

What is happening in “poor” Africa?

:Poverty reduction in growth

IDE-JETRO

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Total GDP of Sub-Saharan Africa

Africa's economy had not grown in more than 20 years.

(\$ billion)

700

600

500

400

300

200

100

0

70

75

80

85

90

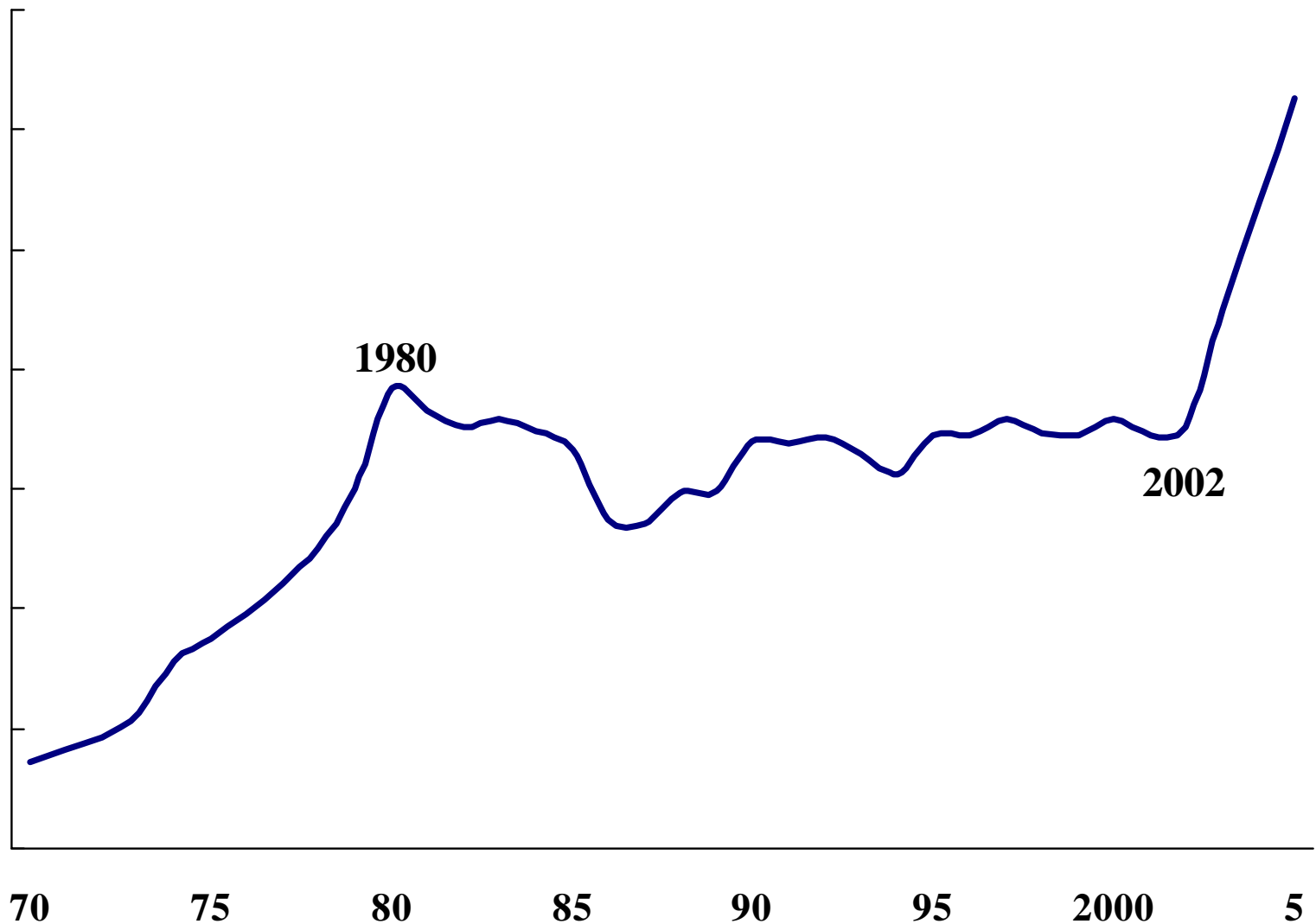
95

2000

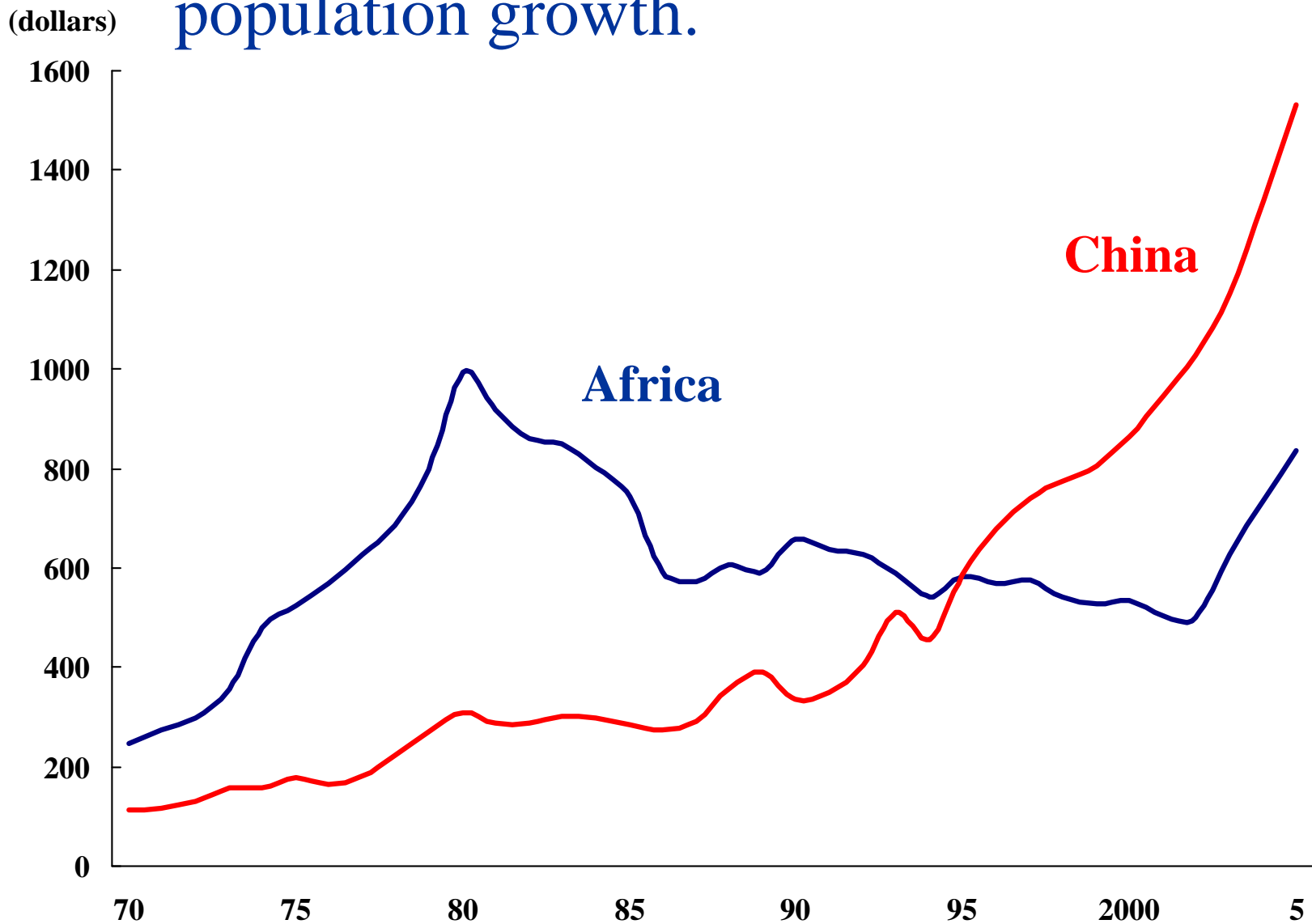
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1980

2002

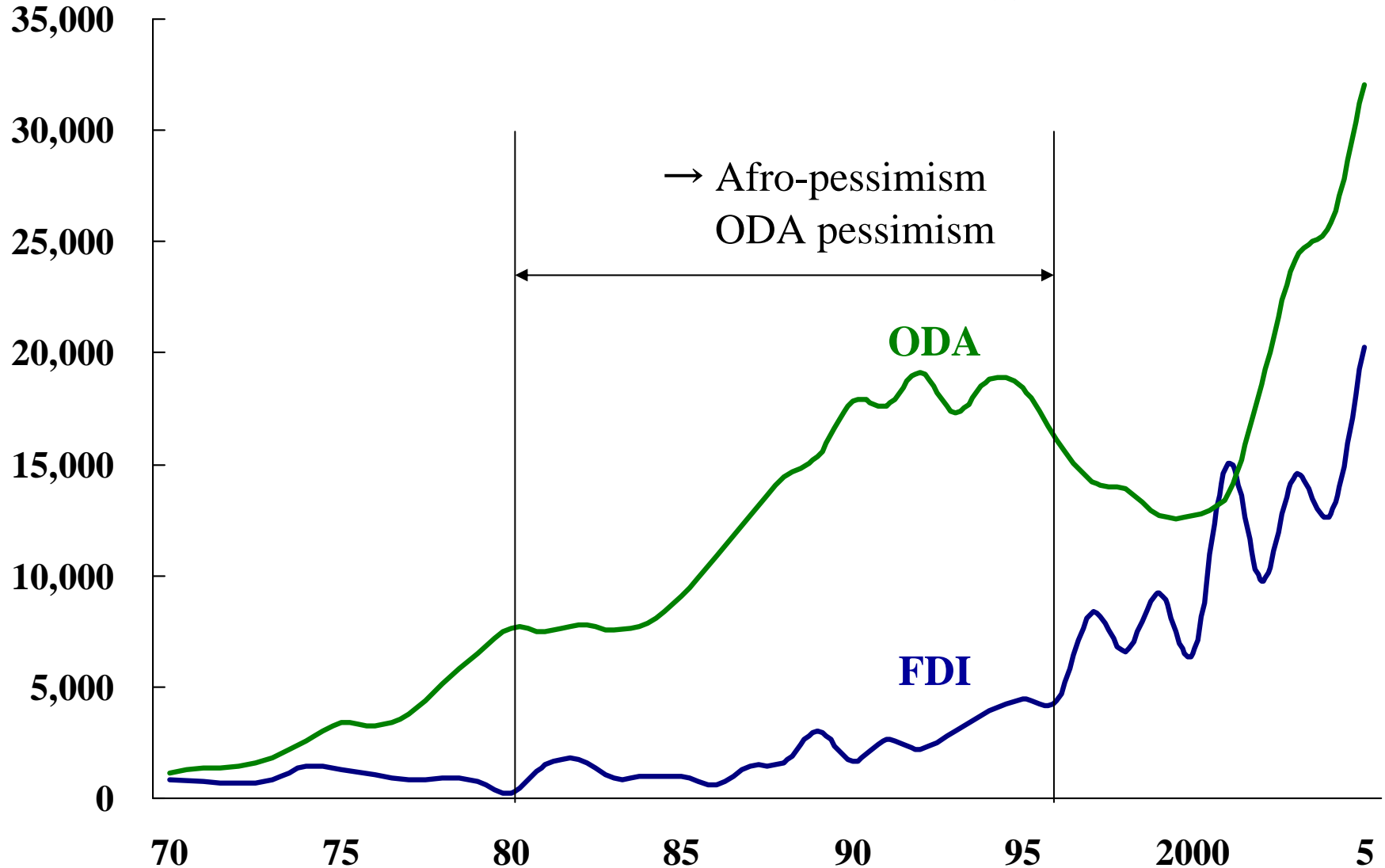


Per capita GDP has decreased along with population growth.



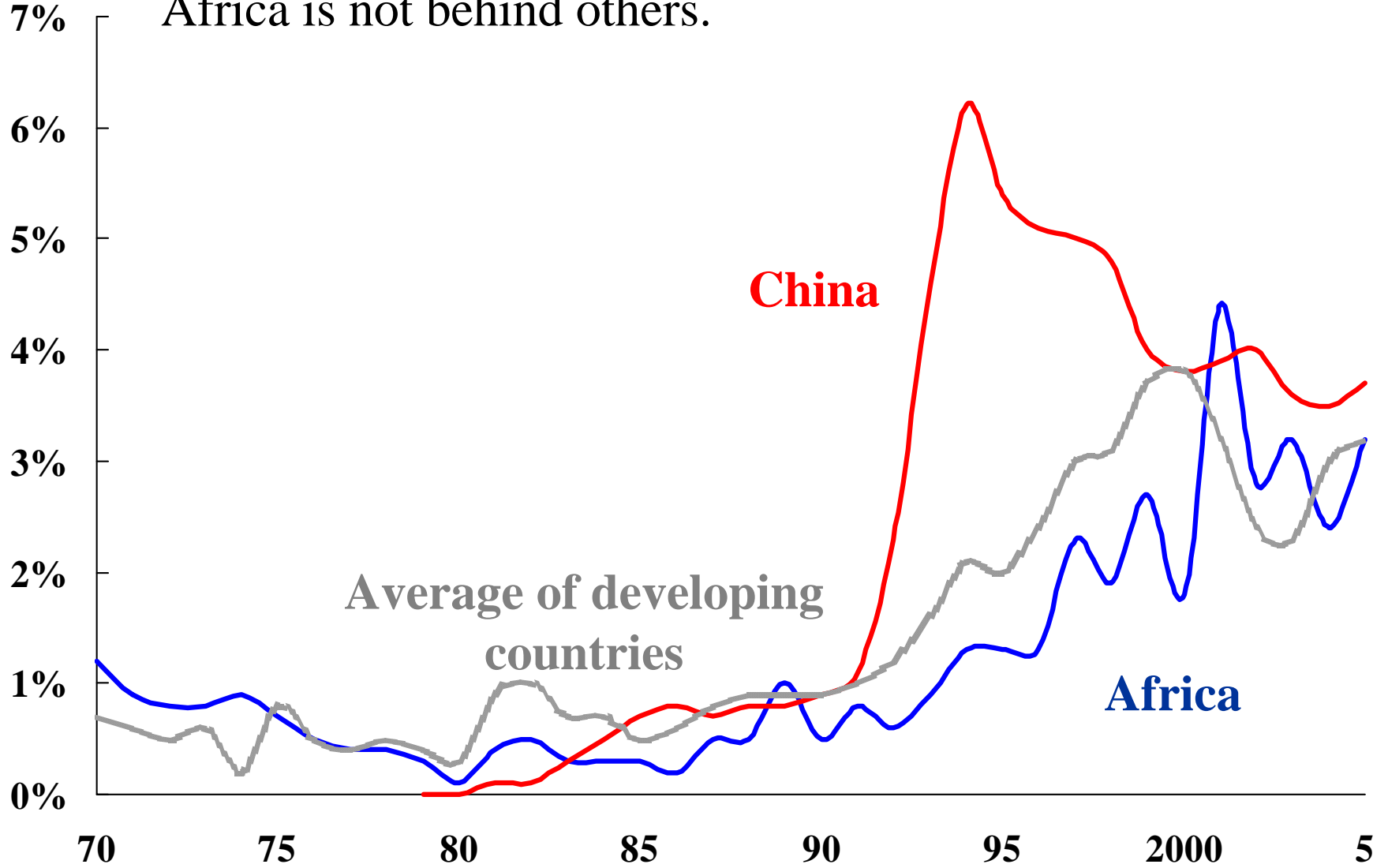
Africa has enjoyed a considerable amount of financial inflow.

(million \$)



FDI/GDP ratio

Africa is not behind others.



Top 20 of FDI recipients in Africa

(2001-2005)

	(billion \$)		(% in GDP)
South Africa	15.5	Equatorial Guinea	37.2
Nigeria	11.0	Liberia	32.8
Morocco	9.8	Chad	25.0
Egypt	8.9	Angola	14.4
Angola	8.7	Mauritania	9.4
Sudan	6.5	Seychelles	8.5
Equatorial Guinea	6.2	Congo	8.0
Algeria	4.8	Sudan	7.0
Tunisia	3.3	Namibia	6.0
Chad	3.3	Mozambique	5.6
Tanzania	2.4	Ethiopia	5.1
Ethiopia	1.8	DRC	5.1
DRC	1.7	Gambia	5.1
Congo	1.6	Morocco	4.7
Botswana	1.6	Botswana	4.6
Mozambique	1.3	Tanzania	4.5
Namibia	1.3	Sao Tome and Principe	4.3
Cote d'Ivoire	1.1	Mali	3.9
Uganda	1.0	Lesotho	3.8
Zambia	0.8	Zambia	3.2

Top 20 of ODA recipients in Africa

(2001-2005)

(billion \$)		(% in GDP)	
DRC	10.5	Sao Tome and Principe	57.6
Nigeria	7.8	Eritrea	36.5
Ethiopia	7.8	Burundi	36.5
Tanzania	7.5	DRC	35.1
Mozambique	6.7	Guinea Bissau	34.7
Egypt	5.9	Sierra Leone	32.9
Uganda	4.9	Mozambique	28.2
Ghana	4.7	Liberia	25.2
Sudan	4.0	Malawi	25.1
Zambia	3.6	Rwanda	22.6
Madagascar	3.5	Mauritania	21.5
Cameroon	3.2	Ethiopia	21.3
Senegal	3.0	Niger	16.4
Morocco	2.9	Cape Verde	15.3
South Africa	2.9	Zambia	14.8
Kenya	2.8	Gambia	14.8
Angola	2.8	Madagascar	14.8
Burkina Faso	2.6	Tanzania	14.0
Mali	2.6	Uganda	13.8
Malawi	2.4	Burkina Faso	13.5

$$\text{Economic growth} = 0.43 \text{ FDI} - 0.15 \text{ ODA} + 0.13$$

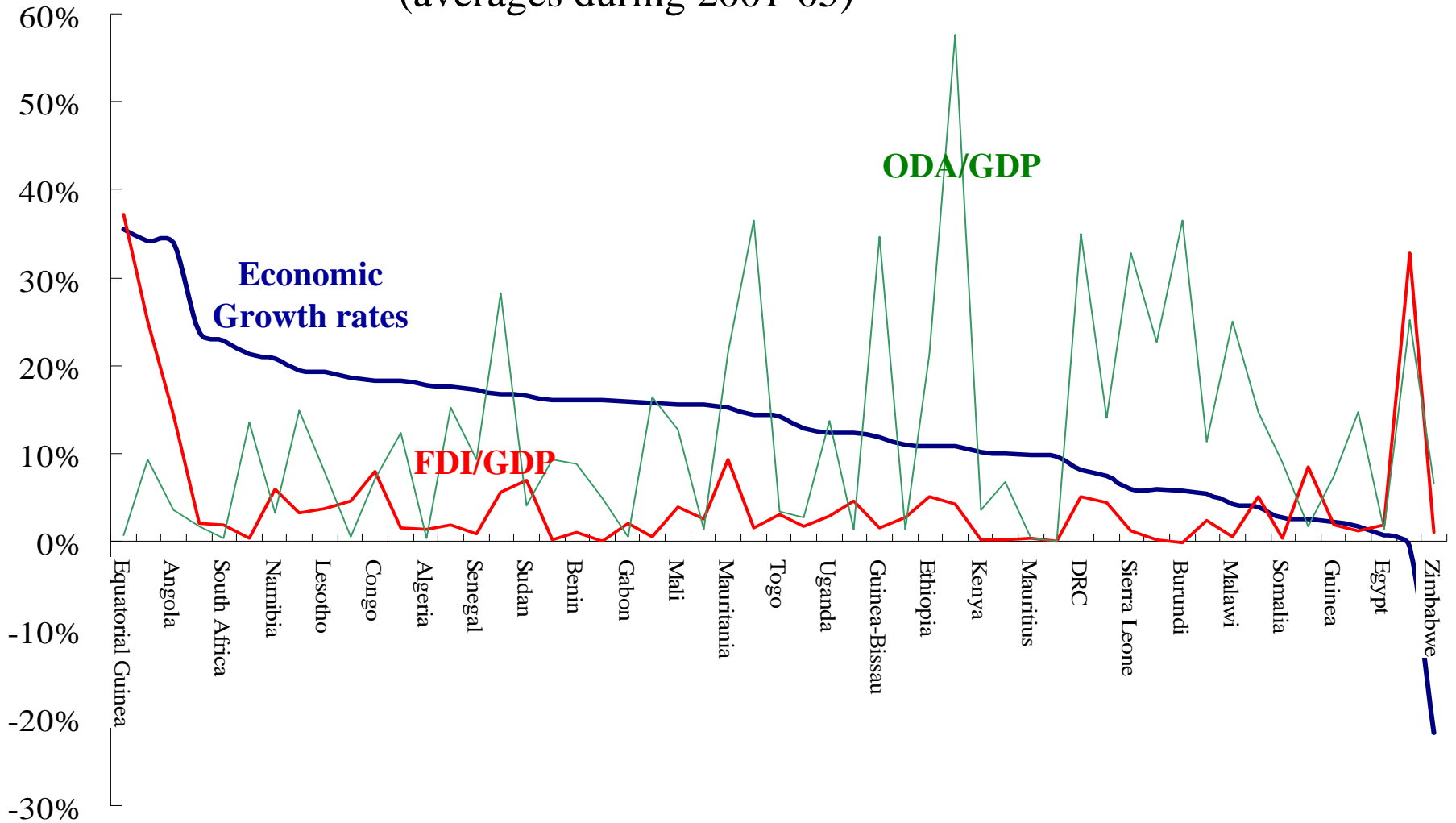
(2.6)

(-1.6)

(6.9)

$R^2=0.16$

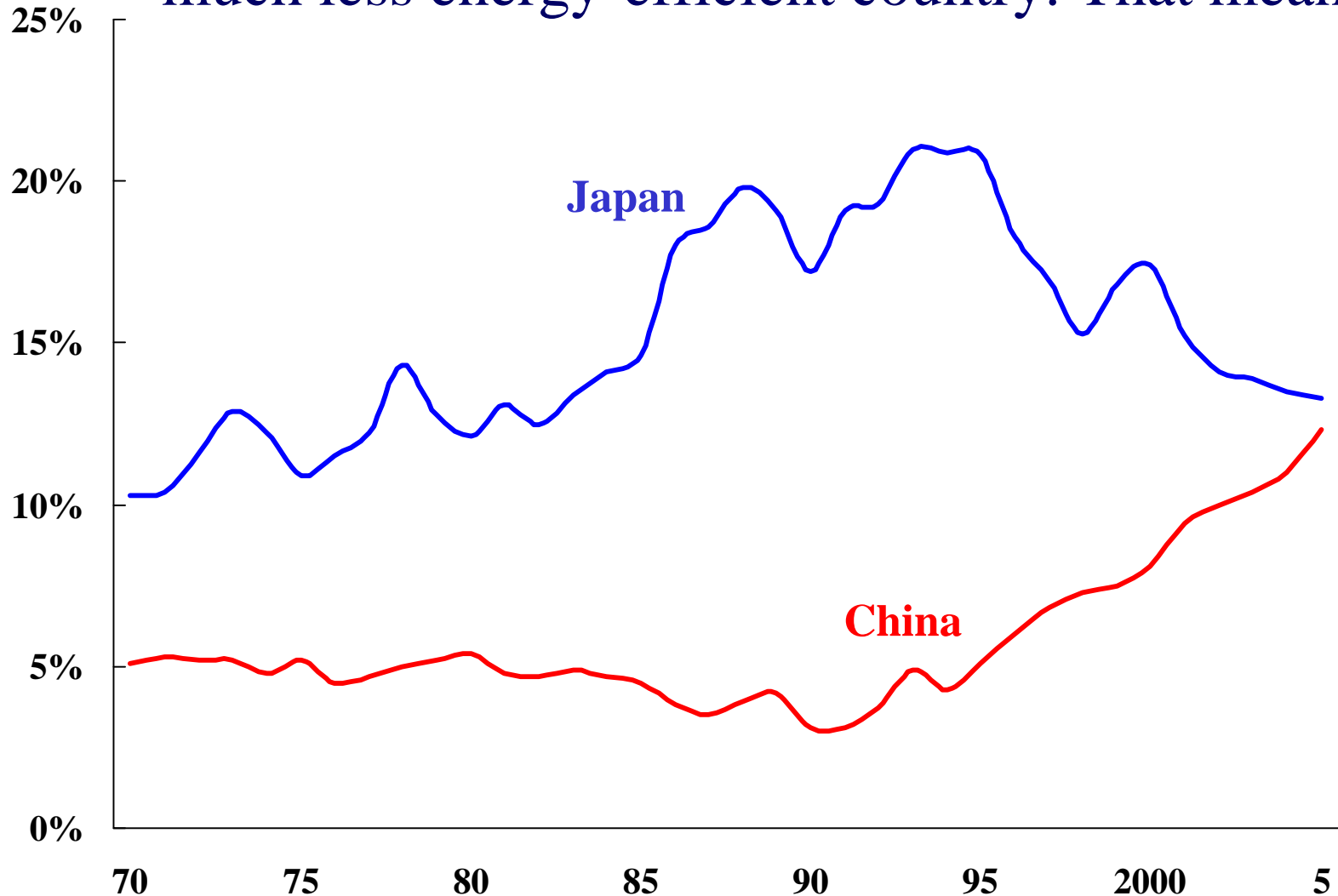
(averages during 2001-05)



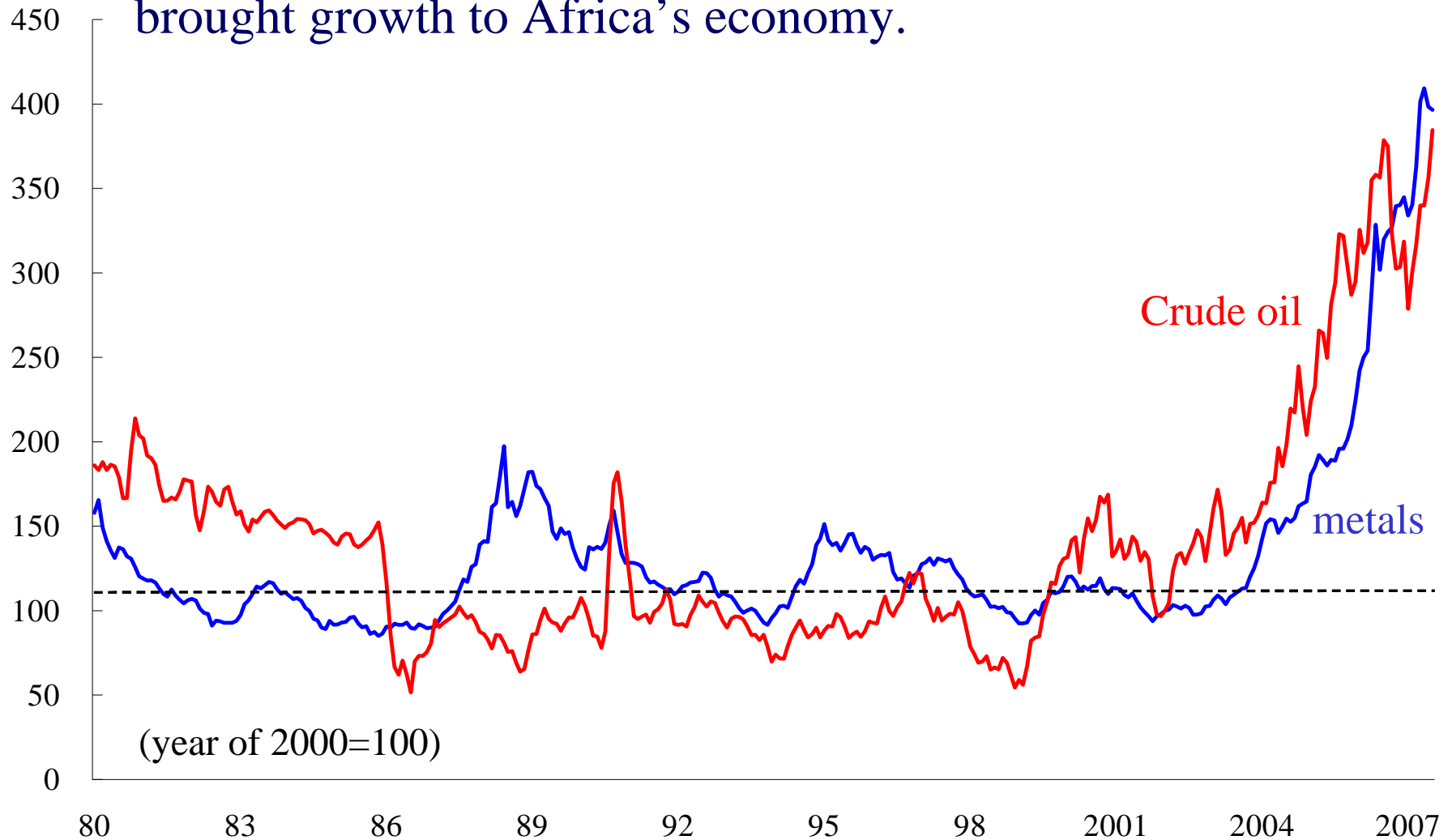
Economic growth rates in current dollar (annual averages)

	(1990-2000)	(2002-2005)
World	3.7	10.9
Sub-Saharan Africa	0.6	21.2
China	11.7	15.2
India	5.3	16.5
Brazil	6.0	20.1
Russia	-8.9	31.0

We are going to leave China with 10% of the world manufacturing production, while China is much less energy-efficient country. That means...



More than 60% of FDI in Africa is in the mining sector. The surge of resources' price made FDI profitable in Africa. That means, in a sense, swelling Chinese economy brought growth to Africa's economy.

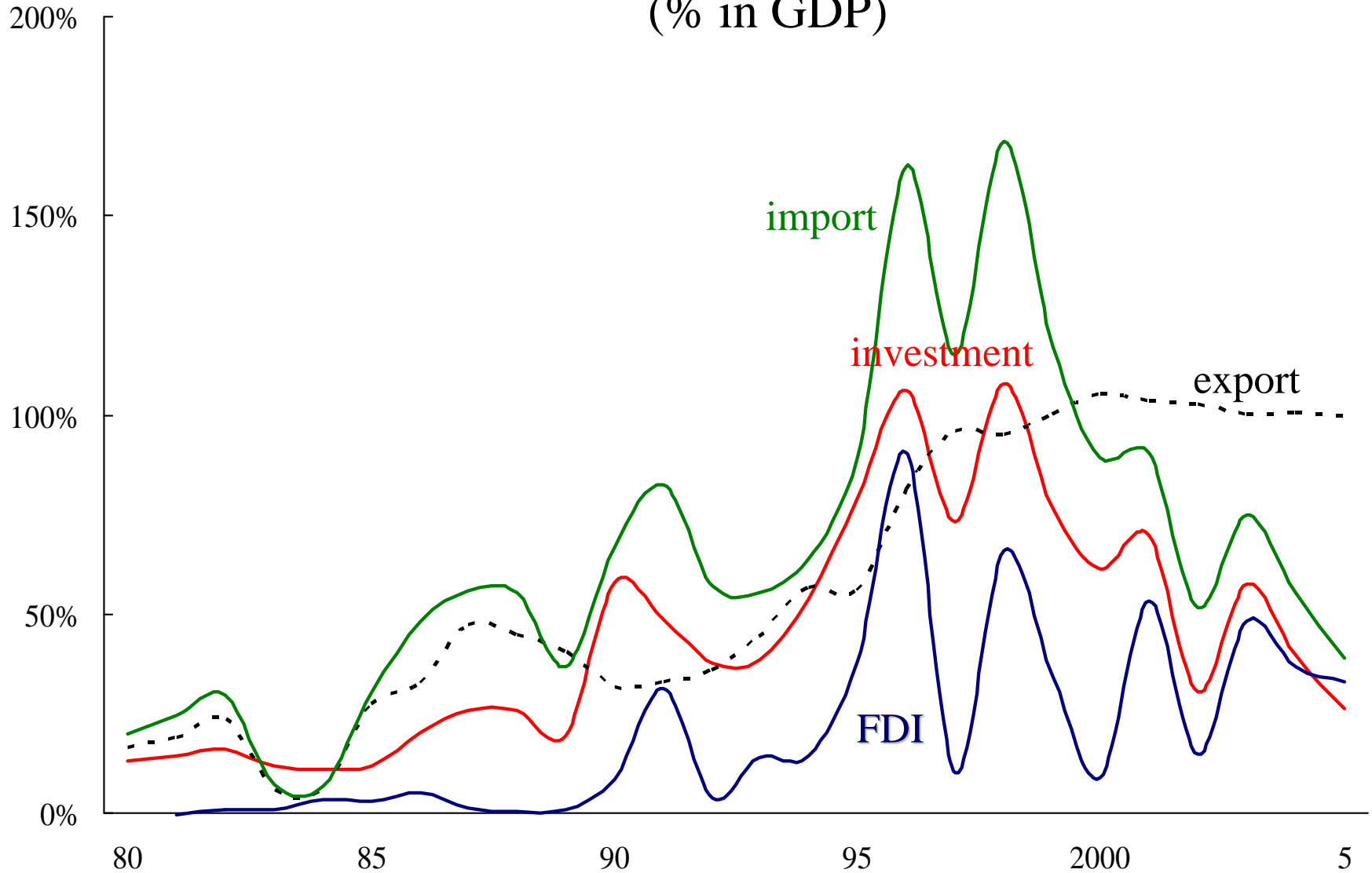


What are pillars of economic growth in Africa?

	Africa	China	World
Private consumption	61.7	39.6	57.2
Public consumption	16.7	10.9	20.9
Capital fixed investment	17.3	46.9	20.7
Trade surplus	4.0	2.5	-
Mining	19.6	-	6.0
Manufacturing	11.0	47.5	13.1
Construction	3.1	6.3	4.7
Transportation	6.7	7.7	7.0

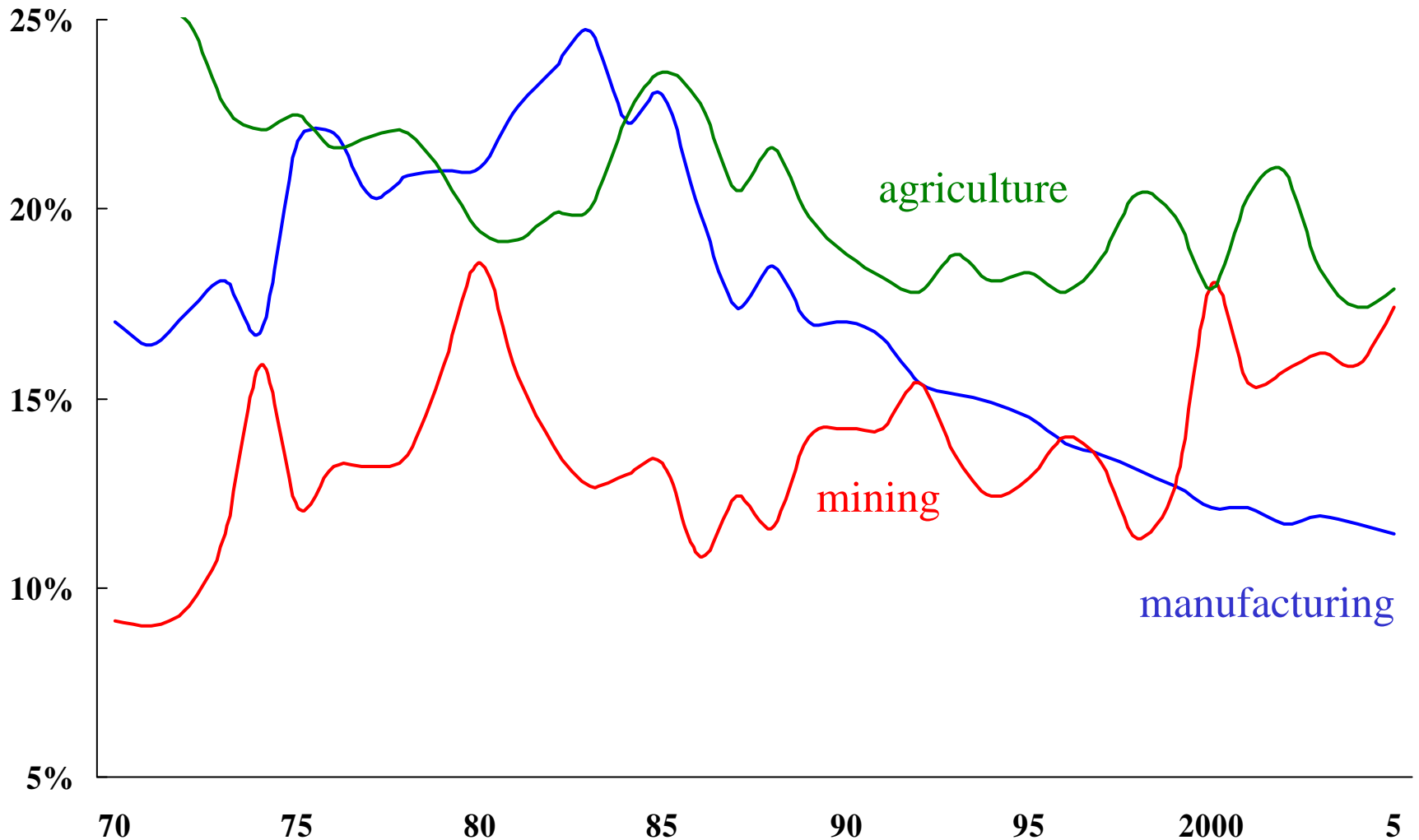
What happened in Equatorial Guinea?

(% in GDP)



Industrial structure of Africa (% in GDP)

:What global economy want for Africa?



The current world economy has...

- Entered into a boom mainly due to the growth of Chinese economy.
- Because we need considerable amount of additional production factors, natural resources in Africa shall be exploited. *The world's wish?*
- On the other hand, prices of labor will be stagnant because of Chinese exports.
- Therefore, labor-intensive industries will be replaced looking for cheaper labor. Can Africa attract its investment? *Africa's wish?*

Prices in African countries are much higher than Asia.

Price indices of grain

	1985	1990	1995	2000
Africa	0.58	0.88	0.76	0.52
Asia	0.38	0.40	0.46	0.41
Latin America	0.64	0.57	0.66	0.71
developed countries	1.07	1.42	1.96	1.25

Price indices of meat

	1985	1990	1995	2000
Africa	2.87	3.71	2.78	2.54
Asia	1.87	1.78	1.98	1.67
Latin America	1.98	3.24	2.81	2.55
developed countries	5.14	8.65	8.17	7.32

Therefore, wage level in Africa is higher than Asia.

$$\text{wage} = 0.29 \text{ [labor productivity]} + 1798 \text{ [food price]} - 1427 \text{ Africa dummy} - 1468$$

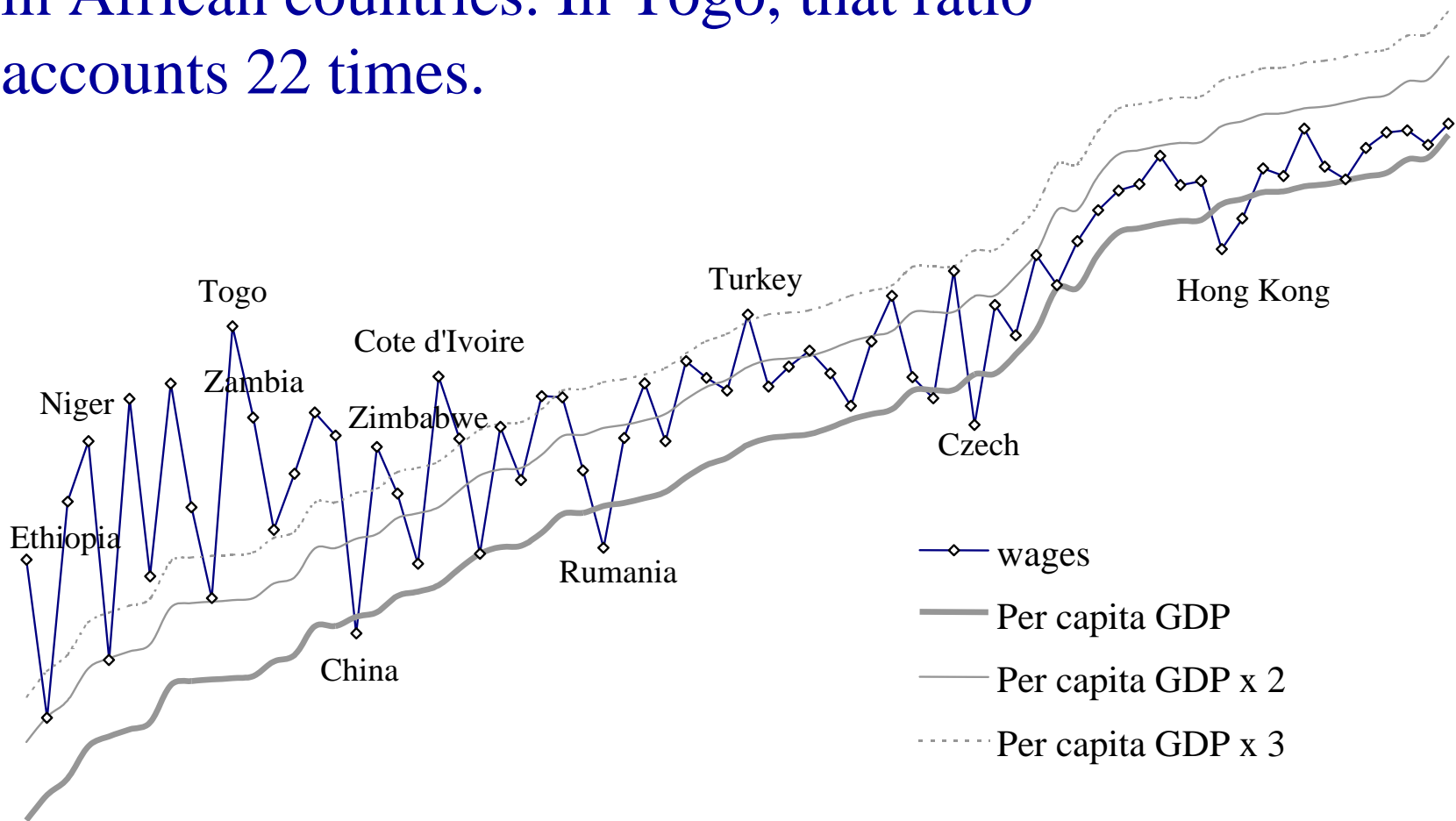
(15.7)
(7.4)
(-1.6)
(-2.6)

$R^2=0.8$

Average wage in manufacturing sector (in 1990 constant dollars)

	1985	1990	1995	2000
Africa	4,322	3,311	5,186	6,239
South Africa	6,120	4,466	7,708	10,093
Africa ex. SA	2,356	1,969	2,431	2,474
Asia	1,048	896	1,386	2,009
China	548	286	319	504
Asia ex. China	1,789	2,272	3,959	5,331
Latin America	4,259	3,528	4,286	9,524

Manufacturing employs less than 1% of total laborers. Average wages in the manufacturing sector are abnormally high in comparison to per capita GDP in African countries. In Togo, that ratio accounts 22 times.

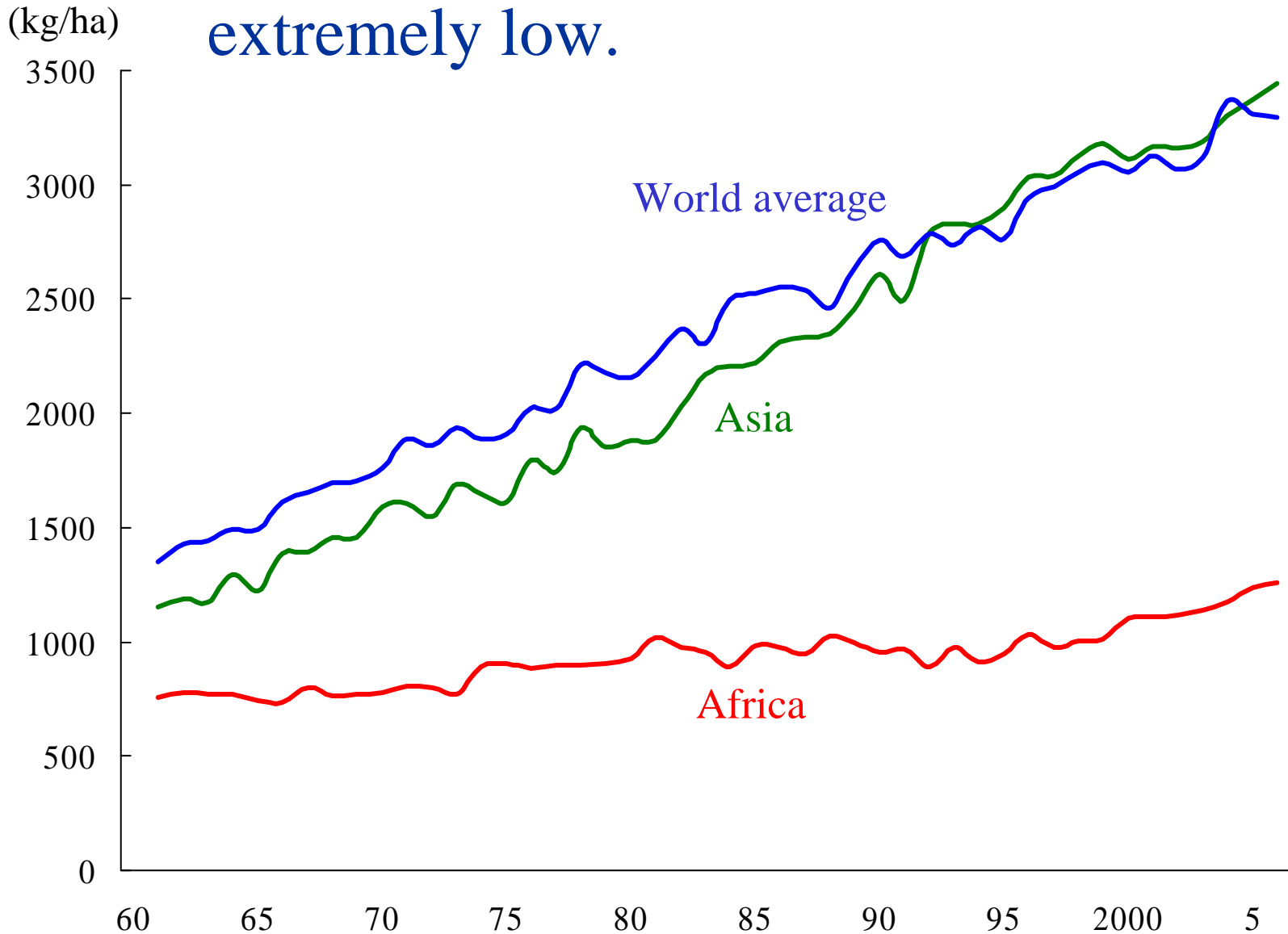


Why food price is so high in Africa?

$$\begin{aligned} \text{Food price} = & 0.05 (\text{labor cost}) - 0.07 (\text{land}) - 0.02 (\text{fertilizer}) + 0.014 (\text{tractor}) \\ & (4.1) \qquad \qquad (-0.05) \qquad \qquad (-2.9) \qquad \qquad (10.8) \\ & - 0.49 (\text{self-sufficiency rates of grain}) + 0.42 (\text{Africa dummy}) \\ & (-2.4) \qquad \qquad \qquad \qquad \qquad (2.5) \end{aligned}$$

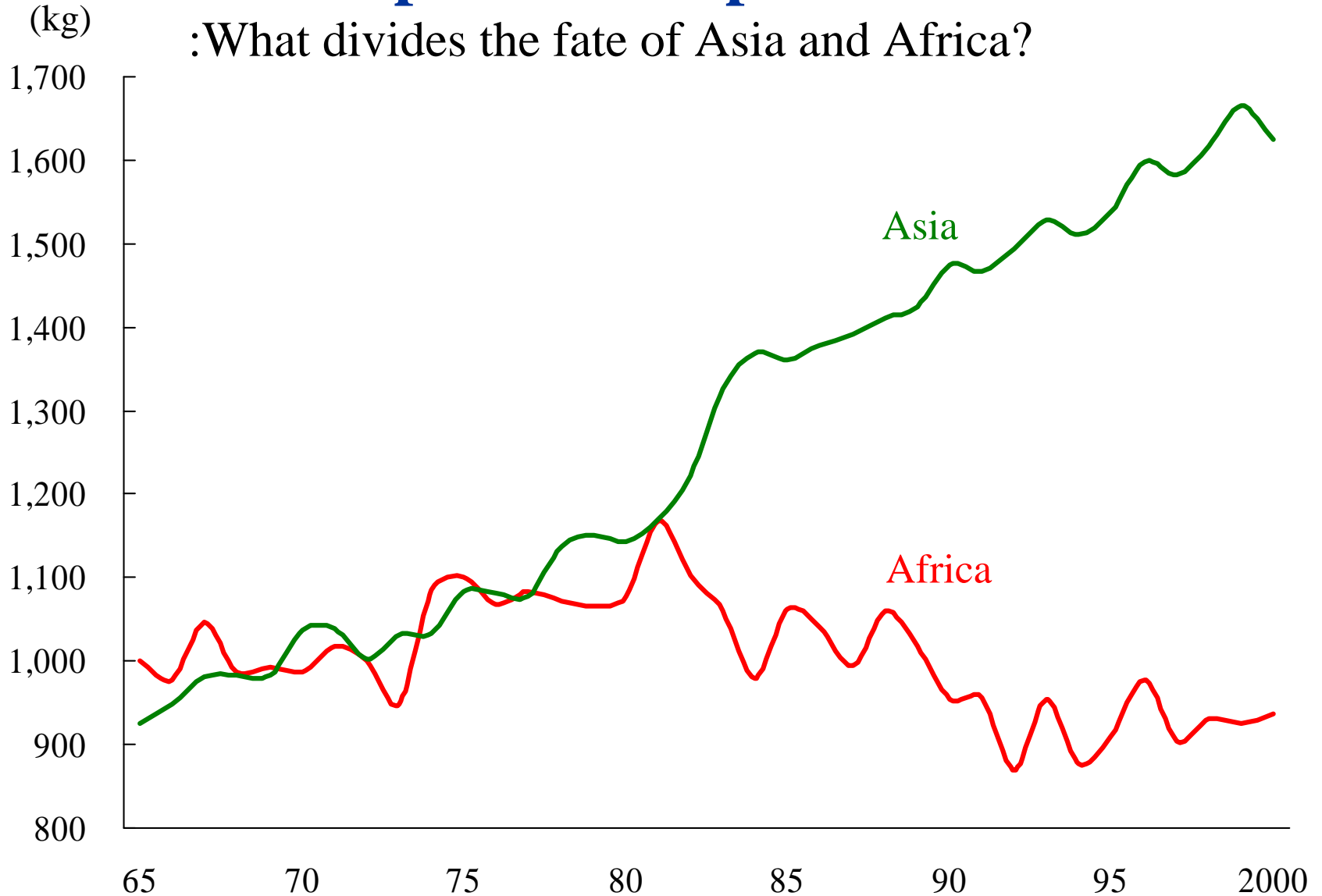
$R^2=0.69$

Land productivity of grain in Africa is extremely low.

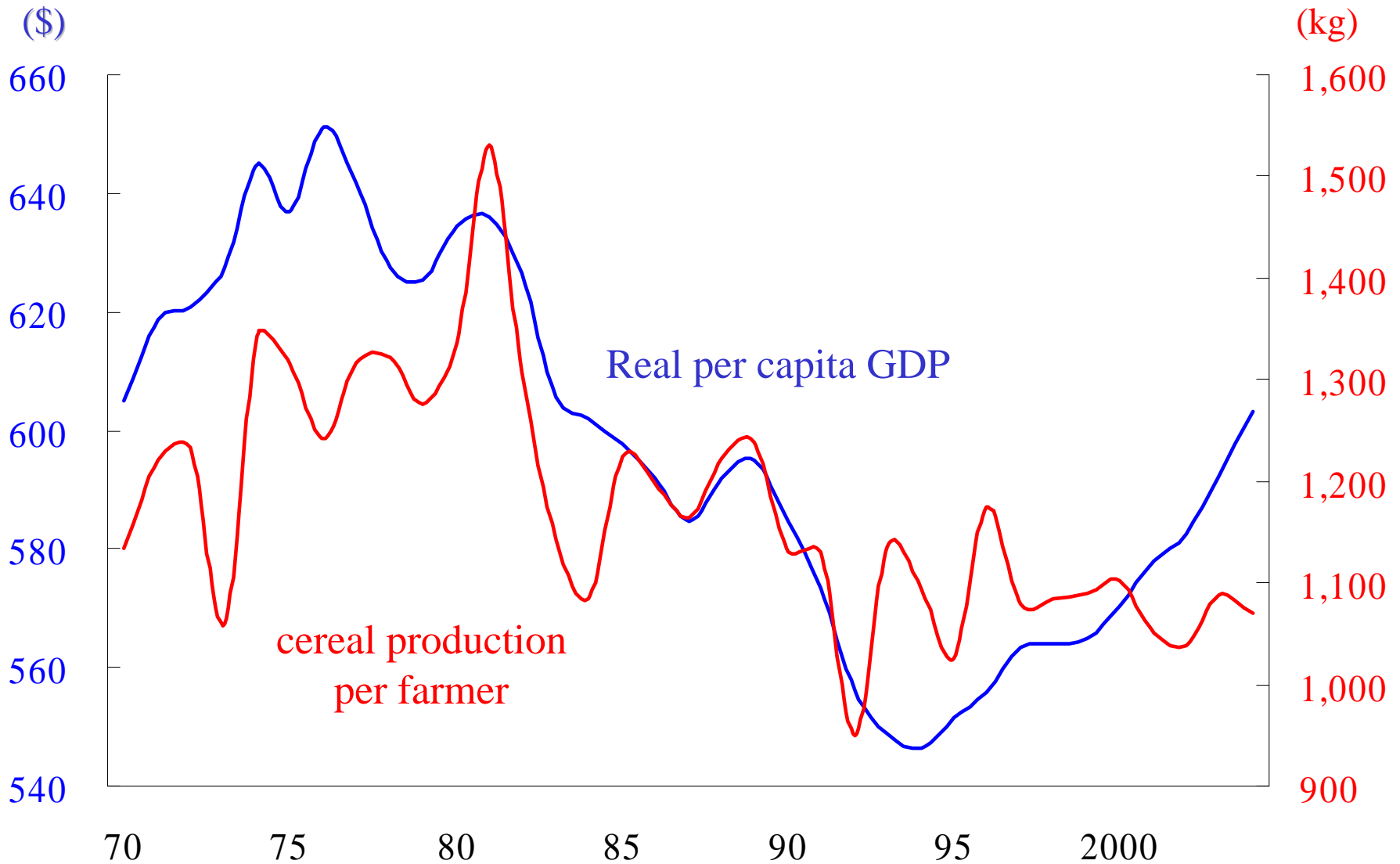


Cereal production per farmer

:What divides the fate of Asia and Africa?

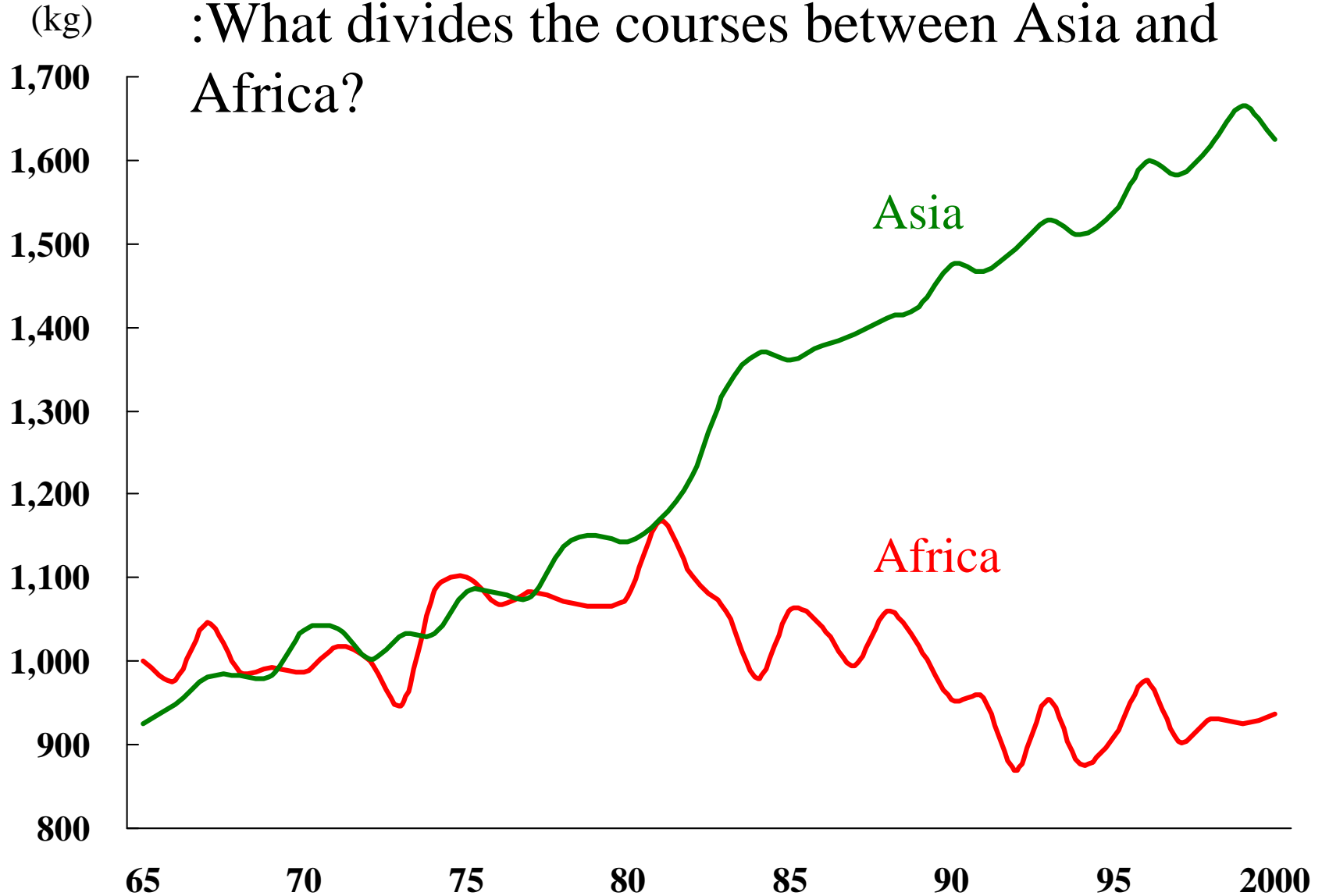


Africa's GDP per capita had correlated with cereal production per farmer.



Cereal production per farmer

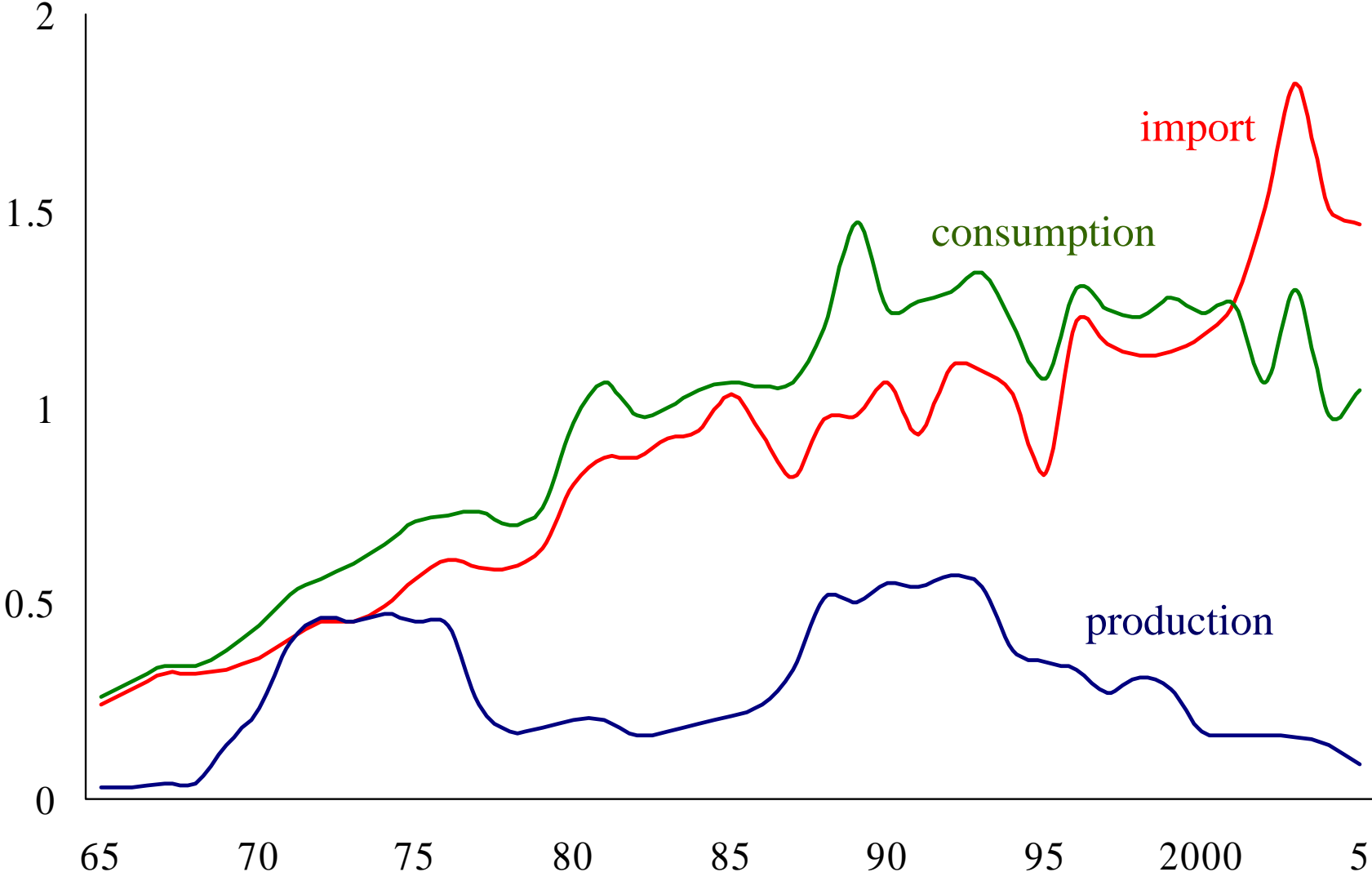
:What divides the courses between Asia and Africa?



Fertilizer in Sub-Saharan Africa

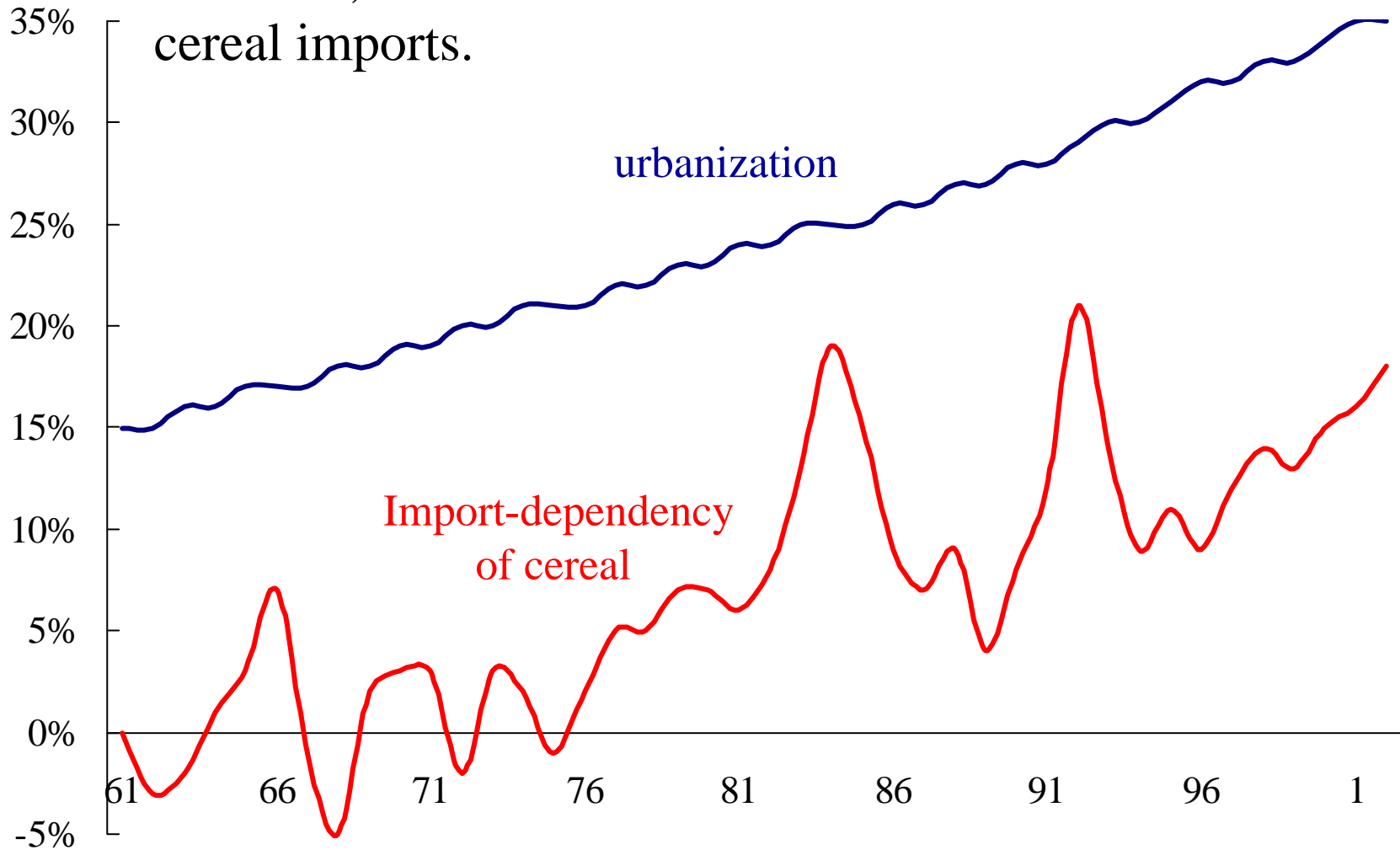
(excluded South Africa)

(million ton)

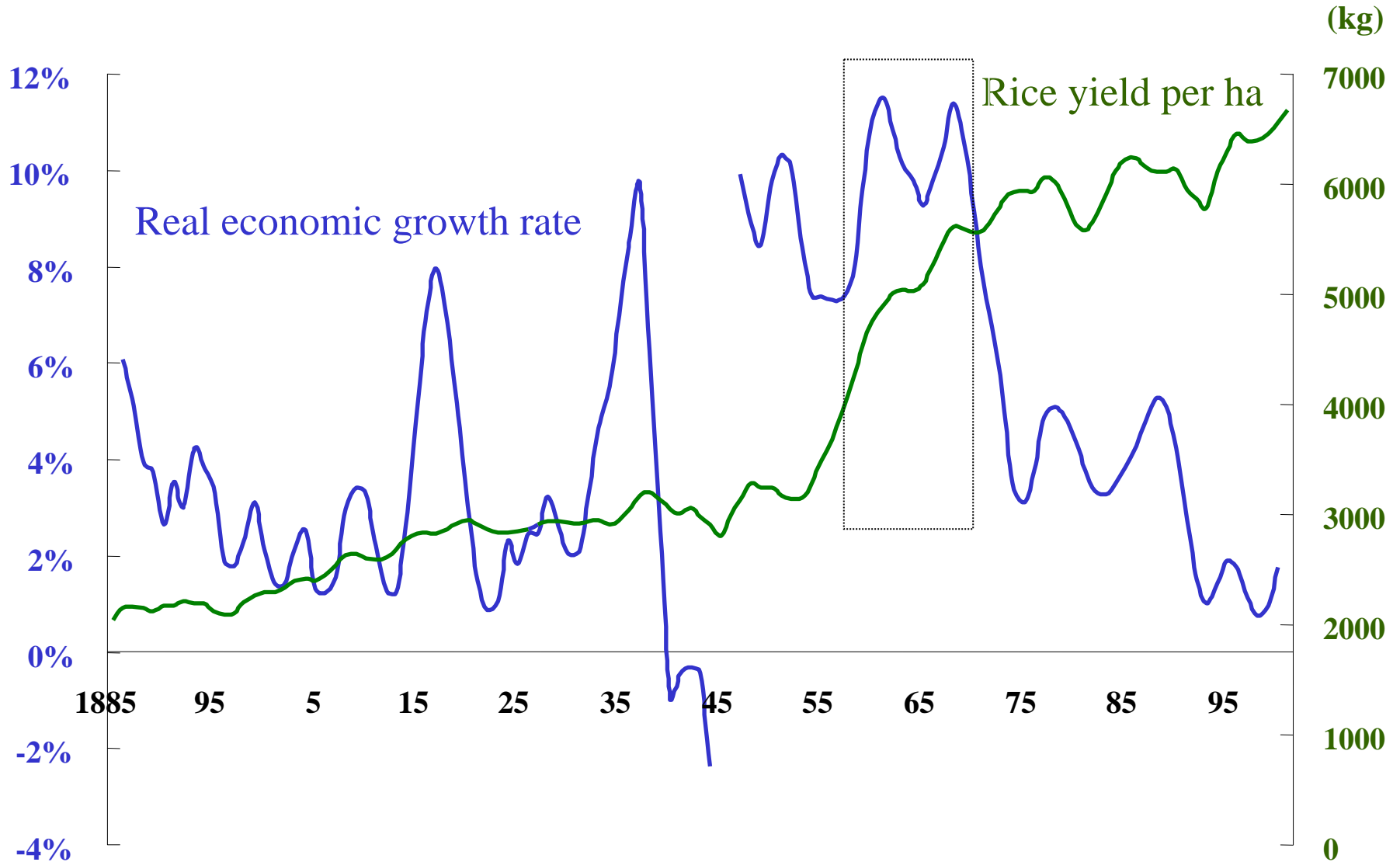


Disconnection of urban and rural

farming communities cannot supply food for cities, therefore, urbanization accelerates cereal imports.



High growth period in Japan was coincident with the rapid improvement of its rice yield.



In Africa,

- Grain farmers, who composes a half of African labor force, fell into diminishing-returns. It makes food price and labor cost high and growth-income does not come to the majority in rural area.
- Africa's comparative advantage is not in labor but in natural resources. That advantage was recently created through the price surge of natural resources.
- Therefore, income distribution is not favorable for labor. Poverty is left behind economic growth and income inequality expands.

Effective perspectives

- Who generates economic growth in Africa?
to find desirable partner
- What will be feasible now?
to avoid self-satisfied “long-term”
- What kind of project has real effect?
to avoid “ODA for ODA”
- For what is growth-income used?
before providing aid

ODA innovation

- To utilize the know-how of private business
weather derivative project, WFP
BOP business, ex. Phillips in India
- Demand-driven technical input
Shea soap project, JETRO
Regional Standard Programme, DFID
- Collaboration with CSR
CASM project ,DFID & World Bank
HIV/AIDS prevention and treatment, GTZ