

BRICS Policy Center convida:

THE ROLE OF CHINA IN REFRAMING DEVELOPMENT IN THE GLOBAL SOUTH:

A view from South Africa

A palestra é continuidade da série de eventos sobre os BRICS, por ocasião da Cúpula 2019 a ser realizada no Brasil

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26 de Setembro 2019



Às 16:00h



Rua Dona Mariana, 63, Botafogo - RJ

O evento será ministrado em inglês, sem tradução simultânea



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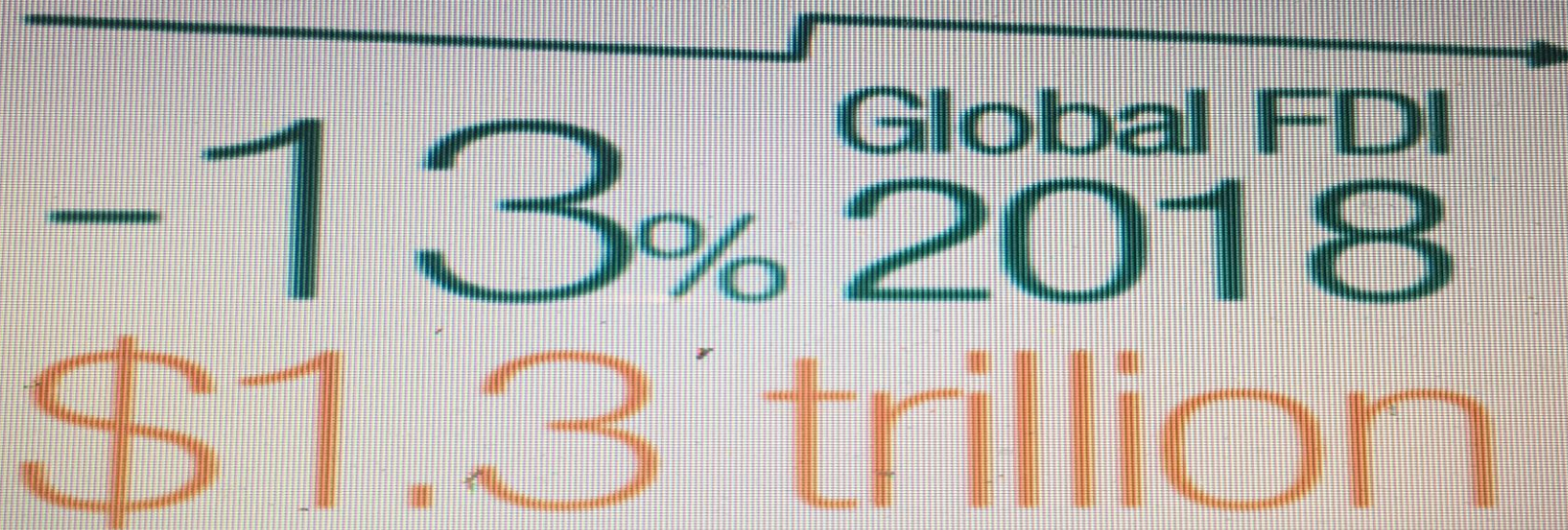


25 – 27 JULY 2018, JOHANNESBURG, SOUTH AFRICA





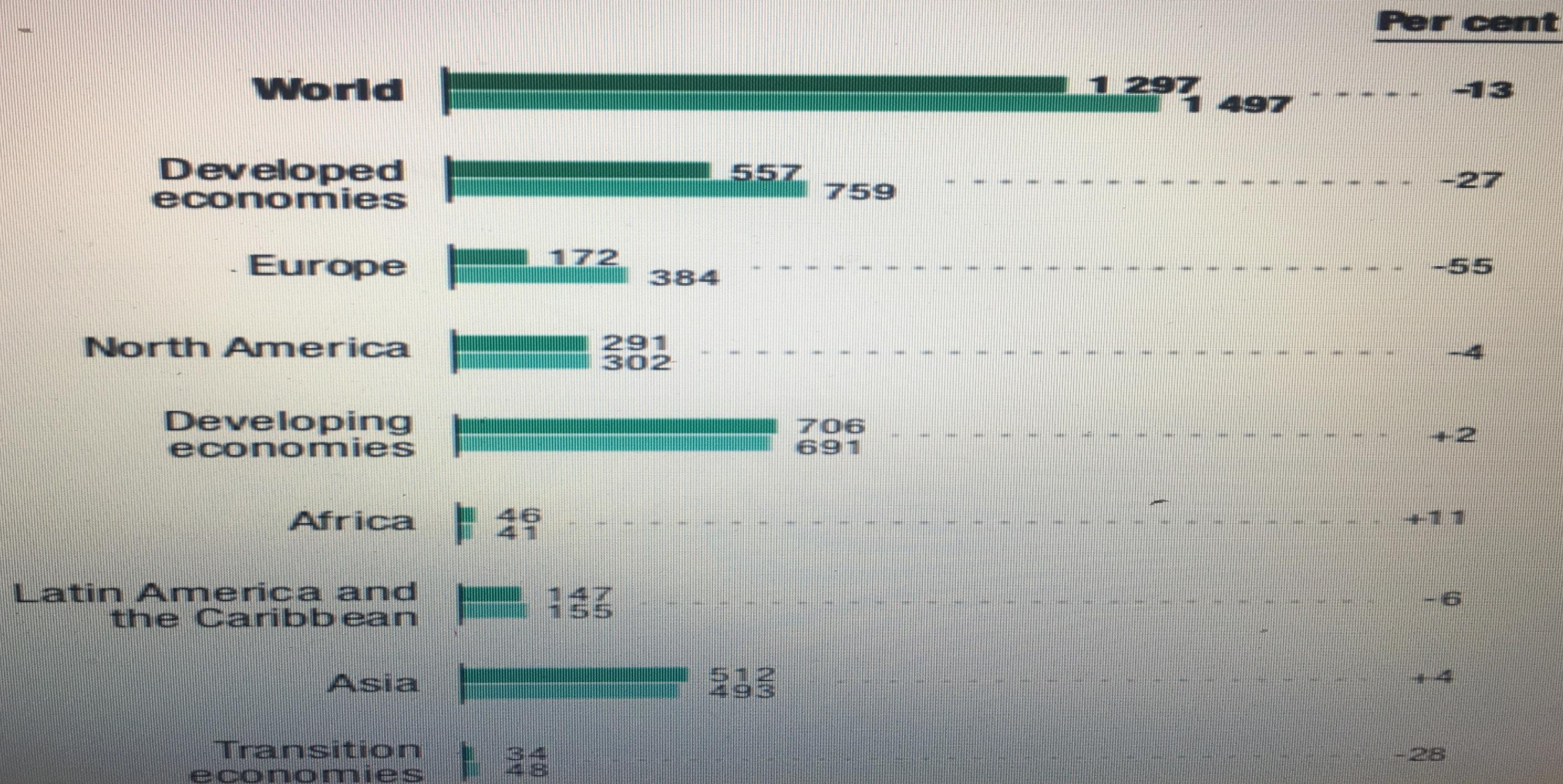
UNCTAD REPORT ON INVESTMENT & SPECIAL ECONOMIC ZONES



-13% Global FDI 2018
\$1.3 trillion

Figure 1.2.

FDI inflows, by region, 2017–2018 (Billions of dollars and per cent)



Top 100 MNEs
account for more than
 $\frac{1}{3}$ of business-funded
R&D worldwide

BRICS INTERNATIONAL DEVELOPMENT COOPERATION: AN ALTERNATIVE PARADIGM

“... the field of IDC as become a true battlefield in which the Western-centric discourse on international development grounded strongly in a belief in linear progress, has been questioned and defied” (ESTEVEZ AND GOMES)

**Emerging Economies and the Changing Dynamics of
Development Cooperation. IDS Bulletin 49, 1 (2018:138)**

INCLUSIVE DEVELOPMENT AND BEYOND AID DEBATE

- Social Justice and redistribution decentred
- Win-Win infrastructural & trade partnerships
- OECD Good Governance =Bad Governance in the Global South: austerity, conditionalities
- Enter Da Yaunzhu or Grande Aid (non traditional aid, investment and trade).
- Beyond Doxa of IMF/WB (Esteves and Gomes, 2018)

FOCAC 2018: TO AFRICA THROUGH SOUTH AFRICA



**Special Economic Zones/Export Processing Zones as a way to
Industrialise, overcome Infrastructural backlogs, attract FDI and
generate sustainable unemployment creation**

“China-SA relations have become a role model for China’s co-operation with other African and developing countries. The fruitful, productive co-operation was under the framework of three major platforms, namely the Forum on China-Africa co-operation (FOCAC), BRICS, and the Belt and Road Initiative (BRI) of which South Africa has established itself as both a major contributor and the biggest beneficiary across the continent”

Lin Songtian Chinese Ambassador, 27 February 2018

The 2014 SEZ Legislated incentives include:

- Preferential 15% Corporate Tax.**

- Building Allowance**

Businesses and Operators operating within a Special Economic Zone may be eligible for tax relief, including the building allowance (subject to the Income Tax Act).

- Employment Incentive**

Businesses and Operators operating within a Special Economic Zone may be eligible for tax relief, including the employment tax incentive subject to the Employment Tax Incentive Act,

- Customs Controlled Area**

Businesses and Operators located within a customs controlled area of a Special Economic Zone will be eligible for tax relief as per the Value-Added Tax Act, 1991

- 12I Tax Allowance**

The 12I Tax Incentive is designed to support Greenfield investments (i.e. new industrial projects that utilise only new and unused manufacturing assets), as well as Brownfield investments (i.e. expansions or upgrades of existing industrial projects).

CHINA'S LEADING ROLE IN FOCAC AND BRICS

- BELT AND ROAD (BRI or OBOR)
- IDA/EXPORT LED GROWTH POLICY NARRATIVE ON DEVELOPMENT (SEZS)
- EMPHASIS ON GDP AND GNP AS INDICATORS OF DEVELOPMENT
- **AMPLIFIES** PATTERNS OF GLOBAL CAPITALIST ACCUMULATION?
- DIPLOMACY NOT DEMOCRACY: NO CONDITIONALITIES
- CONCEALS FLAWS IN GLOBAL EC SYSTEM:
 - OVERACCUMULATION,
 - FINANCIALISATION,
 - EXPANSIONISM,
 - WORKER EXPLOITATION/SUPER-EXPLOITATION

BRAZILIAN EXPORT PROCESSING ZONES

The Brazilian Export Processing Zones (EPZs) are free trade areas aimed at attractingcompanies engaged in the production of goods to be traded worldwide. The EPZ Regime proves to be an opportunity for the best use of the Brazilian productive capacity potential in the international scenario, considering its diverse and high profile industrial park and the relevant country position in the global production and world exports of commodities.

Companies located in an EPZ will benefit from tax incentives, like as the exemption of Federal taxes (II: Import Tax; IPI: Tax on Manufactured Products; PIS: Social Contribution on Gross Revenue; Cofins: Social Contribution – Tax Presumptive Profit; AFRMM: Additional Freight Charge for the Renovation of the Merchant Navy) on domestic or imported raw materials and capital goods (new or used).

Brazil currently has 19 EPZs in effective implementation process in 17 Brazilian states:

North Region: Senador Guimard (Acre state), Barcarena (Pará state), Porto Velho (Rondônia state), Boa Vista (Roraima state), Araguaína (Tocantins state);

Northeast Region: Ilhéus (Bahia state), Pecém (Ceará state), Suape (Pernambuco state), Parnaíba (Piauí state), Sertão/Assu (Rio Grande do Norte state), Macaíba (Rio Grande do Norte state);

Midwest Region: - Cáceres (Mato Grosso state), Bataguassu (Mato Grosso do Sul state), Corumbá (Mato Grosso do Sul state);

Southeast Region: Aracruz (Espírito Santo state), Teófilo Otoni (Minas Gerais state), Uberaba (Minas Gerais state), Itaguaí (Rio de Janeiro state), Fernandópolis (São Paulo state);

South Region: Imbituba (Santa Catarina state), Rio Grande (Rio Grande do Sul state).

Manaus Free Trade Zone



A ZFM viabilizou a implantação de três polos econômicos: industrial, comercial e agropecuário.

BRICS ALTERNATIVE DEVELOPMENT AS A CONSTRUCT: CONSTITUENT ELEMENTS

- GROWTH (GDP/GNP)
- INDUSTRIALISATION, DIVERSIFICATION OF
MANUFACTURING BASE
- VALUE CHAINS
- EXPORT LED GROWTH BOOSTED BY FDI
- INCLUSIVE DEVELOPMENT ASSISTED BY BRICS
COOPERATION

THE ALTERNATIVE DEVELOPMENT MODEL LACKS:

- Affected Communities Perspectives
- Appropriate Skills Development
- Market safety nets: social justice, redistribution
- Government (SoE) Corruption oversight

Another important aspect of Chinese investments in Africa is its **sectoral concentration**. With the exception of a relatively small part of greenfield investment in manufacturing, the bulk of China's investment or lending (in the case of project finance) is directed towards **China's strategic objectives, namely securing access to resources and using China's excess capacity in construction and transportation**. On this basis, it is not surprising that the job creation of Chinese FDI into Africa through greenfield investment is lower on average (only 1.78 people for every \$1 million investment) than that of China's greenfield investment into other regions of the world (2.24 people for every \$1 million investment). This, in itself, could be one of the key problems that China may be facing when continuing to invest in Africa in the future.

Alicia Garcia 24 July 2019 FORBES

Africa is the fastest-growing region population-wise, but **China's FDI into Africa is creating fewer jobs per unit of investment, on average. For such inward FDI to be welcome, and thus sustainable, its nature will need to change so as to create more jobs. In other words, for China to be successful in its investment strategy in Africa, it will need to move from focusing its investment in natural resources and infrastructure to manufacturing, which is more labour-intensive.**

Alicia Garcia 24 July 2019



Ambassador Lin Songtian, “I’ve been to many developing countries and industrial development zones and the Coega SEZ is by far the best of them all...



Proposed Artists Impression of the Musina Mukhado SEZ
In Limpopo Province \$10 BILLION INVESTMENT



Chinese Companies Commit to Invest \$10 Billion in the Limpopo SEZ

2018-05-26

The Limpopo Economic Development Agency (LEDA) has signed Memorandums of Understanding (MOUs) and a Memorandum of Agreement (MOAs) with nine Chinese companies who committed to investing more than US\$10 billion in the Musina-Makhado Special Economic Zone. The signing ceremonies of eight of the MOUs and MOAs took place in Beijing, China yesterday and today.

The South African delegation that attended the ceremonies included the Group Chief Executive Officer (CEO) of LEDA, Mr Ben Mphahlele, the Deputy Director-General of the Special Economic Zones at the Department of Trade and Industry (**the dti**), Mr Sipho Zikode and the Head of Department at the Department of Economic Development, Environment and Tourism in Limpopo, Mr Solly Kgopong.

The Musina Makhado EMSEZ.”

The 4 600 megawatt coal-fired power plant, known as the “Power China International Energy Project” will service:

A coal washing plant (with the capacity to process 12 million tonnes per year)

A coking plant (3 million tonnes)

An iron plant (3 million tonnes)

A stainless steel plant (3 million tonnes)

A Ferro manganese powder plant (1 million tonnes)

A ferrochrome plant (3 million)

A limestone plant (3 million)

An apartment building, hotel, shopping mall, hospital and school will also be built.







KSIA

DUBE CITY

DUBE CARGO
TERMINAL

DUBE AGRIZONE

PHARMACEUTICAL
CLUSTER

DUBE TRADEZONE 2

DUBE TRADEZONE 1

MINI
FACTORIES

Economic Development MEC Nomusa Dube-Ncube

On the Dube SEZ Aerotropolis August 2019



A picture of the Durban Aerotropolis. Picture: www.dubetradeport.co.za

IN SUMMARY: WHAT IS ALTERNATIVE ABOUT THE GLOBAL SOUTH ALTERNATIVE?

- Based on Infrastructure, Investment and reciprocal Trade
- IDA/Export led Growth Policy Narrative on Export Led Growth
- Endorsement of Free Trade in WTO etc.
- Enforcing dominance of global finance and the banking sector
- Pressure of government's to monitor fiscal constraints in global economic flux.
- Returns to GDP and GNP through FDI questionable.
- Inclusive development a Myth.

MUSINA MAKHADO ZONE 2



