THE IMPORTANCE OF IMPROVING AFRICAN COMPETITIVENESS

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There are several reasons why Africa should endeavour to improve its competitiveness: to begin with, Africans are not competing against each other for shares in the global market; rather, the continent as a whole should strive to secure its position on the global export and service markets. In this context, it is important to know not only what is happening in one's own neighbourhood but also what strategies are being pursued by other countries. Further key requirements include a competitive currency and a government anxious to secure an open and efficient business environment as well as a greater share in foreign markets so as to build up the domestic market. Second, it would be necessary to respond to the threat to Africa's economic growth which, formerly based on rising commodity prices, has now come under pressure from the global economic crisis which affects the flows of commodities, aid, remittances, and investments. A third point to be considered is that any steps taken in Africa are influenced not only by global economic trends but also by forces that operate inside the continent itself. Thus, it is expected that by 2025, one in four young people worldwide will be living in sub-Saharan Africa, the equivalent of 40 percent of Africa's working population and 60 percent of its unemployed. Given poor living conditions and basic services as well as the unequal distribution of wealth, this makes for a considerable potential for social unrest.

Yet all these negative elements could turn into opportunities if Africa should succeed in enhancing its competitiveness. It is expected that four fifths of the future growth of the global economy will depend on emerging markets. This being so, Africa is now called upon to increase the value of its exports, respond adequately to the flow of capital to the emerging countries, and promote systems and institutions that enable it to compete.

Until now, however, the African development debate has been revolving around reforms that were mostly initiated by the donor countries and, consequently, reflect their perspective. Africa will have to formulate views of its own, keeping in mind that there is more than one path towards an efficient economy. Appropriate role models might be found in some Asian countries which received their impetus from hiring qualified people, investing in the infrastructure, extending governance, and endeavouring to obtain access to the global economy.

In Singapore, for example, many people had no access to drinking water, electricity, and other basic services as late as 1960. The island had no natural resources of its own. The dissolution of the former Malay Federation and the withdrawal of the British caused security problems which were compounded by ethnic tension, communist agitation, and high unemployment. Yet the country transformed itself from a swamp with a British naval dockyard and an airfield into a high-income country occupying a leading rank in the global service economy. It was the development and/or importation of talent and a focus on leading-edge technology which enabled Singapore to increase its per-capita GDP by a factor of 70 within somewhat less than 50 years, whereas its GDP as a whole grew by a factor of 90.

Another case in point is Costa Rica, which changed from an agricultural country into a high-technology and service centre, going from coffee and bananas to computer chips, medical equipment, and quality services. In the last 25 years, the export volume of this Central American country has increased tenfold – from 870 million to more than 10 billion US-dollars in 2008.

Another country that might be named is El Salvador: violence and crime, extreme political polarization, skewed wealth distribution, dependence on agriculture, deforestation, and the great human and material cost of the civil war are relics of a gloomy past with which the country has been coping successfully. The peace of 1992 was followed by political and economic reforms: privatization, tax reform, dollarization and trade liberalization initiated a boom. The Central American Free Trade Area bore fruit, as did the abolition of customs and investment barriers between the USA and the Central American states. San Salvador has become an air transport hub. The financial sector is being managed by reputable international banks, and Europeans as well as Americans have invested in businesses of strategic importance. El Salvador demonstrates that the solution must come from within. This should give hope to those African states that have left their internal conflicts behind.

At present, clearance times in African ports are as unsatisfactory as the cost of business activity on the black continent. Causes include the lack of a hard infrastructure as well as policies that are either wrong in the first place or, if they do make sense, are not implemented. Convinced that coping with the global financial crisis is as urgent as improving Africa's competitiveness, a round of experts who met in Italy and Rwanda in 2008 developed a consensus which names several goals to be implemented cooperatively by governments, the private sector, NGOs, and the donor countries: first, the cost of doing business will have to be reduced. Second, a domestic consensus will have to be established about the need for economic reforms. Third, governments will have to be urged to devote more time to promoting investment than to negotiating aid packages. Fourth, there is need for a code of behaviour applying to businessmen as well as other players, such as NGOs. Fifth, supporting growth-promotion and cost-cutting plans is indispensable. Sixth, government expenditures that are essential to progress must not be restricted. And seventh, reform policies will have to be formulated and developed independently of the availability of economic aid.

In *Winner Takes All,* Richard Elkus teaches us that the high competitiveness of the Asian countries is the result of years of effort on the part of the industry under national and international competition strategies. Elkus holds that a nation as a whole needs to be competitive because companies and industries can safeguard their competitiveness only if this is the case. It is necessary to see that a country's economic output depends on a combination of infrastructure, qualification, and education. This is precisely the subject on which there has been no national debate in Africa so far.

To be sure, Africa has made some progress in the field of democratisation in the last twenty years, although there still are numerous instances of bad governance and misguided policy decisions. The challenges facing the continent are profoundly political. The point is that citizens as well as leaders now need to appreciate that opening up choices and relaxing control are essential steps towards developing a nation and safeguarding the prosperity of its citizens.

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