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Africa

## Economy

African countries vary considerably in size, levels of economic development, rates of economic growth, economic development policies, and amounts of international trade. This variation is a result of unequal distribution of natural resources, variation in political and economic systems, colonialism, and various other historical factors in countries across the continent.

Economic development in Africa can be measured by the *gross domestic product* (GDP). GDP is the value of all goods and services produced in a country. There are different methods of measuring GDP. One method expresses the total value of a country's economic activities in terms of a foreign currency exchange rate. Another method is based on the actual cost of goods and services in a country. Using this method, Africa's total annual GDP in 2002 was about \$1.75 trillion, compared to about \$10.4 trillion for the United States. South Africa has Africa's largest economy, followed by Egypt, Algeria, Nigeria, and Morocco.

African countries vary considerably in annual *per capita* (per person) income. The *per capita* income of a country is determined by dividing the total income of all people by the population. In the early 2000's, the average annual *per capita* income in Africa was about \$650. At that time, more than 30 African countries had annual *per capita* incomes of less than \$500.



Picture

Picking cotton in the Nile River Valley

**Agriculture.** Production of agricultural crops and livestock employs more workers than any other economic activity in Africa. The countries with the largest areas of land under cultivation include Egypt, Ethiopia, Nigeria, South Africa, and Sudan.

African crop production is divided between *staple food crops* and *export crops*. Staple food crops produced in Africa include such grains as corn, millet, rice, sorghum, and wheat. Important root crops include cassava, potatoes, and yams. Other important staple crops include various *legumes* (peas, peanuts, and beans), fruits, and vegetables. Africa's leading export crops include cacao (cocoa), coffee, cotton, kola nuts, palm oil, sugar, tea, and tobacco.



Map

Agriculture and fishing in Africa

Most staple crops in Africa are produced for local consumption by farmers working on family-owned or family-rented farms. There are also large plantations owned by companies, wealthy individuals, or governments. These plantations are usually used for production of export crops, such as palm oil and cocoa.

Different crops are grown in various regions of Africa depending on the environmental conditions and historical preferences. Yams and cassava are more common in the wet tropical areas of western Africa, but corn is more common in the grasslands of eastern and southern Africa. Wheat is the major staple crop in northern Africa, where irrigation is also more commonly used. In the highlands of Ethiopia and other parts of eastern Africa, a plant called *khat* (also spelled *kat* or *qat*) has been an important crop for centuries. The leaves of this plant contain a stimulant and they produce a mild *euphoria* (feeling of well-being) when chewed. Khat is grown for local use and export to the Arabian Peninsula, Europe, and North America.

In the early 2000's, many African countries experienced little growth or even declines in agricultural production. In many African countries, food production has grown more slowly than the population. This situation leads to food shortages that must be offset by food imports. However, some countries lack the economic resources necessary to purchase food from abroad, and hunger or famine has sometimes resulted. In these countries, foreign food contributions and aid are essential. Periodic droughts also contribute to poor agricultural production and hunger in Africa.

In Africa, most fertile lands and resources, such as fertilizer, are used for production of cash crops grown for export rather than food crops. This is partly a continuation of colonial practices, when African farmers were forced to cultivate export crops demanded in Europe. However, the production of cash crops also reflects the policies of African governments. They use export crops to obtain foreign income to purchase imported goods and materials essential for economic development.

Livestock production is an important branch of the agricultural economy, mostly in the grassland regions. The main livestock raised in Africa include camels, cattle, chickens, goats, horses, pigs, and sheep. Some regions of Africa are not suitable for livestock due to infestation with tsetse flies. Tsetse flies transmit African sleeping sickness, a disease that is fatal for many species of domestic livestock.



Map

Mining and manufacturing in Africa

**Mining.** Africa is richly endowed with mineral resources and has a large mining industry. The continent has among the world's largest reserves of chromium, cobalt, gold, manganese, phosphates, platinum, uranium, and vanadium. Substantial quantities of other metals, including *bauxite* (aluminum ore), copper, iron, nickel, and zinc, are also found throughout Africa. Africa is also a major producer of oil and natural gas.

Africa's most developed mining industry is in the Republic of South Africa. Angola, Botswana, Zambia, and Zimbabwe also have large mining industries. South Africa is the world's largest gold producer, and Botswana is the leading producer of diamonds. The Democratic Republic of the Congo has a large copper industry, while Guinea and Morocco are Africa's leading producers of bauxite and phosphates. Algeria, Angola, Libya, and Nigeria are major petroleum-producing countries.



Picture

Mineral

However, much of Africa has not benefited from its vast mineral resources. African countries have no control over prices of minerals on the global market, and many mining companies are foreign-owned. In addition, mining employs fewer workers than either agriculture or services, and is more expensive to operate.

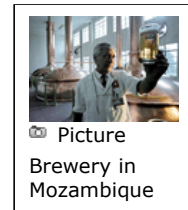
resources in Africa

In some instances, Africa's mineral wealth has contributed to environmental destruction and helped fuel political conflicts. Nigeria's large petroleum industry has contributed to pollution in the Niger River Delta. Money from illegal trade in diamonds helped finance a brutal civil war in Sierra Leone during the 1990's. Since the early 2000's, United Nations embargoes have tried to prevent trade in diamonds called *conflict diamonds* or *blood diamonds*, which are sold to fund the illegal operations of rebel, military, and terrorist groups.



**Manufacturing.** In much of Africa, the growth in the manufacturing industry occurred only after independence. By the 1960's, significant manufacturing industries had developed only in former colonies that had large European populations, such as Algeria, Kenya, Zimbabwe, and South Africa, or in countries that attained independence early, such as Egypt. Many African countries have since developed small manufacturing sectors mainly to produce consumer goods that they previously imported, such as beverages, processed foods, and textiles. Large-scale industrial manufacturing has proved more difficult and costly to implement. Currently, Africa produces only a small percentage of the total world manufacturing output.

**Service industries** in Africa include transactions conducted by the government, called the *public sector*, and by nongovernment businesses, the *private sector*. The private sector is further divided into *formal* and *informal* sectors based on their structure and size. Informal enterprises include small-scale businesses that provide goods and services but are not accurately recorded in government figures or properly taxed as are businesses in the formal sector. The informal sector is large in much of Africa, making up nearly half of the GDP in at least 23 countries.



Government spending plays a major role in all African economies. Education, health care, and other social services account for up to a third of the expenditure of many governments.

Private service industries, including financial services, retail, and tourism, have grown in Africa since the mid-1900's. Retail services range from small roadside vendors to large stores and shopping malls.

Tourism is the leading source of income in many African nations, including Egypt, Eritrea, Kenya, Mauritius, Morocco, Tanzania, and Uganda. To accommodate the tourists, these countries have constructed an extensive array of hotels and other facilities. Many foreign tourists come to visit the famous historic sites of Egypt or the game reserves of Botswana, Kenya, South Africa, Tanzania, and Uganda.

**Transportation.** The transportation system is poorly developed in many African countries. Only about one-quarter of Africa's roads are paved. More than a third of the total roads are in the Democratic Republic of the Congo, Nigeria, and South Africa. Automobile ownership is limited to the middle and upper classes in most nations. The vast majority of Africans depend on public transportation, such as buses, minivans, and taxis. Many people rely on bicycles or walking. In some parts of Africa, camels and donkeys are still widely used to transport goods.

Major railroads are concentrated in only a few countries, chiefly Algeria, the Democratic Republic of the Congo, Egypt, South Africa, Sudan, and Tanzania. Africa's air transportation industry is well developed mainly in Algeria, Egypt, Ethiopia, Kenya, Morocco, and South Africa, though all African countries have large airports. The African coasts have few good natural harbors. But, almost every coastal country has at least one harbor, and engineers are working to equip them with modern shipping facilities. Many harbors have been constructed along Africa's extensive rivers and lakes.

**Communication.** Africa's communication systems, despite some rapid expansion in the late 1900's, remain underdeveloped compared to non-African countries. The number of newspapers published in Africa has increased significantly since the 1990's. However, radio remains the most popular form of mass communication. The number of public, private, and community radio stations has also grown dramatically since the 1990's. Television access is concentrated in urban areas and remains unavailable in most rural regions. Motion-picture theaters are found only in cities, and few African countries have even small motion-picture industries.

Telephone service throughout Africa has improved greatly since the 1990's. Telephone ownership remains largely concentrated in major urban centers. However, cellular telephones are increasingly common in smaller towns and villages. In the early 2000's, Africa saw the fastest growth in the cellular telephone market in the world. Computer and Internet use has also grown. However, Africa still lags behind other regions in the development of this technology. Computer and Internet access and usage is concentrated in South Africa and urban areas of western and northern Africa.

**International trade.** Africa's leading merchandise exporters are Algeria, Angola, Nigeria, and South Africa. Petroleum ranks as Africa's major merchandise export. Other important exports include agricultural products, minerals, and manufactured products.

Africa's merchandise imports have also grown since the 1980's. However, only three countries—Egypt, Nigeria, and South Africa—collectively account for about one-third of Africa's total imports. Food imports are increasingly important as agricultural output has failed to keep up with population growth in many countries. Other key imports include fuel and manufactured goods.

*Terms of trade* refers to the relationship between the prices of imports and those of exports. Declining terms of trade occur when import prices rise faster than export prices. Rising terms of trade occur when export prices grow faster. Africa's terms of trade have tended to decline since the 1970's because Africa's exports consist of mainly agricultural products and minerals that are subject to frequent price fluctuations. Many African countries are also economically vulnerable because they depend on one

or two major exports. As a result, African nations have been active in international efforts to control price changes and improve trade terms. For example, the African oil-producing countries belong to the Organization of the Petroleum Exporting Countries (OPEC), a group of nations that seeks to regulate the world market for oil.

**Foreign aid, debt, and investment.** Foreign aid to Africa includes grants, loans, and technical assistance in such areas as agriculture, education, and health care. The grants and loans come from a variety of international sources and are usually referred to as *official development assistance* (ODA). This aid is important for many African countries as they attempt to face their economic difficulties due in part to declining terms of trade.

Foreign aid has helped African countries to promote economic and social development. But it has also had some harmful effects. The loans have left many African countries with large debt and crippling interest payments. The bulk of Africa's debt is held by the larger countries, including Algeria, Egypt, Nigeria, and South Africa. But in smaller, poorer African countries, the debt load has the most severe impact. These countries must reduce investment in education, health care, and other economic development to repay debt.

In the 1980's and 1990's, international lending institutions, led by the World Bank and the International Monetary Fund, imposed strict conditions on African debtor nations. For example, they required borrowing countries to *devalue* (lower the value of) their currencies to promote exports and to reduce their budget deficits by cutting government funding of health care and education. Many experts believe that these strict conditions, called *structural adjustment programs* (SAP's), hurt a number of African economies. Today, lenders have relaxed the policy of SAP's, with the hope that African countries will return to economic growth.

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