



# **IBOM JOURNAL OF HISTORY AND INTERNATIONAL STUDIES**

**Vol. 12; No.2 June, 2008**

**PROF. MONDAY B. ABASIATTAI**  
*Editor-in-chief*

IBOM JOURNAL OF HISTORY AND INTERNATIONAL STUDIES - VOL.12; NO.2 (JUNE, 2008)

## **ENGINE OF GROWTH: A DESCRIPTION OF EUROPEAN TRADE WITH WEST AFRICA BY 1960**

BY  
**NKEREUWEM DAVID EDEMEKONG**

Ph.D. Candidate (Uyo)

Department of History & International Studies

University of Uyo, Uyo

E-mail: ndedemekong@yahoo.com; GSM 08023547650

### **ABSTRACT**

This paper considered European Trade with West Africa, with special reference to Nigeria. The study examined slave trade the earliest branch of external trade to develop and the so-called legitimate trade under colonial rule up to 1960. It revealed that the trade relationship between Europe and West Africa was lopsided, inequitable, obnoxious and exploitative much to the disadvantage of Africans. Different theories of trade from renown scholars like Rodney, Robinson and Hopkins of the dependency school were applied in the analysis. The paper concludes that European trade was an agent of underdevelopment of Africa and that it was a means by which the political control of West Africa, and the full exploitation of its economy by European overlords became possible.

## INTRODUCTION

Several metaphors are used to describe the process of economic growth. These metaphors undoubtedly influence how we think about the subject. Perhaps, the most metaphor is that which refers to the "engine of growth" as if there were a motor driving the performance of economy.<sup>1</sup> Capital accumulation is often given credit for being the engine of growth. And the countries of East Asia certainly have accumulated capital at an impressive rate. Sometimes the concept of capital accumulation is broadened to include human capital the improvement in the skills of the labour force. And sometimes these two are given credit not only for their direct contribution, but also for the technical progress that might not have occurred in their absence.<sup>2</sup> Once one identifies the engine of growth, one tries to make the engine, stronger. Thus, if capital accumulation is the engine, the task is to increase capital accumulation. The role of government is to rev up the engine to encourage a higher rate of capital accumulation. The engine metaphor has some important limitations: it encourages a search for particular factors that account for growth, although it may, in fact, be the system as a whole, including the interactions among the parts, that accounts for growth. If human capital accumulation is inadequate, even rapid physical capital accumulation may be ineffective. But if both are required, which one is the engine?<sup>3</sup> This paper, therefore, seeks to examine the tenability or appropriateness of engine of growth as a description of European trade with West Africa by 1960.

## THEORIES OF TRADE AS AN ENGINE OF GROWTH

Gerald M. Meier in his work, *Leading Issues in Economic Development* (1984:489), has noted that an overriding issue in the relations between trade and development is the ultimate question of whether there is a conflict between the gains from trade and the gains from growth.<sup>4</sup> Can foreign trade have a propulsive role in the development of a country? Or, on the contrary, are the dictates of comparative advantage incompatible with the requirements of accelerated development?

The orthodox interpretation as espoused by classical and neoclassical economists is that foreign trade can be propelling force in development for the parties engaged in it. Adam Smith's model of foreign trade postulates the existence of idle land and labour before a country is opened to world markets. The excess resources are used to produce a surplus of goods for exports, and trade thereby, "vents" a surplus productive capacity that would otherwise be unused. This idea of "vent for surplus" assumes that resources are not fully employed prior to international trade, and that exports are increased without a decrease in domestic production, with the result that trade raises the level of economic activity.<sup>5</sup>

More generally, classical economists considered comparative advantage as determining the pattern of trade. Not the use of surplus resources but resource reallocation allowed trade to benefit a country by promoting a more efficient international allocation of resource. Without any increase in resources or technological change, every trading country is able to enjoy a higher real income by specializing in production according to its comparative advantage and trading. The exports have instrumental significance as the intermediate goods used for the "indirect

production" of imports: export allows a country to "buy" imports on more favourable terms than if produced directly at home. The gain from trade is on the import side and it is significant that the gains are also mutual, realized by all the trading countries. By specializing in commodities for which costs are comparatively lowest, a trading nation would, in Ricardo's words, increase "the sum of commodities and mass enjoyments"; in modern jargon, trade optimizes production.

Although specialization, according to comparative advantage, yields the direct benefits of international exchange, there are, in addition, dynamic aspects of trade that are relevant for the growth-transmitting effects of trade above and beyond the static gains. Classical and neoclassical economists did not make the dynamic aspects of trade central to their thought; but to the extent that they did consider the effects of trade on development, they saw no conflict between a country's conformity with its comparative advantage and the acceleration of its development. Indeed, John Stuart Mill stated that trade, according to comparative advantage, results in "more efficient employment of the productive forces of the world", and that this might be considered the "direct economical advantage of foreign trade. But there are, besides, indirect effects which must be counted as benefits of a high order".

A most important "indirect" dynamic benefit, according to Mill, is:

*The tendency of every extension of the market is to improve the processes of production. A country, which produces for a larger market than its own, can introduce a more extended division of labour, can make greater use of machinery and is more likely to make inventions and improvements in the process of production.<sup>6</sup>*

Gerald Meier (1984:490) analyses Mill's theory to show that the direct benefits on development are therefore of three kinds:

First, those that widen the extent of the market, induce innovations, and increase productivity. Secondly, those that increase savings and capital accumulation, and; Thirdly, those that have an educative effect in installing new wants and tastes and in transferring technology, skills and entrepreneurship.

This emphasis is on the supply side of the development process the opportunity that trade gives a poor country to remove domestic shortage, to overcome the diseconomies of the small size of its domestic market, land, to accelerate the "learning rate" of its economy.

For these several reasons, Meier posits that the traditional conclusion has been that the gains from trade do not result merely in a one-over change in resource allocation, but are also continually merging with the gains from development; international trade transforms existing production functions and increases the productivity of the economy overtime. If trade increases the capacity for development, then the larger the volume of trade, the greater should be the potential for development.<sup>7</sup>

According to Hopkins, the theory of economic growth through international trade is basically an application of nations and continents of specialization, as set out originally by Adams Smith. Where foreign trade has acted as an engine of growth, it has done so by establishing a link between societies whose resource endowment, whether natural or acquired, differs in certain important respect. In this situation, each of the important societies concerned can supply goods, which the other requires, yet cannot produce itself, or at best cannot produce as cheaply.<sup>8</sup>

It is still the contention of Hopkins that rising incomes in the export sector lead to increased consumer spending and to further investment in productive enterprises. In this way the benefits of foreign trade spread to the rest of the economy. Typically, additional economic activity is generated through the provision of

goods and services for the export sector and through the development of processing industries making use of imports. The result is the mobilization of factors, which because of deficiency of demand, lack of necessary supplies, shortage of capital, or inadequate technology, were not fully used before. In practice, the strength of linkages between the foreign trade sector and the domestic economy is by no means the same in all cases, and one of the tasks of international trade theory is to measure and account for these differences by making a detailed examination of the structure of the export sector, of the volume and disposition of income derived from foreign trade, and of the capacity of the local economy to respond to external stimuli.<sup>9</sup>

Walter Rodney's view is that specialization and division of labour hold the key to "more production as well as inequality in distribution".<sup>10</sup> Thus, the advanced in production increased the range of powers which sections of society had over other sections, and it multiplied the violence which was part of the competition for survival and growth among social groups.<sup>11</sup> From Rodney's analysis, it is obvious that when two societies of different sorts come into prolonged and effective contact, the rate and character of change taking place in both is seriously affected to the extent that entirely new patterns are created. Two general rules can be observed to apply in such cases. First, the weaker of the two societies (that is, the one with less economic capacity) is bound to be adversely affected and the bigger the gap between the two societies concerned, the more detrimental are the consequences. For example, when European capitalism, came into contact with the indigenous hunting societies of America and the Caribbean, the latter were virtually exterminated.<sup>12</sup> Secondly, assuming that the weaker society does survive then ultimately it can resume its own independent development only if it proceeds to a level higher than that of the economy which had previously dominated it.<sup>13</sup> Rodney

had carefully drawn concrete instances of the operation of this second rule from the experience of the Soviet Union, China and Korea to show that imperialism was, in effect, the extended capitalist system, which for many years embraced the whole world-one part being the exploiters and the other the exploited, one part being dominated and the other acting as over lords, one part making policy and the other being dependent.<sup>14</sup>

### EUROPEAN TRADE WITH WEST AFRICA AS AN ENGINE OF GROWTH HOW APPROPRIATE?

*The prime Minister...has recently in a striking phrase spoken of turning an empire into a family. But what is happening is part of the pattern of our heritage. We did not go abroad to govern, we went abroad to trade...so if we are wise we can stay in countries that we once ruled as traders, planters, shippers, businessmen, engineers.<sup>15</sup>*

Historically, European trade with West Africa whether as slave trade, which was the earliest branch of external trade to develop,<sup>16</sup> legitimate trade under colonial rule or trade in recent times, has revealed that it is not appropriate to generally describe such unjust, unequal and unfair trade relations between European and West Africa as engine of growth.

The description cannot be said to be appropriate and tenable except when, and only if, the commentator is referring to the advanced European countries that benefited so tremendously from the lopsided trade pattern, as we shall highlight in this discourse. Having said this, therefore, it is important to note the points stated below.

First, African economies during colonialism were dependent economies. This entails that each African nation's wealth depended

on the export of a small number of products, the products of which were determined by European market forces. Second, the colonial policies of most colonial powers emphasized the export trade in cash crops and the import trade in manufactured goods. Third, the economic theory of the imperialist emphasized the fact that their colonies should be self-supporting. Fourth, there was mass exploitation of African economies by the colonizing powers. Fifth, to facilitate trade and exploitation, the colonial imperialists set up banks, which issued currencies, thus abolishing barter. For example, the West African Currency Board (WACB) was established in 1912 for this purpose. Sixth, Europeans monopolized the various sectors of African economy such as banking, insurance, shipping and civil aviation. Seventh, development projects such as roads, harbours, railways and ports, initiated by the imperialists only facilitated the carting away of African wealth overseas. Eight, little or no industries were established and Africans were compelled to buy European goods at ridiculously exorbitant prices.

From the foregoing therefore, it is crystal clear, and evidently so, that Africa was under-developed as a result of her colonial experience and this is accentuated by the following points:

The immense profits accruing from African economies were invested in Europe; Africans were given little or no credit facilities; prices of African crops were determined by European market forces; measures such as price control, wage ceiling, controlled marketing of export crops were introduced and controlled by European firms regarded as oligopolies.

Joan Robinson in his well read book, Aspects of Development an Underdevelopment published in 1976, posits that the intrusion of Western production into a pre-capitalist economy begins by ruining the local producers (as Lancashire piece-goods ruined the handloom weavers of India) and where there is little scope for expanding the market, the new investment makes no

appreciable increase in total productive capacity. The salt industry in Ghana provides an example. In the 19th century, production and marketing of salt was a profitable activity employing thousands of Ghanaians directly and requiring ancillary activities such as building canoes. The introduction of a modern mechanized salt works took away the whole market and destroyed the livelihood of all who depended on the traditional industry, substituting a small amount of wage employment and, presumably by, a satisfactory flow of net profit on the investment. For the consumers, there is the benefit of the satisfaction of a preference for whiter salt.<sup>17</sup> Similarly, a mechanized bakery, in an East African city, destroys the value of the productive capacity and skill of small scale bakers while satisfying the consumers' taste for something foreign and up to date.

According to the doctrine of consumers' sovereignty, since buyers prefer the Western products, there is a gain in welfare from supplying them. These gains, (if any) have to be set against the loss of receipts of the old-fashioned producers and loss of national income due to the unemployment.<sup>18</sup>

Robinson's conclusion, therefore, queries the "engine of growth" theory of international trade and development of the Least Developed Countries (LDC's) and maintains that it is the choice of what lines to mechanize that is left to profit seeking corporations which, in the nature of the case, cannot work on any rational plan, and which, moreover, generally transmit abroad a large part of the additional surplus that they extract from the business. Insofar as the transnational "transfer of capital" has merely displaced local production for the local market, it cannot be regarded as a contribution to development.<sup>19</sup>

Walter Rodney in his popular book, How Europe Underdeveloped Africa, has clearly illustrated that to achieve economic development one essential condition is to make the maximum use of the country's labour and natural resources. He noted that:

*...slaving prevented the remaining population from effectively engaging in agriculture and industry, and it employed professional slave hunters and warriors to destroy rather than build. Quite apart from the moral aspect and the immense suffering that it caused, the European slave trade was economically totally irrational from the viewpoint of African development.<sup>20</sup>*

Rodney also observed that the Atlantic trade was the stimulator of consistent advances in naval technology and the Africa's being drawn into the orbit of Western Europe speeded up the latter's technological development. For example, the evolution of European shipbuilding from the 16<sup>th</sup> century to the 19<sup>th</sup> century, according to him, "was a logical consequence of their monopoly of sea commerce in that period",<sup>21</sup> However, to the Africans, slave trade was synonymous with tragedy and misfortune, a trade which had brought nothing to them but destructions. It had led to an unpardonable destruction of population. A rough estimate of 40-50 million souls were lost to Africa during this trade. Beside, the trade had claimed the most virile and active young West Africans. The raiding, which the trade generally generated, had caused a lot of misery, bloodshed and destruction. This had in turn created an atmosphere of complete insecurity, which generally hindered orderly progress and cultural activities. Moreover, the demand for slaves increased inter-ethnic as well as inter-state wars in West Africa.

The trade had also eliminated other occupations, which had existed before it such as the manufacture of beads, cloth and other crafts in gold and bronze. It can, therefore, be justifiably said that slave trade laid the foundation for the subsequent and present crisis of underdevelopment of West Africa and the development of the production of cash crops in West Africa.

## LEGITIMATE TRADE UNDER COLONIAL RULE IN NIGERIA, 1900-1960

Between 1910 and 1930, for example, the volume of trade in groundnut rose from 270,000 tons to 400,000 tons. There was a similar increase in other products like cotton, timber and rubber. In exchange for these, the British sent cotton print cloth, enamel bowl, matches, soap and other manufactured goods. The trade benefited some Nigerians in a big way. The Dantatas of Kano laid the foundation of their fortunes in the 1910s while Louis Odumegwu Ojukwu made great fortunes in the transport business in the 1940s. Chief Dominic Utuk of Uyo also earned enormous wealth and fame in the produce business from the 1960s. In the 1960s Utuk made an incursion into the booming transport sector and became prominent and prosperous. The prosperity and fame of King Jaja of Opobo, Nana of Itsekiri and many other Niger-Delta Chiefs and businessmen (who participated in the trade under the colonial rule), are too well known to be recounted here. The bulk of the wealth from commerce was, however, in the hands of expatriates including the Lebanese and Syrians.<sup>22</sup>

It is equally important to note that urbanization increased production of raw materials and growth of trade created conditions for industrialization. Few industries however, were established in Nigeria in the colonial period. If there was a choice between establishing an industry in a colony or in the colonial ruler's country, the latter nearly always won. This was because the companies that exported Africa's raw materials invariably owned the factories that would process them in Europe. For example, the UAC exported palm oil from Nigeria for processing into soap, pomade and related products to factories in England which were owned by its parent company, Unilever. These manufactured products were then exported to Nigeria for purchase by Nigerians.

Nigeria, like other African countries was seen as a source of raw materials for the industries of Europe. There was little attempt to invest capital in manufacturing industries in Nigeria even though Nigerians produced the capital needed for such a measure.<sup>23</sup>

However, during the period, some industries were established in the inter-war period, they happened to be those that could only be effectively carried out on the spot. The mining industries, coal in Enugu and tin in Jos, are examples, so too are the groundnut and cotton industries whose raw materials are bulky and take up a great deal in shipping space if they are not partly processed on the spot before shipping. Accordingly, two expatriate firms invested in groundnut decorticating mills in Kano to shell groundnuts, and in cotton ginneries in Funtua to gin raw cotton.<sup>24</sup>

In the post war period, a few minor industries like soft drink, bottling companies and breweries were established. The UAC founded the Nigerian Breweries Ltd in 1949. These industries handled bulky consumer goods, which were better produced in Nigeria than abroad. Some vehicle assembly plants were established on the eve of independence in 1958. These plants, however, merely assembled parts that had been manufactured abroad. In the 1950s, oil prospecting started in Nigeria. The industry was then completely controlled by Shell-BP, which made its first exportation of Nigerian oil in 1958.<sup>25</sup>

For a really significant infrastructure for her industrialization, however, it is important to note that Nigeria had to wait till after her independence, in 1960.

## CONCLUSION

In this study, we have attempted to highlight the appropriateness of the description of European trade with West Africa with particular reference to Nigeria by 1960, as engine of growth. We have looked at the different theories of trade. And we

have noted some scholars such as Gerald Meier who hold unto that view. We have also noted scholars such as Rodney, Robinson and Hopkins of the dependency school of thought who see trade as an agent of underdevelopment.

We have also examined slave trade and the so-called legitimate trade, trade under colonial rule and trade in recent times, to show that trade was a means by which the political control of West Africa and the full exploitation of its natural resources and strangulation of its economy by European overlords became possible.

Economically, European businessmen benefitted immensely from the obnoxious and inequitable trade relations while West Africa and Africans, indeed, became the worse for it, even to this day. This, therefore, explains our present day helpless situation-economic dependence on the West and underdevelopment (scandal?). We are simply referring to the debt trap scandal here.

Why do rich European nations continue to encourage poor countries to indulge in endless borrowing, even when they are aware that the loans might never be repaid? One reason is, quite simply, the debt trap. That is, the system whereby one plunges a nation so deep into debt as to obtain a hold over it, enabling one to influence its economic and political decisions.<sup>26</sup> A second reason is that it is economically expedient for rich nations to give poor ones loans. Without borrowing, a poor nation would often lack the funds to buy goods and pay for services from rich nations. Rich nations on their part rely on their exports for a large percentage of their national revenue. Giving loans to poor countries is thus a way of providing them with funds with which they can continue importing goods from rich nations. It can be seen, then, that it would be inimical to the interest of rich nations for them to discourage Third World Countries from borrowing and to be more self-reliant. It is purely a matter of enlightened self-interest.

So what must West Africa, especially Nigeria, do to ensure it

remains fully in control of its affairs? What must it do to avoid falling into the "Debt Trap". As a first step, it must put an immediate end to all external borrowing.<sup>27</sup> The nation must learn to live within its own means. This done the current effort by the present administration to reform the economy would be sustained. Now that Nigeria has secured the cancellation of her debt by the Paris Club, it should no longer take us to the shackles of this debt burden.

Instead of returning to a regime of borrowing, Nigeria must employ very strict fiscal and budgetary measures to ensure the optimal management of its resources, which fortunately, are vast. Import restrictions should be strictly enforced to prevent unnecessary drainage of the nation's vital foreign exchange.

## NOTES

<sup>1</sup>Joseph E. Stiglitz, "Some Lessons from the East Asian Miracle" in The World Bank Research Observer, Vol. 11, No. 2, (August, 1996), p. 153.

<sup>2</sup>Ibid.

<sup>3</sup>Ibid., pp. 153-154.

<sup>4</sup>Gerald M. Meier, Leading Issues in Economic Development (New York: Oxford University Press, 1984), p. 489. This note is an abbreviated version of the vision of the author's article, "External Trade and Internal Development", in Peter Duignan and L.H. Gann (eds), Colonialism in Africa, 1870-1960 Vol.4 (New York, 1975). See also Gerald M. Meier, The International Economics of Development (New York: OUP, 1968), Chapter 8.

<sup>5</sup>Ibid. See Adams Smith, An Inquiry into the Nature and Causes of the Wealth of Nations, Edwin Canaan (ed), (1937), p. 415. For a more detailed discussion of Smith's, see Hla Myint, "The Classical Theory of International Trade and the Underdeveloped Countries", in Economic Journal, Vol. 68 (1878), pp. 317-331. Myint indicates that Smith's concept of surplus productive capacity is not merely of surplus land by itself but surplus land combined with surplus labour; and the surplus labour is then linked with his concept of "unproductive labour" (p.323). This interpretation allows Smith's vent for surplus model of trade unlimited supplies of labour. See R. A. Caves, "Vent for Surplus' Models of Trade and Growth" in R. E. Baldwin et al; Trade, Growth and the Balance of Payments: Essays in Honour of Gothfried Haberler, (1965), pp. 95 115.

<sup>6</sup>John Stuart Mill, Principles of Political Economy, 2 Vols (London:1848); Vol.11, book 111, Sec. 5, Chapter 17. See also Ibid., p. 490.

<sup>7</sup>Gerald M. Meier, Leading Issues in Economic Development (New York: OUP, 1984), pp. 490-491.

<sup>8</sup>A. G. Hopkins, An Economic History of West Africa (London: Longman Group Ltd,1973), p.78.



<sup>9</sup>Ibid., p. 79.

<sup>10</sup>Walter Rodney, How Europe Underdeveloped Africa (London: Bogle-L'Ouverture Publications, 1972), p. 12.

<sup>11</sup>Ibid., p. 14.

<sup>12</sup>Ibid., p. 18.

<sup>13</sup>Ibid., p. 19.

<sup>14</sup>Ibid.

<sup>15</sup>Ian Ma'cleod, West Africa (April 2, 1960), p. 390. Ma'cleod was the colonial secretary in Harold Macmillan's Conservative Government. He clearly betrayed this emotion in a statement compounded of hypocrisy and blunt truth. The essence of neo-colonialism in Nigeria was the several inequitable deals and the so-called "bilateral" agreements that the British Colonial administration in Nigeria imposed on the Nigeria ruling elite before handing over political power to them to ensure that Britons could stay on in Nigeria "as traders, planters, shippers, businessmen, engineers' and on the most profitable and advantageous basis.

<sup>16</sup>A. G. Hopkins, An Economic History of West Africa (London: Longman Group Ltd, 1973), p.79.

<sup>17</sup>Joan Robinson, Aspects of Development and Underdevelopment (London: OUP, 1976), pp. 114-115. Also see T. A. Kofi, 'Abibirin Strategy of Development', in Universitas (University of Ghana, May 1976).

<sup>18</sup>Ibid., 115.

<sup>19</sup>Ibid., p. 11.

<sup>20</sup>Walter Rodney, How Europe Underdeveloped Africa, pp. 108-109.

<sup>21</sup>Ibid., p. 95.

<sup>22</sup>G. I. C. Eluwa et al A History of Nigeria (Onitsha: Africana-Feb Pub. Ltd.), p.224.

<sup>23</sup>Ibid.

<sup>24</sup>Ibid.

<sup>25</sup>Ibid., pp. 224-225.

<sup>26</sup>Nigeria: Bulletin on Foreign Affairs, Vol. 9, No. 11 (Lagos: NIIA, November 1979), p. 64.

<sup>27</sup>Ibid.