

ECONOMIC EVOLUTION OF AFRICA

22 March 1962

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NOTICE

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COLONEL SMILEY: Gentlemen, with your indulgence I would like to start this period with a quote, as follows:

I ask all of you, our friends, who have ceaselessly struggled at our side, that this 30th day of June 1960 may be preserved as an illustrious date etched indelibly in our hearts, a date whose meaning you will teach proudly to your children so that they, in turn, may pass on to their children and their grandchildren the glorious story of our struggle for liberty.

Those words were spoken by the late Patrice Lumumba when the Belgian Congo became an independent state. Now, I use this quote not to praise or condemn Patrice Lumumba, but for three other reasons. One is, I think that certain elements of this quote express fairly the sentiments of many other leaders of the newly independent African states. The second reason is--particularly since our Congo experience--this quote raises a rather obvious question; where do we go from here? And the third reason is, the Congo setting, I am sure, will strike a familiar note to our guest speaker this morning because he was a director of the Marshall plan aid, commissioned to Brussels where he administered the Special Aid Program to the Belgian Congo.

You have read his biography as it was passed out to you and you will observe that he has had several other very important positions in his field. He is now Dean of the Edmund A. Walsh School of Foreign Service, Georgetown University. His subject this morning is the "Economic Evolution of Africa."

Gentlemen, it's my pleasure to present Dean William E. Moran.

MR. MORAN: Thank you sir. Gentlemen, I think that I have already demonstrated a certain amount of courage by undertaking to speak about the "Economic Evolution of Africa." I only hope that my ability is reasonably up to that courage. Africa is a vast area.

The countries are not too alike. As a matter of fact, there are great differences, and I have a very limited time in which to speak this morning. Therefore, what I propose to do is to outline a series of major problems, suggest their possible evolution, and the questions they raise for U.S. policymakers. During the question period I will be glad to pursue these matters in greater depth, or try to speak about individual countries to the extent that I am able.

I would like to start out with a general observation which is that economic man, in Western terms, is not common in Africa. Therefore, I feel compelled to speak in terms of political economy; in terms of economic evolution which involves the political, cultural, and the social, as well as, or perhaps even more than, at this stage, the economic.

Now, what are these African economies we are dealing with? I have been asked to speak about Africa, but primarily Africa south of the Sahara. Therefore, I will be speaking generally, this morning, about Africa with the exception of Egypt and the Union, but primarily south of the Sahara. By this I mean that much of what I have to say will apply to Libya, Tunisia, Algeria, and Morocco; not so much so to either the Union or Egypt.

The general characteristic of African economies is the vastness of the space involved and the sparsity of populations with two or three rare exceptions. The importance of agriculture, and perhaps even more important, the attitude of the agriculturalist who is at present a subsistence agriculturalist who looks to agriculture to feed himself primarily and only incidentally as a means of gaining money or participating in a market economy. This is an area which, despite some of the romantic literature, is characterized by poverty of soils and by a limited knowledge of how to work them effectively. In other words, despite all we have learned about agriculture in our own temperate zones, very little has been found which is altogether applicable to meet the special problems of the tropical areas.

The market economy is characterized by its export orientation and not by the development of local economies. The country is characterized by what the Africans like to call "Balkanization," which really means that there are a great many countries, most of them quite small, and some real question as to whether many of them lend themselves readily to viable economies and a reasonable standard of living, unless some means of grouping can be found.

I would like to refer to another point and that is the limited contribution of mining in most of these countries. I think it's important to do this because we know how important cobalt, manganese, even some of the iron ore--copper--may be. But to the economy of Africa, south of the Sahara, agriculture is infinitely more important today than is mining. To most of the countries it is even more important because the mines are located in just a few countries and if you try to project the possibilities, I think Africa is going to have to rely very heavily on agricultural production for at least the next 10 to 20 years, even with the new mines that are being opened up. Transportation in this vast, sparsely populated area is limited, costly, and export-oriented. I will try to develop the importance of this when I talk about intra-African trade.

There is a distinct scarcity of educated and experienced Africans to run these economies. I think it is important to highlight the importance of experience. One of the great things that was demonstrated in the Congo was that it is not enough to educate. The Belgians had spent more money per capita on education in the Congo than has been spent any other place in Africa except possibly Ghana. They have educated far more people through the primary schools; more through secondary schools, than most other countries of Africa; have done a great deal with technical education; have been slow with university education.

But education without giving people the opportunity to practice, to learn on the job, is a relatively worthless thing. I would call to your attention that of the 20-odd countries in the area of which we are speaking, not a half dozen are capable of meeting their ordinary budget themselves without external help.

Now, these economies are characterized, I think, by another factor of considerable importance in trying to figure how they may evolve. They are characterized by a distinct duality. The mass of Africans, ranging from 75 to 90 percent, are engaged in a subsistence agricultural economy wherein they feed and clothe themselves rather badly. They are occasionally involved in the market economy, but it is occasional and sporadic; it is not the necessary part of their life. Practically the whole of the market economy whether it be agriculture, trade, or mining, has been conducted up until 10 years ago by Europeans, and to a very large extent, still is.

Upon independence, there has been an attempt already in the brief span of time that we have had to watch it, on the part of the

newly independent African countries, to reorganize their economies. There are rather distinct differences in this regard. Most of the French-speaking countries, with the exception of Guinea and the Congo, have tended to accept a continuation of their economies as a part of a larger economy, the old French empire, the new French Community of Nations. Other countries like Ghana, and, I believe, Nigeria--and I am reasonably sure, Tanganyika--tend to be moving toward an attempt to create individual economies separated from, and capable of living apart from, these wider economies which characterize the colonial structures.

In attempting to reorganize these economies they are faced with a grave difficulty. They would like to, for political and social reasons, see their own people be more active in the market economy, but there are few entrepreneurs and limited savings as yet discovered. They have grave difficulty in seeing how they can do this in a private enterprise manner. There is a tendency to think of state ownership and socialism as a possible alternative.

In this context, however, the prevalence of subsistence economies becomes important because regardless of whether it is state ownership or private ownership, somewhere the capital has to be obtained. And the subsistence economies, while they are tremendously important in seeing that people are fed and clothed, still do not make any substantial contribution to savings or for taxation. In this context all of these countries are faced with the arrival in Africa, of the revolution of rising aspirations. This started, I am sure, well before the independence movements and was one of the things that gave rise to the independence movements. But somehow over the last generation we have found that peoples who were content to live in what was considered misery, who accepted this as a part of tradition and custom, all of a sudden decided not to be contented anymore. I don't know the reason for this; perhaps improved communication. In any event, it is an extremely important problem for the leaders of the new African states, because, quite apart from their own desires for national recognition they are being pushed by their people who want better standards of living, better schools, better hospitals, better roads, and many other amenities.

In this whole context I think it is important to note that you can already see in Africa an appeal of socialism and communism. With the lack of entrepreneurs, with the lack of savings, with the recognition that it took us in the West some 700, 800, or 900 years to move from a position comparable from where they are to where we are,

with the fact that Russia has, within a period of the last 50 years taken a very tremendous step, with the fact that China claims that it is making a giant leap, there is inevitably an appeal. And I think a much stronger appeal in the Chinese experiment than in the Russian experiment.

This appeal is based first on the fact that many of those among the African leaders who were educated in Europe were picked up by Left Wing groups whether Fabian Socialists in England or Marxists in France, and were introduced to a socialistic viewpoint. Many of those who came up through the ranks of labor in Africa came up through those ranks with C. G. T. representatives in the French-speaking territories, and with Trades Union Congress representatives in the British-speaking territories. Here again, they were imbued with the thought that socialism was the answer to their problems. So, you have this basic introduction to Socialist or Marxist theory in the education of the current leaders, and then you have the fact, I think, that many of them don't see how in a private enterprise context they can achieve anything of what they want to achieve at any early date.

Just in passing I would like to refer to attitudes and their importance, because what happens to Africa is going to depend in part on how we see each other. And we are seeing some interesting developments. In Africa itself there are probably three major groups at the moment, only two of which I can characterize very well as to attitudes. You have the Casablanca group which is made up of Egypt, Morocco, Guinea, Ghana, and Mali, which has taken, I would say, a rather anti-Western attitude, and which is demanding the formation at an early date of some kind of federation of all of Africa.

The Monrovia group characterized by the members from the French-speaking countries which have been much more willing to work with France, and by Nigeria with its more moderate views so far, has tended to think in much more limited terms, still neutralist; not distinctly anti-Western; willing to work with the West to the extent possible; willing to go a little bit more slowly; anxious to work with other African countries but at the same time maintain the individual sovereignty of its members.

And then the third group is the PAFMECA group, and they changed those initials the other day, but I have trouble enough remembering what the new ones are so I am going to stick with the old for the moment-- "The Pan-African Freedom Movement of Eastern and Central Africa"--which was started by Nyareri and then

supported by Kenyatta from Kenya, and in which that magnificent liberal among them all, the Emperor Haile Selassie has now become associated.

This is an interesting group because it reflects something that I would think is a real danger in the "Economic Evolution of Africa." At their meetings in Addis Ababa a few weeks ago, this group, starting with the Emperor's attacks, made much of the problems of the Rhodesian Federation, the Portuguese Territories, and the Union of South Africa. I have a feeling that out of this there is the danger that there may grow up a racist attitude on the part of Africans which may make very difficult the continuance of western help in Africa. I would not want to overplay it, but I think it could be significant.

The Europeans differ somewhat on their approach to Africa, ranging, I suppose, from the Portuguese to the Swedes. The Portuguese insist it hasn't happened, and if it did it is the fault of the British and the Americans, and it should not have, and it will all go away if we wait. I don't think it will.

The French have been most willing to accept major change, and seemingly most able to accommodate it, except for Algeria, and now they seem to have achieved a cease-fire and possibly peace in Algeria. I would like to suggest, however, that this is an awfully important fraction of the opinions of Europe because the greatest amount of aid which has gone into Africa has come from the French. I think it behooves us to watch the development of French attitudes because should the French have a very bad experience now with the Algerian mess, and should the French decide "to blaze with the whole thing," we would be faced with an extremely difficult problem in the whole of Africa.

The British have been very willing to speed development in Africa so long as it was in areas not involving white settlers. It has done an excellent job in Ghana, Nigeria, Sierra Leone, Tanganika, Uganda--which was characterized by the unwillingness of the people to accept independence on any terms suggesting a countrywide solution, but they seem to have gotten over most of that--but are now having serious troubles with northern Rhodesia, southern Rhodesia, and Nyasaland. They may well have difficulties in Kenya and ultimately are going to have grave difficulties over the problems of the Union of South Africa. British attitudes could well change and the British attitude might be less willing to be helpful in Africa than they have been.

Our own attitudes, of course, have changed tremendously since we discovered Africa some 6 or 7 years ago. I think we started out with the idea that the French, British, and the Portuguese have been pretty stupid about the whole thing; it wasn't a very serious problem, and with enough money we could move in rather quickly and do almost anything. This has not been uncharacteristic of our attitude toward many areas. I think we have begun to realize the complexities of the problem in Africa. I am worried a little bit about the attitudes in America. I am convinced that the problem of Africa is one that is going to require external help of one kind or another for at least a generation and probably two, and I wonder if we can stay the course.

The attitudes of the Russians are not clear. It is clear that they like to fish in muddy waters; they would like to create difficulty if they could; they have moved into Guinea and Ghana, and Ethiopia and Mali, quite exclusive of their activities in Egypt with which you all are familiar.

The Chinese, again, are not too clear in what they are doing, although there is one aspect I would like to call to your attention. I would like to suggest that we should not think that the Russian bloc or the Sino-Soviet bloc is monolithic. I have been very interested to note reports from Africa that the Chinese in moving in take account of growing racism have been reported to say to their African friends, "You know, we're colored too." This might be an interesting development over time; it won't be one that is very helpful to us, but I have a feeling that we may see some real conflict between the Russians and the Chinese in Africa.

Now, to get to the point of foreign assistance--and in foreign assistance I want to talk about money and men--I would like to start out by suggesting something that I think we are only beginning to recognize, at least explicitly, that development is a local responsibility. If I might, I would like to speak about this by quoting from a speech made last September in Vienna, by Mr. Robert L. Garner, the retiring president of the International Finance Corporation. He was careful to introduce this as being his personal, not official remarks, and to call to the attention of the gathering an old quotation, "Let not him who is my friend speak only in soft words and tell me only of pleasant dreams." He then goes on to say:

We need to keep in mind two significant developments in the post-war world; first the spreading realization that

no nation can today walk alone; second, that for the first time, those countries which have achieved a more abundant life have accepted responsibility to assist their poorer neighbors to improve their economic lot. Thus, the less developed countries have the unique opportunity to draw on the fruits of centuries of experience, organization, technology and economic progress. They have the good will and support of the powerful Free nations. But I am troubled by the extent to which there is growing up the insidious consequences of too great reliance on foreign aid. Everyone repeats the platitudes that each country must be primarily responsible for its future and that others can only supplement its own efforts. Nevertheless, there are too many instances where the obvious attitude is that the chief responsibility of a government is to secure the maximum help from abroad, with less responsibility to mobilize its own resources and to take action so that all resources are most effectively applied, and that internal conditions which hinder development are improved.

He then goes on to explain the need for increasing productivity and standards of living in the "Tiers Monde," the Southern Hemisphere, and how important it is to do this successfully. He goes on to explore the argument that geography and natural resources have been the reasons for the development of the Western World, and to his satisfaction points out that this is not the answer; that it is the development of human resources that counts. He says the wide acceptance of the assumption that lack of development is primarily due to shortage of capital has led the United States and other richer countries to provide billions in loans and grants.

Over the post-war period immense sums have been made available to the developing areas. Some of these funds have been well-applied and have produced sound results. Others have not. However, to most of the recipient countries the amounts are never sufficient. In my opinion they never can be because money alone accomplishes nothing. It is only a tool; and what it produces depends not only on how much, but on how it is used. If it is applied to uneconomic purposes or if good projects are poorly planned and executed the results will be minus, not plus. The effective spending of large funds required experience, competence, honesty,

and organization. Lacking any of these factors, large injections of capital into developing countries can cause more harm than good. The test of how much additional capital is required for development is how much a country can effectively apply within any given period, not how much others are willing to supply.

He then goes on to a minor defense of colonialism which is not important, I think, here.

I am therefore forced to the conclusion that economic development or lack of it is primarily due to differences in people; in their attitudes, customs, traditions, and the consequent differences in their political, social, and religious institutions. Therefore, if the countries which are lagging are to join in the procession of economic progress their people must change some of their thinking and some of their methods. This is the stubborn core of the problem; the most important factor regulating the pace of growth--how fast will people adapt.

"A bulldozer can move most things, but not ideas and habits."

I would like to take that for my text in the rest of what I have to say because I happen to believe very sincerely in it. I think this is the only way that we can foresee a meaningful evolution of African economies. Now, it is difficult to apply the text because until yesterday Africa consisted of colonies being developed by Europeans. We are just beginning to see what the Africans will do. I would like to call to your attention, however, the applicability of the text to what has been done, of the French-speaking countries into which France has poured very substantial sums of money. With the exception of the Ivory Coast, Malagasy, and possibly the Gabon because of its minerals and timber, all of these countries, after the investment of very substantial amounts of money, find themselves needing external aid not just for development, but to balance their ordinary budgets each year. In other words, after very considerable investment, they can't raise enough of their own revenues annually to meet their ordinary annual expenses.

We are just beginning to see now what the Africans will do in these circumstances. I would like to suggest that the limited experience we have to date indicates that with the exception of Togo, Nyasaland, and perhaps Tanganika, there is little evidence that the Africans see the need for doing the job themselves with some external

help. It is only Banda in Nyasaland who goes out to his people and says, "You want improved circumstances? You're going to have to work." Olympio in Togo says much the same, and Nyareri says the same. The other countries, I think, are still thinking that if they can bring in enough of foreign aid somehow a miracle will take place.

Now, I would not want to be too critical of the Africans in this connection because I think that Bob Garner's speech was rather a surprise last fall. I think a lot of people still don't agree with him. It has only been the last couple or three years that we've begun to wonder as to whether we did know all of the answers in this field. Just last May, after considerable investigation within the ICA, a conference was called by the Brookings Institution, sponsored by ICA and the Ford Foundation, the objective of the conference being to study how research might help aid agencies. But I think they have come up with something more. They've just published a book last month entitled "Development of the Emerging Countries, an Agenda for Research," which suggests the complexity of the development process; the fact that it does involve the political, the cultural, and the social as well as the economic, which hints at the possibility that maybe social change is a prerequisite to development in many of these countries, which suggests we don't know quite what kind of social change or in what order and that we have an awful lot to learn. So, probably, the evolution of the African economies will depend upon the extent to which we and they together are able to learn how to do this job which I think we both want to do.

Just to refer to some of the magnitudes involved; in the period 1954 to 1958, for Africa with the exception of Egypt and the Union, there were loans in the amount of \$2.5 billion, and grants in the amount of \$1.6 billion. For the year 1960 for Africa as a whole there were grants and loans in the amount of \$1.4 billion not counting assistance provided by the Sino-Soviet group. This group did make commitments to Ghana, Guinea, and Ethiopia, but these were lines of credit and there seems no way in which you can figure how much money was available in the year 1960. It was relatively small in comparison to the money being poured in by France, Britain, and the United States.

Another aspect of this problem which I think should not necessarily worry us, but one to which we should pay considerable attention; in the period from 1958 to 1960 the European colonial powers had approximately 100,000 men working in Africa as civil servants or under agreements between these European countries and the

former colonies. This did not cover Egypt or the Union, nor does it include U.S. or U.N. technical assistance personnel. I call this to your attention because should some difficulty arise, should the United States feel the need to move in, I would like to suggest how difficult it is to get 40 or 50 qualified agricultural technicians who speak fluent French and are prepared to live in the middle of the Congo, for that matter are prepared to live in the more happy atmosphere of Morocco. I have had this experience. For some reason our land-grant colleges have slipped. They don't teach French and Portuguese as they should.

I think it is terribly important though, because the Europeans have borne a burden of some significance. We are faced with the problem of peace in the Congo. And the economic evolution in the Congo is going to depend to a very great extent not just on finding the money they may need, but finding the men they are going to need over a period of some years while Congolese are trained to take over. The Belgians had some 11,000 men in the Congo, in their civil service. If you figure that this was a lush situation and you could do with half, you are still looking for 5,000 to 6,000 men.

I don't think we have that many Americans in the whole of the United States technical cooperation program all over the world. So, I think we are faced with a problem which is going to require a cooperative effort of the whole Atlantic Community if we are to have any real success in this area.

Another point which is related--we've tried to relate it in various ways--trade, not aid, and aid, not trade--and I think we've come around to feeling, now, that they are both quite necessary--is the whole problem of trade, to these African countries. Speaking in very broad terms, the African countries of this area are importing now more than they are exporting. They are anticipating future earnings by very heavy borrowing for development. The terms of trade as between these producers of primary commodities and the industrial countries have been consistently worsening as was shown in the GATT publication "International Trade for 1959," or more recently in a brief study done by the Federal Reserve Board of Chicago, published in their magazine, "Business Conditions for February 1962."

Yet, within this context these countries need an expansion of earnings, internal and external if they are to achieve any growth exceeding the population growth taking place. The composition of the commodity exports of these countries on which they rely is

important. First, agriculture predominates over minerals, and second, agriculture in Africa is predominantly in the production of six commodities--coffee, cocoa, cotton, rubber, palm oil and palm products, and peanuts. Of these six, five are already in surplus in the world and production is proceeding much more rapidly than the growth of consumption. So that they are relying on six commodities very heavily, of which five are in trouble and therefore in which the terms of trade may be expected to deteriorate even further and which do not offer much hope of doing anything but standing still if you run real fast. In other words, if you produce enough more coffee each year you may get as much foreign exchange as you got last year. But the idea of major expansions of earnings under the present trade patterns is limited.

Rubber is rather a strange one. There has been the allegation ever since 1943 that with the development of synthetic rubber the natural producers were out of business. I see they now have two more synthetic rubbers which are going to put the natural boys out of business. So far, however, natural rubber has been able to retain a significant part of the market and seemingly do reasonably well in Africa and south Asia.

To get into detail on the trade thing, and I think it is important, first, internal trade. I think this is a most important aspect in the question of the evolution of African economics. Internal trade in Africa, basically before the European, was limited barter within tribal communities, and continued in that way for a large part of the population right up to the present. The Europeans introduced trade in connection with the production of both minerals and agricultural products, but there was a limited introduction of trade. The European was only interested in trading with the person who earned something, and the person who earned something was the producer of an export crop. Therefore, you didn't get that development of internal trade which is necessary to promote local production to meet local needs, and this reflects itself in the fact that many commodities which could readily be produced in these African countries are imported because the character of the trading system makes it easier to import eggs, meat, and vegetables from Europe or the United States than to develop the production of them locally.

I don't think we ordinarily pay enough attention to this in thinking of development because, in our own economies, we assume trade. We assume that if there is a requirement there's going to be an entrepreneur who will step in and develop the trade linkages

between producers and consumers. I don't know that we can assume this in Africa, and the Africans certainly have had limited experience because most of the trade in Africa has been dominated by Europeans, by the Mediterranean peoples and by Indians.

Intra-African trade which would offer a second area in which the Africans could earn or save foreign exchange, which is important to them, has had a very limited development. Most of the African countries have a trade linkage with the old metropole and very poor linkages with the other countries of Africa. It is still easier to ship goods from Dakar to a French port over to an English port and back down to Nigeria than it is to ship the goods directly from Dakar to Lagos. And this is one of the real problems the Africans face. But quite apart from the problem of shipping from coastal areas, practically all of the transportation in these African countries links producing areas in the country to the seaport to the metropole, with practically no effective linkage as between the countries in the interior, which would be a means of promoting trade.

So, there is a lack of the transportation facilities and the habit of trade in this area. Finally, external trade is becoming complicated by the development of the Common Market which agreed to continue to provide substantially to the French-speaking countries of Africa--which are associated with the Common Market--the kind of advantages France had in the past provided, this being one of the conditions of French acceptance of the program. This is causing some difficulty because many of the countries producing comparable products, who are not associates, are unhappy and at the same time, for political reasons, don't want to be associated. So, the character of the relations between the African countries and Europe will be dominated by the current attempt to expand the European Common Market. By this I mean that Ghana resents the fact that under the agreements of the Common Market, cocoa from French-speaking countries will be in a preferred position in Common Market countries but at the same time Ghana has come out outspokenly against British membership or Ghana in association within British membership in the Common Market.

Another aspect of trade with the outside world is the fact that these countries were linked primarily in trade with the old metropole countries. The trade of most of these countries, particularly the French-speaking countries, ranged as much as 70 or 80 percent with the metropole. As a part of political development they have shown an interest in getting outside of this sequence, and particularly those like Guinea, but also others, have shown a desire to expand their relationships with the world, and the trading patterns with these countries are changing.

It reflects itself first in the fact that there used to be a rubber market, a coffee market or two, and a diamond market in Europe. I think we are going to find ourselves with dozens of markets in Africa for these various commodities, and I think this is going to result in strange competition and perhaps further difficulties. But, to come to the point of trade in Africa, I would like to suggest two or three thoughts.

In the discussions of it in Europe, in the United Nations, in the United States, there has been a tendency to speak about the possibilities of stabilization and diversification. I would like to suggest that they don't either of them, offer a whole lot of help. Stabilization is based on the idea that you will somehow bring production and consumption into balance. If you can do this you can assure the producer of commodities a reasonable hope that he will get a good price for unit of production.

When you are faced with countries like the African countries which are looking for the possibility of expanding their earnings greatly it isn't the price per unit of production alone that they are looking for, it is also a market for a considerably increased number of units. I don't think that stabilization has a hope of doing that unless you could conceive of the fact that we would all drink an awful lot more coffee and cocoa, and perhaps wear two shirts per day instead of one, to pick up some of this cotton. So that, within present trade patterns I don't see much hope for stabilization.

Diversification within the limits of our knowledge of agricultural production and the limits of available markets usually means to these countries the cocoa producer decides he will diversify and produces coffee, and next door the coffee producer decides to diversify and produces cocoa. I don't think this, as yet, has offered much.

There is something kind of silly in all of this. Because on the same platform you can get two statements made, and nobody seems to think they are too inconsistent. The first one is that two-thirds or three-fifths of the people of the world go to bed ill-clothed and hungry each night. The second of them is, there just aren't adequate world markets for agricultural production of the tropical countries. Now, it seems to me that this poses a possible alternative and one that I think we are beginning to work toward, not because of Africa, but for other reasons. That--maybe the African trade problem--insofar as external trade is concerned--is going to be resolved only in the framework of a major reorganization of world trading

patterns. I would suggest that this is the only way in which it will be resolved. I don't think that this change will come about because of Africa, but I think it is beginning to come about.

I noticed it just the other day in finding that all of a sudden New Zealand, worried about what is going on in the British attempt to join the Common Market and worried about future markets, has all of a sudden decided to pay a lot more attention to the Japanese market. I would like to suggest that there is the possibility that India might become a consumer of African agricultural products and in turn furnish some of the industrial products needed in Africa.

Because of the shortness of time I am going to skip over private foreign investment, although I would be delighted to talk about it in the question period, simply referring to the fact that there is a danger that we may see ourselves faced with resistance and resentment on the part of African countries, individually, to private investment from abroad. We may see expropriations. We may see the growth of socialism. I would like to suggest that this is probably inevitable in most of the countries. I think if we keep our heads it is not necessary that it should be a total loss. I would like to suggest for your consideration in this regard that some 10 or 12 years ago the attitude toward India was it was a Socialist country. Many people felt we shouldn't help it; nothing much could be done. We somehow went along with India. India did grow in its viewpoints. As it became more secure in its sovereignty it accepted the idea of a mixed economy. Today many of the same business representatives who worried so much about our helping a Socialist India are in the forefront of the people seeking possibilities of investing major sums in that same India. It isn't impossible that with a wise approach something similar can happen in Africa.

To resume, I would like to suggest that the present leaders of Africa are having great difficulty in meeting their own aspirations and those of their people with their limited resources, at the speed with which they would like to meet them. Many of their own people are not contributing, but demanding. They seem to be slow to realize that social change in Africa is a vital prerequisite to the growth they are looking for. Until they do this, helping them from abroad is going to be difficult.

There are political developments taking place or in the offing which will have distinct repercussions on the economic evolution of Africa; the Rhodesian Federation; what happens in an independent

Kenya; how the Algerian situation is resolved; what is being done about the Portuguese provinces; and finally, what happens in south Africa. They may result in a decline in European interest in aiding Africa; in the growth of African racism which, in turn, might involve the driving out of white settlers, expropriation, and a decline in economic activity.

There is the possibility that aid from Europe may decline. The United States would have great difficulty in replacing Europe in Africa, and in the manpower sector, I think, would find it almost impossible. There is also a great danger in crash programs to replace Europe in Africa. There is a probability that we are going to be faced with upset conditions during this transitional phase which may last a decade or more while the Africans find their level and find their way. During this period I would expect that economic activities in many of these countries will actually decline. We can expect that the Russians and the Chinese will be delighted to fish in these troubled waters. They have meddled in Guinea and Egypt, and thus far it hasn't been as disadvantageous as we thought it might have been.

In conclusion all I can say is that Africa is going to be an exceedingly troubled place for at least a decade and probably a generation or more. It has possibilities, but it is going to take time to realize them. The primary responsibility for that realization lies with the Africans. Until we can bring the Africans to recognize this it is going to be difficult to help them.

Thank you.

QUESTION: Sir, in this morning's Washington Post there was an article about a 6-year development program in Nigeria. It called for \$1.7 billion in investments and they seem to expect a great part of that to come out of two sources--foreign private investment and local revenue. Would you care to comment on the possibility of their obtaining either one of these two sources of revenue?

MR. MORAN: Nigeria, if it succeeds in holding together, and I am not betting--it is a tenuous federation at best--probably has the best chance for success, of any of the African countries south of the Sahara. It is a mass of 35 to 40 million people; nobody knows for sure quite how many. It doesn't rest its economy on one source of export income. It has rubber, coffee, palm products, peanuts, and now oil of significance. It has the economic base, I think, on

which internal industrialization would be possible. You can talk of steel mills, cement plants, and major textile mills, and they are already engaged in some of this.

If Nigeria can retain some of the stability that it has so far-- and bear in mind it has only been independent about 18 months--I think it will continue to attract private investment. It already has a major investment in the oil fields; proposed American investment in a steel plant; American and other investments in a major textile mill. There are real possibilities in Nigeria.

But let me just suggest to you how little we know about this effort. This particular plan was put together with the help of a group of five people supplied by the Ford Foundation, and one man supplied by the International Bank. I am sure it is a well-thought-out development plan. But I believe even yet, the education program put together by the Ashby Commission is separate from and apart from this development program. The British Treasury, in an attempt to find out something about the economics of the education program looked into it last spring. The treasury representative came back and reported to Her Majesty's Government that if, in 10 years, the Northern Region of Nigeria did achieve what was proposed in the Ashby Commission Report for investment in education alone, they would have to be spending on education in 1970 almost exactly what they were spending in their whole ordinary budget in 1960. So, I am just not sure. I think that Nigeria has a great opportunity. I don't think that Nigeria or any of the other countries have yet found a way of building up underneath these major investments in steel, textiles, oil, refineries, etc., the kind of solid economy which will support it and repay the loans and the investments.

It isn't true either that they are going to rely only on internal revenues and private foreign investment. The United States has already agreed to a 5-year public program for approximately \$225 million to support Nigeria, and the British Government has also agreed to a considerable amount of external aid to support Nigeria.

QUESTION: I wonder if you might discuss briefly what the present source of most of the external capital going into Africa is, and the foreseeable future, the form of private or governmental public funds, and primarily for what purposes they are going.

MR. MORAN: I could spend the rest of the period on this. There was a report based on the United Nations' study concerning

the year 1960, which is the last year for which there is available information. It suggests that something in the neighborhood of \$1.4 billion in grants and loans was extended to Africa in 1960. Nearly 90 percent of this came from individual countries. In the case of Africa this would be primarily the United States, France, Britain, Belgium, and to a limited extent, Portugal, with important but not significant--in financial terms--help coming from other countries such as Germany, Sweden, Switzerland, and Israel. This does not include Russian aid, which was rather Sino-Soviet aid. I believe the amount was \$100 million for Ethiopia, \$35 million for Guinea, and something in the neighborhood of \$100 million for Ghana. But these were lines of credit and it isn't possible to say how much might have been actually committed, let alone spent, in 1960. For the public sector among this France was the first, providing \$732 million, or just over half; the United States \$231 million; Britain \$144 million.

So, this adds up to about three-fourths from these three sources alone, plus the International Bank with \$130 million. This takes care of about 85 percent of the total that went to Africa. In the private sector, British companies and French companies have been the major investors with German participation to some extent in things such as Miferma, the iron ore investment in Mauretania. On the private side the biggest investments are in the new mining activities. There are a number of big iron ore mining properties coming in or proposed, starting with the Miferma project; some expansion in Sierra Leone; a major expansion in Liberia by American companies and by a Swedish-American group; investigation of what could be extremely large deposits in Gabon by an American group associated with a French group.

In these same areas a major exploration for oil is continuing in Nigeria and Togo. Oil has been discovered in eastern Nigeria and Gabon with limited production started in Angola. A big manganese investment, both American and French, in the Gabon, one of the biggest deposits in the world. U.S. Steel, I think, has about a 39 percent holding, and it should come into production this spring.

Nothing comparable in the minerals field in East Africa. An interesting development down in southern Africa, in Swaziland. Britain negotiated an agreement with Japan for the opening up of the production of iron ore in Swaziland. The Japanese are negotiating also for iron ore and coke with the Rhodesias; the expansion and production in the Rhodesias and Katanga in the Congo of copper production; no big new investments proposed, to my knowledge, in these areas.

Now, insofar as industrial investments are concerned there is a proposal for a British-sponsored oil refinery in Port Harcourt in Nigeria; a proposal for an American-sponsored refinery in Liberia which has no oil production; and--these are not proposed, these are agreed--the agreement to build a major refinery at Accra by the Italian group ENI, which will result in the production of refined product probably two or three times beyond current or foreseen consumption in the area, this kind of conflict growing up as a result of this Balkanization and failure to relate to one another.

An American company is exploring, under a 1-year option, the possibility of building a steel mill which would meet all of Nigeria's requirements, based on local iron ore, limestone and coal, or electricity, this being in question, whether they will go to an electric process or coke, and provide some export. An American company is involved in one new textile industry in western Nigeria, and a second American company involved with European interests in another new one in northern Nigeria; the Americans, of course, involved in the Volta River scheme in Ghana, primarily public monies but with some private monies, and all American. I don't think the Canadians are involved in that scheme. The Americans with the Europeans are involved in the alumina production in Guinea.

Of course, then, the major one, the French in Algeria; and the French Government has agreed, I understand, under the cease-fire agreement, to maintain the Constantine Plan which is a form of subsidization and guarantee for investments in Algeria which involve steel plants, metalworking plants, textile plants, fertilizer, and probably refineries. The Italians are involved, with the promise to build an oil refinery with exploration for oil in Morocco. The British are involved with an undertaking to build an oil refinery in Mombasa in east Africa. I think these are the biggest ones that I can think of offhand.

This is indicative, though. It hasn't been too difficult, even in the present troubled times in Africa, to find big companies prepared to invest in minerals or oil. To some extent it has been possible, with local participation or international financial groups' participation, to get into bigger things for local consumption, such as cement, textiles, etc. One big need in Africa is to supplement these large industries with the small industries, which really make for an industrialized country.

Maybe I can illustrate it this way. I was in Guinea 2 years ago and I went up to see this magnificent new alumina plant. Here is an investment of pretty close to \$200 million. You drive through, for 3 or 4 hours, typical African bush, with Africans living as they lived 600 or 800 years ago. All of a sudden you come over a little hill and here is this magnificent valley with 11-story apartment buildings, beautiful villas in the French style, all air-conditioned, and a huge modern plant, a plant which is supposed to be one of the most mechanized of the alumina producers in the world. Thirty-ton off-road trucks haul ore from an open-cast quarry, dump it into a bin--you don't see any of the product all the way through the plant--all electrified.

At the end of the plant railroad tank cars draw up, a nozzle goes out and fits one, and the alumina goes in. This isn't an industry that does very much to train people or to provide jobs. With this tremendous investment there are 1, 100 jobs for all of Guinea. The next largest industrial plant in Guinea is a Lebanese-owned plant which makes plastic sandals. After that there is practically nothing.

So, one of the big difficulties in this investment picture is, where are all of the small suppliers, the outfits making shoes, shirts and socks; the outfits making simple metal fabricated and wood products--doors, window frames, etc.--the outfits making the thousands of daily articles required. This is the one area in which it is difficult to find an investor. This is one where we have had some luck in places like Puerto Rico. But these are investments requiring \$30, 000, \$40, 000, or \$50, 000 and good management. Very few Americans are prepared or able to get involved in this any more than the Europeans are. I think that this is one of the difficulties in Africa; that the major investments which make the newspapers, seem to be coming along pretty well. But they are not resulting in industrialization of Africa; they are resulting in the installation of a few major industries in Africa, but not industrialization.

QUESTION: Would you discuss the economics of the Volta River project and whether you think we made a wise decision to go ahead with them on it?

MR. MORAN: Very briefly, the British decided to go ahead and study the Volta River project in the late fourties or early fifties. There were two or three reasons for this. One, they wanted to do something in this colonial area which was moving toward independence.

Two, Britain didn't foresee any early period of convertibility and therefore was very anxious to have a sterling source of aluminum. And three, British and Canadian aluminum companies were satisfied that consumption of aluminum was going to exceed production that was foreseeable. By the time the study was completed, under Sir Robert Jackson, Britain had reached a point where it could foresee convertibility and didn't have an interest in sterling aluminum.

New production facilities, particularly new outfits like Kittamack in Canada, were in or on their way, and the projections of consumption of aluminum had been corrected, and one found that for a 5- to 10-year period probably there was going to be an excess of production over consumption. So, neither Britain nor the companies were interested from that standpoint. From an economic standpoint this committee under Sir Robert Jackson had involved so many social problems with the production of electricity that it appeared that it was not economic; that the cost per unit of electricity for the production of aluminum was higher than in other parts of the world.

Nkrumah was very upset about this because he had staked a lot on it. He came to the United States in 1958 and spoke to President Eisenhower who offered that we would seek an American company to investigate it and pay half of the cost, and Kaiser got involved. Kaiser relocated the dam, stripped the production of electricity of all the social costs, saying that these were a problem for the country itself to bear, and came up with a cost of electricity which appeared to be economic. On this basis the United States and the Kaiser consortium, and the Ghanians have agreed. It is hard to say what is economic. As I understand the proposal the aluminum refinery in its first phase won't use more than a third of the electricity to be produced.

My understanding is that it is economic if the Ghanians can find paying customers for the other two-thirds of the electricity. Existing or proposed industries in Ghana don't come close to requiring or being able to pay for this much electricity. Until such time as there are consumers who can pay economically I am afraid it is going to be subsidized to Ghana. This is as close as I can come to being economic on it.

QUESTION: You indicated that perhaps the weakness that lays in Africa's inability to economically develop is in the social, cultural, and political habits. Are you suggesting that perhaps the United States in its assistance to Africa is going to change these?

And if so, isn't this exactly the thing that underdeveloped countries resent most; our trying to change the existing patterns?

MR. MORAN: No, I am not suggesting we ought to change anything. I am suggesting that if these people want to develop, changes are going to have to take place; that they can't have the development, the kind of economic growth, the improved standards of living that they want, and retain what traditionally they have had among the mass of their people. I am suggesting that if the United States accepts the demand of their leadership for help, that it has to be in terms which constitute intervention by the United States.

I am suggesting that the United States has accepted this in the Alianza par el progreso, in which it said to the Latin-American countries, "You must make reforms at home if we are to be effective." I am suggesting that we kick the doctrine of nonintervention right out the window when we do it.

QUESTION: The emerging countries have rushed, it appears, to join the United Nations. Does it appear as any possibility that these countries may unite together, for example as a power bloc in the U.N. to be reckoned with?

MR. MORAN: The first thing it does, insofar as the grouping of countries together, is to limit their willingness to do so, because it has become a badge signifying independence; it has become the new evidence of sovereignty. One of the things that I think stands in the way of two or more African countries grouping together is that they would lose their identity individually in the United Nations.

Now, as a power bloc, certainly we have seen a terrible change in the United Nations since its formation. We have seen a shift from the Security Council to the Assembly and we have seen an Assembly which has grown from 50 to 103 nations as of the last count. You have to count every month nowadays or you are not up to date. We have seen that the neutralist countries--particularly the Afro-Asian countries--with an increasing number of Latin-American countries joining them on individual issues, increasing in number to the point where if they can't get a two-thirds majority which would carry a positive action, are frequently able to defeat actions requiring that two-thirds or even a simple majority.

I don't think, though, that a study of the voting records suggests that they have voted very consistently together. I think, for example, there are times when the Asians, independent a little longer than

the Africans, have been hesitant to go along with some of the more rowdy proposals. Thus far I don't think we have seen the danger--furthermore--on two points. All the United Nations' General Assembly can do is recommend. Any recommendation made by it can be executed only with the approval of the Security Council. So that the only real danger is a public relations danger, not one in which we would be committed to action. In other words, all this can be is a recommendation to the states member.

This is reflected in the fact that certainly one place where they all group together, even leaving out colonialism, is in their desire to have a United Nations' fund for development in lieu of bilateral aid. Consistently every year for 7 or 8 years there has been a proposal for the creation of SUNFED, the Special United Nations' Fund for Economic Development. They have never gotten to the point where they have been able to press the creditor nations to the point of accepting this. I think this is one measure, at least. I think even on colonialism the measure suggests that this monolithic bloc has not been created. I rather doubt that it will be.

QUESTION: The Malagasy Republic does not seem to get very much publicity, but I believe you alluded to it this morning. Could you tell us anything about its prospects for the future?

MR. MORAN: Not a whole lot. The Malagasy Republic has been very moderate. It has been anxious to retain its ties with France; to retain French personnel; to retain French investments and French aid. It has been inclined to go along with the Monrovia group, with the Abidjan Brazzaville group, in opposition to the Casablanca group, in this connection. It has rather important resources in agriculture. It is more of a temperate than a tropical country and thus is different than many of the other African countries. It has a different ethnic makeup than many of the other African countries, there being a large micronesian or melonesian influence; a Malay influence, actually.

It has, for example, been unwilling to have large expenditures on diplomacy, which is not characteristic of too many of the African countries. Their Foreign Minister visited here about 3 months ago and he called on me, at the request of the State Department. He told me they have an embassy in Paris and an embassy in Washington, and a delegation at the United Nations, and I think, one in West Africa; that's all. They couldn't afford any more. I think this is one of the countries which, for whatever reason, is prepared to

start where they are, to retain a contact with the European power which was the colonial power, and if it can continue to do so may have a better opportunity because within this context you don't have this break.

When you take modern economic instruments, tear away the people who can run them and put in incompetent people, you'll have a decline. If they can hold onto this I think they have an advantage quite apart from any natural resources.

QUESTION: I notice that a number of countries, particularly the West African ones, applied to the international monetary fund for membership. Does this suggest that they have adequate financial institutions that would qualify them for membership in a central bank, more importantly, will be adequate to direct them in a program of economic development?

MR. MORAN: I wouldn't think so. There is one reason why every one of these countries joins the International Monetary Fund. If you don't join the monetary fund you can't join the bank. If you don't join the bank you can't borrow from it. So, I don't think this is evidence that they have strong central financial institutions. I think it is rather that this is the requirement to get access to the help of the International Bank for Reconstruction and Development. I think this is a danger, though, actually; this question of central banking institutions. There is a tendency to plan quite apart from your budgetary institutions your banking institutions, and this can result in some really fancy difficulties before you get through.

If you take a look at the investment you are going to make in education as being just an investment and don't take care to look at the longer-term annual recurrent costs which are incident to that investment, you can find that all of a sudden the increase in annual costs throws your budget all out of whack. This is true of most investments. In many investments if you are not careful you will find that there are foreign exchange costs, and if your central bank which worries about this isn't involved, you may have serious difficulties.

One of the difficulties in all of Africa is that the banks were European commercial banks aimed primarily at serving a European commercial community. There were no central banks. They have now been instituted in some of the countries. I think there are joint central banks for what was French West Africa and what was French

Equatorial Africa. This is part of their customs union and monetary cooperation.

There is a central bank now in Ghana which is being run by a German they hired, and a central bank in Nigeria which is being run by a Treasury Official from England. These have just gotten started over the last 3 years. There are moves to create development banks, which would help by providing local funds to match funds of private investors from abroad, and also to promote developments of a state-owned character. There is still much to be done in creating some kind of banking facilities or ancillary facilities which would mobilize savings and which would provide the kind of credit which is needed in industry, trade, and agriculture if you are going to have development. This is a whole range of activity which is only barely getting started in Africa.

QUESTION: You mentioned three countries that realize their development is going to have to come largely from their own sweat. What background characteristics do you think brought them to this enlightenment; their previous colonial ties, the education of their leaders, or what?

MR. MORAN: I may regret I said this, but I think it is true. No, Banda of Nyasaland was educated, I think, in England and the United States. He practiced medicine in England and came back to lead the Malawi Congress Party, I think it is. He gained the first election under self-government, and when he took over instead of criticizing colonialism for what it had done or had not done, instead of demanding that the United States or the United Kingdom, or various others come in and help, he went out on a campaign all through the countryside, to the local people, saying, "If you want these things we have talked about you are going to have to work."

He has put his cabinet to work in trying to find out what can be done to develop agriculture from where it is among African agriculturists. To my mind this is a good hard-headed approach. Togo's Sylvain Olympio, upon independence, said "We're not going to become the client state of anybody"--and this is a good aspect of neutralism--"we're going to find out how to keep our budget balanced; we're going to develop with the help of aid and private investment, but always in relation to how do we pay for it so we don't become a client state; and we're not going to have amenities until we can afford them." This, to my mind, is also a hard-headed attitude.

Nyareri has just done a strange thing which I don't understand. I have had about six explanations and none of them convince me yet. He was the leader--the Prime Minister--of the newly independent Tanganyika, and I think it was in January he announced his resignation as Prime Minister, to go back to rebuild his party the Tanganyika African National Union. I have had some reports of his activities. He is apparently visiting every small village in Tanganyika, trying to make people realize that independence does not mean a miraculous change in life; it simply opens up opportunities for change.

He apparently goes into each village and says "I understand you people want a school. Well, build one." And they say, "Well, now, what will the government do to help?" And he says, "Nothing. You want a road from here to there. Well, build it. Start tomorrow. What will the government do to help? Nothing." I think this is where it is going to have to start. Somehow you are going to have to make these people realize their local responsibilities for what they want. How long this may continue, how sincere this is, how effective it may be in these circumstances, I don't know. But I do think it is terribly important.

COLONEL SMILEY: Mr. Moran, may I express our appreciation for your straightforward and practical description of the economic woes of Africa. On behalf of the Commandant, the faculty, our visitors, and the student body, thank you very much.

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