



INTERNATIONAL
CENTER FOR
ECONOMIC
GROWTH



BOTSWANA
INSTITUTE FOR
DEVELOPMENT
POLICY ANALYSIS

BIDPA

16024



Development of Resources and Physical
Thoahlane, A. L.
Book

338.96 BID

INTERNATIONAL CONFERENCE
ON
SOUTHERN AFRICA AND EASTERN ASIA:
EXPERIENCES AND OPPORTUNITIES IN DEVELOPMENT

DEVELOPMENT OF RESOURCES AND PHYSICAL
INFRASTRUCTURE
POSSIBILITIES FOR MUTUALLY BENEFICIAL
COOPERATION BETWEEN SOUTHERN AFRICA
AND EASTERN ASIA

BY

MR. A. L. THOAHLANE
ACBF

BOTSWANA INSTITUTE FOR
DEVELOPMENT POLICY ANALYSIS
LIBRARY

11 MAY 1999

DISCUSSION NOTE FOR WORKING SESSION III, 26 JANUARY 1996

**DEVELOPMENT OF RESOURCES
AND PHYSICAL INFRASTRUCTURE - POSSIBILITIES
FOR MUTUALLY BENEFICIAL COOPERATION
BETWEEN SOUTHERN AFRICA
AND EASTERN ASIA**

A DISCUSSION NOTE

Abel L. Thoahlane

Executive Secretary

AFRICAN CAPACITY BUILDING FOUNDATION

HARARE, ZIMBABWE

A Discussion paper presented to Syndicate Group I at the International Conference on "Southern African and Eastern Asia : Experiences and Opportunities in Development."

January 25 - 26, 1996

I. Preamble

The task before this group is to examine the similarities and dissimilarities in Eastern Asian and Southern African development experiences and indicate what possibilities exist for mutually beneficial cooperation. The cooperation here is in the context of natural and human resource, and physical infrastructural development. And the overall objective is to implicitly examine the relevance of recent Eastern Asian development experiences to the contemporary circumstances in Southern Africa.

Resources and physical infrastructure constitute some of the fundamentals for both national and regional development. Development experience particularly from Africa has, however, shown that the enabling environment of which physical infrastructure is only a part is indeed a very significant factor in the quest for sustainable growth and development. Any country aspiring to development must ensure that its resource endowments are optimally exploited and deployed, and an appropriate environment is nurtured to encourage a steady growth of both domestic and foreign investment. And, of course, there are no ready-made policy packages and development strategies which an African country can simply apply to achieve economic development.

Development has its own pace and this is largely determined by a country's initial conditions. Every country has its own unique path to development, and this is laid by the way it recombines elements of its culture with its resource endowment within a framework of policies to define a sustainable strategy. This explains why no two nations in the Eastern Asian miracle have the same development strategies. It also goes to presuppose why Southern African countries cannot transplant, wholesale, the Eastern Asian countries development models. If anything, the Eastern Asian experiences only provide us with the benefit of beaten paths to economic transformation which will enable us design sensible strategies and policies and avoid deep pitfalls in the development process.

Most of the issues concerned with the similarities and dissimilarities between Eastern Asia and Southern Africa have been raised and discussed in the first plenary session. We shall, therefore limit our discussion to three major areas. These are: (1) Implications of Eastern Asian experiences for the development of Southern African countries, (2) Instruments through which mutually beneficial cooperation could be built, and (3) the possible role of the African Capacity Building Foundation (ACBF) in fostering the cooperation, given the centrality of capacity building in the Eastern Asian success stories.

II. A Summary of the Eastern Asian Experiences and Some Lessons for Southern Africa

The unprecedented growth experienced by most countries in Eastern Asia (East and Southeast Asia) in recent years took the world by surprise. What is pleasantly amazing in these success stories of unprecedented growth and development experiences is that inspite of progressively less favourable international climate for export-led growth, three successive generations of Eastern Asian economies succeeded in achieving and sustaining very high rates of growth driven by market-friendly export promotion strategies (Robinson and Tambunlertchai, 1993).¹ It is now common knowledge that Eastern Asia is the only region in the world which has been able to maintain strong and stable growth patterns over several decades. First led by Japan and then followed by the newly industrializing economies (NIEs) of Hong Kong, South Korea, Singapore and Taiwan, these economies have achieved not only two-digit growth rates and substantial improvements in social welfare, but also fairly equitable income distributions. For instance, from 1965 to 1990, incomes grew at 6 to 7% per capita in the NIEs and 3 to 5% in the newly emerging growth pole of Southeast Asia - Indonesia, Malaysia, and Thailand.

By contrast, the less developed countries, on the average, recorded 2,5% per capita growth, and Africa only grew by 0,2% per capita over the same period, (Naya and McCleery, 1994).² It is also on record that, in the first years of the 1990s decade, the average growth rate of 3% in population in Africa outstripped its economic growth. This consequently translated to a decline of about 1% per annum in per capita income in the continent.

As it has become very apparent, particularly since the mid-1980s, there is no single Asian development model. A portion of the successes of the newly industrializing economies may be attributed to initial conditions and some fortuitous events. But then when the Association of Southeast Asian Nations (ASEAN) countries recorded significantly improved performance after adopting similar market-oriented outward-looking policies which characterized the development strategies of the NIEs, it became obvious that some form of policy reforms, if properly sequenced and managed, could provide a significant impetus for growth.

¹ Robinson, P.B and S. Tambunlertchai, 1993, "Africa and Asia : Can High Rates of Economic Growth Be Replicated?"
Occasional Papers No. 4, ICEG.

² Naya, S and R. McCleery, 1994, "Relevance of Asian Development Experiences to African Problems."
Occasional Papers No. 39, ICEG.

In terms of initial conditions, there are clearly areas of similarities with countries in Southern Africa. Economic development in the successful Asian countries has taken place inspite of widely varying cultural backgrounds and under a wide range of political regimes - from democratic to authoritarian governments. There is also wide diversity among countries of Asia as it is with Africa in terms of population size, climate, resource base, and culture. And, of course, the currently enviable economies of Singapore, South Korea and Taiwan were once considered as hopeless cases after World War II. Indeed, Singapore was regarded as Asia's Cuba. South Korea was devastated by civil war and had an agricultural base that was bereft of mineral resources. Yet it has emerged within a generation of its civil war as a model of rapid and reasonably equitable economic development. However, this is how far the similarities can be stretched.

The differences are much vast. The engine of growth in the Eastern Asian economies has been driven relentlessly by impressive investment in education and training (which provided highly-skilled manpower), effective intervention of governments in the development process, and the existence of an active and very enterprising private sector. The result of these elements are the success stories which are strongly characterized by the following indicators, among others:

(i) Proper development of agricultural base (except in Hong Kong and Singapore) and rapid expansion of the provision of basic human needs.

Land reform was central to the success of their agricultural development programs. Adequate attention was also paid to investment in infrastructure, institutions and organizations essential for rural development. In terms of resource development, the agricultural development programs used the abundant water and labour intensively, along with fertilizers to generate high yields and economize on scarce land. Agricultural technology invented by Japan also contributed to the success of Eastern Asia's agricultural development.

The implication for Southern African countries is that good investment in irrigation and inputs, and the provision of modest infrastructure are critical requirements that must be met for improved agricultural performance.

(ii) Human resource development.

One important focal point of Eastern Asian development has been investment in people. Japan, South Korea, Taiwan and Singapore are some of the countries that are today reaping the rewards of investment in education and training. High rates of public sector spending on human resource development were augmented by considerable investment by the private sector in education and training. In both East and Southeast Asia, the existence of good educational infrastructure and well-developed institutions made it possible to provide education and training at a reasonable cost. There were no discriminations for reasons of ethnicity, gender, caste, religion or location. Reasonable and competitive salaries offered in the case of South Korea succeeded largely in overcoming brain drain problems.

Southern African countries therefore will need to invest more in human resource development. The educational system has to be reformed to provide the requisite skills to track the pattern of economic growth. Vocational education and training have to be emphasized to substantially raise the ratio of highly skilled workers. The governments and the private sector must invest in education and continuous training. They must also take advantage of current donors support, and the opportunities offered by the African Capacity Building Foundation (ACBF) which has a major role to play in the development of appropriate institutions and skills for policy analysis and development management in Africa. The Foundation will therefore welcome sustainable strategies which could be supported in the effort to address the human resource development problem in Southern Africa.

(iii) High savings and investment rates engendered by macroeconomic stability and appropriate policies.

South Korea and Singapore increased their savings rate from 5 to 10% in the early 1960s to 37 and 45%, respectively, in 1990. Indonesia's savings rate rose from about 8% in mid-1960s to about 37% in 1990. The successful mobilization of domestic financial resources in the East and Southeast Asian countries was greatly facilitated by the existence of positive real interest rates (which provided incentive to save), numerous and efficient financial institutions, and profitable investment opportunities which provided outlets for mobilized funds. Informal financial systems were effective, while in the formal financial system policies for financial regulation and credit allocation were vigorously pursued. Although external resource inflow did play a role in Asian development, the economies have largely avoided undue debt burden. There has also been effective management of foreign capital inflows through flexible responses both by governments and donors. And, of course, most of the

successful Eastern Asian countries have been quite efficient in attracting and absorbing direct foreign investment. Factors which contributed to the relatively easy attraction of foreign direct investment included political and economic stability, appropriate fiscal incentives, predictable policy environment and incentives, and functional infrastructure.

Thus, for Southern African countries, appropriate financial sector reforms are necessary to stimulate savings. This equally goes for bureaucratic reforms, political and economic stability and other reforms in the enabling environment to inspire confidence in both local and foreign investors.

(iv) Adoption of outward-looking policies which promoted export-led growth and generated foreign exchange resources for development.

The Eastern Asian countries avoided overvalued exchange rates and encouraged export competitiveness. Appropriate trade regimes and effective commercial policies were pursued by the governments.

Given appropriate policies and adequate development of infrastructural base, Southern African countries can respond to export promotion drive as the relative success of Zimbabwe has shown. But then, the design of successful export promotion strategies involves a number of complementary policies which centre on trade, investment, debt and development assistance, which must be skillfully managed. The centrality of an appropriately adjusted and managed exchange rate policy cannot be compromised.

Numerous factors may have contributed to the shaping of the transformation processes which are now characterized by the foregoing indicators. But three of these which are very critical can be easily identified. They are:

(i) A strong and effective role of the Government.

The governments of Eastern Asia played a crucial role in their economies by creating factors conducive to the efficient working of the private sector. Government bureaucracies are disciplined and relatively efficient (in contrast with what obtains in Southern Africa) and there is a high degree of professionalism in the civil service. A close cooperation is fostered between government and business, and government support in the context of an outward-looking strategy helps to encourage risk-taking

and innovation by business. The emphasis is not on the size of the government but rather on what it does, how well it does it, and how its activities are financed.

Southern African countries must be guided by a long-term development vision and a stable macroeconomic framework. Apart from encouraging cooperation with the private sector, the governments of Southern African countries need to cooperate with multinational corporations in the effort to develop physical infrastructure. Also in the area of human resource development, significant opportunities exist for cooperation between government and non-governmental organizations as well as with the donor community.

Given the growing level of interdependence amongst Southern African countries, interactions among all kinds of professional and business associations must also be encouraged to stimulate cross-fertilization of ideas and provide assistance in the development of sound economic policies. Such interaction on a broad scale also contributes to the process of building capacity for development management and providing countervailing influences on bad policies and governance.

(ii) Appropriate and stable economic policies.

The maintenance of macroeconomic stability in the face of political and socioeconomic crises formed a strong basis for economic development of the Eastern Asian countries. This is strongly exemplified by Thailand's experience.

(iii) Existence of an active and innovative Private Sector

The emergence of an active and very enterprising private sector provided the veritable engine of growth for the Eastern Asian economies. The governments fostered the growth and innovativeness of the private sector by reducing the uncertainty faced by private entrepreneurs, creating regulatory but responsive policy regimes that encouraged domestic and international assistance to small-scale businesses, and providing other essential elements of the enabling environment.

Southern African countries are yet to develop a strong and enterprising indigenous private sector. Investment in manpower development for the production of high-quality skills; greater access to investible resources, technology and information; and

improvements in physical infrastructure and the enabling environment are factors which hold enormous prospects for development of the private sector.

III. Possibilities for Mutually Beneficial Cooperation Between Southern Africa and Eastern Asia

The development experiences of the successful Eastern Asian countries provide a great deal of insights for the design and management of development policies in Southern Africa. They show the extent to which vision, commitment and cooperation of agents of development can lead to economic transformation. Although there is a wide development gap between the Southern African and Eastern Asian regions, there are several areas in which mutually beneficial cooperation could be forged. Improved and more extensive cooperation beyond what currently exists will allow both regions develop more intensively and optimally their resources and development potentials. Various forms of cooperation with Eastern Asia will encourage rapid development of human and natural resources as well as infrastructure in Southern African countries.

Some possible areas for mutually beneficial cooperation include:

(i) Establishment of African-Asian Development Centre:

Such Centre will conduct research on development strategies for Southern African countries and explore a range of instruments for improved cooperation in various aspects of development. It will provide guides through collaborative research for the design and implementation of suitable policies and strategies for sectoral and overall economic growth and development. The Centre will also promote information flow between both regions and encourage research on adaptation of various forms of technologies.

(ii) Establishment of an Interregional Cooperation Framework for:

(a) Sponsorship of Study Visits, Exchange Programs and Linkages

The two regions should establish institutional frameworks that allow for regular study visits by top-level government officials from Southern African countries to Eastern Asian countries to exchange views with their counterparts. This could help broaden experience, and strengthen bilateral issues as and when they arise on various aspects of cooperation. It could promote flexibility and greater understanding between the

regions. Such frameworks should also allow for attachment programs for Officers in core ministries and agencies from Southern African countries to acquire techniques necessary to create macroeconomic stability, provide infrastructure, improve education and training, and identify market opportunities. Exchange and linkage programs should be encouraged between similar institutions in the fields of research and training. The institutional arrangements for the study visits, exchange and linkage programs could be jointly financed by governments from both ends, or through an inter-regional cooperation framework.

(b) Promotion of Interactions among Business and Professional Associations

Mutual cooperation between the two regions can be fostered through the promotion of interactions among the various business and professional associations that exist in the countries. This will allow for exchange of ideas and information, and the enhancement of professional standards. The promotion could be bilateral or interregional.

(c) Development of Information Network

Cooperation between the regions will be enhanced if a network of information can be developed. This will give investors easy access to information which helps to make investment decisions. The network should also allow for easy interregional data communication.

(d) Flow of Foreign Direct Investment

In order to gain access to technologies and marketing channels, Southern African countries will need inflow of investment from Eastern Asian countries. Such inflow will no doubt contribute to the building of a technically-advanced labour force in the Southern African region and also allow Eastern Asian countries have access to African's human and natural resources. Inflow of foreign investment could also facilitate the development of infrastructure especially in the Southern African region.

(e) Promotion of Joint Venture Projects

The undertaking of joint venture projects in the countries of Southern Africa could be used to develop the capital goods industry in these countries. On the other hand, such projects could help promote the development of multinational conglomerates in Eastern Asia. Such ventures could also make immense contribution to technology

development and transfer, and more intensive utilization of resources in Southern African countries.

(f) Preferential Trade Arrangements

Both regions will benefit considerably from Preferential Trade arrangements which can ease access to member countries markets.

(g) Support for Capacity Building

It will be particularly beneficial to Southern African countries, if Eastern Asian countries could contribute to the activities being undertaken by the governments and the African Capacity Building Foundation in the area of capacity building both for national and regional development. Such contributions could assist in the rehabilitation of educational and specialized-skills development institutions and the improvement of the quality of knowledge and skills.

IV. The Role of African Capacity Building Foundation in the Implementation of the Proposals

Given the centrality of the role of human resource development in the proposed areas for possible mutual cooperation, the African Capacity Building Foundation could play a significant role in facilitating the establishment of some of the frameworks for their implementation. The Foundation in particular could be instrumental to the establishment of the African-Asian Development Centre; implementation of the study visits, exchange and linkage programs; and the promotion of interactions among business and professional associations.

Currently, there are successful regional initiatives which the Foundation is supporting in collaboration with other donors. The scope of activities of those that are relevant to some of these proposals could be broadened to enable them undertake their implementation. This applies to the case of an interregional framework for the implementation of those activities which deal with capacity building. At the bilateral level, Southern African countries can also implement the capacity-building components of the proposals through some existing institutions - training, research, business or professional institutions. Some of such institutions are already being supported by the ACBF. The ACBF shares the ultimate development objective of a strong African-Eastern Asian cooperation and could facilitate the establishment of viable institutional processes to implement the capacity building components of these proposals.

