



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NO. 236

Mrs K N F Hlonyana (EFF) to ask the Minister of Trade, Industry and Competition:

Whether, based on the recent past experience, he has found that the manufacturing sector in the Republic would benefit from an industrial policy that linked small business development with industrial development and competition; if not, what is the position in this regard; if so, what steps has he taken to achieve this? NO904E

REPLY:

The integration of small business development and competition policy within a wider industrial policy framework is currently government policy.

The Competition Commission's landmark 2021 report '*Measuring Concentration and Participation in the South African Economy*', found that South Africa's "economic conditions and structure are hostile to SMMEs and therefore undermine inclusion and the job creation potential of the economy", while deepening the extremely high degree of concentration in the economy.

The study found that over 40% of South African economic sectors are highly concentrated with a presumptively dominant firm. These sectors include healthcare, communications and steel. Another 30% are highly concentrated without a dominant firm; amongst them are transport and financial services. Under 10% of sectors are classified as truly competitive.

These findings confirm the policy presumption that informed significant and far-reaching changes to the Competition Act, which has been enacted in 2019 and implemented during the course of the Sixth Administration.

In addition, Government is guiding the structural transformation of the manufacturing sector towards producing higher value-added products and shift SA's over-reliance on the export of primary minerals and low value-added processed minerals. This will catalyse economic growth, create jobs and substantially alter SA's export basket towards products that are less vulnerable to price and demand volatility.

Expanded aspects of the Re-imagined Industrial Strategy announced in 2019 were issued in 2021, through three policy statements, on

- "Localisation for Jobs and Industrial Growth";
- "A Trade Policy for Industrial Development and Employment Growth" ; and
- "Competition Policy for Jobs and Industrial Development".

These documents set out the core priorities and instruments for industrial policy in the sixth administration focusing on three main outcomes (1) industrialisation to promote jobs and rising incomes; (2) transformation to build an inclusive economy; and (3) a capable state to ensure improved impact of public policies. It brought a new approach to industry-level coordination, implemented through a set of initiatives such as:

- Masterplans developed and implemented from 2019. Seven masterplans (Retail-Clothing, Textiles, Footwear and Leather (R-CTFL); Sugar and Poultry; Automotive; Steel and Metal Fabrication; Global Business Services (GBS), and Furniture) are at different stages of implementation. The reimagined industrial strategy focused more clearly on strategic value chains, by promoting domestic production of goods (localisation) and building resilient supply chains for both domestic and export markets. Progress has been made with the opening of new factories producing for example anaesthetics and vaccines, clothing, mainline rail lines, glassware, paper pulp and other products.
- It focused on a new model of growth and inclusion, and revamped focus on black industrialists. **the dtic** focused on expanding the number of new firms owned and run by black South Africans with greater funding to increase the industrial output

and jobs created by black industrialists with the aim to overcome the deep divides left by apartheid.

- Intensified efforts towards the promotion of the legal modalities required to increase trade within Africa, through the Africa Continental Free Trade Area (AfCFTA). The launch of the AfCFTA, was both a landmark for South Africa's trade policy, and a statement of intent on the growth path that will sustain South Africa's economic expansion and development in the coming decade. On 31 January 2024, South Africa joined the expanded AfCFTA Guided Trade Initiative (GTI), which gives countries an opportunity to test commercially possible trade under AfCFTA.
- The reimagined strategy also included the strategic reforms to the Competition Act introduced from 2019, providing the Competition Commission with more powers to tackle economic concentration and promote transformation. For example public interest clauses in Mergers & Acquisitions include support for the entry and growth of new firms wherever practical for greater participation, as well as mandatory divestiture of subsidiary firms to new market entrants.
- **the dtic** has made substantial progress in defining a pathway to take advantage of the global economic revolution with the launch of two landmark strategies: the New Energy Vehicles White Paper and the Green Hydrogen Commercialisation Strategy. These strategies build on green shoots of progress already visible, including the start of hybrid vehicle production in South Africa.

Collectively these interventions have improved the international competitiveness of the SA economy; created new opportunities for black, women and youth-owned enterprises; and created space for SMME participation in both the domestic and export markets.

An Industrial Policy Report on work done during the past 5 years is due to be issued shortly and will be placed on the dtic's website for wider public dissemination.

-END-