

# Africa's Economy: Growth and Underdevelopment

Katsumi HIRANO

Africa's economy started to grow from 2003 thanks to an exogenous cause, that is, the surging prices of crude oil and mineral resources. The change of relative prices between resources and products was brought by the transformation of the world economy, characterized by the rapid growth of China's presence in global production. The major surge in mineral resource prices made exploitation projects profitable in Africa, leading to an expansion of FDI toward African countries. Those investments led to a turnaround in Africa's economy, which has stagnated for two decades. Several African countries will be transformed into oil producing countries and others into mineral resource providers. China and the US now depend on Africa for more than 20% of their crude oil imports.

However, Africa's production sectors are still underdeveloped. Cereal food production, in which the majority of the African labor force is engaged, suffer from a lack of technical inputs and productivity remains stagnant at the lowest level in the world. Therefore, Africa has to import cereals, and food prices are much higher than in Asia.

High food prices raise the price of labor. The wage level in the formal sectors in Africa is also higher than in Asia, preventing Africa from being attractive at all for manufacturing investment. In fact, employment in the manufacturing sector comprises less than 1% of the work force in Africa and its rate is still decreasing even now.

Economic growth in recent years has not made a positive contribution to job creation and poverty alleviation because of the underdeveloped structure in Africa. Development economics, which has evolved mainly through African studies during the past two decades, is a science devoted to explaining low economic growth by elaborating the phenomenon of underdevelopment. But such approaches do not effectively depict the recent phenomena of Africa's economy, namely, growth in an underdeveloped structure. We now need new perspectives to understand Africa and to promulgate policies for Africa.