

AFRICAN ECONOMIC DEVELOPMENT: POSSIBLE MODEL AND ROLE
OF A NEW MULTILATERAL ORGANIZATION

by

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INTERNATIONAL COOPERATION ADMINISTRATION
CONFERENCE

of

MISSION DIRECTORS AND PROGRAM STAFFS
AFRICAN AND EUROPEAN AREA

December 12, 1957
Washington, D. C.

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I. Introduction:

The other panel members are speaking to you from the point of view of the respective organizations with which they are associated. They are giving you a view of the role their organizations play in the economic development and technical assistance fields. These roles vary from the wide ranging programs of technical assistance of the United Nations complex of agencies, the U.N. Technical Assistance Administration, FAO, WHO, ILO, UNESCO, ICAO, etc. to the major development project loans to governments and government-guaranteed undertakings of the International Bank for Reconstruction and Development. The U. S. government operates bilateral programs in both the technical assistance and economic development fields, which both parallel and complement international programs.

The title of the panel, "Respective Roles of U. S. and International Agencies in the Field of Economic Development and Technical Cooperation" contemplates a comparison between the international agencies and their programs and the U.S. agencies and their programs. The organizational representatives will undoubtedly compare and contrast the objectives and programs of their respective organizations with the objectives and programs of the International Cooperation Administration and its Loan Development Fund. My comments will not be addressed to describing or analyzing the operations of any existing international or U. S. institution qua institution,

but rather will be devoted to examining and speculating about the possibilities for international cooperation to meet evolving economic development problems in Africa, particularly Sub-Sahara Africa, and as part of this examination allude to relevant differences between international and bilateral economic aid institutions and approaches.

At the Center for International Studies at MIT, we are in the early stages of an Africa Project which has as one of its principal foci the impact and significance of African developments on world affairs, and more particularly on the United States as the principal free world nation. The project is designed to study an important set of interrelated problems which arise with respect to the twin-pronged African aspiration for development, political and economic. Stated somewhat differently, a major problem for the free world is how to satisfy the rising tide of African nationalism and the accompanying "revolution of rising expectations" so as to achieve orderly and non-violent development of stable and viable states. What kind of accomodation is possible between the interests and aspirations of the territories and of the metropolises? How can African territories now in a dependent status vis-a-vis certain Western European metropolitan countries achieve independence or make significant strides toward a form of independence and at the same time retain exceedingly valuable economic ties with the metropolitan countries? Are these developmental problems best handled on an international or bilateral basis?

The Center's Africa Project will examine the relative merits and comparative advantages of attempting to handle various African economic development problems on a bilateral and multilateral basis in the context

of its studies of these major economic and political development problems. My remarks today are therefore necessarily of a preliminary nature. They might be considered a working hypothesis which we plan to examine in detail as the Africa Project goes along.

II. Brief Survey of Economic Relationships of Territories and Metropolises:

First a brief survey of key economic relationships between dependent African territories and their respective Western European metropolises is in order before proceeding to a consideration of ways and means of continuing and adapting these relationships to changing conditions.

The Colonial Development and Welfare Act is a major source of economic and technical assistance for British African territories. For example, during the period 1952-1956 the British government has provided CD and W funds for economic development schemes, amounting on the average, to about one-sixth of total investments foreseen in the development plans of its African territories. Although it is understood that technically a former territory which becomes independent may still be considered eligible for CD and W funds, it would appear highly unlikely that such former territories could or would be considered priority claimants on these funds.

In addition the British government's guarantee of repayment of loans from external sources, such as an IBRD loan to a British territory, is no longer available when a territory achieves independence. Further there is likely to be a certain degree of difference--probably a marked degree in many instances--in the reception accorded borrowing requirements when a former territory comes into the private money market, such as the London

money market, in an attempt to borrow funds without the formal or implicit guarantee of repayment of the British government behind it.

All of these considerations are now present in some degree in Ghana's international economic posture. These considerations are also likely to appear in 1960 with respect to Nigeria when it moves toward complete independence.

The United Kingdom also carries on an active trade with its African territories. In 1955 for example, U. K. trade with its three principal territories, Nigeria, Gold Coast (now Ghana) and the Federation of Rhodesia and Nyasaland supplied an average of approximately 50 per cent of the imports of these territories, and provided an outlet for an average of approximately 50 per cent of their exports. British imports were principally agricultural commodities, e.g. cocoa and palm kernels, and minerals, e.g. copper, and its exports were manufactured goods, e.g. cotton goods, textiles and automobiles.

With respect to the vast French territories in West Africa and Equatorial Africa, it need only be noted that the financing of almost all technical assistance and capital development assistance in the public sector originates with the French government. For the last several years French expenditures in these Sub-Sahara African territories have averaged approximately \$250 to \$300 million per annum. This rate of expenditure reaches the annual total of between 1/2 and 3/4 of one per cent of the French metropolitan gross national product. In addition to technical and developmental assistance a relatively large and active trade relationship exists between France and its African territories. The amazingly high total

of approximately 65 to 70 per cent of the imports and exports of the French African territories originate in or are destined for France. There is no question but that a significant part of the territorial exports reach the French market under various types of preferred treatment, including tariff preferences. Further, the above remarks which relate to the credit worthiness of British territories in large part are also applicable to French territories.

The Belgian Congo with its great mineral and cash crop agricultural wealth presents a more complicated situation. The rate of capital formation of the Congo is relatively high and the Congo is not dependent on investment of public funds by the metropolitan government as are the French territories. For example, in 1954, of the total investment for the year, the Belgian Government estimates that 68 per cent could be considered of purely Congo origin and 21 per cent as of Belgian origin. There is an intricate complex of Belgian and Congo banks and corporations in the Congo in which the Belgian and Congo governments have significant and at times dominant financial interests exploiting its natural resources and operating its public utilities and transport. The Belgian Congo is involved in a 10 year development plan designed in some degree to provide substantial amounts of social overhead development, particularly transport and power, and improvements in agriculture, housing, higher education and social welfare. Plan financing is derived from surpluses in the ordinary Congo budget, and from a series of loans by the Belgian Congo government in the Belgian capital market and in foreign and international capital markets.

The Portugese territories in Africa present still a different set of economic relations arising from the Portugese constitutional and political

concept of their overseas territories as integral provinces of the metropolitan country. Generally speaking the development of Angola and Mozambique is motivated largely by the needs of Portugal for raw material and the desire for outlets for its finished products. The Portuguese territories in Africa come closest to providing a classic case of the nineteenth century concept of colonies.

No mention has been made in the foregoing brief survey of technology, technicians, organizational and management cadre, etc. which flow from the metropolitan country in various forms and quantities to their African territories. It is sufficient for these remarks to note that in all of the territories the European and his technology play a discernible role and in most territories an indispensable one.

This brief survey points up the great importance to the territories of a continuing flow of capital, technical assistance, personnel, and technology from and trade with the European metropolitan countries. These relationships are obviously two way streets with a return flow of raw materials, profits on investments, and markets for European products of value to the European metropolises. Some of the significance to the metropolises of the relationships is implicit in the foregoing discussion. For example, the export-import relationship between France and its territories is a two-way affair, with France saving foreign exchange with respect to its coffee, cotton, palm oil, and other imports from its territories. In addition the territories provide protected outlets for certain French industrial exports, e.g. agricultural equipment. A few other examples might be mentioned, such as the vast foreign exchange earnings, including dollars, of the Belgian Congo

and the profitable Belgian investments and trade with the Congo including significant metropolitan transshipment and entrepot trade with materials originating in the Congo. Ghana and the Federation of Rhodesia and Nyasaland might be cited as foreign exchange earners for the sterling area. There is also an active trade flow between Britain and its African territories alluded to above, which is enhanced by membership in a common currency area. A rundown of the trade statistics would also indicate that a significant amount of West European raw material comes from Africa.

III. U. S. National Interest:

If this interdependence has the importance that I think is illustrated in the foregoing limited discussion, then it is in the U. S. national interest to facilitate, encourage and reinforce the existing economic relationships. This would seem to be a natural course to follow given the United States standing interest in an economically and definitively strong North Atlantic Treaty Organization community. It would also seem to be a sensible course to follow in terms of achieving orderly and non-violent growth of independent states in Africa with a potential for development of viable economies and democratic governments. There would therefore seem to be an interdependence not only in the relations between Western Europe and Africa but in the U. S. policy toward both areas.

Conflict and disruption of peaceful relations anywhere in the world, and particularly in the free world area, endanger the U. S. national interest. France and Algeria, and Spain and Morocco (over Ifni) are two current examples of the weakening of the western world by strife, waste of resources, and diversion of energies from other constructive tasks. Peaceful accomodation

of metropole interests and aspirations with those of the territories, hence, becomes a direct concern of the U. S. national interest. Economic development of the African states and territories in a mutually beneficial way for the African areas and Western Europe could be a helpful way to further a suitable political accomodation.

The triangular interrelationship of the United States, the European metropolises and the African territories is further emphasized by the unfavorable U. S. balance of trade with Africa and the limited opportunities to redress the balance in a strictly bilateral U. S.-African context. In a triangular situation, European foreign exchange requirements add a dimension in which some balancing can be achieved. Finally, in light of the Soviet threat to Western Europe and its growing interest in Africa, strengthening the principal economic ties between Western Europe and Africa takes on added importance as a way of denying both areas to Soviet influence and power.

IV. Possible Role and Model of a Multilateral Organization:

The preceding remarks illustrate: (1) the importance of the metropolitan countries to their territories and the reciprocal importance of the territories to the metropolises; and (2) the importance of both areas to the U. S. national interest. The question which arises is how the United States can best carry out policies to support its national interest in both these areas in light of the evolving problems on the African and Eurafican horizons.

There is in the offing an Economic Commission for Africa and while there is no firm date it is anticipated that such an organization will come

into being in 1959 or 1960. What its role is to be is still to be determined. Planning is now going on within the U. N. secretariat pursuant to a resolution of the General Assembly recommending to the Economic and Social Council that an Economic Commission for Africa be established at an early date. Should a regional economic organization for Africa parallel the role played by other regional economic organizations within the U. N. framework or outside of the United Nations, such as OEEC? The debates in the second committee of the General Assembly and in the General Assembly itself indicate that the general models of the large majority of proponents of the Economic Commission for Africa were the Economic Commission for Latin America and the Economic Commission for Asia and the Far East. The most cited functions contemplated by the proponents were collection of statistical material and economic data, preparation of reports and analyses on trade, investment and technical problems, research, etc. The British delegate pointed out that economic and technical assistance were not comprehended in the somewhat ambiguous language of the resolution which states that the purpose of the Commission would be "effective aid to the countries and territories of Africa." The United States enthusiastically supported the proposal for the establishment of an Economic Commission for Africa.

Still another possibility for multilateral endeavour suggests itself, namely an interregional or international organization for the extension of economic and technical assistance to Africa. The crucial motivation for such an organization would be the constructive and rational use of the economic interdependence of Western Europe and Africa, and the opportunity for the association of other free world countries with metropolises and territories for the peaceful and orderly economic development of Africa.

The organizational pattern of such a multilateral grouping might well take the form of the Colombo Plan. This would mean in practice a loose-knit organization with general objectives and policies within the coordinating framework of which economic development and technical assistance would be channeled in specific cases on a bilateral basis or on special multilateral bases within the larger organizational framework. This would allow for the direct extension of assistance within this multilateral context by say the United Kingdom to its territories and to its former territories. It would allow the association of countries like the United States and Canada and other free world non-African powers with African states in bilateral or multilateral arrangements within this framework. It also is conceivable and probably would be desirable to accommodate in some suitable way the "common market" operations within Africa of an economic development nature with the economic development programs of territories outside the "common market" area.

The OEEC with its two advisory associate members, the United States and Canada, and a grouping of independent African states and the dependent territories, in a form of relationship to be worked out with the metropolises, could serve as the core of a new interregional or international African economic development organization. A structure of the type of the OEEC provides certain concrete advantages which complement the Colombo Plan format. The membership of the OEEC includes the four principal European powers with holdings in Africa. It includes countries like Sweden and Switzerland which would probably be acceptable--as Sweden is now in certain roles in Ethiopia--where other powers might not be. The OEEC membership

also includes Western Germany which is now scheduled to make a significant annual contribution for five years to French territories in Africa under the "common market" treaty. These countries could make contributions of much needed technicians and resources to supplement the traditional African suppliers in a multilateral setting which is likely to be more acceptable to the metropolises than direct bilateral arrangements. The flexibility of the OEEC structure also allows for "associated members," such as the U. S. or Canada. Conceivably other Commonwealth countries, and others such as Japan, which has a growing trade interest, could readily become associated in African economic development projects under an expanded OEEC-type organization. Hence a new interregional or international organization organized along the lines of the OEEC, with its membership expanded as envisaged above, and operating in the Colombo Plan format would have the benefit of an OEEC-type organization (and secretariat) and a Colombo Plan-type operating flexibility.

Structurally OEEC has two other not insignificant assets, which could probably be adapted to serve the African Economic Development Organization under discussion in these remarks. One is the fact that the OEEC has an Overseas Territories Committee which has compiled valuable data and reports on trade and investment in the dependent overseas territories, and has background experience in the area. Second, is the European Productivity Agency, the OEEC operating arm in the technical assistance field with several years of experience, which should be adaptable to expansion in the African field. Its experience has been in a range of flexible bilateral-multilateral technical assistance project arrangements which should fit the needs of

Africa. An expanded EPA might be an operating body for extending technical assistance as well as a co-ordinating body.

What would be achieved by this type of multilateral organization which creates a framework within which bilateral arrangements are made that could be achieved only in a less satisfactory manner or not at all by direct bilateral aid programs? Some advantages are implicit in the preceding organizational discussion. However, they bear repetition in this part of the discussion on advantages of this type of special interregional organization. First it is likely that it would be easier and more palatable for formerly dependent territories to accept assistance from their former colonial overseers in the context of multilateral aid arrangements. It should also prove easier and more acceptable for the former metropole to extend assistance to a former territory which has gained its independence (frequently not without a degree of recrimination and hostility) in an international context rather than on a direct bilateral basis. Hence it might be possible to continue without serious interruption already established and fruitful economic relationships between European and African areas.

Second, an arrangement along the lines envisaged should both enhance the opportunity for African territories for obtaining U. S. economic and technical assistance and afford the U. S. an opportunity of reconciling or dovetailing its national interests in Europe and Africa by associating itself at the same time with the traditional aid donor, i.e. the metropolitan country, and the aid recipient, i.e. the African territory in development and technical assistance projects. This would be a way of synthesizing the United States interest in NATO countries and the growing U. S. interest in Africa without offending either side of the

metropole-territorial relationship. It should also allow for more effective coordination of such United States aid programs as are developed for the area with those of the metropolises which are now much larger than those of the U.S. and are likely to remain so for some time. Nevertheless, it should be emphasized that this is not a device for obviating a significant U. S. economic and technical assistance contribution. It may well be, and probably would be, an economic and efficient way of extending U. S. aid but not a substitute for such aid. This is particularly so in view of the inevitability--and probable desirability--of some dilution of the concentration of Western European investment in Africa, and flow of part of it to other geographic areas, as the special colonial relationships alter or disappear in parts of Africa. There is also likely to be in time an increase in the total capital requirements of developing Africa.

Third, it would seem that the drain on the resources of non-African powers for financing and servicing African development could be more widely and evenly distributed than would be the case with a multiplicity of bilateral programs. It is also likely to provide a method for increasing the financial and human resources available for African development as the demand for more outside capital and personnel increases with the pace of the economic development processes. Countries like Canada, now associated with OEEC would be in a position to participate on a convenient basis as Canada now participates in the aid schemes of the Colombo Plan.

It is also conceivable that other Commonwealth countries and Japan might find it an appropriate way to make a contribution which in a bilateral context would look small, but which would be cumulative in the international framework being suggested.

Fourth, it is likely that it would be more acceptable to all concerned if such sensitive areas as technical assistance in the fields of public administration, judicial organization and administration, fiscal reform, resources surveys, etc. were undertaken in an international organization context and still involve what is likely to be the most knowledgeable group, namely representatives of the former metropole.

Fifth, such an international arrangement should also provide the machinery for raising the amount of funds, the closeness of relationship and the uniformity of objectives which would allow for regional development undertakings within Africa. This refers to regional projects which would be more costly to undertake on a piecemeal basis or which would not be feasible to undertake on a piecemeal basis. A variety of examples come to mind in this category. In the field of agriculture the problem of locust control along the entire east coast of Africa is a serious one and one that undoubtedly can be most fruitfully handled on a regional basis or by a closely integrated series of territorial programs within an overall regional plan. Similarly in the public health field a malaria eradication program would perhaps be most effective transcending territorial boundaries in its planning and execution. In terms of regional development, the organization and distribution of the Nile waters are of concern to Uganda, Ethiopia, Sudan and Egypt and involves the cooperation of all of them to be successful. It is conceivable that an international approach mobilizing the interests and resources of Western Europe and Africa would provide an expeditious way of coping with a development problem of this magnitude given the many economic and political problems present. Road development, railroad

development, and port facilities are other possible fields where assistance programs in this multilateral context might prove more useful and acceptable than bilateral efforts. Finally in the whole field of medical, agricultural and other scientific research, regional research projects providing for interchange and distribution of research experience would seem to be another likely area which would profit from an international approach.

Sixth, the type of interregional association being suggested would allow for more regional training schemes, once again in the pattern of the Colombo Plan experience. An international pooling for training should help meet the technician bottleneck encountered increasingly in bilateral programs.

Seventh, the multilateral approach envisaged should provide an opportunity for closer liaison with international organizations and institutions which is either not possible or more difficult for a single nation to achieve. For example, closer ties with the IBRD and UNTAB would seem a logical development.

Eighth, such an Afro-European, and preferably Afro-Western grouping should provide a needed countervailing force or attraction to the growing Sino-Russian attempts, abetted by neutralist nations, to forge an Afro-Asian bloc, including economic and technical cooperation programs within a larger framework than the present programs now being sponsored by the Soviets and China on a bilateral basis.

I believe a prima facie case is made in the preceding discussion for a type of multilateral African Economic Development Organization, based on the OEEC membership supplemented by the African states and dependent territories, with affiliated countries from outside the area, or for a suitable variant thereof, for furthering the economic development of Africa. As experienced economic assistance practitioners this tentative model is revealed--not without some trepidation--for your critical scrutiny.