# Africa Report by Christine Bierre

## Stock markets for Africa

*Two "liberal economists" are proposing stock markets and extensive privatization, à la Ibero-America.*

Although the World Health Organization's recent report on AIDS counts 7.4 million infected Africans, two articles in the July issue of *Jeune Afrique Economie* act as if nothing at all had happened. Quite the contrary, Alain Lenoir ("What Kind of Stock Market for Africa?") and Martin Kamguem ("Africa's Interest in Privatization") console themselves that Africa is again jumping on the liberal economic bandwagon which has swept the world since the fall of communism.

Alain Lenoir, who is a delegate for Africa and the Indian Ocean to the International Center for Training of the Banking Profession, maintains that Africa must develop stock markets. Currently there are altogether no more than a dozen markets on the continent, the principal one being in Cairo, which was created in 1883. Roughly 1,000 firms are quoted on the market in all of Africa, for the equivalent of $6 billion in capital. This is nothing compared to other Third World countries, underscores Lenoir. The stock market in Rio de Janeiro, Brazil, alone quotes 630 firms, whereas South Korea's has a market capital volume on the order of $140 billion.

Lenoir cites the Ibero-American markets as an example for Africa. However, what he doesn't say is that the success of those markets can be laid to the repatriation of drug money (attracted by various amnesties and by very high bank interest rates), and the drug money laundering locally.

Martin Kamguem, senior lecturer at the University of Paris North, in his article, deplores the slow rate at which Africa is privatizing the public sector. "The triumph of liberalism translates itself, in economic terms, into the multiplication of privatizations of public enterprises in the world. Once again Africa is on this track, even though, at present, the intervention of lending institutions is forcing certain countries to take this route, which, after careful study, represents a real opportunity for development." Kamguem claims that this is a question of theoretical economics: "The transfer to the private sector of production and the reduction of state undertakings in order to liberate market forces, is of such a nature as to ameliorate society's well-being."

As all those who closely follow the economic evolution of developing sector countries well know, this type of reasoning is pure lying. Privatization is demanded by creditors, via the International Monetary Fund, the World Bank, and other financial control institutions, in order to ensure the foreign debt payment of these countries. A certain number of Africans fear, reports Kamguem, that privatizations constitute "cheap selloff of the national patrimony," a fear which is clearly justified.

Africa's public sector enterprises make up a reservoir of qualifications and skills which these countries must preserve. During the 1970s, the public sector contributed upward of 17% of the Gross National Product of sub-Saharan Africa. Privatization increased during the 1980s, and is now reaching its apogee, after the fall of communism.

According to Kamguem, public sector enterprises represent "in and of themselves, and depending on the country, between 30 and 60% of the national production, of the credits to the economy, and of employment in the modernized sector. In Cameroon, the public sector produces 40% of the valued added to the entirety of the industrial sector (as against 50% for Zambia and 90% for Marxist Ethiopia). In Guinea, it makes up 75% of total employment and soaks up close to 90% of local bank credit. In Senegal, 148 of the recorded public enterprises (out of a total of 321) produce 43% of the value added. . . ."

As for who the real beneficiaries are and how privatizations occur, the author specifies: "Ninety-five percent of privatizations carried out in Africa have profited foreigners, with not even one initiative on any scale having been taken to involve and bring in participation from local investors." Privatizations were accomplished under conditions which paid no attention whatever to the "transparency" demanded of the relevant African authorities by international financial institutions. "The authorities have opted for complaisance or dissimulation, while claiming there are not enough local investors (all countries variously), the inability to adapt financial resources in circulation within the informal networks (Cameroon, Benin, Senegal), or even ultimate recourse to the funds of Africans living overseas (Senegal)." Everywhere, privatizations have been artfully veiled: The criteria by which enterprises are chosen for privatization, the methods of evaluation, the conditions for sale, the list of enterprises to leave the public domain, these are known only by a handful of individuals. The requests for offers are only parsimoniously published, and often only after new purchasers have already been chosen.