

East or West: where should we Face Economically?

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Introduction

- ▶ Bedford
- ▶ Anglia
- ▶ Leyland
- ▶ Rover
- ▶ Land Rover
- ▶ ICL

- ▶ Where are they today?

East

- ▶ Faw
- ▶ KIA
- ▶ Daewoo
- ▶ Samsung
- ▶ Toyota
- ▶ Tata
- ▶ Haier
- ▶ Huawei
- ▶ Tecno

Are we really turning East?

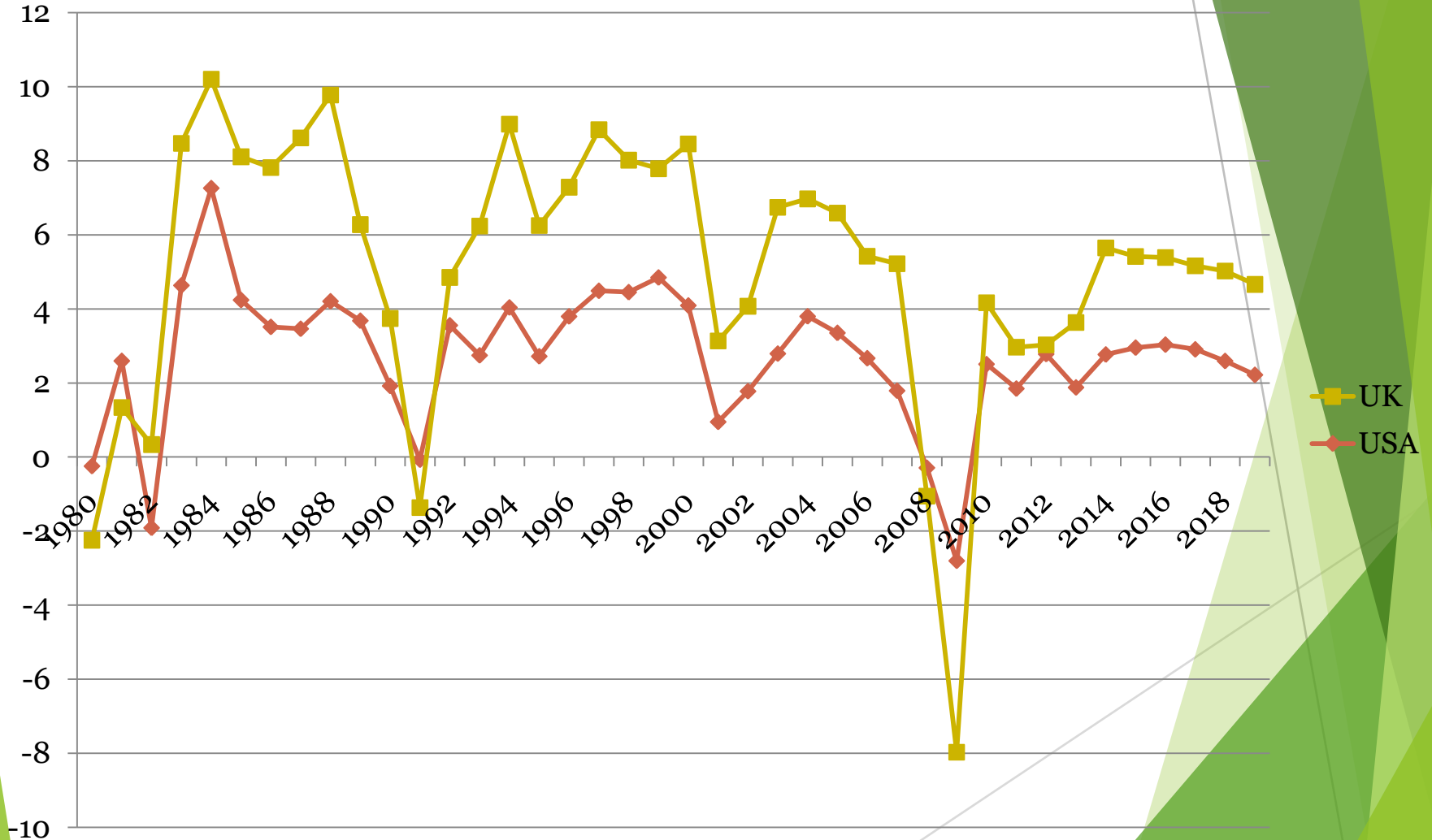
- ▶ Economically it seems so with so many products
- ▶ Politically it seems so; Uhuru visit to China
 - ▶ But we have not copied their political system, one party rule
- ▶ Intellectually no; ever seen anyone quoting Chinese or Japanese scholar unless they are in the West; forget the language
- ▶ Why do we forget India in turning East?
 - ▶ 100 years presence
 - ▶ Pharmacy of the world and soon medical hospital of the world?
 - ▶ Familiarity?

Lets look for empirical evidence that we are turning East...

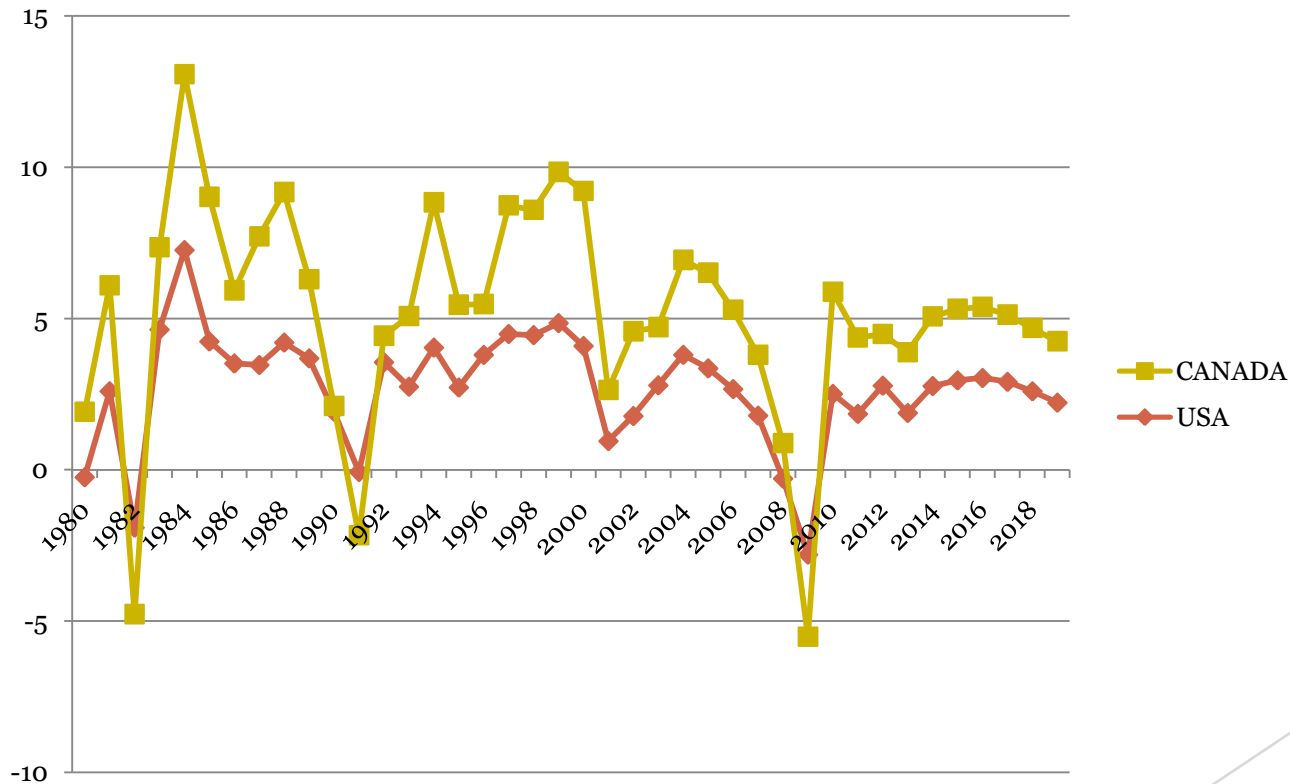
- ▶ We expect economies to be highly correlated, the same way friends walk together...
- ▶ We can assume that if two economies trade with each other, the growth should be highly correlated or graphically trend together.
- ▶ Example...USA vs. UK



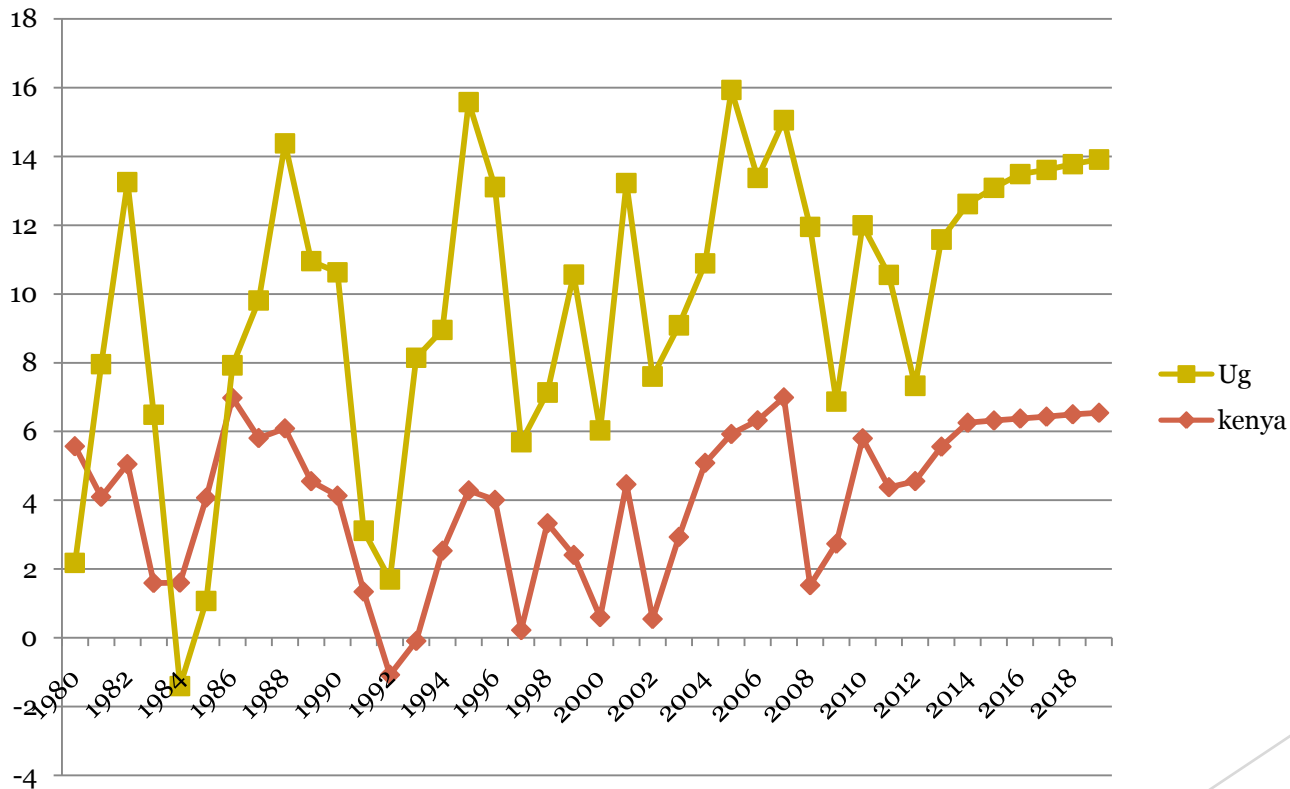
USA vs. UK: corr = 0.708769



USA vs. Canada: corr= 0.838001



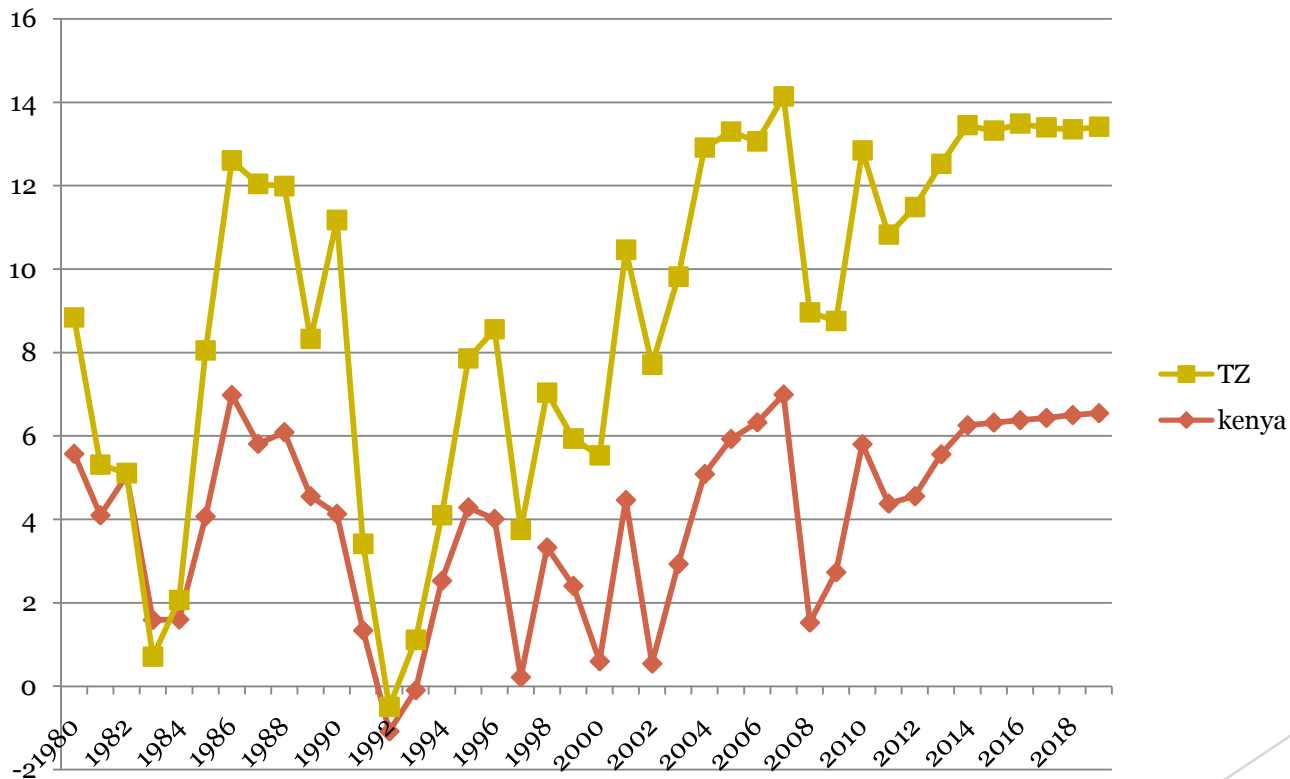
Kenya vs UG: corr= 0.128989



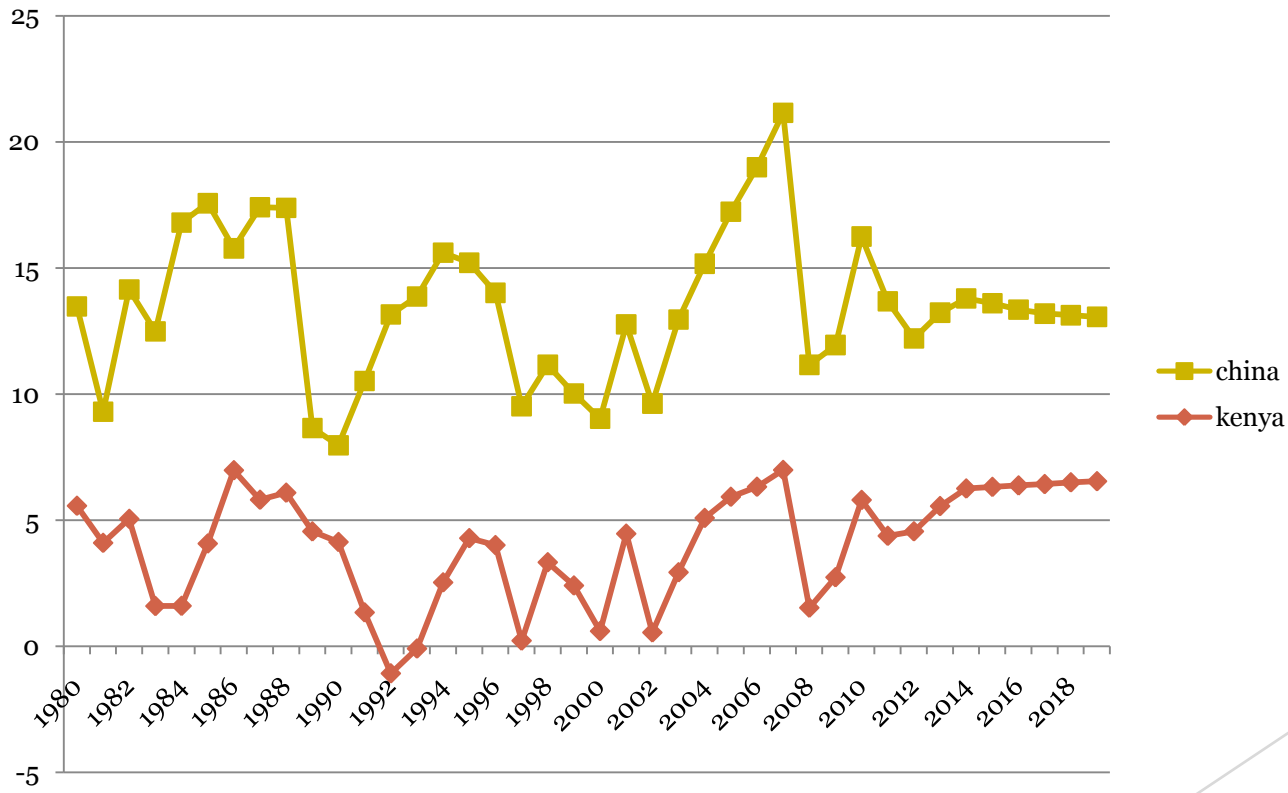
Where...



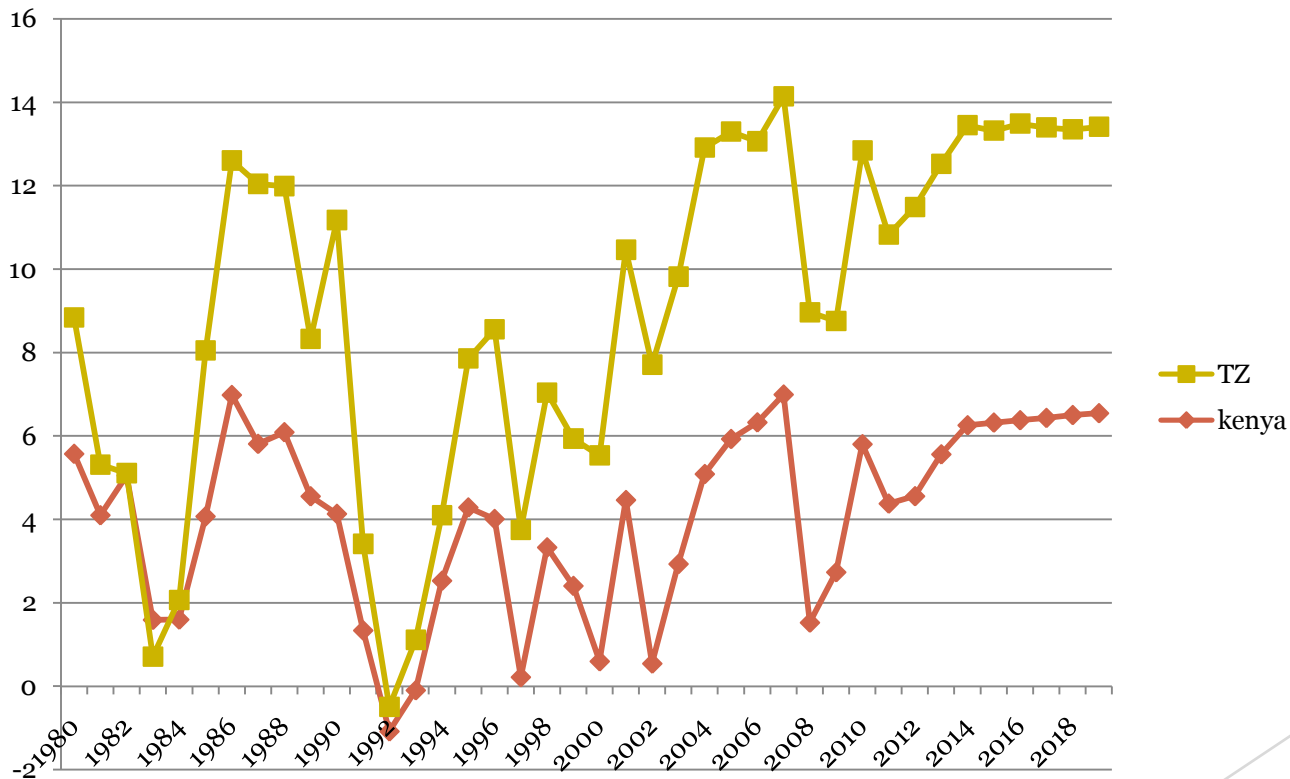
Kenya vs. TZ: corr= 0.554636 : Interesting!



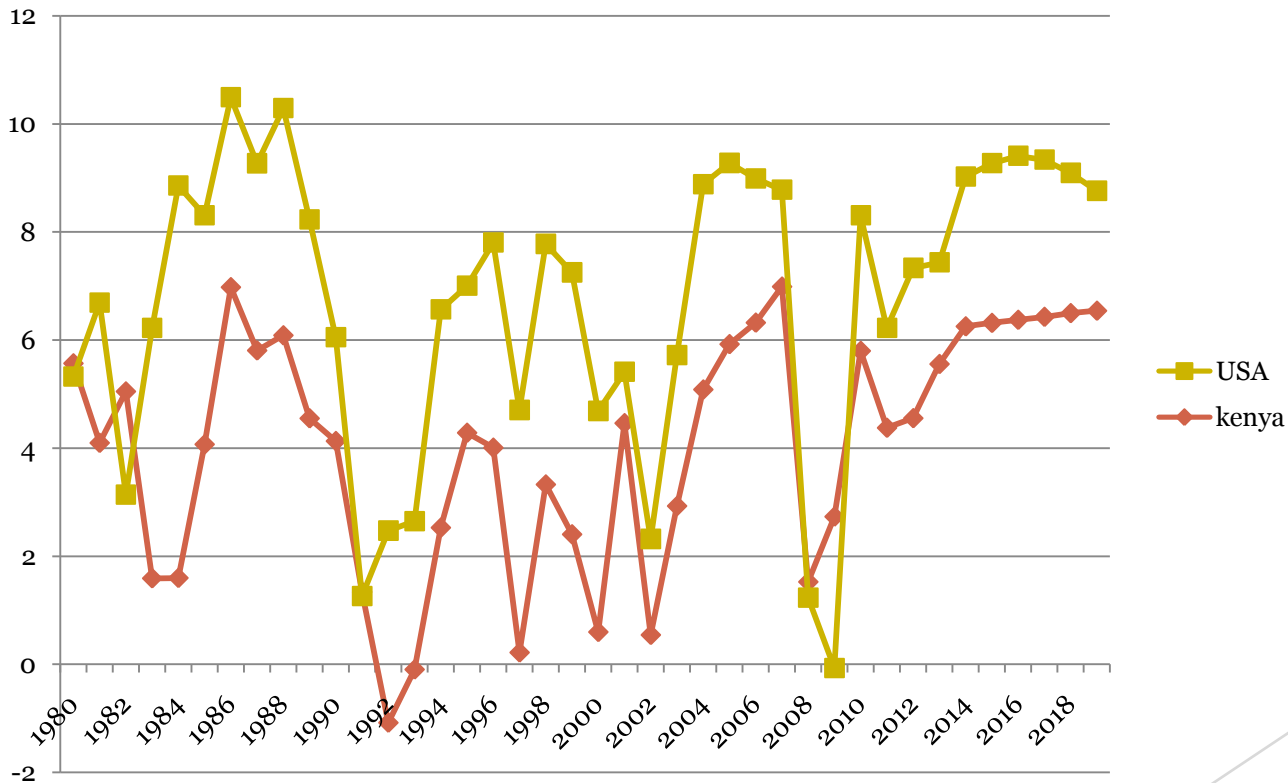
China vs. Kenya: corre=-
0.29277, -0.02033 (since 2000)



Kenya vs. India: corr= 0.390095 !
0.521163 , since 2000



Kenya vs. USA: corre=- 0.11068, 0.310285 (since 2000)



We are still facing West..

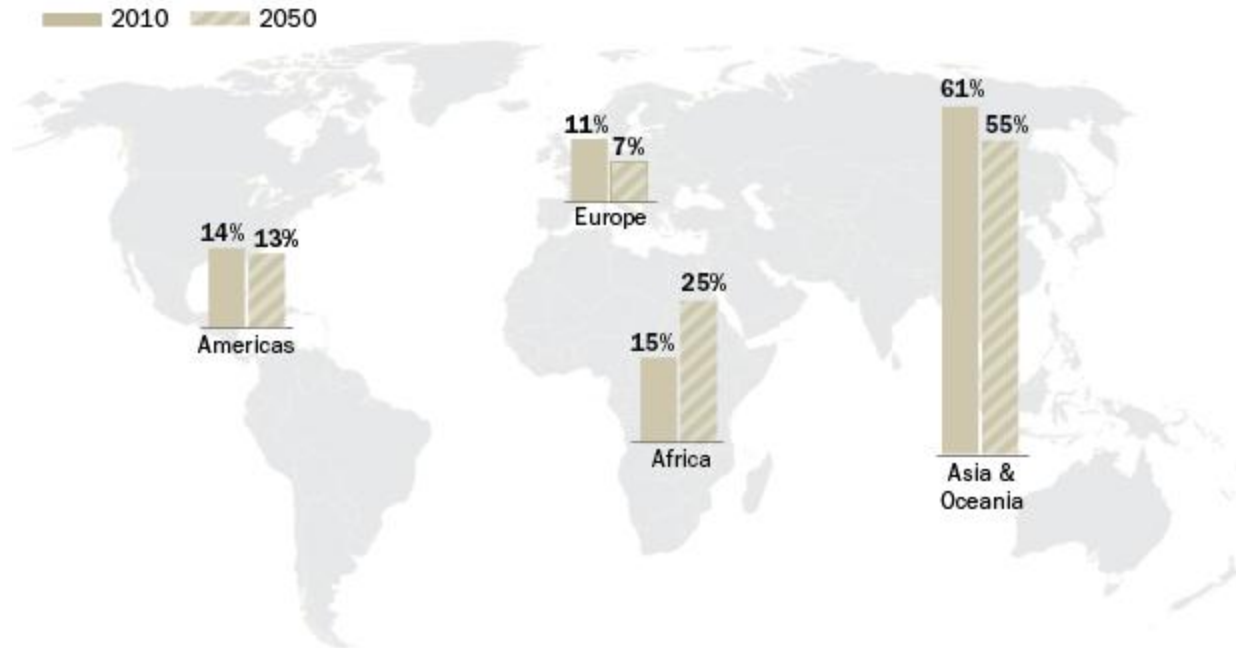
- ▶ Boeing, Ford, Chevrolet, KFC
- ▶ PWC, HILTON,
- ▶ News sources..CNN,
- ▶ Education opportunities..which is cooler
- ▶ Political inspiration...American flag in rallies,
- ▶ American names of places eg Mississippi, New York
- ▶ Integration is still far...compare UG and India!

Where else should we face...

- ▶ The answer lies in demographics...
- ▶ Next slide...

Shift to africa

Regional distribution of global population by region, 2010 and 2050



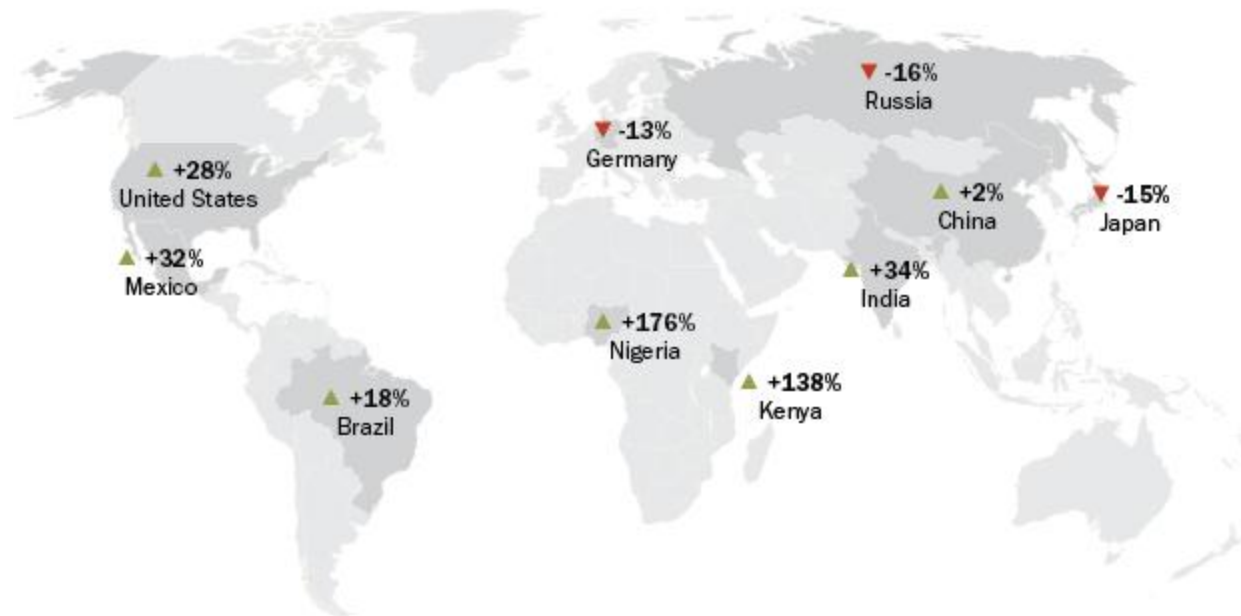
Source: United Nations, Department of Economic and Social Affairs, *World Population Prospects: 2012 Revision*, June 2013, <http://esa.un.org/unpd/wpp/index.htm>

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Population losers and gainers...

Estimated change in population for selected countries, 2010 to 2050



Source: United Nations, Department of Economic and Social Affairs, *World Population Prospects: 2012 Revision*, June 2013, <http://esa.un.org/unpd/wpp/index.htm>

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Population by 2050, source: UN, 2011

1. India - 1,692,008,000
2. China - 1,295,604,000
3. United States -
403,101,000
4. Nigeria - 389,615,000
5. Indonesia -
293,456,000
6. Pakistan -
274,875,000
7. Brazil - 222,843,000-
Portuguese connection
8. Bangladesh -
194,353,000
9. Philippines -
154,939,000

10. Democratic Republic of the Congo - 148,523,000
11. Ethiopia - 145,187,000
12. Mexico - 143,925,000
13. Tanzania - 138,312,000
14. Russia - 126,188,000
15. Egypt - 123,452,000
16. Japan - 108,549,000
17. Vietnam - 103,962,000
18. Kenya - 96,887,000
19. Uganda - 94,259,000
20. Turkey - 91,617,000

Africa's future bright

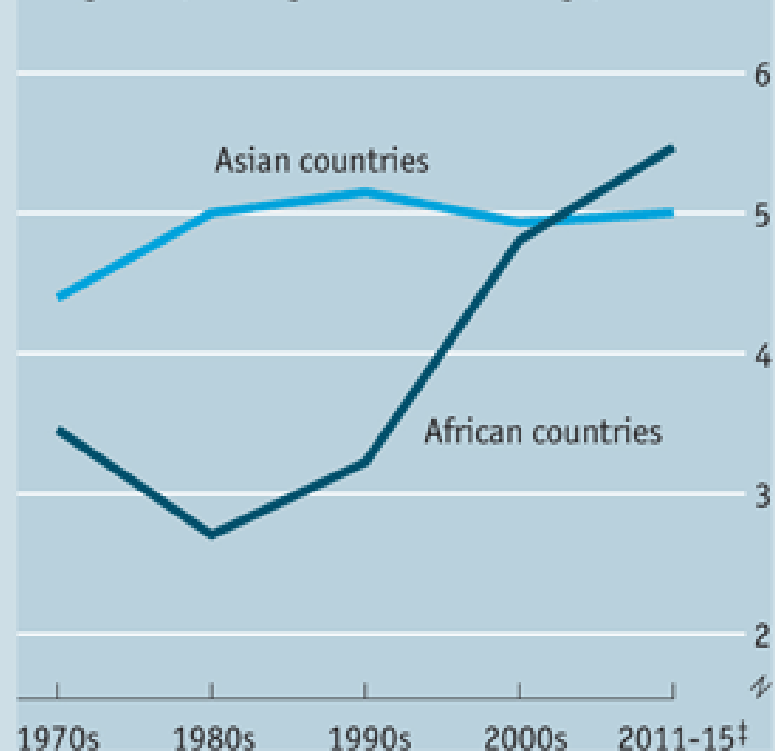
World's ten fastest-growing economies*

Annual average GDP growth, %

| 2001-2010† | | 2011-2015‡ | |
|------------|------|------------|-----|
| Angola | 11.1 | China | 9.5 |
| China | 10.5 | India | 8.2 |
| Myanmar | 10.3 | Ethiopia | 8.1 |
| Nigeria | 8.9 | Mozambique | 7.7 |
| Ethiopia | 8.4 | Tanzania | 7.2 |
| Kazakhstan | 8.2 | Vietnam | 7.2 |
| Chad | 7.9 | Congo | 7.0 |
| Mozambique | 7.9 | Ghana | 7.0 |
| Cambodia | 7.7 | Zambia | 6.9 |
| Rwanda | 7.6 | Nigeria | 6.8 |

Sources: *The Economist*; IMF

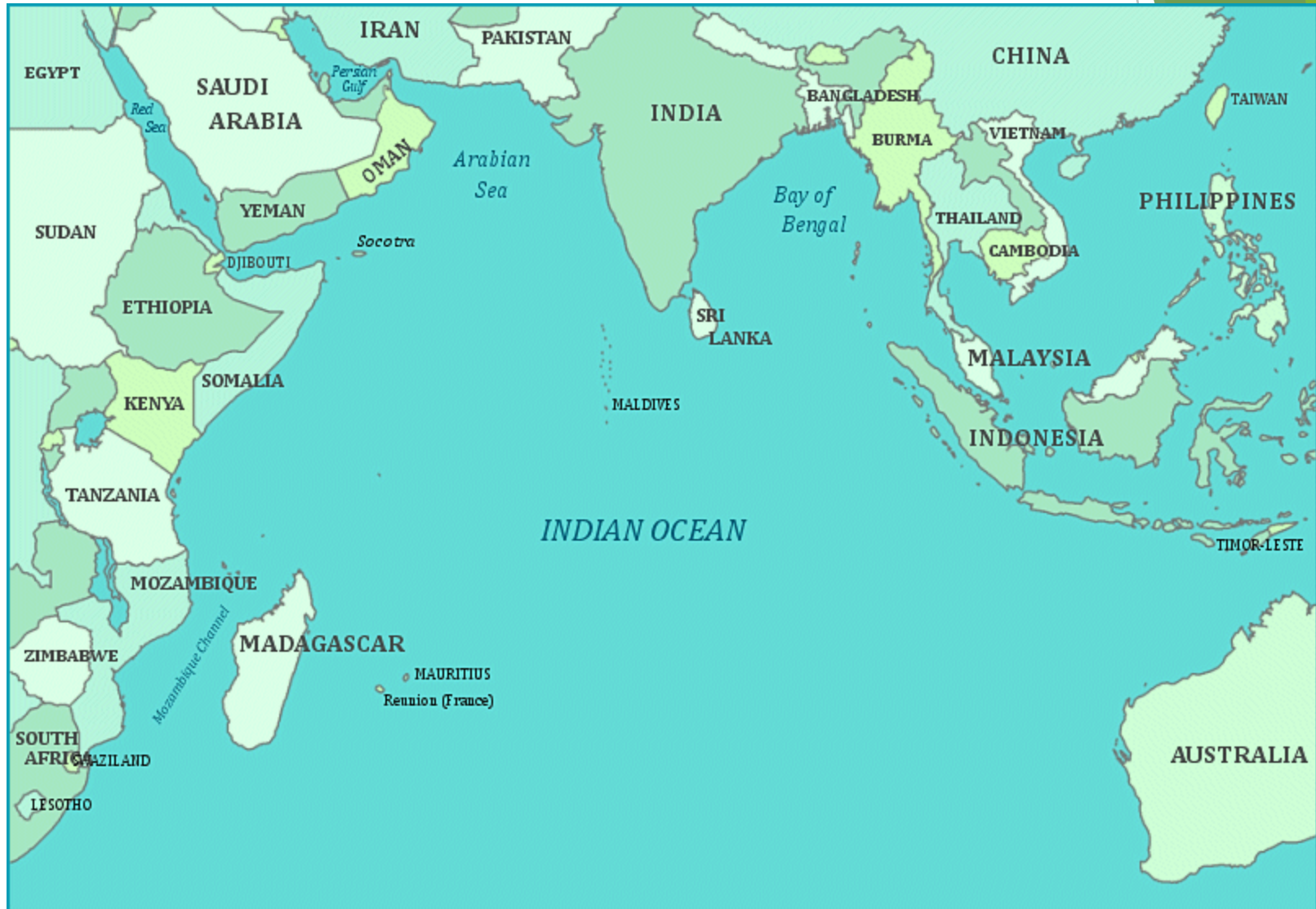
GDP growth, unweighted annual average, %



*Excluding countries with less than 10m population and Iraq and Afghanistan †2010 estimate ‡Forecast



Indian/African Century



Conclusion

- ▶ We must look beyond East ...and West
- ▶ There are lots of other markets elsewhere...
- ▶ BRICKS
- ▶ That includes...see next slide.



