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**SPEECH OF**

**H.E. MRS. ELISABETH TANKEU,**

**AU COMMISSIONER FOR TRADE AND INDUSTRY,**

**AT THE PANEL DISCUSSION ON**

**“INDUSTRIALIZATION OF AFRICA”,**

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**Chairperson,**

**Excellencies,**

**Distinguished Ladies and Gentlemen,**

I am grateful for the opportunity to make a statement at this Panel. I wish to commend the organizers of the event for focusing the discussions on an issue that is of critical importance for Africa to achieve sustainable economic growth and development, and to meet the challenges of development in the 21st Century. As you may all be aware, the role which Africa has been playing in the international division of labour is primarily that of the provider of raw materials to power the industrial development and prosperity of other regions of the world.

There is very little manufacturing and value addition activities within Africa. In most of its countries, the contribution of manufacturing to the Gross Domestic Product (GDP) is less than 15 percent. In some cases, it is as low as 5 per cent. The share of manufacturing in Sub-Saharan Africa’s GDP declined from 17 per cent in 1990 to about 15 percent in 2005. Not only has Africa been marginalized in global manufacturing value added (MVA), its share of this has tended to decline. For example, between 1992 and 2004, the contribution of sub-Saharan Africa to global MVA fell from 0.96 per cent to 0.88 per cent. A corollary of the industrial underdevelopment of Africa has been its marginalization in manufactured exports, which constitute one of the most dynamic sectors of global trade. Manufactured exports of Africa are modest and comprise mainly of low-technology products.

The low level of industrial development in African countries has not been due to lack of efforts on their part. Indeed, to diversify the economy inherited at independence from colonial powers, many African countries in the early years of freedom embarked upon programmes of industrialization based upon import substitution strategy. Due to the fact that such programmes were not accompanied by the building of industrial capabilities, the import substitution industries lacked competiveness, consumed a lot of foreign exchange earnings without adding to them, and could not contribute much to the diversification of the economy.

Under the influence if not the pressure of the Bretton Woods Institutions, the adoption in the1980’s by African countries, of structural adjustment programmes, whose key element was trade liberalization, led to the influx of manufactured imports and to the decline of import substitution industries. According to the UNIDO, as many as 15 African countries experienced de-industrialization in the first half of the 1980s.The consequence of this development has been the increased marginalization of Africa in global manufacturing.

**Excellencies,**

**Distinguished Ladies and Gentlemen,**

As you may be aware, there is a strong positive relationship between industrialization, the rate of economic growth, and the level of development. The higher is the degree of industrial development of a country, measured by the share of MVA in its GDP and its shares of global industrial output and exports, the higher tends to be the rate of economic growth and development. The dynamic sources of growth and development in industrialization include the positive spillovers and backward and forward linkages with other sectors of the economy, the greater scope for economic transformation and modernization of society, and the enormous opportunities that manufacturing provide for generating and applying innovation, and for participating effectively in global trade.

The development experiences of East Asian countries have clearly shown the important contributions that industrialization can make to sustainable economic growth and development. In the 1960s, many of the East Asian countries were at the same level of development as African countries. At independence, the GDP of Ghana was higher than that of the Republic of Korea. Today, the story is different, with the GDP of Korea 80 times that of Ghana! In general, East Asian countries, through industrialization, economic transformation and diversification, and linkages to the global industrial economy, have been able to achieve rapid and sustainable growth and deliver prosperity to their peoples more than African countries. The latter are yet to be sufficiently industrialized to overcome their heavy dependence on the production and exports of primary commodities. As a result, although paradoxically Africa is endowed with abundant natural resources, it remains the epicenter of global poverty, deriving little benefits from the process of globalization while not being immune from its risks.

In recent years, Africa has achieved impressive economic growth performance due to debt relief and commodity boom. For example, overall GDP growth in sub-Saharan Africa accelerated from 2.5 per cent annually during the 1990s to 4.3 per cent between 2000 and 2005. And in the five consecutive years that preceded the global financial crisis, the real GDP growth of Africa was between 5 and 6 per cent. While improvement in macroeconomic management was a factor in this performance, Africa’s economic growth has been commodity-based, powered mainly by high commodity prices. Being commodity boom driven, Africa’s economic growth, in contrast to Asian economic growth that has been driven mainly by industrial development, has tended to be jobless and not sustainable. For example, although Africa achieved impressive economic growth between 1990 and 2005 as indicated above, almost 60 million people on the continent fell into poverty during the period. Over the same period and because of the difference in the source of its economic growth, East Asia was able lift 300 million people out of poverty. It does appear that industrialization is a powerful engine of employment generation, sustainable economic growth and poverty reduction.

**Chairperson,**

**Distinguished Ladies and Gentlemen,**

Africa is determined to improve the living conditions of its people, to achieve rapid and sustainable economic growth, to alleviate poverty, and meet the other challenges of development in the 21st Century. To achieve these objectives, high priority has been accorded by the continent to economic transformation and diversification through rapid industrialization. At national, regional, and continental levels, African countries have in recent years adopted a number of policies, programmes, and initiatives to fast track the process of industrialization and reduce the traditional heavy dependence of the economy on primary products. The African Union was established to promote, inter alia, “sustainable development at economic, social and cultural levels as well as the integration of African economies” and “co-operation in all fields of human activity to raise the living standards of African peoples”. Hence, it has been providing leadership in Africa’s drive for industrialization.

The building of Africa’s industrial capacity involves putting in place the right policies for macroeconomic management, the enhancement of infrastructure and technological capacity, human capital development, the enhancement of the role of the private sector in the economy and the creation of an enabling business environment, including the promotion of good economic and political governance. All of these are critical for industrial development.

As part of the efforts to build the required industrial capacities and capabilities for Africa and to remove the constraints on the continent’s industrialization, the AU had adopted in July 2004 the African Productive Capacity Initiative (APCI) as the industrial component of its Strategic Programme, the New Partnership for Africa’s Development (NEPAD). The focus of the initiative was on the development of African entrepreneurship and SMEs in selected industries The other measures adopted by the Heads of State and Government of the African Union that are aimed at accelerating the pace of Africa’s industrialization include the adoption of programmes for the building of basic infrastructure (transport, communication, energy, etc), Action Plans for the Development of Science and Technology and the Accelerated Industrial Development of Africa (AIDA), and an African Agribusiness and Agro-Industries Development Initiative (3ADI). The AIDA provides a comprehensive framework for the industrial development of Africa.

The main thrust of Africa’s industrialization strategy is the value chain approach that seeks to convert Africa’s comparative advantage in natural resource endowment into global industrial competitive advantage, based on processing and adding value within Africa to the continent’s natural resources. Building Africa’s industrial capacity requires the enhancement of human and technological capabilities, establishing appropriate institutions and instruments, addressing the deficiencies of infrastructure, and putting in place appropriate industrial policies. All of these issues are currently being addressed within the framework of the African Union and through the implementation of the programmes, action plans and initiatives indicated above.

To ensure that Africa’s industrialization strategy promotes sustainable employment generation and alleviation of poverty, high importance is being accorded to the development of small and medium enterprises (SMEs). The other elements of the strategy include the harmonization of industrial policies at regional levels to achieve economies of scale, complementarities and synergies; the development of regional markets to enhance demand for industrial products, and the preparation of African industrial enterprises for regional and global competitiveness through the enhancement of productivity, quality and standards.

**Chairperson,**

**Excellencies,**

**Distinguished Ladies and Gentlemen,**

The main responsibility for achieving accelerated industrial development of Africa and integrating the continent effectively into the global industrial economy is that of African leaders, governments, and peoples. However, the international community and development partners have an important role to play. An industrialized and prosperous Africa will be of benefit to the world not only as a source of stability and security but as a growing and dynamic market. In its cooperation and economic relations with traditional and new partners, Africa has in recent years put industrialization on the top of its priority list. What the continent expects from the international community is support for the building of its industrial capabilities, for its effective integration into the global industrial chain, and for the elimination of imbalances in the world trading system, such as tariff peaks and escalation, that tend to hinder the industrialization efforts of developing countries.

Japan is a major partner of Africa which, through its initiation of the TICAD process, has shown great commitment to the development of the continent. “Boosting economic growth” is one of the pillars of TICAD IV and industrialization is the key engine of growth in the current era of globalization. The Japanese commitment should therefore be reflected more in its support for the accelerated industrial development of Africa. Specifically, increased support from Japan is needed for the building of infrastructure and human capital, the leveraging of the inflow of Japanese FDI and technology into Africa, mobilization of resources and expertise from East Asia and other regions and countries for the industrial development of Africa. Japan is a developed industrial country with a rich experience in assisting East Asian countries to graduate from primary producing and aid-dependent to industrialized economies. It also played a major role in the establishment of an organic intra-regional industrial dynamism in East Asia. With the necessary political will, Japan could play a similar role in Africa. This will require the Japanese government to effectively implement the promise it made at TICAD IV to strengthen policy dialogues with African governments to plan and implement industrial strategies and policies, drawing on Asian experiences as appropriate. Such dialogues should include the regional dimensions of industrial development and involve the AU and the RECs.

Permit me to end this address by commending the JICA and the National Graduate Institute for Policy Studies (GRIPS) for the technical assistance they are currently providing to some African countries (including Ethiopia and Tunisia) through product-specific initiatives for quality and productivity improvement. This assistance should cover more African countries and be extended to the regional dimensions of industrial development.

I thank you for your attention.