

How does SA go about re-industrialising?

To industrialise further we require foresight, determination, collaboration and doggedness in doing what must be done.

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OPINION.

“When life gives you lemons, use them to make lemonade.” This was the adage at the front of my mind two years ago during the first Covid-19 lockdowns.

While it soon became clear that Covid would have a widespread effect on Africa, I also believed it would provide a unique and invaluable opportunity for the continent to set itself up as an alternative global supplier to China. If we don't do so we will continue to wonder, and be stymied by, why African entrepreneurs are just not doing it.

The pandemic had demonstrated the vulnerability of the world's economies in being solely reliant on China for most of its production. And it was clear they would start looking around for other suppliers to offset that risk.

This is why it wasn't surprising when Apple, one of the world's most valuable companies, announced in June that it had asked suppliers to shift more iPad production to Vietnam — thanks to China's zero-tolerance policy, which caused massive disruption due to factory closures. With more than half of Apple's main suppliers in the Shanghai region affected, iPad production was hit hard, and the company was reportedly looking for alternatives.

It was revealed later that Apple would also be shifting some of its production of the iPhone 14 to India. These decisions were not surprising, given the disruption of global trade and supply chains over the past two-and-a-half years. But what should concern Africa is that it is not in the frame to take over any of that production.

There will not be many opportunities like this for SA to grasp. The government and private sector need to commit to fostering the necessary enabling environment to make it feasible for a company like Apple, or any other multinational to outsource production to this country.

Aside from creating jobs for SA's tens of millions of unemployed, particularly young people, growing the country's manufacturing capability is a priority if SA is to realise inclusive and sustained development, achieve a sustained high economic growth rate and diversify its economy.

Among the multiple benefits of manufacturing is the industry's ability to create employment for a vast number of low-skilled workers — essential for reducing poverty — and also to accommodate the highly skilled labour we are losing to the diaspora for lack of opportunities to absorb these skills.

Statistics show manufacturing's contribution to SA's GDP fell from 18% in 1975 to 11.7% in 2021. So how can the country improve its industrialisation capacity? Building, improving and maintaining infrastructure is a priority. Manufacturers need to be able to access raw materials and supplies but they also need to be able to transport their goods to ports and railway stations.

So SA needs to place more emphasis on improving its infrastructure — especially the transport (road, rail, sea/port and air) network. This will not only contribute to the ease of doing business for manufacturers, it should also create significant employment in the construction phase while simultaneously improving the quality of life for citizens. In short, a win-win for anybody who wants to stay in political power.

Next, SA needs to identify which manufacturing sectors it wants to pursue and start acquiring the necessary skills, expertise and capacity to become a leader in these sectors. A useful template for how this can be done is the automotive sector, considered the most globalised of all the domestic manufacturing sectors.

SA, which accounts for the bulk of Africa's global automotive output, has been assembling vehicles for 100 years. The industry grew under high levels of protection, with lower tariffs accompanied by import-export complementation arrangements, which enabled firms to rebate import duties by exporting. Today, imports account for about half of SA's light vehicle market, but more than half of output is exported, with the EU and the rest of Africa being the major markets.

Since modern devices such as smartphones and iPads are also assembled, it would make sense for SA to adopt this model — with some adaptations based on lessons learned — to grab some of the production of modern devices from Asian countries. It could engage with vendors such as Apple to see what is required and provide the necessary incentives and rebates to lure the company to SA.

SA also needs to get serious about beneficiation. We can start small; we don't need to benefitiate whole value chains from the outset. We can look at parts of the value chain that don't necessarily require huge capital investment and skills, and start from there. The country failed to take full advantage of the opportunities to benefitiate that arose from the third industrial revolution, but the fourth industrial revolution and green economy offer another bite at the cherry.

Most of the raw materials that will be required by the green economy are found in Africa, and the country needs to learn the lessons from the previous gold and platinum rushes and start putting in place the systems that will allow us to process our natural resources and export finished or semifinished goods rather than raw materials.

However, critical to this is something SA needs to learn, which is collaboration. Eighty percent of the world's platinum is produced in Zimbabwe and SA, which as neighbours could have collaborated to develop value chains. There is also a belief in many quarters that SA should collaborate with Namibia in developing the region's green hydrogen economy. However, the unfortunate inward-looking approach taken by each of these countries militated, and continues to militate, against this approach.

In the same vein, if we look at all the components required for the green economy, map out which African countries produce all the requirements and collaboratively develop a value chain, Africa will own that value chain.

Finally, we need to overhaul the education system and focus on skills development. We need to focus on providing high-quality reading, mathematics and science instruction to our pupils and students so these skills are available to drive our industrialisation agenda.

It is clear that what SA needs to do to further industrialise is not rocket science; it merely requires foresight, determination, collaboration and a doggedness to do what needs to be done. In other words, we need to figure out how to make lemonade, then take the lemons SA possesses in such abundance and just do it.