

DIVERSITY OF ECONOMIC GROWTH STRATEGIES IN THE CPLP

António Francisco e Moisés Siúta

If the sharing of the same official language, Portuguese, was the leitmotiv for the creation of the Community of Portuguese Speaking Countries (CPLP) in 1996, most probably the future relevance of this organization will depend more on the rich diversity of its member countries, than on their similarities. The visible differences among the nine countries are numerous, from the size of the territory and the population to their productive capacities. Only Brazil represents 80% of the territory (10.7 million km²) and 76% of the 272 million people in the CPLP, while its economy is among the ten largest economies in the world.

This text updates IDeIAS 77, entitled "Strategies for Economic Growth and Development in the CPLP". A reflection centred on the identification of economic growth strategies, defined not as mere intentionality or priority objectives, but as an instrument for gaining advantages and affirmation of supremacy, regional or international, using the two main sources of investment, namely: internal savings, corresponding to the part of revenue (income) which is not used for consumption, in a certain period; and foreign savings, corresponding to the part of revenue not consumed by other countries and made available to the country that imports it. Thus, following the perspective outlined in IDeIAS 77, this text focuses attention on how savings (internal and external) are used to finance investment (measured as a proportion of real GDP). The information is summarized in Table 1 (with a particular focus on the period 2000-14) and the nine graphs on page 2, arranged together, to allow a better appreciation of the similarities and differences in the evolution of savings and investment, using the two most recent databases available: Penn World Table 9.0 (PWT 9.0) and World Bank's World Development Indicators (WDI) (2017). We will follow up shortly, by sharing an updated version of IDeIAS 77, in the same format, considering each of the nine CPLP countries separately, and a new IDeIAS for the Southern African Development Community (SADC) countries.

1. Dominant Growth Strategies

From the evaluation of the data and relevant complementary information, we identified four key differentiated economic growth strategies among CPLP countries:

- 1) Strategy oriented mainly to production and supply (Portugal and Brazil);
- 2) Strategy of accumulation of internal savings and

repression of consumption (Angola and Equatorial Guinea);

3) Consumer-oriented strategy anchored in the complementarity of internal savings and external savings (Cape Verde);

4) Consumer-oriented strategy anchored in substituting internal savings by external savings (Guinea-Bissau, Mozambique, São Tomé and Príncipe and Timor-Leste).

Although consumption is at the heart of three of the four major strategies, production also plays a role in them. The most relevant feature here is whether the prevailing spirit and dominating scale of values in the economy are oriented more towards consump-

tion. Portugal, with only 1% of the territorial size and 5% of the population of Brazil, enjoys practically double the Brazilian GDP per capita.

4. Equatorial Guinea and Angola are singled out in the second strategy, accumulating high domestic savings, but greatly restricting consumption. Equatorial Guinea has the highest GDP per capita in the CPLP, but in 2000-14 its family consumption was around 10% and public consumption was 5% of GDP. Given that most of the populations of these countries face a high level of precariousness in their basic needs, it is appropriate to inquire into the reasons for their commitment to an extremely suppressed total consumption.

5. Cape Verde visibly focuses on the third strategy, based on the assertive complementarity between internal and external savings. Despite being a small country, in 2000-14 it became the country of the CPLP with the highest level of investment (41%) as a proportion to GDP.

6. The remaining four countries are examples of the fourth strategy, chronically anchored in substituting internal savings by external savings; the latter is often diverted to supplement the immediate consumption, sometimes above the national income, instead of being directed to the expansion of domestic productive capacity.

Table 1: Summary of Relevant Indicators in the Economy of the CPLP, 2000-2014

	GDP per capita, 2014		Population, 2014		Area, km ²	Consumption (% of GDP), Average 2000-14			Savings and Investment (% of GDP), 2000-14		
	\$Int., PPP	\$US	(Millions inhab.)	(%)		Familiess	Gov	Total	Internal	External	Inv.
Equatorial Guinea	39.248	21.436	0.821	0.3	28	10	5	16	84	-52	32
Portugal	27.047	22.393	10.4	3.8	92	66	19	86	14	12	27
Brazil	14.811	11.494	206	75,7	8.515	60	19	78	22	0,2	22
Angola	8.803	6.287	24	8,9	1.247	33	14	47	53	-23	30
Cabo Verde	6.522	3.677	0.514	0,2	4	18	41	59	20	18	41
São Tomé and Príncipe	3.481	1.850	0.186	0,1	1	80	24	105	-5	24	23
Guiné-Bissau	1.262	675	1,8	0,7	36	78	23	101	-1,5	7	6
Mozambique	1.237	641	27	10,0	802	83	14	97	3,4	19	23
East Timor	1.119	1.209	1.155	0,4	15	80	98	178	-78	112	35
Total	103.531	69.662	272	100	10.740						
mean	11.503	7.740				57	29	85	13	13	27
median	6.522	3.677				36	66	19	86	14	27

Source: PWT 9.0 e WDI 2017

tion than production, or vice versa. However, the differences among the strategies are of emphasis, or relative, rather than absolute.

2. Main Findings

1. The internal savings in the CPLP vary between extremes quite distant from each other. At one extreme, four countries exhibit very low or negative internal savings (<12% of GDP): São Tomé and Príncipe (-5%), Guiné-Bissau (-1.5%), Mozambique (3.4%) and Timor-Leste (-78%); at the other extreme, two countries have the highest levels of internal savings in the world [> 25% of GDP]: Equatorial Guinea (84%) and Angola (53%). In the middle, there are three countries with average levels of internal savings (12% to 25% of GDP): Portugal (14%), Cape Verde (20%) and Brazil (22%).

2. In assessing the nine graphs below, two distinct groups stand out. The first group with a historical evolution of substantial domestic savings: Angola, Brazil, Cape Verde, Equatorial Guinea and Portugal. The second group shows a history of chronic lack or prolonged deficit of internal savings.

3. Portugal and Brazil illustrate the first strategy, predominantly oriented towards production and supply, with capitalist entrepreneurship as the driving force of the economy and innovation with a fundamental role in improving productivity. However, the development gap in these two countries is signif-

3. Brief Conclusion

The previous classification of the main growth strategies in the CPLP provides an interesting basis for reflection on the merits and shortcomings of each country in the context of competitive challenges between development and underdevelopment. Although it can be argued that what drives economies is spending rather than saving, the latter is by no means irrelevant. On the contrary, spending on investment goods, in order to expand the productive base and increase wealth, constitutes a form of deferred consumption.

Given that it is not possible to enter into a more detailed analysis here, one aspect can still be highlighted. Apart from the intriguing strategic option of Equatorial Guinea and Angola, no less surprising is the obsessive Mozambican bet on expanding consumption and investment at the expense of foreign savings. The result is clear: Mozambican economic performance is at the level of Guiné-Bissau and São Tomé and Príncipe. This leaves two possible scenarios: either this is due to the incapacity and incompetence of the political and economic agents; or it is a conscious strategic option, aiming at conquering sinecures; that is, profitable benefits, with the minimum of work and responsibility.

Community of Portuguese Speaking Countries (CPLP) in graphs, comparing the trajectory of savings (internal and external) and investment between 1960 and 2014, except for countries with no data for the whole series.

