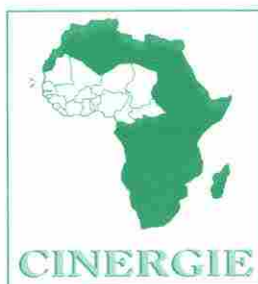


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Banque Africaine de Développement
African Development Bank

**ECONOMIC PROSPECTS FOR WEST AFRICA
IN THE DECADE AHEAD**

Working paper N° 3

SAH/D(93)411

General distribution

population

land

development

The WALTPS study is coordinated by the CINERGIE unit in Abidjan, Ivory Coast. CINERGIE is a joint initiative of the Organisation for Economic Co-operation and Development (OECD) and the African Development Bank (ADB).

The study is being conducted jointly by a group of experts based at the Secretariat of the Club du Sahel in Paris and by several groups of African experts in the countries of West Africa. National case studies and the main sectoral studies dealing with political and social change, regional migration, land use planning and management of border areas are being conducted under the direct responsibility of African specialists.

The scientific committee in charge of monitoring the study and defining priorities comprises around twenty people, one-half of whom are researchers from West Africa.

A committee of experts comprised of sixty people is also consulted on a regular basis. Forty-five West African researchers and specialists who are members of this committee form the core of a network of correspondents whose role it is to make constructive comments and recommendations on the study itself as well as to promote the dissemination of its findings in their respective countries.

The CINERGIE unit maintains permanent contact with senior political decision-makers and with the media. A region-wide network of journalists has been set up by the unit to maintain contact with public opinion and mobilize the West African press on the subjects addressed by the study.

GENERAL INTRODUCTION

Purpose of the study

The purpose of the West Africa Long Term Perspective Study (WALTPS) is to make a contribution to ongoing discussion and debate about sustainable growth and regional integration by focusing on the long-term dimension of these issues (one generation hence) and on aspects related to population dynamics - i.e, the growth and redistribution of people within the region.

African governments, their partners from foreign aid agencies and the scientific community will find in this study :

- a detailed analysis of the present distribution of population and activities in the west Africa region;*
- an assessment of the megatrends which affect population dynamics, land use patterns, the real economy and social and political change within the region;*
- identification of the underlying mechanisms of these megatrends, and of the potential seeds of change;*
- a conceptual framework and a series of analytical tools that help to capture the linkages between these varying factors;*
- long term images of the region based on these megatrends and on alternative policy options; these long term images are complemented by the analysis of a series of medium term scenarios;*
- a tentative analysis of the policy implications of the issues raised in the study for African decision makers and their foreign partners.*

The authors hope to provide sufficient evidence of the paramount importance of the population variable in development issues in West Africa; of the necessity for the scientific community to devote more attention to these linkages and to encourage African decision makers and their partners to shape their action in a long term and regional perspective.

Reasons for conducting a regional study

One may wonder whether a regional approach is the best way of addressing development issues in a group of 19 countries ¹ with GDP ranging from one to one hundred in size, and among which attempts to foster institutional integration and cooperation have come up against major blockages for so long. Indeed, the study clearly shows that a regional approach is unavoidable for the following reasons:

- West Africa is characterized by high mobility of populations and the interdependence of the real economies, for which political frontiers have never been a significant constraint. This mobility is likely to continue, and, as a result of population redistribution, countries in the region will become more and more interdependent.*
- So far, countries of the region, with their diverse interests, have poorly exploited the potential for growth offered by the regional market. As a result, most countries have become increasingly dependent on external forces. A better understanding of population dynamics and of spatial patterns of development is a prerequisite for the governments in the region to move from words to deeds and for cooperation to materialize.*

¹ Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo

Reasons for focusing on long term trends in human geography

One may also wonder whether the time is right for in-depth discussion about the long term future of West Africa. Is it reasonable to concentrate on population dynamics and the links between settlement patterns, economics and society at a time when African countries are in such a difficult economic situation and when the overriding priority is to restore their economies and rebuild their institutions? For a number of reasons listed below, this approach is indeed both reasonable and legitimate.

West Africa is undergoing unprecedented population growth. The region had 45 million inhabitants in 1930; today its population is estimated at some 220 million. Forecasts estimate that this figure will double by the year 2020. The population will thus have undergone a ten-fold increase in less than a century. At the same time, there has been intense migration between different ecological zones, between countries, and between rural areas and urban areas, with the total urban population increasing more than one hundredfold. This migration has profoundly altered the way the region is structured, the way markets are organized, and the entire economic geography of the region.

Viewed in the short term, these population movements appear to be the consequence of political and economic change. If seen in the long term, however, the concentrations and movements of population have a significant influence on political and economic change and on the sustainability of development in the region.

The redistribution of population is one of the main factors which influence the way individuals and African societies perceive their basic needs and their willingness to change their behavior. The minimum risk strategy for West Africa, to accommodate its unprecedented demographic growth without causing an environmental, social and geopolitical disaster and to succeed in resuming sustainable economic growth is to create favorable conditions for a high degree of mobility within the region and to give its people the maximum amount of freedom to decide where to settle.

Urbanization is a key component of population dynamics, with far reaching consequences. Urbanization is the first form of the necessary division of labor. Migration to the cities increases the demand for goods and services, including food. It also increases the need for cash income and therefore the productivity of individuals and the mobilization of resources. Urban growth also implies the accumulation of public and private capital, which generates a significant proportion of the economic activities of cities and their hinterlands.

Social changes which result from urbanization have been enormous and have taken place at a remarkable rate. Within three decades, we have witnessed, at one end of the spectrum, a tenfold increase in the population of the urban informal sector, and, at the other end of the spectrum, the emergence of intellectual and economic elites whose lifestyles are much closer to those in Western societies than in the traditional societies in rural Africa. With the complicity of its foreign counterpart, the first generation of the urban elite following independence has based its wealth and influence more on rent seeking activities than on the development of the productive potential of the region. Income disparities between social classes have remained high and relatively stable, thanks to a variety of compensating mechanisms which include migrations and the capacity of the elite to adjust its levy on the economy. However, a new generation of urban entrepreneurs and intellectuals, with quite a different background, is progressively emerging, at least in some countries which have engaged in the political and economic adjustment process.

Significant political changes have also taken place. After a long period of stability perpetuated by authoritarian single-party regimes, the last few years have seen the rise of democratic movements, demands for decentralization and greater autonomy of local governments. This shift is undoubtedly linked to the process of urbanization which implies the emergence of cities as economic and political powers competing among themselves and with the State, which must remain strong enough to arbitrate among diverging local interests.

Organization of the study

The study is based upon a retrospective of the last thirty years which attempts to identify the mechanisms that have enabled societies to adapt to an evolving environment, sometimes through quite significant changes.

Based on the long term retrospective, the study sketches a number of future scenarios. The long-term images which are presented illustrate the main themes mentioned earlier. Different settlement patterns give rise to the corresponding "images" of national economies and the regional economy that appear "compatible". This exercise is an opportunity to illustrate the interactions between population dynamics, the behavior of individuals and social groups, and economic change. These images provide plausible answers to the following questions in a few contrasted long term images:

- Where will the 430 million West Africans live a generation from now ?*
- What will be the needs of the different categories of people in the different parts of the region? How and to what extent will those needs be met (what incomes, what activities, what trade)? What conditions must be met for the changes that are needed to come about ?*
- What strategies, policies and investments are needed to make the process of population redistribution as efficient and sustainable as possible? What obstacles and blockages need to be overcome?*

These long term images of the region, combined with the medium term scenarios which explore various plausible combinations of assumptions regarding changes in the external and regional environment, should help to improve the dialogue between the African decision makers and their foreign partners. Ultimately, this could lead to the negotiation of a common plan of action based on the following fundamentals:

- the creation of an independent, African regional capacity for information and analysis of population dynamics and economic and social changes, which could perform an effective advisory role for the region's governments and regional institutions,*
- the definition of an overall framework for infrastructure investment strategy that takes the requirements of the necessary population redistribution into account,*
- the definition of macroeconomic and sectorial policies (including agricultural policies) that fully take the process of urbanization and its implications into account,*
- the definition of strategies for exploiting the potential of regional markets, which have remained almost untapped so far.*

WEST AFRICA LONG TERM PERSPECTIVE STUDY

Working paper N° 3

ECONOMIC PROSPECTS FOR WEST AFRICA IN THE DECADE AHEAD

**J.D. NAUDET
D.I.A.L.**

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INTRODUCTION

At a time of Afro-pessimism, forecasting seems to be playing less of a role in economic discussions on West Africa. The many analyses of various sorts, past and present, offer a detailed balance-sheet of recent decades. Analysts often use this retrospective research to extrapolate future trends that are not sustainable over the long term. The future of West Africa is thus reduced to either collapse or a reversal of trends, so that the forecast is either a helpless description of catastrophe or an imaginary vision disconnected from the present. Faced with this dilemma, discussion of future trends often turns to a narrower sectoral approach or to broad proposals for policy change. Since West Africa is deprived of medium and long-term forecasting, it appears to be a region without a future, disappearing from the world economy and becoming once again a *terra incognita* on the globe.

The WALTPS researchers reject this simplistic division between catastrophe and reversal of trends, and have opted to approach forecasting from the angle of the most continuous, predictable and human process—changes in settlement patterns, i.e. the growth and distribution of population throughout West Africa. Each discipline in the social sciences has been asked to imagine the future of the region and to shed some light on a few basic questions: Where will the 400 million West Africans of a generation hence live? What will be the needs of various sections of that population? In what way and to what extent will those needs be met, with what income, what jobs, what trade? What are the conditions of desirable change? What key variables will enable West Africa to benefit from its people's talents, and what obstacles will need to be removed?

This paper is the product of discussion and analysis in the area of economics. The author does not pretend to provide a complete vision of the future, but rather to contribute to the larger work which includes other basic long-term trends such as education, politics and the environment.

The paper looks forward ten years or so, a period that will still be heavily influenced by current trends and yet near enough for a link to be seen between action to be taken at present and its likely consequences. It may constitute the basis for long-term discussions grounded in a regional vision.

The paper mainly analyzes productive processes, linking them with settlement patterns and social changes.

Part A is a diagnosis of past growth. It summarizes the statistics of economic performance¹ and covers mainly the mechanisms, determining factors and obstacles to economic growth in the region over the last thirty years.

¹ Statistical analysis from J.D. Naudet, *Peuplement et économie en Afrique de l'Ouest* SAH/D(93)406, (CINERGIE/WALTPS, 1993).

Part B describes current economic processes and forecasts their likely impact in the decade ahead. The first section uses recent literature to sketch changes in the international economic context for West Africa. The second chapter deals with specifically regional processes. The trends described in this Part B are common to all the scenarios presented later.

Part C presents three scenarios for the future. For each scenario there is an analysis of determining factors for the regional economy: growth strategy, social change, monetary conditions, strategies of the international community. This is followed by a brief economic panorama for each scenario.

A. PAST GROWTH IN WEST AFRICA

I. GROWTH AND PRODUCTIVITY

1. Largely extensive growth

1.1 Economic growth in general

GDP in West Africa between 1960 and 1990 grew at an average annual rate of 3.0%². This is slower than in the other major regions in the world³, and the rate declined in the 1980s.

More importantly, economic growth in those thirty years was close to population growth (2.7%). Per capita GDP has thus risen less than 10% over the whole period⁴.

Growth has occurred, therefore, without any great gain in productivity, measured as average per capita production. In most sectors growth has been extensive, i.e. factors of production have increased without any technological change.

The most striking example of extensive growth is farming. Farm production in calories rose by an average of 2.0% per year⁵, close to the growth in the farm population (1.7%). Average productivity increased, therefore, only slightly. This extensive growth is also found in other activities, especially the informal activities of trading, services and construction, where production increased by employing more people, usually without any gain in productivity.

² *West Africa Long-Term Perspective Study: Population, Land and Development.*

³ *In 1960-88, average annual growth was 4.1% for the world, 4.8% for Latin America, and 5.6% for Asia. From J.D. Naudet, *Peuplement et économie en Afrique de l'Ouest: Analyse du passé 1960-90*, p.10.*

⁴ *In 1993, per capita GDP in West Africa has probably fallen to something like the 1960 figure.*

⁵ *WALTPS data calculated from the Agrostat database of the FAO.*

1.2 Growth and settlement patterns

This small increase in productivity should not be seen as evidence of a stagnating economy. In the same period, there were massive changes in population, in both growth and mobility. People moved between countries (Côte d'Ivoire's share of the regional population rose from 3.7% to 5.9% in 1960-90), from countryside to town (the rate of urbanization rose from 14% to 40% over the period), and within towns, from stagnant sectors to more dynamic ones.

These large shifts of population meant that growth involved redistribution rather than accumulation. In other words, what little improvement there was in the standard of living was more due to a change in settlement patterns between countries, areas and sectors, than a result of rising average individual incomes in each area.

Côte d'Ivoire's rapid growth, for example, served more to support a population growing at 4.4% per year over the period, than to improve per capita GDP, which only grew at 0.3%⁶.

This evidence of growth by redistribution, related to the idea of extensive growth, at the macro-economic level of country, sector, and area, supports similar observations made in basic productive units, such as farms, enterprises and the administration. Economic entities grow more by increasing the number of those directly employed or dependent than by increasing the income of each of them.

Population mobility has been so great that it has more than compensated for the variations in growth between economic areas. Areas of immigration have usually shown lower productivity growth than areas of emigration. Changes in settlement patterns have, therefore, helped to reduce variations in productivity between areas.

Per capita economic growth in Côte d'Ivoire, for example, (0.4% in 1960-88) was lower than in Burkina Faso (1%)⁷, although the reverse was true for overall growth.

The major change in settlement patterns has been urban migration. Production in towns rose in real value terms from 35% of the West African total in 1960 to 61% in 1990⁸, revealing a profound change in the economy. However, given the rate of urbanization, the average per capita production (productivity) in towns fell by more than 30%, while average productivity in the countryside remained the same (an observation consistent with extensive growth).

The fall in average urban productivity is revealed in a number of ways: activities in the modern sector are replaced by those in the informal sector, and the number of temporary jobs

⁶ *Ibid.*

⁷ *Ibid.*

⁸ *Ibid.* For method used, see the methodology appendices in WALTPS Working Paper no. 2, SAH/D(93)410.

increases, as does urban unemployment. This shows that extensive growth has not been able to occur naturally in towns, largely because of crisis in some sectors.

2. Crisis sectors

2.1 Failure of the modern sector

It appears that value added in the West African modern sector has risen in real terms at an average annual rate of 3.1%, compared with 1.7% for farming and 6.9% for the non-farm informal sector⁹. This result seems quite encouraging, implying that per capita value added in the modern sector has grown moderately over the period.

In fact, these figures conceal a serious crisis in the West African modern sector. First, most of the growth can be explained by the appearance of extractive industries, which barely existed in 1960. Second, after rapid growth following modernization in the 1960s, production actually shrank by 2.8% per year in the 1980s, a total fall of 25% in real terms.

The modern manufacturing sector is declining markedly. The bastions of modern industry are bankrupt or nearly so (textiles, cement, sugar, vegetable oil). In many countries, productive capacity is seriously underused. In the late 1980s, the utilization rate was roughly 40% in Nigeria and 30% in Ghana¹⁰; according to some sources the 1993 figure for Nigeria is 20-25%¹¹.

The modern sector has also declined since the 1960s in the area of non-tradable goods. This is noticeable in construction, retailing and transport, where informal activities have flourished. In those countries where the shift to the informal is most advanced, the change has been brutal, as in Niger:

*"Examination of detailed accounts for the modern sector over the years reveals a diversification of activity and also a spectacular fall in the value added of modern trading. In nominal terms it was lower in 1989 than in 1966, meaning a severe deterioration in real terms. In 1960, retailing accounted for 60% of the value added of the modern sector; this figure had fallen to 10% in 1989."*¹²

As for farming, it is hardly necessary to describe the tiny role played by the modern sector, which is restricted to a few plantations of sugarcane or rubber-trees run by processing companies.

⁹ Ibid.

¹⁰ Sub-Saharan Africa: from crisis to sustainable growth, (World Bank), p. 140.

¹¹ Marchés Tropicaux, (May 28, 1993): 1367, quoting information from Business Concord, (May 11, 1993).

¹² D. Mas, J.D. Naudet, *Réflexion sur l'économie nigérienne: bilan, problématique et enjeux*, (1992), p. 13.

2.2 Manufacturing stagnates

West Africa, like Africa in general, is facing a serious crisis in its manufacturing industries, which has been most obvious since the early 1980s and goes well beyond the changes in the modern sector. The few overall figures available give only an incomplete picture of the problem: the share of non-extractive industries in West African GDP rose from 6.7% in 1960 to 8.6% in 1980 and 9.7% in 1990¹³; manufacturing value added apparently fell in real terms by 3% between 1980 and 1990, and manufacturing employment by 10%¹⁴.

In spite of the insufficient data, analysts agree that African manufacturing is bankrupt.

*"After ten years of crisis, African manufacturing industries are exhausted. Even the World Bank and United Nations are reluctant to give any figures: the absence of statistics is sometimes better evidence than specious quantitative certainty of the disarray of an economic sector that is faced with collapse."*¹⁵

The discrepancy between the superficial quantitative figures to be found in international statistical handbooks and the qualitative impression of observers is caused by the nature of the activities themselves.

Manufacturing in West Africa is being reduced to activities that benefit from natural protection, or enjoy an obvious natural comparative advantage, which amounts to the same thing. This is particularly obvious in the informal sector, where it is only the few activities with natural protection -- often on the borderline between manufacturing and services -- that have developed rapidly: baking, butchery, brick-making, milling, tailoring¹⁶. This is also the case in the modern sector, where only sectors with natural protection, such as brewing and gas, or which process an abundant natural resource, such as refining and sawmills, have maintained their position or even progressed. The success of some of these industries masks the overall picture of poor West African performance. Those industries that are subject to any form of international competition are all in serious danger, and the prime example is textiles.

"Technical standards achieved in the printed fabric industry have been comparable to those in some of the best textile industries in the world (cf. Grand Ensemble d'ERG, Denim de COTIVO). But no producer of unfinished fabric can make a profit at world prices, which are lowered by subsidies and the overcapacity of amortized machinery, as in Pakistan. For hosiery and manufactured clothes, the French-speaking countries have long imported surpluses, line-ends, liquidated stock and secondhand clothes from the rest of the world.

¹³ J.D. Naudet, *op. cit.*, p. 19.

¹⁴ *From Industry and Development in the World, 1992-93 report, (UNIDO), p. 84.*

¹⁵ J.P. Barbier in S. Michailof, *La France et l'Afrique, (1993), p. 147.*

¹⁶ *Tailoring was long protected by its nature as a local service, but is now subject to intense competition from imported secondhand clothes.*

*Recent deregulation has increased this trend, causing the collapse of the few manufacturers left and preventing start-ups in the business.*¹⁷

This failure of the textile industry to develop is noticeable in the modern sector and is spreading to the informal sector.

The failure of West African manufacturing to adapt to world markets is reproduced in other sectors, such as the food processing industries.

In conclusion, although farming and non-tradable goods have seen a period of extensive growth, with the informal replacing the modern sector in the latter case, there has been no such growth in most manufacturing industries. This is probably one of the main causes for the fall in average productivity in towns.

II. DETERMINING FACTORS IN GROWTH

1. Growth driven by the outside world

1.1 The engine of overseas trade

Long-term West African growth has been based on the results of international trade (with the developed world), essentially via the exploitation of international economic rents: trade in goods (export of raw materials), transfers (development aid, immigrant remittances), capital (debt).

In fact, in 1960-90, economic rents from the developed world were the only way average per capita income managed to rise, for there was no diversification of exports away from raw materials, no improved productivity, no success in the home market after the 1960s, and no growth in trade within West Africa. After a period of expansion due to the development of raw material exports and an influx of capital from the financial markets, the prices of raw materials fell and debt increased, wiping out, despite development aid, any rise in the standard of living. Overseas trade has been, therefore, an engine rather for raising living standards than for sustainable growth.

Overseas trade has become the basic source of public finances, via the management of raw material exports, taxation of imports, and the use of external capital, especially for public investment.

Public expenditure played the leading role in growth, which was positive in the 1970s and negative after the crisis of the 1980s. Commercial importing activities are at present the main suppliers of income and employment in the urban informal sector (see below).

¹⁷ *The analysis continues, "Admittedly, the lack of adaptation to globalization is not only the result of factors external to companies, and there is a clear absence of market research, lean management and financing." Competitiveness of the textile industry in sub-Saharan Africa, (French Ministry of Cooperation, 1993), p. 4.*

The effort put into overseas trade, especially raw material exports, has been considerable. Over the long term West Africa should be viewed as generally open to foreign trade, and indeed an over-exporter, given its geographical and economic features. Conversely, intra-regional trade appears to fall well short of its potential. These are the conclusions of a study of foreign trade in 1965-85 which correlated the degree of openness of countries and regions with structural features such as population and per capita GDP.

*"The openness to imports of individual West African countries appears to be standard, but that of the region as a whole is significantly high. This is the result of an untypical 'preference' for overseas trade over trade between neighboring countries. The openness to exports of West African countries taken separately is high, and becomes very high when the region is taken as a whole."*¹⁸

The engine of West African growth is fueled by external dynamics of supply and demand. An important consequence is the weak relationship between population growth and economic growth. The economic effects of settlement patterns are more redistributive (see below) than productive.

1.2 Intensive circulation of income

Overseas trade directly involves only a small number of people and enterprises in West Africa. But it has been able to fuel long-term economic growth via powerful circulatory mechanisms redistributing over a wide area the benefits of overseas trade by effects of internal demand. These mechanisms operate through three channels:

.. public expenditure

The State is the main beneficiary of income from overseas trade. It receives much of the income from raw materials and, if state enterprises are included, most of the capital from abroad. Public expenditure flowing through a major, largely urban, part of the West African economies has in this way played a considerable role in circulating income from international economic rents.

.. movement of people and income

The redistribution of income from trade follows a chain of demand. The result is that sectors grow according to their "distance" from the overseas trade sector. For example, until the crisis of the 1980s, urban activities grew rapidly, especially in the major coastal cities. Within these cities, activities close to the growth engine in terms of demand (administration, construction, urban services) grew fastest. Similarly, in the countryside, poles of growth arose in cash crop areas and close to major urban demand.

¹⁸ J.D. Naudet, *Modélisation des flux d'échanges internationaux: effets structurels et inclinaisons spécifiques*, (DIAL/WALTPS) SAH/D(93)405.

The main effect of this differential economic growth has been the restructuring of settlement patterns in West Africa, via the mechanism explained above of growth by redistribution rather than accumulation. People have moved towards areas linked to the international market (Atlantic coast, towns in general, cash crop areas, urban hinterlands) and within these areas to sectors closest to overseas trade (administration, modern sector, import-export).

Migration has brought about a massive transfer of income, which has in turn spread the dynamic effects. In western Mali and Senegal there is also major migration outside the region bringing in income.

" Circulating activities

Dynamic effects are also transferred to the whole of society by an increase in employment in intermediate activities and substitution for household tasks. These may be called circulating activities. They are basically retailing, transport, haulage, agencies, currency exchange, home help and minor door-to-door activities. To these should be added the "reprehensible" activities such as "informal levies", protection rackets¹⁹ and prostitution.

These are all "derived activities", as opposed to basic ones, and can only operate on income created in other sectors. Their function seems more to be the circulation of goods and income than the creation or improvement of new goods and services.

Circulating activities have always made up a large share of employment in West Africa. However, during the 1960s and 1970s, public expenditure and personal mobility were based on growing income from abroad. At the start of the 1980s the down-turn in external payments stabilized or reduced public budgets and migration. Redistribution then occurred by the massive creation of circulating jobs, aided by liberalization and the encouragement of the private sector. It had little effect on the modern sector²⁰, and must be seen as one of the major factors in the informalization of West African economies.

In Senegal, for example, a recent survey estimates that nearly 84% of the employment in the informal sector, which amounts to 60% of the non-farm working population, is to be found in trading and miscellaneous services²¹. In Bamako, similar research estimated the proportion of informal employment in the city's total at 78% in 1989 and 80-85% in 1992.

¹⁹ "Area boys" are a worrying development in Lagos. "Essentially, they (area boys) undertake activities as protecting and defending traders in Lagos Island for a fee, extort money by force or persuasion from such traders or other Nigerians during festivities.... On October 20, 1992 the "Landlord" area boys wrote the traders in Lagos demanding them to pay N63,900 every 6 months for 213 shops in the area, again they collected N50 on each shop from the traders while the Local Government Council only collect N10 per shop." From Abubakar Momoh, "The south western Nigeria case study", in WALTPS/CINERGIE/NIIA Conference, (1993), pp. 3-36.

²⁰ However, one of the main activities of the huge Nigerian banking sector is profits from exchange rates.

²¹ Survey published in *Marchés Tropicaux* 2271, (September 10, 1993).

Trading and services make up 92% of the workforce in the informal sector²². In Yaoundé, the share of the informal in total employment rose from 37% in 1987 to 51% in 1993, with trading and household services making up 51% in 1987 and 63% in 1993 of the informal sector²³.

In Benin²⁴, Gambia, and even Niger²⁵, goods in transit provide a major source of national activity in terms of income creation. This does not only concern small countries, for the re-export of Asian products from Nigeria probably involves considerable volumes.

2. Obstacles to change

2.1 Rent-seeking rather than competition

The profits from trade with the developed world, which are the engine of growth, are basically economic rents. But the rent-seeking nature of West African economies goes further. It pervades the operation of society and a large number of activities. It is an essential part of the dual nature of these economies.

The States have played a leading role in spreading rent-seeking behavior. Public receipts are dependent on economic rents. In most cases they are completely divorced from the productive economy. But, most importantly, the granting and redistribution of rents are the means by which power is asserted, society directed, and social cohesion maintained.

For this reason States have sought to create new, artificial rents, particularly by a strategy of *"the rule of exception to the law, rather than the rule of law."*²⁶

"(Partial enforcement of laws) is part of a strategy that is never made explicit but is quite clear, and which could be called government by exception or privilege. A legal framework of extreme rigor is set up, which, if it were fully enforced, would probably paralyze or

²² Preliminary results of the Bamako informal sector survey. Mali case study, (WALTPS).

²³ F. Roubaud, *Analyse du marché du travail à Yaoundé: 1992-93*, (DIAL, 1993).

²⁴ Re-export from Benin to Nigeria is estimated to be FCFA100-150 billion per year, a value higher than that of exported Beninese goods. See J. Igué, B.G. Garba, *L'Etat entrepôt au Bénin: commerce informel ou solution à la crise*, (Karthala, 1992).

²⁵ "Transit and re-export of goods are increasing to the extent of becoming by far the largest item of sales to Nigeria. Whereas the export of local products was less than FCFA5 billion in 1989 and 1990, according to customs figures, re-export was nearly FCFA45 billion, of which FCFA32 billion were cigarettes alone, and brought in over FCFA2.5 billion in customs duties. In Niger's trade with Nigeria, recorded re-exports in 1989 and 1990 were 9 times exports and 2.5-3 times (official) imports (from Nigeria). They made up one-quarter of Niger imports from world markets." J. Egg, J. Igué, *L'intégration par les marchés dans le sous-espace est: l'impact du Nigéria sur ses voisins immédiats*, (CILSS/OECD, 1993), p. 85.

²⁶ J. Giri, *Could the private sector be the driving force for the future development of the Sahel?* (CILSS/OECD, 1989).

*seriously hinder all private activity. But it is not fully enforced, and the extent to which it is or is not enforced gives rise to bureaucratic hassles which can be abundantly illustrated from all over West Africa. And these hassles inevitably lead to a negotiated settlement with the enterprise, subjecting it in effect to the arbitrary will of the administration, or rather of its representatives."*²⁷

Many examples can be found of how rent-seeking situations are encouraged, or at least tolerated. Monetary policy is certainly one. *"(West African States) have often been ready to accept an overvalued currency, making it necessary to protect local industry by customs barriers, to which exceptions can be tolerated -- holes in the barrier."*²⁸ This is true for the States of the Franc Zone, and also for Nigeria, Ghana, Guinea, and Liberia up to the early 1980s. In the latter countries the coexistence of official and parallel currency markets is also a major source of economic rent, since preferential access can be granted to hard currency. Indeed the coexistence of widely varying monetary regimes gives rise to massive rents, as can be seen in the cross-border trade around Nigeria, or between Gambia and Senegal.

Entrepreneurial skills are diverted towards rent-seeking, the only way to success, and away from economic competition and increased productivity, which would be bound to fail because of the hostile business environment.

Rent-seeking behavior imposes a jacket. The balance between social forces, the stability and even legitimacy of political, economic, local or traditional authorities are often based on a brittle set of economic rents, which must be maintained or increased if internal security is to be maintained.

This straitjacket may be seen as the "dead-end of rent-seeking"; the environment means that the most dynamic forces in society -- entrepreneurial spirit, desire for social improvement, mobility -- often make the economic situation worse rather than better. Every individual attempt to improve life in the short term reduces the chances of increased community wealth in the long term. To preserve itself, the administration must maintain, indeed increase, its budget deficit; to survive, the modern sector must press for higher customs barriers despite their ineffectiveness; for the urban informal sector to grow, the opportunities for illegal trading must constantly increase; it is in the urban consumer's interest to call for more cheap imports; and so on. External aid, which is by its nature an economic rent, seems more likely to maintain the present unstable equilibrium than to encourage the necessary changes.

²⁷ *Ibid.*

²⁸ *Ibid.*

2.2 Circulation rather than production

If industrial development in West Africa has failed, it is largely because "they did not really want it, or want it enough".²⁹ The States have not followed a consistent policy of support for the productive sector. The economies have developed in a way that shows a clear "preference for circulation".

"Circulation activities have been systematically favored, in terms of margins and relative prices, taxation, and resources, while manufacturing has not enjoyed the conditions in which it could create and retain value and income so as to begin a process of accumulation."

This preference for circulation rather than production can be seen in the maintenance of a zone with a strong, convertible currency, the tolerance of smuggling and fraud, and the preferential access to hard currency and bank loans.

The preference for circulation is due to the identification of private with trading interests³⁰, since the productive class is socially insignificant as it is made up of very small-scale entrepreneurs and foreign operators, and to the alliance, indeed the symbiosis, between the State and the trading class.

*"The connection between traders and the State is what produces the economic rent from the import-export trade. To understand this particular form of accumulation, we must look briefly at the nature of the State, the centrifugal forces within it and the impact of economic crisis on its functioning. Rather than a link between traders and the State, we may speak of a coherent politico-economic system in which the agents wear their private or public hats according to the requirements of rent-seeking."*³¹

*"(Research on the western sub-market) reveals that direct imports and re-exports depend on a de facto alliance between a small number of major import traders and the authorities, who frame the regulations (quotas, licenses, access to hard currency, etc.). This alliance controls the market, which is consequently not liberalized."*³²

The coalition of interest between the trading class and the State also benefits the consumer, at least in the short term, particularly in towns. The result has usually been a virtual consensus of influential social forces.

²⁹ J. De Bandt, *Les problèmes et perspectives du développement industriel en Afrique: Réflexions sur le modèle industriel*, (CFD, 1989), p. 5.

³⁰ "Trading" in the sense of commercial.

³¹ J. Egg, J. Coste, *Cereals trade and agricultural policies in the western sub-market (Gambia, Guinea, Guinea-Bissau, Mali, Mauritania, Senegal)*, (CILSS/OECD, 1991).

³² M. Brah, J.M. Pradelle, V. D'Agostino, *Cooperation and regional integration in West Africa*, (CINERGIE/ADB/OECD, 1993).

*"The outlook for the large trading sector (among private sectors) is the best. It currently manages to bypass many of the formal taxes and customs tariffs through clandestine trade to supply goods at reasonable prices to local consumers. In many cases there appears to be a tacit agreement between the public and private sectors to allow the large traders to function in order to meet consumers' demands and maintain economic stability."*³³

Circulation activities are, of course, necessary for the harmonious functioning of the economy. They also have an essential social role in redistributing income during times of crisis (cf above). They may occasionally initiate the process of accumulation needed for the development of industry (cf below). However, it is clear that the extent of circulation activities and the bias in their favor are major hindrances to the chances of development for productive structures. The best example is the proliferation of "cut-price sales"³⁴ on West African markets in the last ten years.

2.3 The distant rather than the local

The preference for circulating wealth is combined with an orientation towards the outside world as opposed to the region. *"Wealth is seen as external to society."*³⁵ The predominance of overseas trade has already been mentioned, and is even more striking when only official trade is considered. Nigeria's official trade with other West African countries amounts to on average between 2% and 3% of its exports and less than 1% of its imports!³⁶

This overseas orientation is very noticeable politically and appears to be a major cause of the destructuring of the regional economy. State policies have been primarily directed by relations with developed countries. The main economic consequence has been that economic policies within West Africa have not been coordinated. The colonial past, succeeded by post-colonial policies, has meant a lack of cohesion between the various parts of the region. This trend has not slackened -- quite the reverse -- in the recent period of structural adjustment.

This orientation to the outside world, rent-seeking behavior, and preference for circulating income have gradually shaped West Africa as a region of disparities, parallel markets, imports, transit and re-exports of goods from world markets, rather than as a region that integrates its productive structures. This is particularly clear in the area centered on Nigeria, where flourishing trade is not a sign of integration but the reverse:

"If there is indeed complementary activity in the relations between the Nigerian economy and that of its neighbors, this is not the result of any agreed strategy of free trade or removal

³³ Report of the proceedings of the Club du Sahel private-sector working group, 1990, p. 2.

³⁴ Subsidized goods, surpluses, line-ends, obsolete or stolen goods.

³⁵ J. Giri, *Afrique-Asie: des évolutions divergentes. Pourquoi?*

³⁶ R.A. Akindele, B.E. Ate., *Nigeria's economic relations with the major economic market-economy countries 1960-1985*, (NIIA, 1988), pp. 121-24.

of barriers between national economies. This flourishing cross-border trade is rather the arbitrage of major discrepancies in tariff and monetary policies. If these discrepancies were to disappear, it would entail a considerable loss of resources for the agents involved and would tend to move the trade to other borders. If there is any sort of integration occurring between Nigeria and its neighbors, it is by the exploitation of dysfunctions and inefficiencies in the economies. Because intra-regional trade depends on resources generated by the very existence of borders, it destructures national economies while being unable to produce alternative regional markets.³⁷

This is also true for West Africa as a whole, as in the western subregion:

*"In terms of the formal economy, the western subregion is at present one of the least integrated areas in West Africa. Its recent history is of political regimes of widely differing type, concerned mainly with their relations outside Africa. The result is that the subregion is fragmented into almost as many currency areas as there are countries, and connecting infrastructure is virtually unusable. The agents in regional trade, major traders and border populations, have managed to organize themselves in parallel currency markets to evade the barriers to trade caused by this fragmentation into States. But parallel-market-driven integration has a high cost for the economies of the subregion and has now itself become an obstacle to the process of formal regional integration."*³⁸

B. TRENDS FOR THE FUTURE

I. CHANGES IN THE OUTSIDE WORLD

1. A loose world order³⁹

1.1 A shift in the economic center of gravity

One of the most predictable trends in the world economy is the shift in the economic center of gravity from the Atlantic to the Pacific. A mid-range hypothesis, assuming 5-6% growth in the Asia-Pacific region and 2.5-3% in North America and Europe, would see Asia-Pacific's share of world GNP rise from roughly one-quarter in 1990 to one-third in 2010. The emergence of China as a major economic agent may well increase the region's

³⁷ D. Bach, "Les institutions régionales face aux effets déstructurants du régionalisme transétatique", in *Rencontre de Cotonou*, (CINERGIE/CILSS/OECD, 1993).

³⁸ J. Egg, J. Coste, *op. cit.*, II.

³⁹ Zaki Laidi, *L'ordre mondial relâché*, (1993).

importance still further. If Chinese growth is rapid, the Asia-Pacific region's share will likely reach 50% of world GNP⁴⁰.

At first the increase in the economic importance of Asia will continue, as in the recent past, to grow more rapidly than its strategic, political and cultural influence. This trend accentuates the geographical division of spheres of leadership that is typical of a "loose world order".

"Gains achieved in one area, say strategy and diplomacy, would be increasingly hard to transfer to another, such as the economy and trade. In this way economic power and political power would tend to take divergent paths.

*Does this mean that we can expect the emergence of a stable international system divided between political-military powers and economic powers, between protectors and tribute-payers, between those who decide the ends and those who provide the means?"*⁴¹

We may examine two hypotheses:

- The "balance of power" is maintained, with a sort of international division of labor. In recent years, Japan's financing of American hegemony has been an example of this balance.
- An Asian pole develops, gradually acquiring the attributes and prerogatives that reflect its economic importance. This trend would eventually lead to the proclamation of a universalist message.

Whichever case is envisaged, sooner or later the increasing political and cultural importance of Asia will influence existing equilibria in the world, and therefore, to some extent, the future of sub-Saharan Africa.

1.2 Two, three, many poles, or none

Until the late 1980s, the future seemed to be moving quite clearly from a bipolar system based on strategic and military rivalry to a tripolar one based on competition in trade. This change was linked to a noticeable trend towards regional integration, leading to the formation of three regional blocs: North America, Asia and Europe.

In this tripolar world, there was a question mark over the South, where attempts at regional integration had mostly failed in recent decades. Latin America (despite the Initiative for America) and Africa especially seemed to be on the sidelines of the movement towards integration. Indeed regional thinking, rather than encouraging the South to gather round its

⁴⁰ Andrieu, Michalski, Stevens in *Long-term Prospects for the World Economy*, (OECD, 1992).

⁴¹ Zaki Laïdi, *op. cit.*, p. 19.

own poles, led to the triad absorbing its edges⁴²: Mexico in NAFTA, potentially Turkey and Morocco in the EU, the Indochinese countries in ASEAN. Poor regions were at a loss in the world balance of power.

Recent developments -- increase in local feelings and defense of identity, collapse of the Eastern bloc, problems in European unification, continuation of the trans-Pacific link⁴³-- have caused forecasters to think again and conclude that a future based on regional multipolarity is too simplistic to describe the sometimes contradictory trends in international relations.

The concept of multipolarity seems to come basically from the examination of government strategies. But although the State remains a powerful agent in the international system, it no longer has a complete monopoly of initiative⁴⁴.

*"Although the defense of local identity can be seen as a reaction to globalization, in fact this apparent symmetry does not explain anything. It is true that the feeling of living in a wider world causes some insecurity. But often it is less globalization that causes the insecurity, than the collapse of politics (in the sense of a communal purpose) or the inadequacy of the territory-based nation-state."*⁴⁵

It is important, therefore, not to deny the forces of integration but to imagine rather a more complex world in which the strategies of international organizations, States, companies, and peoples coexist in a permanent mix of harmony and confrontation.

*"It would be better to see international reality as simultaneously unipolar, multipolar, and often non-polar, and do some hard thinking about how these polarities combine and interact. The map of present-day Europe is a case in point. It is less important to wonder whether the Community ideal will defeat the Atlantic, than to consider how they can coexist, with no clarification necessary in the near future."*⁴⁶

This complex polarity can be handled by dealing with issues sector by sector, as they involve different levels of international relations. An approximate breakdown might be: multilateral relations for the environment, strategic arms control, disaster relief, development (?), humanitarian action (?), defense of democratic market economies (?); regional and/or national relations for the movement of people, defense of territory, employment, economic and social regulation.

⁴² On the principle of consolidating a limes round sets of rich countries. J.C. Ruffin, *L'empire et les nouveaux barbares*, (1991).

⁴³ "Trade between Japan and the United States is rising faster than between Japan and the other countries in Asia. Japan trades more with the United States than with Asia, and the rest of Asia also trades more with the United States than with Japan." H. Milner in Zaki Laïdi, *op. cit.*, p. 135.

⁴⁴ Zaki Laïdi, *op. cit.*, p. 28.

⁴⁵ *Ibid.*

⁴⁶ *Ibid.*

An essential question is to decide what level international trade comes under. Expert forecasts are divided between a belief that rising regionalism will lead to greater protectionism and a weakening of multilateralism, and confidence that the globalization of trade will continue, fostered by the general interest.

It is a complex question. Company strategies of internationalization (cf below) adapt to or even evade State policies⁴⁷. It may well be that a large part of international trade comes under non-polar relations (global but not multilateral).

*"In the past, wealth was based on the resources of the land and the earth beneath, on the manufacture of material things that could be seen and weighed. The customs-officer of the past could stop trucks at the border, and States could frame national regulations. Nowadays, wealth is increasingly based on the immaterial -- ideas, patents, signs, bytes. Like the wind, wealth now blows across borders with a sovereign contempt for national regulations, far from the eyes of any customs-officer. In this way the economy is becoming planetary, organized by networks rather than by the territories that are the basis for nation-states."*⁴⁸

2. International capital flows

2.1 Highly discriminating capital markets

Specialists agree that three major trends are likely to characterize international capital markets in the ten years ahead:

- continuing high real interest rates as a result of insufficient savings globally for investment demand;
- increasing foreign direct investment (FDI) as companies, especially in Japan, follow a strategy of internationalization;
- diversified capital flows between developed and developing countries.

The imbalance between the supply of savings and the demand for investment observed throughout the 1980s is likely to continue in the years ahead as a result both of the low level of savings, especially public savings, in OECD countries and of the increased demand for investment from the countries of eastern Europe.

⁴⁷ "As the distinction between 'national' and 'foreign' goods and companies breaks down, so it will in practice be harder and harder to apply discriminatory protectionist measures based on the geographical origin of goods." Andrieu, Michalski, Stevens, *op. cit.*, p. 22.

⁴⁸ H. De Jouvenel, *De quelques tendances lourdes d'évolution à long terme du contexte international de l'Afrique*, (Futurs africains, 1993), p. 64.

Some authors see this as "a major topic of concern"⁴⁹ for the future, while others point out a number of factors that may reduce the expected imbalance: higher savings in the NICs, reduced military expenditure, increasing private savings in OECD countries⁵⁰.

Foreign direct investment rose from \$50 billion in 1986 to \$170 billion in 1991⁵¹. Despite a slight decline since 1989, the decade ahead is likely to see a continuing increase in FDI as new strategies for delocalizing activity are adopted (cf below). Japanese investment is likely to take pride of place, for it has tripled in nominal dollar terms since 1985 and is already the highest in the world.

*"The globalization of Japanese companies will probably increase. In 1990, their production abroad was only 6% of home production, compared with 25% and 17% for American and German companies respectively. A recent survey shows that the ratio of delocalized to home manufacturing in Japan will likely rise by 20 points by 2010."*⁵²

The share of total direct investment that goes to developing countries has remained roughly stable over a long period at 20-25% (except for a marked fall in the 1980s). But the sectors invested in have recently been much less manufacturing and extractive industries and more services, particularly new capital-intensive services, such as banking, public services, telecommunications and transport⁵³.

Capital flows from developed to developing countries have clearly tended to diversify in recent years. The proportion of commercial bank loans has fallen spectacularly, from 46% of capital flows in 1981 to 17% in 1991. Meanwhile direct investment rose from 8% to 16%, portfolio investment (stocks and bonds) soared to 8.5% in 1991 from negligible investment in 1981, grants rose from 7% to 14%, as, to a lesser extent, did official loans, from 26% to 30%⁵⁴. This trend has been strengthened in recent years by privatization in developing countries and seems likely to continue in the medium term.

As a result of these trends, investment is directed increasingly towards dynamic economies with access to the private capital market.

⁴⁹ *Development Cooperation: Efforts and Policies of the Members of the Development Assistance Committee (OECD, 1992).*

⁵⁰ *See Economie mondiale 1990-2000: l'impératif de croissance, (CEPIL, 1992), ch. 12.*

⁵¹ *Balance of payments statistics yearbook, (IMF, 1992), p.68.*

⁵² *Masaru Yoshitomi and Naohiro Yashiro, "Long-term economic questions in Japan and the Asia-Pacific region," in Long-term prospects for the world economy, (OECD, 1992).*

⁵³ *Global economic prospects and the developing countries, (World Bank, 1993), pp.3-4.*

⁵⁴ *Ibid., 2.*

*"Even more than in the last ten years, resources will probably be invested in those countries that are progressing economically and politically."*⁵⁵

*"Many severely indebted low and lower-middle income countries with largely official debt have little realistic prospect of private market access for the foreseeable future....Within the overall pattern is a growing gulf between developing countries with access to the private capital markets for bank loans, bonds, and stocks, and those without."*⁵⁶

2.2 A change in delocalization strategy

Recent years have seen a change in international delocalization and companies' strategies for internationalization.

In the 1970s and 1980s, it looked as if delocalization would be the basis for a new international division of labor.

*"Dynamic industrial development would begin in those developing countries that had abundant, cheap labor. Becoming international subcontractors for the labor-intensive segments of production would be the most effective way to ensure their development and job creation."*⁵⁷

This process did indeed take off in some Asian countries, of the so-called first generation, where industrialization took the form of increasingly sophisticated subcontracting.

This dynamic process may well not be able to be extended in similar fashion to other countries, for three reasons:

- *technology transfer among Northern countries, based on information technology, erodes the comparative advantage of cheap labor;*
- *more volatile and differentiated demand causes companies to site their production units close to markets;*
- *non-tariff barriers against imports from low-wage countries are increasing. This new mercantilism in North-South relations involves protection of technological know-how and resistance from States, trade unions and even companies to delocalizations."*⁵⁸

These reasons have already reversed much of the trend.

⁵⁵ *Financing and external debt of developing countries, (OECD, 1992).*

⁵⁶ *World Bank, 1993, op. cit., pp. 1-2.*

⁵⁷ *El Mouhoub Mouhoub, "Company delocalization, North-South economic relations and employment dynamics", in The changing course of international migration, (OECD, 1993).*

⁵⁸ *Ibid., 183*

*"With current technological change the industrialized countries are winning back their comparative advantages over low-wage countries. This can already be seen in the relocation strategies of multinational companies since the early 1980s. Delocalizations to low-wage countries are declining (Cooney)."*⁵⁹

Companies are not reducing their internationalization, but developing new strategies of multinationalization.

*"American, British and Japanese companies, and their German competitors, are gradually adopting new strategies of internationalization instead of labor-cost reduction. Qualitative changes in demand and the opportunities of new technology do not necessarily mean that production is repatriated, but they do change the rules of internationalization. The textile industry is following other sectors in mergers, acquisitions and agreements between companies to win markets where they are to be found and to modernize by pooling R&D.... Production is being increasingly organized globally on the principle of one product per country, rather than by distributing the segments (productive processes) between countries according to the relative cost of each segment. New technologies do not, therefore, necessarily imply "renationalization" in the sense of reduced internationalization, but a different type of internationalization, the winning of markets."*⁶⁰

*"Japan's direct investment tripled in the second half of the 1980s. It is of two types: FDI based on cost advantage, from more developed countries to less, and FDI based on markets, which is between developed countries. In recent years, the latter type has overtaken the former, which shrank from one-quarter of the total in 1980 to just over 10% in 1989.... A more basic motivation is the changing strategy of (Japanese) groups, which is no longer to have a local base and exports, but a world base and local markets."*⁶¹

The new forms of company delocalization involve new strategies (winning markets rather than exporting), new types of organization (partnership, shared subcontracting, mergers and acquisitions rather than segmentation), new production sites (advanced rather than low-wage countries), and new activities (services rather than textiles and electronics).

The earlier form of delocalization continues largely in free-trade zones, which developed spectacularly in the 1980s and now employ over two million people throughout the world⁶². However, the present trend is in favor of the industrialized and dynamic developing countries⁶³, which offer markets and a qualified labor force, rather than the poor countries

⁵⁹ *Ibid.*, 188

⁶⁰ *Ibid.*, p. 186

⁶¹ Masaru Yoshitomi and Naohiro Yashiro, *op. cit.*, pp. 167-68.

⁶² Paul Bailey and Aurelio Parisotto, in *The changing course of international migration*, (OECD, 1993).

⁶³ The top ten developing countries for inward direct investment in 1991 were Mexico, China, Brazil, Malaysia, Argentina, Thailand, Indonesia, South Korea, Venezuela, Turkey.

with cheap labor. It will be difficult for poor countries, especially in Africa, to penetrate the system of international subcontracting.

3. Factors of international redistribution

3.1 Raw material prices remain relatively stable

In the long term, the major trend in raw material markets will be based on the *"increasing disconnection between economic growth and the consumption of energy and non-energy raw materials"*⁶⁴.

*"A recent IMF report shows that since 1900, except for war time, the amount of raw materials needed for one unit of production has fallen at a compound rate of 1.25% per year. In Japan, for a given amount of production, the raw materials needed fell 60% from 1973 to 1984!"*⁶⁵

In the next ten years, allowing for the 1980s collapse in commodity prices, the world markets for raw materials traded by West Africa are unlikely to suffer from imbalances between supply and demand that will cause major, lasting price changes.

In the energy sector, it is likely that the move of recent decades towards diversified supply, in favor of nuclear energy and natural gas, will continue, at the expense of fossil fuels and hydro-electric power. Since reserves are considerable, especially of natural gas⁶⁶, and demand is increasing steadily, there is little threat of an energy crisis, except for a major political confrontation.

Energy prices are likely to remain low, as for natural gas. For oil, the World Bank⁶⁷ forecasts a slight rise in real terms from the second half of the 1990s, caused by stagnating non-OPEC production and a continuing slight increase in demand.

Medium and long-term forecasts for the coffee and cocoa markets⁶⁸ are that prices will trend upwards slightly in real terms. Demand will continue to rise slowly and world supply will be stable, since recent low prices have discouraged planting. However, cotton prices are likely to trend downwards in real terms, because of increasing competition between producers.

⁶⁴ H. De Jouvenel, *op. cit.*, p. 61.

⁶⁵ *Ibid.*, p. 62.

⁶⁶ Proven natural gas reserves more than doubled from 1970 to 1990.

⁶⁷ *Price prospects for major primary commodities. 1990-2005*, (World Bank).

⁶⁸ *Ibid.*

An underlying long-term trend is the decline in world prices for basic foodstuffs. The sharp fall of recent decades is likely to continue, despite the rapid rise in world consumption and world trade.

This downward trend is explained by the large reserves of productivity, both in poor countries where, *"the alignment of average yields with those obtained in similar conditions elsewhere could raise production in the medium term for major products, without any use of new technologies or increased unit production costs"*⁶⁹, and in rich countries where information technology and biotechnology are likely to increase yields considerably.

These improvements in productivity will cause world trade to focus on a few cereals, such as maize, with falling prices in real terms⁷⁰.

However, within the overall trend downwards, some prices may well move differently:

- a major unknown is China, where little is known of farm production and potential, and which makes up one-quarter of world consumption;
- the World Bank forecasts a slight cyclical rise in real prices in the second half of the 1990s;
- meat and sugar prices, for example, are likely not to decline.

The movement of food in world markets from North to South may well increase as a result of much higher yields in developing countries with no corresponding increase in consumption. FAO and World Bank prospective studies do not foresee the emergence of any new Southern countries as major food exporters, leaving only Argentina and Thailand as significant exporters.

3.2 Will official development aid continue as before?

An examination of official development aid (ODA) statistics for recent decades reveals the following trends:

- in the DAC (Development Assistance Committee, comprised of nearly all the OECD Member countries), ODA as a proportion of GNP shows *"an extraordinary stability since international aid began"*⁷¹. It was 0.32% in 1978-82, 0.33% in 1983-87 and 0.33% in 1991.
- ODA from non-DAC countries -- basically Arab and Eastern European countries -- fell during the 1980s.
- ODA from DAC countries to multilateral organizations is also a stable proportion of their GNP, and amounts to some 10% of total ODA.

⁶⁹ Martin Brown and Ian Goldin, *The future of agriculture: developing country implications*, (OECD, 1992).

⁷⁰ *Ibid.*, p.

17.

⁷¹ *Development cooperation*, (OECD, 1992).

- the proportion of ODA to sub-Saharan Africa has risen sharply: 17% in 1970, 23% in 1980, 38% in 1990⁷². This rise is especially noticeable in the case of multilateral aid.

In the decade ahead, ODA from DAC countries may well decline slightly as a proportion of their GNP.

*"If current forecasts are to be believed, some of the donor countries, including the larger ones, will increase their aid at less than their expected GNP growth rate, leading to a lower ODA/GNP ratio."*⁷³

ODA from non-DAC countries is unlikely to increase.

Specialists also point out that the number of countries eligible for ODA is increasing. The new countries are mainly the republics of central Asia and the Caucasus, and also countries recovering from past conflicts, such as Vietnam, Cambodia, Afghanistan, Angola, Mozambique, Ethiopia, and Nicaragua. However, this may be counterbalanced by countries needing less aid (second-generation NICs) and others entering new conflicts.

It is not clear if sub-Saharan Africa will continue to increase its share of ODA. On the one hand, it can be argued that most ODA should go to the least advanced countries, thus continuing the trend. On the other hand, donor countries are now stressing improved effectiveness of aid rather than increased amounts.

*"There is a gulf between the need for aid revealed by macro-economic factors and the ability of the country's administration and institutions to use the aid effectively. The coexistence of needs that are not satisfied and the evidence of an 'excess of aid' beyond some developing countries' ability to absorb it is one of the dilemmas that the aid system must solve, but which is hard to explain to public opinion."*⁷⁴

The DAC report suggests, perhaps regretfully, that public opinion in developed countries will play an increasing role in the allocation of ODA funds, as it has for humanitarian aid.

3.3 Serious migration tensions

Migration is likely to cause serious tension internationally. Supply and demand characteristics of migration appear to present opposing trends.

The demand for migrants in Europe and the United States will probably be slight, continuing the trend of the 1980s. It will be higher in Asia, especially near free-trade zones, but only for migrants from Asia itself.

⁷² *Global economic prospects and the developing countries*, (World Bank, 1993), 48.

⁷³ *Development cooperation*, (OECD, 1992).

⁷⁴ *Ibid.*, p. 113.

The supply of potential migrants, however, is likely to be considerable, especially from countries where incomes have plunged in recent years. These are in Eastern Europe and particularly Africa, which accounts at present for nearly half the world's migrants⁷⁵.

Migration should not be seen as a north-south issue. The greatest tensions will probably occur between southern countries, as can be seen from the sharp rise in refugees in developing countries during the 1980s, now nearly 20 million.

II. LONG-TERM TRENDS IN WEST AFRICA

1. Imbalances of population and food

1.1 New settlement patterns

Massive population growth and migration mean that the present period is seeing new settlement patterns for West Africa.

The present pattern is quite different from the 1960 pattern. This is the result of three main trends:

- population has grown 2.7% per year;
- the rate of urbanization rose from 15% in 1960 to 40% in 1990;
- there has been a noticeable movement of the population to the coast. A division of the region into agro-climatic zones indicates that the coastal zone accounted for 64% of total population in 1960 and 69% in 1990⁷⁶. West Africa is often the textbook case for intra-regional migration between countries⁷⁷.

These trends are likely to continue, but rates are hard to estimate. It has been established that population growth will remain high, probably at the same rate as in the last thirty years. The rise in urbanization is harder to forecast. Migration to towns slowed considerably in the 1980s, as average per capita income in towns fell. It is likely that the rate of migration will depend closely on the nature and extent of economic growth.

"In economies with rapid population growth, economic growth and the movement between country and town go together. Which is not to say that there is a direct causal link.... Growth is always led by a few driving sectors which affect the whole economy in various ways, one of which is a change in settlement patterns. Conversely, a period of stagnation will

⁷⁵ There were estimated in 1989 to be 80 million migrants in the world, of which 35 million from African countries. Sergio Ricca, *International Migration in Africa: Legal and administrative aspects*, (ILO, 1989), p. 3.

⁷⁶ See latest WALTPS report on population, SAH/D(93)415.

⁷⁷ "As a general characterization, it can be said that labor migration has tended to be a feature of all subregions in SSA, but has been especially notable in West Africa.... West Africa is the region with the highest concentration of migrants." S. Russell, K. Jacobsen, W. Stanley, *International Migration and Development in sub-Saharan Africa*, (World Bank, 1990), pp. 14-16.

result in low mobility.... There is also mobility generated by crises such as major changes in income disparity between economic areas."⁷⁸

That the population should shift from semi-arid, landlocked areas to the more fertile coastal countries seems to be a matter of common sense. Some countries are unlikely to be able to support the population forecasted for them in the medium term. For example, Niger is predicted to have a population of 13 million in 2005. However, this shift may be reduced by the following factors:

First, natural population growth in the countries of the Sahel is slightly higher than in the coastal countries. Consequently the proportion of the West African population living in the Sahel fell only moderately in 1960-90 (from 25% to 21%) despite massive migration to the South. Some migration South, of course, is within Sahelian countries.

Second, although some receiving areas may see accelerating population growth, it is unlikely that migration will have a major impact on population changes in the sending areas.

*"It must be remembered that no mass migrations in modern times have done more than take a modest share even of the population increase in the sending areas. Resident populations will continue to increase even in areas with low potential."*⁷⁹

This implies that urbanization will probably continue rapidly in areas with poor farming potential.

Finally, it is difficult to separate the question of recent international migration from the special case of Côte d'Ivoire. This country was estimated in 1989 to have 25% of its population born outside its borders. The case is unique. Other West African countries with a high proportion of foreign-born residents are a long way behind: Gambia 11%, Togo 7%, Ghana 6.5%. Coastal countries like Nigeria, Cameroon and Guinea have small numbers of immigrants, probably less than 4% or even 3%⁸⁰.

The Côte d'Ivoire/Mali/Burkina Faso complex was particularly suited to migration⁸¹:

- incomes, farm potential and population density differed widely;
- Ivorian policy, within the Conseil de l'Entente and then ECOWAS, encouraged immigration;
- new crops (coffee, cocoa) were being rapidly developed in underpopulated areas;
- the Ivorian economic growth rate was high in the 1960s and 1970s.

⁷⁸ J.D. Naudet, *Peuplement et économie en Afrique de l'Ouest: analyse du passé et amorce de vision prospective*, (DIAL, 1992) p. 54.

⁷⁹ Paul Harrison in *The long-term perspective study of sub-Saharan Africa*, (World Bank), 2:52.

⁸⁰ Data are estimates from S. Russell, K. Jacobsen, W. Stanley, *op. cit.*

⁸¹ Similar conditions explain high migration to Ghana before 1960.

In the future, income disparities will persist and may widen. Some areas with high farming potential are still underpopulated, as in Cameroon, Guinea and the Central African Republic. But there is unlikely to be again a large area of West Africa that combines so many features favorable to migration.

A mid-range hypothesis is that there will be a gradual shift towards the coast, except for brief local crisis, the density of underpopulated fertile areas will even out and the proportion of the total West African population living in the Sahel will decline very slightly.

1.2 Re-examining the "facts" about food supply

Farm production in West Africa in calories, as calculated from FAO figures, rose at an average annual rate of 2.0% in 1960-90. This represents a decline of nearly 0.7% per year per capita, and quasi-static production per farmer. Food imports, meanwhile, rose at an average annual rate of 5.4%. Net imports (less exports) in 1985-89 were 11% of final consumption, whereas in 1961-65 exports exceeded imports by 12% of consumption⁸².

These data support the view that West Africa is becoming dependent on imported food. Production has increased extensively, with no improvement in productivity. West African dependence on imported food is a recent phenomenon and has developed rapidly as towns expand, since production per farmer has remained static. If this trend continues, there will be large shortfalls in food and the region will be very dependent on imports.

Analysts see this spiral of dependence as being caused more by political, sociological and world trade factors than by physical limits to the land's potential. An FAO prospective study for 2010, assuming mid-range improvements in yield, foresees nutritional needs exceeding physical capacity for production only in Mauritania and Niger⁸³.

However, closer examination of the data contradicts some features of those analyses that forecast greater dependence.

- The food balance has not worsened evenly in all periods. In 1984-90, for example, production rose by 5% per year. Per capita figures can thus improve in the medium and perhaps the long term.
- Dependence is still low in relative terms -- about 10% of consumption -- and even lower in absolute terms. Nigeria is the main exporter in the region, and imported less than 200 calories per capita per day in 1985-89, placing it 108th in the FAO table of countries ranked by per capita food imports.

⁸² Data from WALTPS research. For all the countries of West Africa, FAO statistics by product were converted to calories and aggregated. This method of calculation somewhat under-estimates regional farm performance for two reasons. Oilseeds, which have declined, are rich in calories, while coffee and cocoa, mostly exported, are poor. Also, FAO figures considerably under-estimate produce from market gardening and farm near cities, as can be seen with vegetables.

⁸³ African agriculture: the next 25 years, (FAO, 1986). The study also foresees difficulties for Nigeria, and to a lesser extent Senegal, using the same assumptions.

- Economic policies, which can be changed, are a better explanation for the results observed than sociological or natural factors. Countries like Mali and Burkina Faso have managed to maintain their per capita production despite rapid urbanization, whereas Nigeria was a victim of the Dutch disease syndrome in the 1970s and accounts for most of the region's poor results.
- The proportion of food in the region's imports has barely increased in the last thirty years according to official statistics. It rose from 15% in 1965 to 17% in 1989.

The low rise in farm production concerns primarily cash crops (except cotton) and then cereals (except rice). The dependence hypothesis is, therefore, only valid for cereals. The production of root crops, pulses, oilseeds and meat has kept pace with population growth.

As in the case of industrial activities (cf below), farming has mainly developed in protected activities. Those products enjoying natural geographical protection, such as market gardening, sheep, goats, poultry, and sugar cane, have progressed spectacularly to meet urban demand, but are poorly recorded in official statistics. Products that are partially protected, by eating habits and the lack of perfect substitutes, such as root crops and pulses, have kept pace with need. Only those products that are exposed directly to competitive world markets, such as cereals, meat, and milk, have lost market share and would justify fears of food dependence.

Apart from any interpretation of the figures, the very basis of the dependence hypothesis, namely the automatic link between urbanization and food dependence, seems debatable.

- *"Contrary to expectations, it is often the least urbanized countries in Africa that are most dependent on food imports or food aid, and have the lowest value added per country-dweller."*⁸⁴
- It is often assumed that urban eating habits are turning increasingly and irreversibly towards imported food. However, there is no formal evidence to support this belief in West Africa. Indeed, the only serious statistical study, comparing consumption surveys in Abidjan over a long period (1963, 1979, 1985), shows that it is local produce, such as roots and pulses, that have most increased their share of household budgets⁸⁵. Similarly, a detailed study of the cereals market in the west of the region produced mixed conclusions:

*"Analysis of household surveys shows that West African consumers do not simply copy Western eating habits. When asked, they explain that they are more concerned with varying their diet than with preferring foreign products.... Local cereals are not rejected by consumers, even when they have lived in towns for a long time."*⁸⁶

⁸⁴ Coussy, Hugon, Sudrie, *Urbanisation et dépendance alimentaire en Afrique sub-saharienne*, (1991), p. 20.

⁸⁵ Resquier-Desjardins, *L'alimentation en Afrique*, (1989).

⁸⁶ J. Egg, J. Coste, *Cereals trade and agricultural policies in the western sub-market (Gambia, Guinea, Guinea-Bissau, Mali, Mauritania, Senegal)*, (CILSS/OECD, 1991).

In Nigeria there is some evidence that the economic crisis is causing a return to local food⁸⁷.

- The sluggishness of farm supply in responding to urban demand is another "fact" that deserves re-examination. Products are being adapted to eating habits, farming is developing outside towns, intensive farms are being set up near markets, rural settlement patterns are adjusting round urban poles; this is all evidence⁸⁸ that in most cases the market relationship between town and country has been maintained.

To summarize, although there is a risk in the rapid increase in food dependence, it cannot be a long-term trend in West Africa. The reasons for it are neither the exhaustion of the physical potential nor unsustainable population changes. The challenge is the region's ability to resist competition from world markets. Future development of the food supply will be discussed under the various scenarios developed in Part C.

2. Delayed integration with world markets

2.1 Diversifying exports is a long process

In part one we showed that West African industry has "specialized" in "protected" activities. Consequently, it aims almost entirely at home markets, occasionally at regional markets, and only rarely at world markets, when a natural resource is being processed. According to the World Bank, 99% of official exports from Ghana and Nigeria, which one would suppose to be the most "competitive" countries in West Africa, are primary commodities⁸⁹.

Relations between West Africa and the rest of the world have not changed in the last thirty years; the region is still an exporter of raw materials and an importer of manufactured goods.

At present, virtually no product manufactured in West Africa has a competitive advantage on the world market. Furthermore, it is unrealistic to suppose that local manufacturers can achieve international competitiveness in the near future by simply cutting their production costs. First, because they have already been reduced considerably, especially outside the Franc Zone. Second, because international competitiveness depends increasingly on things other than factor costs (cf above, delocalizations).

What we are seeing is *"an ever more rapid growth in immaterial investment compared with physical investment, and this immaterial investment is becoming the major factor of companies' competitiveness."*

⁸⁷ See, for example, A.S. Afouda and B.G. Soulé, *Le Nigéria: de la crise à la relance de l'agriculture*, (1992), p. 48.

⁸⁸ See *West Africa Long-Term Perspective Study: Population, Land and Development*. for the evidence.

⁸⁹ *World development report*, (World Bank, 1993).

Immaterial, or intellectual, investment basically comprises corporate expenditure on software, R&D, training, marketing, organization and management. Which is why the management gurus now insist on concepts such as the seven zeros, total quality and human resources. These are now just as important as, if not more important than, new technology as determining factors in the pursuit of global competitiveness.

*Retailers, and indeed manufacturers, now often earn more money from careful management of their inventories and cash-flow than from the products and services that are their main vocation. This means that control of finance is becoming a decisive factor in international competition.*⁹⁰

Any hope of industrial recovery in West Africa cannot be based on mere cost-cutting to gain entry to the international subcontracting system. Even less can it be based on entering new sectors or the availability of new sources of investment. It depends rather on the successful structural transformation of all the economies, "capacity building", as the World Bank calls it. The prerequisites for industrial competitiveness are improvements in human resources, a stronger State, the development of financial markets, an improved business environment, the emergence of a new generation of entrepreneurs, a radically altered "contract" between the public and private sectors, and so on. It is increasingly accepted that you cannot skip the learning period in manufacturing, as Asian experience shows.

"The first Japanese steel mills were built in 1875, and were a failure; a century later the Krakatau steel mill project in Indonesia looked like a white elephant.... When the results of industrialization are compared, it must be borne in mind that the Asian countries started many years ahead of Africa: there were 70,000 industrial workers in Japan in 1868, 300,000 in Korea in 1940.... In other words, one-third of the industrial jobs in Africa today. In Thailand the first cement factory was built in 1940, but there were a number of rice mills in the second half of the nineteenth century.

*Industrialization takes a long time. African countries are in their first industrial generation, Tunisia is entering its second generation, while Asia has reached its third.*⁹¹

The diversification of West African exports for the world market can only be envisaged in the long term. In the decade ahead, raw materials will continue, in a limited adaptation scenario, to make up almost all the region's export earnings.

Although the prospect of international competitiveness must be postponed, there is room in the medium term for two major changes in West African industry: the maintenance or extension of its share of national and regional markets, and the instauration of structural changes needed for competitiveness.

⁹⁰ H. De Jouvenel, *op. cit.*, pp. 62-63.

⁹¹ J.R. Chaponnière and P. Judet in S. Michailof, *op. cit.*, pp. 172-75.

2.2 Will overseas trade diminish?

An essential question arises about the future: to what extent will overseas trade continue to play its critical role in the evolution of growth and living standards in West Africa?

Taken together, the analyses above give some idea of the trends in (legal) overseas trade in the decade ahead. As in the past, the lack of diversification in exports will reduce trade to the exploitation of economic rents from world markets. Little growth can be expected: raw material prices are likely to be static, remittances from emigrants look disappointing, few investments can be expected from the capital markets, and external aid will at best rise slowly.

Without putting even rough figures on these trends, it can be stated with some certainty that the growth in income from overseas will fall far short of population growth. This happened in the 1980s and implies a steady reduction in per capita imports, in volume, cost and quality, as West Africans buy the cast-offs and surpluses of the rest of the world.

As this traditional income from overseas runs down, West Africa will be faced with a choice: either win back the home market or cut per capita consumption drastically. This choice concerns primarily manufactured goods, which represent 60-75% of imports.

But the lack of any replacement for the existing engine of growth means that the concept of overseas trade needs to be extended to include activities that are "harmful", socially, economically, and environmentally. Selling off the rights to future use of natural resources and storing toxic waste are examples, but the greatest potential comes from the production and sale of drugs.

West Africa can already be seen as an influential agent on the world narcotics market.

"As sub-Saharan Africa is dotted with illegal plantations, so the structures of the trade are changing. Where once poorly organized crowds of "mules", "ants" and couriers met the prime need to import drugs from Latin America and Asia for re-export to Europe, now, as they are produced locally, new organizations are being set up that are better run. The trade is becoming professional.

Throughout the region, heroin export brings in the most illegal money. These huge sums are reinvested in production, turning small marketplaces for drugs into centers of processing and consumption....

At the heart of the trade lies the largest country on the continent, Nigeria.... For cocaine, the Nigerians are at the top of the world drug trade.... (In the United States), according to specialists, Nigerian heroin supplies 25% of the market, and up to 5% in the Washington and Baltimore area.⁹²

⁹² *La drogue, nouveau désordre mondial, (Observatoire géopolitique des drogues, 1993), pp. 203-27.*

Specializing in the drug trade offers considerable economic potential. So much so that it might be a way of avoiding the choice described above. But this would have profound effects, increasing political and economic instability and altering the region's relations with the rest of the world.

3. Can productivity take off?

3.1 The conditions for more intensive production

In farming, past experience implies that two conditions are necessary for more intensive techniques to be adopted: the completion of the extensive phase and the presence of a stable, evolving market. Intensive farming is the result of a learning process (the previous phase is completed), an incentive (stable evolving demand), a constraint (decreasing returns to scale with existing techniques), and competition (a number of producers are faced with the same situation).

Improved farm productivity is thus directly linked to a number of crucial developments:

- Settlement patterns are a basic factor, as higher density prevents the extension of farmland, and the number of town-dwellers per country-dweller is a major indicator of the market for farm produce.
- Intensive farming cannot be divorced from the development of the urban economy. Only demand supported by urban wealth creation can provide the conditions for adopting new techniques.
- Apart from the volume of demand, its structure is also important. Consumers' continual pursuit of variety and quality encourages innovation and technical change. Demand is more effective if it comes from rising consumer wealth than from mere population shifts.
- The level and stability of farm prices determine urban demand and are essential factors in creating the right conditions for intensive farming.

These considerations explain why attempts at intensive farming have failed, when the right conditions were lacking.

It would be tempting to suppose that what can be done in farming can also be done in other parts of the economy, and that improved productivity in the secondary and tertiary sectors requires the same conditions: the completion of the extensive phase and stable, evolving demand.

In non-farm activities the phase of extensive growth means the extension of an activity to a local, national or regional market by simple increase of capital (extensive accumulation) and techniques that are basic and not capital-intensive. This phase is completed when market needs are met, competition is numerous and there are diminishing returns without technical change. More intensive activity requires a long learning period supported by openness to the outside world through migration and improved education for successive generations.

Disregarding the business environment for manufacturing, which can be changed, conditions at present seem more favorable than in the past to more intensive activity.

Admittedly, demand is hardly booming. But settlement patterns seem to be favorable to more intensive trading. In 1960, there were in West Africa 0.2 city-dwellers for every country-dweller; in 1990 the figure was 0.65, and in 2020 it will be 1.88. These are regional averages. At present, farms near cities enjoy a large, stable demand for food.

Furthermore, the phase of extensive growth is in many cases completed. The hinterland of cities provides lively competition and little space to expand. The education and experience of farmers in these areas is much greater. And this is also true of non-farm activities. The transport and trading sectors are often close to the end of their extensive phase, since returns to scale are decreasing.

3.2 Pockets of productivity

There is considerable evidence that in some places the West African private sector is experiencing improved productivity. These improvements are small, and certainly marginal compared with total production. They often pass unnoticed, lost in the collapse of other activities, particularly in the modern sector.

These improvements in productivity are occurring not in the modern sector but in an intermediate sector which was born in the informal sector but is no longer really part of it since it does not ignore the State and the official economy.

This development is most obvious in urban and peri-urban farming, but also occurs in rural areas, as in Côte d'Ivoire:

*"A recent study of Côte d'Ivoire revealed the appearance of a new group of entrepreneurial farmers. They are a mixed bunch, comprising women and immigrants, as well as entrepreneurs who used to be traditional farmers or urban employees. To take advantage of local and export markets, they set up enterprises which blur the traditional distinction between formal and informal sectors. They make full use of formal banking and commercial services and modern techniques of production, but also enjoy the support of the traditional networks, which provide labor, land and investment.... Combining advanced farm techniques and commercial methods with medium-scale production, these entrepreneurs have achieved productivity levels much higher than those of either small or large farms."*⁹³

and Nigeria:

"It is the medium-sized farms, as opposed to the smallholdings and large mechanized farms, that are increasing production and helping to replace imported cereals. A survey in northern villages shows that, unlike the smallholders, the farms with greater production capacity and the ability to adapt to the market are better able to organize their supplies of inputs and take advantage of rising prices. Similarly, a survey in Imo state concludes that

⁹³ Sub-Saharan Africa: from crisis to sustainable growth, (World Bank, 1989).

*profitability per hectare increases when tractors and outside farm hands are used more, although average farm size is smaller."*⁹⁴

Similar changes are occurring in the Sahel, where cereal yields have nearly doubled in recent years in South Mali and Office du Niger. Again, return migration and rising producer prices played an important part in improving techniques.⁹⁵

This improved "efficiency" is not restricted to farming. It can be seen in transportation, where a large network of mid-sized firms has emerged, and in trading, based on traditional Igbo, Dioula and Hausa networks:

"The driving force of Malian national trade is its organization, which is based on traditional, time-honored national and regional networks that are organized extremely efficiently. At the national level, a small number of leading traders have adopted the modern facade of wholesale importers and sell imported products to semi-wholesalers, who have their own distribution network covering the whole country, generally made up of small-scale informal traders. At the regional level, the traders use the traditional pan-African trading networks with which they retain close links. This enables them to acquire the best supplies at the best possible prices.

*Malian trade is far more modern than Hausa trade. The Malians are traders from generation to generation, but their children are sent to schools in Europe or the United States to learn Western management techniques. The new generation, trained in the West but imbued with the traditional methods, have a head start over Niger's traders.... Malian traders are progressively taking over the activities of the main trading companies."*⁹⁶

Productivity has improved less in manufacturing, which is stuck at the extensive phase (see below). Worthy of note, however, is the success of the Aba-Nweni factories in south-east Nigeria, which seems to be the result of a burgeoning intermediate sector.

"On account of the investments made in new lines of production such as the manufacture of spare parts based on the imitation of Far Eastern technology in many products, the business sector did not suffer as great a lull in activities. Indeed, with the demand for cheap spare parts rising side by side with the prohibitive costs of imported parts as the naira's devaluation was carried out, demand for the products of the Aba-Nweni spare part factories grew tremendously, ensuring a production and distribution boom. With national and regional distribution networks already in place, the output of factories was easily circulated and the returns were good both for the producers and the marketers. This encouraged more local fabrication of parts and in time many of the companies began to move beyond the production of parts for vehicles to the production of parts for industrial machinery. Many factories, unable to replace fixed assets or to afford the costs of imported spare parts turned to the

⁹⁴ J. Igué, J. Egg, *L'intégration par les marchés dans le sous-espace est*, (CILSS/OECD, 1993), p. 72

⁹⁵ See M. Deme, *Mali case study*, (WALTPS).

⁹⁶ A. De Lattre, M. Courcelle, *The private sector in Mali*, (OECD/CILSS/Club du Sahel, 1989), 14.

*Aba-Nweni industrial axis for their needs.... The growth of local spare part production is perhaps the most important element of the boom in industrial activity in the Aba-Nweni industrial axis but also worthy of note is the emergence of textile production and design as well as agro-allied product processing and pharmaceutical production. Like the production of spare parts, these other lines of production are backed by strong marketing networks, made up mainly of traders of eastern origin, in the country and in the rest of Africa.*⁹⁷

As elsewhere, Nigerian observers put this success down to changing settlement patterns - *"The strong entrepreneurial spirit that has characterized Igbo commercial and industrial networks within the east, in Nigeria, and outside the country is not unrelated to the challenges posed to the people of the area by a high level of population pressure in the context of limited land."*⁹⁸ - migration, and a new generation. *"Not only did the Igbo and Ibibio Unions collect a portion of the incomes of their members in the urban branches to finance community development projects in their home villages, the success of sons (and more recently daughters) away from home soon came to be measured by their ability to set up economic ventures back home and to recruit kinsmen from home for positions in their urban-based businesses. Such a mutual aid network would seem to have aided the expansion of the population of southeasterners able to amass wealth abroad which on the basis of past interactions became pooled for the establishment of capital-intensive spare part industries."*⁹⁹

The success of this industry is a rare example in West Africa of synergy between circulation activities, providing initial accumulation of capital, and production.

*"From Lagos to Kano, Makurdi to Aba, they (businessmen from the east) developed massive networks for the distribution of the second hand goods which they delivered to households much more cheaply than the factory-new equivalents, whether locally produced or imported. The trade in second hand goods has thus become a major new source of accumulation which has contributed to the business boom in the eastern part of the country like Lagos."*¹⁰⁰

Even if these local successes spread and an intermediate sector emerges, it will take time. In the decade ahead, this will depend on the business environment provided for production and will be covered in the scenarios outlined (see below). These pockets of productivity should be seen as features of the West Africa of the future, unless there is major socio-political instability.

⁹⁷ A.O. Olukoshi, B. Ahonsi, *Population dynamics in Eastern Nigeria and their socio-economic and political consequences*, (WALTPS/CINERGIE workshop on population dynamics and social transformation, 1993), doc. 1: pp. 17-18.

⁹⁸ *Ibid.*, p. 2.

⁹⁹ *Ibid.*, doc. 2: pp. 13-14.

¹⁰⁰ *Ibid.*, doc. 1: p. 18.

4. Specific issues for Africa

4.1 A mini debt crisis

After the developing countries' debt crisis of the 1980s, indebtedness appears to be less serious in the early 1990s and the future is envisaged with some confidence.

However, the developing countries' outstanding debt has continued to rise, from \$968 billion at the end of 1983 to \$1,478 billion at the end of 1991¹⁰¹, growing at an annual rate of 5.4%, faster than the economic growth rate in these countries.

There are a number of reasons for the relative optimism of international financial circles, despite this growing indebtedness:

- They have acquired the "know-how" to deal with indebtedness. In 1982 the world financial system was taken by surprise and at a loss when faced with the crisis. Now they have learnt to react quickly and effectively with new instruments (rescheduling, securitization, cancellation), new institutions (the Paris and London clubs), and new programs (structural adjustment).
- The threat of a general liquidity crisis and serial bankruptcies has receded. Debt has been fully restructured; private credit has been largely replaced by official bilateral or multilateral loans, and low-interest loans have expanded. Commercial banks have largely made provision for loans to developing countries.
- Investments in the developing countries have been diversified. Although the commercial banks have withdrawn, this has not led to a drastic fall in investment, as direct and portfolio investment have increased (cf above).
- There has been a real improvement recently. From 1988 to 1991, total developing country debt only grew at an annual rate of 2.8% and the servicing of the debt fell in nominal terms.
- Some countries have managed to pull themselves out of over-indebtedness. Mexico, which caused the 1982 crisis, and Chile have largely settled their foreign balances, and Brazil and Argentina are on the right path.

None of these encouraging developments, however, gives any cause for optimism about the over-indebtedness of the poorest countries. Outstanding debt to low-income countries rose from \$258 billion in 1983 to \$529 billion in 1991, a rate of 9.4% per year, and this rise has only slackened slightly.

Debt restructuring and cancellation will most likely have to continue and be extended for low-income countries.

"The Dutch overseas development minister, J.B. Pronk, made a particularly generous proposal at the second UN conference on the least advanced countries in September 1990.

¹⁰¹ *Financing and external debt of developing countries, (OECD, 1991).*

*All official bilateral debt owed by those countries and other severely indebted low-income countries should be canceled. This cancellation would be gradual and conditional on the adoption of sensible economic policies under IMF control. Two weeks later, at the Commonwealth finance ministers' meeting in Trinidad, John Major proposed that the Toronto terms should be revised, canceling two-thirds of the debt and rescheduling the rest over 25 years with 5 years' grace and a repayments closely linked to a country's export earnings.*¹⁰²

However, it can be foreseen that these measures will not be enough for those countries without significant per capita growth.

*"UNCTAD applied the 'Trinidad terms' to 18 low-income African countries and discovered that they were insufficient for half of them, because they did not bring debt servicing below 20% of export earnings. The reason is simple: in some countries, much of the debt is owed to countries outside the Paris Club or multilateral institutions."*¹⁰³

Solvency is a problem that particularly concerns sub-Saharan Africa. By the World Bank definition, there are 30 seriously over-indebted low-income countries in the world; of these, 21 are in sub-Saharan Africa, 8 in West Africa¹⁰⁴. If the CFA franc is devalued, it will exacerbate the problem.

For the low-income countries of sub-Saharan Africa, debt restructuring in the past has generally involved an increase in multilateral debt. Their multilateral debt rose from 20% of the total in 1982 to 30% in 1991, and the servicing of that debt from 15% of total servicing in 1982 to 30% in 1991.

In 1991, of the 19 countries in West Africa three owe more than 60% of their debt to multilateral institutions (Ghana, Gambia and Cape Verde), the Central African Republic and Burkina Faso owe more than 50%, and Togo, Liberia and Niger (and five others) owe more than 40%.

In the decade ahead, the multilateral loans granted in the 1980s will gradually fall due. In West Africa, given predictably low growth (cf above), some countries will inevitably be unable to meet their commitments to the multilateral institutions. This insolvency will cause a fundamental problem as it affects a growing number of countries, because it will not be soluble in the short or medium term, either by internal reforms or by negotiation with bilateral partners. Banning insolvent countries from the international financial community is not a solution.

This will be a new debt crisis. Its financial consequences for the world financial system will be negligible, since most of the countries involved are small. However, it is likely to

¹⁰² *Economie mondiale 1990-2000: l'impératif de croissance*, (CEPIL, 1992), pp. 331-32.

¹⁰³ *Ibid.*, p. 332.

¹⁰⁴ *World development report*, (World Bank, 1993), pp. 358-59.

prompt the international community to divide the developing countries into different groups and redefine to some extent the role of the multilateral institutions in some of these groups.

4.2 Special case Africa

Until now, the international community's view of development has distinguished between two worlds: the developed countries and the developing ones. Among the latter, an objective criterion, per capita GDP, is used to provide a "fair classification" which gives access to different conditions from the international financial system.

Although this classification is necessary, it does raise a number of problems. It has broken down at the top end as oil-exporting countries have suddenly become rich and as the newly industrialized countries of the first and second generations have emerged. The "shared destiny" of developing countries is increasingly debatable. The features that welded together what was called the Third World -- raw material prices, terms of trade, debt -- have become factors more of division than cohesion for developing countries as a whole.

However, in the last ten years, the developed and developing worlds have been kept together by a cluster of economic policies, the structural adjustment programs. These policies took a view of the problems (deficits, lack of diversification, inefficient public sectors), and the objectives (liberalization and privatization, integration into the world economy), that most developing countries shared with the international community.

After a decade of such policies, the varied performance of developing countries is likely to lead to changes in international economic relations. Two trends are probable.

First, geography will play a greater role in the international community's development strategies. Past and forecasted performance of developing countries suggest the need for certain regional groupings¹⁰⁵. Moreover, there is a need for regional harmonization, or even regionalization, of international aid. In West Africa, donors (chiefly France) might encourage a rapprochement between the French- and English-speaking areas¹⁰⁶, and attempts could be made to regionalize, or at least harmonize, structural adjustment programs.

Second, the developed countries will want to diversify their aid for adjustment. Although standard adjustment policies are based on similar problems, they may well hide important differences between developing countries. Two of these differences are crucial in determining a country's requirements from the international community:

¹⁰⁵ For example, mid-range per capita growth forecasts by the World Bank for 1992-2002 are 5.9% for East Asia and the Pacific, 3.4% for South Asia, 2.1% for Latin America and the Caribbean, 1.6% for North Africa and the Middle East, and 0.6% for sub-Saharan Africa. In *Global economic prospects and the developing countries*, (World Bank, 1993), p. 72.

¹⁰⁶ "The improvement in Franco-Nigerian relations, which has been particularly noticeable on the political front in the past eight years has enhanced the relations with the Francophone countries as they have become less defensive and apologetic, and a great deal less intimidated by Nigeria's power and influence." M. Vogt, *Main themes in West African regional security and Nigeria's policy options*, (NIIA, 1993), p. 3.

- Some countries have access to private capital markets, while others are dependent more on public capital.
- Some countries are "ready" for integration and diversification, while others are still lacking a number of structural prerequisites.

These two trends will clearly¹⁰⁷ lead the international community to make Africa a special case in the developing world. This will become explicit when many of these countries are obliged to renege on their multilateral commitments (cf above).

The point at issue is not the singular nature of the Third World, but the definition of a specific strategy for the international community in Africa. This is not to prejudge what that strategy might be since presently the options are open -- either greater indifference or greater commitment? (cf Part C)

C. THREE BROAD SCENARIOS FOR WEST AFRICA

I. POTENTIAL FORCES FOR CHANGE

1. Growth strategies and the regional market

The poor medium-term prospects (given the population growth rate) for trade with the rest of the world leaves these countries with a simple first choice for a regional growth strategy: either exploit economic rents to the full or win back the regional market.

These options, applied to the entire region of West Africa, define scenarios 1 and 3. Scenario 2 distinguishes between two types of countries and their associated growth strategies.

Scenario 1: Exploiting overseas rents to the full

Overseas trade continues to be the main and often sole engine of growth in all West African countries. The strategy is to make the most of international trade. Imports are bought and sold to consumers as cheaply as possible. Traditional overseas rents are exploited to the full: raw material exports, financial aid, food aid, emigration, etc.

New international rents, mainly based on "harmful" activities, increase considerably: trade in illegal substances, forgery, sale of national resources, etc. Drug production and trade possibly overtake traditional raw materials.

The profit from the rents is redistributed throughout the region by an intense movement of goods, services and income, especially in the big cities.

¹⁰⁷ The objective criteria for the World Bank's ranking -- income, indebtedness, export diversification -- when combined already separate out many African countries, together with some isolated cases on other continents -- Nicaragua, Vietnam, Afghanistan.

West Africa turns even more towards the outside world. Intra-regional trade flourishes, but mainly for re-exports. Opportunistic trade continues between the Franc Zone (cf below) and the other countries in the region.

Scenario 2: Poles and peripheries

Two types of countries emerge, each with separate growth strategies.

The poles are countries with high population and natural resource potential, stable politics and institutions, and relatively successful structural adjustment.

The strategy of the poles is structural adjustment, developing productive supply, financed by private investment, and integrating gradually with the world economy under market competition. The priority sector is farming.

These pole countries recognize that to acquire international competitiveness outside their traditional markets is a long-term task. Exports to world markets, given the poor prospects for raw material prices, cannot be an engine of growth during the long period of structural change.

Consequently, in the preliminary phase, the pole countries adopt a three-point strategy for growth:

- improve the exploitation of natural comparative advantages by continual cost-cutting;
- develop exports within West Africa of food and small manufactured goods;
- seek partnerships with donors for long-term financial support and the encouragement of external private investment.

The peripheral countries are unlikely, even in the medium term, to achieve any real integration with the world market through competitiveness. Their strategy is close to that of scenario 1, with less of an emphasis on overseas trade, since the pole countries provide the peripheries with opportunities for regional trade in commodities and possibly services, such as re-export and transportation. Apart from these exports and international rents, the peripheral economies are based on subsistence and circulation.

Some peripheral countries may be tempted to close their economies and go for autarkic development. Any such attempts remain purely formal, under the combined pressure of consumers and traders.

Intra-regional trade expands, led by the pole countries, but only slowly, since outside factors continue to influence political and economic changes in West Africa, especially the structure of foreign trade.

Scenario 3: Winning back the regional market

This scenario marks a departure from foreign trade-driven growth towards regional trade-driven growth.

The strategy is to encourage the production of everyday consumer goods in West Africa. It is based on selective protection against world markets and free trade within the region. The reasoning is that in the past only protected activities have developed. Protection is achieved partly by devaluation, but also more particularly by measures to protect a small number of products -- foodstuffs subject to fierce competition, such as cereals, meat, oils, and milk, and the main small manufactured goods that can be produced within the region. The expectation is that West African production will develop among small and medium private businesses.

The scenario is based on two observations. First, scarcity (high prices) creates the opportunity to develop crafts and skilled employment of relatively low productivity that are integrated into the local economy. Scarcity-driven development is acknowledged even by proponents of market forces:

*"When some imported goods ran short in Ghana, local distillers replaced sugar by molasses, and mechanics learnt how to make car spare parts and water pumps."*¹⁰⁸

Second, the gradual extension of crafts and skills throughout local, provincial and regional markets and competition among them is the necessary learning phase in production, before intensive techniques are adopted and these sectors or industries achieve world competitiveness.

The thinking behind this scenario is not very different from that of the pole countries in scenario 2. The long-term aim is integration with world markets, not disconnection. But achieving competitiveness requires not only radical change in economic structures, but, even more, a long learning period with low productivity. This can only be driven by West African, not international, competition.

Regional trade varies considerably. Trade in local goods slowly grows, while the circulation of overseas goods declines and opportunistic border trade disappears. At first, paradoxically, trade among West African countries may decline and internal trade increase. Regional trade is expected to grow during the second phase, when the network of small businesses begins to expand.

2. The State and social forces

Most analysts of recent social history in West Africa distinguish broadly between three social classes: the public-sector middle class, the private-sector middle class (based almost entirely on trade¹⁰⁹ rather than land), and the peasant class. In simple terms, social change is seen as a struggle for power between the two middle classes, with as means and end the control and exploitation of the peasants.

¹⁰⁸ *Sub-Saharan Africa: from crisis to sustainable growth, (World Bank).*

¹⁰⁹ *Meaning internal trading.*

*"The basic issue is rivalry and connivance within a dominant class made up of two groups: the trading middle class and the public-sector middle class. Economically, the stakes have been, first, the surplus produced by the peasants, and, when that failed, the money from foreign aid."*¹¹⁰

In fact, the relations between the two dominant classes are more complex than a simple division. *"Symbiosis between them is continual, and any analysis of croneyism would be flawed if it assumed that the bureaucracy's monopoly of economic decision means a divergence of basic interests with the private sector."*¹¹¹ And the public sector itself is made up of centrifugal forces, as individuals within it develop their own strategies, turning towards private-sector activities in trade and property that are largely out of State control.

It is better to speak of public-sector and private-sector (trading) mentalities within the dominant class, sometimes working against each other and sometimes together. This enables us to sketch for the purposes of the scenarios three phases of social change in West Africa since independence.

In the first phase, the public-sector mentality is clearly dominant. The State is relatively strong. It can extend its activities by widening the public sector, often at the expense of private trading. The State depends essentially on farm surpluses, and attempts to develop a manufacturing sector, again going against some trading interests.

In the second phase, the public sector continues to expand, but the State's finances change. It is less dependent on the peasant class and more on international economic rents. In fact the State weakens as it expands. It loses control of the other social forces in the nation, and even of itself. Private strategies begin to develop inside and outside the public sector. The two mentalities, public-sector and private-sector, coexist, but without conflict, since the economic rents remain high enough for the State to retain a considerable power of redistribution.

In the third phase, the trading and private-sector mentality thrives. This begins with the collapse of State income. The State loses its power of redistribution and often the control of social change. It is forced to retrench its activities and promote private strategies. The trading class acquires great influence in the functioning of society. It controls the peasant class through trade in food, guarantees social equilibrium through the informal sector, and often becomes the main supplier of public receipts, through bribery and licenses.

Scenario 1: The trading mentality wins

This scenario is a continuation of the third phase described above. The private-sector mentality dominates the public-sector mentality and determines economic change. Circulation activities increasingly prevail over production. Economies become even more informal.

¹¹⁰ A. Morice referring to J.L. Amselle and Mali in *Politique Africaine* 26, (1987): p. 51.

¹¹¹ *Ibid.*, p. 53.

This trading mentality mostly hinders the pursuit of productivity in farming or manufacturing. However, the income from circulation may lead to some diversification in the activities of the trading middle class, as in the industrial boom in eastern Nigeria.

The public sector shrinks. Public revenues decline as formal activities decline. The crisis in public finances becomes permanent. The State's activities are reduced. It has less and less influence on some sectors of the economy and even some parts of the territory, where extensive trading is out of State control.

The conflict between trading and the public sector has to reach a limit. Traders' interests require the State to ensure law and order, and to provide infrastructure for private business. The State may, therefore, only wither away to a certain equilibrium point.

In some areas, there is high risk of declining State authority and internal disorder. Trading interests are not necessarily rational beyond the short term, and the State contains centrifugal private strategies within it that undermine its ability to recover.

Scenario 2: Separation of market and State

In the pole countries, the State redefines its role. It reduces its functions but increases its authority over those functions. It is no longer an economic agent but the promoter of private strategies for traders, manufacturers, and especially farmers, by public investment, largely funded from abroad.

These changes restore the State's financial stability: its day-to-day requirements increase at a manageable rate, its ability to collect taxes improves, and external support continues.

The State deregulates the business sector. Private and public mentalities each take a separate domain where they rule supreme. The private-sector middle class can then diversify gradually away from trading towards farming or manufacturing.

However, for this separation between the market and the State to succeed, two social changes must occur that are crucial to this scenario. Private trading strategies within the public sector itself must be drastically reduced. And the State must ensure that the free play of market forces actually produces markets, which sets a limit to deregulation.

In the peripheral countries, the market mentality prevails; changes occur as in Scenario 1. Both productive base and State are so weak that these countries have little chance of entering the virtuous circle where the State behaves as in the pole countries.

Scenario 3: New thinking, new social forces

This scenario begins with the emergence of a new form of public-sector mentality at the regional level, and concludes with the appearance of a new social force, the manufacturing and craft class.

These changes assume that the balance of power favors the public-sector mentality. States need to be strong enough to apply complex, strict new regulations for customs protection, a

currency system, and redistribution between countries. They must face down the traders' lobby and the "consumers' party".

Admittedly, a stronger State, in its regional shape, is compensated by considerable deregulation within each State, particularly as a result of intra-regional free trade. This scenario could stem from a form of "contract" between social forces: freedom in the larger internal market against increased State intervention in overseas trade. However, traders can have no interest in such a separation, except perhaps in the long term. In this scenario, the sectors where the State intervenes more, such as currency, cereals and textiles, are precisely those that are the basis for the traders' wealth. The regional internal market means the end of rents from opportunistic border trading based on discrepancies in economic policy.

This scenario involves a confrontation between the private trader mentality and the public-sector mentality, and a strengthening of the latter. Consequently it implies a reversal of current trends.

3. Monetary policies

The dominant feature in future monetary changes in West Africa is the necessary reform of the Franc Zone in the long term. Leaving aside the subtle balance of short-term advantages and disadvantages in any change in the parity and convertibility of the CFA franc, the current situation is not sustainable for a number of reasons:

- the convertibility and over-valuation of the CFA franc favors circulation activities over production in the Franc Zone. This reinforces a structural bias in West African economies that is a major hindrance to long-term development.
- discrepancies between monetary policies in the Nigeria area have encouraged informal opportunistic trade, based on price differentials, to such an extent that political stability is threatened, even in Nigeria, where there are petrol shortages. This trade also blocks any prospects of development in Nigeria's Franc Zone neighbors, except perhaps Benin¹¹².
- the Franc Zone's balance of payments is now in structural deficit, contradicting one of the system's implicit principles, equilibrium over time.
- devaluing the CFA franc is an excellent way of reducing, or postponing, the indebtedness of the Franc Zone's major countries: *"devaluation is the way to ensure Côte d'Ivoire and Cameroon a place in the AID line, by reducing their GDP in dollars and allowing them to refinance at super-low rates a debt that is unbearable for everyone."*¹¹³

¹¹² See J. Egg, J. Igué, *L'intégration par les marchés dans le sous-espace est*, (IRAM/INRA/UNB, 1993)

¹¹³ Jones Dowe in S. Michailof, *op. cit.*, p. 465.

Many specialists believe that free convertibility and fixed parity are the reasons for the Franc Zone's lack of long-term economic prospects and that a "one-off" devaluation would not be a long-term solution. The scenarios therefore envisage more basic changes.

Scenario 1: A new Franc Zone

The CFA franc is no longer fully convertible or pegged to the French franc, but this is not the end of the Franc Zone. Its other principles survive -- unrestricted transfer of currency within the zone, common exchange regulations, pooled currency reserves.

The parity of the CFA franc is regularly adjusted in the light of changes in the pooled currency reserves, comparison of purchasing power parities, and differentials in competitiveness with trading partners outside the Zone. The currency is freely convertible within the Zone, but restricted with third countries, including France¹¹⁴, through a clearing-house system.

This framework implies some involvement by the French monetary authorities: from major technical and financial support, like the agreements on the Guinea franc, to total management of the Zone. In the latter case, if there is no clearing house, internal cohesion will be hard to maintain, given the different currency balances of member countries.

The "new Franc Zone" aims not to enter a process of competitive devaluation with neighboring countries, notably Nigeria and Ghana, but to iron out discrepancies. This is a conservative hypothesis, attempting to achieve a compromise between the old Zone's strengths of a single, stable, relatively strong currency covering a wide area and the requirements of regional and international competitiveness and balance of overseas trade. Limited discrepancies remain. The aim is to modify the parity as little and infrequently as possible. In this way the prospect of future currency integration is maintained.

Scenario 2: Monetary independence for each country

Each country in West Africa acquires independence and sovereignty in the management of its currency. This scenario is unlikely to occur immediately, but follows the failure of a new Franc Zone (Scenario 1) or a wider regional currency system (Scenario 3).

The countries realize that they have differing interests in monetary matters, in their trade balances, domestic prices, specialization in trade, farming or industry, competition from other countries, and this leads to a break-up of the currency.

Monetary agreements between individual West African and industrialized countries may continue: Guinea and France, Guinea-Bissau and Portugal, Liberia and the United States, possibly former Franc Zone countries and France.

¹¹⁴ CFA franc convertibility with France has been restricted since August 2, 1993.

In this scenario there is a strong incentive to devalue either by some countries going in for competitive devaluation or by others caught in a spiral of increasing deficits and trying to keep pace with the unofficial exchange rate. There is also competition between currencies for stability and value as a regional and international means of exchange. A dichotomy is possible between large countries involved in production (poles) with weak currencies, and small countries involved in circulation (less land-locked peripheries) with more stable currencies.

In this scenario there is high inflation in many countries in the Zone, unable to control their deficits. Hard currency and therefore imported goods become scarcer, justifying the success of those countries that have chosen a strategy of circulation.

Scenario 3: West African monetary integration

This scenario assumes the construction of a monetary system for West Africa. It aims initially not at the final stage of a single currency but at an intermediate position in which regional mechanisms facilitate intra- and extra-regional trade, while maintaining separate national currencies.

A number of theoretical proposals of this sort have been made, not all for West Africa¹¹⁵. They share some basic features. A regional monetary authority (let us call it the West African Monetary Fund, WAMF) receives part or all of national foreign exchange reserves. In return it issues a "regional unit of account", with a flexible exchange rate linked to an international currency or basket of currencies. The fund records, or helps determine, the rate of exchange of each national currency in terms of this unit of account. In this way there is a double flexibility of exchange rate.

Intra-regional trade is either transacted directly between partners, with payment through national central banks, or through the "WAMF", which acts as a clearing house. There is consequently free convertibility within the region.

Trade with outside countries is transacted partly or wholly in regional units of account through the "WAMF". For greater flexibility the fund can also guarantee international transactions. The "WAMF" also speaks on the region's behalf for debt repayment and some development loan arrangements. The fund's mission is both to manage a pooled foreign exchange fund and partially regulate national credit. Convertibility for overseas trade is restricted.

One of the aims of this system is to establish a preference for regional trade via unrestricted convertibility, as opposed to overseas trade, where foreign exchange is restricted and the regional unit of account floats.

¹¹⁵ See *A proposed program for the promotion of intra-African trade and investment*, (World Bank, 1990); C. De Boissieu, *Le défi du développement indépendant*, (1983); J. Adda, *Quelques remarques sur la parité du franc CFA et l'avenir de la zone franc après Maastricht*, (1992); P. Cerruti in Coussy, Hugon, *Intégration régionale et ajustement structurel en Afrique sub-saharienne*, (1991); M.F. L'Hériveau, *Intégration régionale en Afrique et coopération monétaire euro-africaine*, (1992).

Analysts agree that such a system would require considerable support from the international community; does this differ from the present situation? In particular, the regional monetary authority needs to have a fund of foreign exchange available (possibly in the form of a debt reduction) to prevent the spiral of devaluation that will affect some currencies.

*"As things stand, and for the foreseeable future, no monetary stability can be expected for African countries without outside support, because these economies are structurally incapable of ensuring alone the convertibility of their currencies at a stable rate."*¹¹⁶

Some observers believe that the European Union would be the right partner for such a regional monetary system; others suggest that advantage could be taken of the experience of the ADB, with wider bi- and multilateral financing.

4. Strategies of the international community

Part B concluded that the international community should develop new development strategies specific to Africa.

The last ten years have seen a major change: more aid is conditional, leading to greater intervention by donors in the policies of African states. This has largely taken the form of structural adjustment programs.

Given the poor current prospects for development, there appear to be three ways forward: resignation, continued adjustment with greater conditionality, or whole-hearted commitment to a new development strategy.

Scenario 1: Resignation

The desire to withdraw, to reduce involvement in African countries is now more noticeable in analyses from a number of Western specialists, especially in France.

*"Rather than struggle to patch up a hopeless pact from colonial days and to support States heading for bankruptcy, would not France do better to let the new Africa find its own place in the world order? What place? No one can as yet say: that is up to the Africans."*¹¹⁷

This new attitude is not so much indifference as resignation at the ineffectiveness of foreign aid, indeed its destructive effect on those internal forces which alone can generate development.

Resignation does not mean the end of aid, or even necessarily less aid. It simply changes its purpose. Rather than being an engine for development, aid becomes a form of

¹¹⁶ M.F. L'Hériteau in S. Michailof, *op. cit.*, p. 453.

¹¹⁷ J. Giri in S. Michailof, *op. cit.*, p. 478.

compensation, stabilization or relief in ways that are already taking shape: macro-financial stability at the top, micro-projects for local development at the bottom, and in between, a yawning gap in strategy.

"The feature of this cult of the micro-project I would like to draw attention to is its resignation. I know of virtually no case of a program of this type that is not a substitute for a local authority that has been found to be defective, hostile or corrupt.... The micro-project carves itself a place in the local web of corruption, by avoiding it or paying a tribute to be left alone. The micro-project is a way not of correcting political or economic abuse but of compensating for it.

It could be said that development aid in the poorest countries today no longer has development as its objective. It stays aloof from political and economic processes and intervenes at two levels: at the bottom, there is the micro-project which tries, in spite of all, to compensate for the country's failings and to help ordinary people.... And at the top, there is macro-economic aid, financing State programs either in advance ("development" aid) or after the event, by canceling or regularly rescheduling debt."¹¹⁸

Aid disconnected from the objective of development is also a compromise involving issues that may have a distant effect on the security of the developed world, such as ecological imbalance, illegal trafficking, and immigration. Here too there are already signs of the thinking behind future arrangements.

"At the international level there is now a new responsibility, that of helping developing countries contribute to the solution of world environmental problems such as climatic change, the ozone layer, and biodiversity, and also the protection of international waters. The World Environment Fund (WEF) has been set up, and is supposed to take a leading role as a multilateral funding body providing additional grants and support to cover the extra costs of improving world environmental protection. Most DAC members are in favor of counting WEF contributions as development aid."¹¹⁹

Scenario 2: Keynesian adjustment¹²⁰ and greater conditionality

This scenario is an extension of structural adjustment and conditional aid. Support for structural reform (capacity building) continues, with the aim of exposure to the market. However, two aspects of past performance lead to a slight shift in strategy.

First, the structural reform of African economies so that they can fully integrate with the world economy is a long-term task. It requires lengthy preliminary stages such as reform of the State and development of human capital. Consequently adjustment in Africa must be a long-term partnership with the donors. The stress is no longer primarily on stabilization.

¹¹⁸ J.C. Ruffin, *L'empire et les nouveaux barbares*, (1991), P. 126.

¹¹⁹ *Development cooperation*, (OECD, 1992).

¹²⁰ An expression used by B. Leenhardt and M.F. L'Hériveau referring to Ghana.

External imbalances may persist in the long term. The move is towards a Keynesian form of adjustment. External aid has an explicit role as structural support, determined by the progress made in earlier stages.

Second, one reason for past disappointing results in Africa is that adjustment often did not really occur, and that so-called conditional aid was not conditional.

*"The 1980s saw a considerable increase in aid, especially in the form of loans based on reform of economic policy. But, at the same time, there was great reluctance among donors to apply any sanctions in the absence of results. In this way, more than thirty countries received adjustment loans after 1980. But even though many repayments have been delayed, it is rare that lending has stopped.... It is clear that for many countries poor performance within the terms of conditionality rarely provokes any sanction from donors."*¹²¹

This scenario does not involve an increase in intervention, which has reached its limits, but rather a true selectivity in support programs for those countries which have the right strategy and internal impetus to face their challenges.

*"People go around saying the World Bank imposes policy. Now this has got to change because we're not imposing anything.... But the fact is in many countries they're not capable yet of putting together plans which will solve their problems. Now that's the fundamental reality. And I say the way we're going about it is not working either. The idea that we can provide this from 8.000 or 10.000 miles away is ridiculous.... We're not going to do this anymore, but you're going to have to find that domestic capacity.... Put them to work on your economy, solving your problems and we'll be glad to support that, even financially. We'll help you pay the bills, if you need to pay bills."*¹²²

There is the same distinction as above between pole countries, which are supported by long-term adjustment, and peripheral ones, where the international community's attitude is similar to that in Scenario 1.

Scenario 3: Commitment to a new regional pattern

This scenario involves donors committing themselves wholeheartedly to supporting regional integration in West Africa. It marks a double shift in the attitude of the international community:

- politically: the donors support a partial disconnection of West Africa from the world market;
- strategically: ambition and determination become part of aid strategies once more, reversing the trend towards resignation as donors wait for internal capacity to emerge.

¹²¹ E. Berg in S. Michailof, *op. cit.*, P. 373.

¹²² E. Jaycox, "Capacity building: the missing link in African development," in African-American Institute Conference, (1993).

This reversal may occur as a result of trends indicated in Part B: mini debt crisis, regionalization of donor strategies, Africa seen as a special case.

Donor support diversifies and possibly increases, going towards regional institutions, policies, and a regional monetary system, new priority sectors (cereals, crafts, small-scale industry), and mechanisms of international redistribution.

The donors cannot initiate this scenario; at most they can support the idea. Any new commitment from them must respond to clear signs of independent progress towards regional integration: the desire to rise above short-term national interests, acceptance of the need to give up some national sovereignty, and the ability to counter a trading mentality.

Conversely, integration is unlikely to progress during a recession, so external funds will be needed to get the regional process off the ground. The path to West African integration looks particularly straight and narrow.

II. THE SCENARIOS IN BRIEF

1. Scenario 1: Overseas trade and economic rent

1.1 Urbanization and dependence

In this scenario people are very mobile and urbanization proceeds apace. Migration to the cities is massive. The States may make a few feeble attempts to stop it, but cannot.

In the cities a consumer party emerges, which, allied to the dominant trading classes, encourages further imports of obsolete, subsidized and surplus products from the rest of the world. Import prices remain static or fall, partially compensating the rises caused by devaluations.

Production is largely restricted to the export of raw materials and cash crops, protected sectors and subsistence. However, commercial entrepreneurs may be forced by shortage of foreign exchange to make limited but profitable investments in farming and manufacturing.

Dependence increases both for food -- mainly cereals and meat -- and manufactured consumer goods. The only limit on this dependence is the availability of foreign exchange, causing temporary shortages.

1.2 Nigeria and the coastal strip

Nigeria increases its importance in the West African economy. It is the only country likely to increase its economic rent from exports.

"For oil the objective is to increase reserves from 20 billion barrels to 25 billion in 1995, and production capacity from 2 million barrels per day to 2.5 million.... There is a similar strategy for natural gas, for which reserves are even larger. At present they are estimated

at 2,600 billion cubic meters (11th in the world)... Gas exports are likely to start in 1998."¹²³

Trade with Nigeria allows its small neighbors Benin and Togo to maintain a high level of circulation activity. However, limited devaluations of the CFA franc and Nigeria's structural comparative advantages are likely to crush its other neighbors, such as Niger, and especially Cameroon, which, when its oil revenues run out, finds itself trapped between a giant neighbor and a Central Africa led into collapse by Zaire.

The other potential pole, geographically, -- Ghana and Côte d'Ivoire -- suffers from falling rent income and is less of an engine for its neighbors. As the economic rent can no longer be redistributed far enough, these countries see greater development of the coastal strip and cash-crop areas.

In the other coastal countries, economies thrive mainly in the major ports. The landlocked Sahel, with no rent other than external aid, sinks back into a subsistence economy with rapidly growing towns dependent on handouts.

1.3 Is this the catastrophe scenario?

The picture above looks alarming. States are likely to collapse and disturbances break out. Scenario 1 is an extrapolation of trends that can already be observed heading towards the dead-end of rent-seeking. But it cannot simply be called a "catastrophe scenario".

First, this scenario does not necessarily involve the lowest standard of living. World trade in surplus goods can satisfy basic needs at ridiculously low prices: food, textiles, medicine, etc.

It is true that economic rents are declining in West Africa but they have a long way to go yet. Nigerian oil is a prime example. There is considerable potential for developing illegal rents, as pointed out earlier. The quotation below, from the latest report of the Observatoire géopolitique des drogues, may seem out of touch, since rent-seeking and development do not work so well together. But it does show that there is more than one way of looking at so-called catastrophe.

*"Drug money could be more than development aid, an essential financial supplement for the economic and political lift-off that Northern countries will not invest in. Other countries, like Colombia and Bolivia, have seen extreme free-market policies, backed by drug money, leading to rapid economic growth. In the years ahead African countries may very well heave themselves out of the rut of under-development thanks to drug profits."*¹²⁴

¹²³ D. Gallois in *Le Monde*, (June 1993).

¹²⁴ Observatoire géopolitique des drogues, *op. cit.*, p. 215.

Second, this scenario involves two upheavals, which may be risky but do hold out some hope:

- donors gradually or suddenly stop intervening politically in the region. West Africans take their fate in their own hands;
- the trading middle class takes direct or indirect power permanently.

This assumption of power in the region by local trading capitalism may well be an essential phase in a long process leading to more "productive" changes.

"So the modern State, which did not create capitalism but inherited it, sometimes favors it and sometimes penalizes it, now lets it grow, now hamstrings it. Capitalism only triumphs when it identifies with the State, when it is the State."¹²⁵

2. Scenario 2: Success for the poles

2.1 Growth in pole countries

In this scenario the pole countries do relatively well. Support for farming provides sustained investment and profitable producer-prices. Urbanization slows down. Farm yields and food supply improve.

Production in general develops, but only slowly in unprotected sectors, despite active monetary policies. Private investment, local and foreign, gradually returns as the productive environment improves. With support from the international community an acceptable level of activity is maintained in cities. The quality of services, especially social ones, improves as the State is reformed.

In the peripheral countries, the trend is similar to that in Scenario 1. It may be rather better for countries near the poles, which have access to regional markets. Mali and Burkina Faso profit in this way from being close to Ghana and Côte d'Ivoire.

2.2 Rising tensions

Inequality between poles and peripheries increases and this scenario involves serious tensions in four areas:

- migration. There is a massive shift of population from the peripheries to the cities in the pole countries. This migration is hard for the poles to take, as they seek to slow urban population growth, to keep pace with lower rates of production increase.
- trade. Goods from world markets circulate freely in the peripheral countries where trading is the most successful activity. Although the pole countries practice a strategy of openness,

¹²⁵ F. Braudel, *La dynamique du capitalisme*, P. 68.

they cannot accept free access to their market for all goods, especially those from world "fire sales". Smuggling becomes a source of conflict between poles and peripheries.

- currency. Monetary independence may have unintended effects: competitive devaluations, and deliberate over-valuation by circulation economies to attract re-export trade.
- politics. In the pole countries, greater conditionality imposed by the donors may lead to civil disturbance. Some countries may have their partnership with the donors altered and change status from pole to periphery, or vice versa.

2.3 Which are the poles?

The country which at present comes closest to the idea of a pole as used here is Ghana. Nigeria, although a natural regional pole, is a special case. It has the resources to be a pole, with considerable freedom to choose among the strategies involved in this scenario: encouragement to farming, separation of market and State, partnership with the international community.

The other potential poles are inevitably the richest countries in the region -- Côte d'Ivoire, Cameroon, and Senegal. They acquire full pole status by greater success at adjustment, especially on the monetary front. Their partnership with France may take new shape, similar to that between Ghana and the World Bank.

For poles to emerge they must not only exploit potential wealth but also embark on radical structural reform -- separation of market and State, reform of the State, improved governance. For this scenario to be credible, these changes must begin in enough countries. If these improvements do not occur, Scenario 2 would join Scenario 1, and all the countries would be peripheral except for Nigeria.

3. Scenario 3: Regional integration

3.1 Ambitious means for modest ends

This scenario is immensely ambitious in its means, with the creation of a wide regional framework and complex institutions like a common monetary system. But its ends are modest: a learning period in which small-scale farming and craft businesses are developed. This apparent contradiction gives rise to opposing trends.

The first effect of a single regional market is a sharp reduction in trading, because some sectors are protected against imports and opportunistic border trading ceases. Trade within the region may initially decline, to the advantage of gradually emerging local producers. The primary level of development desired is thus local rather than regional. The same is true for the movement of population. Although integration looks like an open invitation to massive migration, new opportunities for local development are likely to keep people at home. In this scenario distance becomes an important factor again.

Although this scenario is one of deliberate, radical reform, it does not promise any noticeable rise in living standards in the foreseeable future. As economic rents dry up and protection raises prices, the trend is rather towards recession. Local production will only develop over time and at low levels of productivity. The regional market is won back with mediocre products, replacing more attractive imported goods.

3.2 Working for an equilibrium in West Africa

However, the development of production does not only depend on small firms operating locally. Medium-sized companies in the intermediate or modern sectors find in the single regional market the opportunity to extend their activities, as long as monopoly and oligopoly are avoided. These are either existing companies, in, say, textiles, or start-ups funded by new investment. The creation of a large protected market may well bring some foreign investors back.

These medium-sized companies and the opportunities for exporting small consumer goods within West Africa arise spontaneously in the pole countries, which have better international contacts, infrastructure and human potential. The poles' interest in building a regional market is obvious, but this is not always the case for the peripheral countries, whose earnings come more from trading than production.

Consequently, integration can only occur if it includes corrective mechanisms to redistribute profits from the pole countries into investment in the periphery. These mechanisms are imaginable, like the regional cooperation taxes in ECOWAS. But they need yet another complex regulatory system to be set up in the region.

3.3 Is it credible?

Scenario 3 means reversing most of the trends that now seem established. It requires new regional thinking, the dominance of the public sector over the trading sector, the definition of a common regional strategy, the creation of complex regulatory systems, a change in strategy and full commitment from the international community.

The extent of income from economic rents, which now provides a precarious sort of equilibrium, is a major obstacle to any hope of regional integration. The instability and inequality that are features of rent-seeking make it extremely difficult to seek balanced, rule-based processes of integration. How would the oil and gas market operate, for example, in an integrated West Africa?

Faced with these difficulties, the integration scenario can only offer uncertain and limited improvements in the standard of living in the medium-term.

This scenario has one thing going for it: it is the only one of all likely scenarios to hold out the prospect of truly regional development. For many countries in West Africa it is the only alternative to resignation.

The reversal of trends that might make this integration scenario believable would be the emergence of long-term strategies in economic policy, compared with present short-term thinking.

"States reason that matters are so urgent that they have no time to take a broad view, define a real project, when in fact it is short-term thinking that every day further asphyxiates their political imagination."¹²⁶

¹²⁶ Zaki Laidi in *Libération*, (July 9, 1993).

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- to improve dialogue between Sahelian countries, coastal countries along the Gulf of Guinea, and donor agencies,
- to highlight obstacles to trade,
- to assist African leaders and policy-makers in taking the realities of regional cooperation into account in their decisions.

On the basis of the findings of the WALTPS study, CINERGIE will draw up a **joint action program** in West Africa, incorporating a series of recommendations for the region's governments and for donor agencies.

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