

Common Patterns of the African Political Economy and the Challenge of Structural Transformation

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The Problem: Not only Africa

‘The main problem is the underdevelopment of industrial production.....not only does country X import nearly all of its capital goods and consumer durables, but its balance of trade is in deficit in energy, medicine, textiles, consumer electronics and even agriculture’ (*Le Monde Diplomatique*, July 2015) And country X is?

‘...just under 2 out of every 3 components of cars supposedly made in country Y actually come from abroad’ (*Guardian*, 14.7.2015) And country Y is?

And even when there is industrialisation.....

- ‘ In January, east African leaders suggested that in order to revive local textile industries, Kenya, Uganda and Tanzania should stop importing used clothes’ (*Cast off couture: will east Africa ban clothing imports?*, *Guardian* 8 July 2015)

Key Issues

- What, in structural terms, do African economies have in common?
- Why has manufacturing industrialisation been so slow to develop and effect structural transformation?
- Can structural transformation through manufacturing generate sufficient employment for the growing urban labour force?

How Structural Transformation was meant to happen

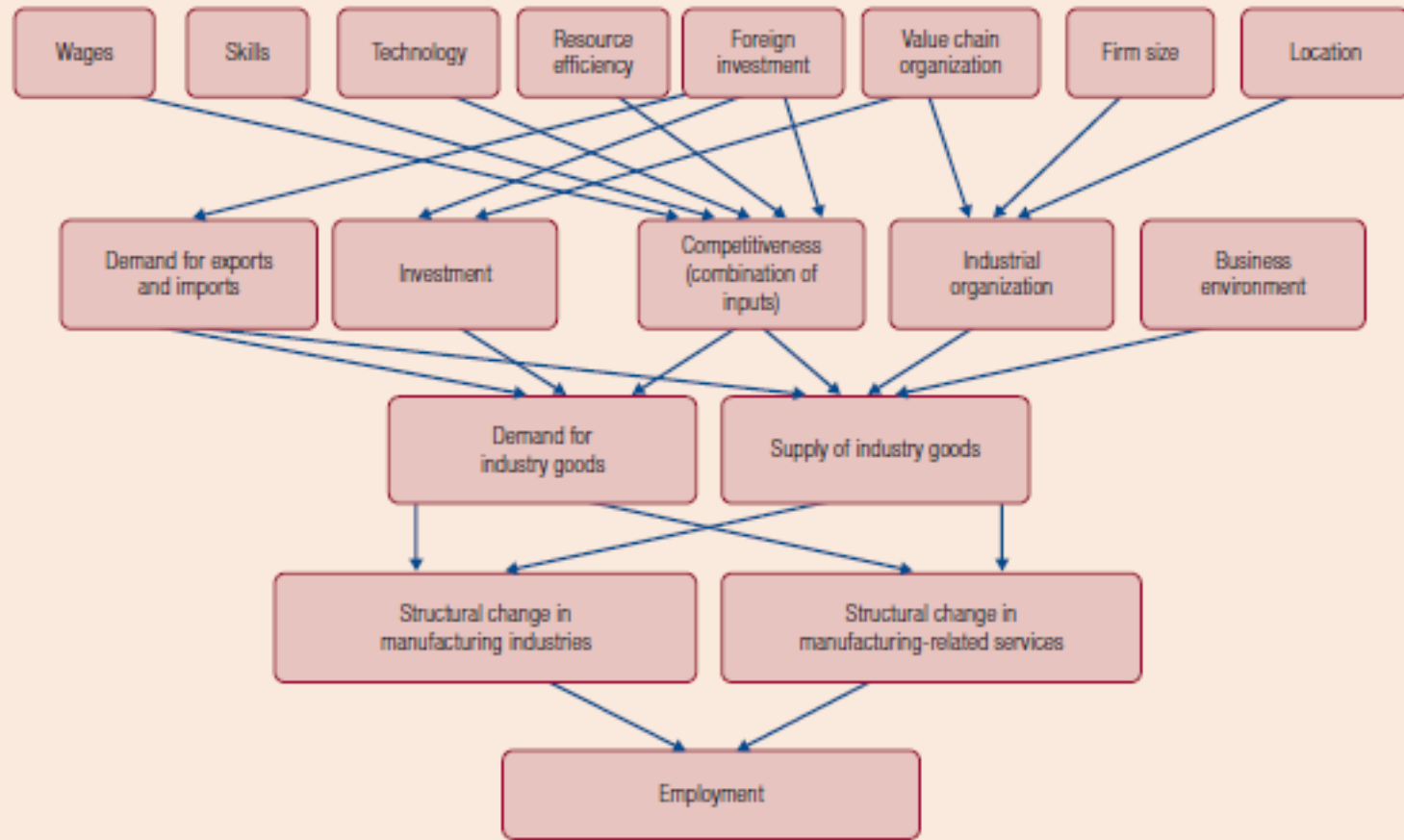
- Industrialisation (import substitution):
 - starting with agricultural processing: e.g. food and drink, textiles
 - and last stage consumer goods: e.g. cars, trucks, electrical/electronic goods
 - Then capital goods based on domestic mineral sources where available.
- Maximise linkages between sectors and within them
- Mobilise domestic savings and encourage foreign investment
- Soviet and Chinese models seemed relevant

Role of the State

- Two approaches:
 - Attract foreign direct investment with tax and other incentives
 - State participation/ownership in partnership with foreign enterprises – joint ventures
- Needs prior skilling of labour force and on the job learning by doing>>>>>EDUCATION
- Consequent employment creation

UNIDO's Drivers of Structural Change

Figure 14
Drivers of structural change in manufacturing



Source: Industrial Development Report 2013 Team.

UNIDO's key messages (yes, but who makes the 'State' do it?)

Key messages

- Achieving sustained employment generation requires industrial policies to focus on the structural transformation of the economy.
- The state can promote industrial policy either as a regulator, financier, producer or consumer. It should oversee close coordination with other policies as they can undermine the objectives of industrial policy if they are misaligned.
- For industrial policy to be effective, the policy-making process is as important as the policy content.
- International cooperation in the areas of labour standards, investment and sustainable economic development targets after 2015 is key to ensure that industrialization generates much needed high-quality jobs.

Agents of Change?

- The State – but what kind of state?
- The vanguard party allied with workers organisations representing interests of workers and peasants?
- The bureaucratic bourgeoisie?
- A proto accumulating capitalist class emerging from the SME sector

These questions usually avoided – good governance will do it!

African Experience?

- Initial high manufacturing growth rates
- Import substitution generated increased imports of capital goods and little export
- No planning, shopping list, but no linkages?
- Crises of drought and oil of 1970s led to foreign exchange crises and import squeeze
- Reduced or even negative manufacturing growth in '70s and '80s
- Structural adjustment and de-industrialisation
- Recovery in later 1990s and 2000s
- But still at first stage. Capital goods?

African Economic Structures

- *Agriculture/GDP ranges and medians:*

1962, range, 11 to 95%, median 43% (19)

2011, range, 1 to 58%, median 23% (40)

- *Industry/GDP ranges and medians:*

1962: range, 4 to 38%, median 13% (16)

2014: range, 6 to 69%, median 21% (49)

- *Services/GDP ranges and medians:*

1962: range, 20 to 62%, median 40% (16)

2011: range, 20 to 84%, median 47% (37)

Manufacturing

- *Manufacturing/GDP ranges and medians:*
 - 1970: range, 3 to 23%, median 9% (24)
 - 1990: range, 4 to 37%, median 10% (42)
 - 2011: range, 2 to 42 %, median 7% (35)
- *MTE(% total Mfg), ranges and median*
 - 1970: range, <1 to 13%, median 4%(21)
 - 2010: range, <1 to 19%, median 2%(12)
- *FBT (% total Mfg)*
 - 1970: range, 15 to 88%, median 37% (21)
 - 2010: range, 7 to 87%, median 36% (15)

Average Annual Growth since 1971

- Manufacturing

range, -3% to +10% p.a., median 4% (47)

- Industrial

range, -1 to +13% p.a., median 4% (45)

- Services

range, 4 to 13%, median 5% (45)

- Agriculture

range, <1 to 6% p.a. median 3% (50)

Imports and Manufactures

- Imports/GDP

1960: range, 7 to 86%, median 23% (33)

2014: range, 13 to 104%, median 41% (51)

- Manufactured imports/ Total Imports

1962: range, 51 to 90%, median 69% (32)

2014: range, 35 to 91%, median 60% (40)

Exports and Manufactures

- Exports/GDP ranges and medians

1962: range, 13 to 68%, median 21% (29)

2011: range, 5 to 87%, median 31% (45)

- Manufactured Exports/Exports

1962: range, <1 to 64%, median 6% (32)

2014: range, <1 to 90%, median 23% (38)

Manufactured Exports 2014: Structure

- **Food, Beverages & Tobacco/Total Export Prods**
range, <1 to 94%, median 9% (44)
- **Textiles & Clothing/Total Export Products**
range, <1 to 46%, median 1.5% (44)

Manufactured Imports 2014: Structure

- **Machinery and Transport Equipment**

2014: range, 22 to 78%, median 45% (36)

- **Food**

2014: range, 4 to 46%, median 14% (37)

(This statistic raises issues of agricultural transformation to reduce net food imports)

Employment Structure: last 5 years average

- Proportion of Labour force employed in:

Agriculture:

range 4-85%, median 25% [23%GDP] (26)

Industry:

range 3-37%, median 7% [21%GDP] (32)

Services:

range 12-64%, median 36% [47%GDP] (25)

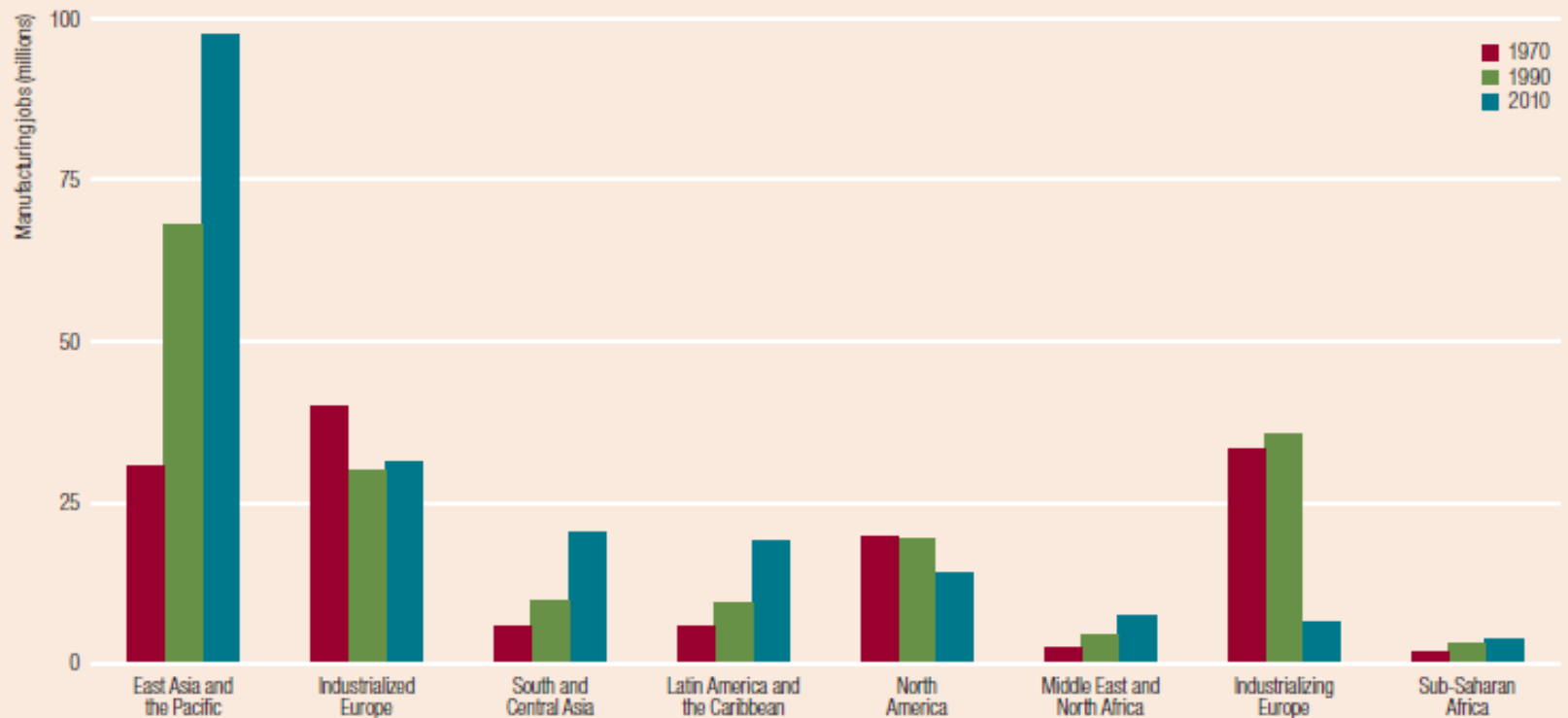
Explanations for lack of structural transformation

- Why elsewhere, esp. Asia, and not Africa?
- Neoliberal orthodoxy says:
- the adoption of import substitution strategies of industrialisation,
- the effects of structural adjustment policies,
- the high costs of 'doing business',
- uncompetitive wages and low skill levels
- credit and investment constraints
- lack of export orientation
- Excessive public ownership and insufficient privatisation
- Hence global shifts.....

World Manufacturing Employment Trends

Figure 6

Trends in formal manufacturing employment by region, 1970, 1990 and 2010



Source: UNIDO estimate based on UNIDO (2012).

Movements towards Classic Transformation

- Rapid urbanisation through rural urban migration
- Availability of large cheap 'free' labour force
- Continuing rural links challenged by land grabs and other forms of dispossession
- Foreign investment in land and mineral extraction but not in manufacturing

But Differences from Classic Transformation

- Manufacturing creates ever fewer jobs as technology advances
- Jobs created in new sectors esp. IT and associated activities plus Services
- Low wage jobs created so limiting demand for consumption goods
- Global Capital's power – the 'Empire of Capital' (John Saul)

New Issues

- Can structural transformation for African economies follow the classical path?
- How much does this depend on attracting foreign investment?
- Who runs the world economy: 50 powerful corporates (mostly financial) control 75% of core capital
- Low wages and reserve army of migrants
- Delinking

An Industrial Strategy?....

- based on Clive Thomas's theory of convergence of domestic resource use and domestic demand
 - use of domestic rather than foreign natural resource inputs
 - creation of large and small scale supply industries based on local deposits of mineral inputs, and an
 - active science and technology and research and development policy to adapt imported technologies to local needs

But Cautionary tale

- Tanzania c. 1970
- TanZam railway built by Chinese and Tanzanian workers
- Passed through area of coal and iron ore deposits
- Chance to build iron and steel complex
- 45 years later, railway being rehabilitated, and iron and steel complex to be built
- Linkages to follow?

And where is Capitalism Going?

- Postcapitalism: (Paul Mason)
- IT has reduced the need for work, blurred the edges between work and free time and loosened the relationship between work and wages.;
- IT is corroding the market's ability to form prices correctly - markets are based on scarcity while information is abundant. The system's defence mechanism is to form monopolies –e at odds with the most basic need of humanity - to use ideas freely.
- PLUS the rise of collaborative production: goods, services and organisations that no longer respond to the dictates of the market and the managerial hierarchy. E.g. Wikipedia – made by volunteers for free, abolishing the encyclopedia business and depriving the advertising industry of an estimated \$3bn a year in revenue.

Conclusions

- Agency is critical
- Accumulating class – consumers or investors?
- Developmental State working with foreign investors but in control – the S. Korea model?
- Chinese state socialist and private capitalist mixture – a later version of Shivji's bureaucratic bourgeoisie?
- New forms of social organisation?
- A Pan-African Solution – Unity or Poverty?