the dtic
Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

Budget Vote speech by Minister of Trade, Industry and Competition, Ebrahim Patel, 20 May 2020 in the National Assembly.

House Chairperson, Honourable Members, fellow South Africans.

Last year, I addressed this house and set out five areas of focus, namely the pursuit of a more inclusive model of growth, greater local production, an increase in trade, stronger investments and green industrialisation.

We have made progress on these fronts despite the strong global headwinds that are afflicting economies everywhere.

What I have seen is the practical embodiment of the resilience that I spoke of in my 2020 Budget Vote speech.

Over the last 12 months, South Africans have set about quietly and with purpose, rolling up their sleeves and getting the job done. I have seen displays of this determination and resilience across the country – firms and entrepreneurs bouncing back in the wake of adversity:

- The South African economy began to recover from the first wave of Covid-19, growing at 4,9% last year
- Manufacturing exports were the highest in at least a decade
- The agriculture and auto-value chains had their best export performance yet
- Africa opened its first anaesthetic production facility in the same year that pharmaceutical exports reached record levels

But despite our collective efforts and our progress, the economy and ordinary South Africans still face many great challenges, some which are persistent and enduring, some of which are new. Our response to these challenges must grow the number of jobs more, expand the industrial base and confront poverty and inequality.

Today I want to speak about the risks that we face and my department's strategic intent to contribute to de-risking our economy so as to protect the livelihoods of all South Africans, to build forward better

Since the last Budget Vote a year ago, we faced three new shocks or headwinds that impacts on the economy and our well-being:

- Firstly, the July 2021 unrest in KZN and parts of Gauteng that led to loss of life and the destruction of infrastructure, dented business confidence and disrupted supply-chains;
- Secondly, the war in Ukraine that has already resulted in fuel price increases and rising costs of fertilizer, wheat, edible oils and other foodstuffs.
- Thirdly, the recent floods on our eastern seaboard that have led to loss of life and washed away homes, shops, factory assets and railway lines and reminded us of the cost of climate change.

Shocks – however hard they hit us - are often the prelude to new insights in societies.

Disruption can inspire innovation.

The damage caused by the July unrest last year in some districts required a more agile and responsive state, as firms saw their factories, machinery and even their financial records go up in smoke. DTIC entities changed their way of working and within three days of the onset of the unrest, the dtic had established a 24-hour hotline to support companies threatened by the unrest. Within a week engagements had begun to help companies rebuild, and within two weeks officials were on the ground to survey the damage and help firms get back on their feet.

We must all learn from the misfortunes that we encounter and adapt and find ways to de-risk for the future.

There are three standout lessons from the new shocks of the past year, which reinforce what we have learnt from the systemic shocks of climate change and the Covid-19 pandemic:

- One lesson is that economies and supply-chains are vulnerable and that building greater industrial resilience needs even greater prominence in policy-making;
- The other lesson is that societies need a capable state that is responsive and agile, and equipped to quickly marshal what is needed when risks materialize.

Above all, we have to grasp the lesson that the absence of economic justice places the burdens of climate, social or geopolitical disruptions on those in society that can least afford to shoulder these burdens.

These shocks are disturbing permanently the old ways of doing things. Business as usual is no longer an option – for the private sector, for governments, for development agencies, for all of us.

We must innovate and adapt to this new normal – an often volatile, uncertain, complex, ambiguous and fractious world.

De-risking and diversifying supply-chains is becoming a business imperative for domestic and multinational corporations. Policy-makers are talking more about regionalization of supply-chains to address geo-political risk and the new fault-lines developing in the global economy. I have heard from more global CEOs and business leaders raising with me the matter of risk-proofing their own sourcing locations.

There is both danger and opportunity in the new landscape.

The question is how will we as South Africans respond? Can we de-risk so that we reduce our exposure to the downside, and increase our exposure to the upside of a world that is rapidly changing?

At home, we can remain trapped by our petty fights, focused only on the short-term, wrapped in gotcha-politics and fighting selfishly over a small cake – a zero sum race to the bottom.

Or we look up and beyond and see how the world is changing, which will allow us to shift drastically and build a real consensus on the hard choices, and with discipline and focus grow the economy inclusively so that it can create jobs and opportunities for young people, and in a way that shares, rather than concentrates wealth.

We remain over-dependent on offshore sourcing for our own economy, and on a few products - mainly commodities - to drive our growth, leaving us as price-takers and with our economic performance over-dependent on what happens in global commodity markets.

This means that we risk losing out on the greater opportunity that this new wave of diversification and regionalization can bring.

South Africa can play a more prominent role in this world of regionalized production hubs. But we can only do so if we step up our focus on improving the dynamism and capacity of our industrial base and create opportunities for firms in our market to grow by:

- Intensifying industrialisation;
- Spearheading transformation to build an inclusive economy, and
- Building a capable state to execute our strategy.

We set out in the Annual Plan of the Department about 150 specific actions and indicators, published on the dtic website*.

Our pursuit of industrialisation seeks to expand the level of local output, both to secure part of the local market lost to imports and to boost value-added exports. Our efforts in this regard, have focused on strategic industries, as defined by their capacity to be labour absorbing or providers of critical public goods or significant earners of foreign exchange.

The initiatives, be it in the area of encouraging localisation of production, social compacts in the form of Masterplans, strong industrial supply chains to underpin our response to COVID19 and create an African medical productive hub, or our work on the Africa Continental Free Trade Area, have all sought to provide local industry with the space and opportunity to acquire the know-how and capabilities to develop dynamic firms.

Our work on spearheading transformation seeks to create opportunities for all South Africans. This involves 'de-concentrating' our economy, opening up exclusive product and service markets to participation by all. It is also about our enduring commitment to support the black industrialists and workers who were previously denied access to the opportunities for economic ownership and participation.

Furthermore, it is also about ensuring that the spatial strategy that informs how we build and support a new model of special economic zones (SEZs) and industrial parks in secondary towns and core hubs, is informed by the principle of trying to expand industrial activity beyond its concentration in the urban metropolitan areas.

Transformation is about building an economy that works where our people are, bringing development to rural provinces and districts. Our revised approach to spatial industrial policy, informed by the District Development Model, will see the dtic supporting projects that create jobs, infrastructure and innovation in Districts across the country.

The Capable State is about administrative capability and efficiency but its more than that. It's about working in partnership with business and labour, aligning our work with other parts of the state, such as with our counterparts overseeing the energy, logistics and security-related areas of focus; and building a social compact brick by brick, partnership by partnership, within and across the state, and even more importantly, across our society.

This integrated vision of Industrialisation and Transformation is only as strong as our capability to turn them into reality.

To execute this strategy, we will address our weaknesses but we will also build on our successes. There has been progress in a number of areas, from new production lines in our auto, food sector and healthcare sectors; progress with beneficiation, the sugar and clothing masterplans, new investment projects and jobs created, small businesses supported and action against corruption. A new focus on inclusive growth saw about 100 000 additional workers securing shares in their firms in the past year through competition settlements with Shoprite, Burger King and Imperial Logistics, bringing the recorded worker shareholding in the economy to over 400 000 to date. I will not detail the many other positive stories this morning but will today release a short summary of some of the key achievements in the past year.

I want to highlight the details of our plans for the year ahead, which turn the de-risking strategy that I have outlined to this house today into reality.

To fuel the economic recovery and deepen industrialisation, the dtic entities together will offer R22 billion in customised support packages to companies over the next twelve months. This will be complemented by strategic support to deepen implementation of our masterplans, including the launch of a new R400 million Furniture Growth Fund in partnership with manufacturers and retailers.

To support our localisation efforts, we will aim to achieve a R40 billion increase in the production of targeted local industrial output, which brings us closer to our five year target of R200 billion.

Our investment facilitation and promotion activities will aim to unlock at least R120 billion in investment from the private sector in the next twelve months.

Last year I outlined the first steps we will take to embrace the opportunities in green industrialisation through the green hydrogen and electric vehicle roadmaps. We have made considerable progress in researching practical options, costing them, identifying possible funding, publishing a draft green paper and receiving feedback from stakeholders. We will now table our draft Green Hydrogen Commercialisation Strategy in Cabinet for consideration and guidance by the end of August and our Electric Vehicles Roadmap by the end of October.

In a rapidly evolving and disrupted global trade environment, the Department's officials will work hard to secure at least R600 billion in manufacturing exports with a package of support to grow and diversify South African exports, and to secure our trading future on the African continent. We hope we can do more but let's aim for no less than that.

The Competition Commission is conducting a market inquiry into on-line services like eCommerce, tourism, accommodation, food and other online deliver platforms, to be completed during this year and will launch a new Inquiry into fresh produce markets, which I hope will help provide insights and relief to consumers faced with high and rising food bills.

We will commence the next phase of the AfCFTA negotiations by developing draft protocols on competition policy, intellectual property, and investment. Our work in these important areas will enable firms to manage their expansion into the rest of Africa, and we will also make available a multi-billion rand facility in risk coverage to strategic exports, through the Export Credit Insurance Corporation. This facility will complement our efforts to launch more export networks with entrepreneurs to share knowledge and coordinate government support among exporters.

By the end of the year, we will have introduced a revised approach to spatial industrial policy, with a cross-cutting framework for Special Economic Zones, Industrial Parks and interventions to enable and support the Township Economy; and focus on industrial development in at least 25 Districts across South Africa.

Building an enabling environment for industrialisation requires securing our key network infrastructure, such as energy and logistics, and protecting our electrical grid and rail network from the continued threat of scrap metal syndicates. By the end of July, we will have developed and tabled a draft policy on scrap metal, which will introduce a blend of domestic and export measures to address illegal trade in copper cable and scrap metal.

Energy and logistics is vital to the success of our industrialisation efforts. Minister Pravin Gordhan and I have agreed to launch a Forum to bring together Eskom, Transnet and other entities with industrialists in key sectors to enhance collaboration, advance planning, and problem solving. This will enable a better climate for investment and job creation. This is being jointly-announced by my colleague who is also giving his Budget Vote right now.

We must make it easier to do business. The Deputy Ministers and I have requested dtic entities by December to have concrete measures to cut red tape, streamline their processes, and make them accessible and less onerous, for entrepreneurs and citizens. This will align with the commitment that the President made on cutting red tape in the State of the Nation Address in February this year.

We will shift from red tape to smart regulation that helps those who want to build and protect the system against those who seek to abuse it at the expense of the poor and vulnerable.

This work will also include a process to consolidate the sprawl of entities within our ambit, creating a leaner and more responsive and relevant set of institutions.

The point is that we must all learn from the past and adapt for the future.

We must continue to show resilience as we build and de-risk our economy, which is essential to our vision of a truly non-racial, democratic society.

Over the next 12 months, we can expect a number of concrete actions:

- This month has already started solidly with the VW plant in Kariega, Eastern Cape producing the one millionth Polo for export, we launched a new food factory Kerry Ingredients in KZN, Corobrick opened its production facility and a new Black Industrialist Export Network was launched; and by the end of the month the IDC will have launched the pilot Township Economy Programme to improve access to finance and de-risk SMMEs through business support measures.

- By June, Consol will open its new glass container production plant in Ekurhleni with an investment value of R1.5 billion, a new R300 million steel manufacturing facility plans to open in Thaba Nchu in the Free State, the Japan-South Africa Business Forum will be launched, the first disbursements will take place from the IDC's new Social Employment Fund; Trade Ministers will meet at the WTO to address key trade policy matters

- By July, a new call centre, Sigma International will open its doors and offer jobs to young people from Mitchells Plain and Khayelitsha; xx; the Saudi Arabia-South Africa Business Council will be finalised and Cabinet will consider the nomination of South Africa to host the next AGOA Forum

- By August, the new PhotoVoltaic production plant of Seraphim will open in East London, supported by IDC facilities; the Google new fibre-optic submarine cable to improve South Africa's link with other African and European telecommunication hubs will have been launched; at least 55 deals would have been finalised under the JP Morgan small business partnership with the DTIC; the first new capacity will come online for six black owned poultry farms supported by the IDC, which will produce about 2 million birds per month, creating 150 jobs in North West, Mpumalanga, Limpopo and the Free State; and. the Companies Amendment Bill will be submitted to Cabinet for consideration

- By September production of industrial helium will start in Free State (one of only 8 countries globally producing this gas), Chinese company Rayal Industrial will complete its tile manufacturing facility; a new South African food exporter network will be launched; we aim to conclude the Southern African Customs Union's formal tariff offer to the AfCFTA covering 90% of all tariff lines, and the dtic-supported film The Woman King, will release worldwide: filmed in Cape Town it tells an African story, of an all-female military unit in the 18th Century West African kingdom of Dahomey

- By October, the Tshwane SEZ aims to complete eleven Automotive component plants in support of Ford's R16 billon investment, employing about 2 000 workers in the new zone; SA Steel Mills aims to complete its production plant announced at the Investment Conference and a draft Patent Bill will be submitted to Cabinet for consideration

- By November, BIOVAC will begin producing Pfizer vaccines in SA; the expansion of the SAPPI Saiccor dissolving pulp mill will be ready for an official opening; we will have commenced the next phase of AfCFTA negotiations with draft protocols on competition policy, intellectual property, and investment; and we will host an Award ceremony for local production innovation, showcasing the successes we are starting to achieve

- By December, the PF Nonwovens new textile production line will have been opened in Atlantis and we will host a Conference of black exporters to help identify new markets and opportunities

- By January next year, we expect the completion of a new clothing manufacturing facility and dye house in KZN, with 1 500 new workers; a review of the sugar master plan will have been done and the new anti-corruption unit at the dtic will be operational

- By February, Orion Carbon Engineering aims to complete a pipeline and tank storage facility at the Port of Ngqura to supply carbon black to the auto industry; the First African-developed mRNA vaccine will start clinical trials and our efforts to cut red tape will be boosted by new draft regulations to deal with trade tariff investigations and safeguard measures

- By March, Defy will have completed its white goods manufacturing Investment facility in Ezakheni, valued at R317 million; the dtic will have an industrial profile report for all 52 districts and a Report on women and industrial funding; and we will complete a draft anti-alcohol abuse policy based on discussion with different departments of government

- By April, 200 black, women and youth businesses and persons will have been assisted with export training and support and IDC-funded local technology will be used in a platinum mine in North West to make its smelting process greener and more efficient

- And by May next year, which is just after the 5th anniversary of President Ramaphosa's announcement of the investment target, we intend to have met or achieved the R1,2 trillion commitment and Formex will complete their automotive stamping press plant in the E Cape

Honourable Members, many wise words have been spoken about that quiet persistence in getting on with the job, such as Madiba's advice 'Don't judge me by my successes, judge me by how many times I fell down and got back up again.'

Or that beautiful poetess Maya Angelou, who reminds us that 'I can be changed by what happens to me. But I refuse to be reduced by it'.

Hard work in the year ahead matters. Kindness and decency matters.

And so, to rephrase the advice of the ages, it is our responses to the shocks we face not the shocks themselves that defines us and determines how our nation will develop.

In conclusion, I wish to thank Deputy Ministers Majola and Gina for the sterling work undertaken; and the team led by Acting DGs Malebo Mabitje-Thompson and Shabeer Khan, for their invaluable contributions; and the Boards and leadership of the dtic agencies and our social partners for the work done this past year. It is my pleasure to table the Budget of the Department today before the National Assembly.