Prospects and Challenges of Industrial Development in Southern Africa – Lessons from Chinese Experience with Special Economic Zones

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Introduction

Industrial development in Africa has been largely a national endeavour with little cooperation happening at the continent wide or sub-regional levels. 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 collective focus on the supply side aspects such as investment in industrial capability and economic infrastructure. In fact, industrialization 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.

While acknowledging the differential nature of African states, the post-colonial state in Africa has pursued many development models mostly on the influence of the former colonial powers, individually or collectively as regional communities, with a general pattern of limited success. With some exceptions, most have struggled internally to make a significant mark on human development with key performance indicators such as poverty, unemployment and per capita income still disappointingly out of sync with targets while globally the African state has remained at the periphery of international economic affairs. Africa's future is a bright one if the continent can take the necessary decisions to embark on a development path based on home-grown solutions and riding on the many comparative advantages it enjoys over other regions of the world including an abundance of resources, the demographic dividend presented by the largely youthful population and a comparatively large combined population and economies of scale opportunities arising from deeper

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regional integration. For Africa to emerge out of this periphery, certain major decisions need to be made, based on an Afro-centric approach, and learning from the experience of China which has demonstrated that it is possible to bring millions out of poverty within a reasonably short space of time. This paper explores the development experiences of Africa and China. It draws on the specific experience of one of the sub-regions as defined by the Southern African Development Community (SADC), assessing the Regional Economic Community's (REC) development trajectory and strategies employed over the last two decades and makes differential analysis of the attained growth trends against the human development trends. Taking a bird's eye-view of China's experience with Special Economic Zones, the paper draws possible lessons that African countries can use to define their own development models based on their unique situations.

A historical perspective on the development experience of the African state

It was Walter Rodney who reminded us that throughout history, development has never been a monopoly of one continent – all societies have historically been developing at their own pace. He argues:

> "*Taking a long-term view, it can be said that there has been constant economic development within human society since the origins of man, because man has multiplied enormously his capacity to win a living from nature.*
>
> *Every people have shown a capacity for independently increasing their ability to live a more satisfactory life through exploiting the resources of nature." (Rodney, 1972, p4)*

In his argument on how Europe set back Africa's development, Rodney said:

> *"Imperialism was in effect the extended capitalist system, which for many years embraced the whole world – one part being the exploiters and the other the exploited, one part being dominated and the other acting as overlords, one part making policy and the other being dependent." (Rodney, 1972, p12)*

This power asymmetry thus entrenched during the imperial and colonial era in fact did not disintegrate with the collapse of formal colonialism but rather has manifested through the globalization world order. Globalization in the post-colonial world has seen the perpetuation of a world order within which certain core-states of highly-industrialised countries that are largely prosperous and powerful and many fringes that are subordinate, dependent and poorer. In this power asymmetry, the post-colonial African state has once again found itself on the periphery, its culture and religion heavily contaminated, and at times struggling to find harmony among its societal classes and ethnic groups.

The power asymmetry that has perpetuated into the post-colonial world order has made many scholars to counter the view that harmony returned to the former colonies with attainment of political independence. One such critic is Ramon Grosfoguel who argues that:

> *"One of the most powerful myths of the 20th century was the notion that the elimination of colonial administrations amounted to the decolonization of the world. This led to the myth of a 'postcolonial' world. The heterogeneous and multiple global structures put in place over a period of 450 years did not evaporate with the juridical-political decolonization of the periphery over the past 50 years. We continue to live under the same 'colonial power matrix.' With juridical-political decolonization we moved from a period of 'global colonialism' to the current period of 'global coloniality'."(Grosfoguel, 2011, p13)*

Such contradictions of the post-colonial world order have also led some leading scholars to posit that the narrative that Africa is rising, must therefore be treated with caution as it is a rise within rather than a rise out of the periphery. Siphamandla Zondi contends that**:**

> ***"…****the story of Africa rising as presented by the IMF, World Bank and western companies, especially capital markets must be treated with caution, for it is a rise within rather than out of the periphery until Africa makes certain major decisions. It is said to be on the rise too more recently and this owes to strong economic growth rates, driven mainly by commodity prices and rents from natural resource trade.*
>
> *Yet, it has been job-less growth, growth without human development. It is growth that has increased inequality between the haves and have-nots. It has been growth*

within the same economic system responsible for our underdevelopment in the first place." [2]

Having followed the European models of development for many decades already, the post-colonial state in Africa is yet to enjoy the promised benefits of development, yet to effectively pull its citizens out of poverty. However, China's arrival on the global economic stage, with reforms that have enabled it to extricate the larger part of its 1.3 billion people in a record time of less than 30 years is nothing short of a miracle, and has heightened the call for a rethink of Africa's development model. It is possible after all, to industrialize through an alternative model unique to Africa, a model that is not necessarily the same as has been championed by western proponents.

Granted, China and Africa are very different polities. China is a unitary state with more than 1.3 billion people, while Africa is a continent of 55 fragmented sovereign states.[3] Where China makes decisions once centrally through the Communist Party, Africa, even with the decisions that start with the African Union or any of the eight officially recognized RECs,[4]such decisions still have to be consulted at national level, 54 times in the case of the continent or 15 times in the case of the SADC before they can take effect (Johnson, 2012).

Yet despite these stack differences, China and Africa share many commonalities of a historical, geographical and demographic nature, and more. Africa's combined population is almost the same size as that of China at 1 billion and 1.3 billion respectively. China and Africa -- integrating as the continent aspires to -- form the first and third most populous regions of the world.[5] Both regions share a similar colonial history, having both suffered from resource exploitation by imperial powers. Both suffered extreme poverty at the turn of

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[2]Zondi, S. (2013).China and Africa's Diplomatic Capital, paper presented at the China-Africa Symposium, 22-24 October 2013, Harare, Zimbabwe.

[3]Includes Saharawi Republic which is still fighting for self-determination. The African Union has 54 member states which excludes Morocco who left AU's predecessor, the Organization for African Unity (OAU) in 1984 in protest over the later's recognition of the Saharawi Republic which it still regards as a part of its territory.

[4]The eight RECs officially recognized by the AU are Arab Maghreb Union, Community of Sahel Saharan States, Common Market of Eastern and Southern Africa, East African Community, Economic Community of Central African States, Economic Community of West African States, Intergovernmental Authority on Development, and the Southern African Development Community.

[5]The second most populous region (in this case country) is India at approximately 1.2 billion people.

the century, with China having turned its fortunes around, while Africa, at least the majority of its states are still suffering from rising inequalities.

A Synopsis of the SADC Recent Industrial Development Experience

SADC has 15 Member States and one has to be conscious of the fact that each member state has its own peculiarities and therefore the countries do not represent a homogenous region. Nonetheless, the member states share a lot of commonalities that make them stand out as a unique group, beyond the geographic linkages that tie them together as a sub-region. SADC Gross Domestic Product (GDP) has been growing slowly during the period 2000 to 2013 ranging from 3 to 5 percent. The region performed well in terms of inflation figures, with the indicator actually decelerating to an average of 9 percent in the period up to 2007.

SADC economies rely heavily on the performance of their primary commodities such as minerals and agricultural produce, with few exceptions, notably South Africa which is the dominant economy with a fairly diversified industrial base, and Mauritius which too has a fairly diversified economy. The SADC economies vulnerability to the global economy was harshly exposed during the global financial crisis which later developed into a full-blown global economic crisis in 2009. Compounded by an internal energy shortage which manifested from about 2007, the region's economic performance was jolted with GDP growth slowing down drastically to 2.5 percent in 2009. On the other hand inflation accelerated to double-digit, averaging 13.3 per cent in 2008 and 12.4 per cent in 2009. From 2010 to 2013, the regional economy has been on a recovery path, albeit sluggish, with real GDP increasing by about 5 percent while inflation decelerated over the same period, averaging 7.1 percent in 2013. This recovery pattern is projected to continue over the period to 2020.[6]

However, SADC's recent positive growth pattern masks serious inequalities that remain in most of the 15 Member States. In fact, the growth rates themselves have remained below 7 percent, a target identified to effectively reduce poverty in line with the Millennium Development Goals

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[6]Draft Revised SADC Regional Indicative Strategic Development Plan 2015-2020, SADC Secretariat, May 2014

Prospects and Challenges for Industrial Development in SADC

The challenges facing SADC, and indeed many other African economies are as diverse as the number of countries that make up the continent. It is important to acknowledge from the outset that while Africa is one continent, it is not made up of a homogenous group of countries, and so are the many RECs spread across the continent. The 15-member SADC is no exception, comprising one dominant economy (South Africa) and several other smaller economies that are at different levels of development. However, most SADC economies share a lot of similarities upon which we can draw some insightful analysis.

The first major challenge for SADC economies, as is the case with most African states, is a development model that is overly reliant or driven by consumption and primary commodity exports. The limitations of this kind of an economic growth path was severely exposed during the recent global economic crisis when the region's economic performance was severely jolted. Further, the regional integration model in Africa has tended to focus too much on trade at the expense of the development of the industrial sector. SADC has not been an exception. In fact, its successive development blueprints have identified trade as the main development priority. The second challenge relates to economies built on weak economic infrastructure base (poor road, rail and air networks, power shortages, etc). Thirdly, lack of access to appropriate modern technologies which has in turn limited their industrial competitiveness and ability to engage in value addition and beneficiation. Fourthly, the majority of the countries lack access to affordable capital for investment in industrial development. Lastly, when operating individually, most SADC economies are too small to enjoy the competitiveness that comes with economies of scale particularly when dealing with any of the other challenges stated above.

The afore-mentioned challenges can in fact present major opportunities when looked at from another angle. Firstly, SADC, as is most of the continent, is rich in natural resources. Therefore Africa simply needs to turn this into a competitive advantage through value addition and beneficiation. A related opportunity is presented by Africa's demographic dividend. Whereas other parts of the world are losing their demographic dividend, Africa boasts of a young population, with the proportion of youth as high as 65 percent in most countries while the same population is increasingly becoming highly educated.[7] Zimbabwe, for example, has the highest literacy rate in Sub-Saharan Africa at 92 percent, according to latest UNDP figures.

Secondly, perhaps because of Africa's resource endowment, the continent is receiving greater attention from major economic powers – China (historically yes, but with a more structured approach since 2000 through FOCAC), Europe and the US. Yet such attention, given the tempting nature of Africa's resources, may lead to undesired consequences unless the leadership of the continent makes certain major decisions, including insistence on technological transfer in order to turn the primary commodities into high value finished products for international trade.

Thirdly, the arrival of China and other BRICS countries on the global stage has democratized access to capital as well as widened options. Gone are the days when decisions on flow of capital into Africa were dictated by the former colonial metropoles. Shanghai and other international capital markets now offer a much wider menu for countries wanting to attract foreign direct investment.

Fourthly, the problem of infrastructure has been correctly identified and therefore receiving political attention in Africa. For example, SADC adopted its Regional Infrastructure Development Master Plan (RIDMP) in August 2012 as the sub-region's blueprint and strategy for the development of integrated regional infrastructure to meet projected demand by 2027. The RIDMP aligns with the EAC, COMESA and SADC tripartite infrastructure programmes and the AU/NEPAD's Programme for Infrastructure Development of Africa (PIDA).

Fifthly, regional integration offers the best option for Member States to enjoy economies of scale that may be required to tackle some of the current challenges. For example, some of the infrastructure projects identified under RIDMP would only make economic sense if pursued as sub-regional projects. Further, from a demographic point of view, the combined population of SADC is about 280 million, while that of the whole continent is about 1 billion

[7] About 65 percent of the total population of Africa are below the age of 35 years, and over 35 percent are between the ages of 15 and 35 years - making Africa the most youthful continent, according to the Youth Division of African Union Commission accessed from http://africa-youth.org/ on 19 June 2014.

people, which compares favourably with other regions of the world.

Although SADC policy documents have consistently recognized the need for the development of the industrial sector to accompany the emphasis on trade, the industrial policy framework document has not been in place until only recently. The SADC Industrial Development Policy Framework was approved by the Committee of Ministers of Trade in November 2012 and endorsed by Council of Ministers in February 2013 and therefore is yet to be implemented. The policy document identifies three sectors – namely agro-processing, mineral beneficiation and pharmaceuticals– for initial focus in the medium term.

China Development Experience

The success of China's industrial development can be attributed to gradual and strategic economic liberalization, an effective policy of foreign direct investment, incentives to both private and public sector enterprises, strategy of internationalization for state-owned enterprises, research and development, and dynamic state institutions for policy guidance. Success is driven by China's strategic balance of protectionism and economic liberalism; China's FDI policy and the regional development policy; and export-oriented growth and foreign economic policy. Two strong features of the Chinese rapid economic development are the investment-driven and export-oriented growth, based on the Chinese government's ability to formulate an effective industrial development policy while maintaining a favourable climate for foreign investment (Vhumbunu, 2013).

In order to attract FDI without threatening growth of domestic industries, China adopted measures that include:

- Regional industrial policies and export promotion strategies;
- Development-oriented and sustainable FDI regimes that promote capital inflow, joint ventures between local firms and foreign investment; and,
- Adoption of coherent strategies for Special Economic Zones.

Since the 1980s, Special Economic Zones[8] were introduced in China through careful experimentation, notably starting in Guangdong Province where the remarkable story of Shenzhen was turned from what was once a fishing village into an ultra-modern industrial city. This model has since been replicated over the last 35 years in other parts of China, turning the country from a previously agro-based economy into one that now derives about 90 percent of its income from industrial and service sectors. China is already supporting Special Economic Zones in African states namely Egypt, Ethiopia, Mauritius, Nigeria and Zambia. There are some lessons that can be drawn from China's development experience.

Lessons for SADC from China's Experience in Special Economic Zones

A growing industrial sector is key to sustained overall economic as well as human development o fa country due to the multiplier effect insofar as it promotes value addition and employment generation.

Special Economic Zones can be applied at many levels from city level, provincial to national country level. Perhaps the one level that should be considered in China-Africa relations is extending this to the sub-regional level. The Special Economic Zones already established in African countries should therefore incorporate a regional outlook, with impact on regional development. The opportunity is further presented by the fact that for the first time in 2012, China and Africa noted the importance of relations between China and sub-regional organizations and agreed to cooperation to promote economic integration.

Special Economic Zones offer a good opportunity to push African industrialization. Global manufacturing centre has historically shifted from England in the last 200 years, to Germany in the last 100years, to the United States since the second World War, to Japan since the 1960s and 70s, and now more recently China. Perhaps Africa's hour has come!

[8]The term "Special Economic Zone" is a blanket nomenclature used to describe a variety of economic structures including, but not limited to, Free Trade Zones, Export Processing Zones, Industrial Zones and Freeports. These are best understood as spatially-defined geographic areas designed and created to attract foreign investment by providing favourable economic and commercial policies along with quality infrastructure intended to lower transaction costs for investors (Giannecchini, 2011). p. 10

All developing countries that have successfully made the transition from low income to middle and high income status such as China and the East Asian Tigersas well as Latin American countries have done so relying on a strong manufacturing sector as the driver of an export-oriented growth economy. This has been done with a strong role for government, especially in the provision of infrastructure whose magnetic power has been most evident in China in attracting new industries and other forms of development. SADC andrest of Africa have no choice but to break from current consumption and commodity exports development path to a more sustainable development model based on industrial competitiveness. China's SEZ experience therefore offers a viable option if carefully designed with African characteristics.

Conclusion

The model of development hitherto pursued by African countries and their RECs has not successfully delivered the desired development targets for the continent to effectively rise out of the periphery. The post-colonial African state needs to make certain radical decisions. Such decisions need not be made by others on behalf of Africa. It is Africa itself that needs to make these radical decisions, drawing lessons and inspiration from the experience of China and other regions of the world. Only that way can Africa take full advantage of its rich resource endowment as well as its demographic premium to finally break free out of the cage of the post-colonial hegemony.

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