Visions about the future of Africa vary from the apocalyptic to the hopelessly optimistic. If there is one country that seems to embody both the tremendous difficulties and the vast possibilities facing the continent, it surely must be Mozambique. By any measure, Mozambique is one of the world’s poorest countries: the average Mozambican’s income is just 60 US cents per day and more than two-thirds of the population live on less than a dollar a day. Most of the country still lacks even basic infrastructure, largely a result of centuries of Portuguese colonial under-investment followed by a generation of brutal civil war.

But Mozambique is also something of a success story. Ever since a peace settlement was reached in late 1992, the country has made a startling recovery. The government has aggressively pursued economic reforms, winning it praise among donors and making it among the first countries to qualify for substantial debt relief. Agriculture has seen a resurgence and private investment has poured into tourism and other sectors, particularly in the southern parts of the country. As a result, Mozambique has gone from basketcase to poster child, with one of the world’s fastest growing economies. Real GDP expanded at annual rates of 8–10 percent through much of the 1990s. And this impressive revival has finally begun to take a bite out of the country’s grim poverty.

In February 2000, two events occurred within a few weeks of each other that seem to encapsulate the contradictions of Mozambique – and indeed of emerging Africa in general. First, the country was hit by catastrophic floods, propelling yet another African disaster story onto the front pages of the world’s newspapers. That same month, and with no shortage of symbolic flair, Mozambique also began trading on its new stock exchange.
It may at first seem strange that a country such as Mozambique would even bother to have a stock market. Yet it is far from unique. Sub-Saharan Africa, the poorest and least-developed region of the world, currently has no less than fifteen stock exchanges – and in some unlikely places, such as Swaziland, Tanzania, and Malawi. This trend is largely a recent phenomenon, with two-thirds of Africa's markets having opened only in the past twelve years or so. At the same time, planning for even more new exchanges is moving ahead. The sub-continent could reasonably be expected to have more than twenty individual stock exchanges within the next decade.

These new “frontier” emerging markets are popularly touted as proof of Africa's economic resurgence and the region's long-last reintegration into the global economy. But on a continent where annual incomes average still less than $500 and nearly half of the population still cannot read, stock markets seem bizarre, or perhaps, at best, irrelevant to the reality of African life. Nevertheless, the number and size of these markets continue to grow and they appear to be serious components of many governments' strategies at reviving their economies.

This book will examine the rationales behind this trend and consider some of the implications for development in Africa within the context of an increasingly internationally integrated financial system. Why have so many African governments sought to open stock markets? Is there a logical economic justification for it, or are there political motives as well? What do the emergence of these stock markets actually mean for Africa? What are the chances that they can play a useful role in economic development? What are the risks for poor countries getting involved in the whirlwind of global financial markets?

These new stock markets may currently be marginal to the global economy – and indeed, as we will see, even to their own national economies – but their importance over the long term could be huge. In an age when “globalization” evokes passionate and emotional responses – optimism by the hyper-globalists and deep anxiety by the anti-globalization Cassandras – these are crucial questions about the future of the global economic system and Africa's place in it.

Post-colonial economic policy trends

The current enthusiasm for stock markets comes at a critical juncture in Africa’s post-colonial economic and political development. The nature of the African state, its relationship with its own national economy, and its interactions with the outside world are all evolving in significant