

A new just world economic order: the only hope for Africa

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It is now more than 30 years since most of the colonies in Africa were given their independence by their former colonial powers. The establishment of new sovereign countries was the culmination of a decades-long fight for freedom and justice, which those who led the fight hoped would be realized through rapid economic development, right after independence.

At the end of the 1950s and the beginning of the 1960s—the Kennedy era—this sentiment of striving for rapid economic development as a condition for freedom, justice and the general welfare and happiness of the now-liberated people of the former colonies found the support of a significant part of the institutions and the general public of the industrial nations in North America and western Europe at the time. During those years, typified by Kennedy's Apollo project, one was convinced that the fight against poverty, hunger, disease, and illiteracy in Africa would be won within the foreseeable future and that progress could be measured every year. The news about the building of new schools and hospitals was met with excitement. It was common sense that African nations should embark on a development path that would, within a matter of one or two generations, allow them to gain the standard of living of the modern industrial world.

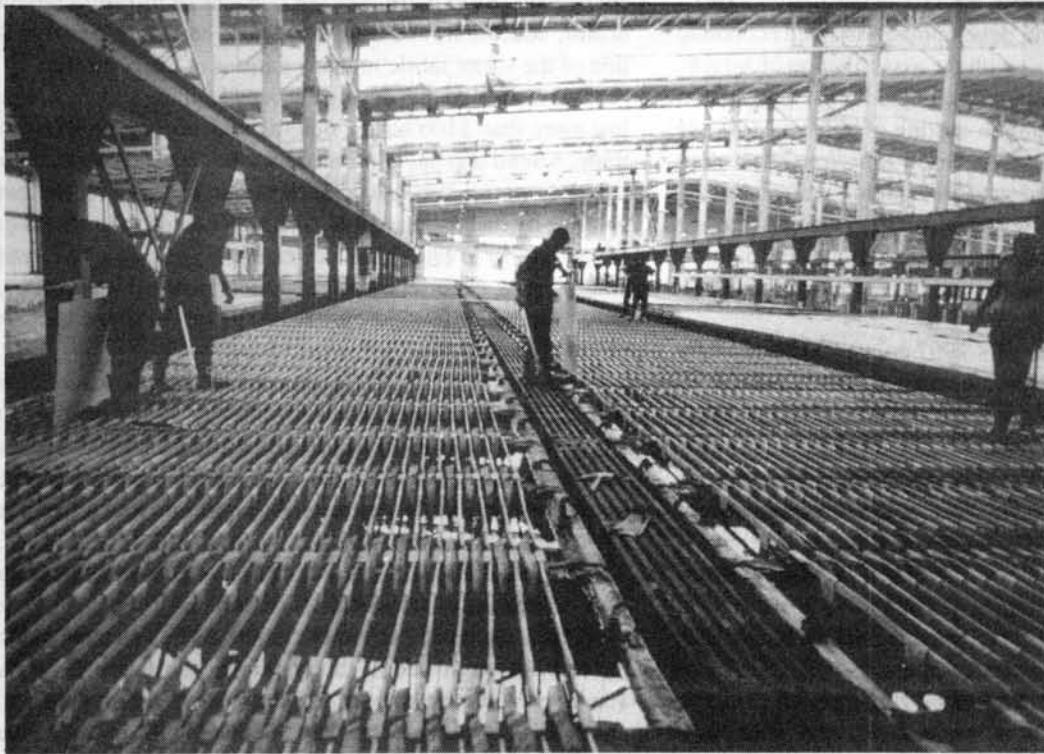
Now, one generation past the decade of independence, what has become of it?

We have accepted a different kind of news, seemingly as the unavoidable report from the African continent. It has become a report of endemic economic crisis, growing poverty, recurring droughts and starvation, spreading of old and new diseases, and lately the gruesome reports of the killing

fields of Liberia, Somalia, Angola, Burundi, and Rwanda. Some cynics in western Europe and North America quickly created the term *terra incognita* for those regions in Africa and propose to erect a new "Limes wall" to protect Europe from the invading new "barbarians" from the south. The aspirations of the freedom fighters of the 1940s and 1950s in Africa have clearly been thoroughly frustrated. We seem to be looking at a continent where apocalyptic conditions are spreading and even countries such as Nigeria, Kenya or South Africa, which have a certain foundation in industry and advanced agriculture, are threatened with political and economic disintegration. Some had hoped that after the end of the cold war period in 1989-90, more strategic resources would be made available to address the problems of Africa. But this has clearly not been the case.

Recently African spokesmen themselves have described their fate as "The Road to Zero." Most of the citizens of African nations today are worse off than at independence and they are becoming steadily poorer. Average incomes in Africa have fallen by around a quarter since the mid-1970s. Infant mortality in Africa is 50 times higher than in the industrial world. In 1990 about 4.2 million children under the age of five died as a result of malnutrition-related disease. Another 30 million were underweight. Diseases that were already subdued, like malaria, yellow fever, cholera, and typhoid, have returned on a grand scale to the continent. We have even had reports of bubonic plague in parts of eastern Zaire. The deterioration of the health situation is closely linked to the almost complete lack of the rudiments of infrastructure. Two-thirds of all Africans do not have access to clean water for cooking or drinking.

The worst problem though is the spread of AIDS and related diseases. Between 8 and 10 million people are infected already and it is spreading unchecked. More than 1.2 million have died of the disease up to now. Many urban centers have infection rates of 30% and higher. In Uganda about 10% of the population is infected with HIV. In Zambia 20-25% of women of childbearing age are infected. Some rural areas in Zaire have already been depopulated because of AIDS. In parts of Tanzania agricultural production has fallen up to 20% due to HIV-related deaths. Linked to AIDS is the spread of tuberculosis, which has killed more than 1.3 million people since 1980.



A copper refinery in Ndola, Zambia in 1976. In 1970, world demand for copper, Zambia's main export item, began to decline, and then collapsed in 1974. This led to a downward spiral of the entire economy, which has continued to this day.

The origins of the crisis

This apocalyptic picture of today's Africa stands in stark contrast not just to the hopes of the 1960s, but also to the economic reality of the time. Most countries after independence made significant progress and managed to considerably improve the provision of basic education, health services, and water. But those achievements were not part of a comprehensive strategy for the rapid development of the physical economy of the nations of Africa, and there was especially no strategy to reduce the dependency for revenue on the export of one or two raw materials. Therefore they collapsed easily when Africa was confronted with the shock effects in the world economy that started with the oil crisis at the beginning of the '70s.

A typical case of how African economies were affected by the depression of the world markets in the 1970s, and how they moved right into the debt trap, is Zambia. Pressure started to mount already in 1970, when the demand for and the price of copper, Zambia's main export item, began to decline on the world market and collapsed in 1974. In parallel, the oil price shock of 1973 added to the pressure. In 1975, Zambia's terms of trade had suddenly fallen to 54% relative to 1974. Almost overnight a balance of payments position which had been comfortable up to 1974 went into deficit. Government revenues dropped to less than one-fifth of the previous level and the budget, which had been in surplus in 1974, moved to a deficit equivalent to 24% of GDP. By 1980, real per capita income had collapsed to one-

half, and by 1984 to less than one-third of the 1974 level. As a result of much reduced revenues from export of minerals—mainly copper—the budget deficit began to grow. It was financed through domestic and foreign borrowing, and the servicing of this debt took up more and more of the export earnings: 7.3% in 1974, 18.7% in 1977, and 47.6% in 1982. Simultaneously, the terms of trade deteriorated another 50% during the second half of the 1970s.

Through the loss of export earnings, Zambia's import capacity shrank and therefore production in infrastructure and in vital areas of the economy, especially mining and manufacture, which depend on technology imports, was reduced, thus crippling the potential for export earnings even further and making any plans for the internal development of the economy obsolete.

This downward spiral of the development of the economy and the beginning buildup of the debt crisis can be seen for most of the African countries during the 1970s. The African countries may have been released into independence, but the African economies never were. The economic structures of injustice upon which the British and French colonial empires were built continued through the Bretton Woods system. Africa was supposed to deliver agricultural goods and minerals as raw materials cheaply, and reimport manufactured goods dearly. That British Adam Smith-type free trade policy which had ruined India throughout the 19th century and looted the African colonies was continuing on a grand scale in the world markets after independence.

The debate about a new world economic order

The fight for a different, development-oriented economic policy in the 1960s was lost with the assassination of John F. Kennedy in 1963, the assassination of the Italian industrialist Enrico Mattei in 1962, and the ousting of Adenauer and de Gaulle. The industrial powers in North America and western Europe, which determined world economic policy, moved away from an orientation toward economic growth through technological progress, and increasingly adopted the dogmas of zero-growth (Club of Rome) and the post-industrial society.

Sparked by Pope Paul VI's 1967 encyclical *Populorum Progressio*, which advanced the concept "peace means development," the Non-Aligned Movement started a debate about the need for a new just world economic order at the beginning of the 1970s.

This was advanced in April 1975 by the American economist and future presidential candidate Lyndon LaRouche, with a call for the replacement of the Bretton Woods institutions the International Monetary Fund (IMF) and World Bank, by an International Development Bank (IDB) to reorganize the already-bankrupt world monetary system in favor of generating billions of dollars of Hamiltonian credit to develop the physical economy of the developing sector and end the depression in the industrial sector. That call for a New World Economic Order was adopted in the 1976 Colombo, Sri Lanka resolution of the Non-Aligned Movement, and put into the debate of the U.N. General Assembly in 1977 and 1978.

In 1979, the 16th Ordinary Session of the Organization of African Unity (OAU), held in Monrovia, Liberia, called in its declaration for the "establishment of a new international economic order" and prepared the document which was finally adopted at the Second Extraordinary Session of the Assembly of the Heads of State and Government of the OAU from April 28-29, 1980 in Lagos, Nigeria as the Lagos Plan of Action for the economic development of Africa. This plan was designed to break the strangulation of African economies and set off the rapid development of infrastructure, advanced agriculture, and industry, with special emphasis on the development of science and technology within Africa.

But this plan for Africa was never realized. Neither were the broader plans for a New World Economic Order. Instead, the IMF moved in with brute force and began prescribing their Structural Adjustment Programs (SAPs). The results of which we see today in Africa's apocalypse.

The IMF policy

Between 1980 and 1989, some 241 adjustment programs were initiated by the IMF and World Bank in 36 countries. All throughout the 1980s, the problems of economic deterioration which began during the 1970s became worse, and the effect of the SAPs was a catastrophe for the population because the debt burden grew bigger, the terms of trade

deteriorated even more, and the collapse of infrastructure in health, education, and transport led to complete disintegration of the social fabric in many nations of the continent.

It is estimated that during the decade of the 1980s, Africa lost more than \$100 billion due to the deteriorating terms of trade, a trend that has continued into the 1990s. The situation becomes worse, because countries try to make up for the lost revenue by increasing output, thereby intensifying the effect of looting. In West Africa, for example, between 1986 and 1989, cocoa exporters increased their output by a quarter, only to see their foreign-exchange receipts fall by a third as prices collapsed.

The debt crisis, which supposedly should have been solved by IMF recipes, went completely out of control. In 1962 the total outstanding debts of all sub-Saharan countries were less than \$3 billion. By 1980 they increased to \$56 billion. In 1992 the debt totaled \$183 billion, and today it is more than \$200 billion. But throughout the 1980s and 1990s, African countries paid interest and principal—according to World Bank data—more than \$100 billion.

This is the typical arithmetic of the IMF: You pay double the amount you owed at the beginning, so that afterwards you owe double the amount of what you just paid!

In this way, the debt skyrocketed and will simply not be paid back. Zambia had \$623 million debt in 1970, \$2.4 billion in 1982, and today more than \$7 billion. Ethiopia, racked by civil wars and droughts during the '80s, serviced its debt up until 1989 almost in full, only to see the debt increase from \$804 million in 1980 to \$3,475 million in 1991. This poor country with destroyed infrastructure, a largely disintegrated economy, that repeatedly has to face famines, is now being asked by the IMF and the so-called donor community—better called the taker community—to mobilize \$1 billion per year to cover debt-service payments for 1993-95. This is pure usury, where the IMF asks the governments of Africa to pay for their debt with the proverbial pound of flesh from their population. If one adds \$100 billion lost through deterioration of terms of trade, \$100 billion in payments on debt, an amount for capital flight, and an additional amount for losses through the black markets and illegal trades, one arrives at a realistic figure upwards of \$250-300 billion that sub-Saharan Africa lost during the decade of the 1980s due to IMF/World Bank policy dictates. It is that drain of resources which has led to the destruction of the economies of Africa.

The structures of government and the state collapse in consequence, and countries are sliding into ethnic or other violent conflicts, which over recent years have cost the lives of millions. The catastrophe in Somalia, which implemented its first SAP in 1981, only happened after a fierce battle with the IMF. The one project which could have made the country self-sufficient in food, the Bardere Dam, was denied by the World Bank. The outbreak of mass killings in Rwanda this month happened after the economy came to a standstill in March, because the government of President Habyarimana

could not fulfill the draconian IMF conditionalities any longer.

The tragedy of Africa is also caused by the fact that too many of the continent's leaders are willing to make a deal with the devil, i.e., to try to arrange for softer conditions from the IMF or to design adjustment programs on their own. Unless the IMF policy and the bankrupt world monetary system are replaced, there is no hope for Africa.

The voices are growing that accuse the IMF and the World Bank of utter failure in Africa. But it would be a dangerous delusion to think that those institutions could be reformed, because the failure is not just due to incompetence, but much more to the guiding ideological fanaticism of their policy.

The IMF/World Bank policy has caused genocide in Africa, and yet they, together with the United Nations, are not willing to change their policy, no matter how many million lives it will cost. At the highest level of policy formulation, the IMF conditionalities are looked upon as promoting the aims of population control in accordance with the planned Cairo conference of the U.N. Curbing of population through "natural means" such as wars, famine, or epidemics, is part of the package. After the disaster has struck, the U.N. Blue Helmets come back as "game keepers" for the "human zoo."

The alternative

The alternative lies in a new world economic and monetary order which for every nation of the developing sector guarantees the right for development. African nations must have the right to choose a path of economic development which would, within one or two generations, uplift them to the standard of living of the industrialized sector. Such a new just world economic order must include the following measures:

1) Freezing of payments in the existing debt structure, separation of legitimate from illegitimate debt, transformation of the old debt into new issues of long-term, low-interest bonds, and postponement of payment into the future when the economies are recovered.

2) Economic reorganization of sovereign national economies based on an Hamiltonian national banking system; protective measures to favor the development of the internal market for the purpose of industrial and capital intensive agricultural development.

3) Reregulation of international trade so as to improve the terms of trade for the developing sector; pricing strategies for raw materials and agriculture goods which just and based on the principle of the parity price.

4) Replacement of the new triad—World Trade Organization (WTO), IMF, and U.N.—by development-oriented institutions that focus on the buildup of the physical economy by issuing new longterm low-interest loans for large-scale infrastructure projects such as west-east and north-south transportation links; water and energy projects in Africa;

building of new cities.

5) Transfer of advanced technologies such as nuclear energy into the developing sector; rapid buildup of education and health infrastructure; creation of science and technology centers in developing sector nations. In this way can political and economic affairs within and between nations be brought in accordance with the inalienable rights of man that guarantee freedom, justice, and happiness for all men regardless of color or creed.

Within the world order of the last 15 years, a process of economic breakdown and chaos has led to political disintegration and the outbreak of the most violent and brutal conflicts within Africa that is an injustice against the African people which is crying out to heaven. Only the policy of a new just world economic order based on the principle that peace means development can correct this and finally realize the dreams and visions of the fight for freedom and independence of Africa.

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