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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 2192

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Mr M J Cuthbert (DA) to ask the Minister of Trade, Industry and Competition:

- (1) To what extent will the intended localisation policies affect (a) goods and services to be traded under the African Continental Free Trade Agreement (AfCFTA), both directly and indirectly, (b) domestic, regional, and continental supply chains, (c) non-localised demarcated sectors and (d) trade relations with other member states of the AfCFTA, including possible retaliatory measures imposed by them against South African industries;
- (2) whether a holistic socioeconomic impact assessment will be carried out to determine the cumulative effects of the proposed localisation policies on the economy; if not, why not; if so, what are the relevant details;
- (3) what measure of coordination has there been with The Presidency to ensure that there is consensus on the desirability of the proposed localisation policies, considering the fact that the President, Mr M C Ramaphosa, has welcomed the AfCTFA?

REPLY

The SA Government's industrialisation and localisation policies aim to build and upgrade domestic production to supply domestic and foreign markets, support wider economic development and promote employment growth. As we build domestic production capabilities, we expect to see greater levels of value added exports to the rest of the world, including to other African markets as the African

Continental Free Trade Area (AfCFTA) Agreement is operationalised and the tariff reductions specified under its terms are progressively implemented.

While Government, business and labour have together in Nedlac identified sectors that hold great potential for upgrading, all firms in SA continue to have access to the policy tools, incentives and programs offered by Government for upgrading and development. As indicated in a reply to a previous parliamentary question, localisation policies are entirely consistent with SA's international trade obligations and building industrial capacity is the very purpose of the AfCFTA. Indeed, other African countries see the AfCFTA as an incentive to their programmes to build agricultural and industrial productive capacity for export under the AfCFTA.

SA is already integrated into global supply chains and our industrial policy, of which localisation is integral, seeks to ensure we move up the value chain to retain a greater share of the value created by participation in those supply chains. An important objective of the AfCFTA is to encourage the development of more value chains amongst African economies. Rules of origin are powerful instruments in this regard as they determine the level of African value in traded goods – both inputs and finished products – that must be met to benefit from the AfCFTA tariff preferences. In this way, the rules of origin incentivise both greater African production and the development of African value chains that underpin growth in intra-African trade.

There is ongoing monitoring of the impact of various localisation measures being implemented. In my address to Parliament during the Trade and Industry Budget Vote in May this year, details of the impact was shared with honourable members. As the localisation policies have been agreed with other social partners, both the business and labour constituency will be evaluating the impact of, and reporting on successes with localisation policies.

President Ramaphosa, as the previous Chair of the African Union (AU), oversaw important work leading to the establishment of the AfCFTA that is integral to the

wider structural transformation agenda adopted by all AU Members in 2015 under “Agenda 2065: The Africa We Want”. This agenda is premised on an integrated work program built on market integration through the AfCFTA, building cross border infrastructure across Africa and through cooperation on African industrialisation.

Cooperative work on industrialisation is overseen by the AU Specialised Committee of Ministers of Trade, Industry and Mineral Resources. At its recent meeting, the Committee advanced work across a wide range of areas including: commodity beneficiation; developing an African fashion industry value chain; developing common product standards; strengthening trade facilitation, infrastructure and future work to map and develop existing continental and regional value chains.

On 15 October 2020, President Ramaphosa tabled before a joint-sitting of Parliament, an Economic Reconstruction and Recovery Plan (ERRP), aimed at stimulating equitable and inclusive growth in South Africa in the wake of the COVID-19 pandemic. The ERRP was the culmination of work with social partners at Nedlac over a number of months. It reflects a consensus amongst the social partners that there should be substantial structural change in the economy that would unlock growth and allow for development. The plan has identified nine key policy interventions, one of which is localisation. It also supported the expansion of markets for SA manufactured products through the AfCFTA.

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