

# **Africa: Beyond Africa Rising - The Future Of The Global Economy's 'Last Frontier'**

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## **Is Africa Rising?**

In the past decade Africa has emerged in the world's consciousness in the context of an evolution in the continent's image. Africa is not yet seen as the place to be, to go to, or to be envied in terms of economic and societal progress. Indeed, still too many people around the world hold a decidedly different view. Gradually but surely, however, Africa is increasingly viewed less as a "hopeless" continent and more as one with promise for economic development, less as a haven of poverty, war and natural disaster and more as a continent that offers economic opportunity. In short, Africa is seen more as a "normal", even if less prosperous place than many other parts of the world, than as the decidedly "abnormal" place off the map of the mental imagination that it once was.

This recent emergence and the positive evolution of the continent's image has led to the growth of an "Africa-Rising" industry of analysts, commentators, scholars and business executives in which the continent is seen as the next big thing in the world's economy. The continent in this view can lay claim to a looming African century close on the heels of the economic rise of Asia in the 20th and 21st centuries.

Three main factors have shaped this trend.

First, many of the wars for which Africa was famous have ended. The wars in Sierra Leone and

Liberia, the Great Lakes region of Africa including Rwanda and the Democratic Republic of Congo, and the long armed conflicts in the Horn of Africa in Ethiopia, Eritrea and Sudan were and are only a few of the destructive orgies of annihilation of human capital, political stability and economic possibilities that shaped perceptions of Africa as a war zone writ large in the 1980s, the 1990s and the 2000s. As most of these conflicts have ended, more recent ones have raged in Mali and the Central African Republic, keeping the world's peacekeeping armies in business. But the continent is far more at peace now than it once was, clearing the path for a shift in attention to democratization and economic development.

Second, macroeconomic stability has been broadly established across the continent in the past decade. Inflation is down, at an average of 10 per cent in sub-Saharan Africa compared to the nearly 25 per cent in the 1980s and the 1990s. This trend can be traced to the evolution of better monetary policy by increasingly independent central banks, as well as improved fiscal management. At the same time, GDP growth has continued apace. Average GDP growth in sub-Saharan Africa in the decade leading to 2013 was 5 per cent, with a third of Africa's countries reaching growth rates of 6 per cent and others, such as Nigeria, growing at average rates of 7 per cent.

According to the African Development Bank, Africa's economies are growing faster than those of any other continent. Nearly half of Africa's countries are now classified as middle income countries, the numbers of Africans living below the poverty line fell to 39 per cent in 2012 as compared to 51 per cent in 2005, and around 350 million of Africa's one billion people are now earning between \$2 and \$20 a day.

The third factor is the global financial crisis and the subsequent recession in the Eurozone and other Western economies at a time in which African economies were growing rapidly. This has led to opportunistic focus on Africa by several multinationals and global investment funds as the "final frontier" for wealth creation, with returns on investment that can only be the stuff of dreams in the world's industrialized countries.

But the reality is more nuanced. Contrary to the breathless prognostications of enthusiasts, while Africa has become an economic opportunity in the world economy, the continent is yet to fully emerge, let alone rise, as an economic presence and a co-creator of global prosperity.

Let us look at another set of statistics. Africa's share of world trade is a minute 3 per cent, with less than 4 per cent of global Foreign Direct Investment (FDI) flows going to the continent. With

a combined GDP of \$1.6 trillion, the combined GDP of the continent's 54 countries is just about that of Brazil. The GDP of the entire sub-Saharan Africa, including South Africa, is just about equal to that of Belgium or that of metropolitan Chicago. All the electricity produced in sub-Saharan Africa, half of which is, in fact produced by South Africa, is equivalent to that of Spain which has 20 times fewer people than Africa.

### **The Argument for a New Paradigm of African Development**

What all this suggests is that real questions regarding the "rise" of Africa include that of what parameters are used for measuring the continent's progress and who does the measuring. Is Africa aspiring to holistic development that encompasses human development as a reflection of the real quality of life of Africans or is it focusing on economic growth statistics that do not necessarily translate into more jobs for its citizens and better education and healthcare? Have African economies become industrialized manufacturing economies, and will job creation outpace population growth and put Malthus to shame? What is the role of science, technology and innovation in African economies? Is Africa assessing its own progress against benchmarks it has set for itself, or is its "rise" the received wisdom from global institutions and the ambassadors of global capital seeking new frontiers of profit?

In *Emerging Africa* I make the case that Africa needs an endogenous growth model that is inside-out in its perspective, rather than the presently dominant one that is outside-in and globalization-centric. Africa needs to manufacture goods for its own markets as a first foundation, spreading out regionally from that base and emerging as economic power in its own right through competitive advantage or at least self-sufficiency. What is being celebrated as Africa's rise is the fact that the continent has increasingly become a market or a playground for globalization.

Africans appear to have become excited merely to be participating in the wider globalization process, and the external economic players for whom the continent has become the new frontier are excited at the novelty of playing in new territory and the benefits it has brought or potentially will. This is quite a different thing from structural economic transformation, which is what has happened in many Asian economies and which is what Africa really needs to achieve for itself and its peoples. Without a doubt, GDP growth is necessary for such a transformation, but is not an alternative for it because the two are not the same thing.

Africa's recent economic growth statistics have been derived largely, but admittedly not

completely, from a structural dependence on primary commodity products. This growth is thus not transformative, and it is only transformed economies that can truly rise, in the manner in which we speak, for instance, of the rise of China. The continent needs to decide whether it will continue to engage with the world as (a) a destination market for consumer goods and ideas, (b) a self-sufficient player based on endogenous growth, or (c) as a dominant actor. I argue that the first option is not an option for real progress, the third one is not realistic in the near to medium term given how far behind Africa really is in terms of the structure of its economies, while the second is realistic and achievable within the next 30 years.

The required approach to creating the real economic rise of Africa must be based on at least three things. The first is what I call fundamental understandings, a philosophical approach to wealth creation and economic prosperity that prioritizes the role of individual and collective minds in economic and social progress. In this context, what is required is nothing short of the reinvention of the contemporary African mind. That mind must better understand foundational realities and its inherent power to alter these realities in favour of the continent. The second approach is the need for strategy and the active management of risk. The third is the role of governance, the rule of law, and institution-building.

### **Fundamental understandings – worldviews and globalization**

The point of departure for Africa is the need for African states, their governments and their citizens to understand how the world is structured in reality, and why this is so. They will then need to develop mechanisms that can enable them arrive at a different interpretation from their own perspective, and stamp that interpretation as an alternative reality in their environment. That is to say, African governments must create worldviews, and in that context develop a proper understanding of globalization as a dominant economic context, the implications of this concept and context for Africa in the world economy, and the possibility of creating an "African century". Nothing is written in the stars in terms of Africa's destiny. The continent can create the destiny it wants, just as other parts of the world have done.

This requires a reappraisal of a number of fundamental assumptions that have prevented Africa's economic development and transformation such as a misunderstanding of where responsibility lies for the continent's transformation. From this point of departure, the

fundamental understandings of issues such as globalization, foreign aid, capitalism and international economic governance as a framework for economic development, and so forth, can be applied to economic activities such as industrialization, finance, agriculture, foreign investment, science and technology, and world trade.

I argue in *Emerging Africa* that the fundamental reason for Africa's condition of underdevelopment is the absence of a futuristic worldview. This is the most fundamental aspect of the African development dilemma. A worldview is basically how we see the world, understand and interpret it, and how we engage with the world around us and beyond us. It is that inner world of the mind of an individual or group, which he or she or they project in their outward actions, and which influences the world around them by creating certain realities.

The Belgian philosopher Leo Apostel and his research collaborators identified seven core components of a worldview. These are: (a) a model of the world – an understanding of how the world is structured and how it functions; (b) an explanation of where we have come from and why the world is the way it is; (c) rational futurology, which addresses the question of where we are going, the possible destinations, and the options and alternatives to promote or avoid; (d) values, including systems of ethics that guide what we should or should not do; (e) action – how to get to our goals by developing and implementing plans; (f) knowledge – how to construct knowledge systems, addressing the questions of what's true or false; and (g) building blocks that construct a worldview from what already exists in theories, concepts or models across various disciplines or ideologies.

Worldviews matter enormously, because their outcomes are never neutral. Indeed they are often reflected in or as world orders. Although initially subjective, they can with dogged application result in "objective" reality. The transatlantic slave trade was a world order based on a worldview – repugnant as it was – of the "superiority" of slave owners and the "inferiority" of the enslaved peoples. Emancipation and the abolition of slavery was also based on another worldview, and the hardness of the worldview of the transatlantic slave trade, faced with a strong opponent in abolitionism, transmuted into colonialism in order to ensure and continue the economic benefits of the exploitation of Africa and the Africans.

Thus, the projection of these worldviews, backed up by the sustained deployment of certain comparative advantages such as military prowess based on technology, established realities that are accepted as "facts of life". This has been demonstrated in diverse climes such as the Western world, with its worldview of scientific rationalism and individual freedoms leading to economic progress along a certain model, and the East, which has risen, represented by China, along another model of stability as an end in itself, and the importance of the clan or society above the individual.

From this foundation we can then situate globalization, its impact on Africa's economic trajectory, and why Africans need to engage the phenomenon from a somewhat different and more sophisticated standpoint. Globalization is the process of increasing interconnectedness of the economies of previously well demarcated nation-states; the phenomenon of the instant transmission of ideas, events and culture over long distances through the instrumentality of technology, and the impact of these processes on local environments.

Thus, for our purposes here, there are two highly relevant dimensions of globalization. The first is that it has two main elements, the economic and the social, with technology as its chief instrument. This is why we all believe that the internet has made the world a much smaller place, and Africa now has over 600 million mobile telephone users, more than the United States and Europe.

Second, a more comprehensive understanding of globalization must involve both its scope and its motives. We must go beyond issues such as the extent and the geographies, the boundaries of which have been breached by globalization, to the questions of who is globalizing and *why*.

[1]

This is what has been termed "global intent" or strategic intent, without which globalization will not be what it is and would not have had the economic and other impacts it has had.

Economic globalization has, in fact, hurt Africa more than it has helped the continent, contrary to the received wisdom. The gains for African countries from opening up to international economic forces without adequate internal preparation have been limited and far outweighed by the adverse of the continent's engagement with economic globalization. Economic policies enunciated by the Bretton Woods institutions in the 1980 and 1990s led to lost decades of development opportunities and outcomes. Structural adjustment and liberalization without the proper foundations as a core condition led to the effective de-industrialization and unproductiveness of the continent by weakening the manufacturing sector and promoting import-driven economies. Trade liberalization under WTO regimes has not brought benefits. It has removed incomes from tariffs that have not been replaced by effective internal revenue mobilization.

It is against this backdrop – that of an uncritical embrace of globalization and its institutions or agents in the mistaken belief that these forces are benign in intent or impact, or agnostic in belief, or that African countries are obliged to do so as members of a presumed "international community" or "global village" – that Africa's "rise" must be evaluated. The road to progress begins with asking and answering the right questions, and African countries must do so. Who is responsible for Africa's development? Who will shape Africa's destiny?

The answer: Africans and no one else. Not foreign investors; not development "partners"; not the supposed international community; not foreign aid.

Nevertheless, one of the paradoxes of globalization is that the phenomenon has so opened up the world and its inhabitants to each other that the prospects and opportunities economic advancement are now almost universal. This process, underpinned by the invention and innovation of industrial technology, is not a secret. It is open to any country or region of the world that is prepared to harness it. Perhaps the secret lies in what's beneath the surface – the full understanding of all the dimensions of that process and the preparation to harness the recipe. It does not have as much to do with presence or absence of natural resources, with Africa is endowed more than any other continent. If it did, Africa would be the richest continent rather than the impoverished one it has been for far too long.

### **Paths to Economic Transformation**

The first application of these fundamental understandings to take a very clear-headed approach to capitalist economics, the paradigm through which virtually all African states are now seeking to develop in the aftermath of the Cold War and the collapse of communism and socialism. Most of the growth of Africa's economies is driven by the private sector. That's ok, but not unreservedly so. To be clear, I am a capitalist.

But, to drive real economic transformation, capitalism must be managed by the state in a number of ways. The first is that clear choices must be made between the different kinds of capitalism –indeed there must exist in African governance and public policy an understanding of these different strands, and the implications of each as a possible choice for each African country. Thus, African states must choose between state capitalism as practiced by China, welfare capitalism, crony or oligarchic capitalism, and entrepreneurial capitalism. I recommend a blend of at least two of these according to the peculiarities of each African country, but have a bias for entrepreneurial, small-business capitalism because that is what most suits Africa's historical development, societies, and its large informal economies.

Second, African countries must revisit the role of the state as a guiding hand as opposed to the misguided abdication of the responsibility of the state to the private sector. This creates wealth but with too much inequality in the distribution of that wealth, which is in itself a long-term risk. There must be a public-private approach to the three fundamental requirements for successful capitalism – access to finance, property rights, and innovation.

The next step in the application of fundamental understandings is that African countries must embrace industrialization. This imperative also extends to the industrialization of agriculture, a mainstay of many African economies but presently largely at a subsistence level. It would be foolhardy to be caught in the fanciful conceptual trap of a supposed post-industrial society that is assumed to have developed in the West, with 3-D manufacturing supposedly threatening traditional industries and service economies challenging manufacturing ones.

Africa must first create industrial societies because that is what creates jobs, which African countries need to outpace population growth and maintain economic growth and social stability by avoiding a youth bulge in the future. Moreover, 55 per cent of world trade is based on manufacturing, while 7 per cent is based on agriculture. And massive infrastructure networks of electric power and transport infrastructure connecting the continent's countries to one another and their component parts have rightly been recognized as a priority by many African governments which are moving to create such infrastructure over the next decade.

The next two key drivers of economic transformation are science, technology and innovation on the one hand, and education and human capital development on the other. Both must be linked. African countries need to make technology and innovation a strategic priority from the standpoint of a worldview that Africa can invent and innovate, and must do so if it is to liberate itself from the oppressive dominance of globalization. Some African countries such as Kenya are making strides in the development of innovation with the development of an ambitious, \$15 billion "silicon savannah" in Konza, a 2,000 hectare city 60 kilometres outside Nairobi that is designed to turn Kenya into an attractive location for technology businesses and incubators, and challenge South Africa's dominance in this area.

Science, technology and innovation is one of the main paths which Africa can exploit to make a great leap forward in the world economy. Talent abounds in the continent, but African governments need to create an enabling environment for innovation and create incentives, institutions and markets to support it. Here the link between innovation and taking innovations to market as commercial products that are priced competitively to counter imports is key. Human



capital development in which African countries improve the falling quality of education in several countries and focus on education that builds technical and technological skills that are linked to industrial policies and job-creation strategies will play a major role in economic transformation.

## **Governance, Leadership and Institution-Building**

The intervention of military governments in most African countries in the three decades between the 1960s and the 1990s set back the hand of the clock in Africa's economic development because it led not to benign dictatorships that drove economic development as happened in some Asian countries, but to the restriction of the space for the evolutionary development of good, accountable governance. With the return of virtually all African countries to democratic status, this challenge remains, alongside that of economic development.

Governance and leadership determine to a large degree how much progress a country can make on the economic front. If the governance of an African country is based on the search for the economic progress of citizens, and the effort is well directed and managed, economic transformation can occur. But if governance is based on rent-seeking and competition for the spoils of public office, the resources of the state will be drained far more than real wealth can be created, in which case the dividends of democracy become questionable.

The best way to utilize governance as a tool for creating the wealth of Africa's nations is for governments to create a number of paradigm shifts through public and economic policy. These include the establishment of economic complexity through an industrial policy that supports manufacturing. Countries such as Nigeria and Ethiopia are making progress in this direction. Building strong, independent institutions that will ultimately have a positive impact on economic activity by assuring the rule of law and protecting investments from arbitrariness, and creating a level playing field for economic actors is also critical. Another fundamental requirement of good governance as a wealth creator is the manufacturing of consent of the citizens to a vision of economic transformation to which a nation's collective energies can be channelled in a united manner.

The difference between the wealth and poverty of nations, their success or their failure, lies in the existence or absence of strong institutions. Institutions, when they function well, function dispassionately as systems that make predictable decisions based on benchmarks and thresholds that are clear to all. They serve to remove the system of economic incentives from the tyranny of the whims and caprices of individuals. Where institutions are weak and caprice reigns, there will be little or no progress because there is no meritocracy. Rewards are aligned not to creativity or productivity, but along lines of unproductive patronage networks that sustain political power but do not create wealth for a nation. A society that functions in this paradigm is fundamentally unable to transform its economy because the playing field is not a level one. Rent-seeking is rampant, but creates pools of plenty for the tiny few that are linked to the patronage network within vast pools of poverty.

The manufacture of consent is absolutely essential for economic transformation in Africa. Because development is the result of the deployment of creative talent and economic activity in a productive direction, it is necessary for African governments to define economic policy visions and directions and obtain the buy-in of the citizens to such a vision. We have seen this approach utilized by every dominant economic power in the world, whether it is the United States which applies a free-market oriented economic culture or China, which has achieved massive leaps in economic development in the past 30 years through an adaptation to state-directed capitalist activity while maintaining the dominance of the Communist Party. In all instances, this has been achieved through propaganda and mass mobilization.

## **Strategy and Risk Management**

African countries have often not lacked an understanding of what the challenges to their economic development are. The real challenge has sometimes been to just get on with "doing it" effectively and creating the required transformation. This requires an understanding of strategy as a modern management concept and its application to governance. Sadly, this is still lacking inside African governments, with only very few exceptions.

Tony Blair, the former British prime minister, had a famous strategy unit in 10 Downing Street that drove his governance agenda and ensured that a single thread of vision, communication and execution priority – in this case, education – ran through all the narratives actions of his ten years in office. Strategy and risk management have just come into their as legitimate functions in Africa's private sectors. Their application to the role of the government and the effectiveness of the state – which encompasses the private sector commercial space – is even more consequential for the future of Africa.

Strategy and risk management need to become embedded in governance thinking and architecture in Africa. Strategy is about shaping the future. It is about how to create the future of our imagination. If we are to create an African century, African countries will not succeed without a clear strategy and strategic thinking. That "how" is the difference between dreaming and visioning, and bridging the gap in between.

Strategy is first of all about thinking and about a way of thinking, before it becomes a matter of plans. As Max McKeown writes in the context of corporate organizations, but also applicable to nations, it is about "outthinking your competition". Thus strategic intent and ability are linked to the concept of worldviews, since strategy first requires strategic thinkers whose minds are open to vast possibilities. Second, worldviews, strategy formulation and strategy execution are intricately linked. Many African countries have been "planning" for decades but without the sort of strategic intent that has moved Asia forward in massive leaps. This requires focused objectives, an understanding of strategy management, especially in the context –framing choices and strategic possibilities, making the choice, and strategy execution management.

## Africa's Future

To conclude, then, contrary to the prevailing popular view about Africa Rising, the continent has no automatic, inexorable future. Growth, though a significant factor in economic development, is quite a different thing from transformation, which is what Africa really needs. Transformation means fundamentally improved indicators in such things as education and healthcare, infant mortality, life expectancy, infrastructure, and industrial production, not resource-driven economic activity or subsistence agriculture that produces a "growth myth", the myth that increases in GDP will make poor countries catch up with rich ones based on numbers that, while generally accepted as a standard of measurement, in fact have debatable exactitude.

The Cambridge University economist Ha-Joon Chang makes the provocative but thoughtful point that a society can become better off without marked increases in GDP [2]. Thus the focus for African countries must remain that of a fundamental transformation in the structures of their economies, not the growth numbers that the current structures throw up. This implies a transformation away from the prevailing model that is presently being celebrated as the Africa "rising".

Africa's future is thus not on auto-pilot to some gilded age, but will be one that Africans create by their economic and public policy choices. What exists now, without doubt, is an opportunity for a turn-around in the continent's trajectory from that of its not-too-distant past. In this context, then, there is no need for a return to defeatist Afro-pessimism, but what the continent needs is realism and a determined focus on the right priorities.

The most important factors that will influence Africa's future, then, include: (a) whether African countries can develop and execute transformation strategies effectively and with discipline; (b); how Africa handles the continent's burgeoning population, projected by some estimates to hit 2.4 billion people by 2050 – will it yield a demographic dividend or a youth bulge?; (c) how African countries handle the challenge of jobless and non-inclusive growth; and (d) whether the continent can develop and effectively deploy its human capital, the most important investment for competitiveness in a globalized world.

All of this, of course, will have to be anchored on the foundation that is the real secret for the success of Africa's quest for prosperity – the African mind. That mind-set needs to change from one that is predominantly focused on day-to-day or short-term survival or "progress" as defined through this prism – not of a well-ordered society but of individual affluence in the midst of mass exclusion from prosperity – to one in which the mind-set takes a long term, past and future view of the world and the place of the African in that world, and what it takes to get to that place.

The African mind-set needs to place greater emphasis on "thinking it through" because action that is transformational is one that is guided by a philosophical or conceptual compass – a worldview. As we have seen, worldviews are the secret of the rise of the societies of the West and the Rest (mainly Asia). These worldviews develop through a combination of historical and cultural evolutions, on the one hand, and through the instrumentality of propaganda and public diplomacy to the citizens of a state and the rest of the world. The place to begin is in the educational system. It is that combination of well-inculcated worldviews, knowledge and skills that produces human capital – the secret of transformation.

I rest the case for a truly Emerging Africa.

Thank you.

*[1] Alex MacGillvray, A Brief History of Globalization (Constable and Robinson, 2006), 27.*

*[2] David Pilling, "Has GDP Outgrown Its Use?", Financial Times Magazine, July 5/6 2014*

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