By Johan Fourie

ECONOMIC DEVELOPMENT

Four high-growth scenarios for Africa

Agriculture, industrialisation, commodities or services – which holds the key for growth on the continent?

Can African countries sustain the relatively high growth rates attained since 2000?

This remains the most vexing question for those of us on the African continent.

Stellar economic performance of several African countries has created an "Africa rising" narrative where further progress – and catching up to the developed world – seems inevitable. A more pessimistic counternarrative argues that this growth, from a low base, resulted largely from favourable commodity prices and Chinese investment.

Both narratives had made little use of economic theory or history.

Dani Rodrik, professor of International Political Economy at the John F. Kennedy School of Government at Harvard University, tackles this question in a paper in the *Journal of African Economies.*

He first shows that many African economies have indeed improved since 2000, but that many, including Senegal, the Democratic Republic of Congo, Ivory Coast and Zambia, remain on levels below those immediately following colonialism (around 1960). Second, he establishes that the rapid growth of the last dozen years has not led to a large structural transformation of the economy. Whereas rapid growth in south-east Asian economies during the late 20th century resulted in manufacturing growth, high growth rates in Africa haven't had any effect on the relative size of manufacturing. In fact, in many countries the size of the manufacturing sector has declined since 1975.

Rodrik attributes these changes not necessarily to factors unique to Africa – like weak institutions or bad geography – but to a global trend of deindustrialisation. Even Vietnam, which recently experienced rapid growth, has not seen much growth in manufacturing. Technological change – the move to automation, for example – is one likely reason.

So despite high growth rates, African countries have not industrialised – and, in fact, may have begun to deindustrialise. This is why Rodrik is pessimistic about Africa's growth prospects. He nevertheless considers potential scenarios in which Africa can indeed sustain high growth:

1. Revive manufacturing and industrialise;
2. Generate agriculture-led growth;
3. Generate service-led growth; and
4. Generate natural resource-led growth.

Let's start with agriculture. Although many African countries have a great deal of potential to expand their agricultural sectors, productivity in the sector remains low. Many farmers are subsistence producers, with low economies of scale. Such a scenario will require a reversal in the current trend away from agriculture.

A study by Diao, Harttgen and McMillan shows clearly how the share of agriculture is falling, particularly as women older than 25 are moving to cities and into manufacturing and services. This trend seems irreversible, even if changes to technology (like seed varieties or market access opportunities) or institutions (like private property) are made, which means that an agriculture-led high-growth scenario seems highly unlikely.

Dani Rodrik
Professor of International Political Economy at the John F. Kennedy School of Government at Harvard University

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A natural resource-led strategy also seems unlikely. Yes, most countries on the continent are well-endowed with resources, but the problems of the Natural Resource Curse and Dutch Disease are well known. It may be an option for some small economies, like Botswana, but one has to question to what extent it can be sustainable beyond a certain level of income.

Reverse deindustrialisation? Because a growing manufacturing base seems to be, if we consider past examples of industrialisation, the only way to increase labour productivity over a sustained period of time, this option is preferred by many development agencies. Yet there are many obstacles to a thriving manufacturing sector, including poor infrastructure (transport and power in particular), red tape, corruption, low levels of human capital, as well as political and legal risk.

But Rodrik believes that even if these (very difficult) barriers can be overcome, it is not clear that manufacturing will return. The Fourth Industrial Revolution may completely alter the nature of manufacturing away from absorbing unskilled labour to capital and knowledge-intensive production. It is dangerous to follow a 20th-century blueprint when production technologies are so different.

That leaves us with services-led growth. Services have traditionally not acted as an "escalator sector", as Rodrik explains. Services typically require high-skilled labourers, which are in short supply in developing economies. Rodrik does acknowledge, though, that the future will not necessarily look like the past.

"Perhaps Africa will be the breeding ground of new technologies that will revolutionise services for broad masses, and do so in a way that creates high-wage jobs for all. Perhaps; but it is too early to be confident about the likelihood of this scenario."

I don't see an alternative, though. Yes, some countries, like Mozambique or Tanzania, could expand their agricultural sectors – but higher productivity will probably mean larger farms with fewer workers. Some small countries will be able to benefit from natural resources. But oil-producing countries will struggle as the cost of renewable energies keeps falling. Some coastal countries may develop their manufacturing sectors, like Ethiopia and South Africa.

But for most of Africa, services offer the only reprieve from low-productivity, low-wage jobs. From semi-skilled jobs like call centres and virtual au pairs (apparently the next big thing) to professional services like accountants and designers and programmers, digital technologies must help leapfrog the barriers of poor infrastructure, bad geography and weak institutions. If not, Rodrik's pessimistic vision of Africa's future is likely to come true. ■

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