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My heart sinks every time I am on Uhuru Highway. Vendors peddle every type of convenience electronic gadget, all made in China.

From Gikomba to Diamond Plaza, merchandising is the buzzword. Kenya Airway's Guangzhou route is booming, thanks to Kenyans travelling to buy products for their consumption-only customers. At high-profile China-Kenya meetings we read speeches that do not address the growing trade imbalance.

In one of my speeches, I remember urging China to commit to prevail on its citizens to each drink a cup of Kenyan coffee for ten days a year as part of a strategy to resolve our trade imbalance. If they did, and if the cost were one dollar, Kenya would raise more than $13 billion, slightly more than our national budget.

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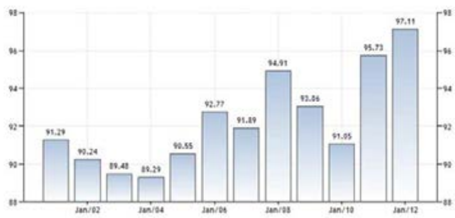
Indeed, the Chinese take a lot of our coffee, but we get very little out of it. Fifty years after independence we have not mastered the coffee value chain. It is perhaps our weakest link to prosperity.

We are a consumer economy. The contribution of manufacturing to the Gross Domestic Product (GDP) has never gone past 15 per cent for more than 30 years. Agriculture has remained at sub-30 per cent of GDP for ages. Tourism, which used to be a leading contributor to GDP, is under threat.

POOR SAVINGS

Retail, however, has expanded tremendously, and very little that is in our supermarkets is produced locally. We are guided by consumer spending, which is rising as a percentage of GDP as opposed to its other major components (gross private domestic investment, government spending, and imports netted against exports).

Ordinarily, when you borrow to spend, the logical decision is to become thrifty and save more, but this has not happened in Kenya in the past few years. We are now so dependent on consumer spending that any pullback will send waves through the economy.



The fear that depressed demand will force companies to cut back on labour leading to greater unemployment is always in the mind of bureaucrats. We would rather spend even if it is just a few privileged people. This, however, does not help increase the savings rate — the percentage of after-tax income that people do not spend — which has fallen from a high of 18 per cent (expressed as a percentage of Gross National Income) in 2004 to about 13 per cent in 2011.

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In terms of savings, all other East African countries are doing better than Kenya. Perhaps the best lesson about savings is China. They are capable of loaning several countries and winning businesses because they built insurmountable savings.

Savings and economic growth are closely related with each other. Numerous studies, whether of low-income or high-income groups, show the relationship between the savings at domestic level and economic growth.

INCREASING TAXES

The economic growth of a country can be referred to as the economy's capacity to increase the production of services and goods in comparison with a previous time period. Without productivity or expansion of the economy for greater revenue, governments resort to increasing taxes to plug consumption holes like salaries and others social services. This leads to a chicken-and-egg allegory.

In the 60s and 70s, farmers could easily earn from their produce and meet their commitments. Land was plentiful and farm sizes were large. Agricultural extension officers ensured crop rotation for farmers to enable greater yields, and productivity was high. The majority of the farmers could harvest between 30 and 40 bags of maize per acre, but all this has faded. You will count yourself lucky if a maize plantation yields 10 to 20 bags per acre.

Productivity among peasant farmers is as low as fewer than five bags per acre for maize. Food insecurity has soared as we look to other countries to purchase maize for consumption. Year after year, we forget to produce more than we consume.

Instead of commercialising research outputs, knowledge workers at universities joined unions to push for more salaries (greater consumption without corresponding production) as their research production lies idle in laboratories. Some of the research outputs are what we import into the country.

Most universities globally make additional revenues from research partnerships with private enterprises. Although state funding is essential to making university affordable, it is time we started building sustainability models and stopped overreliance on state funding. Some universities like Egerton are in such strategic locations as to produce enough outputs to cover their operational expenditure.

STEEL PRODUCTION PLANT

We are now culturally inclined towards consumption. Production, which enhances resource availability, and in turn brings peace in our fractious society, takes a back seat. Our political

class has taken this cue, and they too are big into consumption. Besides their fat salaries, they frustrate investment that would lead to greater productivity.
For example, instead of Nyanza leaders seeking to produce steel from iron ore in Homa Hills for the standard gauge railway, they frustrate the very investment that would utilize their resource. All they needed was to negotiate in such a manner that China would build a steel production plant in Homa Bay. This would have led to even building an energy plant and created more jobs.

In Kitui it is the same story. We could save this country from deforestation if Kitui leaders were inclined towards production and started mining coal for use as a domestic source of energy to replace charcoal.

What we need in Kenya today is to change course from a consumer economy to a production economy, where we put more emphasis on investment in physical, human, and knowledge capital, and less on consumption as the yardstick of success.

In my view, we can compete effectively with China if we have the collective determination to do so. China is beginning to move up the ladder in manufacturing into high-value products. It is the perfect chance for Kenya and other African countries to seize the emerging opportunity to manufacture low-end products.

RAISE OUR CURIOSITY

This is where we can build the confidence to fight it out with the rest of the world. In thinking creatively to exploit opportunity we are virgins, but Africa must take up its fair share of the global productive burden.

The goal of a consumer society is to provide consumers with low prices and wide variety from far-flung sources, with less concern about jobs and wages. We could change the thinking of people if we put a little more thought and leverage the body of knowledge we have around to exploit opportunities that exist.

We must, for example, constantly raise our curiosity on natural resources, exploit emerging windows of opportunity such as the overheating manufacturing sector in China. Without expanding opportunities and becoming more productive, we encourage higher taxes that catalyse income disparities.

As Wendell Berry said, “To be interested in food but not in food production is clearly absurd.”

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