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INDUSTRIAL POLICY CO-OPERATION IN SOUTHERN AFRICA: EXPLORING THE OPPORTUNITIES AND CHALLENGES

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Info@igd.org.za
www.igd.org.za

Friedrich-Ebert-Stiftung
Angola Office
Alameda do Príncipe Real 45-47
Luanda, Angola
Tel +244 222 448751
Fax +244 222 445973
e-mail: //angola.fes-international.de

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Produced by Karen Graphics, Centurion
Tel +27-12-663 9605
Fax +27-12-663 9603

ABOUT COMPILERS

Brendan Vickers is the former programme director for Global Economy and Development programme at the IGD and now works for the South African Department of Trade and Industry.

Dimpho Motsamai is the former researcher with the IGD who has since joined the Institute for Security Studies in Pretoria/Tshwane as a senior researcher on southern Africa.

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Introduction and Background

Industrial policy co-operation in the southern African region has been under much discussion in recent months, especially after the release of the SADC industrial policy draft document in 2009, circulated for inputs from Member States and other stakeholders. Although the draft industrial policy plan sets out a series of sensible guiding principles and strategies, it has been widely critiqued for its poor consideration of the contextual specificities of the region. Concerns raised about the draft report include its bias towards beneficiation without consideration of economic polarisation; its insufficient response to competitiveness issues; its failure to factor in challenges concerning intra-regional trade; and its lack of detail on the precise measures to be implemented, including financing measures for its implementation.

These concerns echo the realities of industrial policy and trade co-operation in the region, with levels of intra-regional trade having declined from almost 11% in 2000 to around 9% in 2008, despite the implementation of the SADC Trade Protocol since 2000 and the establishment of the FTA in 2008. These challenges are not unique to the southern African region. Notwithstanding the African continent's markedly improved growth prospects in recent years, many African economies are still characterised by underdeveloped and non-diversified production structures and commodity-dependent growth paths. The continent's poor record in upgrading and modernising its industrial base has deepened its initial dependence on primary commodities for exports and revenue, in exchange for imports of higher value-added manufactured and capital goods. Three years after the implementation of the SADC FTA, intra-regional trade flows still remain disappointingly low.

The SADC Trade Protocol has clearly not stimulated the development of new industries or the diversification of national economies. This can be attributed to chronic production, supply-side and trade governance constraints in the southern African region. Current pressures on SADC to advance to a customs union will also not address the structural requirements for meaningful economic integration and productive diversification. The SADC regional integration agenda thus requires a shift from simple market liberalisation towards 'developmental integration,' which combines trade integration with cross-border infrastructural development and industrial policy as well as other aspects of sectoral policy co-ordination.

Moreover, the global economic and financial crises have had a profound impact on the economies of southern African countries, largely through two broad channels: reduced exports and commodity prices and declining capital inflows. Some common characteristics of the region's economies make them particularly vulnerable to external shocks, including their ongoing dependency on the production and export of primary commodities; a fairly small and uncompetitive manufacturing sector; and relatively small domestic markets. In SADC, the mining sector was particularly hard hit by the crisis, resulting in a loss of government revenue and growing unemployment.

Even a well managed economy like Botswana had to apply to the African Development Bank for a budget support loan to help cushion the impact of the crisis and stimulate economic diversification.

Several attempts have been made in the past to redress the limited success that has been achieved in the SADC region in the area of industrialisation. Perhaps one of the most enduring challenges facing the region is how to develop a real co-operative basis for industrial development that would ensure strategic offshoots of industrialisation for national economies, strengthen regional growth and development, as well as enable global competitiveness.

Although part of the failure to move ahead with the regional economic integration agenda has been due to the widely varying priorities of SADC Member States, integration remains a development necessity. In the current context of the stalled multilateral trade negotiations at the WTO, developing a strong industrial capacity amongst the Member States to produce diversified goods for trade within the region is crucial. As SADC countries seek to diversify their exports away from commodity dependence, their industrialisation endeavours confront a range of internal, external, structural and institutional challenges. It is within the context of these debates that the Institute for Global Dialogue (IGD) and the Friedrich Ebert Stiftung (FES) recently hosted the 7th Southern African Forum on Trade (SAFT). The focus of the Forum was to discuss industrial policy co-operation in southern Africa, exploring the opportunities and challenges for promoting regional industrial development, economic competitiveness and export diversification in the SADC region.

The Forum was organised around three themes and, accordingly, divided into three thematic sessions. The first session explored the key challenges to industrial development and economic diversification in SADC countries, particularly in light of the region's vulnerability to external shocks like the 2008 global economic crisis. The session also provided an overview of the structure of the region's economies, with particular focus on the levels and degrees of industrial development; factors influencing firms at both the national and regional levels to develop and invest in commodity value-chains; integrative production systems; and the policy imperatives for industrial policy co-operation in the region.

Session two discussed the different theoretical and policy perspectives on the role of industrial policy in stimulating growth, development and economic diversification, as well as the scope for regional industrial policy co-operation, given the economic variations and often competing policy priorities among SADC countries. The session also deliberated on measures to 'regionalise production,' activate regional supply-chains that can compete regionally and globally, and build industrial capacity for countries to produce value-added goods that will sell in each other's markets.

The final session consisted of a panel discussions, which further interrogated the prospects for industrial policy co-operation or co-ordination in the region. It also elaborated on cross-cutting issues on regional industrialisation, such as the linkages between economic sectors, infrastructure, trade, finance, investment and labour capacity. The discussion also reflected broadly on issues of industrial development and policy co-operation that would call for regional actions, as well as those specific to national governments, and additionally provided various recommendations to improve the status quo.

Industrial Policy Co-ordination and Regional Development: Context and Contours

In his opening remarks, Dr Siphamandla Zondi, the Director of the IGD, highlighted the importance of industrial policy co-operation in the SADC region. He reflected on a research report published by the South Centre on industrialisation and industrial policy in Africa which assessed the extent to which industrialisation and industrial policy co-operation is actually being pursued. Drawing from that report, Dr Zondi stressed the critical role of industrialisation for the region's development, noting that industrial production is associated with job creation and skills development; but that it is equally important to improve trade facilitation and address the spatial gaps across services sectors, between rural and urban economies, and between consumer, intermediate and capital goods industries.

In view of the aforementioned, he posed the question as to whether industrialisation is a policy priority for governments in the region and the extent to which these initiatives are embedded in national development policies. He asked if there are specific policy tools and instruments to stimulate local industries, and also questioned the thematic and sectoral focuses of industrial policies. The need to interrogate whether southern African countries were pragmatically pursuing industrial policy co-operation (or co-ordination) was emphasised as an important point of departure in the analysis of industrialisation in the region. For this reason, the rationale for the SAFT meeting was to take stock of the state of industrialisation in the region, highlight successes and challenges and identify models for promotion in the SADC region.

A keynote presentation by Stefano Bologna, the Regional Director of the United Nations Industrial Development Organisation (UNIDO), argued that industrialisation is the most powerful welfare-generating mechanism that the SADC region needs in order to address its development challenges. He maintained that industrialisation and value-addition by local industries was an essential part of the process of deepening regional economic integration in SADC. However, skills and infrastructure development, institutional change, and political will by Member States to prioritise industrialisation, determine the level of success in regional industrialisation. The extent to which there is co-ordination and alignment between national industrial policies and the regional framework is also critical.

He suggested that the key challenges to industrialisation in the region include the region's dependence on exports of primary commodities, poor economic diversification, deficiencies in trans-border infrastructure development, severely constrained value-addition, limited availability of energy for productive activities, poor sustainability frameworks, limited capacity to support climate change adaptation strategies; and the lack of investment in human resources. He also mentioned recent global trends, debates and perspectives on industrialisation, noting that industrialisation has made a 'comeback.' Following the global recession, there is growing advocacy for a stronger role for governments in regulating industrial policy and advancing industrial policy co-operation.

He further reflected on the costs and benefits of regional integration and the importance of co-ordinating industrial policies as well as their linkages to economic diversification at the regional level. He emphasised that although regional integration is a driver for sustainable development, there may also be adverse socio-economic impacts such as increased competition from larger and more efficient sectors. However, many of these challenges can be addressed by the spinoffs from economic diversification and industrial policy co-operation, as increased competition can lead to greater efficiency and economies of scale.

On the role and importance of economic diversification in regional integration, Mr Bologna highlighted the adverse impact of the global economic crisis on southern African economies. The latter included the severe reduction of import demand; falling commodity prices; the decline in private capital inflows, remittances and difficulties in securing external financing; and currency volatility. He recommended that for countries to improve economic performance and resilience, economic diversification was necessary. According to Mr Bologna, greater diversification of national economies will result in greater prospects for industrial policy co-operation as well as more integrated regions and diversified markets.

However, going forward, there is a need to better clarify the nature of national and regional industrial policies, their linkages, areas of harmonisation and co-ordination. He concluded by recommending that SADC regional policy should incorporate the merits of a 'smart' industrial policy that simultaneously enhances competitiveness and social inclusivity. A smart industrial policy that is based on a shared vision and the region's specific comparative advantages, recognising the central role of the private sector in poverty alleviation and balancing market failures and government failures, will lay a firm foundation for the region's future development prospects.

The Challenges of Industrial Development in SADC during and after the Global economic Crisis

The thematic discussion on the various challenges of industrialisation covered issues like deficits in the implementation of trade theory and policy, the structure and characteristics of southern African economies, the pre-requisites for export-driven growth, factors affecting the region's competitiveness and the impact of the global financial crisis on the region's economies. These challenges have remained the same since the 1960s.

The following were highlighted as inhibiting the transformation of African economies and their ability to improve industrialisation capacity, namely: the structural disarticulation of African economies, primarily the lop-sided patterns of production, consumption and trade; sluggish growth, weak to poor manufacturing capabilities and declining market share in both regional and global markets; the lack of a vision to integrate economies involving macro-economic policy co-ordination and growth-oriented industrial and trade policies; the lack of new and upgraded physical infrastructure and trade facilitation measures; and procrastination and ambivalence regarding steps towards a unified labour market.

According to this analysis, southern African economies remain heavily reliant on primary commodity exports (i.e. agriculture and mineral-based exports), making them not only susceptible to external shocks, but also entrapped in a vicious cycle of persistent underdevelopment, exacerbating low income levels, high budget deficits and an inability to expand into manufacturing and industrialisation. Import-substituting industrialisation strategies are also a characteristic of some of these economies. It was further observed that trade liberalisation in the region had led to de-industrialisation amongst some Member States, with the SADC FTA promoting mainly trade but not deeper regional links. In addition to these structural rigidities, three inter-related prerequisites for successful export-driven growth were noted as lacking in many economies in the SADC region. These were macro-economic stability, competitiveness and the presence of supportive infrastructure and institutions.

The discussion also pointed to the relationship between trade and growth in the region, where it was deduced that unless growth is export-driven, even rapid and sustained growth gives rise to trade deficits. Participants also remarked on the absence of inter and intra-industry value-chains which add value to the process of producing goods or services across borders in the region, as well as weak linkages between producer-driven chains and buyer-driven chains. An assessment of the competitiveness of SADC economies was provided using the Global Competitive Index (GCI). While some countries like South Africa, Mauritius, Namibia and Botswana fare quite well in the GCI, the remainder of SADC countries lag behind in these competitiveness ratings. Factors affecting the competitiveness of SADC economies includes poor accountability of private institutions, lack of transparency of public institutions, widespread inefficiencies in goods markets, poor financial market development, weaknesses in social policy and poor functioning of official markets.

The discussion also focussed on the effects of the global crisis on SADC economies generally, and industrialisation and economic diversification prospects in particular. Although many challenges were apparent prior to the crises, the contraction in global trade and the related collapse in primary commodity exports were thought to have limited the policy space for industrialisation and economic diversification. In response to the question on the prospects for improved performance in the future, the following were recommended:

1. Governments' macro-economic policies and their interaction with meso-level policies affecting the distributional and sectoral consequences of the macro-policies;
2. Infrastructure development;
3. Improvements in productivity, the competitiveness of industries and SME support systems;

4. Investment promotion and entrepreneurship development;
5. Support to scale-up, standardisation and quality assurance, especially of manufactured goods;
6. Growth through enhanced integration; and
7. Openness to foreign capital inflows.

SADC Integration, the Nation State and Industrialisation

The absence of coherence between national industrial policies, the regional industrialisation framework and regional integration objectives were noted as the main factors impeding regional industrialisation. Three issues concerning the practicability for mutual reinforcement of regional and national policies were raised. The first was that regional integration was often not a central thrust of national industrial policy in several SADC countries. Moreover, the policies in need of alignment and harmonisation have to be defined to ensure the development of coherent regional markets.

The second issue related to developing a framework guiding policy harmonisation. In this respect, the consensus of relevant stakeholders and the stewardship and authority of the SADC Secretariat would be critical. Given the heterogeneity of stakeholders, participants also noted that there would be challenges in developing consensus on the efficacy of industrialisation and the requisite policy and regulation arrangements.

Participants also raised important questions on the feasibility of an industrial future for the region, given variations in the size and performance of countries in the region. There were debates on whether policy co-operation would promote arrangements that concurrently mitigate some of the potential adverse effects of regional integration - including trade diversion and polarisation of industrial development - amongst countries at unequal levels of development. The smaller economies of Botswana, Lesotho and Swaziland were mentioned as cases in point, where participants noted the need to examine the requisite industrial policy levers that can effectively address reliance on primary commodity exports, ensure diversification and promote development.

Moreover, there were discussions on the role that the state should play in industrialisation and industrial policy. While there was support for a more proactive role for the state in industrialisation, it was thought that institutional arrangements for the effective manoeuvring and implementation of national industrial policy and strategies would need to be enhanced. For instance, the need to create a balance between the state and the private sector; intra-agency and inter-governmental co-ordination and coherence; economic bureaucracy, resource allocation and the discretionary control of resources were posed as some of the likely challenges. However, there was agreement that co-operation between government and the private sector is paramount, especially since business interests may often diverge from national interest and agreed policy frameworks.

Related to the role of the state in development was a discussion on natural resource management in the region. The focus was on the failure of expanded commodity output to address underdevelopment and establish conditions for accelerated economic development. The role of Foreign Direct Investment (FDI) in enhancing industrialisation was additionally debated as participants interrogated the extent to which FDI fostered growth and broad based development. Emphasis was put on defining the orientation of FDI and distinguishing between FDI that supports the domestic market and is not integrated into the parent firm's production chains. Some participants cautioned against excessive FDI, noting the negative impacts on the domestic currency. The view was that governments have to consider their capacity to strategically absorb and manage FDI in a manner that raises the benefits and reduces costs.

Perspectives on Regional Industrial Co-operation: Polarisation, Beneficiation and the New SADC Industrial Policy

This thematic discussion reflected on the different perspectives on regional industrialisation and the scope for regional industrial policy, including the definition and role of the term 'industrial policy' in domestic economies. As a point of departure, the motivations for a regional industrial policy in SADC, alongside individual small state concerns regarding economic polarisation were discussed. The experiences of the BLNS countries in SACU integration arrangements were briefly outlined. It was argued that regional integration will indeed result in an extension of the current polarisation inherent in the trading relationship between small and large economies if the issue of economic polarisation is not addressed.

The discussion highlighted the lack of evidence indicating industrial movement from SA to the BLNS since the formation of the SACU. Part of the explanation given was based on the trade theory precepts associated with Krugman, Venables and Corden, which focus on the importance of geography, economies of scale and the existence of imperfect competition. So, polarisation was attributed to the failure of wages to adjust sufficiently in the BLNS and the static economics of customs unions under oligopoly; where economies of scale in production occurs in South Africa as the larger country. In view of the fact that South Africa manufactures industrial products and SACU produces agricultural products, the lack of economies of scale for agriculture compared to the significant economies of scale in the manufacturing sector leads to a trade differentiation between the two markets. The main question advanced was the degree to which the draft SADC industrial policy will address economic polarisation, given the apparent omission of polarisation in the policy along with the feasibility of policy adjustments.

Important concerns were raised about the draft policy document, in particular, that the policy does not currently consider polarisation and the effects of polarisation as an issue that should be addressed. Since SADC policy is based on consensus, polarisation may be seen as a divisive matter and should not be discussed. However, it remains an important policy challenge. The strategy document highlights that the main thrust of industrialisation is beneficiation and, second to this, the region's integration into the global trading system. These were expressed to be contentious for the following reasons. Firstly, policies to promote downstream processing as an export promotion strategy were misguided and failed to consider contextual economic realities, including factor requirements and other requisite capabilities. Secondly, diversification 'through integration into the global trading system' limited the policy space of SADC members to adjust factor prices on the ground and provide incentives to promote inward investment.

Additional critiques of the draft policy included: the lack of policy guidance and specification; the absence of a commitment from Member States on financial support and contributions for the implementation programmes; and the lack of clarity on approaches to be followed at national levels. It was further observed that the strategy serves as a fairly anodyne consensus document and is unlikely to make concrete changes.

Challenges to regional industrialisation were indicated as follows: a top-down approach to trade and investment policy; little scope for private sector-led approaches; economic polarisation that hinders economic integration; and the persistence of NTBs. It was recommended that the implementation of trade and industry policy in SADC should consider:

- Developing a framework on managing polarisation in a SADC FTA/Customs Union;
- The challenges inherent in the SACU Revenue Sharing Formula; and
- Recognising the existence and proliferation of South African value-chains across the region.

For regional industrial policy to be credible, effective and have longer term traction, it was further recommended that: regional infrastructure should be developed, together with financial support from Member States; improvements in regional resource mobilisation be applied (establishing a Development Fund was given as an example); and that a commercially sensitive approach be employed by SADC and implemented at national levels.

There was general consensus that national industrial policies and strategies should be strongly linked to sustainable poverty reduction at both the national and regional levels. It was also recommended that member states develop a coherent system-wide industrial strategy. One of the major shortcomings of most national development policies identified was the lack of policy harmonisation with SADC development policy. Participants stressed that this would make it difficult to determine levels at which specific interventions in the SADC industrial policy framework are to be implemented; lessen the efficacy of interventions that have a cross-sectoral impact; and weaken policy foresight as Member States do not adhere to regionally agreed performance benchmarks. For this reason SADC visibility and ownership, with reference to driving and enforcing SADC's priorities and key regional programmes needs to be strengthened.

Concerns were also raised about uncertainty on the outcomes of the SADC industrial policy framework. The issue of economic polarisation was debated at length as well, some arguing that it was also a concern for big economies like South Africa that were opposed to being labelled a "regional hegemon." The extent of South African corporate expansion in the region and implications for smaller economies was subsequently evaluated, many noting that this may entrench the historical patterns of inequality and under-development in southern Africa. Some participants argued that the lop-sided nature of SA's business investments in the region, especially in the food and retail market, severely constrained domestic production; stifled the participation of locals in production and supply chains; and gave SA businesses more leverage during bargaining.

The observation was that SA corporates were perceived to prioritise capital accumulation and exploitation at the expense of longer-term stability in the region and that SA's industrial policy was mainly oriented toward SA's own national development. Participants highlighted that the lack of cross-border investment has increasingly contributed to deteriorating socio-economic conditions in the region. There would be need for strategies that act as effective countervailing forces to South African capital and corporate expansion. However, it was stressed that such interventions should be market-friendly and based on strengthening co-operation between countries. It was further highlighted that economic integration, including the establishment of a customs union in the current environment, may in fact exacerbate polarisation.

An examination of the economic logic and utility of beneficiation in the region underlined the necessity for promoting greater value-add to stimulate new export sectors in developing countries, and that encouraging downstream processing can accelerate growth. However, observations were that very few countries in the region that export raw materials also export their processed forms, nor was there even a transition to greater processing. Moreover, the forward linkages are smaller in sectors categorised as primary products and those sectors with high transport costs. It was deduced that although structural transformation is strongly influenced by forward linkage relationships, policies are often misguided mainly because transformation favours sectors with similar technological requirements, input capacities, factor intensities and other requisite capabilities.

Discussions also emphasised the high costs of doing business in the region; the non-complementary trade structures; and the low degree of industrialisation as major factors for the low level of industrial policy co-operation and intra-regional trade. It was concluded that southern Africa has no choice but to diversify, industrialise and enhance policy co-operation for the sustainability of both national and regional economic development. How to achieve dynamic comparative and competitive advantages, especially in the post-crisis climate, remains a pressing challenge for the region's industrialisation prospects.

Challenges and Opportunities for Future SADC Industrialisation

The panel discussion covered the following themes:

1. Opportunities for improving the diversification of African countries;
2. Resource-based industrialisation in SADC;
3. Opportunities and challenges for future SADC industrialisation; and
4. Lessons from Botswana's challenges toward industrialisation.

With regard to opportunities for improving the diversification of African economies, the following key points emerged:

1. The potential to industrialise the mining sector such that it is a consistent engine of economic growth and development is hampered by infrastructure underdevelopment; high political and economic risks for investors; and uncertain guarantees on security of tenure due to the insecure rule of law.
2. The re-focus on improving agriculture in the last five years enables countries to explore: new value-chain approaches to improve market access and raise productivity; innovation through technology with high returns on investment; and new models for large-scale farming such as those in the AU's Comprehensive Africa Agriculture Development Program (CAADP).
3. However, fragmentation; unfavourable agro-ecological conditions; under-investment; underdeveloped post-harvest value chains; poor infrastructure; and the absence of capacity building programs all work towards stalling industrialisation in the agriculture sector.
4. The region's infrastructure is largely underdeveloped and under resourced. Corridor development should be a key intervention to maximise on economies-of-scale.
5. The region's banking sector should focus on increasing product penetration, expanding along value-chains. However, global reforms such as the Basel III rules regarding capital adequacy and liquidity requirements may create greater problems for the sector.
6. With Africa's labour force projected to reach 1.1 billion by 2040, improving education, skills development and investments in technical capacities, is essential for industrial development.

On resource-based industrialisation, the following points were made:

1. The region's natural resource endowment gives it a comparative advantage, albeit, a declining advantage in the case of mineral assets.
2. Developing industrial sector linkages gradually builds integrated industrial clusters where upside and down-stream components reinforce one another. The principal resource endowment opportunities lie in: the use of resource differential and windfall rents; infrastructure development; technology/product development; upstream and downstream value addition.
3. A resource-based industrialisation and development strategy results in: resource comparative advantages, as infrastructure constraints are overcome; the densification of the resource-based infrastructure through ancillary and feeder infrastructure; and the re-investment of resource rents into HRD, skills and R&D for technology development to capitalise on the resource linkage opportunities.
4. SADC mineral regimes are essentially based on the principle of free mining, or "free entry." These need to be overhauled to allow for competitive concessioning of the region's resource endowments and to maximise price developmental objectives.

5. A resource rent tax on all excess profits above a reasonable (expected) return should be imposed on all resource exploitation concessions. This should form the basis of an offshore regional development fund to finance long-term regional physical and human infrastructure.
6. Economies of scale and competition would be greatly enhanced by a common SADC market (or customs union). Customs union revenue sharing formula could also contribute to the regional development fund.

On opportunities and challenges for future SADC industrialisation, the following key issues emerged:

1. SADC industrialisation modes do not sufficiently consider the specificities of the region, primarily, uneven development, an over-reliance on agriculture and mining, and limited industrial skills and technological capabilities.
2. Lessons from: the Asian model of industrialisation (an export-driven model); Special Economic Zones as adopted by the Chinese; and India's industrialisation patterns can be useful for SADC and national economies for optimising industrial policy.
3. Although SADC has adopted the African Productive Capacity Initiative (APCI) value chain methodology to improve industrial performance and employment creation in the region, lack of clarity on the location and linkages of production units compromises policy implementation.
4. Small and medium enterprises can gain from ACPI implementation, particularly if there is a focus on clustering.
5. SADC manpower, planning and capacity building programs to successfully address challenges related to industrialisation are largely lacking. Additionally, weak regional resource mobilisation instruments suggest that private sector investments will be required. Thus SADC private sector relations should be improved.
6. Attracting FDI within the framework of SADC bilateral and multilateral agreements requires policy reforms in many areas, which are subject to political commitment and partnerships.
7. The regions south-south co-operation arrangements should draw investment to priority areas such as infrastructure, energy, agriculture and agro-industry, heavy engineering and machine building industries as well as information and communication technology.
8. In developing approaches to industrial policy co-operation, a policy standardisation framework on the rules and regulations governing business practices should be put in place.

On Botswana's industrialisation challenges and opportunities, the key points were as follows:

1. Despite opportunities in leather tanning and mineral beneficiation, there is very limited industrialisation in Botswana. The country should proactively champion industrial co-operation within the region, especially given the centrality of government in Botswana's economic policy formulation, regulation and development.
2. Some degree of secondary industrialisation has occurred in the SADC region. However, since it relies heavily on imported inputs and technology, it has very little forward and backward linkages with the rest of the economy.
3. Stronger supranational authority by SADC is required to drive the industrialisation agenda and enforce industrial co-operation and deeper integration.
4. In theory, SACU offers Botswana a huge opportunity in the form of a larger market, but in practice, the SACU market is not useful for Botswana's small economy and market. High costs of electricity; commercial, industrial and residential servicing of land; lack of skilled labour; poor infrastructure; a historically weak private sector are all factors inhibiting industrial development.
5. Although South African capital can support industrial development in Botswana, South Africa investments in Botswana have been skewed in favour of extractive industries and manufactured goods. On the other hand, South Africa imports beef (in small quantities) and soda ash from Botswana, but nothing else.
6. Corporate South Africa has often stifled industrial development in Botswana. Examples include cases where they lobbied against South Africa industries from producing goods in Botswana for export to the South African market; and colluding to make industrialisation difficult for Botswana businesses.
7. However, there is evidence of significant manufacturing spin-offs from South African multinational supermarkets which promote some degree of industrialisation in Botswana, especially in agro-processing, milling, animal feed etc.
8. Given Botswana's small economy, the country should consolidate light gains from manufacturing, stimulated by South African supermarkets.