Venice summit: no help for Africa

With commodity prices collapsing, African countries are still paying out billions to the banks in debt-service.

The famine-stricken continent of Africa is currently paying out billions of dollars each year to international financial institutions, in amounts far exceeding both the revenue earned from exports, and aid given. This outflow of funds means that Africa's economies are being used to bolster the international banks, as governments are forced to slash spending on vital sectors like health and education, to repay their debts.

The executive director of the U.N.'s Economic Commission for Africa (ECA), Dr. Adebayo Adedeji, was quoted in the *International Herald Tribune* on June 8: "Africa, poor as it is, continues to be a net exporter of resources, paying more in debt service than continues to be a net exporter of resources, paying more in debt service than the combined total of what it receives in foreign aid and earns from commodity exports." According to the ECA, debt payments totaled about $30 billion in 1985-86.

Dr. Adedeji said, "You cannot make bricks without straw. You cannot expect African countries to go through structural adjustment without resources to finance it. If the rest of the world cannot help Africa stand on its feet, then it will have to support a permanent emergency case."

Commodity prices are now one-quarter to one-third of what they were in the 1970s. The impact of falling commodity prices can be seen in the case of Congo, whose main export commodity is oil. Revenue from oil exports has fallen from 200 billion CFA francs in 1985, to 72 billion in 1986, and a projected figure of only 34 billion in 1987. Congo's budget was 400 billion CFA francs in 1984, 360 billion in 1985, 163 billion in 1986, and 159 billion for 1987.

According to a study by the Overseas Development Council, a Washington, D.C. think tank, the annual cost of servicing Africa's debt is about $12 billion, about half the region's export earnings. Such a high debt-service bill "makes it all but impossible for governments to make new investments for growth or to import the fuel, fertilizer, and spare parts needed to maintain current export levels," the study reports.

The debt crisis threatens to bankrupt and even topple several African governments. Faced with this threat, the nations of Zaire, Zambia, and Ivory Coast have followed the path of Peru, and set limits to debt repayments. The Zambian government broke off all negotiations with the International Monetary Fund (IMF), in a move which shook the international financial community, as it could set a precedent for other African nations.

In a move to prevent another Zambia, the World Bank worked out a debt relief plan that was presented at the Venice summit June 8-10. It called for $20-25 billion in debt relief for 12 heavily indebted African countries—Gambia, Madagascar, Mali, Mauritania, Niger, Senegal, Sierra Leone, Somalia, Tanzania, Togo, Zaire, and Zambia. The plan would mainly involve postponement of interest payments to Western governments and financial institutions such as the IMF.

French President François Mitterrand also presented a proposal at the summit. He said that the debt of the poorest African countries should be rescheduled at lower interest rates, over a 20-year period, with a 5-10 year period of non-payment. French Prime Minister Chirac's position goes further, with a commitment to stabilizing exchange rates, lowering interest rates, guaranteeing purchase prices for raw materials, and reaching a global settlement of the debt crisis.

Yet the summit decided nothing, except to state once again that 0.7% of the GNP of the top OECD industrialized countries should be used for development aid—a standing goal which has never been achieved. The summit reaffirmed full support for the IMF, and the case-by-case approach to debtor countries. For the poorest countries of Africa, the summit communiqué merely states that "consideration should be given to the possibility of applying lower interest rates to their existing debt, and agreement should be reached . . . on longer repayment and grace periods to ease the debt service burden." The IMF's proposal for an increase in funds from $4 billion to $12 billion for the Structural Adjustment Facility, a special fund for poor countries, was approved, but no new commitments were made on aid. French efforts to increase aid to the 0.7% figure reportedly ran into resistance from the United States.

Interviewed on Radio France International, the secretary general of the Organization of African Unity pointed out, "It is not enough just to pay back the debt, or reschedule it, or even to cancel it. We need to benefit from new capital inflows, to invest and create production units, because production creates resources, which will not only allow us to relaunch our economies, but also allow us to have sufficient resources to repay the debt."