

Africa: The Next Economic Miracle?

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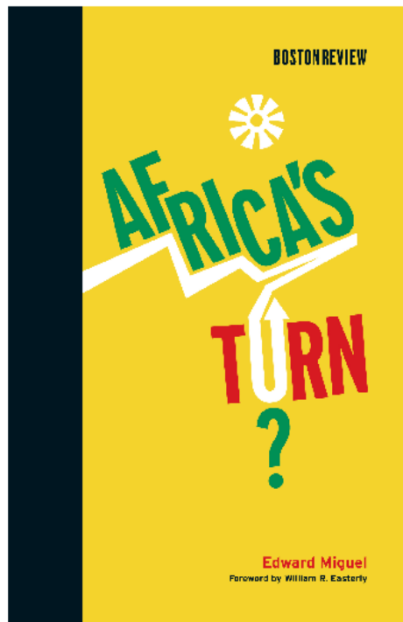
Africa at a turning point?

- African economic growth was at historical highs during 2000-2011 and democracy took root in many countries

Is Africa (or parts of it) on track to join China and India as the next economic development “miracle”?

Africa at a turning point

- Today's discussion draws on my 2009 book *Africa's Turn?* (MIT Press) and November/December 2011 *Foreign Affairs* piece "Africa Unleashed: Explaining the Secret of a Belated Boom".

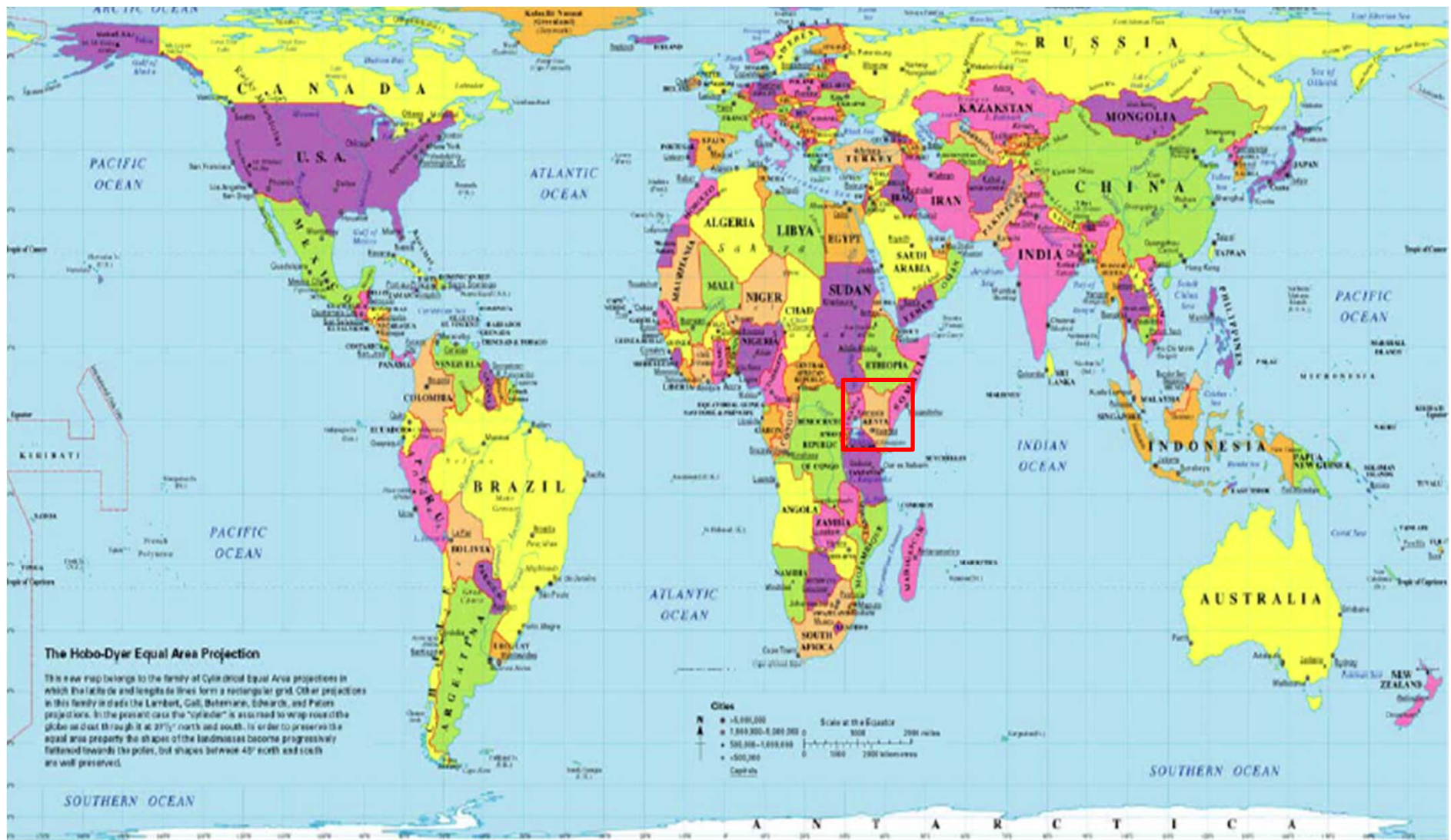


Africa by the numbers ...

- By 2000, Africa was coming off a terrible quarter century
 - **African per capita incomes fell 20% during 1975-2000**
 - HIV/AIDS, civil war, genocide, dictatorship ...
- In the 1970s, Africa, China, India had similar income levels

The view from Kenya

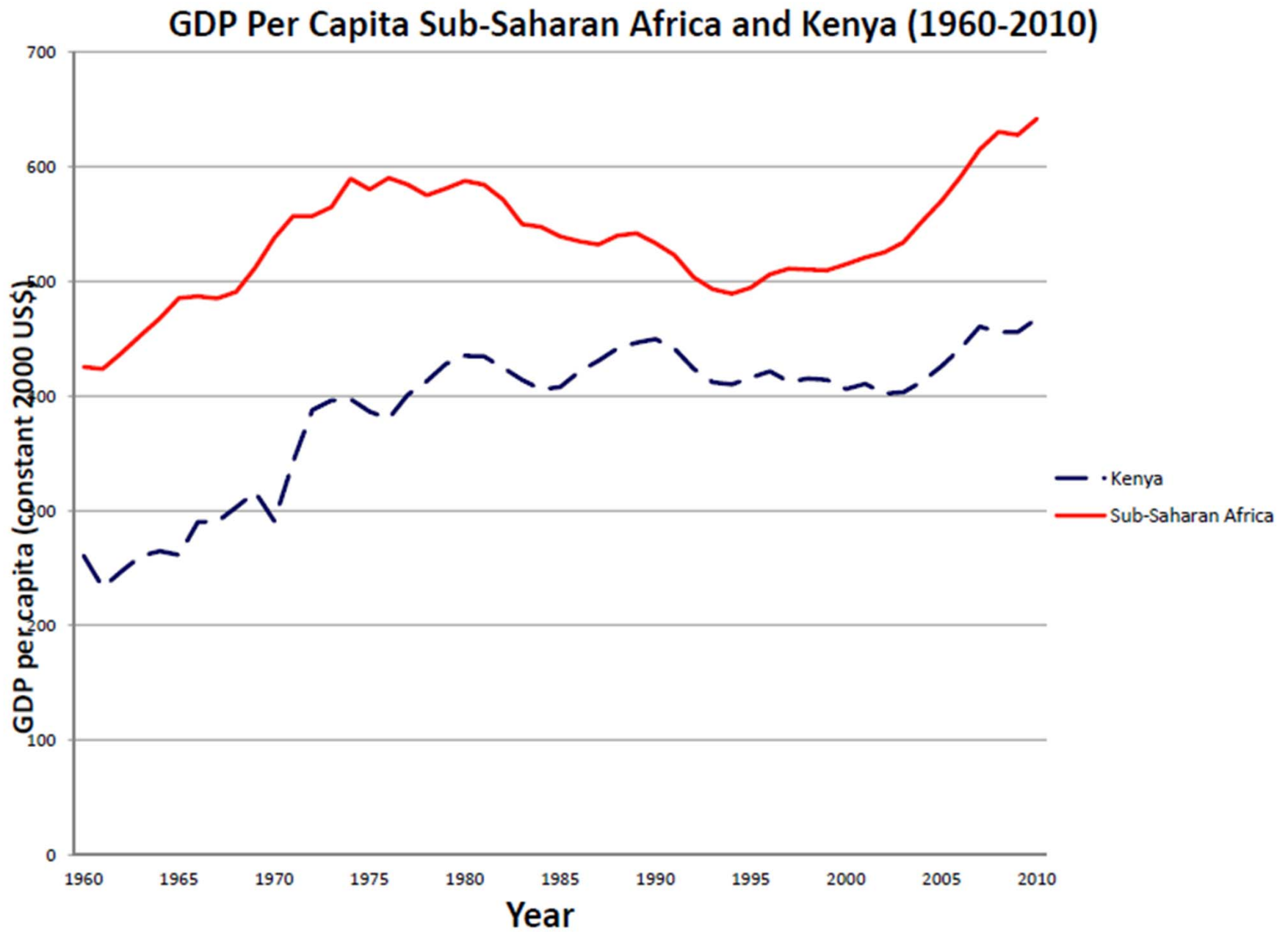
- **Kenya illustrates the turnaround: since 2000 it has experienced its fastest economic growth since the 1970s**
 - Stable macroeconomic policy, growing foreign investment, rising real estate prices in Nairobi
 - Successful sectors: tea, coffee, tourism, flowers (same-day exports to Europe), telecommunications, call centers, regional manufacturing hub (textiles)

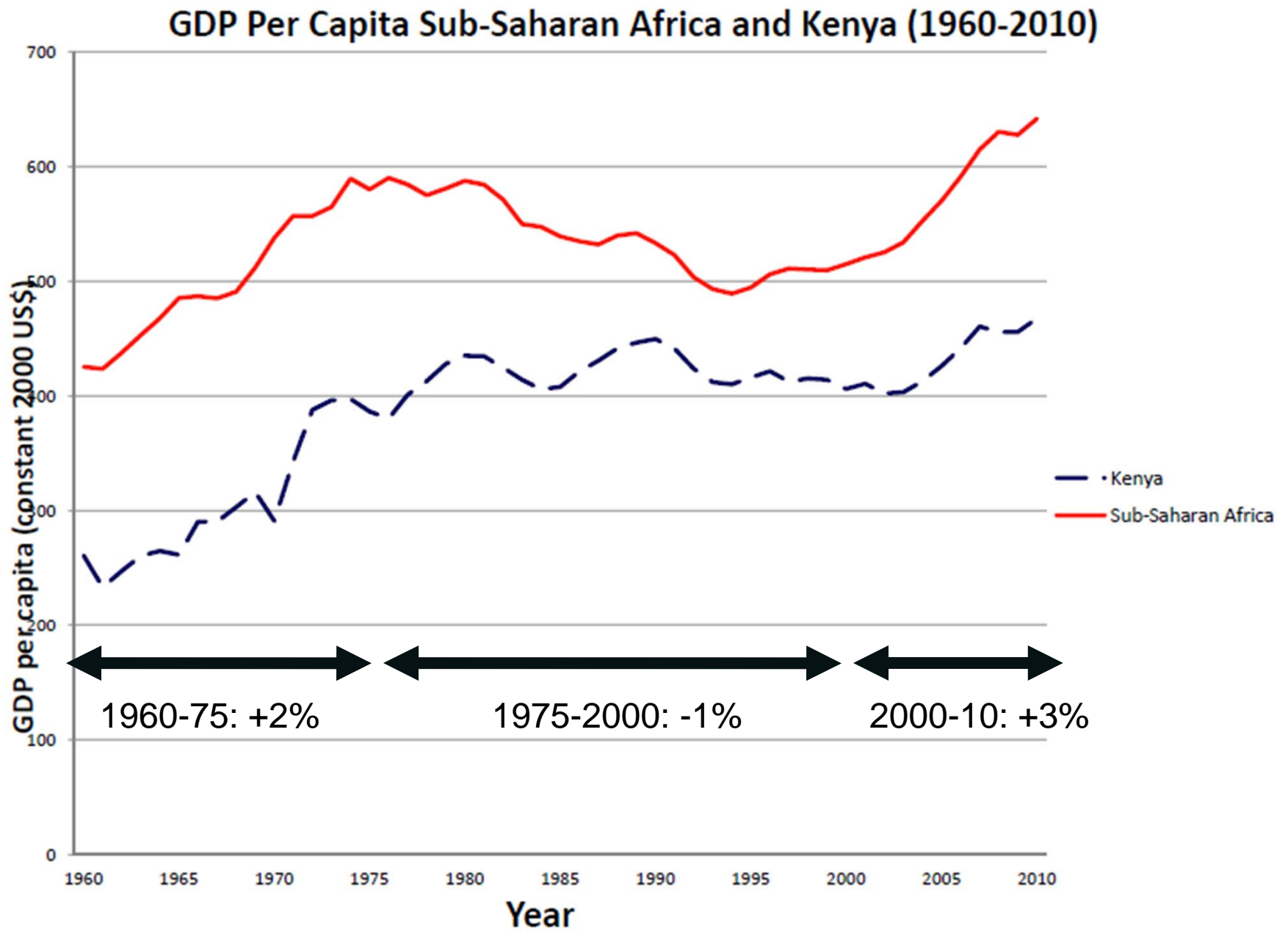


The view from Kenya

- Economic progress wasn't restricted to Nairobi
- **Busia, Kenya is a remote district capital town** that I have visited each year since 1997 for research and NGO consulting
 - Striking contrast between 1997 and 2012 (e.g., schooling, electricity, cell phones, banking, political openness)







Explaining the turnaround

Education

Democracy

Asia's rise (trade, commodity prices, investment)

Looking forward –

Climate change

Africa's population share

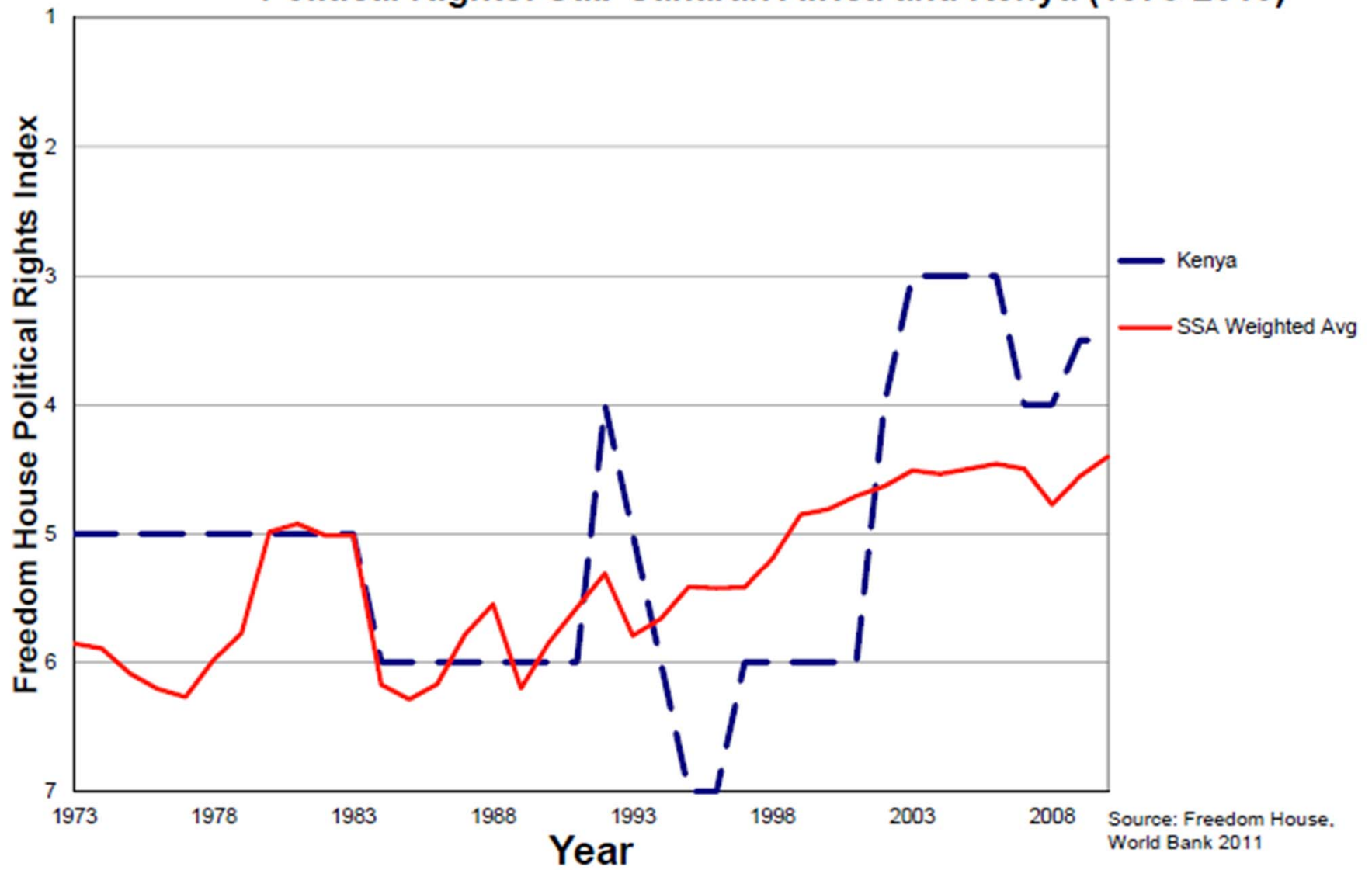
The seeds of success: education

- **Most African countries made great strides in education during the others “lost” decades of the 1970s and 1980s, including for women**
- Elected leaders, ministers, and technocrats are much better educated today than in the 1970s and 1980s, and they have pursued better public policies (e.g., education, telecom).
- Education creates the foundation for a functioning democracy (e.g., the Arab Spring uprisings)

Africa's democratic era

- By 2012, most African countries have held competitive elections and had free private media outlets
 - From 1990 to 2010, the average African “Freedom House” score increased a lot, from 6 to 4 (on a 7 point scale, 1=best)
- **Steve Radelet finds that African democracies have had much faster economic growth since the early 1990s**

Political Rights: Sub-Saharan Africa and Kenya (1973-2010)



The links between education and democracy

- We study the impact of improved school learning on political and social attitudes five years later, using a **randomized evaluation** of a merit scholarship program.

-- The Center for Effective Global Action (CEGA) here at Berkeley has pioneered the use of randomized trials to study the impact of social programs in developing countries.
- **Girls in the incentive schools read more newspapers, have better political knowledge, and are more critical of – and dissatisfied with – Kenyan politicians.**



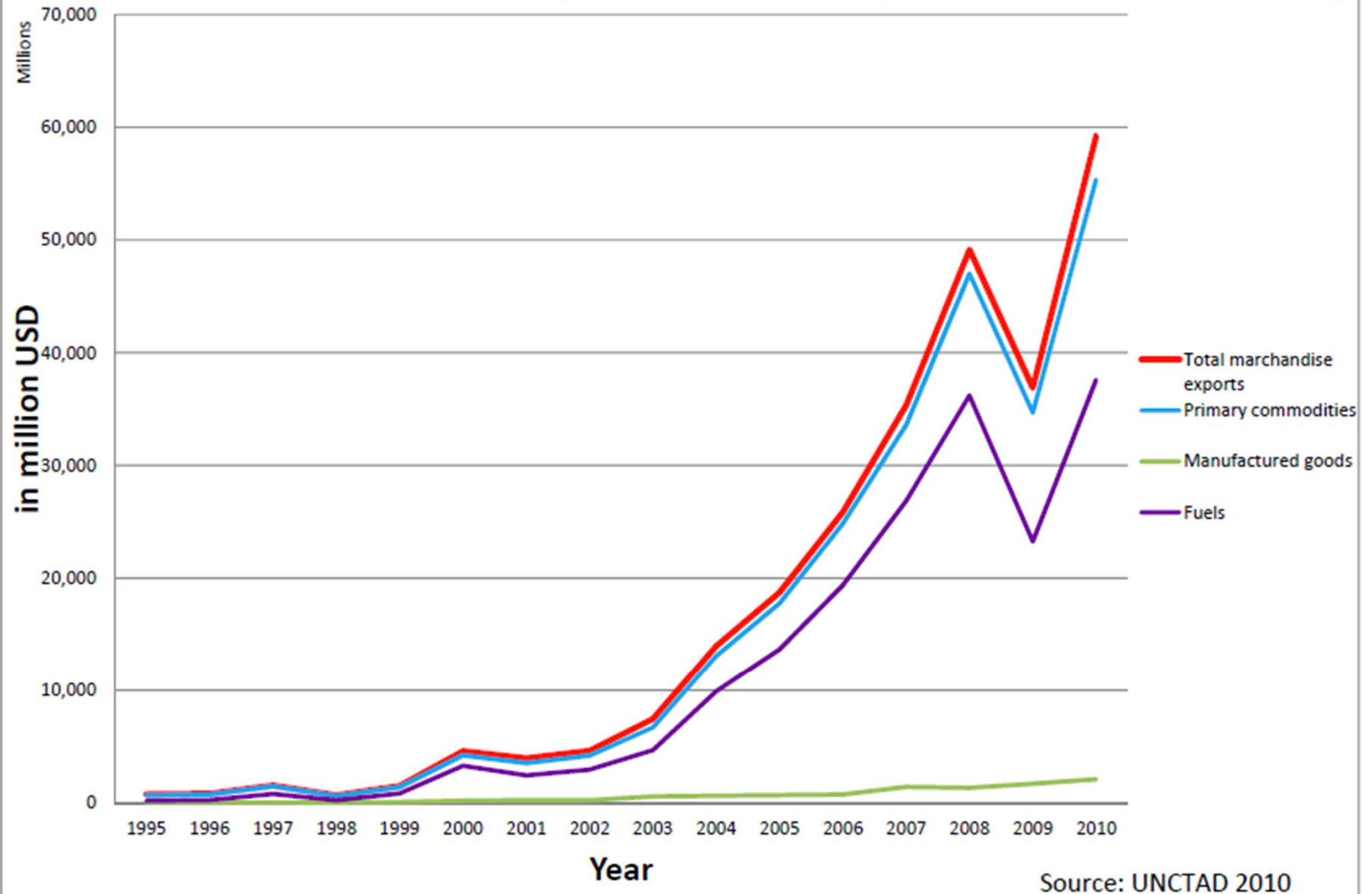




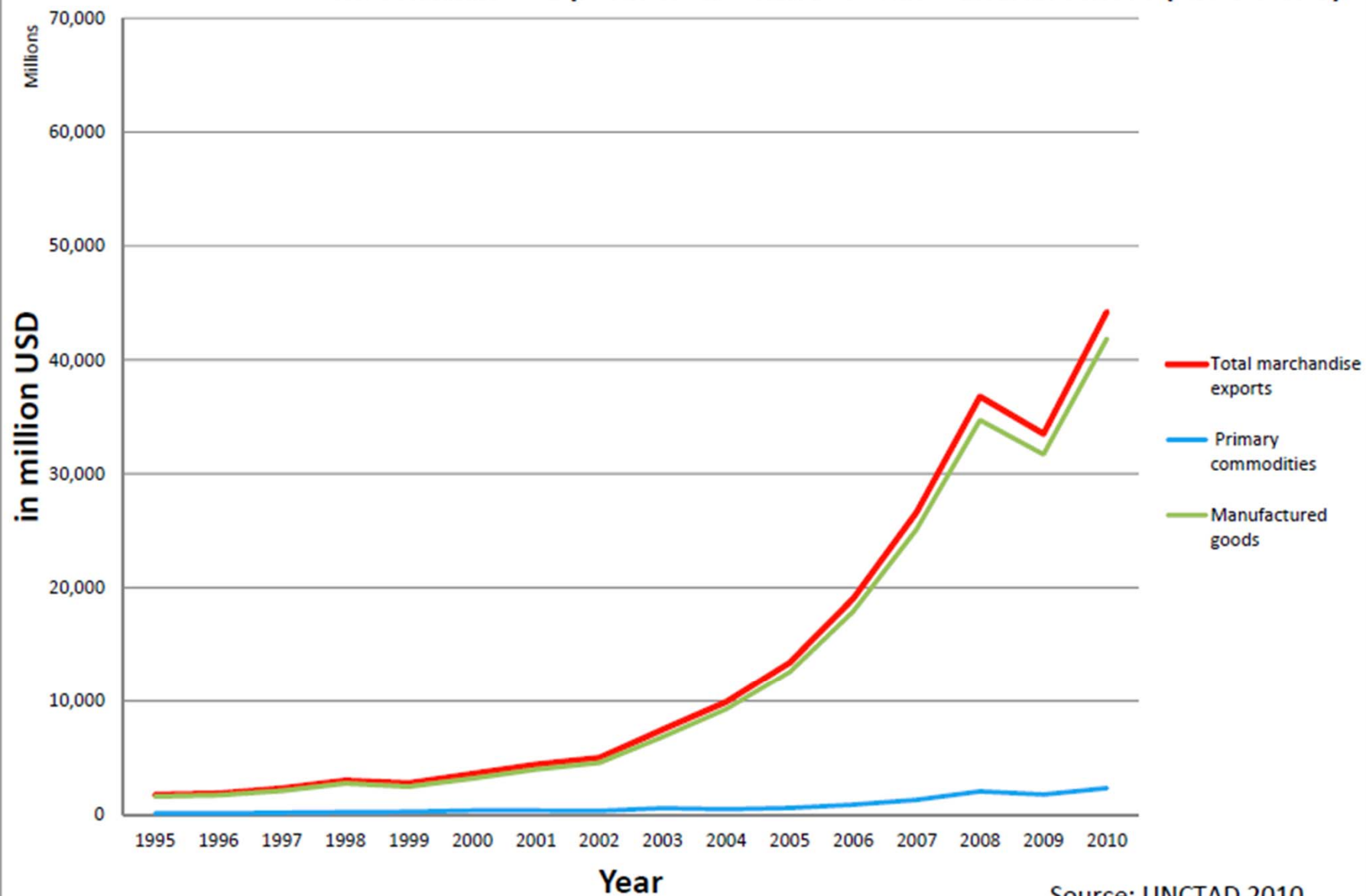
Africa's Renaissance: Made in China?

- China-Africa trade: over \$100b/yr, from trivial levels in 2000
- Booming Asian demand has pushed up commodity prices
 - Major Chinese investment in energy, mining sectors (over US\$1b/yr), as well as transportation and telecommunications
 - In Q2 2011 the three leading source countries for FDI in Africa were in Asia (China, India, Taiwan – US fourth)**
- Implications for US global economic leadership: a growing share of Sino-African trade is settled in Yuan (rather than USD)

Merchandise Exports from Sub-Saharan Africa to China (1995-2010)



Merchandise Exports from China to Sub-Saharan Africa (1995-2010)



Africa's Renaissance: Made in China?

- Why have Chinese firms been making great strides in Africa?
- Experience with weak rule of law, bribery, poor infrastructure
 - A more sinister edge? Neglected worker safety in Zambian mines, diplomatically supported human rights abusers (Sudan, Chad), and been linked to corruption scandals (Namibia)
- **Is China weakening US influence? In my view, probably not:** increasingly wealthy, democratic and confident African countries would become less reliant on US/EU in any case.

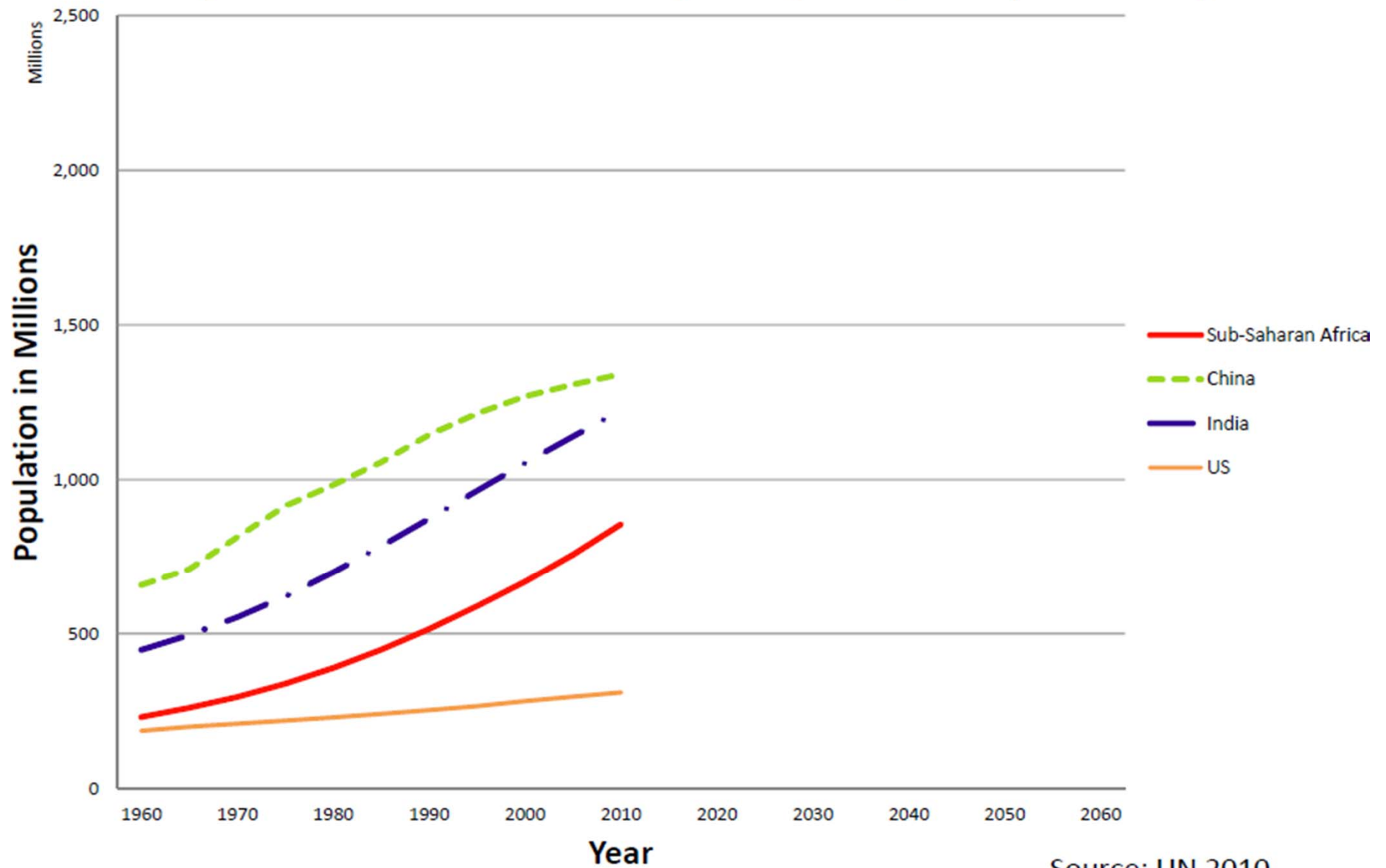
The challenge of climate change

- Global temperatures are likely to rise 2 to 3⁰ C by 2050
 - Africa will be hard-hit by rising temperatures, especially in the Sahel. The research of a Berkeley Ph.D. student (Marshall Burke) shows huge impacts on agricultural productivity.
- Marshall and I document that higher temperatures are linked historically with greater risk of armed civil conflict, suggesting the **climate change could generate future political instability.**

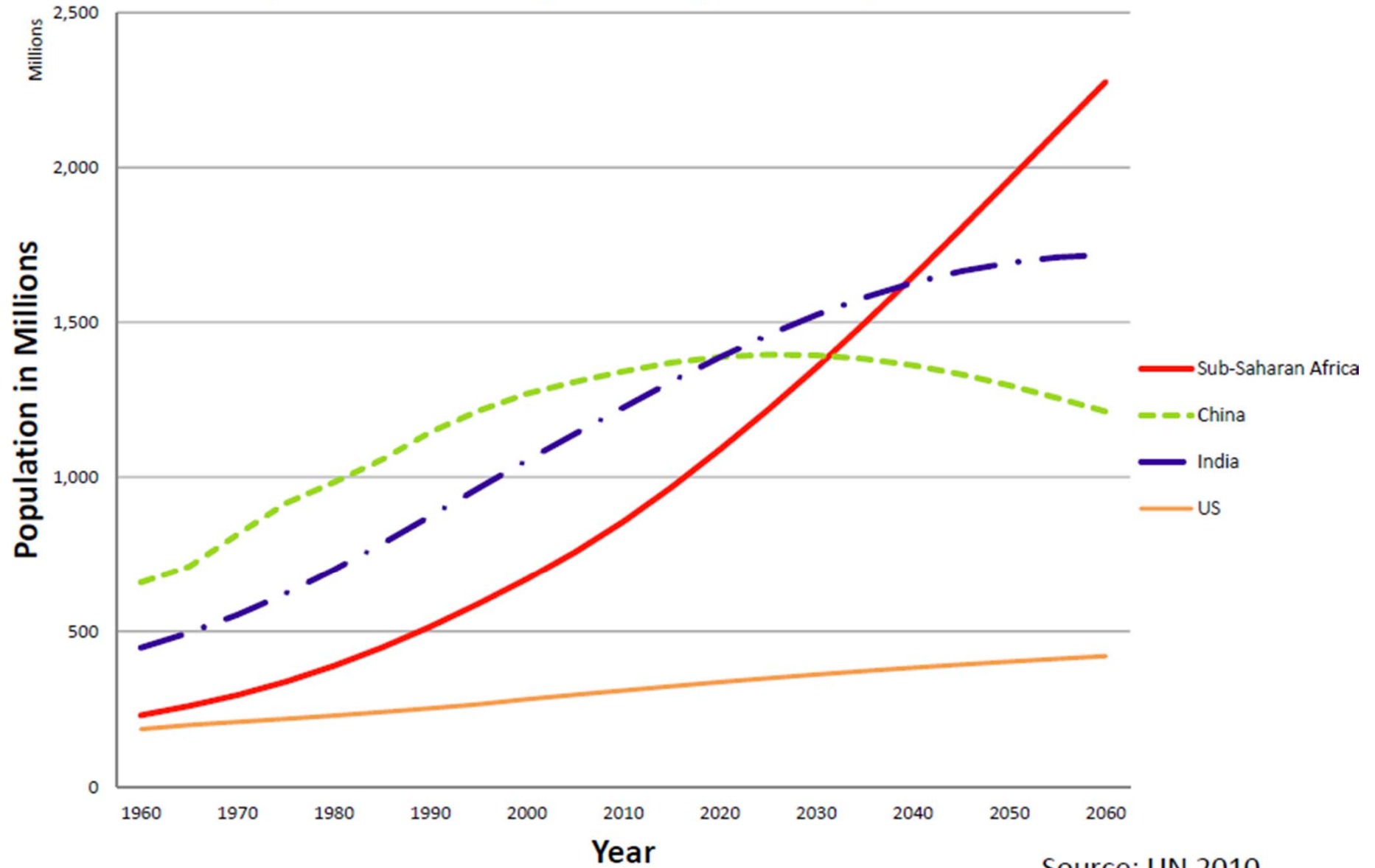
Africa's share of world population is rising fast

- Sub-Saharan Africa (SSA) is the world's poorest and least developed continent along many dimensions, with the greatest "potential" for future economic growth.
- **Perhaps less well-known: it is also poised to become the world's most populous region**, rising to nearly a quarter of humanity in the next half century.

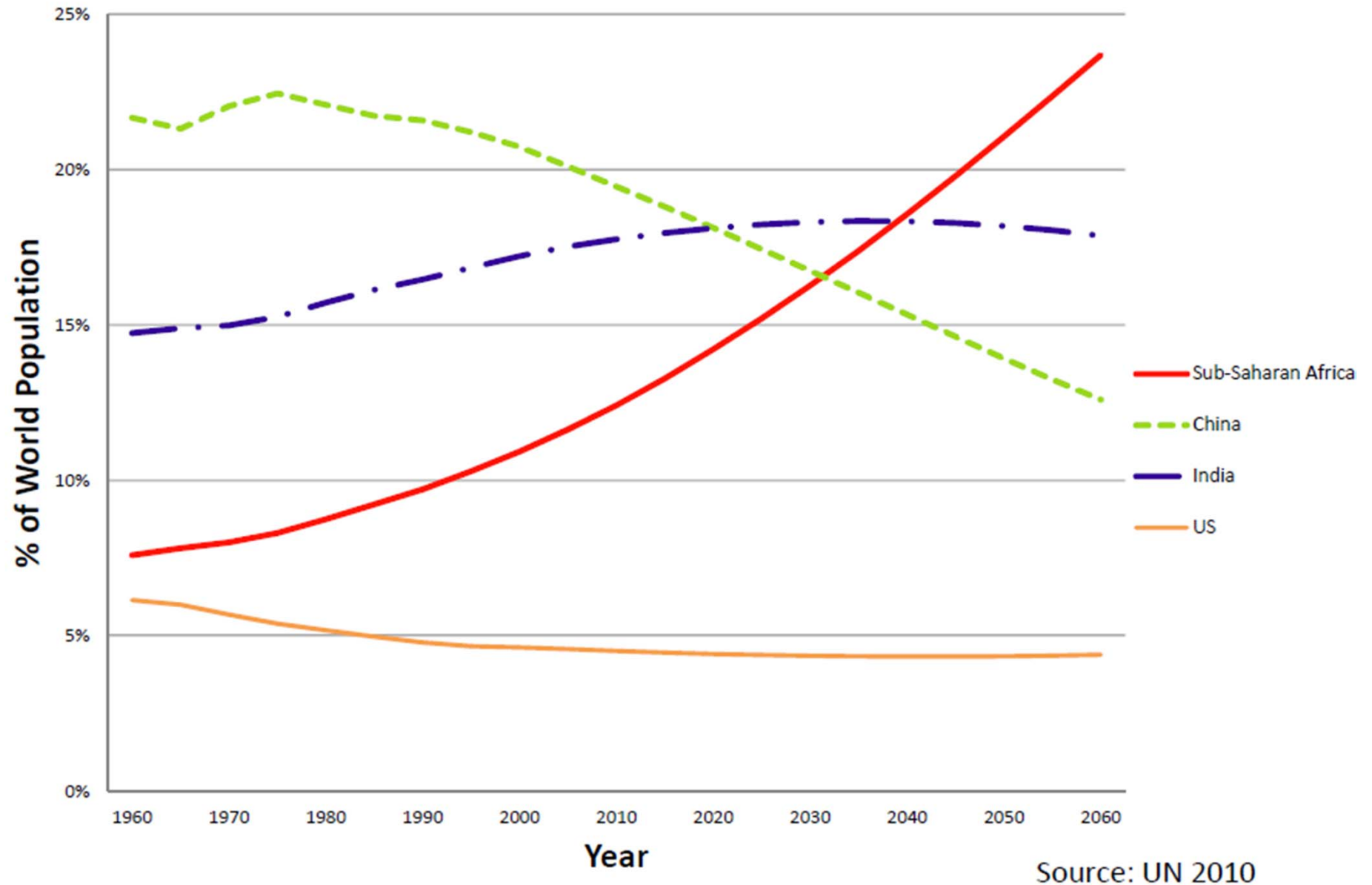
Population: Sub-Saharan Africa, China, India, & US (1960-2010)



Population Trends (medium prediction): 1960-2060



Percentage of World Population (medium prediction): 1960-2060



Africa's turn

- **While risks remain, Sub-Saharan Africa can no longer be ignored as an economic and political “basket case”. It is time to turn the page.**
- The bottom line: Africa's rapid economic and population growth and political opening make it an increasingly attractive investment destination in some labor intensive sectors—especially as ballooning wages and aging populations in East Asia make it less competitive.

Percentage of Population living on < 1USD per day (1981-2005)

