

Why Africa's dawn starts in the East

Dambisa Moyo, the Zambian-born economist and vocal critic of African dependence on Western aid, argues that Chinese investment is behind a resurgent Africa, *writes Peter Shadbolt*

If the African continent were to have its own modern-day Statue of Liberty, then Lady Liberty would probably be brandishing a mobile phone rather than a torch. No other device has changed the lives of so many people so rapidly. Where it once took 15 years or more to get a landline, in countries like Nigeria cheap, instant communication is changing the economic and political landscape.

For Dambisa Moyo, Zambian-born economist and vocal critic of African dependence on Western aid, the change Africa needs in the 21st century may come less through foreign direct investments and massive resources deals as through the humble Chinese knock-off mobile phone.

"There are seven billion people on the planet, five billion mobile phones and there are two billion people with mobile phones but no access even to a bank account," says Ms Moyo.

"What is happening in Africa with the mobile phone is nothing short of amazing. It's being used to trade everything – even livestock. It's being used for the transportation of money from one city to another."

The adoption of the technology has been so fast and so widespread and its applications so ingenious, she says, that Western financial companies are now borrowing technologies and applications from Africa.

"It is revolutionary," she says. "People that have traditionally been locked out of the financial system are being brought in."

Even ordinary text messaging is changing Africa in a way that a decade ago could barely be imagined.

"In remote rural areas, a text message simply saying 'Your doctor is coming in two weeks on Tuesday between 4pm and 6pm' – things like this are absolutely transformational."

More than anything, Moyo says, the mobile phone represents a connected and independent Africa which finally has the tools to do what it has always done best: trade vigorously.

The old school statist economies that were set up in the wake of the euphoria of African independence in the early 1960s are now no longer serving a population that is increasingly middle class and, above all, young. More than half the population of Africa is under 25.

For too long, she argues, Africa has relied on Western aid which she says has created a culture of dependency, bankrolled corrupt political elites and poisoned political systems. In some countries, Western aid accounts for 70 per cent of the total government purse.

"It's very rational for African governments to take the aid – I would take the aid too if I were them," Moyo says. "The reason I am critical is because it's eroding the political infrastructure. I had one African person say to me that taking aid was the choice between travelling around the world to be abused by hedge fund managers and pension fund managers asking uncomfortable questions about why they should invest in my country, or sitting back with my wife and kids in sunny Africa and have aid organisations come in making promises."

Two factors are now changing the game in Africa. The first is massive

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investment from a resource-hungry China and the second is the global financial crisis.

Moyo says one of the unintended benefits of the global financial crisis is that Western countries now have less aid to give. "We now have to figure out other ways of doing the things we need to do," she says.

The very factors that weighed on Africa, prompting economist Paul Collier to warn that many African countries were 'shearing off' from the rest of the world, are now looking like distinct advantages against the backdrop of the crisis.

With a credit crisis that could take as long as a decade to unwind, and many investors already burned by so-called recovery trades such as eurozone sovereign bonds, Africa is looking better than a mere frontier market play.

Sub-Saharan Africa is forecast to grow at 5.5 per cent this year, according to IMF estimates, almost four per cent higher than the feeble growth projected for developed economies. While many would argue that Africa is coming from a low base – its one billion people command a mere two per cent of world trade and it attracted little more than three per cent of the \$1.12 trillion in global foreign direct investment in 2010 – the absence of the kind of massive leveraging familiar in Western

economies may see it come through the crisis relatively unscathed.

If anything, strong investment opportunities are languishing for a lack of capital, a state of affairs that has not been lost on China.

"China is a game changer," Moyo says. "It is transforming the discourse from around aid – which is effectively a one-way street – to a more sophisticated discussion about the value of an asset or what we can get in return for access to these assets."

Despite criticism of China's 'no questions asked' policies which allow it to ignore a country's domestic political problems to trade infrastructure and unconditional loans for resource futures, Moyo says many Africans are simply happy to have a business partner that treats them on an equal footing.

“The Chinese aren’t perfect, they have an agenda,” she says. “But what transforms the debate is that Africa is not being treated like a child that oughtn’t be at the grown ups table.

“Whether it’s the financial crisis, worries about global growth or income inequality, Africa needs to be having some of these discussions and China’s engagement is forcing these discussions.”

She says criticism of China’s ‘no questions asked’ policy is misplaced, countering that it is Western aid rather than China’s willingness to turn a blind eye in return for minerals, metals and timber that has made African governments unaccountable.

“It’s unfair to criticise China,” she says. “With aid systems, African governments can have poor growth, high unemployment, high poverty and still get more aid. They’re not improving their economies but they are being rewarded with more aid.

“There is a real opportunity to create a middle class in Africa now and this middle class is what we need to hold governments accountable.”

Already Africa is moving beyond its much-hyped resources story. In a clear sign that its middle class is here to stay, the majority of the stocks that trade on African exchanges are non-commodities, including telecommunications and consumer goods, and financial services.

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Even the small and landlocked Zambia, with a population of just 12 million people, has 18 registered foreign and domestic banks.

“There are some who say that political structures need to be in place before you can build an economy. I’m of the opposite view,” she says. “Economics is a prerequisite for politics.”

Apart from Chinese investment in infrastructure and bond markets, the solution, says Moyo, will be a mix of microfinance, changes to property laws and the shifting tide of global trade. Ultimately, the future hinges on the development of this middle class; under per capita GDP of \$10,000, Moyo says, and you won’t have a stable polity.

“With aid, I have never advocated simply turning the taps off,” she says. “What I proposed in my original book *Dead Aid* is that we know what works. We know that countries that trade more do better than countries that don’t.

“We know that those countries that have built capital markets tend to do better than places like North Korea or Cuba which remain detached. So why is it that only 15 or 16 countries out of 53 in Africa have credit ratings? Why aren’t we encouraging these countries to have more transparency and accountability to the capital markets? Remittances, a clear tax base and savings – these are the key drivers we need to focus on,” Moyo says.

More than any other part of the world, Africa has laboured under a poor press and Moyo says it is taking time for popular prejudice in the West to catch up with the reality on the ground in many African countries.

“I call it the Four Horsemen of Africa’s Apocalypse – Poverty, Disease, War and Corruption,” she says. “That’s how it’s portrayed in the media, but it’s up to Africans to change that. I don’t think we’re going to get a free pass from the Western press.

“When I speak to my journalist friends they say, well it’s not like we’re making it up. That’s true, but it’s exaggerated for sure.”

Ultimately, the West may become a victim of its own preconceptions about Africa, missing one of the 21st century’s most valuable investment opportunities. Resources booms may come and go, foreign money reverse out of Africa and markets crash, but the long-term prospects for Africa are on an upward trajectory. Much of this is fuelled by Chinese investment, to the chagrin of their Western rivals.

“You have a lot of American and European policymakers going to Africa and making what I consider to be these absurd speeches and making these veiled threats saying be careful about these ‘neo-colonialists’ who just want to take advantage of you,” Moyo says.

“They’ve made a misstep. They were once a leg ahead and if they had treated Africans as peers and traded with Africans, not putting up these common agricultural policies and farm subsidies that have blocked African products, it would have been a different dynamic. Africans are simply tired of it.”

Africa, she says, was always seen as an aid opportunity rather than a business opportunity and now foreign investment is paying the price. Chinese-made infrastructure bears witness to the fact that the continent has found an investor that isn’t squeamish about cutting deals in the face of Western sanctions on countries such as Sudan and Zimbabwe.

“I had a friend in 2007 who rode a motorbike from the Cape to Cairo; that’s three times the distance from New York to California. About 85 per cent of it at that time was on tarred roads where previously there had been nothing. Why would Africans hate that?”

Meanwhile, with the United States signing its first infrastructure deal with China, Moyo says not even the world’s most powerful economy is able to resist the gravitational pull of China.

For Africa, she says, the Chinese strategy of building roads, hospitals and ports in exchange for access to minerals and resources is making the difference. Now it is time, for African governments to step up to the challenge.

“To use my mother’s perhaps gauche analogy, every girl should have more than one suitor,” she says. “For too long Africa has been obsessed and hyper-focused on Western countries.” ■