



# **Policy Research Seminar on the Prospects for SADC Regional Integration through Industrialization and the Role of China**

**20-21 April 2017  
Sandton, South Africa**

**OUTCOME STATEMENT**

## Preamble

The University of Johannesburg Confucius Institute (UJCI) and the United Nations Economic Commission for Africa (UNECA) in collaboration with Oxfam International's Africa-China Dialogue Platform (ACDP) based in Addis Ababa, Ethiopia organized a policy research seminar on the *Prospects for SADC Regional Integration Through Industrialisation and the Role of China* in Sandton, Johannesburg, South Africa from 20-21 April 2017 at the Capital Moloko Hotel.

The seminar was attended by scholars, policymakers and government officials, and representatives from civil society, private sector institutions, UN agencies and Regional Economic Communities (RECs). The participants came from across the SADC and COMESA regions, as well as China.

## Seminar Objectives

The main objective of the seminar was to examine China-Southern Africa relationship in the context of the SADC Industrialisation Policy (2012), the SADC Industrialization Strategy and Roadmap (2015) and the Revised Regional Indicative Strategic Development Plan (RISDP) (2015-2020). The seminar reflected on the background and trajectory of the relationship between China and SADC and its member States in promoting industrialization in the region, the trade and investment exchanges and cooperation in infrastructure development and minerals development. The seminar also explored how China can better support, promote and contribute to industrialization in Southern Africa more so as China has committed itself to this at FOCAC 2015, held in South Africa and the G20 Summit, held in China in September 2016.

The specific objectives of the seminar were to:

- ❖ Review the economic context, and progress made towards economic integration through industrialization in Southern Africa and the opportunities and challenges of that process;
- ❖ Examine the key policy instruments of SADC for promoting industrialization namely the RISDP and the SADC Industrialization Strategy and Roadmap and other policy documents and their efficacy in promoting industrialization in Southern Africa.;
- ❖ Examine SADC-China cooperation, identify the areas the cooperation and review the progress and challenges in those areas;
- ❖ Discuss possible areas of cooperation between SADC and China in implementing the SADC Industrialization Strategy;
- ❖ Discuss how current economic relations and trade and investment flows between China and SADC Countries affect the prospects of industrialization in the region;
- ❖ Explore areas of experience sharing, lessons learned, and comparative advantage in China's role in supporting industrialization in Southern Africa; and
- ❖ Offer policy recommendations that may strengthen China-SADC cooperation and partnership in promoting industrialization and socio-economic development in Southern Africa.

## Summary of Proceedings

During the Opening Session, welcoming and introductory remarks were delivered by Prof. Tshilidzi Marwala, Deputy Vice Chancellor of Research and Internationalisation, University of Johannesburg; H. E. Mr. Ruan Ping, Consul General of China in Johannesburg; Prof. Said Adejumobi, Director of the United Nations Economic Commission for Africa Southern Africa Office (UNECA); Ms Nelly Nyang'wa, Regional Director, Oxfam, Southern Africa; and by Dr. Gana Fofang, UN Resident Coordinator, South Africa. Mr. Seth T. Akweshie delivered welcome remarks on behalf of the SADC Executive Secretary, H.E. Dr. Stergomena Lawrence Tax.

Participants made presentations in each of the eleven sessions and deliberations were anchored by discussants and contributions from the floor. The sessions were on: Industrialization in Southern Africa: Disparities, Trends, Patterns and Challenges; China-Southern Africa Relations: Historical Background and Legacy; China's Industrial Policy in Africa: Opportunities and Challenges; Southern Africa-China Economic Relations: Trends and Outcomes (Trade and Industry); Southern Africa-China Economic Relations: Trends and Outcomes (Infrastructure and Mining); and Prospects for SDGs /Agenda 2016 achievements (poverty reduction and bridging inequality) through industrialisation in Southern Africa: The Possible role of China.

### Observations:

- Southern Africa faces a particular challenge in its industrialisation efforts, which is associated with the nature of the current phase of industrialisation in which we find ourselves, that is, the fact that robots are poised to replace human beings in the production process. How does the continent deal with this challenge in its industrialisation drive, particularly in terms of its impact on employment and revenue generation from taxes;
- The SADC region like the rest of the continent cannot afford to industrialise in isolation from the rest of the world, given that the knowledge and expertise required for this endeavour is dispersed around the world. History suggests that industrialisation efforts elsewhere have relied on ideas generated in countries other than those industrialising. This is where partnership with China becomes paramount;
- Industrialization is central to the economic transformation and development of Southern African countries where limited progress has been made. SADC countries are at different stages of industrialization, of which South Africa is the most advanced in the region and on the continent;
- SADC's efforts to industrialise will be taking place in the context of significant contradictions flowing from the global capitalist system which present both opportunities and challenges to the continent. These include shift in centre of accumulation from the West to the East; growing inequality; militarisation of global capitalist system; pre-eminence of currency speculation as economic activities over production and manufacturing; and the growing importance of artificial intelligence at

the expense of human labour. This calls for an inward-looking and concerted African approach to industrialisation and economic development;

- The key issue that should dominate the conversation on Africa/Southern Africa's industrialisation should be the need to make this process inclusive enough to cater for the millions of poor Africans, particularly those from marginalised groups such as women, subsistence farmers, and the youth;
- The discussion on industrialisation in Southern Africa, in particular, and Africa, in general, cannot continue to skirt the issue of political stability and capable states on the continent. Africa cannot industrialise and transform without capable States and committed leaders who are able to match rhetoric with concrete action. Thus, an analysis of the context of industrialisation in Southern Africa must include an appraisal of the political dynamics in the region;
- Southern African countries are acutely aware that SMEs constitute an important vehicle towards job creation and economic growth; SMEs will particularly help absorb the large pool of the youth and women, many of whom are trapped in low skill jobs;
- Southern Africa has historically relied on the primary sector for its economic growth, leaving the economic performance of the region at the mercy of environmental factors and fluctuations in the global commodity prices. This makes industrialisation all the more imperative;
- While all mineral endowments are important for Southern Africa's development, the region's industrialization efforts will benefit immensely from strategically exploiting those particular minerals (copper, iron ore, coal, phosphates, bauxite, etc) that have special importance to industrial support and development;
- Southern African countries, especially the resource-rich ones, are currently incurring unsustainable levels of debt that could have a negative impact on the rolling out of industrialisation programmes. This challenge is made worse by the fact that a growing proportion of this debt is domestic with the potential to undermine the critical contribution of the domestic private sector to the region's industrialisation efforts;
- The SADC Industrialization Strategy and Roadmap (2015) and the RISDP provide good frameworks for the accelerated industrialization of Southern Africa, but implementation is the key issue;
- While there seems to be a commitment in Southern Africa for greater industrialisation, the region currently witnesses a downward trend in manufacturing. Even South Africa, which is the region's manufacturing hub, occupies a weak position from a global perspective, a testament to the region's weak competitiveness in terms of manufacturing;
- In the 21<sup>st</sup> century, industrial policy cannot be based exclusively on the manufacturing sector, but should appreciate the interlinkages between the different economic sectors, and recognise the primacy of the service sector and the blue economy;

- The high cost of manufacturing in the region undermines the international competitiveness of regional products. There is need for extensive evidence-based research to come up with clear recommendations on how to reduce manufacturing costs and improve the region's competitiveness. While considerable research has been done, the issue of implementation of existing political and strategies remain critical;
- China's relations with the SADC region is largely built on the former's strong interest in mineral resources, except in the case of South Africa which is the only country with investments in China. Even so, South Africa, like other African countries, runs a huge trade deficit with China;
- China has contributed to the region's economic development through support for infrastructure projects and granting preferential market access to SADC countries. Even so, there are concerns about negative impact of Chinese investments in the form of environmental degradation, poor quality of infrastructures, and little contribution to technology transfer and employment, and also the dumping of cheap imports into Southern Africa which is promoting de-industrialization in the region;
- One lesson that Africa can learn from China is the importance of stability and good leadership to generate predictability for economic development. While democracy is worthwhile, political bickering and competition sometimes thwart development objectives. The need for democratic developmental states, underpinned by strong capacity and good governance, is therefore a big lacuna in Southern Africa;
- SADC countries have not been able to strategically use investment in the mining sector to develop infrastructure that can spur the region's industrialisation. China's approach in this regard is not different from that of the West, which has mined minerals without developing adequate infrastructure to benefit the mining communities;
- China largely prefers bilateral investment deals because it eases both negotiation and monitoring of projects. However, there are opportunities for regional vision, negotiation and strategy with China, which may prove very useful;
- Southern African countries are absorbing the lessons from China on its approach to industrialisation through special economic zones (SEZs), which have been quite successful not only in China but also used to industrialize its neighbourhood.
- Southern African countries have done a sterling work on promoting the blue economy. However, the optimal exploitation of this economy is still undermined by lack of regulations and enforcement mechanisms; poor security; and lack of requisite maritime skills and training opportunities. Furthermore, investments in the sector have not kept pace with global developments which among others call for instance for large vessels to accommodate expanded international trade; and
- Agenda 2063 and Agenda 2030 provide good frameworks for economic and social development and industrialization in Africa. However, commitment, domestication, adequate resources and effective implementation are important.

## **Recommendations:**

- There is need for the accelerated implementation of the SADC Industrialization Strategy and Roadmap. The Action Plan just finalized is most welcome and all stakeholders should be involved in its domestication and implementation;
- Member States should recalibrate macroeconomic policies to support the industrialization agenda by introducing preferential interest rates to support targeted industries, including domestic SMEs;
- Member States should collaborate with industry and training institutions to develop skills that are relevant to the needs of industry as well as revamp the education curriculum to promote digital literacy;
- The SADC region should develop harmonized policies, legal and regulatory frameworks to manage the operations of Chinese companies and ensure that the companies comply. In this regard, there should be a regional China policy for Southern Africa or the continent as a whole;
- Member States of the SADC region should develop national industrialization policies and strategies being guided (and aligned to) by the regional industrialization framework;
- The development of the service sector and blue economy should constitute part of the development strategy of industrialization in Southern Africa; In developing the blue economy, a comprehensive approach must be taken that factors in blue economy-related infrastructure, institutions, human capital needs and technology;
- For sustainable socio-economic development, Chinese investment in Africa must contribute to structural transformation and the deepening of the linkage of the resources sector to other economic sectors through beneficiation and value addition;
- For the SADC region to be the next global manufacturing hub, there is need to address the high cost of doing business;
- To avoid the “race to the bottom” Southern Africa should approach economic relations with China, particularly on industrialization, with one voice;
- Member States of the SADC region should design mechanisms for the collection of quality data and its timely dissemination to facilitate evidence-based analysis and tracking of progress against set targets;
- There is need for creative analyses that move beyond States as units of analysis to identify strategic products in different SADC countries, on the basis of which the region can engage the relevant markets in China;
- African countries should learn from China’s industrialisation efforts. In this regard, China’s role in the industrialisation efforts of SADC should go beyond material and technical assistance and should be guided by the SADC industrialisation agenda;

- The lessons to be learnt from China's industrialization experience include issues of leadership commitment to change and social transformation; clear vision, direction and strategy; human capital development; policy space and ownership; investment in trade-related infrastructure and clear development strategy including the possibility of rural industrialization strategy. These are the hallmarks of strong democratic developmental states that a number of Southern African countries have embraced but need to act upon;
- There is an urgent need to address the region's structure of trade with China, and move away from the minerals for infrastructure (resources for infrastructure) approach to economic development cooperation. One way to do this is to develop regional value chains that strengthen the competitiveness of the region's products on the global stage;
- Value-adding linkages for industrialisation should prioritise those minerals that are critical for the region's development, such as minerals that help the region to produce steel, fertiliser and energy;
- The SADC region needs to reposition itself to engage with China's changing investment pattern, which is anchored in a policy of food self-sufficiency with a focus on agricultural development;
- Southern African countries should ensure that SEZs are not only promoted but also crafted in ways that benefit not only foreign investments, but also local businesses and communities, as well as serve as conduit for entry into global value chains. SEZ must have clear objectives, well crafted and targeted in a sectoral way. They must also have an ecosystem approach that takes a comprehensive strategy to development. Ethiopia's emerging experience is a good case in point; and
- Member States should speedily domesticate Agenda 2063 and Agenda 2030 and develop appropriate funding mechanisms, implementation strategies and monitoring and evaluation mechanisms.

**Done in Sandton, South Africa**  
**21<sup>st</sup> April 2017**