



**STATEMENT**

**BY**

**CARL-HERMANN GUSTAV SCHLETTWEIN, MP**  
**MINISTER OF TRADE AND INDUSTRY**

ON THE OCCASION OF THE  
ANNUAL GENERAL MEETING  
OF THE  
NAMIBIAN MANUFACTURERS ASSOCIATION  
ON

TUESDAY, 05 NOVEMBER 2013

AT THE  
SAFARI HOTEL, WINDHOEK

Director of Ceremonies;

Mr. Brian Black, Chairperson of the Namibian Manufacturers Association (NMA)

Board Members of the NMA;

Mr. Ronnie Varkevisser, Chief Executive Officer of the NMA

Members of the NMA and other business executives present

Members of the Media;

Ladies and Gentlemen;

I am delighted and I wish to express my gratitude to the leadership of the NMA for inviting me to attend and officiate at the Association's Annual General Meeting for 2013.

Director of ceremonies, ladies and gentlemen

There is a shared acknowledgement that the manufacturing sector plays a strategic role in economic development and is the component of industry that presents greater opportunities for sustained growth, employment and poverty reduction. A report by the United Nations Conference on Trade and Development (UNCTAD) published in 2011 puts into perspective the importance of manufacturing for economies especially in Africa. Firstly, the manufacturing sector has shown to be an important source of innovation, which together with technology are

crucial for economic development. Research and development activities by manufacturing firms give rise to technological advancement and the diffusion of new technologies into other sectors of the economy.

Furthermore, a well-developed manufacturing sector has positive linkage and spill-over effects to other sectors as this sector is a critical source of demand for inputs and services from other sectors. Manufacturing firms even in Namibia are important consumers of power, banking, transport, communications and insurance services. Additionally, manufacturing provides demand stimulus for growth of input sectors such as agriculture, forestry and fisheries, mining and in the process contributes greatly to overall domestic investment, employment creation and output. On employment, this sector has a higher potential for employment creation if compared to agriculture and the traditional services sector.

Lastly, manufacturing also offers significant opportunities for growth in exports and merchandise trade.

Director of ceremonies, Ladies and Gentlemen

A successful manufacturing strategy and meaningful industrialization, as we seek to attain through our NDP 4 and as envisaged in Vision 2030, will require structural transformation of our economy which is overly primary sector dominated into a modern economy where high-productivity activities in manufacturing assume an important role. Such a process calls for greater emphasis to be given to manufacturing, innovation and the development of value chains and upgrading within the value chains. (Van Wijk et al. 2010).

In order to guide and shape such structural transformation, there is a general recognition of the role of the State by way of designing well-coordinated and appropriate industrial policies. It is pleasing to note that we have designed our national Industrial Policy and we are in the process to finalize the policy implementation strategies, and we have just held s stakeholders' consultation at the end of last month.

Ladies and gentlemen

Without any doubt, the successful transformation of our economy and the development of a dynamic manufacturing sector require a common strategy and coordination between private entrepreneurship and the Government. Increasingly, governments in developing countries like

Namibia are expected to perform a strategic and coordinating role in the productive sphere of the economy beyond simply ensuring macro-economic stability, contract enforcement and property rights (Rodrik, 2004). The Government firmly believe in maintaining close contact and dialogue with the business sector and industry through associations such the NMA. Such communication is an important source of guidance in the design and implementation of effective industrial development and implementation strategies.

I am pleased to note that the Ministry of Trade and Industry has established formal channels of communications with the private sector and indeed provides financial support to industry bodies such as the Namibia Manufacturers Association, as we view the Association as an important partner in the execution of our trade and industry development mandate.

Director of ceremonies, Ladies and Gentlemen

As we seek to develop and expand our manufacturing and industrial base, we face a number of challenges that required our joint attention. Wim Naudé and Adam Szirmai have identified the following challenges that developing countries in particular face in their endeavour to industrialise. Firstly, developing economies like ours face the challenge

to achieve industrialization in a highly unequal and globalized world economy, dominated by large multinational companies and characterized by fragmented global value chains. The emergence of global value chains is largely driven by improvements in transport, freight, information and communication technologies as well as the liberalization of trade, but leaves developing economies at the bottom of the value chain.

A related challenge is that while strategic integration into world trade requires active government policies and the establishment of public private partnerships to fill institutional voids in this regard, countries like ours that are still at the beginning of their industrialization process are threatened by a loss of policy space. This is an aspect described well by Joseph Stiglitz in his book "The Price of Inequality" where he says, and I quote *"In developing countries, changes in inequality are related to international rules of the game that are beyond the control of individual countries. And here too, it is politics, not just economics that matters; it is the international rules that govern globalization. When those rules allow rich countries to subsidize their rich farmers, global agricultural prices are depressed, and many of the poorest in poor countries, those working in agriculture, suffer. When countries in the advanced industrial world fail to regulate their banks adequately and to*

*manage their macro economics well, the developing and emerging markets often suffer from the collateral damage. And it is typically the poorest that suffer most."*

The other challenge which I am sure you can attest to is the accelerating rate of technological change in manufacturing. The increasing automation of production while necessary to achieve efficiency gains is on the other hand increasingly affecting the comparative advantages that developing countries may have, in that it is making labour less important. This is a problem given the very high rates of unemployment in our country.

The latter results into jobless growth in manufacturing. In many countries, the growth of employment in manufacturing has been slowing down to increasing capital intensity and labour saving technological change. Therefore industrial development is no longer able to absorb large increases in labour supply.

The last challenge in the industrialization process that I would like to touch on is the great emphasis that is increasingly placed on environmental issues such as low-carbon industrialization, which calls

for innovation and use of environmentally sustainable technologies. As much as they are needed, they increase costs of industrialization.

Despite these challenges and many others that you, the manufacturers, continue to face on both at the local and global fronts, we continue to have resolve in the importance and potential of the sector as a critical vehicle for industrial expansion, employment creation and for bringing about economic growth at home. Indeed, it is my firm belief that unless we strengthen and expand our manufacturing and supply side capacity, our economy will continue to face limited growth prospects and will remain vulnerable to external shocks, adverse changes in terms of trade, and the challenges of avoiding the 'natural resource curse' when commodity prices move on a boom bust curve.

Director of ceremonies, esteemed members of the NMA

It is important that as we set about devising measures to expand our manufacturing capacity, we do not lose sight of the equal importance of these other sectors, and that we seek equally seek to harness and develop mutually supportive linkages that exist between these sectors, which can give rise to greater developmental impact if the right synergies are developed between them as part of the long-run development strategy.



I wish to take this opportunity to renew to you, the members of the manufacturing and business fraternity, the gratitude of the Government in general and my Ministry in particular for the investments that you have and continue to make in our economy and for your invaluable partnership in providing opportunities for employment directly and indirectly and to the overall development and growth of our economy and export competitiveness. We believe that together we can further harness and expand our manufacturing and industrial base so as to create further opportunities for employment and growth through among others, re-investments and new investment in research and development and modernization of your production technologies and processes, optimizing value chains, expanding product ranges and product quality. I believe that the share contribution of the manufacturing sector to the GDP and to employment is still relatively low, and can be increased substantially.

So as you gather here today to take stock of what you have been able to accomplish and the challenges that you faced during the period under review, I implore you to also assess yourselves in terms of how you as a sector have performs against the parameters that I have just outlined as well as how you are positioned to respond effectively to the challenges. And after your dialogue, I look forward to getting your

thoughts again during the Growth at Home Conference that I will be hosting on November 28, 2013 to which I am inviting you, so that we can continue our dialogue and galvanise our thoughts and action on how to best bring about *“Growth at Home”*.

On our part, I re-affirm the Government’s commitment to continue to fosters a business friendly climate in the country as well as to create opportunities for export and to enhance the private sector to take advantages of the benefits that regional and global trade links and market access provide. Notably we have undertaken reforms in respect on the review of law governing investments (the Foreign Investment Act, 1990), the various incentives in place and have also commissioned a review of our Policy on the development of Small and Medium scale Enterprises.

We will continue to play a leading role in addressing the various developmental challenges facing the country including thus highlighted in the 2013 Global Competitiveness Report and the just released 2014 World Bank Doing Business Report (wherein we have unfortunately dropped 4 places to 98<sup>th</sup> position), through a range of strategies and measures that have been articulated in the Vision 2030 document,

National Development Plan 4, Industrial Policy and our “*Growth at Home*” Strategies.

Some of the improvements that we are pursuing are:

- ❑ **Improving company and intellectual property registry through the implementation of BIPA.**
- ❑ **Reviewing SME and investment policies.**
- ❑ Reviewing and creating agencies for industrialization – combining the NDC and the ODC into a national industrialization industry (NIDA).
- ❑ **Streamlining the process of starting a business**, through among other the development of a parallel online registration system, establishment of a one-stop-shop investors’ services center as well as the creation of the Business and Intellectual Property Authority (BIPA);
- ❑ **Targeted support to boost manufacturing and value chain industrial activities** – Under our Industrial Policy and Growth at Home Implementation Strategies (such as the IUMP that has already been rolled out and the conceptualisation of a new Special Industrialization Program);

- ❑ **Improved access to business infrastructure and finance (start-ups)** – through the creation of appropriate industrial development agencies (NIDA) and SME Bank, the acquisition and servicing of industrial land, provision of production equipment and the development of industrial and multipurpose parks for leasing to and in some cases in partnership with the private sector;
- ❑ **Increased support to local exporters and cross-border trade facilitation** – Through targeted market (domestic and export markets) and product development and diversification support as well as the creation of “Single Window Facility”, for which we have already obtained Cabinet approval;
- ❑ **Promotion of technology diffusion and innovation (IPR)** – in partnership with the business sector and the academia; and
- ❑ **Increased consultation and dialogue** with the private sector and business associations such as the NMA, to name but a few.

In conclusion, ladies and gentlemen, it is now my pleasure to declare the 2013 Annual General Meeting officially open, and I wish you successful deliberations.

And I thank you.