

A person is silhouetted against a vast, starry night sky. The Milky Way galaxy is visible, stretching across the upper half of the frame. The person stands on a dark, rocky outcrop, looking up at the stars. The overall scene is dark and atmospheric, with the stars providing the primary light source.

Structural transformation in Africa: a Chinese perspective

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1 PART

Short review of
structural
adjustment in the
1980s and 1990s

Structural Adjustment Program

- The structural adjustment programme (SAP) is an economic reform package suggested by the multilateral agencies (IMF and World Bank) for developing countries.
- Based on the neo-liberal understanding of economic development.
- SAP emphasis: refrain government from intervention in economies, privatization, and free market development.
- The result of SAP is undesirable.

Failure of SAP in Africa

- SAP has not been completely abandoned. It has been repackaged in another form and manners.
- Western Official development assistance (ODA ,or foreign aid) has partly impeded the structural change in Africa.
- Foreign aid made Africa more dependent on external forces than any other places in the world.
- However, western donors have devoted too few resources and too little attention to two critical constraints to structural change, infrastructure and skills. Instead, they focus on regulatory reforms.
- New aid actors, such as China, offer the potential of new investments and policy priorities.

2 PART

African economic
structural
transformation in
the post-2008 era

Crisis or opportunities? 危机

- **Challenges of low commodity prices**
- **China entering a stage for growth model transformation.**

“China has been transitioning from a phase of rapid growth to a stage of high-quality development, a pivotal stage for transforming growth model.”

——President Xi at the 19th CPC National Congress

Crisis or opportunities? 危机

- Deteriorating external environment
- Stimulus for Africa to implement structural transformation and reduce external dependence

AU Agenda 2063

- **Aspiration:** Economies are structurally transformed to create shared growth, decent jobs and economic opportunities for all;
- **Actions:** Transform, grow and industrialize economies through beneficiation and value addition of natural resources

Structure transformation: African aspirations

2016 African Transformation Forum:

“Remarkable consensus, both within and outside Africa, that economic transformation holds the key to sustained growth and prosperity.”

Industrialization as key to structural transformation

Consensus at African continental level

- AU level:
 - “No country or region in the world has achieved prosperity and a decent socio-economic life for its citizens without the development of a robust industrial sector” (AU, 2008)
 - Action Plan for the Accelerated Industrial Development of Africa (AIDA) adopted
- UNECA (2016) : Transformative Industrial Policy for Africa

Industrialization as key to structural transformation

From outsiders' perspective

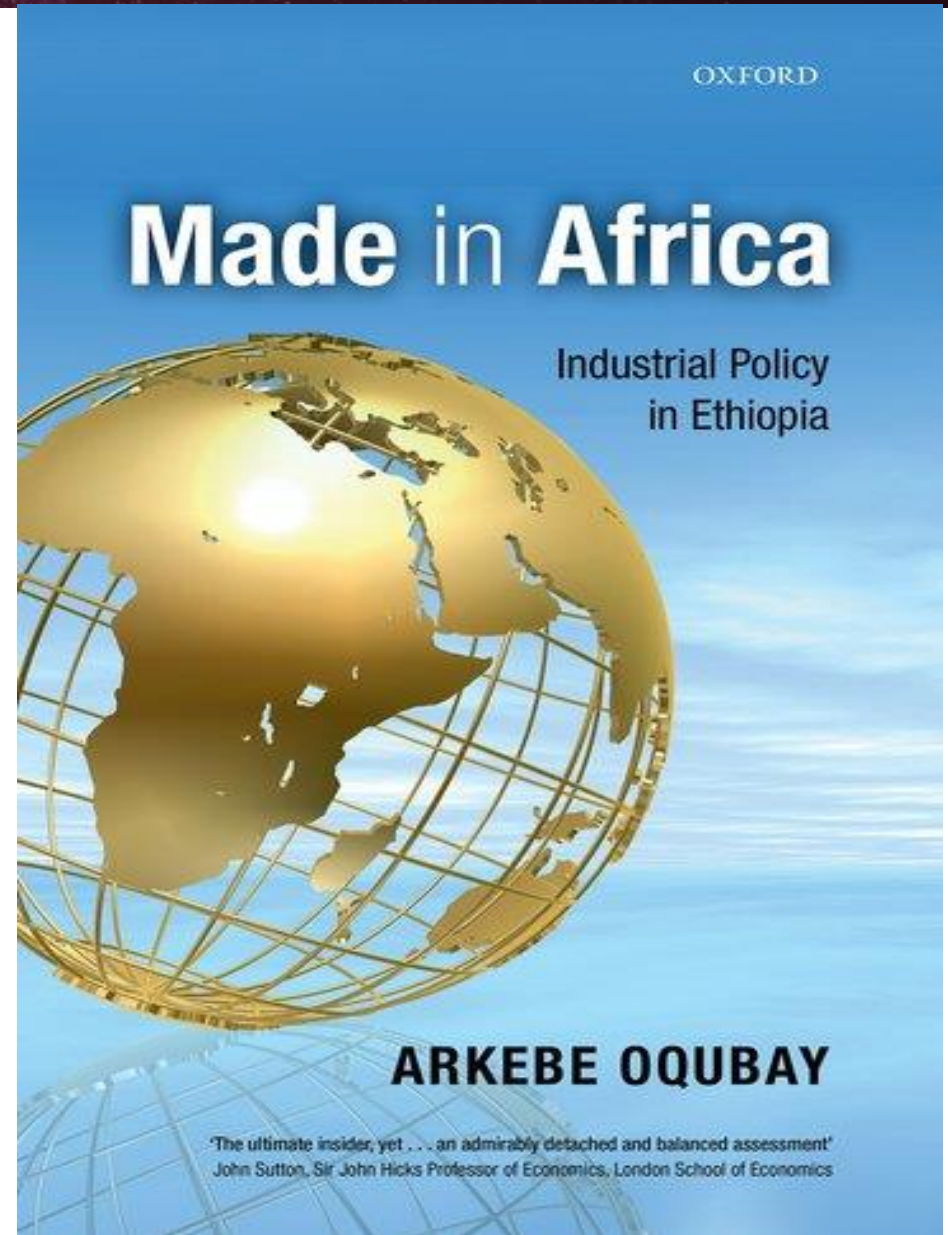
Brookings report (2014) “Learning to Compete: Industrialization in Africa and Emerging Asia”:
“ In 2010 sub-Saharan Africa’s average share of manufacturing value added in GDP was 10 percent, unchanged from the 1970s.”

Industrialization as key to structural transformation

From African country level:

Dr Arkebe Oqubay:

- An effective industrial policy requires a more interventionist state;
- Success lies in the interactions among policy, specific industrial structures, and institutions.



From structural adjustment to structural transformation

- **Structural adjustment:** driven by external forces (IMF and WB); overemphasis on the role of market and marginalize the role of government; lack of ownership and political will to implement;
- **Structural transformation:** recognition of the role governments should play in economic affairs and social sectors; driven by internal motivation.

3 PART

Potential of China's
role in African
structural
transformation

China's potential role?

1

Financial support

The FOCAC Johannesburg Summit in 2015 placed Africa's industrialization as a priority and set up China-Africa Industrial Capacity Cooperation Fund with the initial capital of \$10 billion. China also pledged to offer \$5 billion of additional capital for the China-Africa Development Fund and the Special Loan for the Development of African Small and Medium-sized Enterprises respectively.

China's potential role?

2

Infrastructure

China-Africa cooperation can help by promoting traffic connectivity and advancing cooperation on production capacity. With investment went to traffic infrastructure projects, it will facilitate efforts of industrialization and modernization, which will contribute to helping Africa realize its aspiration for regional integration. This is not only the responsibility of China that regards Africa as its partner for development, but also the requirements of upgrading and transforming their bilateral economic and trade cooperation.

China's potential role

3

Local skills development and technology transfer

Case: AVIC International, a Chinese company operating in the industrial sector in Kenya. AVIC International is one of the major construction contractors and heavy machinery providers in Kenya. It has made major investments in the area of local skills development.

These programs originated early in the company's tenure in Kenya when it became concerned that one of its major customers lacked the technical ability to utilize and maintain the heavy machinery that it bought from AVIC. The company worried that if the machines were poorly utilized and maintained, the company's reputation would suffer. As a result, over the past decade, AVIC

China's potential role

4

Experiences

A committed leadership and strong government.

The developmental state is one of the models that accelerates growth and transforms the economy

China's potential role?

4

Experience

Foreign direct investment has played a significant role in the process of China's reform and opening up, and the largest share of foreign direct investment is remittance from overseas Chinese. African countries can learn from China's successful experience in attracting foreign exchange funds.

In recent years, the amount of overseas remittance flows to Africa is about \$ 60 billion a year, making it the largest source of external funding in Africa, exceeding ODA, foreign direct investment and foreign indirect inflows. Moreover, African countries themselves can freely decide how to use the money.

THANK YOU

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