The Challenge of the Asian Drivers: Least Developed Countries Caught Between a Rock and a Hard Place

COMPARE

Qiaotou Zip Factory

- ***In a remote area of China***
- ***First commercial workshop making buttons established in 1980***
- ***Now 700 factories, making 15bn buttons and 200m metres of zips***
- ***1,300 button shops selling 1,400 varieties of buttons***
- ***60% of global button production and most of China's zip production (80% of world production)***

AND CONTRAST

Box 1.5. Employment decline in clothing sector, 2004-2005.

	2004	2005	% decline
Kenya	34,614	31,745	9.3
Lesotho	50,217	35,678	28.9
S Africa	98,000	86,000	12.2
Swaziland	32,000	14,000	56.2

CLOTHING AND TEXTILE IMPORTS INTO U.S. ($m) 2005/2004

	SSA export value	China exports in equivalent product groups
AGOA	-17	58
Lesotho	-17	112
Madagascar	-14	76
S. Africa	-45	65
Swaziland	-10	91
Kenya	-3	97

These are among the many stark contrasts presented at the inaugural UNU-MERIT Charles Cooper Memorial Public lecture, named for the founding director of the Institute, on 19th January 2007. The lecture titled *The Challenge of the Asian Drivers: From Industrial to Innovation Policy* was given by Professor Raphie Kaplinsky - one of Charles Cooper's first students at the Institute of Development Studies of the University of Sussex in the late 1960s.

The renowned development economist addressed the challenges posed by the Asian Drivers (notably China and India) for both industrialized and developing countries. Echoing Charles Cooper's earlier contribution, Kaplinsky noted that the global presence of these emerging giants - through their direct effect on global terms of trade - challenges the conventional wisdom of focusing exclusively on industrialization policy. There is a clear need for policies that encourage a more favourable positioning of developing country firms within global value chains, global production networks and industrial clusters, and a focus on the sustainability and governance of this new emerging process. We need to further study the political, geopolitical and environmental dimensions of this "potentially unsustainable process that can produce a crack in the global system," he emphasized.

Recent shifts in the manufacturing centre of gravity towards China and East Asia has affected, through its increasing exporting performance, the terms of trade of the world economy. First, the prices of the manufactured goods have fallen steadily since these countries' appearance on the global scene – a phenomenon amplified in the North via the process of retail concentration power. Second, those commodities that are required to maintain the export led-growth of the Asian economies have experienced important growth in their prices in a process that Prof. Kaplinsky considered as "just starting to unravel, making very unlikely for them to fall."

One of the obvious impacts of this Copernican change in the terms of trade between manufactured goods and commodities – due to much lower prices offered by the Asian drivers in manufactured commodities – has been the devastation of complete industrial sectors and regions in many developing countries, destroying emerging specialization patterns of development, and employment growth. On the other hand, in a more complex process, the rise in commodity prices has created new political challenges associated with access, control and surpluses management, with potential ramifications in terms of corruption, armed conflicts, populist governments and emerging social conflicts. At the same time, the already developed countries are watching to see how quickly these Asian growing economies will develop innovative capabilities that lead them to enter into more complex and more technology-intensive products – encroaching even more on the niche markets currently enjoyed by more industrialized nations.

View presentation notes

The Charles Cooper Public Lecture Series

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