

Dr Iraj Abedian: Why SA's manufacturing sector should pin down its success at home



By [Katja Hamilton](#)

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Last week, Proudly SA released a 60-page commissioned [study](#) on the manufacturing sector and its impact on the economy. Titled *Revitalising SA's Manufacturing Sector*, it shows up the cracks in a sector that has been on the decline for the last 15 years. And yet, the study offers hope.



Darbisu Maqoga. Top economist and leader of the Pan-African Investment and Research Services team, Dr Iraj Abedian.

There is a way to turn this crisis around, says Dr Iraj Abedian, who led the Pan-African Investment & Research Services team in producing the report.

One of the highlights of the report is his attempt at quantifying what a 10% increase in investment in this sector would lead to in terms of output in jobs, and what the resultant tax-contribution outcomes would be. The bottom line: the creation of 73,000 jobs.

Here, in candid conversation, Abedian unpacks what 'Buy Local, Manufacture Local' potentially means for South Africans, and just how important it is to get the narrative right.

■ In line with what has come out of your study, who - if anyone - will be initiating conversations with industry stakeholders on how to boost investment in the manufacturing sector?

Operationally up until now, it's been the Department of Trade and Industry [DTI] that would be mandated to send the invites, but it's not only them, because when it comes to the ocean economy, the mandate would be that of the Department of Forestry, Fisheries and the Environment to initiate talks, and if it involves rural land, the Department of Agriculture and Rural Development would be tasked with that.

But the backbone to all of these discussions would be initiated by the DTI.

The learning curve for them will be learning to operationalise this plan, agreeing to who will build it and who will be in charge.

■ ***Once this information is in the right hands, magic can happen...***

That is where the private sector, in my view, comes to the party. You cannot leave it to a bunch of bureaucrats who have the idea, but no clue. We need to bring people in who understand what they are doing. This is the collaborative space we are in.

It doesn't mean you must sideline government - we would need to have a review session every six months, and have monitoring and reporting sessions - but the private sector knows what to do.

DTI and government would bring in the right people to draw up the masterplan but from there on, I believe it's the private sector that should drive it.

■ ***Should a Buy Local, Manufacture Local initiative be backed by international interests? We're global citizens. Doesn't a proudly South African drive get lost in that framework?***

We mustn't dichotomise business. South Africans are very proud of their biltong, for example, and there are shops stocking SA biltong in New York and in London. Why? Because at home, they made it a success.

So there are not just South Africans in South Africa, but South Africans in London. Nando's started in South Africa, but Nando's in Dubai is now doing a roaring business.

Nando's is a South African recipe and is beating McDonald's and KFC, not because I say so, but because the results show that KFC is a global brand but is losing to Nando's in London and Germany, and everywhere else. So we need to 'think global'.

But we cannot globalise something unless we make a success of it at home.



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Katja Hamilton 20 Oct 2022



Trellidor is another one; Trellidor is South African. Today they have branches in Ireland, in UK. They have branches in Germany. Who would have thought that a South African manufacturer would have beat the Germans at manufacturing? But they do. Why? Because they made a success of it here.

And I can go on and on. So I think we need to think differently. 'Think global' in terms of quality, but pin down your success

at home, because if you learn how to succeed at home, you can also translate that success in Dubai, in Germany, anywhere.

You mustn't be scared that globalisation means countries abroad are better at everything they do. They are very good at certain things, but they are very bad at certain things.

■ ***So having international investment doesn't take away from the South African essence of the Buy Local, Manufacture Local drive?***

Absolutely not. International backing is a good thing [but so is the backing of South African investors]. You have a South African investor producing the Toyota Corolla (the vehicle with the steering wheel on the right for South Africans, and the model with the steering wheel on the left for the US).

There are Japanese investors, but the products are produced in South Africa; the jobs are created in South Africa; the taxes are paid in South Africa. Nothing wrong with that. BMW C is another one.

A lot of our pharmaceuticals that we produce here don't get enough airtime. Pharmaceuticals and petrochemicals are produced here, but they are exported to the United States and to Europe.

They are South African products. They have investors who are foreigners; and their investors are locals. So again, the boundaries of money are free.

Money asks one question: Did I get a good return on investment? Is this product good? Is it sustainable? Can it have a wider market? If the answer to those questions is "yes", money will flow.

■ ***Regarding the privatisation and investment from the manufacturing sector, how do you think that kind of investment can be adapted with all the challenges like load shedding. Can the manufacturing sector succeed in the face of rolling blackouts?***

No, it cannot survive water- and power disruption, and disruption to our ports. This is not something that government can fix, or the private sector or the unions. In operational terms in business, we need to bring all those who are involved round the table.

We can't go around criticising each other and pointing fingers at who's to blame. Government says it's private sector, private sector says it's government. Who gets in the middle? You and I.

So we need to move beyond that.



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What are the solutions? We point these out in the report. We need to improve our ports; our private sector needs to invest; and we need to invite the labour union to roundtable discussions.

We've got to do what it takes to upgrade the skills of members of Proudly SA in order for this system to work.

An important point for me, and one I feel passionate about is: if our country did not have the potential, we would certainly be declining. The reality is that in many, many areas, and many sub sectors, we do have the capacity; we do have what it takes and we have done it before. Therefore, it's the lack of co-ordination that's the issue; the lack of bringing the relevant people in the room and getting commitments.

It's a systemic issue.

■ ***What advice do you have to give small businesses given the information that's come to light in your study, and particularly given the perception that local goods are available at a higher price point relative to imports?***

I try to move away from an emotional narrative, not because emotions aren't important, but because I so often hear "the prices are too high" or "our local SMEs do not produce quality products".

Yes, there are SMEs that focus on the wrong niche of the market, but there are things that our SMEs are good at, and still they don't succeed. Why don't they succeed? Because they are not linked into the value chain.

There's no doubt there are SMEs that don't get paid or they don't get paid on time (they get paid over 30, 45 or 50 days). SMEs cannot operate if they are not paid on time, and if the retailers or the wholesalers (who provide SMEs) treat them differently. What happens to their prospects then?

SMEs succeed when they are integrated into the value chain of quality detection, quality control and terms of payment - and have links to consumer analytics to gauge what's trending.

Yes, local retailers can get an Asian country to produce their clothes cheaper, and get the goods produced by the truckload, but then back home, this means you're not creating jobs, and you're not creating quality of life.

Despite this, there are retailers that have done the right thing and connected SMEs to the value chain. They're the ones succeeding.

There are many many success stories like this in South Africa.

■ ***What would you hope to see changed in five years time?***

If I were to dream... In five years time, I hope that we not only don't have blackouts in South Africa, but that we have globally benchmarked uninterrupted, reliable and competitive energy. The same thing with water supply, because you can't have a manufacturing sector without a reliable supply of electricity and water.

If you get those right, already the economy will draw a lot of investment.

ABOUT KATJA HAMILTON

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