Bringing Africa into the manufacturing global value chain: A win-win strategy for China-Africa relations

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Abstract

Globalisation has transformed the way things are done in the world. For one, it has changed the manner in which goods and services are produced. It has done away with the country-centric view of trade and, instead, promoted production networks that span many countries. These global value chains (GVCs) offer new opportunities for structural transformation in Africa. Although most value added currently occurs outside of Africa, GVC participation offers employment and learning opportunities for the continent. Buoyed by sustained macroeconomic stability, most African countries are exploring options for actively promoting the structural transformation of their economies. It is in this light that Africa's economic building blocks such as the Southern African Development Community (SADC) are pursuing various measures to diversify their economies. For instance, SADC approved an Industrialisation Strategy and its attendant roadmap in 2015 as it sought to harness the full potential of its vast and diverse natural resources.

This Paper seeks to unpack how SADC and the rest of Africa can seize the opportunities presented by the region's – and continent's – strategic cooperation with global partners, particularly with China. What synergies exist between African countries and China that will assist in the envisaged structural transformation of the former and its various building blocks like SADC? Should African countries adopt Chinese type of manufacturing and export-led strategies? How can African enterprises leverage global value chains to survive the emerging new global production trends that assume seamless borders, the dominance of horizontal integration? What lessons can be gleaned from the Chinese model of Special Economic Zones? The paper will argue that since natural resources – energy, minerals, and agriculture – will remain Africa's comparative advantage for the foreseeable future, the priority of any active transformation strategy should be to establish a strong, diversified resource-based economy that takes advantage of the blossoming economic ties with China.

Introduction and background

Africa has suffered from the "continent branding effect" where every country has been branded the same and has shouldered the poor reputation risk– imagined or real – of the others. Africa is a continent with 1.1 billion people aspiring to unity and integration of 54 sovereign economies to achieve socio-economic development and ultimately reduce poverty. However, Africa has suffered from the "continent branding effect" where every country has been branded the same and has shouldered the poor reputation – imagined or real – of the others. Despite relative stability and economic growth across most of the continent, this trend has not helped remove the longstanding negative perception of Africa. For instance, although the global community is aware of individual conflicts in Asia, Europe or the Americas, these tend to be looked at in isolation, yet the same cannot be said about Africa as the global perception continues to be one of a continent beset by crisis and a risky place for making investments.

This "charity branding" has seen the continent being viewed as an impoverished, war-riddled charity case that is best to avoid. Despite the fact that some African countries are excelling in growth and stability, (e.g. Mauritius, Kenya, Rwanda, and recently Ethiopia), the continent's reputation continues to overpower the identities of its nations. With the continent's image still marred by wars, poor political and economic governance, corruption, and fragility, invstment in Africa usually entices only those with a high risk appetite. Of note also is that the negative perceptions on Africa still comes from outside the continent. What quickly comes to mind are the highly publicised international charity brands such as the 1985 Live Aid to provide food for Ethiopia and the Live 8 event of 2005.

While it is impossible to deny that within Africa lies critical, complex, and extraordinarily challenging issues, it must also be acknowledged that she is a continent of 54 countries – and one of vast contrasts among the diverse member states. For example, Zimbabwe still attracts tourists to the stable enclave of Victoria Falls while the rest of the economy is struggling. South Africa continues to experience high levels of economic growth, tourism, and foreign investment, while it has a reputation for violent crime.

However, the million-dollar question is: Is Africa really a hopeless basket case whose situation is beyond redemption? Can nothing be done to pull the continent out of the clutches of poverty?

The gist of this paper is that Africa is able to become a major player in global economics, only if if manages to leverage on its comparative and competitive advantages. Blessed with approximately 13 percent of the world's oil; 46 percent of its diamonds; 21 percent of its gold; 57 percent of its cobalt; and 50 percent of its platinum-group metals, according to NEPAD, Africa is well-placed to take its rightful place in the global economic arena. The opportunities are vast and are there for the taking, with the assistance of like-minded partners such as China.

African economic integration: a lever for stronger Afro-Sino cooperation

Africa currently occupies a very low position in the global economic arena. Although the continent is home to about 14 percent of the global population, it accounts for a meagre three percent of the global Gross Domestic Product (GDP) and receives a paltry three of foreign direct investment (AU Commission, 2015). According to the *Status of Integration in Africa 2013* produced by the AU Commission, the continent accounts for only 1.8 percent of global imports and 3.6 percent of exports. Intra-African trade stood at around 12 percent in 2013 compared to 60 percent, 40 percent and 30 percent for Europe, North America and ASEAN, respectively.

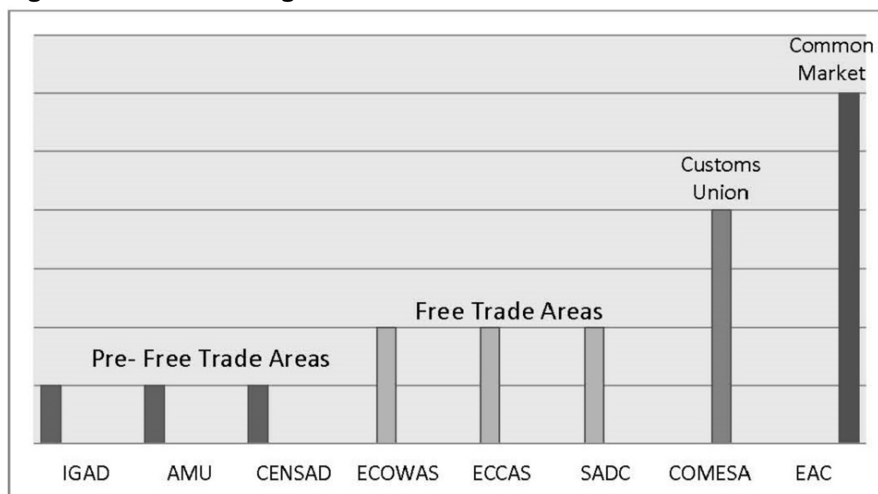
The African continent has set itself an ambitious agenda to become a bigger market space, one that allows it to attract global capital, and hence brighten its prospects for golabl intergation. In this regard, the 18th Summit of the African Union (AU) held in January 2012 in Addis Ababa, Ethiopia, committed itself towards acceleration and deepening of the continent's market integration initiatives. The Assembly of Heads of State and Government of the AU adopted a Decision and a Declaration that reflected the strong political commitment of African leaders to accelerate and deepen the continent's market integration. Negotiations for the CFTA began in June 2015 and the enlarged continental market

is expected to evolve from the existing FTAs in sub-regional economic blocs, eventually creating a continental bloc with more than one billion people and a combined GDP of more than US$3.4 trillion. A Committee of seven Heads of State and Government was therefore, set up to look at the impact of challenges of low levels of intra-African trade, infrastructure, and productive capacities on the fast tracking of the CFTA and the boosting of intra-African trade.

Presently, the AU recognises eight Regional Economic Communities (RECs), which consist primarily of trade blocs and, in some cases, involve some political cooperation. These are Arab Maghreb Union (AMU), Central African Economic and Monetary Community (CEMAC), Community of Sahel-Saharan States (CEN-SAD), Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS), Intergovernmental Authority on Development (IGAD) and SADC.

These RECs form the pillars of the envisaged African Economic Community (AEC). As shown in the **Figure 1** below, EAC is the most advanced REC after launching its Common Market in 2010. COMESA follows closely, having launched its Customs Union in June 2009. ECOWAS and SADC have made progress in building their free trade areas and are planning to launch their Customs Union. ECCAS have launched its FTA in 2004 but is facing enormous challenges in implementing it. UMA, CEN-SAD and IGAD are moving slowly and still in the stage of cooperation amongst their Member States.

Figure 1: Status of integration of African RECs



Source: Status on Integration in Africa 2013, AU Commission

It is worth noting that the regional economic integration agendas of COMESA, SADC and the COMESA-EAC-SADC Tripartite, are aligned to and will contribute to the eventual attainment of the Africa-wide continental initiatives such as the AU's Agenda 2063 and the establishment of the Africa Economic Community, the New Partnership for Africa's Development (NEPAD), the Programme for Infrastructure Development in Africa, the Mining Vision for Africa among other strategic pillars. The Tripartite programmes such as the COMESA-EAC-SADC one are deliberately and tactfully designed to harmonise the respective programmes and policies of the Regional Economic Communities (RECs) and to deepen inter-REC cooperation. It is worth noting that the COMESA-EAC-SADC Tripartite arrangement represents best practice that the other RECs are encouraged to emulate in order to accelerate the harmonization of their programmes and activities. During their second Summit held in Johannesburg, South Africa on 12th June 2011, the Tripartite Heads of State and Government signed the Declaration Launching the Negotiations for the Establishment of the Tripartite Free Trade Area; adopted the Roadmap for Establishing the Tripartite FTA and also adopted the Tripartite FTA Negotiating Principles, Processes and Institutional Framework. The Tripartite FTA comprise of three

Pillars; Market Integration, Infrastructure Development and Industrial Development. The Movement of Business Persons shall be negotiated under a separate track.

The vision by COMESA-EAC-SADC to establish a single market covering almost half of the member states of the AU became a reality in June 2015 following the signing of the Tripartite FTA Agreement and Political Declaration. A total of 15 countries signed the agreement on the spot at the 3rd Tripartite Summit held on 10 June in the resort town of Sharm El Sheik Egypt. These are Angola, Burundi, Comoros, the Democratic Republic of Congo, Djibouti, Egypt, Kenya, Malawi, Namibia, Rwanda, Seychelles, Sudan, the United Republic of Tanzania, Uganda and Zimbabwe. Swaziland became the 16th country on 15 June to sign the agreement, meaning that eight out of the 15 SADC Member States have signed the agreement. The remaining countries -- Botswana, Ethiopia, Eritrea, Libya, Lesotho, Madagascar, Mauritius, Mozambique, South Africa, South Sudan and Zambia -- requested more time to complete their internal processes before signing the document. However, all countries are expected to have signed the agreement within a period of one year.

The historic signing of the agreement to launch the largest integrated market in Africa, represents a bold move by Africa to reform global economic affairs. The current economic landscape is structured in such a way that African countries, who possess the bulk of natural reserves trade more with the outside world than among themselves. This trade imbalance is caused by various factors including poor infrastructure built during the colonial era to disallow any smooth movement of goods, services and people between African countries, as well as the imposing of non-tariff barriers between African countries. Another major factor is the lack of a vibrant industrialized sector that weans Africa from being a source of cheap raw materials for other countries in the west.

The establishment of an enlarged market in Africa is thus expected to change the economic landscape by boosting intra-regional trade in Africa and deepening regional integration through improved infrastructure development, investment flows and enhanced competition. Most importantly, the enlarged market will promote the smooth movement of goods and services across borders, as well as allowing member countries to harmonize regional trade policies to promote equal competition. The harmonization of trade policies, and removal of non-tariff barriers and other trade barriers such as huge export and import fees would enable countries to increase their earnings, penetrate new markets and contribute towards their national development. COMESA-EAC-SADC have also agreed to prioritise industrial and infrastructure development to ensure that the tripartite arrangement is a great success.

In the ultimate these RECs serve as building blocks towards establishment of the African Economic Community (AEC) by 2028. COMESA, SADC and EAC are among the 8 existing RECs that will form the basis for creating the AEC. It is therefore, no coincidence that the AU has encouraged the completion of the COMESA-EAC-SADC Tripartite FTA that will stand out as a basis for the envisaged establishment of the CFTA. These positive, social, economic and politicl intaitives can not be ignored, in the bigger debate of anchoring Africa for stronger relations with China economically and politically in the medium- to- long-term.

Addressing the Binding Constraints: the Case for hard and soft infrastructure

Infrastructure development is central towards easing the costs of doing business, and hence a major factors towards acceleration of private capital accumulation. Economic theory posits that infrastructure compliments private sector development, and presently this remains true, yet Africa has a huge backlog in infrastructure investments Africa must prioritize joint investment projects with China in trans-regional productive and social infrastructure such as roads, railways, airports, energy, hydro-power, health, water and sanitation, research centres, and others for physical integration of the continent. This will reduce costs of doing business, promote intra-African trade, enhance industrialization, and strengthen agricultural development. While national projects are the anchors of regional projects, the approach should evolve to include strong regional partnerships that can accelerate integration.

Lack of adequate physical infrastructure continues to impede the integration process at national, regional and continental levels. In this regard, RECs are continuing implementing their respective infrastructure development programmes which are at various levels such as conceptualisation, mobilisation of funds, feasibility studies, procurement, construction and rehabilitation. In the case of SADC, the region approved a Regional Infrastructure Development Master Plan (RIDMP) in 2012 which outlines its vision for infrastructure development until 2027. The plan serves as a key strategic framework to guide the implementation of efficient, seamless and cost-effective trans-boundary infrastructure networks in an integrated and coordinated manner in the six sectors, namely Energy; Transport; Tourism; ICT and Postal; Meteorology; and Water.

The Master Plan is based on Vision 2027 which caters for implementation over three phases, the short term (2013-2017), the medium term (2017-2022), and the long term (2022-2027). In the energy sector, the plan is expected to address four key areas of energy security, improving access to modern energy services, tapping the abundant energy resources and up-scaling financial investment whilst enhancing environmental sustainability. In the sub-sectors of road, rail, ports, inland wa-terways and air transport networks, the transport sector plan focuses on effective regulation of transport services; liberalisation of transport markets; development of corridors and facilitation of cross-border movement; construction of missing regional transport links; corridor management in-stitutions establishment for Beira, Lobito and North-South Corridors; and harmonisation of road safety data systems.

At the continental level, the Programme for Infrastructure Development in Africa (PIDA) outlines infrastructure demand in each sector up to 2040 as well as the projected gaps and bottlenecks created by mismatched supply and demand. The programme is organized for the short and medium term (through 2020 and 2030) with a long-term view to meet demand by 2040. Given Africa's urgent infrastructure needs, the projects and programme list for short term implementation is included in the Priority Action Plan (PAP) of PIDA. As of 2013, the entire PIDA programme was estimated to cost more than US$360 billion while the overall capital cost of delivering the PAP between 2012 and 2020 was estimated at about US$68 billion or US$7.5 billion annually.

Leveraging natural resource endowments: reversing the resource curse

There is a growing acceptance in the AU, and at the SADC level, that there is more to be gained from development approaches that will ensure the continent gains from its huge natural resources endowment. There is raging debate about the abundant opportunities available to Africa. Imagine what Africa would be like if all its proceeds from natural resources such as diamonds, gold and platinum remained in the continent to finance its development agenda. Africa would be one of the most developed and industrialized continents in the world, with seamless infrastructure, uninterrupted power supplies, enough jobs for everyone and a peaceful and stable socio-economic environment. In global affairs, the continent would be a dominant force, which other players, including China, Russia, Europe and the United States regard as an equal partner.

This vision, though far-fetched, is still attainable, but only if measures are put in place to address the scourge of Illicit Financial Flows (IFF) from the continent. Illicit finacial flows are therefore, a major liability on the continent's medium- to- long-term economic outlook unless they are tackled head-on. For instance, it is estimated that Africa has lost more than US$1.8 trillion to IFF between 1970 and 2008 alone, and continues to lose resources valued at up to US$150 billion annually through IFF or "illicit capital flight", mainly through tax evasion, transfere pricing, underinvoicing, state capture – the current siezure of South Africa by the Gupta brothers, mispricing of goods and services by multi-national companies, according to a recent study commissioned by the AU.

This, therefore, means that resources that are intended to develop Africa or available for bequeathing to future generations are instead being used elsewhere to improve the economies of other countries in Europe and the US. In fact, even when these countries try to make-up by providing assistance to Africa, it has been noted that the amount of IFFs from Africa is greater than the inflow of Overseas Development Assistance (ODA). According to the Organisation for Economic Cooperation and

Development, total ODA to Africa stood at about US$55.8 billion in 2013, a far-cry from the amount the continent is said to be losing annually due to IFF.

Prospects for upturn in Africa's economic fortunes –Case for Afro-Sino linkages

Africa's economic performance has improved significantly over the last 15 years. GDP growth has averaged five percent per year and GDP per capita has increased by 30 percent since 2000 (OECD, 2015). Despite the progress achieved in all sectors, Africa is, however, still faced with several difficulties, including difficulties arising from harmonization of policies; inadequate political will to implement integration decisions; apprehension on the part of States to cede some of their competencies; the absence/inefficiency of compensation mechanisms for temporary losers in the integration process; the inadequacy of the physical integration infrastructure; lack of ownership of regional projects at national level; inadequate financial resources; and inadequate human resources.

This paper postulates that therein lies the opportunity for building on the blossoming relations between China and Africa. In other words, working together Africa and China can transform the above challenges into game-changing opportunities that could result in a win-win situation for both sides. For instance, there is scope for a win-win scenario in the energy sector given that China is concerned about depending on too few energy sources while Africa has rich natural gas and oil reserves. Other areas of possible cooperation include in industrial development and the attendant infrastructure requirements.

Industrialisation as a lever for Africa's structural transformation

The foregoing narrative points to changing African thinking in terms of where the continent sees itself over the next 50 years or so. There is a groundswell of opinion that the continent needs to position itself on the global economic table and not just be a peripheral player and recipient of "bread crumbs" from developed countries. The continent seems encouraged by a saying by veteran American senator Michael Enzi who once said "If you're not at the table, you're on the menu." This is the current sentiment in Africa at the moment – the continent wants to be there among the decision makers. It views its relation with China as an excellent opportunity to claim its rightful place in world economic – and ultimately political – affairs.

One area where there has been a lot of interest is in industrial development. SADC approved an Industrial Strategy and Roadmap in 2015, seen as a huge step towards economic liberation of the region and expected to ensure that member states harness the full potential of their vast and diverse natural resources. The SADC Industrialisation Strategy and Roadmap covers the period 2015-2063 and is aligned to Agenda 2063, which is a continental strategy that aims to optimize the use of Africa's resources for the benefit of all Africans.

The SADC Industrialisation Strategy and Roadmap will be implemented in three phases spanning the period 2015-2063. The first phase will cover the remaining period of Regional Indicative Development Plan (RISDP), which is expected to run until 2020. The second phase of the strategy will run from 2021 to 2050, followed by the final phase slated to cover the period between 2051 and 2063, coinciding with the attainment of the African Union's Agenda 2063.

Proposed interventions during the first phase will include modernisation of industry and support structures; measures to upgrade science, technology, engineering and research capabilities of member states; skills development; institutional reforms; and adoption of conducive macroeconomic policies for industrial development.

It is envisaged that the SADC economy would move from factor-driven to efficiency-driven during the second phase. Measures will focus on diversification and productivity of sectors and increasing competitiveness of the region. This will include the introduction of policies targeting agro-food processing industries; introduction of value-chains involving the agricultural sector; mineral beneficiation; pharmaceuticals; and transformation of SMEs.

Proposed specific interventions during this phase will include introduction of advanced technology in agro-food processing projects; development of agro-industrial clusters; promotion of regional value chains; prioritization of mineral beneficiation; development of mineral industrial clusters; support for mining SMEs; and access to finance. Other proposed interventions are the prioritization of the pharmaceutical sector, including development of regional value chains in the industry.

During the third and final phase, the regional economy is envisaged to further transform, based on high levels of innovation and business sophistication. This will necessitate increased investment in knowledge, development of unique skills, nurturing innovation as well as promoting competitiveness and deepening the entrepreneurial culture.

All developing countries that have successfully made the transition from low income to middle and high income status have done so by relying on a strong manufacturing sector as the driver of an export-oriented growth economy. There is an inseparable correlation between industrial productive capacity, economic growth and the level of development. Industrial development is key in the process of structural change which is key in the process of economic development (Bolak, 2012:1).

The very fact that the majority of SADC – and indeed African – countries remain among the poorest in the world, and thus marginalised globally in spite of having an abundance of natural resources and recording positive economic growth rates in recent years, is a reflection of their low level of industrialisation and their peripheral position in global manufacturing. "Even the current model of African development, entailing the integration of the many previously fragmented post-colonial polities into larger regional economic communities has mostly been for purposes of creating larger markets for trade, with little focus on the supply-side aspects such as investment in industrial capability and economic infrastructure. In fact, industrialisation strategies have only been either mentioned in passing, or have merely existed on paper, with little having been done to radically transform most African states into globally competitive industrial hubs, for example in the manner that China has transformed itself in the last three decades"[2]

The Case for Special Economic Zones: A catalyst for Industrialisation

While there is no one size-fits-all prescription, the strategy and roadmap proposes a wide range of industrial policy options that are available to the SADC region. One of the options is the adoption of Special Economic Zones (SEZs). This is one area where Africa could learn from the Chinese experience in the development of SEZs. The proposed SEZs can form the basis for clustering, including value-chain creation, so that firms can exploit the benefits of external spinoffs such as being located close to input suppliers, repair shops and financial institutions.

African RECs need to promote strategic joint-venture partnerships with China that facilitate knowledge and technology transfer (Vhumbunu, 2013). The SEZs already established in African countries should incorporate a regional outlook, with impact on regional development. Investment partnerships should facilitate value-addition of African natural resources, especially in the mining and agricultural sector. The effective utilization of aid for trade from China to address supply-side constraints inhibiting African export growth is recommended to allow African economies to realize tangible benefits from the zero-tariff promised by China on African exports and enhance complementarities to fuel intra-African trade.

Experiences of China's industrial development since the 1980s confirm the significance of SEZs in economic development (SARDC, 2015). China is already supporting SEZs in African states, namely

[2] *Prospects and Challenges of Industrial Development in Southern Africa: Lessons from Chinese Experience with Special Economic Zones, Madakufamba, M, SARDC, July 2014, page 1*

Egypt, Ethiopia, Mauritius, Nigeria and Zambia. SADC and other African regions could therefore, leverage these positive policy interventions by the Chinese in Africa through South-South cooperation.

In the SADC region similar initiatives are underway, with a SEZ Act having been promulgated in in South Africa in June 2014. The law provides for the development of industrial development zones; free ports; industrial parks/estates; science and technology parks; sector development zones; and spatial development corridors. On a related note Botswana has also taken the initiative to diversify its economy from a heavy dependence on diamond revenues towards manufacturing. The strategy focuses on the creation of a number of "hubs", or economic areas, as part of the diversification initiative. The zones host a variety of activities and services including warehouses, manufacturing under bond, logistics platforms, shared processing facilities, among others, which facilitate competitiveness of wider industrial clusters in the region.

What's key on SEZs is that given their potential to unlock industrial development, there is need to take a regional approach to maximize their contribution to balanced regional growth and development. Infrastructure such as industrial parks are a major component of the zones which can be used as testing grounds for new and innovative production technologies before they are adopted elsewhere in the country.

Prospects for agriculture-led growth

An agricultural policy should also be part of this industrialisation equation to engender balanced economic development. Rural development will no doubt reverse the poverty strains on economic development – and the growth of the rural enterprise sector, around agro-processing, and agri-business can have a profound effect on addressing poverty in the sub-region. What emerges from this debate is that depending on economic context, the agricultural sector can play a major role in the development process. This will, to a large extent, also depend on how the agricultural sector integrates with the rest of the economy during the transformation process (SARDC, 2015). A developed agricultural sector will trigger significant multiplier effects through backward and forward linkages with the industrial sector by providing inputs (agricultural produce) for manufactures, while the latter supplies key inputs such as fertilizers and farm implements.

Africa could learn from the Chinese experience of fostering a close and mutually complementary relationship between agriculture and industry. China developed a policy of building up industry through agriculture, and using agriculture to develop industry in order to obtain a balanced development of both. The transformation of the agriculture sector has a direct impact on both consumption and production linkages between the sector and other non-agricultural sectors such as manufacturing and services. The strongest backward linkages are the consumption linkages, which are especially strong in low-income countries, leading to higher growth and multipliers and poverty reduction effects (Delgado et al 1996, Christiaensen et al. 2006, Diao at al. 2007).

The accelerated socio-economic development in China is generally regarded to have its historical foundation in agricultural sector reforms, with poverty reduction an important goal of national development. Of importance is the manner in which China has managed to study and understand the key inhibiting factors to agricultural production; the region-wide economic, ecological and socio-cultural differences; and the corresponding policy decisions to adopt region-specific interventions which were all placed at the centre of government financing and/or support (Vhumbunu, 2013).

Global value chains as a lever to unlock Africa's industrial potential

Another possibility is the promotion of domestic, regional and global value chains as one of the interventions that should be pursued by SADC in its efforts to industrialise. There is need to promote production networks that span many countries. These global value chains (GVCs) offer new opportunities for structural transformation in Africa. Although most value-addition currently occurs

outside of Africa, GVC participation offers employment and learning opportunities for the continent. Such an approach would require clusters to be viewed not merely as a concentration of small firms, but as inter-dependent networks comprising of raw material providers, machinery suppliers, transporters, buyers, sellers and support institutions that face common challenges and opportunities, nationally and regionally.

There are two ways in which SADC and other African countries can participate in GVC trade. These are through backward integration – when a country sources foreign inputs for its export production – and forward integration – when a country provides inputs for another country's export production. Combining backward and forward integration gives a measure of a country's total GVC participation.

Africa captures a small but growing share of global value-added trade and constitutes one of the most integrated regions in GVCs, according to a report on *Tapping the Potential of Global Value Chains for Africa* produced by OECD in 2015. It noted that over 70 percent of global trade today takes place in intermediate goods and services and capital goods, and that global trade remains strongly clustered in and around the manufacturing hubs in Europe, North America, and East Asia. These three regional blocs accounted for approximately 80 percent of global value-added trade in 2011. As shown in **Figure 2,** Africa captured a small but growing share of this trade in 2011: the continent accounts for 2.2 percent of total GVC trade—an increase of almost 60 percent since 1995.

Figure 2: Share of global value-added trade by region, percent (1995-2011)

Region	1995	2011
Europe	57.5	50.9
East Asia	14.4	16.2
North America	13.1	11.8
Southeast Asia	6.0	6.8
Latin America	3.2	4.2
Middle East	2.0	3.0
Africa	1.4	2.2
Russia and Central Asia	0.9	2.0
South Asia	0.7	1.7
Oceania	0.9	1.3

Source: AfDB et al, 2014

Despite its low share of total GVC trade, the continent's value chains are among the most integrated in the world in terms of relative share of value-added trade to total trade. More than half of Africa's total exports involve either forward or backward integration. Only Europe and Southeast Asia are more integrated than Africa into GVCs.

China could play a major in facilitating the participation of African countries in these global linkages. For starters, Chinese investment has the potential to expand export production of African manufactures for local, regional and international markets, thus providing an opportunity to enter new global manufacturing value chains (Kingsley Y. Amoako, 2012). Amoako argues that the combination of rising incomes and wages in China along with a shift toward higher value-added manufacturing makes Africa attractive to Chinese enterprises as a location to shift lower value-added production. The development of specialized export processing zones supported by China and the presence of Chinese firms and investments can provide a platform to develop joint ventures with greater participation of the African private sector. Moreover, given that it is increasingly expensive to bring Chinese labour to operations in Africa, reliance on domestic labour may increase.

The gradual changes in China such as rising wages and stunted population growth present opportunities for Africa to increasingly participate in GVCs, piggy-backing on existing Chinese infrastructure and structures. The Chinese population is expected to stop growing and wages are rising, eroding China's attractiveness as a labour-intensive manufacturing hub. These changes have forced Chinese leaders to adopt a strategy of "rebalancing" the Chinese economy towards consumption and a greater role for the service sector. This has ignited a shift in labour-intensive manufacturing investment away from China and towards other regions, especially South and Southeast Asia. Africa should lurch on to this opportunity and have a greater stake in manufacturing GVCs.

A win-win relationship between China and Africa at firm level should, therefore, involve technology transfer and management know-how to build productivity and profitability of investments in Africa, the transfer of knowledge on production standards for export markets, and firm level relationships that eventually enable the production and sale of goods that meet the needs of Chinese and other international consumers.

Similarly, unlike in the past, African countries can now integrate into a value chain without having all the other steps of the chain in place. Previously, a country had to develop the domestic capacity to perform all major steps in the value chains of complex manufactured products if it was to industrialise. Today, the economic dynamics make it possible for a country to industrialise by contributing to a specific section of a product's value chain without having all the upstream capabilities in place. All it needs to do is to link into an international production network. Intermediate products will be readily available through shipments for the specific step in the value chain.

The promotion of value chains will enable African states to specialise in those productive processes an activities where they have competitive advantage, thereby diversifying their industrial bases. In the case of SADC, among the RVCs that could be exploited are those in the agro-industry and in the mining sector. Minerals beneficiation value chains include the copper and copper concentrates cluster, coal and coal-bed methane gas where there are value addition opportunities for liquid fuels manufacture, the production of gas from coal and the use of coal for domestic electricity generation and electricity exports.

There is also a strong case for African governments, working with China, to invest in research and development to ensure that the continent keeps abreast of global dynamics in the industrial sector. In the same vein, there is need to actively involve the private sector in regional and national efforts to industrialise. Private sector entrepreneurs, investors and decision makers are at the cutting edge of industrialisation, which is why their voices must be heard in the policy-making process.

Access to finance is another issue that needs to be addressed. There is need for Africa and China to come up with innovative ways of funding industrialisation of Africa. A win-win scenario has to be worked out to ensure that Africa benefits from Chinese expertise while the latter benefits from access to Africa's abundant resources. Such support should also target small and medium enterprises (SMEs). State funding, if available, should target research, skills development, the provision of market and technological information, infrastructure and industrial parks, leaving firm-level lending decisions to the professionals in the banks, microfinance institutions and the venture capital industry.

Conclusion

Several opprtunities abound for furthering the cooperation between Africa - and its various RECs – and China. Africa's economic transformation in the 21st century will be defined by its ability to promote growth across sectors with powerful multiplier effects in the economy. This

growth will be driven by the expansion of skilled employment and a globally integrated private sector. China is a key partner that will help African countries accomplish this goal. An examination of China's potential contribution to growth and development in Africa is justified and needed. Moreover, it is likely to have high payoffs for Africa that extend its relationship with China, providing a framework for strategic dialogue with other countries, including Brazil, India and East Asian nations, which are playing more important roles in Africa.

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