**[The Myth of Africa's Rise](http://www.foreignpolicy.com/articles/2013/01/04/the_myth_of_africa_s_rise)**

Why the rumors of Africa's explosive growth have been greatly exaggerated.

**BY RICK ROWDEN** | JANUARY 4, 2013

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Recent high growth rates and increased foreign investment in Africa have given rise to the popular idea that the continent may well be on track to become the next global economic powerhouse. This "Africa Rising" narrative has been most prominently presented in recent cover stories by [***Time Magazine***](http://www.time.com/time/magazine/article/0%2C9171%2C2129831%2C00.html) and [***The Economist***](http://www.economist.com/node/21541008). Yet both publications are wrong in their analysis of Africa's developmental prospects -- and the reasons they're wrong speak volumes about the problematic way national economic development has come to be understood in the age of globalization.

Both articles use unhelpful indicators to gauge Africa's development. They looked to Africa's recent high GDP growth rates, rising per capita incomes, and the explosive growth of mobile phones and mobile phone banking as evidence that Africa is "developing." *Time* referred to the growth in sectors such as tourism, retail, and banking, and also cited countries with new discoveries of oil and gas reserves. *The Economist* pointed to the growth in the number of African billionaires and the increase in Africa's trade with the rest of the world.

But these indicators only give a partial picture of how well development is going -- at least as the term has been understood over the last few centuries. From late 15thcentury England all the way up to the East Asian Tigers of recent renown, development has generally been taken as a synonym for "industrialization." Rich countries [**figured out**](http://www.amazon.com/How-Rich-Countries-Poor-Stay/dp/1586486683) long ago, if economies are not moving out of dead-end activities that only provide diminishing returns over time (primary agriculture and extractive activities such as mining, logging, and fisheries), and into activities that provide increasing returns over time (manufacturing and services), then you can't really say they are developing.

What's striking about the two articles cited above is that they don't mention manufacturing, or its disturbing absence, in Africa. And that, in turn, confirms once again the extent to which the idea of development as industrialization has been completely abandoned in the last few decades. Free market economics has come to advise poor countries to stick with their current primary agriculture and extractives industries and "integrate" into the global economy as they are. Today, for many champions of free markets, the mere presence of GDP growth and an increase in trade volumes are euphemisms for successful economic development. But increased growth and trade are not [**development**](http://www.guardian.co.uk/global-development/poverty-matters/2011/jan/10/poverty-reduction-industrialisation).

For example, even if an African country like Malawi achieves higher GDP growth rates and increased trade volumes, this doesn't mean that manufacturing and services as a percent of GDP have increased over time. Malawi may have earned higher export earnings for tea, tobacco, and coffee on world markets and increased exports, but it is still largely a primary agricultural economy with little movement towards the increased manufacturing or labor-intensive job creation that are needed for Africa to "rise."

The failure to mention industrialization thus renders most comparisons of growth in Africa and East Asia spurious. For example, the *Time* article, which suggests that, "during the next few decades hundreds of millions of Africans will likely be lifted out of poverty, just as hundreds of millions of Asians were in the past few decades," cites the divide that has opened up between rich and poor in China and India as a warning that inequality could also become a problem as Africa's progress continues. *The Economist* article cited a World Bank report that claims that "Africa could be on the brink of an economic take-off, much like China was 30 years ago," noting that, in both cases, a mass population of young workers stood at the ready to boost growth. It also touched on the importance of education: "Without better education, Africa cannot hope to emulate the Asian miracle."

There are, of course, several indicators that offer a more precise picture of how well Africa is developing (or not). We can look at whether manufacturing has been increasing as a percentage of GDP, or whether the manufacturing value added (MVA) of exports has been rising. In these cases the comparison between Africa and East Asia is actually quite revealing -- as demonstrated by a recent U.N. [**report**](http://unctad.org/en/docs/aldcafrica2011_en.pdf) that paints a far less flattering picture of Africa's development prospects.

It finds that, despite some improvements in a few countries, the bulk of African countries are either stagnating or moving backwards when it comes to industrialization. The share of MVA in Africa's GDP fell from 12.8 percent in 2000 to 10.5 percent in 2008, while in developing Asia it rose from 22 percent to 35 percent over the same period. There has also been a decline in the importance of manufacturing in Africa's exports, with the share of manufactures in Africa's total exports having fallen from 43 percent in 2000 to 39 percent in 2008. In terms of manufacturing growth, while most have stagnated, 23 African countries had negative MVA per capita growth during the period 1990 - 2010, and only five countries achieved an MVA per capita growth above 4 percent.

The report also finds that Africa remains marginal in global manufacturing trade. Its share of global MVA has actually fallen from an already paltry 1.2 percent in 2000 to 1.1 percent in 2008, while developing Asia's share rose from 13 percent to 25 percent over the same period. In terms of exports, Africa's share of global manufacturing exports rose from 1 percent in 2000 to only 1.3 percent in 2008. Africa is also losing ground in labor-intensive manufacturing: Its share of low-technology manufacturing activities in MVA fell from 23 percent in 2000 to 20 percent in 2008, and the share of low-technology manufacturing exports in Africa's total manufacturing exports dropped from 25 percent in 2000 to 18 percent in 2008. Finally, Africa remains heavily dependent on natural resources-based manufacturing, which is an indication of both its low level of economic diversification and low level of technological sophistication in production. The share of resource-based manufactures in Africa's total manufacturing exports declined only slightly in recent years, from 52 percent in 2000 to 49 percent by 2008. In East Asia and the Pacific, the number dropped to as low as 13 percent by 2008.

Such statistics and comparisons with East Asia are, of course, completely at odds with the "Africa rising" narrative.

A recent [**report**](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/ADER%202012%20%28En%29.pdf) by the African Development Bank, makes a similar point. "Africa's growth tends to be concentrated on a limited range of commodities and the extractive industries," the report states. "These sectors are not generating the employment opportunities that would allow the majority of the population to share in the benefits. This is in marked contrast to the Asian experience, where the growth of labor-intensive manufacturing has helped lift millions of people out of poverty..." The report goes on to note that "[p]romoting inclusive growth means... broadening the economic base beyond the extractive industries and a handful of primary commodities."

This point was also not lost on recent Ghanaian presidential candidate, Nana Akufo-Addo, who [**warned**](http://opinion.myjoyonline.com/pages/feature/201203/82365.php): "About 30 years ago, some African nations, beginning with Ghana and Uganda, implemented liberal economic reforms to stop their economic decline. But in many cases we opened our markets to global competition when, beyond the extractive industries, we had nothing to compete with. So while the continent's share of global foreign direct investment projects has improved steadily over the past decade, much of this investment has reinforced the structural deficits of our economies."

Today many African countries need to use [**industrial policies**](http://unctad.org/en/pages/PublicationArchive.aspx?publicationid=145), such as temporary trade protection, subsidized credit, and publically supported R&D with technology and innovation policies, if they are ever to get their manufacturing sectors off the ground. This is true for all the same reasons that it was true for [**the U.K. and other nations**](http://www.amazon.com/Kicking-Away-Ladder-Development-Perspective/dp/1843310279) that have industrialized successfully. According to today's ideology of free trade and free markets, however, many of these key policies are condemned as "bad government intervention." Bilateral and multilateral aid donors advise against them (and structure loan conditions accordingly). [**WTO agreements**](http://triplecrisis.com/policy-space-at-the-wto/) and new regional free trade agreements (FTAs), as well as [**bilateral investment treaties**](http://www.livemint.com/Opinion/dRO2FaREGhHslMhuy3cZ3M/Dangers-of-unrestrained-commerce.html) (BITs) between rich and poor countries, frequently outlaw them.

Critics of industrial policies are correct to cite some historical cases where industrial policies have misfired in developing countries. But these critics are often [**selective**](http://scholar.harvard.edu/jrobinson/publications/industrial-policy-and-development-political-economy-perspective) in their criticisms, ignoring [**successful cases**](http://www.iadb.org/intal/intalcdi/PE/2010/06388.pdf) and neglecting to explain why industrial policies worked so well in the United States, Europe and [**East Asia**](http://www.amazon.com/Rise-Rest-Challenges-Late-Industrializing-Economies/dp/0195170598) while failing so badly in Africa and elsewhere.

From the 1950s to the 1970s, particularly in Africa and Latin America, many industrial policies failed because they were used inappropriately, with poor sequencing, and were often driven by political considerations or corruption rather than economic analyses or strict efficiency grounds. In Latin America, often the industrial policies were kept in place too long, and were too inwardly focused on small domestic markets, neglecting the need to develop international competitiveness. In contrast, the political economies of East Asian countries included institutions that tended to enforce stricter rules for which industries got subsidies and trade protection, and which got cut off from them when they failed to meet performance targets. They also adopted a more outward orientation in their industrialisation strategies. Crucially, this history says more about *how* industrial policies should be implemented -- not *if* they should be implemented at all.

But some nations are increasingly rebelling against such constraints. Coalitions of developing countries within the WTO, such as [**the G33**](http://www.twnside.org.sg/title2/wto.info/2010/twninfo100210.htm)  and [**NAMA 11**](http://www.ituc-csi.org/IMG/pdf/NAMA_tU_statement.pdf) , are asking for more time to implement trade liberalization and for broader exemptions to increase tariffs when their domestic agriculture or manufacturing industries are threatened by floods of cheaper imports. This problem of the lack of necessary "[**policy space**](http://ase.tufts.edu/gdae/about_us/leontief/Chang_remarks.pdf)" was noted in a recent [**report**](http://www.africaprogresspanel.org/en/publications/annual-reports/annual-report-2012/) by the Africa Progress Panel, chaired by former UN Secretary General Kofi Annan. The Panel expresses [**concerns**](http://www.guardian.co.uk/global-development/poverty-matters/2012/feb/03/europe-business-take-on-development?INTCMP=SRCH) about the European Union's proposed Economic Partnership Agreements (EPAs), which seek to make access for African goods into European Union markets conditional on Africa eliminating or lowering tariffs on 80 percent of imports from the European Union. The report suggests that this would be highly damaging to domestic industries.

Though African countries desperately need the policy space to adopt industrial policies, the rich countries are pushing loan conditions and trade and investment agreements that [**block**](http://www.ipsnews.net/2010/11/development-economic-boom-worsened-de-industrialisation-of-ldcs/) them from doing so, all the while proffering a happy narrative about "the rise of Africa." The very idea of industrialization has been dropped from the official development agenda. Yet there's a reason why we all regularly refer to the rich, industrialized countries in the OECD as "industrialized."

Despite the important gains in services industries and per capita incomes, Africa is still not rising, and services alone will not create enough jobs to absorb the millions of unemployed youth in Africa's growing urban areas. Instead, steps must be taken to revise WTO agreements and the many trade agreements and bilateral investment treaties currently being negotiated so that Africa has the freedom to adopt the industrial policies it needs in order to make genuine progress.

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