

Africa's Turn to Industrialize? Shifting Global Value Chains, Industrial Policy and African Development

On 3 May the department of International Development held a one day conference on Industrialisation in Africa. LSE Fellow Prithish Behuria reviews the day's events.

After decades on the sidelines, industrial policy is now **fashionable** again. In the 1970s and 1980s, neoclassical economists including **Anne Krueger** launched an attack on the state, which forced the marginalization of discussions of industrial policy. In the mid-2000s, Dani Rodrik was among a group of neoclassical economists who began to urge international financial institutions to **normalize** discussions of industrial policy. Later, Justin Lin, who was the World Bank's Chief Economist, launched his **New Structural Economics** theory, which argued for an active role for government in promoting industrial policy. **Several books** have followed by Lin and Nobel laureate Joseph Stiglitz on the subject of industrial policy. International organizations have also followed suit, with the United Nations Economic Commission for Africa (UNECA) publishing **a series of reports** on the subject of industrial policy. Though industrial policy is being brought back in to development policy discourse, there is still **disagreement** between those, like Lin, who argue that countries should not stray too far from comparative advantage and those like **Ha-Joon Chang**, who argue in the tradition of **developmental state theorists**, to 'pick winners.' Despite some forward momentum, there is still very little emphasis placed on the **political nature** of industrial policy in these discussions. The definition of industrial policy has also been broadened and it is no longer restrictively thought of in terms of the manufacturing sector. Many African governments have promoted value-addition in the agriculture sector and **observers** perceive this to be a new arena for industrial policy. For example, Christopher Cramer argues that globally, agriculture is becoming industrial business – what he calls '**the industrialization of freshness**' – and this has meant that the production of agriculture has become increasingly sophisticated in many African countries.

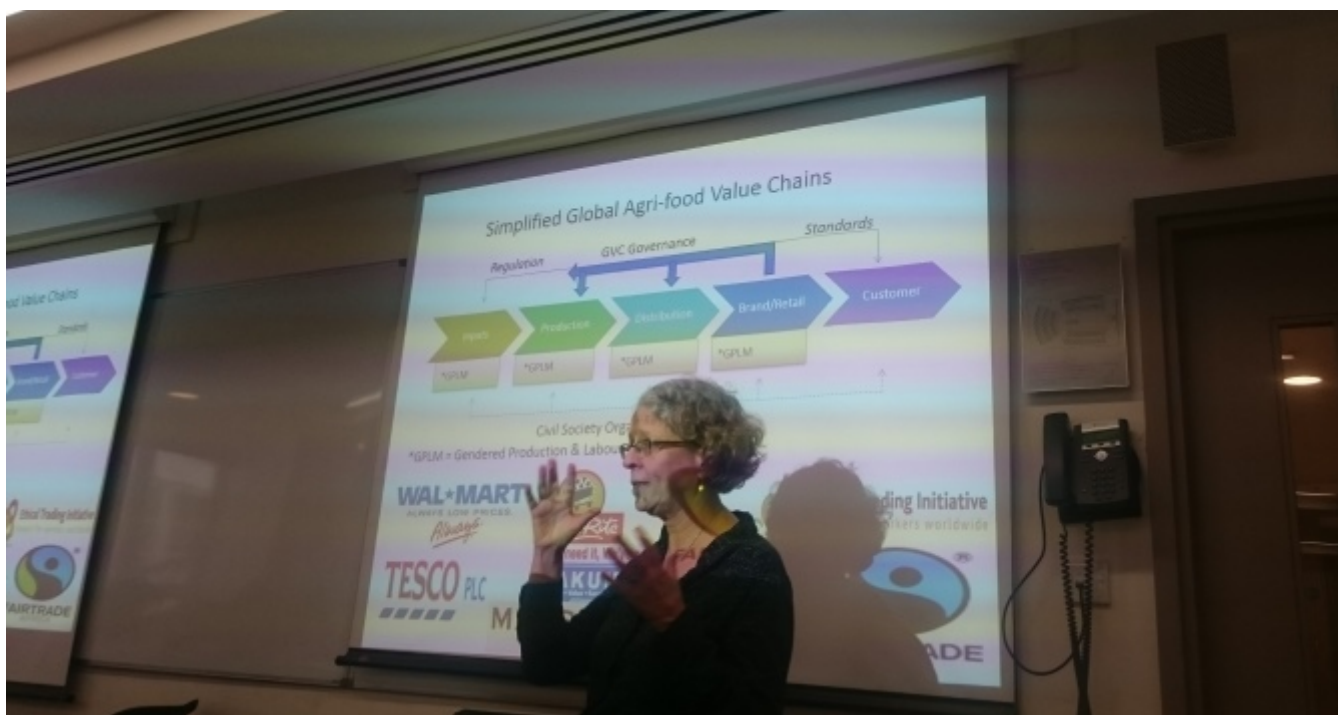
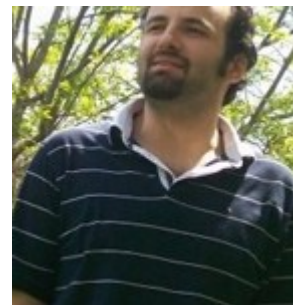


Agriculture in Africa Credit: International Institute of Tropical Agriculture via Flickr (<http://bit.ly/1VqOtoa>) CC BY-NC 2.0

To discuss these subjects, The Department of International Development (ID) held a workshop on 3 May. The workshop was entitled, "Africa's Turn to Industrialize? Shifting Global Value Chains, Industrial Policy and African Development." **Shamel Azmeh**, **Kate Meagher**, **Laura Mann** and I

organized the conference. Over 40 academics, doctoral students and development practitioners attended the workshop.

The conference began with Shamel Azmeh providing a contextual base for the day. He argued that political, economic and demographic shifts in China are increasing the pressure on labor-intensive activities in the country and that this could lead to important global production and trade shifts that will have important implications for Sub-Saharan Africa. **Rhys Jenkins** examined if such shifts could entail relocation of production into Sub Saharan Africa and was skeptical about such possibilities. Jenkins then went on to highlight eight fallacies of Justin Lin's *Flying Geese* model and argued that it was not necessarily the case that Chinese manufacturing may relocate to Sub-Saharan Africa. In the same panel, **Rory Horner** presented his **work** on South-South trade, arguing against those who assume that such trade is automatically a 'win-win' solution for the countries involved. Kate Meagher, acting as a discussant, then pushed the audience to avoid thinking of primary commodities as 'bad' and manufacturing as 'good.' Such points were made in Raphael Kaplinsky's **work**, which showed a significant decline of manufacturing prices compared to commodity prices. In relation to existing foreign investment, Meagher also stressed that recent FDI had been more focused on capturing consumer markets in African countries, rather than assisting African firms to capture the home market. In **her own work**, she has argued that a transnational scramble for African labour is taking place on the continent mirroring the scramble for African territory that took place in the 19th century.



Stephanie Barrientos Professor at the University of Manchester.

The next session examined new directions in industrialization, related to global linkages, firms and labour. **Jostein Loehr Hauge**, who was one of the authors of UNECA's **recent report** on Industrial policy, presented his work on Industrial policy in Ethiopia in relation to the expansion of value chains on the continent. **Jing Gu** then presented **her work** on The Political Economy of State Business Relations in Chinese Development Cooperation. Gu pushed the audience to differentiate between the varied kinds of Chinese investments being made on the continent. She also highlighted the strong provincial characteristics of Chinese investments in Africa, with different Chinese provinces focusing their investment on different countries and sectors in Africa. The University of Manchester's **Stephanie Barrientos** presented her value-chain research on **South Africa** and **Ghana**. She began by stressing the importance of examining industrial policy in terms of value-chains and in particular, in terms of how lead firms controlled such value-chains. She argued that value-chains research helped provide us with a better understanding of relationships

between firms. Meanwhile, Global Production Networks research has been extremely useful in helping examine how workers have been integrated in value-chains and how the gains of such integration have been distributed to different actors. The University of Colorado's **Jennifer Bair** emphasized the complexity and unevenness associated with the emergence of Global Value Chains (GVC). Like Barrientos, she argued for the importance of examining the strategies of **lead firms** to develop a better understanding of the challenges facing workers in particular value-chains.



The third session included three presentations on the prospect for economic transformation through information and communication technologies (ICT). **Padraig Carmody** presented his work on Informalisation and Industrialisation in Africa. During his presentation, he referenced his recent work on South Africa and Tanzania and described how ICTs were being used in manufacturing sectors in those countries. **Gianluca Iazzolino** then presented his work on how Kenya's digital financial services was acting as a 'war on cash.' **Jana Kleibert** and **Laura Mann** then presented their work on how lessons from the ICT sectors in India and the **Philippines** could inform the transformation of ICT sectors in

Africa. Kleibert and Mann described the transformation of the ICT sectors in India, the Philippines and **Kenya** while examining how such growth could impact employment and industrial growth in those countries. **Chris Foster**, whose work focuses on similar topics, acted as a discussant and highlighted the challenges associated with the transformation of ICT sectors in African countries.

The fourth session was organized around the theme of national industrial policies. **Christopher Cramer** presented his work on Ethiopia. He argued that the interaction between the speed at which industrial policy is being pursued and the political nature of those policies is often overlooked. Ethiopia's **Growth and Transformation Plan** has been ambitious. Though such ambition is often questioned by neoclassical economists, such **over optimism** (as Hirschmann called it) is often associated with important developmental effects. Hirschman's '**hiding hand**' is one example of this. **Christina Wolf** presented her work on the politics of manufacturing sector development in Angola, questioning how changes in elite interests may have impacted the trajectory of policymaking. My presentation focused on the challenges associated with ambitious development strategy in Rwanda. It highlighted the challenges associated with learning from failure on a national, sectoral and firm level. **Catherine Boone** acted as a discussant. She emphasized the similarities between the policies that were being pursued now and those that were on offer in the 1940s and emphasized the dangers associated with the dominance of foreign investment and the lack of local firms in some contexts, which were highlighted during the panel.



The day ended with a keynote speech by **Raphael Kaplinsky**. He focused on five key ideas to think about going forward. He argued that the phrase – industrial policy – should be replaced by the term – productive sector policies. Such arguments were reiterated by **Robert Wade**, who acted as a discussant. Wade argued that the phrase – industrial policy – had become toxic. Kaplinsky's other key lessons include a need to move on from sector analyses to analyses focused more on capabilities, a GVC-led policy must begin with buyers, buyer-led chains are more prevalent in markets feeding the north and that there are specific challenges in promoting inclusion in GVCs.

This conference provided an avenue to analyze the challenges and opportunities associated with industrial policy in Africa. Such discussions are currently very popular on the continent among African leaders, as well as some development practitioners. Though some countries like **Ethiopia** have shown signs of developing effective industrial policy, time will tell whether other African countries will be able to follow suit.

