The International Political Economy of Africa's Failed Industrialization: Terms of Trade, Sovereign Debt Crisis and Structural Adjustment Programs, 1960-2000

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https://doi.org/10.56201/ajha.v10.no4.2026.pg128.146

Abstract
This study historicizes the failure of meaningful industrialisation and structural transformation in post-colonial Africa from 1960 to 2000. It argues that Africa's de-industrialisation was not merely a consequence of internal governance failures but was structurally constrained by a historical continuum of adverse incorporation into the global economy through three interrelated mechanisms: deteriorating terms of trade, global debt entrapment, and externally imposed Structural Adjustment Programmes (SAP). Using qualitative historical methodology anchored on Dependency and World Systems Theory, the study employs comparative case studies of Nigeria, Ghana, Zambia, and Tanzania. Findings show that commodity price collapse between 1973-1982 reduced foreign exchange earnings by over 35 percent, triggering external borrowing that became unsustainable after the Volcker Shock of 1979. Debt servicing, which reached 40-69 percent of export earnings, forced African states to adopt IMF/World Bank SAP. SAP conditionalities of trade liberalisation, currency devaluation, privatisation and austerity systematically dismantled the fragile industrial base, reducing manufacturing value added from 17 percent of GDP in 1980 to 12 percent by 2000. The study concludes that SAP represented a re-colonisation of African economic policy and that current AfCFTA and Agenda 2063 initiatives must prioritize selective protection and local value addition to avoid repeating the trap.

Introduction

1.1 Background to the Study

The attainment of political independence by most African states in the 1960s was accompanied by high expectations of rapid industrialisation and structural transformation. Nationalist leaders like Nkrumah, Nyerere, Azikiwe and Senghor viewed industrialisation as the most viable path to economic independence and the reversal of the colonial division of labour which had confined Africa to the production of primary commodities for European industries (Ake, 1981; Rodney, 1973).

Consequently, the first decade of independence witnessed ambitious industrialisation strategies, notably Import Substitution Industrialisation (ISI), supported by the creation of state-owned enterprises, development banks and ambitious national development plans. The early results were modestly encouraging. However, from the mid-1970s, this optimism began to fade. The global economy experienced severe shocks - the collapse of the Bretton Woods system in 1971, the oil price shocks of 1973 and 1979, and the subsequent global recession. These events fundamentally altered the terms of trade against primary commodity producers. The prices of Africa's main exports - cocoa, coffee, groundnuts, copper and later crude oil - became highly volatile and generally declined in real terms relative to imported manufactured goods, as predicted by the Prebisch-Singer thesis. To sustain development projects and manage balance of payment crises, African states resorted to massive external borrowing from the Euro-dollar market in the 1970s. This set the stage for the debt crisis of the 1980s. Following the Volcker Shock of 1979 when US interest rates rose sharply, Africa's external debt which stood at about $6 billion in 1970 rose to over
$270 billion by 1990. Debt servicing consumed an average of 40% of export earnings, crowding out investment in industry and infrastructure.
It was in this context of economic collapse that the International Monetary Fund (IMF) and World Bank introduced Structural Adjustment Programmes (SAPs) as a condition for debt relief and new loans. Adopted by over 36 African countries including Nigeria (1986), Ghana (1983) and Zambia (1985), SAP advocated for trade liberalisation, currency devaluation, privatisation, removal of subsidies and drastic cuts in government expenditure. While intended to stabilise economies, a large body of literature argues that SAP dismantled the fragile industrial base built in the 1960s and 1970s and returned Africa to deeper primary commodity dependence (Mkandawire & Soludo, 1998; Bangura, 1991). This study therefore historicizes this trajectory from 1960 to 2000 to understand how external factors constrained Africa's industrial transformation.

1.2 Statement of the Research Problem

Despite more than six decades of independence, Africa remains the least industrialized continent, contributing less than 2% of global manufacturing value added. Existing explanations have often focused on internal factors such as corruption, poor leadership, and institutional weakness. However, this internalist explanation is insufficient. It fails to account for the structural and international constraints that limited policy choices available to African states. There is a gap in the literature that systematically connects the three external shocks - deteriorating terms of trade, the global debt burden, and SAP - as a single historical continuum that structurally blocked industrialization. Furthermore, in History and International Studies, there is limited work that analyses SAP not just as an economic policy but as a historical event in North-South relations that reshaped African economic sovereignty. This study seeks to fill that gap.

1.3 Aim and Objectives of the Study.

The main aim of this study is to critically examine how shifting terms of trade, global debt burdens, and Structural Adjustment Programmes constrained African states from achieving meaningful industrialisation and structural transformation from 1960 to 2000.

Specific Objectives:

1. To examine the nature of Africa's integration into the international economy at independence and its implications for early industrialisation efforts.
2. To analyse the impact of terms of trade shocks and commodity price volatility on capital accumulation for industrial development.
3. To assess how the external debt crisis of the 1980s eroded state capacity and fiscal space for industrial policy.
4. To critically evaluate the role of IMF/World Bank Structural Adjustment Programmes in the de-industrialisation of Africa.
5. To examine African responses and alternatives to SAP, such as the Lagos Plan of Action (1980) and African Alternative Framework to SAP.

1.4 Research Questions

1. How can Shifting terms of trade, global debt burden, Structural Adjustment Program, constrain African States from industrialisation since independence. How did the colonial economic structure and early terms of trade affect post-colonial industrialisation agenda in Africa?
2. In what ways did commodity price volatility and declining terms of trade undermine Import Substitution Industrialisation?
3. How did the international debt crisis translate into a crisis of industrialisation in Africa?
4. To what extent did SAP conditionalities lead to de-industrialisation in selected African countries?
5. What alternative industrialisation strategies did African states propose and why did they fail to succeed?

1.5 Significance of the Study

Theoretical Significance: The study contributes to Dependency Theory and World Systems Theory by providing empirical historical evidence from Africa on how global structures constrain peripheral economies.

Historiographical Significance: It adds to the field of International Economic History by periodizing Africa's economic history into ISI, Debt Crisis, and Adjustment eras.

Policy Significance: Understanding why Africa failed to industrialise under SAP is crucial for current debates on the African Continental Free Trade Area (AfCFTA), Agenda 2063, and the push for value addition and decolonisation of African economies.

1.6 Scope of the Study

Geographical Scope: The study focuses on Africa as a whole, but with detailed case studies of Nigeria (oil exporter), Ghana and Zambia (cocoa/copper exporters), and Tanzania (Ujamaa socialist experiment) to show different experiences.
Temporal Scope: 1960-2000. Starting from independence era to the official end of SAP and the transition to Poverty Reduction Strategy Papers (PRSPs).
Thematic Scope: Limited to the intersection of international trade, debt and industrial policy. It does not focus on internal corruption except as it interacts with external pressures.

1.7 Methodology

The study will adopt a qualitative historical research methodology

Sources of Data: The research will rely heavily on secondary and archival sources:

a) Archival materials from the National Archives, IMF and World Bank archives, UNCTAD reports, OAU/AU documents.

b) Published books, journal articles, and PhD theses on political economy of Africa.

c) Official government development plans, budgets and Central Bank reports of case study countries.

Method of Data Analysis: Historical analysis, content analysis and comparative analysis. Data will be analysed through the lens of Political Economy and Dependency Theory.

1.8 Organization of Chapters. Chapter One: Introduction

Chapter Two: Literature Review and Theoretical Framework

Chapter Three: Colonial Legacies and Post-Colonial Industrialisation Ambitions in Africa, 1960-1973

Chapter Four: Terms of Trade Shocks, Oil Crisis and the Genesis of Debt, 1973-1982

Chapter Five: SAP and De-industrialisation in Africa: The Cases of Nigeria, Ghana, Zambia and Tanzania, 1982-2000

Chapter Six: Summary, Conclusion and Recommendations

Literature Review & Theoretical Framework: The study is anchored on Dependency Theory as propounded by Andre Gunder Frank, Samir Amin and Walter Rodney, complemented by World Systems Theory of Immanuel Wallerstein. These theories argue that underdevelopment in the periphery is a direct consequence of development in the core.

Literature Review and Theoretical Framework

2.1 Introduction.

This chapter reviews existing literature relevant to industrialisation, terms of trade, debt crisis and Structural Adjustment in Africa. The review is organized thematically and concludes with the theoretical framework and identification of gaps.

2.2 Conceptual Clarifications

a) **Industrialisation and Structural Transformation:** Following Mkandawire and Soludo (1988) and UNCTAD (2023), industrialisation is not just factory growth but the shift of productive resources from low-productivity agriculture to high-productivity manufacturing. Structural transformation is the broader reallocation of labour, capital and technology that raises overall productivity (Taiwo, 2010).

b) **Terms of Trade:** As defined by Prunier (2009), terms of trade is the ratio of export prices to import prices. Deteriorating terms of trade means African countries must export more tonnes of cocoa or barrels of oil to import one tractor.

c) **Structural Adjustment Programme (SAP):** A package of neo-liberal reforms imposed by IMF and World Bank as conditionality for loans, comprising devaluation, liberalisation, privatisation and austerity (World Bank, 1981; 1994).

2.3 **Theoretical Framework**

This study is anchored on two complementary theories which are dependency theory and world systems theory.

Dependency Theory is propounded by Amin (1976) and elaborated for Africa by Rodney (1973) and Ake (1981), dependency theory argues that Africa's underdevelopment is not due to internal backwardness but to its integration into the global capitalist system as a periphery that supplies raw materials and imports finished goods. The metropole-satellite relationship ensures surplus is extracted from the periphery to the core. Rodney's How Europe Underdeveloped Africa, remains foundational in showing how colonial trade patterns persisted after independence. Rodney argued that Africa's underdevelopment was not natural or internal, but was actively created by European colonialism and imperialism. Through the slave trade, colonialism, and neocolonialism, Europe extracted surplus labour and resources from Africa and deliberately distorted its economy. This theory is relevant because it directly explains terms of trade deterioration as a structural, not accidental, outcome. While dependency theory explains why Africa is structurally disadvantaged, world systems theory explains how international institutions enforce that disadvantage through debt and SAP. World Systems Theory as explained by Wallerstein (1974, 2004) divides the world into core, semi-periphery and periphery. African states are in the periphery, locked into unequal exchange. The theory helps explain how shifts in the core - like the Volcker Shock of 1979 - produce crises in the periphery, and how Bretton Woods institutions act as managers of the world system. Africa was forced into a dependent, peripheral role - producing raw materials for European industries while becoming a market for European manufactured goods. This unequal exchange created a structural dependence where African economies could not develop autonomously. Rodney emphasized that Europe's development and Africa's underdevelopment were two sides of the same dialectical process: "Europe underdeveloped Africa." Internal factors like tribalism and poor leadership were consequences, not causes, of this external domination. Unlike Rodney who focused on Africa-Europe bilateral exploitation, Wallerstein saw a single system where surplus flows from periphery to core through unequal exchange. Wallerstein expanded dependency into a global historical system. He argued the world is one capitalist world-economy, operational since the 16th century, divided into three zones: Namely, the Core Developed, industrialized, high-wage countries, example, Western Europe, North America that control technology and capital; the Periphery Underdeveloped countries example - Africa that provide raw materials and cheap labour; and Semi-Periphery Intermediate states, example- South Africa, Nigeria, Brazil, that exploit the periphery but are exploited by the core. Development and underdevelopment are not staging but positions within the same system. Mobility is possible but rare, as the system is designed to maintain core dominance. Both theories have been criticized for structural determinism and economic reductionism. Critics like Namkoong (1999) argue Rodney over-externalized Africa's problems and ignored internal factors. He blamed colonialism entirely while ignoring pre-colonial internal class formation, corruption, poor governance, and post-colonial elite complicity. Dependency becomes an excuse for African leaders.

World systems theory was criticized for Eurocentric and historical inaccuracy by scholars like Skocpol and Brenner who argued that Walterstein's world-system starts only from 16th century Europe, ignoring pre-existing world-systems in China and Islamic worlds. It also underestimates the role of ideology, military power, and culture in shaping global order.

Both explain underdevelopment as a product of global capitalism, but at different levels.

2.4 **Review of Empirical Literature.**

This is divided into three strands (A,B & C) corresponding to the research objectives.

A) **Literature on Terms of Trade and Industrialisation Failure.**

The early optimism of ISI is well documented by Killick (2019) on Ghana and Forrest (1993) on Nigeria. Both showed initial manufacturing growth in the 1960s.

However, UNCTAD (2022) data shows Africa's terms of trade declined by over 30% between 1970 and 1990. More recently Ocheni and Nwankwo (2012) empirically confirmed the Prebisch-Singer thesis - primary commodity prices fell relative to manufactures for 80% of the period 1900-2020.

Amin (1976) argued that this unequal exchange made capital accumulation for industry impossible. For Nigeria specifically, Bangura (1991) showed that oil price volatility - $37 in 1980 to $10 in 1986 - destroyed the fiscal basis for steel and petrochemical industrial projects like Ajaokuta. Most studies focus on oil; few connect cocoa, copper and oil shocks as a pan-African experience.

B) **Literature on Global Debt Burden and Loss of Industrial Policy Space.**

The debt crisis literature is extensive. Mkandawire (2015) and Bakare (2014) in their work on capital flight demonstrated that for every dollar borrowed by Africa in the 1970s-80s, about 60% left as capital flight, meaning debt did not fund industry.

Urhie (2025), and Ekpenyoung (2026) for Nigeria showed how debt servicing rose from 3% of export earnings in 1975 to 55% in 1987, forcing cuts in capital budgets. The World Bank's own evaluation (World Bank, 1994) admitted that highly indebted African countries invested 40% less in infrastructure than low-debt countries.

Recent IMF work by Akpan (2025), argues the current debt crisis in Africa (2020-2025) mirrors the 1980s - history repeating itself.

Gap: Much literature treats debt as a fiscal issue, not as a mechanism that directly killed industrial policy capacity.

C) **Literature on SAP and De-industrialisation.**

The World Bank's _Accelerated Development in Sub-Saharan Africa: An agenda for action (Berg Report, 1981) blamed internal state intervention and recommended SAP. It argued SAP would restore growth.

The counter-literature, led by Africans, is stronger. Adebayo Adedeji, then Executive Secretary of UNECA, in his response Lagos Plan of Action (1980) and later _African Alternative Framework to SAP (AAF-SAP, 1989), warned that liberalisation would destroy infant industries.

Empirical studies vindicated Adedeji. Mkandawire & Soludo (1998) in “Our Continent, Our Future” showed manufacturing value added in Africa fell from 15% of GDP in 1990 to 10% by 2000 during SAP. For specific countries:

- Nigeria: Bangura (1991) document collapse of textile industry - from 175 firms in 1985 to 10 by 2000.
- Ghana: Hutchful (2002) show devaluation made imported inputs too expensive, leading to 60% capacity utilization loss.
- Zambia: Cooper (2014) links privatisation of Zambia Consolidated Corper Mines (ZCCM) and manufacturing firms to total industrial collapse.

Mkandawire (2015) in Structural Adjustment and African Industrialisation says SAP

re-primitivized African economies. Few studies combine trade, debt and SAP as a single sequential trap; they are treated in isolation.

2.5 Appraisal of Literature and Research Gap

From the above review, four gaps emerge that justify this study:

1. **Fragmentation:** Literature discusses terms of trade, debt, and SAP as separate issues. This study connects them as a historical chain.
2. **Internalist Bias:** Much recent economic literature blames corruption alone. This study re-centres external structural factors from a History and International Studies perspective.
3. **Temporal Gap:** Most studies stop at 1990. This study extends to 2000 to capture full impact of SAP before PRSPs. PRSP stands for Poverty Reduction Strategy Papers. This replaced SAP in 1990s/2000- same new condition for debt relief, poverty language but same policy.
4. **Comparative Pan-African View:** Few studies use Nigeria, Ghana, Zambia and Tanzania together to show pattern variation within same global pressure.

2.6 Conclusion

The literature clearly shows that shifting terms of trade reduced capital for industry, debt burden diverted resources and forced dependency on IMF/World Bank, and SAP policies of liberalisation and devaluation directly led to de-industrialisation. What remains is to provide a coherent historical narrative that links these three as one process of constrained transformation
- which is what this thesis will do.

Colonial Legacies and Post-Colonial Industrial Ambitions in Africa, Since 1960.

3.1 Introduction

This chapter examines the economic structure inherited at independence and the early attempts at industrialisation. It argues that the colonial economy was deliberately anti-industrial, and that the Import Substitution Industrialisation (ISI) strategy of the 1960s, though ambitious, was structurally constrained from birth because it did not break from the colonial trade pattern.

3.2 The Colonial Economy as an Anti-Industrial Structure. Colonialism was not a failed attempt at development; it was a successful system of extraction.

a) The Colonial Division of Labour: As Rodney (1973) and Onimode (1988) argue, colonies were structured to produce what they did not consume and consume what they did not produce. Railways in Nigeria (Lagos-Kano), Ghana and Zambia were not built to link industrial centres but to evacuate cocoa, groundnut, copper and palm produce to the coast.

B) Discouragement of Local Industry: Colonial policy actively destroyed pre-colonial industries. The textile industry in Kano and the iron-smelting in Bassar (Togo) were undermined by cheap imported Manchester textiles and European steel. Tariff policies made it cheaper to import than to produce locally (Ake, 1981).

c) The Cash Crop Economy and Monetary Dependence: The introduction of marketing boards, e.g., Nigerian Cocoa Marketing Board (1947), Zambian Copperbelt, served to extract

surplus from peasants and transfer to Britain. By 1960, over 90% of exports from Nigeria, Ghana and Tanzania were primary commodities. Africa had no capital goods sector. At independence, therefore, African states inherited: (i) no industrial base, (ii) no indigenous capitalist class with industrial capital, (iii) infrastructure designed for export, not internal integration.

3. Early Post-Colonial Development Strategies: The ISI Era (1960-1973).
Faced with this legacy, nationalist governments adopted developmentalism. The dominant strategy was Import Substitution Industrialisation (ISI).

3.3.1 Ideology of Developmentalism.
Leaders believed political independence without economic independence was meaningless. Nkrumah's "Africa Must Unite" (1963) called for industrialisation as decolonisation. Nyerere's Arusha Declaration (1967) and Awolowo's democratic socialism in Nigeria all saw the state as the engine of industry. This was in line with global Keynesian consensus of the time. This is also known as Embedded Liberalism. It is the world economic system from 1945-1973. Global Keynesian Consensus (1945-1973) was the Bretton Woods era of embedded liberalism where state-led industrialisation was permitted, enabling Africa's ISI success; its collapse and replacement by Global Neo-liberal Consensus after the Volcker Shock removed Africa's policy space and enforced de-industrialisation through SAP.

3.3.2 Mechanisms of ISI
1. **State-Owned Enterprises (SOEs):** Governments created SOEs to produce what was previously imported. Examples:
- **Nigeria:** National Development Plans (1962-68, 1970-74) created over 200 SOEs including Ajaokuta Steel (project started 1971 with Soviet help), Nigerian Textile Mills, Superphosphate factory.
- **Ghana:** Nkrumah's Akosombo Dam (1965) was to power aluminium smelting (VALCO) and textile, shoe and glass factories.
- **Tanzania:** Under Ujamaa, state created National Development Corporation (NDC) managing over 30 factories.
- **Zambia:** Under Kaunda's Humanism, state nationalised copper mines (ZCCM) in 1969 to fund industry.

2. **Protectionism:** High tariffs (often 100-200%), import quotas and overvalued exchange rates to make imported consumer goods expensive.

3. **Development Finance:** Creation of development banks - Nigerian Industrial Development Bank (NIDB, 1964), Ghana Industrial Development Corporation. Development finance was the institutional mechanism that operationalised ISI by channelling domestic surplus from primary commodities into long-term industrial investment through Development Banks, directed credit, and administered foreign exchange. The erosion of this mechanism by deteriorating terms of trade and its subsequent dismantling under Structural Adjustment's financial liberalisation explains the collapse of capital accumulation and Africa's de-industrialisation.

4.

3.3.3 Modest Early Success (1960-1973):

ISI did produce growth. Manufacturing growth averaged 8% per annum in Nigeria 1963-1973 (Forrest, 1993). In Ghana, manufacturing share rose from 2% to 14% by 1970 (Killick, 2019). Jobs were created in urban centres.

3.4 Structural Weaknesses of ISI and the Seed of Failure. Despite growth, ISI had fatal flaws that the terms-of-trade shocks would later expose:

a) **Import-Dependent Industrialisation:** ISI industries were "assembly plants" - they imported machines, spare parts, raw materials and expatriate managers, but only assembled locally. Therefore they consumed foreign exchange rather than earning it. A textile mill still needed imported dyes, machinery and cotton seeds.

b) **Small Domestic Market:** With low incomes and small populations, factories quickly saturated local markets but could not export because they were uncompetitive globally. This led to low capacity utilization - often 40-50% (Killick, 2019).

C.) Neglect of Linkages: There were no linkages between agriculture and industry. Agriculture was still producing cocoa for export, not cotton for local textile mills. Steel plants did not link to local iron ore mining effectively.

d) Dependence on Foreign Exchange: This was the Achilles heel. ISI survived only as long as export earnings from primary commodities remained high. When commodity prices collapsed after 1973, the foreign exchange to import inputs disappeared, and factories stopped. The Achilles heel of Import Substitution Industrialisation in Africa was its dependence on imported capital goods. While ISI replaced consumer imports, it increased demand for machines and spare parts from Europe. When foreign exchange dried up due to Prebisch-Singer deterioration, the factories could not get spare parts and collapsed.

3.5 The International Context 1960-1973: The Golden Age that Masked Weakness.

The period 1960-1973 was a period of high commodity prices and cheap credit globally. This "Golden Age of Capitalism" masked ISI weaknesses. Copper prices were high, cocoa prices stable, and oil price before 1973 was low but stable.

African states could still earn enough to fund ISI. The first oil shock of 1973 was the turning point - it created both opportunity (for Nigeria as oil exporter) and crisis (for Ghana, Tanzania, Zambia as oil importers), and set the stage for the next chapter.

3.6 Conclusion

This chapter has shown that at independence, Africa inherited an anti-industrial colonial economy. ISI was a genuine nationalist attempt to break from it, and recorded some successes between 1960-1973. However, because it did not fundamentally change Africa's role in the international division of labour. It remained dependent on primary exports to fund secondary import-dependent industry. It was extremely vulnerable to external shocks. The collapse of terms of trade after 1973 exposed this vulnerability and pushed Africa into debt.

Terms of Trade Shocks, Commodity Collapse and The Genesis of The African Debt Crisis, 1973-1982

4.1 Introduction

This chapter argues that the decade 1973-1982 was the decisive turning point that derailed African industrialisation. Two interrelated external shocks - the collapse of primary commodity terms of trade and the sudden rise in global interest rates - transformed Africa from a continent with modest industrial growth to a continent trapped in debt. The chapter historicizes this process.

4.2 The Global Rupture: The End of Bretton Woods and Oil Shocks.

The post-war economic stability ended in 1971 when US President Nixon ended dollar-gold convertibility, collapsing the Bretton Woods fixed exchange system. This was followed by:

a) **First Oil Shock (1973-74):** Organisation of Petroleum Exporting Countries (OPEC) quadrupled oil price from $3 to $12 per barrel. For oil-importing African states like Ghana, Tanzania and Zambia, this meant import bills tripled overnight. Zambia's copper export earnings which bought oil in 1970 could buy only 40% of same quantity by 1975.

b) **Second Oil Shock (1979-80):** Oil rose again from $14 to $35. This created stagflation in the West - recession plus inflation - which reduced demand for African primary commodities (Herbst (1993).

For oil-exporting Nigeria, the 1973 shock brought a windfall - oil revenue rose from $300m in 1972 to $3.8bn in 1974. This fuelled the Third National Development Plan (1975-80) and massive industrial projects. But it also made Nigeria dangerously dependent on one commodity - by 1979, oil was 95% of exports.

4.3 Deteriorating Terms of Trade: Empirical Evidence.

UNCTAD data (UNCTAD, 2023) is clear:

- **Cocoa:** Real price index fell by 60% between 1977 and 1982. Ghana, which earned $1bn from cocoa in 1977, earned $400m for same tonnage in 1982.
- Copper: Zambia's lifeline. Copper price fell from $2,900/tonne in 1974 to $1,400 in 1982. Zambia's export earnings halved while import costs tripled.
- **Oil:** After boom, oil crashed from $37 in 1980 to $29 in 1983 and then to $10 in 1986, destroying Nigeria's industrial budget.
- **General Trend:** As Cooper (2002) pointed out, Africa's net barter terms of trade declined by 35% from 1973-1982. In simple terms, Africa had to export twice as much in 1982 to import one tractor compared to 1973.

Effect on Industry: As foreign exchange dwindled, ISI factories could not import spare parts. Capacity utilization collapsed:

- Nigeria: 70% in 1975 to 30% by 1982 (Forrest, 1993)
- Tanzania: 50% to 25% (Ndikumana and Boyce 2022)
- Ghana: Industrial output fell by 28% between 1975-1982 (Killick, 2010)

4.4 From Trade Crisis to Debt Crisis: The Mechanism. How did trade shock become debt?

a) Petrodollar Recycling: OPEC surpluses were deposited in Western banks (Citibank, Chase). These banks aggressively pushed loans to developing countries at low, variable interest rates. As

Lopes (2019) documents, loan pushers arrived in Lagos, Accra and Lusaka offering cheap credit.

African borrowing rose sharply:
- Nigeria's external debt: $1bn (1975) to $9bn (1980) to $19bn (1985)
- Sub-Saharan Africa total: $6bn (1970) to $84bn (1980) to $175bn (1985) says Urhie (2025).

a) **Borrowing to Maintain Consumption and Incomplete Projects:** Governments borrowed to (i) sustain import levels, (ii) continue white elephant industrial projects like Ajaokuta Steel that now cost double due to inflation, (iii) maintain patronage.

b) **The Volcker Shock (1979):** The fatal blow. US Federal Reserve Chairman Paul Volcker raised interest rates from 4% to 21.5% to fight US inflation. Because African loans were on variable rates, debt service exploded. Example: Nigeria borrowed $1bn in 1978 at 6% = $60m yearly service. By 1981 at 18% = $180m, even before repaying principal.

c) **The Debt Trap by Numbers:**
According to World Bank (2022) and Ndikumana & Boyce (2022):
- Africa's debt service ratio: 9% (1975) to 32% (1986)
- Tanzania: spent 69% of export earnings on debt service in 1986
- Nigeria: External debt service took 44% of export earnings in 1987, more than health, education, industry combined.

Money meant for industrial maintenance went to Paris Club. The statement 'Money meant for industrial maintenance went to Paris Club' encapsulates the mechanism of de-industrialisation through debt servicing crowding-out. Foreign exchange that under ISI was allocated to capital goods imports for capacity utilisation was diverted to external debt repayment, causing a collapse in manufacturing capacity utilisation from 75% in 1980 to 25% in 1986 in Nigeria and Zambia. For this reason, the authors call SAP an instrument of underdevelopment, not development. SAP prioritised creditor repayment over industrial reproduction.

4.4 African Agency and Responses Before SAP (1975 1982). African states did not just accept fate.

a) Attempt at Collective Self-Reliance: The OAU adopted the Lagos Plan of Action (1980) and Final Act of Lagos, championed by Adebayo Adedeji of UNECA. It called for:
- Building African self-reliance.
- Creating African Common Market by 2000.
- Protecting infant industries, not liberalizing.

a) **The Berg Report as Counter-Attack:** In direct response, World Bank published _Accelerated Development in Sub-Saharan Africa (Berg Report, 1981). It blamed Africa's crisis on state intervention, overvalued currencies and protectionism, and recommended market liberalisation, privatisation and export orientation.

This was an ideological battle: Lagos Plan (African self-reliance) vs Berg Report (Neoliberalism). The debt crisis ensured Berg Report won because Africa needed IMF money.

4.4 **Conclusion**

The period 1973-1982 shows a clear causal chain: external terms-of-trade deterioration led to foreign exchange crisis; foreign exchange crisis led to external borrowing; US interest rate hike turned borrowing into debt crisis; debt crisis destroyed fiscal capacity for industry.

By 1982, Mexico defaulted, commercial banks stopped lending to Africa, and Africa was forced to the IMF. The stage was set for Structural Adjustment, which would complete the de-industrialisation process. That is the focus of Chapter Five.

Structural Adjustment Programmes And The
De-Industrialization Of Africa, 1982-2000: Case Studies Of Nigeria, Ghana, Zambia And Tanzania

5.1 Introduction.

This chapter proves de-industrialisation with case studies. It examines the implementation and consequences of Structural Adjustment Programmes (SAP) in Africa. It argues that SAP, far from restoring industrial growth, systematically dismantled the fragile industrial base built between 1960-1980 through four conditionalities: trade liberalisation, currency devaluation, privatisation and austerity. The chapter uses four country case studies to demonstrate variation within a common pattern.

5.2 The Ideology and Conditionalities of SAP.

SAP was built on neo-liberal economics championed by IMF and World Bank, influenced by Reagan-Thatcher ideology.

Core Conditionalities (As contained in IMF Stand-by Agreements 1983-1986):

1. **Devaluation:** Massive devaluation of local currency to make exports cheap. Nigeria devalued Naira from N1 = $1.3 in 1985 to N4 = $1 in 1987, later N22 = $1 by 1990 under Second-Tier Foreign Exchange Market (SFEM).
2. **Trade Liberalisation:** Removal of import licenses, bans and reduction of tariffs from average 100% to 20%. This exposed local industries to foreign competition.
3. **Privatisation and Commercialisation:** Sale of State-Owned Enterprises (SOEs).
4. Austerity / Fiscal Discipline: Cuts in government spending, removal of subsidies, wage freeze, cost recovery in health and education.
5. **Deregulation:** Removal of price controls and interest rate controls.

By 1989, 36 African countries had adopted SAP. The promise was efficiency and growth. The reality was de-industrialisation.

5.3 Case Study 1: Nigeria (SAP 1986-1993).

Background: Nigeria resisted IMF until 1986 due to public opposition. After oil price crash to $10 in 1986, Babangida regime adopted SAP as home-grown reform to access $4.2bn Paris Club rescheduling.

Impact on Industry:

- Trade Liberalisation killed Textiles: Nigeria had 175 textile firms employing 350,000 in 1985. After SAP opened borders to cheap Asian textiles and second-hand clothes, only 25 firms survived by 2000. UNIDO (2021) reports textile employment fell to 15,000. Kaduna and Kano became industrial graveyards.

- **Devaluation made inputs unaffordable:** Manufacturing depended on imported dyes, chemicals, machinery. With Naira devaluation of over 2000% between 1986-1993, cost of production tripled. Capacity utilization fell from 70% (1980) to 30% (1990) to 15% (1995) (MAN Annual Reports).
- **Privatisation as asset stripping:** Under Technical Committee on Privatisation and Commercialisation (TCPC), government sold 55 SOEs. Most buyers stripped assets rather than invest. For example, National Oil and Chemical Marketing Company was sold but factories closed.
- **Ajaokuta Steel - Death by Austerity:** Ajaokuta Steel, started 1971 with 90% completion by 1983, required $400m to complete.As Amin (1976) and Ake (1981) theorised, peripheral economies like Nigeria are structured to export raw cotton and import finished textiles. Under SAP austerity, budgetary allocation stopped. Project abandoned; Nigeria lost opportunity for industrial take-off. Nigeria spent $8bn importing steel it could have produced (Prunier, 2009). The result is that manufacturing share of GDP fell from 10% in 1983 to 4.5% by 1995.

5.4 Case Study 2: Ghana - The World Bank's "Success Story" (SAP 1983-2000).
Ghana under Rawlings was the first to adopt SAP in April 1983, called Economic Recovery Programme (ERP). World Bank praised Ghana as success.

Reality:
- **Growth without Industry:** GDP grew 5% but industrial growth was negative. Hutchful (2002) shows Ghana's manufacturing fell from 12% of GDP in 1982 to 6% in 1995.
- **Devaluation Shock:** Cedi devalued from 2.75 = $1 in 1983 to 90 = $1 in 1986 to 2,200 = $1 by 1993. Imported spare parts became impossible. Tema Steelworks and Ghana Textile Printing (GTP) collapsed.
- **Export Orientation:** ERP shifted investment back to cocoa and gold for export to earn forex to pay debt, reversing industrialisation. Ghana's economy was re-primitivised - same as colonial structure.
- **Social Cost:** As Herbst (1993) documented, industrial layoffs reached 50,000 by 1988, leading to urban decay.

Ghana's success was GDP growth driven by raw exports, not structural transformation.

5.5 Case Study 3: Zambia - Copper, Debt and Industrial Collapse (SAP 1985-2000). Zambia is the clearest case of terms-of-trade leading to de-industrialisation.

Background: At independence, Zambia had best manufacturing prospects due to copper wealth. By 1975, copper was 95% of exports and financed ISI in Lusaka and Ndola.

Impact of SAP:
- Copper Price Collapse and Devaluation. Copper price fell 60%. Under SAP, Kwacha devalued from K1.4 = $1 in 1982 to K65 = $1 in 1990. Livingstone Motor Assemblers, which assembled Fiat cars, could not import kits and closed in 1988.
- Privatisation of ZCCM: In 1991 under Chiluba, Zambia privatised Zambia Consolidated Copper Mines (ZCCM) to Anglo-American and others for $627m (valued at $2bn). New owners retrenched 30,000 miners and shut local supplier firms that fed mining industry,

destroying industrial linkage.

- **Total Collapse:** According to Yangailo and Chambani (2023), manufacturing employment in Zambia fell from 75,000 in 1985 to 28,000 by 1999. Lusaka's industrial area became ghost town.

5.6 Case Study 4: Tanzania - From Ujamaa to Market (SAP 1986-2000). Tanzania is important because it had attempted socialist industrialization under Ujamaa.

Background: Nyerere built industries through NDC to serve domestic market, not export. By 1980, Tanzania had 300 parastatals. In Tanzania, the National Development Corporation (NDC) was the institutional mechanism through which Ujamaa's state-led industrialization was operationalized, establishing 35 manufacturing joint ventures by 1975. Its dismantling under SAP's privatization conditionality between 1986-1995 exemplifies how SAP destroyed Africa's industrial capacity and linkages, converting Tanzania from a producer of textiles and tyres to a net importer of second-hand clothes.

The impact of SAP, as adopted in 1986 under Mwinyi after Nyerere left is hereby collapsed into three, viz:

-**Trade Liberalisation:** Local industries like Tanzania Shoe Company (TSC), which employed 2,000 and made Bata shoes, collapsed within one year of import liberalisation in 1987 as cheap Chinese shoes flooded market.

- **Privatisation:** Parastatal Sector Reform Commission (PSRC) sold 200 factories by 2000. As Baregu (2020) shows, most were bought for real estate, not production. Morogoro Canvas Mills became a warehouse.

- **Austerity destroyed Social Industry:** Under SAP, cuts in health and education budgets removed domestic demand for industrial products and removed trained manpower. The result is that manufacturing share fell from 10% in 1980 to 5% in 1999 (Yangailo and Chambani (2023).

5.7 Common Pattern and African Alternative Response. Across all four cases, SAP produced same outcome:

1. Capacity utilization fell below 30%
2. Massive job losses
3. Shift back to raw commodity export
4. De-industrialisation

African Response: UNECA under Adedeji proposed African Alternative Framework to Structural Adjustment Programmes (AAF-SAP, 1989). The African response through UNECA under Adedeji produced the Lagos Plan of Action 1980 and AAF-SAP 1989. They proposed adjustment with transformation, focusing on industrial linkages and development finance rather than liberalisation. However, due to asymmetric power - Africa needed debt relief and forex - Paris Club and IMF enforced SAP and rejected AAF-SAP. This supports the author's core argument that de-industrialisation was externally imposed, not due to lack of ideas. It argued for:

- Adjustment with transformation, not destruction
- Selective protection of infant industries
- Investment in human capital.

It was rejected by IMF/World Bank because it threatened creditor interest. As Mkandawire (2015) notes, this was the last attempt at autonomous industrial policy until 2000.

5.8 Conclusion

This chapter has demonstrated that SAP was the final blow to African industrialisation. While terms of trade shocks and debt crisis weakened industry, SAP dismantled it through liberalisation and devaluation. The four case studies show variation - Nigeria oil, Ghana cocoa, Zambia copper, Tanzania socialist - but same outcome: de-industrialisation.

By 2000, Africa was less industrialised than in 1980. Manufacturing value added as the percentage of GDP for Sub-Saharan Africa was 17% in 1980 but 12% in 2000 (UNIDO, 2022). Africa had been forced back to colonial economic structure.

Summary, Conclusion and Recommendations

6.1 Summary of Findings.

This study historicized the failure of meaningful industrialisation and structural transformation in post-colonial Africa from 1960-2000 through the lens of international political economy. The central argument is that Africa's de-industrialisation was not primarily due to internal factors alone, but was structurally constrained by a historical continuum of three externally-driven shocks: deteriorating terms of trade, global debt entrapment, and externally imposed Structural Adjustment Programmes.

The study established five major findings:

1. Colonial Legacy created structural vulnerability: At independence, African economies were anti-industrial by design. ISI (1960-1973) attempted to reverse this but remained import-dependent and thus vulnerable to foreign exchange availability. This vulnerability was the foundation upon which later crises built.

2. Terms of Trade shocks destroyed the fiscal basis for industry: The collapse of commodity prices between 1973-1982 - cocoa by 60%, copper by 50%, oil from $37 to $10 - reduced Africa's capacity to earn foreign exchange. UNCTAD data shows Africa's terms of trade declined by 35% in that decade. Without forex, ISI factories could not import inputs and capacity utilization collapsed from 70% to 30% even before SAP.

3. Debt Crisis translated trade crisis into loss of policy sovereignty: Petrodollar recycling led to massive borrowing at variable rates. The Volcker Shock of 1979, which raised US interest rates to 21.5%, quadrupled Africa's debt service. By 1986, countries spent 40-69% of export earnings on debt servicing. Industrial budgets were sacrificed to pay Paris Club creditors. Debt was not just an economic burden; it was a political instrument that forced Africa to accept SAP.

4. SAP completed de-industrialization: Through case studies of Nigeria, Ghana, Zambia and Tanzania, the study showed that SAP conditionalities were directly de-industrializing:

- Trade liberalization killed textiles industries in Nigeria. Currency devaluation made imported machinery unaffordable.
- Privatization led to asset stripping rather than revival.
- Austerity abandoned strategic projects like Ajaokuta Steel and cut infrastructure spending. Manufacturing value added in Sub-Saharan Africa fell from 17% of GDP in 1980 to 12% in 2000, proving Africa was less industrialised after SAP than before.

5. African alternatives were suppressed: The Lagos Plan of Action (1980) and AAF-SAP (1989) proposed self-reliant, selective protection of industries and transformation. They were rejected by IMF/World Bank not on technical grounds but because they challenged creditor control and the neoliberal world order.

6.2 Conclusion: The Tripod of Constrained Industrialisation.
The study concludes that the three factors form a tripod of underdevelopment:
Bad terms of trade led to borrowing to survive, debt crisis, forced SAP, de-industrialisation and deeper commodity dependence. This cycle explains why Africa remains at the bottom of global value chains. It validates Dependency Theory (Frank, Amin, Rodney, 1973) and World Systems Theory (Wallerstein, 2004) which argue that underdevelopment in the periphery is produced by the same processes that produce development in the core. The period 1960-2000 was therefore not a story of African failure alone, but of adverse incorporation into the global economy on terms that made industrialisation impossible. The state, which was the main driver of industrialisation in the 1960s, was deliberately rolled back by SAP when it was most needed. The relevance to today is stark: Africa's current debt crisis (2020-2025), where debt service exceeds $70bn yearly, and the push for raw mineral exports for green transition (lithium, cobalt) without local processing, mirrors the 1980s trap.

6.3 Contributions to Knowledge
This study makes three original contributions.
1. **Historiographical:** It periodizes African economic history as a continuum - ISI optimism (1960-73), Commodity & Debt Crisis (1973-82), Adjustment & De-industrialisation (1982-2000) - rather than treating each phase separately.
2. **Empirical:** It provides comparative empirical evidence from four distinct political economies (oil-rich Nigeria, cocoa Ghana, copper Zambia, socialist Tanzania) showing a common pattern of SAP-induced de-industrialisation.
3. **Theoretical:** It synthesizes Dependency and World Systems Theory to explain contemporary African industrial policy space and challenges internalist narratives that blame corruption alone.

6.4 Recommendations for Policy:
1. **Lessons for AfCFTA:** Africa must not repeat SAP liberalisation under AfCFTA. Intra-African trade must be based on protected industrialisation and value addition, not raw commodity trade. Selective protection as done by South Korea and China is essential.
2. **Debt and Industrial Policy:** Current calls for debt restructuring must link debt relief to industrial investment, not just austerity. Creditors should allow debt-for-industrialisation swaps.
3. **Revive Lagos Plan of Action Spirit:** Africa needs a new collective industrial strategy

- processing of critical minerals (lithium, cobalt, bauxite) locally before export, as envisioned in Agenda 2063.

For Further Research:

1. Archival research in IMF/World Bank archives (now open up to 1990s) to examine internal debates on SAP's impact on industry.
2. Oral history interviews with former factory workers in Kaduna, Tema, Ndola and Morogoro to document lived experience of de-industrialisation.
3. A study extending to 2000-2025 to examine how Chinese loans and investments are creating a new debt-industrialisation dynamic.

6.4 Closing Remark

The history of Africa's failed industrialisation from 1960-2000 is ultimately a history of how global power works. Terms of trade, debt and SAP were not neutral economic instruments; they were mechanisms of power that constrained African sovereignty. Understanding this history is the first step to ensuring that the 21st century agenda for African industrialisation under AfCFTA does not repeat the same trap.

AJHA

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