The Twenty-First Century Can be the African Century!

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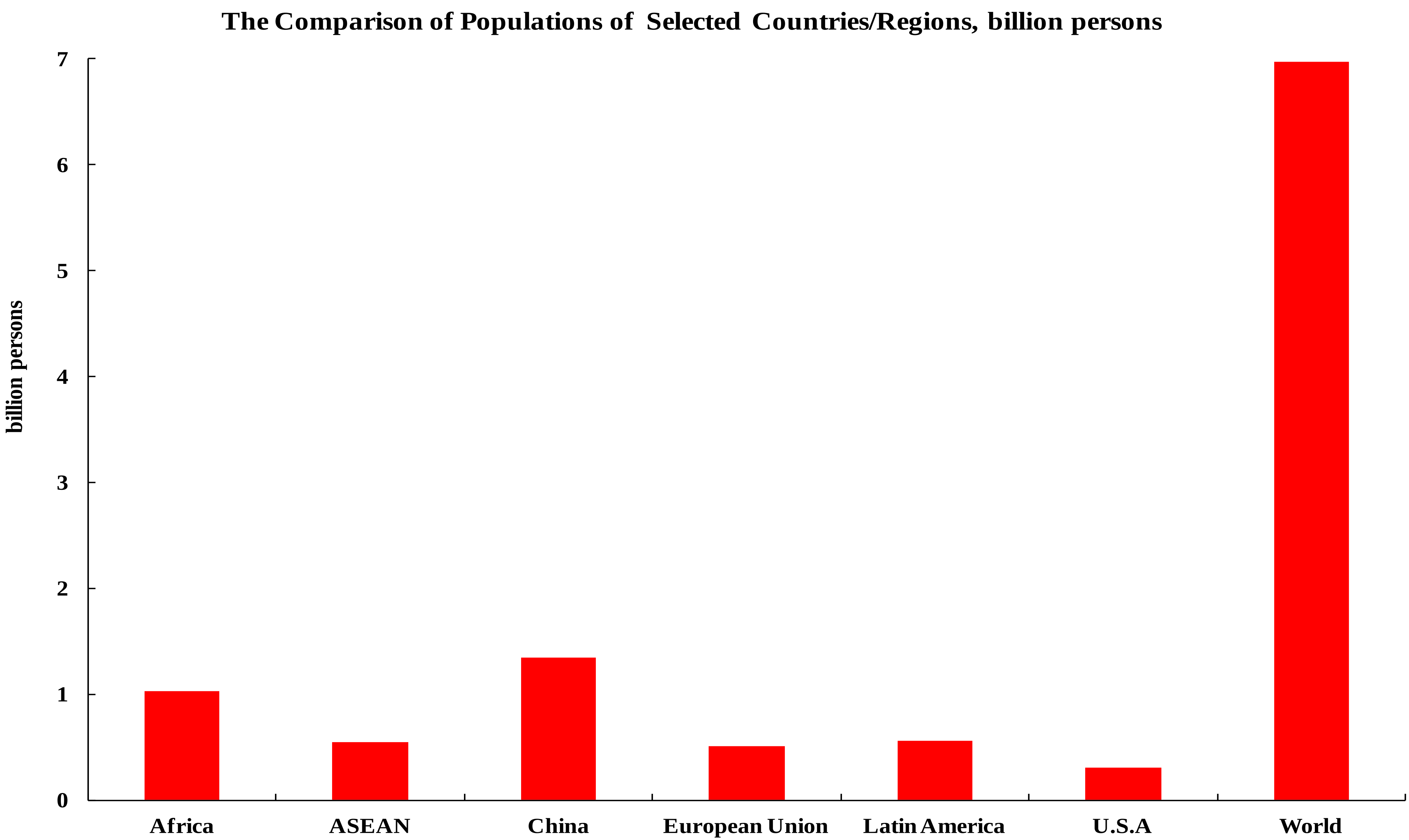
Outline

- Introduction
- Comparison of Initial Conditions
- How the East Grew Rich
- Concluding Remarks

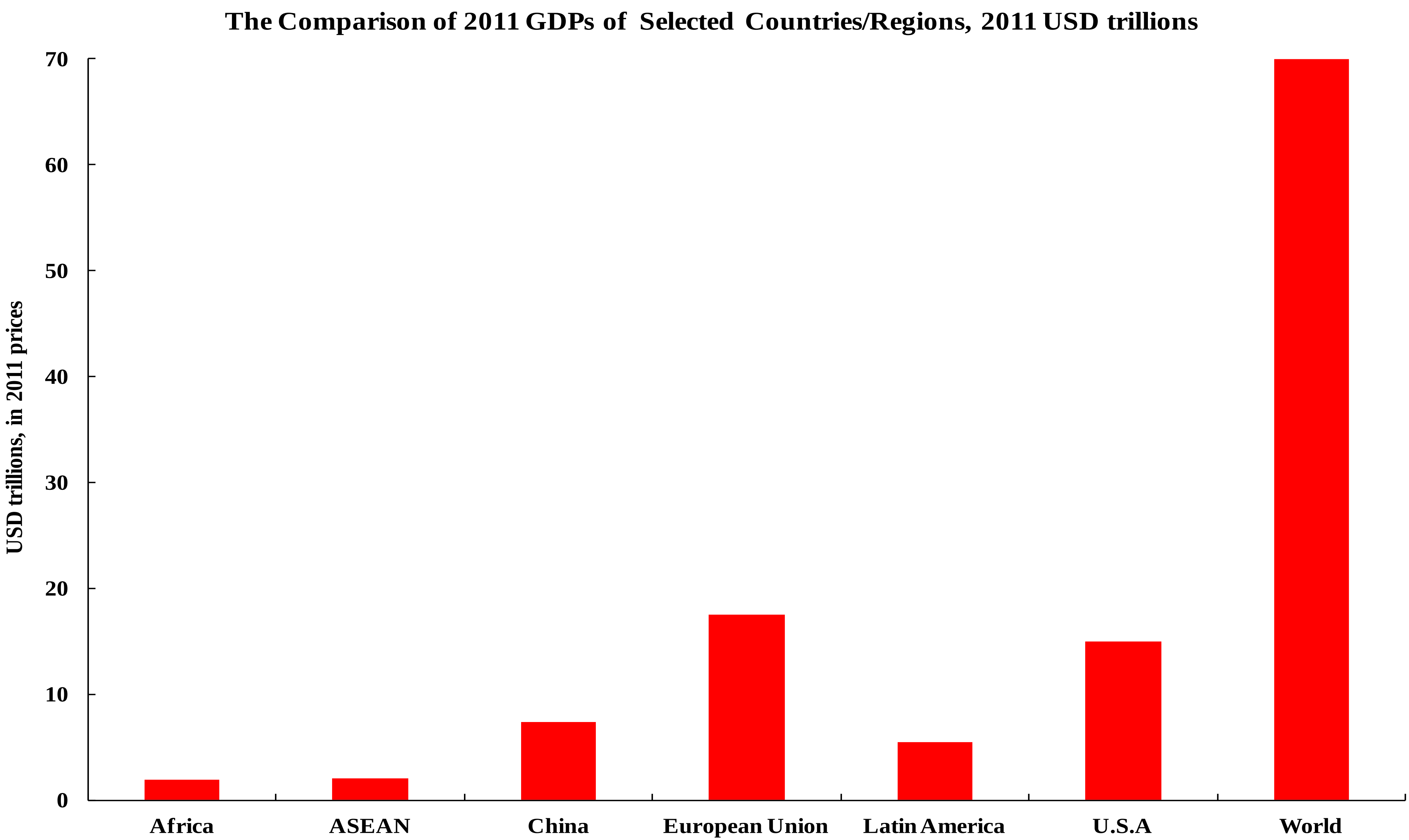
Introduction

- Africa is the second largest (20% of the land area) and the second most populous (more than 1 billion or 15%) continent in the World.
- Africa has, in 2011, the lowest GDP per capita, US$1,812, in 2011 prices converted at market exchange rates, of all the principal countries and regions of the World (see the following chart).
- However, Chinese real GDP per capita, was only US$346 in 1978, in 2011 prices, when it began its economic reform and opening to the World, lower than the real GDP per capita of almost all African countries today.
- Africa as a continent has abundant natural resources such as oil and gas, minerals, and timber which none of the East Asian economies had.

The Comparison of Populations of Selected Countries/Regions (2011)

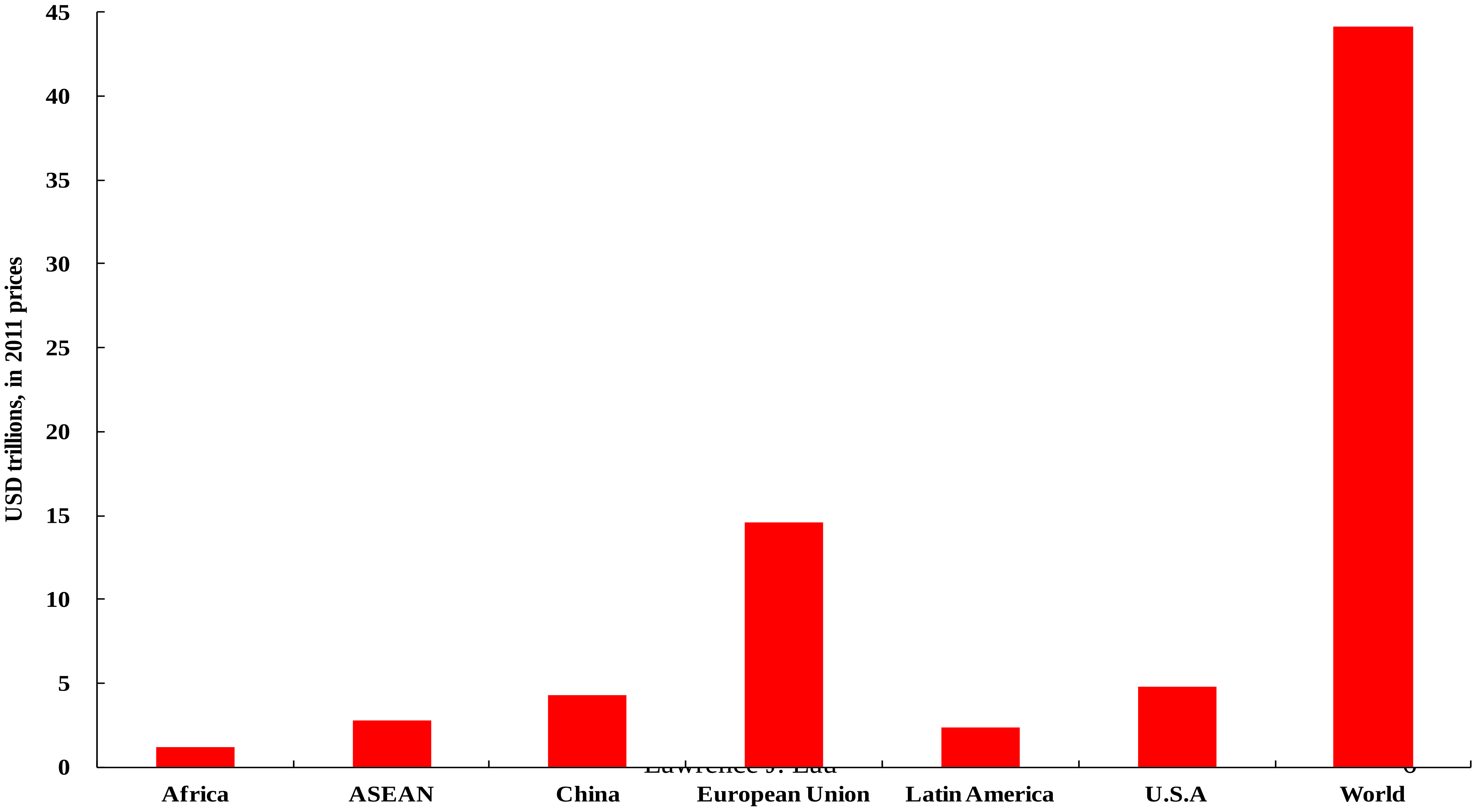


The Comparison of 2011 GDPs of Selected Countries/Regions (2011 US$)



The Comparison of International Trade of Selected Countries/Regions (2011 US$)

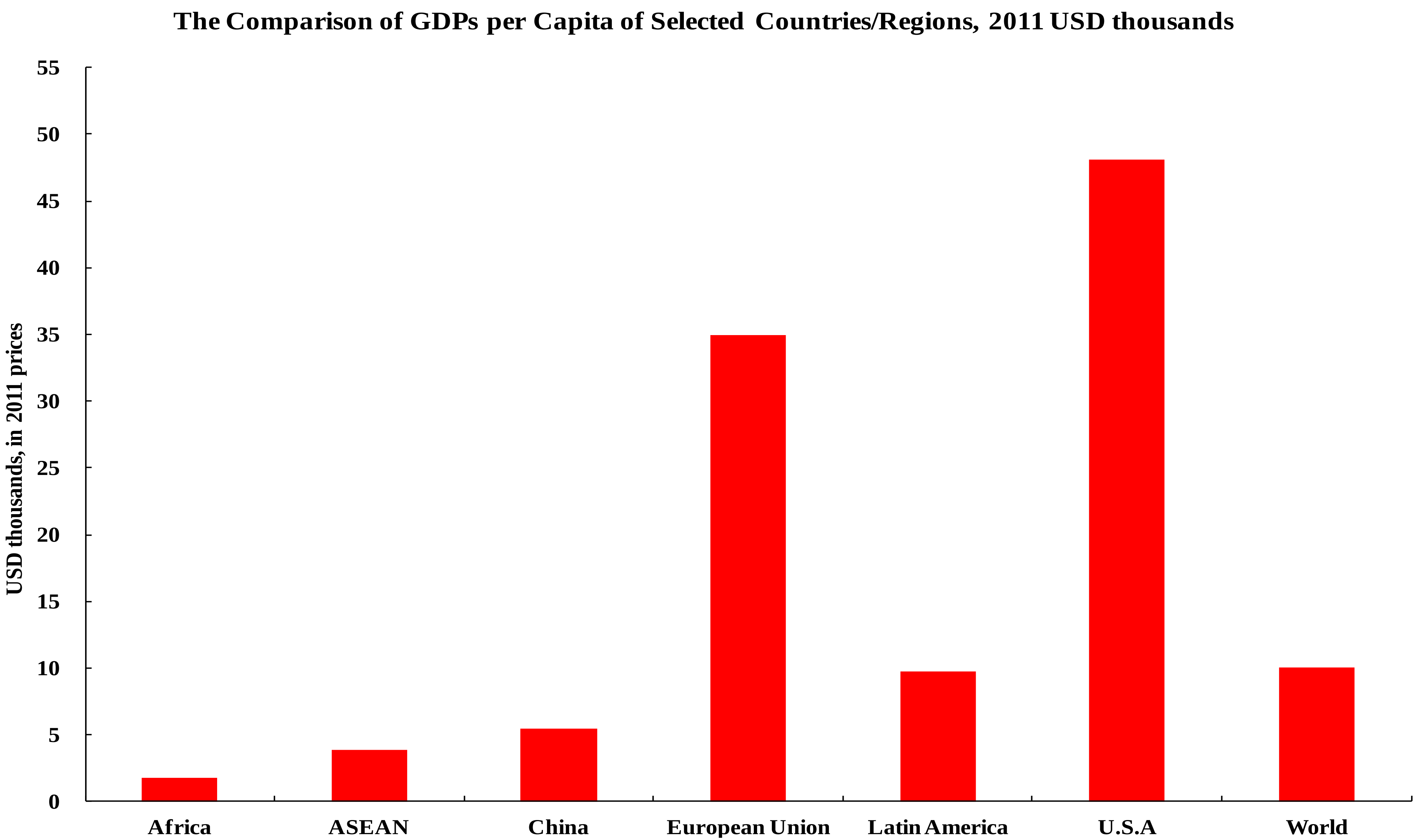
The Comparison of International Trade of Selected Countries/Regions, 2011 USD trillions



Comparison of Initial Conditions

- Both African GDP and international trade are less than 3% of the World's, despite a population of almost 15% of the World. There is therefore plenty of room for African GDP and international trade to grow. International trade can potentially be a powerful engine of economic growth for Africa, especially if it involves the exports of manufactured goods.

The Comparison of GDPs per Capita of Selected Countries/Regions (2011 US$)



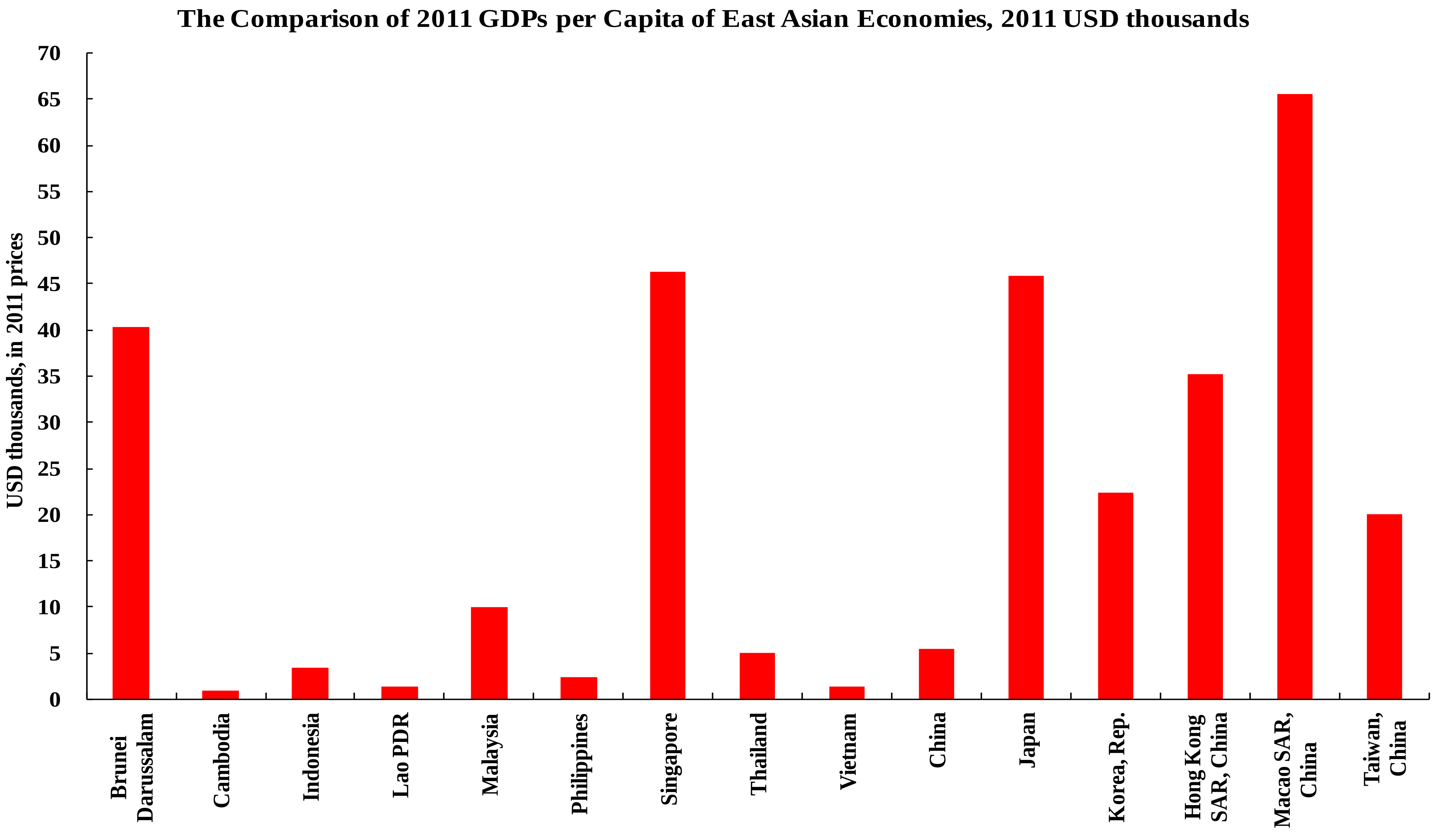
Comparison of Initial Conditions

- African GDP per capita in 2011, US$1,812, was not that low.
- By comparison, Chinese real GDP per capita was only US$122.8 in 1952, US$345.9 in 1978, and US$5,555 in 2011, all in 2011 prices. It took 60 years for Chinese real GDP to grow from a little over US$100 to today's US$6,000. It will take another ten years for Chinese real GDP per capita to reach US$10,000, approximately the average for the World today.
- If Africa can grow at an average annual rate of 6%, it can achieve a real GDP per capita of US$10,000 in three decades from now, before the middle of this Century.

How the East Grew Rich

- The East is taken here to mean East Asia (defined as the 10 Association of Southeast Asian Nations (ASEAN)--Brunei, Indonesia, Cambodia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam--+ 3 (China including Hong Kong, Macau and Taiwan, Japan and the Republic of Korea).
- East Asian economic growth has been led by the industrialisation of Japan in the immediate post-World War II period, followed successively by Hong Kong, Singapore, Taiwan, South Korea and then Malaysia and Thailand and then Mainland China. Industrialisation has begun to spread to Vietnam, Indonesia, Cambodia and even Myanmar.

The Comparison of 2011 GDPs per Capita of East Asian Economies (2011 US$)



How the East Grew Rich

- These East Asian economies all adopted similar economic policies:
  - Opening the economy to the World—promoting both exports and imports of goods and services (and shifting from an import substitution only development strategy but ensuring domestic food supply)
  - Rationalising the exchange rate to a level that reflects relative productivities with competitors and potential competitors
  - Removing barriers to the imports of raw materials, components and parts and equipment used in export industries, thus enabling the growth of exports (export-processing zones)
  - Adopting current accounts convertibility
  - Creating and maintaining non-agricultural employment through exports
  - Investing in human capital through mandatory basic education

How the East Grew Rich

- Attracting foreign direct investment (FDI), which brings with it not just capital, but also technology, markets, know-how and new business models. FDI also directly augments the initially low level of domestic savings. It can also augment aggregate demand and increase employment.

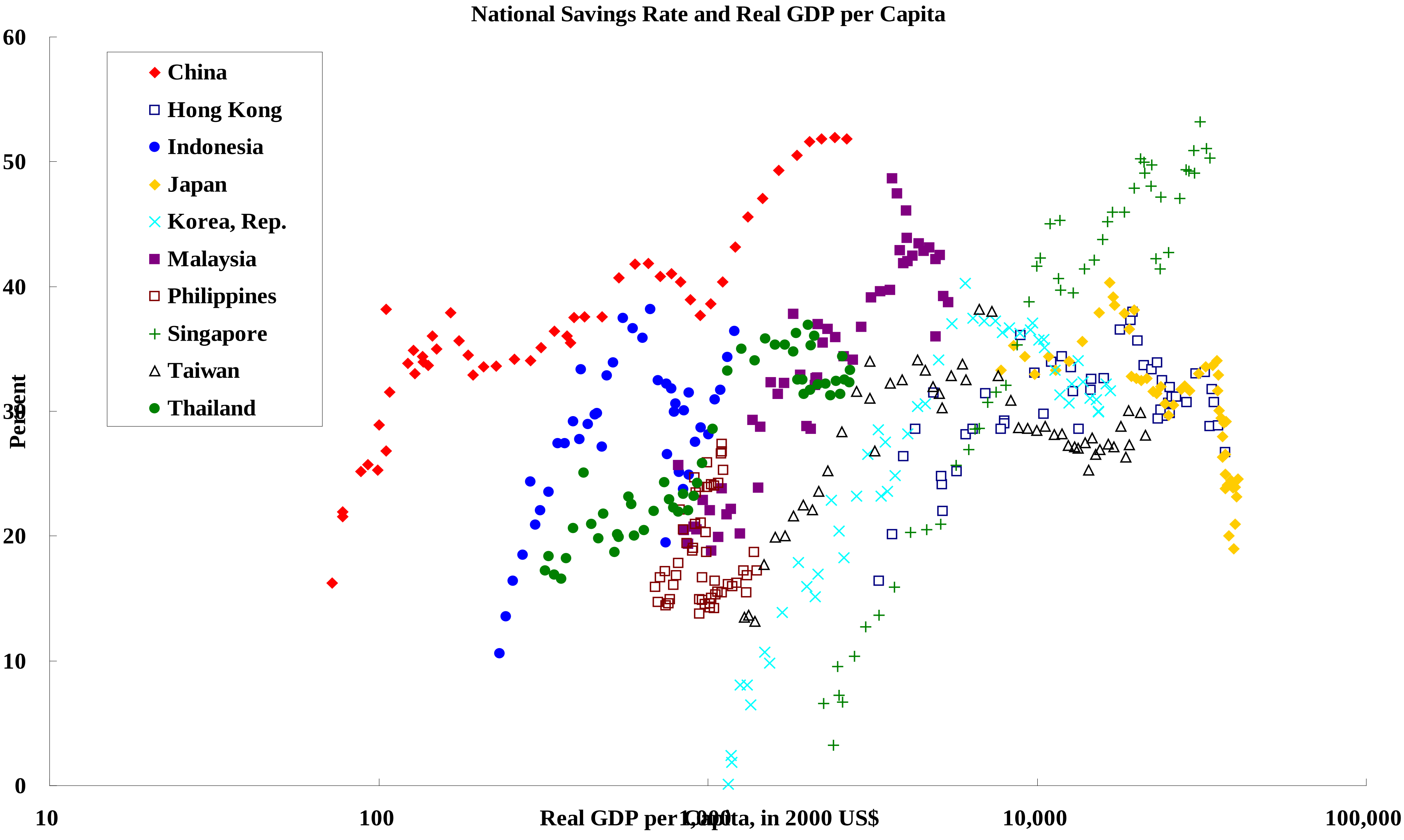
How the East Grew Rich

- Maintaining an open economy has the following additional advantages:
  - FDI and foreign loans can augment the domestic savings.
  - Exporting also enhances the ability to attract foreign direct investment and foreign loans because the foreign exchange earnings derived from exports enables the eventual repatriation of the principal, interest and profits to the foreign direct investors and lenders.
  - Exports generate the foreign exchange revenue that can be used to import raw materials, components and parts, and equipment needed for production and investment.
  - Exports and imports can generate readily collectible revenue for the government that can be used for the construction of infrastructure and basic education.

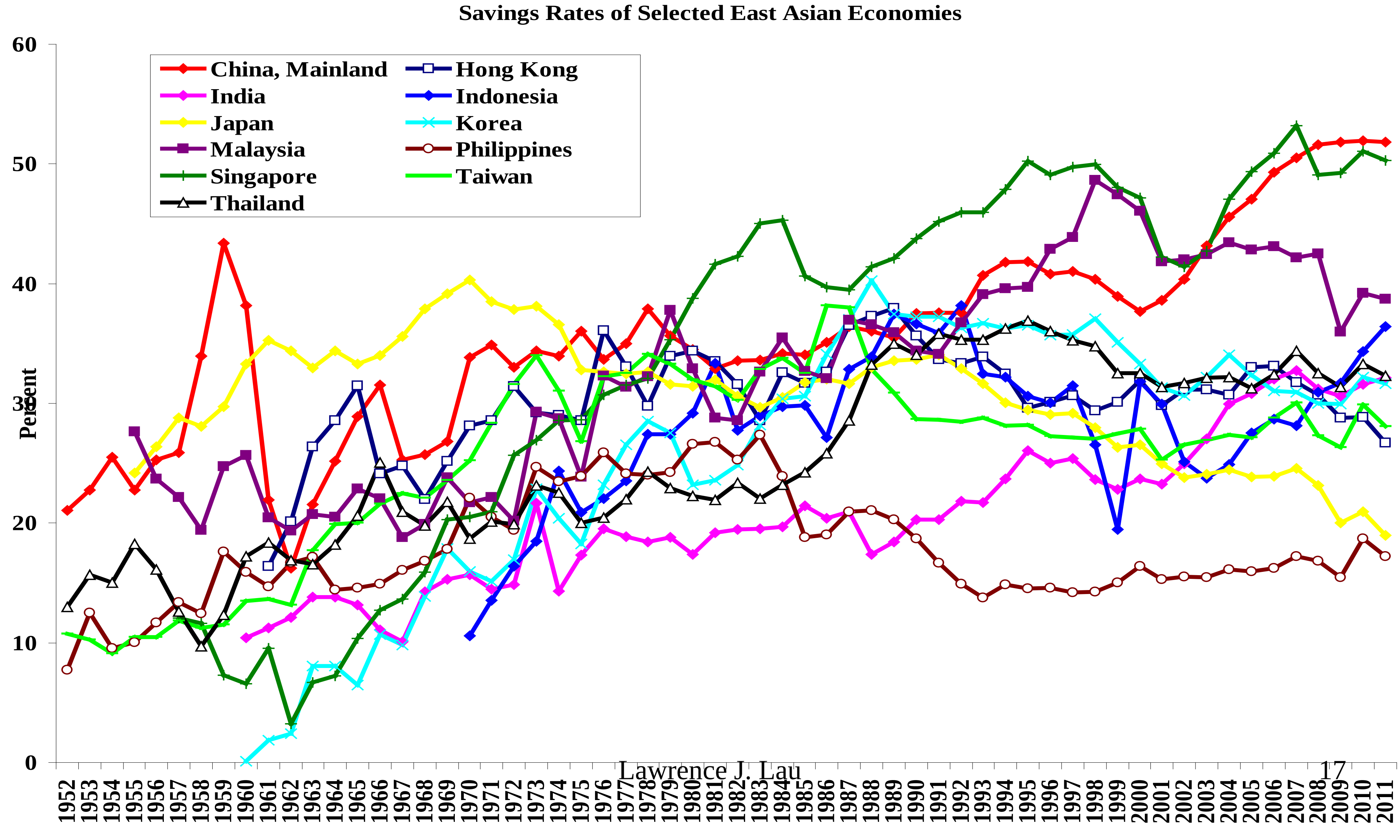
How the East Grew Rich

- FDI, foreign aid and foreign loans were instrumental in augmenting the domestic savings at the beginning stage of the economic development of the East Asian economies.
- The initially low national savings rates of the East Asian economies rose quickly as real GDPs per capita increased in the East Asian economies, providing the resources for continued investment in their own economies (see the following charts).

The Savings Rate and Real GDP per Capita: East Asian Economies



Savings Rates of Selected Asian Economies (1952-present)



GDPs per Capita of African Economies (2011 US$)

Country Name	GDP per capita 2011	Country Name	GDP per capita 2011
Congo, Dem. Rep.	231.02	Senegal	1119.36
Burundi	271.24	Mauritania	1150.82
Ethiopia	356.97	Cote d'Ivoire	1194.56
Malawi	365.45	Cameroon	1259.87
Sierra Leone	373.98	Zambia	1425.31
Liberia	374.33	Sao Tome and Principe	1473.28
Niger	374.45	Nigeria	1501.72
Madagascar	465.01	Ghana	1570.13
Eritrea	481.73	South Sudan	1858.83
Uganda	487.11	Sudan	1866.44
Central African Republ	489.15	Egypt, Arab Rep.	2780.95
Guinea	497.90	Morocco	3105.42
Gambia, The	505.76	Congo, Rep.	3484.66
Tanzania	516.55	Swaziland	3725.28
Mozambique	534.81	Cape Verde	3797.83
Rwanda	582.56	Tunisia	4296.86
Togo	588.19	Algeria	5244.03
Burkina Faso	600.38	Namibia	5292.89
Guinea-Bissau	629.21	Angola	5318.04
Mali	668.58	South Africa	8070.03
Zimbabwe	757.09	Botswana	8532.62
Benin	801.64	Mauritius	8755.37
Kenya	808.00	Gabon	11113.89
Comoros	809.57	Seychelles	11711.47
Chad	823.02	Equatorial Guinea	27477.71
Lesotho	1105.91		

Concluding Remarks

- Africa has, as China had before it, the advantage of relative backwardness:
  - The ability to import and adopt existing best-practice technology, without having to invest or to “re-invent the wheel”;
  - The ability to learn from the experiences of successes and failures of other economies;
  - The ability to leap-frog stages of development (e.g., the mobile phone versus the fixed landline phones; the internet versus the regular mail); and
  - The possibility of creation without destruction (e.g., online virtual bookstores like Amazon.com do not have to destroy brick and mortar bookstores which do not exist in the first place).

Concluding Remarks

- A devaluation of the exchange rates of African countries will not in general worsen African terms of trade significantly because it does not affect the prices of oil, gold and other minerals which trade in the international markets in U.S. Dollars anyway.
- Devaluations of the national currencies at the initial stage of economic development are common to almost all East Asian economies.

Concluding Remarks

- If East Asia, with much less natural resources than Africa, and similarly poor initial conditions, could do it, certainly Africa can do it.
- All African countries, except the Democratic Republic of Congo and Burundi, have a GDP per capita today that is higher than that of China when it began its economic reform and opening in 1978 (US$346 in 2011 prices).
- The World economy can provide the investments, the technology and the markets to enable Africa to develop and prosper just as East Asia did.
- If Africa can grow at an average annual rate of say just 6% per annum for the next three decades, it would have achieved a real GDP per capita of US$10,000 by 2042 (and at 7% by 2037).
- The 21st Century can indeed become the African Century.