Interest Groups, Economic Policy, and Growth in Sub-Saharan Africa

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Abstract

This paper explores the current state of knowledge about the role of business interest groups (chambers of commerce, manufacturers associations, farmers associations, etc.) in economic policy reform in Africa. It argues that business interests are more likely to play a positive role in pushing for, and sustaining, growth-oriented reform when the business class has matured in number and experience and broadened to the point where it represents a sizeable portion of the productive economy; when exporting interests make up a substantial sector of the business class; when its associations are broadly representative of the range of business interests in the country, and have technical capacity and credibility; and when government and business associations have institutionalized regular consultation.

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1. Introduction

Interest groups have long figured as important actors in analyses of Africa's economic crisis.[1] Yet there have been fundamental disagreements over whether interest groups are part of the problem or part of the solution. One set of views, drawing on public choice theory, blamed coalitions of urban interests for the high taxes and low prices that were said to have crippled agriculture across the continent. These groups were a problem for reform-minded governments. The veiled solution was for governments to simply marshall their "political will" and push reforms through, with help from the donors. A more recent view has taken an altogether more benign view of interest groups in Africa. Drawing on theories of democratic pluralism, this perspective sees interest groups as a vital part of the fabric of a healthy democracy. Business interest groups can promote good governance, hold governments accountable, and demand an economic environment that will support their efforts to increase efficiency and productivity. Donors holding this view argued that governments needed to promote "participatory policy reform." A third perspective, drawing on studies of "inclusionary institutions" and "deliberation councils" in Asia, points out that some kinds of business-government relations can facilitate the kinds of policies needed for long-term economic growth. Yet the conditions under which this can happen remain unclear.

Evidence on the role of interest groups in economic policy in Africa is sketchy at best, and conclusions somewhat mixed. Herbst (1993) argues that the business community in Ghana was not a supportive constituency for the reforms. They were "ambivalent" about the exchange rate reforms (p. 54) and because of weaknesses in resources and organization they did "not have the ability to make a persuasive case to government or the means to publicize their claims" (p. 55). Shortly after his book was published, however, Herbst argued that in Ghana and elsewhere, "business groups began to emerge as strong constituencies for structural adjustment" (1994: 193). Martin (1991) makes a case that exporters in several African countries lobbied for stabilization. A recent World Bank study suggests that the Uganda Manufacturers Association was closely involved in the broad set of reforms undertaken there, while exporters represented in Kenya's Export Promotion Council (established in 1992) have given the business community new access to export policy debates.[2] On the other hand, Rakner (1998) argues that Zambian business associations have generally been excluded from direct influence in economic policy, and surprisingly, this has been even more the case under the democratic government of Frederick Chiluba.

The cases below demonstrate the mixed record referred to above. In democratic Botswana, also Africa's longest-running economic success story, organized business interests until recently played little role in policy-making. Yet in democratic Mauritius, also an economic success, interest groups have had regular, institutionalized consultations with the government on all important policy issues for several decades. Zimbabwe provides another case where interest groups, the Confederation of Zimbabwe Industries in particular, pushed the government to implement broad-reaching reforms that improved economic efficiency, although their influence was apparently short-lived.

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[1] "Africa" will refer primarily to Sub-Saharan Africa in this paper.

[2] This study is currently in draft and marked "not for citation." See **http://www.worldbank.org/research/aid/**.

These cases suggest that economic interest groups may play very different roles in different parts of Africa. What explains these differences? How can African governments and their business sectors move closer to a relationship that fosters growth? This paper explores the current state of knowledge about the role of business interest groups (chambers of commerce, manufacturers associations, farmers associations, etc.) in economic policy reform in Africa. It argues that business interests are more likely to play a positive role in pushing for, and sustaining, growth-oriented reform when the business class has matured in number and experience and broadened to the point where it represents a sizeable portion of the productive economy; when exporting interests make up a substantial sector of the business class; when its associations are broadly representative of the range of business interests in the country, and have technical capacity and credibility; and when government and business associations have institutionalized regular consultation.

The next section of the chapter examines some of the typical political problems presented by reforms, as well as the difficulty groups are likely to have in overcoming collective action problems. The following section reviews the general literature on interests and economic policy in Africa. The chapter then discusses cases of interest groups and economic policy in Zimbabwe, Botswana and Mauritius, while the final section draws on these cases to outline some of the factors that may affect the ability of interest groups and civil society in Africa to be advocates for economic efficiency and growth.

2. Business Interests and Economic Policy

Introduction

The conventional wisdom on business interests posits that there is likely to be little common ground between reformers and business interests, but that even when some business groups have an interest in reform, collective action problems throw up large obstacles to any effort by individuals or groups to organize collective action in their common interests. By the early 1990s, this pessimistic view of interest groups began to be challenged. One set of challenges had its roots in an earlier literature on democratic pluralism, and the other came from scholars interested in the role of institutions in development. These challenges suggest that under some conditions, business interest groups can and do support economic reform.

Public Choice Views of Interests

Political scientists analyzing the early period of structural adjustment drew heavily on public choice approaches to political economy. These interpretations assumed that import substitution policies and other urban interests were joined in an “urban coalition” to maintain policies that discriminated against rural areas. In this view, businesses will resist the kinds of market-oriented and growth-enhancing reforms proposed by stabilization and adjustment programs because these reforms attack the protections and rents that businesses have grown comfortable with under interventionist regimes.

Anne Krueger's 1974 article on the political economy of rent seeking laid the logical framework for this view. Krueger warned that governments who provided tariff protection, or who otherwise created rents by shifting prices or costs away from those set by competitive markets, created incentives for businesses to expend wasteful effort in maintaining these benefits or in pressuring the government to create new rents.

Even when some sectors of business (exporters, for example) would clearly benefit from reforms such as devaluation, Mancur Olson pointed out (in *The Logic of Collective Action,* 1965), that they face significant obstacles in translating that interest into effective political action in support of reform: "unless the number of individuals in a group is quite small, or unless there is coercion or some other special device to make individuals act in their common interest, *rational, self-interested individuals will not act to achieve their common or group interests*" (Olson, 1965: 2; emphasis in the original).

Olson reiterated his skepticism about interest groups in his 1982 book, *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities*. Whereas a strong current in American political science regarded the lobbying and contestation of various interests as critical to the health of a pluralist democracy, Olson warned that interests could also make up "distributional coalitions" and that their lobbying might rather clog the decision-making processes, making a healthy economy more difficult to achieve. These skeptical views of interest groups were supported by early studies of economic performance in East Asia that pointed out Asia's phenomenal growth was put in place during an earlier period of exclusionary policy-making, featuring the repression of opposition parties and the close control of business.

Three conclusions stood out from this literature: market-oriented reforms could reduce rent-seeking behaviors; policy-makers needed to be as autonomous as possible from the pressures of business interests; and collective action problems would make it difficult for most interest groups to organize in support of reform. Yet as the research on the politics of economic reform expanded, all of these conclusions were put into question.

Politics of Economic Reform

At first, the widespread assumption that policy-makers needed to be protected from interest group pressure carried over into research on the politics of economic reform (Nelson, 1989; 1990; Haggard and Kaufman, 1995; Bates and Krueger, 1993; Williamson, 1994). One of the first major studies of the politics of reform was called, appropriately, *Fragile Coalitions* (Nelson, 1989). The title underscored the difficulty governments faced in trying to muster coalitions of interests that would support their reform efforts. Haggard and Webb found in their later research that "in every successful reform effort, politicians delegated decision making authority to units within the government who were insulated from routine bureaucratic processes, from legislative and interest group pressures, and even from executive pressures" (Haggard and Webb, 1994: 13).

Harkening back to Mancur Olson, much of this research argued that collective action problems would impede the ability of "winners" to join together to promote growth-enducing reforms. These include the incentive to be a "free rider," the uneven distribution of costs and benefits, and the lag in benefits (Haggard, 1994; Bates and Krueger, 1993; Waterbury, 1993). Collective action in support of reforms whose benefits have the property of public goods always needs to overcome the natural inclination of group members to be "free riders," letting others bear the costs and risks of action on behalf of reforms that will ultimately benefit everyone. In addition, the costs and benefits of policy change are unevenly distributed. In trade protection, for example, the benefits of protection are concentrated, while the costs are widely dispersed. Likewise, the pain of trade liberalization is concentrated, while the benefits are widely dispersed. This gives liberalization's losers greater incentives to act collectively to protect their interests and fewer difficulties in doing so. Time is also a factor. The benefits of reforms lag behind the costs, which are usually felt immediately. This makes it difficult for potential winners to see that they have an incentive to organize to support reforms.

During the 1980s, the literature on economic policy reform thus viewed interest groups as "divisive and parasitic" (Toye, 1992: 185). Economists in particular have found the public choice perspective a congenial framework that legitimated an exclusionary approach to policy making. If organized interest groups were mainly interested in seeking and preserving rents, while beneficiaries of reform were nearly impossible to organize *ex ante*, interest groups could safely be kept to the side in reform efforts. Yet a competing framework – democratic pluralism – regarded interest group inputs as important and even necessary for successful reform.

This pluralist perspective has been taken up by donor agencies interested in supporting Africa's nascent democracies. In this view, interest groups were one of the many stakeholders in reform efforts. They could reinforce good governance, ensure accountability, and help check corruption. Properly educated, they could help the international community press for growth-oriented reforms. Researchers in the 1980s and 1990s began to uncover multiple examples of business interest groups acting to promote reforms that could improve the overall business environment, even if they hurt particular sectors of business in the short term.

Embeddedness, Pluralism, and Consultation

The idea that business interest groups could contribute positively to reform efforts, or even lead reform, is not a new one. In an important article published in 1968, Albert O. Hirschman argued that the transition from import-substitution industrialization to export-oriented growth depended on business influence: "Only a cohesive, vocal, and highly influential national bourgeoisie is likely to carry industrialization beyond relatively safe import-substitution to the risky export-oriented stage" (p. 28). He pointed out that Latin American policy-makers were not setting an appropriate environment for this transition. They "positively cultivate unpredictability and distance from interest groups. Changes in fiscal, monetary, and foreign exchange policies are therefore frequent while communication about these changes with the affected groups is infrequent (29)." From another perspective, but with the same emphasis, the literature on the development of capitalism in Africa argues that indigenous capitalism is weakly developed in Africa, and that the productive transformation of African economies will be stalled until the capitalist class is able to establish a “class ‘project’” centered on “a shared concern for establishing the general conditions needed for further accumulation to be possible” (Leys, 1994: 21).

Business interest groups can contribute to reform (or to establishing that “class project”) in two major ways. When a government is reluctant to initiate growth-oriented reforms, business groups that are suffering from economic instability, inflation, unpredictability, or who see opportunities in exporting, may press for reforms (more or less effectively) in these areas. The case of Zimbabwe, below, illustrates this. In other situations, once a government has already initiated reforms, business groups may be particularly useful to negotiate fine-tuning and adjustment of reforms, as well as to keep pressure on the government to maintain the major reform decisions (macroeconomic balance, a stable and not overvalued exchange rate, incentives for exporters and innovators, etc.). Research on the politics of growth in East and Southeast Asia reflects this second role.

Policy-makers in the more successful Asian countries generally made their decisions to reform under a combination of external pressures and internal learning. The early reformers (Korea and Taiwan) faced external security threats and a need to retain legitimacy through successful economic performance. Business groups were not a factor in the decision to reform. Later reformers in Southeast Asia followed the example of the earlier reformers; most, again, were not pushed into reform by their business sectors. Once the reform decisions were made, however, these governments did not act in authoritarian isolation, but rather drew on "deliberation councils" that facilitated feedback and exchange between government technocrats and business (Evans, 1995; Doner, 1992; World Bank, 1993). In this view, the strong, meritocratic bureaucracies in Korea, Taiwan, and other East Asian developmental states maintained a high degree of autonomy from their societies (which eased the initial decisions to devalue, and to shift toward exports), but at the same time, they were “embedded” in networks of social relations that provided "institutionalised channels for the continual negotiation and renegotiation of goals and policies" (Evans 1995: 12). In this view, these negotiations enabled economic policies in East and Southeast Asia to support efficient growth strategies in the 1970s and 1980s.[3] Here, however, the consultative role of business groups primarily facilitated the implementation of policies that were already broadly growth-oriented. This suggests that in many cases, when the impetus for reform comes from the government, an initial period of autonomy may be useful to get reforms underway, but that the continuation of reforms may require consultation and negotiations (Nelson, 1993: 438).

Once reforms begin, the cost of bad policies can become more transparent, building business and civil societal support for the maintenance of reforms. In Jamaica, exchange-rate liberalization

[3] Of course, this view is somewhat difficult to reconcile with the post-1997 crisis view that regarded business-government relations in East Asia as predominantly “crony capitalism”! In reality, there was always a mix of “cronyism” and performance-related support for business in East Asia, although some observers note that “cronyism” seemed to increase with the rise of democratic politics in Taiwan and Korea, and the related competition for campaign contributions from large business (Robert Wade, personal communication, 1999). In economies growing at “miracle’ rates, the downside of favoritism was masked; the 1997 crisis brought it into the open. Thanks to Malcolm McPherson for the latter point.

allowed business interest groups and the public to quickly feel the "impact of excessive budget deficits on the exchange rate, and hence on inflation. . . thus increasing their pressure for greater budget control" (Healey, 1995: 255). This also seems to be the case in Zimbabwe, where in late 1999 inflation reached 60 percent, and groups, making the link between excessive government spending and inflation, have called for the government to reduce its expensive involvement in the Congolese war. In other cases, reforms can create winners, such as new exporters, who over time can become constituents for maintaining reforms. This was the case in Colombia, where the influence of exporting groups was increased by export-oriented policies. At the same time, the beneficiaries of some kinds of reforms (privatization, for example) may block efforts to complete the reform package once they have benefited from the initial selling off of enterprises, as Hellman (1998) notes in the case of Russia.

This review of three different perspectives on business interests and economic policy suggests that no single view of business interest groups is "correct" in all instances. Sometimes business interests *do* find that collective action problems make it difficult or impossible to act in concert. In other cases, business interest groups *are* dominated by short-term, rent-seeking concerns. In yet other cases, substantial evidence exists that some business groups, under some conditions, can act collectively to push for growth-oriented policies. As recent study argues, "[g]ood, growth-enhancing relations between business and government elites are possible" (Maxfield and Schneider 1997: 5). Why do they seem so rare in Africa?

3. Disaggregating Effective State-Business Relations

A number of hypotheses have been developed that might shed light on this question. The following section considers factors that might affect the business-government relationship. Two important aspects of the relationship need to be analyzed: (1) How and when can business push a reluctant state to implement more growth-oriented policies? and (2) How can reform-minded government "secure organized backing for policy reforms from key interests" (Bates and Collier 1993: 399-400)? We consider in turn the characteristics of dominant economic sectors, states, interest groups, the business class, and the institutions that link state and society.

Characteristics of Sectors

The nature of a country's links to the international economy has political consequences for the development of interests, the likelihood that societal groups will be able to resist or will promote restructuring, and the nature of the restructuring challenge (Shafer 1994). As Shafer outlines this perspective: "Leaders act on an existing economy via existing institutions and in the face of existing social actors. The challenge they confront, the structure of the economy, the caliber of the institutions they command, and the interests and capacities of societal actors influence what they attempt and their prospects for success" (19). Shafer's thesis posits that the dominant export sector determines how easily reform-minded leaders can impose their reform projects on business and labor. But it also sets the stage for the analysis of how actors in certain sectors develop an interest in certain kinds of policy reforms, while possibly resisting others.

Shafer divides export sectors into two main types: “high/high” sectors, that are capital intensive, have high barriers to entry and oligopolistic markets, and “low/low” sectors that have low barriers to entry, face highly competitive markets, and are much more flexible. A typical high/high sector would be mining (or petroleum). High capital intensity industry (steel or petrochemicals) or “industrial” plantation crops, such as tea, would also qualify. Typical low/low sectors would be peasant cash crops planted on an annual basis, garment manufacturing, or light assembly industries.

When a country’s economy is dominated by uncompetitive or failing high/high sectors, restructuring is simultaneously more important and more able to be resisted, rather than sought, by business (and labor) interests. High/high sectors create a co-dependence between the state and the leading sectors, particularly when the leading sector is largely state-owned. Whether private or public, interests tied to high/high sectors are able to pressure the government to continue policies that support their interests, while hurting economic growth and efficiency more generally. The dominance of state-owned or foreign-owned mining (including petroleum) in African export economies helps explains why many African countries have business sectors that are relatively weak and uninterested in pushing for reform. Capital invested in low/low sectors is more able to shift when other opportunities present themselves. Interests in low/low sectors are less able to organize to obstruct the state’s restructuring project (as in Korea in the 1970s, or Costa Rica more recently). Of course, this framework assumes that the state *has* a restructuring project. This is not always the case.

Characteristics of States

State characteristics are also likely to affect the ability of business interests to develop “good, growth-enhancing relations” with the state. Recall that the literature on “embedded autonomy” began with a state that is autonomous: not “captured” by its business sector, but rather able to discipline and enforce a more competitive engagement with the global market. Yet measuring “autonomy” proves to be difficult, even though there is a clear distinction between countries where state power is primarily predatory or parasitic (Zaire is the paradigmatic case) and those where the government, despite some level of corruption, works more or less to promote economic development. As Barbara Geddes (1994) points out, “the kind of autonomy that actually contributes to better economic performance is not autonomy from interest groups but instead autonomy from politically motivated pressures to distribute the resources needed for effective policy making and implementation” (81-82). Finally, ideologies about development matter among state elites. An anticapitalist regime is likely to give mixed signals, at best, to its business class.

A developmental state has both autonomy (from those politically motivated pressures) and capacity. State capacity is partly a function of a meritocratic entry and promotion system. It may not be necessary for the entire bureaucracy to be meritocratic. There is some evidence from Korea, Brazil, and other developing countries that pockets of efficiency in a bureaucracy can have a surprisingly strong influence (Evans 1995; Kang 1995, Unger 1997). But it is probably necessary for those sectors of the bureaucracy that establish overall macroeconomic policy to have both economic knowledge and analytical ability, while those that interact with business need knowledge and ability, but also a good understanding of the global opportunities and constraints in that sector. When state capacity is matched by equal capacity in the private sector (discussed below), as was the case in Colombia, “greater mutual confidence and respect” and thus trust, are likely results (Thorpe 1991, discussed in Maxfield and Schneider 1997: 6).

Ideas about development strategies also matter, and ideas are affected by interests. The developmental states in East Asia were characterized not only by autonomy and capacity, but by sets of ideas about development strategies that kept them focused on maintaining macroeconomic stability, through building comfortable levels of foreign exchange reserves and keeping government spending in balance with revenues. The export-oriented policies the region is known for had their origins in a strongly felt goal of earning foreign exchange. These ideas were held by leaders in all of the East Asian “miracle” countries, and were due primarily to the example of close-by neighbor Japan and some prodding by international donors, and very little to lobbying by their business sectors. This suggests that effective business-state relations may require a prior “paradigm shift” on the part of the political leadership. Ideas are not separate from interests. It is possible that this paradigm shift can come about through political leaders’ own involvement in business, discussed below.

The East Asian experience also raises another question about the state and its institutions. To what extent do effective business-government relations – at least to the extent that they take place via business associations – require freedoms of assembly and the press? Where Hirschman’s ‘voice’ option is constrained, relations between business and government are less likely to be transparent, and this may mean that only those businesses with particularistic connections to the state are able to have their voices heard. Others may take the ‘exit’ option.[4] In these situations, as Tor Skålnes (1994: 20) once suggested, “[t]he logic of governmental repression explains the relative absence of large groups better than the logic of collective action.” On the other hand, freedoms of assembly and the press were not characteristic of the effective government-business relations in East Asia’s “embedded autonomy.” Perhaps the difference is important only when the state is not itself “developmental.” When state officials are linked to businesses through embedded autonomy kinds of ties, their goal is to seek information and inputs that will help them make better policies to promote the long-term health of the economy. In this case, controls on the media and freedom of assembly do not hamper information exchange. But in the case of a non-developmental state, these kinds of freedoms might be essential for business to openly press for a more growth-enhancing environment.

Characteristics of Interest Groups

How do the characteristics of interest groups affect the chances that they will act to promote broad-based, growth-oriented policies, or follow a more developmental state’s lead in engaging more

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[4] See A. O. Hirschman’s *Exit, Voice and Loyalty*.

competitively with the global economy instead of pushing for protection and particularistic access to state-controlled benefits? Three characteristics seem to be important: the size and composition of the group; their access to selective, nonpublic benefits; and the capacity of groups to credibly engage the state in technical policy discussions.

Olson's 1965 study of the difficulties of collective action suggests that interest groups are best able to pursue their interests if they have a limited number of members and narrower interests. Yet the pursuit of narrower interests is unlikely to promote the general health of the economy. There are exceptions. Associations of export manufacturers will find their interests served by more liberal, growth-oriented policies. Associations dominated by trading concerns (as in traditional Chambers of Commerce), would seem to favor trade liberalization, removal of price controls, and free access to foreign exchange. The interests of industrialists can be more clearly linked to some of the old policies liberalization intends to remove: directed, subsidized credit; and high levels of tariff and non-tariff protection. But even here, in general, manufacturers would have incentives to support reforms such as limits on deficit spending; removal of price controls; the sale of loss-making state-owned enterprises; and reforms in areas such as telecommunications, water, and electricity that might ensure a steady supply of these services. Yet in general, as Maxfield and Schneider's landmark 1997 volume *Business and the State in Developing Countries* has argued, the more representative an association is, encompassing a wide range of businesses, the more likely it is to support policies that are generally good for economic stability and growth rather than narrower, rent-seeking goals (Maxfield and Schneider 1997: 21; see also Olson 1982: 48-52). This should also be the case within individual multisectoral firms or conglomerates with interests in a number of different sectors (Fields 1997; Doner and Ramsay 1997).

Olson's 1965 study also pointed out that access to, and use of, selective and nonpublic benefits made it easier for groups to engage in collective action. For example, if an association is given the right to broker export quotas among its members, association leaders have an incentive to support policies that foster exports, while members have an incentive to fall in line behind their association if they are to gain access to these non-public goods. Privileged information on government policy and how it is likely to affect businesses might be more easily accessed through business association ties with government officials, and this can also serve as a selective benefit for group members. In order for associations to fill these roles and reward performance, staff-member transactions and the particular performance activities need to be easily monitored and transparent (Maxfield and Schneider 1997: 25). This use of selective benefits also strengthens business associations' ability to enforce compliance among their members when joining in "pacts" on certain aspects of policy, such as controlling prices voluntarily in potentially inflationary situations.

Finally, associations may be more likely to support general, growth-oriented policies effectively if they have analytical capacity and organizational resources. Capacity gives them credibility in negotiating with government over economic policies, while resources enhance access. Analytical capacity generally requires having economists on staff, or at a minimum, a basic understanding of economics among the organization's leadership and staff, and a conviction of the medium and long-term benefits of sound macroeconomic policies and enhancing the competitiveness of local firms.

Social learning has played an important role in convincing governments in many parts of the world that stabilization and engaging competitively with the global economy are worth the short-term costs (Kalher 1990). Learning through workshops and seminars, and exposure to associations in other countries that have grown comfortable with growth-supporting policies, may likewise convince the leadership and staff of business associations to lobby for growth-oriented policies, while training may make their lobbying more effective. Organizational and political resources are important both for reaching consensus among the membership, and for lobbying the highest levels of government (Skålnes 1994). These resources are likely to reflect the history of indigenous business development in a country. In particular, there is the simple fact that a substantial business class has yet to develop, or is very new in many low-income countries.

Characteristics of the Business Class

Examining the sources of accumulation and other characteristics of the business class is likely to provide insights into its interests and abilities. Three aspects are important here: the history of the domestic business class, in particular, the productive sectors in which it first began to accumulate significant capital; the proportion of output produced by medium and large domestic firms (or, the significance of domestic firms in the economy); and the extent to which business elites and political elites overlap.

In general, a business class that traditionally depended on rents and other politically bestowed incomes is likely to resist restructuring more than a class that accumulated wealth through entrepreneurial skill and technical innovations (Leys 1994: 21). But even within the latter group, there are important distinctions. Perhaps the most important one is the degree to which business interests are concentrated in flexible, export-dependent sectors. These groups will have more of an incentive to push a recalcitrant state to support policies that would further their engagement with the global economy.

Evidence on the latter comes from outside Africa: from the United States and from Colombia. Helen Milner's 1988 study *Resisting Protectionism* found that businesses in the United States that were facing strong competition from imports might nevertheless support liberal trade policies if they were vertically integrated across national boundaries and therefore involved in the export and re-import of different aspects of production. For example, both the footwear and the semiconductor industries faced fierce import competition. Yet the footwear manufacturing industry, which relied on domestic inputs for nearly all of its production and domestic markets for its output, remained strongly protectionist, while the semiconductor industry, with extensive multinational links and trade relations, lobbied hard for free trade.

In the case of Colombia, the government, closely tied to coffee interests, long supported policies that fostered the growth of exports. Colombia's approach to macroeconomic policy has been more conservative than most other countries in Latin America, while export earnings from coffee (as well as narcodollars from drug exports) have supported the balance of payments. The hyperinflation and overvalued exchange rates that plagued much of Latin America until the 1990s have not been a factor in Colombia. Yet although the government in Colombia supported exports, it was not keen to promote import liberalization, as pushed by the World Bank in a series of sectoral adjustment loans. The government succumbed finally to *internal* lobbying by exporting interests, who had grown into a "strong pressure group" by the late 1980s, and who successfully urged the government to implement "genuine liberalization" (Killick 1998: 75). At the same time, industrialists producing for the domestic market had become interested in exporting, as the profitable opportunities visible in shifting to exports became more visible. Together, these groups pressed the Barco government to gradually reduce import protection. On the heels of these reforms came others also supported by the export industries: greater labor flexibility, tax reforms, and exchange control liberalization (*ibid.* p. 76).

The numerical and proportional strength of the business class is also likely to be an important factor. In some countries where economic activities are dominated by state-owned enterprises and foreign firms, the local business class is likely to be weak, and unable to exert much influence. In other countries, local capitalists have had a much longer history of accumulation, sometimes through commercial agriculture, more rarely through import substitution industrialization (ISI). In these latter countries, it is more likely that the business class will be a force in favor of many of the policies that favor growth, particularly if they have been able to "exhaust" the easy phase of import substitution and are ready to turn outward.

An overlap between the political elite and the business elite may shape policies in a growth-oriented direction. The more favorable business policies of Côte d'Ivoire were said to derive from former president Felix Houphouët-Boigny's extensive family business interests, as well as the "extensive presence of Ivorien capitalists in public office" (Leys and Berman, 1994: 4).[5] There are examples that bring this into question, however. In Malawi, former president Kamuzu Banda's extensive family business interests (Press Holdings) didn't translate into policies that were more favorable to business in general.[6] Perhaps it depends on the overall size and maturity of the business class. In Malawi, the business class was very concentrated, very new, and very small in number. In Côte d'Ivoire, where the business class was much more mature, in 1990, up to a quarter of cabinet ministers, mayors, and National Assembly members were members of important business families, and these families counted thousands of members (Rapley, 1994: 50). It is important to draw a distinction here between elites who are members of a productive capitalist class, and elites who are simply wealthy. Families and state elites who accumulated riches through corruption, rather than through engagement in business, are less likely to use their political influence to support growth-oriented policies.

Finally, a business class dominated by members of one ethnic group, in countries where governments are dominated by another ethnic group, may have fewer entry points and networks in common, and

[5] The Houphouët-Boigny family has business interests in "agroindustry, manufacturing of paper goods, water bottling, insurance, retail trade, restaurants, transportation, electronics and telecommunications." Rapley (1994), p. 48.

[6] I would like to thank David Hirschmann for this information about Malawi.

may be less able to influence policy. Danny Unger's 1997 study of economic policy in Thailand suggests that although Chinese business associations were well supplied with the ability to discipline their members, they had few connections with the Thai-dominated bureaucracy. They thus never developed the kind of "embeddedness" characteristic of Japanese, Korean, and Taiwanese business-government relations, and were unable to influence policy in any significant way.[7]

Characteristics of Embeddedness

The final strand in the building of effective state-business relations lies in the *manner* in which states and businesses are linked, the character of "embeddedness" itself. Some of the aspects of embeddedness were hinted at in discussions of the state and business interest groups above. Both need to have capacity, and both need to "need" each other, at the least, for access to information. Credibility and trust are important features of relations between growth-oriented bureaucracies and growth-oriented business associations (Maxfield and Schneider, 1997). These features require institutional structures, shared "language," and time. On the other hand, when business and government are each dominated by different ethnic groups, it may be more difficult to forge these kinds of linkages. This doesn't mean that economic policies won't be conducive to growth (take Indonesia and Thailand, for example, where Chinese minorities have extensive business interests but are not routinely consulted by policy makers) but it does mean that policy makers in these governments operated with less institutionalized feedback.

Institutional structures can be as tight as the formal tripartitite meetings between state, business, and labor common in social democracies, or the state-controlled corporatism of Taiwan and French West Africa, and as loose as policy networks and epistemic communities. The common thread is that state and business need opportunities to allow repeated interactions to occur and mutual trust to build. Tripartite meetings may serve this purpose, but the presence of labor unions adds a different dimension to these meetings. Corporatist representation of business, particularly state corporatism, also allows state and business to meet, but often in a highly controlled fashion, dominated by the state. Bates and Krueger's study (1993: 461) of the politics of economic reform notes that in many cases, states attempting reform made "attempts to restructure the pattern of interest-group representation" into more corporatist structures. But these were rarely successful.

In other cases, state officials and representatives of business may meet through membership in formal or informal policy networks. These networks involve frequent meetings over particular policy issues and this repeated exposure and interaction may serve to build trust. Networks in which public officials move over to serve in business associations, or vice versa, would also seem to help build credibility and trust. Familiarity and shared experiences help build mutual credibility and trust when officials from both government and business share a technical "language" such as that used in

[7] Note that despite this, the Thai government remained quite adept (until recently) at maintaining growth-oriented policies. In fact, Unger suggests that the absence of close relations with the business sector created a structural autonomy that was quite conducive to the technocratic government's ability to enact policies that supported broad-based growth.

macroeconomics. Finally, as in other kinds of cooperative solutions to collective action dilemmas, repeated satisfactory interactions, over time, also tend to build trust and allow more effective relations to develop, if more effective relations are what serve the interests of both sides. On the other hand, in situations of economic crisis or decline, repeated interactions are unlikely to be satisfactory, trust is less likely to develop, and friction and mutual distaste are more likely to characterize relations between government and business.

Hypotheses

These studies suggest a number of linked hypotheses that might be restated as follows:

H1: Sectors Create Interests: Governments in countries where the dominant economic sectors are state or foreign-owned mining or extractive industries subject to declining terms of trade or high instability, are likely to be focused on maintaining protection and rents within that sector, and will show little interest in enhancing competitiveness, or in broad-based growth policies. Those in which indigenous export-oriented businesses (capitalist plantation agriculture; livestock) flourished before independence, have continued for several generations, and overlap with the political class, are likely to have a greater interest in maintaining a set of polices that are conducive for capital accumulation.

H2: State Elites: Relations between business associations and governments are more likely to be supportive of growth-oriented policies when state elites have greater technical expertise and share a set of ideas about development policy that give an important role to the private sector, and when the bureaucracy is well-trained and compensated. State elites should have enough political autonomy to enable them to retain the budgetary resources they need for making and implementing effective policies when faced with distributive pressures. Ideas about the important role of the private sector are likely to be stronger when state elites and their families are themselves involved in productive businesses.

H3: **Representativeness, Capacity, and Selective Benefits of Associations:** Business interest groups themselves will be more likely to support restructuring and growth-oriented policies if they are broadly representative of the business sector. They will be more able to influence government policy and assist in solving the collective action problems that may arise in implementing it if they can discipline their membership through selective benefits that are linked to economic performance, and if they have technically trained staff and leadership who understand the relationship between economic policies and the economic health of the nation.

H4: **Linkages: Institutions, Ethnicity and a Shared Language**: Governments and business sectors that are linked through multi-stranded formal consultative structures and/or less formal policy networks, and where individuals in these networks share a similar technical "language," may be better able to work together in support of restructuring and growth-oriented policies. However, when business groups and governments are each dominated by separate ethnic groups, consultive structures and private/public policy networks will be less likely to emerge.

It would be useful if research on business interests in Africa tested these hypotheses, developed through research in other parts of the world. To date, however, the research on interest groups in Africa remains limited and, often, builds on an argument that Africa is "different."

4. Business Interests in Africa

Introduction: Is Africa Different?

In the early 1980s, several powerful interpretations of the problems in Africa put much of the blame for Africa's economic malaise on an anti-agricultural "urban bias" in policies, caused by a coalition of urban interests and rural elites that excluded unorganized, small-scale rural farmers (Bates 1981; World Bank 1981). Although the donor approach to reform in Africa during this period was heavily influenced by the assumption that an "urban coalition" would operate to oppose reform, there was little evidence of urban interests being at all organized beyond sporadic outbursts of violent protest at the removal of important subsidies (Toye 1992). And there remains little evidence about the role – positive or negative – of business interests in influencing reform in Africa, although a consensus is emerging on the importance of an effective and responsive state for African economic development.[8]

Is interest group politics in Africa likely to resemble other parts of the developing world, or not? Several general features of African political economy suggest that it will be more difficult to develop good, growth-enhancing relations between state and business. The sectoral composition of many African economies tends toward domination by mining or other industrial commodity production, creating a business sector that is likely to have little interest in restructuring and the capacity to resist state-sponsored restructuring efforts. Manufacturing is weakly developed, and manufacturing for export even less so. The majority of African businesses are small-scale, scattered, and unorganized – exactly the conditions that make collective action difficult. For many years, many African leaders remained deeply suspicious of capitalism. Some embraced socialism; others preferred to keep their business sectors insecure, particularly when they were dominated by non-indigenous residents, (frequently Asians). Neopatrimonial governance practices common in Africa create interests that work against the development of effective government-business relations. Finally, African countries remain in a prolonged economic crisis that has only recently showed signs of abating. Partly in reaction to this crisis and the high levels of aid dependence that have developed in Africa, state-society relationships have been complicated by a substantial third party: international donors, whose prominence in Africa is unmatched in other regions.

<u>Low Levels of Industrialization</u>. In 1989, a UN study argued that "the most crucial structural change required in Sub-Saharan African countries is the one which brings about a minimum level of industrialization in those countries. In most of them, a genuine industrialization process has either yet to take hold or is still in a nascent stage" (Riddell 1993: 215). Although there are notable

[8] For studies that do consider the role of business interests in pushing for change, see in particular John Rapley's 1994 study of Côte d'Ivoire and Tor Skålnes' 1995 study of Zimbabwe.

exceptions, the business sector in Africa still tends to be dominated by traders and small-scale manufacturing concerns. There has been little of the medium and large-scale indigenous manufacturing development that has characterized the private sector in Southeast Asia for example (see Bräutigam 1997; 1999). With regard to Kenya, Coughlin (1988) comments that "Africans own very few medium or large-sized manufacturing firms. This has seriously impeded an identification of interests between local industrialists and the political circles. As a result, the government's economic policies and bureaucratic decisions are frequently detrimental to the nation's long-term industrialization" (p. 293). Where governments do have an identification of interests with local industrialists, as in the Ivory Coast, policies are likely to be more conducive to economic development. John Rapley (1994) notes that the policy shift away from ISI and toward export-oriented manufacturing in the 1970s was "a reflection of the rise of the industrial faction of the Ivoirien bourgeoisie at this time, as seen in its greater activism in private interest groups and the Chamber of Industry" (p. 53).

In other countries, the concentration of business interests in trade creates a different set of concerns than investment in fixed capital. As Robert Bates (1994) points out: "instead of being oppressed by the gap between official and market clearing prices, traders in Africa profit from it. A portion of their profits results from arbitrage between official and unofficial markets, especially in international trade, where traders benefit from smuggling and profit from the arbitrary valuation of national currencies" (p. 19). Bates goes on to point out that in the case of manufacturing and mining interests, investment capital frequently comes either from foreigners or from the state, while (aside from trade) the bourgeoisie in Africa tends to be "managerial, not capitalist" (p. 20). As employees, not entrepreneurs, many of the African elites involved in manufacturing may also see their direct interests served by business as usual, not by reform.

Neopatrimonial Governance. Political scientists have long argued that African governance tends to follow a "neopatrimonial" pattern, where rulers (patrons) distribute specific benefits to their followers (clients). Neopatrimonial governance, combined with a fairly small number of large-scale, indigenous entrepreneurs, are likely to have created business classes with an incentive to seek particularistic connections and rents, rather than to push for broad-based reforms.[9] When business elites are dependent on the state for patronage, they face something similar to the "orthodox paradox" – the name given by Miles Kahler (1990: 47) to the dilemma of orthodox reformers pushing governments to change policies that harm their economies but are politically quite rational. How can business elites whose ability to accumulate capital is tied to the state push for liberalizations that would diminish their particularistic access to rents such as import licenses, access to subsidized foreign exchange, subsidized credit and other benefits, even as they improve the general environment for business? Neopatrimonial governance may be more common in weak states, states that would be threatened by the rise of a strong and independent capitalist class.

[9] On the absence of an African bourgeoisie, see Hyden, 1983. On the state's ability to "co-opt" the domestic bouregoisie, see Sandbrook, 1985; Bayart, 1989; Boone, 1991 and Berman and Leys, 1994.

Suspicion of the Private Sector. In the first decades of independence, many African governments embraced socialist development models, concerned that private enterprise and capitalism would continue the Western domination associated with colonialism (Kennedy 1988). Many governments established large, state-owned productive sectors, primarily out of concern that local (African) capital was not yet able to invest in the kinds of large scale activities, particularly import-substitution manufacturing, that were thought necessary for development. This continues to be a widely spread assumption by government elites in many countries, including (surprisingly) some where the private sector is most advanced, such as Nigeria. Others, such as Tanzania, ideologically committed to a more socialist role for their countries' development, discouraged the growth of a substantial private business sector. Although some governments have clearly overcome the suspicion of the private sector, others, such as Rawlings' Ghana, have not entirely convinced their private sectors that early persecution has indeed ended. And in many countries, the long-standing neopatrimonial relations between government and business have colored officials' attitudes toward the private sector. In Senegal, for example, "technocrats retained a disdain for the private sector, considering it parasitic and corrupt" (Haggard and Webb 1994: 19).

In other areas, concerns about "the private sector" have been gradually replaced by concerns about a narrower segment: non-African ethnic groups, who currently, or in the past, played a disproportionate role in business. In previously socialist Tanzania, as Rehman Sobhan points out, concerns about "Asian dominance of the economy" are used periodically by politicians during elections. Sobhan adds that "such electoral posturings, with an ethnic rather than a class dimension, do little to stimulate the confidence needed to transform Asian traders into Tanzanian industrialists" (p. 157).

Concerns about "Asian dominance" are also strong in Uganda. In a 1993 speech in Uganda, President Museveni took the Ugandan middle class to task for its opposition to expatriate or Asian purchase of privatized companies: "elements of the elite concede that there is a need to privatise [but] they introduce a new confusion by saying that the privatisation programme should benefit the Ugandan business class, irrespective of whether or not they have the money to buy the enterprises. Some are even suggesting that the country should increase its indebtedness, in order to enable these businessmen' to buy the assets being privatised." Calling this "uninformed xenophobia," the president urged Ugandans to think of the national interest as served by a policy that reduced, rather than increased, the deficit and the debt burden (Museveni 1993). There was no evidence that the business associations took up the call for privatization.

Economic Crisis. Finally, the prolonged economic crisis in Africa and the resultant crisis of governance have thwarted what might have been the slow but eventual development of an increasingly capable state and a growing business class. In a situation of declining resources and accumulated debt, the state has been unable to provide much in the way of support services for local business development, and local businesses have been unable to supply the tax revenues needed for state programs. Moving away from this situation involves sacrifice, with little assurance that the sacrifices will prove worthwhile over time. Crisis can make collective action more difficult, since declining resources mean that sacrifice is more likely than "win win" solutions.[10] Crises do stimulate attempts at reform, as numerous cases demonstrate. Yet since the decline has been so severe in so many countries, it will take many years to build both state and business back to a level where their interactions can approach the usefulness of an East Asian deliberation council model.

These characteristics of Africa's political economy: low levels of industrialization and few linkages between the independent business class and the state; neopatrimonial governance practices; suspicion of the private sector and concern about economic dominance by "outsider" groups; and an acute economic crisis, may make it more difficult for effective relations to develop between governments and their business sectors.

5. Business Interests and Economic Policy in Africa: Cases

Introduction

The following cases were selected to give a broad range of African countries: those with good growth performance (Mauritius, Botswana) and those without (Zimbabwe); those with more industrialization (Zimbabwe, Mauritius), and with less (Botswana), those with at least a period of effective government business relations (Mauritius, Zimbabwe) and those without (Botswana, although very recently this appears to be changing); those dominated by a single sector (Botswana) and those with a range of sectors (Zimbabwe, Mauritius).

Botswana

Along with Mauritius, Botswana has stood out in Africa with its enviable growth record and its long tradition of democratic governance.[11] The prosperity of the country is due in part to good management of its impressive natural resources. Botswana's first diamond mine was opened in 1971, five years after independence. The country is now the largest exporter of gem quality diamonds in the world. In 1997, diamonds made up 74 percent of total exports. A group of new vehicle assembly plants producing for export is now Botswana's second largest export. Beef, which made up 90 percent of export revenues before independence, now comes in fourth behind copper and nickel.[12]

For many years after independence, Botswana relied on commodity exports, maintaining a high degree of trade openness and an unusually tight fiscal discipline. Because Botswana did not encourage ISI in its manufacturing sector with high tariff protections and other infant industry advantages, the manufacturing sector remained small until the recent expansion of export-oriented industry. ISI interests have not been able to shift policy away from the openness that allows both

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[10] Thanks to Malcolm McPherson who made this point.
[11] Although by some measures, such as Huntington's "two turnover" test, the democracy in Botswana cannot be called "consolidated," since the ruling party has never lost an election.
[12] Government of Botswana. "Economic Snapshot," **http://www.gov.bw/home.html**, accessed Nov. 11, 1999.

diamonds and beef to be exported to advantage. In the past few years, Botswana has liberalized foreign exchange controls, reduced business taxes and re-established its long-time policy of wage restraint.[13] "We don't believe in protectionism," the Minister of Commerce and Industry remarked recently.[14]

Analysts generally give the Botswanan state high marks for capacity (Stevens 1981; Maipose *et al.* 1997; Nordås *et al.* 1998). Botswana scores well on institutional quality, rule of law, and corruption indices. More so perhaps than in any other sub-Saharan African country, the leadership in Botswana moved gradually in substituting local officials for the expatriates who were in place in the bureaucracy at independence. Although the number of expatriates in the civil service declined after independence, it has remained relatively high. This may have contributed not only to capacity but to the autonomy of the Botswana state (du Toit 1995: 35).[15]

Although Botswana has had some of the world's most impressive rates of growth, the growth sectors of the economy are largely capital-intensive enclaves, providing little employment and few opportunites for backward linkage to the local economy.[16] State-owned and foreign-owned firms control the major productive sectors except for cattle, which is dominated by "a miniscule group of wealthy cattle owners" (some five percent of the owners control more than half of the cattle, according to du Toit 1995).[17] For many years, the local private sector remained weakly developed, except for this small group. During the colonial period, the local Batswana had limited opportunities to engage in economic activities that would lend themselves to capital accumulation. For example, licences to operate as traders were tightly controlled and given disproportionately to Europeans and Asians.

Manufacturing remains fairly weakly developed in Botswana, and most firms of any significant size are owned by non-Batswana, although this is changing. In 1984, 15 percent of manufacturing enterprises in Botswana were owned by Batswana; this figure rose to 36 percent by 1994 (Samatar, 1999: 143-44). To put these numbers in perspective, in 1978/79, there were only eight formal sector manufacturing firms owned by Batswana in the entire country. By 1984, this had risen to 24, and by 1994, there were 340 Batswana-owned manufacturing firms, after a concerted government effort to nurture Batswana entrepreneurs through a grants and technical assistance program. Yet these firms were mostly small-scale, and concentrated in sectors such as agro-industry, building material production, or tailoring.

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[13] Government of Botswana, "Economic Snapshot," **http://www.gov.bw/home.html**, accessed Nov. 11, 1999.

[14] "Questions à George Kgoroba: Vers Une Coopération Renforcée avec Maurice," *Le Mauricien*, September 11, 1999, p. 4.

[15] In 1962, several years before independence, expatriates occupied 169 of 182 middle-level executive grade positions, 245 of 260 technical grade positions, and 151 of 155 administrative and professional grade positions (Picard, 1987:85).

[16] In a comment on this, one reviewer noted that "Botswana has some large income and financial linkages across sectors that 'normal' economies lack" and that these linkages have supported growth. So far, however, these linkages have not supported the development of a robust indigenous business class.

[17] See also Holm and Molutsi (1992).

It was only in the livestock sector that a small number of Batswana elite had extensive commercial interests in the colonial period.[18] As independence drew near, that number was enlarged somewhat by the conversion of some Crown Lands to commercial use. Soon after independence, elite Batswana (including Botswana's first president, Seretse Khama and his vice president, Ketumile Masire) bought land in the new commercial blocks. Many received generous loans from the National Development Bank and became part of the very small commercial cattle elite that had been dominated by expatriate businesses (Morrison 1993: 37-38). Sir Seretse Khama was reputed to be the largest cattle owner in the country (Samatar 1999: 116). Livestock owners became important donors for the conservative Botwswana Democratic Party which has ruled the country since independence (*ibid.*: 41).

The interests of these elites in Botswanan beef maintaining a positive reputation and good market access overseas in part explains the long-term successful government management of the BMC – the Botswana Meat Commission. The BMC helps Botswana livestock producers maintain a reputation for quality and reliability, important assets in the overseas markets to which Botswana's beef has access (often concessional, as in the Lomé Convention negotiated access to the EC). Like the coffee export sector in Colombia, and the sugar export sector in Mauritius (discussed below), the BMC is "embedded" in the elite society that produces the livestock, and "remains sensitive to the producers' needs" (*ibid.*: 117). State elites and cattle sector elites are often the same people, given the concentration of wealth and cattle in Botswana. Having the BMC market their beef helps Botswana's elite solve some collective action problems and lowers their marketing transaction costs.

It is possible that the commercial cattle industry has had some influence on Botswana's long term open trading policies, keeping trade policy fairly liberal through informal channels, but there is little evidence that this influence operated through organized interest associations. As Louis Picard (1987: 91) has pointed out, when Botswana came to independence, "civil servants were the most important, and perhaps the only significant domestic interest group in the country." Although freedoms of expression and association are protected, civil society is only beginning to exercise "voice" in Botswana (Holm and Molutsi 1992). Organized interest groups first began to develop in the 1980s, but as of 1992, Holm and Molutsi reported that civil society had "little impact on government policy" (p. 85). Traditionally, rather than responding to interest group pressure, the government in Botswana tended to make its own analyses and then build support for shifts in a long-term strategy geared toward maintaining its generally impressive economic performance. Interaction with the public was intended more to inform, instruct and persuade than to consult. An early example of this can be found in the program to introduce a new currency, the pula, in 1976. The decision was made, and economists from the central bank and the Ministry of Finance and Development Planning then conducted seminars and held briefings for all senior civil servants and politicians, explaining the importance of the balance of payments and the relationship between domestic money supply and foreign reserves (Lewis 1993: 20).

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[18] I thank Art Goldsmith for drawing my attention to the important role of cattle elite in Botswana. Personal communication, 1999.

By the late 1990s, however, these useful but paternalistic interactions had begun to evolve into exchanges of more mutual benefit. The government now consults the major business association (Botswana Confederation of Commerce, Industry and Manpower, BOCCIM) regularly on important policy issues, and has given BOCCIM a seat on the new High Level Consultative Committee, which the president chairs.[19] It is possible that these higher levels of cooperation reflect both the growth of the private sector (BOCCIM now has more than 1500 affiliated members) and a marked slowdown in economic growth in the early 1990s. This might have pushed policy makers to reach out to the private sector in devising policy responses. It may also reflect the influence of a new set of economic actors. Currently, the most powerful manufacturing interests in the country are probably the new, export-oriented vehicle assembly firms that have now overtaken beef as the country's second most important foreign exchange earner. These new firms and government elites (most of whom own cattle) share the interests of technocrats in keeping Botswana economically stable, with a healthy export climate.[20]

Zimbabwe[21]

Although many countries show evidence of business support for stabilization (particularly through a reduction in government spending) Zimbabwe, like Mauritius, provides one of the few concrete examples of organized and effective support for liberalization, although in Zimbabwe the effectiveness of this support appears to have lasted for only a brief period, in the late 1980s and early 1990s, as Zimbabwe first began to experience severe balance of payments and fiscal difficulties. Although the support for liberalization remains, it is no longer very effective, given the changing political priorities of the leadership in Zimbabwe.

White business interest groups in Zimbabwe have long experience with capacity building, and with exercising influence on economic policy. Business interests are well-organized, and independent of the state. The country has a large Commercial Farmers Union, mainly comprised of some 4500 white commercial farmers. Mining interests are organized in the Chamber of Mines, while trading concerns have the Zimbabwe National Chamber of Commerce (ZNCC). Employers are represented by the Employers Confederation of Zimbabwe, and Unions by the Zimbabwe Congress of Trade Unions. However, the major player in the successful negotiations over adjustment policies in the late 1980s was the Confederation of Zimbabwe Industries (CZI), formerly the Association of Rhodesian Industries, an "encompassing" umbrella organization merging manufacturing interests (predominantly large, white-owned firms) in a number of sectors.

Zimbabwe's economy is more diversified, and the manufacturing sector more highly developed than in most other parts of Africa, in part because of Ian Smith's 1965 unilateral declaration of

[19] Personal communication, Terrance Carroll, January 4, 2000.
[20] Samatar, 1999, gives figures on the high degree of cattle ownership among Botswanan political and governmental elites.
[21] Although the former Rhodesia became Zimbabwe only in 1980, I will refer to the country as "Zimbabwe" no matter which time period is being discussed.

independence, and the country's subsequent imposed isolation. During the period leading up to majority rule in 1980, Zimbabwe developed one of the most extensive manufacturing sectors in Sub-Saharan Africa. By 1980, manufacturing contributed 25 percent of value-added, mainly from import substitution activities such as food, beverages, tobacco, textiles, and clothing, but including some machinery, transport equipment, and chemicals as well (World Bank 1997). This was more than twice the level of manufacturing development (12 percent) found, on average, in Sub-Saharan Africa. Export revenues in 1980 were divided among gold, ferro-alloys and nickel (23 percent), other primary commodities, especially tobacco (39 percent) and exports of manufactured goods (38 percent) (*ibid.* p. 160). Few indigenous African firms were involved in these activities, however. In 1980, some two-thirds of the economy was under foreign ownership (du Toit 1995: 118). By 1988, black African enterprises made up only 3 to 4 percent of manufacturing (Nicholas 1994: 101). Although the government after 1980 maintained a highly restricted import regime, it attempted to encourage exports through export subsidies (a policy pushed by the CZI). This policy had little success in encouraging further development of manufactured exports.

Although some industrialists had been concerned as far back as the 1970s that Zimbabwe was reaching the end of its "easy phase" of import substitution industrialization, most businesses were content at that time with the ISI status quo. Lobbying for adjustment began early in the 1980s, as the new government was hit by the triple shocks of low prices for commodity exports, drought, and high world interest rates; and as important segments of manufacturing began moving into exports. For example, white-owned firms in the textile and clothing export sector, which had its origin in import substitution in the 1930s, made up 6 percent of exports in 1982/83, and 19 percent in 1997 (Ostergaard 1994: 123). By 1990, these firms accounted for almost one out of four manufacturing jobs and also provided an important market for peasant growers of cotton.[22]

Yet as the post-independence government expanded spending, the high deficit and monetary financing led to inflation. Zimbabwe's currency became overvalued, hurting exporters of minerals and the new exporters. Mineral interests called for devaluation as early as 1982 (Skålnes 1994: 106). Clothing and textile exporters also pushed the government to alleviate their plight. The government's reluctance to acceed to an IMF structural adjustment program led them to initiate consultations with the country's major business associations, in an attempt to develop alternative policies that would "promote industrialization and employment without threatening local industries" (Nicholas 1994: 108).

In 1987 and 1988, the annual meeting of the Confederation of Zimbabwe Industries' annual congress, attended by government ministers and the major industrialists of the country, concentrated on liberalization issues, as the Zimbabwean economy slid into recession for the second time since 1980 (Skålnes 1995).[23]

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[22] On the clothing and textile sector, see the fine chapter by Tom Ostergaard in Berman and Leys (1994).
[23] Much of the rest of this account of Zimbabwe draws on Skålnes's excellent 1995 book.

> The CZI called for tax cuts, a reduced deficit, and increased public capital formation. Economists began to criticise the extensive use of controls and the local financial newspaper expressed the view that there was now a need for 'deeper structural adjustments' and a new foreign investment policy. At the 1987 annual congress, the CZI modified its thinking on a critical issue when it called for a 'planned, selective and gradual approach [to trade liberalisation] in conjunction with tariffs…Competing imports will have to be carefully handled to ensure gradual exposure'" (*ibid.* p. 126).

In its attempt to forge a policy package that would take into account the need for liberalization but also the need for gradualism, the CZI worked together with the other major business associations (the CFU, the Chamber of Mines, the ZNCC, and the Zimbabwe Tobacco Association) in an informal umbrella group called the "Zimbabwe Association of Business Organizations" (ZABO). The proposals submitted to the government asked for gradual liberalization of import licences, foreign exchange controls, price controls and relaxation of controls on investment and labor (*ibid.* p.128).

The CZI drew on analyses prepared by the World Bank in order to strengthen its case for the necessity of adjustment. Over time, the combination of economic deterioration and continued dialogue with the private sector and with the World Bank, seems to have led to a shift of ideas within the government. This was signaled by the shuffling of several of the more committed ministerial level advocates of autarchy into less important ministries, and their replacement with more "free market" advocates, and the assignment of key civil servants to economics training courses conducted by the World Bank (*ibid.* p.136). Perhaps most importantly, Zimbabwe's Marxist President Mugabe allegedly became a convert to the idea of reform and announced that the government would begin to support indigenous capitalism more vigorously (*ibid.* p.137; Nicholas 1994: 108). Within several years, however, the short term costs of adjustment combined with political pressures for populist spending policies pushed the deficit up, inflation rose, and the liberalization program began to unravel. Mugabe abandoned his pro-reform stance, and the close interactions between government technocrats and industrialists declined.

The Zimbabwe case suggests that formal and informal exchanges between business and government were extremely useful for formulating a growth-oriented policy regime. Early in the reform process, the major interest groups lobbied for a permanent mechanism by which government and other interests – including labor – could work together to decide economic policy. The Tripartite Negotiating Forum was established for this purpose, bringing together organized labor, business, and government. In 1995, Tor Skålnes (1995: 145) judged the government-interest group cooperation that resulted from the Forum as "essential to the success of economic reform." The case also suggests that shifts in policy did not come as a result of interest group *pressure*, but through dialogue, and an "idea shift" on the part of key government officials, who began to share the concerns of the private sector about the short-comings of continued protectionism.[24] This commitment, at least on the part of President Mugabe, did not last. As of late 1999, Mugabe was described as "hostile" to the IMF reform package. An editorial in the *Zimbabwe Independent*

[24] "Political Will Needed to Make IMF Support Work," *Zimbabwe Independent* (Harare), August 6, 1999, p. 4.

recently asked: "Will he continue to be a liability or is he now prepared to play ball with the rest of his team?"[25]

Mauritius

Of the three countries under review, Mauritius has had by far the most extensive system of government-business interaction, and also the most successful economic reform program and economic performance. The two are not necessarily causally related, but Mauritians involved on both sides of the business-government divide attribute some of the country's success to their dense network of good relations.

At independence in 1968, Mauritius was a monocrop economy, dependent on sugar exports for 88 percent of its foreign exchange. Realizing that the country was too small to support much import substitution industrialization, the government established export processing zones (EPZs) in 1970 to promote employment and diversification, while maintaining protections on industries producing for the domestic market. The leadership in Mauritius was probably the first in Sub-Saharan Africa to become convinced of the necessity for reform, after the oil price shocks and high interest rates of the mid- and late 1970s. A successful series of stabilization and structural adjustment policies in the early and mid-1980s paved the way for the country's strong growth toward the end of that decade and through the 1990s.

Business in Mauritius has been well-organized for a long time. The oldest business associations are the Mauritius Chamber of Commerce and Industry (founded in 1850) to organize the country's trading interests (and, until the establishment in 1995 of the Association of Mauritius Manufacturers, its import-substitution industrialists), and the Mauritius Chamber of Agriculture, founded in 1853 to represent the large-scale sugar plantations and mills. There was no separate manufacturers association until free zone exporters established the Mauritius Export Processing Zone Association (MEPZA), in 1976. The entire business sector is represented in consultations with government through the Joint Economic Council (JEC), formed in the late 1960s, whose members are the directors of the major business associations. Over the years the JEC has become institutionalized as a strong and legitimate "peak" association for business in Mauritius, an encompassing group that represents all the major sectors and works out broadly agreeable positions on economic policy.

Beginning in 1970, public-private sector meetings started to become institutionalized at a very high level. According to the JEC, "there is an unwritten law that the JEC meets the government twice a year, in December and in August."[26] These consultations expanded dramatically at the time Mauritius seriously began a prolonged period of structural adjustment in 1982. Athough the new government selected Paul Bérenger, a former radical Marxist, as Finance Minister, the Chamber of Commerce and Industry reported that Bérenger's commitment to consultation with civil society meant that relations with the new government were much closer than they had expected: "The

[25] Ibid.
[26] Interview, Raj Makoond, director, JEC, Port Louis, July 12, 1999.

Chamber is represented on numerous joint-sector committees. It is thus in a position to contribute to the orientation of public policies while its officials remain in constant touch with their public sector colleagues. In fact, since the new political set-up, the Chamber has always been consulted in advance of the introduction of new legislation."[27] These trends continued, with most business associations surveyed in 1999 stating that they continue to be consulted in advance of most changes in rules or policies affecting their members.

During the adjustment period (1979-1987) the Chamber of Commerce and Industry strongly supported a liberal policy environment, despite the fact that many of its members were import substitution industrialists. When at the end of this period the government seemed a bit less committed to liberalization, the Chamber pointed out the importance of maintaining "liberalisation of trade and the progressive dismantling of unnecessary economic controls. . . As for our Chamber, we shall, more than ever before, advocate and preach liberalism as the only path toward progress and maturity."[28] The Chamber was able to take this position because the ISI sector remained fairly small and concentrated in food processing and other basic consumer goods, and because there were many domestic price controls that kept local prices repressed. Removing price controls generally benefited both importers and local producers. These subsectors could (and did) remain protected, while trade and price controls were gradually removed.

Collaboration and consultation continue to be part of the character of policy making in Mauritius. Private sector organizations (the Joint Economic Council, the Chamber of Agriculture, the Chamber of Commerce and Industry, the Sugar Syndicate, and the Mauritius Export Processing Zone Association) were recently asked to take an official role in thinking through the country's general strategy in a number of important upcoming trade negotiations.[29] This collaboration is clearly based on credibility and trust that have built up over many years. Some of that trust comes from being members of the same network: the head of the JEC and the deputy head of the MCCI are both former technocrats from the Ministry of Economic Development. The head of the Joint Economic Council and the deputy head of the Chamber of Commerce and Industry used to work together in the Ministry of Economic Development. These relationships help to build trust, but trust depends as well on capacity.

Mauritian business organizations attribute their successful relations with government in large part to the capacity they have built up over the years. Thirty years ago, the annual report of the Chamber of Commerce and Industry noted that "our advice is often sought. . . we always try to demonstrate our competence and our objectivity."[30] The Chamber currently has a staff that includes 13 university graduates with skills in economics, law, informatics, management and public relations. The Chamber has had professional economists on staff for more than twenty years, and has been submitting

[27] The Mauritius Chamber of Commerce and Industry, *Annual Report* (1982), Port Louis, Mauritius, p. 5.
[28] The Mauritius Chamber of Commerce and Industry, *Annual Report* (1988), p. 15.
[29] "Un "think-tank" gouvernement/secteur privé pour discuter stratégie," *Le Mauricien*, May 13, 1999, p. 6.
[30] The Mauritius Chamber of Commerce and Industry, *Annual Report* (1969), Port Louis, Mauritius, p. 4

proposals on monetary and fiscal policy to the government during the drafting of the budget for at least that long.[31]

JEC director Makoond described the trend toward greater capacity building in the JEC and the business associations as led by the development of capacity in the public sector:

> The private sector wanted to become more professional because of their involvement in technical discussions about macroeconomic management [during the adjustment period]. They also had to become more transparent. The government was getting technocrats; the organized private sector needed them too. This better, more technical approach to government-private sector relations is also part of Mauritius's integration with the rest of the world. It was becoming clearer and clearer that promotion of sectors wasn't enough and we needed more input into broad strategic policy. We saw this when we were involved in the negotiations over GATT. This pushed technical people to the foreground.[32]

The same incentives were operating in the Mauritius Employers Federation, whose director commented that during the 1980s, "The public sector became professional; the private sector became professional. We kept up."[33]

The head of the Association of Mauritius Manufacturers argued that the fact that business organizations contain multiple interests is important, particularly for the fact that it ensures positions that benefit the economy broadly, and not special interests: "when the organized private sector encompasses the main interests, like the JEC, their positions need to be moderate, reasonable, palatable and sellable." But he emphasized that representativeness has to be seen in the context of the high degree of organization and cohesion in the private sector: "The business organizations can enforce a position from their members. They carry a mandate from their members. Raj Makoond [the JEC director] doesn't speak on things that he doesn't have a mandate on. Some people still go personally to the ministers, but this has changed."[34]

Mauritius diverged from Sub-Saharan Africa's general trend of stagnation and decay many years ago. Today, the country is grappling with the challenges of being fairly well integrated in the global economy. Policy makers look to Asia for role models, and speak frequently about one day joining the ranks of the High Performing Economies. Currently, the government's reform efforts involve "second generation" reforms: harmonization of the investment regime (to equalize incentives for export or domestic production), rationalization or privatization of government owned utilities, more effective regulation for the banking system, establishing a secondary market for government securities, civil service and pension reform, and, in general, preparing Mauritius to meet globalization's challenges.

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[31] The Mauritius Chamber of Commerce and Industry, *Annual Report* (1982), Port Louis, Mauritius.
[32] Interview, Raj Makoond, JEC, Port Louis, July 12, 1999.
[33] Interview, Azad Jeetun, Mauritius Employers Federation, Port Louis, June 29, 1999.
[34] Interview, Gilbert Espitalier-Nöel, Association of Mauritian Manufacturers, Réduit, July 7, 1999.

These types of reforms are strongly supported by the organized private sector. The JEC's top three priorities in a memo prepared for consultations on the government's 1999 budget were (1) "ensure a stable macroeconomic environment; (2) foster greater fiscal discipline and restore financial health; and (3) integrate all sectors of the economy in order to reduce distortions and improve efficiency of investment."[35] These goals mean that some in the business community will lose the advantages that segmented incentives afford, but that the overall health of the business environment will be strengthened. These are clearly policies that promote growth, and the organized business community in Mauritius is solidly behind them.

6. Interest Groups and Economic Reform in Africa: What factors support synergy?

To what extent do these cases bear out the hypotheses and issues outlined above?

H1: Sectors Create Interests. *Governments in countries where the dominant economic sectors are state or foreign-owned mining or extractive industries subject to declining terms of trade or high instability, are likely to be focused on maintaining protections and rents within that sector, and will show little interest in enhancing competitiveness, or in broad-based growth policies*. These tendencies should increase as economic decline continues. Botswana is the only country of our three cases that has had this kind of economic sector (diamonds). Exports in Botswana were formerly dominated by cattle, a sector that involves a high proportion of the elite, many of whom are also in government. The country has traditionally had weak formal business-government relations, but the informal relations between cattle barons and government officials (who may come from the same families) have been strong. Very recently, government has begun to include representatives of organized business in a more formal way in consultations over economic policy. Economic policy was conducted in a way that supported private earnings from beef exports before diamonds became important. The same framework of beef export-friendly growth also facilitated diamond exports. In the earlier era, when beef was king, Botswana fit Shafer's sectoral model, but, according to him, the later development of diamond exports should result in a more rigid system, unable to adjust. That doesn't seem to have happened in Botswana, but because the country has been successful in exporting beef, and diamonds, it hasn't needed to implement major adjustments. Shafer's model hasn't really been tested in Botswana.

Those countries in which indigenous export-oriented businesses (capitalist plantation agriculture; livestock) flourished before independence, have continued for several generations, and overlap with the political class, are likely to have a greater interest in maintaining a set of policies that are conducive for capital accumulation. The second part of this hypothesis suggested that countries with private sectors based on exports (manufactured exports in particular) are likely to find that businesses grouped in these sectors are advocates for policies that will enhance competitiveness. Botswana and Mauritius bear this hypothesis out, quite strongly. In Botswana, cattle exporting elites overlap with the political class. In Mauritius, this is not the case, but the export-oriented businesses there have been in place for about 150 years and are the main non-government employers and

[35] Joint Economic Council, *Memorandum of the JEC on the 1999/2000 Budget*, Port Louis, May 14, 1999.

contributors to political campaigns. In Zimbabwe, private economic activity was not as overwhelmingly export-oriented, but the (white) business class had been in place for several generations, and was moving into exporting as reform was placed on the agenda. Businesses that are, or expect to be, "winners" from export-oriented policies will favor a package of growth-oriented policy reforms: stable and competitive exchange rates, low government deficits and thus low inflation and less pressure on the real exchange rate; liberalization of trade (or rebate systems for imported inputs); and investments in infrastructure. But whether or not their advocacy bears fruit in better policies depends on qualities found in the state.

H2: State Elites: *Relations between business associations and governments are more likely to be supportive of growth-oriented policies when state elites have greater technical expertise and share a set of ideas about development policy that give an important role to the private sector, and when the bureaucracy is well-trained and compensated*. Capacity was clearly present in the state in all three countries.[36] In the Zimbabwe case, technocrats within the state helped drive the interest in listening to the private sector views, although economic crisis provided a push. In Mauritius, the need to manage economic crisis led the state to deepen its technical capacity, which seems to have pushed a strengthening of capacity among the business associations, and their mutual respect and trust were increased. Capacity is clearly important in the Botswana state, and the government there seems to share the same attitude as the private sector about the opportunities as well as the threats, but this appears to have been limited to the cattle sector, and possibly to the small, non-Batswana-dominated manufacturing sector. Recently the increased strength of local manufacturers may have helped the establishment of an evidently more fruitful dialogue over economic policy between the business associations and the state.

State elites should have enough political autonomy to enable them to retain the budgetary resources they need for making and implementing effective policies when faced with distributive pressures. This autonomy is clearly present in Botswana, where despite high unemployment and low human development indicators, the government has resisted any moves toward unsustainable social spending or the populism that broke the fiscal backs of so many developing country governments. The Mauritian state is subject to cycles of more populist spending, correlated with election cycles, but the spending is kept within reasonable bounds. However, in Zimbabwe, the state is clearly not insulated from these pressures. As a newspaper editoral in Harare recently commented: "The public will need no reminding that misguided populist policies are responsible for their current sorry state."[37] In the final analysis, however, what seems to be important about autonomy is the extent to which political elites see their interests as served by the promotion of an economic climate that is broadly conducive to business in general, rather than one that caters to particular rent-seekers.

[36] See the fine article by Goldsmith (this volume) for an argument and empirical support for the importance of state capacity (in particularly, a Weberian bureaucracy) in Africa, with examples from Mauritius and Botswana.
[37] "Political Will Needed to Make IMF Support Work," *Zimbabwe Independent* (Harare), August 6, 1999, p. 4.

Ideas about the important role of the private sector are likely to be stronger when state elites and their families are themselves involved in production. The state in Botswana appears to see its interests as quite closely linked with those of the beef exporters who are its major constituents, and there has been much overlap between the Batswana cattle elites and the political elites. This overlap is not the case in Mauritius, where the political elite has been drawn more from the professional class (as in India), or in Zimbabwe, where the political elite seems to see the indigenous capitalist class as a potential rival for state power.

H3: **Representativeness, Capacity, and Selective Benefits of Associations:** *Business interest groups themselves will be more likely to support restructuring and growth-oriented policies if they are broadly representative of the business sector. They will be more able to influence government policy and assist in solving the collective action problems that may arise in implementing it if they can discipline their membership through selective benefits that are linked to economic performance, and if they have technically trained staff and leadership who understand the relationship between economic policies and the economic health of the nation.*

The importance of representativeness and capacity (particularly having technocrats in the leadership and on the staff of the associations) were clearly borne out in the case of Mauritius's Joint Economic Committee. Representativeness and capacity was likely also important in Zimbabwe, where the major successes in negotiating with the government came when the private sector worked through the Zimbabwe Association of Business Organizations (ZABO). Botswana also has a broadly representative association in the BOCCIM, and the capacity of BOCCIM has clearly been enhanced in the past several years, as the government now commissions it to draft white papers in some policy areas.[38] There is little evidence for or against the existence of selective benefits in Mauritius, Zimbabwe and Botswana.

H4: **Linkages: Institutions, Ethnicity and a Shared Language**: *Governments and business sectors that are linked through multi-stranded formal consultative structures and/or less formal policy networks, and where individuals in these networks share a similar technical "language", may be better able to work together in support of restructuring and growth-oriented policies.* In the case of Mauritius, the importance of state-society linkages and networks was clearly evident. People move in and out of government and the private sector (particularly the private sector's business associations), and the networks that they are part of are strengthened by the ties. In Zimbabwe, the several attempts at collaboration also relied on networks and may have drawn on an overall increase in technical skills. Botswana seems to have few policy networks or formal consultative structures linking state and business, although this seems to be changing quite recently. Although the shared experience of being in workshops and seminars dedicated to promoting understanding of proposed policy shifts no doubt helps create shared language in Botswana, this seems to be more important within the branches of government itself, than between the government and the private sector.
However, when business groups and governments are each dominated by separate ethnic groups, effective relations may be more difficult to forge. The issue of different ethnicities seems not to have

[38] Personal email communication, Terrance Carroll, January 4, 2000.

affected government-business relations in a decisive manner in these three countries. Different ethnicities may partly explain why relations were originally weak in Botswana, as foreign investment made up a large share of the formal sector business there, and also why relations have become increasingly strong recently, as local businesses have grown in size and number. Yet in multiethnic Mauritius, where government tends to be dominated by people with an Indian (Hindu) background, and business tends to be Franco-Mauritian, Muslim, Chinese, and Creole (Afro-Mauritian), ethnic differences seem to have made no difference in the course of building constructive ties. Zimbabwe provides an intermediate case. The large business sector was predominantly white, while the government was predominantly black. Yet their relations have not been consistently good or bad. In the early 1990s, relations were quite effective, but this was not sustained, suggesting that ethnicity may not have been a determining factor.

7. Conclusions and Policy Recommendations

In some African countries, business interest groups have become part of the solution to the economic crisis that plagues the continent. In most, however, business groups have yet to establish themselves as strong advocates of adjustment, even when policy changes would clearly advance their interests as a group. Why is this so, and can anything be done to change this? The answers to these questions have to do with the structure of the economy and the interests forged and opportunities presented by that structure; the development of state and business association capacity; the presence of institutionalized structures that bring state, business and other key stakeholders together to discuss and debate economic policies; the conviction by the political elites that growth-enhancing reforms are desirable; and, finally, time.

First, the structure of the economy, the business interests formed by that structure, and timing are important in understanding the desire within the business community for economic policies that would enhance external competitiveness. At the most basic level, business classes that developed primarily through state sponsorship and specialized access to state benefits are likely to be slower to push for the elimination of “obstacles to sustained capital accumulation” (Leys 1995: 21) that would benefit business in general. In all three case study countries, exports were already an important source of private sector income, and the private sector was a substantial portion of the economy. In Mauritius and Botswana, private sector exports had been important for quite some time. In Zimbabwe, large businesses (textiles and clothing, in particular) had begun to “exhaust” the easy phase of import substitution industrialization and were rapidly expanding exports. This underpinned their interest in trade liberalization and other adjustment policies that would ease exporting, even though they were not able to translate this interest into sustained policy change.

In countries where private sector exports are not well-developed, and where import substitution industrialization has not yet “exhausted” the easy phase of producing basic consumer goods, business associations are less likely to see the long term gains possible from policy shifts that make the economy more outward-oriented, and enhance quality and reliability of production. The policy implications of this are that it may make sense to develop programs to promote private sector exports and to continue a modestly protected import substitution sector, even if the overall policy environment is not “liberal”. Exports can be promoted within enclaves, at the start, and particular kinds of exports can be targeted with policy packages that might not extend to the rest of the economy, as in Mauritius. Import substitution can expand to the point where the “easy” opportunities are exhausted, while at the same time building a stronger private sector that, over time, is likely (as in Zimbabwe) to become interested in taking advantage of export opportunities, particularly when incentives exist to spark that interest. Although from an economic point of view, this sequence is less than ideal, it may make sense from a political standpoint. The goal is to build, over time, a critical mass of businesses who can see more liberal policies as being in their interest, and who will be willing to commit resources to lobbying for a more liberal policy environment.

Second, both the government and the business associations need to develop economic competence, so that elites in both share a common language and mutual respect. Economic competence should go hand in hand with increased appreciation of the importance of growth-enhancing policies. Along with competence, business associations need resources in order to support their efforts to influence policy. Recall Hirschman’s comment that the bourgeoisie needs to be “cohesive, vocal, and highly influential”! In Mauritius, the development of capacity in the state drove the business associations to enhance their own capacity and resources, or risk losing credibility. In Botswana, although business associations have recently gained in capacity and influence, they were weak for a prolonged period after independence. However, many of the most important indigenous cattle exporters were also high-ranking and well-educated political leaders. They both understood the importance of retaining an export-friendly policy framework and had a direct interest in retaining it. This suggests that continued donor support of general economic training at the university level is important, whether the recipients are already in government, business associations, universities, or in the media. Capacity building programs at African universities might be a cost-effective and more sustainable way to enhance levels of economic competence than sporadic training in American universities. Resources directed toward strengthening private sector “peak associations” would also be a good investment.

Third, it is helpful to have institutionalized structures that offer regular opportunities for important stakeholders in the business and other important communities to meet with government officials to discuss and debate economic policies, and to develop a “shared project” in sustaining reforms. These structures can range from regular tripartite meetings, to looser policy networks. Not all economic policies need to be made in a participatory manner – key macroeconomic decisions such as exchange rates or interest rates are probably best insulated – but even here, it is useful for interest groups to be able to give feedback to decision-makers on the outcomes of these policies, and to offer their inputs as background for future decisions. However, many reforms such as privatization and transparency reforms require consultation with a broad range of stakeholders, and here the kind of inclusion offered by countries like Mauritius offers one pattern for positive government-business relations that have underpinned a “growth coalition”. It is likely that consultation with business will succeed better if business is organized so as to have an “encompassing” association (such as the JEC in Mauritius) and a “lead mover” such as the CZI in Zimbabwe (the cattle interests in Botswana may have played this role there, as well). Donors can provide venues for this kind of consultation –

supporting workshops and working conferences that involve stakeholders. Donor-financed study tours to countries that have developed good patterns of consultation (such as Mauritius) would also be a useful way to transfer this knowledge to interested groups who can then press their own governments for better consultation mechanisms.

Fourth, it may be that the key interest groups in economic policy reform are in the state itself, and particularly in the political leadership. Business associations are not going to be effective advocates for reform in the face of an intransigent chief executive, as the case of Zimbabwe suggests. Policy paradigm shifts may happen, but, unfortunately, policy paradigms can also shift back, something that calls into question whether it is ideas that change, or simply interests.[39] Mugabe's conviction that reforms were necessary was of quite limited duration, and so was the influence of reform-minded business associations. In Mauritius, on the other hand, state elites 'feed the goat while they milk it.' Whether through campaign contributions or tax revenues, the political leadership sees clear benefits in maintaining a business-friendly environment (while the important rural vote also keeps them attuned to the needs of labor and the poor). The identification of interests between local beef exporting elites and government political elites in Botswana may help explain the consistency of export-friendly policies there. When political leaders, because of their own or their families involvement in business, share the concerns of the business class for policies that will enable sustained growth, the likelihood of those policies being sustained may be enhanced.

Finally, there is the issue of time. The business class in Asia grew strong through import substitution industrialization policies that started in the 1930s, thirty or forty years before similar strategies were attempted in Africa (Bräutigam, 1999). As Colin Leys (1994: 12) has argued: "The formation of a politically influential and productive capitalist class, with a solid and mature bourgeois culture to support and focus its economic and political projects, has never been the work of a generation or two." In Mauritius, the Franco-Mauritian business class was formed through plantation agriculture, beginning in the 18th century. In the Côte d'Ivoire, where educated Africans had the opportunity to enter the plantation sector during the colonial period, avenues to advancement opened up outside the state, and enabled the indigenous business class to expand into import substitution manufacturing in the 1960s, and moving significantly into export manufacturing in the 1980s (Rapley, 1994). The European businesses in Mauritius and Zimbabwe formed the backbone of business association strength during the post-colonial period. After independence, non-European businesses could join these associations and take advantage of their preexisting capacity, and their "close working relationship with government" (Nicholas, 1994: 104), rather than building slowly from a low base, as in many other countries.

The cases above are small in number. They can only provide some preliminary answers to the dilemma of interest groups and economic policy in Africa. More research on these issues is clearly needed in order to compare a larger number of cases, and to explore the existing cases more deeply. As a start, however, they offer evidence that some African states have been able to move toward an

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[39] For a cogent explanation of leadership problems in Africa, see Goldsmith (this volume).

effective, consultative relationship with their private sectors, strengthening fragile coalitions for reform, and putting in place a framework that will support growth and development.

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