

Industrial Policy For Tanzania In The Midst Of The Fourth Industrial Revolution by Ibrahim Haruna Lipumba

Historically the process of economic development has involved the transfer of labour from low productivity primary activities particularly agriculture to high productivity secondary activities particularly manufacturing industry. Tanzania has not yet experienced structural transformation. Labour is moving out of agriculture to low productivity informal sector.

Globalization facilitated a few East Asian countries to industrialise by participating in the global value chain and successfully take most of the labour intensive activities from advanced economies. Technological change particularly the digitization of manufacturing, the use of robots to perform labour intensive activities, 3D printing and Artificial Intelligence in machines popularly known as the Fourth Industrial Revolution, is leading to on-shoring of manufacturing activities that migrated from developed countries to East Asia. It is becoming more difficult to industrialise by using the global market.

Given these realities how can Tanzania initiate and sustain structural transformation that will generate decent employment? The four potential development strategies: modernisation and commercialization of smallholder agriculture, labour intensive light manufacturing to serve the domestic, regional and global market, development of modern services in tourism and transport logistics, and efficient utilization of natural resources should not be seen as mutually exclusive. With a labour force of 25 million that continue to grow fast, we need decent employment generation in agriculture, manufacturing and services. Policies to promote structural transformation include sustained modest undervalued exchange rate to promote efficient import substitution and exports, improved infrastructure particularly power and water supply and transport, access to reasonably priced, long and short term credit, training and acquiring technological capability, policy experimentation before scaling up.