

How mega infrastructure projects in Africa, Asia and Latin America are reshaping development

Huge investments in infrastructure are redefining global development, from China's [Belt and Road Initiative](#) to infrastructure development plans [from the African Development Bank](#) and the [Initiative for the Integration of the Regional Infrastructure of South America](#).

By [Seth Schindler](#) and [Juan Mguel Kanai](#) 1 Nov 2019



Construction underway of a new port at Lamu, Kenya. [Michael Edward Walsh/flickr](#), CC BY-NC-ND

The scramble to build infrastructure across Africa, Asia and Latin America is reconfiguring the economic geography of countries and regions. As we argue in our recent [research](#), these initiatives enhance the connection between territories so that strategic industries and resources are easily plugged into [global networks of production and trade](#).

But large infrastructure projects come at a significant economic cost and may not foster long-term economic growth and industrialisation. Their unintended social and environmental consequences can also be devastating.

Infrastructure networks, of transport, communication and energy, are expanding rapidly and increasingly extend across national borders. The [Lamu Port – South Sudan – Ethiopia Transport Corridor](#) in East Africa boasts plans for a deep-water port, international airports, highways, resorts and oil pipelines. Narendra Modi's "Make In India" initiative includes [the establishment of five industrial corridors](#) that connect India's most economically dynamic cities and "offer effective integration between industry and infrastructure".

Leaders with diverse political ideologies are embracing investment in infrastructure as a strategy for unlocking growth potential. [According to Forbes](#) the legacy of Philippines strongman president Rodrigo Duterte may be a “golden age of infrastructure” whose slogan is “Build, Build, Build!”

Across the Pacific and the political spectrum, Mexico’s recently elected progressive president Andrés Manuel López Obrador (AMLO) introduced an expansive national territorial development strategy in his 2018 campaign. Initially entitled [AMLÓpolis](#), Obrador’s vision is reflected in the ambitious [Maya Train](#) development corridor, a 1,525km railroad plan to serve both passengers and freight.

Such plans resurrect strategies that were exported to Latin America, Africa and Asia in the second half of the 20th century. These strategies included development corridors, new towns such as Brasilia and Chandigarh and comprehensive river basin schemes modelled on the Tennessee Valley Authority. The primary objective in the 20th century was to foster integration within countries and reduce regional inequality by investing in poor areas. However, today’s infrastructure-led development is geared towards attracting foreign investment and fostering export-oriented industrialisation.

A sea change in development policy

In the 1980s, the World Bank, International Monetary Fund and the US Treasury – known collectively as the [“Washington Consensus”](#) – imposed a strict set of reforms on low- and middle-income countries. Countries were forced to discontinue planning strategies designed to reduce regional inequality. The objective of these neoliberal reforms was to “get the prices right” and allow market forces to determine the geographic distribution of goods, services and productive activities.

A series of economic crises in the Global South ensued, from [Latin America](#) and [Sub-Saharan Africa](#) in the 1980s to [East Asia and Russia in the 1990s](#). In response, the World Bank and the IMF introduced reforms meant to create institutions that could support markets in the 1990s.

These reforms enhanced transparency and strengthened private property rights, and they were designed to reduce the cost of doing business. The World Bank’s imperative to [“get the institutions right”](#) culminated in the [2002 World Development Report](#) which outlined the so-called “good governance agenda”.

Neoliberalism’s proponents hoped that by implementing painful reforms, countries would attract foreign direct investment and ultimately move up global value chains. In practice, restructuring had the opposite effect in many places. Industry was offshored from rich nations, but as the economist [Richard Baldwin has shown](#), it agglomerated in a very small number of countries. Meanwhile, other countries in the Global South were forced to liberalise their markets, which exposed their domestic industry to highly productive global value chains and resulted in [deindustrialisation](#).

Unintended consequences

The 2008 financial crisis served as an opportunity to redefine the role of the state. Under the leadership of

chief economist Justin Yifu Lin, the World Bank changed course and asserted that governments shouldn't abandon economic geography to the whims of markets.

After a hiatus of nearly three decades in which development policy didn't focus on geography, the World Bank [embraced planning](#) as a way to correct the failures of markets and governance institutions. It argued that the absence from earlier rounds of neoliberal reform of deliberate plans to integrate countries with global markets was the missing ingredient that inhibited their success.

The overarching imperative of current development policy is to "[get the territory right](#)", and infrastructure-led development has superseded economic policies characterised by minimal government intervention and the good governance agenda. Integrating countries' economies with global value chains is the focus of the World Bank's [most recent World Development Report](#).

Yet it remains to be seen if infrastructure-led development will offset the geographical disadvantages of places, such as Tanzania and Ethiopia, that have historically struggled to attract investment and integrate with global value chains.

Integration with the global economy won't automatically translate into local prosperity and social well-being. Overinvestment in hastily built infrastructure poses significant risks. The IMF recently sounded alarm bells over [Tanzania's infrastructure spending spree](#), while the collapse of dams in [Laos](#) and [Brazil](#) demonstrate that the social and environmental impacts of large-scale infrastructure projects can be devastating.

While the jury is still out on the social, economic and environmental implications of infrastructure-led development, it looks set to reshape the Global South. It's vital to continue to track its impacts and unintended consequences.

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