

UNIVERSITY OF CAPE COAST
DEPARTMENT OF AFRICAN STUDIES
END OF SECOND SEMESTER EXAMINATION
ASP 122B: COMPARATIVE ANALYSIS OF ECONOMIC DEVELOPMENT OF THE
CARIBBEAN AND AFRICAN COUNTRIES

TIME: 1hr 30 minutes

ACADEMIC YEAR: 2011/2012

INSTRUCTION: ANSWER ANY THREE (3) QUESTIONS

1. Discuss the Cuban “Special Period” and its impact on the current state of the Cuban economy.
2. Examine the four (4) evolutionary policy attempts used by African leaders to promote growth and development in the economies of Africa from the early days of independence to date.
3. Discuss five (5) reasons why the economies of African countries are considered as developing.
4. a. What are the characteristics of agriculture in Africa?
b. In your judgement, can the characteristics in (a) above lead to economic progress?
5. Examine critically, how the African economies differ from those of the Caribbean.
6. Write short notes on any three of the following:
 - i. The Cuban tourism sector
 - ii. Debt relief in Africa
 - iii. Brief history of the Caribbean economy
 - iv. The factors that give hope for faster growth in Africa in 2008 (hint: use the factors identified by Leonce Ndikumana).

Key

1. First part:

- a. Lost their trading partners
- b. Impressed from the USSR
- c. Stagnant economy
- d. Famine caused by political and economical factors
- e. Denied ordinary people the food to which they were entitled when the public food distribution collapsed.

[Award 2.5 marks each for any 4 points well explained]

Second part:

- a. The government has undertaken several reforms to:
 - Increase liquidity
 - Increase labour incentives
 - Alleviate serious food shortages

[Award 2.5 marks each for any 2 points stated]

- b. To do these the government introduced:
 - Opening to tourism
 - Allowing foreign investment
 - Legalizing the use of U.S. dollar
 - Authorizing self-employment
 - Liberalized agriculture market
 - Government offered subsidies

[Award 5 marks each for any 3 points well explained]

2. Policy attempts at promoting growth and development in Africa:

- a. Socialism
- b. Liberalism
- c. Autarky
- d. Foreign aid
- e. Debt relief

[Award 7.5 marks each for any 4 points well explained: 2.5 marks for mere mentioning and 5 marks for explanation]

3. Common characteristics of developing economies include:

- f. low level of productivity
- g. over reliance on the export of primary products
- h. growing unemployment
- i. deterioration in critical infrastructure include roads, railways, electricity and telecommunications
- j. low standards of living coupled with worsening income distribution
- k. Emigration of skilled professionals
- l. Heavy external debts.

The list is not exhaustive.

[Award 6 marks each for any 5 points well explained: 2 marks for mere mentioning and 4 marks for explanation]

4.

- a. Features:
 - i. Rain fed
 - ii. Use of small and outmoded equipment/technology
 - iii. Subsistence/small scale farming
 - iv. Lack of incentives
 - v. Low capital

- vi. Land tenure system
- vii. Post-harvest loss

[Award 5 marks each for any 3 points well explained: 2 mark for mere mentioning and 3 marks for explanation]

- b. Candidate should be able to say that these features will not enhance the development of agriculture in the sub-region. The candidate should also point out the ways to improve agriculture given the features above.

[Award 5 marks each for any 2 points well explained: 2 mark for mere mentioning and 3 marks for explanation]

5. The following are the differences

	Africa (Ghana)	Caribbean (Cuba)
Agricultural practice	Subsistence	Commercial/large scale production
Agric contribution to GDP	More/high	Low
Industrial technology	Low tech	High tech
Most important sector	Agric	Tourism
Health	Poor	Rich
Foreign investment	Poor policies	Strong/good policies
Exports	Raw materials	Manufactured/process materials

The list is not exhaustive

[Award 6 marks each for any 5 points well explained]

6. Short notes (*accept any 3 points*)

i. The Cuban tourism sector: In the mid 1990s tourism surpassed sugar, long the mainstay of the Cuban economy, as the primary source of foreign exchange. Tourism figures prominently in the Cuban Government's plans for development, and a top official cast it as the "heart of the economy". Havana devotes significant resources to building new tourist facilities and renovating historic structures for use in the tourism sector. Cuban officials estimate roughly 1.6 million tourists visited Cuba in 1999 with about \$1.9 billion in gross revenues. In 2000, 1,773,986 foreign visitors arrived in Cuba. Revenue from tourism reached US \$1.7 billion.

The rapid growth of tourism has had widespread social and economic repercussions in Cuba. This has led to speculation of the emergence of a two-tier economy and the fostering of a state of tourist apartheid on the island. This situation was exacerbated by the influx of dollars into the Cuban economy during the 1990s, potentially creating a dual economy based on the dollar (the currency of tourists) on the one hand, and the peso on the other. Scarce imported goods - and even some of local manufacture, such as rum and coffee- could be had at dollars-only stores, but were hard to find or unavailable at peso prices. As a result, Cubans who earned only in the peso economy, outside the tourist sector, were at an economic disadvantage. Those with dollar incomes based upon the service industry began to live more comfortably. This widened the gulf between Cubans' material standards of living, in conflict with the Cuban Government's long term socialist policies.

[Award 10 marks]

ii. Debt relief in Africa: African is the world's most indebted and aid-dependent region, with 17% of GDP flowing out in debt repayments, three times what the Bank believes is sustainable level.

Advocacy for debt relief has become widespread. Each year Africa sends more money to Western bankers in interest on its debts than it receives in foreign aid from these countries. Debt relief is not a panacea, but relieving some of the burden, especially of debts that were run up by regimes for their own benefit, may help the economies of Africa grow and prosper. However, arguments against full and unconditional debt relief exist.

First, debt relief punishes nations which have managed borrowing well and do not need debt relief. Second, unconditional debt relief will not necessarily cause nations to spend more in social programs and services, on the one hand, or to solve their financial problems without stifling the

economy with the need for more taxes, on the other hand. Finally, debt relief may make it more difficult for nations to receive credit in the future.

It has been suggested that any debt relief policy be conditional upon a commensurate reduction in aid. The Heavily Indebted Poor Countries initiative was launched in 1996; if implemented, it would greatly affect Africa's economy.

[Award 10 marks]

- iii. Brief history of the Caribbean economy:** the Caribbean is a vastly diverse area representing the effects of colonialism, slavery, and the combination of many cultures. In the 18th and early 19th centuries, sugar plantations in the Caribbean supported by the slave trade met high demand for the product from countries like Spain, Portugal, Britain, and the Netherlands. During an uprising in Jamaica in 1831, many sugar plantations were burned. Three years later, the British Parliament set forth the Emancipation Act which called for all British colonies of the West Indies to end slavery, although slaves were not actually emancipated until 1838.

Once slavery was abolished and the sugar beet became part of European agriculture, the Caribbean sugar industry was neither able nor required to yield such high supply, and the islands' financial growth slowed considerably for more than a century. But that dry economic spell ended with the influx of tourism in the 1990s. While sugar is still an agricultural export, the economy of the islands is not nearly as dependent on sugar production as it once was.

The rise of tourism has sparked an indirect growth in many other domestic industries such as construction and many other service- and tourism-related enterprises. Aruba, for example, currently has five times the hotel capacity it had in 1985, and its construction trade is flourishing.

In an effort to stimulate the growth of their economy, some of the islands have followed the European Union's lead and formed economic alliances under a single currency. The Eastern Caribbean Currency Union, for instance, uses the Eastern Caribbean Dollar (EC\$), and counts Antigua & Barbuda, Dominica, Grenada, St. Kitts & Nevis, St. Lucia, Montserrat, Anguilla, and St. Vincent & The Grenadines among its members.

Because the Caribbean economy is so closely linked to the performance of the U.S. economy, the U.S. dollar is also widely accepted in the region. A few of the islands even have their own currencies fixed to the U.S. dollar at a constant exchange rate: One Bahamian dollar equals one U.S. dollar, for example, and two Barbadian dollars equal one U.S. dollar.

[Award 10 marks]

- iv.** The factors that give hope for faster growth in Africa in 2008 were:
- The high global demand for primary commodities
 - Macroeconomic stability
 - The spotlight on technical and vocational skills development

[Award 10 marks]