Bringing the Poor into the Export Process: Linkages and Strategic Implications

Breakout Series C:
Poverty Sensitive Value Chains

A High-Tech, Low Employment Future in the Export-Oriented Manufacturing Sector – A Correct Conclusion?

The Issue: Competition in exporting manufactured products is becoming ever more intense among developing/transition economies. Margins are becoming razor-thin and enterprises are having to adopt lean manufacturing techniques.

Moreover, China, and increasingly India, are progressively muscling other competitors out of the international market for manufactured goods. And manufacturing-related foreign direct investment is concentrating on those countries with capacity to respond to high-tech, automated technology.

All in all, for most developing/transition economies, the capacity of the export-oriented manufacturing sector to contribute significantly to poverty reduction appears to be increasingly constrained.

In the long term, the export-oriented manufacturing sector does not represent the solution to either poverty or bringing the poor into the export process.

The Proposition: Notwithstanding this gloomy scenario, steps should be taken to secure maximum advantage from the limited opportunities for the export-oriented manufacturing sector to contribute to poverty alleviation.

- There will always be market niches for poverty sensitive manufacturers.
- South-south trade provides a growing opportunity for the low to medium technology segments of the manufacturing sector.
- Resource and agro-based industries provide significant prospects for poverty reduction in manufacturing industries due to their low skill, labour intensive nature.
- Through clustering and networking, scope exists to develop a competitive advantage in high employment, poverty sensitive industries.

The national strategy-maker should consequently ensure that those industries rank high on the country’s priority list for export support and investment promotion.

Focus of the Debate: The debate will address the following questions:

1. Is the issue correctly stated? Is the proposition valid? Does the combination of (i) the ‘Asian monopoly’ on low-cost manufacturing and (ii) the increased automation within manufacturing industries, severely limit the scope available to developing and transition economies for reducing poverty through employment generation in the export-oriented manufacturing sector?

2. In addition to employment generation, how else can the export-oriented manufacturing sector contribute to poverty reduction? What are practical examples?

3. What are the export-oriented, poverty sensitive manufacturing sectors that have a future for developing/transition economies and how can competitive advantage be sustained, while maintaining the sector’s contribution to poverty alleviation?

4. What programmes have individual countries introduced that have increased the export-oriented manufacturing sector’s contribution to poverty reduction? How has this contribution been verified?

5. Is foreign direct investment likely to be a factor in strengthening the export development-poverty reduction linkage and, if so, what FDI related issues should be addressed directly within a pro-poor national export strategy?

6. In sum, does export-oriented manufacturing represent a logical solution to poverty reduction for the majority of developing/transition economies, and least developed countries in particular?