Click here for Full Issue of EIR Volume 19, Number 12, March 20, 1992

The IMF-World Bank at work in Africa

The 1980s were a disaster for Africa, according to the "Annual Report on the State of Africa" by the journal Jeune Afrique. Christine Bierre reports.

The statistics are rolling in the bad results. The continent of Africa is in full devolution: 13 countries today are poorer than they were when they were at the outset of colonization; 6 countries formerly classed among those with average incomes have just been downgraded to the rank of lowest-income countries. The average standard of living of Africans has dropped 1% each year between 1980 and 1987. From the standpoint of food, one out of five is undernourished, according to the criteria of the World Health Organization. Epidemics are spreading like brush fires. Without even considering AIDS or tuberculosis, which are ravaging the continent, there are presently 200 million people stricken with malaria, disabled for life.

What are the causes of this intolerable situation? Since the beginning of the 1980s, one after another, nearly all the African nations had to submit to the yoke of the International Monetary Fund (IMF) and World Bank's structural adjustment programs. Altogether, 25 African countries today are undergoing the policies of the IMF with results that one can specify.

The swindle of the World Bank

Economist Chedly Ayari leans toward this conclusion in an article that appeared in the Annual Report of *Jeune Afrique,* on a prospective analysis of the World Bank for 1990-2000 in Africa, ("Sub-Saharan Africa, from Crisis to Durable Growth"), a report which determines the stance of the bank for this decade. Could the situation, desperate from any standpoint, explain how the World Bank—which plays the role of gendarme for the international donors—can preach the necessity to reconcile the most radical economic liberalism and the development of "social and human infrastructures"? It is also in this report that the bank launches its crusade against "corruption" among Africa's political layers—in any case, the same people the bank installed—in favor of "democracy." In order to grasp it, we must put ourselves in the place of the bank: Just to continue colonialist looting, there must be a population that is able to produce, and is not sickly and ignorant like today's African people. There must also be heads of state who have a popular base and don't "pocket" everything.

Thus, the bank's report puts an accent on four points: growth of the Gross Domestic Product (GDP); food security; generalization of primary education; and universal basic health care. Reflecting this "social concern," it even proposes to set aside double the social development funds than before: 8-10% of GDP as against 4-5% in the past, and to not touch public expenses earmarked for basic social services during the phases of greatest austerity.

Where will these funds come from to achieve this plan, which purports to be able to double Africa's annual growth rates up to 4-5%, and to dedicate 6% of the GDP to infrastructure in the coming decades? Here's an aspect of the plan which no longer comes from idealism, but certainly from a dream if we ignore the present situation in Africa. Whereas indebtedness and capital flight have reached record levels, and in general, foreign investors are leaving Africa, it becomes a question of obtaining annual investment rates on the order of 25%! They would have to be dreaming, moreover, when the World Bank starts proposing that part of these investments should come from greater efforts to encourage Africans to save! One could well ask how a population which is already living in wretchedness and which has seen its standard of living drop further and further, could now increase its savings.

Since the World Bank surely does not seek to expose itself to ridicule, perhaps it is counting on a completely different economic climate in order to put this plan into action. Imagine if, following a process of privatization of public sector enterprises in most African countries, there were a full-scale return of foreign capital. These enterprises will need, in effect, a minimum of infrastructure in the true sense of the term, and "human infrastructure," in order to function. Therefore, it will become necessary to reestablish roads, several railways, several hospitals, and to form a manpower pool that can work properly. It is only in this context that one can understand that the World Bank has been strongly pushing for some time for the integration of the African continent. This integration, so necessary in the context of a true growth plan for Africa, risks, with the World Bank plan, becoming a mere subterfuge allowing it to better organize the looting of the continent.

Savage liberalism

This brings us to the most important aspect of the World Bank report—the promotion of the "liberal credo," with its

© 1992 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.

theory that the state must never intervene in the economy and that it is private capital's role to define all the rules of the economic game, regardless of whether this is in the interest of the country as a whole. The structural adjustment programs of the IMF are nothing other than the application of this liberal credo and the means by which foreign private capital is presently in the process of repurchasing Africa at the lowest price, thereby taking back, bit by bit, what they had abandoned at the outset of the nations' independence.

"The World Bank calls for deregulation at all levels and in all sectors of African economic life," writes Chedly Ayari. "The government must avoid all interference with the laws of supply and demand. It must let wages, profits, and exchange rates find their own levels without restraint. The flexible adjustment of exchange rates, that is, the devaluation of the national currency, would be the sole guarantee of a true price. . . . The bank insists, above all, on the benefits of devaluation for production, foreign commerce, and growth in Africa. On the domestic capital markets, capital movements and transfers must be free of all hindrances." This is the recipe which will allow Africa to go straight into the system of Victorian England: low wages, high prices, priority given to money.

The World Bank has no fear of taking its liberal logic all the way and proposing that henceforth the "citizen consumer" pay "totally or partially, for the costs of public services. The recourse to health and education infrastructure, for example, should not be free, but based on the principle of the participation of the citizen in the costs"!

However you look at this World Bank plan—making itself over with a "new skin," disguising itself behind a new "democratic" face, or reestablishing a bit of infrastructure, the better to grab loot in the liberal context—it cannot succeed. To claim there will be economic growth in the context of structural adjustments—with priority on debt payment, halting great infrastructure projects, halting subsidies to industry and agriculture, currency devaluation, liberalization of exchange rates, etc.—is economic nonsense. The expected growth from the World Bank plan will only be produced in the pockets of a few large international capitalists. A policy that would benefit the African peoples with true economic growth can only take place if the states invest in great infrastructure projects—high-speed rail systems, roadways, canals, energy production, etc.—and in the development of production of basic products as well as processing industries. The African countries must also unite to accomplish two things: 1) fix the prices of their raw materials; and 2) reject the IMF's structural adjustment plans.

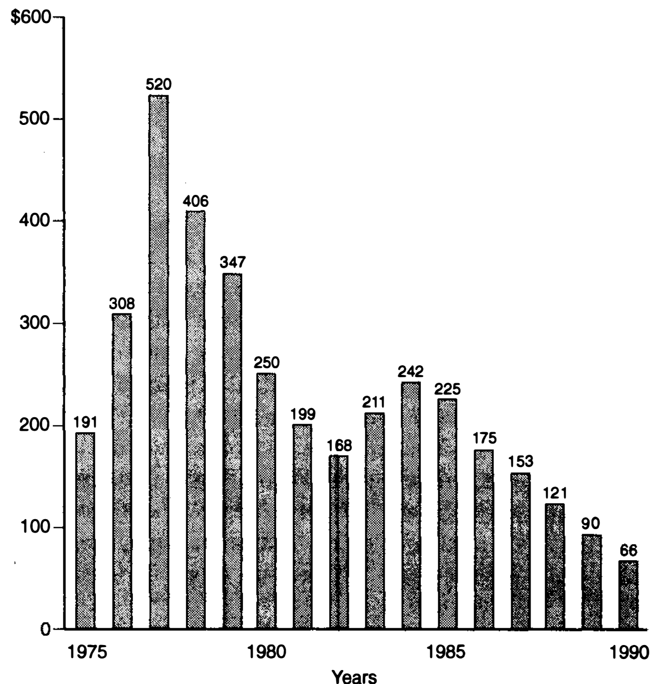
In the context of increasing wealth, the state will have no problem allocating the funds destined to reestablish health and educational systems.

With the massive increase in foreign debt, capital flight, significant erosion of the exchange rates, record drop in raw materials prices, the last ten years have been catastrophic.

FIGURE 1

Price of cacao per metric ton 1975-90

(in constant 1989 U.S. dollars)



'A lost decade for Africa'

In another article, "Economy: A Lost Decade for Africa," Adebayo Adedeji approaches the balance sheet. Africa's debts continue to grow, even though the amount of credits authorized for Africa has decreased to the point that the continent is a net exporter of capital to the North.

One major cause for the rise in debt has been, without doubt, the brutal drop in the prices of raw materials, which are presently at their lowest levels in 14 years, and which the countries had to counter through increasing their debt burden at higher and higher interest rates. Let's remember that the producer countries have nothing to do with the process by which raw materials prices become set. It is through an absolutely speculative process that these prices become fixed in the commodities markets in London, New York, or Chicago. It is the purchases and sales achieved by the large cartels on these markets which will define the prices of products.

For economies not merely dependent on exporting raw materials, but frequently dependent on only one raw material, the drop in prices (see **Figures 1** and **2**) becomes translated into a brutal collapse of their economies. The drop in the price of cacao and coffee, for example, has had catastrophic consequences on the economies of Ivory Coast, the Republic of Central Africa, Cameroon, Rwanda, and Uganda. Just in 1986, for example, it is estimated that Africa lost $19 billion, or about a third of its potential export receipts, because of

FIGURE 2
Cacao as a percentage of total exports

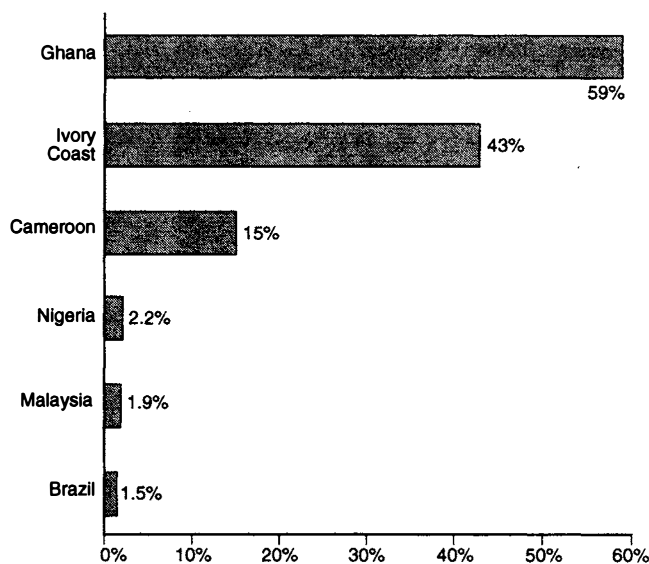
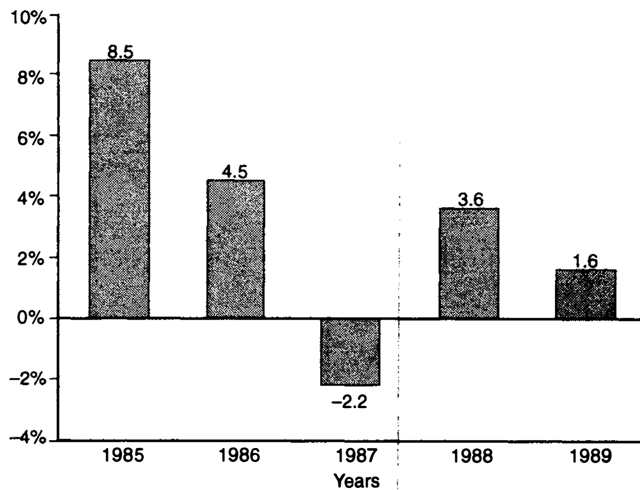


FIGURE 3
Growth of agricultural production in Africa
(percent)



the price drop in the principal basic products. In 1989, Ghana lost $200 million this way in cacao exports. The suspension of export quotas became translated as well into a loss of $250 million for the 25 member states of the inter-African coffee organization.

Similarly, Africa has registered a drop in investments due to "more and more limited resources due to poor results from exports, from stagnation, even from the reduction of the flow of foreign resources, increased obligations and greater and greater debt service, and from a series of austerity measures adopted in the course of classical structural adjustment programs." Thus, the portion of investments in the Gross Domestic Product goes from 20% in the 1970s to 15% in the 1980s.

In this context, the volume of African exports has also seen a significant contraction of 8.6% in 1989, after having registered a less important drop of 1.8% in 1988. This translates into an increasing marginalization of Africa in international trade such that its part has gone from 4.7% in 1980 to 2.1% in 1989.

What was the fate reserved for the African population during the 1980s? On this continent, consumption per person, already horribly impoverished, dropped even further by 11% during that decade, when revenues dropped at a rate on the order of 1.7% per year!

Adedeji takes note of several signs of a small economic upturn in 1988-89, essentially due to two factors: the 25% rise in the price of oil during these years, as well as two good years in the agricultural sector. Good harvests allowed a certain number of countries—Tanzania, Zambia, Zimbabwe, Kenya, Ivory Coast, Ghana, Togo, Benin, Gambia, Burkina Faso, and Mali, among others—to free up agricultural surplus for export (**Figure 3**). Pockets of famine would nonetheless subsist in Angola, northern Sudan, Ethiopia, and Mozambique. He also notes slight increases in mining and manufacturing production over these same two years.

Still, it is clear that these are not "tremors," however fragile—the price of oil has again dropped to intolerable levels for the developing countries—and with respect to the catastrophic situation in Africa as a whole, this represents nothing more than the proverbial drop in the ocean.

African debt payments aid the industrial countries

The "negative transfer" of funds, to the detriment of Africa, reached $30 billion in 1987. Since then, it has not ceased to grow (**Figure 4** and **5**).

Adebayo Adedeji goes into greater depth on the problem of Africa's debt in an article on "Debt: Africa Strangled." After the first oil shock, Africa and other developing countries benefitted from a considerable flow of resources coming from the advanced sector countries, rising up to 5.5% per year in 1978-81.

But the drop in oil prices and the strong rise in interest rates during the 1980s brought about a reversal of the situation. Between 1981 and 1985, advanced sector investments in underdeveloped countries dropped at a clip of 4.4% per year. Today, not only does Africa not benefit from an influx of capital, but it also carries out a net transfer of resources into the multilateral institutions, notably the IMF, and the advanced sector nations more generally!

According to a report of the U.N. Commission on Trade and Development (Unctad) there should have been over

FIGURE 4
Africa's foreign debt
(in billions of 1989 U.S. dollars)

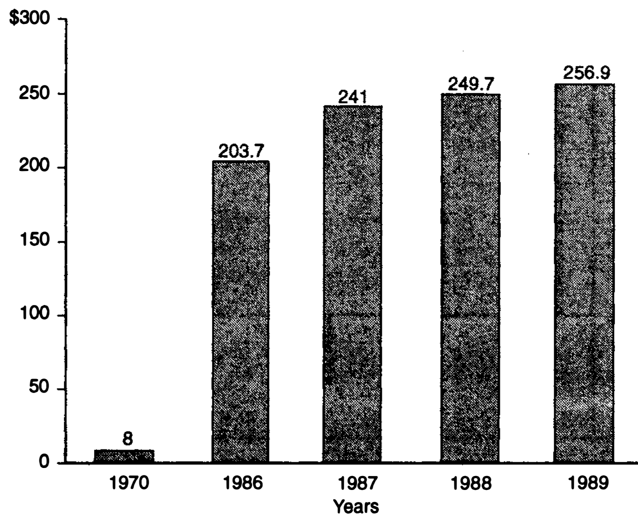


FIGURE 6
African debt as a percentage of Gross Domestic Product

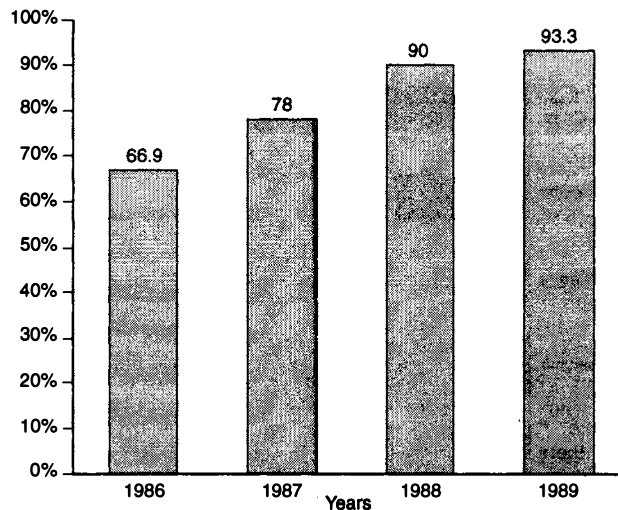


FIGURE 5
Africa's debt service
(in billions of 1989 U.S. dollars)

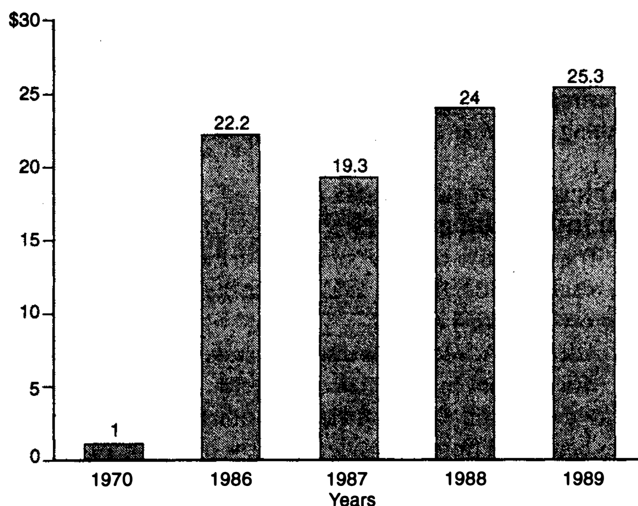
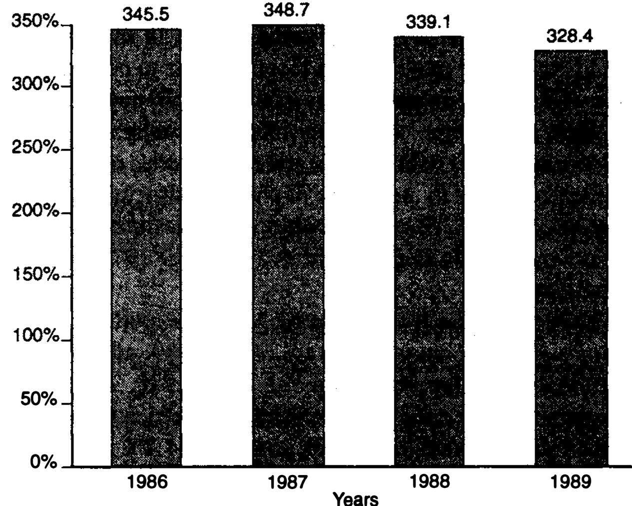


FIGURE 7
African debt as a percentage of goods and services exports



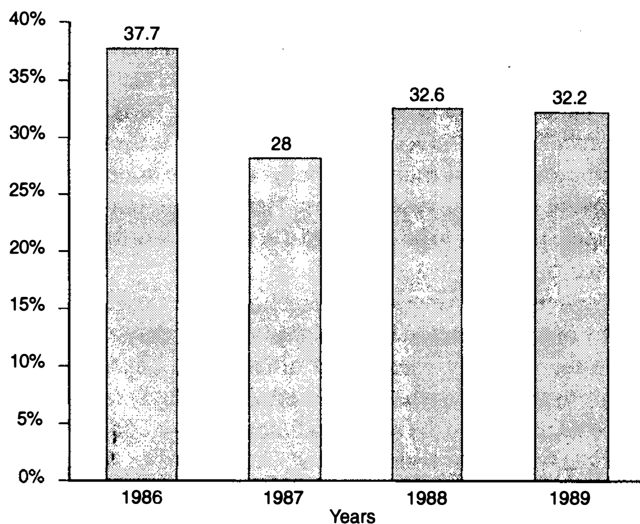
1980-81 a net positive transfer of $50 billion into the non-oil-exporting developing countries, but in fact, 1984 witnessed a "negative transfer" take hold—that is, money leaving the developing sector for the advanced sector—of $14 billion. In 1986-87, this negative transfer reached $30 billion!

The problem of Africa's debt is not only localized at the level of the principal, but also at the level of the debt service, which reached $25 billion in 1989. For if, in the beginning, the interest rates for contracted credits were rather low, the market rates were upgraded very high in the 1980s. Average interest rates for new loans, which were 5% in 1975, reached 10% in 1985. Similarly, interest moratoria were added to the debt principal.

Therefore, the foreign debt of Africa went from $1 billion in 1970 to $256.9 billion in 1989. The debt service itself also went from $1 billion in 1970 to $25 billion in 1989. With respect to the rest of the economy, this is enormous (**Figures 6** and **7**). The debt principal makes up 80% of the GDP of the whole continent of Africa. The debt service, for its part,

FIGURE 8

African debt service as a percentage of goods and services exports



represents a good third of total export revenues, which only reached $61.4 billion in 1989 (**Figure 8**).

It's worth remembering that Peruvian President Alan García, who revolted against the IMF for several years, had refused to devote more than the equivalent of 10% of Peru's export earnings to pay the foreign debt. In 1988-89, the African continent has effectively reimbursed $15.9 billion the first year, and $17.8 billion the second, which represents an 11.9% increase; whereas export revenues during the first period reached no more than 0.7%! Now, with present rates of accumulation, the debt of black Africa has gone from $38.5 billion in 1978 to $153.3 billion in 1990. If, in 1978, it already represented 87.8% of export revenues, today it represents more than 328.4%!

Thus, if one adds up the reimbursement of credits, the losses due to exchange rate deterioration, plus capital flight, the total outflow of capital in 1988 and 1989 have reached $23 billion each year, surpassing inflow. Let's compare this to public aid for the development of Africa, which constitutes the greatest proportion of financial resources that comes Africa's way. For the same years, this did not surpass $17 billion each year.

Now, let's put in their proper place the "debt relief" measures that the 1988 Toronto Group of Seven summit had adopted toward the least advanced African countries. Adedeji underlines that these measures only concern $500 million over ten years on behalf of a small group of countries, whereas, during the same time period, the debt service rises $25-30 billion per year!

This article was translated from the French.

Preventable diseases turning into killers

by Joyce Fredman

It is a sad commentary on the past two decades' "free market" zealotry among ruling financial circles in the United States, that the rate of vaccinations for children in the United States has been drastically plummeting, even as many other countries throughout the world—including developing countries groaning under massive debt burdens—have succeeded in substantially raising their own rates of immunization. Thanks to the current regime of enforced moral and economic stupidity, childhood diseases such as mumps, polio, diphtheria, measles, pertussis, rubella, and meningitis that were near extinction in the United States, have now resurfaced with a vengeance.

Numerous specific factors can be cited for this condition, not the least of which is the declining standard of living for Americans. The increased poverty rate and inadequate access to proper health care, combined with soaring costs for standard vaccines, have put the United States, particularly the minority populations, at greater risk than were they to live in many Third World countries. Coming in tandem with the shrinking of the personal family income, is the devastation of the local and state budgets, forcing "triage" decisions by authorities, similar to the decision to throw thousands off disability support and welfare.

Take measles, for example. During the late 1970s, a huge immunization push nearly eradicated this disease. In 1983, there were fewer than 1,500 cases in the United States. But by February 1991, that number had increased over tenfold. A classic example of how the urban poor are especially vulnerable, can be seen in Philadelphia. Last year in Philadelphia alone, over 1,500 had been infected with measles, and nine children died, because the city, like so many others, had many neighborhoods in which fewer than half of the children were up-to-date on their shots. These are primarily the same children who do not eat properly, and the great majority of them are either black or Hispanic.

The citywide rate for immunization in Philadelphia is 54%, while in various black and Hispanic areas, it is only 25-30%. St. Christopher's Hospital, located in the city's north central district, deals with much of this population. There, the clinic receives roughly 20,000 office visits from children who get their shots. But another 60,000 per year,