African socialism and the world system: dependency, transnational corporations and international debt

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I. Introduction:

In the little more than a quarter of a century since the end of World War II, extensive changes have significantly altered Africa's role in the world political economic system. Over forty new nations have attained political independence and embarked on differing paths of nation-building on the continent. A number characterize their approaches as 'socialist,' but only a handful have begun to make the necessary institutional changes to initiate an effective transition towards socialist reconstruction of their political economies.

The world economic system within which the new African states are striving for development has also changed. On the one hand, a third of the world's population -- in widely differing countries ranging from the Soviet Union and China to Vietnam and Cuba -- have proclaimed as their goal the building of socialism. There is no monolithic model for the Africans or any other state to follow. Each nation is working out its own approach. Serious disagreements have emerged as to the essential next steps and appropriate institutional changes. Nevertheless, the widespread adoption of the socialist perspective, especially in developing nations, has provided ideological and even material support for African countries seeking to break out of the capitalist commercial system and reconstruct their political economies along a socialist path.

On the other hand, the capitalist commercial system, itself, has changed. The old model, in which colonial governments
and companies divided up the Third World, including Africa, into separate spheres of governmental control and economic exploitation, has all but disappeared. In its place giant transnational corporations have emerged, sometimes collaborating, sometimes bitterly competing, to maintain and extend their penetration in the newly-independent nations.

This chapter will first examine the nature of the changing capitalist world system into which the new states of Africa were born and then outline the efforts of some African states to reduce their dependence on that system and initiate a transition to socialism in order to provide productive employment opportunities and raise the living standards of the masses of people in all sectors.

II. New African States v. the Changing Capitalist World System:

Several factors shape the new methods by which transnational corporations seek to achieve their old goals in the post World War II world. These impact on the development perspectives of particular African countries in differing ways.

First, technological changes have led to a basic shift in the capitalist international division of labor. The demand for some raw materials -- cotton, sisal, even basic minerals like copper -- has been relatively reduced by the introduction of synthetics, substitutes and the recycling of used materials in the core industrialized economies. African countries, whose export enclaves had been geared by decades of colonialism primarily to the export of one or two of these commodities, have been deeply adversely affected. In contrast, countries producing raw materials for which technological developments
have created new and expanding demand -- oil, uranium, bauxite -- have, at least temporarily, 'lucked out.' They can take advantage of the competition between transnational corporations, especially those with the needed research, technical capacity and finances, to realize the new technological possibilities.  

Second, the transnational corporations have entered a fierce competition to sell their excess manufactured goods in African markets. Some had previously been excluded by the French-British colonial hegemony. Now they each seek to secure a foothold by building last-stage assembly and processing plants behind tariff barriers erected by the African Governments. This procedure involves the initial import of capital-intensive machinery and equipment and the continuing import of parts and materials. It only marginally alters the pattern of external dependence of the typical African economy. Only under the umbrella of the racist regime of South Africa have the transnationals contributed to building up an integrated industrial base which has led statisticians to list that country as the only one in Africa among the 'developed' nations of the world. 

Third, the heavy capital investments required to utilize large scale capital intensive technologies to extract the mineral resources of the periphery has fostered the emergence of globally-competing transnational financial institutions to facilitate the expansion of their nationally-based transnational industrial corporate associates. The efforts of national center governments to employ Keynesian-type monetary
controls has led to the mushrooming of the essentially unregulated Eurodollar market where the largest banks sometimes collaborate, sometimes compete, to capture the lucrative corporate business.

Confronting these transnational corporate giants, many African governments have adopted state interventionist policies which they have proclaimed as variants of 'African socialism.' In reality, they are typically little more than thinly disguised state capitalist measures which have led to increased dependence on transnational corporate and financial institutions. They have made few changes in the inherited sets of institutions which gear their political economies to the export of raw materials. On the contrary, they have pursued measures to expand the export of agricultural and mineral produce in keeping with conventional wisdom, hoping to earn foreign exchange to finance their rapidly multiplying administrative and infrastructural costs. Their competitive efforts to sell their crude products to the core industrial nations, where relative demand was in many cases actually declining, contributed significantly to falling prices and worsened terms of trade. African farmers, who owned their own farms (as in the case of cocoa in Ghana and Western Nigeria, coffee in Tanzania, Kenya, Uganda and Ivory Coast, cotton in Sudan, Egypt, Uganda and Tanzania) were directly affected by the fall of world prices for their exports. Government acquisition of shares of ownership of export industries -- for example, the purchase of 51 percent and 100 percent, respectively, of the copper mines in Zambia
and Zaire -- did little to alter the outcome. The Governments were forced to shoulder the burden of direct profit losses, in addition to the loss of tax revenues.

Government measures to stimulate import-substitution manufacturing industries, including Government ownership of shares through state corporations, served primarily to encourage transnational corporations to establish last-stage assembly and processing plants. They typically produced the wrong kinds of commodities -- mainly luxury and semi-luxury items for those who could afford to buy them; (beer and cigarettes became an increasingly important segment of local manufacturing industry). They tended to be relatively capital-intensive, based on the import of transnational corporate technologies, instead of focusing on providing jobs for growing numbers of urban unemployed. They continued to import parts and materials, rather than contribute to development of domestic resources. They were located in and fostered the further growth of the export enclaves, instead of spreading productive employment opportunities in neglected rural areas.

Despite innumerable government proclamations of the necessity of 'rural development,' extensive areas outside the export enclave continued to stagnate. Inherited marketing structures, credit and farm inputs are too frequently directed to existing export-oriented agriculture, often dominated by large estates or 'progressive' African farmers. Class stratification has steadily deepened in expanding cash crop regions. Food production, mostly carried on by women given little option but
to continue to use out-moded techniques on less fertile lands has tended to decline. The drought of the 1970s, with its associated widespread famine, exposed the inadequacy of food production, as nation after nation was forced to spend precious foreign exchange to buy grain on the world market. The migration of tens of thousands of rural poor into overcrowded urban slums has been accelerated across the continent.

In most African countries, state intervention, far from initiating a transition to a socialist political economy, fostered the burgeoning of what has become widely known as the 'bureaucratic bourgeoisie.' Parastatal managers, together with key government administrators and politicians, used their legally-obtained high salaries, not infrequently along with no-so-legally obtained additions, and funds borrowed from the banks, to invest in buying up large farms, speculative real estate, trade and, in some cases, shares in local subsidiaries of transnational corporations. They utilize their influence at national and local levels to direct a variety of state actions to foster their private sector entrepreneurial activities.

Widespread official criticism of the growing 'urban-rural gap' typically focuses on holding down the wages of low paid urban workers. It is seldom seriously intended to lead to effective redistributive income policies or to capture and direct investable surpluses to the planned restructuring of the productive sectors to spread employment opportunities throughout the countryside. Rather, it is commonly designed to ensure the
continued profitability of factories, mines and estates in which the 'bureaucratic bourgeoisie' now holds a personal stake.

Pursuing a variety of essentially state capitalist policies, most of the newly-independent African countries, by the 1970s, had become, in short, increasingly externally dependent, their fragile economies increasingly characterized by instability and a growing gap between the 'haves' and 'have nots.' In many, the attempt to maintain a democratic facade gave way to military rule in a pattern all too reminiscent of Latin America.

Although throughout the sixties all the newly independent African countries competed eagerly to attract overseas capital, transnational corporations and financial institutions expanded their investments most rapidly in the racist state capitalist economy of South Africa. Some $20 billion in foreign funds were poured into that country, exceeding the total new foreign investment (excluding that in pumping oil) in the rest of the African continent combined. Foreign funds today provide a fourth of South Africa's total investment, about 40 percent of the capital in its manufacturing industry.

West German and United States-based transnational corporations in particular expanded their capital and technological contributions in South African manufacturing industry. In this they frequently collaborated closely with South African parastatals, sometimes supplementing British capital, sometimes squeezing it out. Four out of five U. S. dollars invested in manufacturing in the entire African continent, for example, are concentrated in South Africa.
Transnational corporations and, in some cases, their homegovernments apparently viewed South Africa's police state as a 'stable' regional sub-core from which to conduct their operations throughout the southern continental periphery. Contradicting U. S. Ambassador Andrew Young, who had characterized the South African Government as at least 'morally illegitimate,' President Carter, in a report buried at the bottom of a news story, recently reasserted that South Africa "has a legally constituted Government and is a stabilizing influence in the southern part of that continent."\footnote{19}

Transnational corporations' affiliates and subsidiaries have expanded their profitable operations throughout the southern African periphery from their bases in South Africa. They participate in various kinds of ventures with South African capital to obtain minerals and agricultural raw materials: iron ore, pineapples and timber from Swaziland; copper, nickel and diamonds from Botswana; copper, zinc, uranium and fish from Nambia; chrome and coal from Zimbabwe.\footnote{Copper and other minerals from Zaire and Zambia.} They have also established distribution networks through which they sell the goods they produce or import into South Africa throughout the southern third of the continent.

In the 1970s, Africa, along with the rest of the Western world, was deeply affected by international monetary and economic crises. The re-emergence of the general crisis of the capitalist world was, in fact, rooted in part in the rapid post-World War II extension of transnational corporate penetration in the newly-independent countries of Africa, as well as the rest of the Third World. Their accumulation and reinvestment of vast amounts of capital in expanding techno-
logically-advanced production in the core industrial countries was accompanied by increasingly competitive efforts to extract greater investible surplus es from the periphery. They continued to mine greater amounts of crude materials produced by low paid labor. They expanded their sales of high price capital-intensive technologies as well as luxury and semi-luxury items for the limited high income groups. They continued to drain the lop-sided Third World economies of profits, interest, dividends, and high salaries for their managerial personnel. These activities further narrowed the potential markets for their growing surplus of manufactured goods.

Throughout the 'fifties and increasingly in the 'sixties, in a pattern reminiscent of the 1920s, worsening terms of trade caused country after country in Africa, as well as elsewhere in the Third World, to seek to reduce their imports and further expand their exports. Throughout the 1960s, rising domestic expenditures for infrastructure worsened terms of trade, and mounting balance of payments deficits caused many African states to expand their internal and external debt. In the late sixties and seventies, spurred by International Monetary Fund advice and prodding by transnational banks, many sought to introduce 'austerity programs' and currency devaluations. Taxes, especially those on middle and lower income groups, were raised, while government spending was slashed. Monetary and fiscal measures tended to squeeze credit and cause unemployment,
especially among smaller firms. Devaluation led to higher prices for the imported items on which their economies had become increasingly dependent, contributing to further domestic price increases. All these measures tended to shift the burden of the crisis in the African countries onto the shoulders of the lower income groups.

By the late 1960s the Western nations, too, began to suffer balance of payments difficulties. These culminated in the United States' devaluation of the dollar and the emergence of the international monetary crisis. Within a few short years, the euphemistically-titled "recession" had spread throughout advanced Western economies of the United States, Western Europe, and Japan.

The oil "crisis" was an aggravating factor, but by no means the underlying cause of the deepening general crisis. It reflected, rather, the growing importance of oil in the context of the profound technological changes which had altered the relative importance of particular resources and the countries in which they were located. The manipulation of oil prices by OPEC countries, together with the transnational oil countries, raised the profits of both. This contributed to still worse terms of trade for those Third World countries which had to import high-priced petroleum products as well as the manufactured goods produced in the core industrial countries.

As the African countries exhausted their traditional sources of credit, they began to turn to the Eurodollar market.
The largest borrowers were not the "low income" African countries, but the "middle" and "high income" countries with visible resources which the international bankers assumed could be exploited to ensure repayment.

Zaire, with its large copper and cobalt reserves, borrowed about $431 million between 1971 and 1974. As copper prices plummeted and import costs rose, Zaire's mismanaged economy was faced with bankruptcy by 1977. Its inability to repay its transnational banking creditors was a major factor accelerating the latter's efforts to utilize the International Monetary Fund facilities to 'discipline' defaulting countries to ensure they would pay their debts.

While the attention of western financial circles focused on Zaire, South Africa, confronting mounting unemployment and unrest among its African population, rising import costs and growing military expenditures, borrowed far more heavily. It devalued twice, aggravating internal inflationary pressures which led to cumulative price increases of over 30 percent in 1975-6. By March of 1977, it was reported to have borrowed about $9 billion, about a third of it mobilized by U. S. banks, especially Chase Manhattan, Citicorp, Manufacturers' Hanover, and Morgan Guaranty.

In short, the transnational corporations' competitive penetration of Africa, spurred by rapid technological advance, contributed to aggravating the underlying contradictions which led to the emergence of the general crises of capitalism in the 1970s. In many of the politically-independent African
nations, the new 'bureaucratic bourgeoisies' seem to strengthen their own political and economic status, through the increased use of state power. They made little or no effort to restructure the inherited institutions which linked their peripheral export-oriented economies to the Western commercial world system. Instead, they competed with each other to create 'attractive investment climates' to invite further transnational corporate penetration. The expansion of their low-cost crude exports coupled with worsening terms of trade and the direct drain of profits, interest, dividends, and high salaries to transnational corporations did, however, narrow their markets for the mounting manufactured goods surpluses produced by the accelerated investments in the industrial core nations. The emergence of the international monetary 'crisis' exacerbated by the oil 'crisis' revealed in reality, a feature of the deepening of the general crisis throughout the capitalist world.

III. Initiating the Transition to Socialism:

In only a few countries did the governing political parties seek to implement the essential institutional changes required to reduce external dependence and initiate a meaningful transition to socialism. Many, if not most, African governments have proclaimed their aim as 'socialist.' A meaningful transition to socialism, however, requires measures to create the necessary institutions to achieve socialized ownership of the means of production, and their development to meet the needs of the masses of the working people in urban and rural areas. Inevitably,
given their disparate histories and inherited institutional structures, their leadership, and the nature of the particular obstacles confronting them, each African country must follow this path in its own way. In a brief overview of this type, it is only possible to illustrate the range of widely differing efforts with a few examples.

Examination of the experience of African countries embarking on the transition to socialism suggests that the early phases of that process require two essential kinds of institutional change. First, it is necessary to create a political base, uniting urban wage earners, peasants and committed 'petty bourgeois' elements behind the necessary institutional changes needed to build a socialist economy. Creation of this kind of base is vital. In Africa, it has been rendered difficult by the small size of the urban working class and its lack of consciousness difficulties of communicating with scattered rural peasants, and the institutionalized isolation of the intellectuals.

In Algeria and the former Portuguese territories, years of guerrilla struggle helped to forge a degree of unity among the national liberation forces. Nevertheless, the coup which made Boumedien the president of Algeria, and the civil war in Angola, are suggestive of the many continuing difficulties encountered by efforts to cement the essential mass base for building socialism.

The second kind of institutional change necessary in the transition stage involves utilizing state machinery to control the 'commanding heights': basic industries, export-import and internal wholesale trade, the banks and financial institutions.
Experience suggests this is critical for the implementation of a long-term strategy to restructure the lop-sided, externally dependent political economy to achieve an integrated, balanced structure capable of providing productive employment and higher levels of living for the masses of the population. The process of transition necessitates the formation and implementation of a series of plans in the context of, say, a twenty-year perspective program to restructure the political economy. National plans should ensure implementation of measures to: (1) strengthen national control over the 'commanding heights' and reduce transnational corporate and financial influence over the critical sectors of the economy; (2) allocate physical resources to build appropriate kinds of industries, specifically linked to increased agricultural productivity, to provide productive employment opportunities and produce the kinds of goods to meet the needs of the people in all sectors of the economy; (3) implement financial plans to achieve a more equitable pattern of income distribution and direct all investable surpluses produced in the economy to the critical productive sectors; (4) formulate educational and training programs to ensure that in form and content they contribute to the necessary supply of qualified men and women to staff industrial and agricultural projects as they are developed.

The African countries embarking on the transition to socialism have not all been equally successful in achieving these two critical kinds of institutional change. In the brief space here available, it is only possible to review the contrasting experience of a few: Tanzania, Algeria, and the former Portuguese
colonies.

A. Tanzania:

Tanzania is the only former British colony whose government is still explicitly dedicated, after almost fifteen years of political independence, to the attainment of socialism, in the sense of the term employed in this chapter. At independence, President Nyerere himself devoted a year to organizing TANU, the National political party, to build mass base. Over the years, a large proportion of the population has been brought together into ten-house cells, purportedly designed as the vehicle for two-way communication between the people and the leadership. The extent to which its members are imbued with a clear socialist perspective is less clear.\textsuperscript{30} President Nyerere himself is an avowed pragmatist. Some claim that the leadership of the party are not really devoted to the cause of building socialism. They argue that 'petty bourgeois' elements seek to advance their own interests, rather than to implement the transition to a fully socialized political economy.\textsuperscript{31} The effect of uniting TANU with the Zanzibar party are, as yet, unknown.

In 1967, following the fall in world prices for Tanzania's major export crops, TANU initiated measures through the government to assert direct control over the 'commanding heights.'\textsuperscript{32} The foreign-owned banks and insurance firms were taken over in toto, and over the years, integrated into a single, functioning financial system increasingly capable of directing credit to the key productive sectors. The major import and interal wholesale houses were placed in the state sector. Not without
severe difficulties and several reorganizations, these have begun to regulate the flow of imports and distribution throughout the nation, more or less within the framework of planned perspectives. The Government acquired a majority of the shares of ownership of the largest existing industries and placed them within a parastatal sector. Most of the top-level managers remained those provided by the transnational corporate 'partners' within the framework of controls operated through the state-owned financial and trade sectors as well as state participation on local boards of directors.33

Serious problems have been encountered in reshaping old institutions and creating new ones to ensure that these efforts to assert state control these critical sectors of the economy have in reality been conducted to enhance the welfare of the masses of the population. These may be illustrated by examining two aspects of the parastatals' (state corporations') role in the industrial sector:

First, as is true of all former British colonies, Tanzania's maininstrument of control over its newly acquired shares in industry was the parastatal. Legally, however, the parastatal was initially conceived as an autonomous body, outside the controls of the civil service. This was assumed to enable it to operate flexibly like a profit-maximizing private enterprise. In Tanzania, too, the daily operations of the parastatals were left in the hands of the managers supplied by the foreign partners who still owned an important block of shares. Ministerial control could be exercised only indirectly through board meetings. The ministers were typically so over-burdened with responsibilities that they were unable to do more than provide cursory supervision. As a result, it was difficult to ensure that the factories
contributed most effectively to Tanzanian development. What they produced and how they produced it tended to be determined by transnational corporate aims, rather than Tanzanian development perspectives in not a few cases. Many of the plants were dependent on imported parts and materials. Control of decisions as to what to import and how much to pay for these sometimes gave managers the means of shipping out investable surpluses through overinvoicing.34 There was always the danger, too, that Africans who entered the managerial ranks dominated by the foreign partners might be co-opted into the transnational corporate sphere, seeking to take advantage of high salaries and perks to advantage themselves.

Tanzania did attempt to devise protections against these dangers. First, Tanzania's governmental authorities had the power, through the nationalized banking system, to require the parastatals to bank with the government bank. This potentially provided them with additional information about financial conditions, enabling them to require firms to carry out their financing activities in accord with national plans.

Second, the Chairman of the National Development Corporation, the umbrella parastatal responsible for all firms in which the government holds shares, was made chairman of each company in the group, and National Development Corporation department heads, responsible for particular companies, and sat on their boards of directors. A management information system was created to monitor the performance of the Corporation's departments. The management executive committee regularly reviewed operating problems and current progress.35

In an effort to replace transnational corporate managers, Tanzania channelled university graduates into state corporations until localization there equalled that in the Civil Service.36 At the same time, the Presidential Standing Committee on Parastatal Organizations, instituted following the Arusha Declaration, froze parastatal salaries37 and curtailed other perquisites such as housing and car allowances.38 Nationalization of rental housing reduced the opportunity for parastatal managers to speculate in real estate, a common form of enrichment in other countries.
In line with its declared socialist perspectives, Tanzania also instituted a program of workers' councils in an effort to develop workers control of parastatals from below. These aimed to both increase managerial responsibility for national development, and to increase worker productivity. In reality, however, they remained primarily advisory bodies. As might be expected, they were primarily concerned with working conditions and pay of the workers, themselves. It is difficult for workers, without a great deal of knowledge of possibly conflicting national and transnational corporate goals and methods of operation, particularly specific bookkeeping skills, to participate effectively in directing managerial practices along nationally desirable paths. Institutionalization of effective workers' control inevitably takes time and requires worker education and ideological leadership relating the particular factory and the need for national reconstruction of the economy.

A second aspect of the problems encountered by Tanzania in its efforts to assert national control over development through government ownership of shares in industrial projects is that of how to ensure that new investments contribute to building a more balanced industrial and agricultural economy capable of providing increasingly productive employment opportunities for the broad masses of the population in all sectors. On the one hand, the institutional mechanisms for ensuring that new investments are appropriate take time to establish. The National Development Corporation, initially supposed to behave like a private firm had to be reorganized to give it greater control over its newly acquired subsidiaries. At the same time, it had to work closely together with the government planning agencies and the banks, as well as the political party, to direct new investments to the production of essential consumer goods and eventually machinery and equipment at the appropriate levels of technology. But the criteria for new investments remained vague. "Short term opportunity and accident" tended to dictate choice between projects. The Second Five Year plan, while attempting to list several social criteria, left the task of formulating a longer term industrial strategy for the future. Tanzanian the ministers on/boards of directors had little direct influence on the National Develop-
ment Corporation investment policy. Themselves busy men, they received papers for directors' meetings only shortly before they took place. The Board decided major industrial investments like the Mwanza Textile Mill, the Sisal Pulp Mill, and the fertilizer factory after only a week's advance notice. 42

The foreign investors initiated most of these projects, hoping to obtain 51 percent or more of government financing. They made their profits in the initial sale of machinery and equipment and, in some instances, an on-going supply of parts and materials. French interests, for example, promoted the Mwanza Textile Mill. The staff lacked sufficient time to consider issues beyond the proposal's economic viability in the conventional sense. The foreign investors' proposals hinged primarily on their prospective profits. The Mwanza textile mill was relatively capital-intensive and required the import of expensive machinery, parts and materials. In contrast to the Friendship Textile Mill, built near Dar es Salaam with Chinese assistance, the Mwanza factory cost about three times as much and employed about a third as many workers for the same output. Given Tanzania's scarce capital and need for employment opportunities, the Mwanza plant appears to have been built without regard to the criteria formulated in the Plan.

The social criteria delineated in the Plan 43, furthermore, could be construed to conflict with overall profitability, also an explicitly formulated goal. 44 In 1972, the General Manager of the National Development Corporation reported, "(I)n several cases in the past we have been blamed for misinterpreting Government and Party policies." 45

Unless the Government and Party could decide on the appropriate long term strategy for the physical development of industry, linked closely with careful financial planning, the full potential for restructuring the economy appeared unlikely to be realized. It was expected that such a long term strategy would be incorporated in the next five year plan, but whether it would be, and to what extent it would be successfully implemented to restructure the Tanzanian economy, remains to be seen.

To date, the primary emphasis in Tanzania has been on the creation of ujamaa villages,
proclaimed as an effort to create agricultural production units to avoid increasing rural stratification as cash crop production expands. This effort was accelerated in the 1970s, not without difficulties.

The reallocation and development of agricultural resources is a time-consuming process.

It takes a year simply to plow, sow and harvest even a single perennial crop. At the same time, peasants must continue to produce foodstuffs if they are to remain self-sufficient at least during the transition to greater (planned) participation in the expanding national division of labor. Unfortunately, in the Tanzania case, the accelerated villagization program coincided with the drought of the early 'seventies which reduced crop output in widespread areas of the countryside as well as throughout the rest of the continent. As a result, Tanzania's food output declined and it was forced to import enormous amounts of grain. This, together with the rising costs of oil and manufactured goods imports, contributed to serious balance of payments deficits. To cover these, Tanzania, like many other African countries, was forced to borrow funds abroad. This heavy borrowing may seriously endanger Tanzania's efforts to implement its transition to socialism if the Government is forced by its creditors to adopt typical IMF-type remedies.

The International Monetary Fund's role in pressuring governments to implement policies which throw the burden of economic crisis on the working peoples of the Third World countries has been well documented. In Africa, the first post-independence African governments to experience this kind of pressure was Ghana under President Nkrumah. As cocoa prices plummeted in the early 1960s, Ghana confronted a serious economic crisis. Critics have argued that the Nkrumah administration was wasteful and corrupt. It has been pointed out elsewhere that far more significant was the failure to institute effective plans to alter the inherited institutional structure.
in order to build a balanced, integrated economy directed to meeting the needs of the Ghanaian population. As a result, Ghana's increased dependence on cocoa experts inevitably led to the economic crisis when cocoa prices fell from about 725 cedis per ton in 1954-5 to 338 cedis a ton in 1964-5. They dropped 22 percent in 1965, alone, drastically reducing foreign exchange earnings and government revenues. To cover its mounting social expenditures, the government borrowed heavily overseas. As the difficulty in paying off its debts increased, the government sought IMF assistance. The price for that assistance, the Nkrumah Government was informed, was the implementation of several measures. These included: a cut in the price paid to cocoa farmers; manifestation of a 'liberal attitude toward foreign investment'; sharp reductions in government spending and a halt to the launching of new industrial projects; and an end to bilateral and barter arrangements with socialist countries.*

50 The Ghana Government immediately cut the cocoa price paid to the farmers. It announced it was making efforts to comply with other IMF requests, but that some were contradictory to its efforts to restructure its political economy. Within weeks of the Government's announcement, the Nkrumah Government was overthrown. There is little doubt that the reduction of the price paid to the cocoa farmers was a factor contributing to public support for the coup in the cocoa belt.

The post coup Government, which included civil servants who had previously negotiated with the IMF, set about implementing the IMF proposals in full. It devalued Ghana's currency, which increased the cost of the foreign debt in cedi terms, and contributed to further domestic inflation. The new military government ended all trade agreements with the socialist countries, sold off state enterprises to foreign firms at exceptionally low prices, and slashed government expenditures by laying off hundreds of workers. Unemployment mounted. Domestic prices soared.

*The Soviet Union had agreed to purchase about a third of Ghana's cocoa crop at a price almost double that prevailing in the world market, in exchange for capital goods and equipment required by Ghana to implement its industrial expansion program. **The IMF insisted that even those debts which had been admittedly contracted as a result of prices paid by foreign firms must nevertheless be paid off.
The rest of the story is well-known: The military government was replaced by a civilian administration which in its turn was overthrown. Ghana's increasingly externally dependent economy steadily deteriorated. The new military government, initially announcing efforts to achieve effective economic reconstruction, was quickly persuaded to pursue the IMF-charted path. The 'debt trap' had clamped its jaws on the first newly independent African victim.

What IMF 'advice' was given to the Tanzanian Government a decade later has not been published. The Government has, however, taken steps to reduce state employment and devalue its currency. Domestic inflation remains a serious problem. The Government has not sold off state shares of ownership of industries or other critical sectors of the economy. Whether it will be able to continue to pursue its socialist perspectives will depend in part, however, on whether it can return to its self-reliant policies or obtain assistance from OPEC or socialist countries.

Tanzania would appear to be in a better position than was Ghana to return to its self-reliant posture. Whereas Ghana, under Nkrumah, never attained effective control of the 'commanding heights',* Tanzania has made significant steps in this direction. Its nationalized banks could provide a means of implementing an effective financial plan to direct all available domestic surpluses to appropriately planned industrial projects in the context of a long range strategy designed to build a balanced industrial structure integrated with agricultural growth. This ought to be facilitated by the fact that the Tanzanian Government has made more serious attempts to implement a meaningful incomes policy. Tanzania's greater control over export-import and internal

*The banks remained entirely in foreign hands; the state-owned commercial banks was never very significant. The Ghana National Trading Corporation, managed by a former (retired) manager of the United Africa Company, handled only part of the trade. Basic industries remained predominantly in the private sector, except for the new ones which only began to be established in the last years of the Kwame Nkrumah Administration.
wholesale trade should help it to develop the domestic market for consumer goods and simple producer goods turned out by its growing industrial sector.

In the last analysis, however, in Tanzania -- as in Ghana -- Tanzania's ability to pursue its efforts to achieve a socialist transformation depends fundamentally on the ability of the party and government to mobilize and unite the working people and the peasantry to carry through the essential institutional changes required to plan and carry through a long-term industrial strategy to build a socialist state.

Tanzania's experience underlines the difficulties facing any country with small investable surpluses which seeks through increased socialization of the means of production to achieve self-reliant, integrated, balanced development designed to expand productive employment and raise the living standards of its population. The education and involvement of the masses of the people in the complex process of restructuring critical national and local institutions is an imposing task. Disengaging those institutions from domination by transnational corporate interests to facilitate increased socialization of productive resources is by no means simple. In the midst of these difficulties, it is essential simultaneously to focus careful attention on the details of physical and financial plans allocating those resources in directions more likely to lead to self-reliant, nationally integrated development.

*As former President Nkrumah wrote in his analytical retrospective analyses to be found in Dark Days in Ghana and Class Struggle in Africa.
B. Algeria:

Algeria's national liberation movement won independence from France after years of guerrilla warfare. Many of the French settlers left after the cessation of hostilities, simply deserting estates and small scale manufacturing establishments. Various types of workers' management schemes were established, some of which were unsuccessful. But it is difficult to take over and manage a national economy, especially when more than a century of colonialism has denied the majority of the working people the rudimentaries of required education and skills.

The Algerian Government initiated institutional changes to exert control over the commanding heights. The major banks have been nationalized. Export-import and internal wholesale trade is firmly in the hands of the state. The control of basic industries, oil, iron and steel, petro-chemicals, is in the state sector, some small scale consumer goods industries remain in private hands.

By the early 'seventies, Algeria had formulated a long-term industrial strategy focusing on the massive construction of basic industries in an effort to transform the entire national political economy into high levels of productivity in every sector. Whereas for countries like Tanzania rising oil prices contributed to serious balance of payments problems, for
Algeria, one of the leading OPEC nations, they have provided most of the necessary investable surpluses to invest in this planned transformation of its economy. The rest is being borrowed from the socialist and capitalist countries. High oil prices have facilitated repayment of the debts on time.

About 40 percent of Algeria's national product is invested annually, a major share of it in basic manufacturing industries. A smaller amount is directed to stimulate the lagging agricultural sector. The new industries are relatively capital-investive, but serious efforts are being made to integrate them into the rest of the national economy to foster increased productivity in other sectors. The planners apparently anticipate that, by the time Algeria's limited oil reserves give out, and/or the world's energy users have developed lower-priced energy sources, it will have created a relatively self-reliant industrialized economy, capable of breaking its former dependence on the western capitalist nations.

Algeria confronts problems in its agricultural sector which, while differing from those of Tanzania, are serious. It inherited a profoundly dualistic agricultural economy. Major export crops were formerly produced by large settler-owned estates, while the majority of Algerian peasants scraped a bare subsistence living out of fragmented, infertile plots in the hinterland. The estates have been turned into state farms, with a degree of worker participation in management.

The government has sought to organize the peasants in the less developed regions into producer cooperatives, providing
them with necessary inputs and marketing facilities. This has been a prolonged endeavor. Many of the peasants have drifted out of the rural areas into the cities, adding to problems of urban unemployment. A major drawback of the capital-intensive industrial sector being created is that it is as yet incapable of absorbing labor displaced in the agricultural sectors. Over time, it is anticipated that increasing productivity in the rural sectors will contribute to higher levels of life and reduce the urban drift. Achievement of socialized development in the agricultural sectors, even in countries with significant investable surpluses, however, clearly takes time.

C. The Former Portuguese Colonies:

Mozambique, Angola and Guinea-Bissau all attained political independence in 1975, after years of coordinated guerrilla warfare which contributed to the downfall of the Portuguese dictatorship. Unlike the first wave of African states seeking to build the transition to socialism, the political leadership of the former Portuguese colonies immediately focused attention on critical institutional changes to mobilize the masses of the peasantry and workers while asserting direct control over the critical commanding heights of the national economy. All have declared their aim of carrying through the Marxist-Leninist road to socialism. Mozambique has explicitly re-organized Frelimo as a vanguard party with the stated aim of giving leadership to the working people, peasantry, and committed petty bourgeois elements. Angola, facing the complex task of rebuilding its economy after the destruction caused by a two-pronged invasion after independence, and threatened by dangers of renewed invasions from north and south, took a little longer to announce that step. Meanwhile, the national party, MPLA, continued to organize the population into ten-cell groups to mobilize
and educate them for participation in the transition process.

Both Angola and Mozambique have inherited state ownership of the banks which had been taken over by the Portuguese after the overthrow of the dictatorship. Both exercise state control over export-import and internal wholesale trade. They have not attempted to take over management of the basic industries like the Cabom Bassa hydroelectric project in Mozambique or the Cabinda oil wells, owned by Gulf Oil in Angola. They have, however, begun to negotiate the terms of new contracts to more clearly define their own long term interests and presumably their ultimate control, while ensuring continuation of the current inflow of government revenues. As their government spokespersons have emphasized, laying the groundwork to gain control of the 'commanding heights' has to be approached much like preparing to capture an enemy stronghold in a military campaign. It is necessary to prepare the groundwork and ensure that the necessary cadres and backup material are in place before the final push.

Both in Angola and Mozambique, the immediate effort of the governments is to mobilize to restore and increase agricultural productivity in order to ensure at least that the populations have enough to eat without spending precious foreign exchange to import foodstuffs. Over time, it is expected that agriculture will be able to produce many of the necessary raw materials for a growing industrial sector. Mozambique plans to move rapidly towards collectivization of
agricultural production, building on cooperation which began during the years of producing foodstuffs for the guerrilla army.

Many large scale estates, abandoned by Portuguese settlers, have been turned into state farms with worker participation in management. Peasants in the subsistence sector are being mobilized into communal fiâllages centered around collective productive activities and provision of increased collectively-provided services to raise their living standards.

In Angola, the government has concluded that the peasants, having just received the right to use their own labor on their own land since the downfall of Portuguese rule, prefer at least at present to increase productivity on their own land. The Government's main contribution will be to provide necessary inputs credit and markets through an expanding network of cooperatives.

Neither Angola nor Mozambique has had time to formulate long-term industrial strategies. At most, they have used their few skilled workers to repair and continue production with existing manufacturing machinery and equipment left by the departing Portuguese. Meanwhile, they are beginning to take stock of available resources and industrial potential, as well as necessary industrial and agricultural linkages. Mozambique ministers have already met with Tanzanian planners to discuss future possibilities of coordinating and linking industrial developments between the two countries to take advantage of potential economies of scale, especially for basic industries, and perhaps lay the groundwork for a regional hydro-electric power grid built around Cabomá-Bassa and Tanzania's existing electrical capacity, as well as the
vast potential which may ultimately be harnessed by developing Stigler's Gorge. Obviously, however, the gathering of essential information and the implementation of key institutional changes to formulate and carry out an effective regional industrial strategy will take time.

It is evident that the transnational corporations do not welcome these efforts to achieve a thorough-going social transformation in the new nations in southern Africa. It is difficult to identify the specifically transnational corporate initiatives directed at undermining the new Mozambique and Angolan governments; these are for self-evident reasons covert. Many efforts have been made to destabilize them. Portuguese employees, on leaving, tried either to take with them or destroy essential machinery and equipment required for transport or to run existing industries and agricultural estates. Shipments of machinery, equipment and spare parts for factories previously owned by transnational interests are reported to have arrived damaged or containing less goods than had been paid for. Counterfeit money has been introduced to undermine the national money and banking systems. It is impossible to determine to what extent these activities may have been fostered or financed by transnational corporations. Even more destructive have been the illegal Rhodesian government's invasions of Mozambique, and the South African military support for UNITA's attempts to undermine the Angolan Government.

It is essential to realize that the transnational corporations have long perceived of southern Africa as an integrated region, the door to the exploitation of which lay through the industrial (and hence military) build-up of the South African regime. In attempting to assess the role of transnational corporations vis-à-vis Mozambique and Angola, therefore, it is necessary to review their overall role in southern and particularly South Africa. Transnational corporations based in South Africa have long violated United Nations' boycott of the illegal regime of Southern Rhodesia (Zambabwe). Their rapidly expanding investments in South Africa's manufacturing industry have built up that country's military-

*What are, by now, well-known facts relating to transnational corporate activities, as well as undercover CIA agents*, in creating the conditions leading to the coup in Chile were, at the time, unknown to the public.
industrial base so that it is the most powerful (in modern technological terms) on the continent.* Transnational corporate banks have loaned almost as much funds to help the racist South African government overcome its political economic crisis (in part stemming from the independence of Mozambique and Angola) as they have loaned to all the rest of the independent African countries combined. In other words, they have continued to build up South Africa as the military-industrial base for their operations throughout the region. It is precisely the continuation of these investments and loans which the U.S. Government, along with those of Britain and France, ensured by their triple veto of the UN Security Council resolutions to halt further investment, loans or trade with South Africa.

Furthermore, the home-governments of the transnational corporations, led by the Carter Administration, are making every effort to ensure that Zimbabwe and Namibia install 'moderate' governments to forestall the kind of fundamental restructuring of their political economies being carried through in Mozambique and Angola. President Carter himself has maintained that continued transnational corporate investment in South Africa is essential to ensure cooperation of the racist regime to achieve this goal.69

Whether Mozambique and Angola can successfully break out of the circle of dependency created over the years by transnational corporations based in South Africa remains to be seen. Steeled in a decade of guerilla warfare, aware of the pitfalls encountered by the socialist-oriented states to the north, their political leadership is clearly committed to a valiant effort to achieve a socialist transformation which will influence the shape of future development in southern Africa. Their success has already contributed vitally to the struggles of the liberation movements of Namibia and Zimbabwe. Their continuing success is crucial to the fundamental political-economic reconstruction

*It is precisely this military build-up which has led Andrew Young, U.S. Ambassador to the United Nations, to argue that it is necessary to find a 'neo-colonial' solution in South Africa. The liberation movements, especially the African National Congress of South Africa, backed by the 'front line' presidents, including those of Mozambique and Angola, argue that, nevertheless, armed struggle by guerilla armies is the only way to achieve real political-economic independence.
required to realize the vast regional potential for development geared to providing productive employment opportunities and higher living standards for the masses of the region's populations.

Summary and Conclusion:

Africa's role in the world capitalist commercial system has changed substantially in the few short years since more than 40 African states have attained independence. On the other hand, the transnational corporations have intensified their competitive efforts and devised new techniques to penetrate their externally dependent political economies. Many African states, demagogically declaring as their aim the building of socialism, have in fact created a bureaucratic bourgeoisie, an emergent class which has used state power to advance the power and privilege of its limited numbers. While some of these have indeed experienced a kind of growth, their policies have opened the door to the increased domination of the national political economies by the transnational corporations.

Only a few states have sought to initiate an effective transition towards building self-reliant, integrated socialist economies. Their backgrounds and resource endowments are significantly different. Tanzania, with one of the lowest per capita incomes on the continent, has taken significant steps to restructure the political economic institutions inherited from the colonial past, with a view to building rural socialism. In recent years it has encountered serious problems aggravated
by drought which have necessitated heavy overseas borrowing, bringing with it the danger of increased external dependency. Algeria, endowed with its valuable oil wealth, has introduced critical institutional changes and embarked on construction of heavy industry in expectation of rapid transformation of the national economy. The political problem of integrating the rural population and cementing a mass base among the peasants and workers remains.

The efforts of Mozambique and Angola to initiate a transition to socialism have been too brief to permit meaningful evaluation. The new political institutions built in the course of a decade of guerrilla warfare have laid a sound foundation for implementing proposed socialist-oriented programs. Their planners must have learned, too, of the steps to take and the pitfalls to be avoided from the experiences of other African nations. Most important if all, they have begun to take the necessary steps to build a united movement of urban workers and the peasantry to back the necessary measures to achieve their proposed socialist transformation.

Their cooperation with the neighboring states and with the liberation movements still struggle to free Namibia, Zimbabwe and ultimately South Africa is an important feature of this on-going process. If the fully liberated countries of southern Africa can united to formulate and implement joint plans for regional development, vast opportunities exist for building basic industries to provide productive employment and raise the living standards of the peoples through a socialist transformation of the entire region.
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4. E.g., oil countries like Algeria, Nigeria, Libya, Cabon.


8. A. Seidman, Planning for Development in Subsaharan Africa, op. cit., Ch. 2; for copper case, see A. Seidman, ed., National Resources and National Welfare, the Case of Copper (New York: Praeger, 1976).

9. In Ghana, by 1966, the real per capita income of the peasants
had dropped below the levels of the Great Depression in the 1930s.

10. Seidman, Natural Resources and National Welfare, the Case of Copper, op. cit.


12. This is often reinforced by foreign funding agencies; e.g., see World Bank International Development Association, Annual Report, 1970.


16. E.g., A. Seidman, "The 'Have - Have Not' Gap in Zambia," (Lusaka: University of Zambia, mimeo, 1974).


18. All data relating to U. S. corporate investment in South Africa is, unless otherwise identified, from the U. S. Department of Commerce, Survey of Current Business, August, 1976.


20. For data, see International Monetary Fund, Annual Reports; for general discussion, see A. Seidman, Planning for Development, op. cit., Ch. 2; and for details of copper case, see A. Seidman, ed., Natural Resources and National Welfare: The Case of Copper, op. cit.


23. Wellons, Borrowing by Developing Countries on the Euro-Currency Market, op. cit., p. 117.


36. Ibid., p. 38.

37. Ibid., pp. 38-9.


44...This goal was laid down in the early stage of National Development Corporation creation; see (Tanzania Industrial Development Corporation (Amendment, 1964) and was reiterated by the President in the late 'sixties, see Svendsen, "Decision-Making in the National Development Corporation" op. cit.


48. The International Monetary Fund when it provides credit to a given country may also require that it pursue policies considered essential to restore its balance of payments equilibrium. See C. Payer, *The Debt Trap: The IMF and the Third World* (Penguin, 1974).


52. Seidman, *Planning for Development*, op. cit., contrasts their experiences and policies, passim.


A number of large agricultural companies have been nationalized, however, and the workers have been involved in their management. *Africa Diary*, Vol. XVI, No. 30, July 22-28, 1977.


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