The G20's call for a New Industrial Revolution and what it means for more and better jobs

As the G20 calls for a "new industrial revolution" Huang Phuong Thao of Action Aid Vietnam argues that the international group will need to open up the space to make this revolution a reality.

On 5 September 2016, the G20 leaders for the first time called for a "new industrial revolution" that would create more jobs and bring benefits to women, youth and disadvantaged groups. The statement puts particular emphasis on industrialisation in Africa and Least Developed Countries.

Africa's industrialisation, as part of a broader economic transformation process, could help create more and better jobs in the formal manufacturing sector. Around half of the 11 per cent of the population engaged in manufacturing in Nigeria works in the informal sector. Kenya is in a similar situation: between 1990 and 2007, virtually no new jobs were created in the formal manufacturing sector. But over this same period, the number of jobs in informal manufacturing increased from just over 300,000 to almost 1.6 million. So while there is a history of de-industrialisation, there is a base of experience to build on for long term, sustainable results.

A textile factory in Lesotho
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However, the G20's statement also calls for promoting the protection of Intellectual Property Rights (IPR), trade liberalisation and the elimination of subsidies. These prevent developing countries from using industrial policy tools that rich countries relied on in the past to shift towards higher-value activities. The Vietnamese example shows how openness can backfire.

Vietnam successfully diversified its manufacturing industry over a few decades. But new trade deals including the Trans-Pacific Partnership (TPP) and the EU-Vietnam Free Trade Agreement (FTA) are likely to lead to a major shift in Vietnam's economy, away from producing machines and motorbikes and towards mass production of cheap clothes and shoes. The EU's own research shows that the FTA with Vietnam will have bad consequences.

Opening the Vietnamese economy too far will expose workers and businesses in the country to the same commercial pressures their Bangladeshi counterparts face. Bangladesh has taken liberalisation very seriously. It became a member of the WTO in 1995 and has signed 34 investment agreements. Measured in terms of simultaneous rise in export and import, its openness has doubled in just two decades. But the country is over-reliant on garments, where it is stuck at the bottom rung of the industry's ladder; this has put a brake on economic development.

The EU has been negotiating an Economic Partnership Agreement (EPA) with East African countries for over a decade. Nigeria and Tanzania assessed the pros and cons of opening up to European imports before developing their own domestic industries and recently decided to pull out. "Our experts have established that the way it has been crafted, the EPA will not benefit local industries in east Africa. Instead it will lead to their destruction as developed countries are likely to dominate the market," Tanzania's foreign affairs permanent secretary Aziz Mlim stated.

So while the G20's New Industrial Revolution Action Plan and their willingness to support industrialisation in Africa and beyond is a welcome statement, really making things work will require bigger commitments. Developing countries will need the flexibility to use the policies that members of the G20 relied on to industrialise – and the G20 will have to play a huge part in opening up that space.

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The views expressed in this blog post are those of the author and do not necessarily reflect those of the Government of Senegal, Africa at LSE blog or the London School of Economics and Political Science

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