

CHAPTER TWENTY-TWO

AFRICAN LEAST DEVELOPED COUNTRIES (LDCs) AND THE COEXISTENCE BETWEEN UNEQUAL EXCHANGE AND DISPARATE EXCHANGE

1. Introduction

In this Chapter I suggest to review how Subsaharan LDCs are affected by globalisation, by their participation in world trade. To this end, I will discuss three forms of structural inequality underlying the trade relations between these countries and other regions of the world. I will argue that the dramatically negative impact of globalisation upon the living conditions of people in Subsaharan Africa is frequently underestimated, since in the debate regarding trade from and to the given region the various structural inequalities that influence this trade are rarely *juxtaposed*. Thus, although in recent years an increasing number of Northern research groups have done a very impressive job of analysing data on the interconnections between the exports of raw materials from, and the imports of weaponry to countries of Central Africa (1) - the relationships between this particular trading mechanism which may be termed disparate exchange, and other mechanism helping to perpetuate North/South inequality, unfortunately are not being highlighted systematically. In this Chapter, I thus suggest to juxtapose three structural forms of inequality, i.e. protectionism, unequal exchange and disparate exchange.

This Chapter illustrates the relevance of the concept of disparate exchange for another Southern region than that dealt with in the previous Chapter. For in the context of Africa's multiple, bloody wars, the exchange of raw materials has mushroomed, and particularly so during the decade of the 1990s. This has happened, it appears, without promotion by the hegemonic power which historically has instituted this trading mechanism, but the spread of the mechanism in the continent is 'organically' related to the export-oriented economic strategies, which have been imposed on Africa by external forces/powers. The consequences of application of disparate exchange, further is especially dramatic in the case of Africa. For in the framework of the various civil wars which rage and/or have raged, opposing parties each rely and/or have relied on the given trading mechanism to finance their war campaigns. Thus, the below Chapter paves the way towards conceptualisation of wars under economic theory, - a task which will be undertaken in the concluding Chapter of Part Three of this study, i.e. as part of my effort to construct a theory on the arms' trade.

2. Globalisation and Subsaharan Africa

An elementary question which should be settled at the outset is whether the category of (49) countries termed LDCs (Least Developed Countries), the large majority of which are located in Africa, currently are participating in the process of globalisation or not. This issue has to be addressed because advocates of globalisation often argue that the real problem with African LDCs is their *lack* of a sufficient integration in the world market and world economy. Hence, the persisting problems of impoverishment and

undernourishment presumable can be solved through an enlarged instead of a decreased amount of integration in the world economy. An presumption underlying the propaganda stating that Africa should work harder to globalise, is the (rather old) idea that outward-oriented economies grow faster than do inward-oriented economies. Thus, African LDCs should follow the example of export-oriented economies in Asia, which have successfully emerged as industrialising economies, and are now graduating from their previous status as 'developing countries'.

This argument, as was brought out by the well-researched UNCTAD-report on LDCs published in June of 2002 (2), cannot be defended if the existing degree of export dependence of Sub-Saharan LDCs and of other producers of primary products be taken into account. True, the share which LDCs hold in total world trade is negligible in percentage terms. According to the mentioned UNCTAD-report, the value of the merchandise exports of all LDCs combined in the year 2000 amounted to \$ 31.5 Billion. It was equivalent to only 0.5 percent of the world's total merchandise exports! 'The total merchandise exports of all LDCs was equivalent to about half those of Australia' (3). If looked at from the angle of their joint share in world trade, LDCs were marginalized and apparently insignificant participants. Moreover, those countries' marginalisation in the world system is not being reversed under the ongoing process of globalisation, for the share of LDCs in world exports of goods and services, according to UNCTAD's statistics, has been *declining*, i.e. by a staggering 47 percent between 1980 and 1999 (4)!

However, there is a different way one can look at the matter, namely by recording what proportion of goods which LDCs produce, is being exported. Here, UNCTAD has cited a striking figure, a figure which precisely brings out that there is a large average degree of export dependence in the case of Least Developed Countries (LDCs). According to UNCTAD, during 1997-1998, exports and imports of goods and services constituted an average 43 percent of the Gross Domestic Product (GDP) of LDCs (5). This means in fact that these countries are highly sensitive to changes in the level of world demand for exported commodities (due to a downturn in the world's business cycle e.g.), and are much affected by any decline in the world price of the specific commodity or commodities which they supply. Moreover, the vulnerability of the LDCs is further enhanced by the fact that one single type of commodity or a few items of trade, as in the past, continue to constitute the overwhelming share of the exports of individual LDCs.

This again is illustrated by a chart incorporated in the UNCTAD's 2002 report on LDCs (see adjacent box). In nine out of 49 cases, three leading export products in 1997-1999 occupied more than ninety percent of the total merchandise exports (6). For two of the main African countries which in the 1990s have been severely affected by war, Angola and the Congo (DRC), dependence on a handful of export items was strikingly large as well, i.e. 97.6 % and 79.6% respectively. Angola ever since the 1970s has been almost wholly dependent on exports of crude oil alone. Whereas in the last decades of Portuguese colonial rule, the country had offered several agricultural and mineral commodities (notably coffee and diamonds) for sale to Northern trade partners, today almost the entire foreign exchange income is contributed by crude oil alone. And although the UNCTAD-report draws a distinction between exporters of oil and exporters of non-fuel commodities, arguing that the problem of marginalisation primarily affects the latter, with regard to one-sided dependence on one single exportable commodity,

African oil exporters score no differently than do other African LDCs.

3. The Evidence on Increasing Poverty in Countries Exporting Primary Commodities

What do UNCTAD's figures tell us about the incidence of poverty in LDCs, and what regarding the poverty in LDCs located on the African continent? First, according to UNCTAD the incidence of extreme poverty is increasing in the LDCs as a whole. In LDCs for which data are available, on average about 48 percent of the population were living on less than \$ 1 a day during 1965-1969, compared with 50 percent during 1995-1999. This effectively means that the number of people living in conditions of extreme poverty has more than doubled over the last thirty years... (7)! Further – and these facts should be emphasized since they point at the interconnection between globalisation and immiseration: among LDCs there is a close mutual association between the incidence of extreme poverty and dependence on exports of primary commodities. Note these percentages: sixty-nine percent of the population in LDCs exporting non-oil commodities during the years from 1997 to 1999 was living on less than \$ 1 a day. In mineral-exporting LDCs the proportion was over 80 percent (8). In spite of the presence of rich natural resources, the overwhelming majority of the people here were condemned to a life of misery.

Further, though it may be tiresome to keep listening to an enumeration of statistical data, I should add some UNCTAD-figures on poverty in *African* LDCs, since this Chapter is after all concerned with globalisation and the African continent. In the second half of the 1990s, for the group of African LDCs for which UNCTAD avails of data, 87 percent of the population was living on less than \$ 2 per day, and the average consumption of these 87 percent was only 86 dollar cents a day. Sixty five percent of the population of African LDCs lived on less than \$ 1 a day, the average being 59 dollar cents a day. 'These numbers suggest that the severity of the poverty problem in African LDCs has been hitherto underestimated', UNCTAD's authors opine (9). The numbers indeed illustrate that the participation in world trade of Subsaharan countries producing primary commodities, i.e. agricultural raw materials, minerals and crude oil, so far has not served to alleviate the problems of undernourishment and deprivation in the poorest region of the world.

Unfortunately, UNCTAD's report which contains massive statistical data, does not devote any attention specifically to the category of countries exchanging raw materials against arms, nor does it say much about the causes of poverty in countries which have been disrupted by civil or internationalised wars. While the report comments that apparently 'poor mineral-rich economies, including LDCs, have become particularly prone to armed conflict caused by the struggle over resource rents by domestic and external actors' (10), - this remains a passing observation, with no consequences for UNCTAD's overall analysis. Yet there is no doubt that the exchange of raw materials against arms has by now become so common, as to warrant a distinct discussion in any report on globalisation and LDCs of Subsaharan Africa. Like the problematic of unequal exchange, which has figured in so many reports, the practice of the squandering of resources in order to obtain weaponry needs to be subjected to systematic scrutiny. There

needs to be measured to what extent the given trade contributes to the perpetuation of poverty.

Nevertheless, the figures cited from UNCTAD's 2002 report, in a general manner, can be used to support the critique of the ongoing process of globalisation. They show that the problem is not merely one of increasing inequality between a handful of people who have become extremely rich in course of the 1990s, and the billions of people whose incomes have remained pitifully low. No – the figures tell us also that, whereas a very selected group of company directors, shareholders and speculators have become multimillionaires or even billionaires in the era of globalisation, – there are many tens of millions of people, in particular in African LDCs exporting primary commodities, whose conditions of living have deteriorated under the 'free trade'-regime. This helps to sharpen the debate on globalisation indeed. For whereas in some parts of the South, such as in countries of South East Asia, people's standards of living have risen in export-oriented countries of Subsaharan Africa the outcome of protectionism, of unequal exchange and of the exchange of raw materials against arms has been the very opposite of economic 'development'.

4. The Battle Against Protectionism: Common Interest between Countries of Different Continents

We next should initiate a discussion as to how the problems of increasing poverty of African Least Developed Countries (LDCs) are related to the ongoing process of globalisation. One way of questioning existing trade relations is, as stated in the introduction to this Chapter, by emphasizing the question of Northern protectionism. Here, the target of criticism are the various direct and indirect methods employed by central economies in the world system to promote their own exports at the expense of similar or equivalent commodities traded by LDCs and other countries of the South. Protectionism, as used in its original sense, addresses the tariff and taxation measures, employed in order to restrict access to one's domestic market for foreign goods (11). A no less important form of protectionism today, however, are the indirect measures instituted in favour of one's domestic producers. Protectionism here covers, in particular the huge subsidies which the US government and the European Commission provide to their farmers, - subsidies which in some cases (cotton) help to reduce the international price-levels of Northern agriculture goods.

The issue of protectionism has figured prominently at the World Conference on Food Security which the Food and Agricultural Organisation of the United Nations (FAO) has held in 2002. Here, the organization was forced to admit that hitherto existing strategies relating to the reduction of hunger and undernourishment in the world have not been effective. Whereas the world's leaders in 1996 had given an undertaking to bring down the number of undernourished persons by 22 million per year, statistics brought out by the FAO on the occasion of this year's Conference show that the reduction in the number of undernourished has been only 6 million per year over the stipulated period (12). Moreover, three quarters of those living in extreme poverty are reported to be small peasants (13). In particular in South Asia and on the African continent, the problems of hunger and undernourishment continue to be widespread. So how have existing trade

patterns as promoted by Northern governments and international institutions contributed towards creating the FAO's negative balance sheet?

A prominent target for attack at the FAO Conference was the decision taken by US president Bush only recently, to increase governmental subsidies towards farmers by 190 Billion Dollars over the coming 10 years (14). This enhanced level of (indirect) protectionism only helps aggravate an injustice, which to all accounts is huge. OECD-countries in the year 2001 are estimated to have provided subsidies to their agricultural sectors, amounting to 347 Billion Dollars (15). On the other hand, as well known, Southern countries throughout the 1980s and 1990s have been under tremendous pressure from the side of the World Bank, the IMF and other world institutions, - pressure forcing them to bring down public support towards their agricultural sectors. The Structural Adjustment Programs (SAPs) which have been imposed as conditions for debt relief and for permission to reschedule debt, have invariably resulted in greater vulnerability of Southern economies. In many cases, LDCs and other developing countries have been flooded with subsidized agricultural commodities, exported by countries of the North.

In opposition to the existing Northern protectionism, critical participants of the ongoing debate on globalisation have put forward the view that Southern countries have the right to 'food sovereignty' (16). Here, campaigners and academicians not only question the inequality implied by the continuation of Northern protectionism. They do not opine that the world be run along the lines of 'free trade' principles, implying only that all forms of protectionism should worldwide be reduced. Instead, the demand is that Northern countries should abolish their own systems of protectionism, whereas Southern countries should be allowed to institute protective measures, in order to effectively protect their own small peasants against the risk of extinction. Thus, the FAO-Conference was an important occasion for formulation of the demand for a reversion in existing unjust trade relations. Whereas rich countries cannot justify measures of protection against agricultural commodities exported by LDCs and other poor countries in the South, the latter category of countries can.

5. Unequal Exchange: Enduring Problem for Countries in Sub-Saharan Africa

I will now initiate my discussion on unequal exchange, a topic which used to be discussed widely in the fifties and sixties of the previous century when, as stated before, it formed the object both of regular investigations under the UN-system, and of theoretical discussions amongst Marxist economists (17). Unequal exchange refers to the question of the changing terms of trade, between primary commodities traded by Southern countries on the one hand (in particular by LDCs today), - and commodities traded by Northern countries on the other. Whereas of late the problematic of protectionism, in particular the subsidies of Northern states towards domestic agriculture - has been a target of much criticism by participants of international Conferences -, the issue of unequal exchange has been less actively addressed. Here I will cite data from two reliable sources to show that the issue of unequal exchange is as relevant to the analysis of underdevelopment today, as it was in the era preceding the creation of the WTO.

First, there is Henk Kox's study dating from 1990, executed under the Free University of Amsterdam. The study focused on the trading position of Subsaharan countries producing primary commodities, hence it is highly relevant for our understanding of globalisation and its consequences for Africa. It recorded important trends for a major part of the 1980s. In 1987, primary commodity exports still were 'the largest single source of foreign exchange for the region' (18). Further, the international purchasing power of Subsaharan non-fuel commodity exports deteriorated sharply during the 1980s. In 1987, the net barter terms of trade reportedly were 30 percent below their 1980 level and 58 percent below their 1977 level (1977 was a peak year) (19). In calculating the financial losses that Subsaharan countries suffered, Kox argued that the Subsaharan exporters of non-fuel commodities since 1980 (i.e. over ten years) had lost \$ 7.5 Billion in consequence of changing terms of international trade. Thus, both in percentage terms, and in terms of the quantity of dollar income they surrendered, the losses for Subsaharan LDCs were substantial.

Again – the UNCTAD study published in 2002 which both covers longer-term trends and offers data for the last five years, reconfirms that the issue of the exploitation via changing terms of trade has continued to be very relevant for Africa since the publication of Kox' study. Thus, real commodity prices of LDC exports declined by over 30 percent between 1986 and 1999, which is a slower decrease than registered by Kox for the preceding 7 years, but a significant fall nevertheless (20). For non-oil exporting countries in Subsaharan Africa, the losses over 37 years (1970 – 1997) are said to have been larger (119%) than the regional GNP for 1997! These financial losses do not stand alone, but should be added to the losses which African LDCs have suffered in consequences of Northern protectionism. Even if not all African countries have been affected by both mechanisms of exploitation at one and the same time, on a regional level we need to speak of the coincidence of two trading mechanisms, i.e. protectionism and unequal exchange.

The above data sufficiently prove that it is wrong to ignore or belittle the problematic of unequal exchange. Whereas this question, which UNCTAD has for long dealt with, has been sidelined since the formation of the WTO with its 'free trade' ideology, those who criticize the ongoing process of globalisation and its consequences for Africa should address the issue of unequal exchange as a priority issue, along with the issue of the parallel trade in raw materials and arms, i.e. disparate exchange. For the selected data cited above show that the issue of unequal exchange which was so hotly debated before the formation of the WTO, has continued to haunt Southern countries during the last two decades, and especially exporters of non-fuel primary commodities located in Subsaharan Africa. From the standpoint of solidarity with the poorest section of the world population this issue decidedly needs to be posed, along with disparate exchange which, as I will argue below, often afflicts the very same countries as are affected by unequal exchange.

6. Analysis: Return to the Discussion on Productivity Levels

In analysing the commodity exports of LDCs, the UNCTAD report briefly refers to the question of productivity gaps, i.e. the fact that the level of production expressed in the number of commodities produced in a given unit of time, is lower for LDCs than it is

for other countries in the world system. Here, the report refers specifically to the productivity gap that exists for agricultural goods between LDCs, and other developing countries. According to UNCTAD's authors, 'crop yields were on average lower in LDCs than in other developing countries over the period 1980-1997, in all cases but cocoa' (21). Thus, UNCTAD argues that for the two most important agricultural exports of LDCs, being coffee and cotton, yields would need to be 10 percent and 59 percent higher respectively to reach the average productivity level of other developing countries, and 147 percent and 219 percent higher to reach the level of the 'most advanced' producers of these commodities (22). No doubt, the gap between LDCs and other Southern and Northern economies in the world system is vast.

Now, the UNCTAD report falls short of analysing the issue of productivity levels in the terms in which it was previously posed by the leading participant in the debate on unequal exchange, i.e. Samir Amin. Thus, UNCTAD's authors focus on a comparison between the increase in productivity which, they argue, has been achieved in LDCs over the last twenty years, and price changes for their goods. According to them, productivity of key agricultural commodities has increased considerably: for coffee and cotton, yields were 28 percent and 50 percent higher respectively in 2000 than they were in 1980 (23). However, these gains were offset by declining prices. Here, the central point appears to be that, if commodity prices of products exported by LDC's would have moved up in accordance with the productivity level achieved by these countries meanwhile, the level of prices should have been much higher than they actually were. In practice, of course, the opposite has happened. Instead of gains, the LDCs which are dependent on the exports of non-fuel primary products have, as stated, seen the prices of their products fall, certainly if measured in relative terms.

The given discussion is helpful towards exposing the multiple injustices victimising LDCs today, as in the past. However, it should be marked that the issue has here been posed in terms different from those defined by Samir Amin, in his book on capital accumulation on a world scale (24). If discussed in Amin's terms, the report should first have focused on the relative growth of productivity for agricultural raw materials produced in LDCs as compared to the development of productivity for the same type of commodities achieved in other economies, meaning both productivity levels in Northern economies and in the non-LDC developing countries which the UNCTAD-report has referred to. Moreover, in order to offer a truly comprehensive assessment, the report should have also referred to the general development of productivity in export-dependent LDCs, as compared to the general development of productivity in other economies of the world system. Hence, judged from the theoretical point of view that was espoused by Samir Amin, the UNCTAD report's discussion has limited parameters.

Moreover, and perhaps more importantly, the UNCTAD report nowhere refers to differential levels in the forces of destruction, i.e. the growth in the production of armament systems in the North as compared to the growth or non-growth of production of weaponry in countries belonging to the category of LDCs. This discussion might at first sight seem unnecessary, since in any case most LDCs are non-producers of weaponry, and do largely import the means for the waging of war. Yet the discussion is relevant, precisely if one's aim is not just to repeat a past debate, i.e. the debate on unequal exchange, but to transgress its limited parameters. For in order to update and

extend the debate of the 1950s and 1960s, and make it relevant to realities existing in Sub-Saharan Africa and elsewhere in the South today, analysts of international trade should take account not only of the changing terms of trade between Northern and Southern commodities, but also of the *differential nature* of goods traded between different parts of the world. Here, awareness of the fact that arms' production is concentrated in central economies is crucially important indeed.

7. The Issue of Export Diversification

One issue given importance in the UNCTAD analysis of the problems of LDCs is that regarding product diversification. Here, the UNCTAD report resumes a theme which has previously been addressed both by academicians and by governments of Sub-Saharan countries themselves. One previous analysis regarding the topic was, for instance, made by Henk Kox in a study published in 1990. Here, the author addressed three types of diversification, i.e. geographical, vertical and horizontal diversification. As to *geographical* diversification, the report argued that the LDCs were less successful than other developing countries in expanding their trade relations towards new regions, and that for 10 out of the LDCs' 12 main export items, dependence on exports towards OECD-countries remained very strong (25). Again, as to *vertical* diversification, which refers to an economic strategy aimed at processing primary commodities domestically before their transfer abroad, - this was not achieved with any noticeable success either. A key obstacle referred to here was protectionism. According to Kox, several processed agricultural and mining products faced relatively high tariffs from the side of Northern importers, greatly hindering vertical diversification (26).

A somewhat better result, apparently, was achieved by Sub-Saharan LDCs with regards to the strategy of *horizontal* diversification, which refers to an expansion in the number of export items, i.e. beyond the hitherto few selected export-commodities. According to Kox, during the decade of the 1980s, the majority of Sub-Saharan countries 'became less dependent on one or a few commodities only' (27). However, this turned out not to contribute much to the LDCs' success either. Thus, in five country cases where a new commodity was added to the core export package, it turned out to be coffee or cotton, two commodities which have continued to be extremely vulnerable to changing terms of trade. Here, horizontal diversification has in no way reduced the exploitation of Sub-Saharan countries through unequal exchange. For the diversification into coffee or cotton merely led to increased competition between all LDCs exporting these commodities, precisely aggravating rather than alleviating the LDCs common problem of unequal exchange!

UNCTAD's 2002 report resumes the given discussion on diversification. It notes that some LDCs, having diversified into manufactures and/or services, have achieved better results during the decade of the 1990s than those LDCs which have continued to rely on the exports of non-fuel commodities such as agricultural raw materials and minerals. Moreover, according to the UN institution, those countries which have diversified into manufactures have also been more successful in adopting 'dynamic agricultural primary commodities', meaning commodities which do not belong to the package of traditional export items which LDCs as a group adhere to (28). These relative successes, however, are overshadowed by the overall negative balance sheet regarding

vertical diversification. For UNCTAD notes that there has been a *collapse* of commodity processing in LDCs over the last twenty years, as the share of processed commodities in total LDC-exports, including both LDCs exporting primary products and those exporting industrial goods, has fallen from 21 to 8 percent between 1981-1983 and 1997-1999 (29)!

Still, no matter how important the above-cited critical analyses regarding the problematic of diversification are, - one wonders whether the weight of this issue has not by now been superseded by the weight of the problematic of disparate exchange. For even if Subsaharan LDCs were to be more successful in diversifying into non-traditional items – coltan for the Congo would be a case in point -, they would still be in great trouble, if their income continued to be spent, as is the case all too often at present, on the purchasing of arms. Unfortunately, however, the UNCTAD report has made only very scant references to import patterns, has not compared the LDCs' relative dependence on civilian versus their dependence on military commodities, and has not even raised the question of the *double* dependence on weapons' purchases, meaning by governments of countries in Subsaharan Africa and by their domestic opponents alike. And although the concept of diversification some thirty years back may have been considered a sufficient means towards building alternatives to LDCs' export dependence, now that disparate exchange is deeply entrenched in Subsaharan Africa, it no longer is.

8. Fuel Exporters Versus Exporters of Non-Fuel Commodities

A basic differentiation which is made but not fully elaborated in the UNCTAD report, is that regarding exporters of fuel-commodities, foremost of oil, and exporters of non-fuel commodities, including both food items, other agricultural raw materials and minerals. Both categories of export-oriented LDCs exist in Subsaharan Africa, the category of fuel exporters being limited to a small group of some four, whereas the other category includes all other Subsaharan LDCs. The UNCTAD report shows awareness that the problems of these two categories of exporters cannot be analysed in the same terms, even though Subsaharan countries belonging to the differential groups each suffer from tremendous problems of poverty, deprivation and undernourishment. Yet whereas the problems of fuel exporters *cannot* be analysed in terms of the changing terms of international trade, the problems of non-fuel exporters of primary commodities, in UNCTAD's view, clearly *can*. Still, is it really sufficient to admit that the problems of these two categories cannot be equated, or is a comparative analysis imperative?

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First, the problems of the two categories are not just differentiated by the fact that fuel exporters are today exempted from the effects of unequal exchange, whereas LDCs exporting non-fuel commodities are not. This distinction already creates major unevenness in terms of the possibility to rise within the world system. Given the fact that oil is a strategic good which is absolutely essential to the functioning of Northern economies, African oil-exporting LDCs can potentially 'hitch hike' along with other oil-exporting countries and graduate from their status as LDCs. However, the inequality between the two categories, as oil-expert Peter Odell explained long ago, is enhanced by the fact that LDCs exporting non-fuel commodities are oil consumers, and have to import crude oil or petroleum products just like Northern oil consuming nations do (30). Hence, aside from the fact that they are negatively affected by changing terms of trade for their

own export products, they are also negatively affected by the fact that since the 1970s of the previous century they have had to pay a relatively high price for imported oil.

This does not mean that the category of oil-exporting LDCs in Africa faces no problems of their own. On the contrary. First, the category of fuel exporting countries in Subsaharan Africa is growing rapidly in size, thanks partly to the fact that imperialist countries, foremost the US, intend to increase their reliance on African oil, in an effort to diversify their sources of imports (31). Thus, whereas in the past, there was just one Subsaharan African country that figured prominently on the list of (non-OPEC) oil exporters, today there are four, and several more are to follow soon. In as much as each of these African LDCs tend to singularly rely on oil exports, and tend to continue their one-sided dependence on access to the world market, they are bound to be negatively affected by sudden decreases in the international price of crude oil. Here, a reduction of one or several dollars in the price of a barrel of oil, will immediately have an overall effect on the income earned by the given Subsaharan African countries, in the same way as it has on the income of traditional oil exporters such as Saudi Arabia, Iran and Iraq.

However, the decisive point that should be made regarding fuel exporters is that they tend to be subjected to a differential mechanism of international trade. Not coincidentally, the principal Subsaharan oil exporter, Angola, which crucially contributes towards the US's imports of crude oil, is also the country which of all Central African countries has faced the most prolonged armed conflict on its soil. Both Angola, Sudan and Nigeria do today participate in disparate exchange, meaning that they squander their main form of natural wealth in exchange for social waste, i.e. arms (32). Their continuing problems of deprivation and poverty should, at least partly, be explained by the fact that the income which they earn from the export of oil, is not primarily invested in an expansion of public social services, such as education and health, but is used for the procurement of expensive weaponry on the international market. Thus, although their problems cannot be analysed in terms of the effects of changing terms of trade, these are nevertheless closely related to their mode of participation in world trade (33).

9. Disparate Exchange in the Context of Africa: The Cases of Angola and of Sudan

I now wish to proceed and consider a third form of structural inequality which affects African LDCs in world trade, namely the inequality implied by the exchange of sources of wealth against social waste. The problem with these countries' present integration in the world economy is not only that they receive low prices for their primary products, but also that raw materials are often, directly or indirectly, sold in exchange for arms purchased from countries in the North. This issue, as stated in the introduction to this Chapter, in recent years has received increasing attention. It, for instance has formed the subject of investigation by panels of experts formed under the UN in connection with several African conflicts, including the wars in Angola and the DRC. Since arms' trade to my knowledge has never been conceptualised under economic theory, a systematic assessment of the impact of this exchange for Subsaharan LDCs is lacking. Analogous to the concept of unequal exchange, we may identify the exchange of raw materials for arms

as disparate exchange, since the nature of the (parallel) exchanges is mutually differentiated.

Now, it cannot be emphasized with sufficient force, that the mechanism of disparate exchange has historically been instituted very consciously around one particular primary product, being crude oil. Thus, in the early 1970s, when the oil-exporting countries united under the *cartel* of OPEC waged their struggle to lift oil from the status of a lowly priced primary product to a duly priced commodity, they found that United States' officials were not just sympathetic towards their demand, but even pushed hard for a historic price-increase (34). At the time this was somewhat confusing, since the fight over oil prices was widely seen as an anti-imperialist fight. Yet the US's attitude was not coincidental, but an intrinsic part of a new strategy which the then Nixon-government had chalked out around the international trade in oil. For it realised that a change was unavoidable, that higher oil prices would help to stimulate the exploration and extraction of other sources of energy, and, moreover, could result in expanded imports of modern arms by countries of the Middle East. The latter's enhanced purchasing power, achieved via increased taxation of the oil companies, could and was manipulated in favour of American manufacturers of arms (35).

Though the mechanism of the (largely indirect) exchange of crude oil against arms, i.e. disparate exchange, first emerged in the relations between Middle Eastern oil-producing nations and the West, African countries at war have copied or even elaborated the given mechanism. Sudan which has faced civil war continuously since 1983, until 1999 was an oil-*importing* nation. After completion of construction of a pipeline for the transport of crude oil from war-infested areas in the South, however, the government in Khartoum, thanks to payments made by foreign oil companies, has expanded its military budget, and has reportedly imported modern arms' systems, such as helicopter gunships, fighter planes and tanks. And whereas the interrelationship between oil and arms at the level of state-finance appears to be largely indirect, Sudan's application of disparate exchange nevertheless is frighteningly direct. According to reports brought out by Amnesty and by the campaign coalition on oil in the Sudan (ECOS), the helicopter gunships and other weaponry bought since 1999 have been employed to depopulate villages located in oil-extraction areas, in the Hewig and Unity counties in the South (36).

Another Subsaharan country which has been busily applying the mechanism of disparate exchange is Angola. Here, both parties in the civil war which has continued to rage throughout the decade of the 1990s, have financed their war efforts through the exports of one single commodity, the choice of both being a favourite commodity under disparate exchange. Whereas UNITA has exclusively relied on rough diamonds, the MPLA government has used crude oil exports as exclusive source for the purchasing of foreign arms (37). And although the latter had originally followed an apparently progressive state-model of economic development, - with regard to the extraction of oil it has pursued a line that can only be interpreted as continuation of a colonial pattern. For as explained by Tony Hodges, Angola's oil economy is typically an example of an *enclave* economy, with few linkage to other sectors (38). Moreover, the MPLA-government has 'refined' the application of disparate exchange. As brought out well by *Global Witness*' research, the MPLA-government has added several other methods to that

of company taxation, including signature bonuses, the offering of equity shares, and the issuing of oil-backed loans, in order to be able to purchase foreign arms (39).

10. Conclusion: Co-existing Trade Mechanisms

In conclusion, the negative effects of globalisation for Subsaharan African countries should be analysed in terms of the co-existence of several trading mechanisms. This to an extent occurs in the UNCTAD report and in analyses presented on the occasion of the holding of the World Conference of the FAO in 2002, in as much as reference has been made both to the negative effects of Northern protectionism, *and* to the detrimental consequences of unequal exchange. Thus, whereas spokespersons of the South on the occasion of the FAO Summit decried the protectionism implied by Bush's decision to massively increase governmental subsidies to US agriculture, they also complained about the deteriorating terms of trade for agricultural commodities (40). According to the Noble laureate Amartya Sen, over the last quarter century the price of basic food items such as rice and wheat has fallen by half its value in real terms, in relation to the prices of non-food items traded internationally (41). It is evident that we need an analysis of the LDCs' problems which includes both protectionism and unequal exchange.

In this Chapter I have suggested, however, that we need to move beyond the given analysis, by addressing a very different type of coincidence of trading mechanisms, i.e. the coincidence between unequal and disparate exchange. This means basically two things. First, we have to be aware that a part of the countries belonging to the Subsaharan region of Africa (South Africa excluded) continue to face severe problems because they are dependent on non-fuel primary products such as coffee and cotton, the terms of trade of which even in the very recent past have continued to deteriorate. On the other hand, there are certain Subsaharan countries, notably Angola and Sudan, which are singularly dependent on the export of the fuel commodity oil. Whereas the latter two countries in the past, when they depended on the exports of coffee and cotton, may have been subject to unequal exchange, today as fuel exporters of crude oil and as arms' importers they participate in disparate exchange. Hence, an analysis of the coincidence of unequal and disparate exchange needs to take account of the existence of two types of commodity exporters in Subsaharan Africa side-by-side.

Beyond this, however, the coincidence of the two trading mechanisms takes another form as well, - a form which perhaps represents the ultimate injustice of globalisation as it functions today. Here, the point is that certain countries of Subsaharan Africa may face the detrimental consequences of both trading mechanisms at the very same time. This happens not only there where a certain country is both an important exporter of mineral commodities which resort under unequal exchange, and is an emerging exporter of crude oil, as is the case for instance for the Democratic Republic of the Congo (42). It also happens where Subsaharan countries which are entirely dependent on the exports of non-fuel primary products, decide to waste their meagre and falling foreign currency incomes on the imports of weaponry from outside the Subsaharan region. Here the issue is the effect of the two exploitative trading mechanisms coexisting around one and the same commodity, - a coexistence which to my

knowledge is rarely taken into account in analyses regarding the exchange of raw materials against arms.

In the end, then, what is urgently required in order to do justice to the peoples of Subsaharan Africa, is that an analysis be made taking account of a *double coincidence*, i.e. between protectionism and unequal exchange, applying notably to food items and to agricultural raw materials, - and between unequal and disparate exchange, applying notably to the exports of mineral commodities. Undoubtedly, even a discussion regarding protectionism could take us beyond the ideology of 'free trade', if the injustice of Northern direct and indirect protectionism be questioned, and if the right of Southern countries to protect their agricultural sectors be simultaneously upheld. However, much larger questions regarding the regime of 'free trade' arise, if we dare to squarely pose the issue of the coincidence of unequal and disparate exchange. Both mechanisms are at work not in spite of, but precisely because Southern countries are forced to participate in 'free trade', and since the coincidence between these mechanisms is devastating for countries in Subsaharan Africa. Thus, in theorising the coexistence of these mechanisms, the need for structural economic transformations is inevitably posed.

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(6) *ibid*, p.109;

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(8) *ibid*, p.iv;

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