the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 1531

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

(a) What are the challenges to reindustrialisation in the Republic and (b) how does the Government intend to overcome the specified challenges in the long term? [NW1734E]

REPLY

A successful and sustainable industrialisation effort requires more than only policy intent and national will. There are real constraints that have held back local industrialisation in the past; and unless these are addressed, the full success of localisation efforts will not be realised.

These include cost structures (including energy and logistics), availability of critical infrastructure (spectrum and energy-availability) and skills constraints.

As part of the Economic Reconstruction and Recovery Plan, a well-focused localisation programme can help to galvanise the necessary economic reforms, including those directed at energy, spectrum, transport and logistics, environmental as well as skills challenges. Already we are seeing investment in logistics and energy infrastructure to support the expansion of manufacturing in parts of the country. Stepped-up efforts to expand domestic industrial capacity must provide the impetus for these reforms.

To illustrate this new approach, I will single out a few specific opportunities

Industrialisation can be supported with greater beneficiation of mineral resources. South Africa’s mineral reserves are valued at US$2.5 trillion, with the Bushveld Complex holding the world’s most valuable minerals. Gold’s share of mining output has declined from 67% in 1980 to 14% by 2018. In addition to diamonds and gold, the country also contains sizeable reserves of iron ore, platinum, manganese, chromium, copper, uranium, silver, beryllium, zinc, vanadium and titanium. The mining sector has become more diversified over time. While SA has significant reserves, historically the country has exported raw minerals, and imported consumer and capital goods. Beneficiation creates opportunities for development of new value chains, leveraging the mineral wealth of the country for the creation of jobs and investment. Particular success has been seen in the development of fuel cell and catalytic converter production capacity which uses platinum group metals, as well as the development of energy storage solutions using vanadium and nickel sulphate; and steel. To deepen levels of beneficiation, a number of constraints will need to be addressed, including the price and availability of electricity. Successes are being registered with new investments in businesses that use local raw materials and add significant value to these.

There are also industrialisation opportunities in new industries and the green economy.

The development of new industries, particular in the energy sector provides a significant opportunity for South Africa. A just transition to a low-carbon, climate-resilient, green economy forms an integral part of SA’s global commitments, its Integrated Resource Plan 2019 and the Economic Reconstruction and Recovery Plan. South Africa has to some extent used its renewable energy investment programme to development local capacity to create the components which go into wind and solar 6 projects.

Currently there are significant domestic and foreign investment in solar and wind plants with a planned 21 000 MW of additional energy expected to come on stream in the next 10 years. This provides the opportunity for the development or expansion of component manufacturing.

South Africa is also well positioned to be a global player in the burgeoning green hydrogen economy, given our endowment of platinum group metals and increasing renewable energy capacity.

Discussions have also started with the automotive sector to position South Africa for the shift in the industry from the internal combustion engine to battery electric-powered vehicles, and to develop the components which can support growth in the industry for products destined for both local and international markets. The new global pressures around climate change will mean a greater focus on localising the sites of production, to avoid the enormous cost of carbon emissions which come from transporting goods across the world. An estimated 7% of all carbon emissions comes from global freight trade. Localised value chains can further help to reduce the carbon footprint of global trade.

The Trade and Industry Budget Vote speech, delivered in parliament on 18 May 2021, outlines the efforts of the dtic to drive greater levels of reindustrialisation and transformation in the South Africa. A copy of the Budget Vote address is available on the dtic website at:
http://www.thedtic.gov.za/budget-vote-2021-ebrahim-patel-minister-of-trade-industry-and-competition-18-may-2021-parliament-cape-town/.

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