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Global Supply Chains assist development

<http://www.economist.com/blogs/buttonwood/2016/11/great-convergence?zid=301&ah=e8eb01e57f7c9b43a3c864613973b57f>

TRADE has changed a lot in the last 25 years. Indeed, we are still struggling to understand why trade growth was so rapid before the 2008 crisis, and has been relatively sluggish since.

The first is that we tend to think of competitiveness of individual states (particularly in an era of populist nationalism) - the US is competing against China and Germany. But goods are no longer assembled entirely within the bounds of one factory in one country. Instead, many goods are assembled in "global value chains" in which products are designed in one country, but made from parts built in several countries and assembled in another country. As Mr. Baldwin writes

The contours of industrial competitiveness are now increasingly defined by the outlines of international production networks rather than the boundaries of nations.

In the past, this didn't happen. Manufacturers couldn't be sure of the quality of parts they would receive, But the IT revolution has made it much easier to outsource and to co-ordinate complex activities at a distance. Some knowhow has shifted in the process from the developed to the developing world. German workers no longer the only beneficiaries of German technological advances; German firms can exploit improved German technology by combining it with Polish labour.

This has important implications for both the developing and for the developed world. In the 1960s and 1970s, emerging markets that wanted to jump-start their development tried to build everything from scratch; the utilities to power the steel plants to supply the bodies for the car factories. To do so, they shut out imports with the help of high tariffs. This seemed to work for a while but only because shifting workers from farms to factories makes them more productive. In most cases, however, the industries never achieved the economies of scale needed to make them internationally competitive. Consumers ended up paying high prices for inferior products. But nowadays, developing nations don't have to create entire industries. As Mr. Baldwin writes

When a developing nation joins an international supply chain, it can free-ride on other nations' industrial bases.

To get into the global value chain, developing nations need to accept foreign investment. In this world, tariffs make no sense; taxing an imported component only raises the cost (and reduces the competitiveness) when it is re-exported. Old theories of the best way to develop an economy look out-of-date.

But developed economies need to think about this too. So many emerging markets pursued the old approach (known as the industrial substitution model) that the world is dogged with overcapacity in industries like steel and cars. Jobs are simply not going to return in those industries, which are no longer as profitable as they were. The money that is to be made is not in making stuff, but in the services related to stuff; the design of a car or a smartphone, the software that makes them operate. Those are the jobs developed nations should be chasing.

Alas, they are not the jobs that everyone can do. As Mr. Baldwin writes

The tendency is towards a spatial sorting of skill-intensive industries to high-wage nations and labour intensive industries to low wage nations.

How to deal with the inequality that results? The answer, surely, is a strong welfare state and redistributive taxation to compensate the losers (and a commitment to education and training to reduce the number of losers). Globalisation is an inevitability in a world of modern communications that cannot be un-invented. But it will not be possible to combine globalisation with a small-state approach.

Mobile Technology, HIV in Lesotho

Maboe Ntsime remembers well the ordeal she used to go through to receive the regular treatment she and her six-year-old son, Motsamai, depend on as people living with HIV.

“It was exhausting because I walked,” recalled the mother, from Lesotho, where [almost 23% of the population live with the virus](#). “If I left home at 8am I would sleep over somewhere. Otherwise I would get back after dark. I would walk back that distance with my son on my back.”

For Ntsime, the arduous trek she and her son were obliged to take was yet another painful strain on top of the condition, for which she tested positive when she was pregnant with Motsamai.

Now, however, a programme using mobile technology is making it easier for mother and son to access treatment for the virus.

Developed by Vodafone in conjunction with the Lesotho Ministry of Health, the programme combines the mobile money service [M-Pesa](#), which is used in many parts of sub-Saharan Africa, with a smartphone app designed for healthcare professionals.

Travelling clinics provide on-site HIV testing in Lesotho’s remote rural communities where mountainous terrain makes movement slow. Anyone who is identified as HIV-positive can register with M-Pesa and receive the funds needed to pay for transportation to a treatment centre.

Their details are also simultaneously recorded on a central database so that future treatment and care can be planned, recorded and accessed in the field by healthcare workers using an app produced by the company’s charitable arm, the Vodafone Foundation, and Vodacom [Lesotho](#).

The service is oriented towards pregnant women, mothers and young children, who are among the most vulnerable groups in a society where as many as 5,000 children under the age of 14 are estimated to be undiagnosed and living with HIV.

Andrew Dunnett, director of the Vodafone Foundation, said the programme was part of the company’s [Connecting for Good](#) programme, which aims to deliver public benefit through the application of technology across the areas of health, education and disaster relief.

“Our initial assessment indicated that a combination of mobile technology, money, management and working with the right partners could deliver a significant impact in Lesotho, where nearly a quarter of the population is HIV-positive, many of whom are children,” he added.

“HIV is an immense healthcare crisis for the people of Lesotho. This pioneering programme will ensure that thousands of mothers and young children in some of the poorest communities in the world receive the care and support they need.”

For mothers like Ntsime, the clinics now mean that she and her son can get treatment within easier reach. “I don’t need to travel far with my son. We visit the mobile clinic once a month. I am grateful for all that is being done. The nurses have really helped by coming nearer to us,” she said, adding that her thoughts were now very much focused on his future.

“What do I hope for him? I hope he [Motsamai] grows up and is healthy.”