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CONCEPT AND STRATEGIES OF ECONOMIC INDEPENDENCE IN AFRICAN COUNTRIES

by

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Abstract

The purpose of this paper is to review the various concepts of economic independence and to apply them to the African context. The two classical concepts of economic independence embodied in the capitalist and socialist systems are considered and contrasted with the notion of economic independence as expressed in the developing countries. An attempt is made to lend some precision to the latter concept.

The paper then surveys the historical roots of economic dependence in the Third World, and relates various aspects of such dependence to the diverse attempts being made to attain economic independence. The second part of the paper is concerned with an analysis of the various strategies for economic independence being pursued in African countries. Although these cannot be categorised into any neat labels imported from the industrialized countries, the main thrust of policies being pursued by African countries to move towards economic independence can be described as predominantly capitalistic or socialistic. The paper considers the strengths and weaknesses of these strategies in the African context, given the objectives of economic independence, rapid and sustained growth, and equitable distribution of income and wealth.

INTRODUCTION

There are few objectives considered more compelling by the developing countries than the need to attain economic freedom. From Bolivia to Burma, few themes arouse such mass enthusiasm as the clarion call to economic independence. However, despite the potency of the idea of economic freedom in shaping the goals and policies of numerous developing countries, very little intellectual effort has been expended in analyzing the concept and exploring its ramifications in the realms of politics, economics or sociology![1]

The purpose of this paper is to seek clarification of the concept of economic independence and to work out the main consequences and determinants of the alternative strategies employed in the African countries in the pursuit of economic independence. The next section considers the various concepts of economic freedom as they have evolved historically. This is followed by a discussion of the historical forces which have created a state of economic dependence for developing countries. Finally, there is a discussion of the main characteristics, strengths and weaknesses of the diverse strategies for attaining economic independence in the African context.

THREE CONCEPTS OF ECONOMIC FREEDOM: CAPITALISTIC, SOCIALISTIC AND NATIONALISTIC

Like many terms with foreign origin but subsequent assimilation in the political vocabulary of the developing countries, the concept of economic freedom has a varied and revealing history. It has been associated with three great movements which have shaped the modern world: capitalism, socialism and nationalism. Each of these "isms" has sought to appropriate the term to express its own distinctive version of an ideal economic order. Needless to say these versions are not only different from but often in stark conflict with each other.

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[1] Among the few economic studies on the subject known to the author are: Albert Breton, "The Economics of Nationalism" Journal of Political Economy. LXXII (1964); Harry G. Johnson, editor, Economic Nationalism in Old and New States. (Chicago: University of Chicago Press, 1967); see especially the essays by Harry G. Johnson, "A Theoretical Model of Economic Nationalism in New and Developing States" and "The Ideology of Economic Policy in the New States"; Osvaldo Sunkel, "National Development Policy and External Dependence in Latin America", Journal of Development Studies, Volume 6, (1969); the forthcoming volume of African case studies edited by R.H. Green and J.D. Esseks, Quest for Economic Independence in Africa.

The first modern usage of the concept economic freedom originated with a movement which subsequently came to be known variously as liberalism, laissez-faire, and capitalism. The movement spans a period which saw the decline and downfall of feudal economic order and the triumphant emergence of capitalist system throughout much of Western Europe. The hallmark of the movement was a passionate denunciation of any government intervention and regulation of the economy and the glorification of the invisible hand of the market in securing efficiency, growth and maximum welfare. The ideal of laissez-faire drew its power and support from the nascent capitalists who chafed against the irksome regulations more appropriate to an economic order based on status and ascription than on competition and enterprise. The earlier ideologues of the new system were the classical political economists who fulminated against evils of government intervention in the economy and preached a doctrine of laissez-faire as the panacea for all the ills of the world[2].

The powerful intellectual tradition created to enshrine capitalism as an ideal economic order has survived and flourished to this day despite repeated and increasing onslaughts from other systems of thought. Among the many able and vocal contemporary advocates of capitalism, there are few to match the conviction and ardour of Professor Milton Friedman[3]. This essay is not concerned with the merits or otherwise of different economic orders but only with their conceptions of economic freedom. The basic thesis of the laissez-faire school of thought is that economic freedom can only exist under conditions of competitive capitalism. Economic freedom is defined to consist in the freedom of choice of economic agents, be they producers, consumers, employees or employers. Competitive capitalism is characterised by the existence of numerous households and enterprises, each independent in its exercise of economic decisions on production, exchange and consumption, but incapable because of the prevalence of competitive conditions of exerting economic power over other economic agents. Thus, the liberal or laissez-faire conception of economic freedom follows logically from the assumptions underlying the system of competitive capitalism.

[2] Adam Smith, The Wealth of Nations; David Ricardo, Principles of Political Economy and Taxation; and J.S. Mill Principles of Political Economy.

[3] In particular see M. Friedman, Capitalism and Freedom, (Chicago: University of Chicago Press, 1962); see also Peter Bauer, "Economic Analysis and Policy in Underdeveloped Countries", in Harry Johnson, op.cit.

Criticism of this view of economic freedom has followed two lines. In the first place, it has been argued that competitive capitalism inevitably generates large disparities of income and wealth. The existence of such disparities robs economic freedom of much of its meaning and relevance: to an unemployed, freedom of choice of unemployment must appear a cruel joke, and to a family of limited means surrounded by affluence, consumer sovereignty must detract from rather than add to the sum total of human welfare. The second line of criticism questions the realism of the assumptions made by the model of competitive capitalism. Already in the 19th and early 20th century, both Marx and his disciple Lenin had recognized monopolies and cartels as inevitable concomitants of capitalism. And one does not need to be a Marxist to perceive that the capitalist system has never operated in actual practice except for brief periods and in limited areas, in the way idealized by its theorists. Rather the universal tendency appears to have been towards ever larger units of production and increasing concentration of economic power. Since maximum dispersal and decentralisation of economic power are held by the ideologues of the doctrine of laissez-faire to be necessary for the existence of economic freedom, the tendency of capitalism to generate increasing concentration of economic power in the hands of giant corporations and trade unions must make serious inroads into economic freedom.

The socialist ideal of economic freedom flows from its ideology of appropriate economic organization. As is well-known, socialist ideology, interpreted in orthodox Marxist-Leninist terms, holds all systems based on private ownership of capital to be inherently exploitative. In oversimplified terms the exploitation consists of the appropriation by capitalists of the surplus which according to the labour theory of value rightly belongs to workers. Interpreted this way, workers cannot be said to be economically free since a significant proportion of their income is expropriated by the capitalists. A necessary condition for the attainment of economic freedom is the liquidation of the capitalist system based on exploitative property relationships, and its replacement by a socialist regime founded on communal ownership of means of production, distribution and exchange. According to the socialist ideology, the essence of economic freedom consists in the establishment of economic equality brought about by the elimination of private capital - the most important instrument of economic coercion.

The economic freedom that is sought by developing countries stands in sharp constrast to the capitalistic and socialistic notions of economic freedom. Unlike the latter, it lacks a systematic body of ideas which define its ideology. Nevertheless the widespread yearning for economic independence in developing countries represents a cluster of ideas on desirable economic organisation and policy. Different nationalist parties and leaders have meant different things by economic independence according to the circumstances of the country and the ideological disposition of the ruling groups. And the policies charted by them have been accordingly diverse. An attempt will be made here to disentangle the cluster of ideas which have gone to form the ideology of economic independence and to indicate the determinants and consequences of the main approaches to its realisation.

When politicians and economists talk of the economic dependence of developing countries, they may be referring to some or all of the following features of their economies:[4]

1) structural characteristics of production and trade;
2) foreign aid and private capital flows form a high proportion of both public and total investment in the country;
3) the share of foreigners in both the stock of capital in the modern sector and of skilled manpower is high; as a consequence of this, the foreign share in gross domestic income is high.

Structural characteristics usually associated with dependence are the following: a large proportion of output and of exports consists of primary products, while manufactured consumer goods and capital equipment form a small proportion of domestic output but a high proportion of imports; trade forms a high proportion of gross domestic product and is highly concentrated with respect to trading partners.

The first point that should be made here is that not all poor countries share in these characteristics, nor are all rich countries characterised by the absence of these features: the economies of New Zealand and Australia display marked dependence

[4] Reginald H. Green and Ann Seidman, Unity or Poverty? The Economics of Pan-Africanism (Penguin Books, Baltimore, 1968); p. 91-98; Kwame Nkrumah, Neo-Colonialism: The Last Stage of Imperialism, (Heinemann, London, 1965).

or primary products both in production and exports; Canada is significantly dependent on imported skilled manpower. On the other hand, poor countries like India and Korea are significant exporters of skilled manpower, and so on. Whether rich countries like Australia, New Zealand and Canada, all of which are also significant recipients of foreign private capital, should be described as dependent is certainly debatable. It would thus appear that "dependence" is an ambiguous concept. It may, however, be possible to give it an operational definition by an arbitrary specification of the intensity and range of characteristics associated with a dependent status. If one were to propose a cut off point on the basis of weighted average of the range and degree of such characteristics, it would undoubtedly be found that the overwhelming majority of the rich and the poor countries would lie on opposite sides of the point. It is in some such sense that the concept of dependence must then be interpreted.

In what sense are the countries endowed with the above characteristics dependent? It is easy to grasp the notion of dependence with respect to reliance on external capital and manpower, whether private or official. A country which draws heavily on foreign capital, enterprise and skills is dependent in the tautological sense. But this is clearly not the case with respect to the structure of production and trade. Any country which trades is in a relationship of interdependence vis-a-vis its trading partners, and the more heavily it trades, the greater the degree of interdependence. While it may be an empirical fact that trade forms on the average a larger proportion of total production in poor than in rich countries, there are numerous exceptions: in fact trade as a proportion of total output correlates better with size than with any other single indicator.

Perhaps the notion of dependence is more applicable to the composition and concentration of trade. To take the first point, is Britain less "dependent" on others because it imports a significant proportion of its requirements for food and raw materials than Tanzania which relies heavily on others for manufactured consumer and capital goods? Indeed it may be argued that food and raw materials are more basic necessities than manufactured consumer and capital goods. It may well be that when people attribute the dependence of poor countries to the characteristics of their foreign trade, they are thinking of the greater potential for instability of prices and/or earning from primary product exports and of the concentration of exports in terms of products and trading partners. With respect to the former, despite a long and inconclusive controversy, it certainly seems plausible that countries dependent on one or two primary products for the bulk of their export earnings are susceptible to violent fluctuations of earnings. But of course a significant number of developing countries are not dependent on one or two primary products for the bulk of their export earnings. The other aspect of dependence - concentration of trade by trading partners, especially when partners are of unequal strength and size - certainly reduces flexibility and autonomy in the policies towards the main trading partners but is by no means, a characteristic of either all poor countries or of poor countries alone.

The upshot of the above discussion is that characteristics associated with dependence are not the exclusive property of poor countries but are shared in varying degrees by all countries. However, in some weighted average sense, the poor countries can be shown to display greater dependence in the intensity and range of characteristics associated with the notion of economic independence.

The relative importance of these various aspects of dependence naturally varies from country to country. While the structural aspects of dependence have not been overlooked, the thrust of policies designed to achieve economic independence in tropical African countries, particularly in Eastern and Central Africa, has been aimed at the progressive substitution of national for foreign capital, skills and enterprise so as to enhance the national component in the ownership, management and control of the economy. The concept of economic independence will be given this narrow interpretation in the rest of this essay.

PATTERNS OF COLONIAL CAPITALIST PENETRATION

The roots of the nationalistic concept of economic freedom are to be found in the colonialism of the last three hundred years. The political dimensions of this phenomenon - the conquest and subjugation of coloured people, the establishment of imperial regimes, the growth of nationalism, the struggle for independence, the liquidation of colonialism - have been well studied and understood but the economic aspects of the colonial interlude have not received anything like the attention warranted by the importance of the subject[5]. Economic considerations were not always the primary motive behind colonial conquests. But, whether the initial impulse came from the need to suppress slavery, or secure strategic routes, or simply from metropolitan rivalries and ambitions of imperial grandeur, the economic consequences of colonialism fell within certain well-defined patterns. The establishment of the imperial authority was invariably followed by the absorption of the territory into the mainstream of the world capitalist system. But this absorption was effected through diverse patterns and with varying degrees of intensity in different parts of the colonial world. Amidst numerous local variations, three broad patterns of colonial economic penetration stand out.

In the earlier phase of colonialism, it was often the trading company which established the first economic link between the metropolitan powers and the colonies. Indeed in many cases this link preceded and facilitated the establishment of the full apparatus of the imperial rule. The British East India Company, the Dutch East Indies Company, the French Compagnie Francaise de l'Afrique Occidentale and the British East African Company, are the forerunners of the subsequent plantations, mines and banks. The establishment of these enterprises was to have a profound significance for the economic structure and policy of the colonial world. The first seeds of modern capitalism in many a developing country were sown by such enterprises. At the same time, these enterprises were dependent on metropolitan sources for their capital, technology and management. Thus they also introduced the first significant intrusion of alien economic element in these countries. Henceforth colonialism, foreign investment and capitalism were to be inextricably linked in the minds of the colonial people. Another characteristic of these enterprises was that most of

[5] Some political studies deal with the economic aspects of colonialism and imperialism: see in particular, J.A. Hobson, Imperialism (London, 1938); V.I. Lenin, Imperialism, the Highest Stage of Capitalism, (1916) in V.I. Lenin, "Selected Works" Vol. I (Foreign Languages Publishing House, Moscow); John Strachey, The End of Empire (Gollancz, London).

their economic transactions were with the outside world: most of their input requirements were met by imports from metropolitan countries and their entire output sold on the world markets. Thus these enterprises were in a very real sense the extensions of metropolitan economies and outposts of the world capitalist system; by the same token their operations had minimal impact on the rest of the economy in the host countries.

The second characteristic pattern of colonial economic penetration was through the emigration from the metropolitan countries into colonies and from one part of the colonial empire to another. In contrast to economic penetration effected through the establishment of metropolitan corporations, this pattern involved movements of large numbers of persons, usually of greater economic sophistication than inhabitants of the host countries. The settlement of emigrants from the mother country followed the establishment of imperial rule and was made possible by the appropriation of land from the indigenous inhabitants. The latter was effected by a variety of means but in most cases it was preceded or accompanied by bloody repression of local resistance, coercion of various sorts, and downright commercial chicanery. Thus more often than not the settlement of the Belgians in the Congo, of French in Algeria, of Portuguese in Angola and Mozambique, of the Dutch and the British in South Africa, and of the British in Rhodesia and Kenya, was born in bloodshed and consolidated by the imperial military might.

Once the colonial regime was established, the exigencies of administration and of economy resulted in the importation, forced or voluntary, of large numbers of persons from one part of the colonial empire to another. This was the genesis of the settlement of Indians in East and Southern Africa, and in the West Indies and Malaya, of Chinese in the West Indies and much of South-East Asia, and in an earlier period of Africans in the West Indies and in North and South America. Once the initial contacts were made, there was often a steady stream of immigrants in search of better economic opportunities, as for instance was the case with the Indians in East and Central Africa and Chinese in Malaya, Singapore, and Indonesia. The economic roles played by these alien minorities were varied and have evolved over time, but in the earlier phases of the settlement the dominant roles were that of small scale retail traders, and unskilled workers on large scale plantations established by metropolitan companies. These immigrants were thus grafted onto the nascent modern sectors of the economies of host countries. In the eyes of the indigenous inhabitants, they came to be regarded as essential appendages of the capitalist system and indeed as abettors of colonialism itself. In particular, their role as petty, mercantile bourgeoisie marked them out as exploiters and exposed them to the virulent hatred of the host communities. The tensions and conflicts between such alien minorities and the indigenous majority sometimes became serious enough to overshadow the conflict against the European settlers and rulers. But in most cases such conflicts were latent, smouldering under the surface only to explode into the open after the attainment of political independence.

The third pattern by which the colonial territories came to be bound to the metropolitan and world capitalist system was through the transformation of largely subsistence peasants into cash crop farmers selling on the world market[6]. The typical pattern was for the peasant to divert a proportion of his resources of land, labour and capital to the production of cash crops. After an initial period of persuasion occasionally bordering on coercion, the attractions of cash income were sufficient to induce an ever increasing number of peasants to shift to the production of an increasing range of cash crops. The process was significant not only because it attached millions of peasants from the farflung corners of the globe to the fringes of international capitalism but also as forerunner of a wave of indigenous capitalist enterprises covering such sectors as construction, transport, manufacturing and services. The pace of the growth of modern indigenous capitalism varied enormously from one part of the colonial world to another. Asian countries such as India, Malaya, and Ceylon had substantial capitalist classes prior to independence. In most African countries, on the other hand, and particularly in those which had significant immigrant settlers, the indigenous modern capitalist activities had reached only an embryonic stage in the years preceding independence. Since modern capitalist activities were largely managed by foreign enterprises and alien settlers, opposition to colonial rule naturally fused with the denun-

[6] Hla Myint, The Economics of the Developing Countries (Praeger, New York, 1964). Ch. 3.

ciation of capitalism. Thus independence and socialism became much less distinguishable in the nationalist rhetoric in Africa than in Asia.

These then were the principal processes and patterns by which the colonial territories were grafted on to the fringes of the world capitalist system. Two features of this phenomenon should be noted here. First, although as we have seen there was differential capitalist penetration of the colonial economies in no case were the economies totally modernized; hence the epithet 'underdeveloped' applied to all colonies without exception. Secondly, and more significantly for the purpose in hand, all these countries shared varying degrees of dependence on the metropolitan and other advanced industrial economies., Thus it became an integral part of nationalist ideology and ambition, expressed with varying degrees of intensity in different parts of the colonial world, to struggle not only for political liberation but also for economic freedom; the former was to be the vehicle for an in itself meaningless goal without the attainment of the latter. The ambition for economic freedom was not confined only to the Afro-Asian world on the verge of throwing off the colonial yoke. The urge for economic freedom was expressed with equal if not greater vehemence in Latin America which had long been politically independent but which shared in the poverty and economic dependence of the Afro-Asian world.

A number of influences have contributed to the emergence of economic nationalism in the new nations. In the first place, there was often during the colonial days discrimination against indigenous people in relation to aliens, particularly those from the metropolitan areas. Thus the desire to bring their laws to conform with the normal practice in most countries which discriminate against aliens was reinforced by memories of past discrimination. In addition, as we have seen, the new nations inherited economies the key sectors of which were to varying degrees under the ownership and control of aliens, whether international companies or settler minorities. To aim at a greater national control and ownership of the economy was a natural corollary of the attainment of political independence. Efforts to decolonize and localize the economy were also likely to be massively popular, as they created new opportunities and horizons for a variety of new groups - the incipient indigenous businessmen, frustrated by the competition offered by established foreign businesses, the new class of school-leavers aspiring to white-collar urban jobs, the new graduates and the incumbent bureaucrats ambitious for top managerial, executive, professional and administrative positions. To all these pressures from powerful and vocal national groups was added the conviction that complete national control of the economy was a _sine qua non_ for sustained economic growth. Not only the rate but also the pattern of economic growth, which was considered of equal if not greater importance, could only be adequately controlled if the nation had a firm grip on the economy.

These in a nutshell were some of the main forces driving the emergent nations to seek emancipation of their economies from alien control. Some of the dynamics of these attempts to free the economies from alien control and influences form the theme of the following section. It should, however, be noted that these efforts are of relatively recent origin and gathered momentum only in the closing years of the last decade. They are, however, likely to constitute one of the main themes of the drama of development in the decade of the seventies, though inevitably in a rapidly changing world the form and substance of external economic control and influence will change as also should the response of the developing countries to these challenges.

STRATEGIES OF ECONOMIC INDEPENDENCE

While the urge to increased national control and ownership of the economy was felt in varying degrees by all developing countries the means adopted to this end were diverse, ranging from a few local directorships in some key enterprises to a thorough-going nationalisation of every foreign asset. The problem may be viewed at two levels: the substitution of national foreign personnel and that of national foreign enterprises. The former is fairly straight forward and offers no difficulties of principle. Its progress is determined fundamentally by the availability of local trained manpower. A growing economy generates a disproportionate demand for all sorts of skills; this is particularly the case if one of the aims of policy is diversification into modern sectors. If the demands of a growing economy for skilled personnel are added to those arising from localization, this can create severe skill bottlenecks to development in the short run. The appropriate policy in these circumstances is a massive training programme for the production of requisite skills. The skilled manpower is basically an African problem. With some exceptions, this aspect of localization is of very little significance for Asian and Latin American countries. Even in Africa, a satisfactory degree of nationalisation of personnel should be achieved in most countries within a decade or so. Within a relatively short period of six to ten years, many African countries have been able to Africanise most of the clerical, executive and administrative posts. And this at a time when the governments in these countries were assuming new and complex responsibilities. The position with respect to technical and professional jobs is much less satisfactory and some countries will continue to need expatriate skills in these critical areas for the best part of this century.

The techniques for localisation of personnel are fairly standard. In the public services of countries once under the British rule, localisation has been achieved by the compulsory or voluntary retirement of expatriate officers. From the point of developing countries, the process suffered from two drawbacks: in the first place, since the option to retire rested with the officers, the governments were often faced with precipitous resignations from large numbers of key officers; and secondly, the new governments were saddled with massive financial obligations to meet half of the costs of very generous compensations paid to retiring expatriate civil servants. The inequity of these arrangements was recognised subsequently when under mounting pressure from a number of African countries and actual repudiation of the financial burdens by Tanzania, the British Government undertook to assume responsibility for the pension and compensation payments of the retired British civil servants[7].

In the private sector, localisation of jobs has been promoted through legislation requiring non-citizens to obtain work permits. The rate of replacement of foreign for national personnel could thus effectively be controlled by the regulation of issue of work permits. The large international corporations have found it relatively easy to localise most of their positions for not only are

(7) East African Standard.

they able to mount training schemes with their larger resources but because of their international operations, they find it easier to shift their expatriate staff to areas where they are needed. In contrast, the smaller firms with more limited resources and particularly the family firms of alien settled minorities, have found it more difficult to localise their employees.

The substitution of national for foreign enterprises raises more interesting and complex issues. In principle, two broad patterns of policy may be followed to enhance the national component in the economy: socialisation of foreign enterprises and localisation of capitalism. The two pure extremes are rarely met within actual practice. The common pattern is a combination of the two approaches but with greater emphasis on one or the other. Many countries which have adopted the socialist approach nevertheless continue to replace foreign with a national petty bourgeoisie. Likewise in countries following a policy of replacing foreign with national capitalists the government may have extensive equity participation in a great variety of large scale enterprises through parastatal bodies. Thus any water-tight categorization of countries by ideological labels imported from the West is likely to be very misleading. Nevertheless for analytical purposes, it is useful to contrast the two idealized poles of economic organisation.

It may be of some interest to speculate on the factors which determine the road to economic independence chosen by a particular country. Earlier on it was shown that most nationalist parties and leaders during the independence struggle regarded colonialism and capitalism as the two sides of the same coin. In retrospect, despite recent changes in the economic policy of a number of countries particularly in Eastern Africa, it is difficult to avoid the conclusion that capitalism has shown remarkable powers of survival in the new states. The failure of socialism to strike immediate roots in Africa seems particularly surprising for it was in Africa more than anywhere else that imperialism and capitalism were most intimately bound not only through the nexus of ubiquitous international corporations but more directly through the alien minorities regarded as carriers of these evils. How is one to explain the persistence of capitalism? In the first place, it should be noted that in the years before independence African leaders and parties were largely concerned with strategy and tactics to force the pace of political liberation; despite the nationalist rhetoric of socialism and equality, there were few leaders who had clearly thought through a coherent strategy for the transformation of their economies[8]. Even after independence, the new governments were confronted with some urgent issues and problems of consolidating national unity and cohesion, the elimination or reconciliation of dissident groups, and establishment of new institutions and restructuring of old ones. Understandably most governments were inclined to give priority to these problems over the delicate and dangerous question of nationalisation of foreign enterprises.

In addition to this, the new government had to contend with the pressures and influence brought to bear on them by the whole complex of the international capitalist system -, the multi-national corporations with investments in these countries, the local capitalists, the metropolitan governments, certain international agencies and not least the advisers and consultants from the industrialized countries. While the power of these pressures and influences is greatly exaggerated by persons of left wing persuasion, and the dreaded international capitalist monsters have been exposed to be no more than paper tigers by the recent moves towards nationalisation in Eastern Africa, there can be little doubt that these had a restraining influence on the policies of emergent countries in the early years of independence. Many of the key positions in the public services were held and in many African countries still continue to be held by expatriate advisors and operational staff the great majority of whom were against what were called the "socialist adventures"

To the subtle influence of expatriate advice were added the pressures of varying degrees of crudity from the capitalist industrialised countries. While the changes in the international climate of opinion in the last decade have greatly reduced if not completely eliminated the dangers of open intervention and retaliation by powerful capitalist countries, most leaders of the poor countries could be forgiven for the vivid memories they undoubtedly

[8] Julius K. Nyerere, Nyerere on Socialism (Oxford University Press, Nairobi.)

possessed of the swift retribution that befell the nationalizing ardour of a Mossadique or a Nasser, not to mention the Cuban and Guatemalan interventions. It is indeed indicative of the changed times that country after country in Latin America and Africa in recent years has been able to inflict repeated blows at the very heart of the international capitalist system with complete immunity. It is little short of breath-taking to contemplate the casual and matter-of-fact manner in which sweeping nationalisations, which only a decade ago would have precipitated major international crisis, are currently carried out. Another major cause of the failure of socialism to make much headway in the new countries was the strength of the existing capitalist elements in the economy. Latin America is of course a classic example of an area where the combination of landlords with huge tracts of land and powerful industrial magnates has effectively prevented until very recently any major attempts to socialise significant sectors of the economy[9]. In the emergent nations with relatively advanced capitalist economies such as India, Pakistan, Malaya and Singapore, the indigenous capitalist classes were often able to infiltrate nationalist movements and effectively deflect them from implementing socialist policies in full measure[10]. In many parts of Africa, there was no significant indigenous capitalist class during the colonial pericd. The years immediately preceding and following independence have thrown up groups of people with some stake in the capitalist system. These groups may consist of high executives in foreign enterprises and professional elite with extensive business and real estate links, and the budding traders and industrialists. But the power of these groups is often exaggerated by orthodox Marxists in explaining the persistence of capitalism in Africa. Certainly the example of Tanzania shows that the grip of new elites can be broken. But few leaders feel powerful enough to impose a regime of austerity on the elite. The examples of Nkrumahist Ghana, Uganda and Zambia have demonstrated that luxurious living and capitalist practices by

[9] Keith Griffin, Underdevelopment in Spanish America (George Alen & Unwin, London, 1969) Ch.I.

[10] Peter Worsley, The Third World (Weidenfeld and Nicolson, London, 1964), p. 130-33.

the elite are by no means incompatible with both the rhetoric and partial practice of socialism. In fact it is perfectly possible to pursue simultaneously policies of Africanisation of petty bourgeoisie and socialisation of large scale, modern enterprises as seems to be happening in Uganda and Zambia. Since the small scale enterprises in trade, transport, services, manufacturing and construction are often the last sectors of the economy to be socialized, it is both ideologically consistent and politically expedient to oust the foreigners to make way for nationals in these enterprises. The long term conflict between the pursuit of such policies and socialist principles and the wider implications of the creation of an indigenous capitalist class are only dimly perceived. Of the countries professing or practising socialism in tropical Africa, Tanzania is among the very few which have openly confronted the stark logic of socialism.

LOCALISATION OF CAPITALISM

In considering countries which have chosen to localise capitalism, a distinction should be made between small and medium scale enterprises and the giant international corporations. In a number of countries in Asia and Latin America, the former are owned and managed by national bourgeoisie; their problem thus is to transfer ownership and control of the large international companies from foreign to national hands. On the other hand, there are many emergent countries, particularly in Africa and South-East Asia, where even small and medium scale enterprises were owned and controlled by alien minorities either from the metropolitan countries or from other parts of the colonial empire. These countries were faced with enormous domestic pressure to oust the foreigners to create opportunities for the indigenous businessmen. The situation was complicated by ambiguities attaching to the concept of a foreigner. How was a foreigner to be defined - in terms of race, country of origin, nationality or ideology? In principle, if not in practice, most countries tended to accept the criterion of nationality in defining a foreigner. Thus one way of discriminating against alien minorities was to refuse them citizenship rights after independence. Some countries resorted to this device; others issued citizenship to aliens but on a selecive basis. Often, however, when it came to economic restrictions against foreigners, racial or ethnic origin took precedence over legal niceties of citizenship.

A variety of methods have been used to effect the transfer of assets from aliens to nationals, however defined. Among the more draconian methods must be listed the mass slaughter of Chinese mercantile class in Indonesia, wholesale expulsion of Indians from Burma combined with confiscation of their assets, mass repatriation of Indians from Ceylon, and liquidation of Arabs in Zanziber. In East and Central Africa gentler measures have been used to bring about greater indigenous control and ownership of the economy. In the early years of independence, reliance was placed on appeals to non-African businessmen to assist African businessmen and on increasing the competitiveness of African businessmen by such means as training, advice, favourable loans and subsidized sites. However, it soon became apparent that these methods were unlikely to bring about Africanisation of economy at a sufficiently rapid rate. Consequently the governments felt constrained to play a more active role in promoting the Africanisation of the economy. One of the earliest large scale transfer of assets was the purchase of European farms in Kenya Highlands for the purpose of settling African farmers. The transfer took place under very favourable conditions for European settlers for not only was the purchase effected at relatively high price but the repatriation of proceeds from the sale of farms was guaranteed by the government.

The more frequent device to accelerate Africanisation of the economy is to place a variety of restrictions on foreign businesses. Kenya has pioneered the use of these techniques to force the pace of Africanization and her example has been followed by other countries in the region such as Uganda, Zambia and Malawi. These techniques rely on legislation restricting the right of non-national businesses to trade in certain localities or in certain commodities[11]. The main focus of such legislation is the commercial sector, but similar measures have also been proposed for other sectors of the economy. Limitation on land ownership by non-citizens in many countries assures that foreigners do not acquire a foothold in agriculture. Similarly there may be laws requiring foreigners to obtain licences to engage in business in other sectors of the economy

[11] See Trade Licencing Act, 1968, in Kenya, also similar legislation in other countries.

such as transport, construction, and services. When Africanisation is effected by these means, there is usually no provision for compensation. Losses incurred by alien businessmen who are forced to curtail or to close down their businesses would depend on such factors as the intensity of restrictions, the numbers of businesses affected, the period over which the transfer of assets is pread out, the amount of credit created to increase the purchasing power of potential buyers and the regulations governing repatriation of proceeds from the sale of assets. The two extremes are confiscation with no compensation and the transfer of assets through the normal operations of the mar.et with no government intervention. Most policies designed to step up the rate of Africanisation would fall in between these two extremes.

While countries in this group have been following a vigorous policy of Africanisation of small and medium scale enterprises owned by alien minorities, they have followed a different strategy with respect to large, international companies. This strategy has consisted on the one hand of encouraging investment by multinational corporations in all sectors of the economy and, on the other, of enhancing localition of these enterprises by such means as the replacement of foreign personnel by nationals and appointment of nationals to boards of directors of these companies. Local participation in the equity of these corporations has not been insisted upon, though encouragement is given to the sale of their shares to residents and citizens of these countries. In recent years, a minority shareholding by the state has been used increasingly to incorporate a national element in foreign corporations. This apparent construction in policies towards two different groups of foreign investors and entrepreneurs flow from an assessment of their roles in development and from the socio-economic imperatives faced by these countries. While the role of resident alien capitalists is often decried as exploitative and disruptive of the growth of indigenous enterpreneurship, international corporations are courted as carriers of modern technology, management, capital and new-products. The proclivity to favour international corporations over alien resident capitalists is reinforced by the pressures of indigenous business classes who regard the latter as their main competitors while the former, producing on a scale and the range of products beyond the reach of indigenous capitalists, are often hailed as allies in their struggle against the competing foreign businessmen. It is interesting to remark that the situation in this respect in Africa is in sharp contrast to that prevailing in many Asian and Latin American countries where a more highly developed national capitalist class is in the forefront of the struggle against giant international corporations on the grounds that they threaten the economic independence of the country[12]. The opposition to multinational corporations, particularly in the context of integration schemes, is based on the fear that because of their superior technology and management and access to greater resources they would pre-empt the more attractive investment opportunities in the region leading the domestic capitalists to scramble for less profitable propositions.

It may be useful to note some of the salient characteristics and consequences of the attempts to localise the capitalist systems inherited from the colonial era. Firstly, these attempts are engineered and carried through by the state which thus becomes the instrument for the promotion of national capitalism. This is clearly the case when the authority of the state is invoked through legislation to impose a variety of restrictions against alien capitalists. Even state corporations which have mushroomed in every African country in the wake of independence have been charged with the primary function of the creation and assistance of an indigenous business class. There are enormous socio-political implications of these policies into which we cannot go here; but it should be noted that these policies invest the political and bureaucratic elite with immense powers to control the disposition of valuable resources. It makes these institutions the focus of the politics of the whole range of pressure groups which seek to bend government policies to their benefit. The top positions in administration and politics, attractive as they are for other reasons, are endowed with additional powers deriving from patronage and control over disposition of scarce resources in great demand. Hence the intense competition to capture these positions. Secondly an obvious outcome of the policies is to create a national capitalist class. This will introduce a new source of social and economic stratification, based on inequalities in income and wealth. Such divisions are of course not new to these societies

[12] See Worsley, op.cit. 133.

but in the colonial times they were based upon racial differences. With limited exceptions, the capitalist class enjoying high income levels, was composed largely of non-Africans. There was a remarkable absence of economic differentiation among Africans. Policies aimed at the Africanisation of the economy while promoting racial diversification of capitalism have by the same token created an indigenous capitalist class which did not exist in any significant numbers in the colonial period. By exacerbating disparities of income and wealth, this is bound in the long run to add a new source of conflict and tension to the emerging societies in independent African countries.

Finally, it should be noted that while these policies have been aimed primarily at ousting non-African business groups, they have inevitably spilled over to all non-nationals. Thus discriminatory measures against alien employees and businesses have been interpreted to apply to nationals from other African countries as well. The consequences of the pursuit of the ultimate logic of policies of economic independence can be seen in the expulsion of several hundred thousand persons from Ghana in 1970. More recently, expulsion of several thousand Kenyan employees from Uganda has strikingly demonstrated the conflict inherent between policies of economic independence and economic cooperation between African countries. Since economic cooperation among African countries is fundamental to the achievement of economic independence from external economic control, it is a task of the utmost importance to work out principles and procedures for the harmonisation of the conflicts arising from the pursuit of the twin policies of cooperation and independence[13].

SOCIALIST APPROACH TO ECONOMIC INDEPENDENCE

The essence of the socialist approach to the attainment of economic independence is the replacement of foreign owned and managed enterprises by collectively owned enterprises. The latter

[13] The necessity for African co-operation for the achievement of economic independence is argued powerfully in Green and Seidman. Op. cit.

may take the orthodox form of state ownership or a variety of cooperatives. A number of countries in Africa have sought to increase the national component in the economy through emphasis on state ownership of key sectors of the economy. UAR, Algeria, Guinea, Mali and Ghana, were earlier examples of countries which placed varying degrees of emphasis on socialist organisation of their economies. In Eastern and Central Africa, the socialist strategy was pioneered by Tanzania in the famous Arusha Declaration of 1967, but,her example has been followed in rapid succession by Zambia, Sudan, Somalia and Uganda. The governments have sought in all these cases to obtain complete or majority ownership of large scale enterprises,in such,sectors of the economy as export/import, banking, insurance, mining, manufacturing, agriculture and tourism. Typically the compensation payments to the owners of nationalised enterprises has been made over periods ranging from five to fifteen years, and have generally been financed by the profits of the enterprises. The great majority of these enterprises have been the local branches of giant international corporations, but there have also been examples as in Uganda, Tanzania, and Zambia of nationalisation of enterprises owned by non-African but not necessarily non-national resident capitalists.

It may be useful at this point to make some general comments on the alternative strategies of localisation of capitalism and socialism as means of attaining economic independence and accelerated development. Attempts to force the pace of national participation in the economy almost always have an adverse effect on economic growth in the short run. Restrictions on the economic activities of foreigners lead to reduced efficiency and falling off of investment caused by uncertainty. The relative inexperience of the new businessmen, lack of commercial contacts, difficulties in obtaining credit etc. all have short-run adverse effects on growth. But these problems would appear to be relatively minor compared with the problems encountered in the nationalization of large enterprises. Even if we disregard the cruder type of economic retaliation by countries whose firms have been nationalised, there is always a range of more subtle economic pressures that the country may have to contend with. These could in certain circumstances cause severe short-run dislocations. If the nationalized firms refuse to cooperate and withdraw their top managerial, executive and technical personnel, as has happened in some instances, this might result in temporary cessation of operations or at least in reduced level and efficiency of operations. Problems caused by lack of skilled staff are compounded by the need to reorganize the structure of nationalised enterprises. There may also be difficulties in marketing the product, particularly where foreign finance houses and marketing channels are involved. Most of these difficulties are, however, of a short-run nature and provided the government follows rational policies, they could be resolved satisfactorily. If economic independence is interpreted in terms of national ownership of assets and control over economic activities, it is quite clear that nationalisation is a more potent strategy. Nationalisation of key sectors and enterprises such as banking, insurance, large scale enterprises in manufacturing and mining, plantations, and large export/import firms, results in immediate national ownership of the commanding heights of the economy and greatly increases the national control over such strategic variables as the volume and composition of investment, amount and terms of credit, flows of foreign exchange, and price, wage and profit policies. In contrast to this, the strategy emphasising localisation of capitalism generally proceeds by replacing foreigners with national bourgeoisie in small and medium scale enterprises. While this promotes national participation in managerial and entrepreneurial functions at the grass roots level, ownership and control of 'the commanding heights of the economy' continues in the hands of foreigners. Localisation of high level staff and sale of equity to local shareholders may gradually increase the national component of these enterprises but decisions on such key matters as investment, distribution of profits, etc. often continue to be taken by foreigners. This does not of course mean that foreign enterprises have complete freedom in their operations. All modern governments have an armoury of instruments to influence various aspects of the operations of business enterprises, and these are deployed in varying degrees by developing countries. While these instruments may prove quite effective in certain directions, it is only rarely if at all, that governments can genuinely control investment and dividends policy of foreign enterprises by these means. But of course national ownership and control of the economy is and can hardly ever be the sole criterion in economic policy. There are not many who would prefer a stagnant economy under complete national ownership and cotrol to a dynamic economy with rapidly rising living standards of the population but with significant foreign participation. The question then of the growth prospects under alternative strategies for attaining economic independence is a central one. Economic growth is affected by so many factors that even a factor as important as economic organisation will seldom be the predominant influence. Certainly, the post-war experience has indicated that both very high and very low economic growth has occurred under all types of economic organisation. One can therefore do no more than point out the broad trends, both favourable and unfavourable to economic growth, that experience and intelligence indicate may be associated with alternative strategies for achieving economic freedom.

It is rare indeed for any country to achieve genuine sustained development on the basis of foreign capital, skills and enterprise alone. The creation of an indigenous capitalist class is a necessity for long run rapid development of a country which is committed to a private enterprise economy. And indeed many developing countries around the world - Mexico, Taiwan, South Korea, Hong-Kong - have demonstrated the possibilities of fast growth under dynamic private sectors. Although they have all been extensive recipients of private or public foreign capital, the growth experienced in these countries would have been impossible without the extensive participation of indigenous business classes in the economy. The task of rapid growth and modernization cannot be left to the foreign capitalist. Other developing countries in Asia and Latin America even though they may not have achieved the success of the fast growers noted above, have nevertheless in the indigenous capitalist classes the skills and enterprise to permit rapid and sustained development. For most of tropical Africa, however, this is still a long way away. The attempts at Africanisation are essentially designed to bring into being a petty bourgeoisie capable of managing the lower rungs of the modern sector of the economy. At the upper reaches of the capitalist enterprises, the eventual ambition may indeed be the replacement of all foreign employees by national ones and the achievement of majority ownership in the equity of these enterprises. But it is generally acknowledged that this is likely to be a long drawn out process. In the meanwhile unless there is active state participation, the development of new large scale enterprises critical for the modernisation of the economy may have to be left to the foreign investor. It is because of the lack of a developed indigenous capitalist class and reluctance to rely entirely on foreign private enterprise that in even the apparently "capitalist" states such as Kenya and Malawi the government plays a central role in defining the areas and the conditions under which foreign investment may take place. In addition, there is increasing, though still in most cases minority, participation by the governments in these enterprises. The development of these economies would therefore be influenced to a considerable extent by the ability of the governments in mobilizing and channelling foreign resources within the broad framework of policies designed to ensure effective national control.

The combination of the policies of localisation of capitalism and the encouragement of foreign capital and expertise within the framework of plans and policies worked out by the government to ensure national control can result in rapid growth, as indeed is brought out by the experience of Kenya and Malawi. But the very success of these policies may create conditions inimical to continued growth. An essential characteristic of capitalist development is its tendency to generate inequalities in income and wealth distribution. Over time this is likely to create serious political and social tensions among antagonistic economic groups and unless the fruits of growth are equitably distributed by a skillful management of the economy, such tensions are likely to explode into the open with severe setback to prospects of growth. By general agreement, this appears to be exactly what happened in Pakistan. Thus the great challenge to countries which place heavy reliance on private enterprise, both indigenous and foreign, is to create conditions and policies which will combine high rates of growth with equitable distribution of fruits of growth. The Scandinavian countries have shown that this can be done by developed countries. It remains to be seen whether such policies can be devised and successfully pursued in conditions of underdevelopment.

The socialist approach to economic independence can avoid these dangers. A socialist economy by definition prevents excessive accumulation of personal wealth and can also ensure reasonably equitable wages and salaries structure. At the same time it can use the larger national revenues to provide economic and social services such as education, health, water, housing, and training, on an equitable basis. But there are few developing countries which achieve complete socialism. More often it is a case of partial and ineffective socialism. Indeed as we have seen some countries such as Uganda and Zambia simultaneously pursue policies of nationalisation of large scale enterprises and the maximum encouragement of indigenous petty capitalist enterprises. In such situations, unless strong measures are taken, it is all too easy for the new capitalist classes to batten on state enterprises. The Achilles heel of many a socialist experiment has been bureaucratic inefficiency and corruption. The latter is found in abundance in most developing countries, but in a socialist state both the scope for mismanagement and the rewards of corruption are multiplied manifold. On the other hand, the socialist ideology is more austere and less permissive of such lapses than the capitalist. In all cases, the critical factor is the attitude of top leadership to these practices. But the importance of a dedicated, efficient and honest bureaucratic and managerial elite to the success of a socialist economy cannot be over-emphasised.

Another set of problems arise from the need of the developing socialist countries to have access to modern technology and management. One obvious source is the developed socialist countries. And indeed the links between the socialist developing and developed countries have been increasing in recent years. But for a number of reasons including the limited resources of the advanced socialist countries, the technological gap between the advanced capitalist and socialist countries in many sectors of the economy, and differences in systems of management and technology in developing countries, the latter will need for many years to look to the advanced capitalist countries if not for capital then for the introduction of new products and new techniques in both production and management. While official assistance from developed countries and international agencies can provide some of these needs, the major source for them would continue to be the capitalist international corporations. Recent experience in both the developing and the developed socialist countries has shown that international corporations are only too willing to do business with them under a variety of joint ownership and management contracts. Nevertheless, the search for appropriate institutional and financial arrangements with giant international corporations for the transfer of modern technology and management to poor countries on terms acceptable both politically and economically is likely to be one of the more important problems of international economic relations in the coming decade.

CONCLUSION

The concept of economic independence may be given two interpretations: in the structuralist sense, it refers to the need to bring about structural changes in the production and trade of developing countries. Economic independence may also refer to attempts to substitute national for foreign capital, skills and enterprise. It is in this latter sense that the phrase economic independence has been used in this paper. Efforts to achieve economic independence in Africa have yielded policies which cannot be categorized neatly under capitalistic or socialistic labels. Nevertheless, the main thrust of such policies tends to emphasise the capitalistic or socialistic paths to economic independence. The capitalist strategy has sought to replace alien with national petty bourgeoisie and limited attempts have been made to increase national component in and control over large scale enterprises. In contrast to this, the socialist strategy has emphasised the state take-over of large scale enterprises in the modern sector of the economy. However, some countries following the socialist path to economic independence have also sought to replace foreign with domestic capitalists at the lower rungs of capitalism.

Both these strategies offer plausible routes to economic independence. The socialist alternative is more immediately effective in transferring the ownership and control of the commanding heights of the economy into national hands. Rapid growth over long haul is feasible under both these systems of economic organisation. The main requirements for rapid growth for socialist developing countries are the need to create an efficient, dedicated and honest cadre of national managers and executives to man the nationalised enterprises and, the working out of appropriate arrangements for transfer of capital, technology and management from multinational corporations. Likewise the challenging task confronting countries which are seeking to localise capitalism is to combine policies of growth with equitable distribution of fruits of growth and to work out a framework which while enabling them to benefit from the resources and potentialities of foreign private capital will at the same time ensure effective national control of the economy and its pattern of growth. It remains to be shown that developing countries seeking economic independence through the.capitalist route are capable of effectively meeting these challenges.