

Session logical flow
REGIONALIZATION OF BUSINESS AND VALUE CHAINS

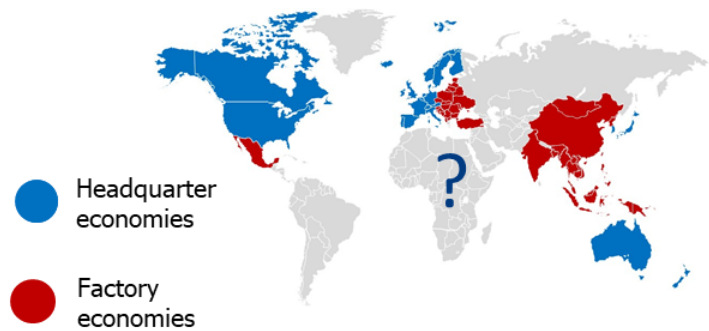
The first wave of globalization was characterised by **highly polarized centers of consumption and centers of production:**

Headquarters economies

- Provide technology and capital
- Arrange production networks
- Export negative externalities (environmental, social, etc)

Factory economies

- Provide labour
- Import externalities



But times are changing: global value chains are increasingly disentangled and re-shored into **regional production networks**. The reasons are multifold: growth of low and middle-income economies with the creation of regional markets, new technologies, increasingly flexible production units, relevance of proximity to destination markets, growing relevance of services, increasing labour costs in early-stage world industrial hubs (most notably China), etc.

Alongside with regionalization, another significant trend is **reshoring** of industries from emerging to advanced economies. This can be a threat for emerging markets, especially those countries – and industries – where labour cost is not a competitive advantage.

But reshoring can also be an opportunity for those emerging economies with sectors previously phased out by other emerging markets (eg: textiles). **Import substitution policies** could revive previously disrupted productions by increasing technological content, quality, and innovation or by climbing up the value chain.

This favourable macroeconomic trend provides a great opportunity for Southern Africa to create jobs and **foster local development.**

Relevant value chains:

- Agro-industry and food processing
- Automotive
- Logistics
- Consumer goods
- Textile & leather
- Energy and power
- Manufacturing
- Mineraary equipment
- ...

How to foster a regional economic and industrial ecosystem?



Physical connectivity and logistics

Trade and investment policies

Specialization and skills training

Capital and financing

SADC KEY ADVANTAGES FOR AN EFFECTIVE REGIONAL INTEGRATION

Other **SADC countries** should leverage on their competitive advantage to develop specific value chains in synergy with each others. **European countries** and companies can play a pivotal role in fostering this transformation

SADC region can leverage on some structural features to speed up the regionalization process, most notably the role of **South Africa and Gauteng** as the regional headquarter economy, providing efficient capital markets, a world class logistic hub, managerial skills, and a business gateway to the whole region.

