

Africa's need to aggressively pursue the industrialization path has become more compelling in light of the need to sustain current growth standards. With carefully developed backward and forward linkages, industrialization has the potential to diversify economies and reduce exposure to external shocks. At the United Nations Economic Commission for Africa (ECA), we are working the case for industrialization and we do not apologize for that. We are convinced that, if properly done, it opens doors to address most of Africa's many challenges. It has the potential to reduce poverty, deal with the inequality provoked by the rent-seeking practices persisting in many countries, and it can allow leapfrogging into a green economy model. Several myths are bandied around about why Africa's industrialization has been stunted. Let me address a few fallacies that continue to plague Africa's industrialization drive.

#### MYTH 1: industrialization is a fashionable development word that will soon be forgotten

There continue to be strategic and policy changes in the posture taken by African states regarding development strategies. We remember buzzwords like 'structural adjustment', 'trickle-down effect' and 'poverty reduction strategies' that influenced national policy direction. Although industrialization has always been in development literature, this is the first time it is likely to take centre stage. The call for industrialization is now linked to a structural transformation of the state. The Plan of Action for the Accelerated Industrial Development of Africa (AIDA), supported by the African Union, ECA, the African Development Bank and the New Partnership for Africa's Development (NEPAD), demonstrates how the link between industrialization and structural transformation is being taken seriously.

AIDA is based on four pillars – using Africa's own natural resource endowment as a basis for industrial transformation; developing an infrastructural system including energy and transportation; increasing research and development and the adaptation of technology and promoting private sector development especially the role of small and medium scale enterprises. It is hoped that these enablers will lead to the structural transformation of the continent's economies. In the 1970s, the Republic of Korea had neither the skill, nor raw material for developing a world-class shipbuilding industry but decided to follow this path based on a well-developed policy. Today, the Republic of Korea is one of the three

largest shipbuilding nations. We need to think about examples like this. Although we need African solutions and priorities, we can learn from such successes.

#### MYTH 2: industrialization is all we need to develop

African countries must begin to see industrialization as a tool for the social and economic transformation of their societies, with structural transformation as the end result. Deng Xiaoping's transformation of China's economy is an example of the need to address industrialization as part of a wider integrated and intergenerational process of development. In this regard, I define structural transformation as a significant change in the sectoral composition of GDP with the share of the primary sector in employment and output shifting to industry and modern services. Structural transformation can be realized by giving attention to key developmental elements, one of which is industrialization. We

# Busting the myths

Carlos Lopes on the importance of industrialization for Africa's development



CARLOS LOPES was appointed by Secretary-General Ban Ki-moon as Executive Secretary of the United Nations Economic Commission for Africa, in September 2012. He previously served as Executive Director of the United Nations Institute for Training and Research, and as the United Nations Development Programme Resident Representative in Brazil. He joined the UNDP in 1988, following service in the public sector of his native Guinea-Bissau.

have to still deal with a demographic challenge and transform it into a dividend, not to mention the social cohesion that should result from reducing inequality, embracing diversity and increasing human security and inclusive governance.

#### MYTH 3: African countries have tried industrialization before and it failed, so why now?

In the 1960s, newly independent Africa emulated other regions of the world in undertaking import-substituting industrialization. This led to some remarkable progress but was ultimately stymied by the limits of the model and global political economy. This is why, today, Africa should be mindful of a very different global context. Africa needs alternate models that play to its strengths and satisfy the need for transformation. Brazil's Bolsa Familia programme, which took 30 million Brazilians out of poverty, was designed to achieve economic growth with social equality. With up to 90% of Africans still heavily reliant on the agricultural sector, commodity-based industrialization speaks to our strength. Commodity-based industrialization also offers immediate scope for value addition and plenty of opportunity for exploiting consequential linkages. Botswana's decision to add value to rough diamonds before exporting them ensured an extra US\$6bn in diamond sales are now going through the country's financial centres. This created new jobs for its youth, whilst boosting the infrastructure and tourism sectors.

#### MYTH 4: It is too late for Africa to industrialize without polluting the environment

The world has changed since the time of the Industrial Revolution. Coming late to the club gives Africa the opportunity to industrialize differently. It is not about privileging export-oriented or import-substitution models. The new industrialization model must be closer to the commodities' production centres, look at the leapfrogging technological potential and have the African growth market in mind. It should ensure strong forward and backward linkages and of course, understand the sophisticated global value chains.

#### MYTH 5: Africa's current economic growth will lead to job creation

Based on demographic growth projections, Africa will need to create up to 10 million formal jobs annually as more young people enter the job sector. Current economic growth models do not create enough modern jobs.



Illustration: istock/Tashatuvango

In fact, the fastest growing African economies also have the highest levels of youth unemployment. Although growth is robust in many countries, it is propelled by internal consumption that does not benefit all. To reverse this trend, proper planning should focus on modernizing the economies through more manufacturing production taken from other parts of the world where unit values are increasing fast and start by positioning Africa in relation to its natural resources and potential renewable energy assets. These, combined with a younger, more educated, urbanized and connected workforce, make Africa quite unique.

#### **MYTH 6: investors are not attracted to 'risky' Africa**

Intra-African investment has, since 2007, been growing at a 32.5% compound rate, with South Africa leading with US\$18bn invested across several sectors, followed closely by Morocco and Nigeria. In 2011, the rate of return on inward foreign direct investment (FDI) in Africa (9.3%) was the highest compared to other regions of the world (8.8% in Asia and 4.8% in the developed economies). This is important because it means Africans are not just asserting themselves in a political narrative. They are also investing more in their own continent. Fortunately, others are

following. FDI will reach US\$50bn this year, an all-time high. More people now realize Africa is not as risky an investment decision as it may appear. In fact, it has the best return on investment. Africa needs to better brand and market itself.

In conclusion, if the news on growth is good, Africa wants and needs more to be able to deal with the challenge of having to industrialize and grow when its population and cities are growing quicker than any previous historical experience. It is high time we turn the story of the 'no hope' to 'rising' continent into meaningful change and prove the sceptics wrong.