United Nations
Economic Commission for Africa

Industrialization for economic transformation and sustainable development in Southern Africa: Addressing the gaps

Sub-Regional Office for Southern Africa

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Acronyms

AEC	African Economic Community
AfDB	African Development Bank
AIDA	Accelerated Industrial Development of Africa
AMU	Arab Maghreb Union
ASEA	African Securities Exchange Association
AU	African Union
CCIA	COMESA Common Investment Area
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
ECA	United Nations Economic Commission for Africa
ECCAS	Economic Community for Central African States
ECOWAS	Economic Community for West African States
FDI	Foreign Direct Investment
FTA	Free Trade Area
GDP	Gross Domestic Product
ICT	Information and Communications Technology
IDDA	Industrial Development Decade for Africa
IMF	International Monetary Fund
ISI	Import Substitution Industrialization
LDCs	Least Developed Countries
LPA	Lagos Plan of Action
MDGs	Millennium Development Goals
NEPAD	New Partnership for Africa's Development
ODA	Official Development Assistance
RECs	Regional Economic Communities
ROW	Rest of the World
SADC	Southern African Development Community
SMEs	Small and Medium Enterprises
SSA	Sub-Saharan Africa
TNCs	Transnational Corporations
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization

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Executive Summary

Africa in general lags behind in industrial development, and its exports are dominated by unfinished or semi-processed products. The common denominator across member States is the predominance of primary agriculture and extractive sectors in their national outputs, which has no doubt compounded their vulnerability to cyclical terms of trade movements, as evidenced by the impact of the global financial crisis of 2008/2009 on the continent. It is therefore, imperative for countries in the subregion to address these challenges by pursuing a strategy that emphasizes diversification of production, as part of an agenda for transformation. This will serve as a basis for sustainable industrial growth in the medium- to long-term. Structural transformation has been hampered by the limited coherence in industrial policies across member States that have failed either to adapt, or respond flexibly to the changing trends in global production, and trade parameters.

This report re-examines the critical observations on Africa's industrialization experience which were made in the Lagos Plan of Action in 1980, namely: the inadequacy of domestic markets as a basis for far-reaching industrialization under the import substitution industrialization (ISI) strategy in which African economies were found to be too small to sustain any meaningful industrialization; and technological dependence, particularly when this phenomenon undermined "learning by doing" and led to the inability or outright failure of African governments to bargain with foreign investors on matters of transfer of technology or provision of incentives that would spur technological advancement.

Besides the issue of industrial value chains, governments have not provided conditions for the majority of their citizens to engage in formal productive and economic activities, hence the continuation of a narrow minority economy, popularly known as the dual enclave economy. This observation leads to the central point that industrialization is a global process of structural change whereby a country or region strives to become a technological leader, creating wealth and dominating trade through manufacturing. Africa's industrialization and trade in processed products will depend on increased value addition in two sectors, namely, agriculture and mining, which are the two sectors that currently and potentially possess strong growth linkages and multiplier effects of growth. This is even more important as in virtually all the countries in the region, agriculture has probably the highest potential to spur economic development, especially since most countries in the region are still in the early stages of industrialization.

The transformation of the agricultural sector has a direct impact on both consumption and production, with linkages between the sector and other non-agricultural sectors such as manufacturing, and services. The key message is that "exporting unprocessed primary products is likely to yield fewer of the distributional and social gains that East Asia reaped from the massive expansion in manufacturing and employment." Thus the thrust of the African industrialization vision has to inevitably include the objectives of developing skills as well as creating employment, depending on the specific requirements of each country.

The conclusion is that while Africa has made serious efforts to pursue policies and strategies at the country and regional levels to industrialize, the overriding issue that has dogged the continent's industrialization efforts is that it has been trying to industrialize without a clear perspective of the political economy of industrializing. Africa and Southern Africa in particular have not adequately defined the role of the state in development, regarding where the state should intervene to sort out market failures and provide what cannot be provided by the private sector, especially infrastructure. Based on this overarching prerequisite, the following are strongly recommended:

a) The state must send the right signals to investors about the industrial policy, and not create policies without the involvement of firms;
b) Government support has to be continuous to serve as a key towards a successful industrialization policy;
c) Government interventions have to be time-bound so as to produce results, and transitory, and not be permanent measures as was the case under the ISI in the African region;
d) Rents collected through tariff protection should be directed towards export growth, rather than allocated to non-productive and conspicuous consumption;
e) Policy incentives have to be functional and made available to all investors/establishments in a given sector or a particular line of activity.

The design of industrial policy should respond to the specific developmental challenges countries are facing at a given point in time, and foster cluster production around specific value chains, that are aligned to regional and global production platforms, so as to unleash scale economies. Given the peculiarities of African economies, which have high levels of poverty and unemployment, an inclusive broad-based industrial development agenda should be adopted to absorb the unemployed masses to stem poverty. Regional integration is thus a building block not only towards the Continental FTA, but also towards global production capacity. Hence the need for a subregional industrial policy cannot be overemphasized.

The pillars for sustained industrialization at the national and regional level will depend on:

a) Maintaining a favourable macroeconomic and trade policy environment;
b) Creating conducive conditions for increased FDI flows, through the removal of policy inconsistencies, strengthening public financial management, and reducing financial sector vulnerabilities;
c) Addressing infrastructure bottlenecks, increasing competitiveness, and improving the business climate;
d) Improving competitiveness by applying sound fiscal policies (and wage moderation), reducing costs incurred by firms by improving the quality and price of services (efficiency of state-owned enterprises);
e) Removing anti-investment bias and supporting FDI flows toward firms with export potential;
f) Improving credit availability by strengthening efficiency of financial intermediation, and expanding domestic savings;
g) Adopting sound infrastructure investment frameworks;
h) Improving the quality of economic institutions, by increasing the efficiency of state-owned enterprises.

CHAPTER 1: BACKGROUND

1.1 Introduction

Africa continues to be the only continent yet to experience both agricultural and industrial revolutions. Between 1965 and 2005, the sub-Saharan Africa (SSA) manufacturing value added stagnated, and was around 15 per cent of Gross Domestic Product (GDP), which is half what the value of manufactured products has been in East Asia and the Pacific countries since the 1970s (UNCTAD, 2008). Despite the fact that agriculture, as a primary sector, remains the predominant sector for the majority of African countries, contributing the lion's share to GDP, employing a greater proportion of the labour force, and generating a significant amount of foreign exchange earnings from exports, it still remains a largely traditional sector. Mining, drilling and quarrying also constitute a significant primary sector in several African countries. Considering the share of industry in GDP, in the Least Developed Countries (LDCs) in Africa, the increase in the industry share of GDP is mainly associated with the share of the mining sector which has been the main engine of industrial expansion, accounting for Africa's largest increased world market share from 4.3 per cent in 2000 to 4.6 per cent in 2006 (ECA, 2011). Thus, Africa's primary productive sector is generally characterized by low labour productivity, low capital intensity, low output productivity, and low growth; typical conditions of the "vicious" circle phenomenon which hinders rapid socio-economic growth, poverty alleviation and sustainable development objectives, including the MDGs.

Since the independence of many African countries, a number of industrial development initiatives have been adopted at the regional and subregional level (ECA, 2011). These initiatives include the New Partnership for Africa's Development (NEPAD) of 2001; the African Productive Capacity Initiative (APCI), of 2004; and the Plan of Action for the Accelerated Industrial Development for Africa (AIDA), of 2008. These initiatives have sought to reverse the marginalization of SSA in the global economic arena, with a focus on diversification of products and exports in the manufacturing sector (NEPAD), to enhance private sector led productive capacity development as well as the identify selected value chains (AIDA)[1]. Despite these positive policy programmes, performance on the ground has been dismal, with industrialization efforts of the continent hindered by the disparity in approaches and interventions sponsored by the respective countries. According to Chandra, Lin and Wang (2012) most African countries failed to develop manufacturing industries because governments employed state-owned enterprises and import substitution policies to expand manufacturing. Some countries that have pursued import substitution strategies have done so at the expense of technical innovation, and competitiveness, given the fast development in global production. In extreme cases, conditions for progression towards higher production frontiers have been hindered as a result of this, no doubt stalling competitiveness. UNIDO statistics show that the share of African manufacturing in GDP rose from a low of 6.3 per cent in 1970 to a high of 15.3 per cent in 1990. This fell from 15.3 per cent in 1990 to 12.8 per cent in 2000 and to 10.5 per cent in 2008. To date, Africa continues to contribute immensely to the growth and economic development process of developed and advanced industrialized countries in the Americas, Europe, and Asia through raw material exports but at the expense of the general populace of the continent. While this significant contribution has enabled these countries to progress through the Rostow's classical stages of economic growth and development model[2]; Africa still remains mostly in the traditional and pre-take-off stages.

The lack of an industrial sector in a region or a country is widely seen as a major handicap in improving that region's or country's economy, and pushes many governments to encourage or enforce industrialization.

1 The 10th Ordinary Session of the African Union Assembly of Heads of State and Government held in Addis Ababa, Ethiopia, in January 2008 adopted the Action Plan for Accelerated Industrial Development of Africa (AIDA) and came up with seven priority clusters, which are: (a) Programme Cluster 1- Industrial policy and institutional direction; (b) Programme Cluster 2 - Upgrading production and trade capacities; (c) Programme Cluster 3 - Promoting infrastructure and energy for industrial development; (d) Programme Cluster 4 - Human resources development for industry; (e) Programme Cluster 5 - Industrial innovation systems, research and development and technology development; (f) Programme Cluster 6 - Financing and resource mobilization; and (g) Programme Cluster 7 - Sustainable development.

2 The Rostow stages of economic growth and development postulates that economic growth occurs in five basic stages, namely: (a) Traditional; (b) Preconditions for take-off; (c) Take-off; (d) Drive to maturity; and (e) Age of high mass consumption.

Therefore, if Africa is to achieve a rapid and high growth rate of about 10 per cent or more, and be able to significantly address its pressing development challenges and priorities of ensuring food security, increasing gainful employment, reducing poverty, increasing trade, improving living standards among others, then it must urgently expand, diversify and transform its productive base beyond its largely traditional primary sector. This, according to the standard economic growth and development process, can only be attained if the continent pays greater attention to and places emphasis on industrial policy and industrialization (with manufacturing at the core) as an engine of economic growth and development[3].

1.2 Objectives of the study

The overall objective of the study is to review and assess the status and nature of industrialization and economic transformation in Southern African, as well as identify the constraining challenges and gaps with a view to recommending appropriate, effective and efficient measures to address them.

The specific objectives include: (a) reviewing the national development frameworks of all member States of the subregion, focusing on their existing policies on industrialization vis-à-vis subregional and continental commitments on the industrialization agenda, programmes and initiatives; (b) assessing the implementation and performance of these commitments in relation to the successful realization or otherwise of the envisaged outcomes and impact on economic transformation, enhancing growth and poverty reduction, fostering trade, promoting regional integration, and ensuring sustainable development; (c) analysing the nature and extent of the identified key issues critical to industrializing and transforming the subregion; and (d) proffering concrete recommendations and proposing a practical road map for consideration, adoption and implementation.

This report focuses on a wide range of critical issues in the area of industrialization such as: (i) priorities, prospects and imperatives for the urgent industrialization of the subregion; (ii) mode and patterns of industrialization; (iii) regional, sectoral and spatial considerations of industrialization; (iv) employment and labour utilization and conditions, wealth and income creation potentials; (v) technology, science, and research and development; (vi) environmental and climate change effects and impact; (vii) cultural and sociological aspects; (viii) investment, capital, technological and human resource requirements; (ix) large, small and medium scale enterprises; (x) trade, infrastructure and market requirements; (xi) public-private partnerships participation; (xii) governance, institutional, regulatory, and legislative aspects; (xiii) comparative and competitive advantages, best practices, standards; and (xiv) establishment of industrial zones, and science parks, among others. The Terms of Reference for this study are provided in annex 1.

1.3 Rationale of the study

In terms of economic progress, the common denominator among African countries is the stark reality of the predominance of the primary agriculture and extractive sectors (mining, timber, among others), in national outputs, which has no doubt compounded vulnerability to cyclical terms of trade movements, as evidenced by the impact of the global financial crisis of 2008/2009 on the continent. It is therefore, imperative that countries pursue a strategy that emphasizes diversification of production, as part of a transformative agenda. This will serve as a basis for a sustainable industrial growth in the medium- to long-term. Structural transformation has been hampered by the limited coherence in industrial policies across member States that have failed either to adapt, or respond favourably to the changing trends in global production, and trade parameters.

3 The significance of industrialization as an engine of economic growth and development cannot be overstated. Industrial production creates job opportunities at higher skill levels, facilitates deeper links across the services and agricultural sectors, between rural and urban economies and between consumer, intermediate and capital goods industries. Darlan F. Marti and Ivan Ssenkubuge, Industrialisation and Industrial Policy in Africa: Is it a Policy Priority?

Industrial development should therefore remain at the centre of the development agenda in SSA if sustainable economic and human development is to be attained, and the dream for an African Economic Community (AEC) is to be realized.

1.4 Industrial policy frameworks of COMESA, EAC and SADC

SADC

Under the SADC region, industrialization is guided by the SADC Industrial Development Policy Framework (2012), which entails the following strategic thrusts:

(a) Improving standards, technical regulations and quality infrastructure;

(b) Promoting innovation, technology transfer, and research and development activities;

(c) Developing mechanisms for appropriate industrial financing;

(d) Integrating infrastructure and services into the regional industrialization strategy;

(e) Supporting small and medium-sized enterprises (SMEs);

(f) Attracting local and foreign direct investment (FDI), promotion of exports, particularly targeting priority sectors;

(g) Developing regional strategies to exploit opportunities emerging in the region's strategic cooperation with global partners, particularly South-South cooperation;

(h) Mainstreaming cross-cutting issues and complementary policies into the regional industrialization strategy.

COMESA

The mission of industrial development in this subregion is spelt out in Article 99 of the Treaty establishing COMESA whose principal objective is that of promoting balanced growth, increased availability of industrial goods and services for intra-Common market, improvement of competitiveness of the industrial sector and growth of industries within COMESA. Article 146 of the COMESA Treaty sets out special and differential treatment for Least Developed Countries (LDCs), to foster the creation of opportunities for such countries to maximize the benefits of industrial development. The focus is on improving the investment climate in LDCs, as well as human resource development, whilst at the same time prioritizing the development of SMEs. Industrialization initiatives under COMESA are guided by the Accelerated Industrial Development of Africa (AIDA) that fosters the development of country specific industrial policies. A COMESA Common Investment Area (CCIA) initiative was created in 2007, supported by the COMESA Investment Agreement, with the drive towards harmonizing investment policies across the region. The main objective of this statute is to position the region strategically to tap into intraregional and foreign direct investment.

EAC

EAC has taken steps to consolidate its goal towards investment promotion, with Article 79 of the EAC Treaty which states that the prime objective of Industrial development could be achieved through guaranteeing balanced industrial growth, creation of a competitive industrial base that hinges on diversification, increased export of manufactured goods and growth of indigenous entrepreneurs. In this context, the EAC has developed its Industrialization Policy 2012-2032, that fosters the creation of the EAC Common Market Protocol, as well as the AU-AIDA initiative. In the EAC subregion, member countries have specific industrial policies; for example, Kenya, Uganda and Tanzania, whilst Burundi is yet to develop one. The following sums up the key objectives of the EAC industrial policy:

(a) Promoting the development of strategic regional industries;

(b) Strengthening national and regional institutional frameworks and capabilities for industrial policy design and implementation;

(c) Strengthening the capacity of industry support institutions;

(d) Strengthening the business and regulatory climate;

(e) Enhancing access to finance;

(f) Facilitating the development of relevant technical skills;

(g) Facilitating the development of micro, small and medium enterprises;

(h) Strengthening industrial information management and dissemination systems;

(i) Equitable development, and developing support infrastructure along identified development corridors;

(j) Promoting research, development and innovation;

(k) Promoting sustainable industrialization;

(l) Increasing access to markets;

(m) Supporting gender in industry.

CHAPTER 2: IMPERATIVES OF INDUSTRIALIZATION

2.1 Subregional context

Industrialization is a global process of structural change whereby a country or region strives to become a leader in technology, creating wealth and dominating trade in the manufacturing sector. Thus, an industrial-led development path consists of a process of reallocating factors of production from an agricultural sector characterized by low productivity and rudimentary technology to a modern industrial sector with higher productivity (Adelman, 1999 and Szirmai, 2011). From this definition, the developing countries are a set of countries that depend on agriculture and other primary sectors such as mining, while developed economies are those with a higher proportion of their national income coming from manufacturing and services. Manufacturing is also viewed as a more productive and dynamic sector than other sectors, hence an increase in the share of manufacturing in GDP is associated with the rapid aggregate growth of the economy.

Industrial performance in the SADC subregion was quite impressive between 1980 and 2010, driven largely by a boom in the extractive sector. Industrial activity played a very significant role in the economic growth of Angola, Lesotho, Malawi, Seychelles and Swaziland, although on an activity by activity basis, the industries in these countries are quite varied. Angola is mining based, while Malawi and Swaziland are agro-industrial oriented with sugar processing as a common lead activity. However, industrial sector growth rates have been on a downward trend since the beginning of the 1980s in Botswana, Lesotho, Seychelles and South Africa (table 1). In general, Southern African countries have transformed their economies but at diverse, and unsatisfactory rates. The pace of transformation has been very slow, compared to developing countries in other regions like Brazil, Malaysia and South Korea. Even more disturbing is the observation that the SADC region was virtually at a standstill between 1980 and 1990, with no change in its industrial structure during that decade. Slight improvements were observed in 2000 and 2010, although there has been a stagnation in the subregion since 2000.

Table 1: Industrial value added for SADC countries (% annual growth)

	1960 – 1980	1981-2000	After 2001
Angola		4	10
Botswana	24	9	2
DRC	3	-4	7
Lesotho	9	7	6
Madagascar	0	1	4
Malawi	6	3	6
Mauritius	2	7	2
Mozambique	N/A	6	10
Namibia	N/A	1	-1
Seychelles	14	8	4
South Africa	4	1	2
Swaziland	7	9	1
Tanzania	N/A	3	9
Zambia	2	-1	8
Zimbabwe	2	2	-2
SADC Average	7	4	5

Source: UNECA (2012).

Some countries like Angola and Botswana shifted their economies significantly from agriculture to industry between 1980 and 2010, accompanied by a considerable growth of the services sector in Botswana (see annex 3 for details). Other countries like Mauritius, Namibia and Seychelles have made notable shifts towards service centred economies supported by low share but quality industrial and manufactured products. In other countries like Madagascar, Malawi and Mozambique agriculture is still a more significant contributor to GDP than industry, although the gap between the two sectors is narrowing, particularly in Mozambique. The services sector is also emerging as a key sector in most countries, with manufacturing increasing to serve growing and more sophisticated consumer tastes.

2.2 Transformation imperatives

Agriculture has the potential to spur economic development, especially since most countries in the subregion are still in the early stages of industrialization. Where agriculture remains predominantly rain-fed, traditional technologies could be replaced with modern technologies, improving productivity of the sector to unlock growth for not just agriculture but the entire economy. This is because agriculture has strong growth linkages and multiplier effects on the non-agricultural sectors (Johnston and Mellor, 1961). Furthermore, the sheer size of the agricultural sector with its attendant role in creating employment for over two thirds of the population of most SADC countries should make agriculture the leading sector for economic transformation.

Governments have a key role to play in the transformation and industrialization process of the economy in general. The performance of governments in mobilizing resources for investment is an important factor for the pace of industrialization in developing countries. There are three main avenues through which governments can influence growth in the industrial sector: (a) direct investment in education and technology acquisition; (b) direct investment in industries and infrastructure; and (c) eliminating obstacles to industrialization through appropriate policies and legislation. Although the sequencing of development varies, with most developed countries having undergone a transformation path leading from agriculture to industry to services, most emerging countries are taking the path of developing manufacturing concurrently with a services sector (Szirmai, 2011). In all these processes, it is important for the government to take the lead with investments in transport, infrastructure and technological advances, backed by a strong education, research and skills development component.

Outcomes of transformation have varied across regions, depending on socio-economic and political circumstances, as well as the initial conditions prevailing prior to the process, thus resulting in mixed outcomes across regions, such as uneven economic growth, and rising income inequalities. Transformation can therefore take diverse pathways, depending on the interactions between initial endowments (for example the size of a country, its natural resources, and the social, political and institutional conditions), and the policies and strategies implemented during the transformation process (Breisinger and Diao, 2008). Some development economists are promoting a country specific approach for the identification of growth opportunities and constraints (Rodrik, 2003), with this approach focusing on the dynamics of development, where change is central, history matters, structures are endogenous, and learning is at the heart of the story (Stern and others, 2005). Breisinger and Diao (2008) identify three key drivers of transformation, namely:

i) Technology led productivity growth;
ii) Rapid capital accumulation;
iii) Role of linkages.

Under technology-led growth, innovation and technology adaptation become important variables in the development equation, supported by entrepreneurial capacity, and human capital. Entrepreneurs are important drivers of development through a process of creative destruction (Schumpter, 1947). On the linkages dimension, the focus is on how the agricultural sector integrates with the rest of the economy during the transformation process. In a well-developed agricultural sector, there are huge multiplier effects unleashed

through backward and forward linkages with the industrial sector through the provision of inputs (agricultural produce) for manufacturing, whilst the latter supplies key inputs such as fertilizers and farm implements.

The transformation of the agricultural sector has a direct impact on both consumption and production linkages, between the sector and other non-agriculture sectors such as manufacturing, and services. The strongest backward linkages are the consumption linkages, which are especially strong in low-income countries, leading to a higher and multiplier growth as well as poverty reduction (Delgado and others, 1996, Christiaensen and others, 2006, Diao and others, 2007, World Bank 2007). Despite these debates on the net benefits of economic transformation, much of Africa, including the Southern African region has not fully benefited from the dynamics of globalization, and the recent growth trajectory remains difficult to sustain.

> "The so-called recent growth in African economies, in sub-Saharan Africa though impressive has typically been driven by natural resource exploitation, tourism and other services. This type of growth can happen without economic transformation by which we mean a diversification of economic activities and livelihoods arising from improvements in productivity of land and labour and an increase in technological capabilities of national firms and farms. Growth does not necessarily imply a reduction in poverty, the poverty reducing potential of growth depends on the type of economic activities driving that growth, and without economic transformation, spurts of high growth are unlikely to be sustained" (Mkandawire, 2005).

Africa's economic performance during the last two decades (the period over which globalization is said to have taken place) and earlier periods, shows that globalization has failed to generate growth rates higher than those of the 1960s and 1970s (Mkandawire (2005).

The manufacturing sector performance of the region has been and continues to be weak, compared to that of developing countries elsewhere. Manufacturing contributes an average of 13 per cent to GDP across SADC, while industry, which consists mainly of primary extractive activities accounts for 30 per cent of GDP. The economies of SADC countries peaked in the 1980s and 1990s driven mainly by a growing primary extractive sector, but have since stagnated or decelerated in their industrial development pace compared with Brazil, Malaysia and South Korea. Reliance on primary exports and resource-based industrialization by developing countries led others to conclude that the export success in manufactured goods of East Asia was not going to be replicated in other developing countries, particularly when this was considered in terms of the low ratio of human resources to natural resources (Owens and Wood, 1997).

Owens and Wood (1997) concluded that a country with extensive natural resources could produce and export processed primary products depending on the skills of its workforce. However, the authors observed that primary processing was fundamentally similar to other types of manufacturing processes but less labour intensive. The key message was that "exporting processed primary products was likely to yield fewer of the economic and social gains that East Asia reaped from the massive expansion of employment in the area of manufacturing." Thus, depending on policy thrust, industrial policy should include the objectives of developing skills as well as creating employment, depending on country specific requirements.

Manufacturing in the agricultural sector has had the best record in terms of linkages with the rest of the economy and performance on the global export market. Exports of processed agricultural products grew at 6 per cent between 1981 and 2000 compared to 3.3 per cent for primary products (FAO, 2003). Between 1995 and 2008, agricultural exports more than doubled, from $464 billion to slightly over one trillion dollars, as a result of trade expansion in higher valued processed products. Since 2000, the share of processed agricultural products in total agricultural exports has been increasing rapidly. However, none of the top exporters of processed agricultural products accounting for over 80 per cent of the exports was from Africa (Liapis, 2011).

In emphasizing the objective to diversify Africa's export base from dependence on commodities and implement more inclusive growth policies, the World Bank has succinctly observed that:

"This requires measures that will improve the conditions of firms and individuals in informal sectors, increasing their opportunities to interact with formal sector firms and providing a coherent route towards formality. Informal sector actors must be seen as providing an enormous opportunity for growth and poverty reduction rather than simply as a source of revenue loss that must be removed…"

Regional integration and boosting intraregional trade can play a critical role in achieving these objectives in Africa. Deeper integration of regional markets can lower trade and operational costs and reduce the constraints faced by many firms in accessing the essential services and skills that are needed to boost productivity and diversify into higher value added production and trade. Goods traded across borders in Africa will tend to be more employment intensive than minerals and the facilitation of such trade is likely to have a more direct impact on poverty in terms of the poor who produce and trade the basic foodstuffs that dominate such trade." (World Bank 2012:3).

CHAPTER 3: INDUSTRIAL DEVELOPMENT IN SOUTHERN AFRICA

3.1 The prelude to Africa's industrialization through RECs

The relationship between member States and RECs is based on the institutions provided for in the Constitutive Act of the AU. These were taken with minor amendments from the Abuja Treaty, which therefore makes the AU a key landmark in the process towards the achievement of African cooperation, integration and unity.

The following principles regarding the relations between RECs and the AU are key for our understanding and contextualizing of the African transformative agenda and development, taking into account the hierarchical structure of the activities of the AU at the continental level and RECs at the subregional level:

- All RECs initiated a discussion on the relations between themselves and the AU and between the RECs themselves, by amending their treaties to reflect this relationship.

- AU aims to harmonize the RECs programme of activities and also make sure that the treaties conform to their premise as building blocs of the AU Community. In this regard, the AU Abuja Treaty was meant to ensure greater openness in terms of programme formulation, so as to exploit complementarities, mobilize mutual support for priority programmes, minimize duplication as well as mitigate and prevent the development of incompatibilities.

- The impetus of the renaissance of the Constitutive Act of the AU was backed by the EAC-COMESA-SADC Tripartite FTA initiative of 2008 and the more recent declaration of the AU Assembly of Heads of State and Government in January 2012 in boosting intra-African trade and fast-tracking the establishment of a Continental Free Trade Area (CFTA) by an indicative date of 2017.

To enhance intra-RECs relations, RECs should introduce agreed parameters on macroeconomic convergence in order to move their member States towards policy harmonization and stability. COMESA, SADC and EAC have established their convergence parameters ranging from GDP growth targets, reduction of inflation rates as well as fiscal and budgetary deficits to lessening the burden of debt, all meant to assist member States in developing and maintaining a satisfactory level of macroeconomic stability, and paving the way for higher levels of macroeconomic convergence, such as the establishment of common monetary areas and a single currency.

There is also the recognition that NEPAD is designed to accelerate the harmonization of macroeconomic and trade policies in which RECs play a central role. It also takes into account that RECs need to be proactive in engaging the NEPAD process and in working together to enhance the capacity of RECs, and the harmonization among RECs in the structuring of private sector and civil society participation in the NEPAD work programme.

On its part, ECA has traditionally provided assistance for building capacities to support the integration process, such as assisting in putting in place, at national and regional levels, structures and capacities to design, monitor and implement community policies and programmes. ECA has a specific mandate to, inter alia, assist member States to: (a) develop sound policy and management systems at the national and regional levels; (b) promote participation to ensure sound planning and effective provision of assistance for programmes and projects; and (c) provide assistance for human resources development and capacity-building and work closely at the operational level to support RECs and stakeholders in their respective regions.

The AfDB on the other hand, has a mandate to: (i) strengthen and expand infrastructure development through regional cooperation for projects and programmes; (ii) support studies that analyse and quantify the benefits from regional cooperation; (iii) recognize the key role the private sector plays in the economic integration process, and therefore promote the private sector in the economic integration process; and (iv) expand the market size to facilitate greater specialization and industrialization through economies of scale, thereby helping to overcome the small size problem of African economies. It is this latter role that is at the centre of industrialization policy and regional economic integration which will be discussed below.

3.2 The deindustrialization era and responses

In response to Africa's deindustrialization from the mid-1970s onwards, the continental and regional organizations, OAU and ECA came up with the Lagos Plan of Action (LPA), and the World Bank came up with its "Accelerated Development in Africa – An Agenda for Action" (1981), more popularly known as the Berg Report.

The LPA was premised on a number of critical observations about Africa's industrialization experience, which was the inadequacy of domestic markets as a basis for far-reaching industrialization under the import substitution industrialization strategy (ISI) in which African economies were found to be too small to sustain any meaningful industrialization. The other was the technological dependence, particularly when this phenomenon undermined "learning by doing" and the inability or the outright failure of African governments to bargain with foreign investors on matters technology transfer or provision of incentives that would spur on technological advancement. Pertaining to the latter, even large economies like China and India had shown that, it was not only the market size that allowed for a deepening of the ISI process, but also the development of capital goods that were crucial in reducing technological dependence. It takes more than that, given the experience and data that point to three characteristics which influence growth, at both global and country level:

- Level of domestic competition, and the extent of the country's openness to trade and its integration with the rest of the world.

- Quality of the country's institutions that manage the economy.

- Success of the country's policymakers in implementing the measures necessary for macroeconomic stability.

On the other hand, the neoliberal position taken by the Berg Report attributed Africa's deindustrialization crisis to state interventionism in general and industrial policy in particular. Mkandawire (Ibid: 237) argued that by attributing the crisis to state interventionism in general and industrial policy in particular, the anti-industrial policy lobby had triumphed, but with dire consequences, as shown by the failure of Africa's drive to industrialize:

- Reforms were pro-market but fundamentally anti-business, as they removed from the state, thus using the "carrot-and-stick" approach to drive private initiative in a collectively desirable direction;

- Policies anchored on trade liberalization, privatization and exchange rate manipulation led to dire consequences as the deflationary and procyclical nature of the policies made things worse, leading to a massive deindustrialization, as the policy stance removed in one sweep the instruments of protection that had been in use in many countries. These policies had removed the notion of "learning by doing" and the need to provide facilities for infant industries, leaving Africa to engage in the unprecedented act of industrializing without an industrial policy.

3.3 Critical socioeconomic imperatives for industrialization

Africa has for a long time reached consensus that trade and industrialization are powerful engines for economic growth and economic development. Soon after the adoption of the LPA, the UNIDO led Industrial Development Decade for Africa (IDDA-1) was launched in December 1980, with the assumption that Africa would industrialize in an integrated manner. This was followed by IDDA-2, launched at the beginning of the 1990s for implementation during the decade of the 1990s. In spite of these declarations, there are no signs on the ground of the strengthening of the development capacity of states, and of regional authorities to formulate and implement development strategies in a coordinated manner aimed at the industrialization of Africa, as well as that of the Southern African region.

To address the critical issue of what lies behind the socio-economic imperatives for industrialization, the industrialization policy has to be anchored on regional integration as the main feature of the African political economy. In order to do this properly and avoid the pitfalls of the past experiments with regional integration, Mkandawire (Ibid: 240) advises the recall of some of the errors that were made, which include: a false premise of "planned" national industrialization; lack of political will; authoritarianism and regional integration; and regional technocracies and regionalism.

A false premise of "planned" and complementary economies: The greatest misnomer of Africa's industrialization was probably that it was being built on the back of "planned" and "complementary" national constituent activities that would create the necessary economies of scale in the regional economy. The view that one was dealing with planned economies whose constituent parts could lead to complementary activities and to a concerted allocation of resources to build a regional economy out of the national economies was fatally flawed. The regional economy systematically ignored focusing on creating internally competitive markets that were governed, so as to encourage regional industrialization, and on preparing the local industries of each country for eventual competition in the global market.

There was no attempt whatsoever to create conditions for local and regional networks through value chains. It was assumed that the incentives put in place to encourage market mechanisms for competition and cooperation among regional firms would be greatly enhanced by the enforcement mechanisms used for decisions taken by RECs. The region has to create situations that foster active channels of business transaction, communication and dialogue, where these networks or value chains share specialized infrastructure and labour markets. Most of the African industrial cluster developments are hardly noticed or recognized by domestic and regional institutions, particularly the regulatory frameworks and property rights regimes meant to bring on board all the players in the sector.

Lack of political will: The total absence of domestic anchoring of the regional integration agenda at the national level, often referred to as lack of political will, is: "the absence of political constituencies in the business, mass movements and technocratic intelligentsia that would push for regional integration" (ibid). Very often, the regional agenda starts and ends at the regional conferences and forums and is devoid of content at the national level. Quite unlike developments in capitalist economies which are increasingly being organized in a variety of different business systems and global commodity chains approaches, building on distinctive institutional contexts and through coordination of economic activities across national boundaries, most African firms including those in East and Southern Africa are still predominantly producing in isolation, even at the domestic level.

Supranationalism and regional integration: Member States are expected to cede some aspects of their sovereignty to RECs. This and the general inward looking sovereignty status make it difficult for the States in a given REC to surrender any part of their sovereignty to a regional authority. This gives the latter a certain critical level of supranational status in carrying out the business of regional integration, especially when it pertains to meeting targets required in the implementation processes.

The failure to address the above situation thus shows that regional groupings including SADC, COMESA and EAC do not have a binding and enforceable functional industrial strategy or plan; there is therefore a need to design proper industrial strategies or plans for the use of the vast natural and human resources in the region. Furthermore, without a deep understanding of the political economy and structure of the economies of the subregion this cannot be achieved. Member States should therefore mainstream regional integration frameworks into their national frameworks so as to facilitate the free movement of persons, goods and services which will be in the larger interest of the envisaged AEC, and the accelerated industrialization of the continent.

3.4 The dual enclave economy

Development policies adopted upon attainment of independence neglected the non-formal sectors where the bulk of the population are found, hence reinforcing the inherited dual (separate) and enclave (isolated) inherited structure of the economy. The formal sector itself is more integrated into the global economy and its relationship with the informal and communal sectors is largely exploitative. In essence, the economy is exogenously oriented and driven by external factors outside national control. Given this scenario, most of the populace do not have rights to assets or means of production, and whatever growth or recovery is achieved, is according to Bhagwati, "immiserising." The major structural development constraint is that the economy cannot rely on the formal economy alone to meet the development needs of the people, hence the need for policies to integrate the non-formal economy into the mainstream of the economy. The design of industrial policies in practice has not fully encompassed these structural development constraints to inform strategy.

Furthermore, the region has failed to exploit the huge advantage of the local production of crude resources to establish processing industries that could provide the feedstock for manufacturing and industrialization. In a recent paper, Paul Jourdan (2013) in this regard, emphasized that: "the resource contracts or licences need to provide incentives or disincentives for mineral resources downstream beneficiation. However, the widespread practice of monopoly pricing of beneficiated minerals/metals could negate this advantage for the manufacturing industry (especially steels and polymers)."

Quite unlike developments in capitalist economies which are increasingly being organized in a variety of different business systems with global commodity chain approaches, building on distinctive institutional contexts and through the coordination of economic activities across national boundaries, most African firms in the region are still producing often in isolation, even at the domestic level. These firms are not only lagging behind other regions of the world in the upgrading of their products through diversification of manufacturing activities, but many of them have lost a sizable chunk of the value chains which were developed during the import substitution phase of their economies.

What is fundamentally lacking in all these attempts is an integrated value chain approach. This would require clusters to be viewed not merely as a concentration of small firms, but as interdependent networks comprising raw material providers, machinery suppliers, transporters, buyers, sellers and support institutions that face common challenges and opportunities. The normal situation is that with active channels of business transaction, communication and dialogue, the networks or value chains share specialized infrastructure and labour markets. The inability of domestic firms to form linkages and connectivity of value chains at the national and regional levels, are discussed in subsequent chapters.

CHAPTER 4: INDUSTRIALIZATION STRATEGIES AND PERFORMANCE IN SOUTHERN AFRICA

4.1 Key industrial policies in the Southern African region

The draft SADC Industrial Policy for instance focuses on mining and mineral beneficiation and accelerating integration into the global trading system. The policy is geared towards promoting downstream processing as an export strategy, economic competitiveness and diversification of goods for trade through value chain integration. What emerges from a review of national industrial policies is that SADC countries are pursuing three main strategies for industrial development.

First, an industrialization strategy via agriculture is based on integrated value chain approaches to increase productivity and improve market access. Second, resource-based industrialization is supported by large investments in infrastructure aimed at linking the mining and other extractive sectors with the rest of the economy. Third, there is an emphasis on industrialization for trade, with export competitiveness and import substitution as the main objectives.

For instance, the industrial development strategy of South Africa emphasizes stimulating investment, market creation, job creation, and improving national competitiveness. The industrial policy objectives of Botswana include job creation, particularly for the youth, raising skills levels to meet requirements of various industrial activities, increasing value addition in the economy, diversification of the economy in addition to diamond mining, and economic empowerment of citizens.

The Zimbabwe Industrial Development Policy 2011-2015 explicitly states that: "the overall objective is to restore the manufacturing sector's contribution to the GDP of Zimbabwe from the current 15 per cent to 30 per cent and its contribution to exports from 26 per cent to 50 per cent by 2015." The industrial development of Zimbabwe is very similar to that of most countries in the subregion, apart from the problems of underutilization of industrial capacity (by almost 60 per cent) that characterized the last decade. Nevertheless, the strategies outlined in the policy are aimed at reviving the performance of the industrial sector, by addressing recapitalization and funding problems, and competitiveness of Zimbabwean manufactured products through the integration of an industry and trade policy, to nurture and support productive sectors of the economy so as to create wealth, employment and enhance social welfare.

The industrial policies of the subregion also reveal a number of challenges and gaps, key among which is the need to reconcile trade and industrial development policies. Competitiveness, which is key to industrial development, has in some cases been pursued through tariff and non-tariff barriers that are inconsistent with regional trade agreements and regional industrial development goals. There is thus a danger that piecemeal application of industrial policy will lead to polarization of some countries, whereas spatial development concerns should be the ultimate goal of regional industrial strategies. Other challenges include: (a) infrastructure backlogs in road and rail networks, air transport, and ICT; (b) lack of capacity and diversity in production; (c) lack of skilled labour; (d) lack of investment in technology, and generally low technological uptake; (e) unsupportive government policies and institutional setups; and (f) weak financial/capital markets to support private business initiatives.

4.2 Value chain industrialization strategy

To address the issue of the absence of a regional industrial strategy and the challenges faced by the current models of regional integration, the value chain industrial approach is proposed as a key pillar for the region's economic transformation. Through an industrialization value chain strategy that is anchored on both institutional policy matrix and strategies of private sector firms, the subregional businesses and economies can achieve the much needed growth and expansion of employment opportunities. The process will be a system

that automatically allows the market to widen spontaneously with new entries. According to Adam Smith, the wider the market, the more minute the division of labour. If there is no obstruction to this condition, the regional industrial value chains would follow the logic of the five pillars of development listed below:

i) Deepened regional integration
ii) Competitive business climates
iii) Improved regional infrastructure
iv) Reliance on special economic zones
v) Enhanced growth of the SADC economy.

Table 2 shows typical examples of value chains where certain functions of the value chains are combined; for example, raw materials and procurement, design and transformation, and marketing and distribution. In some of the countries that had more diversified manufacturing bases during the past three to four decades, for example Zambia and Zimbabwe, there has been a gradual contraction of the value chains in the production systems. This has been the case in the Zimbabwe metalworking and textile and clothing subsectors. Applying the commodity value chain analogy to the Southern African region or to any region of developing countries encounters difficulties in this area. Industrial value chains will not succeed by just imitating the conditions of life in the developed capitalist countries of the West, or creating conditions of stable currencies, open markets, private sector development, all of which are the objectives of macroeconomic stability and structural adjustment reforms. There is a need to understand why macroeconomic reforms are not working as expected in the region, why the rich mines, agricultural lands and to a lesser extent firms have produced billions of dollars and yet the value chains have stalled.

Despite Official Development Assistance (ODA) and FDI flows into the subregion, the economies have failed to stimulate production linkages and value chains, as happened in the developed world and more recently in the South-East Asian region. The explanation could be the dualistic nature of the regional economies as discussed above. This is why a significant capital formation is only possible in a small segment of the region's economies. Local and foreign investors who are attracted have their assets more or less integrated, fungible, networked and protected by the formal property systems. But these are only a tiny minority of the total assets of the economies – the bulk of the assets are left outside this closed ring of legal property rights. It is in this respect that Fernando de Soto critically observes that: "… these are only a tiny minority – those who can afford the expert lawyers, insider connections and patience required to navigate the red tape of their property systems. The majority of people, who cannot get the fruits of their labour represented by the formal property system, live outside Braudel's bell jar." [4]

4 The bell jar makes capitalism a private club, only open to a privileged few, and enrages the billions standing outside looking in. This capitalist apartheid will inevitably continue until we all come to terms with the critical flaw in many countries' legal and political systems that prevent the majority from entering the formal property system (de Soto, 2000: 67-68).

Table 2: Global value chains

Subsector	Raw materials and procurement	Design and transformation	Marketing, sales and distribution	Service
Metalworking	Iron ore mining / steel making	Mining, agriculture and transport machinery and equipment	Foreign and local private firms	Foreign and domestic firms
Textile and clothing	Cotton farming and ginning	Spinning, weaving, clothing, distribution	Domestic private firms	Domestic firms
Mineral exploitation	PGMs*, gold, iron ore, copper, nickel, chromium, vanadium, diamonds, manganese, cobalt, and others	Design of plant, machinery, equipment, consumables, services: Export Value addition Beneficiation Export of resource-based products	Mostly foreign firms: Marketing Distribution Services	Foreign and domestic firms
Food processing	Agro-food farming	Agro-processing industries, design of food plan,: food canning, dairy processing, oil extraction and processing	Foreign firms (TNCs) and domestic firms – large and SMEs	Foreign and domestic firms: plant and machinery, packaging
Forestry reserves and plantations	Sawn wood, plywood, wood products, furniture, construction wood and wood pulp	Paper and cardboard: Newsprint Art paper Packaging Special products Toilet paper	Government to provide regional resource-based development strategy; foreign and domestic firms	Foreign and Domestic firms

Source*:* Ndlela (1987; 2003) and various other sources.

* PGMs are the "Platinum group of metals" consisting of six transitional metal elements that are chemically, physically and anatomically similar. PGMs include Iridium (Ir), Osmium (Os), Palladium (Pd), Rhodium (Rh), and Ruthenium (Ru).

Under the prevailing conditions, most of the firms in the region such as SMEs cannot participate meaningfully in regional value chains. The value chains are either producer-driven operated by domestic large firms or Transnational Corporations (TNCs) or the buyer-driven commodity chains driven by external firms subcontracting local firms in their commodity chains. Despite their entrepreneurial ingenuity, most of the extralegal firms are left out of the region's efforts at increasing export, upgrading products, diversifying activities, and restructuring inter-firm linkages. In this respect, the existing industrial policies and strategies have not been geared towards inclusive growth as they have left out the bulk of the economic assets of the countries from the main economic system. Instead of narrowing the dualism divide, the industrial policies and strategies adopted by the region have widened and entrenched dualism.

4.3 Intraregional trade performance and analysis

The EAC-COMESA-SADC Tripartite FTA is a major regional trade and industrial development initiative that seeks to consolidate the individual REC trade and industrial development initiatives to expand the economic space of the African region. This initiative has already been hailed as the birth pang of the African Economic Community. The Tripartite FTA initiative is envisaged to create a single FTA that brings together 26 African countries with a combined population of 560 million, and a GDP of over $630 billion. As mentioned above, this initiative has already given an impetus for the AU to spearhead the formation of the Continental FTA (CFTA). Continental and regional integration is especially important, given the small size of most African states and their economies. From the early 1970s, regional institutions have been identified as key "executive drivers" of development, with RECs holding a significant position in the area of promoting regional economic integration in Africa since they are the pillars of the continent's integration (NEPAD, 2010).

Intra-African trade averages around 10 per cent of Africa's total trade, while Africa's position in world trade is about 3 per cent on average, with the continent's main exports going to its traditional trading partners, in particular the European Union and USA, which constitute an average of 57 per cent of Africa's exports (ECA-AU, 2011). Africa's intraregional trade is very low, when compared with other regions: North

America at 40 per cent; Western Europe at 60 per cent (Pearson, 2011) and 40 per cent for ASEAN (World Bank, 2011). The bulk of imports of African countries are sourced outside the continent, despite the rich natural resources that could guarantee the continent's import requirements (table 3).

Table 3: Average % share of import sources for Africa: 2000-2009

REC	Africa	China	Asia	EU	Japan	USA	ROW	Total
CEN – SAD	10	9	7	40	3	7	26	100
COMESA	13	10	8	34	4	7	25	100
EAC	15	8	12	21	6	5	34	100
ECCAS	20		7	41	2	9	14	100
ECOWAS	15	9	9	33	3	7	23	100
IGAD	12	11	14	20	4	5	34	100
SADC	14	11	8	33	4	8	24	100
UMA	5	7	3	56	2	5	22	100

Source: ECA – AU 2010.

Intra-REC trade performance

During the 2005 to 2011 period, total intra-SACU trade averaged $9 billion, with intra exports averaging $1.46 billion, whilst imports averaged $7.54 billion. The proportion of both imports and exports remained relatively static throughout the period (table 4 and figure 1).

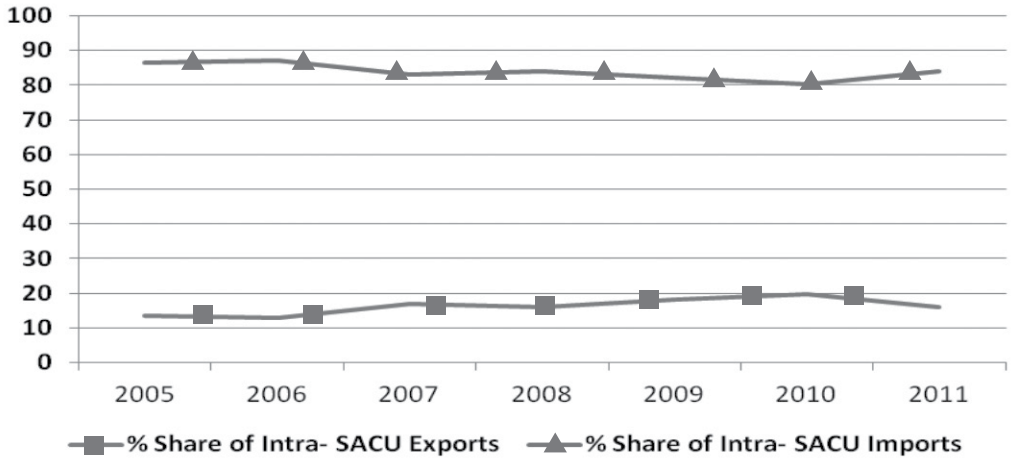
Table 4: Percentage shares of SACU trade

	2005	2006	2007	2008	2009	2010	2011
Intra-SACU Exports	13.6	12.8	16.9	15.9	18.0	19.8	15.9
Intra-SACU Imports	86.4	87.2	83.1	84.1	82.0	80.2	84.1

Source: AfDB Statistics Department; IMF DOTS Online Database; UNCTAD.

In the SADC region, intraregional trade has not been that good, despite deliberate efforts under the SADC Trade Protocol to liberalize trade, and pave the way for the SADC FTA. For example, while SADC exports to the rest of the world (ROW) more than tripled between 2000 and 2008 from $50 billion to $153 billion, the share of intraregional exports remained relatively low at around 10 per cent of total exports - a proportion close to which it remains to date (World Bank, 2011). SADC exports to the ROW as a proportion of its GDP have increased from 20 per cent to over 30 per cent during the last decade, yet the share of its exports to the region has grown much more slowly and accounts for just 3 per cent of regional GDP (World Bank, 2011). This is contrary to the situation in Asia, where the region has transformed from a largely underdeveloped agricultural economy to become a major global economic powerhouse.

Figure 1: Percentage shares of intra-SACU imports and exports: 2000-2011



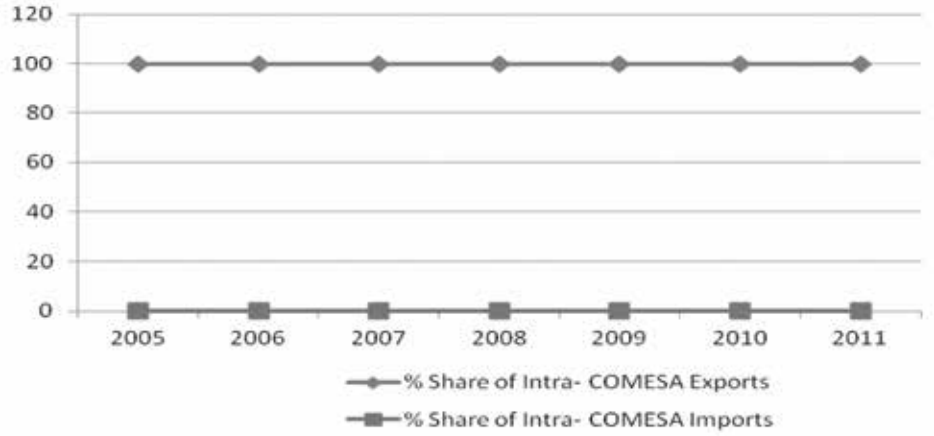
Source*:* AfDB.

During the 2000 to 2011 period, COMESA total intratrade averaged $5.37 billion, with intra-COMESA exports averaging $5.36 billion, whilst intra-COMESA imports averaged $6.1 billion. Table 5 and figure 2 portray a situation similar to that for SADC and SACU.

Table 5: Percentage shares of intra-COMESA exports/ imports in total COMESA trade

	2005	2006	2007	2008	2009	2010	2011
Intra- COMESA Exports	99.9	99.9	99.9	99.9	99.9	99.9	99.9
Intra- COMESA Imports	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Figure 2: Proportion of Intra-COMESA exports and imports in total trade: 2000-2011



Source: AfDB data base.

Though there has been a commitment towards the Tripartite FTA, trade among partner countries across the region has remained modest. Most of the countries within the RECs have continued to trade with their traditional partners such as the European Union and USA. Table 6 below shows that intratrade between EAC and the other RECs, that is SADC and COMESA is quite low. Based on the 2007 trade figures, EAC exports to the SADC region constitute 8.3 per cent of its total trade, whilst the COMESA region accounts for 20.9 per cent. A detailed exposé of intracountry trade data is included in annex 5.

Table 6: Interregional trade flows: 2003-2007

	2003	2004	2005	2006	2007
EXPORTS					
Total Exports ROW (US$ million)	4 182.1	4 992.0	5 856.8	6 336.3	7 793.5
% of Intra EAC	19.5	18.7	18.1	14.0	18.1
% of COMESA	14.1	14.1	16.2	16.5	20.9
% of SADC	7.9	9.0	12.5	11.4	8.3
% of Africa	2.5	2.1	2.4	4.1	3.8
% EU	29.0	25.8	20.5	18.8	22.0
% USA	1.5	5.1	4.5	5.2	5.8
% of Total Exports ROW	24.6	25.6	27.0	30.9	35.7
IMPORTS					
Total Imports ROW (US$ million)	4 033.9	4 847.1	5 788.1	8 390.1	11 166.0
% Intra EAC	7.0	6.6	7.2	5.1	5.8
% COMESA	2.7	2.9	2.6	2.6	36
% SADC	11.2	11.8	11.4	9.8	9.9
% EU	18.1	17.6	17.1	17.4	21.9
% USA	4.7	4.1	6.8	3.9	6.6
% Total Imports ROW	54.0	54.1	52.7	58.6	77.9

Source: Lunongelo, B and Mbilinyi, A.V 2009.

From the study, as much as African countries are pursuing regional integration, as confirmed by the current initiatives towards the Tripartite FTA, there is still significant bias among individual members towards traditional markets, such as the European Union and USA. These markets remain major export destinations as well as source of imports, though recently the Brazil, Russia, India, China and South Africa (BRICS) group has also become a major market.

4.4 Comparative analysis of industrialization experiences in other regions: An empirical exposé on industrial development in ASEAN, NICs and Latin America

No society can attain high and sustainable levels of per capita income without going through a fundamental process of structural transformation (Naudé, 2010). Structural change is desirable not only for promoting higher productivity growth and per capita incomes, but also, for bringing greater diversity in economic structure and reducing a country's vulnerability to negative external shocks (Naudé and others, 2009). All advanced and emerging economies have followed this concept of economic development, undergoing transformation from low-productivity traditional activities to higher productivity modern activities (manufacturing and services), (Chenery, 1960; Syrquin, 1988). Currently, in all high-income economies, the service and manufacturing sectors make substantial contributions to GDP, exceeding those from agriculture (Naudé, 2010).

However, the most remarkable social and economic transformation in economic history has been the transformation from the 1950s of the Association of Southeast Asian Nations (ASEAN), the Newly Industrialized Countries (NICs), and some Latin American countries into present-day global players. Industrialization policy varied across these regions, depending on domestic circumstances, and global conditions, though they all experienced a remarkable structural transformation from traditional towards high-value production systems. SSA can draw lessons, from these experiences, which include the Japanese model that was based on government-guided industrial policy, under which the government selected key industries, gave them preferential treatment including tax deductions and exemptions, and tried to help them become competitive with multinational corporations (Kiuchiki, 2007). The government intervened in the goods markets to supplement goods and services that could not be supplied efficiently (Koniya and others, 1988).

The key highlights per country of the specific components of the industrial policies are provided in box 1 and annex 1 below, after which there is an evaluation of the efficacy of these policies, in terms of influencing the development outcomes of the countries. This will provide a firm basis for objectively influencing the current debate on SSA industrial development exploits in the medium- to long-term. An interesting phenomenon of these experiences is country differences, as well as the variation in the application of the industrial development policy instruments, and the actual beneficiaries of the rents obtained from these policy initiatives. "In the Republic of Korea the beneficiaries were the large conglomerates, the *chaebol*; in Taipei, China and the People's Republic of China, small and medium national firms were the main recipients; and in Malaysia, Malaya-owned firms, and to some extent Transnational Corporations (TNCs) were the main beneficiaries. In Indonesia, where cronyism was particularly rife, political and family connections determined access to rents. In Singapore foreign firms were the principal beneficiaries"[5].

5 Ibid page 17.

Box 1: Highlights of key Industrial Policy ingredients in NICs

"*The other approaches* included selective import tariff protection for home market sales, the profits from which could be used to cross-subsidize exports (Republic of Korea, Taipei, China); access to credits for exporters either for investment or export trade financing at subsidized interest rates (all NIEs); tax concessions to investors in the form of tax holidays or accelerated depreciation allowances (all NIEs); *use of* direct control systems, preferential allocation of licenses to exporters, for example for technology imports or investment (Republic of Korea, Taipei, China); directed finance to strengthen the position of selected and favoured enterprises (Republic of Korea, Taipei, China); provision of subsidized infrastructure supplies and factory space, for example as part of Export Processing Zones [EPZs] (Malaysia, Thailand, Taipei, China); provision of Research and Development facilities in government institutes, as well as tax credits for private Research and Development initiatives (Republic of Korea, Taipei, China, Singapore); repression of real wages through restrictions on labour bargaining and union activity (Republic of Korea, Taipei, China, Malaysia) or subsidization of wages through public housing programs (Singapore). Sometimes these interventions were 'functional', in the sense of being available to all firms or to all firms in a particular line of activity. In other cases they were explicitly selective with some firms out of a sector selected for special support"[6].

From this exposé, it emerges that a combination of various factors contributed to the success of the countries cited. Good policy mixes which made available the right signal to firms, as well as institutional support were key towards a successful industrial transformation. In other emerging economies, experience with these types of measures has been disappointing with rent-seeking and high cost uncompetitive producers often the outcome (Weiss, 2002). Explanations for success singled out two important aspects of the implementation of policy, with the Republic of Korea normally used as the example of a model upon which East Asian industrial policy is based. One aspect was the time-bound nature of support, which was deliberately put forward as transitory to give firms an incentive to develop competitiveness over time; and there other was that sometimes these interventions were functional, in the sense of being available to all firms, in a particular line of activity (Weiss, 2005).

This was in direct contrast to the blanket semi-permanent protection perceived to be often in ISI programmes applied elsewhere (Lall, 1994). The other explanation was that giving of rents was with constraints, and to be competed for through a series of "contests" which mimicked competition (WB 1983).

4.5 Re-thinking the region's industrialization agenda

In this section some of the options available to integrate a regional value chain using regional industrial policy are discussed. One such option would be to put together the industrial plans or strategies of firms, so as to lead to a more successful integration of the non-formal sector of the regional economy into an inclusive regionalism, often referred to as "integrative regionalism". Such a strategy envisages that the integrating partners (regional member States) have interests that are compatible and in line with the higher consideration of the common objective and common good that would come out of an integration into a single economic union.

In the current situation, governments had at various times, and acting individually, put in place regulations and stimulation mechanisms to facilitate the formulation of concrete strategies on regional trading relations and export promotion. The expected outcome of that uncoordinated approach was that national and regional firms continued to experience enormous challenges from shrinking domestic and regional market options, and deindustrialization of their industrial and manufacturing sectors. At the heart of that recurring outcome was the failure to proactively expand the region's existing narrow industrial base which was confined to the formal sector of the countries.

6 Weiss J, "Export Growth and Industrial Policy: Lessons from the East Asian Miracle Experience", ADB Discussion Paper No. 26. ADB Institute, page 15.

The most pertinent gaps for intervention that have been suggested since the beginning of efforts to increase industrial development in the region include improvements in:

(a) Macroeconomic and trade policies
(b) Rationalization of strategies of regional firms
(c) Regional capital markets
(d) National and regional infrastructure – utilities, transport and shipping costs
(e) Information exchange
(f) Harmonization of standards
(g) Adoption of "centres of excellence" or best practice methods
(h) Small and Medium Enterprises (SMEs) support systems.

As has been argued elsewhere, the structure of the current African economy is largely disarticulated, in contrast to a coherent economy where there are domestic and/or regional sectoral complementarities and reciprocities. In an articulated economic system, the exchange mechanism and sectoral/regional reciprocity become widespread, as a result of the total commodification of the economy based on the forward and backward linkages of production (Ndlela, 2008).

In sharp contrast to the capitalist economy of the West, where virtually all production is geared towards the output of commodities, in the present-day African economy, commodification is restricted to the country's formal sector. In this set-up the introduction of the productive sectors such as mining, commercial or plantation agriculture, manufacturing, and services, has not produced change in the structure of the economies.[7] On the contrary, the old colonial trading relations with a minimum development of the required infrastructures and ancillary services continue to be maintained in the formal sector enclaves, bearing little relation to the other areas of the economy.

Historically, there is evidence that societies with a wide distribution of property, notably land, residential housing and businesses are stable, more resilient to upheavals and are able to engage in productive value chain activities, be it agricultural, forestry, mining or industrial. This can only happen when the properties of the majority can begin to relate to all other properties within a nationally globalized property system, a condition that reduces the costs of transactions. Just as the Nobel Prize laureate Ronald Coase established that costs of transactions can be substantially reduced within a controlled and coordinated context of a firm (Coase, 1937).

7 Regarding the Southern African regional economy, value chains that matter are those that thrive to integrate the region's modern "formal sector" into the world economy, while over 70 per cent of the economy is left behind in the non-formal sector, fraught with distortions (external, structural and microeconomic), with no virtuous links with other sectors of the economy, and no capacity for capital accumulation. Thus, so long as the non-formal sector remains large, the system is self-constraining, has no dynamics for change and is continuously left outside the trading and value chain relations, both internally at the individual country level and externally in terms of regional linkages and connectivity - for details, see Ibid.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

Though Africa has made serious efforts to pursue policies and strategies at the country and regional levels towards industrialization, the overriding issue that dogged the efforts were that the continent had been trying to industrialize without a clear idea on the political economy of industrializing. Africa and Southern Africa in particular had not adequately defined the role of the state in development; where the state should intervene to sort out market failures and where it should leave it to the private sector, and provide goods which cannot be provided by the private sector, starting with public goods. Based on this overarching prerequisite, the study strongly recommends the following:

(a) The state must send out the right signals to the private sector/investors in terms of industrial policy, and not on its own create policies without involving firms;

(b) Institutional support has to be continuous as a key component towards a successful industrialization policy;

(c) Interventions have to be time-bound in nature so as to produce results, be transitory and not be permanent measures as was the case under the ISI in the African region;

(d) Revenue collected through tariff protection measures should be allocated to export growth rather than to non-productive and conspicuous consumption;

(e) Policy incentives have to be functional and made available to all firms in a given sector or in a particular line of activity.

The design of an industrial policy should respond to the specific developmental challenges countries are facing at a given point in time, and foster cluster production around specific value chains, that are aligned to regional and global production platforms so as to produce economies of scale. Some aspects of the East Asian industrial experiences apply to the African context, but the difference is in the approach that the latter has taken. For example, in Thailand, ISI was allowed to run concurrently with export promotion, and the rents from ISI were used to support the latter strategy. Given the peculiarities of the African economy which is characterized by high levels of poverty and unemployment, an inclusive broad-based industrial development agenda should be adopted to absorb the unemployed masses and alleviate poverty. Regional integration is thus a building block towards global production capacity, and hence the need for a regional industrial policy cannot be overemphasized, to anchor national industrial policies.

Resource rich countries should promote transparency and institute accountability mechanisms in their exploitation agendas, whilst at the same time emphasizing beneficiation, so as to localize as much as possible the revenue potentials of the resources. The dual enclave nature of the African economy inherited at independence has by and large been left intact for decades, hence the need for structural policies to narrow the gap between the formal and informal sectors. Industrial competitiveness rests squarely on firm level productivity that can be enhanced through the provision of capacity to upgrade and absorb technology, as well as invest in research and development and science and technology.

Furthermore, the pillars for sustained industrialization at the national and regional levels would depend on:

(a) Maintaining a favourable macroeconomic and trade policy environment;

(b) Creating conducive conditions for increased FDI flows, through the removal of policy inconsistencies, strengthening public financial management, and reducing financial sector vulnerabilities;

(c) Addressing infrastructure bottlenecks, increasing competitiveness, and improving the business climate;

(d) Improving competitiveness by applying sound fiscal policies (wage moderation), reducing transaction costs of firms by improving the quality and efficiency of public services;

(e) Removing anti-investment bias and supporting FDI flows to firms with export potential;

(f) Improving credit availability by strengthening efficiency of financial intermediation, and expanding domestic savings;

(g) Adopting sound infrastructure investment frameworks;

(h) Improving the quality of economic institutions, such as increasing the efficiency of state-owned enterprises.

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ANNEXES

Annex 1: Experiences of some earlier industrializers

Period	Priority activities	Main instruments
1. Republic of Korea Industrial Policy		
1960 – 1973	Exports in general - key sectors - labour- intensive manufactures	Import protection Export subsidies including duty drawbacks Subsidized credit allocations Export targeting
1973 – 1980	Manufactured exports Firms needing restructuring Small and medium - enterprises High technology activities now priority	Import protection, export subsidies including duty drawbacks, subsidized credit allocations, export targeting Widespread use of policy loans to channel funds to priority firms and sectors Investment incentives through tax credits
1980 – 1990	Heavy and chemical industries Priority sectors - steel petrochemicals, non-ferrous metals, shipbuilding, electronics and machinery Priority firms - selected large enterprises	Phased import liberalization Ending of policy loans Government influence over allocation of credit Investment incentives for research and development Easing of restrictions on FDI
1990 onwards	Private sector-led development Restructuring of chaebol after 1997 Crisis	Financial sector liberalization; open capital account
Period 2. China, Taipei	Priority activities	Main instruments
1953 – 1957	Import substitutes – key sectors - textiles, clothing and other labour-intensive manufactures	Import protection through tariffs and import quotas
1958 – 1972	Export promotion/substitution key sectors - labour–intensive manufactures particularly garments, consumer electronics Some import substitution in intermediates – basic metals and chemicals	Unified competitive exchange rate Rebates on import duties Tax credits Subsidized loans EPZs - encouragement to FDI Export targeting Import protection through tariffs and import quotas
1973 – 1980	Import substitution of intermediate goods and capital plus exports Key sectors - petrochemicals, steel, ship building, automobiles, machine tools, electrical machinery, consumer electronics	Public investment in state enterprises Tax credits Policy loans Import tariffs Rebates Selected protection
1981 – 1990	High technology activities and exports Strategic sectors - information technology, machinery, precision instruments, biotechnology, electro-optics, environmental technology	Trade liberalization Policy loans for strategic industries Tax credits Public investment in infrastructure and research facilities Science parks Encouragement to FDI
1990 onwards	Private sector-led development	Financial liberalization Interest rate decontrol Ending of policy loans Public sector for science and technology Encouragement to FDI Investment in education
3. Thailand		

Period	Priority activities	Main instruments
1960 – 1971	Focus on replacing imports with domestic goods	Import Substitution Industrialization Laws for tariff protection and domestic industrial investment promotion enacted Preferential treatment given to imports of capital goods, intermediate and raw materials Preferential conditions for priority industries. For example 5 year tax holiday; duty relief on machinery imports and raw materials
1972 – 1976		Export promotion Use of tax credits for tariff payments Duty drawbacks for export production Export financing
1977 – 1982	Promotion of heavy industries producing intermediate and capital goods Agro–industry and SMEs	Import substitution – focus on protection of heavy industries producing capital goods and intermediate goods Parallel development of exports East Coast Development Porgramme as a large scale regional plan
1983 – 1996	Deregulation in the automobile and textile sectors	Export Promotion through FDI 100% foreign ownership supported Industrial estates developed and designated EPZ status Investment encouraged in specific areas – in line with division of country into 3 regions
Period 4. Malaysia	Priority activities	Main instruments
1957 – 1967	Few imposed limits on import volumes Focus on promoting domestic consumer goods to reduce import dependence	Import substitution Set selectively low import tariffs
1968 – 1979	Promotion of exports – manufactures Rubber and tin related	New Economic Policy (Bimuptra), 1969 focusing on diffusing ethnicity, hence restructure society to eradicate disparity among communities/ regions Primary policy focus was on equity rather than efficiency Export promotion Enactment of Investment Incentive Law – 1968 Development tax – 5% of profits 3% excess profits tax 40% corporate tax 1971 – Law of Freed Trade Zones – typical EPZ regime
1980 – 1985	Shift economy from dependence on rubber and tin to palm oil and crude oil Investment shift to steel, cement, automobiles, and chemicals	2nd Phase of import substitution revisited
1986 – 1997	Designation of 12 key sectors Non–resource industries – electric/electronic manufactures, textiles/garments, machinery, transport equipment and steel Resource industries - wood processing, rubber manufacturing, palm oil processing, food processing, chemicals/petro chemicals, non-ferrous metals and non-metal manufactures	Export orientation through promotion of FDI New export promotion law shifted priority to efficiency Authorization of wholly owned foreign subsidiaries Deregulation of FDI and privatization of state entities

Period	Priority activities	Main instruments
Period 5. China	Priority activities	Main instruments
1979 – 1986	Government developed "pillar industries" - by merging and reorganizing state enterprises in the automobile, machinery, electronics, petrochemical and construction industries	Planned economy Government controlled all production, distribution and consumption Focus mainly on resolving insufficient supply Industrial structures adjusted – switch from heavy industries to light industries Production allocation coupons issued to influence supply capacity Government intervened to encourage technical innovation Limited effects/results due to government's inability to provide financial support
1986 – 1992	Development of basic sectors - infrastructure Establishment of Industrial Policy Department in the National Planning Committee in 1988 Leading industries selected in 1989	Term "industrial policy" used for the first time in 1988 Structural adjustment - to balance demand and supply by reducing high supply capacity in industry Market economy Attraction of foreign TNCs
1992 – 2001	Create industries that could serve as a foundation for economic growth Designated 4 lead industries - automobiles, machinery, construction and petrochemicals; later, service industries such as information technology were added - Industry policy focused on agriculture, infrastructure, pillar industries and services Pillar industries included building materials, housing, petroleum and automobiles Textile industry, improved quality in steel industry Increased profitability in the coal industry	Industrial policy focused on fostering market competitiveness – no discrimination between foreign and local companies Reform of state enterprises Introduction of foreign capital Social progress also targeted In 1997, 5 major changes to industrial policy were effected: (a) Development of housing (b) Market competition emphasized (c) De-emphasis of state ownership (d) More labour mobility (e) Preferential treatment for SMEs, including creation of a financing department
2001 and beyond	Financing facilities through state-owned commercial banks encouraged the following sectors: infrastructure, research and development, roads and railways through a "Specific Project Financing" facility	Policies became more pro-FDI - targeted Economic Development Zones Principle of respecting market competition had emphasis at the expense of government intervention Government mainly a guiding instrument Key features of industry policy at this stage Provision of financing measures (4 state-owned commercial banks supported industry) Projects guaranteed by Government had easier access to finance Tax measures
6. Mauritius		
1960 – 1969	Promotion of domestic industries Main sugar related industries	1964 Import Substitution Industrialization Legislation enacted Offered host of fiscal incentives, and non-tariff barriers to protect domestic producers Import substituting companies issued with development certificates "DC Companies" – by 1970 only 70 such companies had been created ISI failed to solve economic problems One jewel components company survived, to date – still exporting to Europe

Period	Priority activities	Main instruments
	Attempt to develop domestic manufacturing capacity to reduce dependence on imports	
1970 – 1979	Massive expansion of export industries Textiles and clothing sector Strong backward and forward linkages with the rest of the economy Tourism sector Diversification from sugar	Export Orientation Strategy adopted EPZ Act No 51 of 1970 enacted – creating a free zone Lucrative fiscal and financial incentives offered Massive expansion Open policy to FDI – guarantees of no nationalization Private sector given great and unlimited scope and support Solid relationship between government and business Political stability – a major plus Access to EU market - Lome Convention attracted Asian FDI that had failed to export to the EU market 1971 – 1975 – 4 Year Development Plan fostering social and economic transformation Government provided incentives to influence resource allocation – contrary to direct control. Focus on providing infrastructure – roads, telecommunications, port facilities, among others
1980 – 1990s	Strong manufacturing sector with diversity developed EPZ textiles sector - strong momentum Tourism	Adoption of World Bank/IMF supported structural adjustment Focus still on exports, but revision of EPZ regime to claw back some revenue Economic stabilization measures

Source: Weiss (2005), Leipzinger, (1997), WB (1993), Dahlman and Sananikone (1997), Kim and Leipzinger (1997).

Annex 2: Paradigms in economic development

Paradigm	Explanation	Major limitations
Arthur Lewis' two-sector economic growth or structural change model (1950s)	Economic growth would be achieved through capital formation (industrialization, urbanization, technological transformation of agriculture)	This model neglected agriculture, the backbone of Africa's economy, as a strategy for development and also neglected African knowledge assets and experience in its design. It contributed to the massive migration of rural people into urban sectors
Structural institutionalism (Prebisch-Singer Thesis)	There was a secular decline in the terms of trade between agricultural and industrial commodities, and the desire to reduce economic dependence led to a development strategy that favoured import-substitution or an inward-looking development policy	A number of African countries that developed an inward-looking industrialization strategy experienced huge balance of payments deficits. In addition, incentives favouring capital, high effective protection of assembly type industries, and direct controls over prices and foreign exchange, have tended to introduce distortions and to support inefficient industries while discouraging agricultural and export production
Growth-with-Equity, basic needs approach, participatory development (1970s)	Satisfaction of basic needs and growth with equity (for example, GDP per capita was replaced by Physical Quality of Life Index - literacy, life expectancy and infant mortality). The proponents of this development approach focused on agriculture-first development and a new international economic order, and viewed grass-roots participation as a means of poverty reduction and self-actualization	Though favoured by some progressive leaders of Africa, it could not be implemented because of the oil crisis of the 1970s and the subsequent world recessions. This hurt mainly the non-oil-producing countries of Africa, because although prices of some products (for example, cocoa and coffee) increased, it was offset by the high oil prices. However, the deep recession in the first half of the 1980s was due to rising oil prices, the Sahelian drought, and the high cost of external borrowing
Neoclassical (market-friendly) paradigm led by the World Bank (1980s), and the New Growth (endogenous) Theory of Paul Romer and Robert Lucas (1990s)	Neoclassical theorists argued that the lack of economic growth in the Third World was due to poor resource allocation and state intervention. The central tenets of development policy in the 1980s therefore shifted to the adoption of the following strategies: (a) implementation of competitive free markets; (b) privatization of state-owned enterprises; (c) promotion of non-traditional agricultural products for exports; and (d) creation of conducive environments for foreign direct investments. Thus, in order to borrow funds for internal and external macroeconomic balance from the IMF and the World Bank, sub-Saharan African countries were required to undergo structural adjustment programmes (SAPs). After following the prescribed stabilization and structural adjustment programmes, many African countries experienced little or no growth. Thus, the poor performance of neoclassical theories in explaining the sources of long-term economic growth led to the concept of endogenous growth or the new growth theory. "Models of endogenous growth suggest an active role for public policy (unlike the neoclassical theory, it advocates for government intervention) in promoting economic development through direct and indirect investments in human capital formation and the encouragement of foreign private investments in knowledge intensive industries. For example, Finland and Ireland achieved tremendous growth because they focused on high-tech industries and intellectual development, such as computer software and telecommunications."27	Though Structural Adjustment Programmes (SAPs) were to restore macroeconomic stability and eventually generate sustained economic growth, from 1980 to 1985, "the real per capita GDP for the sub-Saharan Africa region declined by nearly 20 per cent; export earnings dropped by about 40 per cent; import purchases fell by about 40 per cent; and the region's external debt, which stood at $6 billion in 1970, reached an alarming figure of more than $120 billion. The economic crisis confronting these countries included deteriorating roads, impoverished health facilities, falling educational standards, idle factories, growing unemployment, and falling nutritional intakes." Though challenged by the United Nations Economic Commission for Africa, the World Bank and the Regional Bureau for Africa of the United Nations Development Programme concluded that, from 1985 to 1990, those sub-Saharan Africa regions which implemented SAPs were doing better than countries which did not, in terms of growth in the short run (but the growth dissipated quickly, did not increase domestic savings, neither did it protect the poor from bearing undue hardships.28
Sustainable Economic Development (United Nations) Since the Rio Earth Summit in 1992, numerous environmental plans (such as National Environmental Action Plans—13 in the 1990s)	The sustainable economic development paradigm acknowledges that if development is to be sustainable the environment needs to be protected. Thus sustainable development leads to sustainable activity that meets the needs of the current generation (intragenerational equity) without depleting the supply of resources for future generations (intergenerational equity).29	Since the Rio Earth Summit in 1992, numerous environmental plans (such as the National Environmental Action Plans—NEAPs) have been undertaken by various African countries, and a number of studies have been conducted by the African Development Bank. Nonetheless, because of lack of adequate financial resources and major economic distress, exacerbated by SAPs, so far environmental needs have not been systematically incorporated into Africa's economic development paradigms

Source: Adjei Ako and Akrofi Victor.

Annex 3: SWOT analysis of Africa in the 20th century

Internal	
Strengths	Weaknesses
• Rich mineral, oil and gas deposits • Varieties of flora and fauna • Unspoiled natural habitat (rain forests) • Minimal emissions and effluents • Paleontological and archaeological sites (cradle of humankind) • Open uninhabited spaces • Rich cultures and creative communities • Cheap labour and raw materials • Richness of agriculture	• Weak domestic market • Lack of highly skilled labour • Weak states • Lack of long-term policies • Inadequate implementation of programmes • Price distortions • Lack of advanced information and communications technology • Lack of capital • Unfavourable terms of trade • Poor purchasing power • Lack of conflict prevention and management • Poor health services (HIV/AIDS, malaria) • Class and gender inequity • Poor infrastructure • Non-participatory governance, undemocratically elected leaders, lack of transparent, legal and regulatory framework • Inadequate research and development • Political instability • Heavy external debt • Persistent balance of payments deficits
External Opportunities	Threats
• Architects of their own sustained uplifting growth (regain their self-confidence) • Integration of national systems of production • Value chain in manufacturing and service sector • Acquisition of modern knowledge and skills • Natural and diversified workforce to be harnessed	• Competition with the Newly Industrializing Countries (NICs) • Dependence on external agencies and markets • Internal upheavals and border conflicts • Bilateral and multilateral aid which may be based on insurmountable conditionality • Heavy subsides on primary products by the United States and European countries

Ibid

Annex 4: Structure of production, 1980-2010 (DGP shares, value added in agriculture, industry, manufacturing and services; SADC Countries and Comparators)

	1980				1990				2000				2010			
COUNTRY	AGR	IND	MAN	SER	AGR	IND	MAN	SER	AGR	IND	MAN	SER	AGR	IND	MAN	SER
Angola					18	41	5	41	6	72	3	22	10	60	6	30
Botswana	15	51	5	35	5	61	5	34	3	53	5	45	2	45	4	52
DRC	27	35	15	38	31	29	11	40	50	20	5	30	43*	24*	5*	33*
Lesotho	25	27	8	49	25	34	15	41	12	32	14	56	9	32	13	60
Madagascar	30	16		54	29	13	11	59	29	14	12	57	29*	16*	14*	55*
Malawi	44	23	14	34	45	29	19	26	40	18	13	43	31*	16*	10*	53*
Mauritius	13	26	16	61	13	33	24	54	7	31	23	62	4	27	18	69
Mozambique	37	34		28	37	18	10	44	24	25	12	51	32	23	13	45
Namibia	11	56	9	33	12	38	14	50	12	28	13	60	8	20	8	73
Seychelles	7	16	7	78	5	16	10	79	3	29	19	68	2*	18*	11*	80*
South Africa	6	48	22	45	5	40	24	55	3	32	19	65	2	31	15	67
Swaziland	23	30	21	47	10	43	37	46	12	44	39	44	8	47	42	45
Tanzania					46	18	9	36	33	19	9	47	28	25	10	46
Zambia	15	42	18	43	21	51	36	28	22	25	11	52	9	37	9	54
Zimbabwe	16	29	22	55	16	33	23	50	18	25	16	57	16	27	14	57
Comparators																
SADC	21	33	14	46	21	33	17	46	18	31	14	51	16	30	13	55
Brazil	11	44	33	45	8	39		53	6	28	17	67	5	28	16	67
China	30	48	40	22	27	41	33	32	15	46	32	39	10	47	30	43
Germany	2	41	30	57	1	37	28	61	1	30	23	68	1	28	21	71
India	35	24	16	40	29	26	16	44	23	26	15	51	18	27	15	55
Korea, Rep.	16	37	24	47	9	42	27	49	5	38	28	57	3	39	31	58
Malaysia	23	41	22	36	15	42	24	43	9	48	31	43	11	44	26	45

Source: World Development Indicators, 2012.
Note: * Latest year for which data are available: 2009.

Annex 5: Intra-COMESA trade indicators

	2005	2006	2007	2008	2009	2010	2011
Intra-COMESA exports (in million of US Dollars)							
Burundi	6.8	8.8	9.0	11.5	8.2	10.5	10.9
Comoros	0.1	0.0	0.2	0.0	0.2	0.2	0.2
Democratic Republic of Congo	114.8	81.2	182.9	550.6	500.0	1189.0	1355.4
Djibouti	60.5	97.7	6.5	13.6	20.9	39.4	62.9
Egypt	430.1	441.2	533.8	1623.2	1845.2	2351.4	1562.8
Ethiopia	89.7	96.6	114.4	140.9	83.0	83.7	88.1
Kenya	856.1	850.3	1026.7	1290.0	1181.7	1410.9	1651.8
Libya	119.8	94.7	180.6	265.6	209.2	346.0	76.1
Madagascar	25.3	25.8	38.2	36.5	31.3	30.3	30.1
Malawi	50.7	95.1	130.0	113.9	111.3	156.3	192.1
Mauritius	144.8	131.6	161.6	172.6	156.3	155.9	188.5
Rwanda	8.7	4.6	8.9	193.3	170.5	214.7	238.8
Seychelles	17.1	38.4	42.4	43.6	18.7	31.5	25.3
Sudan	137.7	152.5	85.9	64.1	130.4	204.6	340.2
Uganda	247.9	282.9	506.4	720.5	446.4	561.7	631.3
Zambia	255.0	281.6	630.4	847.1	635.6	689.5	968.3
Zimbabwe	118.7	217.2	331.6	404.9	280.3	371.4	404.1
Intra-COMESA Exports	2683.9	2900.2	3989.5	6491.6	5829.2	7847.1	7827.0

Annex 6: Intra-COMESA imports (in million of US Dollars)

	2005	2006	2007	2008	2009	2010	2011
Intra-COMESA exports (in million of US Dollars)							
Burundi	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Comoros	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Democratic Republic of Congo	0.3	0.5	0.8	1.0	0.9	1.1	1.3
Djibouti	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Egypt	0.3	0.2	0.4	1.1	0.7	1.0	0.8
Ethiopia	0.2	0.3	0.2	0.3	0.2	0.3	0.4
Kenya	0.2	0.2	0.3	0.5	0.5	0.7	0.8
Libya	0.2	0.2	0.3	0.9	1.1	1.3	0.6
Madagascar	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Malawi	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Mauritius	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Rwanda	0.2	0.2	0.3	0.4	0.3	0.4	0.5
Seychelles	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sudan	0.5	0.5	0.6	0.6	0.6	0.8	0.7
Uganda	0.5	0.4	0.5	0.6	0.5	0.6	0.7
Zambia	0.2	0.3	0.3	0.8	0.7	1.4	1.6
Zimbabwe	0.9	0.9	0.2	0.2	0.2	0.3	0.3
Intra-COMESA Imports	3.9	4.3	4.4	7.0	6.2	8.8	8.6

Sources: AfDB Statistics Department; IMF DOTS Online Data Base; UNCTAD.

Annex 7: Intra-SADC trade indicators

	2005	2006	2007	2008	2009	2010	2011
Intra- SADC exports (in million of US Dollars)							
Angola	296.3	366.2	1660.0	2812.3	1404.3	1783.4	1586.0
Botswana	520.6	577.1	994.6	1174.6	746.1	875.0	756.2
Democratic Republic of Congo	96.5	65.3	162.1	534.4	489.8	1176.4	1330.2
Madagascar	21.1	27.0	31.3	58.1	39.4	40.7	63.3
Malawi	119.3	164.2	175.6	225.0	161.8	193.0	191.4
Mauritius	162.1	173.6	213.4	230.8	231.2	256.9	339.8
Mozambique	386.1	470.8	512.2	363.5	597.3	575.4	1166.4
Seychelles	15.6	39.6	47.4	38.7	16.1	29.0	20.6
South Africa	5008.4	5261.6	6464.5	9071.7	7281.5	8114.8	10791.2
Tanzania	181.6	187.3	191.4	245.1	180.2	269.4	345.0
Zambia	720.3	1288.8	1137.7	1011.4	931.4	1288.4	1243.2
Zimbabwe	762.8	619.8	1370.3	1403.7	656.1	827.9	1098.7
Intra- SADC Exports	8290.7	9241.3	12960.4	17169.3	12735.1	15430.4	18932.1

Sources: AfDB Statistics Department; IMF DOTS Online Data Base; UNCTAD.

Annex 8: Intra- SADC imports (in million of US Dollars)

Angola	0.6	0.8	0.9	1.0	0.8	1.0	1.0
Botswana	2753.6	2707.4	3418.7	4341.6	3798.8	4002.0	5507.3
Democratic Republic of Congo	0.4	0.8	1.2	1.9	1.2	1.5	2.0
Madagascar	0.1	0.2	0.2	0.3	0.2	0.3	0.3
Malawi	0.5	0.4	0.5	0.7	0.7	0.8	0.7
Mauritius	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Mozambique	1.1	1.1	1.0	1.2	1.4	1.3	2.8
Seychelles	0.1	0.1	0.1	0.1	0.1	0.1	0.1
South Africa	1.3	1.6	3.7	5.0	2.6	3.8	4.1
Tanzania	0.5	0.5	0.5	0.6	0.5	0.7	0.7
Zambia	1.5	1.8	2.3	3.0	2.2	3.2	4.1
Zimbabwe	1.4	2.2	1.7	2.5	2.2	2.8	3.3
Intra- SADC Imports	2761.4	2717.1	3431.3	4358.3	3811.2	4018.0	5526.9
Intra- SADC trade (in million of US Dollars)							
Angola	297.0	367.0	1660.9	2813.3	1405.0	1784.4	1587.0
Botswana	3274.3	3284.5	4413.3	5516.2	4544.9	4877.0	6263.5
Democratic Republic of Congo	96.9	66.1	163.4	536.3	491.1	1177.9	1332.2
Madagascar	21.2	27.1	31.5	58.5	39.7	41.0	63.7
Malawi	119.7	164.6	176.0	225.7	162.5	193.9	192.1
Mauritius	162.4	173.9	213.8	231.2	231.6	257.3	340.3
Mozambique	387.2	471.9	513.2	364.7	598.7	576.7	1169.2
Seychelles	15.8	39.7	47.5	38.8	16.2	29.2	20.7
South Africa	5009.7	5263.3	6468.2	9076.7	7284.2	8118.5	10795.3
Tanzania	182.1	187.8	191.9	245.7	180.7	270.1	345.7
Zambia	721.7	1290.6	1140.0	1014.4	933.5	1291.6	1247.3
Zimbabwe	764.2	621.9	1372.0	1406.2	658.3	830.7	1101.9
Intra- SADC Trade	11052.2	11958.4	16391.7	21527.6	16546.3	19448.4	24458.9

Sources: AfDB Statistics Department; IMF DOTS Online Data Base; UNCTAD.

Annex 9: Intra- SACU trade indicators

	2005	2006	2007	2008	2009	2010	2011
Intra- SACU Exports (in million of US Dollars)							
Botswana	374.2	338.2	551.5	870.2	473.3	558.4	531.8
Lesotho	55.2	57.9	64.6	114.4	141.2	136.8	167.5
Namibia	304.0	304.2	428.5	566.5	504.5	663.9	724.6
South Africa	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Swaziland	284.6	270.9	492.1	409.1	406.0	448.5	7.7
Intra- SACU Exports	1018.0	971.3	1536.8	1960.2	1525.0	1807.6	1431.6
	1661.76664	1604.33258	2522.05066	3050.1754	2576.66709	3056.8509	2331.38312
Intra- SACU imports (in million of US Dollars)							
Botswana	2698.7	2562.2	3282.1	4209.5	3723.9	3957.0	5375.7
Lesotho	91.3	243.2	29.1	1458.0	1565.5	1555.2	1847.6
Namibia	2039.8	2215.5	2720.8	3254.9	142.5	77.2	276.0
South Africa	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Swaziland	1625.8	1596.1	1514.6	1438.0	1499.9	1718.0	59.8
Intra- SACU Imports	6455.6	6617.0	7546.6	10360.4	6931.8	7307.3	7559.0
	10212.5202	10671.7542	11811.2177	16511.2625	10139.7754	10657.6403	9742.39552

Annex 10: Intra- SACU trade (in million of US Dollars)

Botswana	3072.9	2900.5	3833.5	5079.7	4197.2	4515.3	5907.5
Lesotho	146.5	301.1	93.7	1572.4	1706.7	1692.0	2015.1
Namibia	2343.8	2519.7	3149.3	3821.3	647.0	741.1	1000.5
South Africa	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Swaziland	1910.4	1867.0	2006.8	1847.1	1905.9	2166.5	67.5
Intra- SACU Trade	7473.6	7588.3	9083.4	12320.6	8456.8	9114.9	8990.6

Sources*:* AfDB Statistics Department; IMF DOTS Online Data Base; UNCTAD.