



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 3929

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Mr M Tshwaku (EFF) to ask the Minister of Trade, Industry and Competition:

- 1) Whether he has found that the Republic, through its industrial policy, is going backwards and de-industrialising; if not, what is the position in this regard; if so, what are the relevant details;
- 2) by what date will the Republic stop exporting raw materials and start with the beneficiation of minerals especially chrome and platinum to create jobs;
- 3) whether he has found that industrialisation that is led by the State, in a similar fashion as in Vietnam and China, is the best way to practice industrialisation; if not, why not; if so, what are the relevant details?

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REPLY

During the Uruguay Round of multilateral trade talks that commenced in 1986, the National Party government of the time bound South Africa to substantial trade liberalization commitments that were incorporated in the terms of South Africa's accession to the World Trade Organisation in 1994. Details of the background hereto was provided in a presentation made by the Ministry to the Portfolio Committee on Trade and Industry on 15 November 2022. The rapid liberalization without supportive industrial policies to address the lack of competitiveness of major parts of the pre-1994 industrial base, led to a sharp decline in the proportion of GDP made up by manufacturing output, in other words, a de-industrialisation of the economy.

In 2019 at the start of the current Administration, the President outlined the basic elements of a 're-imagined industrial strategy' that placed deeper local industrialisation

at the core of public policy. Though interrupted by the global economic disruptions caused by the Covid-19 pandemic, key elements of this reindustrialization strategy are being implemented. These include the following:

1. the focus on sector-level industrial plans agreed with business and labour, through a number of Master Plans agreed for a number of sectors, complemented by efforts during Covid-19 to build the medical industrial sector
2. the Economic Reconstruction and Recovery plan and the Accord on Localisation agreed with social partners at Nedlac, covering 42 product categories and a number of value-chains
3. protection of local industry through appropriate tariff increases on industrial and agricultural products; or where warranted, decreases in duties applicable through rebates of duty;
4. industrial support measures to address structural inefficiencies and assist with structural transformation of sectors
5. the focus on trade with the rest of the African continent, including through trade agreements such as the African Continental Free Trade Agreement (the AfCFTA); and
6. the identification of and support to beneficiation and green industrial projects.

The Portfolio Committee on Trade and Industry has been provided with periodic reports on progress made in these areas, including most recently with the detailed half-year report on the 2022/23 Annual Performance Plan, provided to the Committee on 1 November 2022. The Honourable Member is invited to consider the details provided therein.

Reports on mineral beneficiation have been provided in the quarterly updates by the Department to the Portfolio Committee. Our natural endowment of primary minerals and its beneficiation is an opportunity to promote further industrialisation. At the start of this year **the dtic** along with the IDC and the DMRE institutionalised the Inter-Agency Working Group on Minerals Beneficiation to align priorities and improve the impact. The Working Group focus currently is on Minerals that go into our renewable energy distribution and generation transition, including battery energy storage, and jewellery minerals.

With regards to Platinum Group Metals (PGMs), a PGMs roadmap is being worked on with Mintek with the departments responsible for mineral resources and energy (DMRE) and science and innovation (DSI) that includes projects focused on the hydrogen economy, batteries, new medical equipment and products, and catalysts.

The chrome beneficiation value-chain already focuses on stainless steel products manufacturing and smelting within the Republic. Impediments to our mineral endowment beneficiation strategies include inadequate freight rail infrastructure and the availability and price of energy.

South Africa is learning from experiences of industrialisation by a number of countries, including fast-growing Asian economies such as China, though conditions in each country are different. For example, China is able to leverage off its massive domestic market of 1,5 billion consumers and its early phase of industrialisation was based inter alia on lower input costs than what applies in South Africa. To address scale, South Africa is working with neighbouring countries to finalise a free-trade agreement covering countries on the African continent to create a larger market for local producers. To address input costs, the focus will be on improved industrial dynamism and multi-factor productivity.

Our industrialisation efforts are focused on strategic industries, defined by their capacity to be labour absorbing or providers of critical public goods or significant earners of foreign exchange. Many of the world's largest economies including the United States, China, India and countries in the European Union continue to actively protect and promote their domestic firms through a range of policy measures in order to retain and change the structure of their respective economies.

Government's industrialisation initiatives such as encouraging localisation of production; social compacts in the form of Master Plans; strong industrial supply chains to underpin our response to COVID-19 and create an African medical productive hub; or our work on the Africa Continental Free Trade Area (AfCFTA), have all sought to provide local industry with the space and opportunity to acquire the know-how and capabilities to develop dynamic firms, grow the economy, create jobs for the citizens of the South Africa.

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