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The summit as economist (1)

By Eskor Toyo

A NIGERIAN Economic Summit has just been concluded, a report of which appeared in *The Guardian* of November 22, 1996. It was focused on so-called *Vision 2010*. I find the views of the Summit wrong in part, largely misguided, and on the whole superficial or myopic. The matter is of such importance that I cannot wait to take up the issues in professional journal articles which in Nigeria never get published soon or at all. I am compelled immediately to address myself to Nigerian students of economics anywhere and to all Nigerian economists and policy makers, especially younger ones. They can still be salvaged from the superficial, ahistorical, predation-worshipping, imperialistic and mechanistic mind set imparted by the conventional and largely imperialist-sponsored writings and practical recommendations that engulf the world of unipolar US imperialism or hegemony, bandmastered by the World Bank and the International Monetary Fund.

Not surprisingly, the Summit, as is now conventional with Western economists, chastised the import substitution strategy which the Western economists and everyone joining their chorus now pretend was a grave error unilaterally made by all capitalist-oriented Third World countries. For younger economists, let it be pointed out that the West did not want their former colonies to industrialise at all. When the nationalist leaders of these countries insisted on industrialisation,

Western experts invented the substitution strategy as against the effective and independent industrialisation strategy adopted by the USSR and, following her, China, East European countries and North Korea in 1947-53.

When the import-substitution strategy produced the inevitable consequences of paralysing export of funds, deeper dependence on Western capital, non-sustainable growth, lack of dynamism and continuous underdevelopment, the West now blamed the leaders of the Third World for the choice, just as American propaganda traces to Africa the sudden emergence of AIDS which actually originated from American bacteriological warfare experiments and the use of this warfare in the Vietnam conflict which American imperialism thought it should win at all cost.

The Summit, as reported, claims that the import substitution 'model' of development is "not focused on maximising efficiency, but on reducing foreign exchange outflow." This is economic nonsense. The term 'efficient' is very loosely used by mechanistic economists, but it is wrong language here. At any rate, if a measure aims at reducing foreign exchange outflow and does effect this in the areas envisaged, then it is efficient. The Summit does not seem to be aware of the many grounds on which the import-substitution 'model' rejected ab-

initio by Marxian economists but invented, once hailed as the 'most efficient' road, and financed unilaterally and multilaterally by the West, has come since the 1970s under universal criticism. The direction of foreign exchange flow is far from being the only or the central issue.

The Summit then advised what it called a paradigm shift. It said Nigeria should "abandon the import-substitution concept of development and focus on the promotion of areas where we can have comparative advantage to compete." Again, this is nonsense unless by 'compete' we are referring to the export sector. Actually, import-substitution is designed to produce import-competing final goods, and industries like textiles, soap, margarine, plywood, and furniture did pay some attention to the domestic resources base.

Dr. Patrick Merino, spokesman of the Summit, told *The Guardian* that "it is long overdue for Nigeria to acknowledge the paradigm shift over the last fifteen years and abandon policies that have proven inefficient." This, according to him, informed the Summit's position that it is wrong to assume that Nigeria could not develop its economy without first developing a local steel industry. All this is bogus reasoning in the service of imperialism. Just what have Nigerian policy makers been doing since 1986 (i.e. for the past ten years) except zealously to try out the paradigm shift

embodied in SAP which was drummed up by Western propaganda as the sole and most effective road to the maximisation of economic and developmental efficiency? If this Western-sponsored paradigm shift has proved as disastrous as the first, the World Bank, the IMF and their megaphones must now pretend that they have another "most efficient" paradigm.

To begin with, the "paradigm shift" that Merino is talking about occurs in Western-sponsored economic literature and practical recommendations. This 'shift' completely ignores the literature of the dependencies or even the radical institutionalist school of economists. Of course, it treats as in-existent the vast literature on economic development from the pen and practice of Marxian-economics who continued to cultivate the economics of growth and development throughout the one hundred years from about 1860 to about 1960 when Orthodox Western economists abandoned it. We are merely to be blind adaptors of paradigm shifts sponsored or approved by imperialism.

The Summit suggests petrochemicals as an area to be favoured in the industrial sector. It also suggests industrial agriculture based on cotton, groundnuts, rubber, cocoa and palm oil. Just how is this different from the recommendations of the World Bank Mission way back in 1957? It falls far short of the industrialisation vision of the 1976-79 Obasanjo regime to which the West is implacably hostile. It

proposes nothing different from the industrial policies of SAP, the details of which I know because I bothered to study the matter.

As for iron and steel, the Summit has the same import-substitution attitude to it as the World Bank and the IMF. They have never hidden their hostility to it. As they see it, it is simply a big foreign exchange consumer and nothing else; it must be scrapped.

Before I come to the iron-and-steel industry that causes the West so much annoyance, let me ask this. What magic will the Summit do to the cocoa, groundnut, rubber and palm oil sectors in Nigeria to make them earn even a significant fraction of the foreign exchange losses due to, not only raw material but, equipment imports into Nigeria? Why does the literature of the World Bank, the IMF and their megaphones prefer to see and talk of only raw material imports as the source of foreign exchange drain in Nigeria? Why do they hide the enormity of foreign exchange drains due to machinery and equipment imports, consumer good imports, import of services and repatriation of profits and technological rent fees? Why do they in particular hide the huge foreign exchange loss due to import of machinery and equipment of all sorts? What magic do they propose to do the industrial processing of cocoa, cotton, groundnuts, palm oil and other agricultural products that SAP and the so-called self-reliance policy under SAP could not achieve?

● *To be continued. Professor Toyo teaches Economics at the University of Calabar.*

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The Summit as economist (2)

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NOW to iron and steel. The World Bank, the IMF and their imperialist sponsors know much more than their shallow-minded megaphones in Nigeria. They know that the iron-and-steel industry is the basic industry for machinery and equipment manufacture. They know that, in the ultimate, *modernisation means industrialisation*, and that to really take off industrially means to be able to manufacture in the country the enormous quantity and variety of machines and equipment that a modern economy needs as it marches on. From the beginning, the imperialists never wanted any genuine industrial revolution in Africa, Asia and Latin America, the vast sources of mining and agricultural raw materials for the factories of Europe and the USA.

I, who have studied these matters because my method of study is more inquisitive than that of the rest, know that after the Second World War, the iron and steel industry in Britain was so old in technology that it proved a crippling liability to the British economy throughout the whole period after World II. Yet, this industry was never scrapped. Rather, it was taken over by the state and subsidised. I also know that the main aim of the American Marshall Plan was to save and renew the crippled and aged industrial capacity in Western Europe, first and foremost the iron-and-steel industry. I also know that after the World War II, Japan paid more attention to the iron and steel and machine industries than to any other. In her industrial revolution in the first place she also did this. I know that one basic reason why the industrial revolution took place first in Britain rather than France is the better endowment of Britain in iron and coal resources which were the core resources in the industrial revolution in Europe, America and Japan. I know that Otto von Bismark initiated a Pan-German customs union and launched the Franco-German war in order to acquire iron and coal resources for the industrialisation of Germany. I know that Japan did not even have iron ore deposits, but bothered about a steel industry and even embarked on conquests in Asia to enable her have it.

Let us stop being vague about 'development'. Modern development started with the industrial revolution in England (1750-1850). The so-called developed countries in the world are the fully industrialised countries. They are the USA, Canada, all West European countries other than Spain and Portugal, the countries of Eastern Europe that went on the socialist road from 1948, Russia, Japan and Australia. Which of these countries is without an iron-and-steel industry? Which of them experienced a take-off into industrialism without an iron-and-steel industry?

Take even the so-called newly industrialising countries. Concretely, they are Brazil, Argentina, Mexico, Iraq, Jordan, Egypt, South Africa, Israel, India, Paki-

stan, Hong Kong, Singapore, South Korea and Taiwan. Which of these is without a steel industry? Is their being 'newly industrialising' independent of the role of this crucial industry in the take-off process?

By the way, the sector-by-sector synoptic approach to economic development is misguided. The crucial process in modernisation is genuine industrialisation and all that it entails, first of all the basic industries.

This brings me to the question of *economic development*. This term is so vague and confused in Western literature that many people mean many things by it. Anything that manages to raise the national income is said to be *developmental*. The term 'development' can be used in such a flexible way that British and French colonialism in Africa was enormously developmental. Of course, Nigeria never produced steel under colonialism. Yet it did, in a sense, develop. This omnibus usage is a play on the word 'development' by imperialists who are hostile to any discovery by their victims of the crucial process by which a modern economy emerges.

Apart from being diversionary, the use of the term 'development' by the Summit suffers from the truncation common to imperialists and most of Western literature. Here 'development' means only the development or changing of what Marxian economists call 'forces of production', i.e. those factors that cause an increase in national income. However, by 'development' more realistic or more honest economists include changes in what Marxian economists call 'relations of production'. We can understand this as changes in the types and degrees of control of various sections of society over means of production, production processes and wealth, a matter which affects who gets what and how, who commands and who obeys, what an economy can and cannot attempt, and the direction and speed of its movement. In the international context, the Marxian economists include in development the development of international division of labour and of international intercourse. By 'development', the Marxian and Institutional economist include the development of technological and institutional forms.

When this is taken into account, development today is parasitic and non-parasitic. Capitalist development in places like Nigeria is parasitic: it is the creation of millionaires and multi-millionaires at the expense of the people. Socialist development, for instance, in Cuba, is the development of the Cuban people and a serious attempt at the elimination of parasitism. In the

international dimension, development in a place like South Korea, Taiwan, Pakistan, Brazil and Nigeria is actually a development within colonialism. The economy experiences some changes but is neo-colonial. Development in a country like North Korea, China, India, Cuba, Libya, Iraq and Tanzania aims at independence from imperialist exploitation and dominance. If development means the citizen's independent ability or self-reliance, it is in North Korea, for instance, that it is taking place rather than South Korea. Western and World Bank literature is completely silent on the whole question of parasitism and non-parasitism, or dependence and independence in modern development.

Let us return to the iron and steel industry. The World Bank, the IMF and thinkers, like those in the Summit, look at this industry only in terms of cash profit, import substitution or foreign exchange saving or earning. However, this industry actually plays five crucial roles: as supplier of basic means of development to all industries; as a builder of inter-industrial links which promote dynamism; as an indispensable catalyst in the development of various forms of technology; as a *sine qua non* in the construction of an independent economy; and as a must in the construction of an economy capable of self-defence.

The machine making industry, the king and matrix of all modern industry, rests on the iron and steel and non-ferrous metallurgical industries.

In Nigeria, if chemical brows are raised at all, the possibility seen is limited to petrochemicals. However, side by side with the iron and steel and machine making industries in imparting power and capacity to modern industrialism is the chemical industry. I mean here the chemical industry as a whole and not simply the special chemical industry called petrochemical, whose base is petroleum and gas. Britain and Germany which developed a powerful chemical industry in the eighteenth and nineteenth centuries had no petroleum deposits. Salt, sulphur, the Nigerian kind of coal, potassium rocks, etc., are bases for a chemical industry. Why is the Summit concerned only with petrochemicals that have already been in the Nigerian developmental book since Obasanjo's era, 16 year ago?

By the way, the so-called 'model' now paraded around the world as a new cure-all is the South Korean one. South Korea turned to earning foreign exchange through some industrial exports, but it did nothing like what the Summit is dreaming about. It

simply got set up assembly plants that used American and Japanese components and parts to manufacture export goods that would otherwise have been manufactured in the USA and Japan.

However, as students of this 'model' have observed, the South Korean economy is very brittle. While the South Korean millionaires and Uncle Toms have erected a rickety, new colonial economy in South Korea, the students and patriots in that country are in sustained revolt against the internal and external parasitism of this economy.

The Summit recommended other policies: single exchange rate, continuation of last year's macro-economic stabilization policies (even though the rate of inflation is still over 50 per cent), resumption of privatisation, removal of subsidies on finished petroleum products and fertilizer, massive investment in infrastructure, including education, the judiciary and the police. Is this really a paradigm different from SAP?

In the absence of a major surge in production, what means will the government remove subsidies on petroleum products and fertilizer and embark on massive expenditure on education, the judiciary and the police and at the same time still keep down the rate of inflation unless it executes a cut in other expenses (that the Summit never touched) and sustains the callous wage restriction policies of SAP?

It is callous for anyone to still be an advocate of further privatisation when the evidence is that the commercialisation option has performed beyond expectation in profits. Has the Summit not heard and seen that the private capitalist sector, as I predicted at the beginning of SAP, has used privatisation and the enormous bonanza of silent subsidies given it not to increase efficiency, production and employment as privatisation drum beaters promised but rather to freeze the population through high prices? Did the economic Summit read the statistics released and the conclusions drawn by the Ministry of Finance in its last quarterly briefing?

All in all, let me say that I have been a patriot and humanist throughout. While studying economics, I drank from the deep stream of the economic history of all epochs, all regions of the world and all significant countries in the modern world. Like Nnamdi Azikiwe, I did not permit myself in any way to be sucked in by the seemingly all-powerful propaganda current of capitalist parasites and their various allies appearing on the surface as harmless science. I learnt from all who had anything significant to teach and stayed critical from the beginning to now. The economic ideas of the Summit are plattitudinous, misguided, ignorant, callous or mischievous.

● *Concluded. Professor Toyo teaches Economics at the University of Calabar.*

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