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Globalisation and Industrialisation in the Southern Africa Development Community (SADC): Challenges and Opportunities

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Abstract

Over thirty years after most countries in the Southern African Development Community (SADC) attained political independence, the region still has a high level of commodity dependence and a low level of industrialisation. This article uses secondary data sources to explore the effect of globalisation on industrialisation in SADC. It concludes that globalisation has been instrumental in creating an international division of labour that shaped SADC as a commodity producer and exporter and an importer of manufactured goods. Because globalisation has imposed an industrialisation model on SADC that is not consistent with inclusivity, equity, broad-based participation and social transformation, it has not succeeded in reducing poverty and inequality in the region. Globalisation has perpetuated this structure through a neoliberal international financial and trading architecture whose policies have, until recently, been accepted and implemented by many states in the region. Paradoxically, globalisation offers immense opportunities that SADC can harness to accelerate production of high value-added goods for domestic consumption, intra-African trade, and international markets. Through regional trade agreements (RTAs), bilateral and multilateral arrangements, and partnerships with emerging economies, SADC can facilitate the implementation of the SADC Industrialisation Strategy and Roadmap, as well as national industrial policies and strategies.

Keywords: Globalisation, industrialisation, global shift, global value chains, accumulation

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Résumé

Plus de trente ans après l'accession à l'indépendance politique de la plupart des pays de la Communauté de développement de l'Afrique australe (SADC), la région est toujours grandement dépendante des matières premières de base et est en proie à un faible niveau d'industrialisation. Cet article utilise des données secondaires pour explorer l'effet de la mondialisation sur l'industrialisation dans la SADC. Il conclut que la mondialisation a joué un rôle déterminant dans la création d'une division internationale du travail qui a érigé la SADC en producteur/exportateur de matières premières et en importateur de produits manufacturés. Parce que la mondialisation a imposé à la SADC un modèle d'industrialisation incompatible avec l'inclusion, l'équité, une large participation et la transformation sociale, celle-ci n'a pas réussi à réduire la pauvreté et les inégalités dans la région. La mondialisation a perpétué cette structuration à travers une architecture financière et commerciale internationale néolibérale dont les politiques ont, jusqu'à récemment, été acceptées et mises en œuvre par de nombreux États de la région. Paradoxalement, la mondialisation offre d'immenses opportunités que la SADC pourrait exploiter pour accélérer la production de biens à haute valeur ajoutée pour la consommation intérieure, le commerce intra-africain et les marchés internationaux. Par le biais d'accords commerciaux régionaux (ACR), d'arrangements bilatéraux et multilatéraux et de partenariats avec les économies émergentes, la SADC peut faciliter la mise en œuvre de sa stratégie et de la feuille de route de l'industrialisation de la SADC, ainsi que des politiques et stratégies industrielles nationales.

Mots-clés : mondialisation, industrialisation, changement mondial, chaînes de valeur mondiales, accumulation

Introduction

Industrialisation has resurfaced as a priority development issue in Africa, particularly in view of Agenda 2063 (the African Union's long-term development vision for the continent), the United Nations 2030 Sustainable Development Agenda, and the Southern African Development Community (SADC) Industrialisation Strategy and Roadmap 2015–2063 (SADC 2015).

Industrialisation is a high priority for SADC because the region has a low and declining manufacturing value added (MVA), as market liberalisation has led to deindustrialisation, while the region continues to be dependent on primary commodity exports. Volatile commodity prices increase the economic vulnerability of the SADC region, and any downturn has a disproportionate impact on public revenues and growth. While member countries previously benefited from the 'commodity super cycle' with the boom in prices of commodities largely arising from a surge in demand from countries such as China, that phase has passed and, once again, the region is negatively affected by a downward spiral in commodity prices.

SADC itself acknowledges that 'there are deep structural fault-lines in the economies of the SADC countries that remain entrenched, characterised by resource-dependence, low value-addition and low levels of exports of knowledge-intensive products'(SADC 2017:3). This is reflected in low levels of private sector investment in the manufacturing sector of the economy.

The main objective of this article is to assess how globalisation has affected industrialisation in the SADC region and to identify opportunities that it may offer. It adopts a qualitative research design which is based on an analysis of secondary data from a variety of sources. These include SADC statistics, United Nations Conference on Trade and Development (UNCTAD) data on inflows and outflows of foreign direct investment (FDI), United Nations Industrial Development Organisation (UNIDO) Competitive Industrial Performance (CIP) Reports, the World Bank Development Indicators (WBI), and a number of scholarly publications on globalisation and industrialisation.

Overview of the SADC Region

The Southern African Development Community was established under the SADC Treaty in 1992 (SADC 2012a). It aims to promote sustainable and equitable economic growth and socio-economic development in the region. It seeks to achieve that goal by supporting the development of efficient productive systems, deeper cooperation and integration, good governance and durable peace and security (SADC 2012b). SADC is made up of 16 member states: Angola, Botswana, Comoros, Democratic Republic of Congo (DRC), Eswatini (formerly known as Swaziland), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, United Republic of Tanzania, Zambia, and Zimbabwe (SADC 2012c).

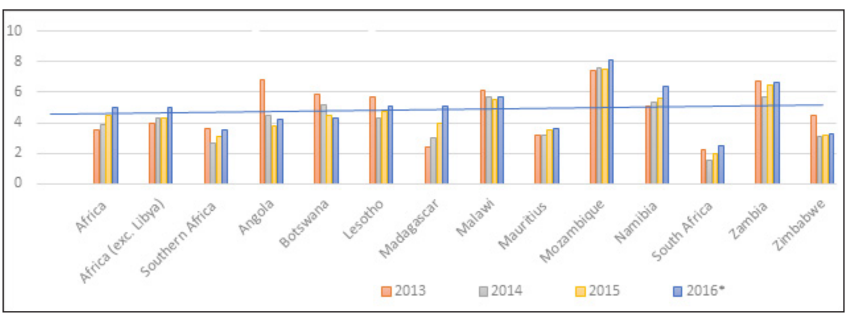

Figure 1: Growth trends in GDP (2013–2016)
Source: Author computation based on data from AfDB/ OECD/ UNDP 2015.

As indicated in Figure 1, several SADC countries grew by over 4 per cent in 2013 largely due to a commodity boom. Angola, Mozambique, Zambia, Malawi and Lesotho had growth rates of above 5 per cent as a result of a boom on commodity prices. While growth has declined for some of them as prices started to decline, SADC remains a region with potential for growth.

SADC economies are richly endowed with natural resources, for example, oil in Angola, diamonds and platinum in Botswana, South Africa, Namibia, and Zimbabwe; copper and cobalt in Zambia and the DRC; and natural gas and forests in Mozambique. Most of the region also has abundant land resources. The economies are also integrated into the global economy, though not on a large scale, except for countries like Mauritius and South Africa.

SADC economies are also participating in global value chains (GVCs), though on a small scale compared to Asian countries. The biggest challenge is that their integration into these chains is at the lower end (UNECA 2015:65). Furthermore, industry is not well developed, except in South Africa, Mauritius, Seychelles and Namibia.

Conceptual Framework and Review of Literature

Heike (1994:227) defines industrialisation as a process of economic and social transformation during which there is disproportionate growth in the industrial sector and, in favourable cases, a rationalisation of production processes in general.

There are different perspectives on the phenomenon of globalisation, and also on its potential impact on the industrialisation of a region. One of the perspectives is the neoliberal approach which is based on the notion of supremacy of markets. This perspective views globalisation merely as a phenomenon in which capital moves across the globe in search of new markets for expansion and in a quest for greater profits. It is a phenomenon which has existed since the beginning of mercantilist exploration from as far back as the eighth century. However, the scale of globalisation has greatly expanded over time, and its shape and forms have changed.

Dicken (1998) presents a comprehensive analysis of globalisation as an evolutionary, dynamic and complex process involving the movement of capital and investments across the globe and beyond national boundaries. He notes the different phases that globalisation has passed through, but focuses on contemporary globalisation which has a much larger scale than all previous forms of this phenomenon. A major characteristic of current globalisation, in his view, is what he calls a 'global shift'. He argues that the development of new technologies has resulting in 'shrinking time and space and that the scale and complexity of production and consumption has changed'. The shift is characterised by 'a configuration and re-configuration of production chains across the globe'. Dicken analyses globalisation in terms of the dynamic interaction between states and transnational corporations and argues that:

> through a complex and dynamic set of interactions, these constitute the primary generators of global economic transformation. Transnational corporations, through their geographically extensive operations and states, through their trade, foreign investment and industry policies, shape and reshape the global economic map (Dicken 1998:xiv).

Dicken's central thesis is that globalisation has resulted in the 'internationalization and globalisation of production of both manufactured goods and services'. This 'global shift' or a new 'geo-economy' has resulted in intense competition as multinational companies from the developed and emerging economies search for lower cost production centres. He also contends that the world economy is being 'buffeted' by 'extremely volatile forces' (Dicken 1998:1).

The 'global shift' of capital represents massive geographical shifts in the location of manufacturing and service activities, and these also transform employment. Countries in which multinational companies are 'shifting' offshore have experienced job losses, job cuts, factory closures and the receiving countries are said to have benefited from incoming capital flows through new factories opening up and job creation (Dicken 1998:1).

The Organisation for Economic Co-operation and Development (OECD 2019) confirms these observations. It argues that firms generally aim to optimise the production process by locating their various production stages to a variety of production centres based on the notion of comparative advantage. The process results in a restructuring of production activities across countries.

Dicken acknowledges the downside of the globalisation phenomenon. One of the major challenges is the weakening of the power of states:

> Nation states are no longer significant actors or meaningful economic units. Consumer tastes and cultures are homogenized and satisfied through provision of standardized global products created by global corporations with no allegiance to a place or community (Dicken 1998:3).

Dicken's analysis has its limitations. The analysis appears to treat the globalisation phenomenon as a 'neutral' and 'natural' force: capital merely seeking better opportunities around the globe. Critics point out however, that this 'global shift' in production networks is not necessarily benign. Globalisation can lead to serious challenges, for example, de-industrialisation, a process by which local industry may be forced to close down in the face of competition from lower cost producers. Coucke (2007) explains how some multinational firms previously operating in Belgium have relocated to lower cost production centres. This was made possible through improvements in communication technologies which lowered the cost of governing and operating a multinational network around the globe.

Van der Lugt *et al.* (2011) dispel popular claims that foreign direct investment (FDI) flows in almost automatically in response to economic development. They point out that, in reality, Africa is not a key destination for global FDI. In essence, globalisation creates disparities between nations and regions and those that best meet the interests of the global corporations are more likely to benefit than those that do not.

Marxist perspectives are highly critical of the neoliberal perspective on globalisation. They offer a more radical view of globalisation as a reflection of the growing complexity of capitalist accumulation whose scale has grown as capitalism faces a variety of crises in the North. Samir Amin's works best represents one of the Marxist schools of thought in his critique of neoliberal and market-based analyses of globalisation. Amin argues that the global system is 'imperialist'; that:

> it shares with other previous imperialist systems which always commanded the expansion of global capitalism, that it offers to the people of the periphery – the South… no chance to catch up and benefit, for better or for worse, the 'advantages' of the level of material consumption reserved for the majority of the people in the centres; it only produces, and reproduces, the deepening of the North-South gap (Amin n.d.:12).

In essence, this perspective sees no opportunity at all in the current form of globalisation. Amin argues that, unfortunately, 'the current success of emerging countries in terms of accelerated growth within globalized capitalism and with capitalist means reinforces the illusion that catching-up is possible' (Amin n.d.:12).

He is sceptical of any prospect for 'advancing within the system' (Amin n.d.: 13) because what he describes as 'the imploding' capitalist system is bound to collapse. Amin's posits a radical view in favour of self-determination. He advances the perspective that delinking promotes the reconstruction of a globalisation based on negotiation rather than submission to vested interests (Amin, n.d.:28–30).

Giddens' analysis (2000) is useful in terms of explaining the shifts in global production patterns. However, it seems to assume, albeit implicitly, that globalisation as a benign or neutral force that works to the benefit of both foreign firms and host countries, an assumption which does not hold. Amin's argument is more plausible because it is based on a historical analysis of inequality between the centre and periphery, the unequal power relations that shape an international division of labour and the lived experiences of countries in the 'Global South'. It therefore provides a more objective and realistic conceptual framework for an analysis of the effect of globalisation on industrialisation in a given region. This article drew on his insights in determining possible channels through which globalisation can affect a region or country.

One of the mechanisms through which globalisation affected some SADC economies was the imposition of economic structural adjustment programmes (ESAPs) by the International Bank for Reconstruction and Development (IBRD – World Bank) and the International Monetary Fund (IMF). According to Heike (1994:226), these programmes were designed for the purpose of 'liberalizing the economies of those African countries that were facing challenges of persistent balance of payments deficits and high and unsustainable external debts'. ESAPs were a package of macroeconomic and trade policies and they included market liberalisation of commodity, finance, labour, and trade markets.

Mlambo argues that ESAP had a negative impact on Zimbabwe. He observes that:

> Under growing economic stress, the manufacturing sector struggled, leading to some companies either downsizing or closing down. Particularly hard hit was the textile industry, which found itself having to compete with cheaper imports at a time when the economic climate was not particularly conducive (Mlambo 2017:104–5).

Kanyenze's research on the impact of ESAP on the textile industry concludes that the programme resulted in a decline in the sector's contribution to manufacturing output from 11.3 per cent in 1985 to 7.9 per cent in 1995 (Kanyenze 2006). It also led to the closure of 87 companies in the sector by 1994.

Saunders (1996:8) concludes that 'whereas ESAP was meant to herald a new era of modernised, competitive, export-led industrialisation, the reality was that Zimbabwe's high-performing economy of the 1980s was severely damaged'. The city of Bulawayo, the second largest in Zimbabwe, used to be the industrial hub of the country for many years until the onset of ESAP.

A study by Mbira found that globalisation through ESAP policies led to the de-industrialisation of the manufacturing industry in that city (Mbira 2015).

Heike (1994:225) reports that ESAPs implemented in Zambia in the early 1990s led to a decline in production largely because of inefficiency in the industrial sector.

The Evidence: Globalisation and Industrialisation in the SADC Region

An extensive review of secondary data sources revealed that, in the main, globalisation has had a negative effect on industrialisation in the SADC region. Some of the channels of impact were through the global financial and economic crisis, the creation of an economic model based on a high level of commodity dependence, low and declining MVA, a sectoral and uneven pattern of FDI, and the nature of China's investment partnerships with African countries. Each of these channels of impact are discussed in turn.

The Global Financial and Economic Crisis and its Impact

In a study on the impact of the global financial and economic crisis (2007–2008) on the automotive and textile and clothing industry in South Africa, Moyo (2013) showed how globalisation led to de-industrialisation in these sectors. These included a decline in capital expenditure by original equipment manufacturers (OEMs) by 25 per cent between 2008 and 2009; a fall in the total number of units of vehicles produced from 562,965 in 2008 to 373,923 in 2009; a decline in total vehicle sales from 533,387 (2008) to 395,222 in 2009; and a fall in the total number of vehicles exported, from 284,211 in 2008 to 174,947 units in 2009. Productivity per employee also fell from 18 to 13.2 over the 2008 to 2009 period as production fell. The net impact was that the contribution of the auto sector to gross domestic product (GDP) declined from 7.3 per cent in 2008 to 5.9 per cent in 2009, although it picked up in 2010. These statistics clearly indicate the negative impact of the crisis on South Africa's automotive sector.

High Levels of Commodity Dependence in the Region

As discussed in the literature review, dependency theorists like Amin have argued extensively about unequal power relations between the advanced/industrialised countries (the core) and those in the periphery (developing countries); and how, from the colonial era, this inequality led to an international division of labour where the periphery specialised in and exported primary commodities and imported manufactured goods, while the core specialised in the production of high-value goods.

All SADC countries experienced colonisation and their trajectory of development was shaped by the colonial powers: for example, the British in the case of Botswana, Malawi, Zambia and Tanzania; the Portuguese in the case of Angola and Mozambique; the French in the case of the DRC, Madagascar, Seychelles and to some extent, Mauritius; and the Dutch in

South Africa and Namibia. The interest of colonial powers was resource extraction for supply to the parent countries. A consequence of all this is that SADC, as is the case in much of Africa, has been dominated by commodity production and exports, a pattern of specialisation which has been widely criticised in the literature. Figure 2 shows how, decades after attaining political independence, SADC countries continue to be characterised by a high level of dependence on commodities. With the exceptions of Mauritius and South Africa, commodity dependence in the region ranged from 80 to 90 per cent, a very high level indeed.

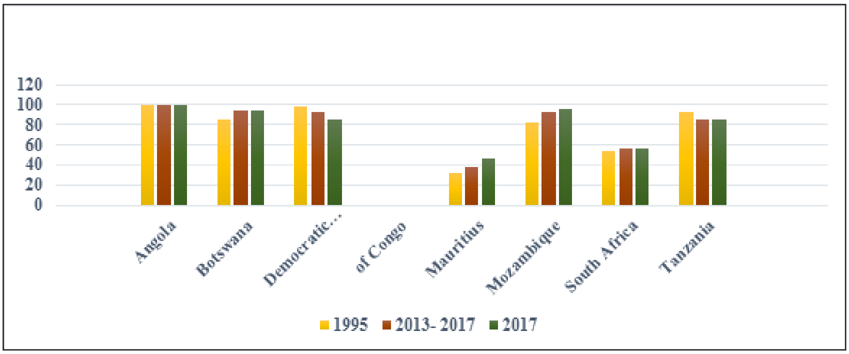

Figure 2: Southern Africa: Commodity exports (as a % share of total merchandise exports) in selected countries

Source: Author's construction based on data from UNCTAD 2019

Manufacturing value added as a share of GDP is still small for most SADC countries. Except for Eswatini which had an MVA/GDP ratio of 32 per cent, the rest of the region shows, on average, 16 per cent or less (Figure 3). Eswatini and the DRC were the only countries where the ratio increased over the period.

According to Davies (2015), China's huge demand for commodities such as oil, iron ore and copper to sustain its own resource-intensive economy has partly contributed to continued reliance on commodities in SADC and Africa generally. Although the region benefited from the commodity boom in prices during the periods 2002–2007 and 2009–2013 when GDP growth increased (the period popularly referred to as the commodity supercycle), this was unfortunately short-lived. The subsequent fall in prices and the contraction of growth in the region demonstrated the economic vulnerability of the region due to its excessive dependence on commodities.

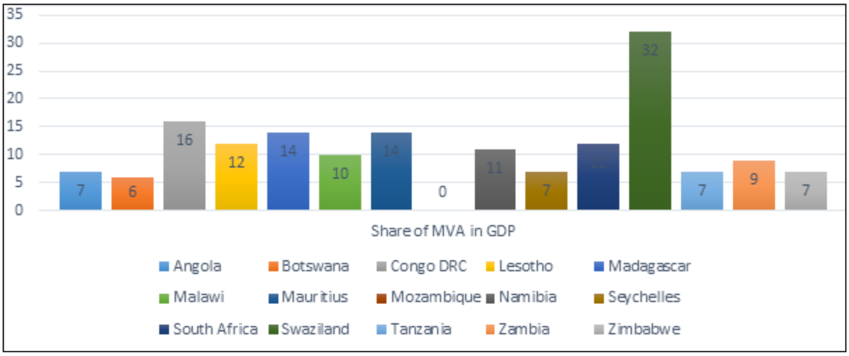

Figure 3: Share of MVA in GDP (per cent) in SADC countries 2015 (2010 constant prices in US$)

Source: Author's computation based on data from UNIDO, 2016.

Low and Declining Levels of MVA

Not only are relative shares of MVA low, they have also been in decline as indicated in Figure 4. Over the period 2000 and 2015, the manufacturing sector has declined in most SADC countries.

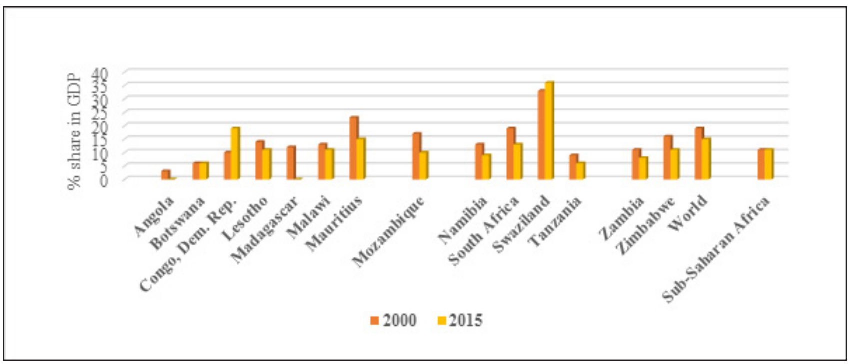

Figure 4: SADC Manufacturing Sector Share of GDP (%) 2000 and 2015

Source: Author's own computation based on data from World Bank World Development Indicators.

This pattern denotes what is generally referred to as 'de-industrialisation'. The underlying reasons include commodity price fluctuations, logistics challenges, and the increase in external competition as most of the economies liberalised their trade regimes. In countries like Zambia and Zimbabwe, ESAPs contributed to the decline of the sector. Table 1 presents MVA per capita for the period 2010 to 2017 to compare the picture in Sub-Saharan Africa (SSA) with that of the rest of the world, and with also that of the least developed countries (LDCs).

Based on 2010 constant US$, SSA had the lowest values between 2010 to 2017, ranging from US$141 in 2010 to US$159 in 2017. This is below the world average of US$1,486 to US$1,729 for the same period. A comparator region, Asia, was also much higher than SSA, with MVA per capita ranging from an average of US$1,073 in 2010 to US$1,463 in 2017. The performance of SSA however, was above that of LDCs which had a much lower value of US$89 in 2010 and US$120 in 2017. What these figures show is that the state of industrialisation in SSA generally is still low and, to a large extent, this is a reflection of the effects of globalisation from the colonial era to the present. Of course, this has been compounded by a multiplicity of internal factors such as the failure of countries to implement policies that could have broken the cycle of commodity dependence.

Table 1: Manufacturing Value Added (MVA) per capita for selected regions (2010 constant US dollars)

Region	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
World	1,486	1,532	1,549	1,581	1,607	1,653	1,680	1,729
Asia	1,073	1,129	1,185	1,236	1,292	1,346	1,400	1,463
Least Developed Countries	89	93	98	101	103	108	114	120
Africa	196	195	198	204	208	207	205	205
Sub-Saharan Africa	141	147	153	160	163	162	160	159

Source: UNSTATS 2018

Figure 5 shows the disparities in MVA per capita in across different sub-regions in Africa. But it should be noted that the figures are much lower than the world average and comparator regions like Asia as explained above.

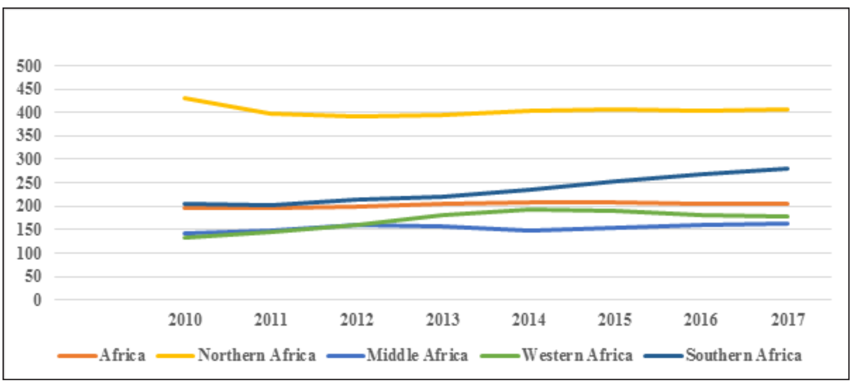

Figure 5: MVA per capita for sub-regions in Africa 2010-2017

Source: Author construction based on UNSTATS 2018.

Although performance has been declining, North Africa had the highest per capita MVA compared to other regions, followed by Southern Africa which has experienced some growth in MVA per capita since 2011. Both regions performed above the African average. Even though growth in MVA per capita has been lower in West Africa than North Africa and Southern Africa, the region has experienced a sharp growth over the period 2010 to 2014. However, this declined slightly for the period 2014 to 2017.

What is clear from the above is that, notwithstanding periods of growth in MVA per capita in all regions, generally, SSA and Southern Africa are among the least industrialised regions in the world.

The industrialisation model itself is problematic in that, first, it has tended to exclude or marginalise local participation (although there are signs of improvement as reflected by the growing role of small and medium-sized enterprises – SMEs – in the sector). Secondly, it consists largely of light manufacturing. The proportion of medium- to high-technology manufacturing is still low in Southern Africa. Thirdly, although an important strategy for industrialisation, integration of most SADC countries into GVCs has tended to be on the low-value end of the chain, thus limiting the gains to local economies. In South Africa, for example, while the automotive sector has contributed to GDP growth and job creation, most of the producers are foreign vehicle conglomerates, with limited participation by local firms.

A Sectoral and Uneven Pattern of FDI

The impact of globalisation can be seen in inflows and outflows of FDI, and also in terms of stock ownership. Data from the World Investment Report (UNCTAD 2018) indicate that FDI inflows to Africa are the lowest in the world, a reflection of the investor perceptions regarding the lack of competitiveness of the continent. Developed economies receive the bulk of FDI inflows and are also the major source of outflows to the globe. Only South Africa is among the top ten investor economies (by FDI stock). Zambia was the only country in 2018 to register an increase in FDI inflows (by 65 per cent), the actual value was US$1.1 billion, and these were mainly investments in copper. Table 2 presents data on FDI inflows for selected years.

Table 2: FDI Inflows into SADC relative to other regions (Selected years between 2005-2017) (US$ billions)

	2005	2008	2012	2015	2017
SADC	6.8	14	7.3	19	3.8
South Africa	6.6	9.2	4.6	1.7	1.3
Mozambique	0.1	0.6	5.6	3.9	2.3
United Republic of Tanzania	0.9	1.4	1.8	1.6	1.2
Asia	224	378.5	405.8	516	475.8
Developed economies	586.8	789.8	858.2	1,141	712.3
Europe	475.8	337	542	595	333.7
World	948.9	1,485	1,574	1,867	1,429

Source: UNCTAD 2017.

It is evident that inflows into the SADC region are a very small proportion of the global or world FDI inflows, and also in relation to Asia, developed economies and Europe. South Africa was the largest recipient of FDI inflows between 2005 to 2012 and initially constituted over 90 per cent of the SADC total. However, it also experienced a decline in 2017, as part of the global decline at that time.

Over the period 2007 to 2008, there was a rapid increase in FDI inflows into SADC from US$8.9 billion to US$14 billion during the global financial and economic crisis. A plausible explanation could be that capital was searching for more stable environments during the economic crisis in developed countries at that time. It is also interesting to note that South Africa was the largest recipient during this period, with inflows rising from US$6.5 billion in 2007 to US$9.2 billion in 2008. Angola was another large recipient, registering an increase from US$893 million in 2007 to US$1.7 billion in 2008. These developments suggest that a region can indeed benefit from globalisation. However, the volatility of the global economy means that these flows are also erratic, as is clearly evidenced by the subsequent outflows after the crisis.

Only a few countries within SADC benefited significantly from FDI inflows, showing that such investments can accentuate disparities and perpetuate uneven development. South Africa has a more advanced infrastructure compared to the rest of the region and that contributes to its attractiveness.

South Africa is one of the few countries in the region that has any significant investments in other SADC countries. For example, according to UNCTAD (2018), South Africa has increased its investments in countries like Lesotho and Namibia as part of its expansion of automotive industry value chains. Lesotho is manufacturing car seats, and Botswana is producing ignition wiring sets for automotive manufacturers in South Africa. South African retailers have opened shop in Namibia and a number of other SADC countries, for example, Zimbabwe, Zambia, Tanzania and Malawi. It would appear that South African FDI that is going directly into manufacturing is limited to members of the South African Customs Union (SACU), namely, Lesotho, Namibia and Botswana (but not Eswatini). Clearly the rest of SADC do not appear to be beneficiaries of value-adding activities from the FDI flows (UNCTAD 2018:68). Angola and Tanzania are said to have experienced a decline in FDI in 2018. In the case of Tanzania, the report explains that investors were cautious because of the policies of President John Mugafuli's administration regarding renegotiating mining contracts. This goes to show the challenges that globalisation poses in terms of autonomy in making policy choices in the best interests of a country.

FDI flows into the region have created a model of industrialisation which has failed to bridge the inequality between foreign investors and multinational firms who have been the drivers of the industrialisation path, and local enterprises. Writing about the experience of eSwatini, Levin (1986) writes about the uneven development in the sugar production sector which was dominated by the Royal conglomerate Tibiyo Takangwane and foreign firms. He points out that the country's economy at the time was characterised by large manufacturing and agro-processing firms. While recognising the benefits to the country in terms of export earnings, he observed a wide disparity between the sector and rural development in the country. He points out that 'poverty and inequality are pervasive in the country, with poverty concentrated in rural areas where 80 per cent of the population lives' (Levin 1986:33).

Throughout SADC, industrialisation has tended to exclude local people from participation, and particularly rural populations. So, when SADC intensifies its efforts to industrialise, issues of equity and inclusiveness and broad-based participation have to be integrated into its policies and strategies.

Chinese Investment in African Countries

China is one of the SADC region's top trading partners. China is using state policies to support both large and SMEs to participate in global trade and investments (United States Department of State 2014). António and Ma

(2015) explain that the shift is from an aid and trade-oriented approach towards a resource-based investment approach. This is popularly referred to as the "going-out" (zuo-chu-qu) strategy (António and Ma 2015:83).

The demand for natural resources such as oil and minerals has been a motivating factor for China's FDI into Southern Africa where, for example, the country has a heavy presence in oil-rich Angola, copper-rich Zambia and diamond-rich DRC. Edinger and Pistorius (2011) show that Africa's exports to China are mainly commodities, mainly petroleum and metal products and that China's top African trading partners have been mineral-endowed economies. They also show that by 2010 the top exporters to China included Angola (US$22.8 billion in exports, dominated by oil). According to Åberg (2010:1), Angola is currently China's biggest supplier of oil, exporting 688,000 barrels a day, surpassing both Saudi-Arabia and Iran. Data from UNCTAD (2018) shows that Angola is one of a few recipients of Chinese FDI in Africa, with the others being South Africa (US$11.4 billion), Sudan (US$6.7 billion), Libya (US$4.5 billion), and the Republic of the Congo (US$3.2 billion). These five countries accounted for 76.46 per cent of the continent's exports to China in 2010 (Edinger and Pistorius 2011:502). These exports are mainly commodities, not manufactured goods.

Citing Chen et al (2008:42), Åberg states that, in the case of Angola, China's strategy has been that of 'oil-for-infrastructure' strategy, or the 'Angola mode', a term which denotes oil-backed loans in which repayment for infrastructure development is made in natural resources. Angola has received US$7.4 billion through these arrangements. The funds have been channelled into infrastructure development.

Edinger and Pistorius (2011:506) say that China's investments in Botswana and South Africa were mainly in natural resource extraction. In Botswana, China invested in the Morupule B project, a US$1.6 billion expansion of a coal-fired power station. In South Africa, the investments were: a platinum mining venture of the Wesizwe Platinum Frischgewaagd-Ledig deposit (US$877 million consisting of a US$227.5 million equity injection and US$650 million through debt from China Development Bank-Jinchuan Group Co. together with the China-Africa Development Fund – CADF – which owns 51 per cent); a US$435 million solar energy renewable energy farm investment; a US$100 million investment in an automotive assembly plant; and itical of this pattern which Africa seems to be continuing with new investors:

> Africa sells raw materials to China and China sells manufactured products to Africa. This is a dangerous equation that reproduces Africa's old relationship with colonial powers. This equation is not sustainable for a number of reasons.

> First, Africa needs to preserve its natural resources to use in the future for its own industrialization. Secondly, China's export strategy is contributing to the de-industrialization of some middle-income countries (quoted in António and Ma 2015:84).

Recently, China has been setting up special economic zones (SEZs) in Africa to attract firms involved in manufacturing (Brätigam and Xiayang 2011). Kim (2013) explains that these SEZs were part of the pledges of the Chinese government at the Forum on China-Africa Cooperation (FOCAC) summit held in Beijing in November 2006. China has set up SEZs in Egypt, Ethiopia, Mauritius, Nigeria and Zambia. While there are SEZs in only two SADC countries, there are plans to expand the initiative.

The anchor investment for China's SEZ in Zambia was a US$250 million copper smelter for local beneficiation, focusing on copper and cobalt processing. The purpose of setting up the zone was to guarantee copper supplies to China Nonferrous Metals Mining Group (CNMG). Although the master plan for the zone was designed to accommodate 50 to 60 companies, it is reported that as of May 2014, there were only four enterprises registered in the zone with an actual investment of US$38.31 million (António and Ma, 2015:98). Most of the companies are subsidiaries of or companies affiliated with CNMG. Although this is an important initiative, the impact of this investment is small.

In Mauritius, the Chinese set up the Jinfei Economic and Trade Cooperation Zone in 2007 for manufacturing. The value of investments was estimated at US$500 million in products processing, logistics and storage, business and trade, training and education, real estate, and tourism. The zone would house 40 Chinese businesses and create 5,000 jobs for locals and 8,000 for Chinese contractors. This was reputed to be the largest single FDI project in Mauritius.

These findings suggest FDI from China has had a limited impact on the industrialisation process in SADC as the investments have been quite small and they were partly channelled into resource extraction.

An empirical study by Edwards and Jenkins (2015) analysed the impact of Chinese trade on production and employment in South Africa in the period 1992 to 2010. Results showed a decline of manufacturing growth by between 5 to 8 per cent. Employment fell particularly in labour-intensive industries because of the increase in productivity that resulted from a rise in imports from China.

Zeleza (2014) highlights some of the challenges with China's investments in Africa. These include low wages paid to local workers, violations of labour rights and standards, and de-industrialisation as a result of influx of cheap Chinese goods, particularly in smaller economies. However, he argues that China offers opportunities for the development of the continent. He recommends that African countries engage with China to influence the design of investment deals in line with the continent's development priorities. China's role in financing infrastructure and its support in terms of aid, concessional loans and technical assistance, among others, can contribute to the continent's development.

His argument is supported by Davies (2015) who argues that, in response to rising wages that have fuelled production costs, China is shifting its manufacturing sector from low-value toward higher-value output. There is a rising trend of offshoring its low-value labour-intensive manufacturing to developing countries including African economies. State-owned enterprises and private companies have been moving to Africa. This shift is likely to have a positive impact on SADC industry. SADC countries therefore should consider how best to position themselves to compete for those investments and particularly to negotiate for deals that advance their industrialisation agenda.

Conclusion and recommendations

The main objective of this article was to analyse how globalisation has affected industrialisation in the SADC region. It is clear that while globalisation presents certain opportunities, it has not advanced industrialisation in the region. This is reflected in the high level of commodity dependence, a problem that is a product of a historically determined international division of labour that has created Africa as a continent of commodity producers and one that is perpetually dependent on manufactured goods from industrialised countries. The article argues that globalisation has promoted a model of industrialisation that has integrated SADC into global value chains, one that has also tended to exclude the majority of the local populations of the region. Even though GVCs are an opportunity to industrialise, the main problem is that countries have participated at the lower value end of these chains and, for that reason, SADC countries will continue to derive less than optimal value for their natural resources.

SADC states participate in various regional trade agreements, for example, the Common Market for Eastern and Southern Africa (COMESA) and European Union economic partnership agreements (EPAs) which gives them duty-free access to the European market, larger markets, and opportunities to industrialise. However, the asymmetrical trading relationships that currently exist between the advanced and developing countries are well known. The situation is compounded by the many structural obstacles within Southern Africa which have prevented the region from taking advantage of those opportunities (weak infrastructure, high costs of production, and brain drain which has created a shortage of skills on the continent, among others).

Although globalisation has opened up opportunities for SADC countries to access markets outside the continent, the multilateral trading system has failed to create a level playing field for developing regions. Much has been written about how protectionist policies of industrialised countries have constrained market access for developing countries while industrialised countries insist on restricting the use of industrial policies in developing countries and demand that developing countries liberalise their trade regimes.

SADC countries have other partnerships that they could strengthen to boost value addition and diversification. Every country is a member of at least one RTA. Some are members of European Union EPAs that grant them duty-free access to the European market. The few studies on the impact of EPAs on SADC suggest that, while the partnership has been welfare-enhancing, particularly because of the growth of agriculture and agro-processing sectors, the impact on manufacturing has been minimal (Keck and Piermartini, 2008). All SADC countries have also signed the African Continental Free Trade Agreement (AfCFTA), a response to the marginalisation of the continent from global trade. The European Union-Africa Alliance is a platform for the continent, including SADC member states, to negotiate for mutually beneficial agreements that can also advance Africa's industrialisation agenda. As Ocampo (2010:14) argues, 'the solution lies in managing interdependence'.

They have also partnered with China and the BRICS countries (Brazil, Russia, India, China, South Africa). However, it was observed that while SADC has benefited in terms of infrastructure investments from China, this has been limited to a few resource-rich countries such as South Africa, Angola and Zambia. The investments are said to have targeted extraction of natural resources. SADC countries therefore need to continue to engage partners such as China, particularly in the context of the FOCAC, with a view to entering into agreements that can promote their industrialisation agenda.

It is quite clear from the foregoing that SADC has to drive its industrialisation agenda because while globalisation presents opportunities, there are inherent conflicting interests, such as for example, the interests of potential investors who may be seeking to gain access to the region's resources versus a country's preference for value addition. Actually, the SADC region has made significant progress in terms of developing policy and strategic frameworks. The challenge is their slow implementation. SADC has in place the Regional Indicative Strategic Development Plan

(RISDP) (SADC 2001) which commits member states to diversify their economies through industrial development and value addition. The SADC Protocol on Trade (SADC 1996) also integrates value addition as one of its key strategies. SADC has also developed the SADC Industrialisation Strategy and Roadmap (SADC 2015) which has identified key areas, such as mineral beneficiation, agro-processing, pharmaceuticals, wood, basic metals as pillars for regional value chains (RVCs) and value addition.

At national level, SADC countries have also developed frameworks to guide the industrialisation process. For example, South Africa, one of the most industrialised in the region, has over the years implemented policies to support industry. The Industrial Policy Action Plan (IPAP) 2018/19 –2020/21 is a comprehensive framework to foster the growth of industry in South Africa. It has identified key sectors for support and development and these include the automotive, clothing, textiles, leather and footwear, agro-processing, metal fabrication, rail transport, steel manufacturing, plastics and cosmetics, marine manufacturing, aerospace and defence and electro-technical sector (Republic of South Africa, Department of Trade and Industry, 2018).

Botswana also has elaborate policies and programmes to support value addition and diversification. The Botswana Diamond Hub is an example of what can be accomplished when the state works hand in hand with private investors. For years, the country exported raw diamonds. In partnership with De Beers, the government has succeeded in establishing a local diamond processing industry for cutting, polishing, and jewellery manufacture and marketing.

Clearly, the foundation to deepen industrial development in the SADC has been laid. Member states therefore need to intensify efforts to mobilise financial, technical and human resources and also harness what opportunities globalisation has to offer through South-South, South-North partnerships, for speedier implementation of these strategies. SADC countries need to harness the opportunities that are likely to be created as China's production pattern shifts from low-technology to medium to high-technology manufacturing. Ultimately, they need to strengthen their negotiating capacity as well as productive capacity to be able to attract investments from Chinese state-owned enterprises and private firms. They will need to re-think their model of engagement not only with China but with other investors, domestic or external, in order to an advance an industrialisation agenda that is fundamentally transforms their economies in an equitable and inclusive way than has been the case with historical practice.

With the state, in partnership with business and other partners, at national and regional level driving the agenda, the region can indeed overcome the challenges of globalisation and transform the region into one of Africa's manufacturing hubs.

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