Budget Vote 2023, Ebrahim Patel, Minister of Trade, Industry and Competition, National Assembly.

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House Chairperson, Honourable members, fellow South Africans, I stand before the House at a time of great uncertainty and crises – for the world and especially for the developing economies, such as South Africa.

Context always matters. And this context matters greatly to how we govern and how we think about our economy and about our place in the world.

As the President of the World Bank described it

Rather than gaining ground, the poor are being left behind in a global tragedy of inequality. This drastic narrowing of economic and social progress is creating a time of upheaval in economics, politics, and geopolitical relationships.

Honourable members, we have to contend with very heavy headwinds. And despite the challenges, South Africa is making strides in its recovery from the impact of COVID19: GDP has recovered from the heavy blow to economic output that the pandemic brought; and UCT research shows that 95% of jobs in the formal sector have now been recovered.

This is good news. But the impact of the war in Ukraine and the energy shortages have had numerous negative consequences for trade, for the cost of living and for the investment environment.

And the impact of climate change is being felt more and more by people around the world, both in developed and developing countries.

This 'poly-crisis' – as some commentators describe it – requires a steady hand on the tiller, agility, and calm but determined resolve.

We have to put our heads down and find a way to battle through the storm.

In the past few years, our central mission at the Department of Trade, Industry and Competition has been to build on our country's innate resilience, so as to nurture a more resilient economy – one that both grows *and* transforms.

What that means is that we need to grow our economy but to do so in a way that benefits the many and not just the few.

In the past, when the economy has grown, it has tended to favour those with existing wealth and privilege. That is unsustainable; the inequality gap gets wider.

We have to close it. We have to create economic opportunities for those who have not benefited in the past. They must not be left behind.

In this year's budget speech, Chairperson, I want to tell the House that despite extraordinary headwinds and challenges, we have made considerable progress with pursuing the goals of growth *and* transformation, and have laid substantial foundations for economic recovery based on increased investment, industrialisation, localisation and trade.

This represents, Honourable Members, a quiet revolution in the way that we, as government, contribute to and influence the market economy on behalf of the interests of all who live in South Africa.

This is not a technical exercise. The economy has a very human face. When the economy struggles, people suffer. When it grows and transforms, then more people can thrive.

Over the past 12 months, I have told Parliament the stories of South African workers, of entrepreneurs, of industrialists – young people, women, and black and white compatriots whose stories illustrate the impact of our new way of doing things.

These stories set out more than 150 case studies of real, tangible impact; stories of people like:

- Nokwazi Mbele a young vibrant program manager at a factory in Kwadukuza that makes wire harnesses for cars, supported by the auto masterplan
- Sanele Luthuli, a production analyst producing pulp that will go on to be used for making viscose and pharmaceuticals whose factory used a dtic incentive
- Mike Nkuna and Rashid Gutta, who both run their own furniture manufacturing businesses and are examples of black industrialists now covered by a masterplan.
- Neil De Preez of Mellovans and a team of innovators who design and produced a 3-wheel electric vehicle being sold on our roads and exported to other countries, supported by the IDC
- nuclear engineer Dr Ramatsemela Masango who manufactures electrical inverters and who is also supported by the IDC
- Disabled workers Kyle Turner and Thato Mbhele who works at a factory that makes plugs, which we supported to get offtake commitments from two large retailers
- Trainees Nwabisa Bavuma and Garrison Cotzee who work at a company that makes underwater LED lights and cameras that are used for the undersea cables that connect SA with the rest of the world; and
- Janette Hilton-Gericke, the owner and Rozanne Heyns, a sewing machinist who work together in a dtic-support factory, to make the jerseys for Bafana Bafana, the SA netball team; and I want to add, the Stormers supporters for the rugby-match on Saturday against the Irish Munsters at the Cape Town Stadium.

Honourable members, later today, Deputy Minister Gina will today speak to the practical reforms in how **the dtic** works to enable government to transform people's lives, because of people like those I have mentioned that we do what we do. That's our purpose.

Tomorrow at the NCOP, Deputy Minister Majola will outline the partnerships with provinces and local government and with partner countries on the African continent. Showing how **the dtic** is seeking to mobilise support within the country and across the African continent for a vision of growth and jobs.

I will set out the progress we have made over recent years and especially the past year, the obstacles that have held back progress and which we need to address, and our plans for the coming year.

We are strengthening the foundations of growth and transformation through investment, industrial development and trade.

In 2019, we announced the reimagined industrial strategy.

In 2020 we used it to focus on Covid-19 industrial products, manufacturing billions of rands of hand-sanitisers, ventilators, vaccines, masks, anaesthetics, and other products for our market and for exports.

In 2021 we published policies on trade, competition and localisation and made significant progress with the masterplans and with sector social pacts.

In 2022 and the first part of 2023, we have focused on:

- Investment
- Localisation
- Trade
- Job creation; and
- the Just Energy Transition and its potential to catalyse what we regard as a whole economy transformation.

First, Chairperson: Investment which is the lifeblood of growth.

We have reported to Parliament a number of investment projects that had a significant positive effect in past year. They include

- The opening of the Hesto Harnesses factory with 4 000 jobs;
- The launch of the new Isuzu D-Max bakkie produced in the Eastern Cape;
- The opening of the new Sappi Saiccor facility with R5,5 billion in expected output and exports;
- The connection of the new Google undersea cable linking South Africa, West Africa and Europe, to enable business and personal communication, search functions, financial transactions, and entertainment.

Through successes such as this, South Africa has exceeded its previous five year target for investment, with R1,5 trillion in new investments announced over the past five years.

But if we are going to grow *and* transform, we need much more investment.

Hence, we are setting a new annual stretch target of **R400 billion** in new investment pledges to be focused on by **the dtic**-group for this financial year, some of which has already been secured. This is in support of the five-year plan, which the President announced, to raise R2 trillion. The 1st Investment Conference to report against the new target will be convened by March 2024.

While South Africa welcomes investment, we are determined to act against misuse of our financial markets to hide the proceeds of corruption and crime. Today I published a set of regulations that require companies to determine the real identity of shareholders who hold more than 5% of a company's shares. This is also a step in addressing the concerns that has resulted in South Africa being grey-listed by the Financial Action Task Force.

Second, Chairperson: Localisation – increasing local production and innovation is key to expanding the productive economy.

Both investments and localisation require industrial funding and other support. Last year, **the dtic**-group enabled R30 billion in various incentives and industrial funding to be made available to firms based in South Africa.

We are making progress with efforts to beneficiate our raw materials: a large new steel mill is under construction in Germiston that will use South African iron ore to produce flat-steel products and bring competition to the upstream market, employing about 300 new workers from townships like Kathelehong.

Ten new factories are in full production in the new Tshwane SEZ employing over 2500 workers; and in March this year, we signed an MoU with the world's 4th biggest car-maker Stellantis, to explore possible local assembly of their vehicles.

A number of successes were also achieved last year in products such as pharmaceuticals, glassware, food products, clothing, car components and many others. A new cooking-oil refinery will open in Richards Bay later this year.

Building on this, we are setting a target of R40 billion in additional local output and commitments this year.

The foundation for achieving this is the public-private partnerships through which businesses are committing large sums of money to boost local procurement. The companies who have made these commitments include Coca-Cola, Air Liquide, Shoprite-Checkers, Pepsico, Consol Glass, Heineken, Implats, Mercedes Benz, VW, BMW, Ford, Nissan, Toyota and Isuzu.

Each and all of them deserve recognition and respect for showing such confidence in South Africa.

We have built up a significant **localisation chest**, made up of R4bn in localisation and supplier development funds for our industrial sectors like green energy, equipment, food and medical devices; and R19 bn in commitments to procurement in sectors such as auto components and mining supplies.

These will all be actively used to help achieve the new goal for this year and beyond.

These gains should not be under-estimated. As I say, such investment is essential if our economy is to grow *and* transform.

The fact that we have attracted such investments, and built up this multi-billion rand localisation resource-chest, is testimony to the fact that our investment appeal and economic potential remains clear and real, despite the challenges and the tough headwinds.

Contrary to the doom and gloom merchants who seem to revel in their despondency and despair, there are sound grounds for hope that are our economy can revive and prosper.

Third, Chairperson: on the trade front there are further reasons to be optimistic.

Last year, South Africa crossed the R2 trillion export mark for the first time, selling agriculture and manufactured products and minerals that creates jobs. SA has access to a number of markets on preferential terms. Despite the challenging global environment, we are setting a stretch target for this year of achieving **R800 billion** in global manufacturing exports, and **R8 billion** in global business services exports.

Trade with the rest of Africa has great potential to expand the economy. Our target is to export at least **R330 billion** in manufactured goods to other African countries as the minimum goal and we hope to achieve more.

In this past year:

- SA hosted the first AfCFTA Business Forum in Cape Town;
- Two trade-related protocols were completed;
- Eighty-eight percent of tariff lines have agreed rules of origin; and
- SACU finalised an offer for SA and 4 neighbours of products where we will open our markets under the new AfCFTA preferences.

And, in the course of this financial year, we plan to start trading under the AfCFTA, building on the foundations laid in the past year. This is the next vital step in the project that will occupy a generation of compatriots to fully implement.

These are important developments because they can boost our efforts to industrialise and beneficiate our minerals, create jobs for young people and diversify our export markets in a turbulent and polarising world. Our prosperity, Madame Speaker, is inextricably linked to that of this Continent.

State Visits are now used to address economic opportunities more actively. Since last year's Budget Vote, 12 Business Forums with heads of state and investors were held, covering relations with countries to which we export about R300 billion in goods, sustaining almost 60 000 jobs. More than 1 000 delegates from firms participated in these forums; and this year, a further 10 new Business Forums will be held, with greater focus on follow-up opportunities for firms.

We need more market access for our products and will engage trading partners to open up markets on citrus-fruit, horses and game meat and seek to expand exports to the European Union and the UK.

In August, we will host the BRICS – Business Forum to explore value-added exports and higher levels of investment.

Given the importance of our relationship with the United States, we will step up our engagement with senior US government and business representatives, to retain preferential access to trade under AGOA.

This is an extraordinarily important opportunity, to boost trade and jobs in spite of the challenges in the environment.

South Africa is well-positioned to benefit from these different trading relationships. All of them are important to us, and each of them brings different kinds of value to our economy and our people. Hence, we must ensure that they are all valued and respected, and nurtured appropriately.

In addition, in the past year we have adjusted tariffs to address the concerns of a number of sectors, in product lines such as fridges, rubberized textile fabrics, chemicals and many others.

At times the evidence leads us to decline a tariff increase application, as we did for frozen foods; and when it is needed, we increase the level of protection, as we did in the case of cement, where dumping threatened large numbers of local jobs and firms.

Critics sometimes claim that we intervene too much in the economy. Well, Madam Speaker, if this is what 'intervention' means, then I am happy to plead guilty. We intervene to preserve fair trading relationships, to save businesses and protect livelihoods.

Fourth, Chairperson: jobs – which is where the need to grow *and* transform matters most.

While our efforts have focused on protecting existing jobs, given the size of the unemployment challenge, our industrial policy also seeks to identify new sectors with potential to grow, including:

- In the Medical value-chain, with medical devices, vaccines, cannabis for medical treatment and other products;
- In the Green value-chain: with solar and wind energy components, battery manufacturing and electric vehicles;
- In the Digital value-chain: with artificial intelligence applications, 3-D printing, higher-end call centres and in attracting digital migrants; and

- In the Food value-chain, covering fruit, meat, nuts, oils and processed products.

For this year, **the dtic**-group will have a target of mobilising **R35 billion** in incentives, supplier-development and industrial funding to back firms that seek to modernise, grow and expand their businesses. This is the foundation of sustainable job creation.

We will seek to cover **one million current workers** with various dtic-measures, ranging from trade support, to masterplans, industrial incentives or competition settlements. And we have set **a target of 100 000 new jobs**, through the social employment fund and in manufacturing and productive services.

To improve the ease of doing business, we are finalising amendments to the Companies Act and changes to the ITAC processes; making it easier for companies to comply with legislation or access the ITAC services so that we unlock more investment and growth.

We spend a lot of time and energy listening to business representatives across our economy and we have heeded criticism that in some cases there is too much regulation or the wrong type of regulation.

Our job is to balance the needs of particular businesses and sectors, with the wider public interest, and to strike the right balance, so that the rules of the game serve both the need to grow the economy *and* to transform it.

Fifth, Chairperson: energy is the foundation of modern industrialisation and sustainable economic development

Energy shortages are extracting a high price in the short term. We recognise the hardship to businesses and to livelihoods. We have to put the electricity crisis behind us as quickly as possible.

But if taken on with focus and vigour, the energy sector provides historic opportunities for a green transition and for an injection of capital and innovation in the economy.

This is what we call a 'whole economy' approach.

The Just Energy Transition focuses on three main areas: electricity, green hydrogen and electric vehicles. These represent three major areas of our economy – they are three big levers.

But the potential for a whole economy transformation goes far beyond them. If we get the just transition right, we will create new industrial value chains across our economy, benefiting people in parts of the country that have hitherto not had access to such economic development.

This is the grand prize. We must align our strategy and our plans; we must remain loyal to the underlying principle of a 'just' transition, we must rally many different sources of finance, local and international, public and private; and, we must safeguard the investments with sound governance, as well as robust and credible transparency mechanisms.

To address the challenge, we are supporting the national action plan and also bringing DTIC capacity, skills and networks to support this.

Today, I published two block exemptions for energy users and energy suppliers, to enable collaboration to address energy shortages and share facilities, to coordinate maintenance and to work together to increase supply of energy. I also published new energy standards that will require energy-efficient light-bulbs to be used in homes and offices.

By the end May, we will launch both an energy resilience fund of R1.3 billion in support available to enterprises including SMMEs to mitigate the impact of load-shedding; and the new Energy One-stop Shop in **the dtic** to assist with speeding up regulatory processes to accelerate private-sector investment in electricity generation.

To support the transition to electric vehicle manufacturing, considerable technical work is being done and engagements held with National Treasury to expeditiously finalise an affordable and effective strategy; and we are confident we are close to completing that road-map.

This will be complemented by a new project we are launching next month, to identify opportunities for battery production in SA. In support of this, we will be working with partners – Finland, the US, China, Belgium, Germany, Zimbabwe, Zambia and the DRC – on battery production value-chains

We are playing our part in achieving the ambitious vision of the just energy transition, and we will continue to serve its reform agenda so that it can realise its full – ‘whole economy’ – transformational potential.

Chairperson, Honourable Members,this year’s APP sets out the key elements of the South African reimagined industrial policy that seeks to:

- **Deepen** the domestic market by growing employment, increasing productivity and undertaking other measures to improve equity and income distribution;
- **Widen** the market for South African goods and services through a stronger focus on exports to the region and other rapidly growing economies.
- **With** Supply-side measures seek to improve competitiveness, build resilience and strengthen the agility and innovation at firm-level.

The APP is a significant step-change that has been introduced, with an industrial policy framework, clear targets on jobs, on investment, on exports, on localisation and on exports. To galvanise the Department on these important drivers of growth, I have announced stretch targets today, higher than that set out in the APP. The masterplans, already yielding good results in areas such as autos, clothing and poultry, will be expanded with stepped-up implementation of the furniture masterplan.

And to complement these, we will focus on greater economic inclusion.

We will achieve this with the following five focused steps:

- **Addressing inequality and extend worker ownership**
- **Confronting spatial inequity**
- **Promoting Black Industrialists**
- **Advancing to a more open and competitive economy, and**
- **Protecting consumers.**

We will address inequality through by promoting greater worker shareholding in the firms they work at and finalising the Companies Amendment Bill in Cabinet within 3 months, which deals with disclosure of wage differentials.

Mandy Mtilwa, Kim Williams and Mbatha Maphela are workers at Pepsico who are now shareholders in the company, with thousands of other workers in the same company, following the agreement reached with the dtic in merger proceedings.

This past year alone, more than 100 000 workers became shareholders in the companies they work for, receiving dividends from the company; and with shareholding worth more than R20 billion at no cost to them.

For this year we set a target of 20 000 more workers to be covered by worker ownership schemes, together with:

- Targeting R7,5 billion in incentive support for programmes in labour-absorbing sectors; and
- Hosting a Worker Ownership Conference and promoting worker directors on the Boards of companies.
- We will address spatial inequity through approving R15bn in industrial incentives outside the 5 main metros and:
- publishing our intention to establish an SEZ in Namaqua in the N Cape, which will open beneficiation opportunities in an area with large deposits of zinc and which is in the proximity of the new green hydrogen hub of Boegoebaai; and
- undertaking outreach visits to each district and metro in SA, taking the dtic and partner departments' facilities to communities, including funding facilities, registering a company, tax registration and small business support.
- Every senior dtic-official will be allocated a district to champion, so that the work of the Department more strongly reflects the needs of communities and businesses.
- We will promote black industrialists through enabling R40 billion in annual industrial output and 23 000 total jobs to be sustained by black industrialists.

We will also

- Host the next Black Industrialist Conference by February 2024; and
- target R8 billion in support-programmes for SMMEs, and firms owned by black South Africans, women and youth and

- mobilise support through new agreements with the private sector that secures funding for economic inclusion.

I am happy to announce that an hour ago, the CEO of Citi Bank confirmed that they will make a grant of R200 million available for black industrialists in the Vaal area as part of their equity equivalent investment programme.

We are repositioning the BEE strategy to focus on enabling higher contribution by black industrialists to growth and job creation: black industrialist firms are already involved in space technology, food, engineering, car components, poultry and sugar production, clothing, skincare, pharmaceuticals and other sectors.

We will promote a more open economy, by addressing the challenges of competition, high concentration levels and the effects of market dominance and we will do so by:

  - Releasing the results of market inquiry on online services shortly;
  - Conducting new market inquiries into fresh food produce, media and the steel industry; and
  - Gazetting of block exemptions for small businesses from certain terms of the Competition Act from 1 August 2023.

Today, we published new Competition Tribunal Rules for Market inquiries

> We will promote and protect consumers and address excessive pricing through actions by the competition, trade and consumer regulators, combining their resources where it is necessary to do so. Conditions will be put to trade measures to address pricing challenges. Competition and consumer regulators will pursue cases against firms who charge excessive prices.

I have spoken of the actions in the economy, of cars and food and pharmaceuticals. But the dtic work is also about building the South African narrative, of telling our wider story, contemporary and historical. One film-series supported by **the dtic**, *Shaka Ilembe*, is due to be released shortly, it sets out the story of an extraordinary man and an early nation-builder.

That spirit is what should inspire us now – with heads down, we can settle through the storm and emerge stronger, yet more resilient, and with a sustainable and sturdy economy.

In conclusion, Chairperson, despite all the obstacles in our path, and the global headwinds that we face, we are making solid, steady progress.

We are building a stable platform for our national revival in which the economy will both grow *and* transform.

Given the tough context, I am especially proud of the efforts of our officials in partnership with businesses and workers, and the deputy ministers and I commend this budget vote to the House.

I thank you.

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