



Developmental Integration and Industrialisation in Southern Africa

Siphumelele Duma



UJ Press

Developmental Integration and Industrialisation in Southern Africa

Published by UJ Press for The Institute for Pan-African Thought and Conversation
University of Johannesburg

Library

Auckland Park Kingsway Campus

PO Box 524

Auckland Park

2006

<https://ujonlinepress.uj.ac.za/>

Compilation © Siphumelele Duma 2023

Chapters © Siphumelele Duma 2023

Published Edition © Siphumelele Duma 2023

First published 2023

<https://doi.org/10.36615/9781776434190>

978-1-7764341-8-3 (Paperback)

978-1-7764341-9-0 (PDF)

978-1-7764360-0-2 (EPUB)

978-1-7764360-1-9 (XML)

Cover design: Hester Roets, UJ Graphic Design Studio

Typeset in 10/13pt Merriweather Light



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Synopsis

This book seeks to examine the impacts and contribution of developmental integration on the regional industrialisation process in the Southern African Development Community (SADC). Developmental integration is an approach to regional integration that was adopted by SADC during its transformation in 1992 in order to deal with the developmental challenges of the region. The book aims to determine whether this initiative has contributed to an increase in the significance of the SADC region's manufacturing sector (as a measure of industrialisation), and if so, to understand what accounts for the failure of developmental integration to accelerate the industrialisation process in the SADC region. The book analyses the performance of all member states using industrialisation economic indicators for the period 1992 to 2020. A sample of three country case studies – Botswana, Mauritius and South Africa – is then used to examine the progress of industrialisation in the SADC member states. The three economies selected have consistently been noted as the fastest growing and most diversifying in the region. Thus, it is essential to understand the nature of their 'transformation' and the extent to which their growth and industrialisation initiatives align with regional industrialisation initiatives. This examination is done against the region's objective to develop and strengthen the manufacturing industry as the main driver of economic growth and the only one capable of self-sustaining productivity increases. In assessing SADC's performance 30 years after its transformation, its original objectives need to be critically examined, as well as the operating environment within which the group of states has been operating.

When examining the state of integration and development in the SADC region, several studies do so from a market integration perspective, which focuses on the linear approach to integration and indiscriminately assesses economic growth. This approach admires economic growth and overlooks the need for structural change and industrialisation. The manufacturing industry's significant contribution to gross domestic product (GDP) indicates industrialisation. This is mainly because this European approach to regional integration presupposes that this already exists among the integrating economies, which is not the case in the African continent in general, southern African in particular. Thus, most studies on development in the SADC region have focussed predominantly on economic growth, with no attention being paid to the sectoral composition of GDP. This book departs from this approach.

Textbooks, e-books, articles in scientific journals, and government and organisational official reports and documents were used in the secondary data collection process. The region's economic indicators were examined to measure the significance of the manufacturing sector in terms of industrial GDP and total GDP.

The collected data suggest that SADC economies are de-industrialising, despite the adoption of the mentioned developmental initiative. The manufacturing sector's significance is too low and has declined for years, especially in the three member states selected as the case studies. A lack of coordination between national industrial policies, regional industrialisation and developmental integration objectives impedes this process. Growth continues to be driven by mining and activities related to other natural resources, with little or no diversification towards the manufacturing sector.

The book recommends synchronising national and regional industrialisation strategies. Member states should formulate national industrialisation strategies according to the regional industrialisation agenda because regional initiatives are not of any value if the participating member states do not align their national plans with them.

Keywords: SADC, Regional integration, Developmental integration, Industrialisation, Structural change, Neo-structuralism, GDP.

List of Acronyms and Abbreviations

ADB	Asian Development Bank
AEC	African Economic Community
AfDB	African Development Bank
AIDA	Accelerated Industrial Development for Africa
AsgiSA	Accelerated and Shared Growth Initiative for South Africa
ASEAN	Association of East Asian Nations
AU	African Union
BDC	Botswana Development Corporation
BECI	Botswana Export Credit Insurance and Guarantee Company
BMC	Botswana Meat Commission
DOE	Domestic Oriented Enterprises
DRC	Democratic Republic of Congo
DTI	Department of Trade and Industry
ECA	Economic Commission for Africa
EOE	Export-Oriented Enterprises
EPI	Export Promotion Industrialisation
EPZ	Export Processing Zones
FAP	Financial Assistance Policy
FDI	Foreign Direct Investment
FLS	Front-Line States
FTA	Free Trade Area
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution
ICP	International Cooperating Partners
IDDA	Industrial Development Decade for Africa
IDPF	Industrial Development Policy Framework
IMF	International Monetary Fund
IPA	Industrial Policy Action
IPAP	Industrial Policy Action Plan
ISI	Import Substitution Industrialisation
IUMP	Industrial Upgrading and Modernisation Programme
LPA	Lagos Plan of Action

Developmental Integration and Industrialisation in Southern Africa

LPA-FAL	Lagos Plan of Action and the Final Act of Lagos
LDCs	Least Developed Countries
MVA	Manufacturing Value Added
NIC	Newly Industrialising Nations
NIPF	National Industrial Policy Framework
NP	National Party
OAU	Organisation of African Unity
RDF	Regional Development Fund
REC	Regional Economic Communities
RISDP	Regional Indicative Strategic Development Plan
SADC	Southern African Development Community
SADCC	Southern African Development Coordination Conference
SAP	Structural Adjustment Programme
SDG	Sustainable Development Goal
SMEs	Small and Medium Enterprises
SOE	State-owned Enterprises
UCLA	United Nations Economic Commission for Latin America
UJCI	University of Johannesburg Confucius Institute
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
UNIDO	United Nations Industrial Development Organisation
USD	US Dolla

Chapter One: Introduction

Understanding SADC's Quest for Industrialisation

Following political independence, integration in pursuit of developmental objectives like industrialisation became a defining feature in developing regions, particularly in Africa and Latin America. These integration efforts were inspired by the unviable economic nature of the smaller states in these regions. Due to the colonial legacy of balkanisation, developing countries were not connected and were characterised by narrow individual domestic markets (Hewitt, Johnson & Wield, 1992; Briceño Ruiz, 2017). Thus, after independence in the 1950s, they established a link between regional integration and development (Aworawo, 2016; Soderbaum & Brolin, 2016), especially industrialisation. For instance, during the early years of post-independence Africa, collective economic intervention appears to have been at the centre of the quest for industrialisation. This is evident from the plans and treaties adopted by the continent during this period.

The Lagos Plan of Action and the Final Act of Lagos (LPA-FAL), 1980-2000 is a good example. This plan sought to ensure self-sufficiency of the African continent by creating an industrial base in each member state, which was to be designed to meet the interests of the particular country and which would be strengthened by complementary activities at the sub-regional and regional level (OAU, 1980a, p.15). It is also evident in the Abuja Treaty, which sought to establish the African Economic Community (AEC) through a process of gradual integration of the Regional Economic Communities (REC) (OAU, 1991). Indeed, the continental leaders in the post-independence era seem to have understood the potentially transformative impact of regional integration. The objectives became more economical, with major collective interventions designed to address the prevailing economic and other development challenges in the participating member states (Haarløv, 1997, p.30).

The Southern African Development Community (SADC) is one of the continent's RECs, through which it seeks to establish the AEC, as provided in the Abuja Treaty (OAU, 1991). SADC was established in

1980, and was formerly known as the Southern African Development Coordination Conference (SADCC). It only became a development community in 1992, after its transformation, which was done to allow it to deal with the developmental issues of the southern African region. The SADC Treaty noted that this transformation resulted from a desire to achieve development, economic growth and industrialisation (among other objectives) (SADC, 1992). During the first decade of its existence, from 1980, SADCC had a political agenda: it was mainly to unite the region against apartheid South Africa, which had an economic and political destabilisation policy against the southern African region (Lee, 2002; Patel, 1987; Schoeman, 2002). This evolution is dealt with extensively in Chapter 4.

After its transformation in 1992, SADC focused on developmental integration, with industrialisation as one of its key objectives. SADC then adopted several initiatives in the quest for industrialisation, including the Industrial Upgrading and Modernization Programme of 2009, the Industrial Development Policy Framework (IDPF) of 2012 and the Industrialisation Strategy of 2015. All of these initiatives underscore the importance of developing and strengthening the manufacturing industry. The SADC industrialisation strategy notes that implementation of the industrial policy takes place primarily at the national level, and further highlights the significance of forging a compact for the industry between government, the private sector, civil society and labour (SADC, 2015). It also notes that a country's competitive advantage ought to be a priority in formulating its industrial policy, as this would induce a direct shift of resources toward more productive sectors (SADC, 2015).

Against this backdrop, this book examines the impact and contribution of developmental integration on regional industrialisation in SADC. The book analyses the industrialisation economic indicators performance all member states for the period 1990 to 2020. Three country case studies - Botswana, Mauritius and South Africa - are then used to examine progress made with industrialisation in SADC member states. These three economies have consistently been noted as the fastest growing and most diversifying in the region. It is essential to understand the nature of their transformation and the extent to which their growth and industrialisation initiatives align with the regional industrialisation initiatives. This examination is done against the region's objective to develop and strengthen the manufacturing industry as the main driver of economic growth and the only one capable of self-sustaining productivity increases.

In assessing SADC's performance 30 years after its transformation, its original objectives need to be critically examined, as well as the operating environment within which the group of states has been operating. In analysing the statistical data, the structural composition of gross domestic product (GDP) in the region in general, and in the countries of interest in particular, were considered. The main interest was the trends in the industrial sector, especially manufacturing's share of total GDP, as an increase in this contribution signals industrialisation, while a decrease signals de-industrialisation.

Several measurements can be used to determine the level of industrialisation - in most cases, this depends on what the researcher seeks to understand. These measures include manufacturing value added (MVA) as a percentage of GDP, the industry as a percentage of GDP (Haraguchi et al., 2017; Simandan, 2009; UNIDO, 2019). However, this book used MVA contribution to GDP as its primary measure, because: it defines the industrialisation process as transforming a traditional agricultural economy into an industrial manufacturing one; it is a primary objective of the organisation of interest in this book. Furthermore, this book is mainly interested in changes in the structural makeup of the economy that would result in the manufacturing sector increasing its relative importance in the economy more rapidly than other sectors. That is to say, an increase in the industrial sector in its entirety is not sufficient for industrialisation, as other sectors may be increasing their output at the same rate or faster than the manufacturing sector (Chandra, 1992). Thus, the trends analysed in this context concern: the manufacturing sector's contribution to industrial output; the contribution and significance of this industry to the GDP of the identified member states, in order to determine the pace of the industrialisation process during the stated period.

The results show that, despite adopting the mentioned developmental and industrialisation initiatives, SADC economies have been de-industrialising in the past three decades, i.e. since 1990 - and despite the growth experienced by the region's economies in the early 2000s (Hillbom, 2008; Chikabwi, Chidoko & Mudzingiri, 2017; Haraguchi et al., 2019; UNCTAD, 2020; UNIDO, 2020d). Most studies done on the SADC region have focused predominantly on economic growth, as in Byiers et al. (2018), Vanheukelom & Bertelsmann-Scott, (2016), Nizeimana & Nhema (2016) and Rossouw (2006), with no attention paid to the sectoral composition of GDP.

The growth of most SADC economies, especially in the early 2000s, has been correctly attributed to the commodity price boom. But

when the price and demand shocks kicked in, the economies started to decline (UJCI, 2017; Monyae & Nganje, 2019). Among the fastest-growing economies were China and India, which recorded growing demand for primary commodities in the early 2000s. However, in the mid-2000s, China embarked on a new economic growth path, which saw a decline in its demand for primary commodities (UNECA, 2015; Rodrik, McMillan & Sepúlveda, 2016; Fessehaie & Rustomjee, 2018).

In the case of Botswana and Mauritius, several studies have concluded that these two countries have shown miraculous growth in the past 30 years (Cobbe & Samatar, 1999; Subramanian, 2009; Frankel, 2010; Fessehaie & Rustomjee, 2018). However, a closer look into their sectoral composition suggests that there has been limited structural transformation. With Botswana's growth mainly inspired by the mining sector, specifically diamonds, Mauritius jumped into the service sector without a substantial manufacturing base. Thus, the investigation done for this book on the impact of developmental integration on industrialisation paid attention to the shift in the structural composition of the economies under investigation, instead of only observing conciliatory economic growth, as is predominantly the case in the existing literature.

The book consists of nine chapters. The first chapter is the introduction, which provides the background, some conceptual clarification and the theoretical framework. Chapter 2 presents the industrial policy and industrialisation debate, with various strands of literature arguing for and against government intervention through industrial policy to fast-track this process. Chapter 3 reflects on the African continent's industrialisation approach and initiatives in the post-independence era, because they inspired the establishment of the RECs and to provide the context for SADC. Chapter 4 examines the historical evolution of SADC from cooperation to integration and explores various initiatives that the organisation has adopted since its transformation in 1992. Chapter 5 looks at financing of the industrialisation process in the region. Chapter 6 examines SADC's industrialisation through developmental integration; this includes an examination and analysis of the trend in the contribution of the manufacturing sector to GDP relative to other economic sectors. Chapter 7 focuses on the country case studies' industrialisation process, Botswana, Mauritius and South African. Chapter 8 reflects on the 30-year developmental integration quest for industrialisation and development in SADC. Chapter 9 is the Conclusion, which also explores how the region can engineer the state to take action in terms of regional industrialisation and development matters.

Brief Background

In 1991, African leaders made a clarion call to establish the AEC by adopting the Abuja Treaty. This was to be achieved through gradual integration of the RECs continent wide (OAU, 1991). Thus, the treaty called for strengthening the existing RECs and for their establishment where they did not exist (Abuja Treaty, 1991, Article 6). Therefore, SADC is one of the eight RECs on the African continent that are recognised as the building blocks of African integration, as stipulated in the Treaty. The other RECs are: the Common Market for Eastern and Southern Africa (COMESA); the Arab Maghreb Union (AMU), the Community of Sahel-Saharan States (CEN-SAD); East African Community (EAC); the Economic Community of Central African States (ECCAS); the Economic Community of West African States (ECOWAS); the Intergovernmental Authority on Development (IGAD) (African Union, 2021).

Most of these RECs were operating at the time the Abuja Treaty was signed. What they have in common is a desire for the economic transformation of their respective countries and regions and the eradication of poverty (African Union, 2021; Hailu, 2014). Most importantly, they pursue the AEC agenda (OAU, 1991). Following political independence, every African country understood the importance of integration, at least in principle, if there was to be structural transformation and industrialisation on the continent. This resulted from the unviable economic nature of their individual economies, as the colonisers had balkanised the continent for their economic benefit. The market size argument justifies the need for RECs to roll back the balkanisation of various parts of the continent, as 35 of the 54 African states have a population of less than 15 million (Statista, 2021).

Thus, the continent wanted to pool its efforts, ideas and resources for shared prosperity (Jiboku, 2017; Kah, 2012; Monyae & Nganje, 2019; Moyo, 2020b; Ndikumana, 1999). In the late 1960s, Green and Seidman (1969) (the authors of *Pan Africanism: Unity or Poverty*) contended that it is a well-known fact that the African continent was balkanised into the current smaller economic units. The colonisers' primary interest was extracting raw materials for export to their European industrial machine. This meant that the continent's manufacturing sector operated on a small-scale or was non-existent, with countries primarily extracting raw materials for exports. This resulted in little or no industrial infrastructure on the continent, as the colonisers built limited infrastructure to facilitate the shipment of minerals (Nzau, 2010). When combined, the African states will comprise a more larger demand base, which would allow industries to take advantage of the economies of scale (Nzau, 2010).

Rationale for the Book

2022 marked SADC's thirtieth anniversary, and there could not be a more appropriate moment to reflect on the extent to which the group of countries has achieved its objectives. SADC made commitments in a variety of areas, including an increase in intra-regional trade, investment, poverty eradication, sustainable growth and development through industrialisation (SADC, 1992, 2003). As mentioned earlier, the study done for this book was particularly interested in industrialisation in the region, which is the precursor to the realisation of most of the region's objectives. Without an industrial and manufacturing base, it will be difficult to increase the levels of intra-trade, it will be nearly impossible to provide jobs and eradicate poverty, and it will be more challenging to attract foreign investments. So, we ask: What has happened during this 30-year period in terms of regional industrialisation?

There has been much scholarly endeavour on the African continent's lack of industrial development, and it has been argued that the only way African countries can start addressing the growing challenges of poverty and unemployment is by transforming their economies through industrialisation (Ajakaiye & Page, 2012; Byiers et al., 2018; Moyo, 2020b; Page, 2011). According to Adebawo (2017), the interest to understand Africa's state of development has been triggered by the co-existence of massive scale of natural resources and higher levels of poverty on the continent.

When examining the state of integration and development in the SADC region, several studies do so from the market integration perspective, which focuses on the linear approach to integration and assesses economic growth indiscriminately. This approach focuses on economic growth and overlooks the need for structural change, demonstrated by the manufacturing industry's significant contribution to GDP. This is mainly because this European approach to regional integration presupposes that requisite industrialisation level already exists among the integrating economies, which is not the case on the African continent in general, and in southern Africa in particular. Thus, most studies on the SADC region have focused predominantly on economic growth, with no attention being paid to the sectoral composition of GDP. Furthermore, too little is being said about the region adopting the developmental integration approach during its transformation in 1992, as noted, for example, by Tsie (1996a), Evans (2010), Lowitt (2017) and Zondi (2020).

So, the effectiveness and relevance of developmental integration in the region's pursuit of industrialisation must be examined. However,

heavy reliance on the export of primary commodities and semi-finished goods characterises the SADC region. The reports suggest that the significant shares of GDP in SADC are mainly from agriculture and mining, which are the primary production sectors (SADC, 2020a; UJCI, 2017). This indicates that the question is not whether or not SADC should industrialise, but which approach to industrialisation would be suitable for the region. It calls for a systematic examination of the approach currently in place, in order to determine its effectiveness as of 2022, 30 years after it was adopted. This book contributes to the body of literature by addressing these shortcomings.

It is worth investigating how the current approach to regional integration has driven the industrialisation process, through systematic investigation of its impact on manufacturing activities in the region, i.e. an increase or a decrease. Sufficient attention should also be paid to the shift in the sectoral composition of the economies under investigation, instead of only examining conciliatory economic growth, as is predominantly the case in the existing literature. Accordingly, the following questions are raised:

- What impact has the developmental integration approach had on industrialisation in the SADC region?
- What contribution has developmental integration made to manufacturing activities in the SADC region?
- How has developmental integration accelerated the industrialisation process in the SADC region?
- What contribution has the manufacturing industry made to the transformation of economies in the SADC region?
- Why has developmental integration not accelerated the industrialisation process in the SADC region?

Conceptual Clarification

This section defines the key concepts used in this book: developmental integration and industrialisation. There are various definitions in the literature, depending on the author and the context in which they are used. The idea is to show how the literature defines them and to extrapolate from the definitions to indicate what they mean in this context, as there are debates and controversies regarding conceptualising, differentiating, classifying and typifying regional integration and regional cooperation concerning African integration. However, that is beyond the scope of this book, as it focuses on developmental integration as an approach to regional integration in the SADC region, and those debates and controversies will thus not be dealt with.

Developmental Integration

In conceptualising developmental integration, it is essential to state that it is an approach to regional integration, which has become an important defining feature of the world system in the 21st century (Asante, 2016, p.129; Schiff & Winters, 2003). This is mainly because almost every nation now belongs to a particular regional grouping, with some belonging to more than one simultaneously (Schiff & Winters, 2003). This means it is hard to make sense of developmental integration without referring to the concept of regional integration first.

Regional integration involves a process of constant and increasing interaction in the economic and political arena among a group of countries, which eventually leads to interdependence (Hartzenberg & Kalenga, 2015). According to Peters-Berries (2010), regional integration, as a concept, promises an increase in the wealth and well-being of several member states at a rate higher than when countries pursue these objectives individually. This is because the integrating member states have access to each other's markets and they establish mechanisms that maximise the benefit of the interaction (Haarløv, 1997). Moreover, this integration seeks to "overcome divisions that impede the flow of goods, services, capital, people and ideas" (World Bank, 2020b). Therefore, regional integration appeals to many economists and politicians. Peters-Berries (2010) breaks down the rationale for regional integration into two aspects: economic and political. The former includes market size, welfare, development funding and globalisation, while the latter includes security, democratic convergence and "putting together what belongs together" (Peters-Berries, 2010, p.19). The economic objectives of integration, and to some extent the political objectives, are pursued through RECs, as in Africa. RECs are defined as integrating economic units and nations to reduce policy barriers to the flow of goods, services, capital and labour (Baier et al., 2008).

Developmental integration is a development-based integration agenda that seeks to secure the benefits of regional integration, including ensuring that the benefits flow to all member states (Ismail, 2018; UNECA, 2013; Zondi, 2020). This is because regional integration has mainly benefited richer countries rather than the poorer ones in developing regions (Aworawo, 2016; Yongo-Bure, 2015). Therefore, developmental integration activities mainly entail initiatives designed to close the development gap in a region (Dent & Richter, 2011). For example, since the developing regions (countries) have little productive capacity, efficiency maximisation of existing capacity is not the focus; the focus is building a more substantial productive capacity (Lee, 2003) and

enhancing the integration of member countries in the regional economy (UNCTAD, 2013).

This means that developmental integration, as a concept, appears to be more concerned with strengthening linkages between particular integrational processes and development capacity objectives, as opposed to regional integration per se. Regional integration per se, according to Dent and Richter (2011), refers to passive integration of the economic liberalisation and deregulation policy. This is because of its focus on removing intra-trade barriers without paying enough attention to forming coordinated technical policies aimed at deepening integration (Dent, 2008). Thus, what sets developmental integration apart from regional integration per se is that developmental integration is inherently more focused on the proactive integration processes, as these align naturally with development capacity-building cooperation (Dent & Richter, 2011).

The concept of developmental integration is more often associated with countries at the early stages of their development, and thus sanctions more intervention by governments in the economy (Lee, 2002) through industrial policy. As a result, it becomes necessary to develop productive capacity and enhance competitiveness to integrate domestic businesses into a regional economy and compete globally (UNCTAD, 2013). Industrial policy refers to a government's deliberate and conscious effort to promote structural transformation and industrialisation by accelerating the development and growth of local or regional firms and sectors (Rodrik, 2004, cited in Odijie, 2018). This is usually supported by implementing various policy measures, including suspending trade with countries considered more experienced, as the firms in those countries already function at maximum efficiency (Rodrik, 2008). This encourages local firms to increase productivity and enables them to be more competitive (Andreoni & Chang, 2019; Haraguchi et al., 2019; Rodrik, 2008). The idea is to initiate activities to enhance the economic capacity and prospects of less developed countries to strengthen their incorporation into the regional economy (Sloan, 1971).

As underscored by Davies (1994), developmental integration is premised on the notion that a different approach to development is required among developing countries, as their poor production structures and debilitating infrastructure cause significant problems in terms of regional trade. This is why developmental integration seeks to enhance productive capacity through improved infrastructure, state loans and subsidy incentives, instead of increasing the efficiency of scant or non-existent production structures (Stephan & Fane Hervey, 2008). This is

so that the competing mature foreign industries cannot erode the little productive capacity of some member states because of the premature removal of barriers that protect the domestic industries.

Developmental integration makes three changes to the integration agenda in terms of problems created by market integration, according to Haarløv (1997). These involve the objective of the integration process, the timing and level of interstate binding commitments, and the distribution of costs and benefits (Haarløv, 1997). Regarding the timing and level of interstate binding commitments, these are foundational to deepening integration among member states according to the developmental integration, thus, binding obligations come early, as opposed to the market integration approach, wherein they come at a later stage. Furthermore, the distribution of costs and benefits ensures that regional integration proceeds are equitably distributed among member states because integration in the developing regions threatens polarisation. Thus compensatory measures are implemented to eliminate unequal distribution of gains (Haarløv, 1997, p.31-32).

Developmental integration is frequently used interchangeably with developmental regionalism in the literature; however, while there are similarities, there are also distinguishing characteristics. Developmental regionalism seeks to promote gradual and sequenced trade liberalisation through policy actions that aim to build the productive capacity of member states. It also emphasises promoting intra-regional trade and integration into the global economy (Dent & Richter, 2011). However, as much as it overlaps with developmental integration in the quest to develop the productive capacity of member states, these approaches differ because the state is at the centre of developmental integration, while developmental regionalism has a region at the centre (Ismail, 2017).

There are several roles that a region can play in the quest for economic transformation. According to Chandra (1992), these include facilitative, regulative and direct production. This book focuses on the facilitative role of the developmental integration approach, which includes financial incentives and marketing assistance. Facilitative measures aim to enable production sectors to maximise productivity (Chandra, 1992; Dent, 2008). In the context of this book, these forms of intervention will be understood as being measures to foster industrialisation in the SADC region. Thus, in this context, developmental integration means the integration of a group of countries in a particular region to deliberate on measures to collectively overcome their developmental challenges, which include the lack of industrialisation. This is with the understanding that there are a wide variety of cooperation areas that are used when

integrating countries in developmental integration; however, the focus in this context is cooperation on industrialisation.

The idea of developmental integration seems to be intrinsically linked with industrialisation, given much of the consensus in the literature about the latter being the pathway to development (Ajakaiye & Page, 2012; Chandra, 1992; Hewitt et al., 1992). Alignment of developmental integration to development capacity-building cooperation means it is associated with developing initiatives to assist with the industrialisation process in developing countries (Nesadurai, 2003). One of the major principles of developmental integration is to ensure that all participating members benefit, and none are worse off as a result of participation.

Developmental State within the Developmental Integration Context

This sub-section seeks to contextualise the notion of the developmental state within the context of developmental integration. UNECA & AUC (2011) define the developmental state as “One that can deploy its authority, credibility and legitimacy in a binding manner to design and implement development policies and programmes for promoting transformation and growth”. So, it is mainly about government involvement in the economy and society. It combines the state and the markets, to eliminate market failure and support businesses to realise their full potential, and contribute to economic growth and development (UNECA & AUC, 2011; Wade, 2004).

This definition fits with the concept of developmental integration, as it also seeks to correct market integration failure. The difference is in the scope, with the former being national and the latter much broader, i.e. at a regional level. Both developmental state and developmental integration notions emphasise the significance of political cooperation from the very outset of the industrialisation effort. Developmental integration at a regional level requires the execution of objectives through the developmental state at the national level (Zondi, 2020). A developmental state aims to accelerate economic development that significantly raises the living standard of its citizens, with a focus on structural change and transformation (UNECA & AUC, 2011).

Under the auspices of developmental integration, the developmental state guides the development construction that defines national development objectives and synchronises social and economic policies to work in a complementary manner (Ismail, 2017; Zondi, 2020; Zondi & Mulaudzi, 2010). The developmental state requires assistance

from stronger and more effective developmental coalitions, which primarily consist of groups with a shared developmental vision that can sustain dialogue with political leadership. The leadership has a mandate to define and articulate a country's economic agenda and development vision (Greig et al., 2011; Mkandawire, 2010; Nem Singh & Ovadia, 2018).

In order to achieve the promise of the developmental state, Yongo-Bure (2015) asserts that regional leaders ought to adopt a developmental state paradigm that takes cognisance of an individual country's specific development context, including the functioning of the institutions, as opposed to importing a one-size-fits-all model. This is the approach advocated on the African continent, rather than the free market neo-liberal approach espoused by the World Bank and International Monetary Fund (IMF). The reason is that there is little evidence for the assumption that less or no government intervention inspires more sustainable economic growth and industrialisation in developed and developing countries (Chang, 2002; Hakemy, 2017; Yirga Shumuye, 2015).

The notions of developmental integration and developmental state are also in line with critical theories of regionalism, which posit that while integration can occur through the operation of market forces, there ought to be explicit political cooperation before and during the process. This is underscored by the emphasis both notions put on state-led rather than market-led integration processes (Stephan & Fane Hervey, 2008). This is contrary to the later political cooperation advocated by neo-liberal market integration (Cypher, 2018), and is based on the understanding that political cooperation gives much-needed strength to achieve the desired objectives (Leftwich, 1995). This is not to say that all state-led industrialisation and development objectives succeed; however, no state has ever been transformed successfully through market mechanisms alone (Dassah, 2011). Davies (1994) noted that an integration strategy based on the economic development of member states, and, more importantly, those less developed than others, is in the long-term interest of all concerned.

Lall and Wangwe (1998) noted as far back as 1998 that effective state-led development policies can oversee the process of economic diversification. Thus, it is noted that governments must lead the way and develop the initiatives required to create an enabling environment for market-based growth that creates jobs. That governments must create an enabling space for businesses remains relevant even today. However, the authors do not underscore the critical role of the private sector in development, as they only suggest that the government have a firm hand on the wheel. This cannot really work, as the driver of development,

particularly industrialisation, is the private sector (Lin & Monga, 2011). As vehemently dismissed by the current heterodox view, many authors suggest developmental integration should be seen as a strategic collaboration between the private and public sectors, instead of a top-down approach (Lowitt, 2017; Tsie, 1996a).

The significance of such a working relationship has been well articulated by Aryeetey and Moyo (2012), who state that government should be a facilitating agent that helps individual businesses eliminate coordination and externality issues. The authors argued their case by extrapolating from the newly industrialising East Asian nations that the governments of these nations maintained control over the banking sector to ensure that they operated in terms of the national development and industrialisation objectives (Aryeetey & Moyo, 2012). Historically, development scholars have emphasised the critical role of development banks in a country pursuing industrialisation, which are at the centre of economic growth (Griffith-Jones & Cozzi, 2017; Noman & Stiglitz, 2017; UNCTAD, 2016a; Weiss, 2015). What must be learnt from this case is that governments ought to develop frameworks and mechanisms to avail the requisite resources to the private sector in pursuit of industrialisation.

The most fundamental element of developmental integration in a developing region is that it understands that countries that are integrating are at varying stages of development. For this reason, developmental integration includes compensatory and corrective measures, including planned regional industrial development, improved development conditions and different tariff reductions (Stephan & Fane Hervey, 2008). The urgent need to enhance productive capacity and redistribute gains made by developmental integration further signals its stark contrast to traditional economic models, namely the state's role in the industrialisation process. Unlike conventional approaches, developmental integration sees these factors as central to the integration process (Amin, 1999).

Industrialisation

Various agencies and writers have defined the concept of industrialisation in different ways. However, these definitions have common points, although it is not always explicit, like the growth of the manufacturing sector and mechanising production specialisation (Rao, 1979). According to Simandan (2009), industrialisation generally refers to a set of economic and social processes related to discovering more efficient ways to create value. In his general conceptualisation, Simandan (2009) points out that industrialisation is not an event but a process. The author

states that if a single entrepreneur opens a manufacturing industry in an agricultural region or society, it would be illogical to label that industrialisation; however, a collection of such events that have greater significance in the regional economy qualifies it to be referred to as the industrialisation process (Simandan, 2009).

Another crucial aspect that Simandan (2009) emphasised concerning industrialisation is distinguishing between quantitative economic growth and qualitative economic change. While the former refers to an increase in a country's GDP, the latter refers to structural change in a given economy. Simandan (2009) states that it is inappropriate to refer to it as the industrialisation process if an already-industrialised region witnesses the opening of new industrial plants; instead, it should be labelled as continuing industrial growth or economic growth. The author insists that the industrialisation concept should strictly refer to qualitative economic change, which occurs when an agrarian economy establishes enough industries so that it can no longer be referred to agrarian (Simandan, 2009).

Historically, and contrary to Simandan's modern conceptualisation of industrialisation, which also refers to the social processes, it has been chiefly associated with the development experience of countries in Western Europe and North America (Nzau, 2010). During the 19th and 20th centuries, it mainly referred to an economy transitioning from a subsistence base to a more mechanised production system (Marti & Ssenkubuge, 2009; Nzau, 2010; Schmitz, 2011; Tilly, 2010). During this period, industrialisation was mainly defined economically, especially in reference to the industrial plants that carry out manufacturing activities. Consequently, a country's industrialisation was measured primarily by the percentage of industries engaged in manufacturing (Nzau, 2010). While the author adopted this rather traditional conceptualisation of industrialisation for this book, given its objectives, the limitations are understood. Therefore, it is essential to note that the author is conscious of other indicators of the industrialisation process other than manufacturing and its contribution to a given economy's GDP, like social ones.

Industrialisation has been understood to be the primary underpinning path to economic development for every economy. This has been the case since the experience of the industrial revolution and later the East Asian growth miracle (Opoku & Yan, 2019). Thus, developing countries have been able to lift themselves out of poverty by initiating this process and moving away from the traditional sectors (McMillan, Rodrik and Sepúlveda, 2017). The manufacturing industry

is the economy's engine, as it is the leading sector that drives economic growth. An increase in manufacturing output yields higher productivity through interaction between economic activities (Opoku & Yan, 2019). Therefore, its growth can be seen as a key independent variable in terms of the industrialisation process (Rao, 1979).

The process of industrialisation prompts the establishment of industries and sectors that lead to an improvement in the allocation of resources (Moyo, 2016). However, Chandra (1992) has argued that industrial growth in and of itself is insufficient for industrialisation, as other sectors could raise their output at a similar rate. He notes that the importance of the manufacturing industry should increase more rapidly than other sectors, in order for it to signal industrialisation (Chandra, 1992). Thus, in this context, industrialisation means the rise of manufacturing activities in a region or country and a significant increase in the share of the manufacturing industry in terms of GDP. The researcher is conscious of the critical voices regarding GDP as a measure of growth and development, as is systematically questioned by scholars like Fioramonti (2013), in his book entitled *Gross Domestic Problem*. However, in this context, GDP will be used as an indicator to measure trends and the significance of the manufacturing sector, rather than assuming that its growth means development by default.

Chapter Two:

Industrial Policy and Industrialisation

Introduction

The 21st century has witnessed a continuation of the 20th century struggle for developing countries to industrialise, especially on the African continent. This is because of the prevailing market failure in these regions, which means an industrial policy is needed to circumvent these disadvantages and provide the requisite environment for industrialisation (Altenburg, 2013, p.346; Chang & Andreoni, 2020; Weiss, 2013). It has been argued that such intervention by governments to allocate resources to more productive use in support of more rapid industrialisation through a focus on manufacturing growth is necessitated by the failure to sustain productivity in these countries and regions (Lowitt, 2017; McCarthy, 2014; Monyae & Nganje, 2019).

While scholars and policymakers agree that developing countries need to catch up with the industrialised and newly-industrialised economies, how best they can achieve this objective has not been agreed. Various strands of literature have emerged that offer different perspectives on how developing countries should pursue this objective, with neo-structuralism and neo-liberalism having been at the forefront for decades. This chapter aims to outline the core assumptions and principles that best define their arguments concerning the industrialisation process, especially in developing countries. The focus is primarily the points on which they differ, in order to ensure a complete understanding of what they understand the industrialisation process to be, who should be involved and who should not be, and in what context and under what circumstances.

It is crucial to note that this debate has evolved over the years, with some mainstream economists who offered pro-neoclassical approaches to development recognising the importance of industrial policy in the 21st century, especially following the 2008 financial crisis (Chang & Andreoni, 2020). The chapter is structured as follows: the second section explores the competing perspectives between neo-structuralism and neo-liberalism, followed by a section on industrial policy, manufacturing and industrialisation in developing countries; the fourth section deals with the empirical literature on industrial policies in developing countries; the fifth section is the conclusion.

On Fast-Tracking Industrialisation: Neo-structuralism vs Neo-liberalism

The debate about the state's role in the industrialisation process remains a highly contested issue. Weiss (2013, 2018) points to the intensity of the debate as stemming from an "altercation" between neo-structuralists and supporters of neo-liberal orthodoxy. The former perceive industrial policy as a means of correcting the limitations of the market (Chang & Andreoni, 2020; Storm, 2017b). Its predecessor (structuralism) was the dominant post-war development theory, which underscored that developing economies are characterised by pervasive market failure (Önis, 1995). Neo-liberals see the industrial policy as an impediment to market forces, which are supposed to be allowed to function independently (Cypher, 2018; Siddiqui, 2012).

The debate in this context focuses on the urgent need for industrial policies and industrialisation strategies, which are likely to emerge in the developmental integration agenda. Hence neo-liberals argue for an approach to the industrialisation process that is characterised by trade liberalisation and economic deregulation, with limited or no government intervention (French-Davis, 2016; Önis, 1995), as opposed to the government-led approach to industrialisation that is promoted by neo-structuralists. However, the neo-liberal market integration approach has widened the development gap in developing regions. Countries that lack more substantial productive capacity become worse off, as they find themselves in a position in which they are supposed to compete with partners who are more advanced and industrialised than they are, with no apparent regard for these asymmetries (Baier et al., 2008; Briceño Ruiz, 2017; Stephan & Fane Hervey, 2008).

Failure to address these issues has been the prime reason to drift away from orthodox neo-liberal economic development policies (Lowitt, 2017), after recognising the need for state intervention in the economy, particularly in developing regions. The nature of the operating environment in the 21st century has made it impractical for developing countries to realise industrialisation based on market forces alone (Bielschowsky, 2009; Cawthra, 2005; Page, 2018). However, the success of an industrial policy depends heavily on accurate diagnoses of the operating environment and policy prescription. Thus, industrial policies need to be embraced pragmatically (Chang & Andreoni, 2020; Khanie, 2020; Lowitt, 2017).

Given the contentions above, the assertion that the debate about industrial policy has become stale was dismissed by Szirmai, Naude and Alcorta (2013), Fischer (2015), Noman and Stiglitz (2017) and Storm

(2017a). They contend that new challenges and emerging paradigms have turned industrialisation and industrial policy into one of the most debated issues of the 21st century (Szirmai, Naude and Alcorta, 2013; Fischer, 2015; Noman and Stiglitz, 2017; Storm, 2017a). Thus, neo-structuralism is more concerned with underlying economic structures, especially in the developing world. Some authors view economic development and industrialisation as involving fundamental changes in these structures (Ffrench-Davis & Torres, 2020).

Unlike neo-liberalism, the neo-structuralist school of thought does not claim universal applicability of its core assumptions and principles, but speaks to the specific circumstances in developing countries. The economic structures they see as requiring fundamental change in developing countries are the weight and productivity levels of different activities in the economy, such as manufacturing, mining and services (Leiva, 2008). Thus, the government ought to be given a more central role in managing the economy in this context, because it is considered the leading agent in overcoming the obstacles (Hosono, 2017; Monga, 2012). In stark contrast to the core assumptions of neo-structuralists, neo-liberals have maintained that the prevailing conditions in other parts of the world, especially in developing countries, mean that it is not necessary to develop a specific economic theory (Cypher, 2018; Nem Singh & Ovadia, 2018; Siddiqui, 2012). Instead, they believe in the universal validity and applicability of some economic principles, as they believe these principles are as relevant in Africa and Latin America as they are in Europe and North America.

Neoliberals contend that the excessive state intervention argued for by neo-structuralism prevents industrialisation in developing countries (Siddiqui, 2012). They posit that dynamic individuals who are the drivers of industrialisation have no freedom with this form of government presence in the market, and that the government should leave them alone if there is to be innovation and development (Siddiqui, 2012). Therefore, neo-liberals are critical of the policies and institutions of the state that they deem to be obstacles to industrialisation and development because they limit the free market. Tsie (1996a) challenged this line of thinking and argued that the neo-liberal approach draws too much attention to the free market as the driver of a successful industrialisation process. This is because the degree of competition in and of itself does not provide a sufficient basis for explaining highly successful cases of industrialisation.

In the aftermath of the second world war, neo-structuralists argued that the state was central to overcoming the economic backwardness that prevailed in the developing world. It was only through the state

playing a central role that industrialisation, which had already been cited as being vital for economic development, could be achieved (Hewitt, Johnson and Wield, 1992). They questioned the belief that market forces alone could ignite the industrialisation process in the developing world (Bielschowsky, 2009; Bitar, 1988; Önis, 1995), as neo-structuralists believe that industrialisation requires structural change and a shift in the relative contribution of different sectors of the economy away from agriculture toward manufacturing. Neo-structuralists see the economic specialisation of developing countries in primary production as a significant factor that contributes to their economic backwardness (Missio et al., 2015). They also emphasise the structural heterogeneity within various sectors in developing countries, and note that the activities within these sectors vary widely in terms of the characteristics necessary for growth, e.g.: the degree of technological advancement; the strength of backward and forward linkages; productivity and scope for accumulative productive increases; scope for increasing the return on scale (Tregenna, 2015). As a result, developing countries face a structural disadvantage in global trade relations. The prices of their primary exports tend to fall relative to those of the mainly manufactured exports of developed countries (Ciarli and Maio, 2013). This decline in the 'terms of trade' of developing countries tends to widen the income gap between rich and poor countries (Sai-Wing Ho, 2012).

What sets neo-structuralists apart from the neo-liberals is the former's understanding that there is no one-size-fits-all approach. They understand that the form of intervention should vary from one developing country to another. This is different to the neo-liberals belief that there are similar economic and scientific answers to all development problems in every country in the world, regardless of the economic, historical and cultural context (Ffrench-Davis & Torres, 2020; Tsie, 1996b; Wade, 2004). Neo-liberals assume that, in the absence of government restraint, markets are homogenous and integrated; market signals are therefore believed to be free-flowing, transparent and marked by high inter-market and intergeneration price elasticity (Ffrench-Davis & Torres, 2020; Tsie, 1996a).

Neoliberals have consistently asserted that the best government intervention is for countries to liberalise their economies in order for markets to function independently (Cypher, 2018). This is based on the view that markets are generally efficient and effectively capable of providing optimal solutions, especially compared to government. A similar argument was adopted by the international financial institutions, i.e. the World Bank and IMF, during the years of structural adjustment programmes (SAPs) in Africa. They contended that liberalised economies

achieve industrialisation and structural transformation in developing countries (Teal, 2002; UNECA, 2016). The idea is to free market forces from any form of intervention by the state; however, Tsie (1996a) notes that the potential that the neo-liberals attribute to market forces is 'supposed', because the argument for freeing market forces ignores the possibility that market forces could be the principal problem. It is premised on an export-oriented strategy that encourages developing countries to specialise in exporting primary commodities in pursuit of the so-called "comparative advantage" (Olarreaga et al., 2017; Weiss, 2018). However, within this framework, there is little room for deeper industrialisation in the developing regions, given the lack of complementary production structures (Tsie, 1996a). In addition, the developed economies of today used very few industrialisation strategies and policies that they now recommend that developing countries use (Chang, 2002; Hakemy, 2017). Chang (2002) further notes that while mainstream economists portray the now-advanced countries as perfect manifestation of the free market, they were the initial users of industrial policies in the early stages of their industrialisation.

Contrarily, neo-structuralists never believed in universal applicability of some economic principles, as they noted that the exact role of the state would differ from country to country (Cypher, 2018; Hewitt et al., 1992; Wade, 2004; Wade, 2014). In the quest for industrialisation in developing regions, several development projects must be undertaken, most of which require simultaneous investment to be viable (Hakemy, 2017). However, market forces would not take this kind of risk, as they operate in the name of profit (Isike, 2020). This is especially the case in developing countries where there is little certainty regarding return on investment. Thus, a government subsidy could be implemented in such a context to offset the first-mover disadvantage (Lin & Monga, 2011), as such problems create coordination failure.

Industrialisation is a highly disruptive and conflictive process, as it seeks innovative production methods. The need and the extent of this disruption in the developing regions are far-reaching, owing to the backwardness of their economies (Andreoni & Gregory, 2013; Cypher, 2018). This means that the required amount of investment finance is at unprecedented levels. It is mainly for this reason that, in developing countries, there may be few agents other than the state that can propel the industrialisation process, as risks are often too great and the capital investment required too large for market forces. In essence, the state's record becomes crucial, not only in mitigating and absorbing the risks for the private sector, but also in stimulating innovation and growth (Chang, 2002; Hakemy, 2017; Mazzucato, 2015).

Furthermore, it has been pointed out that recent history shows that most countries that have built their industrialisation strategies on neo-liberal principles have struggled to industrialise (Siddiqui, 2012). Most countries that have achieved prosperity, and especially countries in Asia, deviated from these neo-liberal ideals and developed state interventionist measures (Hakemy, 2017; Lundvall & Lema, 2014; Siddiqui, 2012). This is mainly because neo-liberal principles cannot deal with the structural conditions that characterise developing regions (Bárcena & Prado, 2016; Ffrench-Davis & Torres, 2020; Tsie, 1996a). The experience of most industrialisers in the developing world suggests that the interventionist nature of the state determines the nature and success of its industrial development (Odijie, 2019). Consequently, the debate should move away from questioning if there is a role for the state in the industrialisation process, and focus more on what its exact role should be in this process (Goga et al., 2019; Rodrik, 2008, 2009; UNECA & AUC, 2011; Weiss, 2013, 2018).

Given its historical importance in terms of the development process, neo-structuralists have noted that industrialisation is too important to be left to markets and private sector initiatives. Instead, it needs strong sponsorship and directional thrust by a developmental state (Storm, 2017b). Thus, properly designed and implemented industrial policies are essential in facilitating diversified manufacturing growth and potentially ensuring that the desired transformation becomes a reality (Dent & Richter, 2011; Rakner & Tungodden, 2002). A defining characteristic of prosperous regions across the globe is their ability to transform their economies structurally—changing the structural composition of their outputs and diversifying away from the agricultural sector towards manufacturing (Alcorta, 2015; Goga et al., 2019; Yirga Shumuye, 2015). This movement of resources comes with sustainable growth and a rise in income, which is why it is mainly countries that can facilitate this movement and industrialise their economies that manage to pull themselves out of poverty (Obinyeluaku, 2015; Opoku & Yan, 2019).

Industrial Policy, Manufacturing and Industrialisation in Developing Countries

The modern world is a product of industrialisation in many ways. The genesis of industrialisation posits that the industrial revolution created an environment for sustainable productivity growth in Europe and North America (Chandra, 1992). This later divided the world into two halves, rich and poor, with the former exploiting the latter, in what has been called the international division of labour, as the rich countries have

extracted the raw materials from poor ones for centuries (Chandra, 1992; Chang, 2002; Hakemy, 2017). This was followed by a catch-up period, with non-western countries experiencing industrialisation that has continued in the 21st century (Rodrik, 2015).

To fully understand the concept of industrialisation the complex nature of its process should be noted. This can be examined in various ways, and Simandan (2009) speaks of three major ways to determine if a particular economy is undergoing industrialisation. The first compares the relative contribution of MVA to GDP versus that of the primary sector. The second compares the workforce employed in the industry with that employed in agriculture. The third is observing the industrial landscape, as industrial activities leads to a drastic change in the physical landscape (Simandan, 2009).

MVA is a recognised measure and indicator used by researchers and policymakers to assess a country's level of industrialisation. The MVA share of GDP reflects the role of manufacturing in each country's economy and in terms of national development in its entirety (Haraguchi et al., 2017; Mijiyawa, 2017; Simandan, 2009). The manufacturing sector introduced ground-breaking production structures in the post-war era and has become significant in diversifying and transforming economies in developing countries (Andreoni & Gregory, 2013; Cantore et al., 2017). In a study entitled *Manufacturing and Economic Growth in the Developing Countries, 1950-2005*, Szirmai and Verspagen (2015) argued that no developing country was able to sustain growth and development during the stated period without a viable manufacturing industry. For instance, they found that the poorest countries have the lowest share of manufacturing and the highest share of agriculture commodity production in terms of GDP (Szirmai and Verspagen (2015).

This significance of the manufacturing industry was further proven by the proliferation of industrial policies aimed at strengthening this sector across the developing regions in the post-independence era beginning in the 1950s (Noman & Stiglitz, 2017; UNECA, 2016). The transfer of labour from agriculture (which has lower labour productivity) to manufacturing (which has higher labour productivity) increases a country's overall productivity (Bianchi & Labory, 2019; Szirmai, 2012; Szirmai & Verspagen, 2015), which is how it became the driver of growth and development, most notably in the East Asian miracle cases (Bathla et al., 2019; Hauge, 2020; Hewitt et al., 1992; Rodrik, 2016b; Vanheukelom & Bertelsmann-Scot, 2016).

While several countries and regions across the world have followed various paths to industrialisation in the past three centuries since the

industrial revolution began, they have had one thing in common: the central role played by industrial policies in the transformation (Hakemy, 2017; Hosono, 2017; Noman & Stiglitz, 2017; UNECA & AUC, 2011). However, the extent to which the state intervenes in allocating resources through policy initiatives in order to drive economic development has been the main point of divergence among nations in terms of the industrialisation path taken (Chang, 2002; Hakemy, 2017).

Successful industrialisation experiences were inspired by effective industrial policies (Hewitt, Johnson and Wield, 1992; Wade, 2004, 2014). This was also emphasised by the United Nations Industrial Development Organisation (UNIDO) in its 2020 report titled *Industrialisation as the Driver of Sustained Prosperity*. It notes that industrial policies were used to drive structural transformation in the eighteenth and nineteenth centuries, and in recent cases of successful industrialisation. In the recent cases, impactful government interventions that involved channelling long-term finance to firms were used to overcome various constraints to industrialisation (UNIDO, 2020).

In the early 1990s, Hewitt, Johnson and Wield (1992) pointed out that attempts at industrialisation by some countries following the breakthrough made by Great Britain had government policies at the centre and the assistance of financial conglomerates. These measures appeared to be more critical in the catch up period than in early industrialisation. The required scale of investment was too large to be borne by firms, so self-financing by firms would not work. Thus, together with the financial institutions, the state took over this role, by investing directly in industries and transport infrastructure (Szirmai, 2012). This partnership was essential in mobilising resources for investment (Hewitt, Johnson and Wield, 1992).

Over the years, development thinkers and scholars have investigated what accounts for the success of South East Asian Nations (ASEAN) in industrialising: they found that the role and capabilities of the state have been a major difference (Mazzucato, 2015; Panayiotopoulos, 2001). For example, Wade (2004, 2014) has consistently pointed out that this success results from directive policies and regulations implemented by these regional economies. The author has maintained that the relationship between the state and the private sector provided the necessary preconditions for industrialisation (Wade, 2004, 2014). The higher levels of investments, especially in critical industries, and the institutional support of policies enabled and accelerated industrialisation in the ASEAN economies (Vanheukelom & Bertelsmann-Scott, 2016; Wade, 2004, 2014).

Likewise, Dent (2008) cited the history of the Greater Mekong Subregion in South East Asian economic cooperation. In 1992, six countries in this region (Cambodia, China, the Lao People's Democratic Republic, Myanmar, Thailand and Vietnam) embarked on a sub-regional development programme. This programme sought to help identify and implement high-priority sub-regional projects in various sectors, including infrastructure, with an initial focus on overcoming barriers to physical connectivity in the sub-region (Asian Development Bank, 2018). Major assistance was given by the Asian Development Bank (ADB) to ensure successful management of the programme by providing advice and finance to member countries (Dent & Richter, 2011; UNCTAD, 2013).

As Chandra (1992) noted, market incentives through development banks and favourable investment incentives are significant measures. This is accurately captured by Haarløv (1997, p.43), who asserts that a development bank attached to an integration scheme can have a special arrangement that allows for loans with exceptionally favourable conditions, so as to enhance the productive capacity of lesser developed regions or members. This manifested itself in the case of the emancipation of the East Asian countries. The ADB made significant investments in East Asian industrialisation and development projects, demonstrating that the bank has strong developmental characteristics (Dent, 2008). This carries an important lesson for African industrialising economies: capacitating regional institutions is at the centre of success. Doing so would enable the continent to establish integrated self-sustaining economies and deliver to their individual development needs, as the Lagos Plan of Action (LPA) stipulated.

While the late industrialisers are advised to take lessons from the early-industrialisers and implement some of their valuable measures, they are warned of the changes in the current operating environment. The changing global economic landscape of the 21st century has seen a shift in thinking and implementation of effective industrialisation measures and initiatives, which has consequently changed theoretical assumptions and the use of industrial policies (Chang & Andreoni, 2020; Weiss, 2013). This line of argument is supported by scholars who argue that the external operating environment within which countries and regions pursue industrialisation today differs from that of yesteryear. They critically question the relevance of the Southeast Asian success story in the current operating environment: they posit that valuable lessons could be learnt, but that the environment has altered significantly (Weiss, 2015; Wu, 2013). They emphasise that economic history shows that there has never been a universal path to industrialisation (Weiss, 2015; Wu, 2013). The implication is that an attempt to replicate the East Asian model can only

be of limited relevance in the contemporary global economy. Although it may be good to take some lessons from models used elsewhere in the world for purposes of development, this must be done with caution (Hobday, 2013, p.120; Treichel, 2016) to avoid frustrating development setbacks. Thus, the initiatives of late industrialisers must be underpinned by strategies tailored to current operating conditions and with due consideration given to the unique circumstances (Chang & Andreoni, 2020; Weiss, 2018; Wu, 2013).

Pollard (1990) argued, “The process of industrialisation should be seen as a single global process of structural change, in which individual countries follow different paths, depending on their entry time into the race”. The significance of the timing of industrialisation was earlier noted by Gerschenkron (1962), when he argued that an industrial policy and large financial institutions became increasingly essential to the late industrialisers compared to the early ones. Development-oriented governments set themselves the goal to eliminate historical obstacles to industrialisation (Naudé & Szirmai, 2012; Szirmai, 2012), and a rapid industrialisation process would then inspire sustained growth for economies in the early stages of development (McMillan et al., 2017). The state is responsible for enacting and driving transformational policies that seek to hasten this process, as it has proven to be an engine of growth (Cantore et al., 2017; Szirmai, 2012).

Over decades, there has been a proliferation of strong theoretical and empirical arguments that favour industrialisation, and especially manufacturing, as the primary engine of economic growth and development. The rapid economic growth and development of developing countries have been characterised by transferring resources from traditional to modern industrial sectors (Rodrik, 2009). The ability of the manufacturing industry to transform the economy is strongly supported in the literature, most notably by Kaldor, with his three growth laws:

The first law states that the growth of GDP is positively related to the growth of manufacturing output, not just because it is a part of GDP but in a fundamental causal sense related to the production characteristics of the manufacturing sector. The second law notes that the growth of labour productivity in manufacturing is positively related to manufacturing output growth because of static and dynamic increasing returns to scale. The third notes that there would be a negative relationship between labour productivity growth in the economy and the employment growth rate in the non-manufacturing sector. This is because most activities outside the manufacturing industry are subject

to diminishing returns, particularly in land-based activities such as agriculture and many service activities (Kaldor, 1966, 1967).

Kaldor (1966, 1967) emphasised the significance of these laws to the economic growth of any given economy. The manufacturing sector is capable of creating jobs that offer higher wages due to higher productivity levels, making its role the most crucial in economic growth and development, especially for countries with a relatively low-income level (Correa & Kanatsouli, 2018). Countries that seek to raise income and eradicate poverty have had to develop and sustain this sector (Haraguchi et al., 2019). Although manufacturing can satisfy these increasing demands, it has been widely noted that the share of MVA in GDP in industrialised economies is declining, due to the growing importance of the services sector (Cantore et al., 2017; Martins, 2019).

Several authors note that the manufacturing productivity advantage begins to fade in high-income countries when they transition into economies driven by the service sector (Dadush, 2015; Haraguchi et al., 2017). Meanwhile, Fforde (2018) has been critical of over-emphasising the significance of manufacturing. The author argues that the structural transformation pattern in the developing regions has shifted from agriculture to services, instead of from agriculture to manufacturing and then to services (Fforde, 2018). While this may be relatively accurate, the manufacturing sector is still significant in developing economies, even though the services sector has become the largest sector in most industrialised countries, as the services sector is heavily dependent on the manufacturing sector (Yongo-Bure, 2015).

Unlike the declining share of manufacturing activity seen in the industrialised economies, the share of manufacturing in terms of GDP in many developing countries has grown. This is because countries in the early stages of industrialisation tend to reflect a rapid increase in MVA share of GDP (Correa & Kanatsouli, 2018). This has also been attributed to the relocation of manufacturing production from industrialised economies to developing ones (World Economic Forum, 2012). Thus, the urgent need for industrialisation and diversification is rooted in the fact that the manufacturing industry substantially impacts the rest of the economy through its backward and forward linkages (Frankenhoff, 1962; Langa & Nkhonjera, 2018; Morris & Fessehaie, 2014). In this regard, Karuri-Sebina et al. (2012) refer to the enthusiasm for growth in some African countries at the beginning of the 21st century as false optimism, because it focused on particular countries and sectors, with the predominant industry sectors being agriculture and natural resources. However, the primary resources sectors cannot be a country's backbone

for industrialisation, as they do not provide sustainable growth (Gehl Sampath, 2014).

Growth that does not reflect on the realities of people's lives is of no value, as it ends up being just a number and nothing more (Alcorta, 2015; Signe, 2015). Thus, through industrial policies, direct investment and incentives in the manufacturing industry become more necessary in regions where market forces cannot strengthen the sector. The only sustainable way to transform these economies is through structural and institutional change across the economic and social spheres. The experience of countries that industrialised earlier and those that followed during the catch-up period was building strong industrial competitiveness to fast-track economic development, spearheaded by the manufacturing sector (Hakemy, 2017; Haraguchi et al., 2017). Capital goods manufacturing is the industry's most dynamic sector because it has the strongest backward and forward linkages to the whole economy. In addition, it provides inputs to various industry sectors and sub-sectors, including the agricultural and services sectors (Langa & Nkhonjera, 2018).

During the second half of the 20th century, development thinkers and economists understood that industrialisation and sustainable growth were mainly driven by capital investment and technological advancement (Nzau, 2010). These critical components have always been regarded as vital ingredients that add value to land and labour in the quest to build and sustain wealth (Weiss, 2018). This means that adding value to natural resources and primary commodities is essential for sustainable growth, as opposed to trading them raw (Szirmai & Verspagen, 2015). Kaldor's (1966) engine of growth hypothesis maintains that manufacturing provides a higher return on scale and capital intensity, which is the case for developing countries, but not so much for several industrialised countries (Szirmai, 2012). For developing countries, the manufacturing sector offers special opportunities for economies of scale, which are less available in the agricultural and services sectors (Kaldor, 1966, 1967).

Historical records also show that such growth take-off in Europe and East Asia suggest a close relationship between industrialisation and sustainable economic growth (Tilly, 2010). A relationship that inspires sustained growth and development is much stronger for the manufacturing sector than for the agricultural and services sectors (Lundvall & Lema, 2014; Martins, 2019). Large industries are associated with economic growth, but, on average, fast-industrialising countries also tend to grow more rapidly than other economies (Hausmann et al., 2007; Kaldor, 1966; Rodrik, 2015). Moreover, countries with manufacturing-driven development processes can reduce poverty rapidly

(Szirmai & Verspagen, 2015), while the poorest countries generally fail to industrialise (Szirmai & Verspagen, 2015). In a study done by Cooper and Maddison (2001), it was argued that the modern manufacturing sector has introduced fundamental changes to the global economy, with sustained increases in labour productivity growth.

Several sources gradually recognised the manufacturing sector as an engine of growth. Firstly, the economies of scale in the presence of upfront investment, capital deepening facilities and mass production reduce the cost per unit produced as output increases (Naudé & Szirmai, 2012; Szirmai, 2012). Secondly, the manufacturing sector's strong links to other sectors of the economy have proven to be vital, as they imply that industry and manufacturing growth effectively creates additional demand and opportunities for other sectors. Thirdly, the manufacturing sector is understood to be the primary source of most technological advancement and innovation, as it feeds into growth processes beyond the sector as other parts of the economy take advantage of newly-developed technology (Naudé & Szirmai, 2012; Rodrik et al., 2016; UNIDO, 2020d).

Manufacturing nurtures growth and development, and its increasing share in an economy's GDP inspires an increase across income groups (UNIDO, 2020d). However, for the development process to succeed, developing countries should sustain these growth rates for longer periods than they generally show. For instance, a sustained catch-up trajectory by the late industrialisers was estimated to require an annual GDP growth rate of over 5 per cent for two decades (Szirmai, 2012; UNIDO, 2020d). Moreover, technological transformation has driven much productivity growth during the previous two centuries, as well as organisational changes that originated in the manufacturing sector (Langa & Nkhonjera, 2018; Libanio & Moro, 2007; Martins, 2019; Nagaraj, 2017).

Thus, Cantore et al. (2017) argued that it would not be an exaggeration to imply that the manufacturing sector has created the modern world as we know it. This sector's activities lend themselves to mechanisation and processing much more easily than other sectors do, which has made it the primary source of productivity growth throughout history (Cantore et al., 2017). Because of its ability to produce productive inputs, like machines and chemicals, what happens in the manufacturing sector has been critical to productivity acceleration in other sectors (McMillan et al., 2017; Naudé & Szirmai, 2012; Rodrik et al., 2016). For example, manufacturing departments produce chemical fertilisers and genetic engineering, which are vital to increasing productivity levels

in the agricultural sector. For this reason, the manufacturing industry has been widely considered to be an engine of growth, especially in developing regions (Langa & Nkhonjera, 2018; Sen, 2016).

Empirical Literature

The aftermath of the second world war and the post-independence period saw a series of state-led programmes being initiated in developing regions such as Africa and Latin America, in pursuit of industrialisation (Mendes, Bertella, Teixeira et al., 2014). The acceleration in state-sponsored industrialisation initiatives in Africa and Latin America during this period needs to be understood within the context of the extractive nature of their inherited colonial economies. In the African context, this was mainly because, under colonial rule, the idea was not to build the industrial capacity of a country, but rather to extract the resources and export them to the colonising country (Karunaratne, 1980), so was the case in Latin America (Bielschowsky, 2009). Moreover, economies had no connection to each other, as the boundaries and smaller domestic markets constrained their growth. Thus, they sought developmental integration to promote the industrialisation process, so establishing a link between developmental integration and this process (Eder, 2019).

Two industrialisation strategies are known to have been predominantly adopted by developing countries in the post-independence era, namely Import Substitution Industrialisation (ISI) and Export Promotion Industrialisation (EPI) (Chandra, 1992; Hewitt, Johnson and Wield, 1992; Asante, 1997). Developing countries initially adopted the former strategy, as it promised imports being substituted by domestic production. Furthermore, it was characterised by self-reliance and sufficiency, which these countries longed for, being freshly independent of colonial governance. Contrarily, the latter strategy sought production mainly for foreign markets (Rasiah & Yun, 2009; Weiss, 2018). EPI is underpinned by an export-oriented strategy that encourages more specialisation in exporting commodities that developing countries have a comparative advantage in (Olarreaga et al., 2017; Weiss, 2018). However, there are minimal chances for meaningful industrialisation in the developing regions within this framework due to the lack of complementary production structures (Tsie, 1996a). The Breton Woods institutions advocated this approach to industrialisation and development, and noted that it is a better alternative than the ISI strategy (Adewale, 2017; Khan & Khan, 1996; Weiss, 2018).

There is consensus that it was not in the interest of the colonisers to encourage industrial development in developing countries because

that would shift labour from the agricultural sector and reduce the market for the manufactured goods produced in the colonial countries (Chandra, 1992, p.18). Thus, at the dawn of independence, the lack of industrialisation in Africa and Latin America was primarily attributed to the division of labour, which made the colonies nothing more than suppliers of raw materials (Sugihara, 2019). Attaining independence in Africa was significant to the continent's attempts to industrialise, given the discouragement and neglect of this process during the colonial era. Having come to understand the importance of industrialising, especially in the manufacturing sector, in order to meet the developmental demands of the population, ISI was the first strategy to be implemented (Mendes, Bertella & Teixeira, 2014; Nzau, 2010). This ambitious industrialisation model was used to ensure that previously imported items were targeted for local production (Chandra, 1992, p.18).

Import Substitution Industrialisation

In the African and Latin American context, ISI is understood to be the first industrialisation model, which was prevalent mainly in the 1950s and 1970s (Baer, 1972; Eder, 2019). This model was widely understood as an inward-looking strategy that encouraged production for domestic consumption (Adewale, 2017), and was regarded as a means to higher levels of industrial development (Nzau, 2010). This strategy was encouraged to take effect at the regional level on the basis that countries at the same level of industrial development may gain significantly as a result, because the initial competition from regional partners may not be too difficult to manage (Eder, 2019; Prebisch, 1950) compared to experienced international competitors, most of which were industrialised economies.

Chandra (1992) argued that without an adequate understanding of their political and economic evolution, the current political and economic situation of developing countries, particularly in Africa, cannot be adequately understood. He notes that contemporary prosperity and failure in developing countries are rooted in their historical evolution (Chandra, 1992). After the second world war, ISI prevailed as an industrialisation model across developing countries because they longed for self-reliance and sustenance, which they had been deprived of for centuries (Chandra, 1992). Industrialising the colonies and raising the living standards of its people were not part of the colonial masters' plans (Hewitt et al., 1992). Furthermore, the post-world war consensus posited that market forces had themselves failed to usher in development and industrialisation, thus the state was urged to seek ways to advance

it (Hewitt et al., 1992). Thus, in the early post-independence era, most African governments launched several development plans and began implementing the ISI strategy.

The ISI policy is based on the assumption that economic development and industrialisation objectives can only be realised by developing local production capacity that can substitute or eliminate imports (Adewale, 2017; Grabowski, 1994; James & Fujita, 1989). This model sought to fast-track the industrialisation process in the implementing regions, but to do so in a way that would ensure self-reliance and sufficiency - at least in principle.

Mendes, Bertella and Teixeira (2014) noted that the second driver of ISI in developing regions was the global economic crisis, which had a devastating impact on the primary products that still constitute a significant portion of exports in developing countries. They note that governments supported this process and made direct investments in several core industries (Mendes, Bertella & Teixeira, 2014).

Proponents of the ISI strategy argue that it gave developing countries room to expand their industrial activities, unlike the export-oriented approach (discussed below) that involved dominant foreign ownership in the manufacturing sector (Mendes, Bertella & Teixeira, 2014). ISI was preferred because it nurtured domestic industries through protectionism, and employing tariffs, quotas and licensing on overseas goods (Chandra, 1992, p.190). Protecting domestic enterprises is just one element of this strategy; other measures include offering incentives to domestic industries, tax concessions of one to five years, and providing training to the manufacturing sector (Chandra, 1992, p.191). As local and foreign entrepreneurs took advantage of the financial incentives provided by governments, there was a rapid increase in industrial production (Chandra, 1992, p.193).

According to Peres and Primi (2009), "During the ISI period, industrial policies combined trade protection with investment promotion and national development banks were the main financing agents". Subsequently, protectionist barriers were erected against competing imports to promote domestic production of various manufactured goods (Sai-Wing Ho, 2012; Weiss, 2018). This strategy was supported by providing incentives to foreign investors in the manufacturing industry and investing in energy production and infrastructure building programmes (Ajakaiye & Page, 2012). This is the extent to which the African and Latin American countries were willing to eradicate the colonial legacy that kept these regional countries disconnected.

Critics have argued that ISI led to higher-cost industries, as smaller domestic markets meant it was hard to realise economies of scale. As a result, producing specialised goods that needed larger markets for efficient production could not be sustained (Peres & Primi, 2009). In addition, there was an increase in costs, due to the lack of viable competition, both locally and internationally. Consequently, businesses did not strive to produce high-quality products at reasonable cost (Mendes, Bertella, Teixeira et al., 2014). Also, this strategy was seen to have failed to eliminate foreign dependency, which was understood to be its primary target; instead, developing countries continued to export mainly raw materials (Jayanthakumaran, 2014; Mendes, Bertella, Teixeira et al., 2014; Weiss, 2018). Finally, heavy state intervention, particularly through state-owned enterprises (SOE), was a major drain on resources (Chandra, 1992, p.198). These shortcomings, the desire to yield foreign exchange reserves and the pressure from international financial agencies, notably the World Bank and the IMF, led to the adoption of export-oriented industrialisation (Chandra, 1992).

Export Promotion Industrialisation

EPI proponents contend that the import substitution strategy brought about an inward-looking mentality and protection among industrialists; consequently, a lack of competition derailed innovation (Adewale, 2017; Haraguchi et al., 2019; Sai-Wing Ho, 2012). With the growing criticism levelled against ISI, implementing countries in Africa and Latin America opted to review this strategy, which was hastily falling out of favour (Mendes, Bertella & Teixeira, 2014), as the disadvantages outweighed the advantages of sticking with ISI (Chandra, 1992, p.98). The 1980 study done by Karunaratne on 45 countries found that countries with high levels of protection showed a lower growth rate than open economies (Karunaratne, 1980). Countries that had followed more open EPI strategies, especially in East Asia, appeared to have fared much better than those that followed the ISI strategy. This inspired a shift toward EPI (Chandra, 1992, p.100).

The export promotion strategy and outward orientation were traditionally advocated by the World Bank and the IMF. For example, in its 1987 *World Development Report*, the World Bank examined the relationship between foreign trade and industrialisation in developing countries, and concluded that trade liberalisation is crucial to fostering growth in developing countries (World Bank, 1987). Establishing this correlation between export expansion and economic growth led to the EPI being viewed as an effective strategy for developing countries. The

rationale was that exports and trade would enable countries to take advantage of their comparative advantage and enjoy economies of scale, given that the smaller domestic markets in many developing countries could not support bigger industrial plants (Asante, 2000; Geiger, 1991; Mijiyawa, 2017; Wade, 2004).

There is some confusion regarding the definition of export promotion, because the term seems to imply a preference for production for the foreign market rather than the domestic market (Olarreaga et al., 2017). However, according to its proponents, this strategy has neutral assumptions; they assert that the bias for import substitution for domestic market production should be removed, so that the foreign markets versus domestic production incentives are neutral (Grabowski, 1994; Olarreaga et al., 2017; Orlenko, 2017; Trindade, 2005). The advocates of ISI maintain that temporary protection of infant industries from international competition is justified (Karuri-Sebina et al., 2012; Nem Singh & Ovadia, 2018; Wa Githinji & Adesida, 2011). However, the export promotion strategy advocates posit that domestic markets are too small to enable firms to achieve optimal scale (Jayanthakumaran, 2014; Olarreaga et al., 2017; World Bank, 1987), but when producing for export, firms and industries can earn higher returns and work to optimal scale (Grabowski, 1994). Therefore, they argue it is only an outward-oriented industrialisation strategy that can yield economies of scale (Jayanthakumaran, 2014; Olarreaga et al., 2017).

While the failure of import substitution was becoming apparent in the 1970s in Africa and Latin America, export promotion was delivering high growth rates in other developing regions, like Southeast Asia, which hastened the shift toward EPI (Mendes, Bertella, Teixeira et al., 2014). In the then developing regions like Latin America, where ISI probably began, dependency theorists focused on its failure to create an independent national economy and the absence of a national bourgeoisie to lead economic development (Lin, 2010; Weiss, 2002). The dependency theorists also argued that ISI led to international corporations taking over most of the dynamic sectors of the economy and to local industrialists being dependent on international capital (Hewitt et al., 1992). In Latin America, ISI had prioritised: diversification of production structures; the creation of new sectors; increasing technologically-intense activities in production (Peres and Primi, 2009, p.223).

UNIDO has argued that a favourable external environment characterised by the effective use of policy instruments has led to successful economic transformation in developing countries (UNIDO, 2019). According to Correa and Kanatsouli (2018), growth in the share of

manufacturing in terms of GDP and the export of manufactured goods in developing countries has been mainly driven by the Asian economies, while African countries reported a stagnating share, and relatively little change to their economic structures. The point being made by the authors is that manufacturing exports are an essential driver for developing and emerging industrial economies (Haraguchi et al., 2019).

The hallmark of the EOI strategy was 'promotion' in contrast to the 'protection' that characterised the import-substituting approach. Promotional measures are meant to subsidise and incentivise industries to overcome multi-faceted obstacles that derail the realisation of economies of scale (James & Fujita, 1989; Olarreaga et al., 2017; Trindade, 2005). For example, in developing regions, these measures may include revamping credit and financial institutions, improving infrastructure and providing subsidies for labour training programmes (Panayiotopoulos, 2001).

Chandra (1992) briefly explained why developing countries initially adopted ISI instead of producing for export, with there being several reasons. First, the newly independent countries were acutely aware of the dangers of depending too much on their previous colonisers. Therefore, they wanted to be self-sufficient, which ISI appeared to offer, while export production would not have worked for them because they could not compete with established producers. However, export promotion would later become more effective and beneficiary than ISI (Greig et al., 2011; Subramanian, 2009; Tandrayen-Ragoobur, 2010).

Conclusion

This chapter sought to engage the theoretical perspectives on industrial policy - mainly by neo-structuralism and neo-liberalism - and particularly in the context of developing countries. They have widely divergent theoretical perspectives, especially regarding the state's role in the process of industrialisation. Calls have been made for this debate to evolve beyond what some see as a waste of time in arguing whether the state should play a role in the industrialisation process, and that the debate should instead determine the specific role of the state and other actors in this process. However, neo-liberals see under-development as an indication that markets are not free. They maintain that their assumptions and principles are universally applicable, regardless of the historical circumstances of different countries around the world. This is the assumption that neo-structuralists consider unrealistic. As mentioned earlier, the neo-structuralists have maintained that as much as they argue for an active role to be played by the state in

the industrialisation process, intervention should vary from country to country because the countries do not have the same historical circumstances.

The widely criticised ISI strategy adopted by developing regions shortly after independence, was not unjustifiable in their context. During the post-independence period, self-sufficiency and sustenance were the primary concern, after centuries of the colonial yoke that would not let these economies be self-reliant and sufficient. It is also apparent that as much as it is no longer debatable whether developing countries should industrialise or not, given the strong case built over the years, there is still division on the approach to take to realise this objective. This includes long-standing opposition to state intervention in the market by the Bretton Woods institutions (World Bank and IMF); whilst development thinkers and scholars insist that government intervention is needed.

Thus, a sophisticated understanding of the industrialisation process held by neo-structuralism is what makes it more relevant in developing countries. While neo-liberals call for the state to play no significant part in the process of industrialisation and development, neo-structuralists argue that market forces alone cannot enforce this process, which means that state intervention is needed - not to eradicate market forces, but to help fast-track this important process. Therefore, the neo-liberal call for reducing the state's role is problematic within the context of developing countries, especially as the literature details the significant role played by state interventionism in the now industrialised economies since the advent of the industrial revolution in Britain. Thus, eliminating the state's role would not be helpful in a region like SADC - indeed, it would hurt these economies. As shown above, market forces are mainly motivated by profit, rather than economic development per se.

Chapter Three:

Post-independence Approaches to Industrialisation in Africa

Introduction

The colonial masters deprived developing regions such as Africa and Latin America of any form of advanced industrialisation, as their interest was to drain the countries of natural resources and minerals (Mensah, 2019; Mezouaghi & El Aynaoui, 2018; Nzau, 2010; Wong & Yip, 1999). As a result, at the dawn of independence, these countries had to play catch-up; but their colonial economies meant that they had no industrial or refining capacity, but the production and export of crops and minerals was booming. This meant they were not industrialised and were more vulnerable to external demand and price shocks (Chikabwi et al., 2017; Chingono & Nakana, 2009; Noman & Stiglitz, 2017; Saha, 1991). Moreover, with the European market being dominant, the performance of these crops, and consequently the continental economies, fluctuated along with the European business cycle, which inspired unsustainable growth without development (Hillbom, 2008).

This chapter explores the industrialisation initiatives adopted on the African continent in the quest to delink from colonial economies in the post-independence era. This is important because these continental approaches had a trickle-down impact, which inspired the establishment of the RECs, and also because it will put SADC in context as a REC of interest in this book.

Continental Initiatives in the Quest for Industrialisation

The second half of the 20th century saw a rapid increase in the literature on regional integration, which was noted by Asante (1997a, p.17) and several other scholars as a critical aspect of the development strategy, especially in developing countries and regions (AfDB, 2019; Byiers et al., 2018; Dent & Richter, 2011; Volz, 2013). This perspective is shared by both scholars and many policymakers, and can be seen in article 70 of the treaty that established the Common Market for Eastern and Southern Africa (COMESA), which encourages member states to embrace initiatives and measures that seek to build the infrastructure and to design policies

and strategies to drive industrialisation (COMESA, 1993; Shinyekwa et al., 2019).

The literature suggests that the growth of regional integration schemes worldwide has been one of the major developments in international relations since the end of the second world war (Peters-Berries, 2010; Schiff & Winters, 2003; Söderbaum, 2013). As noted by Asante (1997a, p.2), the post-second world war period is considered the integration era, because of the accelerated growth in regional integration initiatives worldwide (Asante, 1997b, p.3). Within the first five years of the 21st century, it became acceptable to claim that almost every country belonged to a particular regional group, with some belonging to more than one group simultaneously (Schiff and Winters, 2003, p.2). More importantly, these regional integration initiatives did not necessarily have similar objectives. Some were intended for security purposes, while others were for industrialisation and development, depending on what the participating members wanted to achieve (Peters-Berries, 2010, p.5). However, security objectives of regional integration are not the interest of this book - industrialisation and development are.

An examination of the conceptualisation of developmental integration suggests that economic transformation has been pursued in post-independence Africa through the developmental integration approach for the most part. Though this may not have been declared, it is evident in the articulations and stipulations in treaties and plans adopted at the time, such as the Monrovia Declaration and the LPA. The governments of independent states on the African continent noted with concern that they could not provide most of the basic needs of the citizenry, as the countries did not show sustainable growth and development (Nzau, 2010). With industrialisation being understood as the source of modern growth and development, they quickly realised the urgent need to industrialise so as to provide employment and uplift their citizens out of poverty (Mendes, Bertella & Teixeira, 2014). Shortly after independence, it dawned on the majority of leaders on the African continent that if there was to be industrialisation, Africa would have to work collectively (Moyo, 2011). Thus, the continent's lack of industrialisation and diversification began to see a rise in rhetorical commitment by leaders at the regional and continental levels (Nzau, 2010). Consequently, several initiatives were adopted by the continent to foster the industrialisation process. These are discussed in this section to demonstrate the developmental nature of the continent's earlier initiatives and to provide a clear background to the pursuit of industrialisation in the SADC. The purpose is to demonstrate how far back the continent's industrialisation attempts go and, more importantly, to

put SADC's developmental integration into context. This will show that the pursuit of industrialisation in SADC is not an isolated process but rather a part of a broader continental drive. In reviewing the initiatives, the focus was on the plans established for industrial development and industrialisation on the continent. The LPA-FAL 1980-2000 is the first that is considered, followed by the Abuja Treaty Establishing the African Economic Community (AEC) of 1991 and then the Accelerated Industrial Development for Africa (AIDA).

According to Asante (1997c, p.10), the initial efforts made at regional integration on the African continent began as aspects of the pan-African movement, which sought to unite the continental economies in the fight against imperialist forces and neo-colonial domination. Shortly thereafter, regional integration was recognised as the necessary precursor to the long-term sustainable development of the continental economies. Asante (1997d) noted that the resolution passed by the newly independent African states to establish regional entities to promote regional economic integration was considered the most significant development of the 1980s. He argued that regional integration should be regarded as an approach to economic development rather than an isolated process of trade arrangements in the developing world, and that this integration process should begin with and be sustained by government (Asante, 1997c, p.37). This requires the coordination of national development strategies with regional plans.

The Lagos Plan of Action and the Final Act of Lagos

Formal adoption of the LPA-FAL by African leaders in 1980 was the culmination of long talks beginning in the late 1970s with the adoption of the Monrovia declaration. This amounted to an attack on the inherited colonial and neo-colonial economic policy by African leaders (Sekgoma, 2001), in their search for an alternative strategy to the colonial economic establishment perpetuated by the recently-independent African states (Adedeji, 1984). Within the framework of this 1977 declaration, African development priorities in six major economic and social sectors were noted in the LPA-FAL, including industrial development (Adedeji, 1984; Aly, 1994, 78). The LPA-FAL was designed jointly by the politically independent African states and constituted a charter for the continent's development for the period 1980-2000 (OAU et al., 1997).

It is well established in the literature that even though the performance of the manufacturing sector in African countries was nowhere near satisfactory, it fared much better in the first 10 to 15 years after independence than in the late 1970s and 1980s (Lall, 2004;

Lall & Wangwe, 1998). It continued to be a priority in almost all African countries (Adedeji, 1984; Lall, 2004; Lall & Wangwe, 1998; Nzau, 2010; Owusu & Ismail Samatar, 1997); however, a series of external shocks hit many African countries in the early 1970s and crippled various economies (Haarløv, 1997; Teal, 2002; Zondi & Mulaudzi, 2010). The continent then sought relief from international financial institutions and other international bodies, as the economic situation on the continent became dire.

The World Bank published a report entitled *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* in 1981 – known as The Berg Report – in what has been referred to as a response to the continent's plea for help and the LPA-FAL (Adedeji, 1984). The report noted that the African continent's state-driven industrialisation and development strategies had resulted in over-protection of industry and bias against the agricultural sector, which had exacerbated the economic crisis. It pointed to the significance of an agricultural-based, EOI strategy for African economies, and noted that the pace of industrialisation should not be forced (Berg et al., 1981). It further advised African countries to pursue their comparative advantage by improving production of their export products (Berg et al., 1981), which was contrary to what African leaders had in mind. The Berg report appeared to encourage African countries to continue exporting primary products (Nzau, 2010), and most African governments vehemently opposed these recommendations. They were convinced that such a trajectory would exacerbate rather than solve their economic challenges, and leave their economies in a perpetual state of dependency, which would prevent industrialisation (Adedeji, 1984; Ndayi, 2011). The Berge report was, in many ways, the antithesis of the LPA: while the plan underscored the need for self-reliance and self-sustaining development on the continent based on effective, integrated, dynamic national, sub-regional and regional markets, the report emphasised external markets and a continuation of the inherited colonial export-oriented approach (Adedeji, 1984; Nzau, 2010).

In emphasising the economic crisis the continent was facing, the opening line of the second chapter, which addresses industry in the LPA, notes that 20 years after most African countries had attained political independence, by most African countries, the continent was entering the 1980-90 decade in a state of under-development (OAU, 1980). However, with the adoption of the LPA in 1980, member states were optimistic that the last two decades of the 20th century would see the continent break through in terms of economic and social development through individual and collective efforts. The LPA addresses thirteen critical issues, including industry, which its authors argue are essential to the

continent's industrialisation and development. However, they will not all be dealt with here – see OAU, (1980).

The LPA noted that member states were acutely aware of their handicap and were determined to take all the necessary measures to lift their respective countries out of under-development, and vowed to promote their economic and social development individually and collectively (OAU, 1980). It was understood that industrial development is dependent on various factors at the national level, primarily, the design of a national industrial policy that would set out the priorities, targets, and institutional and financial resources required. This called for the creation of financial institutions that would offer the terms and conditions required to promote accelerated industrial development (OAU, 1980). Thus, member states were urged to prioritise industrialisation in their development plans. In this regard, Adedeji (1984) noted that continental strategies and policy formulations could only be adopted and implemented if governments and policymakers perceived a need for change.

An idea of the 'industrial decade' emerged from the LPA, with ten years being devoted to translating the goals and objectives of the LPA into programmes and projects (UNIDO, 2020a). This gave birth to the concept of an Industrial Development Decade for Africa (IDDA) (OAU et al., 1997), and 1980-90 was declared the IDDA decade by the member states, in order to ensure Africa achieved a more significant share of world industrial production (OAU, 1980). The LPA was explicit about the importance of creating and implementing an initiative for the collective industrialisation of Africa by creating an industrial base, and strengthening complementary activities at the regional level, in order to meet the integrating country's needs (OAU, 1980). Therefore, the first IDDA was launched to industrialise the continent in the quest to attain self-reliance and self-sustenance, as advocated in the LPA.

The literature suggests that the 1980s was a disastrous decade in terms of the quest for industrialisation on the continent. In fact, by the end of the decade, the continent was poorer than when it began (Lall, 2000, 2004; Lall et al., 1998; Mkandawire, 2010; Mkandawire & Soludo, 1998). Scholars have provided various accounts of why the first industrial decade did not materialise, with the lack of an implementation mechanism, national buy-in and funds being the main issues. However, Moyo (2011) argues that besides the lack of an implementation mechanism, a key problem was the lack of a coordination mechanism. This failure resulted in talks that led to the second IDDA of 1993-2002 (UNIDO, 2016a). However, the primary goals had not changed much from

the first IDDA; the goal remained ending the continent's dependency on industrialised countries by promoting growth, wealth creation and industrialisation in Africa (OAU et al., 1997).

However, the second IDDA differed from the first in that: the first was created, designed and centralised by the OAU together with the development partners (including UNIDO) and approved at a higher level by the continent's conference of ministers of industry; the second one was prepared at national levels of member states (Ajakaiye et al., 2008). Its preparation at the national and sub-regional levels took into account the realities and priorities of each member state (OAU et al., 1997; UNIDO, 2016a, 2020a), with each member state using local experts to frame a national programme after carefully studying the country's national development challenges. The then OAU, alongside its development partners, provided the member states with a framework and guidelines, which emphasised that the basic objectives of the first decade remained valid (OAU et al., 1997). However, the second decade was also unsuccessful, with the failure being attributed to the drop in commodity prices during the 1990s (Matambalya, 2015a; Nzau, 2010; UNIDO, 2020a).

The IDDA programme has come in three phases, as the third is currently underway, i.e. for 2016–2025 (African Union, 2021; UNIDO, 2020a). Just like the first two iterations, the IDDA seeks to reduce the dependency of African countries on the industrialised world, and focuses on rehabilitating existing industries and improving the performance of public sector enterprises (UNIDO, 2020a). IDDA 3 shows that there is now better understanding that industrial policy and development must be crafted to fit the specific context of a member state, in order to show success. Furthermore, while the responsibility for industrial development rests primarily with national governments, regional integration is essential in removing the various binding constraints to industrialisation (African Union, 2021; UNIDO, 2016a).

According to Adedeji (1984), the LPA and its self-reliance and sustenance strategy were crucial to the continent's economic transformation in many ways:

- Firstly, it signalled awareness by African countries of their severe socio-economic challenges, including under-development, poverty and inequality.
- Secondly, it signalled that African leaders recognised the urgent need to coordinate economic development efforts at the regional level (Adedeji, 1984; D'SA, 1983; Sekgoma, 2001).
- Finally, a vital component of the LPA's programme for Africa's socio-economic transformation through the principles of self-reliance

and self-sustenance was the need to achieve industrialisation by integrating the various national industrial structures into a common continental economy. That is the main principle of the developmental integration approach.

However, the LPA did not yield the results of industrialisation and development for which it was established.

The Abuja Treaty

Signed in Abuja on 3 June 1991 by fifty-one heads of state and government, the Treaty Establishing the African Economic Community had as its primary objective the promotion of economic, social and cultural development on the continent, as a significant step towards industrial development (OAU, 1991). However, the treaty only came into effect three years later, in May 1994, after the pre-requisite number of ratifications were secured. It emphasised regional integration as a vehicle for promoting self-reliance and self-sustained development (Mukisa & Thompson, 1995; Nzau, 2010; Ricks, 2016). In formulating this treaty, African leaders identified several impediments to industrialisation and development on the continent, which jeopardised the future of its people (Ricks, 2016). Thus, the treaty prioritised the development of regional production structures supported by efficient infrastructure (OAU, 1991). Moreover, it encouraged member states to prioritise coordinating and harmonising their economic and social policies within and between the sub-regional communities (Nyirabu, 2004). Therefore, the primary aim of the Abuja Treaty was to promote regional integration by harmonising member states' industrial policies in the quest for industrialisation. Additional aims were: to create a solid basis for the process; to promote collective self-reliance; to modernise the priority sectors; to establish joint industrial development projects at the regional level; to create multi-national African enterprises in priority industrial sub-sectors (African Union, 2021; OAU, 1991).

The continent's sub-regional groupings, known as RECs, were later understood to be vital building blocks to achieving industrialisation and development, which was not achievable through individual efforts (Shinyekwa et al., 2019). It was argued that RECs work better when they comprise a large number of member countries, because many states can jointly provide a large enough market to ensure economies of scale in production (Ricks, 2016; Yongo-Bure, 2015). This further strengthens the notion of self-reliance, vouched for in both the LPA and the Abuja Treaty, to engage the strategy of collective self-reliance and sufficiency through the promotion of economic interdependence (Shinyekwa et al., 2019).

The signing of the Treaty by member states at the 27th summit of the then OAU established the timetable for creating the AEC by 2028 (OAU, 1991). This was considered the clarion call for gradual integration of the African continent in moving toward the major objective of the AEC (Abuja Treaty 1991). As in the LPA, the Abuja Treaty was based on the Pan-African vision of mobilising for collective self-reliance and sufficiency to ensure economic transformation on the continent (Ricks, 2016). It is important to note that the signing of this treaty was not an isolated event, but rather the culmination of decades of attempts at integration by independent states of the African continent.

It was built on the self-reliance and sustenance principles in the LPA, because the LPA had already declared a strong desire for the AEC to increase economic self-reliance and promote self-sustained development (Asante, 1997a, p.101). The Treaty inspired the launch and the revamping of numerous regional and sub-regional initiatives across the continent (Kitipov, 2012; Yongo-Bure, 2015), and it was during this period that SADCC was transformed into SADC. This was done to attain a higher level of integration so as to help member states address their problems of national development, notably industrialisation, as part of the broader continental agenda.

Article 48 of the Abuja Treaty indicates that in order to promote the industrial development of member states and integrate their economies, they have to strengthen the industrial base of the community to foster self-sustained and self-reliant development (OAU, 1991). It called for the promotion of joint industrial development projects at the regional community level (Jalloh & Abass, 2014; Kormawa & Jerome, 2015; OAU, 1991). Article 49 further indicated that in order to create a solid basis for industrialisation and promote collective self-reliance, member states had to ensure the development of various industries (OAU, 1991). Based on the long-standing idea among African leaders that socio-economic integration is essential to continental transformation and development (Nshimbi, 2018), the development of regional production structures was prioritised in the Abuja Treaty. This was to be done by establishing appropriate supportive infrastructure and coordinating and harmonising economic and social policies within and between sub-regional communities (Nzau, 2010; OAU, 1991; Ricks, 2016).

The treaty provides that the AEC is to be achieved in six stages within 34 years after it entered into force (OAU, 1991). The first stage focuses on strengthening the RECs that already existed at the time the treaty was adopted, and on establishing others, where they did not exist. The second stage indicates that there ought to be a “prepared and adopted

study to determine the timetable for the gradual removal of tariff barriers to regional and intra-community trade and the gradual harmonisation of customs duties in relation to third states” (OAU, 1991). The third stage notes that each REC should establish a Free Trade Area (FTA) by observing the timetable provided for the gradual removal of tariffs and non-tariff barriers to intra-community trade. Stage four focuses on coordinating and harmonising tariff and non-tariff systems among various RECs to establish a customs union by adopting a common external tariff at the continental level. The fifth stage involves establishing an African common market by adopting a common policy applicable to various areas, such as industry. The final step is consolidating and strengthening the common market structure through free movement of people, goods, capital and services, including the integration of all sectors, namely economic, political, social and cultural (OAU, 1991).

In a critical review of the treaty, Mukisa and Thompson (1995) contended that, while it represents a crucial and much-needed step forward in the quest to alleviate the continent’s economic problems, but in downplaying the significance of political integration on the continent, the treaty fails to meet the requirements for the attainment of its objectives. Moreover, the authors posit that much of the process is dependent on political integration, and a strategy that overlooks this is bound to be of limited value for economic development on the continent (Mukisa & Thompson, 1995). This critique was sparked because the treaty does not say much about political integration - it is only mentioned in passing when it deals with the later stages of economic integration.

Accelerated Industrial Development for Africa

In 2008, the leaders on the African continent adopted yet another ambitious plan in the quest for industrialisation on the continent: AIDA. This happened at the January 2008 summit, which was dedicated to “the industrialisation of Africa”. During this summit, AIDA was adopted and embraced by all the participating heads of state and government (African Union, 2008). AIDA aims to mobilise financial and non-financial resources and increase Africa’s economic competitiveness (African Union, 2008; Matambalya, 2015a; Moyo, 2017). Like all the continent’s industrialisation and development initiatives that preceded it, AIDA stresses the importance of manufacturing and industry to ensure a higher standard of living and inclusive economic growth and development (Gehl Sampath, 2014). The Commission of the African Union (AU) was directed to operationalise this initiative in collaboration with UNIDO, UNECA and other development partners.

21st century Africa is seen as highly diverse in terms of its economic, social and political structures (Chingono & Nakana, 2009); however, many countries share common characteristics and similar challenges (Gehl Sampath, 2014), e.g. low levels of social-economic development and a lack of industrialisation. Many previous studies have already shown that the continent lacks industrialisation (Ajakaiye & Page, 2012; Marti & Ssenkubuge, 2009; Matambalya, 2015b; Page, 2011). Of interest in this book is understanding the impact of SADC's developmental integration in the region's quest for industrialisation as part of the continental mandate. AIDA is one of the more recent initiatives that seek to steer the continent onto a sustainable industrial development trajectory (Matambalya, 2015, p.57). Therefore, it stresses the significance of industrialisation for economic transformation, while acknowledging the continent's industrial development challenge.

Critical Appraisal of the Continental Industrialisation Initiatives

It is widely argued that despite adopting all these initiatives in pursuit of industrialisation on the African continent, little industrialisation has materialised (Aryeetey & Moyo, 2012; Nzau, 2010; Wolf, 2016). This is because the continent has made very few industrial products that matter to its growth since the 1970s (UNIDO, 2020a). John Page (2011b) has attributed this, to some degree, to the lack of investment on the continent, and notes that the difference in industrial development between the African continent and other developing countries can be traced back to differences in the investment climate. The author mentions three critical areas that constrain the continent's industrialisation process and where investments should be focussed: infrastructure, skills and regional integration (Page, 2011, 2018).

Minstat, Markely and Saint Martin (2021) note that the poor productivity at the firm level in Africa results from a lack of finance and infrastructure. This suggests that action should be taken in these two areas to ensure competitiveness and industrialisation on the continent. Matambalya (2015, p.179) argued that developing diverse infrastructural capacity has promoted industrialisation throughout history, which implies that economic expansion spurred by industrialisation cannot happen without the supporting infrastructure. However, the lack of financial resources remains a significant obstacle in African countries, which derails the industrialisation process. In order to finance the process, countries need to mobilise sufficient resources to ensure public

investment that is crucial to industrial development, including upgrading of infrastructure and technological advancements (Opoku & Yan, 2019).

UNIDO (2018) also noted that many small firms on the African continent struggle to secure finances, which affects both the demand and the supply side of the business. However, the main problem on the supply side is the lack of an effective financial system, as the operators focus on large-scale firms because small and medium enterprises (SMEs) are considered high-risk and administratively costly (UNIDO, 2018a).

In addition to the limited financial options, especially for SMEs, the lack of technological advancement and ability to inspire innovation and develop new industries is also a significant obstacle. As a result, the continent's technological production ability is deemed inadequate, and reduces the continent's competitiveness (UNIDO, 2020e). This is evident in: the continent's relatively lower share of MVA compared to developed countries and other developing regions; the relatively small contribution to GDP made by the industrial sector (World Bank, 2020). Even though the African continent's manufacturing sector may have been on the rise shortly after independence - said to have been triggered by protectionist policies - by the mid-1980s, external shocks (including the oil price and a decrease in commodity prices) resulted in a significant decline in industrial output on the continent (Lowitt, 2017). The limited success of the post-independence initiatives has propelled enduring debates on possible industrialisation paths to be taken on the continent, making it one of the most contentious subjects in terms of development on the continent (Evans, 2010).

According to Lall and Wangwe (1998), industrial performance in Sub-Saharan Africa was very poor in 1980-93, as the growth of manufacturing value-added was only 3 per cent per annum. In the same vein, Page (2011) noted that between 1975 and 2005, the size and the diversity of the industry on the African continent dropped drastically. In essence, the continent has not performed relative to regional and global manufacturing statistics. For example, the continent's share of global manufacturing declined from some 3 per cent in 1970 to less than 2 per cent in 2013 (Zamfir, 2016). Moreover, by 2006 the continent's MVA had declined to about 10 per cent, i.e. what it was in the mid-1960s (Matambalya, 2015b). This is despite the rapid growth in developing countries since the 1960s being strongly associated with structural change, as resources were transferred from traditional sectors to more modern industrial sectors (Rodrik, 2009).

When comparing the earlier statistics to more recent ones, it becomes clear that the earlier conclusions regarding the continent's

industrialisation process still hold. Moyo (2020b) emphasised that, over the last few decades, industrialisation in Africa in general, and in Sub-Saharan Africa in particular, has been disappointing. She noted that most countries still have undiversified economies with a very small or non-existent industrial base and zero structural transformation. When looking at the history of industrialisation in Africa, the author noted that, in most countries, the average MVA per capita was lower than in the 1960s.

However, it was noted that one of the objectives of the colonial policy was to hinder industrialisation and ensure a monopoly on the manufactured goods markets. In the wake of independence, African countries therefore had an export economy and entered the 1950s with a low or non-existent industrial base, which they had to start building from scratch (Rekiso, 2017; Salazar-Xirinachs et al., 2014). The dynamism of this development depended on the demand for the export commodities by the importing countries (Asante, 1997a; Mendes, Bertella & Teixeira, 2014; Mukisa & Thompson, 1995; Weiss, 2018). In a 2011 report (*State and Africa's Development Challenges*), UNECA, in collaboration with the AU Commission, maintained that the state on the African continent has a crucial and distinctive role to play in alleviating the growing and emerging development challenges. It further noted that diversifying the continent's exports and production economy was a significant transformation element (UNECA & AUC, 2011). However, the state's leadership and vision are essential to pursuing policies that will move the continent away from its heavy reliance on primary commodity production and exports (UNECA & AUC, 2011).

Way Forward

The theoretical and empirical arguments cited above suggest that industrialisation remains crucial for developing nations now, and perhaps more so than at any time in history. However, the challenges faced by industrialising countries are also now more daunting than in the past (Haraguchi et al., 2019; Naude & Szirmai, 2013), including the controversy regarding certain aspects of the industrialisation process, such as industrial policies. This measure was used by some of the now industrialised economies (Chang, 2002; Lowitt, 2017). The ASEAN model is consistently cited as the biggest development success story and is often recommended to developing countries that are still in the early stages of industrialisation (Haraguchi et al., 2019; Page, 2011). However, this does not necessarily mean that countries still pursuing industrialisation should apply this model precisely as it is in their own contexts. McCarthy (2014) argues that any approach to industrialisation must consider the

integrating group's unique characteristics, most importantly, the timing of the process, as countries that industrialised several decades ago did so in a completely different environment from that faced by the late industrialisers of the 21st century (Lowitt, 2017).

There is consensus in the literature about the significant role played by industrialisation in the development of an economy (McMillan et al., 2017; Signe, 2015), and much of the literature proves the positive industrialisation-growth nexus, most notably Kaldor (1967), Szirmai (2012) and Haraguchi et al. (2019). In this book, this process is understood as connoting sustained significance of the manufacturing sector in terms of a region's GDP, and therefore the overall economy. It has also been emphasised that rapidly increasing economic growth is often accompanied by a growing role of manufacturing in an economy, which has resulted in it being viewed as a superior sector to others as a driver of sustained growth (Haraguchi et al., 2017; Khanie 2020; Lowitt, 2017; Rodrik, 2009).

The primary driver of the urgent need to industrialise in the developing world is the constant price fluctuation in the production and trade of agricultural products, which has made several economies on the African continent vulnerable and many have crashed. Furthermore, the price of agricultural products has not been able to keep up with the price of manufactured goods, which signals a deterioration in the terms of trade (Chandra, 1992; Sai-Wing Ho, 2012). The income-demand elasticity of manufactured products is very high in relation to that of agricultural products: as income increases, there is no proportionate increase in the consumption of agricultural products, which further reduces the long-term developmental potential of agricultural economies (Chandra, 1992, p.2). As further noted by Chandra (1992, p.17), it is well understood that manufacturing cannot replace or serve as an alternative to agricultural development, but rather it is encouraged to complement it. Processing agricultural products increases the income of a country, as the more the commodity is processed into products, the higher the value (Bathla et al., 2019; Fischer, 2015).

In 2017, UNIDO conducted a study on factors that contribute to successful industrialisation. It questioned why some countries have been successful at maintaining a sustained pattern of industrialisation in the last few decades. It reported that atop the list was that policy plays a decisive role (UNIDO, 2017). The role played by policies is also crucial in explaining the different patterns observed (Haraguchi et al., 2019) when comparing the causes of unsuccessful manufacturing in Africa to successful cases in East Asia, for example. However, this book

regards policy as an output of a particular approach to (development) industrialisation, and the approach is considered a critical factor in determining the likelihood of industrialisation. As Chikabwi, Chidoko and Mudzingiri (2017) argue, the quest to understand what influences manufacturing productivity growth is at the centre of the debate on the sustained differences between nations in the productivity and growth of the manufacturing sector.

Given the significance attached to the type of policy used to drive industrialisation in the literature, it is worth investigating what happened in relation to industrialisation during the years of developmental integration in the SADC region. It is worth noting that the focus on industrialisation is because of its immediacy in terms of development thinking in the SADC region. There are many areas of cooperation areas in the SADC region, but, the priorities vary. However, in each SADC document, emphasis has been placed on the significance of industrialisation as a precursor to other various forms of development (SADC, 1992, 2012, 2015).

It is widely argued in the literature that the only way the African continent, in general, and SADC in particular, can lift its citizenry out of poverty is through industrialisation (Gofhamodimo, 2018; Moyo, 2020a; Signe, 2015). In this regard, many questions can be raised, but the aim with this book was to understand whether there has been any transformation in terms of regional industrialisation of the SADC region since the adoption of the developmental integration approach. The first is: If so, how has this form of integration affected the manufacturing industry's contribution to the GDP? The second is: Has manufacturing contributed to the transformation of SADC economies? While several studies have focused on a link between integration and economic growth or a rise in trade numbers, this study takes an approach that pays attention to actual transformation in terms of the sectoral composition of GDP. While economic growth is an essential aspect, in this study, it is also understood that the manufacturing sector is significant relative to other sectors in signalling structural transformation and industrialisation.

Conclusion

This chapter sought to examine the post-independence efforts to industrialise the African economies. This was done by discussing African continental initiatives that inspire the RECs. The relationship between continental initiatives and RECs like SADC was demonstrated in detailing the continent's history of a collective pursuit of industrialisation. As noted, RECs are pursuing the AEC agenda, thus, SADC's pursuit of

industrialisation is not being done in isolation, but is part of a bigger continental objective. It is clear from the discussion that African economies were under-developed and lacked industrialisation in the post-independence era.

The colonial era ensured that the continent only produced primary commodities for export. This international division of labour left most of the continent's economies unindustrialised and reliant on manufactured goods imported from advanced countries. As a result, these economies found themselves dependent on primary commodities for economic growth and development at independence. However, they soon realised that this approach to growth and development is not sustainable, as it exposed them to external demand and price shocks. Thus, they came together to develop initiatives to pursue a sustainable growth path, but this has yet to bring about the desired results.

Chapter Four:

Historical Evolution of SADC

From Cooperation to Integration

Introduction

The SADC Treaty was signed in 1992. This transformed SADCC into the Southern African Development Community (SADC). Several objectives for this transformation were provided in the treaty, including: achieving development; industrialisation and economic growth; enhancing the standard of living and the quality of life of the peoples of Southern Africa; giving the necessary support to the socially disadvantaged (SADC, 1992). However, according to Schoeman (2002), this transformation was more of an economic driving force than the political security characteristic seen when establishing SADCC a little over a decade earlier. In the same vein, Zondi and Mulaudzi (2010) argued that reforming SADCC to SADC was done to overcome the former's weaknesses, which emphasised political and security considerations over economic and development considerations. The transformation was designed as a balancing act between objectives to establish a political community through collective security, and developing initiatives that would advance development and industrialisation.

It is this evolution of the organisation that this chapter seeks to examine, from the FLS's coordination conference to the development community. The chapter also discusses the industrialisation initiatives for developmental integration that SADC has adopted since its transformation in 1992. The chapter has five sections. The next section looks at the FLS, SADCC and Apartheid South Africa. The third looks at the transition to SADC, especially the factors that inspired the move and the objectives of the reformed organisation. The fourth section looks at the industrialisation initiatives SADC adopted in the post-1992 era, and the fifth is the conclusion.

The Front-Line States, SADCC and Apartheid South Africa

As had been the case with most other African economies, Southern African countries were integrated into the global capitalist economy that was characterised by the international division of labour, with these

economies exporting raw materials to the colonisers and importing finished products. This arrangement meant that the Southern African economies depended not only on apartheid South Africa but also on the advanced countries in Europe for the supply of most of their local needs (Lee, 1989, p.66). The focus became dismantling these colonial structural links of dependency.

As the neo-structuralists and dependency theorists consistently argued in the post-independence era, the foreign trade system of low processed exports by developing countries and highly processed imports from advanced economies keeps the former in a perpetual state of dependence (Leiva, 2008; Prebisch, 1964; Sai-Wing Ho, 2012). Thus, the signing of the Lusaka Declaration on 1 April 1980, which established SADCC, initiated efforts to resist economic dependence on apartheid South Africa by the newly independent regional economies. This initiative was launched by nine states that had already gained independence by the late 1970s, i.e. the 7 FLS members of Botswana, Malawi, Tanzania, Mozambique, Zambia, Zimbabwe and Angola, alongside Lesotho, Malawi and the then Swaziland (Hwang, 2007).

The aim was to curb the undue economic dominance, and therefore the influence of the South African apartheid regime within the region, while also mitigating the devastating impact of the Total Strategy. The Total Strategy refers to the Apartheid government's policy to destabilise the Southern African region, which was in effect under Prime Minister P W Botha between 1978 and 1989. The main aim of the strategy was aggression towards its neighbours, which tried to assist the South African liberation movements (Peters-Berries, 2010). This underscores the establishment of SADCC for political reasons rather than economic reasons, which prevailed for the duration of its existence, i.e. 1980 to 1992.

While it is also true that the founding of SADCC coincided with the signing of the LPA-FAL, which proclaimed the need for regional economic groupings on the continent for purposes of self-sufficiency, the political issues that characterised the Southern African region at the time were the primary drivers behind the decision (Schoeman, 2002). The Lusaka Declaration (SADCC, 1980) stipulated that the main objectives were to do away with economic dependence in general, but particularly dependence on South Africa. Additional objectives were: to foster the regional network of transport and telecommunication infrastructure as a pre-requisite for regional integration; to mobilise the resources required for implementing the policies; to seek international cooperation and support of the region's strategy of economic liberation (SADCC, 1980).

The group had to break down these objectives into a programme of action for the various sectors, with each member state responsible for a particular sector. This programme was then presented to international donors, as the organisation's members relied on external funding to implement their programmes (Weimer & Wissensc, 1991). The group's adopted programme of action included the following sectors: transport and communication; agriculture and natural resources, mining, energy, trade and industry; manpower (Anglin, 1983; Weimer & Wissensc, 1991). Transport and communications infrastructure had the highest priority among these sectors of cooperation, given that South Africa's dominance was reinforced by the strength of its transport system. Thus, establishing this sector was understood to be vital to realising other regional integration objectives in the region, especially higher levels of intra-regional trade (SADCC, 1980).

Another critical sector was trade and industry. The objective in this area was to ensure that member states produced sufficient goods and services to satisfy their individual basic needs, in order to reduce importing industrial products from outside the region, and particularly from South Africa (Lee, 1989, p.146). This sectoral coordination approach was unorthodox and a rejection of the neo-classical approaches to regional integration, e.g. market integration. However, various scholars have argued that its focus on national decision-making was at the expense of deeper levels of regional economic integration and an increase in intra-regional trade (Lee, 2002a; Schoeman, 2002; Weimer & Wissensc, 1991).

Furthermore, the organisation had no formal agreement in the form of a treaty. This means there was no institutional framework in place to coordinate programme implementation; instead, member states made contributions based on their means and needs (Schoeman, 2002; Weimer & Wissensc, 1991). Obviously, the limited resources and pervasive levels of under-development for some member states led to the neglect of several sectors. South Africa's destabilisation policy heavily disrupted this unorthodox method of cooperation in its quest to destabilise the newly independent countries in the region, using military and economic measures and supporting rebel groups (Hwang, 2007). With the anticipated end to the Total Strategy and the apartheid state in South Africa in the early 1990s, there was an urgent need to reassess and redefine the group's objectives (Evans, 2010). However, it has also been argued that SADCC's transformation reflected an end of the era of Cold War proxy wars on the continent, which ended in the early 1990s (Evans, 2010; Schoeman, 2002).

Southern African Development Community

The Declaration Treaty Establishing the SADC was signed on 17 August 1992 in Windhoek, Namibia. Article 5 of the Treaty clearly outlines the transformation aims and objectives, including: development and sustainable economic growth through industrialisation; poverty alleviation; the enhancement of the people's standard of living (SADC, 1992, p.5). Furthermore, the treaty notes that in order to achieve these objectives, the region had to attend to various matters, for example:

- a) *Harmonize the political and socio-economic policies and plans of member states.*
- b) *Encourage the people of the region and the institutions to take initiatives to develop economic, social and cultural ties across the region, and to participate fully in implementing the programs and projects developed by SADC.*
- c) *Create appropriate institutions and mechanisms to mobilize the resources required to implement the programs developed by SADC and to run its institutions (SADC, 1992, p.6).*

Contrary to the sectoral approach that its predecessor had adopted, SADC adopted the developmental integration approach. This meant that policy formulation and implementation in the region would be oriented toward capacity building, in order to industrialise the region, and enhance economic growth and development (Evans, 2010; Ismail, 2018). The first Regional Indicative Strategic Development Plan (RISDP) – regarded as SADC's blueprint for regional integration implementation – was adopted by the Council of Ministers in August 2003. It noted that the group had adopted a “developmental integration” approach, which recognises the political and economic diversity of member countries, and aims to address many of the production and efficiency barriers that arose from the under-development of the region (SADC, 2003). This need for industrialisation is also emphasised in the recent RISDP 2020–2030, which envisages an industrialised region where citizens enjoy sustainable economic well-being (SADC, 2020a). Its three underpinning pillars are industrial development and market integration, infrastructure development in support of regional integration, and social and human capital development (SADC, 2020a).

The Southern African region's asymmetric balances must also be considered when discussing the region's integration, because the different development levels of member states is a significant determiner

of how individual countries deal with their regional commitments (Lee, 2003; Nyirabu, 2004; Peters-Berries, 2010). Thus, RISDP identifies several priority areas for regional development, with industrial development being priority number one (SADC, 2020a). Another is the pledge to create a conducive environment through infrastructure development and accelerating the efforts at resource mobilisation to fund the region's industrialisation process (SADC, 2020a).

However, despite adopting this approach to regional integration upon its transformation, SADC member states signed a Trade Protocol in 1996 that served as a blueprint for creating a Free Trade Area (FTA), which saw the region turn toward the liberal market integration approach. This was the first step in the linear approach to integration. The Protocol stipulated that member states were to achieve an FTA within eight years, i.e. by 2008. The following steps were to establish a Customs Union by 2010, a Common Market by 2015, a Monetary Union by 2016 and an Economic Union with a single currency by 2018 (SADC, 1996, 2003). It is important to note that this is the approach that the organisation rejected in the 1980s for various reasons, including that the economies of member states were undiversified and because they had a weak industrial base, particularly manufacturing (Hwang, 2007; Lee, 2002a). This meant that the economies could not support this form of integration, with an FTA being the first step, as they had neither goods to trade nor infrastructure to move goods across regional borders. In fact, several regional economies were characterised by heavy reliance on primary production, with these commodities not being tradable intra-regionally among each other (Schoeman, 2002). This had a bearing on the delay in ratifying the protocol, as some member states were concerned about South Africa's economic hegemonic status in the region: they feared that their under-developed infant industries would be crushed by imports from experienced South African enterprises (Lee, 2002a; Schoeman, 2002). This supports the argument that industrialisation should precede free trade, especially on the African continent, because economies with a lower industrial base have competitive rather than complementary industries, which renders an FTA ineffective (Lee, 2002a). This is the case in the SADC region.

The literature is consistent in stating that, as on the rest of the African continent, the imperative of industrialisation in SADC has become more crucial than ever (Ismail, 2018; Monyae & Nganje, 2019; Nubong, 2018). The abundant mineral resources on the continent co-exist with high poverty and unemployment rates, primarily due to the region's non-industrial background (Adebanwi, 2017, p.3). Therefore, diversifying the economic activities of the regional economies and ensuring a

structural composition that favours manufacturing would provide an opportunity to address unemployment, poverty and persistent inequality in the region's member states (Signe, 2015). While an interplay of a set of global, regional and national factors has worked against the emergence of a competitive industrial base in the SADC region over many decades, this can be reversed (Monyae & Nganje, 2019; Zondi, 2020a). However, the turn toward the liberal market integration approach should be replaced with the initially chosen developmental integration approach.

SADC's Industrialisation Initiatives

Diversifying economic activities and strengthening manufacturing capacity is vital to eliminating higher poverty levels, unemployment and inequality in the regional economies (Monyae & Nganje, 2019; Nizeimana & Nhema, 2016; Signe, 2015). This would primarily be based on greater complementarity between national and regional policies, as industrial policy has an important role to play in ensuring that industrialisation is responsive to the yearnings of the region, especially in promoting inclusive and transformative growth. It should also be accompanied by a commitment to developing the productive capacity of member states (Andreoni & Gregory, 2013; Aryeetey & Moyo, 2012; Marti & Ssenkubuge, 2009).

As Langa & Nkhonjera (2018) emphasised, linkages with the extractive sector can be strengthened by developing manufacturing ability in the capital equipment sector in the region, to ensure strong complementarity between mining construction and the rail infrastructure and agriculture sectors. However, most SADC regional economies have small domestic markets, which struggle to support the establishment of capital goods industries (Moyo, 2020). Therefore, unless they are established on a regional basis, these industries would be under-utilised in the fragmented SADC economies (Gofhamodimo, 2018; Goga et al., 2019; Siddiqui, 2012).

The specific main objectives for SADC adopting the developmental integration approach included industrialisation of regional economies to inspire sustainable growth and enhance the living standards and quality of life of the region's citizenry (Evans, 2010; SADC, 1992, 2015; Zondi, 2020a). At the heart of the drive to propel the industrialisation process is enhancing the share of GDP of the manufacturing sector (Simandan, 2009). In order to fast-track the industrialisation process, SADC has adopted various policy initiatives over the years, such as the Industrial Upgrading and Modernization Programme (IUMP) of 2009, the IDPF of 2012, and the Industrialisation Strategy and Road Map of 2015. Further

to that, regional economies seek to diversify their economic activities away from heavy reliance on commodities, as they are then vulnerable to external price and demand shocks (Mendes, Bertella & Teixeira, 2014; Page, 2018).

The IDPF was adopted by the SADC Committee of Ministers in 2012. It was intended to serve as the basis for consultation by member states to develop a coherent industrial policy framework and strategies in the region (SADC, 2012), and laid the foundation for the region's imminent industrialisation strategy and road map. The strategy and its roadmap were designed to enhance the productive capacity and competitiveness of the SADC economies (among other things). The industrialisation strategy also enjoins SADC member states to collectively work toward a developmental macro-economic framework that prioritises inclusive growth, economic diversification, enhanced competitiveness of the region, and deeper regional integration (SADC, 2015). McCarthy (2014) correctly argued that as much as formulating a new industrialisation strategy and roadmap is desirable and necessary, it is insufficient for the much-needed structural transformation in the SADC region: successful industrialisation in the 21st century requires the will and the capacity to strategically navigate complex and sometimes contradictory processes (Lowitt, 2017).

Thus, several initiatives by member states in the SADC region have been developed with the sole purpose of fast-tracking the industrialisation process. Some of them have been adopted at the continental level and are implemented by the continent's eight RECs (Shinyekwa et al., 2019). This section will deal with three industrialisation initiatives that have been adopted by the SADC region, namely, the Industrial Upgrading and Modernization Programme of 2009, the IDPF of 2012 and the Industrialisation Strategy of 2015.

Industrial Upgrading and Modernization Programme

In 2009, the SADC Council of Ministers on Trade and Industry adopted the SADC Industrial Upgrading and Modernisation Programme (IUMP) to fast-track the capacity-building of local industries (SADC, 2018). UNIDO established this industrialisation and development programme to assist developing countries with economic growth, and facilitate their regional integration and economies in transition through capacity building of local manufacturing industries for structural transformation and economic diversification (Moyo, 2020a; SADC, 2018; UNIDO, 2020c). SADC has stated that it was developed for individual countries

through an interactive process between UNIDO and national authorities (SADC, 2018).

SADC recognised that most of its member states are at a low level of industrial development, and noted that this programme provides an integrated approach that encompasses promoting diversification of the manufacturing sector, and improving regulatory frameworks and the business environment (SADC, 2018; UNIDO, 2020c). Therefore, SADC members were encouraged to use the IUMP as the framework to establish their national upgrading and modernisation programme to enhance the existing industrial capacity (SADC, 2018). This programme is premised on successful industrial development being driven by multiple factors that must be tackled concurrently (UNIDO, 2020c). Thus, the region identified nine strategic sectors for upgrading and modernisation interventions, including agro-food processing, textiles, and machinery and equipment (see SADC, 2018, p.5). These sectors were identified in collaboration with UNIDO, which researched sectors that could serve as catalysts for the region's industrialisation process (Mbuta, 2011; SADC, 2018; UNIDO, 2020c). This initiative served as the beginning of a series of intervention measures intended to enhance factor accumulation and improve productivity in the region (McCarthy, 2014). Member states were required to develop an IUMPs and to implement it, in line with the regional IUMP, which serves as the basis for the sector-specific industrialisation approach (SARDC, 2017).

Industrial Development Policy Framework

The IDPF adopted by the SADC's Committee of Ministers in 2012 was intended to serve as the basis for consultation by member states to develop a coherent industrial policy framework and strategy in the region (SADC, 2012). It also laid the foundation for the region's industrialisation strategy and road map that followed. According to SADC (2014), the IDPF is based on the IUMP. The IDPF spelt out the areas of cooperation at the regional level that would help build a diversified and globally competitive industrial base that would contribute significantly to sustainable growth and promote industrialisation. The framework notes: "It provides a reference point and will guide the coordination of complex complementary policies, activities and processes which will form part of the regional industrial development framework" (SADC, 2014).

The IDPF details the region's industrialisation aspirations. It recognises that formulating and implementing the industrial policy is essentially a national prerogative, but encourages member states to formulate and implement national industrial policies to increase their

productive capacity (SADC, 2012). The UNIDO 2011 report also emphasises that as much as the industrial policy is a national prerogative, an approach that takes cognisance of the importance of a collective effort through regional integration is essential, mainly due to the existing economic diversity and regional imbalances (UNIDO, 2011).

The framework is aimed at leveraging SADC's mutually beneficial opportunities and addressing the common challenge of industrialisation by developing strategies and activities that are coordinated at a regional level (SADC, 2012). The IDPF indicates that there is no one-size-fits-all model for regional industrialisation and development; rather, it was crafted by tapping into various policy measures and interventions that influence the industrial structure and performance within diverse contexts at national and regional levels (SADC, 2012).

The three main aspects that the IDPF emphasises are the urgent need to boost competitiveness in the industrial sector, to promote industrial linkages and to develop regional value chains (SADC, 2012). Zarenda (2012) has argued for a comprehensive mechanism that emphasises intervention areas with regional linkages, such as improving the competitiveness of the industrial sector and promoting competitive regional value chains so as to build diversified industry sectors in the region. This is essential because the IDPF underscored the importance of efficient and regionally-integrated infrastructure in support of the regional industrialisation process, most importantly in the provision of intermediate input requirements for manufacturing (SADC, 2012).

The IDPF further notes that all developing countries that have moved up from a low-income status and eradicated poverty, especially in Asia, have looked to the manufacturing sector as the primary engine of development (SADC, 2012). It recognises that one challenge for the region is dissuading members from following an economic growth and development path built on producing and exporting primary commodities, and instead following a more sustainable developmental path, i.e. one that is based on industrialisation (SADC, 2012). McCarthy (2014) observed that the region's interest in an IDPF reflects the urgency of the need for interventions to support rapid growth of the manufacturing sector as a driver of sustainable growth and industrialisation.

SADC Industrialisation Strategy

The primary orientation of the strategy adopted in 2015 is the need for industrialisation in the SADC region. It notes that industrialisation should be seen as a long-term process of structural transformation

of the entire region, as the SADC economies can no longer rely on rich resource deposits for industrialisation and modernisation in the 21st century (SADC, 2015). Thus, it was designed to propel significant structural transformation in the context of deeper regional integration, and targeting of higher levels of growth (SADC, 2015). The strategy requires governments and the private sector to work together to drive the industrialisation agenda (SADC, 2015). It is anchored on three pillars: industrialisation as the champion of economic and technological transformation; competitiveness as an active process to move from comparative advantage to competitive advantage; regional integration and geography as the context for industrial development and economic prosperity (SADC, 2015, p.3).

The strategy and its roadmap are just two of the SADC initiatives designed to strengthen the productive capacity and competitiveness of the regional economies (SADC, 2015). It also enjoins SADC member states to collectively work toward a developmental macro-economic framework that prioritises inclusive growth, economic diversification, enhanced competitiveness of the region, and deeper regional integration (SADC, 2015; SARDC, 2015). However, as McCarthy (2014) argued, formulating the new industrialisation strategy and roadmap was desirable and necessary, however, it is insufficient for the much-needed structural transformation in the SADC region. Successful industrialisation in the 21st century requires the will and the capacity to navigate complex and sometimes contradictory processes strategically (Lowitt, 2017).

In a policy brief, the University of Johannesburg's Confucius Institute (UJCI) (2017) argued that this industrialisation strategy signals renewed commitment to the regional industrialisation process in the SADC region. It followed the realisation that whether or not the region succeeds in its quest for sustainable industrialisation in an increasingly volatile and rapidly changing economic environment is entirely dependent on SADC's willingness and ability to mobilise and increase value-addition to its abundant resources (UJCI, 2017). Monyae and Nganje (2019) also emphasised that SADC's new industrialisation strategy has all the hallmarks of a comprehensive and well-thought-out industrial policy that is consistent with the changing times. However, a well-articulated industrial policy alone cannot remedy the region's industrialisation and economic development challenges. The blueprint must be translated into action to bring about the desired industrial and socio-economic change (Monyae & Nganje, 2019).

UJCI (2017) further argues that the success of this industrialisation strategy would depend on the extent to which its implementation by the

member states embraces certain imperatives. Firstly, industrialisation needs to be reconceptualised so that the thinking and policymaking shift from the conventional, narrow focus on manufacturing, and maximise productive linkages across economic sectors. It further notes that consideration should always be given to the SADC region's effort to industrialise taking place in a dramatically changing global context, which flows from the capitalist system. This necessitates an inward-looking approach to regional industrialisation that maximises ownership and policy space, and allows for strategic engagement with the outside world (UJCI, 2017). However, expanding the productive capacity and infrastructure that underpin the industrialisation process requires financial commitment to support the process (UNCTAD, 2016a).

Thus, its success depends on forging a solid developmental relationship between government, the private sector and other development partners. It should be done through deliberate and induced interventions to enhance factor accumulation to substantially raise total factor productivity (SADC, 2015; SARDC, 2019), i.e. resources ought to be shifted to dynamic higher productivity use. The strategy further acknowledges that the SADC region's economies can no longer rely on their rich resources or low-cost labour as the platform for industrialisation (SADC, 2015). The two quantitative goals of the strategy are first to double the region's share of the MVA in GDP by 2030 to 30 per cent and then to increase this to 40 per cent by 2050, so as to ensure major socioeconomic transformation at the national and regional levels (SADC, 2015).

The region's industrialisation strategy signals that SADC is redirecting its focus to the objectives that the heads of state had agreed to upon SADC's transformation in 1992 under developmental integration. These range from fast-tracking the process of industrialisation to poverty eradication (Monyae & Nganje, 2019; SADC, 2015). However, in the years following this agreement, the region seemed to have lost sight of these ambitious objectives. Instead, as noted by Lowitt (2017) and Monyae and Nganje (2019), the region focused primarily on the liberalisation of trade through the elimination of trade barriers, but at the expense of creating productive capacity in the region. This was seen after just four years of the SADC's transformation; member states had started negotiating and signing the trade protocol, which came into effect in 2001, with the region expected to be a free trade zone by 2008 (Lee, 2003).

The strategy indicates that the region is moving away from the linear regional development and integration approach. It was expected that the region would be using a single currency by 2018, after achieving a

Customs Union in 2010, a Common Market in 2015 and a Monetary Union in 2016 (SADC, 1996). The region has not yet met these objectives, mainly because of capacity constraints (Byiers et al., 2018; Odijie, 2019; Tshego & McDonald, 2016). The region neglected to focus on a strategy that would focus as much on building the region's capacity as on eliminating trade barriers (UNCTAD, 2013). The architects of the strategy also neglected to prepare a broader development framework to promote the region's sectoral recomposition, economic diversification and structural transformation to enhance the productive capacity of member states (Moyo, 2017; Nem Singh & Ovadia, 2018).

The region's industrialisation strategy is a true reflection of neo-structuralist ideas. It notes that the region comprises economies at varying levels of development, which means that the transformation target is higher levels of growth and greater structural change. It recognises that, much as the strategy was adopted at the regional institutional level, its implementation is at the national level of the member states, which are characterised by different historical, political and economic contexts (SADC, 2015).

Neo-structuralism on Developmental Integration and Manufacturing Industry

In their theorisation of development and industrialisation in the developing world, neo-structuralists emphasised that the international division of labour has ensured that developing countries are the producers of primary commodities, but the importers of manufactured goods from developed countries (Bathla et al., 2019; Fischer, 2015; Sai-Wing Ho, 2012). Thus, industrialisation in the developing countries will shift the international division of labour to be more favourable for developing countries. This is expected to significantly reduce the dependency of developing countries on producing and exporting primary commodities (Sampath, 2014; Mendes, Bertella, Teixeira et al., 2014; UNCTAD, 2016b; UNECA, 2015). This is because when an economy develops, the demand for manufactured goods grows more rapidly than the demand for primary commodities (Sai-Wing Ho, 2012). This means that the growth in demand for exports from developing countries (mainly agricultural products) is unlikely to keep up with the growth in the demand for imports into developing countries, most of which are manufactured goods from developed countries (Chang & Andreoni, 2020; UNIDO, 2018a). This school of thought encourages developing regions to trade in manufactured goods as opposed to primary production.

The lack of structural transformation thus results in high growth rates that do not translate into higher employment or a significant reduction in poverty. Furthermore, the growth rates are volatile, because they are not based on sustainable growth (Bathla et al., 2019; Lin, 2011; Sai-Wing Ho, 2012). For instance, the literature suggests that, following independence, the growth performance of African countries was similar to that of other regions until the oil price shock in 1973 (Rodrik, 2009). For this reason, when African countries became independent in the late 1950s and early 1960s, the dominant approach to developing and industrialising was structuralism. It took the form of import substitution, with the central idea being achieving structural transformation using the government as the a key player in terms of planning and programming (Hailu, 2014; Hosono, 2017).

This school of thought encouraged developing countries to work in regional groups to develop their industries in broader markets, as the limited size of their individual markets is one of the obstacles to industrial development (Briceño Ruiz, 2017; Salazar-Xirinachs, 1993). Moreover, they understand that developing a competitive manufacturing sector in developing countries is essential to sustainable industrialisation and development, while also being less vulnerable to external shocks (Fischer, 2015). Thus, neo-structuralism sees integration as integral to establishing the manufacturing industry in developing countries.

Neo-structuralist ideas revolve around the view that the existing economic structures of developing countries are sub-optimal because of market failure (Cypher, 2018). They highlight systemic factors and structural conditions that undergird the regional and national economies of developing countries, while arguing that these conditions limit the capacity of developing countries to position themselves competitively in a globally integrated economy (Briceño Ruiz, 2017; Fischer, 2015). In response, the state should intervene as a development player to deal with such failures and create new opportunities in specified new sectors (Lowitt, 2017). The neo-structuralists argue that this vertical and coordinated intervention is essential to inspire economic growth and development. Without these intervention measures, it will not be easy to ensure a better production systems, more investment and greater infrastructure integration (Nizeimana & Nhema, 2016; SARDC, 2015; Tshego & McDonald, 2016).

Effectively implemented regional integration schemes entail a gradual and sequential liberalisation of trade, together with legislative measures to coordinate investments into regional transport infrastructure, to improve linkages between the states involved

and strengthen the production capacity of the member states and, consequently, the region (Briceño Ruiz, 2017). A proper understanding of the secret of dynamic, sustained and inclusive growth requires a careful study of the process of how an economy's structure evolves. The history of economic growth and development indicates that industrialising countries rarely evolved into a higher-income status country without diversifying away from a resource-based or agricultural economy into an industry and manufacturing-based economy (Storm, 2017b).

A shift in the developing country's economy away from traditional agricultural economic activities and into modern production activities - mainly driven by the manufacturing sector - has always been at the centre of the sustainable productivity gains that characterise economic growth, development and industrialisation (Kormawa & Jerome, 2015; Monga, 2012). The biggest downside of traditional agriculture and other extractive industries is that they generally suffer from a shortage of water, land and other resources as they expand. In contrast, manufacturing quickly benefits from economies of scale (Lin & Vu, 2014).

Conclusion

This chapter sought to detail the historical evolution of SADC, tracing its origins from the FLS and SADCC in the fight against apartheid South Africa's domination and influence in the Southern African region. While a desire for economic well-being also inspired its founding, the primary driver of the organisation was political, as it was intended to mobilise regional countries against the Total Strategy. The transformation that occurred in 1992 saw a shift in approach, as the project and sectoral approach was traded for developmental integration - at least in principle. While the timing of several initiatives adopted by SADC since 1992 has been questioned by various scholars, for example, the organisation's hasty introduction of free trade, they have been pursuing the region's developmental objectives. The criticisms emerged mainly because it is common knowledge in the SADC region that there is a limited industrial base and that member states do not have sufficient manufacturing capacity to support an FTA. Thus, acceding to FTAs with a shallow industrial and manufacturing base has been considered unwarranted.

Chapter Five:

Financing Industrialisation in SADC

Introduction

There are several challenges to industrialisation challenges on the African continent in general, and the SADC region in particular. The main challenges are the lack of finance and a proper supporting infrastructure (African Development Bank Group, 2017). In fact, the region's industrialisation strategy and roadmap noted an urgent need to develop an innovative way to finance the industrialisation process in the region (SADC, 2015), and this was also underscored in the treaty that established SADC. However, the private sector has been reluctant to make the required long-term investments in infrastructure for various reasons, but mainly because these big ticket investments require enormous amounts and take a long time to show a return from the fixed revenue (Baloyi & Zengeni, 2015). In the regional industrialisation process, infrastructure is of even greater importance, with several studies showing that regional transport infrastructure is one of the biggest obstacles to fast-tracking the industrialisation process in the region (Baloyi & Zengeni, 2015; Goga et al., 2019).

This chapter explores the measures SADC has used to mobilise financial resources to support the region's industrialisation process, especially in terms of investment in infrastructure. It begins by reviewing the literature on the importance of effective financing mechanisms for industrialisation. The remainder is structured into four additional sections. The second section looks at the significance of financing and investment in the industrialisation process of the region, and especially in SADC. The third looks at the issue of government-private sector collaboration in pursuit of the industrialisation objective in the SADC region. The fourth looks at the SADC Regional Development Fund (RDF), and the fifth provides the conclusion.

The Significance of Finance for the Industrialisation Process

The financial sector is essential in developing the private sector, consequently industrialisation, particularly efficient capital and financial markets and a banking system (African Development Bank Group, 2017). Together with the appropriate institutional and macro-economic environment, capital investment is essential and a critical issue for small

business sector growth (Noman and Stiglitz, 2017, p.13). However, in several countries on the African continent, the lack of investment and the incapacitated financial institutions derail long-term growth prospects (Noman & Stiglitz, 2017, p.33; Weiss, 2015). This makes it harder to achieve the job creation and poverty reduction objectives, as only industrialised economies can realise these objectives.

This underlines the urgent need to encourage domestic and foreign investment and accelerate the development of local capital markets (Goga et al., 2019; Matambalya, 2015b). To meet these challenges, countries on the continent need to change the financial sector so that it is more responsive to industrial development. Traditionally, the European economies - notably Belgium, Italy and Germany - have looked to state-owned development banks to provide the much-needed financial mechanisms to spur economic growth and catalyse the industrialisation process (Da Rin & Hellmann, 2001; Gerschenkron, 1962; Gumede, 2011). Furthermore, experience gained in North America in the 1800s and in Korea in the post-war era support the view that state ownership of development banks is an effective method for mobilising and allocating funds (Minstat et al., 2021; Weiss, 2015). It has also been argued that state ownership of banks, especially development banks, is still prevalent worldwide, and not just in developing countries. They are necessitated by the private sector's reluctance to finance long-term strategic projects and to work with low-income borrowers (Goga et al., 2019; Weiss, 2015). Some of these banks were also established as complementary institutions in countries where the markets did not provide adequate finance for the industrialisation process (Goga et al., 2019).

Development banks have been defined as “financial institutions with the state-owned capital, and with the mandate to pursue developmental as opposed to solely commercial objectives in its operations” (Griffith-Jones & Cozzi, 2017; Weiss, 2015). It has long been understood that they can play a significant role in a country's diversification by investing in infrastructure development and nurturing knowledge development (Mazzucato, 2015; Mazzucato & Semieniuk, 2017).

Apart from finance, one of the major obstacles to start-up for small and medium enterprises (SMEs) is the lack of, and dilapidated infrastructure in the region. The financial institutions and development banks take this unpopular risk in the private sector by investing in infrastructural development for long-term gains. Adequate support infrastructure reduces the cost of production, increases productivity and encourages innovation, in addition to scaling up industrialisation (Goga

et al., 2019; Gumede, 2011; Kormawa & Jerome, 2015). This is vital in the context of regional industrialisation, where inadequate transport and communication infrastructure hinders this process (Goga et al., 2019).

Foreign direct investment (FDI) and domestic investment have often been looked to, especially in small businesses; however, these investments do not happen at times (Naudé et al., 2013). The industrialisation process requires SMMEs to achieve economies of scale to reap the benefit of competitiveness as part of the broader drive toward economic diversification in developing countries, especially those with a commodity-based economy (UNECA, 2020b). However, as noted, SMMEs are often under-capitalized, as capital banks are reluctant to grant them loans (Goga et al., 2019; Matambalya, 2015b). Private commercial funders tend to focus more on short-term financing rather than the long-term financing required by SMMEs in the early stages of their development, known as the “infancy stage” (Minstat et al., 2021). Melamid and Lewis (1954) noted that the private sector might be reluctant to invest in SMMEs, especially in regions like Africa, because of uncertainty of a return on their investments. The authors indicate that, in such instances, the government has a credible case to lead the way in establishing industries using its resources. The idea would be to show that industries can operate successfully, with the government withdrawing from the industry once the pioneering stage ends (Matambalya, 2015a; Melamid & Lewis, 1954; Weiss, 2018). Finance is a cause for concern because the industrialisation process is known to require long-term financing, which usually comes from the private sector, while the public sector ensures a suitable business environment (Kormawa & Jerome, 2015). This is because it is easier to promote long-term investments in an investment-friendly climate (Goga et al., 2019).

Some authors suggest that finance for industrial development should target SMMEs in the SADC region, as they are proven to be the key driver of industrialisation and structural transformation around the world (Minstat et al., 2021; Noman & Stiglitz, 2017; SADC, 2015). So, support for SMMEs is an important strategy for SADC member states. While they may be innovative and willing to contribute to industrial development, these sectors face major financial constraints (Noman & Stiglitz, 2017).

The SADC industrialisation-strategy emphasised that industrialisation is not possible without more investment in infrastructure, upgrading and diversifying capital stock, and providing the technological skills necessary in a modern industrial sector (SADC, 2015). The strategy also acknowledges that current investment and

savings levels are not at a level where they can propel industrialisation and structural transformation in the region (SADC, 2015). This means that something needs to be done urgently to spur the region's industrialisation process.

The literature is consistent in stating that where market mechanisms are not providing adequate finance for industrialisation, governments have created complementary, specialised financial institutions to provide the much-needed industrial finance (Goga et al., 2019). Development banks have played a crucial role in supporting industrialisation, including providing complimentary capital to under-served sectors, new venture support, and counter-cyclical funding during economic downturns (Mazzucato, 2015). In order to promote industrialisation, manufacturing industries need financial support, and it is recognised that this sector is unlikely to experience a decreasing return to scale, unlike land-based activities, which are subject to the fixed supply of land and different qualities (Ciarli & Di Maio, 2015; Opoku & Yan, 2019; Wells & Thirlwall, 2003).

Kormawa & Jerome (2015) suggested two approaches to financing the industrialisation process in developing regions in general, and SADC in particular, within this context. First, they emphasised the accumulation of domestic resources and industrial partnerships, noting that even though several developing countries, like those in the SADC region, are endowed with various natural resources, they perpetually utilize them in their raw form, and do not add value to these resources (Kormawa & Jerome, 2015). In the history of industrialisation and economic development, it has been shown that no country with natural resources has been able to transform this "inherited wealth" into "created wealth" without building a highly-capacitated manufacturing industry (Haraguchi et al., 2019; Langa & Nkhonjera, 2018; Melamid & Lewis, 1954; Rodrik, 2016a; Szirmai & Verspagen, 2015; UNIDO, 2020b).

Some developing countries that earned enormous revenue during the commodity price and market boom, e.g. Botswana, should deploy these financial resources to enhance the manufacturing sector and capacitate the country's SMEs (Guadagno, 2016; Matambalya, 2015b). At the centre of this initiative would be the ministers of industry and finance, as they are an integral part of the industrial policy formulation process. However, the authors warn of the downside of giving such an expensive project to people who may not have sufficient experience to execute it (Guadagno, 2016; Matambalya, 2015b). Instead, they recommend a public-private partnership, either by engaging private management services for a management fee or by inviting private capital to participate

in a joint venture, so as to draw on the management expertise of the private sector (Kormawa & Jerome, 2015). Historically, development banks and other major funders have been quick to provide support for these regional schemes because they have made financial sense to them.

According to Peters-Berries (2010, p.15), because regional integration projects involve cross-border projects, such as railways and roads, these kinds of projects cannot be realised at the national level. One result of exploiting their natural resources in raw form is that most of these countries derive little equitable growth and development. However, the accumulated natural resource income could finance industrialisation (Langa and Nkhonjera, 2018). Thus, investing resource revenue in capacity building is of immense importance for these economies to build a sustainable economy. This would help to avert declining terms of trade associated with exporting raw materials and importing manufactured products from advanced economies at a high price (Fischer, 2015; Sai-Wing Ho, 2012).

The authors suggest a second source of financing for industrialisation through partnerships for industrialisation. This entails a strategic partnership between the countries pursuing industrialisation (Kormawa & Jerome, 2015). Regional and domestic funding mechanisms have also been advocated, and this is usually done through properly-structured incentives. Governments sometimes employ domestic financial institutions to source long-term capital investment in industrialisation initiatives (Kormawa & Jerome, 2015). The SADC RDF is this type of initiative. It was suggested in the organisation's founding Treaty and the process of signing and ratifying it started in 2016. The shortage of finances for small and medium business development has been detrimental to the value-addition process, which is what such efforts seek to avert. Government investment in industrial development to support value addition has proven successful in some developing regions, most notably in East Asia (Dent & Richter, 2011).

Government-Private Sector Collaboration in Pursuit of Industrialisation in SADC

The quest for industrialisation in the SADC region has seen groundbreaking institutionalisation of private and public sector cooperation in pursuit of this objective. The establishment of the Southern African Development Community Business Council sought to strengthen the private sector's engagement in pursuit of the industrialisation agenda in the SADC region (NBF, 2018). Formalisation of the collaboration between

SADC member states and the region's businesses marked a crucial point in the quest for industrialisation (SADC, 2015).

The lack of direct involvement of the private sector in the industrialisation and development conversation has been noted as a barrier to the success of this agenda (Mazzucato, 2015; SARDC, 2019; Signe, 2015; UNCTAD, 2020; UNECA & AUC, 2011). In this regard, initiatives like the SADC Industrialisation Week provide a formal platform dedicated to engagement between member states and the private sector (SARDC, 2019). Until the adoption of the Industrialisation Strategy in 2015, SADC had not provided an official platform for engagement with the private sector; hence the initiative is considered ground-breaking in the region.

The SADC industrialisation strategy provides an extensive discussion of the role of the state and the private sector in fostering this process in the region. It notes that government has a crucial role to play in the process, which is to create an enabling policy and regulatory environment for businesses, while emphasising the binding constraints of infrastructure, skills development and financing (SADC, 2015). It further contends that the multi-faceted challenges of industrialisation in the 21st century require a strong alliance between government and the private sector to respond to a fast-changing operating environment (SADC, 2015). Therefore, government has to facilitate the establishment and growth of firms and industries through the provision of adequate infrastructure and the financial resources required to achieve this objective.

The strategy assigns specific complementary roles to the state and the private sector. In addition to creating an enabling environment for industrial development and facilitating the financing of industrial projects, the state is required to sponsor measures that seek to strengthen a country's institutional capacity for trade and industry (SADC, 2015, p.32). The private sector is mandated to become involved in implementing the industrialisation strategy and to help the state eliminate obstacles encountered while doing business in their day-to-day operation. Furthermore, the private sector is urged to implement capacity-building programmes, in collaboration with the state, to enhance entrepreneurial and managerial skills (SADC, 2015, p.33).

Given the roles of the state and the private sector as indicated above, it can be deduced that there is a deep desire to make this working relationship productive and to achieve the common objective of industrialising the region, at least on paper. The 2019 *Southern African Economic Outlook*, published by the African Development Bank

(AfDB), noted that the private sector is crucial to industrialisation, growth and employment. In 2019, it contributed up to 70 per cent of the region's GDP (AfDB, 2019). The report posits that governments should involve the private sector in infrastructure planning and ownership of industrialisation. Furthermore, it notes that public-private partnerships should come together when required for larger and more complex infrastructure investments, which are critical to integration and deepening of the industrialisation process (AfDB, 2019).

The private sector is the essential driver of growth in an economy, and it creates employment, and provides goods and services (Haraguchi et al., 2019; Rodrik et al., 2016). These are critical roles in the quest to eradicate poverty in an economy, and are the key drivers of innovation across sectors. The private sector also stands to benefit from aligning its activities to the national agenda for development and integrating sustainability in its corporate strategies and operations, including earning more revenue as a result of lower production costs because of a good working environment (UNIDO, 2016b). The positive nature of the relationship between the state and the private sector created a necessary precondition for rapid industrialisation in East Asian economies (Leftwich, 1995; Panayiotopoulos, 2017; Wade, 2014). That is an essential lesson for the SADC region.

The major challenge that the SADC economies have faced is creating an environment that enables the attainment of high, sustainable rates of equitable economic growth (Byiers et al., 2018; Monyae & Nganje, 2019; Nizeimana & Nhema, 2016). If achieved, this would promote the region's integration, and so benefit all parties involved (Mapuva & Muyengwa-Mapuva, 2014). While most SADC member states still experiencing low GDP growth rates, economic development in the region has become increasingly uneven, which derails economic development and the regional integration process (AfDB, 2019; Mapuva & Muyengwa-Mapuva, 2014; SADC, 2020b). Since 2008, the region's GDP growth rate has been in decline, i.e. from 6.8 per cent in 2007 to 4.5 per cent in 2012 and 2.1 per cent in 2018, with the lowest growth rate seen in 2009, i.e. 0.2 per cent (SADC, 2020b; SADC Selected Indicators, 2018).

As noted, developmental integration in SADC was adopted so that member states could pursue their industrialisation and development objectives collectively, without leaving any member behind. Also, as already mentioned, the developmental integration strategy assumes that it is building on the developmental state at the national level. The ultimate goal of the developmental state is to accelerate sustainable economic development with a focus on structural transformation (Yirga

Shumuye, 2015). However, on the African continent in general, and in SADC in particular, fostering manufacturing development to achieve a broad-based economic development has been marginalised in the past (Langa & Nkhonjera, 2018; Sen, 2016). Thus, industrialising the economic activities and developing the manufacturing capacity in the region would provide options for addressing rising poverty, unemployment and inequality levels in several SADC countries (Signe, 2015). These are the conditions that this government-private sector collaboration seeks to make viable.

SADC Regional Development Fund

Challenges relating to financing SADC's regional development projects are not a new phenomenon: the region has struggled with this even during the years of SADCC. As noted in the previous chapter, the region relied heavily on international donors to implement its projects, which meant that control of the programmes was not held by the member states. Instead, member states had annual meetings with donors to present regional projects for approval of financing (Lee, 1989; Weimer & Wissensc, 1991). Upon transformation in 1992, this challenge was noted in the organisation's treaty, along with an injunction that member states should devise mechanisms to mobilise the resources required to fund the region's development and industrialisation projects (SADC, 1992, p.18).

Evidently, SADC member states understood from the beginning that funding the region's industrialisation process could potentially pose a challenge. For this reason, the SADC treaty provided for the establishment of the RDF to assist with development financing. Furthermore, it noted that the regional programmes and projects would require substantial financial resources to get off the ground. Article 25 of the treaty states:

(1) SADC shall be responsible for the mobilisation of its own and other resources required for the implementation of its programmes and projects.; (2) SADC shall create such institutions as may be necessary for the effective mobilisation and efficient application of the resources for the regional development (SADC, 1992, p.18).

The mandate of this initiative is stipulated in both Article 26 of the SADC Treaty and the *Agreement on the Operationalisation of the SADC Regional Development Fund* Article 2 (SADC, 1992, p.18, 2016, p.8). The purpose of the fund is to create a regional financing mechanism to support industrialisation and sustainable economic growth and development in the region (SADC, 1992; Wentworth et al., 2018). Its primary focus areas

are: infrastructure development, industrial development, integration and economic adjustment and social development (SADC, 1992, 2016). It is funded mainly through the mobilisation of resources from member states, development partners and the private sector. However, like many regional integration initiatives in SADC, the success of the fund depends on the willingness and ability of member state to contribute their fair share to support its aims and objectives (Goga et al., 2019; Griffith-Jones & Cozzi, 2017).

As per Article 26 of the treaty, “The fund of SADC shall consist of contribution of member states, income from SADC enterprises and receipts from regional and non-regional sources” (SADC, 1992). However, as clear as these provisions are, it was over 20 years later, in 2016, that member states began the process of operationalising this initiative. This delay, together with the prioritisation of the elimination of trade barriers at the expense of industrial and manufacturing capacity building in pursuit of industrialisation, makes one wonder how well the concept of developmental integration was understood when member states subscribed to it. Furthermore, how seriously was the developmental integration concept considered, and the achievement of the region’s aims and objectives? While member states have vouched to decrease their over-reliance on donor funding for decades, and to become the drivers of their industrialisation and development agenda, this has not been met with a corresponding attitude regarding the implementation of these initiatives. In 2016, the region’s secretariat noted that the region was only funding about 9.2 per cent of its projects, with the remaining 90.8 per cent being provided by international cooperating partners (ICP) (Mambo, 2021). This reliance on ICPs also means the regional development projects might be slowed down, as the bureaucratic procedures of the host countries and organisations might take time to complete or may prevent significant regional projects from getting off the ground (Wentworth et al., 2018). Consequently, the region could miss the deadlines set for specific targets.

The member states have not shown enough support for realising the objective, as most have not signed the *Agreement of the Operationalisation of the Regional Development Fund* as of 2022. It can only enter into force one month after it has been signed and ratified by two-thirds of the member states (SADC, 2016), but in 2021, it had only been signed by nine member states, namely Angola, the Democratic Republic of Congo (DRC), Eswatini, Lesotho, Malawi, Mozambique, the United Republic of Tanzania, Zambia and Zimbabwe. However, even some of the member states that have signed the agreement have yet deposited the instrument of ratification with the secretariat, as per the agreement (Mambo, 2021).

The initial authorised capital is USD 13 billion, and each member state is required to pay a subscription fee of USD 120 million. The region's member states will hold a 51 per cent share of the fund, while the ICP will hold 37 per cent and the private sector 12 per cent (SADC, 2016). It is vital that member states take this initiative seriously, given that they are required to make a significant investment in developing cross-border infrastructure if they are serious about boosting regional value chains (Wentworth et al., 2018). It would also be helpful in fast-tracking implementation of the region's industrialisation strategy, which requires long-term investments and intact infrastructure (Mambo, 2021; Wentworth et al., 2018).

Conclusion

SADC member states are at varying development levels, which was recognised as far back as the FLS years. Most member states struggle to mobilise funds even for domestic infrastructure development (Wentworth et al., 2018); therefore, tackling these challenges as a collective at the regional level would be of immense benefit to them. However, as shown by several initiatives within SADC, the programme implementation record is very poor, regardless of how significant a programme may be. As indicated in the second section of this chapter, financing the industrialisation and development agenda is the most significant part of the process, and probably second only to implementation. The history of the industrialisation process shows that the now-advanced countries made use of several resource mobilisation and financing mechanisms to catalyse the process, most of which were conducted and provided by the governments.

The markets have grown weary of providing long-term investment finance for SMEs, mainly because the private sector is profit driven and prioritise short term investments for quarterly returns. This means that the state's role is ever more important, especially in developing regions like SADC. Here, the challenge is not just that the private sector prioritises short-term investment, but also that the risk in these countries is too high, given their characteristic instability. This means that investment return is not guaranteed, which results in the private sector being reluctant to invest in such areas. The SADC region understood this a long time ago, as well as the issue of member states not being able to rely on ICPs to implement their strategic projects. However, they have not acted as though they understand this. The RDF has the potential to help transform the region, but only if the member states act upon it.

Thus, the sooner they do so, the better for the region's development, industrialisation and growth agenda.

Chapter Six:

SADC's Industrialisation through Developmental Integration

Introduction

This chapter reflects on SADC's industrialisation process since 1992. It includes an examination and analysis of the trend in the contribution of the manufacturing sector to GDP relative to other economic sectors. When comparing the size of the manufacturing sector of various countries and regions, development scholars and economists generally focus on two indicators; the share of manufacturing value-added (MVA) in terms of GDP, which indicates the size of the industrial production sector, especially manufacturing, in relation to the total output of the economy; MVA per capita, which indicates the size of the industrial production sector of a country or region in question, in relation to its population (Haraguchi et al., 2017).

While various other indicators were also examined in the context of this book (e.g. technological density of manufactured products), the primary interest was MVA as a share of GDP. This was because it is one of SADC's objectives, and also because it is the driver of industrialisation and sustainable development in developing regions. The technological density of manufactured products is also relevant in this context because it has proven to be central to achieving what Prebisch (1964) (cited in Sai-Wing Ho, 2012) called "genuine national economic development".

This book focuses mainly on changes in the structural makeup of the economy, and specifically a rapid increase in the significance of the manufacturing sector in the economy compared to other sectors. In other words, an increase in the industrial sector in its entirety is not sufficient for industrialisation, as other sectors may be increasing their output at the same rate or faster than manufacturing (Chandra, 1992, p.4). Thus, the trends that were analysed and focused on as measures of the industrialisation process in this context were: the manufacturing sector's contribution to total GDP; the significance of this industry in terms of the GDP of member states, so as to determine the pace of industrialisation during the stated period.

This was investigated in terms of the developmental integration objectives set by the SADC member states, and is timely, given the

organisation's thirtieth anniversary in 2022. Hillbom (2008) noted that a policy's success is determined according to its key objectives. This is relevant, even though developmental integration is an approach to regional integration and development, and not a policy, because it inspires policies adopted by the integrating member states at the regional and national levels. Thus, in assessing SADC's performance in meeting its development objectives, the study reflected on these objectives in and of themselves, as well as the region's operating environment. The data that was gathered dates to 1990; therefore, even though the period 1992–2020 was the period of interest, the selected indicators (especially concerning MVA as a percentage of GDP) are for the period 1990 to 2020, unless stated otherwise.

The collected statistical data shows that SADC's developmental integration has not strengthened the region's manufacturing sector significantly, and consequently, the regional industrialisation process. This is partly because of a lack of policy coordination by member states, which seem to be pulling in different directions. This has impeded the regional industrialisation process, and has resulted in the region's initiatives having no discernible impact on the manufacturing activities of member states. The statistics show that, between 1992 and 2020, SADC member states could not transform and diversify their economies to ensure sustainable growth and development through industrialisation.

The chapter is structured as follows: The second section deals with developmental integration and the industrialisation process in the SADC region. It gives a detailed analysis of the economic setting of the region and an examination of the selected socio-economic indicators used to measure industrialisation. The third section is the conclusion.

Developmental Integration and the Industrialisation Process in the SADC Region

It is worth reiterating that the quest for collective self-reliance is not new on the African continent in general, and in SADC in particular; it has been advanced in various forms since the beginning of decolonisation (Ajakaiye & Page, 2012; Ismail, 2017; Matambalya, 2015b). However, the increasing deterioration of vulnerable African economies in the post-independence era from the 1970s, as well as the impact of the SAPs of the 1980s, led to calls for regional integration intensifying (Haarløv, 1997; Romano & Traù, 2017; Teal, 2002; Zondi & Mulaudzi, 2010). This led to the adoption of the LPA-FLA in 1980, culminating in the signing of the Abuja Treaty, as explained in Chapter 3. Shortly after independence, proponents of integration also argued that small African

states were not economically viable by themselves, therefore, various efforts at development and industrialisation were required at the broader continental level (Matambalya, 2015a; Nzau, 2010; Yirga Shumuye, 2015).

As has long been argued by development scholars in developing regions – most notably Ake (1981), Asante (1997d) and Green & Seidman (1969) – the economic unviability of the post-colonial economies in the developing regions requires an integrated approach to industrialisation and development. An integrated approach would encourage investment, which would enable firms to engage in competitive production for larger regional markets rather than their own smaller individual markets (Ankomah, 1969; Eder, 2019). An example was provided earlier of how the ADB upscaled its investments into the integrating economies in Southeast Asia in pursuit of the region's developmental integration agenda.

Many SADC countries sought to build state capacity through indigenisation policies in the state bureaucracy, including investments in training programmes. Economic development was a major thrust of economic governance, with industrialisation being the primary objective (Evans, 2010; Monyae & Nganje, 2019; Moyo, 2020b; UNECA & AUC, 2011). However, the evidence suggests that SADC member states are de-industrialising, as indicated by a gradual decline in the manufacturing sector's contribution to GDP. This means that there is a drift away from the common objective of fast-tracking the industrialisation process across the region, as emphasised in SADC's initiatives (SADC, 2012, 2015; UNIDO, 2020c).

While great emphasis has been placed on the significance of diversifying traditional colonial economies, which do not inspire a strong and significant industrial base, the structural composition of regional economies has not changed much since 1992, and very few have diversified (African Development Bank, 2020; SADC, 2018; WDI, 2020). The evidence further shows that even member states that are diversifying have been deindustrialising over the years. This is seen as the manufacturing significance in their economies has been declining gradually (World Bank, 2020). At the core of sustainable economic development, notes Langa and Nkhonjera (2018), are diversification and industrialisation processes based on linkages towards more sophisticated higher productivity, higher value-added products within a sector and moving towards higher productivity sectors. This has not yet been observed within the SADC region.

Table 6.1 shows SADC's MVA share of GDP from 1990 to 2019 at the country level for all member states, except for Madagascar, which had no data recorded. Figure 6.1 and Figure 6.2 show MVA as a percentage

of GDP at the regional level, and the annual percentage growth between 1992 and 2020, respectively. This data was obtained from the World Bank's development indicators database and the AfDB's socio-economic database. As can be seen, very few member states show growth in MVA share of GDP, while some show slight growth. However, the Democratic Republic of Congo (DRC) grew by 10.1 per cent, i.e. from 9.91 per cent in 2000 to 20.01 per cent in 2019 (WDI, 2020). Lesotho has been growing consistently over the years, i.e. from 9.52 per cent in 1990 to 15.95 per cent in 2019. Eswatini has impressively maintained a high MVA share of GDP over the years, although there was a slight decline from 31.42 per cent in 1990 to 29.39 per cent in 2019 (World Bank, 2020).

Most member states have experienced a drastic decline in the share of MVA over the years. Most notably, Zambia's MVA declined from 31.86 per cent in 1990 to 7.77 per cent in 2019. Zimbabwe dropped from 20.48 per cent in 1990 to 10.59 per cent in 2018, and Mauritius from 20.65 per cent in 1990 to 11.03 per cent in 2019. So, Zambia had a 24.09 per cent decline, while Zimbabwe declined 9.89 per cent and Mauritius declined 9.62 per cent during the specified periods. The data suggests that most SADC member states had a better MVA in the early 1990s than in the 2010s. The region has not been doing well in terms of increasing the significance of the manufacturing sector in terms of GDP, which propels industrialisation. As shown in Figure 6.1, the constant decline in the region's MVA share of GDP between 1990 and 2020 indicates the poor state of industrialisation: it declined from 19 per cent in 1990 to 11 per cent in 2020 (AfDB Socio-Economic Database, 2020). However, some countries performed better than others during the stated period.

The statistics show extreme levels of de-industrialisation in the SADC region and indicate that member states are pulling in different directions. There is no uniformity, as the contrasts are too sharp for an integrating region. This points to a lack of policy coordination at the regional level, which suggests that member states commit to regional initiatives in principle, but do not implement them (Monyae & Nganje, 2019; Zondi, 2020a). The region will have to increase the proportion of the manufacturing sector in terms of GDP to at least 25 per cent in order to transform the state of industrialisation in the region significantly, and thereby the economic status of the citizens (AfDB, 2019).

Table 6-1: SADC member states' manufacturing, value added (% of GDP)

	1990	2000	2011	2012	2013	2014	2015	2016	2017	2018	2019
South Africa	21.61	17.47	12,00	11.72	11.60	12.05	12.02	12.03	12.01	11.76	11.78
Botswana	4.77	5.63	5.79	5.94	5.82	5.31	5.78	5.19	5.12	5.15	5.25
Mauritius	20.65	19.75	13,87	13.65	13.91	13.59	13.04	12.40	11.80	11.34	11.03
Mozambique	..	13.00	9.81	8.65	8.19	8.03	8.19	8.48	8.20	8.81	..
Angola	..	2.89	4.17	4.40	4.83	4.76	5.69	6.75	6.58	6.06	..
Zambia	31.86	9.45	7.52	7.08	6.02	6.82	7.52	7.69	8.13	7.77	..
Zimbabwe	20.48	13.39	9.17	14.04	12.92	12.59	11.89	11.60	11.02	10.59	..
Congo, Dem. Rep.	..	9.91	15.36	15.36	15.39	15.55	17.13	18.26	19.49	18.50	20.01
Eswatini	31.42	33.86	31.69	31.02	29.64	30.65	31.60	31.03	29.51	28.85	29.39
Lesotho	9.52	13.62	12.57	11.23	10.69	11.96	15.05	16.31	15.05	16.25	15.95
Malawi	16.65	11.62	10.07	9.25	9.56	9.55	9.60	9.52	9.37	..	..
Namibia	10.41	9.96	13.65	12.19	10.36	9.76	11.38	11.69	11.92	12.02	11.74
Seychelles	10.10	19.21	7.31	8.43	7.22	6.50	5.98	5.75	5.93	6.75	6.18
Tanzania	8.48	9.86	9.55	9.44	9.11	9.12	7.86	7.81	7.66	..	..
Madagascar	..	..	..	..	..	..	..	..	..	..	..

Source: World Bank; World Development Indicators (2020)

Developmental Integration and Industrialisation in Southern Africa

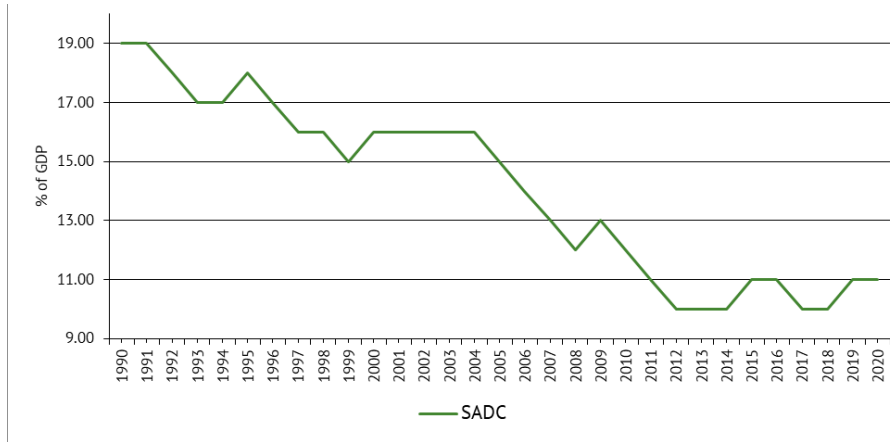


Figure 6-1: SADC's manufacturing, value added (% of GDP)

Source: AfDB Socio-Economic Database (2019)

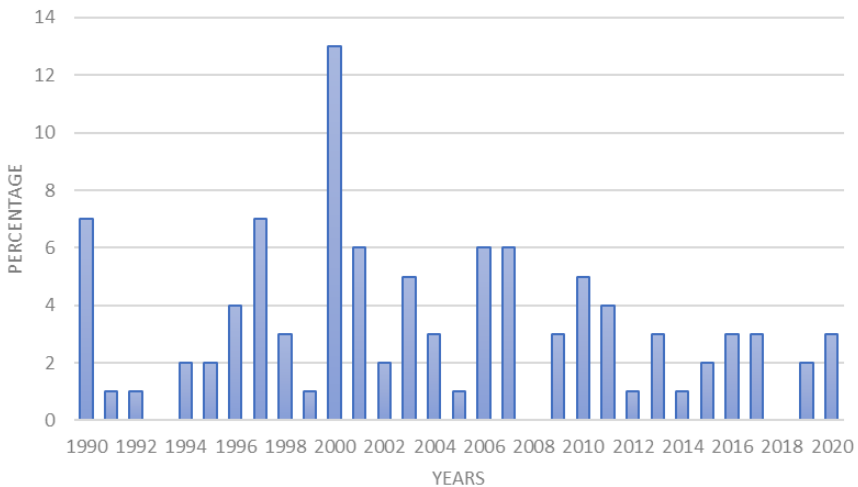


Figure 6-2: SADC manufacturing, value added (annual % growth)

Source: AfDB Socio Economic Database (2021)

There is a lack of coherence between national industrial policies, the regional industrialisation framework and developmental integration objectives, which impedes regional industrialisation in the SADC region (Habiyaemye, 2020; Monyae & Nganje, 2019; Vickers & Motsamai, 2011b; Zondi, 2020a). Therefore, member states need to periodically review their national industrialisation strategies to ensure they are aligned with

the region's industrialisation agenda (Mkwizu, 2021). This is because regional industrialisation depends on individual country policies and their commitment to implementation. No matter how good a regional policy may be, it is of no value if the participating member states do not align their short- and long-term national agendas accordingly.

The evidence shown does not suggest that the region's economies have not been growing since the adoption of this ambitious regional approach to development and integration: they have been growing. In fact, most showed impressive growth rates in the first decade of the 21st century because of market diversification, no longer relying on Europe for its primary products and increasing demand from China and India (Monyae & Nganje, 2019; UJCI, 2017). This drove some economic growth in the region, with some diversification of the primary commodities markets occurring (Monyae & Nganje, 2019).

However, a question remains regarding the sustainability of this kind of growth. Its unsustainable nature is the very reason the countries came together for purposes of developmental integration so as to diversify their economies and industrialise (SADC, 2015). These growth rates (1990 to 2020) are reflected in Figure 6.3. The high annual growth rates between 2000 and 2008 can be seen and the decline thereafter. Despite the periodic growth, it was not sustained long enough in any country to improve the standard of living of its citizens, which is the ultimate goal (Moyo, 2016, 2017, 2020b; Subramanian, 2009). Several scholars have proved that value addition to natural resources and raw materials is the only way to inspire long-term sustainable growth (Cantore et al., 2017; Rodrik et al., 2016), especially for economies in the early stages of industrialisation in developing regions.

Prebisch (1964) (cited in Sai-Wing Ho, 2012) argued for the absolute necessity to establish and strengthen trade in terms of industrial exports and that exports of manufactured goods is a natural complement to industrialisation. This is probably why he argued strongly for indigenous technological density, and so avoid a shock and detrimental effects of a commodity's decline in terms of trade.

Rodrik (2016) observed that Sub-Saharan Africa grew rapidly during from 2000 to 2010, but a curious feature of this growth was that it was accompanied by little structural transformation towards non-traditional tradables. This serves as one of the primary motivations for regional (developmental) integration. As convincingly argued by Shinyekwa, Lakuma and Munu (2019), African RECs are vital building blocks for continental economic integration, as they are for its industrialisation. They further note that RECs are instrumental for

implementing, financing, evaluating and monitoring industrialisation programmes (Shinyekwa, Lakuma and Munu, 2019).

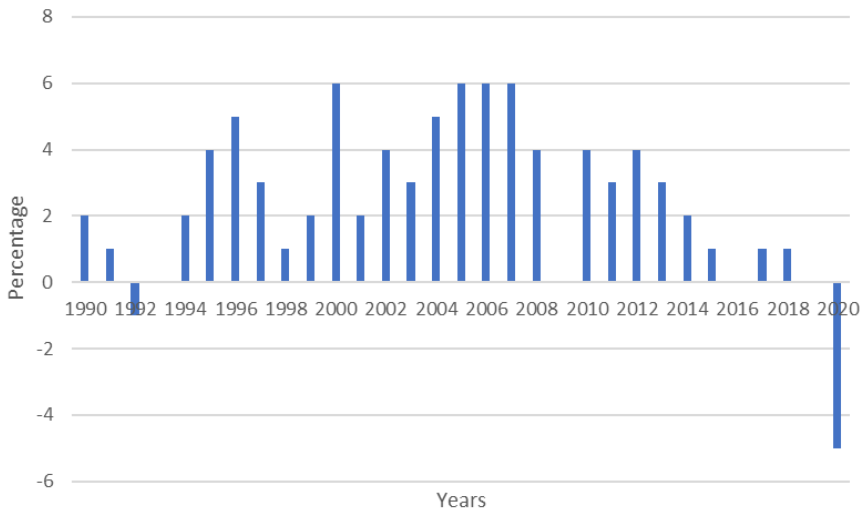


Figure 6-3: SADC's GDP growth rate (annual %)

Source: AfDB (2019)

Tables 6.2 and 6.3 show the medium and high-tech MVA as a total percentage of MVA for SADC member states, and medium and high-tech exports as a percentage of total manufactured exports between 1990 and 2019, respectively. No data was recorded for DRC, Lesotho and Seychelles for these two indicators. As can be seen, South Africa has the strongest technological capability in the region, even though there was a decline during the period. The medium to high tech MVA percentage of total MVA in South Africa dropped from 27.85 per cent in 1990 to 24.24 per cent in 2000 and has stagnated ever since. While South Africa also led in terms of medium and high-tech exports as a percentage of manufactured goods in 2019, this was not always the case: in 1990, Zimbabwe was at 48.94 per cent, compared to South Africa's 31.02 per cent. Strengthening technological capability in modern economies enhances a country's worldwide competitiveness, as well as the quality of growth, as producing and exporting high-tech products is crucial to financing growth and development (Sahin, 2019).

Prebisch (1964) (cited in Sai-Wing Ho, 2012) contended that the export expansion quest of developing economies should go beyond just steering their industries outwards and filling the void left by industries in advanced economies: they should also promote technological progress

Table 6-2: SADC member states' medium and high-tech MVA (% of total MVA)

	1990	2000	2012	2013	2014	2015	2016	2017	2018	2019
South Africa	27.85	24.24	24.43	24.43	24.43	24.43	24.43	24.43	24.43	24.43
Botswana	9.36	1.24	5.90	5.90	5.85	5.81	5.76	5.79	5.75	7.92
Congo, Dem. Rep.	..	..	..	..	..	..	..	..	..	..
Tanzania	17.55	20.21	11.48	6.83	6.75	6.60	6.46	6.45	6.45	6.46
Lesotho	..	..	..	..	..	..	..	..	..	..
Eswatini	1.68	0.95	2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23
Mauritius	9.06	3.00	4.26	4.64	4.97	4.99	5.24	4.65	4.65	4.65
Namibia	7.37	7.37	7.88	7.29	7.35	7.35	7.35	7.35	7.35	7.35
Zimbabwe	9.90	9.90	19.68	21.79	23.48	21.20	25.99	21.51	21.39	21.39
Mozambique	11.13	10.89	10.89	10.89	10.89	10.89	10.89	10.89	10.89	10.89
Madagascar	6.14	2.87	3.56	3.56	3.56	3.56	3.56	3.56	3.56	3.56
Malawi	19.00	9.44	11.34	11.34	11.34	11.34	11.34	11.34	11.34	11.34
Seychelles	..	..	..	..	..	..	..	..	..	..
Angola	4.52	4.52	4.52	4.52	4.52	3.76	3.37	3.37	3.37	3.37
Zambia	15.77	21.08	14.77	9.92	9.67	10.08	9.73	9.73	9.73	9.73

Source: World Bank (2020)

Table 6-3: SADC member states' medium and high-tech exports (% of manufactured exports)

	1990	2000	2012	2013	2014	2015	2016	2017	2018	2019
South Africa	31.02	39.98	44.68	43.62	46.09	49.93	50.56	46.87	46.02	45.99
Botswana	4.11	4.11	5.52	3.54	3.44	5.34	4.01	4.58	4.76	4.05
Congo, Dem. Rep.	..	..	..	..	..	..	..	..	..	..
Tanzania	8.97	7.34	22.97	22.41	11.27	20.22	11.71	17.81	37.67	37.67
Lesotho	..	..	..	..	..	..	..	..	..	..
Eswatini	13.64	13.64	19.52	19.82	22.12	22.24	19.68	18.39	18.49	17.60
Mauritius	7.08	4.88	4.05	3.52	4.02	4.01	4.64	14.31	14.34	13.84
Namibia	6.97	6.97	10.73	25.75	34.19	7.19	4.01	1.51	1.91	1.70
Zimbabwe	48.94	31.75	15.97	13.91	17.09	17.29	14.79	24.79	19.41	15.80
Mozambique	11.55	21.92	37.91	44.81	45.18	45.18	56.11	14.40	15.81	15.81
Madagascar	7.96	2.09	3.11	4.23	5.02	5.25	5.10	4.30	4.64	3.62
Malawi	11.28	11.32	10.80	12.78	50.25	35.62	28.63	41.57	22.29	25.03
Seychelles	..	..	..	..	..	..	..	..	..	..
Angola	0.00	0.00	0.00	0.00	0.00	49.26	40.05	24.73	57.66	57.66
Zambia	17.06	5.96	18.63	23.20	24.99	29.83	45.35	28.27	27.42	27.17

Source: World Bank (2020)

through industrial exports instead of simple manufactured goods. This is mainly because a sustained pattern of technological innovation and industrial development is at the centre of rapid, sustained growth, regardless of a country's level of development (Lin, 2011). For instance, Naudé & Szirmai (2012) noted that Switzerland was among the economies playing catch-up following the industrial revolution in Britain, but despite it being landlocked, with a relatively small internal market and with no mineral resources, it was able to spear the industrialisation process by focusing on technologically advanced products.

Conclusion

This chapter focussed on SADC's industrialisation through developmental integration, firstly by analysing the trends in this process at the regional level and national level. The data suggests that, in general, SADC was deindustrialising between 1990 and 2020, as seen in the steady decline in the manufacturing sector's share of the economies.

The industrial sector did not perform any better during this period either. While some countries' poor economic performance can be attributed to the economic crisis of the mid to late 2000s, the crisis does not account for all of them, as some economies have been struggling since the 1990s. In the early 2000s, they experienced a short-lived spike in the growth rate, because of a rise in the demand for their primary commodities from Asia, and particularly from China and India. This further emphasises the Prebisch-Singer Hypothesis cited by Sai-Wing Ho (2012), that an economy built on trading unprocessed commodities is unsustainable, given the vicissitudes of demand and price shocks.

Chapter Seven:

Country Case Studies

Introduction

The developmental integration approach that SADC adopted to fast-track the process of industrialisation in the region presumes the existence of a developmental state at the national level (Zondi, 2020). Within the context of integration, these two paradigms appear to be inextricably linked, given that developmental integration is a broader version of the developmental state at the regional level. It has been noted repeatedly in this book that SADC is entirely reliant on its member states to put developmental integration initiatives into effect in order to realise the region's objectives. Given the nature of the region's integration, there is not much that can be done at the institutional level if any one of the member states does not implement what was agreed upon at the national level (Hartzenberg & Kalenga, 2015; Moyo, 2016; Odijie, 2019; SADC, 2015).

The main aim of SADC's developmental integration strategy is to reduce and eventually eliminate the region's pervasive development and economic challenges, by ensuring sustained, high growth rates through economic diversification and transformation (Mureverwi, 2016; SADC, 2015; Tsie, 1996a). However, since free-market forces alone cannot drive economic transformation, the developmental state must play a role in resource allocation and efficient coordination of crucial economic activities (UNECA & AUC, 2011). More important though are the different historical and economic contexts of the member states, which is made clear in this section, particularly in the case of South Africa, where the economy was designed for a specific demographic at a specific point in time. This disadvantage suffered by the majority of the population obviously had a bearing on South Africa executing its regional integration commitments at the national level, given the nature of the reforms required in the country.

The chapter is structured as follows; the second section focuses on Botswana, followed by Mauritius and South Africa, with the analysis of several selected socio-economic indicators, including MVA as a percentage of GDP. The fifth section is the conclusion.

Botswana

At the time of independence in the mid-1960s, Botswana was among the world's least developed countries and was one of the poorest countries in Africa, with its per capita GDP estimated at about 70 USD (Moyo, 2016). However, Zizhou (2009) argued that effective use of the country's diamond revenues contributed immensely to growing faster than other global economies. With a population of 2,4 million (SADC, 2020b), Botswana is one of the landlocked countries in the SADC region. Over 84 per cent of its land is the uninhabited Kalahari Desert, while 80 per cent of its people live along the fertile borders. Only 4 per cent of the country's land is cultivated, and most of the land is used for cattle grazing, as cattle are considered the nation's primary wealth (Fessehaie & Rustomjee, 2018; Leftwich, 1996; Moyo, 2017; Sekwati, 2011). At the time of independence, most development commentators and scholars concluded that the country's economic growth prospects were dismal (Yirga Shumuye, 2015).

In 2020, manufacturing contributed about 5.2 per cent to total GDP and it had a per capita income of USD 7837 (SADC, 2020b). It has been argued that Botswana did not inherit anything of substance from the British, unlike some other former British colonies, which had some social and physical infrastructure that they could build on to foster economic growth and development (Fessehaie & Rustomjee, 2018; Hillbom, 2008).

Despite the negative statements made about the country's growth prospects by development commentators, and its various challenges, the leaders who took power after independence were determined to pursue policies aimed at economic growth. This was done by formulating interventionist policies, with the state playing a pivotal role in the country's quest for development and industrialisation (Yirga Shumuye, 2015). Several development plans and initiatives were adopted and implemented to promote industrialisation and enhance productive manufacturing capacity in Botswana. In addition, these plans prioritised diversification of the economy away from the over-reliance on diamond production and export and towards the manufacturing industry (Hillbom, 2008, 2012; McMillan et al., 2017; Yirga Shumuye, 2015).

At the time of independence, the country's only manufacturing enterprise was the Botswana Meat Commission (BMC) (Taylor, 2002), and the traditional economic activity was cattle rearing. There were no modern sectors (Yirga Shumuye, 2015). The average growth rate in the manufacturing sector during the 1990s was about 3.8 per cent. This had grown over the years, as Botswana's manufacturing was almost entirely meat products at the time of independence, but this dropped to 15 per

cent by the 1990s (Mkwizu et al., 2019). The commitment to a more vital manufacturing sector was demonstrated with the establishment of two major government organisations to assist in establishing manufacturing and industrial enterprises: Botswana Development Corporation (BDC) Ltd and Botswana Export Credit Insurance and Guarantee Company (BECI) Ltd. These organisations invest in industries that manufacture textiles and garments, jewellery and glass products (Marti & Ssenkubuge, 2009).

Established in 1970 and 100 per cent owned by the government, BDC is the country's principal commercial and industrial development agency. It is mandated to assist local and foreign investors in establishing and developing commercially viable businesses in Botswana across all sectors, apart from large-scale mining (BDC, 2021). The initiative targets both local and foreign firms and the aim is to promote diversification away from mining toward non-traditional tradables. BECI was established in 1996 and it is owned entirely by BDC. Its primary mandate upon establishment was to assist in developing non-traditional exports by diversifying products and markets (Marti & Ssenkubuge, 2009) - a mandate that reflects that of BDC.

Botswana demonstrated heavy reliance on diamonds, following the discoveries in 1967, for its growth and development. Diamonds have since accounted for over 40 per cent of the country's output for several decades (Hillbom, 2012; Khanie, 2020; Sekwati, 2011), primarily because the economy is dominated by mining, which is responsible for over 50 per cent of public revenue, while diamonds alone are responsible for over 73 per cent of the merchandise exports (BDC, 2021; Fessehaie & Rustomjee, 2018; Sekwati, 2011; Yirga Shumuye, 2015). The challenge that has faced Botswana over the years, just like several other SADC economies, has been expanding the manufacturing industry's limited size. Thus, the government is attempting to diversify the economy away from mining towards processing local raw materials.

While it is true that Botswana experienced impressive growth after its independence, GDP growth has been dominated by agriculture and mining (BDC, 2021; Mkwizu, 2021; Moyo, 2016). This is the precedent that the country's government sought to overcome when it embarked on state-driven industrialisation and diversification initiatives at the dawn of independence (Fessehaie & Rustomjee, 2018; Sekwati, 2011). Figure 7.1 shows the annual GDP growth rate (%) of Botswana from 1990 to 2020. As can be seen, it grew by 6.7 per cent in 1990, then fell to 1.9 per cent 10 years later (2000). In 2011, the economy grew by 6 per cent, and by 11.4 per cent in 2013.

However, in 2015, Botswana experienced a negative growth rate of -1.6 per cent, but recovered to 2.9 per cent in 2019 (World Bank, 2020). The data shows that the country has not experienced consistent economic growth over 30 years, with the growth rates having been in decline since 1990, except for 2013, when it rose to 11.4 per cent. The decline then continued, with more negative growth rates being seen in 2015 and 2020. The declining trend in the country’s growth is consistent with the argument in the literature that an economy that relies on primary commodities is unsustainable (Haraguchi et al., 2017; Langa & Nkhonjera, 2018; Rodrik, 2016b).

Botswana’s economy is one of those in the SADC region that were adversely affected by the global economic crisis of 2008/09, with the crisis affecting almost every economy around the world (Ndayi, 2011; Sekwati, 2012). The impact of the crisis was dependent on the given economy’s integration into the global economic system and the levels of diversification. With Botswana’s economy dominated by primary commodities, especially the diamond mining sector, there were adverse effects following a decline in demand and the price for this output by other economies (ECA, 2009).

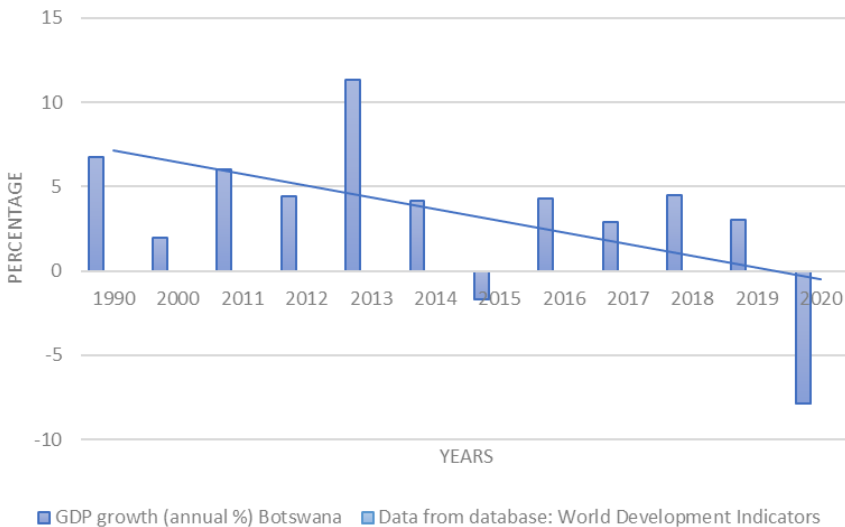


Figure 7-1: GDP growth– (%) - Botswana

Source: World Bank (2020)

Figure 7.2 indicates the role played by the industrial sector in Botswana’s economy. It shows the industrial sector’s share as a percentage of total

GDP for the period 1990 to 2020. The data suggests that, in 2020, the industry’s contribution to Botswana’s GDP was at its lowest in 30 years, i.e. 25 per cent (World Bank, 2020). This is not a poor contribution, however, the cause for concern is that there has been a consistent decline since 1990, as the trend line shows. This is an instance a country trying to diversify its economy away from unsustainable growth-forms would want to avoid.

The government has had to encourage this diversification, as its reliance on mineral production revenue left it vulnerable to international market fluctuations. This was demonstrated by the 2008/09 crisis, as well as the earlier world recession of 1981–82 (Hillbom, 2008; Moyo, 2017; Tsie, 1996b). Thus, it was mineral revenue that was used to facilitate overall economic development and diversify the economy away from dependence on mineral rents, as diamonds contributed up to 45 per cent of the country’s GDP and about 80 per cent of its export earnings in the 1980s (Hillbom, 2008).

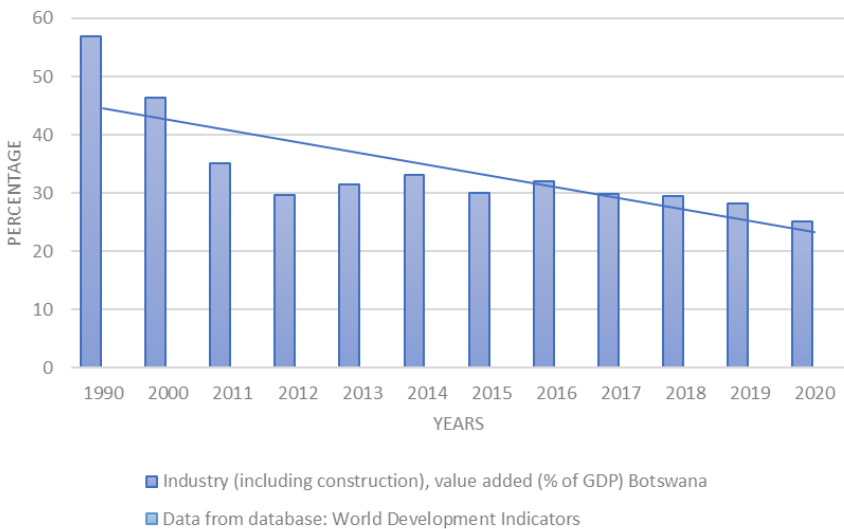


Figure 7-2: Industry (including construction) % of –GDP – Botswana

Source: World Bank (2020)

Given that diversification is expensive and risky, Sekwati (2011) and Valentine (2000) argued that Botswana’s indigenous population was geared towards minimising risk to protect against adverse climate conditions. But convincing the people to abandon the low-risk traditional

production and turn to non-traditional sustainable output was no small task and requires innovation and effort.

Besides the lack of diversification in the economy, another challenge that emerged was the excessive reliance on foreign investments (Kapunda, 2017; Mkwizu et al., 2019). This meant that the benefit of economic growth accrued primarily to foreign-owned firms; thus, something had to be done regarding the lack of citizen participation in non-agricultural production activities (Botswana Ministry of Finance and Development Planning, 1995; Khanie, 2020). In 1982, the government of Botswana introduced the Financial Assistance Policy (FAP) to encourage citizen ownership of enterprises, as most enterprises appeared to be owned by foreign nationals (Valentine, 2000). FAP is intended to channel financial assistance in the form of grants to new production businesses in the manufacturing sector so as to facilitate rapid industrialisation and assist in diversifying the economy away from the reliance on large-scale mining (Khanie, 2020; Valentine, 2000).

At the time of introducing the FAP programme, the economy was still entirely dependent on mining and agriculture. To reduce this reliance, the government made heavy investments in the 1980s in industrial development to boost the manufacturing sector, which was dwarfed by mining and agriculture (Owusu & Ismail Samatar, 1997). As a result, the FAP programme saw the establishment of diamond polishing and jewellery manufacturing companies that involved local entrepreneurs, who were supported by means of loans provided, infrastructure and skills training (Botswana Ministry of Finance and Development Planning, 1995; Moyo, 2016). This came to fruition as a result of government negotiations with De Beers, a multi-national company that has mined diamonds in Botswana for decades. As part of the contract renewal terms, the government insisted on De Beers assisting it to create a local diamond polishing sector that would involve many locals (Moyo, 2016; Sekwati, 2012; Valentine, 2000).

In 1984, Botswana also adopted its first industrial development policy (for the 1984 to 1998 period), with the aim of increasing economic diversification, and eradicating poverty and unemployment. Moreover, it sought to strengthen private sector development by producing for the domestic market (Fessehaie & Rustomjee, 2018; Khanie, 2020). This policy became the country's underlying premise for its industrial policy and subsequent industrial development plans (Sekwati, 2011). Even though the FAP programme was abolished in 2000 (World Bank, 2012), its adoption had portrayed the state as the entrepreneurial agent that engaged in institutional building to foster the country's growth

and development (Taylor, 2002). It also demonstrated the change in the government's approach to development, i.e. to move away from traditional sectors by incentivising investment in non-traditional tradeables. The focus was on enhancing the manufacturing sector's production capacity and developing non-traditional agriculture (Mkwizu et al., 2019; Valentine, 2000). This shows that Botswana has defied the orthodox view that African countries cannot support their industrial development through interventionist initiatives. Owusu and Samatar (1997) postulated that Botswana's state-governed industrialisation strategy supports the research done on the east Asian miracle, which concluded that state intervention is of critical importance in the industrial transformation of a nation.

According to the World Bank (1987) report titled *Barriers to Adjustment and Growth in the World Economy, Industrialisation and Foreign Trade*, Botswana experienced an average annual growth rate of 14.3 per cent and 12 per cent between 1980 and 1985. Its manufacturing sector grew by an average 12.5 per cent between 1966 and 1980 (Saha, 1991). In 1998, the country adopted its second industrial development policy for the 1998–2012 period. It contained a new guiding principle for the country's approach to industrial development (Fessehaie & Rustomjee, 2018), and marked a shift from the import-substituting strategy to a more neo-liberal approach, in order to encourage the establishment of highly productive and competitive export industries (Mkwizu et al., 2019). The third policy, for the period 2014–2028, is still focused on export-led growth by strategically using the country's established resources to promote economic diversification and industrialisation (Mkwizu et al., 2019).

Figure 7.3 indicates manufacturing value-added as a percentage of GDP for Botswana for the period 1990 to 2020. It shows a yo-yoing pattern in the MVA curve since 1990, with the highest point being reached in 2012, i.e. 5.9 per cent (World Bank, 2020). MVA has averaged 5.3 per cent in the past 30 years, which is not good enough for the country to achieve sustainable industrialisation. Even though MVA does not show a continual decline during the period, it has remained marginal and has never reached 10 per cent (World Bank, 2020). This data indicates how insignificant the manufacturing sector has been in Botswana's economy in the past 30 years. The industrialisation and diversification initiatives discussed earlier were aimed at increasing these figures, as the manufacturing industry is the driver of sustainable growth (Alcorta, 2015; Chikabwi et al., 2017; Rodrik, 2015; Sen, 2016).

Developmental Integration and Industrialisation in Southern Africa

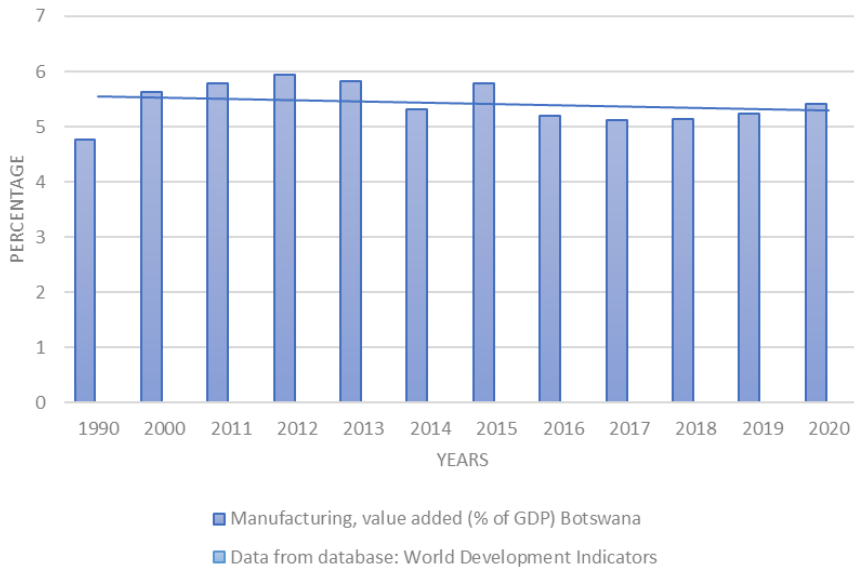


Figure 7-3: MVA (% of GDP) - Botswana

Source: World Bank (2020)

While Botswana's manufacturing sector has not done well in the past few decades, its service sector has been growing since 1990. As shown in Figure 7.4, the services sector has been doing better than the manufacturing sector, as shown in Figure 7.3. While the manufacturing value-added contribution to GDP did not reach 10 per cent (1990 to 2020), the service sector has not dropped below 30 per cent (1990 to 2020). In fact, it has grown consistently. In 2020, the services sector share of GDP reached the highest point since 1990, i.e. 63 per cent. This dwarfed the 5.4 per cent of MVA, which was at 5.4 per cent, having been in a constant decline since 2015 (World Bank, 2020). The growth in the services sector defies the orthodox view that a country should progress from a traditional agricultural economy to a manufacturing economy, then later to services (Rodrik, 2016a; Su & Yao, 2017; Wells & Thirlwall, 2003). However, the Botswana government still prioritises the development of measures to promote the significance of this sector. In collaboration with various national institutions, the government has made tax and customs incentives available to attract foreign investors and encourage export activities (Chikabwi et al., 2017; Common Wealth Network, 2019; Yirga Shumuye, 2015).

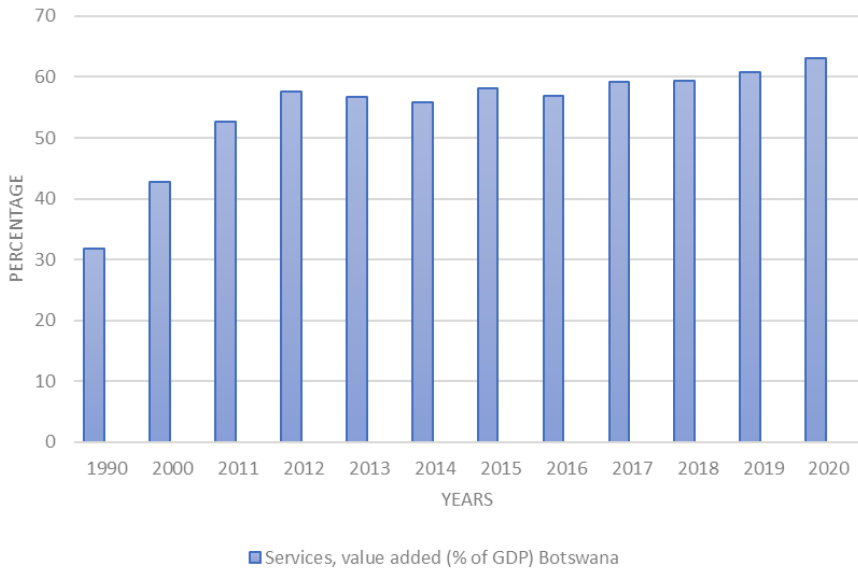


Figure 7-4: Services (% of GDP) - Botswana

Source: World Bank (2020)

The government introduced several incentives to support its diversification strategy, like rebates on import duties. These included the industrial rebate concession that states: “This exemption from customs duties benefits the import of raw materials used for products either local or external markets in the textiles, food and beverages sector” (Marti & Ssenkubuge, 2009). General rebates customs duty, which exclusively targets raw material imports for manufacturers destined for foreign markets. The duty credit certificate facility is product specific and only applies to yarns and other clothing accessories (Marti & Ssenkubuge, 2009).

The history of development shows that diversification is not an easy venture, especially the implementation of structural change and transformation measures (Yaïche & Asia, 2019). Moreover, the poor link between the economic sectors in resource-dependent nations such as Botswana generally exacerbates their economic challenges (Khanie, 2020). Having plenty of natural resources and mineral reserves, such as diamonds or cattle, does not necessarily mean economic success, and do not explain Botswana’s developmental record. However, how these natural resources are used to create the nation’s wealth determines the country’s growth trajectory (Fessehaie & Rustomjee, 2018; Matambalya, 2015a; McMillan et al., 2017; Morris & Fessehaie, 2014; Taylor, 2002).

Regardless, economies ought to be diversified, as it has been argued that natural resources often have undesirable effects. For example, Fauzel (2016) states: “For every Botswana, a diamond-rich and prosperous state, there is at least one Congo, a mineral-rich and failed state”. It is also widely recognised by several scholars that to be successful, a structural transformation and industrialisation plan requires strong political commitment that will seek to align these objectives with public policies and substantial financial resources (Bathla et al., 2019; Cilliers, 2018; Haraguchi et al., 2019; Rodrik et al., 2016).

Hillbom (2008), Sekwati (2011) and Moyo (2016) have all noted the need to distinguish between growth and development. They contend that Botswana’s significant economic advance makes a clear case for growth without development. They also contend that while there have been commendable advances made since independence, these need to go hand in hand with technological advancement and innovation, an increase in productivity and, most importantly, a significant rise in the standard of living of the country’s citizens. For countries with an economy that is dependent on resources, including Botswana, diversification is not an option - it is a must (Rodrik, 2016a; Sekwati, 2012). This was made clear by the 2008 global economic crisis, which demonstrated the high level of vulnerability of these types of economies to external shocks as a result of commodity price fluctuations.

Mauritius

Mauritius is the third smallest country in the SADC region in terms of population size, i.e. 1,3 million people. The per capita income is USD 11 067 (SADC, 2020b; Statistics Mauritius, 2020). In 2020, the manufacturing sector contributed 10.7 per cent to the country’s GDP (SADC, 2020b). At the dawn of its independence in 1968, Mauritius was a sugar-based monoculture, with most of its arable land devoted to the cultivation of sugar cane. Agriculture contributed some 25 per cent of GDP, while sugar alone accounted for up to 90 per cent of total exports (Chikabwi et al., 2017; Greig et al., 2011; Moyo, 2016; Subramanian, 2009). At independence, the country’s economic stagnation was characterised by a low growth rate (0.7 per cent) and a growing number of unemployed people (Nath & Madhoo, 2003).

The island’s post-colonial governments have pursued similar goals to those pursued by other countries in the SADC region, most notably in the area of economic growth and development (Chikabwi et al., 2017; Greig et al., 2011; Moyo, 2016). The successive post-independence governments have managed to take advantage of the country’s political

stability, colonial preferential trading status and skilled workforce (Sandbrook, 2005; UNCTAD, 2020). Efforts to diversify and industrialise the Mauritian economy involved interventionist policies to achieve these goals (Moyo, 2016; Sandbrook, 2005; UNCTAD, 2020).

In order to kick-start its industrialisation process in the 1960s, the Mauritian government established a national development bank to support the island's industrialisation and economic diversification objectives. The bank provided subsidised long-term loans to non-sugar industries (Greig et al., 2011; Moyo, 2016; Subramanian & Roy, 2001). This was an era of economic transition, as the government made an effort to reduce the dependency on traditional agricultural industries (sugar), by diversifying into the manufacturing sector. As a result, various small-scale industries involved in food processing, beverages, cosmetics, fertilizer and footwear were set up to meet local needs (Nath & Madhoo, 2003).

Initially, the island adopted the import substitution strategy to pursue its national objectives; however, it later realised that it did not possess the required characteristics of an internally oriented process of industrialisation, development and diversification (Saylor, 2012; Vandemoortele & Bird, 2011). Obstacles faced by the country included labour supply, capital and a market large enough to support the industrialisation process (Meisenhelder, 1997). Following the unsuccessful attempt at industrialisation through ISI, the island adopted a more export-oriented approach (Greig et al., 2011).

This new model adopted the industrialisation approach used in East Asia, which was characterised by an export orientation and the state playing a central role in the process by using its resources to offer incentives to attract foreign and domestic investment (Frankel, 2010; Hillbom, 2008; Yirga Shumuye, 2015). This model inspired the establishment of export processing zones (EPZ) in the country, after carefully studying the success of this type of programme in the East Asian economies, especially Taiwan (Hauge, 2020). The EPZ Act was passed in 1970; it was designed to provide incentives to manufacturers that produced for foreign markets. It did not restrict these to one location on the island, as they were somewhat scattered all over (Chan Sun et al., 2016). The government invested enormous amounts of money in providing the required infrastructure to set up its EPZs and keep them running (Zafar, 2011).

At the same time, Mauritius continuously pursued the strategy of modernising its sugar industry, and diversifying into tourism and offshore services. These developments were designed to convert a

monocrop (sugarcane) economy into a newly industrialising one, to tackle the island's dual problems of the low growth rate and unemployment (Frankel, 2010; Greig et al., 2011; Meisenhelder, 1997). Furthermore, sugar revenue was transferred into the clothing industry, which meant it was not dependent on foreign capital (Greig et al., 2011). Unlike the purely market-oriented neo-liberal approach advocated by the Bretton Woods institutions, the Mauritian quest for industrialisation has been built on state regulation of the FDI, and import and export taxes (Frankel, 2010; Subramanian, 2009; Subramanian & Roy, 2001). The EPZ programme grew dramatically during the mid-1980s, and by the early 1990s, about 600 textile firms were operating and employing over 90 000 people – almost a third of the country's workforce (Meisenhelder, 1997). Textiles and garments then accounted for about 63 per cent of the island's exports and 15 per cent of GDP (Chan Sun et al., 2016; Russell, 2014).

Therefore, newly industrialising countries have demonstrated good models of development based on the free market, while the case of Mauritius points to the significance of involvement by the state. In this case, economic growth was a result of calculated state intervention, rather than an unfettered marketplace (Greig et al., 2011; Meisenhelder, 1997; Saylor, 2012). By adopting policies that were designed to open the economy, and using a mixed strategy of import substitution in combination with incentives for exports through the EPZ programme, other sectors were able to flourish, including the industrial, tourism and financial sectors (Fauzel, 2016).

The EPZ programme also encouraged investment by foreign businesses, which could take advantage of the island's cheap, skilled, well-educated labour (AfDB et al., 2012; Chan Sun et al., 2016). Many firms obtained exemption from paying tariffs on imported machinery and inputs, tax concessions on profits, exemption from import and export duties, the national labour code provision of tax holidays and full ownership of facilities (Greig et al., 2011; Nath & Madhoo, 2003). During the mid-1980s, the Mauritian EPZ programme spearheaded a decade of the pursuit of industrialisation and economic diversification, following a rise in sugar prices and increased production (Chan Sun et al., 2016; Greig et al., 2011). This came after the realisation of the vulnerability posed by a monoculture, therefore, the country embarked on a process of industrialisation and diversification. The government was in charge of the island's development agenda, and it took a decision to attract foreign investors through incentives such as duty-free imports, untaxed operations and cheap but well-educated labour (Adewale, 2017; Chan Sun et al., 2016; Yirga Shumuye, 2015).

Just like in Botswana, the government of Mauritius used the indigenisation policy both in the state sector and major investments, including the EPZ and human development, to build its productive capacity (UNCTAD, 2020; UNECA & AUC, 2011). The country's leadership has clearly articulated the developmental vision and the economic agenda for the country, and demonstrated a commitment to transforming the country's economic structure to fast-track the industrialisation process (Greig et al., 2011; Moyo, 2016; UNCTAD, 2020). This strategy accelerated the country's economic growth while the government was also trying to drive diversification into tourism and off-shore services (Fauzel, 2016).

Before it was repealed, the EPZ Act regulated the EOE sub-sector. According to Statistics Mauritius (2020), there were 239 enterprises in this sub-sector at the end of 2019. However, they produced a relatively narrow range of products, with clothing and textiles accounting for up to 65 per cent of total exports (Statistics Mauritius, 2020). The country's domestic oriented enterprises (DOE) are said to be more diversified than EOE in terms of production. However, as of 2020, they only accounted for a tiny 8 per cent of GDP and employed just over 19 000 people (Statistics Mauritius, 2020; UNIDO, 2020e). According to a 2020 report published by UNCTAD (2020) in collaboration with the Mauritian government, the country's manufacturing sector now comprises: 810 larger establishments that each employ more than ten people; about 13 000 small businesses that employ less than ten people each (UNCTAD, 2020).

The structural transformation and diversification efforts engaged in by many countries emphasises the approach of promoting the industrialisation process, based on the conviction that it is the primary engine of long-term sustainable growth (Bathla et al., 2019; Sekwati, 2012). Mauritius was no exception at the dawn of its independence, as it also developed long-term objectives to realise sustainable economic growth and diversify away from a sugar-based economy to industrial manufacturing. As shown in the literature, rapid industrial growth facilitates attaining national objectives on growth (Andreoni & Chang, 2016; Haraguchi et al., 2017; Khanie, 2020).

Policies were formulated to open the island's economy, adopt a hybrid import substitution approach and incentivise exports through the EPZ programme (Greig et al., 2011). However, while the Mauritian economy was based on agriculture at independence, it has diversified from primary production towards the services sector – not the manufacturing sector – and the economy is now primarily driven by the financial and retail sectors (Fauzel, 2016; UNCTAD, 2020). In the country's quest for diversification, it initiated the EPZ programme,

which encouraged exports, and encouraged foreign firms to invest in the country and take advantage of its cheap, well-educated labour (Chan Sun et al., 2016; Greig et al., 2011).

Figure 7.5 provides the annual GDP growth rate for Mauritius from 1990 to 2020. In 1990, the economy grew by 7.1 per cent; 10 years later it had increased to 8.1 per cent (2000). Since then, it has been on a steady decline, with the annual growth rate never rising above 5 per cent. In 2020, the economy took its worst hit in 30 years and posted a negative growth of -14.8 per cent (World Bank, 2020). A UNCTAD 2020 report on the Mauritian economy, titled *Industrial Policy and Strategic Plan for Mauritius: 2020-2025*, noted:

The outbreak of the COVID-19 global pandemic has created significant disruption for the Mauritian manufacturing and broader industrial sector. The pandemic will profoundly impact the Mauritian economy, and the Mauritian manufacturing industry is not expected to be spared from the unfolding crisis. Because of confinement, order losses and other supply chain disruptions, production stoppages will take a severe toll on the sector. As a result, production is likely to decline significantly throughout the crisis. The clothing and textiles sector, which accounts for the bulk of Mauritius' export revenue, has experienced a drastic and protracted decrease in orders due to the closure of major global retail brands and a crisis in global consumer confidence that has impacted consumption of discretionary goods (UNCTAD, 2020).

The clothing and textile industry has contributed a significant portion of the Mauritian manufacturing industry for a long time. According to Mezouaghi and El Aynaoui (2018), by the end of the 1990s, the clothing and textile industry alone contributed 12 per cent of the island's GDP; however, by 2010s, this had reduced to about 5 per cent. The authors further posited that the EPZ programme was initially aimed at helping textile and clothing producers to explore global markets, as this industry constituted more than 50 per cent of EPZ companies and 80 of the workforce in the early 1990s (Mezouaghi & El Aynaoui, 2018).

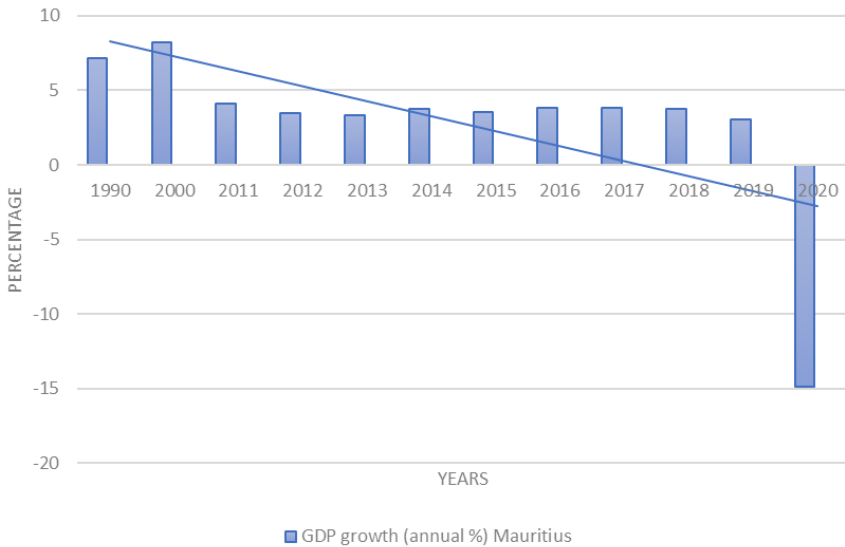


Figure 7-5: Annual GDP growth (%) - Mauritius

Source: World Bank (2020)

Figure 7.6 shows the industrial sector’s contribution to GDP between 1990 and 2020, with the data showing a consistent decline in the significance of the industry to GDP. The highest contribution seen during this period was in 1990 (27.8 per cent), while the lowest was in 2020 (16.7 per cent) (World Bank, 2020). As explained earlier, a significant decline in the contribution to GDP of the industrial sector over a prolonged period, especially manufacturing, signals deindustrialisation (Rodrik, 2015; Romano & Traù, 2017). This is contrary to the country’s objectives, as it seeks to ensure that the industrial sector plays a significant role in the economy. As noted in the UNCTAD report (2020), the evidence suggests that the industrial sector, including manufacturing, can grow dynamically and support continued development; however, as things stand, the essential ingredients that are at the centre of a strong and dynamic industrial sector appear to be missing in Mauritius.

Developmental Integration and Industrialisation in Southern Africa

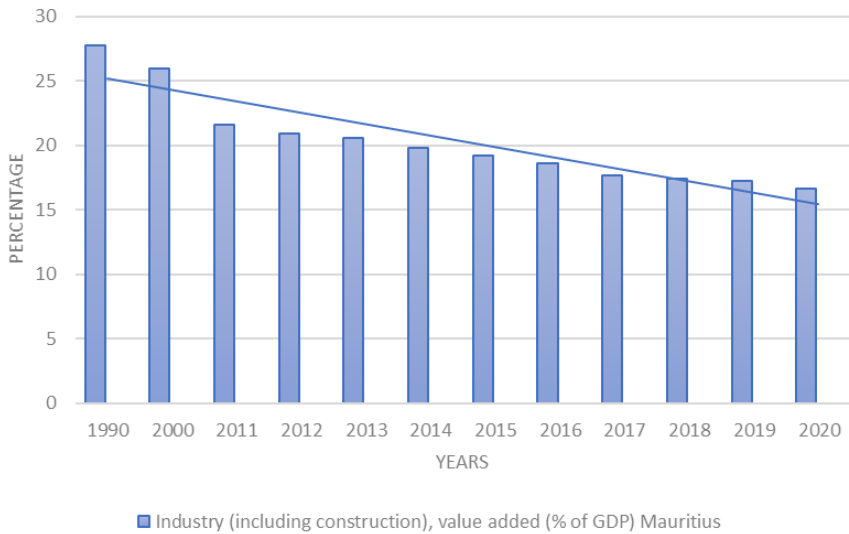


Figure 7-6: Industry (including construction) % of GDP - Mauritius

Source: World Bank (2020)

As shown in Figure 7.7, the percentage contribution of MVA to GDP has declined consistently since 1990, just like the country's overall industrial sector. In 2020, Mauritius posted the lowest contribution to GDP by the manufacturing sector in 30 years, i.e. 10.7 per cent (World Bank, 2020). Figure 7.8 shows the comparison contribution of the services sector to the country's GDP for the same period. The data shows that while the manufacturing industry has been in decline for 30 years, the services sector has been growing consistently. In 2020, this sector contributed 68 per cent to GDP - the highest contribution in 30 years (World Bank, 2020). The lowest was in 1990, i.e. 46 per cent (World Bank, 2020).

This pattern of growth is referred to in the literature as being unusual, as the orthodox pattern of growth is a gradual move from the traditional sector to manufacturing and then to services (Fessehaie & Rustomjee, 2018; McMillan et al., 2017; Wells & Thirlwall, 2003). The data shows that, since 2000, the services sector has been responsible for over 60 per cent of GDP in Mauritius (World Bank, 2020). It has been growing consistently and was up to 68 per cent in 2020 (World Bank, 2020). So, even though Mauritius has struggled to strengthen its manufacturing sector, the services sector has grown consistently over the past three decades.

Chapter Seven: Country Case Studies

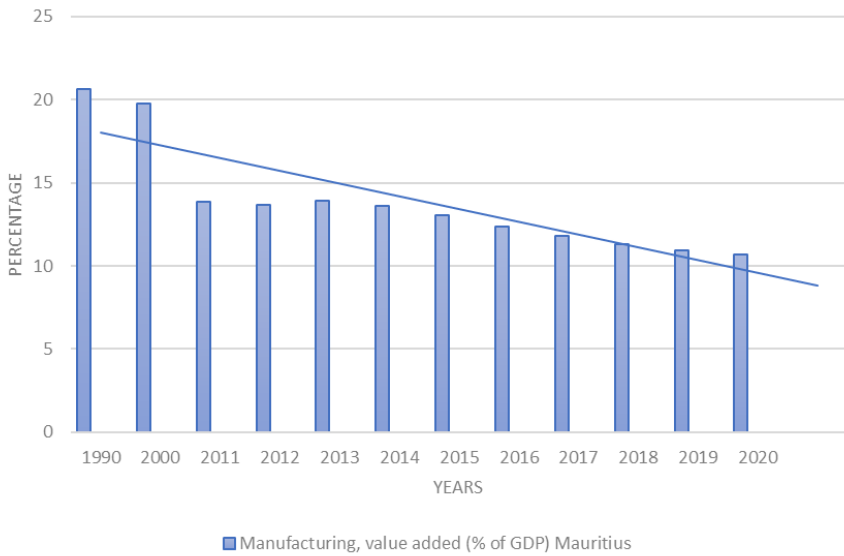


Figure 7-7: MVA (% of GDP) -- Mauritius

Source: World Bank (2020)

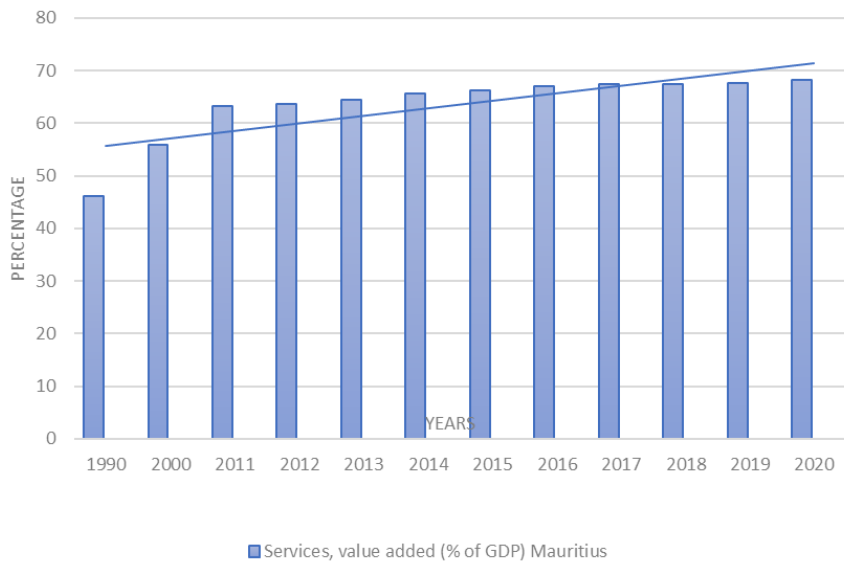


Figure 7-8: Services (% of GDP) -- Mauritius

Source: World Bank (2020)

The Mauritian government appears to have noted the decline in the manufacturing sector. This was demonstrated when the government's "Vision of revitalising the manufacturing sector" through industrial policy development was fully endorsed at the industry stakeholder workshop that took place on 2 February 2020 (UNCTAD, 2020). This initiative is a collaborative effort with the country's private sector to uncover obstacles to restructuring into a manufacturing economy and to work on measures to remove these obstacles. This strategic collaboration is encouraged by the SADC industrialisation strategy, which urges member states to build a good working relationship with the private sector (SADC, 2015).

In Mauritius, there seems to be a good public-private sector relationship and a conducive business environment. Both parties are committed to furthering the industrial development agenda and cooperating to ensure a mutually beneficial outcome (Statistics Mauritius, 2020; UNCTAD, 2020). While the growth that Mauritius has managed to achieve since independence deserves applause, much work still needs to be done to secure a sustainable form of growth. The island's manufacturing sector has been struggling for many years, and its decline should be a cause for concern (UNCTAD, 2020). Thus, as indicated by UNCTAD (2020), rebuilding and strengthening the country's manufacturing sector is essential for advancing the scale and capability of the sector.

The services sector has driven the recent growth recorded by Mauritius; this includes the financial and retail sectors (UNCTAD, 2020). However, as crucial as the role of the service sector in the manufacturing sector may be, according to UNCTAD (2013), developing and strengthening the manufacturing sector more important, as it is the leading high-productivity sector. This is worrisome, because: the manufacturing sector drives productivity growth across all sectors in low-income economies, but especially those with a per capita income of less than USD 15 000 (UNCTAD, 2020; UNIDO, 2020d); it is key to employment creation and value addition (UNIDO, 2018b; Yaïche & Asia, 2019).

South Africa

During the apartheid era in South Africa, the country's economy was dominated mainly what is referred to as the mineral energy complex, which was the system through which capital accumulation took place (Chabane et al., 2006). Successive colonial and apartheid governments designed the economy to support a strategy of exporting minerals

(Gumede, 2015). Its natural resource-oriented industrialisation began with the discovery of precious minerals in the mid to late 19th century, especially gold (Chabane et al., 2006; Fotoyi et al., 2016).

Zalk (2015) divided the history of industrial policy development and formulation in South Africa into three phases. With the first occurring in the aftermath of the Second World War up to 1994, the second being the period 1994 – 2007, and the third being the period post-2007. In the post-war era, the South African government established the Industrial Development Cooperation (IDC) financing institution and capacitated other state-owned enterprises (SOEs). The SOEs were instituted to provide the required long-term financing for local enterprises, the lack of which was an obstacle to their establishment (Fotoyi et al., 2016). These were the first institutions that were established to propel the country's industrialisation agenda (Clark, 1995; Davies, 1992; Goga et al., 2019). This occurred with the entry into power of the National Party (NP), which used the country's development bank to champion large-scale strategic projects of massive scale, as the private sector was unable to fund them, and they were not meant to be profitable for several years (Fotoyi et al., 2016).

For most of the post-war era, the SA economy was predominantly inward-looking and the import substitution strategy – which saw the protection of local firms and the international sanctions boycott of the apartheid system – resulted in the country being isolated from global markets (Barnes & Kaplinsky, 2000; Gumede, 2015, p.63). The country's manufacturing then relied on producing for domestic consumption, and the international isolation, coupled with the protection of local industries, provided an environment for manufacturers to grow in a manner that would not otherwise have been possible. However, this resulted in the industry being dominated by large government-subsidised firms, which crushed SMEs and resulted in an uncompetitive market as there was no incentive to improve and be innovative (Gumede, 2015, p.67; Kaplinsky et al., 1995).

During the democratic period of 1994 to 2007, the economic policy of South Africa was dominated by neo-liberal economic reforms, which were intended to catalyse higher levels of growth and job creation across the economic sectors, but especially in the manufacturing sector (Zalk, 2015). The 1996 Growth, Employment and Redistribution (GEAR) economic strategy was based on the Washington Consensus, which advocated the approach of liberalising key markets. The strategy noted that this approach would lead to efficient capital allocation, an increase

in private investments and, consequently, rising growth and employment rates (Gumede, 2015, p.70; Zalk, 2015).

This could be seen through the country's accession to several free trade areas (FTAs) in the mid to late 1990s, including SADC and one with the European Union. It is also important to note that the transformation of SADCC into a development community in the early 1990s coincided with the transformation of the governance system in SA from institutional apartheid to a democratic society. Therefore, the incoming government had a lot on the agenda in terms of the desired national transformation, despite the regional agenda. The economic policies of the apartheid years were designed to cater only for about 25 per cent of the country's population, which inevitably created an inefficient industrial structure (Chang, 1998). More importantly, the government sought to create labour-intensive and inclusive industrialisation in this context, given that the apartheid economy excluded the country's majority African population (Chang, 1998; Moyo, 2016). However, it was not until the adoption of the National Industrial Policy Framework (NIPF) and the implementation blueprint, the Industrial Policy Action Plan (IPAP), in 2007 that the country had a formal industrial policy (Moyo, 2016; Zalk, 2015).

IPAP emphasized increasing the capacity to absorb higher numbers of labour in the manufacturing industry, but particularly in non-traditional tradeables (Department of Trade & Industry, 2016). This marked the beginning of an era in which several government agencies and departments, as well as the private sector were involved in developing and implementing the country's long-term industrial development vision (Gumede, 2015, p.67; Moyo, 2016). The framework underscored the significance of driving an industrial policy that put high value-adding manufacturing industries at the centre of the strategy, as they are able to drive higher employment and growth rates (Department of Trade & Industry, 2007; Tsedu, 2015).

The objectives detailed in the framework are as follows:

To facilitate diversification beyond reliance on traditional commodities and non-tradable services, which would require increased value addition. The long-term intensification of South Africa's industrialisation process and movement toward a knowledge-based economy. Furthermore, to promote a labour absorbing industrialisation path with emphasis on tradable labour absorbing goods and services, as well as economic linkages that catalyse employment creation. To promote a broad-based industrialisation path characterised by higher levels of participation of historically disadvantaged people in

the mainstream of the economy. Lastly, to contribute to the industrial development of the African continent with a stronger focus on building its productive capabilities (Department of Trade and Industry, 2007, p.6-7).

Perhaps more importantly, the framework notes that this vision is to be pursued through the implementation of 13 strategic programmes, including industrial financing, trade policy and industrial upgrading (Department of Trade & Industry, 2007, p.7). This framework vehemently rejected the Washington Consensus, on which prior economic policies were built, arguing that the one-size-fits-all policy approach does not work. It notes that this was evident as countries that embraced the policy experienced major disappointments, while newly industrialising countries (NICs) that did not follow it without question experienced success (Department of Trade and Industry, 2007, p.29). For example, Figure 7.9 shows that the manufacturing sector's contribution to GDP between 1990 and 2020 has been in decline since 1990, i.e. down from 23.7 per cent to 11.7 per cent in 2020. There was a 5-point drop between 1990 and 2000, and a further 6-point drop between 2000 and 2012. A superficial glance at these figures might lead to the conclusion that the decline was due to the country's uncritical embrace of neo-liberal economic policies shortly after independence. However, an economic crisis was also experienced in the period, with the South African economy being most adversely affected in the SADC region. However, that still does not fully account for the country's dismal performance in terms of manufacturing, which is the crucial sector for aspiring industrialisers. To a certain extent, entering into FTAs with advanced economies, like those of the European Union, derailed the country's manufacturing sector, given that local industries, and especially SMMEs were expected to compete with advanced industries operating in countries that were early industrialisers.

Thus, the framework was built on the understanding that fundamental changes in the country's economy were required through a coherent industrial policy, in order to realise sustainable development and growth rates. This was also emphasised in the Accelerated and Shared Growth Initiative for South Africa (AsgiSA), which inspired the NIPF (Department of Trade and Industry, 2007). The country's National Development Plan (NDP) acknowledges that in order to meet its aspirations of reducing and eventually eliminating poverty and inequality, there will have to be faster and more sustainable growth (National Planning Commission, 2012); however, the evidence suggests that only the manufacturing sector is capable of delivering this. NDP is

SA's 2012 economic plan through which it seeks to meet its mentioned aspirations by 2030. IPAP mentions the importance of developing many financing instruments to address market failure, on multiple occasions (Department of Trade & Industry, 2016), in order to address the poor performance of non-traditional tradeable goods and services, and therefore the resulting non-performance in reducing poverty and unemployment (Department of Trade & Industry, 2007, 2016).

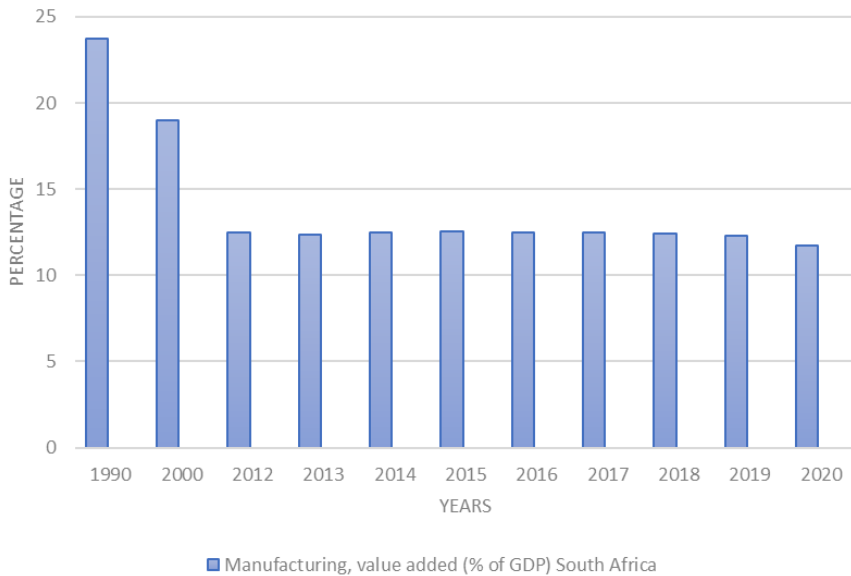


Figure 7-9: Manufacturing, value added (% of GDP)

Source: World Bank (2020)

Figure 7.10 shows South Africa's annual GDP growth rates, from 1990 to 2020. In 1990 the economy had a negative growth rate of -0.31 per cent, but it jumped to 4 per cent 10 years later, in 2000. It is generally understood that during the early 2000s, African economies, and especially those in southern Africa, benefitted immensely from Asian demand for primary commodities (Rodrik, 2016a; Sekwati, 2012), especially demand by China and India, as the region is endowed with abundant natural resources (Adebanwi, 2017; Page, 2018). The spike in growth rates in the early 2000s was followed by a decline in the growth rate, as demand for the natural resources reduced. This indicates the unsustainability nature of economies that rely on primary resources, which fluctuate along international demand and the price of these commodities (Sai-Wing Ho, 2012; Signe, 2015).

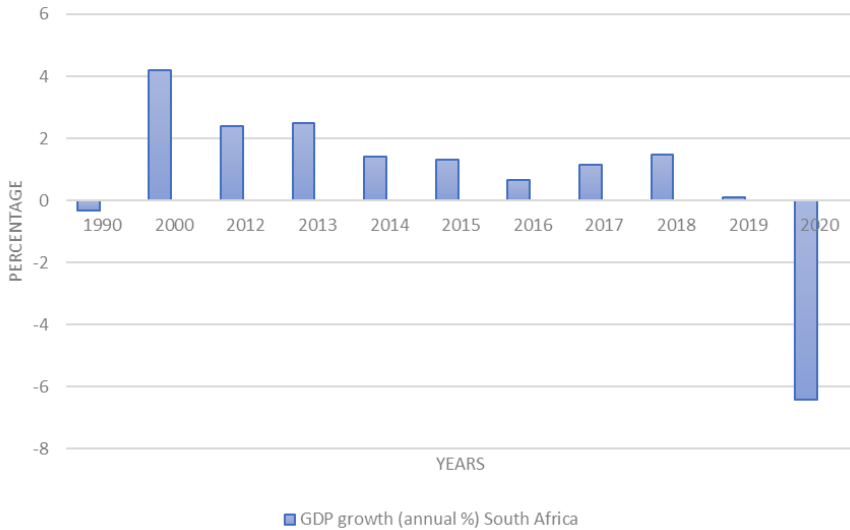


Figure 7-10: Annual GDP growth (%)

Source: World Bank (2020)

The NIPF articulated the significance of the manufacturing sector in promoting balanced and diversified development (Department of Trade and Industry, 2007), in the quest to eliminate what is referred to in the NDP as the triple challenge of poverty, unemployment and inequality (National Planning Commission, 2013). While the government understood the significant role played by the private sector in a country’s industrialisation process, in the post-2007 era, the South African government played a central role in the country’s industry (Gumede, 2015, p.70; Moyo, 2016). This is evident in the government integrating industrial development into the national planning agenda, and particularly with the development of the IDPF, championed by the Department of Trade and Industry (DTI) (Moyo, 2016).

While it is true that economies need to diversify in order to be sustainable, it is equally true that developing economies need to do so by building the manufacturing sector. This is because the series of developmental goals and objectives can only be met efficiently by building a stronger manufacturing sector. As an example, this sector’s ability to provide employment and so help eradicate poverty is unparalleled. Both the theoretical and empirical literature has emphasised this point - see Dadush (2015), Mijiyawa (2017) and Szirmai (2012). It is no wonder then that, in South Africa, while the service industry’s contribution to GDP has not dropped below 50 per cent since the early 1990s, the country

has had one of the highest unemployment and poverty rates among developing economies for years (National Treasury, 2018; World Bank, 2022). As shown in Figure 7.11, the services sector’s contribution to GDP has increased consistently since 1990, i.e. from 52.4 per cent to 64.57 per cent in 2020. However, this has not had a transformative impact on the country that the manufacturing sector would have if it were growing at a similar rate. Pillay (2010) argued that it is vital for any economy to examine its quality of growth before endorsing its growth, because not all economic growth is good: the cause of the growth should be assessed, as an economy with high annual growth rate could in fact be performing dismally.

Figure 7.12 shows the contrasting consistent decline in the industrial sector (which includes manufacturing, construction and mining (Mijiyawa, 2017)), between 1990 and 2020, i.e. from a little over 35 per cent in the 1990s to 23 per cent in 2020. A sizeable decline of 6 points is shown in the 1990–2000 decade, i.e. from 35.6 per cent to 28 per cent, and the steady decline has continued. While the country’s declining share of manufacturing in the late 1990s and early 2000s may have contributed significantly to the overall decline in the share of GDP, the same can be said about mining, especially from the mid-2000s. This was when commodity demand began to decline, which introduced shocks across South Africa’s economic sectors.

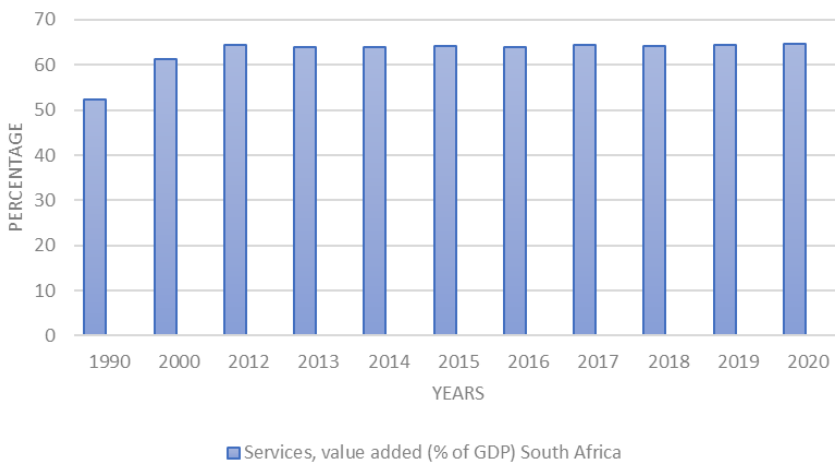


Figure 7-11: Services, value added (% of GDP)

Source: World Bank (2020)

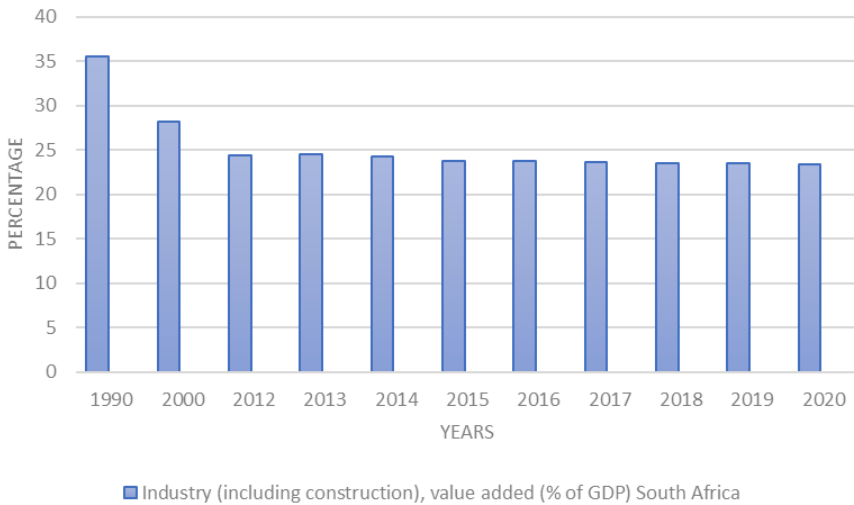


Figure 7-12: Industry (including construction), value added (% of GDP)
 Source: World Bank (2020)

What emerges from the data is that the global financial crisis of the mid to late 2000s accelerated the poor state of industrialisation of the South African economy: it was not the catalyst, as the decline in the industrial sector in general, and manufacturing in particular, can be traced back to the 1990s. Mohamed (2010) argued that the post-apartheid South African government’s attempt to restructure the country’s industry, which was based on the mineral and energy complex, further weakened the economy. The neo-liberal economic policies that were adopted in an attempt to attract foreign investment were of minimal impact at best. However, the nature of the economy was such that it required deep, serious reform; however, from the mid-1990s to the late 2000s, the South African government did not adopt any form of industrial policy to promote the urgently-needed reforms because neo-liberal policies advocate little or no state intervention in the economy (Mohamed, 2010; Pillay, 2010).

Conclusion

This chapter sought to analyse the industrialisation process of three SADC economies, namely Botswana, Mauritius, and South Africa. This was done by examining the economic indicators that measure industrialisation, including the MVA share of the GDP, the industrial sector’s share of GDP and the annual growth rates of these economies. These economies are cited in the development and industrialisation literature as the most

industrialised in SADC. However, a close look at these economies suggests that a lot of work still needs to be done before they become sustainable, as they have been built through unsustainable forms of growth, like unprocessed commodities. As much as the three SADC country case studies revealed significant growth since independence, they have not done well in terms of the region's developmental integration objectives. This is because the share of the manufacturing sector in their economies has been in decline, which signals de-industrialisation. Instead, their growth has been championed by the services sector for decades. While the services sector is vital in a country's diversification process, the manufacturing sector is more critical to driving industrialisation, creating jobs and eradicating poverty in developing regions.

Chapter Eight:

30 Years of the Developmental Integration Quest for Industrialisation in SADC

Introduction

2022 marks the thirtieth anniversary since developmental regional integration within SADC was institutionalised, with the regional leaders having recognised the significance of industrialisation as a precursor for socio-economic development. After such an extended period, it is essential to measure the impact of this approach, as it promised significant transformation when it was adopted in 1992. Thus, the progress, achievements and challenges must be examined in order to offer possible solutions. That is the intention with this chapter. The SADC region has not transformed its economies, not necessarily because the developmental integration initiatives have failed to deliver, but because of a lack of deliberate effort to operationalise them. The conclusion made is that there is still a long way to go if the significance of the manufacturing sector in the SADC economies is to improve, including enforcing the resource mobilisation mechanism and synchronising regional and national industrialisation plans and strategies. The chapter is structured into five sections. The following section looks at the transformation of the SADC economies, while section three focuses on the neo-liberal economic policies and the slow pace of industrialisation in the SADC region. The fourth deals with the obstacles to the region's industrialisation process, and the fifth section provides a conclusion.

Transformation of SADC Economies

The shift towards developmental integration in the SADC region was, and continues to be, motivated by the need to transform the region's economies, and promote socio-economic development. This need to transform the economies is because they are unsustainable in a volatile global economy, which makes it harder to realise socio-economic development. Poverty eradication is among SADC's main objectives, while the key requirements for this are job creation, sustainable livelihoods, food security and skills development (SADC, 1992, 2020a). These are all

associated with industrialisation and manufacturing economies. These objectives made industrialisation one of the region's main priority areas, at least on paper, because industrialisation was understood to be the primary driver of sustained economic growth all over the world (Helmut, 2017; Szirmai, 2012; UNECA, 2020a), and SADC was not an exception.

As correctly noted by Chandra (1992, p.97), the history of industrialisation is like no other development and structural diversification path, as it has been endorsed and adopted by innumerable developing economies in pursuit of various objectives. The point is made because, following the second world war, developing countries have constantly pursued industrialisation to overcome the challenges of poverty and under-development (Ndayi, 2011). It was believed that this would help free developing countries from their dependence on colonial economies that primarily imported their raw materials and then exported manufactured goods to the developing countries (Karunaratne, 1980). This meant that their economies were characterised by a dwindling share of the MVA and a skyrocketing share of mining and other primary industries. For instance, in 2016, the manufacturing industry's share of GDP was smaller than it was in 1981 in several SADC regional economies, i.e. about 10 per cent of GDP (Helmut, 2017).

One of the main reasons for the unsuccessful attempts at industrialisation is that most countries on the continent started from a remarkably superficial level in terms of the industrial base, which hampered their ability to roll out the process effectively (Lowitt, 2017). The 2018 African Economic Outlook also argued that attaining structural transformation and economic independence depends on how seriously the industrialisation process is taken in the SADC region, and indeed on the continent in general (African Development Bank, 2018). This is because the economic systems that most continental economies preside over are unsustainable; thus, massive disruption is required to engender new forms of growth and development that can sustain these economies, and so lifting their citizens out of poverty. For this reason, SADC member states placed industrialisation at the core of the region's developmental integration approach in recognition of this reality.

While the need to eliminate socio-economic challenges like poverty and unemployment continue to be the primary driver of the SADC integration strategy, the need to dismantle and disrupt the colonial economy strategy, which made the region a producer of primary commodities, was also uppermost on the agenda. Thus, as a transformative process that shapes a country's economic structure and impacts the social and institutional fabric by eradicating poverty,

infrastructure upgrading and general economic development (UNIDO, 2020d), industrialisation was considered the means through which this was to be achieved in the region. The objective was to use industrialisation to grow these developing countries to economic prosperity and self-sustained growth (Haraguchi et al., 2017), which they had been deprived of for centuries. Most of the developing countries had been colonised and had been denied any form of development by the colonial masters, particularly industrialisation. They could achieve this because the colonial powers previously controlled the developing countries, and institutionalised the deliberate effort to ensure only a superficial level of manufacturing level in the colonies. Karunaratne (1980) argued that the colonisers could not let the colonies develop industries, as they had to produce primary products to feed the European industrial and manufacturing machinery. In turn, the colonialists manufactured and then exported the final products to the developing countries, which were the source of the input products (Alpha Diallo, 2016). African leaders identified this international division of labour as problematic at independence, and agreed on a concerted effort to change this, as it did not adequately benefit the continental economies, despite the abundance of resources.

Even though industrialisation was identified as the necessary precursor to economic transformation on the African continent shortly after independence (Evans, 2010; Monyae & Nganje, 2019), it has recently become the priority in the SADC region, as the region pursues its goals of sustainable economic growth and development. As explained in Chapter 4, the initial agenda of SADCC was, to a large extent, a political agenda against apartheid South Africa, as it sought to deploy its political, economic and military might to destabilise southern African countries that harboured members of South Africa's liberation forces. After its transformation in 1992, with South Africa being part of the regional organisation, SADC's regional industrial development efforts have been clear about the need for the state to drive industrialisation initiatives, which is the essence of developmental integration. However, the challenge is always implementation of the declared initiatives by member states. At the national level of the regional economies, actualisation of these initiatives will entail deliberate, orchestrated measures by governments, together with the private sector, to induce the industrialisation process (Mureverwi, 2016; SADC, 1992, 2015, 2018). While the starting point is at the national level, member states should ensure that they do not deviate from the regional agenda to the extent that the national agenda is incompatible with that of the region, as

implementing the comprehensive initiatives is vital in transforming the structural composition of the regional economies.

Since the 1990s, the services sector has outperformed the manufacturing industry in the SADC region, with an average 50 per cent contribution to the region's GDP. And it continues to grow. For example, the 1990–94 period saw the services sector contributing 50.39 per cent compared to the manufacturing industry's 32.1 per cent. Between 2010 and 2014, the services sector contributed an average of 51.1 per cent, while manufacturing contributed about 34 per cent (World Bank, 2020). In 2015, the services sector contributed up to 54 per cent to GDP, while manufacturing contributed 30 per cent (AfDB, 2019). This helps to explain why the process of industrialisation in the region has been stagnant, and it needs to change urgently.

Historically, the linear development process is to develop from an agricultural background to the manufacturing phase, followed by the services sector (Haraguchi et al., 2017). However, the SADC region has not followed this process, as it skipped the industrial phase, particularly manufacturing, and proceeded to the services sector phase. However, some authors argue that this is harmful, as it misses the most critical stages of development, including technological advancement, policy experimentation and learning (Beegle et al., 2016; Haraguchi et al., 2017; Langa & Nkhonjera, 2018). While the services sector undeniably has a pivotal role in the region's manufacturing industry and agricultural development (UNCTAD, 2016), enhancing the manufacturing sector's capacity is more important, mainly because it is the only sector capable of absorbing large numbers of the surplus labour (skilled and unskilled) in the region (Africa Growth Initiative, 2016).

The evidence demonstrates the disparities between the services and manufacturing sectors. For example, Figures 8.1 and 8.2 show the annual growth rates of MVA and of the services sector as a percentage of GDP from 1990 to 2020 for South Africa, Botswana and Mauritius. Inconsistencies have characterised these countries' growth rates since the early 90s. In 1990, South Africa's MVA growth rate was at a dismal -2.2 per cent, but it grew by 8 per cent in 2000. Botswana's MVA grew by 3.3 per cent in 1990, but it experienced negative growth of -1.07 per cent in 200, which is not a good performance over 10 years. However, in the 2001 to 2011 decade, Botswana improved to 11.3 per cent. However, this was not sufficient improvement in the grand scheme of things. Furthermore, it then declined from 6.5 per cent in 2013 to 2.8 per cent in 2019, and then a dismal -14 per cent in 2020. While COVID-19 was, to a certain extent, responsible for these poor growth rates in the three

economies in 2020, it does not account for all the other years of poor performance. In fact, COVID-19 just exacerbated the declining rates already experienced by these countries over decades.

As Figure 8.1 shows, Mauritius also had ups and downs during the period. There was some consistency from 1990 to 2000 decade, with 7.7 per cent growth and 7.5 per cent, respectively, but there was a sharp decline to 2.06 per cent in 2012. The 4.7 per cent achieved in 2013 was the highest in the last 10 years, as it then dropped from 1.7 per cent in 2014 to 0.6 per cent in 2019, then -17.8 per cent in 2020.

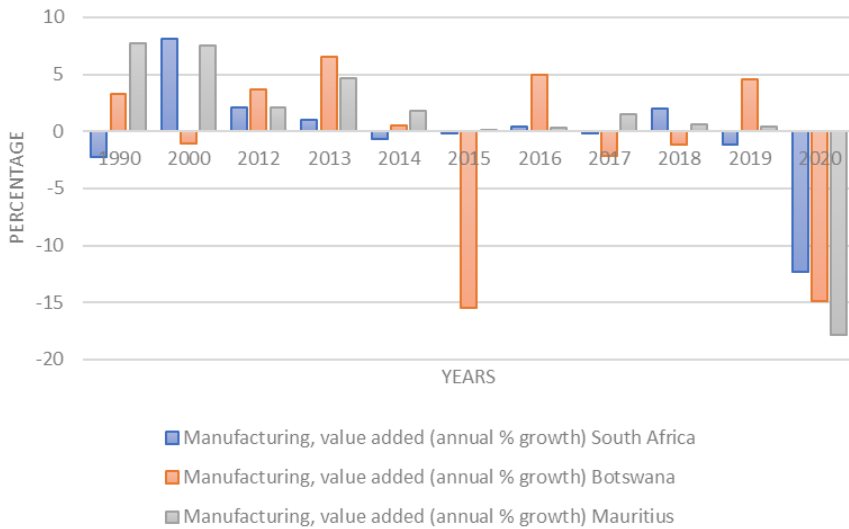


Figure 8-1: Manufacturing, value added (% annual growth) - South Africa, Botswana & Mauritius

Source: World Bank, 2020

Figure 8.2 shows a big difference in the annual growth rates of MVA and the services sector of these three SADC member states. South Africa’s services sector was improving slowly after 1990, growing from 0.6 per cent to 4.5 per cent in 2000. However, there was then a decline, i.e. from 2.8 per cent in 2012 to -4.3 per cent in 2020. Botswana’s service sector saw an 8.5 per cent growth in 1990; however, it experienced negative growth of -1.2 per cent in 2000. This increased to 8.8 per cent in 2011 and 10.5 per cent in 2013 but declined to 0.7 per cent in 2020. In Mauritius, the service sector grew consistently between 1990 and 2000 decade, with 6 per cent growth in 1990 to 9 per cent growth in 2000. However, it then declined from 5.3 per cent in 2011 to 4.4 per cent in 2013, 3.3 per cent in 2019 and a dismal -14 per cent in 2020 (World Bank, 2020). There have

also been inconsistencies in the growth of the services sector, however, not as bad as that of the manufacturing sector. This further indicates that the services sector is more consistent and sustainable than the manufacturing sector in these economies.

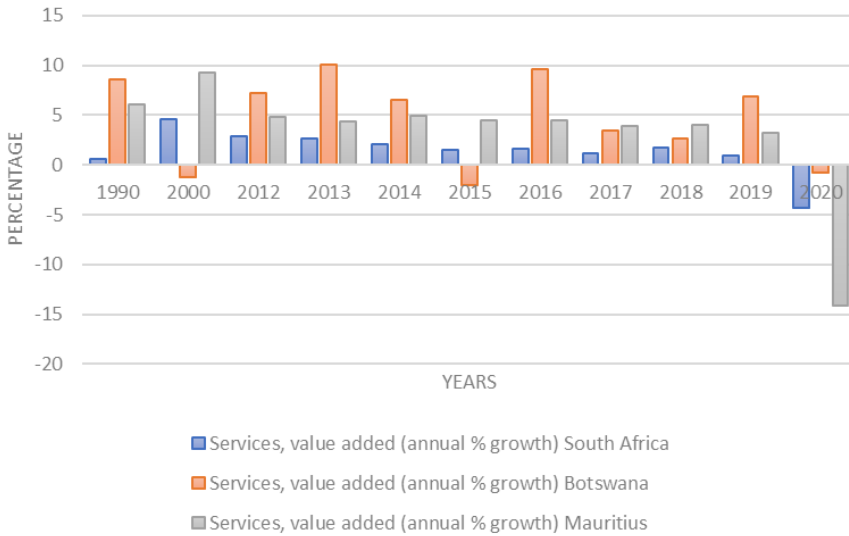


Figure 8-2: Services (% annual growth) - South Africa, Botswana & Mauritius

Source: World Bank, 2020

The aggregated sectoral composition of GDP for all SADC economies shows the massive leap to the services sector between 2000 to 2020. As shown in Figure 8.3, the decline in the agricultural sector in the region has not been matched by growth in the industrial sector, especially manufacturing. Instead, the growth has been in the services sector. The services sector does not even seem to be contested by other sectors of the economy, it dominates the GDPs. In comparison, the manufacturing sector does not seem to be a factor (African Development Bank, 2020). In fact, while the manufacturing sector has declined over the past two decades, the mining and quarrying industry has been on the rise, having risen from 8 per cent in 2000 to 12 per cent in 2020. Manufacturing declined from 12 per cent in 2000 to 8 per cent in 2020.

This is the basis for the services sector argument by several scholars who believe that the manufacturing sector is no longer the driver of economic growth and sustainable development. They argue that this role has been moving towards services for several decades and

that the services sector is increasingly promoting economic development and reducing poverty (Andreoni & Gregory, 2013; Fforde, 2018; Su & Yao, 2017; Tandrayen-Ragoobur, 2010). However, a main point that can be deduced from the region’s sectoral composition of GDP is that the structure of the economies has not transformed – in fact, it has stayed the same for decades. The most significant sectors of the economy, like manufacturing, have to become substantial in these economies, in order to inspire sustainable industrialisation and development.

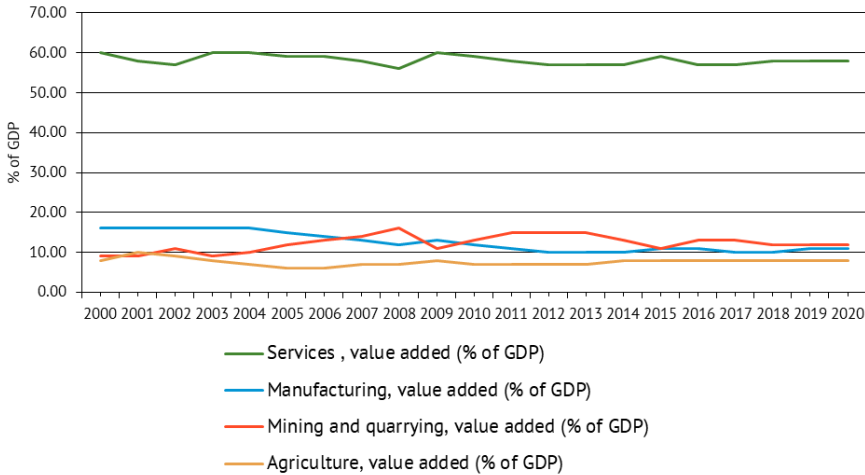


Figure 8-3: SADC’s aggregated sectoral composition of GDP (%)

Source: AfDB (2020)

Sustainable industrialisation is about building a more substantial industrial base, principally by expanding the manufacturing sector, as suggested by the empirical evidence from the early and late industrialisers (Chang, 2002; Mazzucato, 2015). The SADC region’s logic for adopting the developmental integration approach to regional industrialisation relates to regional fragmentation, with small markets and limited scope for economies of scale in the member states (Gofhamodimo, 2018; Hartzenberg & Kalenga, 2015). Moreover, the SADC industrialisation strategy underscores the difficulties of designing a feasible plan due to the variances economic structure, endowments and size (SADC, 2015).

This is worth mentioning because Botswana, Mauritius and South Africa have endorsed all of the region’s industrialisation initiatives, from the IUMP to the industrialisation-strategy, but there doesn’t seem to be synchronization of these regional plans with the national development plans. In examining these countries’ national development

and industrialisation initiatives, it is evident that regional initiatives are not prioritised. For instance, SADC's IUMP was adopted in 2009 for implementation at the national level by member states. The countries were all urged to create national IUMPs and select a combination of their priority sectors based on national priorities, endowments and funding (SADC, 2018). More than 10 years later, these three leading regional economies are among the member states that are yet to implement this initiative (Mkwizu, 2021).

Some authors argue that regional policies have gained some traction in instances when they align with the objectives of national leadership (Peters-Berries, 2010; Nzau, 2010). Thus, if national governments see no incentive to implement an initiative, there is not much that the region can do to push members to act (Byiers et al., 2018). As noted by Hartzenberg and Kalenga (2015), the varying national priorities, and degree of development and industrialisation in SADC means that harmonising industrialisation policies is a challenge. In this case, determining the impact of these initiatives on the level of industrialisation of member states becomes difficult.

Neo-liberal Economic Policies and the Slow Pace of Industrialisation in SADC

It is widely noted in the literature that SADC countries experienced relatively high GDP growth rates at the beginning of the 21st century (Dadush, 2015; Habiyaemye, 2020). This was correctly attributed to the commodity boom periods between 2002–2007 and 2009–2013, and the growth subsided when the external demand and price shocks kicked in (Ciarli & Di Maio, 2015; Moyo, 2020b; UNECA & AUC, 2011). As a result, the SADC economies are still among the less industrialised countries (Zondi, 2020a). The neo-structuralist theorists would explain this from the post-colonial moment perspective, arguing that all SADC member states had been colonised in the past, and that the colonial powers shaped forms of development and growth trajectories that did not support sustainable growth (Ndayi, 2011; Oman & Wignaraja, 1991).

Structural transformation of these systems has been the top priority, not just for SADC economies, but also for the African continent in general, as noted in both the Lagos Plan of Action and the Abuja Treaty. The unequal power relations between the advanced core countries and the least-industrialised countries of the periphery during the colonial years led to the international division of labour that, to this day, sees economies such as those in SADC dominated by primary commodity production and export (Ovadia & Wolf, 2018; Page, 2018; UNIDO, 2020d). Various scholars

have criticised this pattern and trajectory of growth because it cannot deliver the development objectives that these developing countries set themselves (Martins, 2019; Moyo, 2020b; Rekiso, 2017).

However, in the post-independence era, the continued lack of industrialisation in the SADC region has also been attributed to the widening gap between adopting regional industrialisation initiatives and implementing them. As noted in the previous chapter, the main initiatives devised for industrial development in the region hardly got off the ground, despite the consensus on the importance of industrialisation to sustainable economic growth and development (Monyae & Nganje, 2019). Even Botswana, Mauritius and South Africa are among the member states dragging their heels and not accelerating the regional development agenda, despite having relatively stronger economies.

Various scholars have tried to make sense of the performance of Sub-Saharan economies in general, and SADC in particular, regardless of the regional integration initiatives that have been adopted since independence. It is consistently noted that most developing countries in the region produced similar products at the early stages of manufacturing and could not trade with each other effectively (Hakemy, 2017; Odijie, 2019). Moreover, developed countries imposed higher tariffs on manufactured products from developing economies, consequently restricting market access (Odijie, 2019). However, developing countries resolved to promote regional economic integration and pool their markets in the quest for economies of scale and other benefits that come with access to bigger markets. While member states that participate in these integration schemes saw the benefit of collective effort, they could not agree on equitable sharing of the potential benefits. The partnering countries were at varying levels of industrialisation, and each was too focused on the national development agenda, which meant that prioritising the regional agenda was a challenge (Odijie, 2019; Su & Yao, 2017; Yongo-Bure, 2015) - even though it would have helped realise several national development objectives.

Within SADC, growth has been primarily championed by mining and other natural resources-related activities, with little or no structural transformation to enhance the manufacturing sector. For instance, as demonstrated in the previous chapter, manufacturing value-added as a share of GDP has not only been too little but also declined drastically during the past few decades, i.e. from 19 per cent in 1990 to 11 per cent in 2020. This is true, especially for Botswana, whose economy has relied predominantly on diamonds since their discovery in the 1960s (Common Wealth Network, 2019; Sekwati, 2011). In fact,

this commodity dependency was noted by the AfDB as constraining Botswana's development aspirations as it has not inspired diversification (AfDB, 2019).

This is despite Botswana being referred to as an exemplar of success and prosperity in Sub-Saharan Africa. This frequently cited success of Botswana should be understood as one of pre-modern growth, argued Hillbom (2008), as it is not accompanied by structural transformation and development. Even though the country has seen the so-called 'miraculous' growth over the past decades since its independence, it still lacks sustainable industrialisation (Khanie, 2020; Moyo, 2017). This is because it is yet to experience the modern form of growth, characterised by structural change in production patterns (Andreoni & Chang, 2019; Hillbom, 2012; Rodrik, 2016a).

What is demonstrated by evidence in the SADC region, especially the cases of Botswana, Mauritius and South Africa, is that after 30 years of the formal institutionalisation of the regional efforts to industrialise the SADC region and inspire sustainable economic growth and development, this has not quite been achieved. Various scholars have weighed in on the region's developmental integration agenda, most notably Lowitt (2017), Monyae & Nganje (2019) and Zondi (2020). They concur that following the global ascendancy of the neo-liberal political and economic order, the region uncritically embraced its policy prescriptions. This then saw a premature prioritisation of trade and economic liberalisation by SADC member states.

This was at the expense of the developmental integration agenda to which the region had subscribed and had industrialisation and economic diversification as vehicles for sustainable growth and poverty eradication. This is true in many respects, but most notably, the prioritisation of trade and economic liberalisation in the RISDP (2003) on its adoption in the early 2000s, while industrialisation was given the back seat. Zondi (2020) correctly argued that in the SADC region, not enough was done to demonstrate that it was well understood what the notion of developmental integration meant and that the member states fully embraced it.

He argues this because member states resumed functioning as usual, with no attempts to initiate measures that would increase the efficiency levels of the production systems and catalyse economic development (Zondi, 2020a). He further indicates that the region's developmental integration had several preconceptions regarding its realisation conditions. First, it assumed that the region's member states had a developmental agenda to carry out the objectives. It further

assumed that member states were already organised and positioned to propel their economic development through effective policy interventions to incentivise industry (Zondi, 2020a), which was not the case, as it turned out. However, the adoption of the industrialisation strategy in 2015 and the revised version of RISDP, 2020–2030 in 2020 suggests that there is a reprioritisation of the region's developmental agenda, with the industrialisation of the region's economies as the number one priority and not their liberalisation.

Indeed, the mid-term review of the RISDP back in 2014 did indicate that the region had fallen very short of its ambitious objectives (SADC, 2014). The region seems to have realised that there was a dissuasion from the initial aims and objectives. Its revision (RISDP) and the subsequent adoption of the regional industrialisation strategy demonstrated that there is no alternative to industrialisation if there is to be sustained growth and development. The mentioned growth that the southern African economies have experienced, especially in the early 2000s, was inspired by the commodity markets. However, the changing global economic environment indicates that economies cannot be sustained that way (Haraguchi et al., 2017; Opoku & Yan, 2019; Signe, 2015).

The commodity-dependent countries in the SADC region, including Botswana and South Africa, have been viewed from the stability and growth perspective, not from structural change and development (Monyae & Nganje, 2019). As a result, the growth story of the African continent in general, southern Africa in particular, misses structural change, notes Page (2011), arguing that the rapid growth between 1995 and 2005 that is widely cited in the literature, lacks evidence of having been accompanied by significant changes in structural variables. The significance of industrialisation has been noted by the United Nations, as it has been added to the Sustainable Development Goals (SDGs). SDG 9 refers to industry, innovations and infrastructure, noting that it is essential to build a resilient infrastructure capable of promoting sustainable development and industrialisation (UN, 2020).

Building a resilient infrastructure is crucial because the realisation of SDG 9 depends on the expansion of the manufacturing sector's productive capacity and effective linkages across the economic sectors, which cannot happen with a debilitating infrastructure (UNIDO, 2018b). Thus, the member states under developmental integration in the SADC region have a crucial role in this industrialisation process; there must be action. The region needs the opposite of most of what it experienced over the past three decades. For example, some of the region's member states looked up to the South East Asian state model without taking

action to strengthen the ability of the state to take charge of economic development (Zondi, 2020a).

The precursor to the region's poverty eradication and employment opportunities creation will be the fundamental changes to the region's economic structures through industrialisation. Where the region's patterns of economic production and exchange that predominantly rely on the extractive and agricultural sectors will have to yield to a more diversified economic development model that transfers the factors of production from low to higher productivity (Beegle et al., 2016; Haraguchi et al., 2017; Tandrayen-Ragoobur, 2010; UNECA, 2016). Indeed, in principle, the SADC region's developmental integration approach is mainly interested in the sustained and comprehensive efforts that seek to achieve significant improvement in the region's state of development and ensure the well-being of the people. It recognises that growth is insufficient if it is not accompanied by improving the people's standard of living; this is further reiterated by the region's industrialisation strategy (SADC, 2015).

However, SADC economies, suggest evidence, still have a long way to go in their economies' diversification and industrialisation processes. The East Asian growth trajectory indicates that the government is vital in facilitating economic structural transformation (Dent, 2008; Dent & Richter, 2011; UNCTAD, 2013). This experience further demonstrates that the government must closely monitor industrial policy implementation (Bathla et al., 2019). This was confirmed when the ADB funded the regional industrialisation projects (Dent & Richter, 2011; UNCTAD, 2013).

The form and shape of the industrial policy depend on the intended objectives, what institutional capacity the implementing region has and the context in which these initiatives are implemented (Dent, 2013). That is to say, the formidable challenge of economic diversification requires concerted effort and the agency of the state (Langa & Nkhonjera, 2018). The sectoral composition of the SADC's GDP, demonstrated by evidence, suggests the need for economic diversification, which will see the regional structural composition of the economy shift towards manufacturing (AfDB, 2019).

As indicated earlier, one of the grave mistakes committed by the SADC economies was to focus on eliminating trade barriers and spending less time developing productive capacities, especially in the manufacturing and agro-related industries. Much as removing barriers to free trade is essential, it should be balanced with fostering entrepreneurship to address the supply-side constraints, which becomes a predicament for the private sector's production efficiency (Evans, 2010;

Lowitt, 2017; UNCTAD, 2013). A strong and dynamic private sector is essential to inspire sustainable longer-term growth in the SADC region. Though this has been recognised, the region's private sector remains limited by numerous obstacles, including financial, high cost of doing business and infrastructure bottlenecks (Beegle et al., 2016; Kormawa & Jerome, 2015).

This was recognised by Tsie (1996) when he argued that the neo-liberal market integration approach to industrialisation, which encourages developing countries to specialise in commodities in which they have a comparative advantage, would be of no greater usefulness within the SADC region. In concurring with the neo-structuralists' ideas, he noted that this framework offers no industrialisation path for the SADC region, primarily because the region's production structures are not complementary (Tsie, 1996b). This would expose most of the region's countries to remain the producers and exporters of primary products, necessitating careful state intervention to initiate policies that better position the regional economies (Matambalya, 2015a; Ricks, 2016; Tsie, 1996b).

Thus, what is required in the region is the redesign of the state to have a developmental vision to forge close relationships with the private sector and other market forces to promote developmental integration agenda. That is to say; the state should play a leading role in developing and strengthening the private sector because, without a formidable private sector, industrial development and sustainable growth can barely be attained (Mazzucato, 2015, 2016; Tsie, 1996a).

Obstacles to Industrialisation in SADC

As noted in Chapter 4, there are several ambitious initiatives that the SADC region has adopted to fast-track the industrialisation process. These are the Industrialisation Upgrading and Modernisation Programme, IDPF and the Industrialisation Strategy. A strong commitment to implementing these strategies by the member states, complemented by the ground-breaking public-private sector collaboration (which has been widely and correctly praised by the commentators), would give room for optimism regarding the region's eventual industrialisation. These have been admired by various commentators, development organisations and scholars.

However, they maintain that a plan on paper, no matter how good, does not solve any challenge until implemented (McCarthy, 2014; SARDC, 2015; Zondi, 2020). This is mainly because a development or industrialisation plan is nothing more than a statement of intent, until

implemented, turning into infrastructure and other goods and services; if not, then the industrialisation agenda is stalled (Botlhale, 2017). Now, this would mean that the unemployment and poverty rates stay up, given the fact that their eradication is associated with industrialisation. Not only that, if the member states continue to not prioritise industrialisation by investing in skills and infrastructure development, they will not realise the objective of deeper regional integration because it requires industrialisation and accelerating value addition by the local industries (Vickers & Motsamai, 2011a).

Thus, these initiatives have been widely argued by a considerable number of scholars to have failed to enforce the industrialisation and development agenda for which they were instituted within the SADC region (Minstat et al., 2021; Moyo, 2020a; Nizeimana & Nhema, 2016; Vanheukelom & Bertelsmann-Scot, 2016; Zondi, 2020a). Since the early 1990s, the MVA share as the percentage of GDP in the region has been declining steeply. The data suggests that most SADC member states were better off in the early 1990s regarding MVA's contribution to GDP than in the 2010s. There has not been much improvement as a result of the acceleration of these initiatives, as the significance of the manufacturing industry in the region's economy has been in decline since the 1980s (Gehl Sampath, 2014; Ricks, 2016; Szirmai & Verspagen, 2015; UNIDO, 2020d).

Over and above, innumerable challenges have been obstacles to the SADC's progress towards industrialisation, which also undermines its capacity to realise this crucial objective. These challenges left the region's economies highly dependent on primary production, including dependence on exporting primary commodities, resulting from failure to diversify. Moyo (2017) noted that productivity in the SADC region's manufacturing is far lower than in the developed countries. This challenge can be associated with the region's similar trading structures and debilitating cross-border infrastructure (Vickers & Motsamai, 2011a). Over the years, the region's dependence on primary production has not helped with industrialisation and sustainable economic growth and development. In fact, it has exposed them to external demand shocks, which have often crashed the economies of most resource revenue-dependent countries (Moyo, 2017). It was noted by Imbs and Wacziarg (2003) that African countries have economies that specialise in a remarkably narrow range of production activities, while countries that have diversified production have higher incomes per capita.

While some authors have viewed several industrialisation initiatives as a positive sign, demonstrating the level of commitment to this process, Matambalya (2015) blames the proliferation of these initiatives, arguing

that they tend to overlap without any precise mechanism to relate them to each other. Thus, this would further mean there is no clear focus of efforts and resources to promote industrialisation within the region. This is an accurate diagnosis judging from the poor implementation record of the region's development programmes. However, it is not just the variety and proliferation of these initiatives to which their lack of discernible impacts could be attributed. Another issue to which the author attributes the failure of industrialisation attempts in the SADC region is the general nature of these schemes, noting that while the challenges facing regional economies are similar in general, in detail, they tend to differ from one country to another. This is the phenomenon that the generic nature of regional industrial initiatives fails to capture (Matambalya, 2015b).

The absence of an implementation and follow-up mechanism is another detrimental shortcoming to the SADC region's industrialisation process. The lack of management instruments often leads to the initiatives' haphazard implementation, as many were forgotten shortly after being adopted (Matambalya, 2015b; Moyo, 2016, 2020b). This is because there is a gaping hole between resolutions reached and implementation at the national level in the quest for industrialisation. As a result, the record of the implementation of regional industrialisation initiatives is far from satisfactory. Also, apart from the lack of implementation mechanisms, the adoption of unrealistic timeframes to reach specific targets, as well as the absence of institutional architecture charged with monitoring the implementation of these programmes, is equally responsible for failures (Byiers et al., 2018; Matambalya, 2015a; Monyae & Nganje, 2019).

The failure to mobilise and deploy financial and non-financial resources to implement programmes has also hampered the success of these initiatives. Thus, the proliferation of schemes also means that the few available resources are spread across, becoming ineffective (Mkwizu et al., 2019). Furthermore, it has been argued that low-income and pervasive poverty rates demonstrate the weak production structures of the regional economies, many of which have poorly developed infrastructure, weak institutions and political instability (Hailu, 2014; Moyo, 2020a; UNCTAD, 2020). Provided that several economies in the SADC region heavily rely on agricultural products as the main economic activity and a source of income, disturbances that characterise political instability and conflict impede efficient agricultural production. Consequently, political instability and war destroy the physical and human resources and cause disorders that inflate the cost of doing business (Bathla et al., 2019; Minstat et al., 2021).

Furthermore, the creation of a competitive industrial sector has been hindered by poor infrastructure, including but not limited to transport and communication. This results in higher production and transaction costs (Bathla et al., 2019; Minstat et al., 2021). Therefore, investing in infrastructure would provide an efficient and enabling environment for industrialisation within the region. In addition, SADC member states need to use their natural resources to develop and strengthen capacity in industrial development (UNIDO, 2020d). Therefore, infrastructure development must be prioritised at national and regional levels to fight these obstacles to the regional industrialisation process.

As crucial as regional integration for industrialisation and development in SADC, there are challenges associated with 'reluctant hegemonies' of South Africa's calibre. This was experienced during an attempt to liberalise intra-regional trade within SADC in the late 1990s and early 2000s. Adverse socio-economic impacts associated with this include unfair competition from the large and well experienced industries that produce efficiently from the country (Moyo, 2020a; Vickers & Motsamai, 2011a). This is especially the case as the country accounts for over 45 per cent of the region's trade and 55 per cent of its GDP as of 2021 (ITC, 2021). This, coupled with a lack of structural and economic diversification in several SADC member states, keeps them in a perpetual state of under-development. However, it could be circumvented, with South Africa deploying its economic capabilities to advance regional industrialisation. This would include championing the issue of the harmonisation of industrial and trade policies in the region and ensuring that they have a direct link to objectives like sustainable economic growth, employment creation and poverty eradication (Mangu, 2020).

Efforts at addressing this will equally help with the even distribution of investments across the sectors in the region, given the fact that, as it stands, South African investments are lopsided, more in the food sector. This creates problems for the local producers and their capacity to do so, which stifles the manufacturing industry of the host country (Mangu, 2020; Vickers & Motsamai, 2011; Zondi, 2020). It would help prioritise the region's long-term stability and the realisation of developmental integration objectives, and not an individual country's capital accumulation at the expense of the whole region (Amos, 2010; Mangu, 2020). South Africa's economic and political mightiness in the SADC region means that it is central to the region's integration agenda, and its full support is necessary for its achievement.

Conclusion

In conclusion, several initiatives have been adopted in the SADC to propel the industrialisation process and enhance the living standard of the region's people. These are the objectives of all the SADC's regional economies. However, adopting an initiative is one thing; implementation is quite another. Development models employed by Botswana, Mauritius and South Africa align with the region's developmental integration directives; they seek to develop their national industrial development and ensure diversification. However, it would be illogical to attribute their so-called growth successes to the region's developmental integration, given that by the late 1980s, they were already said to be fast-growing economies. However, while the SADC's developmental integration seeks to increase the significance of manufacturing to the region's economy in the quest to inspire long-term sustainable growth, evidence from the mentioned member states suggests the opposite has been the truth. There has been deindustrialisation within the region, shown by a constant decline in the significance of the manufacturing sector in the economy, while the developmental approach seeks the direct opposite.

The manufacturing sector is not only insignificant in the region's economies, but it is gradually declining, as can be seen in all three cases of Botswana, Mauritius and South Africa. It is also important to note that these countries are understood to be the most successful in the region with their 'tremendous growth'. Of the three, Mauritius is the most diversified (into the services sector) as it is no longer as reliant on its primary commodity of sugar. At the same time, Botswana and South Africa are still heavily dependent on mining; their economies are not as diversified as desired. Saying Mauritius is diversified is not to say it has achieved the highest level of industrialisation but rather to say it is in a much better position in comparison. There is still so much work to be done; these countries cannot be de-industrialising while people's lives have not yet been transformed. As indicated earlier, growth without development is of no effect within the context of developmental integration. Thus, economic independence and transformation in the SADC region cannot be attained unless industrialisation is taken seriously.

Chapter Nine: Conclusion

Re-engineering the State to Take Action in SADC

Introduction

Since the dawn of independence, the African continent has advocated for regional integration as the strategy to pursue industrialisation. As explained throughout the book, the rationale behind adopting this strategy was: first, to boost the continent's self-sufficiency; second, to provide access to broader markets to the continent's smaller economies that did not have big enough demand base. African economies felt an urgent need to diversify their colonial commodity-based economies, not only because it disadvantaged them in terms of the international division of labour, with the terms of trade declining consistently, but also because it promoted unsustainable economic growth, which derailed the continent's aim of self-sufficiency. The continental economies understood that their unprocessed commodities could not support sustainable growth and development, as this could only be achieved through industrialisation.

By the early 1980s, when the OAU member states adopted the LPA-FAL, it had already been established, from various case studies across the world, that industrialisation was the necessary precursor to sustainable growth and development, and it was already nearly impossible to sustain an economy that relied on primary production for growth and development. For instance, while African economies experienced some economic growth and development shortly after independence, they soon came crashing down as the commodity prices boom that inspired it evaporated and the price shock kicked in the 1970s (Lall & Wangwe, 1998). This experience motivated this undertaking as the continental economies shared similar development challenges based on their lack of industrialisation. These initiatives advocated for the continent's self-sufficiency and sustenance, and looked for assistance both within the region, and from international financial institutions.

Thus, the book sought to examine the impact of developmental integration on the regional industrialisation process in the SADC.

Developmental integration is the approach to regional integration that was adopted by SADC, upon its transformation in 1992, to deal with the developmental challenges of the region. The objective of the book was to determine whether or not this initiative has contributed to an increase in the significance of the manufacturing sector (as a measure of industrialisation) in the SADC region, which is one of the continent's RECs, through which it seeks gradual integration so as to eventually establish the African Economic Community. Furthermore, the objective was to understand what accounts for the developmental integration strategy failing to accelerate the industrialisation process in the SADC region. The industrialisation economic indicators of SADC member states for the period 1992 to 2020 were analysed to track the industrialisation process. A sample of three country case studies was then done - Botswana, Mauritius and South Africa - to examine the progress made with industrialisation among the SADC member states. These three economies have consistently been the fastest growing and diversifying in the region.

The book was guided by the following additional objectives, according to which the summary of findings is discussed:

- To examine the effect of developmental integration on the manufacturing industry in the SADC region.
- To investigate the impact of developmental integration on the industrialisation process in SADC.
- To determine if regional strategies result in an increase in the significance of the manufacturing sector in terms of the economic output of the SADC region.
- If so, to understand the reason for developmental integration failing to accelerate the industrialisation process in the SADC region.

Key Findings

An investigation was done on the impact of developmental integration on the industrialisation process of SADC by assessing the economic indicators of member states, and studying a sample of three member states, namely Botswana, Mauritius and South Africa. The purpose of homing in on these member states was to examine and understand the nature of their industrialisation processes, as they are the most industrialised and fastest growing in the region.

As indicated in Chapter 1, in the context of this study, the notion of developmental integration refers to a developmental-based integration agenda that seeks to maximise regional integration benefits

for participating economies. Importantly, this includes establishing channels to ensure that all member states benefit, with none being worse off as a result. This notion is often associated with countries in the early stages of development, which is characteristic of the SADC region. Thus, the agenda sanctions more intervention by the respective governments in their economies by introducing measures that could propel the industrialisation process. This led to the adoption of various initiatives that were designed to fast-track the process in the region, including the industrial upgrading and modernisation programme, the IDPF and the industrialisation strategy. This conclusion section summarises the key findings of this investigation.

a. Developmental integration and the industrialisation process in the SADC region

As demonstrated throughout the book, the idea of integration for continental industrialisation in Africa is not new; however, it has not delivered favourable results, including during the academic and policymaking battle regarding formulating and deploying industrial policies from the 1980s to the early 2000s (Nzau, 2010). At the centre of integration between the SADC economies is the goal of industrialisation and development. The SADC economies have a limited production capacity, thus, developmental integration was the approach adopted to help build state capacity through a policy of indigenisation of investments. However, as argued in Chapter 8, there has been no coherence or coordination between national industrial policies, regional industrialisation and developmental integration objectives, which impedes the industrialisation process.

These persistent disparities point to the fact that member states are pulling in different directions. Growth continues to be dominated by mining and other primary resource-related activities, with little or no structural transformation away from these primary activities into the manufacturing sector. For instance, Botswana's economy has continued to rely predominantly on diamonds, but the country has been termed an exemplar of success and prosperity, not just in SADC alone, but on the African continent in general. However, this needs to be given proper context, i.e. as growth without industrialisation, because it has not been accompanied by structural transformation away from primary production. Indeed, growth should be characterised by structural change in growth patterns in order to be considered sustainable. Furthermore, Mauritius is diversifying towards the service sector as a sector to drive industrialisation, rather than towards manufacturing. While it is admirable that there is a movement away from an agriculture-dominated

economy, where the country was at upon independence, it is not moving in a desirable direction, as it is moving away from manufacturing.

b. The manufacturing industry and transformation of the SADC economies

As an engine of growth, a stronger manufacturing sector offers countries at the early stages of development higher economies of scale than other economic sectors, which offer lower economies of scale (Rodrik, 1966). The stronger the manufacturing base, the higher the standard of living in a given economy, because this sector's significance in terms of GDP determines its income groups. For this reason, very few countries in history have been able to develop and transform their economies without diversification towards this sector. Hence, the interest of this study was the increase in the proportion of GDP of the manufacturing sector in SADC economies since the adoption of the developmental integration agenda by the region.

This would have entailed a shift in the structure of the region's economies, as most developing countries have historically been agricultural societies and had economies that relied on the extractive sector and primary production. A positive impact of this strategy would have been seen in an increase in the contribution of various sectors to the economies, which is generally referred to in the literature as structural change or structural transformation. Shifting the makeup of the regional economies towards industrialisation has always been the primary goal of the SADC countries, as they understood that economies that are not diversified and which rely on primary products are unsustainable.

However, the manufacturing sector has shown a gradual decline in SADC member states during the period under investigation, i.e.1992 to 2020. Failure to diversify has kept various regional economies reliant on primary commodities for economic growth, which does not help with diversification and transformation, as it makes them vulnerable to external demand and price shocks. This form of growth is not sustainable, so while some of the SADC economies experienced growth in the early 2000s, due to the increase in demand for primary commodities, they soon declined when the demand for their products declined. Botswana is one of the SADC member states that was adversely affected by the price and demand shocks of the early 2000s and the 2008 economic crisis, due to its undiversified (towards manufacturing) economy. Thus, it has emerged that if there is to be sustainable growth, there ought to be fundamental transformation in the sectoral composition of the GDP of SADC member

states away from traditional and extractive sectors to modern industrial ones, spearheaded by manufacturing.

c. Regional strategies and the acceleration of manufacturing activities in the SADC region

It appears that not enough was done in the SADC region to demonstrate it understood the notion of developmental integration, despite it being adopted by SADC. This is because many resources and a lot of time was spent on eliminating trade barriers, instead of driving the development of the manufacturing production capacity of member states. This was one of the main mishaps in executing regional strategies and accelerating manufacturing activity. Making regional integration mainly about trade arrangements, as Tsie (1996a) indicated, was one of the mistakes that SADC made during the early days of its transformation. Despite adopting a developmental form of integration, the attention of member states was focused on eliminating tariffs and non-tariff barriers.

Furthermore, when the region adopted the initial RISDP in 2003, the developmental integration ideals took a back seat, despite them being mentioned repeatedly in the document. In articulating a 15-year plan as a blueprint for the region's integration, it envisaged a sequential (linear) process to regional integration. This started with adopting an FTA in 2008, then forming a Customs Union in 2010, a Common Market by 2015, a Monetary Union by 2016 and the Economic Union with a single currency by 2018. Therefore, at its adoption, the SADC region's developmental integration approach used the World Bank's market-driven development approach as its starting point, which explains the region's obsession with premature liberalisation of the economies. This was the case until the 2015 revision of the RISDP, which had liberalisation as the top priority, instead of integrated efforts to industrialise the region. As a result, the region skipped the most urgent task of developmental integration, that of deliberately creating a developmental state in the region to ensure effective intervention in the regional economy so as to promote balanced regional development. While some member states (e.g. Botswana and Mauritius) had long-standing programmes that sought to fast-track the industrialisation process in the region, it was not done uniformly across all member states, which then derailed the region's developmental agenda.

d. Obstacles to industrialisation in the SADC region

Industrialisation has proven to be no easy process in a developing and fragmented region like SADC. During the organisation's transformation

and the signing of the declaration treaty in 1992, the member states envisioned facing several challenges in their collective pursuit of regional industrialisation and development, one being the financing of these objectives. However, while member states did make provision for establishing the RDF, which was to provide member states with the necessary financial resources, this idea was not operationalised for 22 years, i.e. in 2017. This is despite the developmental integration approach being very clear about the significance of such mechanisms among developing countries that seek collective development and industrialisation, if none of them are to be left behind. This indicates that the main challenge to realising the region's objectives is the lack of willingness to implement the region's strategies, rather than failure of the initiatives.

This study found that failure to implement this mechanism set the region up for failure in terms of mobilising and deploying financial and other resources to implement regional industrialisation initiatives. The proliferation of initiatives has also proven to be a major challenge, as they tend to overlap and there is no clear mechanism to synchronise them. At the same time, there is also a lack of implementation by member states. This prevents the region from focussing on a single, clearly defined objective and stretches the region's limited financial resources. The lack of infrastructure is an additional challenge, which results in high production and transaction costs.

Recommendations

Based on the book's main findings, and the view that the SADC region still has a long way to go in its pursuit of a sustainable form of growth and industrialisation (as outlined in Chapter 8), various recommendations are provided below.

a. Resource mobilisation

Devising strategies to advance regional industrialisation is essential; however, implementing these programmes is even more important. Furthermore, the implementation of these programmes needs resources – financial and non-financial. Thus, the region needs to reinforce its resource mobilisation mechanism, especially with regard to financial resources. The lack of financial resources is one of the major obstacles in the region's quest for industrialisation, thus, the region should strive to attract investment. Initiatives like SADC's RDF would be of great value to the region if it were funded adequately, as stipulated in the organisation's treaty. Focused channelling of the available resources

is also required: member states should focus on operationalising a limited number of initiatives, instead of splitting scarce resources across multiple overlapping initiatives. This would save financial and other resources and ensure that progress is made in the region in its pursuit of industrialisation.

b. Synchronising national and regional industrialisation strategies

Adopting national industrialisation and development plans that conflict with regional industrialisation plans is counter-productive to the region's developmental integration objectives. The national industrialisation strategies of the SADC member states are diverse and there is no coordination among member states, which pursue various national development objectives. This is mainly because they all seek to promote economic diversification at the national level, and therefore implement measures that hinder the region's developmental integration objectives. Synchronising national and regional industrialisation strategies is vital to deter such counter-productive action. The regional industrialisation agenda must be considered when member states formulate their strategies, because the regional initiatives are of no value if the participating member states do not align their national strategies.

c. Implementing regional strategies

While adopting several industrialisation strategies may indicate a desire for economic transformation and diversification away from the primary production engaged in by member states, they are of little significance if they are not implemented. One observation made was that, in some instances, the problem has not been policy or strategy failure, but rather operationalisation of these initiatives. A case in point is SADC's RDF. While the region's declaration treaty provided for the resource mobilisation mechanism, member states were slow in providing the finance for the regional industrialisation programmes and assisting member states with inadequate financial resources. As a result, RDF was only operationalised more than two decades after it was accepted, i.e. in 2017. Thus, member states need to encourage implementation and operationalisation of the organisation's strategies, in order to succeed and help them make a fair assessment of how they are progressing in the pursuit of the collective objectives.

d. Implementation and follow up mechanism

One of the main challenges facing the SADC region is implementation of regional initiatives and strategies. Thus, instead of only devising and

adopting strategies at the regional level and hoping that the participating member states will integrate these into the national development and industrialisation plans, the strategies should be accompanied by legally enforceable regional implementation and follow up mechanisms. These should indicate the time frames by which member states are expected to reach particular milestones. It would then not be difficult for member states to trace their progress in pursuing significant objectives, such as industrialisation in the region. This is significant because the success of regional initiatives lies in implementation at the national level by member states. Without implementation, it is difficult to assess their effectiveness.

Suggestions for Future Research

The impact of developmental integration on the SADC region's industrialisation process needs to be studied at full scale, including all member states and use several measurement indicators. Including, but not limited to, the manufacturing sector's contribution to GDP, urbanisation, observation of the industrialisation landscape and the industrial sector's significance to the regional economies. While the study done for this book did not have the time or scope to cover all the angles mentioned, further investigation could be conducted. In addition, a further conceptual and theoretical examination of developmental integration is needed to broaden its understanding in the body of literature and the implementing regions that pursue development objectives through this form of regional integration.

Further studies could also explore how the SADC region can pursue industrialisation while protecting the environment at the same time. For example, in the era of climate change, it is of paramount importance to ensure sustainable energy use so as to mitigate the devastating impact of climate change. This is particularly important, given that its challenges are felt more in the developing regions, such as the African continent in general and SADC in particular. Thus, a study that looks at this would benefit the body of academic literature and industrialisation policymaking.

Conclusion

In conclusion, the significance of developing a more robust manufacturing sector to ensure sustainable industrialisation in the SADC region cannot be stressed enough. This has been demonstrated by the critical voices in the literature who are in favour of industrialisation as the driver of sustainable growth and manufacturing's role in stimulating

economic growth and development. The evidence provided in this book points to the significance of this sector. However, the evidence shows that economies in the SADC region are de-industrialising, and there is continual depreciation in the importance of the manufacturing sector in the regional economies. This is partly because not enough has been done to diversify these economies.

Furthermore, it is unclear how well the member states understood the concept of developmental integration as the approach to dealing with developmental challenges, when it was adopted. This means that while the regional economies adopted this approach to regional integration in pursuit of their development objectives, their actions have not supported the critical basic requirements of developmental integration. Much as the SADC member states share some development challenges, some member states are more developed than others. Thus, for some, eliminating tariffs and non-tariff barriers would mean wiping out the infant industries they have been trying to build and further derailing their manufacturing base.

The SADC member states of Botswana, Mauritius and South Africa have adopted several ambitious initiatives to industrialise and diversify their economies. However, as was demonstrated, the manufacturing sector does not have the required dominance in their economies to ensure sustainable industrialisation, and the SADC region's quest for industrialisation may have been derailed by its financial and other challenges. However, some of these challenges have been self-inflicted. Thus, even though there is still a long way to go, there is hope that the region will realise its objectives, as spelt out in the declaration treaty, the industrialisation strategy, and other initiatives. However, that can only happen if the participating member states implement the initiatives, and this requires effective mobilisation of resources, synchronisation of national and regional industrialisation strategies, and a follow-up mechanism for implementing these initiatives.

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