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Made in Africa:
Can Africa become a global production hub?

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Made in Africa: Can Africa become a global production hub?

Africa's industrialisation agenda lags that of many other developing markets. Its slow pace of industrialisation, production and export growth will continue to lose ground until the continent addresses its current structural shortcomings. These gaps range from unmet basic needs such as access to electricity, water and sanitation to political and economic instability, lack of know-how, and inadequate investment. However, the "Made in Africa" label, supported by the AfCFTA pact, could catalyse a fundamental shift in the continent's fortunes.

Fortunately, many of the building blocks needed to overcome the continent's industrial inertia are already in place. Rising education and income levels, a large and growing young population and a wealth of natural resources all poise Africa to accelerate up the value chain. However, despite aspirations to boost industrialisation by encouraging local manufacturing, many of these noble intentions have yet to translate into action. Industrialisation efforts in other regions appear more successful than in Africa. One example is the "Made in Africa" initiative, which has yet to bear fruit. The aim is to transplant East Asian models of success into Africa by adopting modern manufacturing techniques and pursuing technological innovation.

Timing and focus are critical to the success of this approach. Rising labour costs in China combine with Covid-19 related supply chain breakdowns in East Asia to tilt factor advantages toward Africa. Household incomes and consumption in Africa are growing. These trends make manufacturing in Africa an increasingly attractive alternative.

Introduction

This analysis explores the unrealised potential of the "Made in Africa" (MIAI) initiative. It examines what the continent has to offer investors, the positioning of African countries along the value chain, and the sectors best poised for growth.

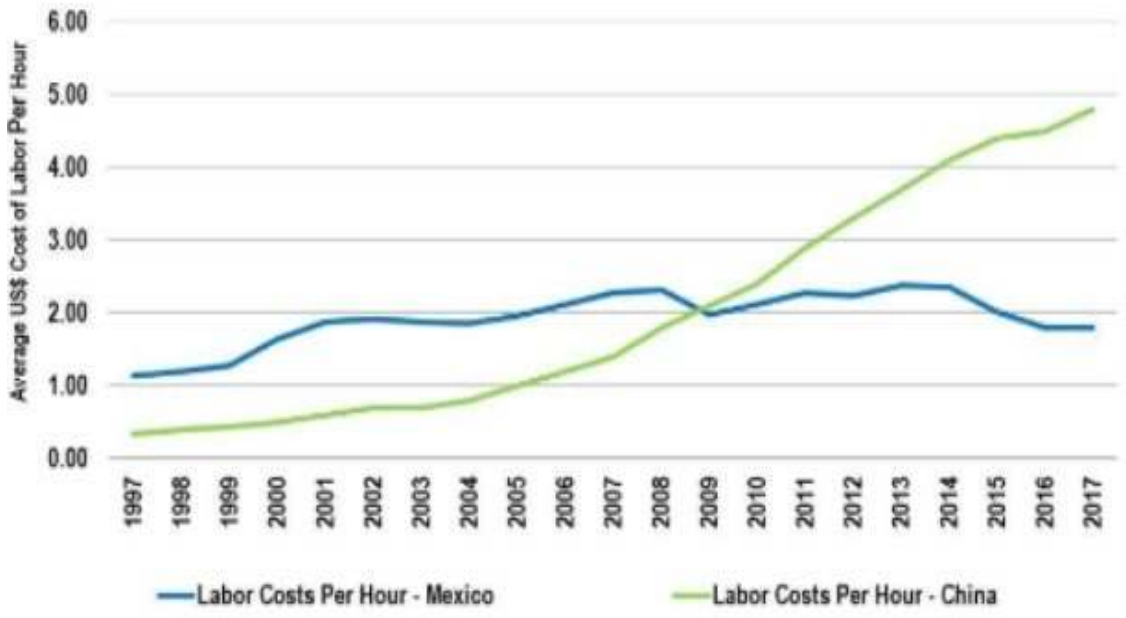
The following section traces the origins of the "Made in Africa" initiative and explores its alignment to Africa's broader industrialisation strategy. After identifying the remaining obstacles to industrial advancement for African economies, the paper closes with a proposed pan-African industrialisation strategy that would take full advantage of the MIAI.

The "Made in Africa" initiative

The MIAI project emerged from a large investment in Ethiopia by Huajian, China's largest shoe manufacturer. Within its first six months, the new factory employed 3,500 Ethiopian workers and doubled the country's shoe exports. This success led the firm to invest a further US$2 billion in Ethiopia's Bole Economic Zone. The project attracted interest from prominent public and private players who sought to emulate the model throughout the continent.[1]

Ms Helen Hai, then a senior Huajian executive, helped develop the MIAI with assistance from the United Nations Industrial Development Organization (UNIDO), and now serves as its CEO. To meet the continent's urgent needs for industrial development, Hai focused the MIAI on replication and diffusion of an industrialisation model that relocates light manufacturing processes to areas that offer lower-cost production. China's industrial and economic success was initially based on low-cost labour and high productivity. This success led to rapidly rising employment and higher labour costs, which gradually lowered China's international competitiveness (Figure 1).

Figure 1: Hourly labour costs in China versus Mexico (US$)



Source: Franklin Templeton Investments

The MIAI model outsources lower-skilled, lower-paying tasks to emerging but lower labour cost hubs. North America and Europe all underwent this journey up the value (and cost) chain. China was the beneficiary of its low-cost offshoring. With China now facing a dilemma flowing from its success, producers increasingly seek new and cheaper labour pools.[2] Africa presents a compelling case. With a large, young workforce, high unemployment levels, and gradually improving infrastructure, many countries on the continent can follow China's industrialisation path. Africans, much like the Chinese, stand to benefit considerably.

MIAI seeks to help companies (at this point, mainly Chinese) expand their operations into Africa to capitalise on a cost-effective African workforce and leverage lower production costs. As in China, such partnerships can be mutually beneficial. They can generate private sector investment, help transfer skills, reduce unemployment, boost exports and raise living standards.

The underlying principle of MIAI is the "Triangle of Cooperation" that provides African states with Western buyers and Eastern manufacturing know-how. To align their diverse interests, the initiative actively advises African government policymakers on the conditions needed to attract private sector investment. These include investor-friendly government and policy, ease of doing business, adequate infrastructure, and business confidence. Once the above criteria are broadly in place, MIAI identifies the country's comparative advantages and canvasses investors that provide a strategic fit. To date, the MIAI has notched up several successes across Africa.

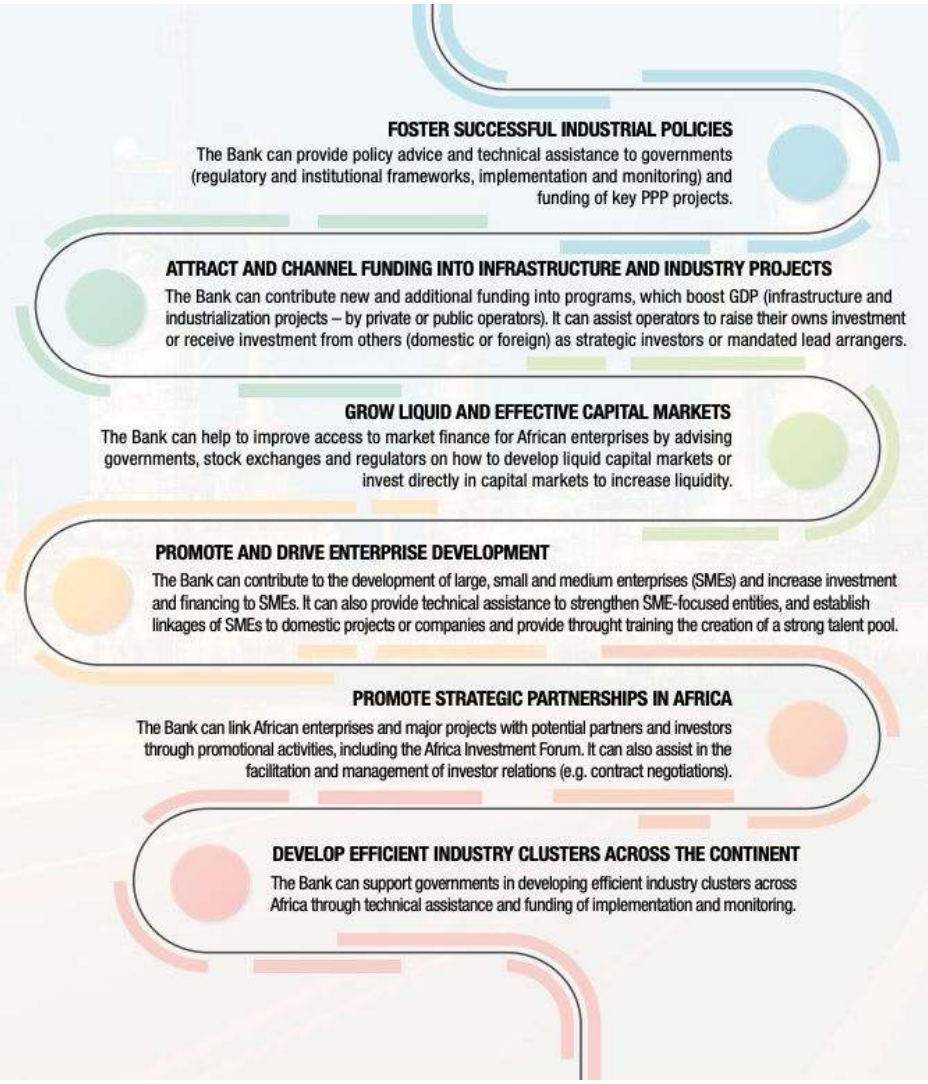
The MIAI certainly plays a positive role on the African continent. However, its origin stems from a Chinese company, and its headquarters are in China. These factors suggest that external forces drive much of the impetus and momentum for this critical development phase. They also reflect the failures in driving industrial development by African governments and the African Union (AU) and signal needs for greater urgency at the country and AU level.

However, across Africa, there is no shortage of plans, agendas, frameworks and summits: Trade and industrial development are the crucial pillars of Agenda 2063, the continent's blueprint for transforming Africa into a "global powerhouse".[3] Several initiatives are currently in play. The AU adopted the New Partnership for Africa's Development (NEPAD) as its strategic programme to foster policy on product

and export diversification, infrastructure development, human capital enablement, legal frameworks and resource mobilisation for industrial development. The Accelerated Industrial Development of Africa (AIDA) aims to mobilise financial and non-financial resources to enhance the continent's industrial output.[4] Africa Industrialization Week 2020, attended virtually by heads of states from the AU between 16 and 20 November 2020, promoted implementation.[5]

As per the AU mandate, the African Development Bank (AfDB) sees the continent's industrial process starting with successful policy and ultimately fostering efficient industry clusters adaptive to shifting global demand patterns (Figure 2).

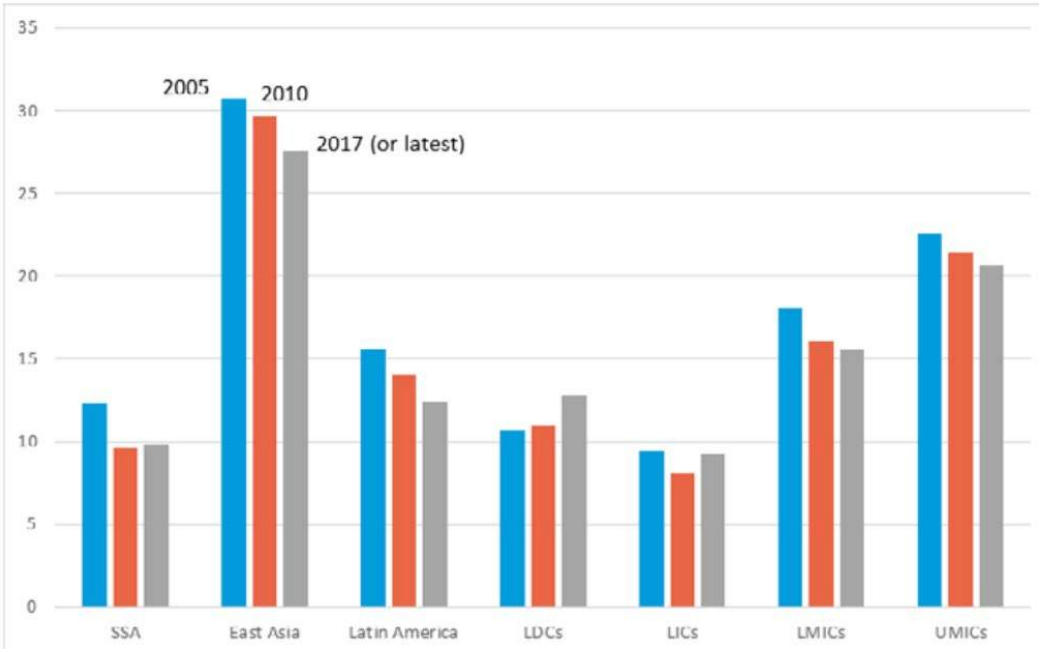
Figure 2: The AfDB's Six Flagship Programmes



Source: AfDB

The plans and strategies have seldom translated to progress on the ground due to several significant bottlenecks. Seventy per cent of the world's least developed countries are in Africa, and the continent can ill afford to delay measures that promise progress.[6] As noted by the AfDB, industry currently generates just US $700 of GDP per capita in Africa, less than a third of South America's US $2,500 and a fifth of East Asia's US $3,400.[7]

Figure 3: Manufacturing share of GDP by region and income group



LDC = Least Developed Countries, LIC = Low Income Countries, LMIC = Lower Middle-Income Countries, UMIC = Upper Middle-Income Countries

Source: World Development Indicators

Cumbersome policy largely limits more significant progress. Many current policy measures fail to ease the conditions for doing business, deter private sector investment in infrastructure, discourage capital market participation and inhibit economic progress. One major challenge in converting planning to policy and ultimately to progress is that the frameworks adopted to benefit all industries are often too broad equitably. Such measures delay development and implementation. The big bang approach is commendable but not always practical. As Akinwumi Ayodeji Adesina, President of the African Development Group notes[8]:

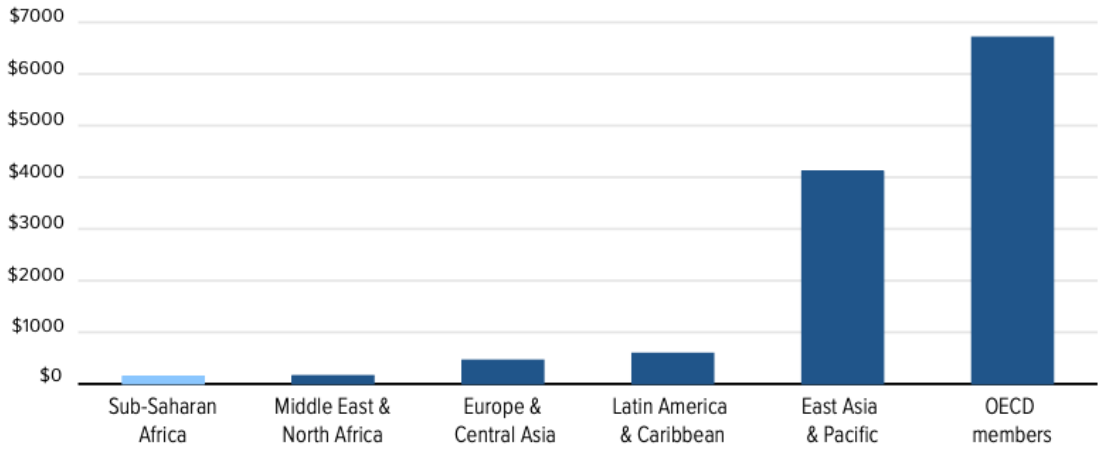
"Diversification is not a goal. It is the outcome of well-planned policies for the structural transformation of economies. No region of the world has moved to industrialised economy status without passing through the transformation of the agricultural sector. This is the formula: agriculture allied with industry, manufacturing and processing capability, equals strong and sustainable economic development and wealth creation throughout the economy".

This simple yet elegant observation appeared in the foreword to the AfDB's Industrialize Africa paper written in collaboration with some of the world's leading development economists and academics. The authors concluded that the continent must leverage its comparative advantages in agriculture and resources and move up the value chain to add value to its primary products. These steps will enable Africa to draw on its growing population to service their consumption needs.

Leveraging Africa's comparative advantages – Picking winning sectors

Currently, the manufacturing sector makes up only 10% of Sub-Saharan Africa's GDP, down from 25% in 1980.[9] While growth averages 3.5% year on year for nearly a decade, it comes off a shallow base. The degree to which the continent's manufacturing sector lags its global peers is dramatic, with an output of just US $145 billion. This figure is tiny compared to the combined US $7 trillion generated by the OECD states (Figure 4). Even then, 70% of African output comes from just four economies: South Africa, Egypt, Nigeria and Morocco.[10]

Figure 4: Region comparison of manufacturing value added (2017)



Source: Brookings Institute (September 2018)

The World Bank argues that light manufacturing offers the most efficient way to generate scale in the continent's manufacturing sector.[11] The five sub-sectors they propose focusing on are apparel, leather goods, metal products, agribusiness and wood products. The most significant advantages of light manufacturing are that it is not overly dependent on extensive capital investment, absorbs large pools of unskilled labour, provides relatively strong returns and cuts across productive sectors. Much of the raw inputs originate within Africa. Light manufacturing drives education and training (medium-skilled), which can reduce unemployment and poverty and advance the industrialisation agenda. This is precisely the trajectory to success followed by much of Asia. Africa can leverage several global factors on its route to implementation:

Duty and quota-free trade agreements with the US and EU are already in place, and its large, low-cost labour pool will partly offset notoriously low African productivity levels.[12] After the breakdown in US / Sino diplomacy dramatically increased the cost of goods imported by the US from China, buyers sought lower-cost alternatives from the light manufacturing sector in other countries. While US relations with China are likely to improve under the new administration (with some tariffs rolled back), a more proactive approach to Africa by newly elected President Biden would offer the continent an additional tailwind that benefits both investment and sentiment.

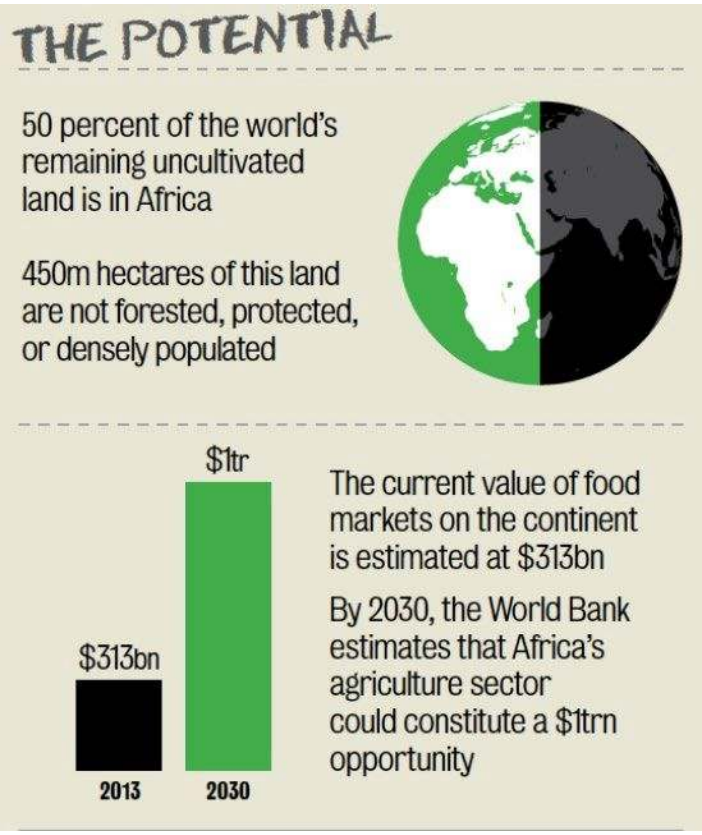
The Covid-19 pandemic highlighted the world's over-dependence on Chinese production capacity, with many importers of Chinese made goods seeking to diversify their procurement chains to mitigate the effects of another breakdown in supply. This restructuring move appears just as rising Chinese labour costs and property prices erode its cost advantages.

To catalyse growth, Africa must build on its core strengths. Africa's natural advantages lie in its agricultural output potential and rich natural resources endowment. However, it must now take ownership of the product value chain and transition from a model based on the extraction of its commodity and mineral wealth to one based on value addition. This transition, coupled with global companies' growing needs to source lower-cost production hubs and diversify manufacturing activity from the East, presents a unique opportunity for Africa to develop a robust platform for its economic and developmental progress.

Agro-processing has excellent unrealised potential. Consulting firm McKinsey estimates that more than 60% of the Sub-Saharan population are small-hold farmers. Agriculture provides 23% of the region's GDP.[13] Despite extensive challenges (lack of infrastructure, inadequate logistics, unstable regulatory environments, unpredictable weather), Africa's agriculture potential is unparalleled.[14] The continent is home to between 50% and 60% of the world's uncultivated arable land. Its grain and cereals output

could increase between two and three times, to add 20% to global output (Figure 5). At current productivity levels (estimated by *Farming First* as reaching only 40% of its potential) the continent will produce enough food to meet only 13% of its needs by 2050.[15]

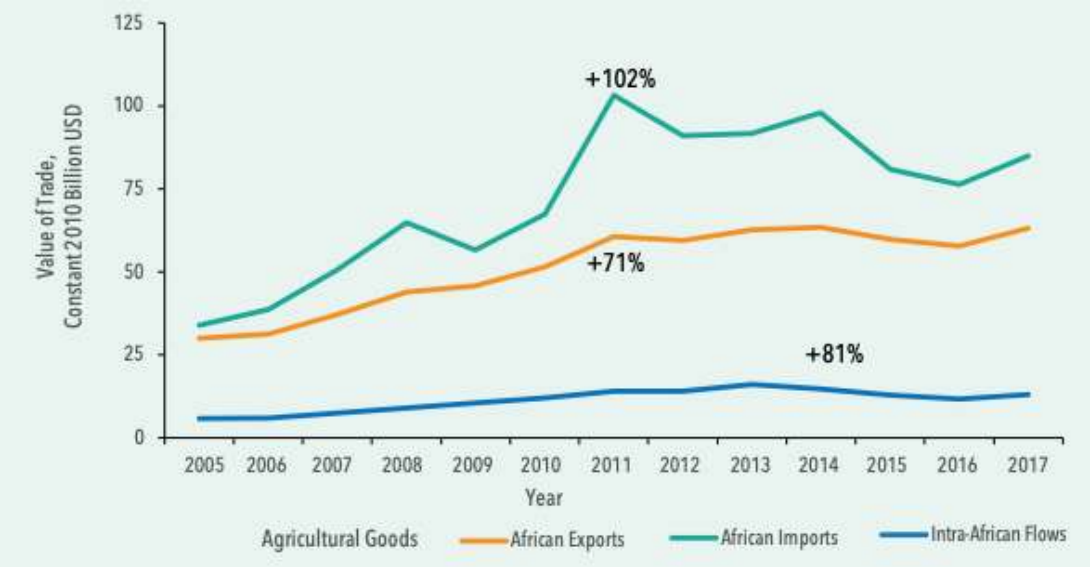
Figure 5: Estimated African agriculture potential



Source: Opportunities for Africans

Primary foodstuffs sourced from agricultural output and the blue economy (fish and marine production) are critical elements for industrialising Africa. Adding value here will generate development in primary agriculture. Africa is currently a net importer of food. This gap raises concerns about food security, in an era when climate change makes production volumes increasingly challenging to predict. The result is a widening trade deficit, accompanied by added currency pressures and ultimately, food price inflation (Figure 6).

Figure 6: Value of African agricultural exports and imports



Source: Comtrade

By processing and adding value to agricultural and marine output, such as extending the shelf-life of food, the continent would provide for its citizens (meeting food security targets) and reduce its reliance on processed food imports.[16] This transition will allow greater price control and stability and enable African producers to capture a significant share of the global value chain's more lucrative activities.[17]

Perhaps the most glaring examples in Africa are that of cocoa and vanilla production. Ghana and Côte d'Ivoire account for more than half the world's cocoa production, increasing to 70% when including Nigerian and Cameroonian output.[18] Similarly, Madagascar produces more than 40% of the world's raw vanilla.[19] In both instances, revenue comes almost exclusively from the sale and export of the raw product, rather than value-added products such as chocolate, cocoa butter, powder, extracts and flavourings. The European "Make Chocolate Fair" campaign advocates for justice and equitable financial distribution of cocoa profits. The organisers estimate that while cocoa farmers own only 6.6% of the cocoa value chain, chocolate manufacturers receive 35.2% and retailers 44.2%.[20] By boosting its share of the US $100 billion cocoa and chocolate market to 50% through processing and manufacturing end products, Africa would add more than US$30 billion annually to continental revenue and create thousands of jobs.

Similar economics apply to coffee growing in Burundi, Rwanda and Kenya and to the cotton-producing countries of Chad, Burkina Faso, Benin and Mali.[21] The opportunities extend far beyond specialised or niche products. They include adding value to essential commodities such as fruits, sugar, soybean, corn, wheat and other grains. Value-added development through downstream processing will demand extensive government intervention and reform. States often either push back against or invite domestic participation by the developed market actors that control higher-value supply chain activities. Most prior efforts to control value chains via state-owned enterprises or tightly controlled private sector access led to failure.

However, in Ghana, a market-oriented industrial policy and the public-private partnership resulted in significant foreign direct investment (FDI). Processing capacity more than doubled after the Ghanaian government discounted light cocoa beans by 20% for local processors. This capability soon attracted multinationals, such as Cargill and ADM.[22] The Ghanaian case demonstrates the potential for government policy, incentives and investment in enabling infrastructure to act as a potent catalyst for value chain development, job creation and to attract foreign investment. The same principles apply to the continent's mineral wealth.[23]

Mineral beneficiation is increasingly attractive. From gold, platinum and diamonds to copper, cobalt and oil, Africa is estimated to hold 30% of the world's known mineral reserves.[24] Despite this wealth, the proceeds generated by mine production are very unevenly distributed. For example, Zambia is the world's seventh-largest copper producers while being one of its most impoverished countries. Lesotho and Zimbabwe hold giant platinum group metal (PGM) reserves, yet poverty is widespread in both nations. More recently, the race by developed economies to corner the battery market (for use in cell phones and electric vehicles) led to a rush in Africa to extract cobalt, nickel and lithium, the primary components in modern batteries. Electric vehicle targets imposed by green economy plans saw dramatic rises in the price of these elements. The Democratic Republic of Congo (DRC) is the largest producer of cobalt (60% of global supply), while Mali, Zimbabwe, The DRC and Namibia are all significant sources of lithium (Figure 7).

Figure 7: Mineral Resources for battery materials across Africa

Country	Minerals
South Africa	Manganese (80% of the World's reserves) Lithium Aluminium Copper Nickel
DRC	Cobalt Copper Manganese
Mozambique	Aluminium Graphite
Namibia	Lithium Graphite Copper
Zambia	Manganese Cobalt Copper
Zimbabwe	Lithium Copper Nickel Graphite

Source: Clean Technica

Reports on Africa's role in the battery value chain focus almost exclusively on the reforms African countries should undertake to encourage mining investment rather than developing its battery manufacturing sectors.[25] Analysts currently tag Africa as the largest supplier of these metals, and potentially as the largest producer of products that contain them.[26] The sector needs a wholesale shift in mindset, from short-term profit to longer-term sustainable, value-added manufacturing and export.[27]

Currently, South Africa's Metair is Africa's largest battery producer. The host country plans to develop further Special Economic Zones (SEZ) in its Eastern Cape province. These are to offer tax, employment and investment incentives to battery producers. The Megamillion Investment company recently announced that the Coega SEZ would construct a 20,000 square meter world-class battery production facility capable of making 10 million lithium-ion cells per year.[28] South Africa is well-positioned on the continent to develop such facilities, given its well-developed infrastructure. However, commodity producing countries in West Africa will benefit from more favourable trade rules under AfCFTA The competition that AfCFTA generates might drive down production costs. If successful, lower costs may help Africa erode China's current 74% share of the world's lithium-ion battery production.[29]

Africa Report suggests that the DRC and Zimbabwe could provide these minerals to South Africa to capture a more significant portion of the supply chain and dramatically increase continental export revenue.[30] As infrastructure has improved, the chances of Africa succeeding becomes far more significant. Action now may keep the battery market, which Africa should dominate, from going the way of gold and platinum. Botswana demonstrated what might be done, albeit with several challenges.[31]

In 2013 the government essentially forced De Beers Sightholder Sales to relocate its operations from London to Gabarone and develop its local cutting and polishing sector.[32] The same is possible for battery manufacturing, perhaps in a more nuanced and cooperative way. Africa has a long history of well-intentioned governments positioning their state-owned enterprises to advance the mining and manufacturing sectors.

Unfortunately, most of these initiatives unintentionally disincentivised private sector participation and ultimately collapsed. Political instability, illicit flows of funds, corruption, tax avoidance and mispricing are all symptoms of the underlying problem –Africa's minerals sector is almost entirely extractive. Thus, development demands private sector participation, at most only facilitated by the government. Responses to such challenges take time to evolve, and convincing investors often take even longer.[33]

African countries should accelerate industrialisation by focusing beyond raw resources. They also should not attempt to force producers to invest in facilities. Instead, they must entice foreign producers to relocate manufacturing activity to the continent. Attracting this FDI may require redesigning tax and investment incentives to provide competitive cost advantages that will improve the market positions of producers. In return, companies will offer skills transfer, training, jobs, income growth and infrastructure investment. The multiplier from such measures will fuel the emergence of new service sectors to fulfil the needs of multinationals and their employees. This cooperative trend generates virtuous growth cycles in the host economies. Much more needs to be done to grow such public-private partnerships, liberalise sectors and encourage foreign participation. Currently, several African countries demonstrate both the willingness and ability to grow manufacturing through private sector participation.

Country and company successes

The continent shows a great deal of progress in attracting foreign investment from Europe and China; and kickstarting local companies. Attracting foreign companies and skills to partner with local firms leads to practical skills transfer. Figure 8 presents some of the critical successes that play to the relative advantages for each country:

Figure 8: Selected Success Stories

Country	Company	Success
Kenya / Rwanda / Ethiopia / Senegal	C&H Garments	Facilitated by MIAI, C&H Garments leverage the African country-market access to US and EU markets through African Growth and Opportunity Act (AGOA) and Everything but Arms (EBA), providing C&H with a perfect export springboard into lucrative markets. 300 young Rwandans received extensive training: 65% of the trainees are women.
Senegal	Chinese consortium	A Chinese led construction consortium led the development of Diamniadio Industrial Park (the first in the country) as part of the Emerging Senegal Plan to help boost the country's production capacity and exports. The Senegalese government invested US$ 44 million to assist with the infrastructure. Seven companies from China Côte d'Ivoire, France, Tunisia and one from Senegal have already set up operations producing garments, PVC-pipes, packaging, magnetic e-cards and electric bicycles. The project created 4,500 jobs with 8,000 more expected once phase 2 of the park is completed.
Nigeria	Nigeria Export Processing Zones Authority (NEPZA) - Volkswagen, Stallion Group	MIAI assisted NEPZA in setting up efficient 8 Free Zones that attracted consumer goods manufacturers, vehicle assembly companies, palm oil processors, primary steel products and plastics. These free zones are home to TG Arla (producer of Dano Milk), Palm Oil Refinery and Kellogg's Cereals. Volkswagen, Anambra Motor Manufacturing Limited, Stallion group and Busan set up vehicle production and assembly plants in Nigeria.
South Africa	Coega Industrial Development Zone (IDZ) - Metair, Megamillion Group	Both Metair and Megamillion Group have developed production capabilities in the Eastern Cape IDZ to leverage the continent's wealth of input minerals and South Africa's well-developed manufacturing infrastructure.
Ghana	Niche Cocoa Industry Ltd	Niche Cocoa Industries produces high-quality chocolates, cocoa liquors, cocoa butter and cocoa cake exported worldwide. The genesis of the company was in response to the Ghanaian government's wish to add value to its cocoa output - Ghana imports US $8 million in chocolate each year but exports US $2 billion in cocoa beans. Ghana's chocolate industry is gaining traction through government incentives and displaying rapid growth. These trends attracted the attention of global conglomerates like Mondelez.

To be sure, there are many more examples of successful growth in critical industries that take advantage of locally extracted product inputs. However, the momentum and scale needed to advance localisation are often insufficient. Here, governments must foster the right investment and growth environment, without interfering in or influencing free-market dynamics.

What are the critical barriers to success?

Doing business in Africa can be an arduous task. As recently as 2018, Ethiopia and Zambia ranked among the highest in the Manufacturing FDI Potential Index against a select list of African peers.[34] Recent political and fiscal events in the respective countries are bound to impact these rankings. Ethiopia's war in the Tigray region shows no signs of abating and a return of ethnic violence threatens. In Zambia, the government defaulted on a US$ 42.5 million interest payment. Both events highlight how quickly investment environments can shift in a country and how investors must remain mindful of potential political and financial challenges, extending even to possible sanctions that may arise on exported goods. The index portrayed in Figure 9 represents only a snapshot of the potential opportunities for FDI on the continent.

Figure 9: Manufacturing FDI Potential Index

	Zam	Nga	Ken	Eth	Moz	Rw	Ghn	Tzn	Ugn
Overall ranking	1	2	3	4	5	6	7	8	9
Overall score	56	65	66	71	71	73	75	75	78
Sub-indicators									
Ave. annual growth in manufacturing exports to the world (2005–2014)	7	2	9	4	5	1	8	3	6
Labour productivity in manufacturing (constant value added per person employed) (2013)	4	2	3	9	1	8	6	5	7
Domestic value-added content of gross exports as a share of total exported value added (%) (2011)	4	3	7	9	1	6	2	8	5
Average annualised growth in labour productivity in manufacturing (%) (2010–2013)	6	2	3	1	5	8	4	7	9
Estimated population size (2015)	8	1	4	2	6	9	7	3	5
Ease of doing business rank (2016)	2	9	3	8	6	1	4	7	5
Quality of overall infrastructure rank (2015–2016)	3	9	2	5	8	1	7	6	4
Secondary education enrolment rate (%)	1	4	3	7	9	6	2	5	8
Tertiary education enrolment rate (%)	9	2	7	4	5	3	1	8	6
Price of electricity (US cents per kWh) (2016)	2	8	7	1	3	5	9	4	6
Number of electricity outages in a typical month (2013)	3	9	5	4	1	2	7	8	6
Manufacturing value added per capita (2013)	2	1	3	9	7	8	4	6	5
Country ranking on Economic Complexity Index (2014)	1	8	2	6	5	9	7	4	3
Manufacturing share of FDI stock (% of GDP) (most recent year available)	4	5	8	2	9	6	7	1	3

Source: SET

Sound foreign direct investment decisions require viable operating environments, stability and predictability. This recipe applies to political, policy and economic domains. Ethiopia was hailed for its democratic transition just months ago. Investors are seldom able to predict radical changes that occur abruptly. Only a few years back, Zambia was the darling of bond investors. In Nigeria and South Africa, political interference in the private sector, policy flip-flopping and legal challenges all added to a deteriorating investment climate. An investor must bear in mind several hallmarks of sound decision-making.

Investors should keep a keen eye on each state's policy track records and whether proposed policy is implemented or merely promised to please potential private investors. Good policy discipline inevitably supports the stability of currency and interest rates, both critical factors in investment planning. On a

more practical level, infrastructure reliability, access to key export markets, and the ability to cost-effectively source input materials are all determining factors.

Africa's ambitions to localise manufacturing and achieve import substitution will remain beyond reach until the most rudimentary infrastructure is in place. Fulfilling these aspirations demands stable electricity grids, clean water, and adequate road, rail and port networks.

To truly advance the "made in Africa" agenda, policymakers at the national level must embrace public-private partnerships, reduce red tape and accept that no country can be fully vertically integrated. Real economic advancement happens through beneficiation and value-added services that link domestic, intra-regional and global value chains. While not all countries currently have a sufficiently developed manufacturing base, lesser developed economies can begin to move up the value chain by collaborating with those that do. Fundamentally, this places the responsibility of creating an enabling environment squarely on the shoulders of public officeholders. It is instructive to briefly unpack the policy measures undertaken by some Asian nations to reform their manufacturing sectors successfully.

Lessons from the East and competing in the era of AfCFTA and Covid

China began its economic metamorphosis from a mainly agrarian to a manufacturing economy in the late 1970s. The rapidly developing nation implemented key market and sector reforms that incentivised and allowed foreign entrants to access plug-and-play industrial parks.[35] China invested heavily in port, rail and road infrastructure and earmarked industrial land to accommodate FDI influx. The above policies effectively reduced the time and cost of doing business. Over time, many firms grew and provided housing for staff near their workplace. Such measures also reduce production costs. India undertook similar measures, taking advantage of its large unskilled working population and absorbing them into the textile and garment production sector and in other labour intensive, lower-skilled sectors.

In China, Vietnam and India, governments invested heavily in their input sectors, such as agriculture and mining, to reduce their reliance on imports, develop upstream production and better manage input costs. The growth generated from these measures attracted small local companies to invest and take advantage of supply shortages. Governments provided access to reduced financing costs to spur domestic enterprise growth. The key to this success lies in generating intense competition. Rivalry kept costs down and helped make these countries natural choices for outsourcing manufacturing. Countries strengthened their investment case with tax rebates and import tariff exemptions. State revenue losses were recovered in later years through higher excise taxes. The dividends yielded by these actions are evident (Figure 10).

Figure 10: Share of manufactured exports (vs locally consumed) as % of total exports.

	Manufactured exports		Light manufactures	
Country	1990–94	2005–09	1990–94	2005–09
Bangladesh	84	93	81	91
China	81	90	56	35
Ethiopia	22	13	10	9
Indonesia	27	38	19	16
India	51	54	41	29
Cambodia	22	90	21	89
Lao PDR	33	34	32	22
Pakistan	81	81	73	71
Tanzania	13	12	10	6
Vietnam	23	58	21	43
Zambia	3	6	2	3

Source: World Bank, Comtrade

To compete with their Asian counterparts and take advantage of the rising cost of labour in those markets, African countries must expedite the implementation of similar policies. Two factors currently in play can provide much needed impetus. Firstly, free trade in Africa under AfCFTA is due to commence on 1 January 2021. This should greatly reduce company input costs in key agri-processing and mineral beneficiation sectors. This will provide incumbents with a distinct advantage. AfCFTA will further encourage a shift in production from the East, where rising labour costs and rising tariffs take their toll. Leveraging AfCFTA can be a crucial differentiator for the continent, due to lower costs combined with Africa's duty-free access to key export markets.

Moreover, the timing is fortuitous. Covid-19 and the resulting supply chain breakdowns forced many producers to re-examine their production concentration in China. Several global companies are already exploring shifting production to Africa.[36] It was inevitable that Covid-19 would precipitate large shifts in the manufacturing sector, not just in where it is produced, but in what is produced. Covid-19 is likely to spur China's march up the manufacturing value chain, which is skewed toward heavy industry, biotech and high-tech electronics to maintain its industrial competitiveness with the US and Europe. Africa can take advantage of the resulting gap by encouraging outsourcing light manufacturing operations to its welcoming shores.

African policymakers can take two lessons from their Asian counterparts. The first is that developing a manufacturing sector to propel the continent to a higher and more sustainable growth trajectory requires political will, robust policy and steadfast determination. The second lesson is that development of this sector to rapidly reverse the continent's growing unemployment while improving living standards can take place only with the correct incentives.

Conclusion

Africa finds itself at the confluence among diverse forces. These include shifting comparative advantages due to rising labour costs in established production markets, the re-examination of global supply chains in the wake of Covid-19 disruptions, and the promised implementation of African free trade. Jointly, these dynamics can dramatically undo decades of inaction. Action now will accelerate African progress along the path to industrialisation and overcome its overreliance on raw commodity exports. The result could be a Goldilocks moment that enables the African continent to capture and retain a greater share of global value chains. The scope of this transformation will extend beyond raw materials, to production and value-added exports.

Several key industries stand to benefit from exploiting Africa's natural differentiators, notably agri-processing and the beneficiation of locally extracted materials. In addition, market forces such as the shift from fossil fuels toward electric powered vehicles drives exponential growth in demand for batteries. Africa has a rare opportunity to capture a part of this growing market. A success in this subsector would generate enormous export and tax revenue for the continent.

As always, success requires having the basics in place: stable and enabling policy plus reliable infrastructure. While great strides are seen on both these fronts, Africa still competes against many other low-cost countries in the East and South America. Africa has all the ingredients needed to achieve true industrialisation, and perhaps even a secret recipe. The question now is whether it is willing to follow the instructions to realise it's "Made in Africa" ambitions.

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