

Reflections from the IGC Growth Week 2011 – “Attaining Middle Income Status”

By

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The International Growth Centre (IGC), a London-based Think-Tank convened its 2011 Growth Week on 19-21 September 2011 at the London School of Economics and Political Science (LSE). The Growth Week 2011 brought together the IGC's international network of scholars, institutional partners and policy makers in partner countries; Bangladesh, Ethiopia, Ghana, India Central and Bihar, Mozambique, Pakistan, Rwanda, Sierra Leone, Tanzania, and Zambia. The conference was organised along ten research themes focused on policy audiences and eleven country programme sessions, one for each partner country. The Zambia country session took place amidst a general election back home and therefore attendance by policy makers and other institutional partners was almost absent. Nevertheless, the session did not fail in highlighting recent developments and emerging policy questions in Zambia.

What caught our eyes and struck a familiar chord was the Tanzania Country Session, “Attaining Middle Income Status”. Tanzania like a number of countries in Africa has articulated a pathway which clearly defines the future of the country; the kind of society Tanzanians want their country to become. This aspiration is articulated in the Vision 2025. Africa is not short of such vision statements; Kenya Vision 2030, Malawi Vision 2020, Rwanda Vision 2020, Uganda Vision 2025 and Zambia Vision 2030, among others. All this delineates the optimism and passion that the individual countries have about the future amidst the economic struggles that abound. Tanzania is one such a country that remains very optimistic. With a population of 40 million people and a GDP per capita of US\$514 Tanzania is one of the world's poorest countries. Despite this Tanzanians see themselves living in a Middle-income country by year 2025. According to Vision 2025 Tanzania is to graduate from its current status to a Middle-income country by the year 2025 with a high level of human development. It is therefore envisioned that in the next 14 years the Tanzanian economy will have been transformed from a low productivity agricultural economy to a semi-industrialized one led by modernized and highly productive agricultural activities which are effectively integrated and buttressed by supportive industrial and service activities in the rural and urban areas.

But the Tanzanian dream is not far-fetched. Within the African continent is Zambia and Ghana which recently received their middle-income reclassification. The reclassification of these

African countries however raises a lot of questions for countries with similar aspirations like Tanzania. Did these African countries achieve their new status using the same development path that transformed countries such as the Asian tigers? Or have they invented their own development path different from Asian tigers? If so which of these development paths will be applicable to Tanzania so that it doesn't have to re-invent the wheel? Do African countries like Asian countries have what it takes to sustain economic growth so as to maintain their newly acquired status?

Answers to these and many related questions are of great interest to many African countries as they strive to emerge out of their persistent economic doldrums. For the record, the factors that have led to growth in Asian countries obviously include greater openness of their economies and reliance on manufactured exports; higher savings and investment as well as strong macroeconomic management, especially government fiscal policy among other things. Whether these economic fundamentals exist in Zambia and Ghana is another question.

In the case of Zambia, the reclassification has been attributed to copper prices which have remained consistently high for over a decade. Critics have argued that in the absence of high copper prices Zambia's economy would crumble with little hopes of resuscitation as has been the case in the past. This raises uncertainties on Zambia's ability to sustain its newly acquired status given that its primary commodity is prone to international price shocks. Another way of explaining Zambia's current plight is the "Dutch Disease" phenomenon, in which copper has caused an appreciation of the real exchange rate, and thereby rendering unprofitable an export-oriented or import-competing manufacturing sector. Hence Zambia has found itself priced out of world markets in the production of labour-intensive goods -- such as apparel, footwear, toys, and electronics assembly -- which have been the first steps on the ladder towards rapid industrialization in East Asia.

In a nutshell it can be said firstly that African countries such as Zambia have not achieved their economic status the same way Asian tigers did as the former relies on exports of primary commodities while the later developed its manufacturing sector as one of the main drivers of development, among other things. It can also be said that achieving economic development through the export of primary commodities is not sustainable as countries remain at the mercy of international prices. Therefore, Zambia, Ghana and the countries that follow in their wake such as Tanzania should work relentlessly at diversifying their economies to achieve export diversification and sophistication thereby cushioning their economies from the vagaries of commodity prices. It should be a stark reminder that in 1985 the World Bank re-classified Zambia from a Middle-income country to a Low-income country and later in 1990 included it on

the list of least developed countries by the UN General Assembly. Therefore this time we should do things differently to avoid this ever happening.