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"Understanding Regional Industrial Development and its Drivers – an exploration of the theoretical debates in the light of case study evidence from Southern Africa"

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African countries have recorded some of the highest growth rates in the world in recent years, with many not experiencing a recession following the global financial crisis. A large number of countries on the continent, including Mozambique, Zambia, Angola and Tanzania within SADC, have recorded average annual growth rates of 5% or more from 2000. Even while world economic conditions have been weak, in 2011 most countries across the continent continued to record strong growth. The growth of countries such as Angola, DRC, Malawi, Tanzania and Zambia, is driving the southern African region as a whole, given their populations. This performance is commonly attributed to the demand for resources and agricultural products from the on-going industrialization of China and India, the roll-out of information and communication technology, political stability and stronger institutions across the region. While the global financial crisis had a major impact in 2008 and 2009, prices of resources are expected to sustain higher levels and to drive investment in resource-related activities across the continent, with a growing participation by Asian companies and countries.

The opportunities that growth across the continent provides for South African industry is already evident in the changing pattern of South Africa's exports. Other African countries have collectively become much more important as a destination for South Africa's exports of diversified manufactured goods (that is, after excluding resources, basic chemicals and basic metals). The growth of South African exports to SADC countries reveals four major industries responsible, namely 'machinery and equipment', followed by 'food products', 'metal products' and 'motor vehicles'.

This paper critically assesses the dynamics and interests that underlie the main drivers of industrial growth in Southern and East Africa. It examines the inter-dependencies in trade in goods and services, migration of people, power, water and transport infrastructure, finance and the regional operation of companies. The policy challenges are many, from planning cross-border infrastructure to the effective realization of the possible linkages from exploitation of natural resources. Yet the literature has been limited in its ability to explore the power dynamics that shape linkage development.

The debates have not addressed the various processes and interventions required for building capabilities or linkages across industries and borders, nor have they appreciated the need to approach these processes in a holistic or an integrated fashion. Recent work by the World Bank (2011) and Behar & Edwards (2011) has maintained the view that trade liberalisation and infrastructure development will generate intra-regional trade and diversification through regional value chains and that the main constraints are tariff and non-tariff barriers. In line with this, work on linkage development across the value chain by Morris, Kaplinsky, and Kaplan (2012) supports the notion of localised supplier development, skills, innovation, infrastructure and other sources of comparative advantage. Though important contributions, they do not incorporate questions on how to manage resource exploitation, how subsequent rents could be channelled into diversified industries, and how both direct linkages and indirect effects are shaped by the underlying political economy context.

With these questions in mind, the paper proposes four main objectives:

- Identify the challenges and opportunities for broad-based industrial development in the region (specifically southern and eastern Africa).

- Analyse the drivers of industrialisation in the region.

- Interrogate the literature on linkages, value chains, and industrial diversification from the perspective of both regional and national industrialisation.
- Draw on case studies from various industrial sectors to highlight the need for a better theoretical and empirical understanding of regional processes, the role of policy and the political economy context.

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