The Re-emerging African Debt Crisis. Renewed IMF "Economic Medicine"

As economies face structural challenges due to continuing dependency the cost of borrowing is rising

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During the 1970s-1990s much attention was focused on the rising debt crisis in post-colonial Africa. Continental states after gaining national independence realized that there could be no genuine development while financial obligations to western-based lending institutions were rapidly escalating.

With the balkanization of the continent during colonialism, the national independence movements without political integration and economic unification faced formidable challenges in setting priorities related to social spending and sustainable planning.

Much of the instability led to a further fracturing of the political landscape which found its expression in military coups and other forms of anti-democratic practice. These seizures of power by the armed forces and the police were often prompted by economic crises engineered by the financial institutions and multi-national corporations whom were seeking to maximize their profits at the expense of the majority of workers, farmers and youth.

A Perfect Storm is Coming Soon

A recently-held Strategic Growth Forum in Johannesburg, South Africa examined these problems by presenting data on the increasing debt-to-Gross Domestic Product (GDP) ratios. This year, Africa's sovereign debt levels rose to 44 percent of GDP, a 10 percent rise from 2010 when Africa's debt-to-GDP ratio stood at 34 percent.

The Director of Africa Research at Standard Charter Bank, Razia Khan, said of the expanding debt bubble during the Forum that on the continent "African countries have had notable access to capital markets, but the build-up of public debt in recent years is troubling. To give you an example, the benchmark GDP-to-debt ratio for African countries is generally 40 percent, but you have many countries like Ghana for example who far surpass these levels."

Quartz Africa Weekly Brief covered the presentation made by Khan observing that "Until recently, Ghana was lauded as one of Africa's fastest growing economies. But the West African country has had to battle with the depreciation of the Cedi, its currency, increased power outages and low commodity prices." (November 5)

Following the patterns of previous years the same article recalls that "In April this year, the International Monetary Fund (IMF) approved a $918 million loan to help Ghana to boost economic growth and job creation," while ostensibly protecting social spending. "To help refinance some of its existing debt, the country also launched a $1.5 billion Eurobond last month. Khan predicts that the IMF will increasingly play an extended role in African economies, as many will battle with debt management strategies."

Another article published by Independent Online in South Africa pointed to both Ghana and Zambia as states which have accepted the IMF and World Bank financial prescriptions for dealing with the crisis of post-colonial states, with results today which contradict the choruses of praise by western analysts as the volume of debt in relations to GDP is growing exponentially. Zambia, a large-scale producer of copper, has suffered from the fluctuation of commodity prices which the government relies upon for its foreign exchange earnings.

According to Independent Online

> "the Zambian economy is under siege. The country is battling with a host of issues, both domestic and external. On the external front, the slow-down in the Chinese economy, emerging market risk aversion and a plunge in commodity prices have taken their toll, while internally the country is facing a power crisis, fiscal pressures and an election next year. The combination of these issues has seen the Zambian kwacha become the worst performing currency over the past year, losing more than 80 percent of its value. Zambia's situation bears similarities to those exhibited in Ghana around its 2012 election, which has raised alarm that it could be heading down the same path." (October 20)

The Crisis of Neo-Colonialism Continues From the 1960s to the Present

The IMF and the World Bank as early as the 1960s began to provide credit and consequent economic plans for the reduction of African sovereign debt. In Ghana, after the Central Intelligence Agency (CIA) backed military and police coup of February 1966, the IMF extended credit to the West African state setting the stage for the reversal of the socialist experiment enacted under the First Republic led by Dr. Kwame Nkrumah and the-then ruling Convention People's Party (CPP), which governed the country during the transition period of 1951-56 and independence between 1957-1966.

Ghana Business and Finance newsletter said of the period after the overthrow of Nkrumah that

> "A long-standing relationship has existed between Ghana and IMF dating back to 1966. From that time, successive governments have signed separate loan arrangements with the IMF. Indeed, the relationship has suffered bitter divorces and ambivalent reconciliations over the years. For instance, when in 2006 the country was exploring other financing options, it pulled out from the IMF loans arrangement. But it came back in 2009 to borrow a whopping US$602 million from the international financial institution, thus reaffirming the important role that the Fund plays in the economic life of Ghana. "(April 24, 2015)

The hardships engendered by the IMF role in the post-CPP imposed political construct in Ghana created the social conditions which resulted in yet another military coup in January 1972. Instability continued with successive military seizures of power in 1978, 1979 and 1981.

By the mid-to-late 1980s Ghana had gone further than any other African state in adopting an Economic Recovery Program (ERP) as part of an overall Structural Adjustment Program (SAP) framework that served as a blueprint for other governments on the continent. Despite the progressive and revolutionary legacy of the Nkrumah-CPP period, the country has largely remained within the orbit of the western capitalist and imperialist systems.

These developments in regard to Ghana have been evaluated from two different perspectives. There are those who say that the IMF loans have provided stability to the otherwise turbulent economic situation. On the other hand, those within the country who have suffered from the impact of the imposition of austerity say that the western-based financial institutions have strangled the ability of Ghana to determine its own future in the interest of the majority of people within society.

By the conclusion of the 1990s, significant portions of the debt had been written off and re-scheduled. Today this problem is re-emerging due to several factors including the decline in commodity prices, growing class divisions and reliance on foreign direct investment.

This financial crisis emanates from Wall Street and other centers of borrowing throughout capitalist states. Within the leading industrialized countries of the West, there has still not been a full recovery from the economic crisis of 2007-2009. Unemployment remains high and consumer spending is low due to the loss of wages and household wealth.

Consequently, the availability of credit to African states will be far more limited during the second decade of the 21st century than what prevailed in the 1980s, 1990s and the 2000s. Repressive measures by neo-colonial client states will intensify in efforts to suppress mass demonstrations and strikes which are erupting as workers and youth demand the enactment of government policies that are designed to stem the tide of currency devaluations and the imposition of austerity.

Moreover, the continuing dependency on the neo-colonial system will serve as an impediment to not only national but regional and continental integration and economic planning. These issues of course require more of a political response rather than economic.

The genuine political independence and sovereignty of African states must lead to the rejection of the conditions established by the IMF and World Bank. Such a position will place leaders and political parties on an automatic collision course with the imperialist system of international finance capital.