

Book Review

Industrial Development Report 2009 – Breaking In and Moving Up: New Industrial Challenges for the Bottom Billion and the Middle-Income Countries, by United Nations Industrial Development Organisation, Vienna: UNIDO, 2009, 146 pp.

This Report examines the opportunities and challenges faced by two groups of countries, the poorest countries of the world (the countries of the bottom billion) and the middle-income countries (the countries that are striving to catch up or move up the value chain). It is divided into three parts. To set the background of the study, Section I describes the importance of industrial development for growth in both groups of countries. Section II focuses on aspects of structural change in the industry deemed important for growth, namely: what is produced (diversity and sophistication in production) based on the structuralist view; where it is located (forms of agglomeration) based on tenets of the new economic geography; and where (countries and regions) its output is sold. Finally, Section III deals with appropriate policies for accelerating industrial growth.

The report begins with the premise that industrial development offers tremendous transformative potentials for the low- and middle-income countries vis-à-vis that of agriculture or of natural resources. In fact, the report offers an interesting take on the ‘new opportunities’ that can be derived for the bottom billion through integration into the global production chain, which need not necessarily result in trapping these countries into producing technologically less sophisticated products or tasks, as argued by many critics.

Several arguments in the report regarding industrial development in low- and middle-income countries have been carefully stipulated, without conceding to generalisations that can be misplaced since they consider two distinctly broad groups of countries. First, one cannot be overly optimistic that the low- and middle-income countries will reap continuous gains in growth through industrial development. As aptly recognised in the report, the sustainability of development through manufacturing, which largely depends on evolution within industry, is subject to expansions and contractions based on its international competitiveness. In short, industrialisation is no longer internally-driven.

Second, whilst recognising the role of agglomeration of economic activities (or clusters) in industrial development, the report cautions that the role of economic geography may differ across countries despite the overwhelming evidence from positive agglomeration externalities in some low- and middle-

income countries. This is a noteworthy point given that dispersion of economic activities within a country or disagglomeration is possible with improvements in service links, notwithstanding the fact that agglomeration forces still operate in some areas.

Apart from careful postulations made in the report regarding the importance of industrial development and the role of agglomeration in industrial growth, it also brings to the fore the recent changes and dynamisms in global trade that pose formidable challenges to the bottom billion and slow-growing middle-income countries. Specifically, the report emphasises the rise in the growth of trade, particularly in East and South Asia, and it acknowledges the importance of South-South trade for exports of goods manufactured by the developing world. South-South trade cooperation (OECD, 2010), especially with big emerging markets such as China, India and Brazil (“southern engines”, see Santos-Paulino, 2011), is increasingly becoming a dynamic component of international trade as developing countries seek alternative markets to compensate for the slumping demand within rich countries. In this respect, daunting challenges remain, specifically for the bottom billion and the slow growing middle-income countries to insert themselves into the global production networks and to restore export dynamisms respectively, lest they risk marginalisation in industrial development and trade.

Following which, the report offers policy solutions in the form of cooperation in transport infrastructure from a regional perspective, amongst others. Though these policies are necessary to ensure better connectivity, relationships between occupying different positions economies within strategic production networks need to be carefully identified and understood *a priori*. To quote Yeung (2009: 344):

Regional authorities and government agencies should not be paying excessive policy attention to building regional capability without carefully assessing and understanding the kind of production networks with which the countries or region can have a good chance of strategic coupling.

It is thus important to note here that strategic regional policy options for the bottom-billion and the slow growing middle-income economies must be appreciated from the global production chain perspective, since this is the crux of the challenge for both groups, which is to ‘break-in’ and to ‘move-up’ the chain respectively.

References

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