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ASIA'S LESSONS FOR AFRICAN DEVELOPMENT STRATEGIES

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Africa Needs Sustainable Growth Acceleration

Most countries in Africa have seen remarkable economic growth. Real GDP has grown steadily since 2000; the annual growth rate of even non-resource countries has exceeded 5 percent.

The views expressed in this piece are the author's own and should not be attributed to The Association of Japanese Institutes of Strategic Studies.

There is, however, another side of the coin. There is a diversity of income levels among the economies of Africa: real per capita GDP in low-income African countries, at purchasing power parity (PPP) exchange rates, remains one-third of the average for the continent as a whole. The average per capita GDP growth in real terms is less than 2 percent, which is well below the continent's real GDP growth.

For Africa's income level to reach the present-day level of, for example, Thailand within the next 20 years, the continent would have to grow at least 15.6 percent per annum in real terms. That is, each country in Africa would need not only to sustain its current level of growth, but to accelerate it. There is an emerging call for 'Sustained Growth Acceleration' (SGA) in African development discourse, as seen in one of the key agenda items of the Tokyo International Conference on African Development (TICAD) IV, scheduled to take place in May this year. How, then, can we address the issue?

Implications of Asia's Experience: Diverse Development Strategies

The economic success of Asian economies has been attracting attention from other developing regions as an exemplary model of development, namely export-oriented industrialisation. In practice, however, Asian experiences are diverse—individual economies pursued different development strategies according to their different endowments and circumstances.

For example, Japan, Korea and Taiwan financed development projects domestically, while the ASEAN economies mainly depended on foreign investment. There are both resource-rich countries (e.g., Indonesia and Malaysia) and non-resource ones such as Singapore, Thailand and the Philippines. The governments of Korea, Singapore, Indonesia, Malaysia and the Philippines have had active records of intervening in the economy, while those of Taiwan (after the 1980s) and Thailand have made modest interventions.

In East Asia, the 'flying geese' development model—transformation from

labour-intensive to capital/technological-intensive industries—was prevalent in general. The leading sectors have also varied among countries, e.g., heavy industry, electric appliances, agro-industry, textile and information and communication technologies (ICTs), among others. The end of the model as well as the subsequent intra-industry divisions of labour within the region in recent years have brought about further divergence among the leading sectors of individual economies.

Africa's Constraints and Chances

The phenomena of globalisation, e.g., significant reductions in telecommunications and transport costs, have duly provided new opportunities for actors worldwide. A number of developing economies, notably China and India, have taken advantage of these opportunities and achieved remarkable growth in recent years. However, as mentioned before, the paths by which Asian economies achieved such growth reflect their individual socio-economic conditions.

African economies, which are as diverse as Asian economies, would have adopted different economic policies and growth strategies reflecting their diversity. In practice, however, their policies and strategies have ended up converging on export-oriented industrialisation through foreign investments. At the same time, the role of governments in economic development has been limited, while most of the private sector remains fragile.

This argument refers to the ‘policy space’ discourse that has been discussed in recent years; in the globalising world economy, the rules and norms of international economic regimes—e.g., liberalisation of trade and finance, market reform, improvement of governance—have narrowed the policy options for governments specifically in trade, macroeconomic management, and industrial development (though individual rules and norms themselves are legitimate). This limitation thereby constrained economic growth opportunities for developing countries who are in fact regime takers (rather than makers).

Developing countries, including those in Africa, could have benefited from

'Special and Differential Treatment' as provided in the World Trade Organisation Agreement. African governments would have pursued their own economic growth strategies based on prioritised measures and sequences reflecting their diverse conditions. In reality, however, the governments are virtually forced to meet standardised 'best practices', and there is no room for the governments to design policies at their discretion. The limited abilities of the governments (and financial constraints) make it impossible to improve through trial-and-error practices. A policy convergence is the outcome.

African countries have made efforts to rectify macroeconomic imbalances through structural adjustment and stabilisation in the 1980s, and tried to pursue reforms in governance and institutions in the subsequent decade too. Such efforts to realise macroeconomic and political stability and market reforms have not necessarily borne fruit when it comes to promoting new industries or development. The insufficiency of reforms and the uncertainties relating to the civil wars in post-Cold War Africa, and their negative effects on neighbouring countries, account for part of this. Even besides such problems, however, the current low levels of infrastructure and other capital stocks, the disparity between the productivity and wages of human resources, the costs associated with public administration, and the lack of efficient financial systems have all conspired to reduce business profitability in Africa, and so place limits on economic growth.

Given these conditions, for African economies to realise SGA—by promoting industries, redressing inadequately distributed production factors and transforming rigid economic structures – it appears that expansion of a range of policy measures to be adopted by governments will be necessary. In other words, while compliance with present international economic regimes is maintained, we suggest that the governments implement 'industrial development strategies' that look to identify and support prospective growth industries with a focus on the latent potentialities of individual economies.

However, it is naïve to expect that all of the African governments have the

full capacity to do so from day one. Rather, an initial target for most governments may be to increase institutional capacities to pursue such strategies through flexible and continuous efforts to design, try, review, scrap and re-build appropriate policies in accordance with their individual capacity levels.

How Can We Support These Efforts?

First, the international community should support African countries in designing and implementing diverse growth strategies and corresponding policy measures, if African governments intend to pursue such strategies and policies in a proactive manner with strong political commitment. In this respect, Japan can directly support Africa's such endeavour by offering technical assistance in designing, implementing and monitoring industrial development strategies. By taking advantage of its experiences in Asia, Japan may start with policy dialogues by setting up a public-private council featuring participation by both public- and private-sector representatives and academics from the African and Japanese sides. Japan has a successful record in this area, including the Triangle of Hope, Strategic Action Initiative for Zambia, which officially commenced in 2006; the Japan International Cooperation Agency deploys a Malaysian advisor to Zambia to improve the investment environment in the country. The initial outputs include i) establishment of investment promotion policies, ii) development of investment-related legislation and investor relations, and iii) a governmental system being modified for that purpose (see http://www.grips.ac.jp/forum-e/DCDA/Chapter08.pdf).

Second, closer partnership with the private sector is indispensable. We look to more direct assistance for the actors in economic growth beyond the traditional 'G to G' official development assistance. For this, new collaboration schemes are needed to reduce the risks in trade and investment in Africa, including flexible application of trade insurance and ODA loan components at the Japan Bank for International Cooperation, among others.

Third, for African producers to participate in the global economy and

increase competitiveness, the international community should improve existing preferential arrangements, e.g., the African Growth and Opportunity Act (AGOA) and the EU's Everything but Arms (EBA), by revising the standard of rules of origin and by streamlining preferential arrangements for African products between Japan, the US, and the EU.

Japan has already provided Duty-Free Quota-Free Access for Least Developed Countries. To further accelerate Africa's access to the Japanese market, the 34 countries currently eligible could be extended to include other currently non-eligible ones, and some incentive schemes for investors, such as the AGOA's provisions for textiles and garments, could be incorporated to make such arrangements more effective.

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