in Africa

2.3 Rationale for Economic Integration in Africa

The need for radical changes in the structure of production and international economic relations, combined with the near impossibility of attaining them within economic units in the present plethora of states in Africa justifies economic integration efforts. It eliminates economic barriers, enhance productivity and achieving greater economic interdependence. Economic integration promotes global competitiveness , peace and security as well as economic efficiency in Africa. Despite these notable evils of integration, Draper (2010:7) noted that:

> *The desire to integrate African economies on a regional, and ultimately continental, basis is strong. It is shared amongst African elites and their international development partners.*

> *Consequently many formal initiatives have been established to further this goal, under the over-arching umbrella of the African Union's plan to achieve a continental common market by 2028*.

Presently, Africa has nine economic integration schemes more than any other region in the world. Asia has five; Latin America and Caribbean have five; Arab states have three; Europe has three and North America has one. Akpuru-Aja (2002) specifically articulated some of these integration efforts in different regions. Europe-European Union (EU) and European Free Trade Association (EFTA); North America- North American Free Trade Agreement (NAFTA); Latin America and Caribbean- Latin America Integration Association (LAFTA/LAI); Caribbean Community and Common Market (CAROCOM), Latin American Economic System (SELA); Asia- Asian Pacific Economic Cooperation (APEC); Association of South East Asian Nations (ASEAN), Economic Cooperation Organization (ECO), South Asia Association for Regional Cooperation (SAARC); Arab- Gulf Cooperation Council (GCC), Organization of Arab Petroleum Exporting Countries (OAPEC); Africa- African Union (AU), Economic Community of West African States (ECOWAS), Communaute l' connomique De l' Africa de l' Oest (CEAO), Common Market for Eastern and Southern Africa (COMESA) and South African Development Community (SADC).

The above discourse suggests two things. Firstly, the more regions/ continents develop, the more regional economic and political integration schemes disappear. Secondly, multiplicity of institutions exists in continents/ regions with less effective institution. Hence, Africa has the highest number of regional institutions for integration, followed by Asia and Latin America/ Caribbean while North America has the least number of such instructions followed by Europe and Arabs. Meanwhile, the multiplicity of regional economic integration efforts in Africa does not guarantee attainment of set goals.

However, the question of how to integrate has been a divisive issue among African leaders after decolonization in 1950s and 1960s. At one end are the functionalists who prefer incremental approach to continental unity. They hope that functional interdependence would gradually lead to the formation of regional union. The functionalist seeks to maintain national pride and identity while corroborating with other states at political, economic and cultural fronts. Leaders of this thought include: Julius Nyerere, Tafawa Belewa, William Tubman, Leopold Senghor, etc. At the other extreme are leaders who sought to consolidate the political independence of Africa through regional integration. Oyugi (2009) referred to this group as the neo federalists.

They seek a supranational African government to reduce dependence on former colonies. Among prominent African leaders who were fascinated by this design are: Kwame Nkrumah, Sekou Toure and Madibo Keita. Today, it is evident that the functionalists have triumphed over the neo federalists in Africa.

Efforts by liberal scholars to separate the political and economic integration have yielded marginal success. This is because full continental economic unity can be achieved rather gradually. Its achievements require the parallel establishment of permanent political relationships embodied in some forms of government. Hence, programmes for economic unions require a set of decisions that is political in nature. AU borrowed a leaf from the European Union in this regard but while the establishment of the political structures on strict economic grounds has led to the adoption of the common currency (Euro) in Europe, its success has been marginal for AU.

In political economy, no other form of activity can match the importance of theorizing and no accomplishment can surpass its satisfaction. Both the functionalist and neo functionalist theories of regionalism agree that economic integration is a contractual form of interdependent relations between states that share common values, interests and aspirations as well as work together to achieve them. The difference between the two contending theories of regionalism lies in process. The functionalist theory of regionalism believes in evolutionary process. It posits that states that have common interests can gradually transfer their sovereign will to a super national body in order to realize set goals and that integrating states would shift from working together in certain technical areas to creating a higher level of cooperation (political union). Hence, initial cooperation is specific and usually in non political areas to build confidence and eliminate every chance of conflict in the future (Mitrany, 1966). The neo functionalist theory argues that institutional mechanisms should be established to facilitate the emergence of a political or economic union (Haas, 1960).

Beginning from the 20th century, efforts at economic and political integration in Europe favoured the neo-functional theory. Institutional mechanisms such as the parliament, inter ministerial committees, regional forum, economic, social and cultural council and financial institutions emerged to serve the purposes of the European states. The African Union also favours the neo functionalist theory.

Meanwhile the micro economic integration efforts in Africa have continued to favour the functionalist theory of regionalism. Some of these micro regional economic integration schemes according to Akpuru-Aja (2002) are River Niger Basin or Niger Basin Authority, the

Lake Chad Basin Commission and Mano River Union, River Senegal Basin, comprising Mauritania and Mali and Gambia River Basin comprising Senegal, Gambia, Guinea and Guinea Bissau. The major objective of these river-line countries is to evolve the most effective way for the use of territorial waters and other resources of the basin and to formulate requests for financial and technical assistance.

Akpuru-Aja (2002) furthered that groupings within a group are also examples of micro regionalism. These groupings create overlapping membership. The Mano River Union (Sierre Leone and Guinea) and Communaute Economique des' Africa de l' Oest (CEAO) comprising Burkina Faso, Cote d' Ivoire, Mali, Mauritania, Niger and Senegal are part of the sixteen members of ECOWAS, Communaute Economique des Etats de l' Afrique Centrale (CEEAC) in 1984 enveloped all the members of the Central African Custom Union (UDEAC) namely Cameroon, Chad, Congo, Central African Republic and Equatorial Guinea. Micro regionalism may also take the form of primary producer club designed to reduce tariffs and non- tariff barriers with a view to promoting international trade, clearing and payment arrangement among members states. Example include: Inter African Coffee Organization (IOCO), African Groundnut Oil Council (AGC) , Cocoa Producer Council (CPC), Organization of Arab Petroleum Exporting Countries (OAPEC); Organization of Petroleum Exporting Countries (OPEC).

2.4 Summary

This Unit explained the justification for economic integration in Africa. It discussed the multiplicity of groups aimed at achieving varying economic gains between two or more states.

Economic integration is essential for any meaningful development process. Regional integration can accelerate the pace of economic growth by fostering efficient cross-border investment and trade flows**.** It also presents a robust prospects for reducing conflict.

Self-Assessment Exercises

1. What is the rationale for economic integration?

2.5 References/Further Readings and Web Resources

Akpuru-Aja, A. (2002) *Selected Themes in International Economic Relations – Understanding Trends of Globalization and Regionalism* (2nd edition). Enugu: Rhyce Kerex Publishers.

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Mitrany, D. (1966) *A World Peace System.* Chicago: Quadrangle Books.

Oyugi, W. (2009). "African Union and European Union: A Comparative Analysis" in S. Adejumobi and A Olukoshi (ed.) *The African Union and New Strategies for Development in Africa* .Darker: CODESRIA and DPMF.

2.6 Possible Answer to Self-Assessment Exercise

Economic integration in Africa serves as a means of improving competitiveness, attaining development and self-sufficiency. It eliminates economic barriers, enhances productivity and helps in achieving greater economic interdependence in Africa.

Unit 3: Sub-Regional Experiences of Economic Integration in Africa

Unit Structure

3.1 Introduction

While the desire for economic integration has increased globally, it has remained prevalent in the developing countries, especially Africa with about nine economic integration groups. In this unit, we explore the major sub-regional economic integration efforts in Africa.

3.2 Learning Outcome

By the end of this unit, the you will be able to:

- explain the at least three sub-regional experiences of economic integration in Africa

3.3 Sub-Regional Experiences of Economic Integration in Africa

3.3.1 East African Experience

East Africa has experienced a high degree of economic integration among its member countries and this co-operation began in 1945 with the publication by the British government of the inter-territorial services in East Africa, hence the creation of the East African Common Services Organization (EACSO) at the end of 1961. The three countries that make up East Africa have a population of about 27 million and stand in the reverse order with respect to population density. In terms of national product per head, Kenya is the richest and Tanganyika the poorest of the countries and Kenya appears as the country with the greatest economic problems.

This union was necessitated by two reasons. Firstly, the population of the union is higher than any of the countries alone and is therefore very much more attractive to manufacturing enterprise than any one of the three territories by itself could be (Nkrumah, 1965). Secondly, the inter-territorial trade is large, and promotes inter dependency through the common market. Nonetheless, the development of this network reduces restrictions on the inter-territorial movement of goods and services as most products traded inter-territorially without duty within East Africa. There was no tariff levied on trade between the countries, no harmonization and no concerted and deliberate attempt by the three countries to influence and control the operation of the market mechanism.

Threat of withdrawal from the common market by Tanzania led to the Kampala Agreement in April 1964. They set out five ways in which imbalance of the inter-territorial trade could be corrected. The first of these measures was to persuade certain firms which operated in each country to increase their production in Tanzania so as to import less from Kenya and an attack on the trade imbalance and a decision for quota on exports from surplus to deficit country was advocated for. As the emphasis on the Kampala Agreement, was on the problem of the trade imbalance, it might be expected that the intention of the quota system was to eliminate the imbalance in trade in the particular product lines. Each country was to establish its own central bank and issue its own currency. The more adverse effects on economic co-operation in East Africa arose from the restrictions on trade rather than from the creation of separate currencies. The integration of these countries therefore had a lopsided effect as Kenya was benefiting from the union more than the other members because of the relative political economic strength of Kenya.

3.3.2 South Africa Experience

Southern African Development Co-ordination Conference (SADCC) was established in 1979 to facilitate the reduction of Southern African countries economic dependence on South Africa and harmonize their development plans. Subsequently, Southern African Development Committee (SADC) replaced (SADCC) aimed at promoting economic integration and promotion of peaceful settlement of disputes. This integration was gradual. It started in 1980 with the strategy of economic liberation (Nkrumah, 1963) and an action of allotment to member state in 1992. In August 1994, SADC heads of state advocated for minimization on duplication of activities, that Preferential Trade Agreement (PTA) be divided into two sections. A joint meeting was held between European Union and SADC for the reduction of exports of weapon to Southern Africa and of arms made within the region and support for democracy at all levels. However, on the inception of SADC, poor transportation system was seen as the most serious threat.

Obviously, adequate regional transport and communication system is necessary for any regional group, including SADC. Hence, lack of good transportation and communication networks marred the integration of the regional economy. The environment is therefore not conducive for trade and investment among countries in the region.

3.3.3 Equatorial African Experience

The French West African Federation established the first Customs Union to harmonize import taxation among them. Absence of tariff and non-tariff barriers between the partners, the establishment of a common external tariff and the general harmonization of tax legislation in member countries were all provided for. There are three principles which governed the union and they are as follows:

1. The convention stipulated that members should not levy customs or fiscal duties on trade with other members. This is viewed against the background that duties and taxes on imports have been by far, the largest single sources of government revenue in these countries, as indeed in most Least Developed Countries (LDCs), partly because foreign trade can be taxed more easily than other sectors and partly because direct taxes are difficult to collect in economies with relatively limited monetized sectors and weak fiscal machinery.
2. The establishment of a common external tariff extended to both customs and fiscal duties levied by the member countries (that is imports from non member-countries were made subject to a common customs tariff). The system involved the adoption of a two-tariff structure.
3. The convention provided for a committee of experts to study the harmonization of the laws and regulations on internal taxes in order to prevent illicit trade between the member-countries (Articles 3). They were also entrusted with undertaking studies on other matters designed to facilitate the implementation of the convention, particularly problems of double taxation and tax evasion measures. Dealing with such problems could be

embodied in multilateral or bilateral agreements to be worked out by the interest parties (Amadi, 1992).

Meanwhile, this group had an in-built problem. The in-built weakness made its orderly implementation extremely difficult. Its goals were over ambitious, its provisions were inflexible and its machinery was too complicated to ensure smooth and effective implementation. Some of these weaknesses are:

(a) The system of revenue allocation was complex and dilatory.
(b) The convention was undecided over the right of individual member states to alter its tax structure.
(c) The convention failed to provide for adequate consultation between the member states with the result that no progress was made in the field of fiscal harmonization.

3.3.4 Senegambia Experience

Many benefits accrued from the integration scheme, the first is that the Gambia River was used for transportation of groundnut crop from point of harvest to the market. The United Nations reports quote an estimate that this could save Senegal 103 Francs per kilo on groundnuts. The other is the integrated development of the Gambia River basin in relation to a matter, which received lengthy discussion in the FAO report (Hazlewood, 1967). The union however, had some obvious advantages but with numerous disadvantages, such as higher administrative costs. Hence, it was not sensible to enter such an arrangement without some more equitable distribution of the direct costs and benefits of the change-over to the two countries. Meanwhile, whether small country like Gambia would benefit in such union or not will be dependent on 'backwash and spillover effects, the balance of which is expected to be unfavourable for a very small country joining a larger area (Senegal).

However, two alternative possibilities of which were not mentioned is a simple free-trade area which would permit each country to maintain its own tariff. These free trade area must be regarded as a second best to customs union, in terms of potential economic gains from integration, but in this particular case, where the fiscal system are so different and the additional opportunities integration offers for industrial development are probably very limited. The foreign policy agreements were all made which provides useful organs for co-operation without diminishing the sovereignty of either country to a very important extent (Myrdal, 1963).

Again, Gambia was not interested in becoming a province of Senegal, even with speculations that this could be in Gambia's interest, but it is undesirable as long as the Senegalese economy is highly regulated. Senegal always felt compelled to intervene in Gambia, and it is doubtful whether effective resistance would be possible.

3.3.5 West African Experience

Economic Community of West African States (ECOWAS) aims to promote co-operation and development in economic, social and cultural activity among its members, particularly in the fields for which specialized technical commissions are appointed, to raise the standard of living of the people of the member countries, increase and maintain economic stability, improve relations among member countries and contribute the progress and development of Africa. It provides compensation also for states whose import duties are reduced through trade liberalization and contains a clause permitting safeguard measures in favour of any country affected by economic disturbances through the application of the treaty (Balassa, 1962).

ECOWAS difficulty in realizing some of her objectives stems from existence of numerous other inter-governmental organizations in the region, in particular as it concerns the francophone countries and much of its effort to secure peace in Liberia and Sierra-Leone. With another treaty in 1993, ECOWAS aims at economic and political co-operation among member states. It designates the achievement of a common market and a single currency as economic objectives while in the political sphere, it envisages the establishment of a West African Parliament, an economic and social council, and heads of state meeting in May 1979 decided that states cannot increase its customs tariff on goods from another member and this is regarded as the first step towards the abolition of customs duties within the community.

The abolition is to affect the ‘most developed’ countries within ECOWAS, to abolish tariffs on ‘priority’ products within four years and on ‘non-priority’ products within six years. By 1997 an estimated 400 industrial goods had been approved under the trade liberalization scheme, since it would greatly facilitate capital transactions with foreign countries (Ezenwa, 1975, 1984).

While, Third world countries remained suppliers of raw materials and consumers of manufactured goods, ECOWAS regional integration on the economic and industrial development has not been able to assist towards her development and then in the execution of new accelerated development goals for a better economy (Ezenwa, 1984).

Although, these micro-economic integration efforts have generated the greatest success stories of integration in Africa due to their heavy emphasis on limited role of governments (regulatory) and capacities to provide confidence- building platform for macro economic integration, African economic integration suffers from a litany of problems. These problems include overlapping memberships, unfulfilled commitments, over reliance on foreign models of integration (Europe and Asia) and unrealistic goals. Treaties of these integration schemes in Africa are not diligently pursued or implemented. Political instability and policy inconsistencies located in national economic plans in Africa also affect their regional integration efforts.

3.4 Summary

This unit discussed the sub regional economic integration experiences in East Africa, South Africa, Equatorial Africa, Senegambia and West Africa.

Irrespective of the multiplicity of sub-regional economic integration groupings, fragmentation of African economy remain rife, trade barriers, disunity, genocide, xenophobic attacks and Afro-phobia remain high. Despite the signing of African Continental Free Trade Area (AfCFTA) by most African states in 2018 to establish a single continental market, intra-regional trade is still low, accounting for only about 15 percent of total African trade, compared with 68 percent in Europe and 58 percent in Asia. The continent is increasingly held back by fragmented markets that inhibit efficiency and constrain economic growth.

Self-Assessment Exercises

1. discuss factors that necessitated the creation of East African Common Services Organization.

3.5 References/Further Readings and Web Resources

Amadi C. (1992) "Problems of Regional Integration in Africa". A Seminar Paper Presented at University of Jos, (unpublished)

Balassa B. (1962). *The Theory of Economic Integration.* London: George Allen and Unwin.

Ezenwa, U. (1975) *The Rationale of Economic Integration in West Africa: Inter-Economics*. Hamburg: Cutis Publishers.

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Myrdal, G. (1963) *Economic Theory and Under Developed Regions.* London: Longman

Nkrumah, K. (1963) *Africa Must Unite.* London: Oanaf.

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3.6 Possible Answers to Self-Assessment Exercises

East African Common Services Organization was necessitated by the fact that the population of the union is higher than any of the countries alone and is therefore very much more attractive to manufacturing enterprise than any one of the three territories by itself could be. Secondly, the inter-territorial trade is large, and promotes inter dependency through the common market.

Unit 4: Hindrances to African Economic Integration

Unit Structure

4.1 Introduction
4.2 Learning Outcome
4.3 Hindrances to African Economic Integration
4.4 Summary
4.5 References/Further Readings and Web Resources
4.6 Possible Answers to Self-Assessment Exercises

4.1 Introduction

Despite the prospects of regional economic integration in Africa, there are certain challenges or hindrances that undermine the building of successful economic groupings in Africa. This Unit highlights the hindrances of African regional economic integration.

4.2 Learning Outcome

By the end of the unit, the you will be able to:

- Identify some of the hindrances to regional economic integration in Africa

4.3 Hindrances to African Economic Integration

The manufacturing base of African countries are weak, hence these countries are dependent on foreign trade. Thus these countries trade mainly with the developed industrial countries. Though this is a common character of the Third World, these characteristics are found in an extreme level in Africa. Since 1960, less than 8 per cent of the GDP of tropical African countries came from the manufacturing sector while more than 20 per cent of the GDP of the Latin American countries within the some period was derive from the manufacturing sector (Ezenwa, 1984). Whereas the import as a proportion of GDP amounted to 26 per cent in Africa, and about 15 per cent in Latin America (Lipsey, 1970). This import in Africa however does not take place among Africans rather with the West especially the former colonial masters.

Meanwhile, integration ensures efficient utilization of existing resources to stimulate economic growth. African integration is however necessary for the development of industries. Infant industries in Africa need certain protective measures against some elsewhere more advanced industries (MNCs) who compete with these infant industries in their local market.

Nonetheless, integration is not simply a matter of lowering tariffs; the existence of tariffs is not the sole, or even the primary, impediment to trade between the countries of Africa. The main reason for the low level of trade is to be found in the mono-economic structures of the countries secondly, poor infrastructural facilities. A highly developed transport network is essential for the survival of any form of integration- a major element in restricting trade within the Kenya-Tanganyika-Uganda customs union. The railway, which is the main means of goods transport, is poorly constructed for effective inter territorial trade links. Again, in the Equatorial customs union, transportation is system is poorly developed and new routes could have important effects on the balance of economic power. Though improving the transportation system is necessary but it is in sufficient for rapid industrialization of Africa through integration.

Again, weak technological base leads most African countries into importing large quantities of consumer goods. Hence, large proportion of African foreign-exchange earning between 1950 and 2009 are used to import consumer goods into tropical Africa. The importation of these consumer goods in Africa has continued to rise. They account for more than one-half of total imports. Therefore, it appears that the urgency of economic integration between the countries of Africa is less great than in other Third World countries like Latin America and Asia because there is more scope for industrialization.

Other specific hindrances to economic integration in Africa include homogeneity of the goods produced among the member states. This goods are usually primary products like agricultural products or mineral resources and this often hinder intra-African trade (Ezeibe 2016). Divergent ideologies between Francophone and Anglophone African states. This promotes mutual suspicion between countries. Other major hindrances are internal insecurity, crime, illicit trading and smuggling across the borders.

4.4 Summary

The hindrances of regional economic integration in Africa include slim manufacturing and dependence on foreign manufactures for African consumption. Slim manufacturing base is driven by weak technological base and limited industrialization. Other specific hindrances to economic integration in Africa include homogeneity of the goods produced among the member states, divergent ideologies between Francophone and Anglophone African states, and internal insecurity

African states should learn from their European counterpart and focus more on unifying forces that could promote regional economic integration and development rather than emphasizing the divisive forces that promote mutual suspicion, distrust and breakdown of economic groupings.

Self-Assessment Exercises

Identify any two hindrances to African economic integration.

4.5 References/Further Readings and Web Resources

Ezeibe C.C. (2016) *ABC of Political Economy: A Beginner's Guide to Understanding the State and Economy*. Enugu: University of Nigeria Nsukka Press.

Ezenwa, U. (1984) *ECOWAS and the Economic Integration of West Africa*. Ibadan: West Book.

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4.6 Possible Answers to Self-Assessment Exercises

a) Slim manufacturing
b) Dependence on foreign manufactures for African consumption.
c) Weak technological base and limited industrialization.
d) Homogeneity of the goods produced among the member states
e) Divergent ideologies between Francophone and Anglophone African states
f) Internal insecurity