

Exporting Profile of Northern Cape Manufacturing Firms

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Abstract

This paper attempt to outline the key characteristics of exporting manufacturing firms in the Northern Cape Province. The study is based on a questionnaire administered to all the 32 manufacturing firms that are classified as exporters in the Northern Cape industry data base. The questionnaire requested data on products produced, number of employees, turnover, value of exports and export markets, challenges and awareness of Government export promotion programmes. Following are the major findings. First, exporting firms in the Northern Cape manufacturing sector are generally small to medium size enterprises and can be classified into two broad groups. The bigger firms that export to advanced economies or small firms that export to Africa. Second, the export markets of individual firms are not geographically diversified with most firms generating a huge chunk of their export revenue from a single country market. Third, there is a bias towards the export of high value niche food products to the high income markets and limited exports of non-food commodities mostly to the African market. To increase the volume of aggregate manufacturing exports the strategy for export promotion should focus on enhancing export volumes of existing exporters and encouraging entry of new firms into the export market albeit depending on the availability of a pool of potential exporters.

Introduction

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One of the key policy objectives emphasized in the National Development Plan (NDP, 2011) is that of structural transformation of the domestic economy that entails, among other things, enhancing the role of the manufacturing sector as a source of economic growth, employment and foreign exchange. The role of manufacturing in the structural transformation agenda is emphasized in the Medium Term Strategic Framework (MTSF) for the 2014-2019 electoral term. MTSF Outcome four (4) identifies expansion of the manufacturing sector and manufacturing exports as critical in generating economic growth and creating decent employment opportunities.

The imperatives of the NDP and MTSF with respect to the role of manufacturing in economic development are operationalised in the annual industrial policy action plan (IPAP). Every year since its inception close to a decade ago the IPAP outlines key action programmes that aim to boost the role of manufacturing in the economy. In the Northern Cape Province, the policy agenda to enhance the role of manufacturing in economic development has been advanced by the Northern Cape Manufacturing strategy (NCMS, 2012). One of the key recommendations of the strategy is to support the growth of labour intensive manufacturing activities through supporting private investment initiatives and entry into export markets.

However, to support the implementation of policies that aim to enhance the role of manufacturing in the economic development process it is imperative to understand exports and exporting at the level of the firm. Policy discourse on manufacturing exports is often guided by aggregate data on manufacturing sub-sectors yet decisions on exporting are often taken by individual firms. This study is a contribution towards the understanding of exports and exporting at the level of a firm focusing on the nature and characteristics of exporting manufacturing firms in the Northern Cape Province.

Literature Review

Why is development policy singling manufacturing as the fulcrum of the economic growth process? The answer to this question is found in the theoretical work of Hirschman (1954) and Kaldor (1967). Kaldor argues that the manufacturing sector is unique and possess growth-pulling properties not found, at least to the same magnitude, in other sectors. This argument is elucidated in the three laws of growth that Kaldor advanced in explaining differences in growth rates between developed countries.

The first of the Kaldorain laws of growth postulate that the faster the rate of growth of the manufacturing sector, the faster the overall growth of the economy. This strong correlation between rate of growth of the manufacturing sector and the rate of growth of the economy as a whole is not merely a result of the relatively large contribution of manufacturing to total output but is rather linked fundamentally with induced productivity growth inside and outside of the manufacturing sector (Thirlwall, 1983). Furthermore, the nature of the

correlation between the growth of the manufacturing sector and the growth of the overall economy implies that an even faster rate of growth in the overall economy is attained where the share of total manufacturing in the economy is increasing or where the rate of growth of the manufacturing sector exceeds that of the overall economy (Thirlwall, 1983). It is in this regard that the manufacturing sector of the economy is considered the “engine of growth”.

The second law, commonly known as Verdoorn’s law, states that a faster rate of manufacturing output generates a faster growth of labour productivity in manufacturing owing to static and dynamic returns to scale. While static returns are simply output growth as a result of expansion in the scale operations, dynamic returns on the other are made possible by the often greater scope in the manufacturing sector for learning by doing, technological innovation, adaptation and modification (Ashman and Newman, 2016). According to the third law, the growth of manufacturing output is positively related to growth in economy-wide productivity and negatively related to non-manufacturing employment. This is because when manufacturing output expands there is transfer of labour from other sectors of the economy, not least agriculture, that are characterised by diminishing returns or excess labour to the extent that a reduction of employment in those sectors does not compromise output. The three Kaldorain growth laws have been found to be valid in the context of the South African economy. In study spanning the period 1946-98 Millin and Nichola (2005) established that the Kaldorain growth theory provides adequate explanation of the growth characteristics of the South African economy.

The Kaldorain growth theory provides a position on the critical economic theory debate as to whether growth is sector specific or sector neutral. Indeed, by considering the manufacturing sector as the engine of growth, the Kaldorain growth theory view economic growth as sector specific. Growth is sector specific when the effect of a unit of value added on growth is not necessarily equivalent across sectors but depend on the growth characteristics of the sector in which that unit of value is added (Ashman and Newman, 2016; Tregenna, 2009). This is in direct conflict with the neoclassical growth approaches, not least the traditional Solow growth models and exogenous growth theories, that see growth as sector neutral implying that the effect of a unit of value added on growth do not depend on the sector in which that unit of value is added (Ashman and Newman, 2016).

The notion of the manufacturing sector possessing unique grow-pulling characteristics has also been postulated by Hirschman (1958). According Hirschman the growth-pulling effects of the manufacturing sector could emanate from the relatively strong backward and forward linkages that may exist between manufacturing and other sectors of the domestic economy. In support of Hirschman’s theorization, Tregenna (2008) found that the manufacturing sector in South Africa is particularly important as a source of demand for the rest of economy through its strong backward linkages with the other sectors within the domestic economy.

Data and Methodology

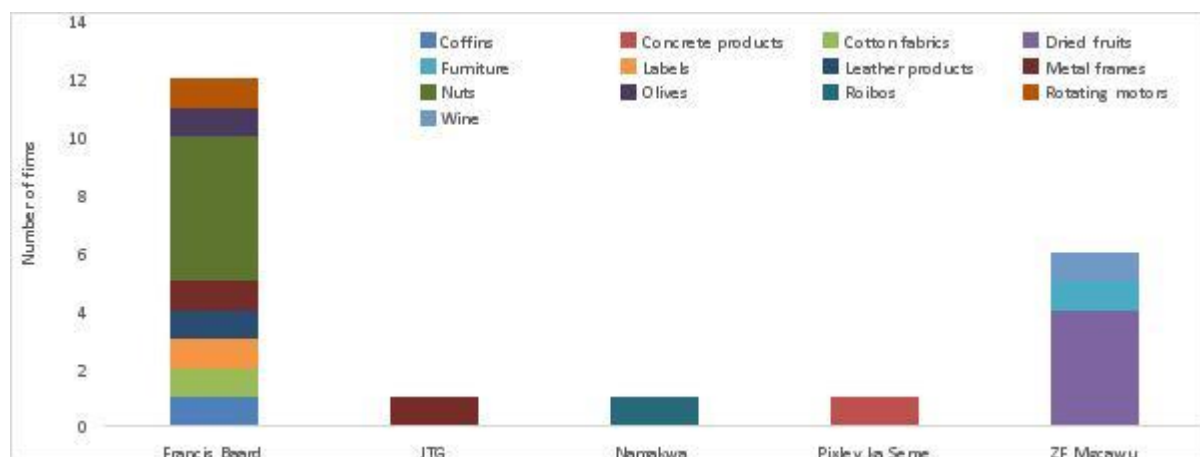
The sample for the survey is drawn from the Northern Cape industry data base. According to the industry data base there are 148 manufacturing firms in the Northern Cape Province and there are 32 firms that are classified as exporters. A questionnaire was sent to each one of the exporters during the month of January 2014 and 20 responded which represent a 62.5 per cent response rate. The questionnaire collected information from the exporting activities of the respondents, the export related challenges they face and the policy measures they think could encourage further growth in exports. In addition, the questionnaire requested data on products produced, number of employees, turnover, value of exports and export markets, and awareness of Government export promotion programmes.

Findings

Firm characteristics

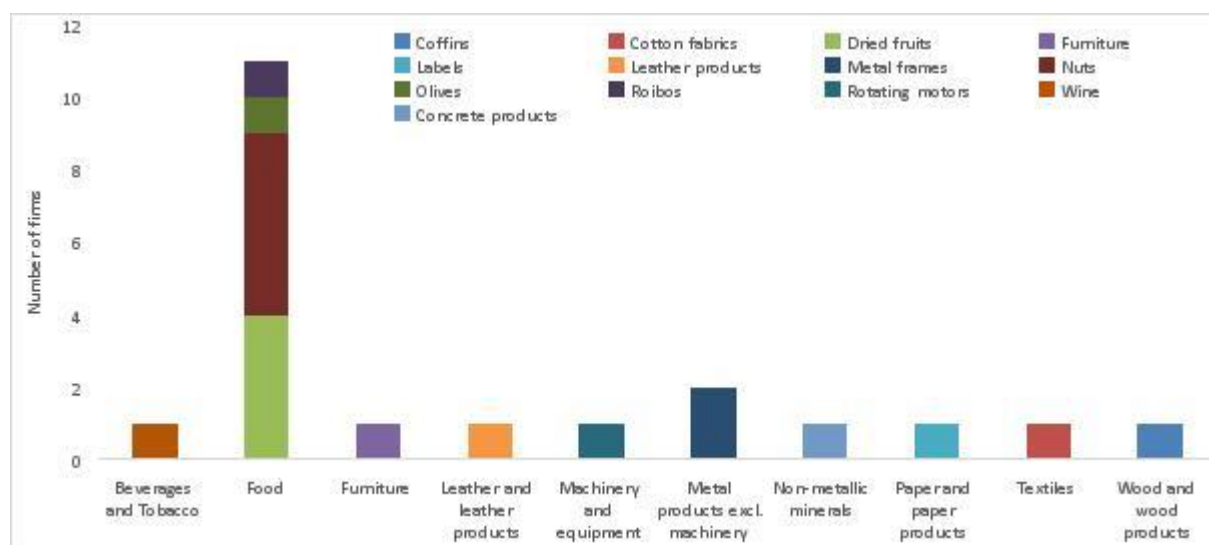
Figure 1 shows the spatial distribution of the respondents and the commodities that are manufactured. More than half of the respondents are located in the Francis Baard District and more than a quarter are located in ZF Mgcawu. Together Francis Baard and ZF Mgcawu account for more than 85 per cent of the respondents with the remainder spread equally across the other three Districts of the Province. The concentration of respondents in Francis Baard and ZF Mgcawu is expected given that the two districts host Kimberley and Upington respectively which are the main economic centres of the Province.

Figure 1: Location and Products



A Total of 13 commodities are manufactured by the respondents and they range from wooden coffins to rotating motors. However, the mostly produced commodities are by far agricultural commodities, mainly nuts and dried fruits respectively. All the respondents that produce nuts are located in the Francis Baard District and concentrated in the towns of Jan Kempdorp and Hartwater. The producers of dried fruits on the other hand are located in ZF Mgcawu District and spread across the towns of Keimos, Kakamas and Marchand. Nevertheless, Francis Baard differs from ZF Mgcawu in that it has a diversified composition of exporters that includes exporters of non-food commodities as well.

Figure 2: Product and Sector



The distribution of the manufacturing activities conducted by the respondents at the two-digit level of the Standard Industrial Classification (SIC) of all economic activity is indicated in figure 2. The SIC activities identified by the respondents range from food and beverage to wood and wooden products, albeit with the majority of the respondents involved the manufacturing of food and beverages. The food and beverages commodities manufactured include nuts, dried fruits, olives, rooibos and wine. The other manufacturing activities were selected by at most one respondent with the exception of metal products excl. machinery that account for two of the respondents that manufacture metal frames.

Figure 3 and figure shows the distribution of the respondents according to the number of permanent employees and the age profile of the respondents respectively. More than two thirds employ at most a hundred employees and there are only seven respondents that employ more than 100 employees. Only two respondent employ more than 500 hundred employees. The age profile of the survey participants indicates that half of the firms are less than 10 years old in operation (seven of them are between 6 and 10 years and three are less than 5 years old) and only four have been in operation for more than 25 years old.

Figure 3: Number of People Employed

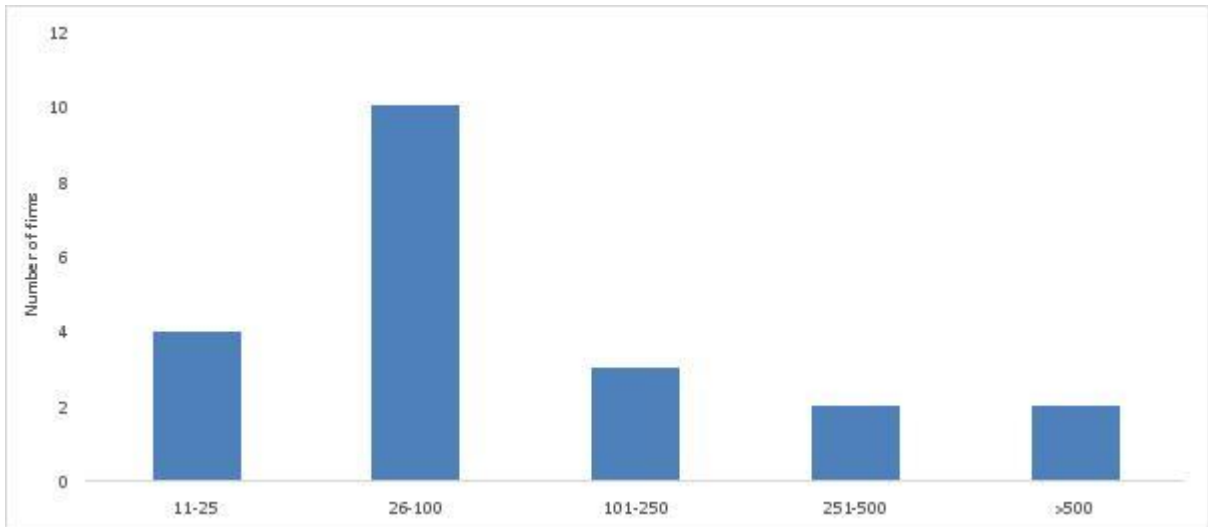
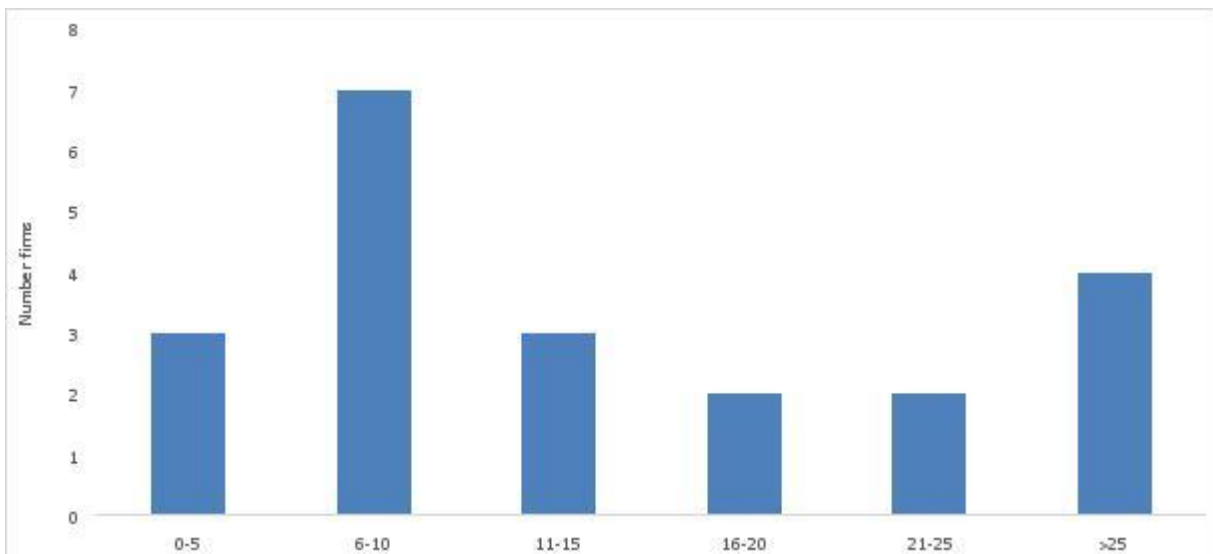


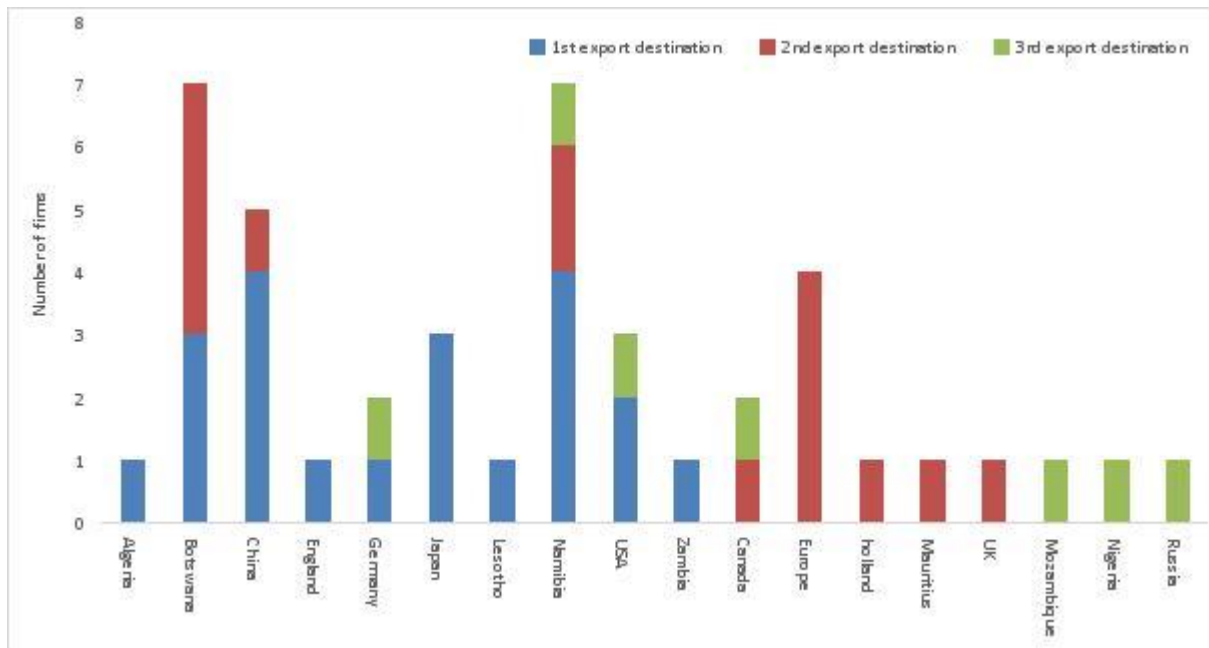
Figure 4: Number of Years in Operation



Export markets and description

A total of 18 export country markets were identified by the respondents ranging from Algeria to Russia as indicated in figure 5. For each export markets respondents were required to indicate whether the export market is a first, second or third export market in terms of the proportion of export sales. A first export market account for most of the export sales while a third market account for the least export sales. No respondent reported exporting to more than three country markets.

Figure 5: Export Markets



The export markets identified can be grouped into five regional markets: Southern African Customs Union (SACU), Europe, Africa outside SACU, Asia and North America. The most common market among the respondents is the SACU region albeit with a concentration in Botswana and Namibia. There are fourteen respondents that export to Botswana and Namibia in total mostly as either first or second market. Notwithstanding membership to SACU Lesotho does not feature prominently (only one out of the twenty firms reported exporting to Lesotho) as an export destination for Northern Cape manufacturing firms and Swaziland does not feature at all. The prominence of Botswana and Namibia as major export destinations for Northern Cape manufactured exports could be partly explained by the geographic proximity of the Northern Cape to both Namibia and Botswana.

The second most common market is Europe with close to half of the respondents exporting to Europe mostly as either a second or third export market. Asia, which is composed of China and Japan in this instance is the third most common market according the respondent with a total of eight firms exporting to China and Japan mainly as first export markets. Africa outside SACU, together with North America, are the least common markets identified by the respondents with five respondents each having reported exporting to Africa outside SACU and North America. What is outstanding for Africa outside SACU is that there are relatively few respondents that export there and moreover those that do identified the region mostly as second or third export market. This is despite the geographic proximity of the Africa market to the Northern Cape Province. Hence, apart from Namibia and Botswana the survey

indicates that there is limited participation by Northern Cape manufacturing firm in most African country markets. Indeed, Zambia, Mozambique, Nigeria and Algeria are the other African markets identified in the survey however only three firm in total that reported exporting to them. The relative absence of Northern Cape firms in African Markets is one of the major issues that the Provincial Export promotion strategy must address.

Table 1: Export Markets and Commodities Exported

Firm	1st export market	2nd export market	3rd export market	Commodity	# of markets
1	Namibia	Botswana		Wooden Coffins	2
2	USA	Europe		Dried fruits	2
3	Japan	Europe		Nuts	2
4	Zambia	Botswana	Namibia	Rotating motors	3
5	China			Nuts	1
6	Botswana			Metal frames	1
7	Botswana	Namibia		Nuts	2
8	Japan	Europe	Mozambique	Nuts	3
9	Algeria	Europe	USA	Dried fruits	3
10	China	UK	Germany	Dried fruits	3
11	Lesotho	Mauritius		Cotton fabrics	2
12	Botswana	Namibia		Printed Labels	2
13	China			Nuts	1
14	England			Dried fruits	1
15	Japan	China	Nigeria	Wine	3
16	USA	Canada	Russia	Leather products	3
17	Namibia	Botswana		Metal frames	2
18	Germany	Holland	Canada	Rooibos	3
19	Namibia	Botswana		Concretes	2
20	Namibia			Furniture	1
21	China			Olives	1

In table 1 the export markets and the commodity exported per respondent is indicated. The following key observations are highlighted. First, most of the respondents that are in the food and beverages sector tend to export mostly to Europe, North America and Asia while respondents in the non-food sectors export exclusively to Africa. It is important to also note that food and beverages commodities that are exported to Europe, North America and Asia are high value niche commodities like olives, tree nuts and dries fruits suited for the high to middle income markets. Second, there is no respondent that export to more than three country markets nevertheless most of the firms export to at least two markets and close to a third export exclusively to one country market. This translates to an average of two export market per firm. This is an indication of limited diversification of export destination at the firm level and could expose firms to negative shock that develop in export destinations.

The third observation is that respondents export either to the high and middle markets of Europe, North America and Asia or low income markets of Africa with hardly a mixture between these two broad markets. There are eight respondents that export exclusively to the high and middle income markets and nine that export exclusively to the low income markets of Africa out of the 21 respondents. This implies that if a firm is already exporting to a particular African market it is most likely to extend its exports to another market within the African region rather to a market outside the continent. By the same token, a firm that is already exporting to one of Europe, USA and Asia is also most likely to extend its exports to countries in these regions rather than Africa. This indicates that export markets are not homogenous but unique in terms of product standard, size, quality and shape. From a policy perspective this implies that to increase exports among existing exporting firms, policy should endeavour to assist firms enter new markets within a region to which they are already exporting. Hence exporting to one regional market is not necessarily a stepping stone to enter another regional market (Ranking, 2013).

Figure 6: Reason for Choosing Export Destination

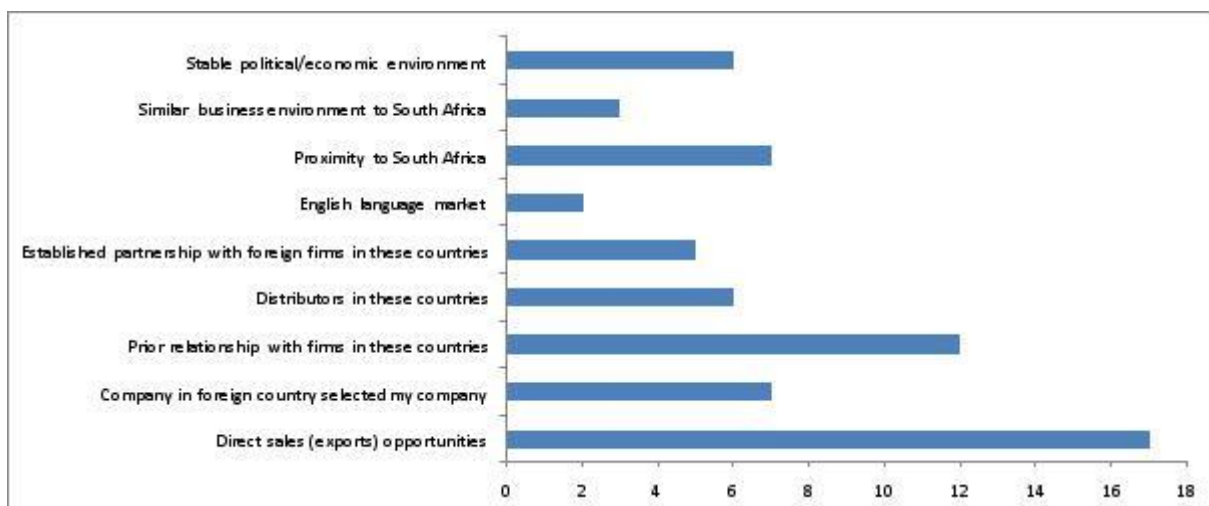


Figure 6 indicate the reasons for selecting export destinations. One of the key reasons the export destinations were selected is opportunity of making direct sales to these country markets, prior relationship with firms in the country markets and proximity to South Africa. Stable political and economic environment and similar business environments are not among the most popular reasons for choosing an export market. This may indicate that political and economic instability in foreign market are not viewed as potential barriers to exporting by the respondents.

Export values

Figure 7 shows the share of exports in total sales and table 2 indicate the country markets and export ratios for each respondent. An overwhelming number of respondents that export more than a quarter of output export exclusively to the high and middle income markets. On the other hand, all the respondents that export less than a tenth of output export exclusively to the African markets, mainly Namibia and Botswana. Furthermore, the respondents that export more than a quarter of output far exceed the respondents that export 10 per cent or less of output. Firms that export to Africa export a relatively small proportion of output while firms that export to Europe, USA, Japan and China export a relatively high proportion of output.

Figure 7: Share of Exports in Total Sales

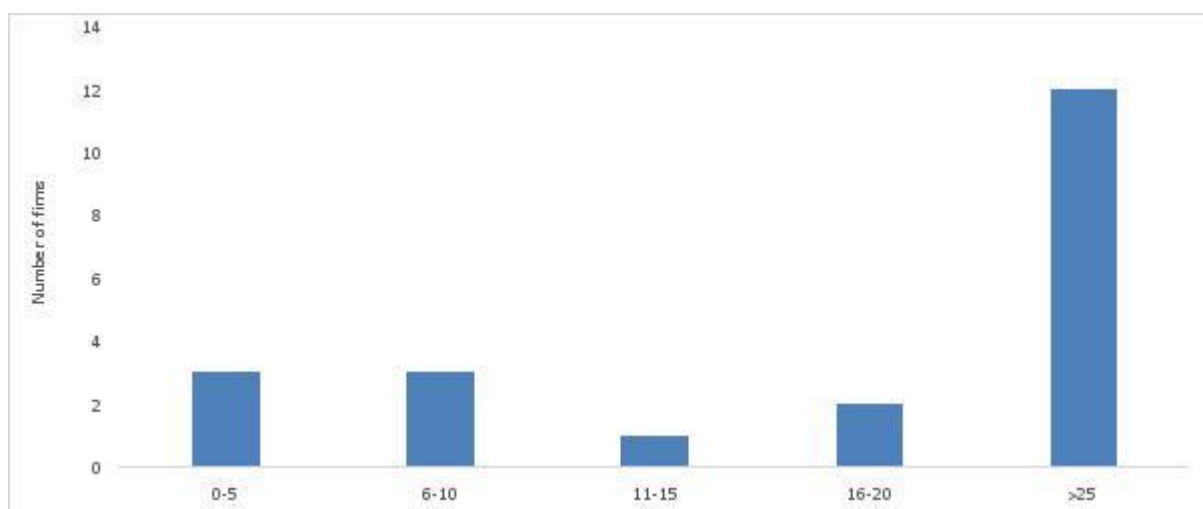


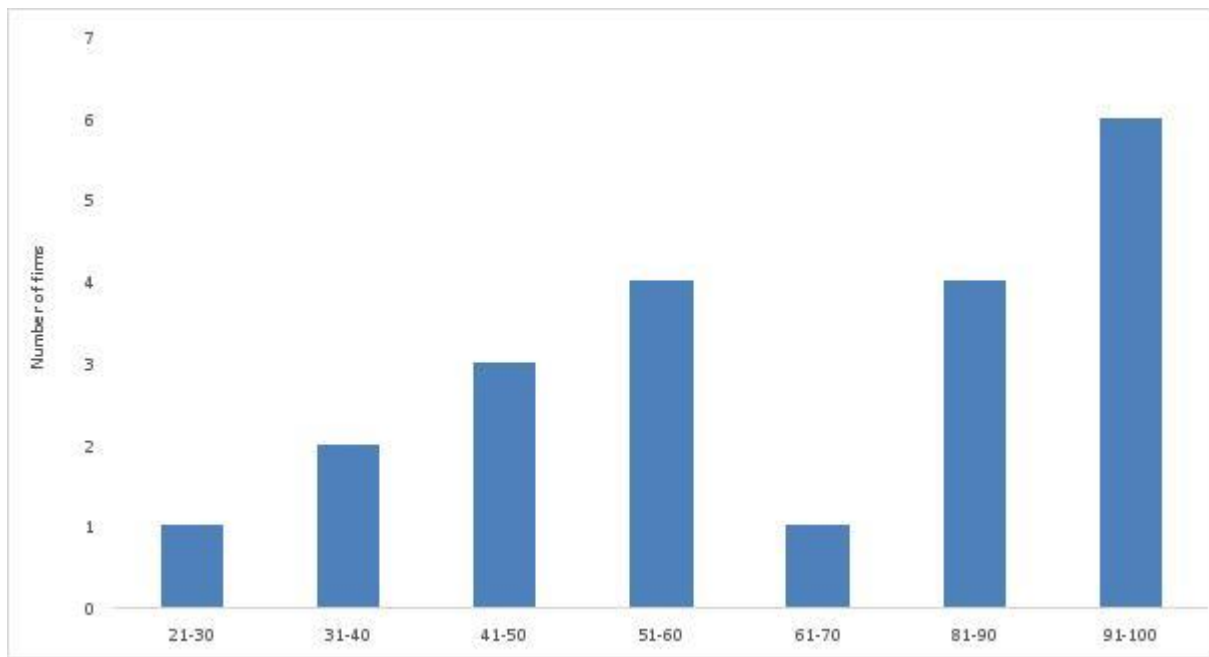
Table 2: Export Markets and Export Ratios

Firm	1st export market	2nd export market	3rd export market	% of exports
1	USA	Europe		>25
2	Japan	Europe		>25
3	China			>25
4	China	UK	Germany	>25
5	China			>26
6	USA	Canada	Russia	>25
7	China			>25
8	England			>25
9	Algeria	Europe	USA	>25
10	Lesotho	Mauritius		>25
11	Namibia	Botswana		>25
12	Namibia			>25
13	Japan	Europe	Mozambique	16-20
14	Germany	Holland	Canada	16-20
15	Japan	China	Nigeria	11-15
16	Namibia	Botswana		6-10

17	Botswana	Namibia		6-10
18	Namibia	Botswana		6-10
19	Zambia	Botswana	Namibia	0-5
20	Botswana			0-5
21	Botswana	Namibia		0-5

Next we consider the major export markets of firms. A major export market is defined as the market to which a firm send all or the largest proportion of its exports. Out of the eighteen export destinations identified by the respondents ten are top destination for at least one of the twenty surveyed firms (figure 6). Namibia is the most common top export destination with four firm taking most of their commodities to Namibia. This is closely followed by Botswana, China and japan with three firms each having identified theses as top export destination. The other African Countries that feature as top export markets are Algeria, Lesotho and Zambia however the one firms each that reported the Algeria, Lesotho and Zambia as top export markets.

Figure 6: Share of Total Exports to Top Export Market



The other interesting dimension in figure 6 is the actual proportions of exports that are attributed to top export markets for each of the twenty firms under review. What is apparent is that Northern Cape manufacturing exports are not geographically diversified. For instance, more than three quarters of the surveyed firms attribute more than half of their total export to a single export market, more than 80 per cent of exports accounted for by a single market for close to half of the respondents and for a quarter of the firms more than 90 per cent of the exports are absorbed in a single market. This geographic

concentration of exports is a structural weakness could expose the local exporters to adverse shocks that may develop in the markets where they take most of their exports. The Northern Cape export strategy should respond to this structural imbalance by suggesting interventions that could engender a diversified export market for the local firms.

More than a quarter of the respondents generate more than 90 per cent of export sales from a single country market, close to half of the respondents generate more than 80 per cent of export sales from a single country market, and two thirds of the respondents generate more than half of export revenue from a single market.

Expansion into new markets and export challenges

A Total of ten individual country markets and four regional markets of Africa, Asia, Europe and the Middle East were identified by twelve respondents as prospective export markets (figure 7). The most common new market is Asia comprising of China, Japan and India with a total of eight respondents having indicated an interest to explore Asia. However, most responded who are interested in Asia identified China and India as the preferred choice and Japan appears as either a second or third choice market. Africa and Europe also feature prominently as prospective markets with seven and six respondents interested respectively. Prospective markets that are currently not export market for Northern Cape manufacturing firms include Zimbabwe, Tanzania, India, Brazil and the Middle East.

Figure 7: Prospective New Export Markets

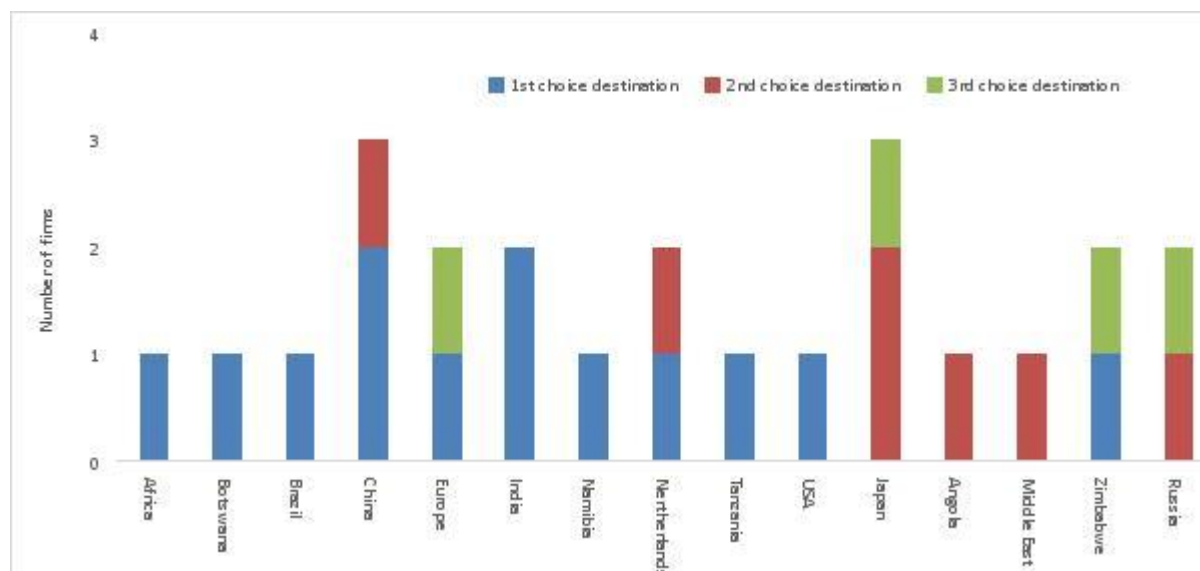


Table 3 shows the new number of new export markets per respondent and the commodity manufactured. The respondents who are interested in extending their markets to the high

and middle income markets of Europe, America (including Brazil) and Asia (including the Middle East) are producers of food and beverages. On the other hand, the respondents that are interested in new markets within the African Continent are involved in the production of non-food commodities. This underscores an observation made earlier that the exports markets of the respondents appear to be segmented along the nature of the commodities exported with food commodity producers exporting mainly to the high and middle income markets and the non-food manufacturers exporting exclusively to Africa.

Table 3: Number of Prospective New Markets per Firm

Firm	1st choice market	2nd choice market	3rd choice market	Commodity	# of new markets
1	Tanzania	Angola	Zimbabwe	Rotating motors	3
2	Netherlands	Russia		Nuts	2
3	Namibia			Metal frames	1
4	Brazil	China	Russia	Dried fruits	3
5	USA	Netherlands	Japan	Dried fruits	3
6	India	Japan		Nuts	2
7	India	Japan		Olives	2
8	China			Dried fruits	1
9	Africa	Middle East	Europe	Wine	3
10	Europe			Leather products	1
11	China			Rooibos	1
12	Zimbabwe			Concretes	1
13	Botswana			Furniture	1

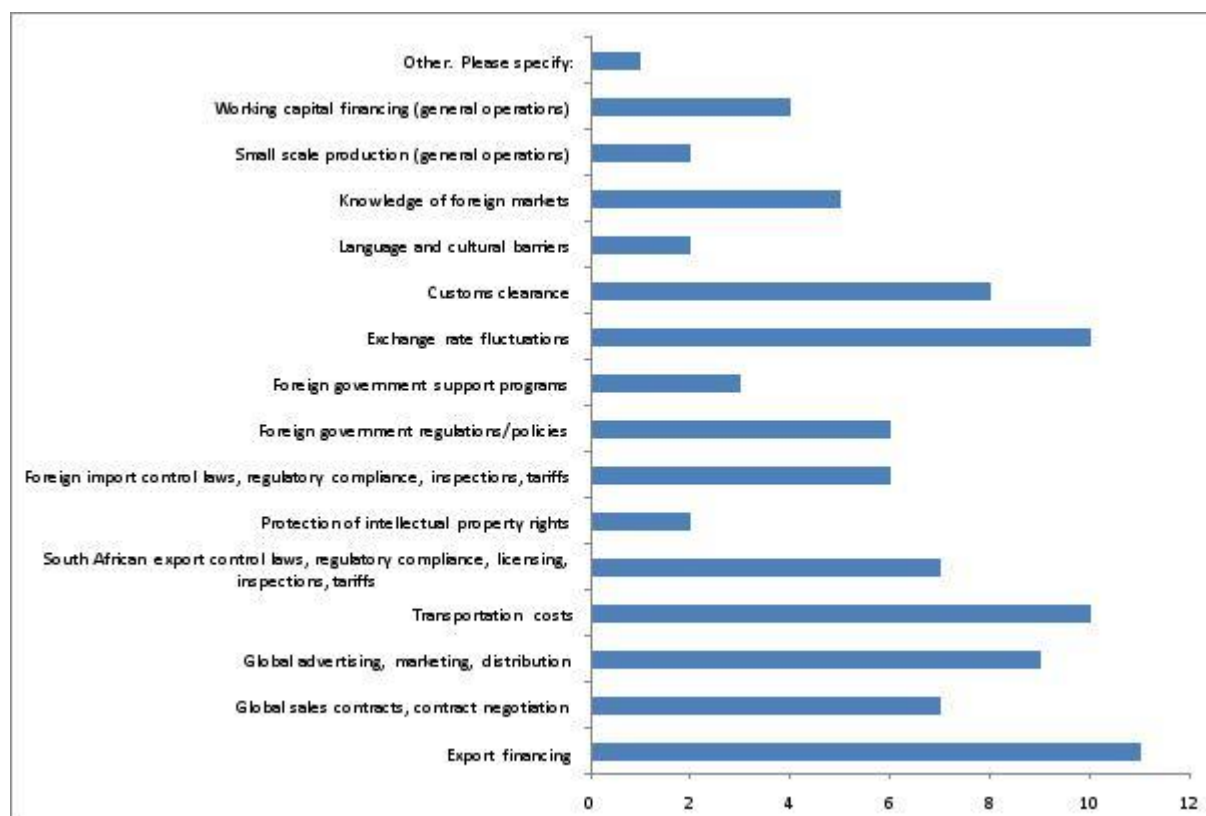
Table 3 also indicate the scale of expansion for each one of the twelve firms in terms of the number of new markets that they intent to go into in the next five years. There are six firms that intent to extents exports into only one additional market; two firm that intent extending to two new markets and four firms that want to enter three new markets. The challenges faced by exporters in accessing export markets or considering new export markets

Exporting Challenges

Figure 8 shows the number of firms reporting certain issues as constraints to exporting and or entering new export markets. The survey outlines sixteen potential constraints to exporting. Obtaining finance emerged as the major constraints with more than half of the respondents citing it as the number one challenge to exporting. Indeed, exporting firms possess unique financial needs that almost always exceed those of firms involved solely in domestic trade (Ranking, 2013). For instance, to enter the export sector a firm typically

need to foot up front cost related to identifying foreign customers and new export markets, creating distributor networks, and meeting foreign product standards. Cross border shipping, logistics, and trade compliance cost are some of the additional cost that exporting firms are faced with. In addition, exporters need sufficient resources to manage risks such as potential customer non-payment and exchange rate instability. While larger corporate may be better positioned to overcome the challenges of obtaining export finance, small and medium enterprises are most likely to face higher costs of exporting and also limited sources of export finance. SMEs' access to export financing is further exacerbated by lack of awareness of existing export fiancé programmes offered by the DTI, not least the Export Marketing and Investment Assistance scheme. In addition, the existing mainstream export finance instruments offered by the private banking sector may not be meeting the needs of SMEs.

Figure 8: Exporting Challenges



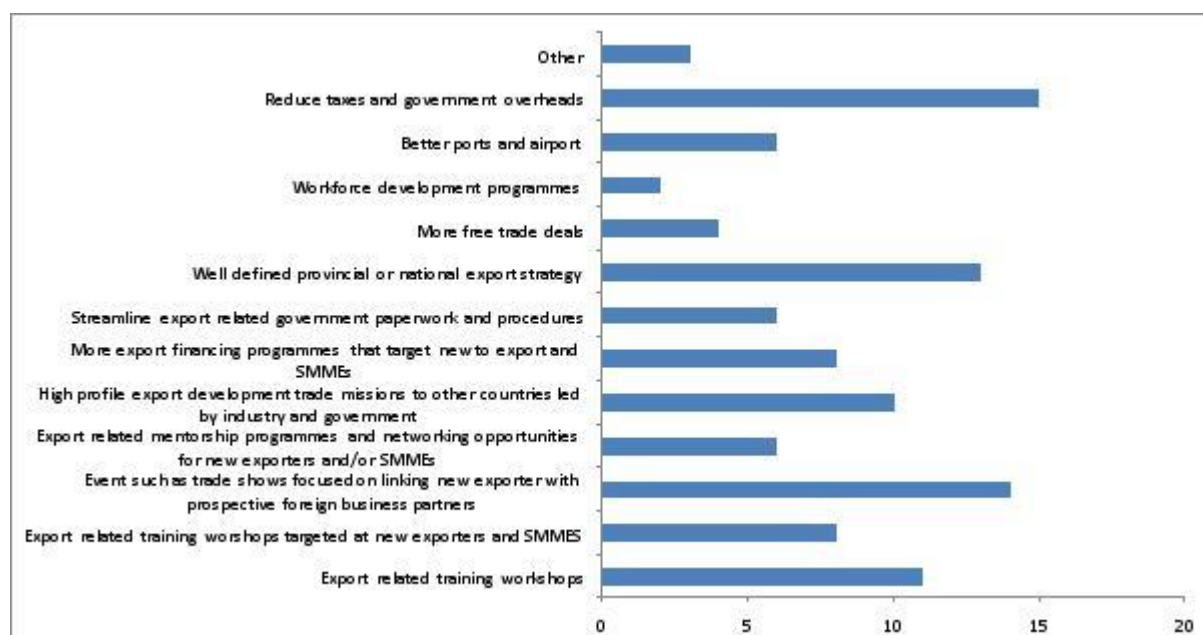
Transport cost and exchange rate fluctuations are the second most common and exactly half of the respondents reported those. Global advertising marketing and distribution ranks third in the list of constraints reported with seven respondents reporting it as a constraint. This is despite efforts made by the Department of Trade and Industry (DTI) through the Export Marketing and Investment Assistance (EMIA) scheme to assist South African exporters in establishing export markets for their products. A total of nine respondents reported global

advertising, marketing, and distribution as a constraint in accessing export markets. Global sales contracts and contract negotiations are ranked third most common constraint, which suggest that issues relating to generating sale/relationships at global level are an important factor affecting the behaviour of exporters.

Export related assistance, Export promotion Policies and measures

All but one of the respondents reported that they are not aware of the export assistance offered by the government to South African manufacturing firms. The suggestions of the respondents on how government can assist in growing the export sector increase exports or export to new markets indicate the lack of awareness of the exports assistance programmes offered by the government not least the DTI. For instances some of the suggested measures that feature prominently relates to export training workshops (and mentorship programmes) and marketing of exporters (trade missions and trade shows). Through EMIA and other incentive schemes (e.g. sector specific assistance scheme, capital projects feasibility programme, steel rebates, and customs rebates and drawback provisions etc), the DTI assist South African exporters to establishing export markets for their products and attract investment into South African through, among other activities, assisting firms participate national trade exhibitions, outward investment an selling missions, etc.

Figure 9: Policies Measures to Grow Exports



Another measure that features prominently is a well-defined Provincial or National export strategy with more than half of the respondents highlighting its importance as an intervention to grow the export sector. The nature of the responses to enhance export in the province suggest the following for the North Cape Department of Economic Development. Aggressive marketing in the Province of DTI programmes that aim to boost the export sector and also to develop an export strategy for the Province. And also the outward missions that the Department undertake on a regular basis must include representatives from the export sector in the province.

Conclusion

This section summarises the key findings and put forward some recommendation that could be pursued to advance the agenda of growing the manufacturing sector and increasing the exports of manufactured commodities. The following are the major findings.

Firstly, exporting firms in the Northern Cape manufacturing sector are generally small to medium size enterprises and can be classified into two broad groups. The bigger firms (employing more than 100 people) that export to advanced economies (Europe and North America) + China or small firms (employing less than 100 people) that export to Africa, especially SACU. There is hardly mixing of these two distinct export markets by individual firms, its either a firm export to Africa or to advanced economies. However most of the exporting firms tend to be bigger firms hence the other striking finding is that a relatively few firms export to the continent despite geographic proximity. In addition, the bigger exporters are often involved in the processing of high value niche food commodities like tree nuts and dried fruits while the small exporters are involved in the manufacturing of non-food commodities e.g. metal and wooden products.

Secondly, the export markets of individual firms are not geographically diversified with most firms generating a huge chunk of their export revenue from a single country market. Moreover, an overwhelming number of firms export to just two country markets at most, a hand full to three markets and there is no firm that export to more than three country markets. This translate to an average the number of markets per firm of only two. Nevertheless, most of the firms have plans to explore new additional country markets, including markets in the Continent and other non-traditional markets mainly the Middle East and the Far East.

Thirdly, there is concentration of exporting firms in terms of geographic location and standard industry classification (SIC). Most of the manufacturing firms are located in Francis Baard and Siyanda and also tend to be in the food sector. There are a handful of firms falling under non-food and beverages industries albeit also concentrated in Francis Baard district. The fourth finding is that there is limited awareness among Northern Cape manufacturing firm of the available government support schemes to promote manufacturing exports. This

partly explain the poor uptake of DTI incentives by Northern Cape manufacturing companies (DTI, 2013).

Recommendations

Considering the challenges of unemployment in South Africa and the opportunity offered by global market in the trade of manufactured goods, supporting firms that export manufactured goods in the Province can boost the manufacturing sector in the Province and thus boost job creation. Increasing exports of manufacturing commodities will require the current exporters to increase exports volumes and increasing the number of firms participating in the export market, that is, encouraging non exporting firms to enter the export market. However, increasing the number of exporters will largely depend on the availability of a pool of potential exporters with characteristics that match the requirements of the target markets (Rankin, 2013). This section proposed some recommendations that may be pursued to further advance the agenda of growing exports of manufactured good with the aim of generating economic growth and creating jobs.

The Export Marketing and Investment Assistance (EMIA) scheme of the department of trade and industry (DTI) is an export incentive programme that aims to assist local exporters in establishing export markets for their products through funding, among other things, participation by local firms in foreign trade fairs and outward selling missions, market intelligence research on prospective export markets, and marketing of local firms in foreign markets. However, a study by the DTI indicated that there is a very low uptake of the EMIA incentives in the Northern Cape relative to the other Provinces (DTI, 2013). EMIA incentive to the value of R88 million and R69 million were approved in the 2011/12 and 2012/13 Financial year respective and in both cases there were no application submitted from the Northern Cape.

The DTI finding on the low uptake of EMIA incentives in the Northern Province underscores the finding of this paper that there is limited awareness among Northern Cape Manufacturing firm about the industrial development incentives offered by the DTI. The recommendation in this regard is to create awareness and take active steps to encourage (and assist) manufacturing firms to submit applications for the EMIA incentives. To this end is important to establish a function within the Department dedicated to creating awareness and recruiting potential applicants (including assisting with the application process and following up on applications) for the EMIA scheme.

According to the EMIA programme guidelines countries that are members of the South African Customs Union (Botswana, Lesotho, Swaziland, and Namibia) are excluded from EMIA (DTI, 2016). Yet an overwhelming number of Northern Cape manufacturing firms has SACU, not least Namibia and Botswana, as the major export market. Moreover, most of the firms that are currently not exporting to SACU aspire to extend their export market into the

SACU region. To this end it is imperative that the Provincial administration explore the possibility of establishing an export marketing and development fund that will, among other things, supplement EMIA with regard to the SACU region.

Taking cognisance of the concentration of the manufacturing exports in the food and beverages sector that are largely absorbed in the high and middle income markets of Europe, North America and Asia, another key role of the export market development fund could be drive diversification of exports in terms of both commodity and export market. The fund could be used to develop the non-food and beverage export markets, that according to the study, are destined within the African continent.

The efforts by the Provincial administration towards increasing the volume of exports as well as the number of firms participating in the export market will however require a strong involvement of the Premier of the Northern Cape in export promotion. This paper argues that success in exporting of manufactured goods, often depends on political support from the top. The recommendation in this regard is to establish the Premier's Export Council (PEC) that would be a Provincial Advisory Committee with the role of advising the Premier on matters related to Northern Cape exports of manufactured commodities. The advisory council, to be composed of representative from both the public- and private sector, is viewed in this instance as an institutional framework with a key object to elicit the challenges faced by exporters and policy solutions to be implemented through dialogue and deliberation between the public and the private sector (Lowitt, 2017).

This approach is in line with what Rodrik (2008) calls the process approach to industrial policy. According to Rodrik the process approach is a strategic collaboration between the public and private sectors designed to elicit information about objectives, distribute responsibilities for solutions, and evaluate outcomes as they appear. The process approach views industrial policy as a process without a preconceived list of priority sectors or policy instruments. Indeed, IPAP emulated the East Asian model where Government picks up certain sectors and provide incentives to support their growth. While Rodrik sees the two approaches as competing, the argument put forward in this paper is that the two approaches complement each with the East Asian approach operating at a national level through IPAP and the process approach operating at a Provincial level however focusing on those sectors prioritised by IPAP. IPAP sets the industrial policy agenda by picking sectors to be supported and the conduct of industrial policy at a provincial level then goes deeper into the prioritised sectors by engaging firms through an institutionalised framework that seeks to elicit information from the private sector on an ongoing basis about the constraints that exist and the opportunities that are available (Rodrik, 2008).

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