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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 1252

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Inkosi R N Cebekhulu (IFP) to ask the Minister of Trade, Industry and Competition:

Given that global supply chains are constrained as a result of the COVID-19 pandemic, how does the Government intend to (a) ensure that local production benefits from the opportunities of such constraints and (b) protect local production in a post-pandemic era? [NW1443E]

REPLY

The reliance on imports is a challenge to the South African economy in that it makes our business and consumers vulnerable to supply shocks in other parts of the world, amply demonstrated in the Covid-19 pandemic. The reliance on imports also means longer lead times to get the necessary goods; and it results in South African businesses being price-takers in international markets. It undermines our strategic autonomy, and it means that we create fewer jobs at home. A focus on localisation is therefore at the heart of Government's strategy to create sustainable jobs for South Africa and build the economic base for long-lasting prosperity.

In the last year, South African manufacturers have increased capacity for Covid-19 essentials, showing what can be done locally. Manufacturing is a driver of innovation, of research and development; and in times like the Covid-19 crisis, countries with industrial capacity have relied on their industries to produce food, personal protective equipment and medical supplies.

Aside from the state-procurement measures to boost local industries, a number of partnerships with the private sector has contributed positively to increased South African production and output.

These include:

- agreements with a number of companies based on a strong investment case in domestic and continental markets (for example, the decision of a number of food businesses to expand their output);
- provision of industrial finance (through the portfolio of the IDC);
- competition settlements with large companies (in retail, food and beverages, financial services and petroleum, among others);
- supplier development funds and measures (including those fostered through the equity-equivalent arrangements in the BB-BEE Codes);
- sector Master Plans (auto components, poultry and sugar);
- Covid-19 special measures to boost local production of medical necessities (masks, surgical gowns, ventilators, hand sanitisers and vaccines);
- investment allowances (edible oil; electronic products); and
- tariff and trade measures support (steel mini-mills, foundries, textiles).

In a number of cases, supplier-development funds supported businesses to upgrade machinery, skills or marketing. The use of industrial engineers has helped a number of firms to bring down their production costs and address production inefficiencies. Building a commercially-viable business case is the important starting point.

While a number of localisation initiatives were not initially able to compete only on price, as scale and know-how improved, the price-premium declined and products became more competitive. Some of the products that benefited from these partnerships have been successfully exported and included in the global supply-chains. Many local firms were also able to compete on flexibility of supply-chains and quick turnaround times by local producers, reducing the need for large inventory and enabling a faster response to changes in consumer tastes. These are strengths to build on.

Trade policies to support local jobs will where appropriate, be used in conjunction with the other measures identified.

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