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# Saying NO to pessimistic views about Africa's resource-based industrialisation (2)

## SERIES ON INDUSTRIALISATION FOR AN EMERGING AFRICA

### The pessimistic view:

*Commodity Sectors are unlikely to promote linkages and externalities due to the fact that:*

- *Extractive industries are capital intensive and so provide few employment and skills-development opportunities*
- *Extractive industries tend to require fewer supplier linkages than manufacturing, implying that technological externalities are lower and that incentives for investment in supplier industries are weaker*
- *As Transnational Companies repatriate most revenues to their home countries, developing countries share few benefits*

### Why Africa should discard the pessimistic arguments and move on:

- *The historical experience of many resource-rich countries nevertheless shows that commodity sectors foster productivity growth, technological innovation, as well as forward and backward linkages, if there are good institutions and investment in human capital and knowledge*
- *In the 19th century, Sweden relied on exports of cereals, sawn wood and, later, pulp, paper and iron ore, while Finland relied on wood. Although access to foreign knowledge was important, the development of sophisticated processing industries was mainly the result of investments in skills and research from public and private institutions. These built the basis for sustained competitiveness and Swedish and Finnish processing industries were still competitive against low-cost producers. Similarly, US emergence as an industrial power at the turn of the past century was propelled by resource abundance: petroleum products, meat and poultry packing, primary copper products and steel works*

Sources: *Economic Report on Africa 2013* (by ECA); copies available at ECA/SRO-CA SUPERVISION: Emile Ahohe CONCEPTION/ILLUSTRATION: Abel Akara Ticha