Trade and Industry Minister Rob Davies is beginning his second term in the portfolio with a renewed vigour to continue the implementation of South Africa’s Industrial Policy Action Plan (IPAP) which has helped stabilise the country’s manufacturing sector in recent years.

But why is beefing-up IPAP a priority on Davies’s list of things to do in his second term?

He tells SANews reporter Neo Semono why the plan will remain crucial for the government to achieve tangible changes in the structure of the economy. Industry experts have also viewed IPAP as the most important jobs driver envisaged in the government’s New Growth Path (NGP) - an economic strategy which has set the ambitious target of creating five-million jobs by 2020.

“We are going to be continuing to implement the IPAP but we’re going to also be talking strategically about what it takes to raise the scope of the impact of our IPAP,” says Davies.

The latest version of IPAP, launched in April, includes plans to promote industrial growth and reduce unemployment. The plan’s overarching vision of growth with inclusivity is grounded in the imperative of smart re-industrialisation, with a focus on growing the country’s manufacturing sector.

Improved transport, telecommunications and financial and diplomatic links on the continent have resulted in increased levels of trade between South Africa and other African countries. South Africa has also cemented its relations with markets in Asia and Latin America via its economic alliance with the BRICS countries. All this necessitates a strong industrial policy that will allow South Africa to grow its export markets and take advantage of its growing trade network.

Minister Davies, who was one of several ministers to have retained their previous post in President Jacob Zuma’s new Cabinet, will probably face many of the challenges that have dogged the South African economy - including persistent unemployment and the underperforming global economy.

But, he finds solace in the fact that the IPAP has been able to stabilise the manufacturing sector, grow important parts of it and prevent de-industrialisation. It has done so by putting in place mechanisms to leverage public procurement for the competitive manufacture of inputs into major areas of public infrastructure, including rail rolling stock, clothing and textiles.

“What we’ve said in the last term, was that the industrial policy works,” he says, adding that in 2008/09, the country avoided the “very real” risk of de-industrialisation as a result of the global financial crisis.
But, Davies acknowledges the policy has not reached its peak and more needs to be done to achieve full industrialisation.

“We haven’t yet got the scale of the impact of industrial development that we need to make qualitative changes in the structure of the economy in order to raise the growth rates and employment. Industrial development is fundamental to that. That’s our key focus, our key mandate and our key area of work,” he explains.

He says the Trade and Industry department will also have to deal with a number of trade negotiations that before the end of this year have to bear fruit in one way or another.

In a post State of the Nation Address briefing in March, it was revealed that IPAP investment incentives had spurred approximately R143 billion in private sector investments, creating around 144 000 jobs in the process.

Also speaking briefly about the African Growth and Opportunity Act (AGOA), Davies indicated that South Africa wants to see itself included in the rollover of AGOA when it expires in 2015. AGOA provides trade preferences for quota and duty-free entry into the United States for certain goods. But South Africa may find itself becoming the victim of its own success as it could be left out of the list of beneficiaries of the US policy. This is attributed to the fact that South Africa has achieved tremendous success over the years and was not part of the powerful BRICS economic bloc.

“We want to see ourselves included in a rollover of AGOA basically within the same residual format. There will be a lot of work to be done to ensure that happens. We may not get it but we need to work to ensure that it does happen,” says Davies.

But it’s not going to be easy as the decision not only lies with the US administration, but the US Congress.

“It’s anybody’s guess at this point in time and there are voices that are beginning to have a contrary view but there are also a number of voices in the United States that are solidly in support of us and I think we need to consolidate that.”

AGOA has been commended for enhancing African exports to the US.

Davies says additionally the DTI will also look at the economic partnership agreement negotiation with the European Union (EU).

At the announcement of the new Cabinet more than a week ago, President Zuma announced the formation of the Ministry of Small Business Development under the leadership of former Presidential advisor Lindiwe Zulu.

The Trade and Industry Department and the Department of Economic Development under Minister Ebrahim Patel have in the past dealt with issues relating to small business.
“We now have a ministry for small business development and we’ve been talking to them about what it is that they’re going to be doing and how that impacts on the organisation structure of the dti. It will of course mean that some of the functions that we have been responsible for will probably go to them.”

Davies says his new term at the helm will also be dedicated to making sure that his ministry performs its functions more effectively.

“Our department is already one of the better performing departments in government - so we looking to continuously improve.”

And what does he have to say about last week’s decision by the European Commission to endorse stricter import requirements for South African citrus fruit to Europe. Davies says he was waiting to talk to the new Minister of Agriculture, Forestry and Fisheries about the matter.

“They will be the lead on that - but we have been engaging to try to get the European Union to be more sensitive to the employment implications. We have also made it clear in the past that we are aware that there’s no unambiguous science about citrus black spot, it can’t cause any harm to human health,” he says.

In November 2013, the EU stopped importing citrus fruit from South Africa as there were concerns that citrus black spot could infect local crops. The South African citrus industry exports around 100 million cartons to 45 countries, which generates R6 billion of foreign exchange; but 45% of that total goes to the EU.

With the BRICS Summit coming up in July, as well as the G20 Trade Ministers meeting, Davies certainly has a lot on his plate. All of which he will naturally assume with the confidence he displayed in his last term in office. – SAnews.gov.za