



# Industrial policy in Southern Africa: competition or cooperation?

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- Locating Brazil – not today
- Industrial visions in Southern Africa: more of the same?
- Searching for a silver bullet
- New FDI vs old FDI?

# Structure

- FDI is not a panacea
- Towards a Southern African industrial policy?
- Brazil vs South Africa: why building state capacity is essential for industrial development

# South East Asia vs. East Asia

- Both regions have received large amounts of FDI (and aid, esp South Korea and Taiwan)
- But there is a clear divergence in their economic performance: in EA, development has been sustained, while many SEA countries are very fragile – focus on ‘pure’ export-led growth vs. building of national market/demand
- According to Jomo and other economists, this has much to do with how FDI was treated:
- Integrated into a national development strategy in EA (with heavy ‘selective’ intervention by government) vs proxy for development strategy in SEA
- *Invest where we tell you vs invest where you want*

# A poor record in Africa

- Bauxite in Guinea
- Gold mining in West Africa
- Copper privatisation in Zambia
- In Mozambique – see Castel Branco's critique of 'outward oriented' investment
- Even in South Africa – perpetuation of economy driven by Minerals-Energy Complex with little manufacturing investment (except auto but...), capital flight, etc.

# New FDI in Africa?

- Chinese investment on the rise – much literature on this. Very mixed impact depending on countries – seems good in DRC, less so in West Africa. Focus on construction projects (esp infrastructure) for access to resources, but little spin off in either
- IBSA any better? Research will tell, for now we know that:
- SA's investment greeted mildly on the continent, imperial behaviour and focus on own needs (esp electricity), despite cases of co-operation (Mozambican mineworkers)
- Brazil drive linked to mineral resources – esp in Angola (Petrobras) and Mozambique / iron ore, Vale – and was driven by personal support by Lula. Will Dilma follow?
- However – B, I & C could be excellent trading partners, if Africa had something else to sell than minerals

# FDI: a means to an end, not the other way around

- FDI can bring finance, technology and training
- But to realise this potential, it must be oriented by a domestic policy which articulates it with national development objectives
- In weak policy environments, FDI tends to escape tax, prevent technological spillovers and disregard training (or even hiring) of local staff
- Little reason to believe that new imperial powers will be better, even if they offer the interesting possibility of raising the stakes
- ➔ to benefit from FDI, need to know what to do with it

# Towards a SADC industrial policy?

- Focus on FDI entails a competitive approach in the region – who will attract the most
- In current economic conditions, revenue will be linked to international demand
- However, current crisis has highlighted the lack of sustainability of a long-term export orientation. Collapse in demand in many Northern countries is having a very negative impact on exporting economies
- In East Asia, esp China, and in Brazil, strong policies to build local demand, seen as a more sustainable engine of growth
- According to Amsden, failure to develop Latin America has been a critical mistake by the US – China in a much better position with the Asian markets



# Opportunities for a regional IP

- One of the key constraints to industrial development in Southern Africa is scale of the local market
- Current policy direction in SA is therefore to focus on capital goods, esp by leveraging public procurement
- Enormous potential in this regard if the whole of SADC is considered
- Would have the potential to expand the size of the Southern African market to allow a gradual move towards the production of consumer goods

# What will SA do?

- SA is the key to any regional industrial policy
- While a regional approach to IP is in SA's interest, it has adopted a predatory strategy towards its neighbours when it comes to industrial localisation
- There is however currently a favourable environment:
  - Fear of immigration (island of wealth in a sea of poverty)
  - Min Rob Davies' inclination towards regional IP
- Also, there is evidence of a special link between SA and Mozambique – certainly due to the Frelimo-ANC relation, and visible in one particular (and surprising) area of policy co-ordination:

# Migrant labour on the SA gold mines, 1990-2006

Year	South Africa	Botswana	Lesotho	Mozambique	Swaziland	% Foreign	Total
1990	199,810	14,609	99,707	44,590	17,757	47	376,473
1991	182,226	14,028	93,897	47,105	17,393	49	354,649
1992	166,261	12,781	93,519	50,651	16,273	51	339,485
1993	149,148	11,904	89,940	50,311	16,153	53	317,456
1994	142,839	11,099	89,237	56,197	15,892	55	315,264
1995	122,562	10,961	87,935	55,140	15,304	58	291,902
1996	122,104	10,477	81,357	55,741	14,371	58	284,050
1997	108,163	9,385	76,361	55,879	12,960	59	262,748
1998	97,620	7,752	60,450	51,913	10,336	57	228,071
1999	99,387	6,413	52,188	46,537	9,307	54	213,832
2000	99,575	6,494	58,224	57,034	9,360	57	230,687
2001	99,560	4,763	49,483	45,900	7,841	52	207,547
2002	116,554	4,227	54,157	51,355	8,698	50	234,991
2003	113,545	4,204	54,479	53,829	7,970	51	234,027
2004	121,369	3,924	48,962	48,918	7,598	47	230,771
2005	133,178	3,264	46,049	46,975	6,993	43	236,459
2006	164,989	2,992	46,082	46,707	7,124	38	267,894

# Uncertain prospects

- Policy capacity, while essential for industrial development, has been systematically undermined in Africa since the 1980s
- Despite claims to the contrary, market-driven approaches are still the norm when it comes to policy in the region – very visible in Zimbabwe currently with strong liberalisation drive
- Damages of such approaches have been felt everywhere in the region – cashew nuts in Mozambique, textiles in SA,...
- Example of Brazil (or France, or SK, or Japan) points to the crucial importance of having domestic policy capacity

# A modest suggestion: building policy capacity in the SADC region

- SA is engaged in a process of capacity building in economic policy
- This process could be shared with other countries, who could participate
- This would help create a common vision of policy, and increase awareness of the need to co-operate rather than compete to achieve industrial and – hopefully broader – development
- Would help to avoid having Harvard economists saying: Beneficiation is bad for you