Africa: on the brink of action against the debt crisis

by Mary Lalevée

At the end of 1984, *EIR* called for 1985 to be made the "year of development for the starving continent of Africa," and for the implementation of great projects such as the building of the Jonglei Canal in Sudan, to expand food production and open up the interior of the continent. We warned that the continent stood on the edge of "catastrophe" unless a massive development effort was undertaken.

In fact, the early months of 1985 corresponded exactly to our warnings: Unknown hundreds of thousands of people died of starvation in Sudan and Ethiopia. Scenes out of Dante's description of Hell were broadcast on the world's television screens, spurring emotional donations to charities for food aid.

While food aid poured in—6 million tons were shipped to Africa (only 20,000 tons from the Soviet Union)—broken-down railways, and lack of roads, trucks, and unloading and storage facilities, meant that much of this well-meant aid did not arrive at its destination.

However, the scenes left international financiers and policy makers cold: They knew that their policies of enforcing debt repayment and preventing implementation of great infrastructure projects would lead to genocide. The International Monetary Fund's insistence that Sudan submit to its conditionalities while the nation faced devastating famine, led to the overthrow of Sudan's President Numayri in April, following riots in Khartoum where slogans were "Down with the World Bank! Down with the IMF!"

As the year wound to a close, there were serious signs that African governments would revolt against the IMF. In this connection, the actions of Peruvian President Alan García, who placed a limit on foreign debt payment of 10% of his nations' foreign exchange earnings, and refuses to allow the IMF to have anything to do with negotiations with private creditors, are now being studied closely.

Anti-IMF sentiment among African populations is not new: Riots in Morocco, Tunisia, and Egypt had followed governments' cutting of subsidies on IMF orders. Now, however, a different stage had been reached. African governments and institutions began directly criticizing the IMF, the World Bank, and international banks, pointing out that their policies were not only detrimental to the economic health of the nations which implemented conditionalities, but actually meant that African nations were increasingly unable to repay their debt.

Africa's debt now represents 60% of the continent's Gross National Product, and is growing at 20% a year. Sudan has broken a new record: In 1985, its debt service payments were higher than its export revenue. On average, African countries need 25% of their export revenue for debt service. Africa's debt service quadrupled between 1979 and 1984. The price of urgently needed food imports has tripled over the last 10 years, the price of oil has increased tenfold, while the prices of Africa's export-commodities have fallen drastically due to reduced demand in the advanced sector.

The OAU summit

For the first time, the annual summit meeting of the Organization of African Unity (OAU) in Addis Ababa in July, concentrated solely on economic issues. A summit document said that Africa "is facing an unprecedented economic and social crisis." Debt amounts to $340 per capita, and 150 million people, one-third of the total population, face the risk of starvation.

The meeting's final declaration called for the acceptance of the principle that "debt service should not be allowed to exceed 20% of the export earnings, and total debt should not exceed 30% of the GNP of each country," a formula similar to that in fact implemented by Peru's García in August.

The conference was opened by the outgoing chairman, President Nyerere of Tanzania, who said, "Africa cannot let its children die of starvation, just to pay back its debts." He stressed that the economic fight facing Africa to overcome famine and recession was "more difficult than the political fight" to free Africa from colonialism.

Rather than bland platitudes, the final communiqué was highly critical of existing institutions, and grim in its description of the state of Africa's economy:

"At the end of 1984, the total debt of all African countries was estimated to stand at $158 billion, and it is expected to exceed $170 billion by the end of 1985. At the same time, total debt service payments increased from $12.9 billion in 1982 to $14.9 billion in 1983. According to projections by the World Bank, debt service payments would be about $18.9 billion in 1984 and $20.4 billion in 1985."

The statement described the change in the structure of Africa's debt over the past decade: "The share of 'soft' loans declined from 62.5% in 1972 to 47% in 1983; the share of borrowing from financial markets in sub-Saharan Africa rose from 14.5% to 36% over the same period. Meanwhile, most other African countries were excluded from soft loan agreements as well as from bilateral and multilateral loans. Many thus turned to IMF standby agreements and extended fund facilities, despite the difficulties attached to such loans; the severity of the situation is underscored by the fact that in 1985 African countries will most likely repay more than they receive from the International Monetary Fund."

This year's chairman of the OAU, Senegal's President Abdou Diouf, issued an urgent call for two conferences to take place, one specifically on African debt, and the other to be an emergency meeting of the United Nations General Assembly, to be devoted to Africa's economic crisis. The U.N. meeting is now planned to take place in May 1986, while the idea of a debt conference has won the—reluctant—support of France, and sources report that it could take place as early as February 1986.

The IMF was also the target of a report on Africa published by the United Nations Children's Fund, UNICEF. For the first time outside publications by *EIR* and the Schiller Institute, the IMF was blamed directly for deaths of children in Africa. The report, "Within Human Reach—A Future for Africa's Children," with a foreword from Senegalese Minister of Planning and Economic Cooperation Sheikh Hamidoou Kane, stresses that as result of IMF policies, "Many Africans are being saved from death only to be thrust into permanent dependency," as it details that the death of African children has been caused not by drought, but by austerity policies imposed from abroad.

The report lambasts those organizations for being more concerned with "international monetary affairs" than dealing with Africa's social situation, as well as forcing African countries to repay their debts "at the expense of boosting employment and social services." "Social and political upheavals" may well result from such policies, writes Sheikh Kane.

The report holds the IMF and the World Bank responsible for the fact that the health of mothers and children south of the Sahara is worse than in any other region: 17 million children under five years old in sub-Saharan Africa were malnourished even before the recent drought.

Africa under the IMF boot

Although the IMF came under increasing attack, a large number of African states were forced to submit to IMF demands during the year. Countries like Chad, Somalia, Zambia, Mauritania, Sierra Leone, Guinea, and others have been forced to devalue their currencies (increasing the cost of food imports), remove subsidies, fire government employees, close down semi-public enterprises, and end infrastructure projects.

The government of President Buhari in Nigeria, Africa's most populous nation, was even overthrown in August, because of its opposition to IMF demands. The new government, under Maj.-Gen. Babangida, did not, however, bow down to IMF dictates, but launched a popular debate on whether the IMF loan should be accepted or not, and in the middle of December, the government rejected IMF demands altogether. Speaking on national television, Babangida announced: "The path of honor and the essence of democratic patriotism lies in discontinuing the negotiations with the IMF for a support loan. . . . This is clearly the will of the majority of our people on this issue. We will continue to honor our legitimate obligation within the limits of our financial resources."

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Nigeria is, perhaps, economically the strongest nation of black Africa, and has the most potential to resist IMF threats. Government representatives of other nations have repeatedly said privately, "What choice do we have? If we refuse to submit to the IMF, we will get no further loans from any source at all."

Contacts with Ibero-America

The way out of this dilemma is now being explored: contacts with Latin America. The lessons of Peru's actions against the IMF are being carefully studied in African capitals, and OAU Chairman Diouf had a much-publicized meeting with Peru's President García at the September United Nations General Assembly meeting. A Peruvian envoy visited Tunisia and Algeria at the end of November, and further such contacts will be made.

The director of the African Development Bank, Babacar N'Diaye, specifically stated, in an interview in December to the French newspaper *Libération*, that the idea of a summit on debt was "based on the example of the Latin American countries with their 'Cartegena Group,' we want to force the particular attention of our creditors."

The year 1986 will see such contacts intensified, and perhaps even a joint Latin American-African initiative on the debt question and against the IMF. The conference on African debt is the priority for Africa, and open Latin American support for that will speed developments. Only united action by both continents can give African nations sufficient strength to resist the pressure applied by international financial institutions, and open the way for economic development policies which would allow the elimination of hunger and starvation.