



SOUTHERN  
**AFRICA EUROPE**  
CEO DIALOGUE

# **SOUTHERN AFRICA EUROPE CEO DIALOGUE**

6<sup>th</sup> edition  
Johannesburg, 29-30 October 2019  
MASLOW HOTEL

**Tentative Program Structure**



The European House  

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Ambrosetti



**Monday, October 28, 2019**

19:00 – 21:00      **RECEPTION HOSTED BY THE AMBASSADOR OF ITALY TO SOUTH AFRICA**

**Tuesday, October 29, 2019**

07:45 – 8:30      *Registration*

08:30 – 9:30      **WELCOME REMARKS**

9:30 – 10:30      **GLOBAL MACRO-DYNAMICS**

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**Key issues:**

1. *Whereas in past globalization was made mostly by trade in goods shipped from «factory economies» to «headquarters economies» via sea; now the world is more complex and digital products (above all data), services, and know how are gaining relevance as the most important commodities.*
  2. *At the same time, global value chains are increasingly becoming regionalized, thanks to the growth of new consumer markets and the increasingly importance of flexible and tailored modes of production. This creates tremendous opportunities for once economically isolated regions.*
  3. *New technologies are changing demand-supply and labor-capital interaction patterns. Those who are ready and have the skills to face an ever-changing market are the ones who will generate growth and jobs.*
  4. *A warming planet is changing local climates all over the world, making adaptation and mitigation strategies ever more urgent. Sustainability is key for human welfare but also for corporate success: businesses must take action.*
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10:30 – 11:00      *Coffee break*



### Session logical flow GLOBAL MACRO DYNAMICS

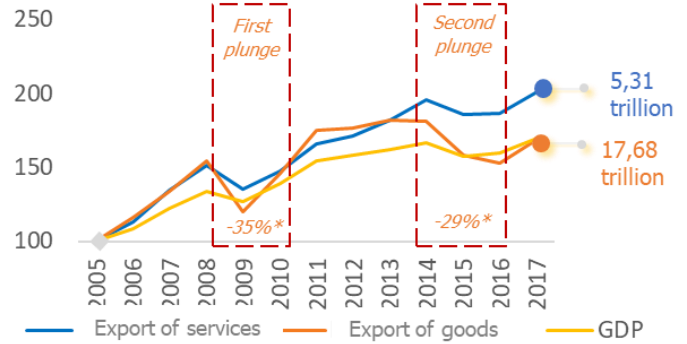
At the dawn of the third decade of the XXI century, globalization is significantly different than its previous stage. The world economy is now undergoing **three major shifts**:

#### DIFFERENT PRODUCT AND SERVICES

In a single decade, world trade of goods has collapsed twice, but **services have kept growing** in relevance. Services, once negligible, are now becoming increasingly relevant, with data becoming the new reference commodity. This does not happen only in high-income economies, but also in middle and middle-low income ones.

It is no longer a globalization made by container ships crossing the oceans: it is becoming the globalization of digital services and people crossing borders.

Global export of services, export of goods, and GDP, index number (2005=100), 2005 - 2017



\*= percentage points of plunge on 2005 value of global export of goods

#### DIFFERENT TECHNOLOGIES

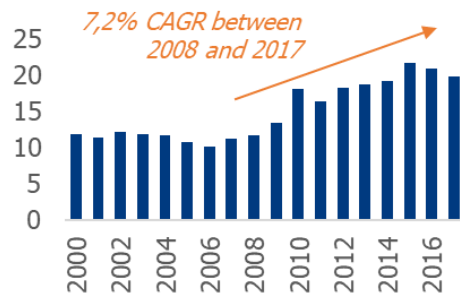
- Artificial intelligence
- Machine learning
- Blockchain
- Big data
- Smart manufacturing
- ....

These are only but a few of the powerful technologies forces that are now shaping market and society. They are not only disrupting businesses and industries, but also the relationship between supply and demand, capital and labour, information and decision. Yet, the true potential of these technologies is still to be deployed and – maybe discovered. Those who will have the **skills, human capital, and the regulatory capacity** to adapt will be the one seizing the true benefits.

#### DIFFERENT GEOGRAPHIES

There was once a world with global value chains, with a highly specialized hub-and spoke model of production. Now, rather than global connectivity, the trend is of increasing regional connectivity and **regionalization of production networks**. The trend is particularly relevant for regions where intraregional connectivity has for long lagged behind, such as Southern Africa. Rather than being either single or global, markets are increasingly clusterized in regions.

Share of intraregional trade on total international trade in SADC (2000 - 2017)



#### BUT ONE COMMON CHALLENGE SUSTAINABILITY

Amidst these great transformations, social and environmental sustainability a key to ensure prosperity. **Individuals, communities, and the environment need to become again the center of development.**

**Tuesday October 29, 2019 (continued)**

11:00 – 12:30      **CEOs' VIEW ON AFRICAN BUSINESS**

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**Key issues:**

1. *South Africa is the world most strategic growth hub in the coming decades. What will be the most important milestones of this path? What should Africa leverage on as competitive advantage?*
  2. *Development in regions around the world was kickstarted by international cooperation. Europe's boom in the 50/60's was made possible by the common market; Asian tigers effectively manage to attract foreign capitals for low-value production and then progressively increase spending in R&D; India became the world center of IoT industry. What could be Southern Africa recipe for success and what the world could bring to Southern Africa and viceversa?*
  3. *Overall economic governance in Southern Africa has consistently improved in the last decade. However, quality of business environment is still an issue in many countries of the region. What are the lessons learned and success factors? How to spread best practices and trigger «a race to the top» in economic governance?*
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12:30 – 14:00      *Lunch*

14:00 – 15:15      **REGIONALIZATION OF BUSINESS AND VALUE CHAINS**

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**Key issues:**

1. *After the first wave of globalization made of headquarters economies and factory economies, the world is now entering into a new era featuring regionalized networks of production. This creates opportunities for reshoring and re-orientation of global value chains at local level. How can Southern African countries take advantage of this process?*
2. *Ingredients for fostering regional value chains are physical connectivity, trade and investment policies, mutual knowledge and network. How Southern Africa and Europe can cooperate in these fields?*
3. *The EU is most integrated region of the world, whereas Southern Africa is the most integrated region in Africa. What are the lessons learned from the EU integration process recent hardships and what are the must-do for fostering an integrated business ecosystem in Southern Africa?*

*Most relevant value chains involved: Agro-industry and food processing, automotive, logistics, consumer goods, textile & leather, energy and power, manufacturing, mining equipment, ...*

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## Session logical flow REGIONALIZATION OF BUSINESS AND VALUE CHAINS

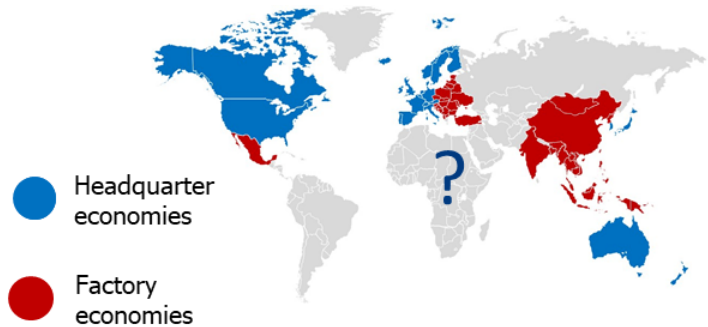
The first wave of globalization was characterised by **highly polarized centers of consumption and centers of production:**

### 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
- Minerary equipment
- ...

How to foster a regional economic and industrial ecosystem?



Physical connectivity and logistics

Trade and investment policies

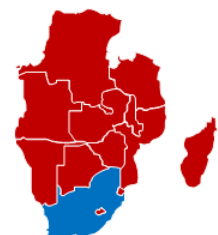
Specialization and skills training

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.



## **Tuesday October 29, 2019 (continued)**

### **15:15 – 16:30 ENERGY, CONNECTIVITY, AND SUSTAINABILITY**

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#### **Key issues:**

- 1. Micro grids and storage solutions are now mature and cost competitive technologies capable of shaping energy consumption and distribution patterns. Geographical and economic structure of Southern Africa allow to reap the benefits of this new revolution, particularly in some industries, such as mining.*
  - 2. Creating a regional power pool is key for sustainability and resilience in the region. However, plans for a SADC energy union lost momentum: how to relaunch this design?*
  - 3. Recently discovered oil & gas resources can boost environmental and economic sustainability in the whole region. Beneficiation of natural resources is key for job creation: how to leverage such discoveries so that the whole society will benefit?*
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16:30 – 16:50 *Break*

### **16:50 – 18:00 NEW TECHNOLOGIES FOR THE FUTURE AND SKILLS FOR DEVELOPMENT**

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#### **Key issues:**

- 1. Skills training and human capital is essential to enable technological breakthroughs to turn into actual development on the ground. But this happens only if a wide array of players – public institutions, school, unions, companies, etc. – works under a single vision. What world best practices can be transferred in Southern Africa? What public education institutions could do to foster change?*
  - 2. New technologies create opportunities for people and companies, but challenges for regulators and policy makers. What are the most pressing issues and disruptions we are facing? How to ensure the whole society will benefit from current deep transformations?*
  - 3. Artificial intelligence is changing the way we do and think of business. At the same time, smart manufacturing is disrupting production patterns. However, these revolutions are largely employed by big, capital, and innovation intensive businesses. How can small and medium enterprise adapt to this new world?*
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*Session logical flow*  
**ENERGY, CONNECTIVITY, AND SUSTAINABILITY**

Affordable and sustainable energy supplies are the backbone of a functioning market and society. However, energy is not only a key for environmental sustainability, but also for **social and economic sustainability.**

Leverage existing natural resources to create wealth for all

Southern African countries have abundant renewable energy potential, as well as fossil fuels allowing clean transition towards a carbon free energy system. Recent Oil&gas discoveries are a boon not only for regional energy resilience, but also for social development and job creation: how to make sure that beneficiation of available resources creates **opportunities and wealth for all?**

Increase interconnectivity between SADC energy system to empower individuals

Revamp the SADC power pool

Increased interconnectivity does not come only through expansion of existing infrastructure, but also through adoption of latest digital technologies and managerial know how. Increased interconnectivity also increases resilience against climate volatility, essential for relying on renewables.

After 20 years since its creation, the Southern African Power Pool needs further push to create a unified energy network and – most of all – a coordinated market. A single, affordable and resilient energy market is pivotal for social development and inclusion

Create a regional and interconnected sustainable energy network

**Currently, only 7% of electricity is traded cross-borderly in SADC.**

*Planned interconnectors in the SAPP framework*



Renewable **energy generation, storage technologies, microgrids, and** artificially intelligent system management are all available and cost effective technologies successfully adopted world-wide. Their deployment could be particularly fruitful for rural communities and remotely located, energy intensive industries, such as mining, agroindustry, and construction of large infrastructure projects.

Deploy new technologies to local communities and remote industries

**Towards a Southern Africa – Europe partnership for a more sustainable society**

Europe and Southern Africa can become privileged partners to build a sustainable ecosystem in the region, leveraging European experience and technological know how in building and managing a low-carbon economy. However, if Southern Africa can import technology for the environment, it has to devise its specific and locally-rooted recipe for social and economic sustainability.



*Session logical flow*

**NEW TECHNOLOGIES FOR THE FUTURE AND SKILLS FOR DEVELOPMENT**

New technologies are changing **information-decision making** and **labor-capital** interaction patterns.

Those who are ready and have the **skills** to face an ever-changing market are the ones who will generate growth and jobs. New technologies create opportunities for people and companies, but challenges for regulators and policy makers.

**Information – decision making**

Artificial intelligence  
Big data  
Blockchain  
Machine learning

**Labour – capital**

Platform economy  
Smart manufacturing  
IoT  
Advanced robotics

These technologies are disrupting the way we think of and do business. Decision making in the companies of the future will be increasingly de-humanized and automated, with human overseeing processes rather than pushing them forward.

Increased automation in manufacturing is a centuries-long trend, not a new disruption. However, smart manufacturing has now taken it to a next level, making production processes completely independent from humans.

Demand – supply patterns will increasingly rely on artificial intelligence to “anticipate” consumer needs, not only in retail, but also in the B2B realm.

The platform economy is also bringing automation to the service industry. This makes capital, rather than individuals, the center of the new economy

Mostly big companies, capable of sourcing capital intensive technologies and highly trained individuals, have been able to reap the benefits of these new revolutions.

**How can small and medium enterprise adapt to and thrive in this new world?**

**Policies and business environment**

Policy makers need to make sure that **capital and technologies flow to small businesses**. International cooperation with foreign SMEs could bring ideas and successful case histories of high-tech industrial clusters development: small players can thrive in clusters, seldom alone. E-government and digitalization of public services can play a crucial role in this process

**Skills and human capital**

Successful case histories world wide show that effective skills training takes place only through the cooperation of a wide array of actors in to a single vision and framework.

- Educational institutions
- Companies – private and public
- Trade Unions
- Consultants and service providers
- Individuals

**Adaptation and flexibility are key to create jobs and foster growth**

New technologies are not zero-sum, but this does not mean that there will be both winners and losers. In order to make sure society will gain, change has to be nurtured, rather than fought: but the mission shall be empowerment of individuals.





***Tuesday October 29, 2019 (continued)***

18:00 – 18:15      **CLOSING REMARKS**

19:30 – 22:00      **GALA DINNER – SUMMER PLACE (69 Melville Rd, Hyde Park)**

***Wednesday October 30, 2019***

09:30 – 16:00      **SIDE EVENTS**

Vertical industry approach:

- a) *High education, SMEs and training*
- b) *Advanced manufacturing*
- c) *Life science*
- d) *Pharma and healthcare*