

**Multi-year Expert Meeting on  
Enhancing the Enabling Economic Environment  
at all Levels in Support of Inclusive and  
Sustainable Development, and the Promotion of  
Economic Integration and Cooperation**

26-27 October 2017

**Focus on value addition in Southern African**

Paper submitted by

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# Focus on value addition in Southern African

UNCTAD Multi-year Expert Group Meeting:  
Harnessing International Production Networks to Foster Inclusive Growth  
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# Drivers of catch up

- High levels of fixed investment, oriented towards increasing return sectors like manufacturing
- High share of manufacturing in GDP
- Increasing sophistication of production
- Rising levels and sophistication of exports
- No country has industrialised without industrial policy
- Manufacturing remains a major source of direct wage employment, but less so than in the past
- Manufacturing is critical to stimulating indirect employment
- The implications of rapid technological change need to be better understood

# Political economy of South African industrial policy

## Early 1990's to 2007

- Post-apartheid policy forged as a set of bargains shaped by interests and (circumscribed) ideas
- Corporate promise of high levels of export-oriented private investment in manufacturing
- Extensive liberalisation, deregulation, corporate restructuring and internationalisation
- Black economic empowerment as legitimation mechanism
- No overarching formal industrial policy framework
- Significant continuity of *de facto* support for heavy industry over the 1990s in particular
- Limited sector-specific programmes: automotives, clothing/textiles
- Dispersed support for SMEs, innovation etc.

# Political economy of South African industrial policy

## Outcomes

- Low fixed investment
- Rapid import penetration
- Slow export growth and diversification: continued dominance of mining and heavy industry
- Rising unemployment
- Slow black economic empowerment ownership transfers
- Shift to more active state but with fundamental differences over objectives

# Political economy of South African industrial policy

## 2007 National Industrial Policy Framework (NIPF) and annual Industrial Policy Action Plans (IPAPs)

- First overarching post-apartheid industrial policy framework
- Articulation of industrial policy as government- and economy-wide
  - Diversification out of heavy industry
  - Value addition
  - Employment
  - Economic inclusion
  - Regional integration
- Mobilisation and implementation in practice shaped by
  - Anglo-American style financial and capital market structures
  - Corporate re-orientation: non-tradable sectors, consolidation of selected tradable sectors and exit from other tradable sectors
  - Conflicting objectives, policies and actions of government departments and state owned enterprises

# Political economy of South African industrial policy

## NIPF and IPAPs

- **Formal mobilization of policy instruments**
  - Industrial financing
  - Public procurement
- **Regional trade**
  - SACU
  - SADC
  - Tripartite Free Trade Area (TFTA)
  - Growth of value added exports to rest of Africa
- **Sectors**
  - Automotives
  - Machinery
  - Food and Beverages

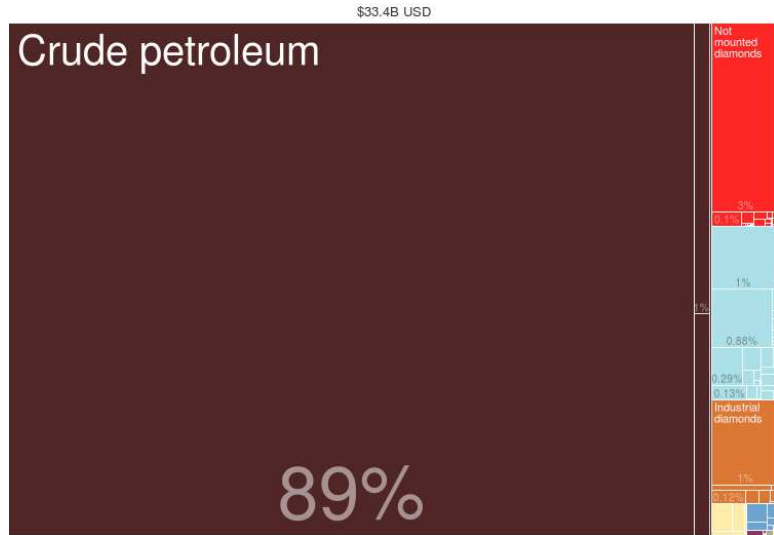
# Southern African regional industrialisation and integration

- Productive regional integration
  - Complementarities: production and demand
  - Industry and infrastructure
- Appropriate balance between regional framework and country-specific strategies and instruments
- Assessment of opportunities and limitations of GVC insertion
- Identification of complementary regional value chains
- Strategising with respect to large dominant firms, e.g.
  - Mining companies
  - Supermarkets
- Critical importance of agriculture

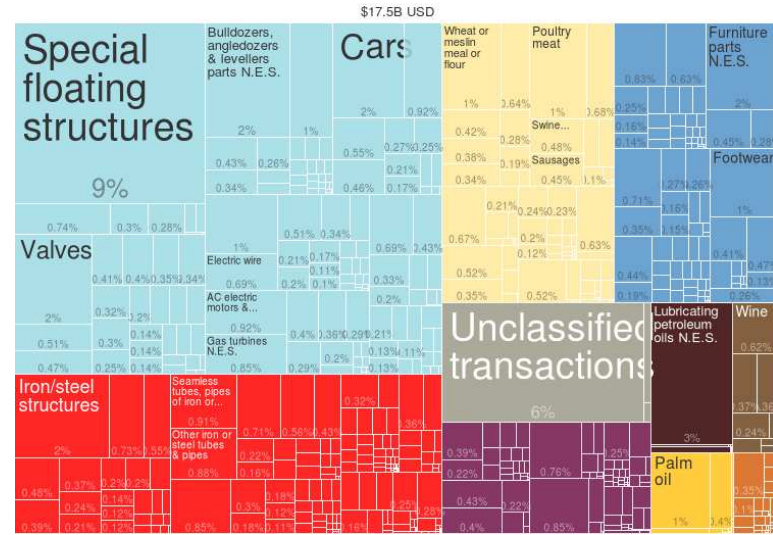


# Angola

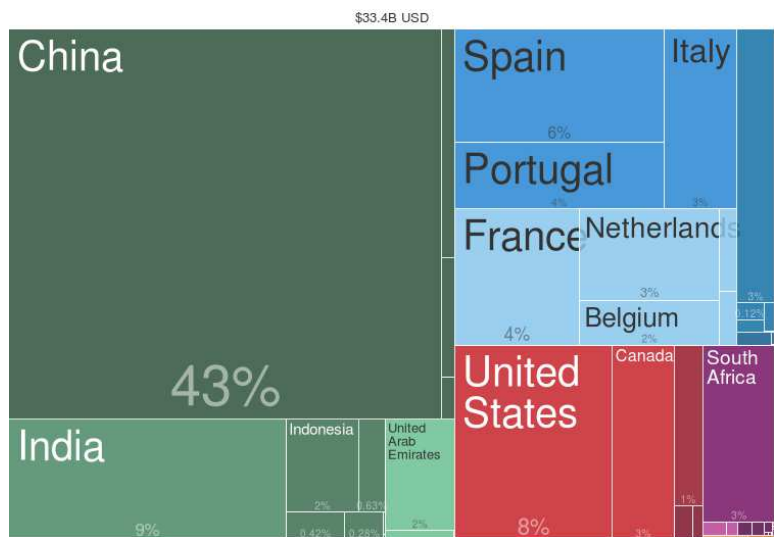
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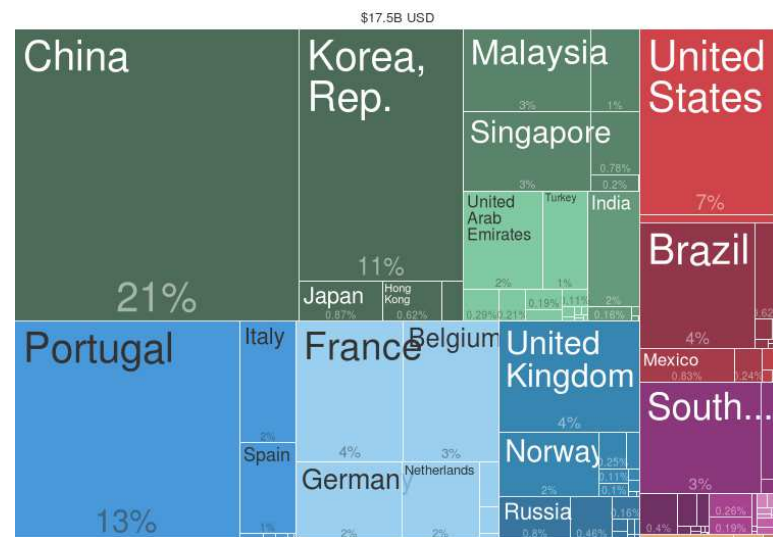
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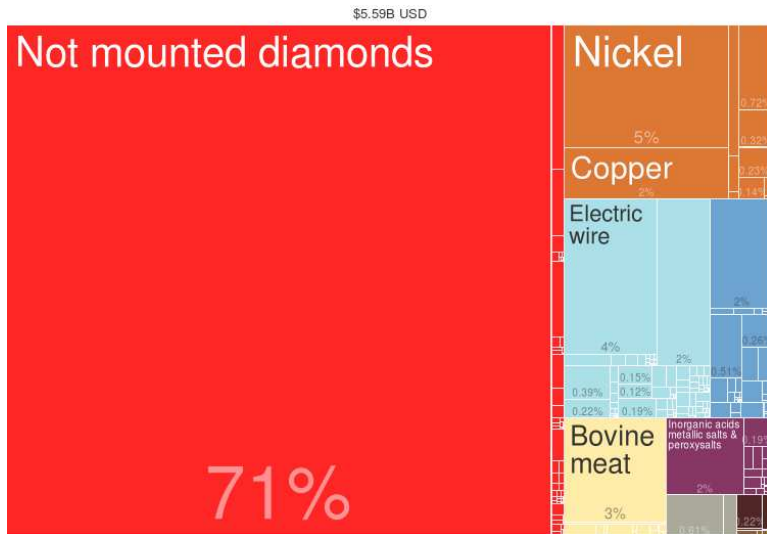


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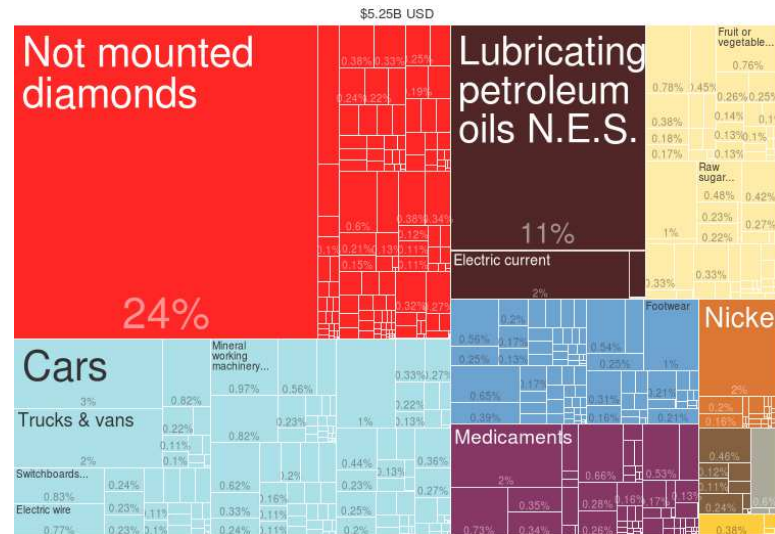


# Botswana

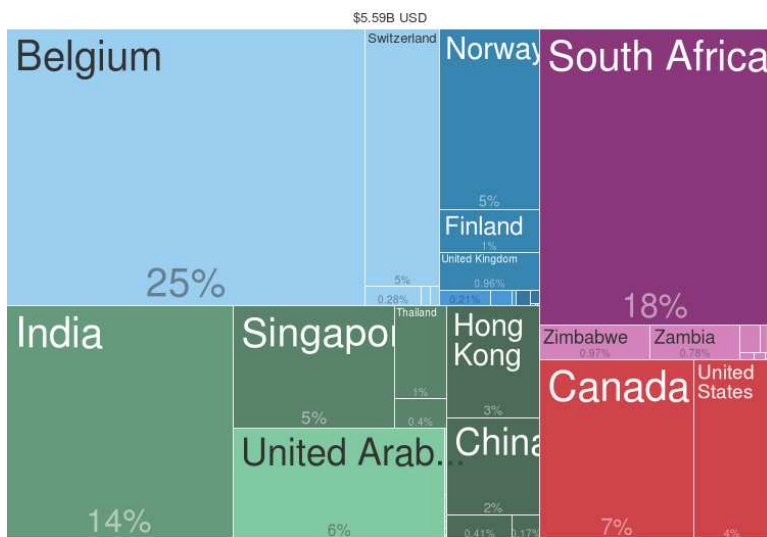
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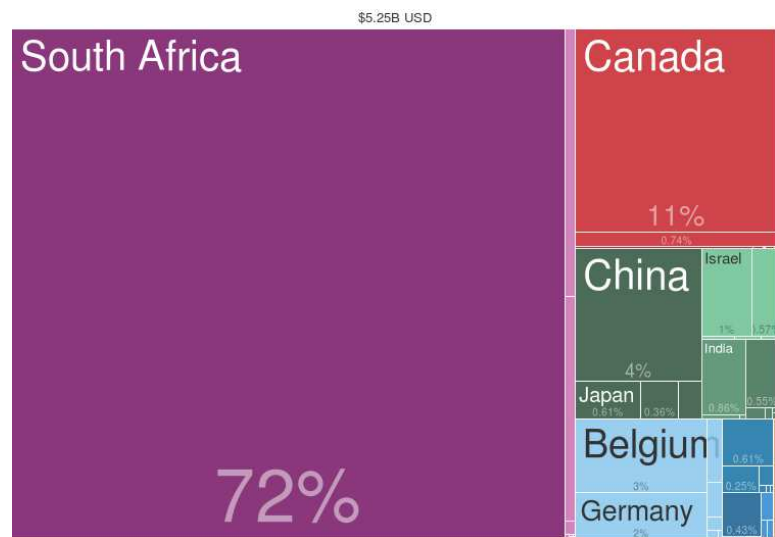
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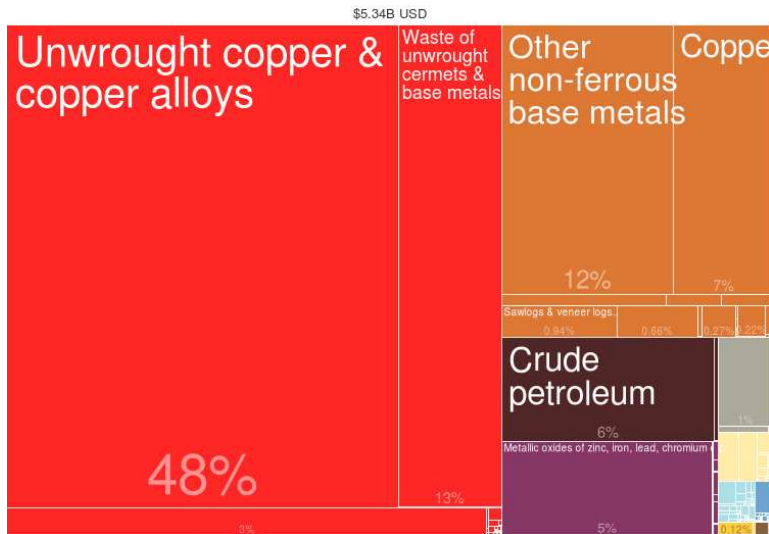


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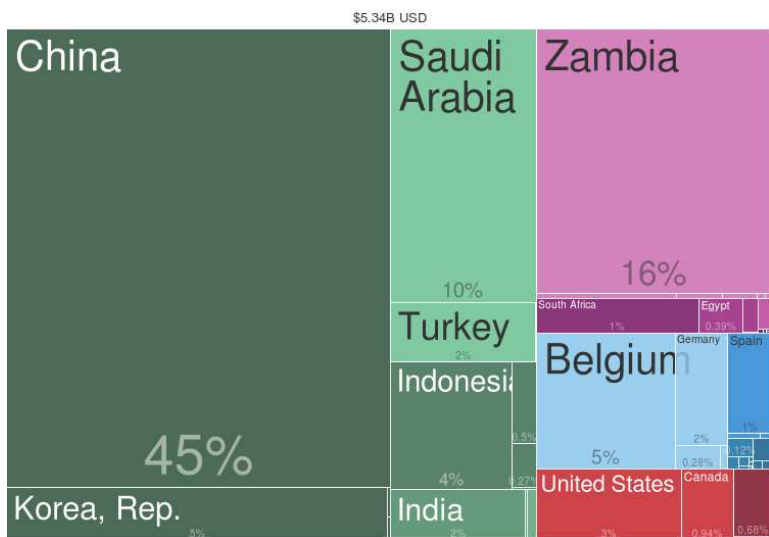


# Democratic Republic of Congo

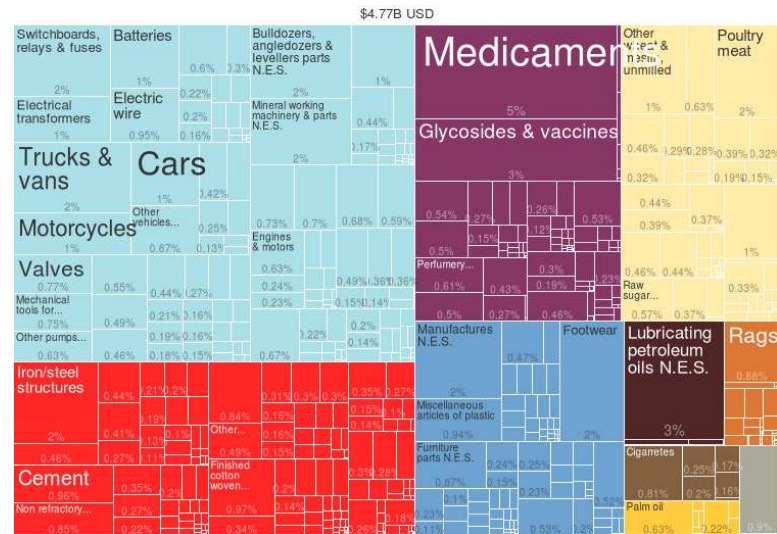
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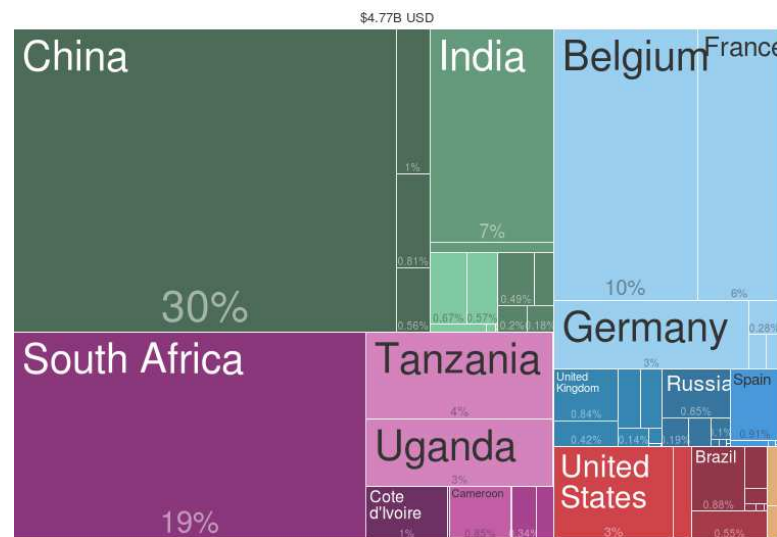
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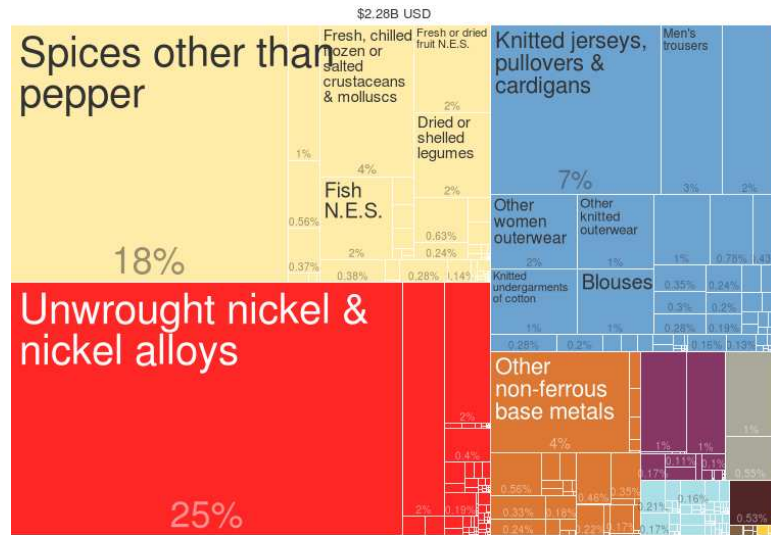
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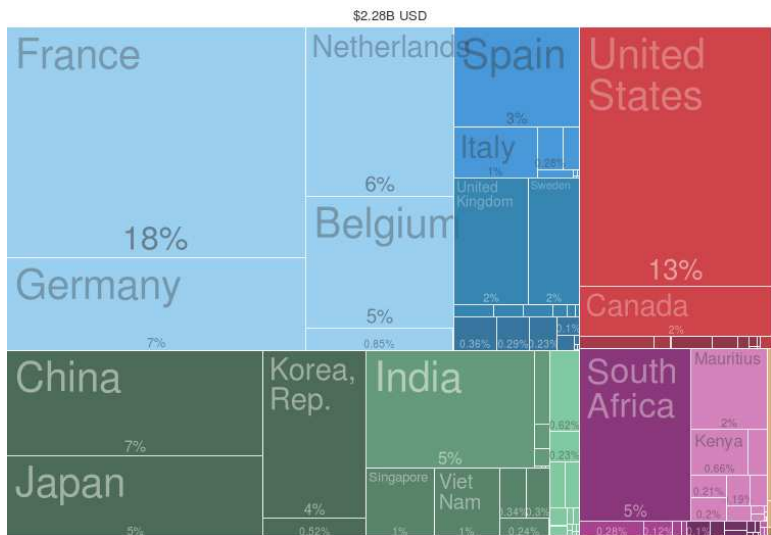


# Madagascar

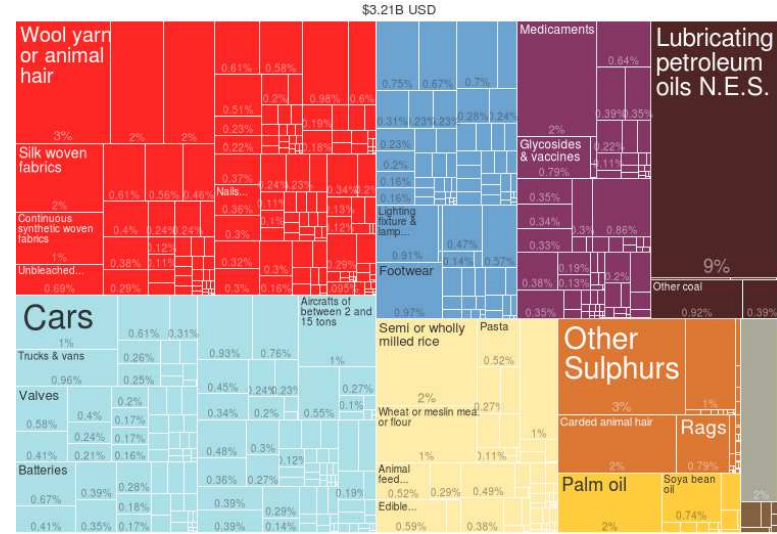
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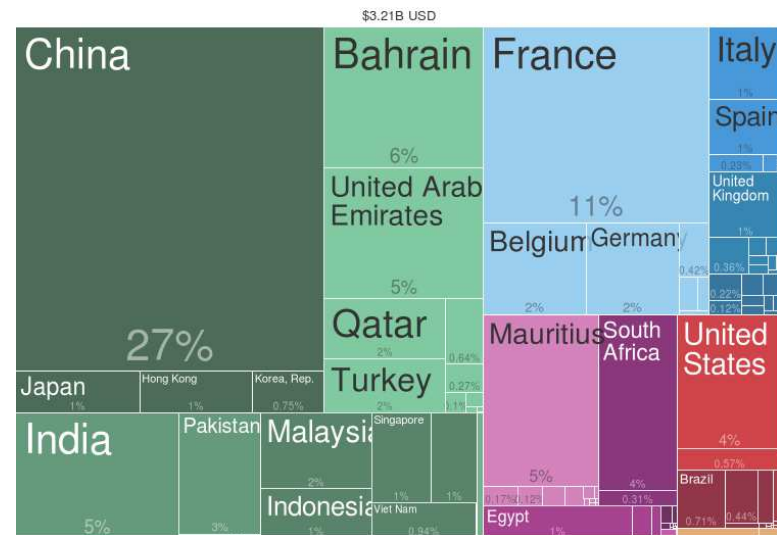
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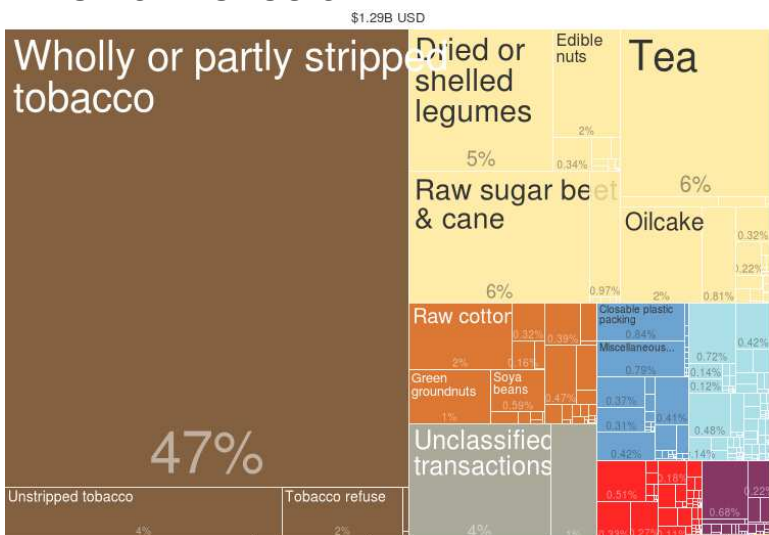


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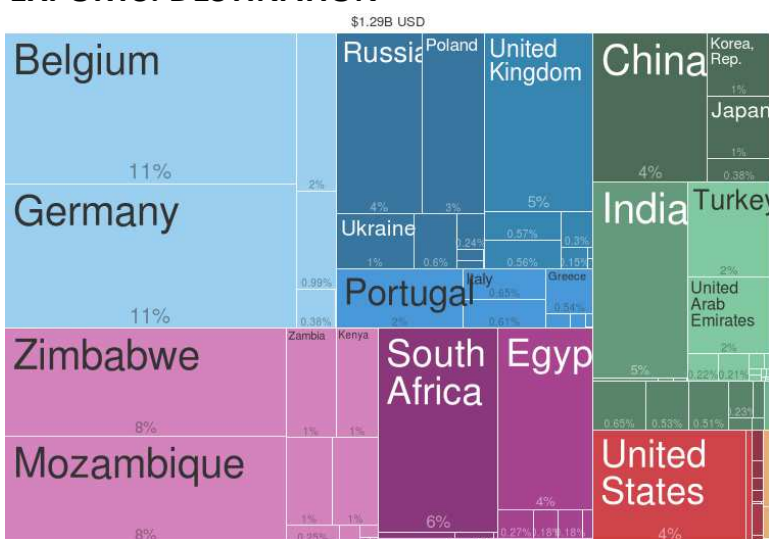


# Malawi

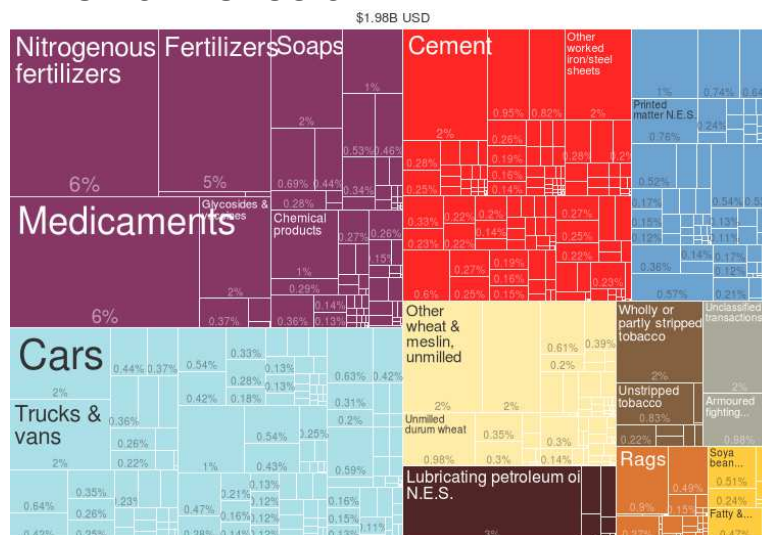
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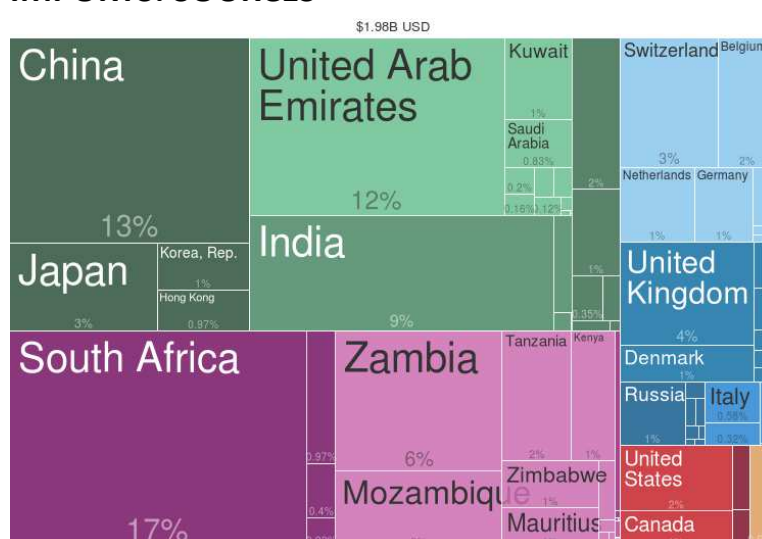
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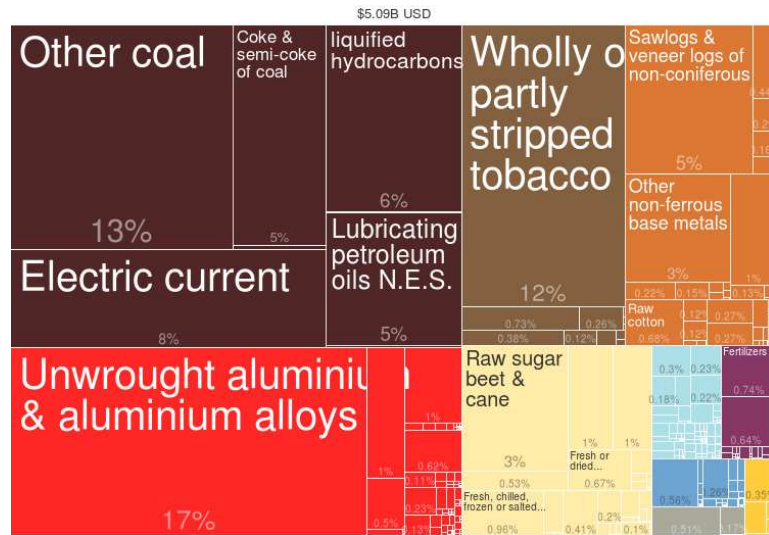


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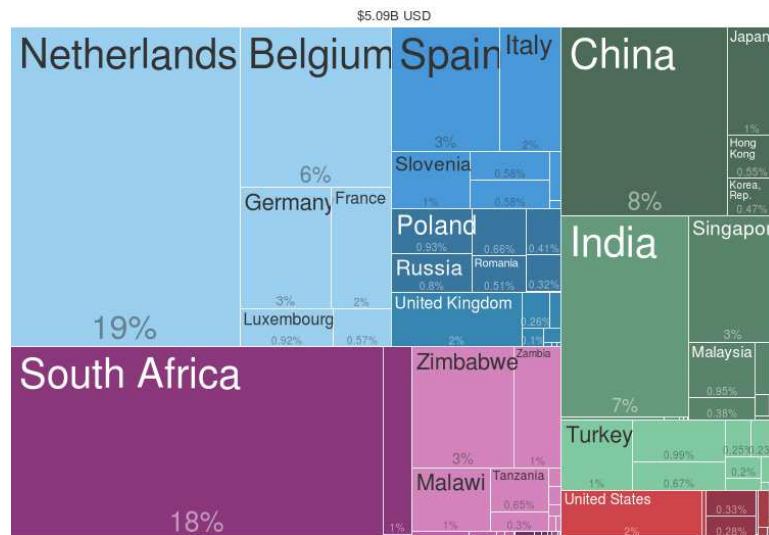


# Mozambique

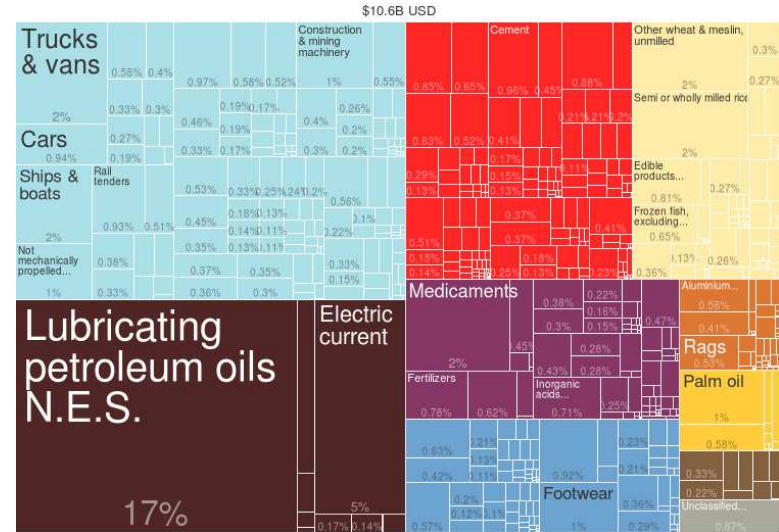
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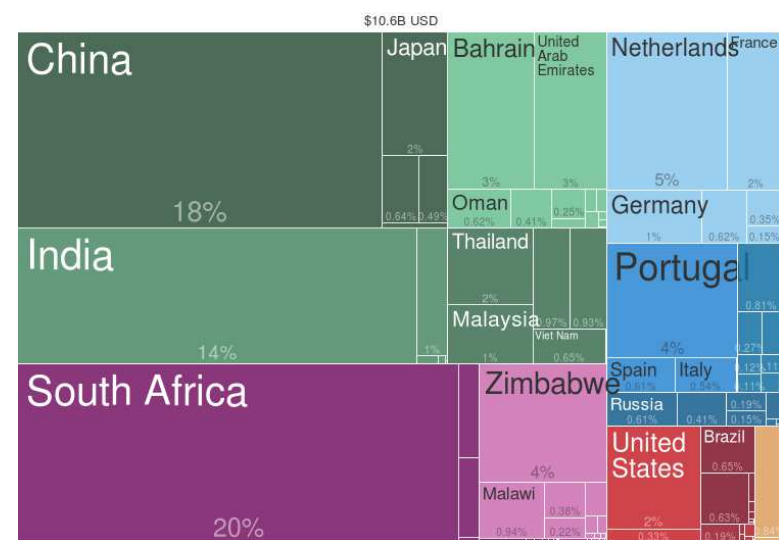
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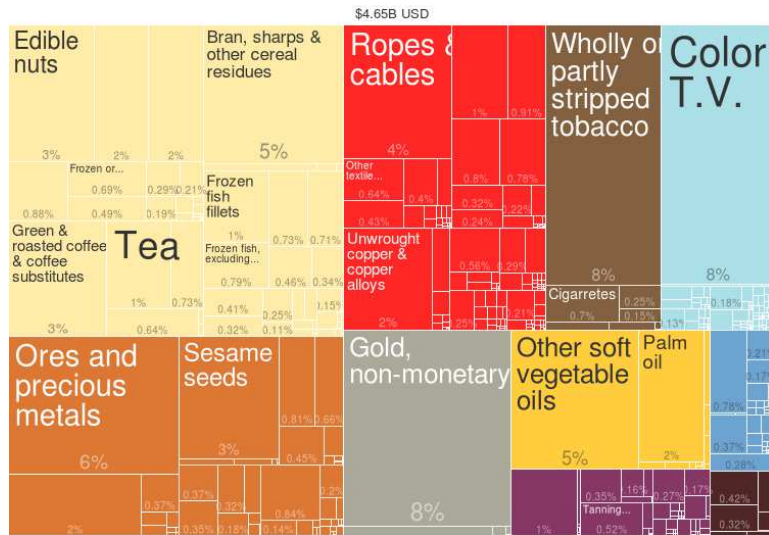
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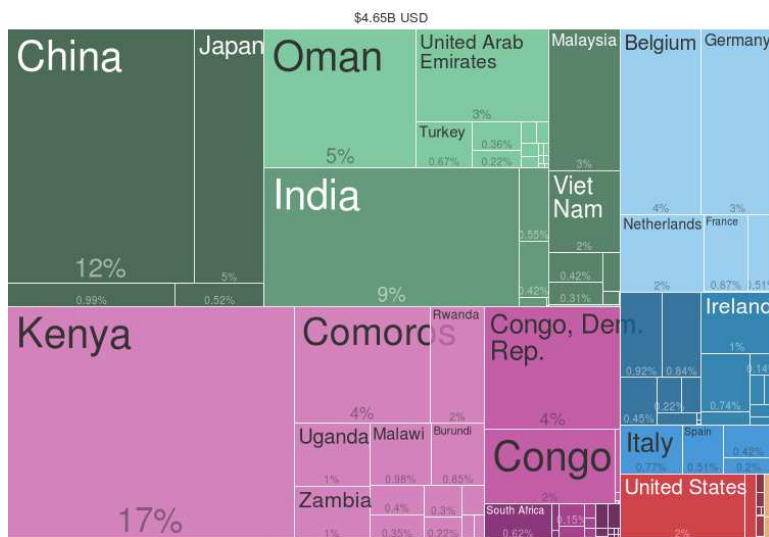


# Tanzania

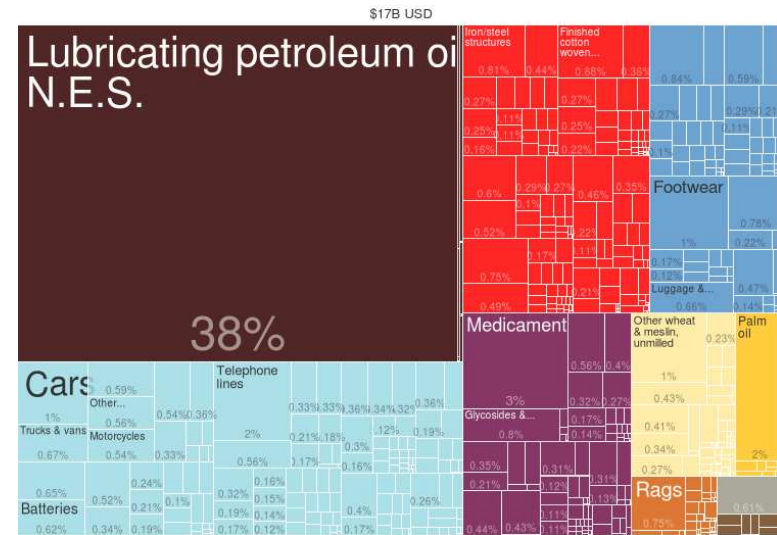
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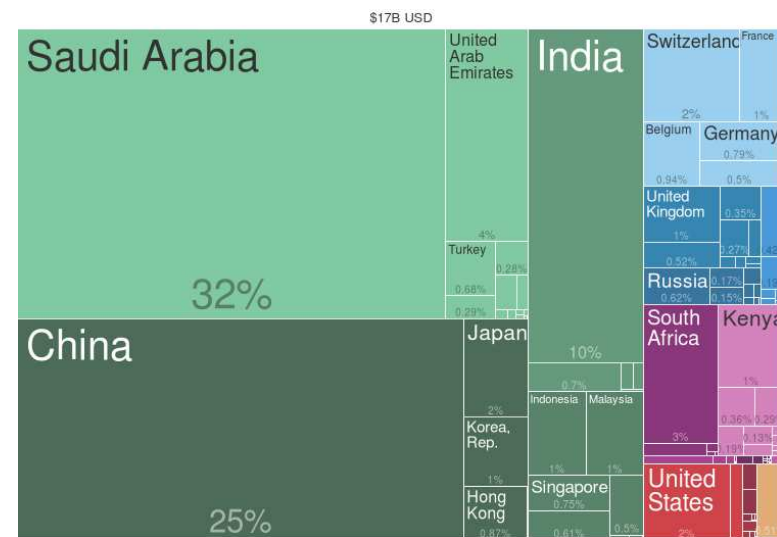
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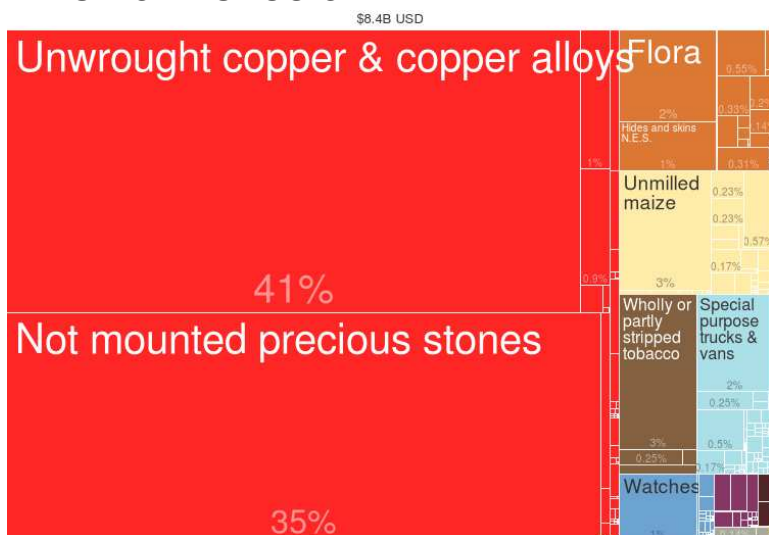


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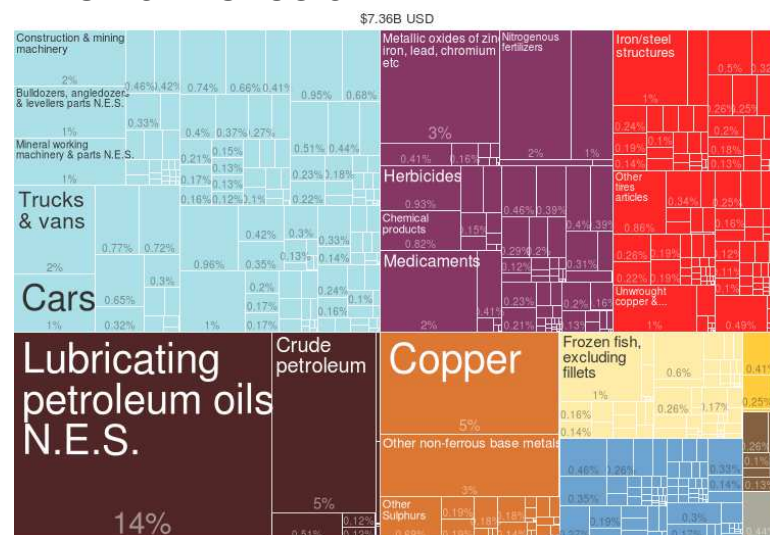


# Zambia

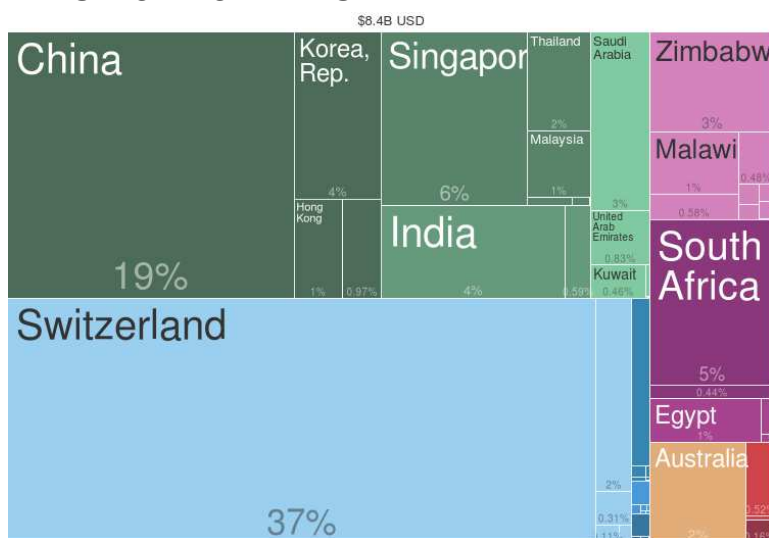
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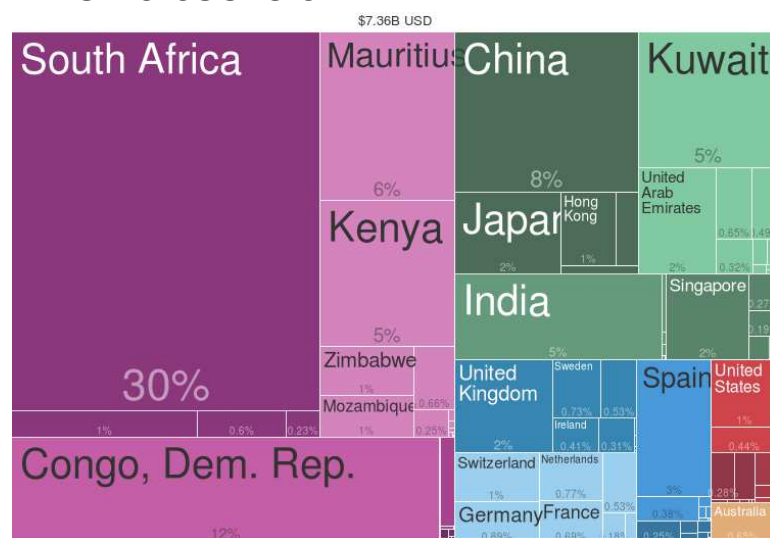
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## EXPORTS: DESTINATION



## IMPORTS: SOURCES





# Scope for regional industrialisation

## (1) The critical role of agriculture

- Critical to expand and upgrade agricultural production and exports
- Relieves balance of payments constraint to industrialisation
- Agriculture is not homogenous
- Differential potential for increasing returns, wage employment, linkages and exports of different kinds of crops
- Myth of universal declining terms of trade

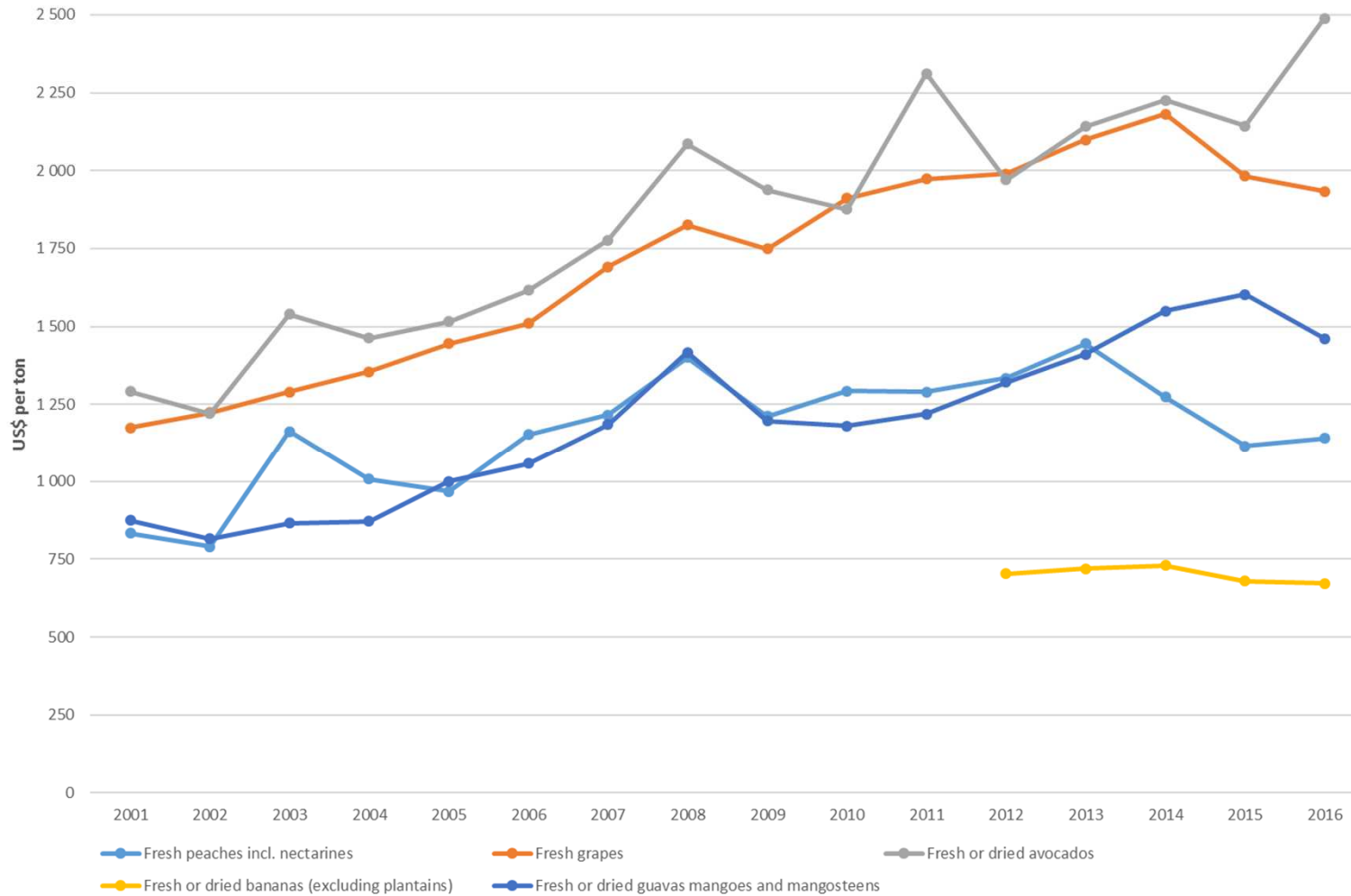
# High value agricultural employment potential (SA)

Commodity	Hectares (2010/11)	Jobs per hectare	Commodity	Hectares (2010/11)	Jobs per hectare
Flowers	545	13.00	Sugar cane	380,000	1.00
Tomatoes	9,537	3.50	Citrus	60,000	1.00
Carrots	3,280	3.00	Green mielies	18,667	1.00
Cherries	230	3.00	Cotton	7,000	1.00
Strawberries	213	2.30	Rooibos	5,000	1.00
Tobacco	4,000	2.20	Onions	6,814	0.98
Pumpkins	5,725	2.10	Potatoes	53,472	0.80
Avocado Pears	13,250	2.00	Macadamia Nuts	17,100	0.80
Bananas	12,000	2.00	Olives	2,500	0.75
Pawpaws	2,710	2.00	Eggs	386,440	0.04
Grapes	23,526	1.62	Dairy	2,613,674	0.03
Guavas	990	1.50	Poultry	1,327,000	0.02
Plums	4,227	1.46	Pork	171,430	0.02
Prunes	431	1.46	Beef	628,000	0.01
Mangos	7,583	1.40	White maize	1,481,000	0.01
Litchis	1,163	1.40	Yellow maize	954,000	0.01
Pecan Nuts	14,000	1.30	Sunflower	642,000	0.01
Pomegranate	1,200	1.30	Wheat	610,000	0.01
Pears	11,435	1.26	Soybeans	418,000	0.01
Apples	21,100	1.25	Barley	83,000	0.01
Nectarines	2,028	1.25	Canola	40,000	0.01
Peaches	8,348	1.20	Sheep meat	98,200	0.01
			Wool	45,500	0.01
<b>&gt; 1.00 jobs per hectare</b>	<b>147,521</b>		<b>≤ 1.00 jobs per hectare</b>	<b>10,048,797</b>	

Source: Bureau for Food and Agricultural Policy

# Declining terms of trade?

Selected agricultural products, unit values (US\$/ton)



Source: [www.trademap.org](http://www.trademap.org)

# Scope for regional industrialisation

## (2) Supermarkets

- High levels of concentration in the Southern African region, led by SA retailers
- Retail code of conduct that sets out expectations vis a vis supermarkets and suppliers
- Requirements to invest in supplier development programmes
- Competition policy to address abuses of buying power

# Deepen research and analytic capacity

- Partnerships to deepen research and analytic capacity
- Empirical analysis
- Market structure
- Understanding and engaging with the strategies of large and lead firms
- Regional and country-specific capacity building